



STATE OF DELAWARE
SPORTS AND VIDEO LOTTERY COMMISSION
LEGISLATIVE HALL
DOVER, DELAWARE 19901

21 January 2010

To Whom It May Concern:

In compliance with a Request for Proposal made by this Commission, attached is the completed study on Additional Video Lottery Venues provide by TMG Consulting.

After much discussion regarding this study, a resolution was voted on with 5 (yes) to 4 (no) vote; see below.

“Resolved, the Commission determines to release the TMG report to the General Assembly and the public as required by 29 Delaware Code, subsection 4826 (b). The Commission further concludes that it opposes the de facto finding in the report that would recommend two additional video lottery facilities, due to potential damage to the horse racing industry and destabilization of the three current video lottery facilities.”

Should you have additional questions regarding this commission or study, please contact of the Office of the Secretary, Department of Finance at 302.577.8984.

Thank you for your attention on this matter.

Regards,

Dennis Rochford

Dennis Rochford,
Chair

:dlh
attachment

**Additional Video Lottery
Venues Study:**
State of Delaware Video and
Sports Lottery Study
Commission

January, 2010

One Canal Place
365 Canal Street, Suite 1170
New Orleans, Louisiana 70130

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EXECUTIVE SUMMARY

In November 2009, TMG Consulting was contracted by the State of Delaware Department of Finance to perform a study on the potential impacts of additional video lottery venues (VLT) within the state. For the study, we considered four separate development and competitive scenarios: *Status Quo*, *Baseline*, *Projection With a Horse or Harness Meet*, and *Projection Without a Horse or Harness Meet*. The *Status Quo* scenario was created as a calibration for our forecasting models, and re-created the current state of affairs in Delaware (2009). The *Baseline* scenario begins in 2013, and assumes that the proposed new facilities in Pennsylvania, Maryland, and New York will have begun gaming operations, and that table games will be present at facilities in Pennsylvania. The *Projection* scenarios include the increased competition in the *Baseline* scenario, and forecast the case wherein additional new gaming licenses are granted in Delaware. For this *Projection* case, we considered two new gaming facility locations in two separate scenarios: one in which the facilities offer horse or harness meets; and one in which the facilities offer VLT gaming only. For each scenario, TMG has projected the potential gaming revenues, gaming taxes collected, horse racing revenues, pari-mutuel taxes collected, employment, and employment taxes collected.

In addition to making financial forecasts, this study includes quantitative and qualitative analyses of various social and secondary impacts of video lottery terminal gaming, including the potential impact on property values, and cannibalization of existing leisure industry business.

MARKET RESEARCH

Gaming

In November and December 2009 and on behalf of the State of Delaware, the Department of Finance, and the Video Lottery Commission, TMG Consulting and a professional survey firm conducted a survey of 500 active Delaware gamers.

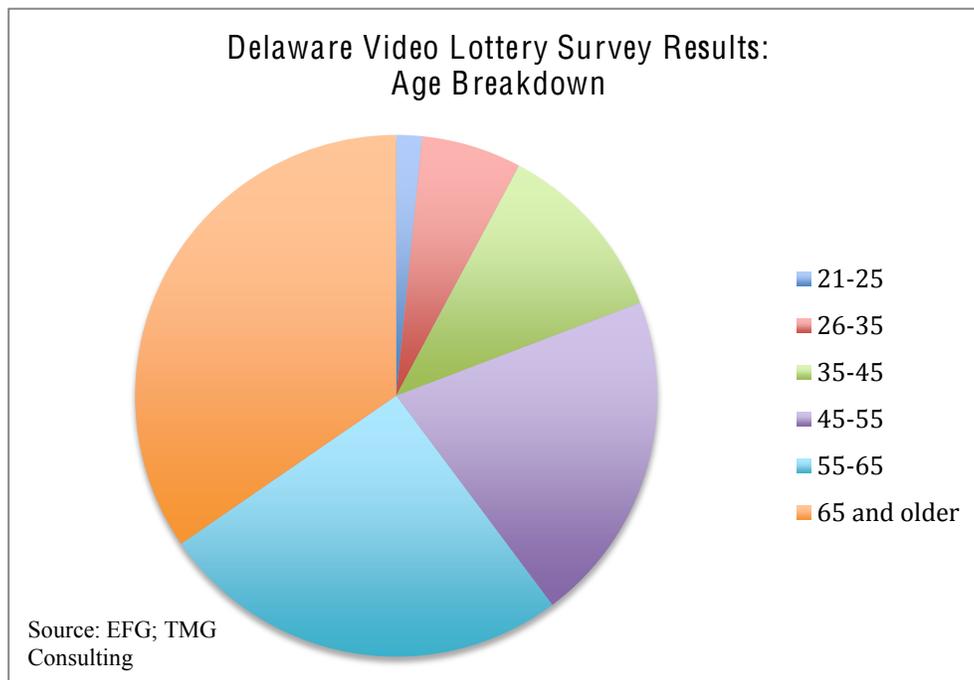
Demographics

Of those active Delaware gamers surveyed (defined as having visited a Delaware VLT gaming facility in the last 12 months), the majority were over the age of 45. The following tables and pie chart display these and other demographic statistics.

**Delaware Video Lottery Survey
 Results:
 Age Breakdown**

Age Cohort	%
21-25	1.6%
26-36	6.2%
35-45	11.4%
45-55	20.6%
55-65	25.6%
65+	34.6%

Source: EFG; TMG Consulting



**Delaware Video Lottery Survey
 Results: Ethnicity**

	%
Hispanic	1%
Black	10%
Asian	1%
White	83%
Other	5%

Source: EFG; TMG Consulting

Gaming Behavior

The survey results show that 21.8% of all gaming age adults in the greater Delaware market are regular visitors to the Delaware gaming facilities, and that 38.5% of all adults in this market are active gamers (visiting any casino property in the last 12 months).

Delaware Video Lottery Survey Results: Propensity to Play

	#	%
Survey Participants	2,353	
Casino or VLT Gamers	907	38.5%
DE Facility Gamers	514	21.8%
Complete Surveys	500	

Source: EFG; TMG Consulting

Gamers in Delaware are typically frequent and loyal gamers, with 31% playing at least once per month. As some gamers visit very frequently, on average, Delaware gamers play 14.27 times per year.

Delaware Video Lottery Survey Results: Frequency of Play

Frequency	%
More than once per week	5%
Once per week	7%
Two times per month	10%
Once per month	9%
Once every other month	11%
Just a couple of times per year	39%
Once	18%
Average Visits/Year	14.27

Source: EFG; TMG Consulting

Video Lottery Terminal gamers typically spend less per casino visit than those visiting full-scale casinos. However, due to relatively high incomes and the loyalty that Delaware's gamers exhibit toward the state's facilities, the reported average budget per visit is a healthy \$87.

Delaware Video Lottery Survey Results: Gaming Budget per Visit

Budget	%
\$200 or more	19%
\$150	7%
\$100	20%
\$50	19%
\$25	35%
Average Budget/Visit	\$ 86.95

Source: EFG: TMG Consulting

Delaware’s VLT gamers are largely impacted by facility location, as demonstrated in their responses to the following question: How far from where you live is your favorite local casino or racetrack casino? Over 55% responded that their favorite casino is within a half-hour drive from their home, with 80% responding that their favorite is within an hour’s drive.

While Delaware’s gamers are very local, they do show willingness to drive further distances if an attractive enough alternative were posed. Fifty-five percent (55%) of those surveyed would be willing to drive 45 minutes or more to a casino for just a weekday visit, and forty-five percent (45%) would be willing to drive one hour or more. When considering overnight gaming trips, this number increases to seventy-five percent (75%). Such figures are indicative of a market where gamers are very mobile and will consider factors other than just distance in their choice of gaming facility to visit. Additionally, this shows the potential for development of ancillary amenities at gaming facilities, such as a hotel, to draw overnight visits.

Gamer Satisfaction

Delaware’s VLT gamers responded that they are largely content with the state’s current offerings, with 72% either satisfied or very satisfied. Only 9% responded that they were not satisfied with the current facilities.

As Pennsylvania is one of Delaware’s largest competitors for gaming visits and dollars, TMG then asked respondents about their satisfaction with the offerings in that state. Interestingly, only 39% responded that they were satisfied or very satisfied with Pennsylvania’s casino and racetrack facilities, while an equal percentage (39%) stated that they were not satisfied.

Competitive Pressures

As the State of Maryland has granted gaming licenses for multiple operators within its borders, the potential impact on Delaware’s operations could be significant. For this reason, TMG posed the question: New casinos will be opening soon in Maryland. How likely are you to visit these facilities? A full 42% of Delaware’s gamers surveyed responded that they are at least likely to visit Maryland’s gaming facilities, as show in the following pie chart.

Horse Racing

At the project outset, TMG Consulting surveyed a number of data sources, publications, and industry leaders to evaluate the major issues and trends in the industry. The horse racing industry has seen much internal movement to reverse or simply slow the decline in total facility handle that many horse tracks nationwide are experiencing. We have also seen that suggestions to improve revenues have centered on two major areas – increasing marketing and promotion, and offering more attractions at the racetrack.

Below are a few relevant highlights of our findings on the horse racing industry.

- Racinos from New York, Pennsylvania, West Virginia and Delaware were among the top ten racinos in the United States in terms of gross gaming revenues in 2008.
- Total annual gross purses in Delaware averaged about \$650,000 before VLTs were introduced to the state, and in recent years Delaware’s gross purses exceed \$35 million annually.
- Purses are not only an economic indicator of the health of a region’s horse racing industry, but also the driver of the industry. Traditionally, handles funded purses which, in turn, determined the quality of the races. The quality of the races determined the amount of bettors and handles placed.
- With regard to inflation, handles have not grown at a pace that supports the profitability of the horse racing industry over the past three decades. The Maryland Department of Labor attributes legalized gambling and the horse racing industry’s failure to adapt to a changing environment to declines in the amount of handle.
- The overall effects slot machines can have on a state’s racing industry (e.g., increasing purse size, facility improvements, increased breeding, etc.) take time to develop and thus are not realized immediately after the introduction of slots gaming.
- As long as slot gaming revenues subsidize the horse racing industry, slots do not have to be located exclusively on racetracks for a state’s horse racing industry to benefit from these additional revenues.
- States with racino properties usually experience a dramatic growth in purses paid after introducing slots and then experience a leveling off period in which purses paid remain higher than they were before slots but not as high as the growth spike. This leveling off of purses paid is attributable to added gaming competition in nearby states which capture portions of a state’s historical market.
- The addition of slot machines to Pennsylvania seems to be impacting the state’s horse racing industry in two different ways.
 - The additional revenues and track visits slots had a positive impact on purses, race days, and live race days.
 - Live handle has increased modestly from 2006 to 2008, while total facility handle for the tracks in Pennsylvania has decreased significantly over the same period.

VIDEO LOTTERY ASSESSMENT

In assessing the potential for VLT facility operations in the future, TMG Consulting reviewed the existing and future competitive landscape. The following map details the existing and proposed gaming facilities in the immediate region.

Delaware Locally Competitive Market Map



**State of Delaware
 Gaming Competition Map**



Data Source: Pitney Bowes MapInfo Site Coordinates Longitude/X: -75.630684 Latitude/Y: 39.289056

●	Potential/Proposed Casino
●	Existing DE racetrack casino
●	Existing facilities

Prepared by TMG Consulting

VLT Gaming Revenues

In 2009, the three VLT gaming facilities in Delaware earned nearly \$566 million in gaming revenues.

Delaware Gaming Revenue Estimates: 2009 Status Quo

Facility	2009 Status Quo Estimated Gaming Revenues*
Delaware Park Racetrack, Slots And Golf	\$235,230,841
Dover Downs Hotel & Casino	\$208,354,191
Harrington Raceway And Casino	\$122,205,055
STATE TOTAL	\$565,790,087

Source: TMG Consulting

* 2009 revenues were estimated with State revenue reports through October 2009, with TMG projections for November and December

While TMG Consulting was not contracted to perform an analysis on the potential recovery of the gaming market from the current recession, a rough estimate of future revenues in this Status Quo competitive scenario was made for use in the *Socioeconomic Impact Analysis* detailed in later sections of this report. For those modeling purposes, we have assumed a further 5% decline in gaming revenues in 2010, with slow gains thereafter.

In projecting the potential revenues for the Delaware gaming market, TMG evaluated three separate development scenarios: *Baseline*, *Projection With* horse or harness meets; and *Projection Without* horse or harness meets. The *Baseline* revenue estimate forecasts the potential for Delaware's existing operators once new competition comes on line in neighboring states. The *Projection* revenue estimates forecast the potential for both Delaware's existing operators as well as two potential new operators once new competition comes on line in neighboring states. The VLT gaming revenue estimates are the same for both *Projection* scenarios.

The following table details TMG Consulting's projections for VLT gaming revenues in the *Baseline* scenario.

Delaware Gaming Revenue Estimates: 2013 Baseline

Facility	2013 Baseline Gaming Revenues
Delaware Park Racetrack, Slots And Golf	\$182,640,687
Dover Downs Hotel & Casino	\$191,079,776
Harrington Raceway And Casino	\$107,804,576
STATE TOTAL	\$481,525,038

Source: TMG Consulting

The addition of new gaming facilities and positions to the marketplace is expected to have a significant negative impact on existing operators in Delaware. On a statewide basis, the new out of state competition is expected to result in a decline in gaming revenues of 15%, with the most

severe impacts felt by Delaware Park (-22.4%). Dover Downs' revenues are expected to decline by 8.3%, while Harrington Raceway could see an 11.8% decline in gaming revenues. It should be noted that the Status Quo revenues are in 2009 dollars, and the Baseline revenues are shown in 2013 dollars; therefore the real-world impact of the new competition is expected to be even greater.

In the *Projection* scenario, TMG Consulting assumed no change to the out-of-state competitive landscape beyond what has been termed the *Baseline* scenario. The *Projection* scenario takes the *Baseline* estimates and adds in new potential gaming facilities in the state of Delaware.

After examining the effects of competition across the Mid-Atlantic region and the expected impacts of new competition on the existing Delaware facilities, TMG Consulting modeled the potential for two additional gaming facilities in Delaware. The locations for these new facilities were established with two goals in mind: 1) maximize the potential market capture and revenue generation for the new facilities and 2) limit the impacts on existing operators. In the models, TMG Consulting utilized a regional method and did not consider the exact locations of the various rumored and proposed facilities such as Del Pointe, Georgetown, and Claymount. The two *Projection* scenario facilities are termed "Southwest" and "Northeast." For each of these potential facilities, TMG Consulting has factored in an estimated 2,500 VLT devices and an additional 100 positions at electronic table games, for a total of 2,600 gaming positions.

The placement of the potential new gaming facilities in our analysis was done to maximize gaming revenues statewide, with one new facility in the southwest portion of the state, and one in the northeast portion of the state. The evaluation of revenue patterns, coupled with the locations of existing and expected out of state competition revealed that these locations would likely be optimally competitive and have the greatest revenue potential. Together, two such facilities should be capable of generating nearly \$332 million in gaming revenues annually.

The addition of new gaming facilities to the state of Delaware is projected to have a positive impact on the total gaming revenues earned in the state, but a severe negative impact on the existing gaming operators. Total gaming revenues in Delaware are expected to climb from \$481 million (2009 dollars) in the *Baseline* scenario to nearly \$754 million (2013 dollars) in the *Projection* scenario, an increase of 56.5%. However, the same store revenues are expected to decline by 12.4% to \$422 million. The table below details these estimates.

Delaware Gaming Revenue Estimates: 2013 Projection

Facility	2013 Projection Gaming Revenues
Delaware Park Racetrack, Slots And Golf	\$158,139,765
Dover Downs Hotel & Casino	\$175,402,863
Harrington Raceway And Casino	\$88,431,260
<i>SUBTOTAL - EXISTING OPERATORS</i>	<i>\$421,973,887</i>
DE Potential 1: Southwest	\$120,511,377
DE Potential 2: Northeast	\$211,291,310
STATE TOTAL	\$753,776,574

Source: TMG Consulting

While the total state gaming revenues are expected to increase (33% over Status Quo), the statewide average win per position would decrease significantly, from \$185 in 2009 to \$152 in 2013. Such a decline in the revenues per machine would likely prompt operators to reduce the number of gaming devices at their facilities (to reduce operating costs), and would therefore reduce the competitive pull of those facilities to some extent. While cuts in operating costs would be at the discretion of each facility’s management team, the decline in gaming revenues and win per position could result in job losses at those properties. The following table details the projected win per position for each of the Delaware gaming facilities in each of the model scenarios.

Delaware Win Per Position Estimates: Comparison of Win/Position

Facility	Projection Scenario (2013)		Baseline Scenario (2013)		Status Quo Scenario (2009)	
	Positions	Win/Position	Positions	Win/Position	Positions	Win/Position
Delaware Park Racetrack, Slots And Golf	3,148	\$137.61	3,148	\$158.93	3,148	\$204.70
Dover Downs Hotel & Casino	3,140	\$153.04	3,140	\$166.72	3,140	\$181.79
Harrington Raceway And Casino	2,105	\$115.07	2,105	\$140.28	2,105	\$159.02
DE Potential 1: Southwest	2,600	\$126.99				
DE Potential 2: Northeast	2,600	\$222.65				
STATE TOTAL/AVERAGE	13,594	\$151.92	8,394	\$157.17	8,394	\$184.67

Although the addition of two new gaming facilities would maximize gaming revenues to the State of Delaware, consideration of the impact of such development on existing operators must be given. In the Projection scenario, the average win per position for existing operators, most notably Harrington Raceway, declines significantly. These declines in win per position, while not indicating complete facility closures, would create a difficult operating environment for the existing operators. Further, at 2,600 positions, the average win per position for the DE Potential 1: Southwest facility could be too low to sustain operations at that level; an experienced operator may choose to install fewer than 2,600 machines so to raise this metric and maximize efficiencies.

Note Regarding Table Game Revenues

While the State of Delaware has legalized table games for its gaming facilities, implementation has not yet occurred. As TMG Consulting was not contracted to perform an analysis of the potential impacts of table games, no estimates of such revenue contributions are made in this study. However, and as seen in other markets across the United States, the addition of table games to slots-only or VLT-only gaming environments typically has a positive impact on gaming revenues. Such impacts range widely (10-30% increases in gross gaming revenues), and a thorough analysis is necessary to estimate the revenue potential for the State of Delaware in this case. Were such an assessment to be performed, the general recommendations within this report could likely remain unchanged, with 2 additional gaming facilities optimizing the potential revenues to the State. If the State of Delaware desires for such an analysis to be performed, an amendment to the contract with TMG Consulting will be necessary.

HORSERACING INDUSTRY IMPACT ASSESSMENT

The changes to the VLT gaming market's competitive landscape are expected to also impact the horse racing industry in Delaware. As the horse racing market in the entire Mid-Atlantic region has been on a decline, in even the Status Quo scenario, the statewide handle is expected to continue to follow this drop. When the expected decreases in VLT gaming's contribution to purses is added to the equation, the expected effect is a reduction in Delaware's share of handle in the region. Were new gaming to come on line, the total contribution to purses would increase; if no new racing facilities were built, then the increase to purses would increase the quality of races, attracting more racing fans, and therefore increasing Delaware's share of the market; if new racing facilities were built and number of races increased, the potential positive effects of new gaming revenues would not translate into a healthier racing industry (as shown in *Gross Racing Revenue*) in Delaware. The following sections detail these projections and estimates.

Status Quo Scenario

The table below summarizes TMG's *Status Quo* scenario projection for the horse racing industry in Delaware.

Horse Racing Impact: Status Quo Scenario

Year	Gross Purses Paid	Total Live Races	Average Purse Paid per Race	Total handle for State	Amount Returned to Bettors (80% of Handle)	Gross Racing Revenue (20% of Handle)	Avg. Revenue per Race
2009	\$76,914,963	4778	\$16,099	\$153,809,825	\$123,047,860	\$30,761,965	\$6,439
2010	\$73,069,215	4700	\$15,547	\$147,507,239	\$118,005,792	\$29,501,448	\$6,277
2011	\$75,261,291	4678	\$16,088	\$143,656,730	\$114,925,384	\$28,731,346	\$6,142
2012	\$76,032,719	4361	\$17,434	\$139,906,734	\$111,925,387	\$27,981,347	\$6,416
2013	\$76,812,055	4076	\$18,844	\$136,254,627	\$109,003,702	\$27,250,925	\$6,685

Source: TMG Consulting

Baseline Scenario

The table below summarizes TMG's *Baseline* scenario projection for the horse racing industry in Delaware.

Horse Racing Impact: Baseline Scenario

Year	Gross Purses Paid	Total Live Races	Average Purse Paid per Race	Total Handle for State	Amount Returned to Bettors (80% of Handle)	Gross Racing Revenue (20% of Handle)	Avg. Revenue per Race
2013	\$65,459,755	3950	\$16,571	\$113,889,799	\$91,111,839	\$22,777,960	\$5,766
2014	\$66,130,717	3942	\$16,778	\$103,656,495	\$82,925,196	\$20,731,299	\$5,260
2015	\$66,808,557	4063	\$16,445	\$93,879,843	\$75,103,874	\$18,775,969	\$4,622
2016	\$67,493,345	3702	\$18,231	\$84,542,974	\$67,634,379	\$16,908,595	\$4,567
2017	\$68,185,152	3406	\$20,017	\$75,629,592	\$60,503,674	\$15,125,918	\$4,440

Source: TMG Consulting

Projection Scenarios

The net effect of this scenario is that the average revenue per race is much lower than in the *Status Quo* scenario, but not quite as low as in the *Baseline* scenario. The excessive amount of races in this scenario translates to a failure of the state's racing industry to take advantage fully of higher gross purses, as evidenced in the purse per race forecast and how this projection compares to the other projection scenario. The table below summarizes TMG's *Projection With* horse or harness meets scenario projection for the horse racing industry in Delaware.

Horse Racing Impact: Projection With Horse or Harness Meets

Year	Gross Purses Paid	Total Live Races	Average Purse Paid per Race	Total Handle for State	Amount Returned to Bettors (80% of Handle)	Gross Racing Revenue (20% of Handle)	Avg. Revenue per Race
2013	\$102,470,331	4938	\$20,753	\$136,254,627	\$109,003,702	\$27,250,925	\$5,519
2014	\$103,520,651	5321	\$19,453	\$132,697,854	\$106,158,283	\$26,539,571	\$4,987
2015	\$104,581,738	5808	\$18,008	\$129,233,927	\$103,387,142	\$25,846,785	\$4,451
2016	\$105,653,701	6166	\$17,136	\$125,860,422	\$100,688,338	\$25,172,084	\$4,083
2017	\$106,736,651	6001	\$17,786	\$122,574,978	\$98,059,983	\$24,514,996	\$4,085

Source: TMG Consulting

The table below summarizes TMG's *Projection Without* horse or harness meets scenario projection for the horse racing industry in Delaware.

Horse Racing Impact: Projection Without Horse or Harness Meets

Year	Gross Purses Paid	Total Live Races	Average Purse Paid per Race	Total Handle for State	Amount Returned to Bettors (80% of Handle)	Gross Racing Revenue (20% of Handle)	Avg. Revenue per Race
2013	\$102,470,331	4280	\$23,943	\$150,170,520	\$120,136,416	\$30,034,104	\$7,018
2014	\$103,520,651	4231	\$24,465	\$159,803,123	\$127,842,499	\$31,960,625	\$7,553
2015	\$104,581,738	4388	\$23,832	\$168,830,502	\$135,064,402	\$33,766,100	\$7,695
2016	\$105,653,701	4595	\$22,993	\$177,277,690	\$141,822,152	\$35,455,538	\$7,716
2017	\$106,736,651	4376	\$24,391	\$185,168,826	\$148,135,061	\$37,033,765	\$8,463

Source: TMG Consulting

Summary of Scenarios

In the Status Quo scenario, Gross Purses are expected to total \$76.8 million in 2013. This figure drops to \$65.5 million in the Baseline, but jumps to \$102.5 million in the two projection scenarios. These figures are derived directly from VLT gaming revenues, and are impacted directly by the changes in competitive landscape in the region. More telling indicators of the health of the racing industry are handle, gross racing revenues, and revenue per race. In the Status Quo scenario, statewide handle is estimated at \$136.3 million, declining to \$113.9 million in the Baseline scenario, and then increasing to \$136.3 million and \$150.2 million in the Projection scenarios. Clearly, the *Projection* case where new gaming facilities are located at non-track locations (*Projection Without*) is the most advantageous for the racing industry in Delaware.

Summary of Delaware Horse Racing Industry Forecast: 2013

	Status Quo	Baseline	Projection With	Projection Without
Gross Purses Paid	\$76,812,055	\$65,459,755	\$102,470,331	\$102,470,331
Total Live Races	4,076	3,950	4,938	4,280
Average Purse Paid per Race	\$18,844	\$16,571	\$20,753	\$23,943
Total Handle for State	\$136,254,627	\$113,889,799	\$136,254,627	\$150,170,520
Amount Returned to Bettors (80% of Handle)	\$109,003,702	\$91,111,839	\$109,003,702	\$120,136,416
Gross Racing Revenue (20% of Handle)	\$27,250,925	\$22,777,960	\$27,250,925	\$30,034,104
Avg. Revenue per Race	\$6,685	\$5,766	\$5,519	\$7,018

Source: TMG Consulting

Note Regarding Mixed Development Scenario

While it was not included in the State of Delaware's RFP and therefore not assessed in our study, the potential for one new gaming facility to be located at a racetrack, and one at a stand-alone property has subsequently been raised as a possibility. TMG Consulting asserts that if Delaware were to grant two additional VLT licenses, one for a racetrack casino and one for a standalone

facility, the expected racing-related outcome for this would be somewhere between TMG's *Projection With* and *Projection Without* scenarios; in this scenario, VLT gaming revenues would not be expected to change from the *Projection* case.

SOCIOECONOMIC IMPACT ASSESSMENT

Impact on Property Values

TMG Consulting's research into the impacts of VLT and racetrack operations on property values revealed that the presence of slot machines alone does not have a significant impact on home value compared to an area with no gaming. Further, a county with a racino is more likely to exhibit increases in property values over time.

Potential for Cannibalization

TMG Consulting's evaluation of the potential for gaming facilities to cannibalize existing leisure business reveals that significant negative effects are not felt from the introduction of casino or racetrack casino facilities. The tax revenue, job creation, increased tourism, and overall stimulus that is directly and indirectly attributed to gaming operations is an undeniable asset that leaves any community in its wake the resources to triumph over any potential negative implication.

Employment

TMG modeled the employment impact of the potential development scenarios. Jobs decrease significantly in the *Baseline* scenario due to the decrease in gaming revenues. Given the expected loss in market share in the *Baseline* scenario, Delaware can expect a decrease in total (direct and indirect) jobs of 2,250 in 2013, the year that all known developments in planning are expected to be open, compared to the *Status Quo* for a total of 7,319 total jobs.

Status Quo: Delaware Direct and Indirect
Full Time Equivalent Gaming Employment 2013-2017

Department	2013	2014	2015	2016	2017
Gaming	5,173	5,302	5,434	5,570	5,710
Food and Beverage	1,861	1,908	1,956	2,004	2,055
Retail	10.2	10.5	10.7	11.0	11.3
Entertainment	42	44	45	46	47
Government	2,482	2,544	2,608	2,673	2,740
Total Direct and Indirect Jobs Created	9,569	9,808	10,053	10,305	10,562

Source: TMG Consulting Estimates and RIMS II

**Baseline: Delaware Direct and Indirect
Full Time Equivalent Gaming Employment 2013-2017**

Department	2013	2014	2015	2016	2017
Gaming	3,931	4,029	4,129	4,233	4,339
Food and Beverage	1,435	1,471	1,508	1,545	1,584
Retail	7.9	8.1	8.3	8.5	8.7
Entertainment	33	34	34	35	36
Government	1,912	1,960	2,009	2,060	2,111
Total Direct and Indirect Jobs Created	7,319	7,502	7,689	7,881	8,078

Source: TMG Consulting Estimates and RIMS II

In the *Projection* scenario, TMG modeled the total jobs created in the event that the gaming industry in Delaware expands in order to compete with the regional expansion. Below are the employment estimates for this scenario, both with a horse meet and without.

**Projected With Horse Meet:
Delaware Full Time Equivalent Gaming Employees 2013-2017**

Department	2013	2014	2015	2016	2017
Gaming	6,010	6,161	6,315	6,472	6,634
Food and Beverage	2,247	2,303	2,360	2,419	2,480
Retail	12.3	12.7	13.0	13.3	13.6
Entertainment	51	53	54	55	57
Government	4,107	4,210	4,315	4,423	4,533
Total Direct and Indirect Jobs Created	12,427	12,738	13,057	13,383	13,718

Source: TMG Consulting Estimates and RIMS II

**Projection Scenario Without Horse Meet:
Delaware Direct and Indirect Full Time Equivalent Gaming Employees 2013-2017**

Department	2013	2014	2015	2016	2017
Gaming	6,057	6,209	6,364	6,523	6,686
Food and Beverage	2,247	2,303	2,360	2,419	2,480
Retail	12.3	12.7	13.0	13.3	13.6
Entertainment	51	53	54	55	57
Government	4,107	4,210	4,315	4,423	4,533
Total Direct and Indirect Jobs	12,475	12,786	13,106	13,434	13,770

Source: TMG Consulting Estimates and RIMS II

When compared to the *Baseline* scenario, both of the *Projection* scenarios have similarly high employment levels. However, the number of jobs in the *Projection Without* is slightly higher than those for *Projection With*, estimated reduced revenue associated with horse meet operations.

The table below summarizes the employment impact of gaming operations in 2013 for each scenario.

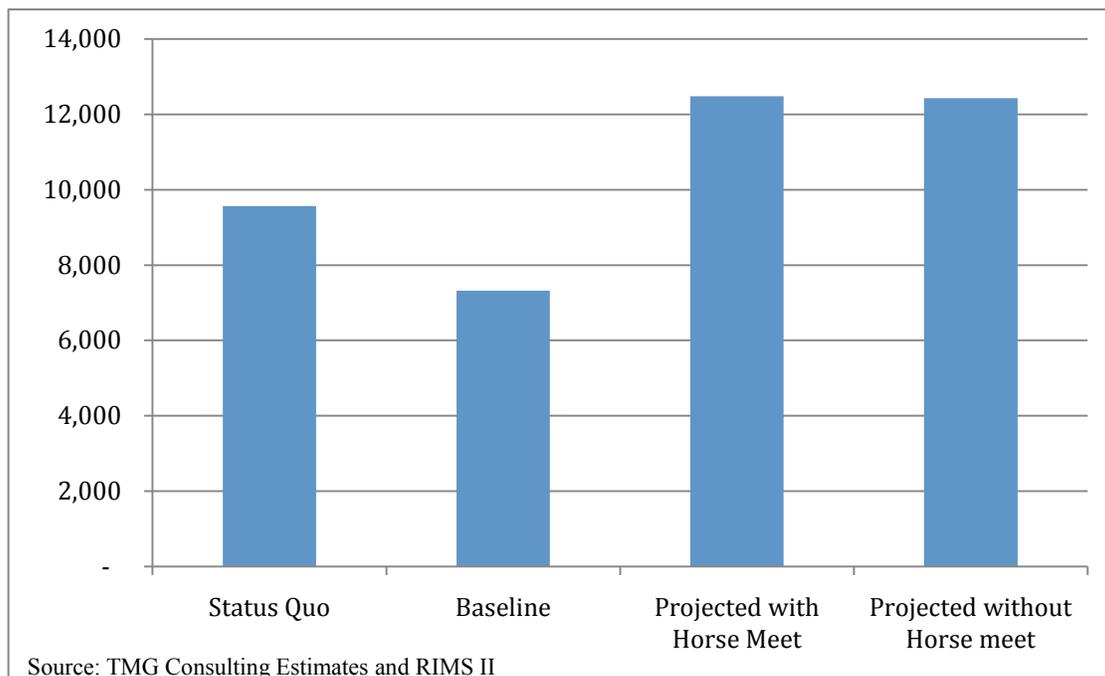
Comparison Chart of each Scenario
 Delaware Full Time Equivalent Gaming Employees 2013

Scenario	Total Jobs
Status Quo	9,569
Baseline	7,319
Projection with Horse Meet	12,427
Projection without Horse meet	12,475

Source: TMG Consulting Estimates and RIMS II

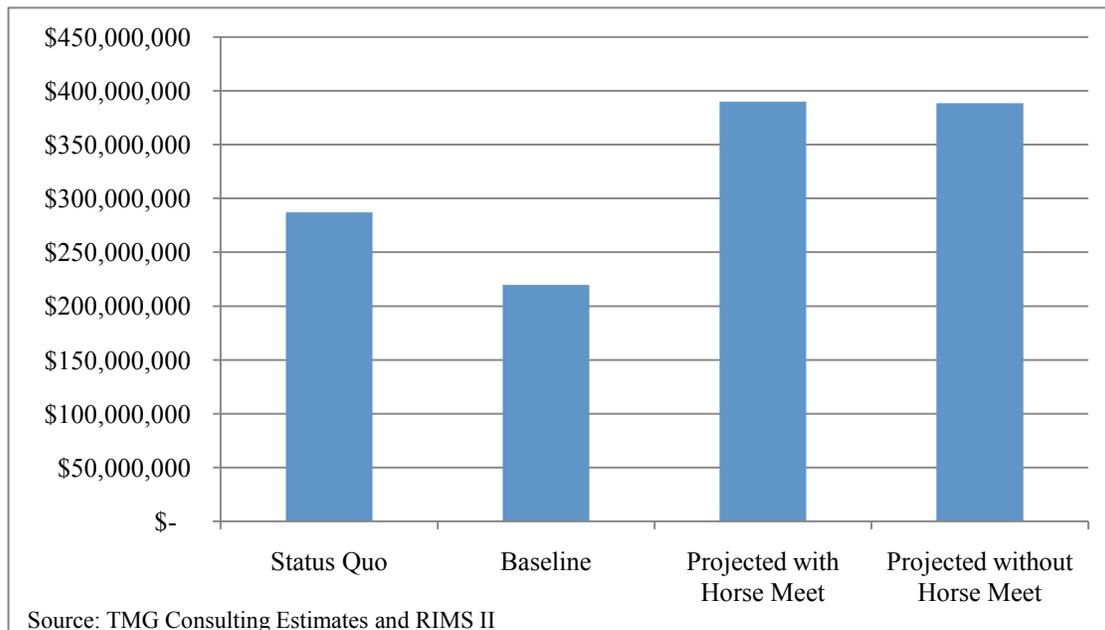
The *Baseline* scenario has the lowest level of employment impact at 7,319 total jobs. The *Projection* scenario *Without* a horse meet has the highest level of employment impact with 12,475 total jobs. While the *Projection* scenario *With* a horse meet impacts 22 fewer jobs than the scenario with a horse meet, since the cost of operating a horse meet or racino is significantly higher than that of a casino or VLT venue.

Comparison Chart of each Scenario:
 Total Employment Impact of Gaming Operations 2013



The following chart summarizes the household earnings estimates, showing the *Status Quo* scenario compared to the *Baseline* as the worst case scenario, and the two *Projection* scenarios as a vast improvement over the *Status Quo*.

Summary: Household Earnings Impact Attributed to Gaming Operations 2013



Tax Impact

In terms of direct taxes taken from racing and gaming operations in Delaware, all four scenarios can be compared in the year 2013. The *Baseline* scenario generates the least amount of revenues for Delaware across all categories and fares worse than even the *Status Quo* scenario. *Projection With Horse or Harness Meets*, and *Projection Without Horse or Harness Meets* yield the same tax revenues except for pari-mutuel taxes, where *Projection: Without Horse or Harness Meets* generates approximately \$733,000 more than the *Projection: With Horse or Harness Meets*. The reason *Projection: Without Horse or Harness Meets* generates more pari-mutuel tax revenues than the other projection, is because under this scenario, Delaware’s three existing racetracks are able to increase their market shares due to larger purses per race. Under the *Projection: With Horse or Harness Meets* scenario, Delaware’s horse racing market share does not increase because there are five horse racetracks splitting the increase in gross purses instead of three. The *Projection: Without Horse or Harness Meets* scenario is expected to generate the most tax revenue of all the scenarios with a total of \$352.1 million in 2013, followed by the *Projection With Horse or Harness Meet* scenario at \$351.4 million in 2013. *Status Quo* is projected to generate \$265 million in state revenues in 2013, and the *Baseline* scenario is projected to generate only \$225 million.

Direct Tax Impact

The direct tax includes the proceeds from VLT to the general fund and to the Delaware Social Programs (problem gambling, administrative costs and horse breeders fund), as well as gross receipts taxes on non-wagering revenues and pari-mutuel taxes. Total direct tax impact is

estimated for 2013 in the *Status Quo* scenario is \$257 million. Compared to the *Status Quo*, the *Baseline* scenario is significantly lower at \$219 million showing the negative impact on state tax revenue in a scenario where there is no strategic change to the local market. Both *Projection* scenarios show increased revenue of \$340 million *Projection With* \$341 million *Projection Without*.

Total Direct Tax Impact 2013

Revenue	Status Quo	Baseline	Projection With	Projection Without
State General Fund from VLT Proceeds	\$245,789,394	\$209,463,391	\$327,892,810	\$327,892,810
DE Social Programs from VLT Proceeds	\$2,825,165	\$2,407,625	\$3,768,883	\$3,768,883
Gross Receipts	\$1,130,066	\$963,050	\$1,507,553	\$1,507,553
Pari-mutuel Taxes	\$6,812,731	\$5,694,490	\$6,812,731	\$7,508,526
Total State Tax Revenues	\$256,557,357	\$218,528,557	\$339,981,977	\$340,677,772

Source: TMG Consulting Estimates

In 2017, the *Baseline* scenario generates the least amount of direct tax revenues, with a total of \$225.5 million, while *Projection Without* generates the most direct taxes totaling \$356.3 million.

Indirect Tax Impact

The indirect tax includes state and local revenues associated with the household earnings from both direct and indirect employment from gaming operations in the state. Tax revenues for *Status Quo* are approximately \$8 million to the state and \$482 thousand for the local. *Baseline* is approximately two million less than *Status Quo* at \$6 million for the state and \$370 for the local. *Projection With* totaled \$10.76 million in state revenues and *Projection Without* totaled \$10.8 million in state revenues.

Total Indirect Tax Impact 2013

Revenue	Status Quo	Baseline	Projection With	Projection Without
State Revenues	\$7,949,878	\$6,084,038	\$10,764,806	\$10,800,502
Local Revenues	\$482,882	\$369,549	\$653,863	\$656,031

Source: TMG Consulting Estimates

The *Baseline* scenario generates the least amount of indirect tax revenues in 2017, contributing \$6.2 million to the state and \$380,000 in local revenues. The *Projection Without* scenario contributes the most amount of revenues to the state and local governments in 2017, generating \$11 million for the state and \$670,000 in local revenues.

Total Tax Impact

Below are presented the projected total tax impacts from all scenarios in the years 2013, as well as the final year of our analysis, 2017. Clearly, the most advantageous scenario for the State of

Delaware in terms of tax revenues is the *Projection Without* scenario, followed closely by the *Projection With* scenario.

Total Tax Impact: 2013

Revenue	Status Quo	Baseline	Projection With	Projection Without
State General Fund from VLT Proceeds	\$245,789,394	\$209,463,391	\$327,892,810	\$327,892,810
DE Social Programs from VLT Proceeds	\$2,825,165	\$2,407,625	\$3,768,883	\$3,768,883
Gross Receipts	\$1,130,066	\$963,050	\$1,507,553	\$1,507,553
Pari-mutuel Taxes	\$6,812,731	\$5,694,490	\$6,812,731	\$7,508,526
Indirect State Tax Revenues	\$7,949,878	\$6,084,038	\$10,764,806	\$10,800,502
Total to State	\$264,507,235	\$224,612,595	\$350,746,783	\$351,478,274
Indirect Local Tax Revenues	\$482,882	\$369,549	\$653,863	\$656,031
Total Tax Impact	\$264,990,117	\$224,982,144	\$351,400,646	\$352,134,305

Source: TMG Consulting Estimates

Total Tax Impact 2017

Revenue	Baseline	Projection With	Projection Without
State General Fund from VLT Proceeds	\$218,184,336	\$341,544,527	\$341,544,527
DE Social Programs from VLT Proceeds	\$2,507,866	\$3,925,799	\$3,925,799
Gross Receipts	\$1,003,146	\$1,570,320	\$1,570,320
Pari-mutuel Taxes	\$3,781,480	\$6,128,749	\$9,258,441
Indirect State Tax Revenues	\$6,215,953	\$10,998,211	\$11,034,681
Total to State	\$231,692,781	\$364,167,605	\$367,333,767
Indirect Local Tax Revenues	\$379,287	\$671,093	\$673,318
Total Tax Impact	\$232,072,068	\$364,838,698	\$368,007,086

Source: TMG Consulting Estimates

CONCLUSION

In terms of revenues to the State of Delaware, it would be most advantageous for the State to issue two additional gaming licenses for video lottery terminal facilities. In the optimal case, the two new facilities would be located in the southwest portion of the state, and in the northeast portion, respectively. In order to maximize horseracing purses, and minimize declines in handle

per race, the State should consider granting the new gaming licenses to stand-alone facilities rather than to new racetracks. These conclusions are specifically tied to:

- Gravity model calibration which demonstrates the geographic distribution of existing gaming behavior in Delaware
 - approximately 30-40% of revenues from Delaware residents
 - approximately 40-50% of revenues from Maryland and Virginia residents
 - approximately 10-30% of revenues from Pennsylvania and New Jersey residents
- Gravity model projections showing the relative impact of out-of-state competition on existing venues, and the geographic distribution of those impacts
- Placement of new facilities closest to population centers and market areas which have historically been feeder markets for Delaware's gaming facilities (Baltimore, Washington, D.C., Philadelphia)
 - New facilities closer to these populations than existing facilities, and thus being more competitive location-wise with new or proposed out-of-state competition

However, the addition of these two new gaming facilities, coupled with the increased competition from out-of-state venues, would have serious detrimental effects on the existing VLT operators. While these detrimental effects would not seem to indicate the complete closure of any existing facilities, significant cuts in operation costs would likely result as operators seek to maximize efficiencies and manage the effects of declining revenues. These cuts, while at the discretion of the operators, could potentially result in job losses or layoffs at existing facilities. Such job cuts, however, would be expected to be mitigated by the positive employment impacts resulting from an expanded statewide gaming industry.

Note Regarding Items Not Included in Study

It should be noted that there are a number of issues of interest that are not addressed by this study due to the fact that they were not included in the Request for Proposals (RFP) as released by the State of Delaware. TMG Consulting was not contracted to include the addition of table games in the analysis. However, this issue is discussed qualitatively within the Video Lottery Gaming Assessment section of this study. Also not included in the RFP was an analysis of the potential impact of sports betting. And, while an analysis of the potential impacts on the horse racing industry was included in the State's RFP, a split-scenario analysis (evaluating the case where one new facility hosted racing, and one did not) was not. Analysis and projections of the potential impacts of such development scenarios would require additional study and an amendment to the contract executed by TMG Consulting and the State of Delaware.

SECTION 1: INTRODUCTION

In November 2009, TMG Consulting was contracted by the State of Delaware to perform a study on the potential impacts of additional video lottery venues within the state. The following report details the analysis performed by TMG, including estimates and projections for revenue, tax, and economic impacts.

For the State of Delaware, we considered four separate development and competitive scenarios: *Status Quo*, *Baseline*, *Projection With* horse or harness meets, and *Projection Without* horse or harness meets. The *Status Quo* scenario was created as a calibration for our forecasting models, and re-created the current state of affairs in Delaware. The *Baseline* scenario begins in 2013, and assumes that the proposed new facilities in Pennsylvania, Maryland, and New York will have begun gaming operations, and that table games will be present at facilities in Pennsylvania. The *Projection* scenarios include the increased competition in the *Baseline* scenario, and forecast the case wherein additional new gaming licenses are granted in Delaware. For each scenario, TMG has projected the potential gaming revenues, gaming taxes collected, horse racing revenues, pari-mutuel taxes collected, employment, and employment taxes collected.

In addition to making financial forecasts, this study includes quantitative and qualitative analyses of various social and secondary impacts of video lottery terminal gaming, including the potential impact on property values, and cannibalization of existing leisure industry business.

It should be noted that there are a number of issues of interest that are not addressed by this study due to the fact that they were not included in the Request for Proposals (RFP) as released by the State of Delaware. TMG Consulting was not contracted to include the addition of table games in the analysis. However, this issue is discussed qualitatively within the Video Lottery Gaming Assessment section of this study. Also not included in the RFP was an analysis of the potential impact of sports betting. And, while an analysis of the potential impacts on the horse racing industry was included in the State's RFP, a split-scenario analysis (evaluating the case where one new facility hosted racing, and one did not) was not. Analysis and projections of the potential impacts of such development scenarios would require additional study and an amendment to the contract executed by TMG Consulting and the State of Delaware.

SECTION 2: MARKET RESEARCH

The following section details some of the background materials surveyed and research performed at the outset of this study.

2.1 GAMING RESEARCH AND TRENDS

At the project outset, TMG Consulting conducted a survey of active gamers in the region and reviewed a number of relevant studies and published research summaries. These data points and analyses helped to form our estimates and projections of the Delaware and regional gaming markets, and are therefore detailed in the following sections of our report.

2.1.1 Primary Research – Survey of 500 DE Gamers

In November and December of 2009 and on behalf of the State of Delaware, the Department of Finance, and the Video Lottery Commission, TMG Consulting and a professional survey firm conducted a survey of 500 active Delaware gamers. Over two weeks, residents of the states of Delaware, Maryland, and Pennsylvania were contacted via telephone and asked to respond to a set of questions regarding their gaming behavior and preferences. The full set of survey responses are included in the Appendix of this report, but a brief summary of the most relevant issues revealed in the survey are presented herein.

2.1.1.1 Demographics

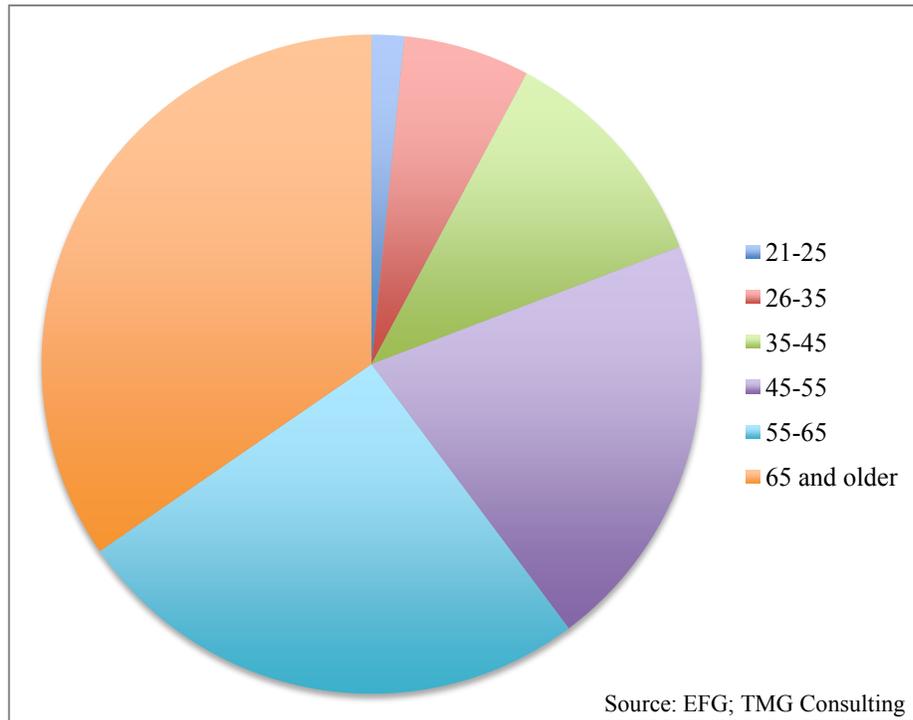
Of those active Delaware gamers surveyed (defined as having visited a Delaware VLT gaming facility in the last 12 months), the majority were over the age of 45. While older gamers are often more likely to respond to such surveys, the age breakdown of the survey respondents is expected to follow actual trends seen at the gaming facilities. The following table and pie chart display these statistics.

Table 2-1: Delaware Video Lottery Survey Results:
Age Breakdown

Age Cohort	%
21-25	1.6%
26-36	6.2%
35-45	11.4%
45-55	20.6%
55-65	25.6%
65+	34.6%

Source: EFG; TMG Consulting

Figure 2-1: Delaware Video Lottery Survey Results: Age Breakdown



TMG also asked survey respondents what race or ethnic group they most identified with. Not surprising, given the demographics of the region and our own observations during site visits to Delaware’s gaming facilities, the vast majority of those surveyed responded that they were white. The following table summarizes the ethnicities of those surveyed.

Table 2-2: Delaware Video Lottery Survey Results: Ethnicity

Ethnicity	%
Hispanic	1%
Black	10%
Asian	1%
White	83%
Other	5%

Source: EFG; TMG Consulting

2.1.1.2 Gaming Behavior

Of the 2,367 people who agreed to participate in the survey, a number had to be excluded due to age (under 21 year old), and 1,460 were eliminated as they were not active video lottery or casino gamers (defined as having visited a gaming facility in the last 12 months). The results show that 21.8% of all gaming age adults in the greater Delaware market are regular visitors to

the Delaware gaming facilities, and that 38.5% of all adults in this market are active gamers (visiting any casino property in the last 12 months).

Table 2-3: Delaware Video Lottery Survey Results: Propensity to Play

	#	%
Survey Participants	2,353	
Casino or VLT Gamers	907	38.5%
DE Facility Gamers	514	21.8%
Complete Surveys	500	

Source: EFG; TMG Consulting

It should be noted that, for the purpose of the TMG gravity model, the propensity factor of 38.5% was used as a base to begin our calibration, as the model distributes all gaming visits within a region, both VLT and traditional casino visits.

Gamers in Delaware are typically frequent and loyal gamers, with 31% playing at least once per month. As some gamers visit very frequently, on average, Delaware gamers play 14.27 times per year.

Figure 2-2: Delaware Video Lottery Survey Results: Frequency of Play

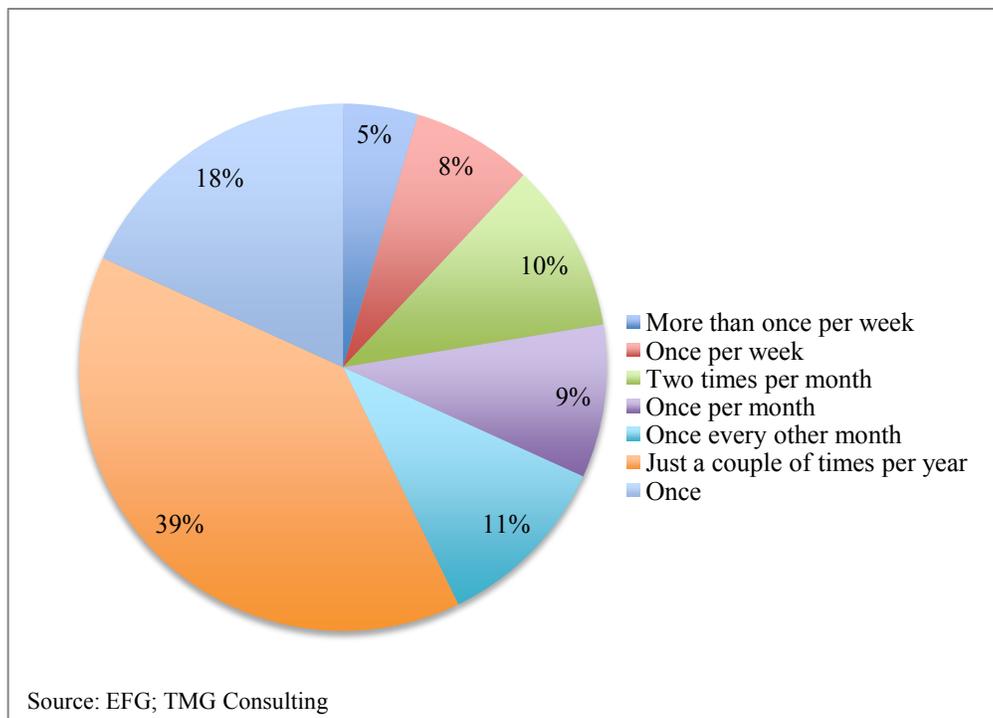


Table 2-4: Delaware Video Lottery Survey Results: Frequency of Play

Frequency	%
More than once per week	5%
Once per week	7%
Two times per month	10%
Once per month	9%
Once every other month	11%
Just a couple of times per year	39%
Once	18%
Average Visits/Year	14.27

Source: EFG: TMG Consulting

Video Lottery Terminal gamers typically spend less per casino visit than those visiting full-scale casinos. However, due to relatively high incomes and the loyalty that Delaware’s gamers exhibit toward the state’s facilities, the reported average budget per visit is a healthy \$87. The following table details the survey responses regarding gaming budget per visit. *It should be noted that this figure was used later as a base in calibrating TMG’s gravity models.*

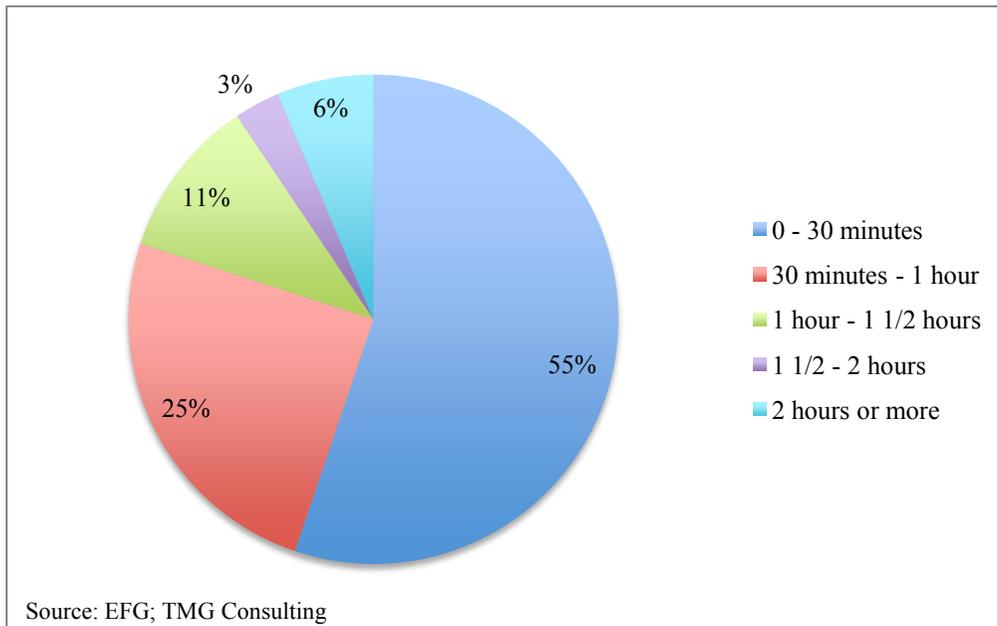
Table 2-5: Delaware Video Lottery Survey Results: Gaming Budget per Visit

Budget	%
\$200 or more	19%
\$150	7%
\$100	20%
\$50	19%
\$25	35%
Average Budget/Visit	\$ 86.95

Source: EFG: TMG Consulting

Delaware’s VLT gamers are largely impacted by facility location, as demonstrated in their responses to the following question: How far from where you live is your favorite local casino or racetrack casino? Over 55% responded that their favorite casino is within a half-hour drive from their home, with 80% responding that their favorite is within an hour’s drive.

Figure 2-3: Delaware Video Lottery Survey Results: Distance to Favorite Local Gaming Facility



While Delaware’s gamers are very local, they do show willingness to drive further distances if an attractive enough alternative were posed. Fifty-five percent (55%) of those surveyed would be willing to drive 45 minutes or more to a casino for just a weekday visit, and forty-five percent (45%) would be willing to drive one hour or more. When considering overnight gaming trips, this number increases to seventy-five percent (75%). Such figures are indicative of a market where gamers are very mobile and will consider factors other than just distance in their choice of gaming facility to visit. Additionally, this shows the potential for development of ancillary amenities at gaming facilities, such as a hotel, to draw overnight visits.

Figure 2-4: Delaware Video Lottery Survey Results: Distance willing to drive to gaming facility for weekday visit

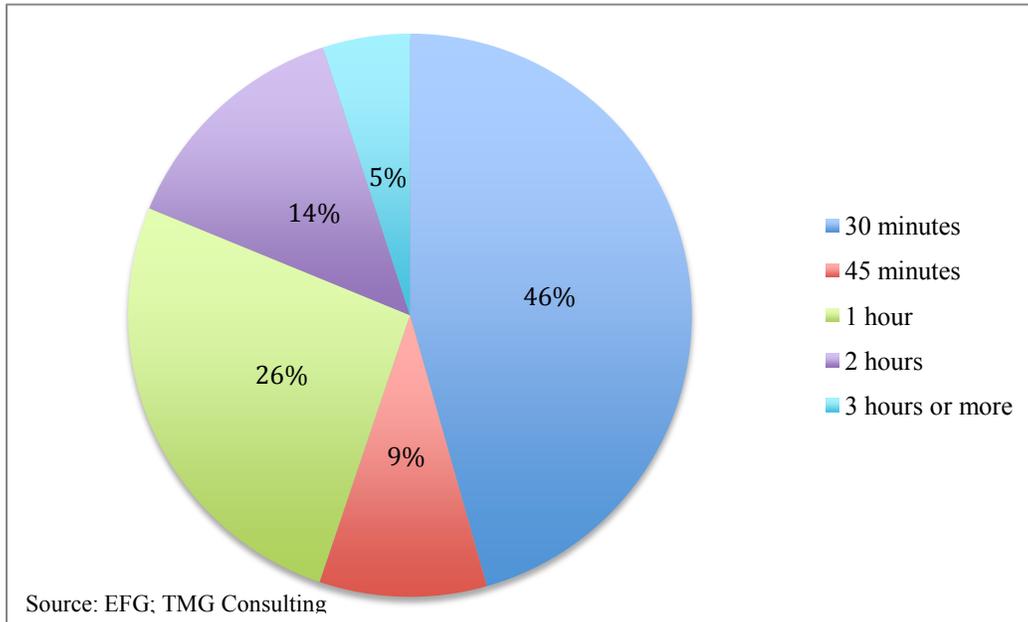
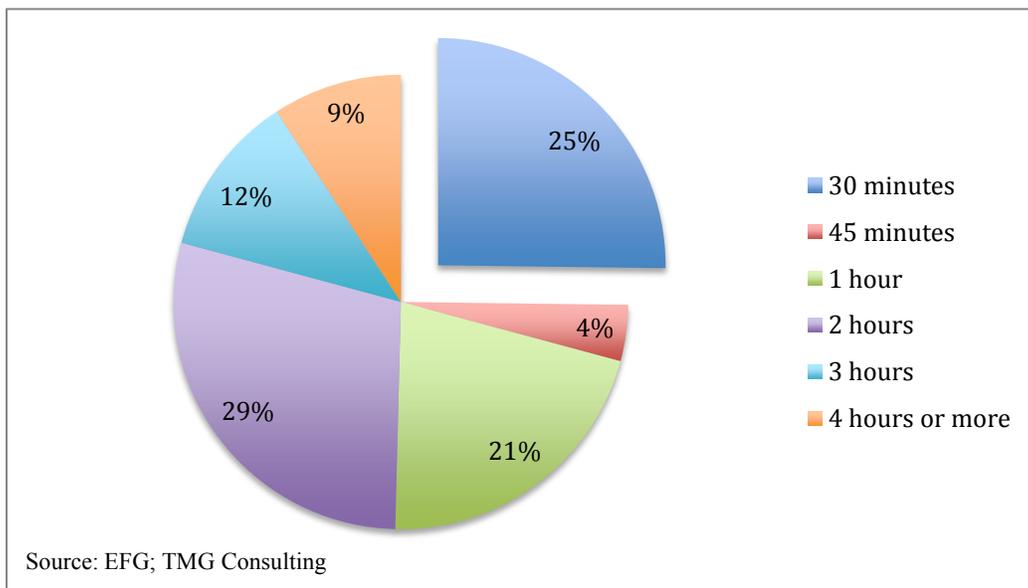


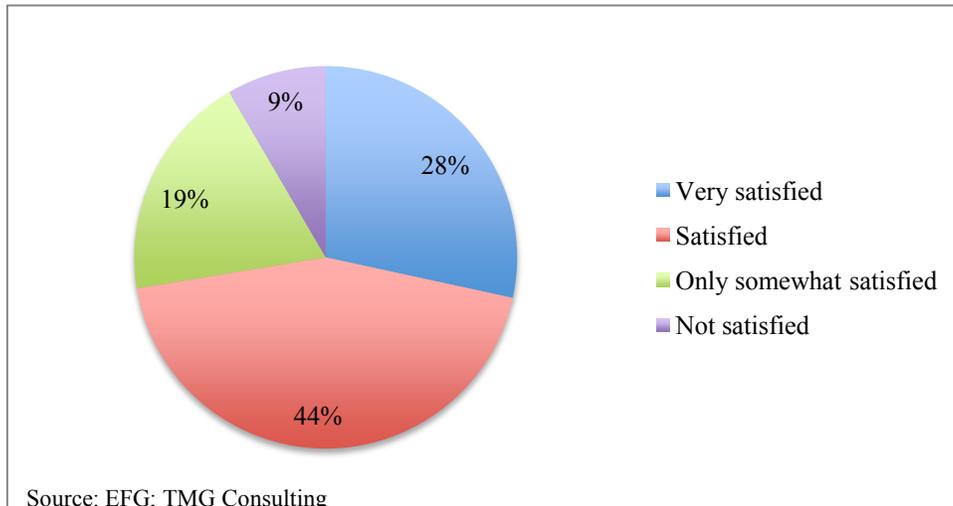
Figure 2-5: Delaware Video Lottery Survey Results: Distance Willing to Drive for to a Gaming Facility for an Overnight Visit



2.1.1.3 Gamer Satisfaction

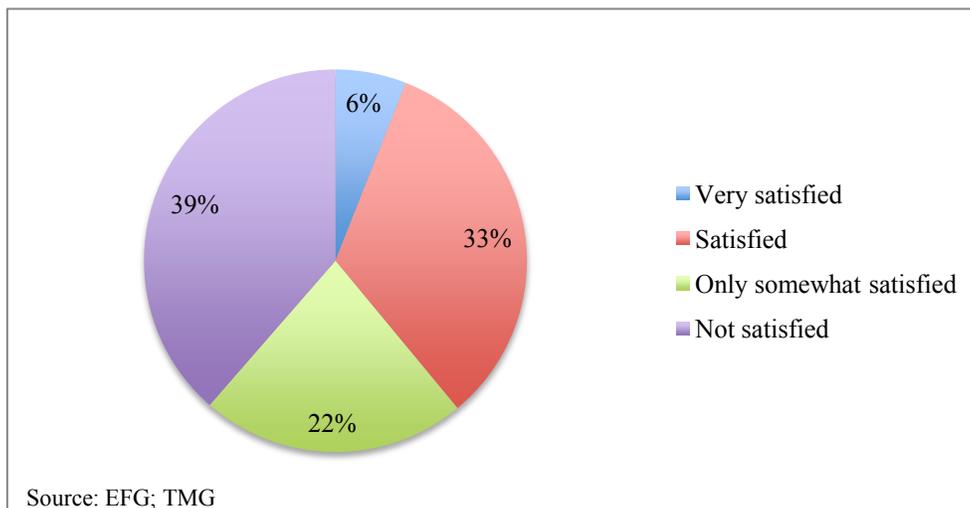
Delaware’s VLT gamers responded that they are largely content with the state’s current offerings, with 72% either satisfied or very satisfied. Only 9% responded that they were not satisfied with the current facilities.

Figure 2-6: Delaware Video Lottery Survey Results: Satisfaction with DE facilities



As Pennsylvania is one of Delaware’s largest competitors for gaming visits and dollars, TMG then asked respondents about their satisfaction with the offerings in that state. Interestingly, only 39% responded that they were satisfied or very satisfied with Pennsylvania’s casino and racetrack facilities, while an equal percentage (39%) stated that they were not satisfied.

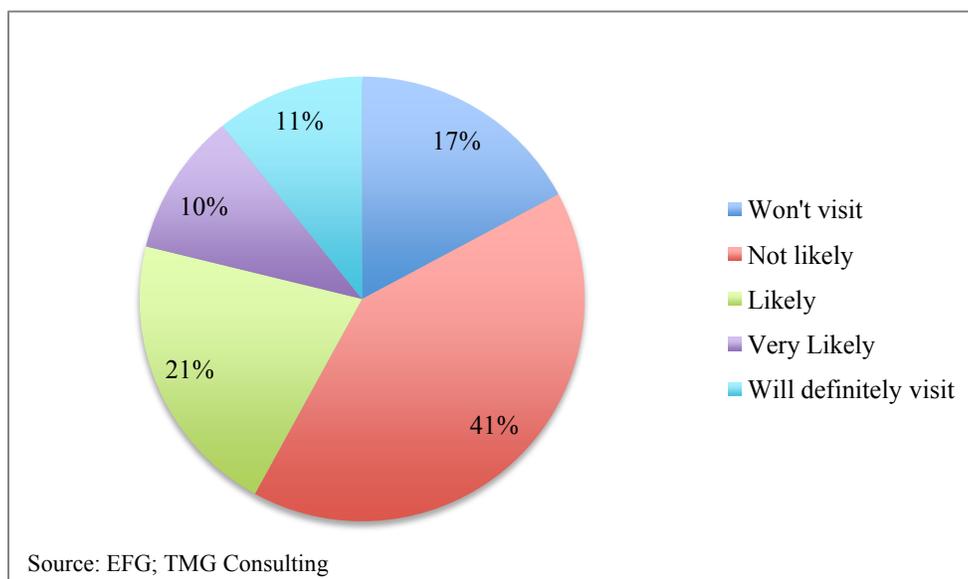
Figure 2-7: Delaware Video Lottery Survey Results: Satisfaction with PA facilities



2.1.1.4 Competitive Pressures

As the State of Maryland has granted gaming licenses for multiple operators within its borders, the potential impact on Delaware’s operations could be significant. For this reason, TMG posed the following question: New casinos will be opening soon in Maryland. How likely are you to visit these facilities? A full 42% of Delaware’s gamers surveyed responded that they are at least likely to visit Maryland’s gaming facilities, as shown in the following pie chart.

Figure 2-8: Delaware Video Lottery Survey Results: Likelihood of visiting MD facilities



2.1.2 Secondary Gaming Research

2.1.2.1 Gamer Behavior and Trends in Play

The largest casino market in the United States has been and remains the Las Vegas Strip (gaming revenues of \$6.12 billion in 2008). More casino gamers play in Las Vegas than anywhere else in the country. The second largest market is Atlantic City (\$4.545 billion), followed by Chicagoland (\$2.251 billion) and the Connecticut Native American casinos (\$1.571 billion). The following table details Top 20 U.S. Casino Markets by revenue in 2008.

Table 2-6: Top 20 U.S. Casino Markets, 2008

	Gaming Revenues
Las Vegas Strip, NV	\$6.121 billion
Atlantic City, N.J.	\$4.545 billion
Chicagoland, IL/IN	\$2.251 billion
Connecticut	\$1.571 billion
Detroit, MI	\$1.360 billion
Tunica/Lula, MS	\$1.105 billion
St. Louis, MO	\$1.031 billion
Biloxi, MS	\$951.27 million
Shreveport, LA	\$847.61 million
Boulder Strip, NV	\$836.60 million
Reno/Sparks, NV	\$779.38 million
Kansas City, MO	\$756.22 million
Lawrenceburg/Rising Sun/Belterra, IN	\$731.65 million
New Orleans, LA	\$701.37 million
Lake Charles, LA	\$651.23 million
Downtown Las Vegas, NV	\$582.46 million
Laughlin, NV	\$571.18 million
Black Hawk, CO	\$508.69 million
Yonkers NY	\$486.46 million
Council Bluffs, IA	\$468.52 million

Source: 2009 AGA Survey of Casino Entertainment

When comparing the local population of these casino markets to the gaming revenues generated by them, the relative success of each with regard to capture of destination or tourist gamers becomes apparent. For instance, 2008 Census estimates of the Atlantic City Metropolitan Statistical Area have its population at 270,681 people. By dividing the Atlantic City gaming revenues (\$4.545 billion) by this population, we see that Atlantic City generates approximately \$16,791 in gaming revenues per capita. By comparison, the locally-focused Detroit gaming market generates only an estimated \$307 in gaming revenues per capita. The high win per capita of Atlantic City is indicative of a market which draws its play from outside of the local population, a market that is successful at bringing destination gamers to it. The following tables compare a selection of gaming markets and their respective populations.

Table 2-7: Annual Estimates of the Population of Select Metropolitan Statistical Areas: 2008

Metropolitan statistical areas	July 1, 2008
Allentown-Bethlehem-Easton, PA-NJ	808,210
Atlantic City-Hammonton, NJ	270,681
Beaumont-Port Arthur, TX	378,255
Boston-Cambridge-Quincy, MA-NH	4,522,858
Bridgeport-Stamford-Norwalk, CT	895,030
Buffalo-Niagara Falls, NY	1,124,309
Chicago-Naperville-Joliet, IL-IN-WI	9,569,624
Dallas-Fort Worth-Arlington, TX	6,300,006
Detroit-Warren-Livonia, MI	4,425,110
Gulfport-Biloxi, MS	234,625
Hartford-West Hartford-East Hartford, CT	1,190,512
Kansas City, MO-KS	2,002,047
Lake Charles, LA	192,856
Las Vegas-Paradise, NV	1,865,746
Memphis, TN-MS-AR	1,285,732
New Orleans-Metairie-Kenner, LA	1,134,029
New York-Northern New Jersey-Long Island, NY-NJ-PA	19,006,798
Norwich-New London, CT	264,519
Omaha-Council Bluffs, NE-IA	837,925
Pittsburgh, PA	2,351,192
Reno-Sparks, NV	414,784
St. Louis, MO-IL	2,816,710
Shreveport-Bossier City, LA	389,533

Source: U.S. Census Bureau, Population Division
 Release Date: March 19, 2009

By making the comparison of local area population to gaming revenues, we see that destination casino markets generate the highest revenues per capita, and the purely local markets generate the lowest revenues per capita (Yonkers at \$26 per capita). In general, a market with a win per capita over \$400 is indicative of one with a significant tourist and destination gamer draw (New Orleans at \$618, Lake Charles, LA at \$1,140, Biloxi, MS at \$4,054, and Connecticut at \$5,939).

Table 2-8: Top Casino Markets and Win Per Capita of Local Population

Market	Gaming Revenue per Capita
Las Vegas Strip, NV	\$3,281
Atlantic City, N.J.	\$16,791
Chicagoland, IL/IN	\$235
Connecticut	\$5,939
Detroit, MI	\$307
Tunica/Lula, MS	\$859
St. Louis, MO	\$366
Biloxi, MS	\$4,054
Shreveport, LA	\$127
Kansas City, MO	\$378
New Orleans, LA	\$618
Lake Charles, LA	\$1,140
Yonkers NY	\$26
Council Bluffs, IA	\$559

Source: 2009 AGA Survey of Casino Entertainment

Table 2-9: U.S. Consumer Spending on Commercial Casino Gaming (\$ billions)*

1999	\$22.20
2000	\$24.50
2001	\$25.70
2002	\$26.50
2003	\$27.02
2004	\$28.93
2005	\$30.37
2006	\$32.42
2007	\$34.13
2008	\$32.54

*Does not include Native American facilities

Source: 2009 AA Survey of Casino Entertainment

Of particular note is the popularity of racetrack casinos in the North East, with seven of the top ten performing racinos being located within the greater market area. These casinos largely offer Video Lottery Terminal (VLT) gaming, yet are still able to generate substantial revenues in part because of their proximity to large feeder populations. The following table details these racetrack casino markets.

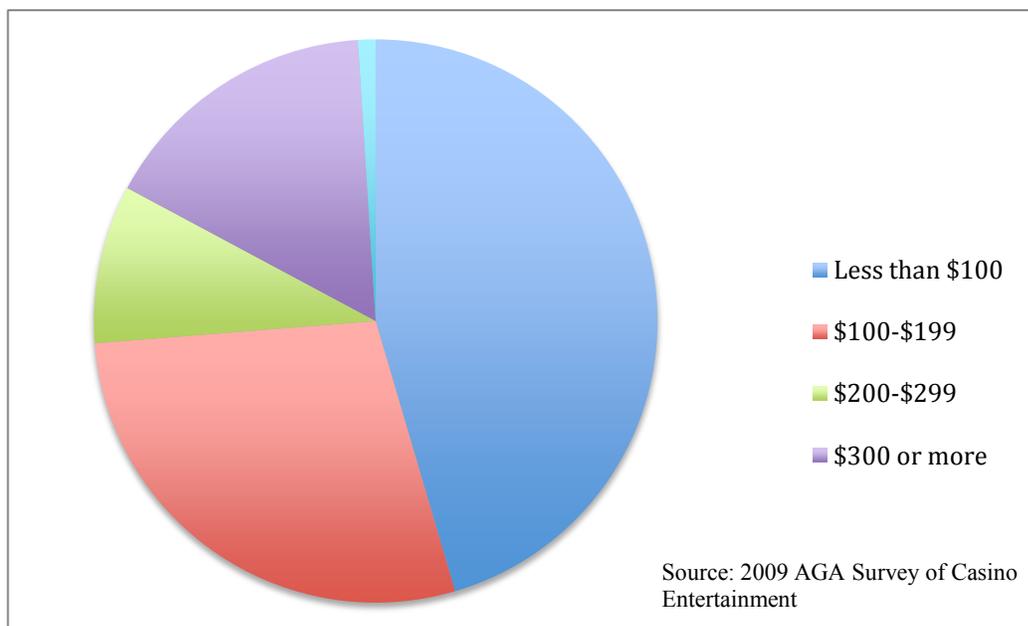
Table 2-10: Top 10 U.S. Racetrack Casino Markets, 2008

Market	Gaming Revenues
Yonkers, NY	\$486.46 million
Charles Town, WVA	\$454.01 million
Providence, RI	\$407.50 million
Bensalem, PA	\$345.50 million
Dover/Harrington, DE	\$335.63 million
Chester, PA	\$328.44 million
Delaware Park/Wilmington, DE	\$253.29 million
Chester, WVA	\$251.21 million
Meadow Lands, PA	\$244.05 million
Broward County, FL	\$230.21 million

Source: 2009 AGA Survey of Casino Entertainment

The gaming budgets of individual casino gamers varies, with nearly half (45%) reporting that they set budgets of \$100 or less for a day of gambling. This data, compiled in the 2009 AGA Survey of Casino Entertainment, is graphically displayed in the following chart.

Figure 2-9: Casino Gambling Budget



2.1.3 Characteristics of Gamers

According to a 2006 Harrah’s Survey, “more than 25% of Americans age 21 and older gambled at a casino at least once during 2005, and Americans made more than 320 million total visits to casinos.

Table 2-11: U.S. Adults Who Gambled in a Casino in the Last 12 Months

U.S. Adult Population (Age 21+)	209.2 million
Casino Gamblers	52.8 million
Casino Participation Rate*	25%
Average Trip Frequency	6.1 trips per year
Total Casino Visits	322.1 million

Source: Harrah's Survey, Profile of the American Casino Gambler 2006

The casino participation rate has been further verified through numerous studies and research, and was validated again in the 2009 AGA Survey of Casino Entertainment. This large scale survey indicated that 25% of the total U.S. population over the age of 21 had visited a casino at least once in last 12 months.

Casino participation varies by age of the player, gender, income level, and geographic location. According to the 2009 AGA Survey, a full 28% of U.S. males reported being casino gamblers, while 21% of U.S. females reported as such. When considering income level, the likelihood that one is a casino gamer increases with one’s income. Participation by those in the \$35,001-\$55,000 income bracket matches the national average of 25%, but then grows to as high as 31% for those with incomes over \$95,000.

Table 2-12: Casino Participation Rate by Income Level

Under \$35,000	20%
\$35,001 - \$55,000	25%
\$55,001 - \$75,000	27%
\$75,001 - \$95,000	29%
Over \$95,000	31%

Source: Harrah's Survey, Profile of the American Casino Gambler 2006

Geographically speaking, residents of the Northeast are avid gamers, averaging a participation rate of 28%. This exceeds the national average, and is only outmatched by the West region’s (including Las Vegas and portions of the country with a very large number of Native American casinos) rate of 33%.

**Table 2-13: Casino
Participation by Geographic
Region**

West	33%
South	18%
North East	28%
North Central	27%

Source: Harrah's Survey, Profile of the American Casino Gambler 2006

The states which generate the most casino trips are also ones with large populations. The largest state population-wise, California, generates the largest number of trips. These trips accrue to California's own vibrant Native American casino market, as well as to markets such as Las Vegas. New York generates the second highest number of trips, yet does not have full-scale commercial casino gaming within its borders. The visits accruing from New York are largely attributed to casinos in Connecticut and Atlantic City, with additional visitation to Upstate's Native American facilities. Texas, listed as number seven (7) on the list, is unique in that there is no legal casino gaming within the state's borders. All of the gaming trips by Texas residents are to casinos out of state, such as the Lake Charles, LA market (fed by Houston, TX), and Native American casinos in Oklahoma. The following table lists the States Generating the Most Casino Trips, according to the Harrah's Survey.

**Table 2-14: States
Generating the Most
Casino Trips (2005)**

Rank	State
1	California
2	New York
3	Illinois
4	Nevada
5	Florida
6	New Jersey
7	Texas
8	Michigan
9	Missouri
10	Louisiana

Source: Harrah's Survey, Profile of the American Casino Gambler 2006

The average casino participation rate in the United States is 25%, meaning that 25% of gaming age adults are active casino gamblers. This rate has remained relatively constant over the last 5 years. The following table details the casino participation rate in the largest feeder markets in the U.S. Of particular interest in our assessment are the participation rates of those residing in New York City (33%), Philadelphia (33%), and Boston (26%). The high rates seen in New York City and Philadelphia are attributable to the ready access of gaming to those populations, with

Philadelphia's close proximity to Atlantic City, and New York City's easy access to both Atlantic City and the casinos in Connecticut. It would be expected that the participation rate in Boston would rise even higher with the advent of casino gaming closer to the Boston area market.

Table 2-15: Casino Participation Rates in the Largest Feeder Markets

DMA	Population (21+)	Participation Rate	Est Casino Gamblers*	Est Casino Visits**
New York City	14,806,436	33%	4,886,124	29,805,356
Los Angeles	10,527,065	37%	3,895,014	23,759,586
Chicago	6,716,969	29%	1,947,921	11,882,318
Philadelphia	5,499,873	33%	1,814,958	11,071,244
San Francisco-Oakland-Santa Rosa	4,939,763	30%	1,481,929	9,039,766
Boston	4,506,221	26%	1,171,617	7,146,867
Dallas-Ft. Worth	4,408,663	20%	881,733	5,378,569
Washington, D.C.	4,311,750	17%	732,998	4,471,285
Phoenix	4,291,254	38%	1,630,677	9,947,127
Atlanta	4,076,401	15%	611,460	3,729,907
Houston	3,767,890	22%	828,936	5,056,508
Detroit	3,572,338	31%	1,107,425	6,755,291
Seattle-Tacoma-Bellilngham	3,175,758	32%	1,016,243	6,199,080
Miami-Ft. Lauderdale	3,073,237	30%	921,971	5,624,024
Minneapolis-St. Paul	3,091,439	36%	1,112,918	6,788,800
Tampa-St. Petersburg-Sarasota	3,047,370	17%	518,053	3,160,123
Cleveland	2,788,484	23%	641,351	3,912,243
Sacramento-Stockton	2,731,976	40%	1,092,790	6,666,021
Denver	2,693,721	33%	888,928	5,422,460
Orlando-Daytona Beach-Melbourne	2,451,383	22%	539,304	3,289,756

Source: Harrah's Survey, Profile of the American Casino Gambler 2006

* TMG Consulting Estimates

** TMG Consulting Estimate using average trip frequency of 6.1 trips per year

By applying the casino participation rates to the gaming age population, and utilizing the nationwide average trip frequency (certainly a low figure for such an active gaming market as the North East), TMG Consulting estimates that New York City generated approximately 30 million casino visits in 2005. Following this same methodology, Philadelphia and Boston would have generated 11 million and 7.1 million visits, respectively.

The following table looks at casino trips another way, ranking feeder markets by the number of casino trips generated. While individual city estimates were not available, we know that these top twenty (20) markets generated an estimated 164 million gaming trips in 2005.

Table 2-16: Feeder Markets Generating the Most Casino Trips (2005)

Rank	Market
1	New York City
2	Los Angeles
3	Chicago
4	Las Vegas
5	Phoenix
6	Philadelphia
7	Minneapolis-St. Paul
8	San Diego
9	Seattle-Tacoma-Bellingham
10	Sacramento-Stockton
11	San Francisco-Oakland-Santa Rosa
12	Kansas City
13	St. Louis
14	Hartford-New Haven
15	Detroit
16	Boston
17	New Orleans
18	Denver
19	Miami-Ft. Lauderdale
20	Memphis
<hr/>	
Est Visits from Top 20 Feeder Markets	164 million

Source: Harrah's Survey, Profile of the American Casino Gambler 2006

Further, the following table lists the Feeder Markets Generating over 1 Million Casino Trips. Included in this list are New York City, Washington, D.C., Baltimore, and Philadelphia, all cities that are within the greater market area for Delaware.

Table 2-17: Feeder Markets Generating over 1 Million Casino Trips*

New York City	Reno	Cedar Rapids-Waterloo-Dubuque
Los Angeles	Biloxi-Gulfport	Salt Lake City
Chicago	Fresno-Visalia	Spokane
Las Vegas	Washington, D.C.	Omaha
Phoenix	Houston	Mobile-Pensacola
Philadelphia	Providence-New Bedford	Des Moines-Ames
Minneapolis-St. Paul	Albuquerque-Santa Fe	Pittsburgh
San Diego	Tulsa	Traverse City-Cadillac
Seattle-Tacoma-Bellingham	Buffalo	Green Bay-Appleton
Sacramento-Stockton	Portland (OR)	Wausau-Rhineland
San Francisco-Oakland-Santa Rosa	Oklahoma City	Grand Rapids-Kalamazoo-Battle Creek
Kansas City	Cincinnati	Lafayette (LA)
St. Louis	Cleveland	Jackson (MS)
Hartford-New Haven	Shreveport	Chico-Redding
Detroit	Flint-Saginaw-Bay City	Little Rock-Pine Bluff
Boston	Atlanta	Indianapolis
New Orleans	Orlando-Daytona Beach-Melbourne	Davenport-Rock Island-Moline
Denver	Milwaukee	Louisville
Miami-Ft. Lauderdale	Tampa-St. Petersburg-Sarasota	Birmingham
Memphis	Baltimore	Beaumont-Port Arthur
Dallas-Ft. Worth	Charlotte	

Source: Harrah's Survey, Profile of the American Casino Gambler 2006

* Listed in order of total casino trips generated

2.2 TRENDS IN THE HORSE RACING INDUSTRY

The horse racing industry has seen much internal movement to reverse or simply slow the decline in total facility handle that many horse tracks nationwide are experiencing. The nationwide economic slump has only exacerbated the steady decline of the horse racing industry, which began as early as 2000. The financial fate of horse tracks is not limited to a property itself, but rather has far-reaching impacts on state departments of agriculture, state and local government funds, and all parties affiliated with the horse racing industry, including breeders, trainers, owners, competitors, and other industry stakeholders. As can be expected from an ailing industry, the major issues dominating discussions within the horse racing industry have been focused on how to generate more revenues while cutting costs. After conducting in-depth research into industry practices and interviews with experts in the horse racing industry, we have seen that suggestions to improve revenues have centered on two major areas – increasing marketing and promotion, and offering more attractions at the racetrack. Additionally, cost-cutting measures that have taken place in the industry, although not necessarily undertaken by a horse track facility directly, include stud fee reductions and improved drug-testing procedures. In response to the State of Delaware's interest in two specific topics, namely a comparison of Standardbred and Thoroughbred racing and the potential benefits or detractions of races held on

a mile-long track, we conducted interviews with leaders in the horse racing industry, as little has been written about the two topics in leading trade publications.

2.2.1 Methods to Improve Racetrack Operations

2.2.1.1 Increased Marketing and Promotion

One of the underlying factors contributing to the demise of horse racing has been the aging of the Baby Boom generation, according to an article by Carly Williams: “The Baby Boom generation was the largest in the United States’ history, containing almost 80 million members, who are now between the ages of 45 and 60. As these horsemen and women enter into the retirement era of their lives, they become less likely to spend the amount of money in the horse market as they did previously. Generation X, with only half the members as the Baby Boom generation, is becoming the bulk of the horse industry, greatly reducing the number of potential horse owners.¹” This sentiment was shared by Robert Scarpelli, of HLT Advisory, during a presentation showing the flat growth experienced by racing over the past 15 years compared to other forms of gaming: “Racing has a narrow demographic appeal and unless you change that appeal you are not going to change that outcome.²”

Based on these reports, one could surmise that casinos, which are frequented by Baby Boomers, haven’t suffered the same demise as horse tracks in part because they appeal to a wider audience. That is, it is not necessary to have frequented casinos in one’s youth to understand how to play slot machines. However, it is possible that those who did not frequent horse tracks in their youth would find it difficult or even challenging to learn how to bet at a horse race, especially as they age. As the population of horse racing enthusiasts declines, it is not replaced sufficiently enough by others in the Baby Boom generation or any other generation. Given this demographic shift and change in horse racing culture, there is a need to improve marketing and promotion not only to attract a new client base, but also to educate them about a sport that is foreign to them.

In 2009, the Maryland Horse Industry Board suggested there was a need for leaders in the industry to “enlist the assistance of Maryland government agencies and professional public relations firms to develop a unified, widespread, and effective marketing and promotional plan to help maintain Maryland’s rightful place as a world-renowned home for the horse industry.³” A similar conclusion was voiced Dr. Holly Kruse, an assistant professor in communications at the University of Tulsa, at the 36th annual Symposium on Racing & Gaming in Tucson, Arizona, that took place in early December 2009. Dr. Kruse emphasized the need for racetracks to embrace new Internet and mobile device developments in order to expand their reach and empower their

1 Williams, Carly. “Survival Tips for the New Horse Market,” The Horsemen’s Corral Online. 2009.

<http://www.corralonline.com/articles/article060406190644.htm>

2 “Analysts say Flat Growth Will Hurt Racing with Government,” HarnessRacing.com. 2009.

<http://www.harnessracing.com/news/analystssayflatgrowthwillhurtracingwithgovernment>

3 LaMarra, Tom. “Report Offers Ways to Assist Maryland Racing,” Bloodhorse.com. 2009. <http://www.bloodhorse.com/horse-racing/articles/54207.htm>

fans. “The horse racing’s problem is its visibility. It’s invisible⁴.” To improve its standing, horse racing needed to offer fans free content such as videos and racing data, so that the fans could create new messages and reach out to a wider audience. Promoting more women’s involvement in wagering would be part of the strategy to create a larger audience, especially since horse tracks are dominated primarily by men⁵. Sam Houston Race Park in Texas announced its introduction of a “rookie room” for customers who appeared to be new to the sport⁶. Participants would hear an overview of racetrack operations and be given a short lesson on wagering which would be followed by a Q&A session. They would also be taken to the paddock to look at the horses before a race and then would follow the horses trackside for an up-front look at the race.

2.2.1.2 Offer More Attractions at the Racetrack

The news waves have been saturated with reports of ailing horse tracks seeking to add slot machines and table games to their facilities. Charles Town Races and Slots was recently allowed to add table games to its existing 5,000 slot machines⁷, which the property says have generated \$39 million annually for the breeding fund and allowed it to significantly raise stakes purses to the tune of \$1million for all runners⁸. According to Joseph Kyle in a 2008 report published in *The Horseman and Fair World*, the installation of slot machines at 17 North American racetracks increased available purse money by 118%: gross purses totaled \$135.3 million the year before slots were implemented at the respective tracks and grew to \$295.2 million in 2007⁹. In Illinois, five racetracks and the state’s Thoroughbred and harness horsemen were making a joint push to the legislature to win permission to install video lottery terminals or slot machines¹⁰. The argument provided by proponents has been that the slot machines would provide an infusion of cash that could then be used to offer higher purses. By attracting higher quality horses, the quality of the races would improve, which would then result in higher bets by more visitors. Regardless of which side of the argument an individual stands, the reality is that there is a need for racetracks to offer more than just horse racing if they are to continue operating successfully. In the 2009 report by the Maryland Horse Industry Board mentioned earlier, it was also suggested that racetrack owners “reinvent their facilities and employ a one-stop entertainment destination model¹¹.”

4 Hegarty, Matt. “Zero Tolerance is a Misnomer, Drug Experts Say,” Daily Racing Form. 2009.

<http://www.drf.com/drfNewsArticle.do?NID=109467&subs=0&arc=1>

5 “Racing Leaders Hear About Innovation,” HarnessRacing.com. 2009.

<http://www.harnessracing.com/news/racingleadershiphearsaboutinnovation.html>

6 “Sam Houston Race Park Opening ‘Rookie Room,’” HarnessRacing.com. 2009.

<http://www.harnessracing.com/news/samhoustonraceparkopeningrookie.html>

7 DeVivo, Joe. “Charles Town to Get Table Games,” Daily Racing Form. 2009.

<http://www.drf.com/drfNewsArticle.do?NID=109404&subs=0&arc=1>

8 DeVivo, Joe. “Charles Town Classic to Offer \$1M Purse for All,” Daily Racing Form. 2009.

<http://www.drf.com/drfNewsArticle.co?NID=109429&subs=0&arc=1>

9 Avenatti, Ryan and Karyn Malinowski. “Impact of Slot Machines/Video Lottery Terminals (VLTs) on the Economy, Horse Racing and Breeding Industry, Agriculture and Open Space in States/Provinces where they Exist: Why is this Important for New Jersey,” New Jersey: Rutgers Publishing, 2009. Print.

10 Milbert, Neil. “Illinois Tracks, Horsemen Unite to Preserve Slot Machine Rights,” Thoroughbred Times. 2009.

<http://www.thoroughbredtimes.com/national-news/2009/December.html>

11 LaMarra, Tom. “Report Offers Ways to Assist Maryland Racing,” Bloodhorse.com. 2009. <http://www.bloodhorse.com/horse-racing/articles/54207.htm>

One trend has been to expand the type of horse racing offered at the property. Hoosier Park Racing and Casino recently received approval from the Indiana Horse Racing Commission to offer Standardbred racing in addition to Thoroughbred racing¹². One could assume that a horse track's total facility handle would increase because a wider audience is attracted by different types of horse racing. In Florida, Hialeah Park has asked other pari-mutuels in the Miami-Fort Lauderdale market for permission to start running Thoroughbred races during its Quarter Horse meet. Owner John Brunetti said that Thoroughbred races could help the property economically given the “disappointing handle during the first four days of the Quarter Horse meet¹³.” Churchill Downs has also sought to redefine the on-track experience by staging six special “Downs After Dark” nighttime racing programs under the lights in 2010. According to Churchill Downs President Kevin Flanery, “We want to keep Downs After Dark a special and unique experience for our fans. For three nights this past spring, Churchill Downs was transformed into Louisville’s ultimate nighttime hot spot. The track was the place to be and offered the biggest party in town¹⁴.” The popularity of the three night racing events in June and July of 2009, which attracted a total attendance of 89,115 visitors¹⁵, signaled the successfulness of this expansion in 2010.

2.2.2 Cost-cutting Measures

2.2.2.1 Stud Fee Reductions

In the Thoroughbred horse racing industry where the breed of a horse is highly revered and prized, it is no surprise that stud fees, the sum paid to stallion owners for the use of the stallion to sire a foal, can be quite costly. Lately, however, stud fees have been lowered from the owners’ original asking price, a sign of the weight the economy’s woes have had on the horse racing industry. At best, stallion operations have been able to maintain their stud fees at 2009 levels. While the global financial crisis triggered the reduction in stud fees, it would be false to think that stud fees would continue to rise as they did in previous years had there been no economic crisis, according to David Papadopoulos, a reporter with Bloomberg News. The oversupply of horses created a bubble that was bound to burst, with or without the push of the financial crisis. At best, stud fees would have leveled off. James Squire, a 65-year-old breeder with a farm in Versailles, Kentucky, agreed with this conclusion: “We are plagued by a vast oversupply (of horses). We’re going to have to ride them or eat them¹⁶.”

WinStar Farm, located in Versailles, Kentucky, cut fees for its flagship sires Distorted Humor (from \$150,000 to \$100,000), Bluegrass Cat (from \$40,000 to \$25,000), Sharp Humor (from

12 “Hoosier Park to Open for Harness Racing March 25,” HarnessRacing.com. 2009.

<http://www.harnessracing.com/news/hoosierparktoopenforharnessracingmarch25.html>

13 Freer, Jim. “Hialeah Asks to Run Thoroughbreds,” BloodHorse.com. 2009. <http://www.bloodhorse.com/horse-racing/articles/54264.htm>

14 “Churchill: Friday Night Lights,” BloodHorse.com. 2009. <http://www.bloodhorse.com/horse-racing/articles/53479.htm>

15 Rogers, Darren. “Churchill Downs to Host Six Night Racing Programs in 2010,” Churchill Downs. 2009. <http://www.churchilldowns.com>

16 Papadopoulos, David. “Stallion Fees Sink as Financial Crisis Hits Thoroughbred Market,” Bloomberg News. 2008.

<http://www.bloomberg.com/apps/news?pid=20601109&sid=awNcv5yE42pk&refer=home>

\$12,500 to \$7,500), and Spring at Last (from \$15,000 to \$7,500)¹⁷. Millennium Farms in Lexington lowered the price of Student Council, who stood for \$17,500 in his first year at stud in 2009, would carry a \$10,000 price in 2010. Journeyman Stud in Ocala, Florida, dropped fees for six of its stallions, including top-priced Circular Quay, which fell from \$7,500 in 2009 to \$6,500 in 2010¹⁸. Walmac Farm was another Kentucky operation that reduced stud fees for every stallion in its operation, including the highest-priced stallions, Songandprayer (whose fee dropped from \$22,500 to \$17,500) and Successful Appeal (whose fee dropped from \$22,500 this year to \$12,500 next year)¹⁹. Keeneland Association, Inc., the world's biggest Thoroughbred market, sold 239 horses for \$2,253,900 in its November 2009 breeding stock sale, as compared with \$2,580,500 for 178 horses in 2008²⁰. Furthermore, thirteen yearlings, or one-year-old horses, at Keeneland fetched more than \$1 million in September 2008 compared to 24 horses that topped that price in 2007²¹.

2.2.2.2 New Drug-Testing Procedures

The Kentucky Horse Racing Commission approved a new drug-testing procedure in 2009 that would streamline the process and reduce costs by as much as 30 percent. Dr. Mary Scollay, the Kentucky equine medical director, said the greatest benefit of the procedure, would come from cost savings by fewer samples being tested while retaining the credibility of the testing program. While there would be fewer tests conducted, the lack of advanced knowledge of which horses would have samples taken and which would then be tested would serve as a deterrent for anyone to knowingly administer a prohibited substance to a horse before a race²². In addition to reducing a racetrack's costs, improved drug procedures could also help to improve the public perception of horse racing, which has sparked a push for uniformity in equine drugs and testing methods²³. "For years we've been operating in an environment of uncertainty and lack of uniformity," said Dr. Robert Lewis, president of Elgin Veterinary Hospital and past president of the American Association of Equine Practitioners. "This is a huge dilemma for trainers that race in various jurisdictions and veterinarians that travel from state to state."

2.2.3 Two Topics of Interest to the State of Delaware

In an effort to address the two topics of interest to the State of Delaware, namely a comparison of Standardbred and Thoroughbred racing and the potential benefits or detractions of races held on

17 Cain Oakford, Glenye. "WinStar Fees Mostly Down." Daily Racing Form. 2009.

<http://www.drf.com/drfNewsArticle.do?NID=108983&subs=0&arc=1>

18 Cain Oakford, Glenye. "Keeneland Sale Remains Tepid." Daily Racing Form. 2009.

<http://www.drf.com/drfNewsArticle.do?NID=109012&subs=0&arc=1>

19 Hegarty, Matt. "Walmac Cuts Stud Fees." Daily Racing Form. 2009.

<http://www.drf.com/drfNewsArticle.do?NID=109265&subs=0&arc=1>

20 Cain Oakford, Glenye. "Sale's Slump Continues." Daily Racing Form. 2009.

<http://www.drf.com/drfNewsArticle.do?NID=109033&subs=0&arc=1>

21 Papadopoulos, David. "Stallion Fees Sink as Financial Crisis Hits Thoroughbred Market," Bloomberg News. 2008.

<http://www.bloomberg.com/apps/news?pid=20601109&sid=awNcv5yE42pk&refer=home>

22 Mitchell, Ron. "Ky. Commission Approves New Testing Procedure," BloodHorse.com. 2009.

<http://www.bloodhorse.com/horse-racing/articles/54213.html>

23 LaMarra, Tom. "Drug Uniformity Remains Somewhat Elusive." BloodHorse.com. 2009. <http://www.bloodhorse.com/horse-racing/articles/54385.html>

a mile-long track, we sought to collect research that was publically available. However, given the lack of research that existed on these two topics, we interviewed industry experts from a variety of organizations in the horse racing industry to gather their impressions and insights. While there was no general consensus on which type of racing was the best, the interviewees offered their thoughts on the advantages and disadvantages that each type offered. In contrast, the general consensus regarding the other topic was that mile-long tracks were the most preferable, primarily from a safety standpoint.

2.2.3.1 Comparison of Standardbred and Thoroughbred Racing

In the interviews that were conducted with leaders in the horse racing industry, there was not a clear consensus that one type of racing – Standardbred or Thoroughbred – was better than the other. Given that they are two different animals with different gaits and, thus, participate in two different types of racing, a comparison would be very difficult to make, as pointed out by Tim Capps, Executive-in-Residence at the University of Louisville’s Equine Industry Program. However, the interviewees did share their thoughts on the advantages and disadvantages that each type offered. One of the advantages of Standardbreds is that they are less costly than Thoroughbreds. Standardbreds are generally cheaper to train and buy.

As Laura Plato, Director of Operations at the Horsemen’s Benevolent and Protective Association, pointed out, Standardbreds also have longer endurance and can race more frequently, typically three times in a night, compared to Thoroughbreds. Stan Bergstein, an executive at Harness Tracks of American, agreed with Ms. Plato’s statement, saying that Standardbreds were more preferable from an owner’s perspective: while Thoroughbreds raced every month or every two months, Standardbreds could race every week or every two weeks. Furthermore, Thoroughbreds experienced higher break downs than Standardbreds. Standardbreds are a sturdier breed, according to Mr. Bergstein, which means that they maximize the earning options available to an owner. Thoroughbreds, by comparison, are generally bred for speed and are more fragile. Related to the durability of Standardbreds is the nature of the type of racing they do. Standardbreds hit the ground two legs at a time, whereas Thoroughbreds hit the ground one leg at a time, creating a much greater opportunity for injuries²⁴. Also, Thoroughbreds carry the direct weight of the jockey or rider on its back, whereas the weight is carried behind Standardbreds and dragged in harness racing. Harness racing is more of a strategic sport, and Standardbreds have a greater re-acceleration process, whereas Thoroughbreds start from a dead stop and require an immediate acceleration, which adds to the opportunity for injuries.

While Thoroughbred racing typically offers higher payouts and is the more popular of the two, the interviewees offered their thoughts on reasons contributing to this situation. Mr. Capps said that the prevalence of Thoroughbred racing could be partly attributable to cultural differences: west of the Mississippi, there are few Standardbred races because people are not as familiar with it and the horse culture is different. Mr. Bergstein noted that the provincial ideas surrounding Standardbreds have been a source for lack of growth in this type of racing. Those involved in

24 Horse Racing Fantasy. “Harness Racing – Getting Behind the Sulky.” Horse Racing Fantasy. 2009.
<http://www.horsracegame.com/community/content/stories/stretchrun/20-08-2008/harness-racing-getting-behind-sulky>

Thoroughbred racing typically look down at Standardbred racing, regarding it as an inferior sport.

2.2.3.2 Potential Benefits/Detractions of a Mile-long Track

In regards to the optimal track length, the general consensus was that mile-long tracks were preferable from a safety standpoint. The turns for longer tracks are not as sharp as those on shorter tracks and, thus, are not as hard on a horse's legs, according to Ms. Plato. Mr. Capps commented that mile-long tracks offered the best test of a horse's capability and that most world records have been established on mile-long tracks. Additionally, race times were usually faster on these types of tracks. Keith Chamblin, who works in the National Thoroughbred Racing Association's marketing department, added that that mile-long tracks typically were considered Class I facilities, whereas shorter tracks were considered Class II or Class III facilities. Mr. Bergstein, who agreed that longer tracks were the most optimal since they resulted in fewer impediments, pointed out that the answer depended on whose point of view it was coming from: participant or spectator. Smaller racetracks were better for spectators since it would give them a better view of the race; longer racetracks were better for participants since there were fewer turns and more racing room. While he pointed out that the most successful days in racing took place on half-mile tracks, Mr. Bergstein said that 5/8-mile tracks offered a good compromise for both spectator and participant.

2.2.4 Comparison of Studies

2.2.4.1 Maryland Department of Labor²⁵

The Maryland Department of Labor, Licensing and Regulation issued a revised report on the impact of slot machines on the horse racing industry in the state to Maryland's governor in August 2007. In this report, the Department of Labor discusses how Maryland's horse racing industry has been negatively affected by the implementation of slots in primarily West Virginia and Delaware, though it briefly discusses the potential impact Pennsylvania's slots will could have on the state. The report also discusses the benefits Delaware and West Virginia's horse racing industries have reaped from the addition of slots to their racetracks.

Key takeaways from this report that are relevant to TMG's analysis are summarized by the following bullet points:

- Throughout most of the 1990s, Maryland collected higher handles and purses and bred more horses statewide than did its neighboring states.

²⁵ Perez, Thomas E. Secretary of Department of Labor, Licensing and Regulation. "Slot Machines and the Racing Industry: A Review of Existing Data in Maryland and Neighboring States." Maryland Department of Labor, Licensing, and Regulation. August 2007.

- While Delaware and West Virginia’s horse racing industries have improved dramatically since the addition of slots to their racetracks, Maryland’s racing industry has experienced a decline.
 - Maryland’s number of racing days sharply declined from 306 days in 1992 to 185 days in 2007.
 - Charles Town in West Virginia raced more than 200 days in 2007.
 - In 2005, average nightly purses for harness races at Dover Downs ranked 8th highest in the U.S.A., while Ocean Downs ranked 57th. In 1996, Dover Downs ranked 55th in average nightly purses, while Ocean Downs ranked 65th.
 - In 1995, Maryland’s Rosecroft ranked 27th in average daily purse in the nation and Ocean Downs was 55th. In Delaware, Harrington was ranked 77th and Dover Downs was ranked 78th.
 - In 2005, after about ten years of VLT revenues in Delaware, Rosecroft was ranked 47th in average daily purse, Ocean Downs was 57th, Dover Downs ranked 8th, and Harrington ranked 11th.
- The financial success of the Preakness Stakes is attributed to Maryland’s ability, thus far, to have survived the increasing competitiveness of its surrounding states.
- Purses are not only an economic indicator of the health of a region’s horse racing industry, but also a driving factor of the industry. Traditionally, handles funded purses which, in turn, determined the quality of the races. The quality of the races determined the amount of bettors and handles placed.
- With regard to inflation, handles have not grown at a pace that supports the profitability of the horse racing industry over the past three decades. The Maryland Department of Labor attributes legalized gambling and the horse racing industry’s failure to adapt to a changing environment to declines in the amount of handle.
- Average daily purses paid is a better metric than annual purses paid because it indicates the average a horseman can win in a state’s races.
- The overall effects slot machines can have on a state’s racing industry (e.g., increasing purse size, facility improvements, increased breeding, etc.) take time to develop and thus are not realized immediately after the introduction of slots gaming.
- As long as slot gaming revenues subsidize the horse racing industry, slots do not have to be located exclusively on racetracks for a state’s horse racing industry to benefit from these additional revenues.

2.2.4.2 Rutgers Equine Science Center²⁶

In 2009, Rutgers Equine Science Center issued a report on the impact of slots machines/VLTs on the horse racing industry and the significance to New Jersey. The following bullet points highlight the key points made in this report:

- Average daily gross slot revenues are higher at horse tracks on racing days than on non-racing days.
- In order to survive, racing facilities must find ways to improve infrastructure and attract new fans to ensure their stability, and cannot rely on traditional pari-mutuel wagering alone to do so.
- Racinos from New York, Pennsylvania, West Virginia and Delaware were among the top ten racinos in the United States in terms of gross gaming revenues in 2008.
- Total annual gross purses in Delaware averaged about \$650,000 before VLTs were introduced to the state, and in recent years Delaware's gross purses exceed \$35 million annually.
- Before slots were introduced to Pennsylvania, Philadelphia Park averaged \$120,000 in daily purses. Post-slots, Philadelphia Park averages \$240,000 in daily purses which represents a 100% increase.
- States with racino properties usually experience a dramatic growth in purses paid after introducing slots and then experience a leveling off period in which purses paid remain higher than they were before slots but not as high as the growth spike. This leveling off of purses paid is attributable to added gaming competition in nearby states which capture portions of a state's historical market.
- A 2008 report by R. Thalheimer titled "Government restrictions and the demand for casino and pari-mutuel Wagering," published in Applied Economics in 2008, concluded that casino revenues at racinos is higher on average on days with live racing than on days with only simulcast racing, and lowest on days with no simulcast or live racing.
- In states with gaming revenue supported purses, the number of stallions standing and mares bred is positively impacted by these additional funds.

2.2.4.3 Pennsylvania Gaming Control Board²⁷

In Pennsylvania's economic impact study of slot machines on Pennsylvania's pari-mutuel wagering industry report, the Pennsylvania Gaming Control Board compares the state's historical horse racing statistics for the 2006-2008 period. While the authors of the report limit themselves

26 Mallinkowski, Karyn, Ph.D. and Ryan Avenatti, M.S. "Impact of Slot Machines/Video Lottery Terminals (VLTs) on the Economy, Horse racing and Breeding Industry, Agriculture and Open space in States/Provinces where they Exist: Why is this Important to new Jersey?" Rutgers Equine Science Center. 2009.

27 Tucker, Melinda M. and Kevin C. Kile. "The Economic Impact of slot Machines on Pennsylvania's Pari-mutuel Wagering Industry: Benchmarking the Industry 2006,2007,2008." Pennsylvania Gaming Control Board. 2009.

to presenting and describing data without asserting any conclusions, the following bullet points present key findings from the report:

- Average daily gross terminal revenue from slot games was higher on race days than non-race days in 2008, suggesting some synergy between horse racing and slot gaming in Pennsylvania.
 - Mondays-Thursdays in 2008 generated an average daily gross terminal revenue that was 18.64% higher on race days than on non-race days.
 - Fridays-Sundays generated an average daily gross terminal revenue that was 7.98% higher on race days than on non-race days.
 - On average, race days generated daily terminal revenues from slots that were 11.16% higher than on non-race days Mondays-Sundays.
- Purses earned in Pennsylvania increased from \$55 million in 2006 to \$201.1 million in 2008, which represents an increase of 256.56%. Between 2007 and 2008, purses grew by 39.37%, from \$144.3 million in 2007 to \$201.1 million in 2008. This large growth in annual purses is mostly attributable to Pennsylvania's continued expansion into slot gaming.
- Purses paid industry-wide in Pennsylvania increased by 185.72% between 2006 and 2008, from \$62.3 million paid in 2006 to \$177.9 million in 2008. Between 2007 and 2008, purses paid grew by 51.79% or \$60.7 million.
- From 2006 to 2008, race days have increased in Pennsylvania by 23.94% and from 2007 to 2008 race days increased by 11.81%.
 - In 2006 there were 756 race days, 838 in 2007, and 937 in 2008. Pennsylvania's total amount of live race days increased by 32.92% in the 2006-2008 period, and between 2007 and 2008 live race days increased by 15.57%.
 - There were 7,598 live race days in Pennsylvania in 2006, 9,153 in 2007, and 10,578 in 2008.
- Between 2006 and 2008, live racing handles on track experienced positive, albeit less substantial, growth than in previously mentioned performance indicators.
 - The live handle in 2006 was \$41.3 million in the state, \$40.9 million in 2007, and \$43.6 million in 2008.
 - The percent increase for the 2006 to 2008 period was 5.74%.
 - Though live handle decreased by about 1% between 2006 and 2007, it grew by 6.72% between 2007 and 2008.
- The live handle on Inter-State Export for Pennsylvania has increased 32.92% from 2006 to 2008, and from 2007 to 2008 it increased by 20.35%.
 - In 2006, Inter-State export was \$455.5 million, \$503.1 million in 2007, and \$605.5 million in 2008.

- The funds appropriated to the horse racing industry in Pennsylvania from slots revenues seems to be having a positive impact on the perceived quality of Pennsylvania’s racing for out of state bettors.
- Total facility handle for Pennsylvania experienced negative growth between 2006 and 2008 with a 15.35% reduction in total facility handle for the period.
 - Between 2007 and 2008, total facility handle dropped 11.46% alone.
 - In 2006, total state handle was \$974.8 million, \$931.9 million in 2007, and \$821.1 million in 2008.
- In summary, the addition of slot machines to Pennsylvania seems to be impacting the state’s horse racing industry in two different ways.
 - The additional revenues and track visits slots had a positive impact on purses, race days, and live race days.
 - Live handle has increased modestly from 2006 to 2008, while total facility handle for the tracks in Pennsylvania has decreased significantly over the same period.

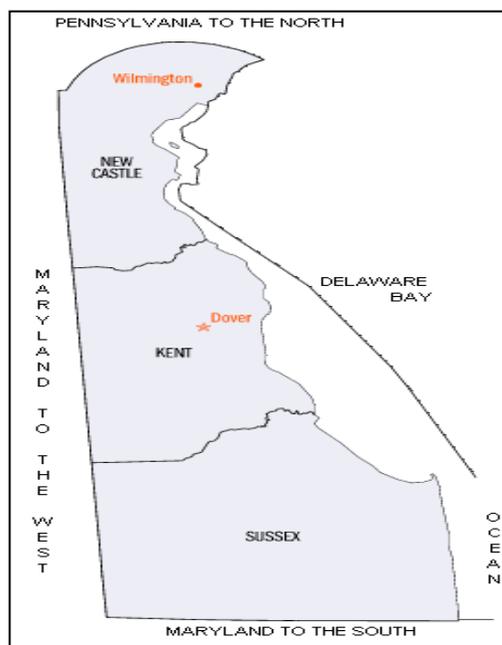
2.3 TOURISM TRENDS

One of the critical aspects of determining the impact potential that slot machine additions will have on existing facilities is to first assess the existing market. TMG Consulting gathered the most current and available visitor profiles from the Delaware Economic Development Office’s website for Delaware State and each of the three counties – New Castle, Kent, and Sussex - to understand and quantify the number of visitors, the average trip expenditure, the visitors’ state of origin, and the top activities. According to TIA Travel Scope/Directions by DKS&A, the data was collected through a survey utilizing a consumer mail panel sample of at least 1 million U.S. households. Methodologies, survey questions, and question response choices varied year to year, and TMG Consulting gathered information from the visitor profiles based on what was available for that year. Key findings include the following:

- The number of visitors to Delaware has increased over the years from 1999 to 2007 by an average annual growth rate of 5.96%.
- The average trip expenditure in Delaware has shown an average annual growth rate of 4.21%.
- The highest average trip expenditure in Delaware was \$375 in 2005, while the lowest average trip expenditure in Delaware was \$265 in 2003.
- The majority of visitors to Delaware come from Maryland. The percentage of visitors from Maryland was the highest in 2004 at 31% and the lowest in 2000 and 2007 at 20%.
- The top three activities for visitors to Delaware were gambling, shopping, and going to beaches.

Below is a map of Delaware’s three counties – New Castle County, Kent County, and Sussex County.

Figure 2-10: Map of Delaware's Counties



Source: www.censusfinder.com/mapde.htm

2.3.1 Number of Visitors

The number of visitors to Delaware has increased over the years from 1999 to 2007 by an average annual growth rate of 5.96%. Delaware experienced the highest number of visitors in 2006 at 8,096,000 visitors and the lowest number of visitors in 2000 at 4,587,000 visitors. Of all three counties in Delaware, Kent County had the highest average annual growth rate at 16.89%. Kent County experienced the highest number of visitors in 2006 at 2,696,000 visitors and the lowest number of visitors in 1999 at 593,000 visitors. Of all three counties in Delaware, New Castle County had the lowest average annual growth rate at 2.67%. New Castle County experienced the highest number of visitors in 2005 at 2,720,000 visitors and the lowest number of visitors in 2002 at 1,101,000 visitors. Sussex County, which had an average annual growth rate of 3.69%, had the highest number of visitors in 2007 at 3,195,000 visitors and the lowest number of visitors in 2000 at 2,193,000 visitors.

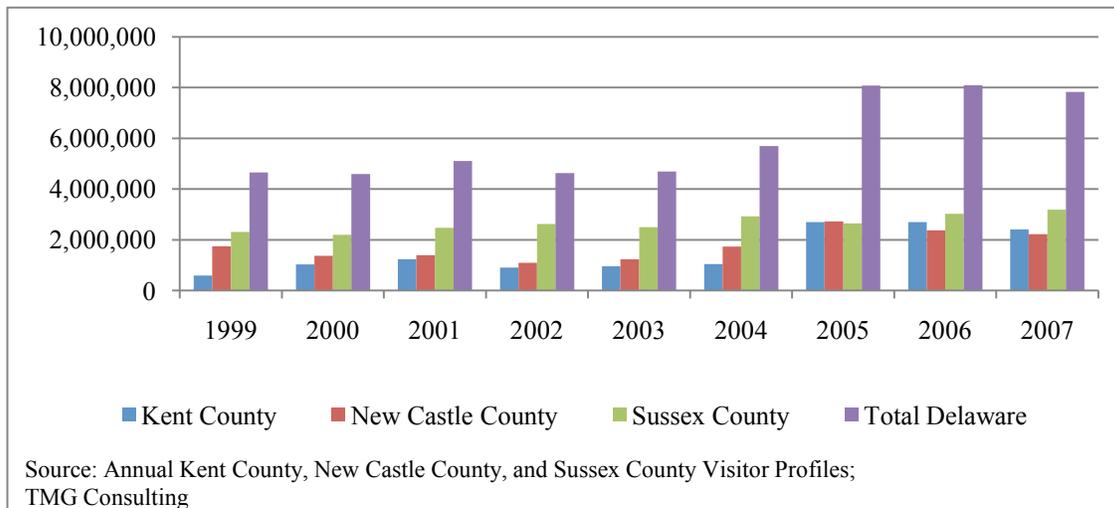
Table 2-18: Summary of Visitation Numbers 1999-2007

Year	Kent County	New Castle County	Sussex County	Total Delaware
1999	593,000	1,752,000	2,306,000	4,651,000
2000	1,029,000	1,365,000	2,193,000	4,587,000
2001	1,235,000	1,392,000	2,478,000	5,105,000
2002	903,000	1,101,000	2,624,000	4,628,000
2003	961,000	1,230,000	2,496,000	4,687,000
2004	1,050,000	1,730,000	2,920,000	5,700,000
2005	2,704,000	2,720,000	2,650,000	8,074,000
2006	2,696,000	2,380,000	3,020,000	8,096,000
2007	2,415,000	2,220,000	3,195,000	7,830,000
A.A.G.	16.89%	2.67%	3.69%	5.96%

Source: Annual Kent County, New Castle County, and Sussex County Visitor Profiles; TMG Consulting

As shown in the figure below, Delaware has seen an increase in the number of visitors over the years from 1999 to 2007. Visitor numbers in 2005 almost doubled 2003’s number of visitors. Overall, each of the three counties in Delaware has experienced an increase in number of visitors. Kent County, which historically had the lowest number of visitors of all three counties, surpassed New Castle County’s visitation numbers beginning in 2005 and in the ensuing years. All visitation numbers were taken from visitor profiles on the Delaware Economic Development Office’s website and reflect the most current information available.

Figure 2-11: Delaware Visitation Numbers 1999-2007



2.3.2 Average Trip Expenditures

Data on average trip expenditures were taken from visitor profiles on the Delaware Economic Development Office’s website and reflect the most current information available. The Total Delaware average trip expenditure was calculated by taking an average of all three counties’

Average trip expenditure for that year. The average trip expenditure in Delaware has shown an average annual growth rate of 4.21%. The highest average trip expenditure in Delaware was \$375 in 2005, while the lowest average trip expenditure in Delaware was \$265 in 2003.

Sussex County, which has had the highest average trip expenditure of all three counties historically, experienced an average annual growth rate of 5.7%. The highest average trip expenditure in Sussex County was \$474 in 2004, while the lowest average trip expenditure in Sussex County was \$307 in 2003. Kent County had the highest average annual growth rate of all three counties at 7.13%. The highest average trip expenditure in Kent County was \$366 in 2004, while the lowest average trip expenditure in Kent County was \$219 in 2003. New Castle County was the only county to experience a negative average annual growth rate at -0.45%. The highest average trip expenditure in New Castle County was \$366 in 2005, while the lowest average trip expenditure in New Castle County was \$226 in 2004.

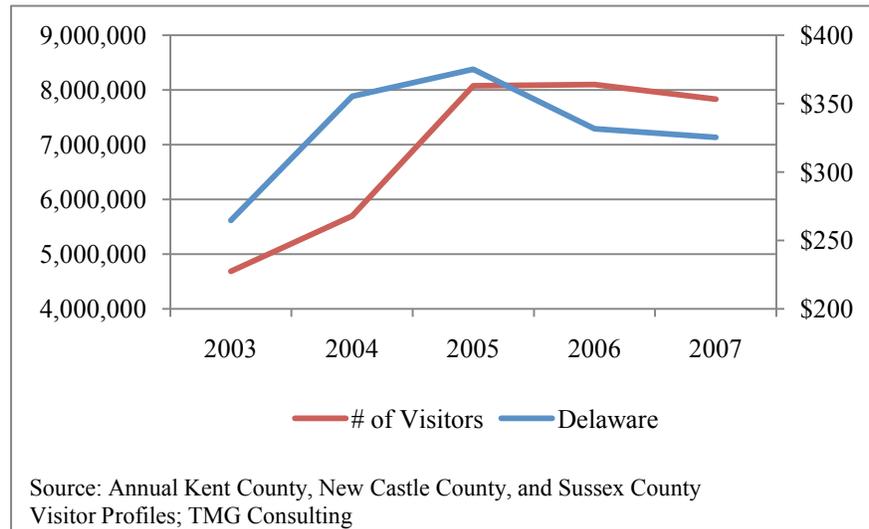
Table 2-19: Summary of Average Trip Expenditures 2003-2007

Year	Kent County	New Castle County	Sussex County	Total Delaware
2003	\$219	\$268	\$307	\$265
2004	\$366	\$226	\$474	\$355
2005	\$286	\$366	\$473	\$375
2006	\$289	\$270	\$436	\$332
2007	\$309	\$262	\$405	\$325
A.A.G.	7.13%	-0.45%	5.70%	4.21%

Source: Annual Kent County, New Castle County, and Sussex County Visitor Profiles; TMG Consulting

The figure below shows that the average trip expenditure in Delaware has not mirrored the movement of the number of visitors in Delaware. In 2004, the increase in number of visitors was less steep compared to the increase in average trip expenditure. Additionally, while the number of visitors increased sharply in 2005, the average trip expenditure increased only slightly. The average trip expenditure decreased sharply in 2006, despite the fact that the number of visitors stayed about the same.

Figure 2-12: Comparison of Number of Visitors and Average Trip Expenditure for Delaware State 2003-2007



2.3.3 State of Origin

2.3.3.1 Delaware Statewide

Data on Delaware visitors' state of origin were taken from visitor profiles on the Delaware Economic Development Office's website and reflect the most current information available. Percentages of visitors from each state were provided in the visitor profiles. For each year, data was gathered for the top six states by percentage of visitors. As shown in the table below, the majority of visitors to Delaware come from Maryland. The percentage of visitors from Maryland was the highest in 2004 at 31% and the lowest in 2000 and 2007 at 20%. The percentage of visitors from Pennsylvania was the highest in 2002 at 20% and the lowest in 2000 and 2007 at 14%. The percentage of visitors from New Jersey was the highest in 2006 at 19% and the lowest in 2001 at 11%. The percentage of visitors from Virginia has declined from 11% in 2000 to 8% in 2007. Likewise, the percentage of visitors from New York has declined from 12% in 2000 to 4% in 2007, less than half its 2000 level. The percentage of visitors from North Carolina has increased from 1% in 2000 to 6% in 2007. During 2003 to 2005, the percentage of visitors from the District of Columbia, which ranged from 2-3%, made the top six states.

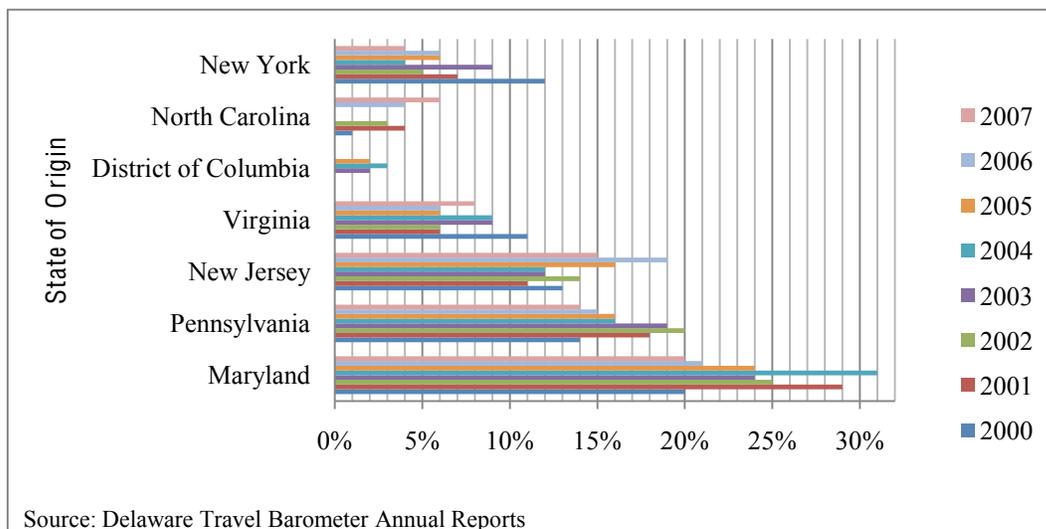
Table 2-20: Summary of State of Origin for Delaware Visitors 2000-2007

Year	MD	PA	NJ	VA	DC	NC	NY
2000	20%	14%	13%	11%	--	1%	12%
2001	29%	18%	11%	6%	--	4%	7%
2002	25%	20%	14%	6%	--	3%	5%
2003	24%	19%	12%	9%	2%	--	9%
2004	31%	16%	12%	9%	3%	--	4%
2005	24%	16%	16%	6%	2%	--	6%
2006	21%	15%	19%	6%	--	4%	6%
2007	20%	14%	15%	8%	--	6%	4%

Source: Delaware Travel Barometer Annual Reports

As shown in the figure below, the majority of visitors to Delaware come from Maryland, with New Jersey and Pennsylvania following behind.

Figure 2-13: State of Origin for Delaware Visitors 2000-2007



Source: Delaware Travel Barometer Annual Reports

2.3.3.2 Kent County

As shown in the table below, the majority of visitors to Kent County come from Maryland. The percentage of visitors from Maryland was the highest in 2004 at 32% and the lowest in 2005 at 16%. The percentage of visitors from Pennsylvania was the highest in 2004 at 14% and the lowest in 2003 and 2007 at 7%. The percentage of visitors from Virginia was the highest in 2004 at 21% and the lowest in 2006 at 10%. The percentage of visitors from New Jersey has declined from 18% in 2003 to 7% in 2007. Likewise, the percentage of visitors from New York has declined from 11% in 2003 to 4% in 2007, less than half its 2000 level. During 2004 to 2007, the percentage of visitors from North Carolina made the top six states at 3%. During 2006, the percentage of visitors from the District of Columbia made the top six states at 3%.

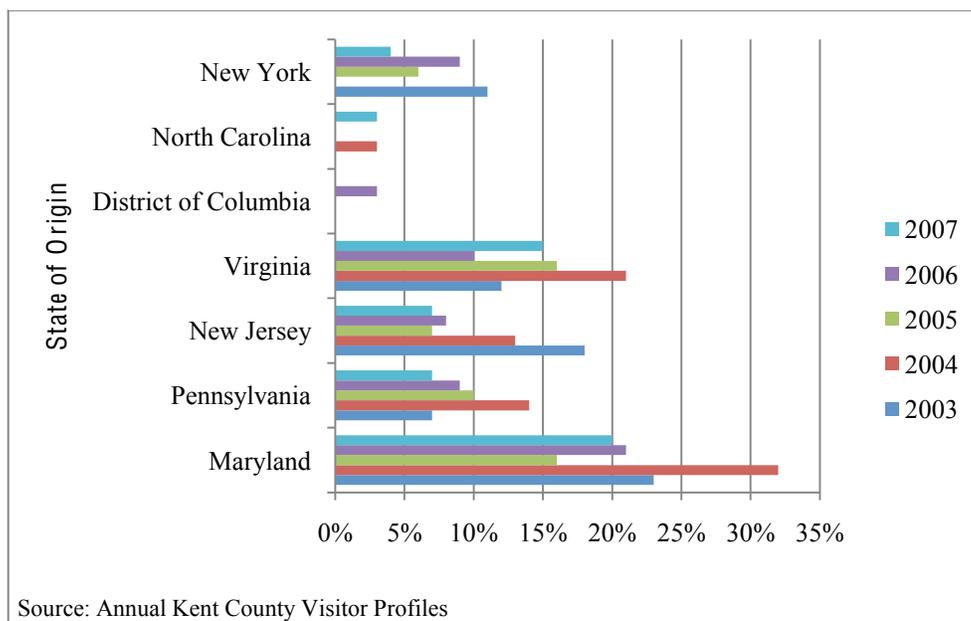
Table 2-21: State of Origin for Visitors to Kent County

Year	MD	PA	NJ	VA	DC	NC	NY
2003	23%	7%	18%	12%	--	--	11%
2004	32%	14%	13%	21%	--	3%	--
2005	16%	10%	7%	16%	--	--	6%
2006	21%	9%	8%	10%	3%	--	9%
2007	20%	7%	7%	15%	--	3%	4%

Source: Annual Kent County Visitor Profiles

As shown in the figure below, the majority of visitors to Kent County come from Maryland, with Virginia following behind.

Figure 2-14: State of Origin for Visitors to Kent County 2000-2007



Source: Annual Kent County Visitor Profiles

2.3.3.3 New Castle County

As shown in the table below, the majority of visitors to New Castle County come from New Jersey. The percentage of visitors from New Jersey was the highest in 2005 at 38% and the lowest in 2003 at 19%. The percentage of visitors from Maryland was the highest in 2004 at 16% and the lowest in 2003 and 2005 at 11%. The percentage of visitors from Pennsylvania was the highest in 2007 at 22% and the lowest in 2004 at 8%. The percentage of visitors from Virginia was the highest in 2007 at 7% and the lowest in 2005 at 4%. The percentage of visitors from New York has declined from 11% in 2003 to 7% in 2007. During 2004 and 2007, the percentage of visitors from North Carolina, which ranged between 8-9%, made the top six states.

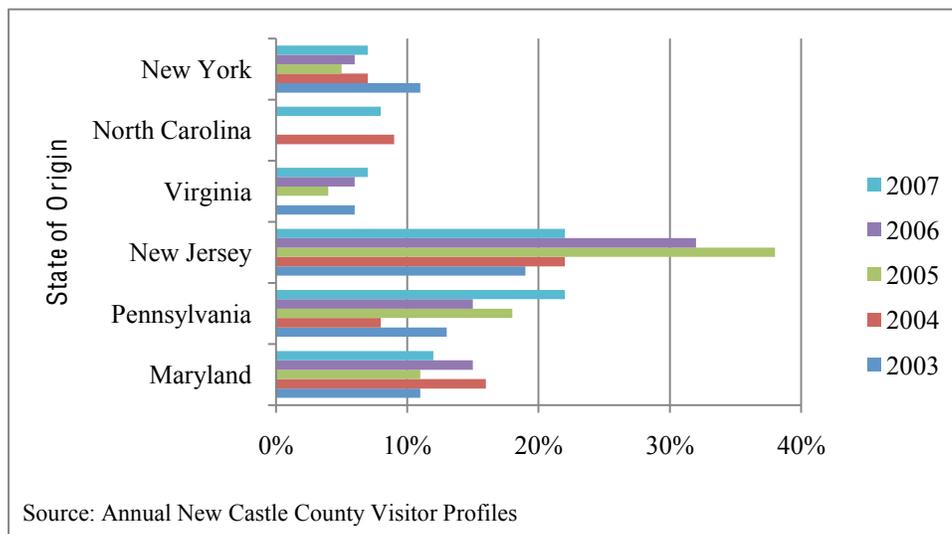
Table 2-22: State of Origin for Visitors to New Castle County

Year	MD	PA	NJ	VA	NC	NY
2003	11%	13%	19%	6%	--	11%
2004	16%	8%	22%	--	9%	7%
2005	11%	18%	38%	4%	--	5%
2006	15%	15%	32%	6%	--	6%
2007	12%	22%	22%	7%	8%	7%

Source: Annual New Castle County Visitor Profiles

As shown in the figure below, the majority of visitors to New Castle County come from New Jersey.

Figure 2-15: State of Origin for Visitors to New Castle County 2000-2007



Source: Annual New Castle County Visitor Profiles

2.3.3.4 Sussex County

As shown in the table below, the majority of visitors to Sussex County come from Maryland. The percentage of visitors from Maryland, which has declined over the years, was the highest in 2004 at 40% and the lowest in 2007 at 24%. The percentage of visitors from Pennsylvania, which has also declined over the years, was the highest in 2003 at 24% and the lowest in 2005 at 18%. The percentage of visitors from New Jersey was the highest in 2005 at 14% and the lowest in 2003 at 5%. The percentage of visitors from Virginia has declined from 10% in 2003 to 3% in 2007. During 2003 and 2004, the percentage of visitors from the District of Columbia, which ranged between 3-5%, made the top six states. During 2006 and 2007, the percentage of visitors from North Carolina made the top six states at 10% and 5%, respectively. During 2006 and 2007, the percentage of visitors from New York made the top six states at 2% and 5%, respectively.

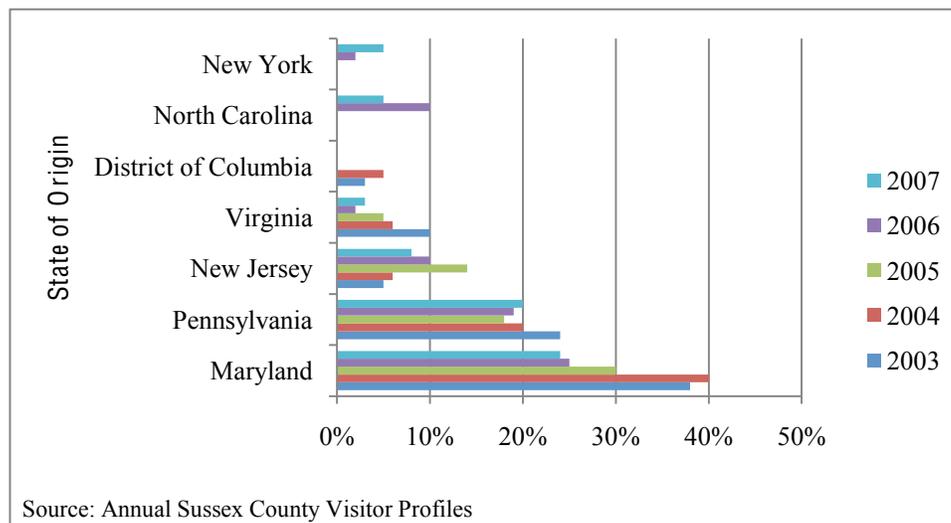
Table 2-23: State of Origin for Visitors to Sussex County

Year	MD	PA	NJ	VA	DC	NC	NY
2003	38%	24%	5%	10%	3%	--	--
2004	40%	20%	6%	6%	5%	--	--
2005	30%	18%	14%	5%	--	--	--
2006	25%	19%	10%	2%	--	10%	2%
2007	24%	20%	8%	3%	--	5%	5%

Source: Annual Sussex County Visitor Profiles

As shown in the figure below, the majority of visitors to Sussex County come from Maryland, with Pennsylvania following behind.

Figure 2-16: State of Origin for Visitors to Sussex County 2000-2007



2.3.4 Top Activities

2.3.4.1 Delaware Statewide

Data on Delaware visitors' Top Activities were taken from visitor profiles on the Delaware Economic Development Office's website and reflect the most current information available. Percentages of visitors' Top Activities were provided in the visitor profiles. For Delaware, data was gathered for the top three activities by percentage of visitors. For each county, data was gathered for the top six activities by percentage of visitors, if it was available. Furthermore, data was also collected for the percentage of visitors participating in gambling for each county, if it was available. As shown in the table below, shopping was the top activity for visitors to Delaware, with the highest percentage of visitors participating in this activity in 2006 at 37%. The percentage of visitors who came to shop was the lowest in 2004 at 27%. The percentage of

visitors coming for the beaches has declined from 25% in 2000 to 16% in 2007. By contrast, the percentage of visitors coming to gamble has increased from 7% in 2000 to 20% in 2007, almost triple 2000's level.

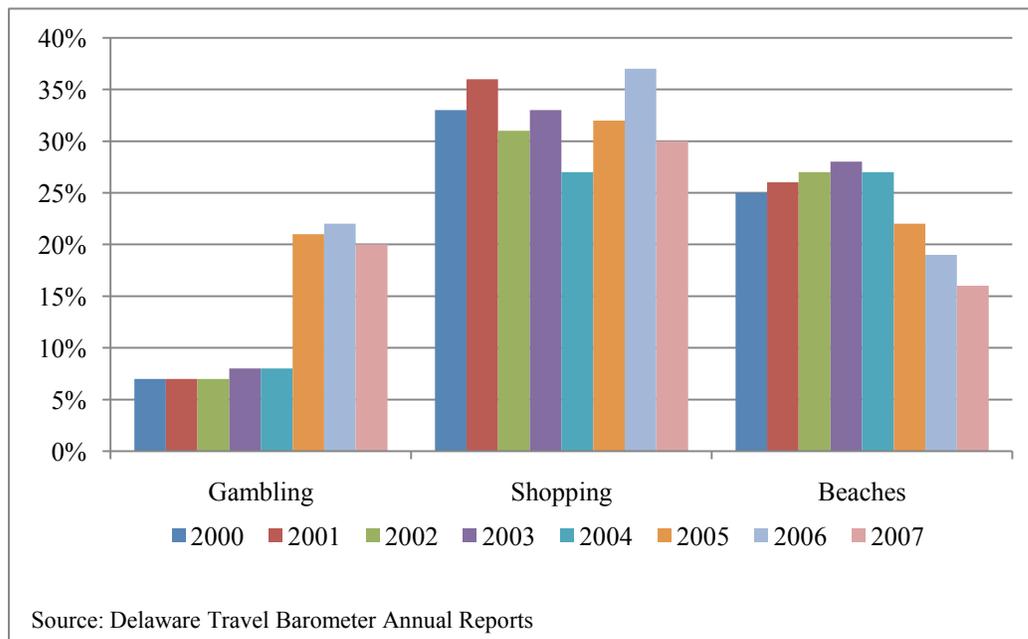
Table 2-24: Top Three Activities for Visitors to Delaware

Year	Gambling	Shopping	Beaches
2000	7%	33%	25%
2001	7%	36%	26%
2002	7%	31%	27%
2003	8%	33%	28%
2004	8%	27%	27%
2005	21%	32%	22%
2006	22%	37%	19%
2007	20%	30%	16%

Source: Delaware Travel Barometer Annual Reports

As shown in the figure below, the top three activities for visitors to Delaware are shopping, going to beaches, and gambling. Shopping, which has been the leading activity of all three activities, had the highest percentage of visitors in 2006. The percentage of visitors going to beaches has increased until 2003, before declining in the ensuing years. The percentage of visitors gambling increased sharply in 2005, tripling 2004's level.

Figure 2-17: Top Three Activities for Visitors to Delaware 2000-2007



2.3.4.2 Kent County

As shown in the table below, gambling was the top activity for visitors to Kent County, with the highest percentage of visitors participating in this activity occurring in 2007 at 40%. The percentage of visitors who gambled was the lowest in 2003 at 26%. Both Harrington Raceway and Casino and Dover Downs Hotel & Casino are located in Kent County. The percentage of visitors shopping follows closely behind gambling with the highest percentage in 2007 at 26% and the lowest percentage in 2005 at 12%. The percentage of visitors attending sports events has declined from 12% in 2003 to 10% in 2007. The percentage of visitors touring/sightseeing has declined from 12% in 2005 to 11% in 2007. The percentage of visitors coming for entertainment has increased from 36% in 2005 to 39% in 2007. The percentage of visitors dining has increased from 29% in 2005 to 34% in 2007.

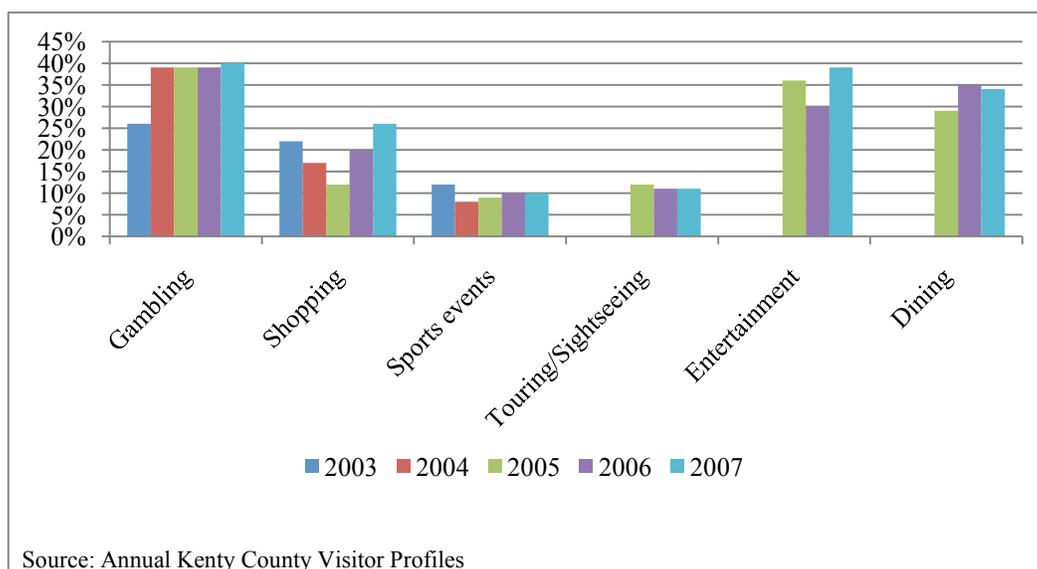
Table 2-25: Top Activities for Visitors to Kent County

Year	Gambling	Shopping	Sports events	Touring/Sightseeing	Entertainment	Dining
2003	26%	22%	12%	--	--	--
2004	39%	17%	8%	--	--	--
2005	39%	12%	9%	12%	36%	29%
2006	39%	20%	10%	11%	30%	35%
2007	40%	26%	10%	11%	39%	34%

Source: Annual Kent County Visitor Profiles

As shown in the figure below, the top activity for visitors to Kent County is gambling, which has increased over the years. Entertainment and dining have also been popular activities for visitors to Kent County from 2005 to 2007. The percentage of visitors shopping declined in 2005 to 12% before increasing in ensuing years to 26% in 2007.

Figure 2-18: Top Activities for Visitors to Kent County 2003-2007



2.3.4.3 New Castle County

As shown in Table 2-26: Top Activities of Visitors to New Castle County Table 2-26 below, shopping was the top activity for visitors to New Castle County, with the highest percentage of visitors participating in this activity occurring in 2007 at 29%. The percentage of visitors who shopped was the lowest in 2004 at 20%. The percentage of visitors touring/sightseeing had the highest percentage in 2006 at 19% and the lowest percentage in 2004 at 8%. The percentage of visitors attending sports events has increased from 6% in 2003 to 15% in 2007. The percentage of visitors gambling was the highest in 2006 at 18% and the lowest in 2004 and 2005 at 4%. The Delaware Poker Room and Delaware Park Racetrack, Slots and Golf are located in New Castle County. The percentage of visitors coming for entertainment increased from 16% in 2005 to 20% in 2007. The percentage of visitors dining decreased from 40% in 2005 to 29% in 2007. The percentage of visitors attending a concert, play, or dance was 12% in 2005 and 13% in 2007. The percentage of visitors attending social or family events was 33% in 2003 and 30% in 2004.

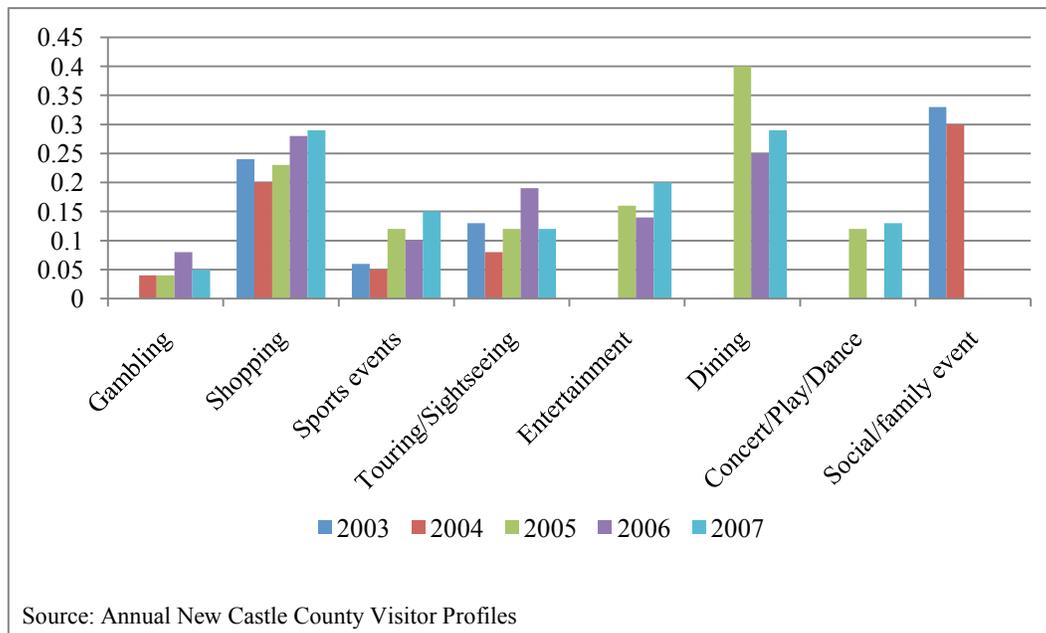
Table 2-26: Top Activities of Visitors to New Castle County

Year	Gambling	Shopping	Sports events	Touring/Sightseeing	Entertainment	Dining	Concert/Play/Dance	Social/family event
2003	--	24%	6%	13%	--	--	--	33%
2004	4%	20%	5%	8%	--	--	--	30%
2005	4%	23%	12%	12%	16%	40%	12%	--
2006	8%	28%	10%	19%	14%	25%	--	--
2007	5%	29%	15%	12%	20%	29%	13%	--

Source: Annual New Castle County Visitor Profiles

As shown in the figure below, the top activity for visitors to New Castle County has historically been shopping, with dining and social/family events being close rivals in various years. The percentage of visitors gambling has remained relatively stable between 4% and 5%, with the highest percentage occurring in 2006 at 8%.

Figure 2-19: Top Activities of Visitors to New Castle County 2003-2007



2.3.4.4 Sussex County

As shown in the table below, the top activities for visitors to Sussex County were going to beaches, shopping, and dining. The percentage of visitors who go to beaches was the highest in 2004 at 60% and the lowest in 2003 at 33%. The percentage of visitors shopping was the highest in 2004 at 44% and the lowest in 2003 at 27%. The percentage of visitors dining has increased from 39% in 2005 to 42% in 2007. The percentage of visitors participating in outdoor recreation was the highest in 2007 at 13% and the lowest in 2003 at 10%. The percentage of visitors touring/sightseeing has stayed between 20% and 22% from 2005 to 2007. The percentage of visitors coming for entertainment has increased from 20% in 2005 to 27% in 2007. The percentage of visitors gambling has stayed between 1% to 2% from 2004 to 2007. There are currently no gambling facilities in Sussex County.

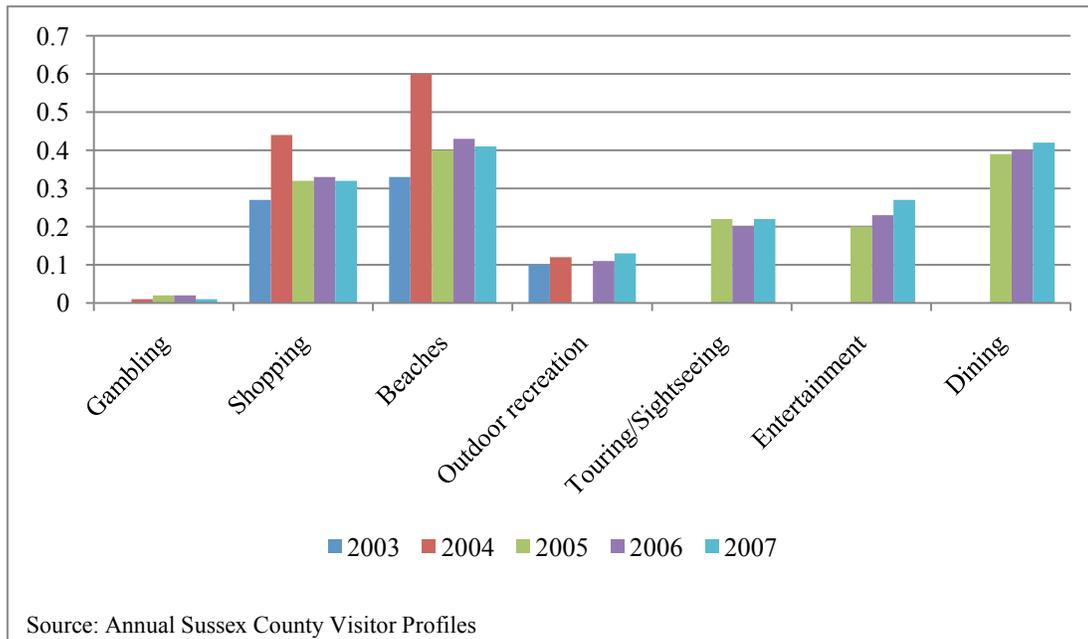
Table 2-27: Top Activities for Visitors to Sussex County

Year	Gambling	Shopping	Beaches	Outdoor recreation	Touring/Sightseeing	Entertainment	Dining
2003	--	27%	33%	10%	--	--	--
2004	1%	44%	60%	12%	--	--	--
2005	2%	32%	40%	--	22%	20%	39%
2006	2%	33%	43%	11%	20%	23%	40%
2007	1%	32%	41%	13%	22%	27%	42%

Source: Annual Sussex County Visitor Profiles

As shown in the table below, the top activities for visitors to Sussex County were going to beaches, shopping, and dining. In 2004, the percentages of visitors going to beaches and shopping were the highest at 60% and 44%, respectively. Gambling has been a negligible activity for visitors to Sussex County with percentages varying between 1-2%.

Figure 2-20: Top Activities for Visitors to Sussex County 2003-2007



2.3.4.5 Rehoboth Beach-Dewey Beach

According to the Rehoboth Beach-Dewey Beach Chamber of Commerce’s most current and publically-available data on tourists, the 2008 total estimated annual visitation to downtown Rehoboth was 3,479,000 visitors, while estimated annual visitation to the resort area, which includes Midway/Dewey, was 3,519,700 visitors. Thus, the total estimated annual visitation number for the entire resort area in 2008 was 6,998,700 visitors. Information on prior years’ visitation numbers was not available. According to Jason Nance of Rehoboth Beach-Dewey Beach Chamber of Commerce, the majority of visitors, roughly 30%, to these two beach cities come from Pennsylvania based on observation. The other major states of origin for the visitors are, in order, Maryland, Ohio, and Virginia/New Jersey.

SECTION 3: VIDEO LOTTERY GAMING ASSESSMENT

In order to estimate the potential revenue generation of Video Lottery facilities in Delaware, TMG Consulting constructed a series of mathematical and locational models. The most accurate such model, and the one that is widely accepted in the gaming industry, is the gravity model. For comparison purposes, we also generated a fair share model. The following sections of this report detail the creation of these models, their inputs, and the revenue estimates that result.

3.1 COMPETITIVE LANDSCAPE

3.1.1 Delaware

Delaware currently has gaming at three venues: Delaware Park Racetrack Slots and Golf, Dover Downs Hotel and Casino, and Harrington Raceway and Casino. All three venues offer VLT gaming, parlay sports betting on National Football League games, and race betting. Delaware is currently exploring its options in expanding its gaming offerings with the addition of table games and increasing the number of VLTs at existing facilities, and allowing new standalone gaming facilities to be built in the state. Sports betting, according to an article in *The News Journal*, was something the three gaming properties in Delaware implemented in order to give them a competitive edge over increasingly competitive neighboring states, however, a federal appeals court limited Delaware sports betting to three-game parlay bets²⁸. Dover Downs, in response to federal limitations on sports betting, cancelled a planned expansion that would have erected a \$100 million facility for sports betting and a supporting parking garage.

3.1.1.1 Competitive Facilities

Delaware Park

Delaware Park is a horse racing facility located outside the city of Wilmington with two tracks that feature live Thoroughbred racing. Delaware Park is one of 12 tracks in the country to offer pari-mutuel wagering on purebred Arabians. The 78,520 square foot gaming space has two floors and features 2,936 slot machines and 27 electronic table games, as well as eight restaurants and bars.

Dover Downs Hotel & Casino

Dover Downs, located in Dover, Delaware, is a hotel, casino, and racing facility that holds harness horse races on a 0.625 mile track and NASCAR events on a 1 mile concrete surface. The AAA-rated four-diamond hotel, the largest hotel in Delaware, has 500 rooms and offers

²⁸ Ruth, Eric. "Dover slots profits take a hefty hit." *The News Journal*. 2009.

amenities including meeting and convention facilities, a full-service spa & salon, valet parking, food and beverage outlets, and additional entertainment. Dover Downs has live harness racing in addition to daily simulcasts. The casino features 3,009 slot machines and 18 electronic table games.

Harrington Raceway and Casino

Located in Harrington, Delaware, Harrington Raceway's half-mile horse track features live harness racing and simulcast events. The racetrack is a thirty minute drive south from Dover Downs. The 140,000 square foot gaming space features 2,037 slot machines and 11 electronic table games, and has 3 restaurants and bars. The racetrack is removed from the casino area and features an open-air grandstand. Valet parking is offered at the facility.

3.1.1.2 Potential Developments

Del Pointe Racino & Resort²⁹

Del Pointe Racino & Resort is a destination racino proposed to be built in Millsboro, Sussex County, Delaware. Part of the planned development's value proposition is that it would compete directly with Maryland's Ocean Downs (a racetrack that is scheduled to become a racino) by preventing an outflow of slot revenues from Delaware to Maryland. Highlights of the proposed racino include the construction of a one-mile harness race track, a casino with a hotel and convention center, and general attractions designed to attract vacationing families, such as a movie theater, sports complex, and water park.

Delmar International Raceway & Casino³⁰

Delmar International Raceway & Casino is a proposed project that would combine the already existing Delaware Motorsports Complex in Delmar, Sussex County with a casino facility that would be built directly across the highway from the racetrack. The proposed gaming facility would capitalize on its proximity to the Maryland-Delaware state line, with additional attractions, such as a tax-free shopping mall, to bring in tourists from Maryland.

Georgetown Downs³¹

The third gaming project proposed for Delaware's Sussex County is Georgetown Downs, which would convert the former Georgetown Raceway into a half-mile horse track with a casino. The project's principals have said they would like to model and design the property after Louisiana's Evangeline Downs with Evangeline Downs' assistance. The property would include restaurants, an upscale bar, and a clubhouse in addition to horse racing facilities.

29 Del Pointe Resort & Casino. Del Pointe Resort & Casino, 2009, <http://delpointeresort.com/>

30 Evans Jr, Henry J. "Delmar's casino - a horse of a different color." Cape Gazette. 2009. <http://www.capegazette.com/storiescurrent/200906/delmarcasino26.html>

31 Spence, Kevin. "Investors plan Georgetown casino," Cape Gazette. 2009. <http://www.capegazette.com/storiescurrent/200910/gtown-racino09.html>

*New Castle Racino, Claymount Racino, Four Venues Proposed in the Wilmington Area*³²

In an article that appeared on CapeGazette.com on November 25th, 2009, Delaware Video and Sports Lottery Licensing Commission Chairman Dennis Rochford revealed that new racinos in New Castle and Claymount are being considered. The Chairman also mentioned that four venues in the Wilmington area have been proposed.

Table 3-1: Potential Developments in Delaware

Proposed Venue	Facility Type	Proposed VLTs
Del Pointe Racino & Resort	Racino	N/A
Delmar International Raceway & Casino	Racino	N/A
Georgetown Downs	Racino	N/A
New Castle Racino	Racino	N/A
Claymount Racino	Racino	N/A
Four Venues Proposed in the Wilmington Area	Racino or Casino	N/A

Sources: Del Pointe Casino & Resort, Cape Gazette

3.1.1.3 Delaware VLT Gaming Industry Revenues

Video Lottery Terminal (VLT) gaming began in January 1996 at Delaware Park and Dover Downs. Harrington added VLTs in August 1996. The total market VLT Win started off modestly and grew rapidly from 1996 to 2000 with a total growth of 163% for the period at an average annual growth rate of 27%. Growth in VLT Win slowed down from 2000 to 2002 with an average annual growth rate of about 8%. Between 2002 and 2003, VLT Win dropped dramatically, by 11%, which was likely attributable to the state's newly implemented smoke-free law. VLT Win started to increase annually after 2003, and the introduction of 24-hour gaming in 2006 seems to have had a positive effect on VLT Win for the year. VLT Win in 2006 was \$652 million, the highest annual VLT Win for the State so far. However, VLT Win has been on the decline since 2006.

The average win per position (Win/Pos)³³ for Delaware VLT gaming has fluctuated a lot over the years. From 1996 to 1998, the statewide average Win/Pos increased from \$291 to \$345 and then dropped down to \$264 in 2000. From 2000 to 2002, this increased modestly, and then between 2002 and 2003, just like total VLT Win, the average Win/Pos experienced a sharp drop, decreasing 12.7%. Except for some modest increases in average Win/Pos in 2005 and 2006, it has been decreasing annually. Including revenues up to the month of November, the average VLT Win/Pos for 2009 is \$185, the lowest the State has experienced so far.

³² Spence, Kevin. "Casino Report: Back to lawmakers in December," Cape Gazette. 2009. <http://www.capec Gazette.com/storiescurrent/200911/casino-report20.html>

³³ Average win per position is defined as gross gaming revenues divided by the number of gaming positions, divided by the number of days in the period. Average win per position can also be referred to as win per position per day.

Table 3-2: Delaware Gaming Revenues and Win/Pos

Year	VLT Win	Win/Pos	Change in Win	Change in Win/Pos
1996	\$184,386,811	\$290.65		
1997	\$299,445,100	\$314.17	62.4%	8.1%
1998	\$350,821,200	\$345.41	17.2%	9.9%
1999	\$412,494,300	\$303.86	17.6%	-12.0%
2000	\$485,104,300	\$263.99	17.6%	-13.1%
2001	\$526,395,600	\$269.32	8.5%	2.0%
2002	\$565,909,900	\$283.37	7.5%	5.2%
2003	\$504,999,700	\$247.28	-10.8%	-12.7%
2004	\$553,318,700	\$234.09	9.6%	-5.3%
2005	\$579,446,000	\$237.30	4.7%	1.4%
2006	\$651,733,800	\$248.29	12.5%	4.6%
2007	\$612,407,100	\$224.20	-6.0%	-9.7%
2008	\$588,923,000	\$189.07	-3.8%	-15.7%
2009 thru October	\$481,054,500	\$184.68		-2.3%

Source: Delaware Lottery Commission, TMG Consulting

3.1.1.3.1 Gaming Statistics by Facility

3.1.1.3.1.1 *Annual Win*

Delaware Park has historically been the larger scaled VLT venue, both in terms of positions and win. Dover Downs follows Delaware Park in rank of scale, and Harrington is the smallest in terms of Win generated and positions. In 2009 through the month of October, Delaware Park led the market in VLT Win with \$200.1 million, followed by Dover Downs with \$176.3 million. Harrington had \$104 million VLT Win for 2009 through October. The following chart and table detail the annual gaming revenues, or VLT Win, for each of the three Delaware facilities from 1996 through October, 2009.

**Figure 3-1: Delaware
 Total VLT (Single and Multiplayer) Win**

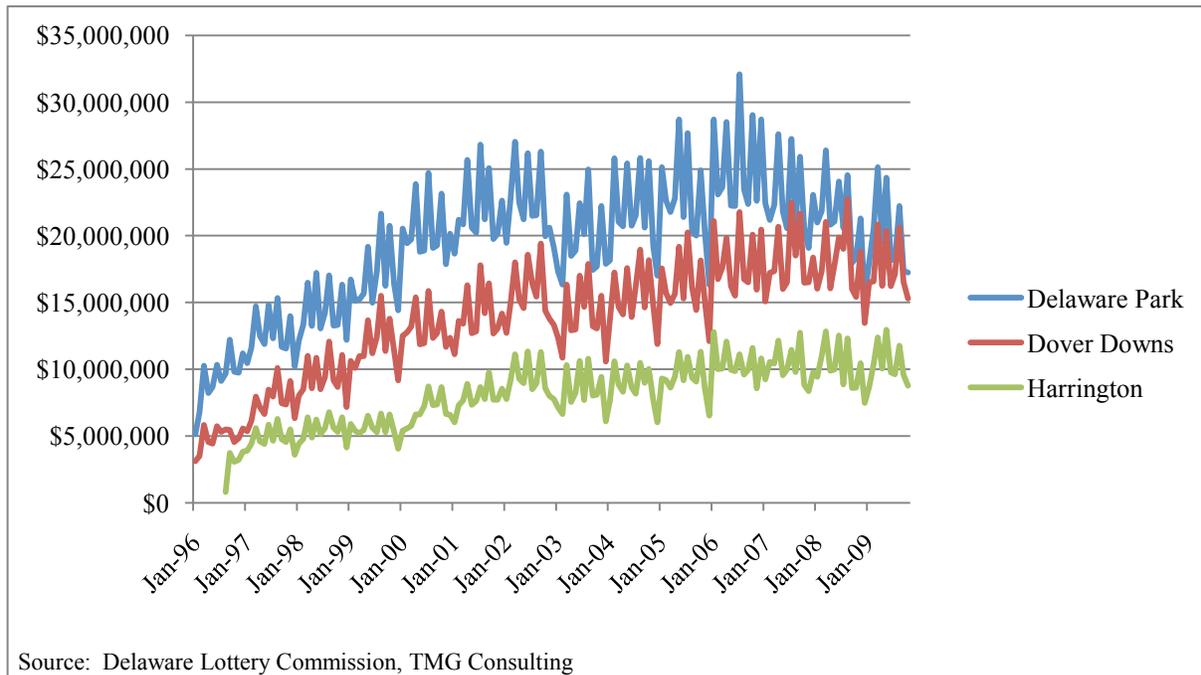


Table 3-3: Delaware Annual VLT Win

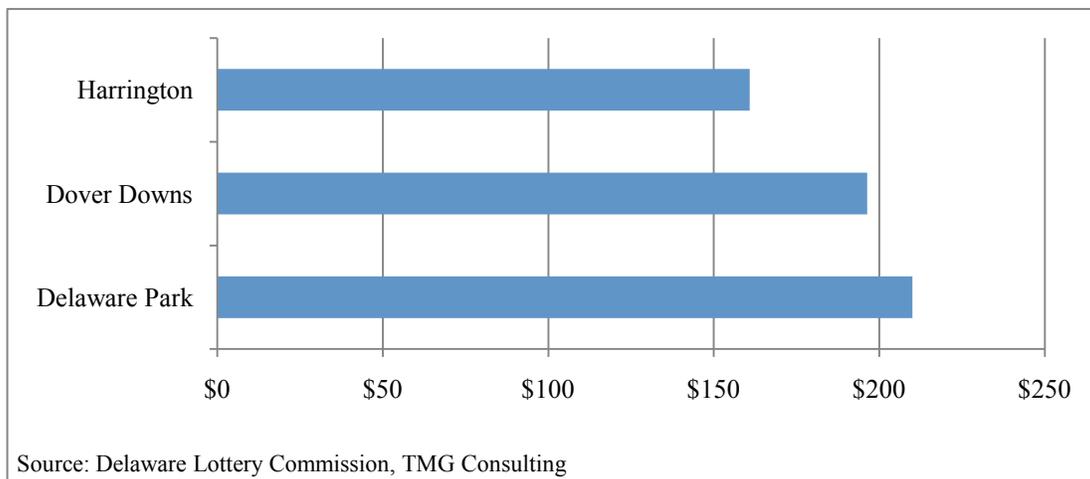
Year	Delaware Park	Dover Downs	Harrington	State Total
1996	\$111,204,811	\$58,485,700	\$14,696,300	\$184,386,811
1997	\$151,100,900	\$90,133,000	\$58,211,200	\$299,445,100
1998	\$171,902,200	\$113,115,400	\$65,803,600	\$350,821,200
1999	\$203,751,200	\$141,291,000	\$67,452,100	\$412,494,300
2000	\$245,470,800	\$156,999,600	\$82,633,900	\$485,104,300
2001	\$262,876,900	\$168,373,700	\$95,145,000	\$526,395,600
2002	\$268,209,000	\$186,893,500	\$110,807,400	\$565,909,900
2003	\$236,889,500	\$167,411,100	\$100,699,100	\$504,999,700
2004	\$261,596,000	\$185,866,100	\$105,856,600	\$553,318,700
2005	\$272,026,200	\$194,544,900	\$112,874,900	\$579,446,000
2006	\$306,668,000	\$218,586,800	\$126,479,000	\$651,733,800
2007	\$272,615,900	\$216,892,300	\$122,898,900	\$612,407,100
2008	\$253,288,300	\$213,571,000	\$122,063,700	\$588,923,000
2009 thru October	\$200,748,100	\$176,342,700	\$103,963,700	\$481,054,500

Source: Delaware Lottery Commission, TMG Consulting

3.1.1.3.1.2 Average Annual Positions

For 2009 through October, Delaware Park offered an average of 3,189 positions, Dover Downs offered 3,143 positions, and Harrington offered 2,106 positions. Electronic table games, or multiplayer VLTs, were introduced to Delaware’s three racinos in late 2006. At the end of October 2009, Delaware Park had an average of 27 electronic games offering 144 positions and an average of 3,018 single player VLTs. For the same period, Dover Downs had an average of 18 electronic table games offering 96 positions and an average of 3,029 single player VLTs. Lastly, for the same period, Harrington had an average of 10 electronic table games offering 56 positions and an average of 2,039 single player VLTs. The following chart and tables offer a comparison and breakdown of the historical positions offered in Delaware.

Figure 3-2: Delaware
Total VLT (Single and Multiplayer) Win



**Table 3-4: Delaware Average Annual Positions
(Single and Multiplayer)**

Year	Delaware Park	Dover Downs	Harrington
1996	832	650	498
1997	1,000	1,000	566
1998	1,017	1,031	661
1999	1,413	1,474	728
2000	1,924	1,959	1,016
2001	2,000	2,000	1,200
2002	2,000	2,000	1,339
2003	2,025	2,005	1,432
2004	2,453	2,449	1,435
2005	2,500	2,500	1,542
2006	2,799	2,633	1,595
2007	3,191	2,832	1,472
2008	3,305	2,980	2,079
2009 thru October	3,189	3,143	2,106

Source: Delaware Lottery Commission, TMG Consulting

Table 3-5: Delaware Average Annual Single Player Positions

Year	Delaware Park	Dover Downs	Harrington
1996	832	650	498
1997	1,000	1,000	566
1998	1,017	1,031	661
1999	1,413	1,474	728
2000	1,924	1,959	1,016
2001	2,000	2,000	1,200
2002	2,000	2,000	1,339
2003	2,025	2,005	1,432
2004	2,453	2,449	1,435
2005	2,500	2,500	1,542
2006	2,779	2,614	1,589
2007	3,047	2,688	1,436
2008	3,159	2,848	2,008
2009 thru October	3,018	3,029	2,039

Source: Delaware Lottery Commission, TMG Consulting

Table 3-6: Delaware Average Annual Multiplayer Positions

Year	Delaware Park	Dover Downs	Harrington
2006	65	65	20
2007	120	120	30
2008	122	110	60
2009 thru October	144	96	56

Source: Delaware Lottery Commission, TMG Consulting

3.1.1.3.1.3 Average Annual Win/Pos

For 2009 through October, Delaware Park had \$207 in Win/Pos, Dover Downs had \$185 in Win/Pos, and Harrington had \$162 in Win/Pos. Delaware Park has historically had the highest Win/Pos, followed by Dover Downs, and then Harrington, though Harrington has achieved a higher Win/Pos than Dover Downs on a few occasions.

The following chart and table compare Delaware’s three VLT facilities historically among VLT Win per position.

Figure 3-3: Delaware Total VLT (Single and Multiplayer) Win

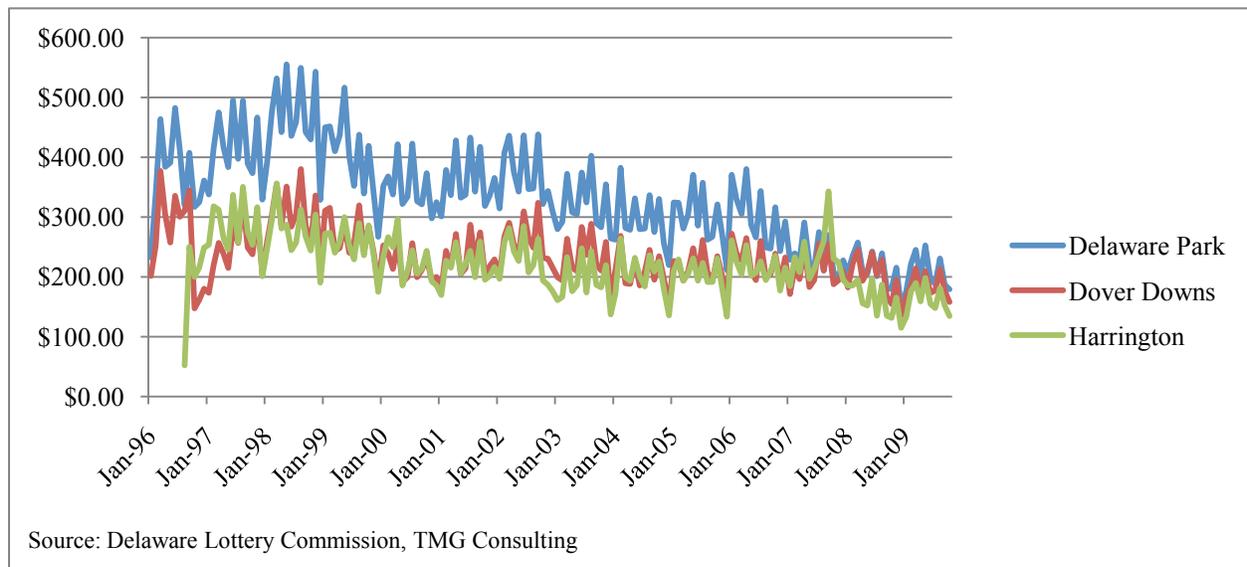


Table 3-7: Delaware Average Annual Win/Pos (Single and Multiplayer)

Year	Delaware Park	Dover Downs	Harrington	State Average Win/Pos
1996	\$366.26	\$246.58	\$192.88	\$290.65
1997	\$413.98	\$246.94	\$281.61	\$314.17
1998	\$463.17	\$300.47	\$272.61	\$345.41
1999	\$395.09	\$262.66	\$253.82	\$303.86
2000	\$349.60	\$219.62	\$222.76	\$263.99
2001	\$360.11	\$230.65	\$217.20	\$269.32
2002	\$367.41	\$256.02	\$226.68	\$283.37
2003	\$320.49	\$228.72	\$192.63	\$247.28
2004	\$292.23	\$207.94	\$202.08	\$234.09
2005	\$298.11	\$213.20	\$200.60	\$237.30
2006	\$300.20	\$227.43	\$217.24	\$248.29
2007	\$234.09	\$209.82	\$228.69	\$224.20
2008	\$209.98	\$196.38	\$160.86	\$189.07
2009 thru October	\$207.07	\$184.55	\$162.42	\$184.68

Source: Delaware Lottery Commission, TMG Consulting

3.1.1.4 Sports Betting Revenues

Sports betting, via the Delaware State Lottery sanctioned sports lottery, have been available at Delaware Park, Dover Downs, and Harrington since September 10, 2009. Bettors can access sports lottery terminals at the racetracks where they can make parlay wagers on NFL games and receive a sports lottery ticket to redeem winnings. On average, eighteen full-service terminals and seven self-service terminals are available at Delaware Park, six full-service and five self-service terminals are available at Dover Downs, and five full-service and four self-service terminals are available at Harrington.

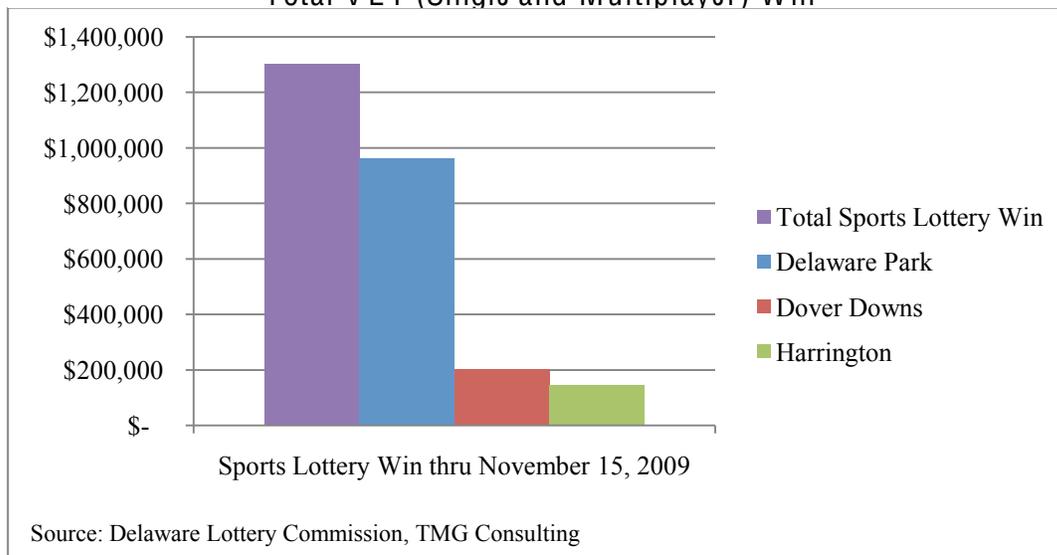
The three facilities with sports betting in Delaware, as of November 15, 2009, have made a combined total of \$1.3 million in revenue from the sports lottery and have sold \$5.2 million in sports lottery tickets. Delaware Park leads the three properties in sports lottery sales, and has generated nearly one million dollars in total win from the \$3.45 million in net sales it has received from sports betting. Dover Downs has a total sports lottery win of \$200,000 and has sold about \$1 million in sports lottery tickets. Harrington has sold about \$740,000 in sports lottery tickets and has a sports betting win of \$145,000.

Table 3-8: Cumulative Sports Lottery Sales and Win (Data thru November 15, 2009)

Revenues	Delaware Park	Dover Downs	Harrington	Total
Net Sales	\$3,447,258	\$1,050,321	\$738,143	\$5,235,722
Total Win	\$963,157	\$203,948	\$144,830	\$1,302,203

Source: Delaware Lottery Commission

Figure 3-4: Delaware
 Total VLT (Single and Multiplayer) Win



3.1.2 Maryland

Maryland is preparing to enter the Mid-Atlantic casino market with five possible venues of casino gaming with a maximum total of 15,000 slot positions.³⁴ Currently, Maryland is home to six horse tracks which allow bets on races. One of them, Ocean Downs in Berlin, is slated to become a racino by 2010. People within Maryland’s legislature and other parties involved with these developments expect that the law permitting slot machines will expand to include electronic table games at the five venues.³⁵

3.1.2.1 Existing Facilities

Pimlico Race Course

Pimlico is the former home of the Preakness Stakes and is located in Baltimore. It has a one-mile dirt oval and a seven-furlong turf oval that is not currently in use. Daily simulcasts are available at Pimlico, and the facility has three restaurants and bars. Valet parking is available to Pimlico visitors.

*Ocean Downs*³⁶

Ocean Downs is a harness race track located in Berlin, Maryland. The site features a snack bar, two restaurants, and a bar. Ocean Downs was the first property in Maryland to be approved for

34 Smitherman, Laura and Gadi Dechter. “Md. voters give OK to 15,000 slots,” Baltimore Sun. 2009. <http://www.baltimoresun.com/news/nation-world/bal-te.slots05nov05,0,7246023.story>

35 Wagner, John. “Slots casinos can open up a wide world of gambling,” Washington Post. 2009. <http://www.washingtonpost.com/wp-dyn/content/article/2009/11/14/AR2009111402730.html>

slots by the Maryland Video Lottery Committee. Management plans for the property to be ready by Memorial Day, 2010 to roll out its initial slot offering of 600 machines, with 200 more to follow within the next year. Developers plan to convert an existing 34,000 square foot grandstand into the property's gaming facility.

Fair Hill Racetrack

Located in Elkton, Maryland, Fair Hill Racetrack offers the only steeplechase race in America that allows pari-mutuel wagering.

Rosecroft Raceway

This horse track located in Fort Washington, Maryland features harness racing and two restaurants. The property can also be reserved for special events, parties and conferences.

Laurel Park

Laurel Park is a two-track, Thoroughbred racing facility located in Laurel, Maryland. On site, there are two bars and four restaurants. Laurel Park made a bid for becoming one of Maryland's five venues with slots in early 2009, but was disqualified from the bidding process for failing to pay the bidding fee.

Timonium Racetrack

Located in Timonium, Maryland, Timonium Racetrack offers Thoroughbred horse races during the Maryland State Fair in August. It has one restaurant.

3.1.2.2 Potential Developments

Penn Cecil Maryland³⁷

Perryville, Cecil County, Maryland will be home to a slot parlor operated by Penn National Gaming and approved of by Maryland's state panel. The facility will offer 1,500 slot machines in 75,000 feet of gaming space, a coffee shop, and a buffet. Penn National Gaming plans to purchase 36 acres of land in Perryville for a Hollywood-themed facility. Penn Cecil Maryland may be open for business by late 2010.

Baltimore Slots Facility³⁸

Baltimore City Entertainment Group was the lead candidate for developing the planned 3,750 slots facility in Baltimore; however negotiations with Maryland's Video Lottery Facility Location Commission fell apart in mid-December 2009. The Commission cited doubt in the developer's ability to complete the proposal as the reason for terminating negotiations. While this particular bid has been rejected, TMG Consulting anticipates that Baltimore will find a suitable developer and have a slots facility opened in the near future, and this is factored into our models.

36 "Media," Ocean Downs LLC, 2009, <http://www.oceandowns.com/media.php>

37 Business Wire. "Penn National Gaming selected by Maryland Video Lottery Location Commission to develop video lottery terminal facility in Cecil County," MSN Money. 2009.

<http://news.moneycentral.msn.com/ticker/article.aspx?Feed=BW&Date=20091021&ID=10581481&Symbol=PENN>

38 Bykowicz, Julie and Annie Linskey. "City slots parlor rejected." Baltimore Sun. 2009.

*Arundel Mills Mall Casino*³⁹

This proposal is the largest scaled of Maryland’s casino developments. Cordish Cos., the developers, will build an entertainment complex with 4,750 slot machines in the Arundel Mills Mall parking lot. Anne Arundel County Council members recently approved the plans for this project after much deliberation. If built to the specifications outlined in the proposal, Cordish Cos. will create a 215,000 square foot facility with 125,000 square feet designated for gaming.

*Rocky Gap Lodge*⁴⁰

Maryland legislators picked this rural Allegany County location in which the State invested in, for a slots parlor and put it out to bid, only to attract one bidder who was disqualified. Nothing will move forward with the Rocky Gap Lodge development until the project is rebid.

*Aerotropolis*⁴¹

Aerotropolis is a proposed mixed-use project to be located near the Baltimore-Washington International Thurgood Marshall Airport. This development would create a space for housing and entertainment, and has positioned itself as an alternative to the Arundel Mills Mall proposal should that project fail to become one of Maryland’s five gaming venues.

Table 3-9: Potential Developments in Maryland

Proposed Venue	Facility Type	Proposed Slots	Planned Opening
Ocean Downs	Racino	800	2010
Penn Cecil Maryland	Casino	1,500	2010
Baltimore Slots Parlor	Casino	3,750	N/A
Arundel Mills Mall Casino	Casino	4,750	2011
Rocky Gap Lodge	Casino	1,500	N/A
Aerotropolis	Casino	3,750	N/A

Source: See footnotes 36-41

3.1.3 West Virginia

West Virginia offers five locations with casino gaming in addition to its statewide Limited Video Lottery. Of the five locations with casino gaming, Charles Town Races & Slots is the only property yet to have table games; however its county approved the installation of additional slot machines to the facility in early December 2009 and is expected to begin offering table games to its visitors in June 2010.⁴² Below is a description of West Virginia’s current offerings.

39 Wbaltv.com. “Leopold: Yes to Arundel Mills slots, no to Laurel Park.” wbaltv.com. 2009.

40 Rascovar, Barry. “The ups and downs of gambling in Maryland,” The Gazette.Net. 2009.

http://www.gazette.net/stories/11062009/poliras161709_32528.shtml

41 Smitherman, Laura. “Site near BWI offered for slots,” Baltimore Sun. 2009.

<http://www.baltimoresun.com/news/maryland/anne-arundel/bal-md.slots03nov03,0,3286329.story>

42 Mason, Cecelia. “Table games at Charles Town means more for other counties.” West Virginia Public Broadcasting. 2009.

3.1.3.1 Existing Facilities

Charles Town Races & Slots

While this property located in Charles Town, West Virginia does not currently offer table games, it has the most VLT positions in the state. Table games are expected to begin being offered in June 2010. The horse track racino features six restaurants, an inn with 153 rooms, VLT gaming, and race wagering.

Wheeling Island Racetrack and Gaming Center

Wheeling Island is the greyhound racetrack with the highest greyhound purses paid in the United States. Located in Wheeling, West Virginia, this facility offers greyhound racing and wagering, VLTs, table games, six restaurants, and a hotel.

Mountaineer Casino, Racetrack & Resort

This Thoroughbred racetrack is located in Chester, West Virginia and is about an hour away from Pittsburgh and Cleveland. On site, there are ten restaurants, two bars, a hotel, a spa, and a golf course. The facility offers VLT and table gaming, in addition to horse race wagering.

Tri-State Casino and Resort

This dog track in Cross Lanes, West Virginia features greyhound racing and betting, VLT gaming, and table games. Tri-State is themed after Mardi Gras and includes this theme in its logo, décor, and some of its amenities such as its restaurants. The property has a 150-room hotel scheduled to open in the summer of 2010.

Limited Video Lottery

Established in 2001, West Virginia's Limited Video Lottery system allows for a limited amount of VLTs, 9,000 maximum, to be located in adult only environments throughout the state. Despite facing competition from West Virginia's racinos, Limited Video Lottery continues to thrive throughout the state.

The Tavern Casino at Greenbrier

The Tavern at Greenbrier is a temporary casino opened to guests, golf and tennis club members, and registered convention visitors at the Greenbrier. The Casino at the Greenbrier, the permanent facility, is scheduled to open in April 2010 and will be a Monte-Carlo themed casino with retail and dining amenities. The permanent facility will adhere to the same state law which limits access to the casino to various types of guests at the Greenbrier.

3.1.3.2 West Virginia Gaming Market Revenues

West Virginia's gaming market consists of five venues: two greyhound racetracks, two horse racetracks, and one hotel casino. The Tavern Casino at The Greenbrier is currently a temporary casino, which began operations in October 2009. It offers 44 VLTs and 10 table games. The permanent casino is scheduled to open in April 2010. The Greenbrier's casino facilities are only

available to overnight guests and registered convention participants, as well as golf and tennis club members.

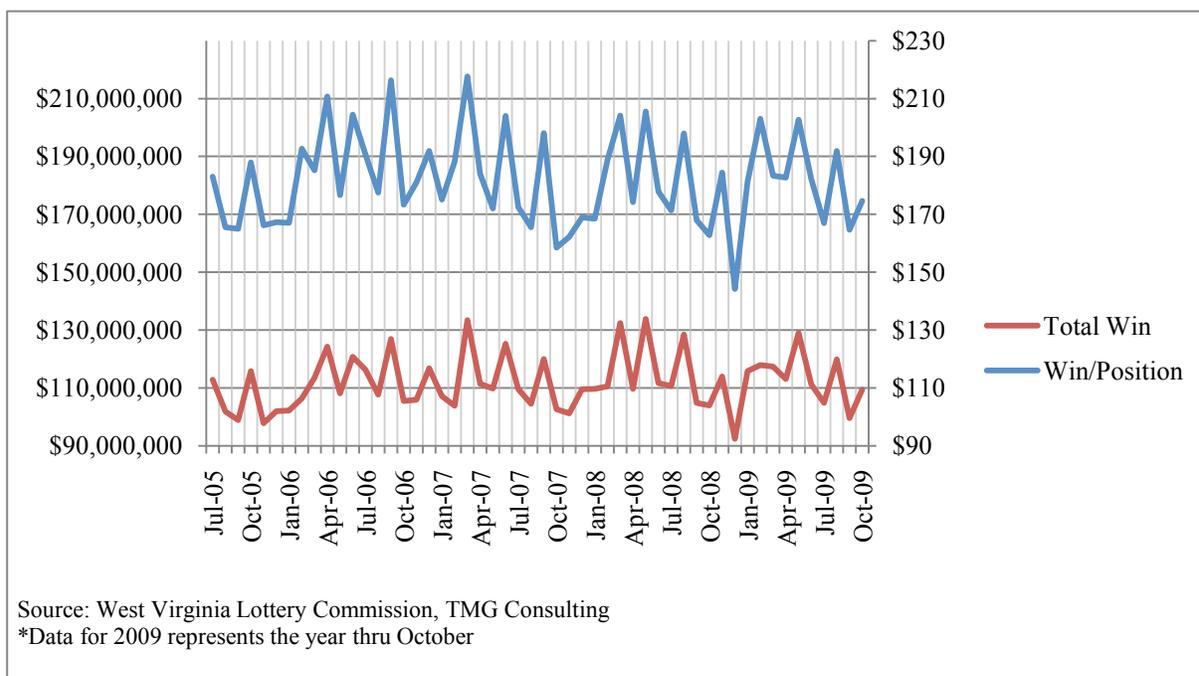
Table games began being introduced at racinos in late 2007. So far, the introduction of table games in West Virginia does not seem to be having a significant impact on Total Annual Win. Total gaming revenues since 2006, the first full year of racetrack casino operations, have remained consistent with less than 2% growth in either direction for 2007 and 2008. 2009, with two months remaining, follows West Virginia’s gaming revenue trend totaling over \$1.3 billion annually. In recent years, 2006 had the highest average Win/Pos, \$197, for the state. For the year 2009 through October, Win/Pos, \$183, is the second highest Win/Pos since 2006, and is nearly 3% up over 2008’s Win/Pos.

Table 3-10: West Virginia Gaming Revenues and Win/Position

Year	Total VLT and Table Win	Average Win/Pos	Change in Total Win	Change in Win/Pos
2006	\$1,354,079,011	\$197.09		
2007	\$1,338,021,079	\$181.28	-1.2%	-8.0%
2008	\$1,361,787,203	\$178.04	1.8%	-1.8%
2009 thru October	\$1,137,965,996	\$182.86		2.7%

Source: West Virginia Lottery Commission, TMG Consulting

Figure 3-5: West Virginia Monthly Total Market Win and Win/Position



3.1.3.2.1 Gaming Statistics by Facility

3.1.3.2.1.1 *Annual Win*

Though it is the only one of the four racetracks to not yet include table games, Charles Town is the leader in the West Virginia market in terms of Annual Win, with 2007 being its record high in recent years with an Annual Win of \$463 million. Mountaineer ranks second among the four racetracks in terms of annual Win and brought in its highest gaming revenues since 2005 with \$258 in 2006. Wheeling Island, the third largest racino in terms of win, brought in more win in 2006 with \$202 million than in later years. Tri-State Casino is the smallest gaming revenue generator of the four racinos, and brought in its best win in recent years with \$67 million in 2007.

Limited Video Lottery brings in less annual gaming revenues than Charles Town, but more than Mountaineer Casino. In 2008, Limited Video Lottery had an exceptionable year in annual Win, earning \$413 million.

Table 3-11: West Virginia Market Annual Win (VLTs and Table Games)

Year	Mountaineer Casino	Wheeling Island	Tri-State Casino	Charles Town	Tavern Greenbrier	Limited VLT (Statewide)	Total
2006	\$257,832,471	\$201,730,419	\$63,254,607	\$448,022,596		\$383,238,917	\$1,354,079,011
2007	\$228,581,977	\$175,186,545	\$67,169,838	\$463,367,816		\$403,714,904	\$1,338,021,079
2008	\$253,095,900	\$188,793,219	\$63,763,465	\$442,841,293		\$413,293,326	\$1,361,787,203
2009 thru October	\$206,236,406	\$156,968,541	\$58,686,234	\$372,501,625	\$121,993	\$343,451,197	\$1,137,965,996

Source: West Virginia Lottery Commission, TMG Consulting

Figure 3-7: West Virginia Market Annual Win

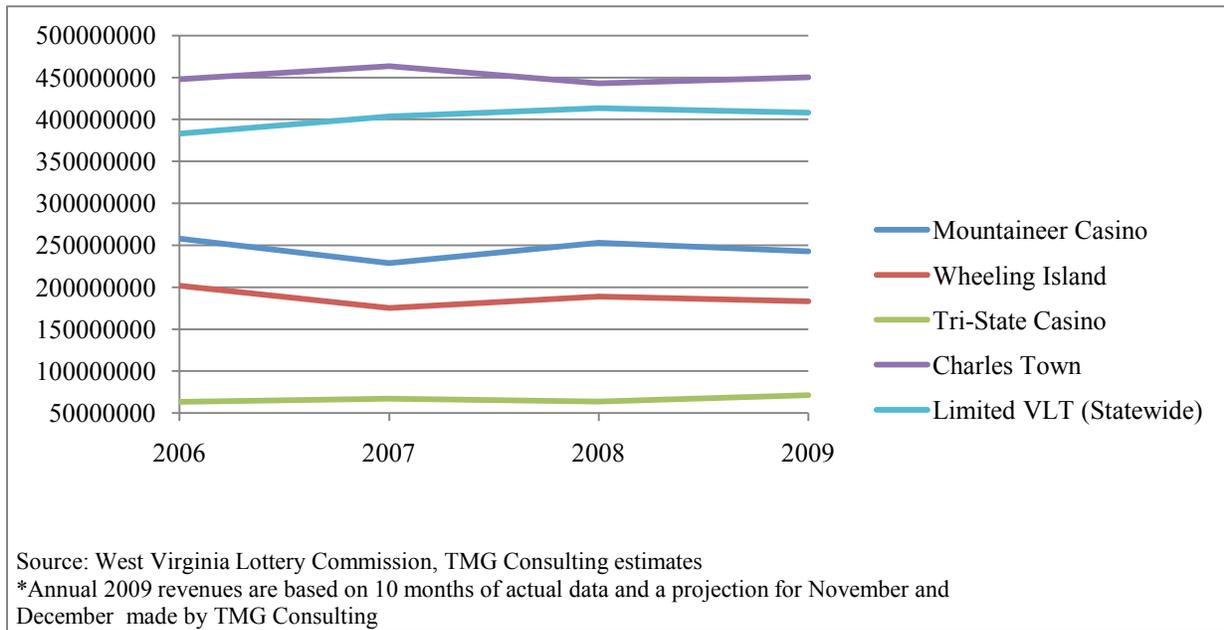
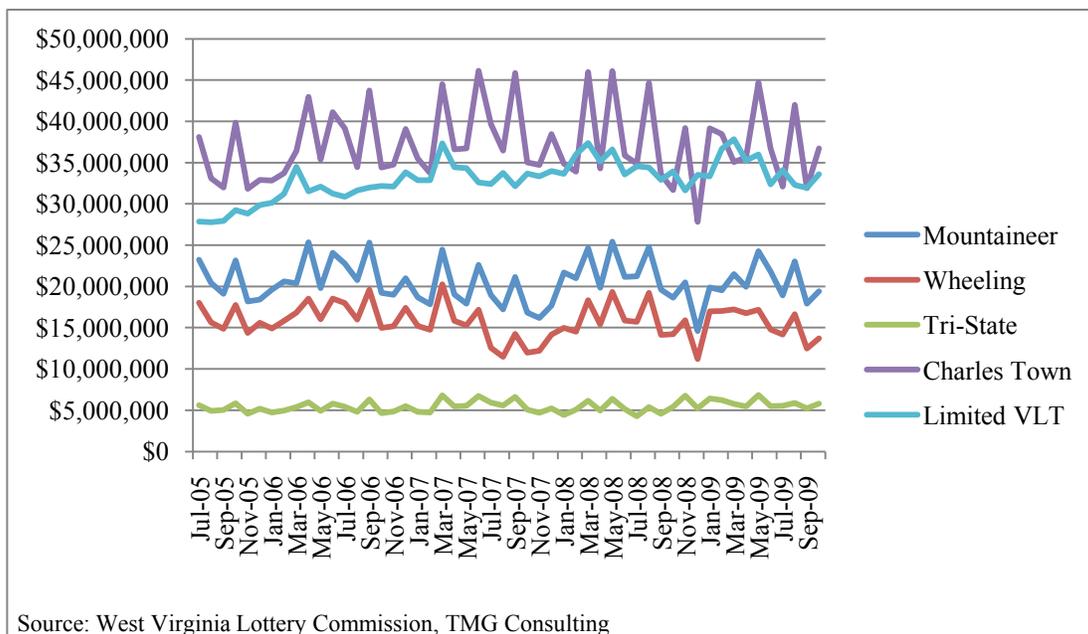


Figure 3-6: West Virginia Total Monthly Win (VLTs and Tables) by Property



3.1.3.2.1.2 Average Annual Positions

The largest of the facilities, Charles Town also ranks first among the four racetracks in average annual positions. Its highest recent Average Annual Positions was in 2008 with 5,013 positions. Mountaineer Casino ranks second among the four racetracks in Average Annual Positions and had its highest average in recent times in 2008 with 3,684 positions. Wheeling Island had its recent year high in Average Annual Positions in 2008 with 2,452 positions. Tri-State Casino is the smallest of the four racetracks in terms of Average Annual Positions. In 2007, it had 1,742 in average annual positions, a record high for the property in recent years.

The Limited VLT system, as a whole, ranks second in terms of most Annual Win and brought in its record high Annual Win since 2005 with \$413 million in 2008. Since 2006 there has been an annual average of at least 8,000 Limited Lottery positions.

Table 3-12: West Virginia Market Average Annual Positions (VLTs and Tables)

Year	Mountaineer Casino	Wheeling Island	Tri-State Casino	Charles Town	Tavern Greenbrier	Limited VLT (Statewide)
2006	3,177	2,310	1,742	4,120		8,304
2007	3,323	2,291	1,705	4,762		8,257
2008	3,684	2,452	1,602	5,013		8,095
2009 thru October	3,385	2,281	1,681	5,003	104	8,066

Source: West Virginia Lottery Commission, TMG Consulting

3.1.3.2.1.3 Average Annual Win/Pos

Charles Town typically earns the highest average annual Win/Pos in West Virginia; its highest was \$298 in 2006. Wheeling Island ranks second in average annual Win/Pos among the four racetracks and Limited Video Lottery, and had a record high Win/Pos in 2006 of \$239. Mountaineer Casino ranks third among the five operators in Win/Pos, and in 2006 had its highest Win/Pos of \$222. Limited Video Lottery ranks fourth, and had its record year in 2008 with \$140 in Win/Pos, but might surpass that record this year. Tri-State Casino has the lowest Win/Pos among all five. Its best year for Win/Pos was in 2008 with \$109, though this year is shaping up to be its newest record, and its Win/Pos has been steadily improving since it began offering table games. The following charts and table detail these historical performance statistics.

Figure 3-9: West Virginia
Win per Position (VLTs and Tables) 2008

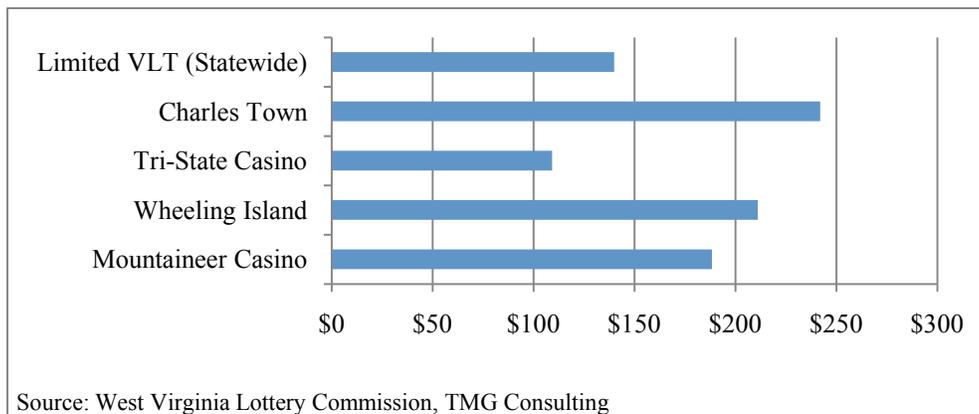


Figure 3-8: West Virginia Market
Win per Position (VLTs and Tables)

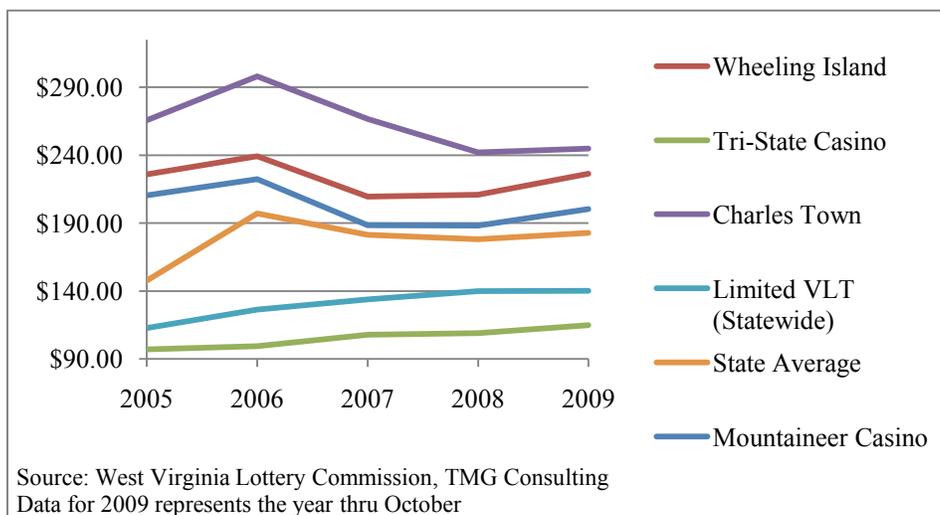


Table 3-13: West Virginia Market Average Annual Win/Pos (VLTs and Tables)

Year	Mountaineer Casino	Wheeling Island	Tri-State Casino	Charles Town	Tavern Greenbrier	Limited VLT (Statewide)	State Average
2006	\$222.33	\$239.28	\$99.50	\$297.90		\$126.45	\$197.09
2007	\$188.46	\$209.50	\$107.91	\$266.58		\$133.95	\$181.28
2008	\$188.25	\$210.96	\$109.08	\$242.01		\$139.89	\$178.04
2009 thru October	\$200.40	\$226.34	\$114.81	\$244.94	\$37.84	\$140.07	\$182.86

Source: West Virginia Lottery Commission, TMG Consulting

While there appears to be no trend suggesting that the introduction of table games to the West Virginia market impacted each facility in a consistent fashion, and there are not enough periods of data since their introduction to statistically make a case for such a trend if one truly exists, the following is a discussion of what has happened in the market since electronic table gaming was introduced in 2007.

Mountaineer Casino and Wheeling Island introduced table games in October 2007. VLT Win/Pos and VLT Win for both properties experienced some decline between years 2006 and 2008. In 2007, Tri-State's VLT Win and VLT Win/Pos were up from the previous year, while Charles Town's VLT Win was up and its VLT Win/Pos was down. In August 2008, Tri-State introduced table gaming to its facilities. That same year, Tri-State's VLT Win/Pos and VLT Win declined from the previous year. The Limited VLT system was up in Win/Pos and VLT Win in 2007 and 2008. Between 2006 and 2008, Wheeling, Tri-State and the Limited VLT system decreased their VLT positions. For 2009 through October, all facilities and the Limited VLT system, with the exception of Tri-State, have reduced their VLT positions. Compared to VLT Win/Pos in 2008, table game Win/Pos was significantly higher at Mountaineer and Tri-State. At Wheeling Island, table game Win/Pos was only about \$10 higher than VLT Win/Pos.

Table 3-14: West Virginia Market Annual VLT Win

Year	Mountaineer Casino	Wheeling Island	Tri-State Casino	Charles Town	Tavern Greenbrier	Limited VLT (Statewide)	Total
2006	\$257,832,471	\$201,730,419	\$63,254,607	\$448,022,596		\$383,238,917	\$1,354,079,011
2007	\$226,025,183	\$172,676,035	\$67,169,838	\$463,367,816		\$403,714,904	\$1,332,953,775
2008	\$204,252,373	\$156,102,438	\$57,773,319	\$442,841,293		\$413,293,326	\$1,274,262,748
2009 thru October	\$166,975,068	\$130,343,386	\$42,073,599	\$372,501,625	\$26,520	\$343,451,197	\$1,055,371,396

Source: West Virginia Lottery Commission, TMG Consulting

Table 3-15: West Virginia Market Annual Table Games Win

Year	Mountaineer Casino	Wheeling Island	Tri-State Casino	Tavern Greenbrier	Total
2007	\$2,556,794	\$2,510,511			\$5,067,305
2008	\$48,843,527	\$32,690,781	\$5,990,147		\$87,524,455
2009 thru October	\$39,261,338	\$26,625,155	\$16,612,635	\$95,473	\$82,594,600

Source: West Virginia Lottery Commission, TMG Consulting

3.1.4 Pennsylvania

Currently there are three casinos and five racinos in Pennsylvania. Casinos include Sands Casino Resort Bethlehem, Mount Airy Resort, and Rivers Casino. Sands opened in May 2009, Mount Airy in November of 2007 and The Rivers in August 2009. Pennsylvania's racino offerings consist of Philadelphia Park Casino and Racetrack, Harrah's Chester Casino & Racetrack, Presque Isle Downs & Casino, Hollywood Casino at Penn National Race Course, The Meadows Racetrack and Casino, and Mohegan Sun at Pocono Downs. Since Pennsylvania introduced casino gaming in 2006, it has grown to become the second largest gaming market in the Mid-Atlantic region. Despite Pennsylvania's increasing success in gaming, the state faces more intense competition from its neighbors; e.g., Ohio has legalized casinos and plans to capture a portion of Pennsylvania's current market. In anticipation of increased regional competition, and in order to position itself as a complete alternative to Atlantic City, Pennsylvania lawmakers are currently working on a bill that could legalize table gaming in the state by the end of 2010.⁴³ Lawmakers are expected to meet again in early January 2010 to move the bill forward according to an article by Casino Gambling Web.⁴⁴

3.1.4.1 Existing Facilities

Sands Casino Resort

Sands Casino Resort Bethlehem, the only casino in the United States to carry the Sands brand and Pennsylvania's second largest casino, is located on the former Bethlehem Steel land on the south side of the city. The casino features 3,250 slot machines and electronic table games. Construction of a 300-room hotel connected to the casino by a shopping mall is currently underway. The casino has two nightclubs, ten food and beverage outlets, and a gift shop located in the casino lobby. A parking garage with 3,300 spaces and valet parking are provided. There are an additional 1,400 parking spaces available in the lots near the uncompleted hotel tower and a separate bus bay with room for up to 13 buses. The site encompasses 126 acres, and expansion plans include a concert hall, shopping mall, performing arts center, national museum, loft apartments, and additional restaurants, upscale retail shops, and nightlife venues.

Mount Airy Casino Resort

The Mount Airy Casino Resort sits in the heart of Pennsylvania's Pocono Mountains, less than two hours from Philadelphia, New York City, and northern New Jersey. The casino features over 430,000 square feet with 2,500 slot machines, electronic table games, poker, roulette, and blackjack. For entertainment and leisure, the property features a 2,000-seat theater, five food and beverage outlets, a fitness center and an 18-hole golf course.

Mohegan Sun at Pocono Downs

On January 25, 2005, Mohegan Sun acquired its first gaming venture outside of Connecticut with its \$280 million purchase of the Pocono Downs Racetrack in Plains Township, Pennsylvania from Penn National Gaming. Mohegan Sun renamed the property "Mohegan Sun at Pocono Downs" and began a major expansion. The new casino features 2,467 slot machines, a high-

43 Parmley, Suzette. "Pa. slots revenue up, but competition looms," The Philadelphia Inquirer. 2009.

http://www.philly.com/inquirer/breaking/business_breaking/20091104_Pa_slots_revenue_up_but_competition_looms.html

44 Gardner, April. "Pennsylvania Lawmakers Move Closer To Table Game Legislation." Casino Gambling Web. 2009.

limit room, and virtual blackjack and poker. There are thirteen food and beverage outlets, as well as five retail stores. Operation as the first slots casino in the state of Pennsylvania commenced in November, 2006. The Mohegan Tribal Gaming Authority announced to the press in early December 2009 that they were seeking a hotel partner, ideally one with a brand name, to add a hotel expansion to Pocono Downs.⁴⁵

Philadelphia Park Casino & Racetrack⁴⁶

Philadelphia Park Casino & Racetrack is comprised of Parx Casino, which opened as a permanent facility on December 20, 2009, and a main grandstand undergoing renovation. The temporary gaming facility featured 2,912 slot positions on average for 2009 through November. The permanent facility reportedly features 3,300 slot machines and 176 electronic table games in a 120,000 square foot gaming space. The casino has valet parking and five restaurants and bars. The horse track has a 1 mile dirt oval and a 7 furlong turf oval. In addition to live Thoroughbred racing, the racetrack also simulcasts races. Plans for the 430-acre site include a parking garage, luxury hotel, conference center, clubhouse spa, expanded dining and bar offerings and shopping mall.

Harrah's Chester Casino & Racetrack

Harrah's horse track features live harness racing on its 0.625 mile track and daily simulcasts. The 100,000 square foot gaming facility that is located on Chester's waterfront contains an event center, nine restaurants and bars, and more than 2,900 slot machines. A parking garage for 2,600 cars, valet parking, and a separate bus bay are available.

Presque Isle Downs and Casino

Presque Isle Downs is a 272-acre facility offering gaming, dining, and horse racing. The casino is over 48,000 square feet and has approximately 2,000 slot machines. The horse track features a one-mile track with live and simulcast racing. On site there are six food and beverage outlets.

Hollywood Casino and Penn National Race Course

Penn National Race Course is a Thoroughbred horse racing track and casino located in Grantville, Pennsylvania. The track features a one-mile long dirt course. The casino features approximately 2,000 slot machines, virtual blackjack and three-card poker games. There is over 6,000 square feet of meeting and convention space as well as eight food and beverage outlets.

The Meadows Racetrack and Casino

The Meadows Racetrack and Casino is a Standardbred harness racing track and slot machine casino in North Strabane Township in Pennsylvania. Formerly just a temporary structure, The Meadows Casino opened on April 15, 2009. The casino features a 350,000 square-foot facility with 3,700 slot machines and 60 electronic table games. There are private banquet rooms for functions of up to 100 people as well as four food and beverage outlets and a bowling alley.

The Rivers

45 Daddona, Patricia. "Mohegans seek partner to finish hotel tower." TheDay.com. 2009

46 Anastasi, John. "Gamblers get first look at new casino." Bucks County Courier Times. 2009.

The Rivers Casino is a 24/7 standalone casino featuring 3,000 slot machines, three bars, and five restaurants. This property opened in August 2009 and is located in Pittsburgh, Pennsylvania.

3.1.4.2 Potential Developments

SugarHouse Casino

This planned casino development will house up to 5,000 slot machines and will be located on the Delaware River water front, not far from central Philadelphia. Developers are currently building a temporary facility scheduled to open in 2010, followed by an expanded permanent facility in 2013. Planned amenities to be installed by the time the permanent structure opens include four restaurants, two bars, retail space, and a food court.

Foxwoods Philadelphia

Foxwoods has proposed the development of a casino on 16.5-acres of vacant land along the Delaware River waterfront. The development proposes a one billion dollar facility including a casino, hotel, restaurants and entertainment venues. The proposed Phase I of the development would create 3,000 slot machines, a 1,800-seat showroom, and a parking garage with 4,500 spaces. Phase II proposes adding an additional 2,000 slot machines, 1,500 parking spaces and expanded entertainment and retail space. Phase III includes a 500-room hotel, a 21,000 square-foot spa and 120,000 square feet of convention space. Pennsylvania lawmakers have become extremely impatient with the Foxwoods development and some are calling for the Foxwoods license to be revoked.⁴⁷

*Category 3 – Resort Casinos*⁴⁸

As of 2004, Pennsylvania has had a provision for up to two Category-3 resort casino licenses to be granted. The provision allows for up to 500 slot machines to be installed at these casino resorts with gaming restricted to guests; however, the same bill that is currently before the state's legislature for table games contains an amendment that would allow 50 table games and 600 slot machines at resort casinos and up to four resort casino licenses granted if passed. Currently, the bill contains a provision for the second resort casino license with relaxed rules of who can gamble at the resort to be bid, and for a third license to be potentially added in 2017.⁴⁹

One of the developments listed below, Valley Forge, has already been awarded a Category-3 license, the other four developments described below are currently the most likely to receive any additional licenses. Valley Forge was not factored into TMG's models due to the highly speculative nature of the property moving forward with casino gaming and the doubtfulness that this property will have operational gaming facilities by 2013. Likewise, since the award of a second casino resort license or more is just speculation at this point, the other facilities listed below were also not factored into our models.

47 Lin, Jennifer. "Lawmakers call for revoking Foxwoods License." Philly.com. 2009

48 Barnes, Tom. "Casino bill for resorts set for House." Post-Gazette Harrisburg Bureau. 2009.

49 Levy, Marc. "Deal seen nearer on casino issue." Philly.com 2009.

*Valley Forge Convention Center in Montgomery County*⁵⁰

This property was licensed to become a resort casino in April 2009 and permitted to have 500 slot machines. Under Category 3 provisions, unless amended, this property would only be able to grant gaming floor access to guests, patrons of amenities, and people holding special annual memberships to the site. Valley Forge features 488 hotel rooms and is 850,000 square feet in size. Valley Forge has not moved forward with any construction since being awarded the license and has not announced an opening date for its gaming operations due to an attempt by Philadelphia Park to have Valley Forge's license revoked.⁵¹

*Reading Crowne Plaza Hotel in Wyomissing*⁵²

This is a 275 room hotel that bid on the second resort casino license earlier in 2009. The State has yet to award the second license, but the bid is between Fernwood Hotel & Resort and Reading Crown Plaza, unless it is rebid in 2010.

*Fernwood Hotel & Resort in Bushkill*⁵³

Fernwood is a mountain resort that offers hotel rooms and villas to its guests and is located in the Pocono Mountains in Bushkill. Unless the second license is rebid, Fernwood is one of two contenders for Pennsylvania's second casino resort license.

*Eisenhower Inn & Conference Center (near Gettysburg) Resort Casino*⁵⁴

According to Casino Gambling Web, Pennsylvania lawmakers and developer Dave LeVan are considering adding a casino to Cumberland Township, Pennsylvania and have expressed interest in bidding on a Category 3 license if the State reopens bidding for resort casinos. If such a property were to be sanctioned, it is expected that lawmakers would force developers to adhere to creating a property that conveys Gettysburg's historical image. Insider reports indicate the developer could be pushing to include table gaming at the facility.⁵⁵

*Nemacolin Woodlands Resort*⁵⁶

This is another potential property to be granted a Category 3 license if the State reopens the bidding for resort casino licenses. Nemacolin Woodlands Resort is located in the Laurel Highlands and offers several lodging options on 2,000 acres of woodlands.

50 Pennsylvania Gaming Control Board. "Valley Forge Convention Center Awarded Slots Operator License By PA Gaming Control Board." <http://www.pgcb.state.pa.us>. 2009.

51 Pennsylvania Gaming Control Board. "Valley Gaming Control Board Receives One New Application For A Category 3 Resort Slots License" <http://www.pgcb.state.pa.us>. 2009.

52 Pennsylvania Gaming Control Board. "Valley Gaming Control Board Receives One New Application For A Category 3 Resort Slots License" <http://www.pgcb.state.pa.us>. 2009.

53 Pennsylvania Gaming Control Board. "Valley Gaming Control Board Receives One New Application For A Category 3 Resort Slots License" <http://www.pgcb.state.pa.us>. 2009.

54 Goodwin, Terry. "Gettysburg Casino could be next for Pennsylvania," Casino Gambling Web. 2009. http://www.casinogamblingweb.com/gambling-news/casino-gambling/gettysburg_casino_could_be_next_for_pennsylvania_54751.html

55 Pitzer, Scott Andrew. "Potenital Casino near boro," GettysburgTimes.com. 2009. <http://www.gettysburgtimes.com/articles/2009/11/26/news/local/doc4b0e77a013a40451526731.txt>

56 Barnes, Tom. "Casino bill for resorts set for House." Post-Gazette Harrisburg Bureau. 2009.

Table 3-16: Potential Developments in Pennsylvania

Proposed Venue	Facility Type	Proposed Slots	Proposed Tables	Planned Opening
SugarHouse Casino	Casino	5,000	N/A	2010 (Temporary); 2013 (Permanent)
Foxwoods Philadelphia	Casino	5,000	N/A	Temporary Casino Considered
Valley Forge Convention Center	Resort Casino	500	N/A	License Granted; Project on hold
Crowne Plaza Reading Hotel	Resort Casino	Up to 600	Up to 50	Submitted Bid; Approval Pending
Fernwood Hotel & Resort	Resort Casino	Up to 600	Up to 50	Submitted Bid; Approval Pending
Nemacolin Woodlands Resort	Resort Casino	Up to 600	Up to 50	Only Possible if Category 3 License Rebid
Eisenhower Inn & Conference Center	Resort Casino	Up to 600	Up to 50	Only Possible if Category 3 License Rebid

Source: See footnotes 47-56

3.1.4.3 Pennsylvania Gaming Market Revenues

Casino operations are relatively new to Pennsylvania and were introduced in 2006, first at Mohegan Sun at Pocono Downs and later that year at Philadelphia Park. Since these two properties introduced slot machines relatively late in the year, Pennsylvania's total win was \$31.6 million in 2006. Total annual Win grew to \$1 billion in 2007 as Harrah's, Presque Isle, The Meadows, and Mount Airy introduced casino games to their facilities, and the Pennsylvania gaming market exploded. In 2008, total Pennsylvania annual Win increased 57% over the previous year to \$1.6 billion and Penn National became another player to the market. November 2009 total win for the state is up 27% higher than November 2008's total win, which Atlantic City Media Group attributes to the opening of two additional casinos in Pennsylvania in 2009.⁵⁷ The State's average annual Win/Pos⁵⁸ was \$280 in 2008. For the year 2009 through November, the total annual Win for the state is nearly 12% higher than last year's win, though average Win/Pos is down to \$259, nearly an 8% decline from last year's average Win/Pos.

Table 3-17: Pennsylvania Total Market Annual Win and Average Win/Pos

Year	Total Annual Win	Change in Annual Win	Average Win/Pos	Change in Win/Pos
2006	\$31,567,926		\$238.46	
2007	\$1,030,184,655	3163.4%	\$275.85	15.7%
2008	\$1,616,565,778	56.9%	\$280.63	1.7%
2009 thru November	\$1,809,522,250	11.9%	\$258.61	-7.8%

Source: Pennsylvania Gaming Control Board, TMG Consulting

⁵⁷ Press of Atlantic City Media Group. "Pennsylvania slot revenue jumps 27 percent in November, thanks to two new casinos." pressofAtlanticCity.com 2009.

⁵⁸ Though electronic table games are legal and present at Pennsylvania's gaming facilities, these devices are not tracked separately from single player machines and their count per facility is impossible to determine for calculations; thus references to win per positions in Pennsylvania may be inflated to some degree.

3.1.4.3.1 Gaming Statistics by Property

3.1.4.3.1.1 Annual Win

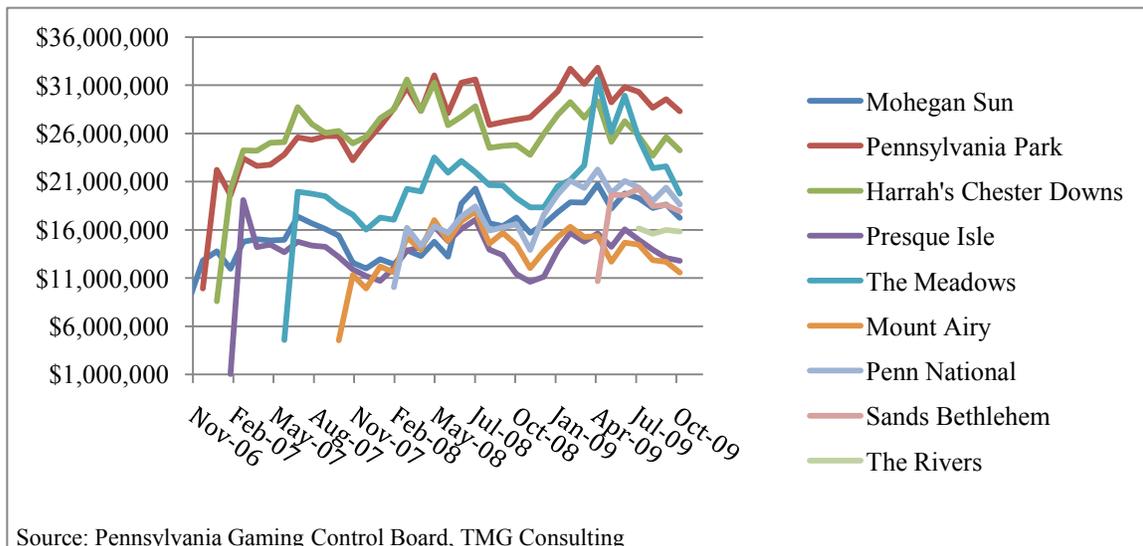
Pennsylvania Park became the market leader in total gaming revenues in 2008 with \$346.5 million. Chester Downs made \$328 million in total win in 2008. The Meadows ranked third in total in among the seven venues with casino gaming, bringing in \$244 million. In terms of total annual Win, Mohegan Sun, Presque Isle, Mount Airy, and Penn National fared competitively bringing in annual Wins ranged from \$185.5 million to \$171 million. For 2009 through November, the top three venues in terms of most annual Win are Pennsylvania Park, Harrah's, and The Meadows. Penn National has already exceeded its previous year's annual Win and has a 2009 thru November win over \$220 million. Despite being open for only six months, Sands Bethlehem has brought in an impressive 2009 thru November annual Win of over \$125 million. The Rivers has generated almost \$63.6 million in Win over the four months it has been operating.

Table 3-18: Pennsylvania Market Annual Win

Year	Mohegan Sun	Pennsylvania Park	Harrah's Chester Downs	Presque Isle	The Meadows	Mount Airy	Penn National	Sands Bethlehem	The Rivers
2006	\$21,655,033	\$9,912,892							
2007	\$175,503,593	\$285,032,169	\$285,978,663	\$142,184,554	\$115,739,844	\$25,745,832			
2008	\$185,583,564	\$346,502,693	\$328,443,772	\$164,475,937	\$244,052,451	\$176,389,734	\$171,117,626		
2009 thru November	\$204,227,263	\$332,904,067	\$291,828,648	\$156,152,371	\$260,592,410	\$154,922,058	\$220,227,606	\$125,094,984	\$63,572,843

Source: Pennsylvania Gaming Control Board, TMG Consulting

Figure 3-10: Pennsylvania Total Monthly Win by Casino



3.1.4.3.1.2 Average Annual Positions

Harrah's Chester Downs had an average of 2,815 positions in 2008, which was the highest average positions number of all properties opened that year. Mohegan Sun had the least amount of average positions in 2008, averaging 1,798 for the year. In 2009 through November, The Meadows had the highest average positions- 3,073, while Presque Isle offered the least amount of positions on average- 1,995.

3.1.4.3.1.3 Average Annual Win/Pos

Penn National had the highest average annual Win/Pos in 2008, at \$423. Second in average annual Win/Pos rank for 2008 was The Meadows. Though the state leader in annual Win, Pennsylvania Park ranked only third highest in 2008 Win/Pos in 2008. Mount Airy had the lowest average annual Win/Pos in 2008, \$209. So far this year, the two newest casino gaming venues in the state, Sands Bethlehem and The Rivers, have average Win/Pos of \$200 and \$174, respectively. The following table and chart detail historical positions and win per position for Pennsylvania properties.

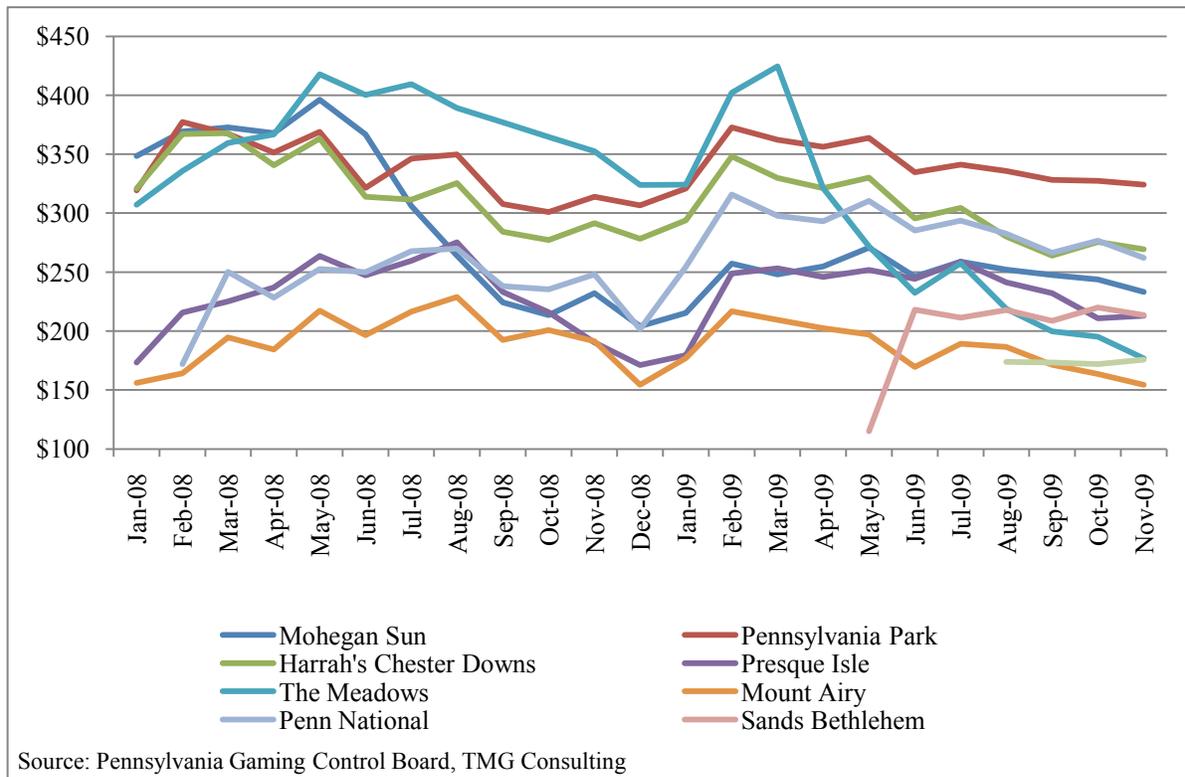
Table 3-19: Pennsylvania Market Average Annual Positions and Win/Pos

Property	2008 Average Position	YTD 2009* Average Position	2008 Average Win/Pos	YTD 2009* Average Win/Pos
Mohegan Sun	1,798	2,467	\$282.75	\$247.90
Pennsylvania Park	2,831	2,912	\$335.29	\$342.31
Harrah's Chester Downs	2,815	2,908	\$319.61	\$300.47
Presque Isle	1,997	1,995	\$225.67	\$234.39
The Meadows	1,821	3,073	\$367.20	\$253.87
Mount Airy	2,521	2,506	\$191.67	\$185.09
Penn National	2,151	2,313	\$238.16	\$285.03
Sands Bethlehem	N/A	2,923	N/A	\$200.02
The Rivers	N/A	3,000	N/A	\$173.72

Source: Pennsylvania Gaming Control Board, TMG Consulting

*YTD 2009 includes data thru November

Figure 3-11: Pennsylvania
 Total Monthly Win by Casino



3.1.5 New Jersey

Atlantic City is the second highest grossing gaming destination in the United States, second only to Las Vegas. In 2008, the casinos generated \$4.5 billion in gaming revenues, with over 31 million annual visits. There are currently twelve large casinos operating in the area, each offering an array of attractions such as luxury hotels, retail shops, fine dining, convention centers, concert venues, and additional resort-style amenities. There have been a few large casino transactions in recent years, including the auctioning of the Tropicana. Potential developments in the area include the construction-phase Revel Atlantic City and the proposed MGM Grand Atlantic City, both of which have been adversely affected by the recession and credit-crunch. Outside of Atlantic City, New Jersey also offers four horse racetracks which only offer wagering on races. In other Atlantic City development news, Carl Icahn and Beal Bank are partnering up to attempt to buy all of the Trump properties in Atlantic City.⁵⁹

⁵⁹ Post, Kevin. "Icahn joins Beal bid to acquire trump Atlantic City Casinos." pressofAtlanticCity.com 2009.

3.1.5.1 Existing Facilities

Atlantic City Hilton

Previously known as The Golden Nugget and Bally's Grand, the Atlantic City Hilton is a beach themed hotel and casino. This casino features 60,000 square feet of gaming space with slot machines and an array of table games. On-site there is an upscale hotel with 800 guest rooms. Additional amenities include eight food and beverage outlets, a 1,420-seat theater and a variety of meeting and convention spaces.

Bally's Atlantic City

This property is an American Old-West themed hotel and casino. Previously known as Park Place and Bally's Park Place, the casino features 80,000 square feet of gaming space with 2,170 slot machines and table games. The hotel has over 1,700 rooms available. Additional amenities include thirteen food and beverage outlets, a spa, and seven retail outlets.

Borgata Hotel, Casino and Spa

The Borgata is one of Atlantic City's largest hotel and casino complexes. The casino features 161,000 square feet of gaming with 4,100 slot machines, 200 table games, and an 85-table poker room. The Borgata hotel features 1,600 classic rooms and over 300 specialty suites. There is over 80,000 square feet of meeting and convention space. Additional amenities include an array of entertainment, retail, and culinary outlets.

Caesars Atlantic City

This facility is a hotel and casino centrally located in Atlantic City, New Jersey. Like Caesars Palace in Las Vegas, it has an ancient Roman theme. Atlantic City's second casino, it opened in 1979 as the Caesars Boardwalk Regency Hotel Casino. It was renamed Caesars Atlantic City in 1983. The facility has a Roman Empire theme. The casino features over 124,000 square feet of gaming space with over 3,400 slot machines, 135 table games and 44-seat Keno and Racebook. The property features an upscale hotel with four towers, over 40,000 square feet of convention space and sixteen food and beverage outlets.

Claridge Casino Hotel

Claridge Atlantic City was a casino and currently is a hotel tower for Bally's Atlantic City in Atlantic City, New Jersey. Formerly known as The Claridge Hotel and Casino & Claridge Casino at Bally's, the resort was officially acquired by Bally's on December 30, 2002. The casino features 59,000 square feet of gaming space with 1,800 slot machines and 60 table games. The hotel features 500 guest rooms and suites. There are six food and beverage outlets on-site.

Harrah's Casino and Resort Atlantic City

Harrah's Atlantic City is a hotel and casino located in the Marina District of Atlantic City, New Jersey. Harrah's has three sister properties, Bally's Atlantic City and Caesars Atlantic City (which were acquired by the Caesars Entertainment merger with Harrah's) and Showboat Atlantic City. The property's newest hotel tower, which opened in 2008, is Atlantic City's tallest building at 525 feet. The casino features 113,000 square feet of gaming space with 3,700 slot machines. The five-tower hotel features over 2,500 guest rooms. The property features convention space, twelve food and beverage outlets, a full-service spa, and retail shops.

Resorts Casino Hotel

Resorts, the first casino hotel in Atlantic City, opened on May 26, 1978. In 2005, before the completion of the Harrah's Entertainment and Caesars Entertainment merger, Caesars Entertainment sold the Atlantic City Hilton to the Colony Capital, making Resorts and Hilton sister properties. The casino features 100,000 square feet of gaming space with over 2,500 slot machines and twelve types of table games. The hotel includes approximately 500 guestrooms and suites. There is convention space, a small theater, a full-service spa, and nine food and beverage outlets.

Showboat

Showboat Atlantic City is a Mardi Gras-themed casino in Atlantic City, New Jersey. In 1998, the property was purchased by Harrah's Entertainment. The casino features over 3,600 slot machines and 100 table games as well as Keno and Racebook. The hotel features over 1,300 guestrooms and suites with luxury accommodations. An array of meeting and convention space is available on-site in addition to twelve food and beverage outlets, retail shops and the House of Blues Music Hall.

Tropicana Casino and Resort Atlantic City

This is a casino and hotel located at Brighton Avenue and the Boardwalk in Atlantic City, New Jersey. The Tropicana is, in part, the largest hotel in New Jersey, featuring 2,125 rooms, and is in part a 148,000 square-foot casino. There are 18 food and beverage outlets. Under the new trust the hotel and casino continue to operate.

Trump Marina Hotel Casino

This property is located in Atlantic City, New Jersey and is managed by Trump Entertainment Resorts. It was built as a Hilton, but that company was denied a gambling license by the State of New Jersey. On May 30, 2008 it was announced that Trump Marina is being sold to Coastal Development LLC and converted into a “Margaritaville” themed resort. The entire complex is to be renovated, and plans are not clear when it comes to expansion. The property features a 2,000-slot casino, a 728-room hotel, and eleven food and beverage outlets.

Trump Plaza Hotel and Casino

This property is a Trump branded casino-hotel resort located on the Boardwalk in Atlantic City. The property features a 1,827-slot casino, 906-room hotel, 25,000 square feet of convention space and 16 food and beverage outlets.

Trump Taj Mahal Casino Resort

This property is located in the bustling casino area along the shore. The casino is owned by Trump Entertainment Resorts. The Taj Mahal has one of the largest poker rooms in Atlantic City, second in size only to the Borgata. The casino features 158,000 square feet of gaming space with 4,000 slot machines and 210 table games. The hotel features 1,250 guest rooms including 237 suites. There are over 155,000 square feet of meeting space as well as 17 food and beverage outlets.

Meadowlands Racetracks

This two-track Thoroughbred and harness horse racing facility is located in East Rutherford, New Jersey. On site, there are seven restaurants. Like all horse racetracks in New Jersey, Meadowlands only offers wagering on races and has no casino games.

Freehold Raceway

Located in Freehold, New Jersey, this half-mile horse track features harness racing. Freehold Raceway also has one restaurant.

Atlantic City Racetrack

This property is a horse track located in Mays Landing, New Jersey. The venue has one restaurant and features Thoroughbred racing.

Monmouth Park

This Thoroughbred racing facility in Oceanport, New Jersey has five restaurants. Monmouth Park's main track is a one-mile dirt oval with chutes for 6 furlong and 1 1/4 mile races.

3.1.5.2 Potential Developments

Revel Atlantic City

This casino and hotel development in Atlantic City, New Jersey that has already begun the first phases of construction on 20 beachfront acres of land adjacent to the Showboat Hotel & Casino. Revel is projected to contain 150,000 square feet of gaming space, 500,000 square feet of entertainment space, and 1,900 to 3,800 hotel rooms. Construction cost estimates for the property are between \$1.5 and \$2 billion. Despite some delays, the property is slated to open in 2011 and is being financed by China State Construction Engineering Corp., who has taken a 51% equity stake in the project.⁶⁰

MGM Grand Atlantic City

This proposed development was in the final planning stages, but construction has since been delayed due to the recession. The planned development sits on 72 acres of land between the Borgata and Harrah's. The initial budget for the development was in the \$4.5-5 Billion range and would include 5,000 slot machines, 200 table games, a large poker room, a theater, and a 3,000-room luxury hotel.

Table 3-20: Potential Developments in Atlantic City

Proposed Venue	Facility Type	Proposed Slots	Proposed Tables	Planned Opening
Revel Casino	Casino	3,000	120	2011
MGM Grand	Casino	5,000	200	N/A

Source: See footnote 60, TMG Consulting

60 Shankar, P. "China rolls dice in \$1.7B contract with Revel casino," NJBIZ. 2009. <http://www.njbiz.com/article.asp?aID=95445673.6619334.1029249.319784.5038858.916&aID2=79164>

3.1.5.3 Atlantic City Gaming Industry Revenues

New Jersey is home to eleven casinos in Atlantic City and four racetracks located throughout the state. New Jersey’s racetracks, unlike most of the mid-Atlantic market, are limited to wagering on horse races with no other gaming offered. The data described below is an aggregate of Atlantic City’s casino offerings.

3.1.5.3.1.1 Annual Win

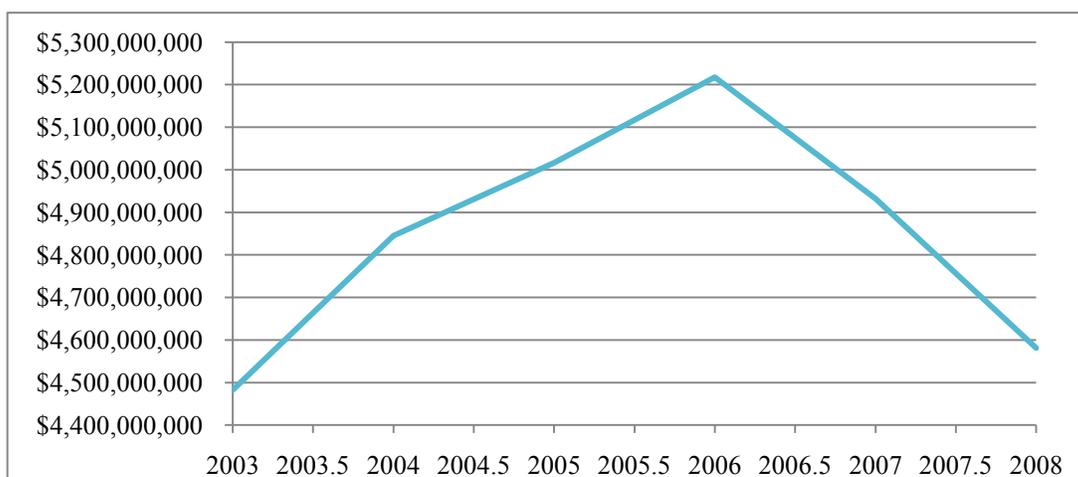
Between 2003 and 2006, Atlantic City experienced positive annual growth in terms of annual Win and average annual Win/Visit. The year 2006 was a record year for Atlantic City. The total market brought in an annual Win of over \$5.2 billion, with over 34.5 million gaming visits, and a Win/Visit of \$151. However, Atlantic City has been on the decline since 2007, when it experienced a 5.5% reduction in total annual Win. In 2008, annual Win dropped even lower, to approximately \$4.6 billion, an annual change in total win of -7%. Average annual visits were down to 32 million in 2008 and average annual Win/Visit dropped to \$144.

Table 3-21: Atlantic City Total Market Annual Win, Total Annual Visits, and Win/Visit

Year	Total Market Annual Win	Average Annual Visits	Win/Visit	Annual Change in Revenues	Annual Change in Visits
2003	\$4,482,618,969	32,224,000	\$139		
2004	\$4,845,372,998	33,313,000	\$145	8.1%	3.4%
2005	\$5,016,258,523	34,924,000	\$144	3.5%	4.8%
2006	\$5,217,839,614	34,534,000	\$151	4.0%	-1.1%
2007	\$4,931,831,513	33,300,000	\$148	-5.5%	-3.6%
2008	\$4,580,904,414	31,813,000	\$144	-7.1%	-4.5%

Source: New Jersey Casino Control Commission, TMG Consulting

Figure 3-12: Atlantic City Annual Win



Source: New Jersey Casino Control Commission, TMG Consulting

Figure 3-14: Atlantic City Win/Visit

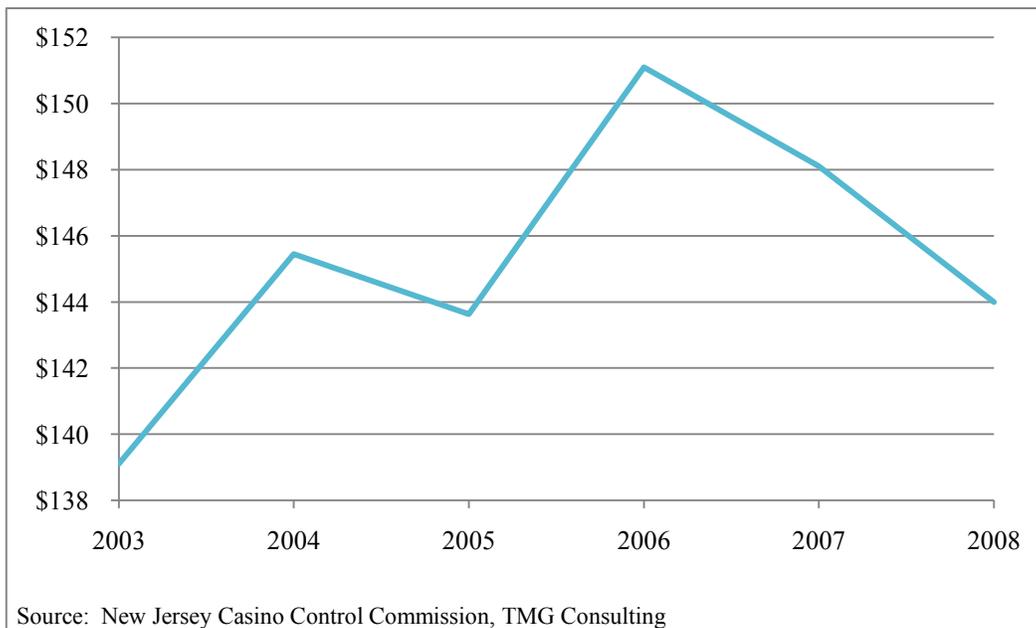
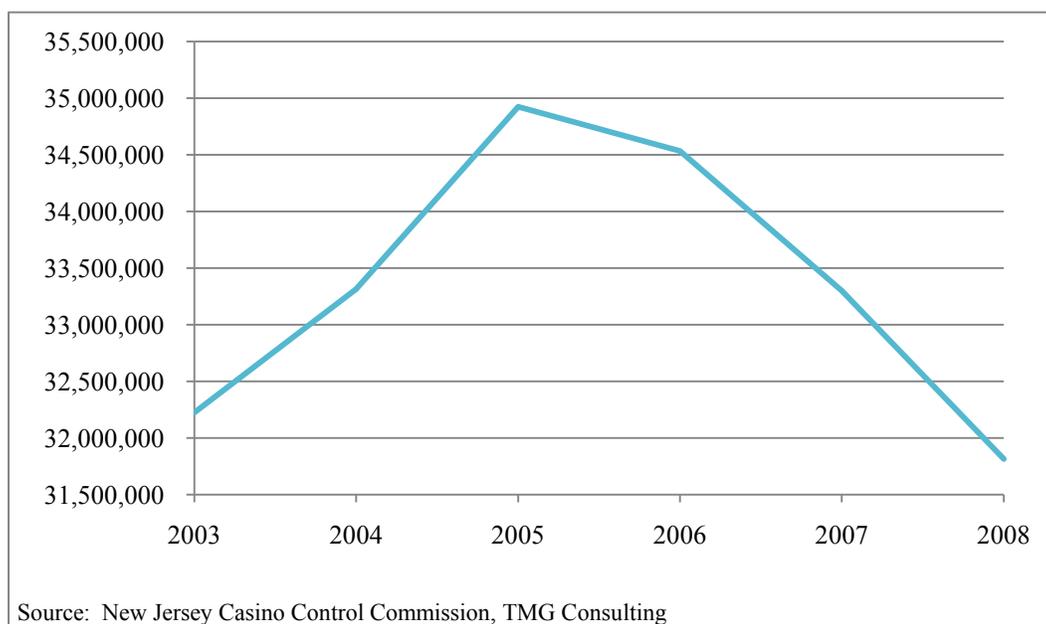


Figure 3-13: Atlantic City Average Annual Visits



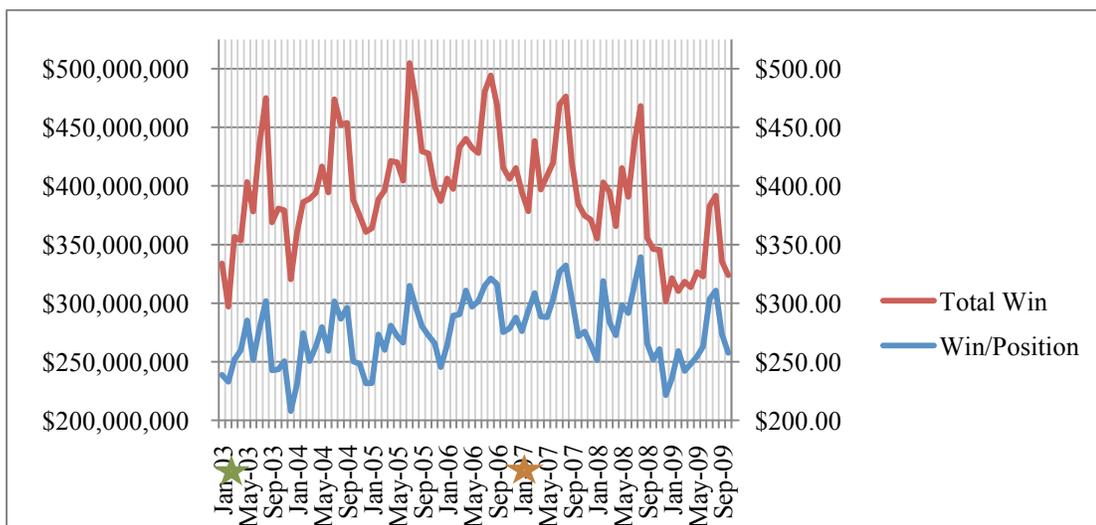
3.1.5.3.1.2 Average Annual Positions

In 2003, Atlantic City had about 40,500 slot machines and 7,800 tables on average. Since then, average annual positions have greatly declined, and in 2009 through October, Atlantic City averaged about 32,000 slot machines and 9,800 tables.

3.1.5.3.1.3 Average Win/Pos

Average annual Win/Pos for slots and tables combined experienced positive growth in Atlantic City from 2003 to 2006. In 2006 Atlantic City had an average Win/Pos of \$296, but since that year the city's Win/Pos has been on the decline. Year to date through October, Atlantic City has an average Win/Pos of \$265. The following chart and tables detail Atlantic City's historical average annual positions and win per position.

Figure 3-15: New Jersey
 Monthly Total Market Win and Win/Position



Source: New Jersey Casino Control Commission, TMG Consulting
 *Borgata opened in June 2003; *PA began casino gaming operations in November 2006

Table 3-22: Atlantic City Annual Slots Win

Year	Total Market Annual Slot Win	Total Market Annual Slot Machines	Win/Position	Change in Win/Position
2003	\$3,321,572,681	40,494	\$224.73	
2004	\$3,594,184,659	41,724	\$236.01	5.0%
2005	\$3,673,959,455	41,306	\$243.68	3.3%
2006	\$3,803,782,038	38,337	\$271.83	11.6%
2007	\$3,464,470,777	35,923	\$264.22	-2.8%
2008	\$3,168,444,566	34,801	\$249.44	-5.6%
2009 thru October	\$2,311,186,092	31,852	\$238.68	-4.3%

Source: New Jersey Casino Control Commission, TMG Consulting

Table 3-23: Atlantic City Annual Table Win

Year	Total Market Annual Table Win	Total Market Annual Tables	Win/Position	Change in Win/Position
2003	\$1,161,046,288	7,814	\$407.08	
2004	\$1,251,188,339	8,494	\$403.59	-0.9%
2005	\$1,342,299,068	9,260	\$397.14	-1.6%
2006	\$1,414,057,576	10,027	\$386.37	-2.7%
2007	\$1,467,360,736	9,952	\$403.98	4.6%
2008	\$1,412,459,848	9,888	\$391.38	-3.1%
2009 thru October	\$1,035,793,807	9,773	\$348.64	-10.9%

Source: New Jersey Casino Control Commission, TMG Consulting

Table 3-24: Atlantic City Average Annual Win/Position (Slots & Tables)

Year	Average Win/Pos	Change in Win/Position
2003	\$254	
2004	\$264	4.0%
2005	\$272	2.8%
2006	\$296	8.8%
2007	\$295	-0.4%
2008	\$281	-4.7%
2009 thru October	\$265	-5.8%

Source: New Jersey Casino Control Commission, TMG Consulting

3.1.6 New York

New York State currently has an expansive group of gaming facilities. Most of these venues are operated by the New York State Lottery system and offer VLT gaming. The majority of the gaming venues are racinos, bingo halls, and poker rooms. There are a few Native American casinos that currently operate in the upstate New York region and offer slot machine gaming, as

well as expanded amenities such as luxury hotels, conference centers, fine dining and other resort-style attractions. Additionally, New York has three horse racing facilities with no casino gaming; however a bid for slot operations at Aqueduct Racetrack is expected to be awarded in the near future.

3.1.6.1 Existing Facilities

Mohawk Bingo Palace

The Mohawk Bingo Palace is a gaming facility with 363 total video slot machines. The main attractions at Mohawk are bingo and bingo related video games. The bingo hall includes over 1,000 seats. There are no hotel, meeting or convention spaces. The premises include a snack bar for food and beverage services. The property is owned by the St. Regis Mohawk Tribe.

Seneca Buffalo Creek Casino

The existing temporary casino includes 5,000 square feet of gaming space and 240 slot machines. The current facilities include a snack bar for food and beverage services. A new proposed casino is presently scheduled to open in 2010 but the casino is presently combating a federal lawsuit with claims against the legality of the facility.

Akwesasne Mohawk Casino

This casino offers 50,000 square feet of gaming space with 1,000 slot machines and 25 table games. There are no hotel, meeting or convention facilities. The casino has two food and beverage outlets. The property is owned and managed by the St. Regis Mohawk Tribe.

Seneca Gaming and Entertainment, Irving

The facility features 540 video gaming terminals, daily bingo events and a poker room. The gaming center features a café on premises for food and beverage service. The Seneca Nation owns and manages the facility.

Seneca Gaming and Entertainment, Salamanca

Seneca Gaming and Entertainment, located in Salamanca, offers over 300 video gaming machines, daily bingo, poker, and a VIP game room. The facility is open seven days a week and features a food court.

Seneca Niagara Casino and Hotel

The Seneca Niagara Casino and Hotel offers 147,000 square feet of gaming facilities with 4,200 slot machines, 100 table games and a 16-table poker room. In addition, there is a hotel, five dining establishments, and a full-service spa. The facility is located in Niagara, NY and is within minutes of the Canada/US border.

Seneca Allegheny Casino and Hotel

The Seneca Allegany Casino & Hotel is located in the foothills of the Alleghany Mountains in upstate New York. The casino features 68,000 square feet of gaming space with 2,300 slot machines, 100 table games and a poker room with 16 tables. The hotel features 212 hotel rooms including suites. This full-service resort destination offers on-site gaming, hotel convention space, restaurants, spas, and other amenities.

Turning Stone Resort and Casino

Turning Stone Resort & Casino is nestled in the heart of Central New York's Mohawk Valley. It is 35 miles east of Syracuse Hancock International Airport. The 1,200-acre resort features luxury-class hotel accommodations, a full-service destination spa, a variety of gourmet restaurants and casual dining options, celebrity entertainment, five championship golf courses, a new dance club, and a world-class casino.

Batavia Downs Casino

Batavia Downs Gaming is a racing and video gaming center owned and operated by Western Regional Off-Track Betting Corporation in association with the New York Lottery. Western OTB is a public benefit corporation in the state of New York. Batavia Downs is the oldest lighted harness track in North America, opening on September 20, 1940. The facility features 604 video gaming machines, convention space and a food and beverage outlet.

Finger Lakes Gaming and Racetrack

Located in the heart of the Finger Lakes region in Western New York, the facility has hosted over 62,000 horse races and entertained over 19 million fans since opening in 1962. The casino facility features over 30,000 square feet of gaming space and 1,199 video gaming terminals. Additionally, the facility features five food and beverage outlets.

Fairgrounds Gaming and Racetrack

The Fairgrounds, located in Hamburg, NY, is a Western New York entertainment destination. With over 265 acres, the facility is home to a variety of the top events and attractions in the area. The casino features 959 video gaming machines. There is over 100,000 square feet of convention and meeting space as well as three food and beverage outlets.

Monticello Casino and Raceway

Located just 90 miles from downtown New York City it is located in the heart of the Sullivan County Catskills vacationland, offering year-round harness racing on a half-mile track. The casino features 40,000 square feet of gaming space with 1,430 video lottery terminals. The property features three food and beverage outlets.

Tioga Downs

Tioga Downs is a racing and gaming destination. The facility includes a casino with 770 video gaming terminals. The facility includes meeting and convention space for up to 250 people. There are four food and beverage outlets.

Saratoga Gaming and Raceway

The facility includes horse racing and gaming facilities. The casino features 100,000 square feet of gaming space with 1,770 video lottery terminals. Event space is available for meetings and conventions. There are three food and beverage outlets.

Vernon Downs Casino and Hotel

Vernon Downs features racing, gaming and hotel accommodations. The casino features 761 video gaming machines and the track features live harness racing. Additionally, the property features a 173-suite hotel, event space for up to 350 people, and six food and beverage outlets.

Empire City Casino at Yonkers Raceway

Empire City is one of the largest video gaming centers in New York State affiliated with the state's lottery system. The property features a casino and live harness racing on the track. The casino features 5,321 video gaming machines. There is convention and meeting space to accommodate up to 400 people. The property features six food and beverage outlets.

Belmont Park

This is a three-track horse racing facility located in Elmont, New York. Belmont Park only offers betting on races and does not have casino gaming. Besides from horse racing, the facility offers six restaurants and a bar to visitors.

Saratoga Race Course

This three-track, steeplechase and Thoroughbred racing facility is located in Saratoga Springs, New York and only offers wagering on races. On site, there are six restaurants and three bars.

3.1.6.2 Potential Developments

Aqueduct Racetrack⁶¹

The Aqueduct Racetrack opened in 1894 in Queens. There has been new construction since its opening, with the most recent inner track built in 1975 to facilitate winter racing. Various tribes have bid to develop the land into a large-scale casino resort destination. Currently the facility features horse racing on its one and one-eighth mile main course. The facility can accommodate over 40,000 spectators. Development proposals that would turn this facility into a casino have put forth plans for 4,500 slot machines at this time. Final bids from potential operators were requested on November 6, 2009, and a final decision has yet to be made.

Shinnecock Casino⁶²

Achieving federal recognition as a Native American tribe in December of 2009, the Shinnecock tribe is moving forward with their plans to build a casino. The tribe has expressed interest in building a casino that is off reservation land, but the likelihood of this happening is low. If the tribe cannot expand their reservation land or build off-reservation, the casino would have to be built in Hamptons which tribal leaders and local elected officials agree is not a good location for a casino.

61 Bagli, Charles V. and Danny Hakim. "Aqueduct Racetrack still awaits a decision," The New York Times. 2009. <http://www.nytimes.com/2009/11/24/nyregion/24aqueduct.html>

62 Eltman, Frank. "Hurdles remain for NY tribe's Long Island Casino." The Associated Press. 2009.

Table 3-25: Potential Developments in New York

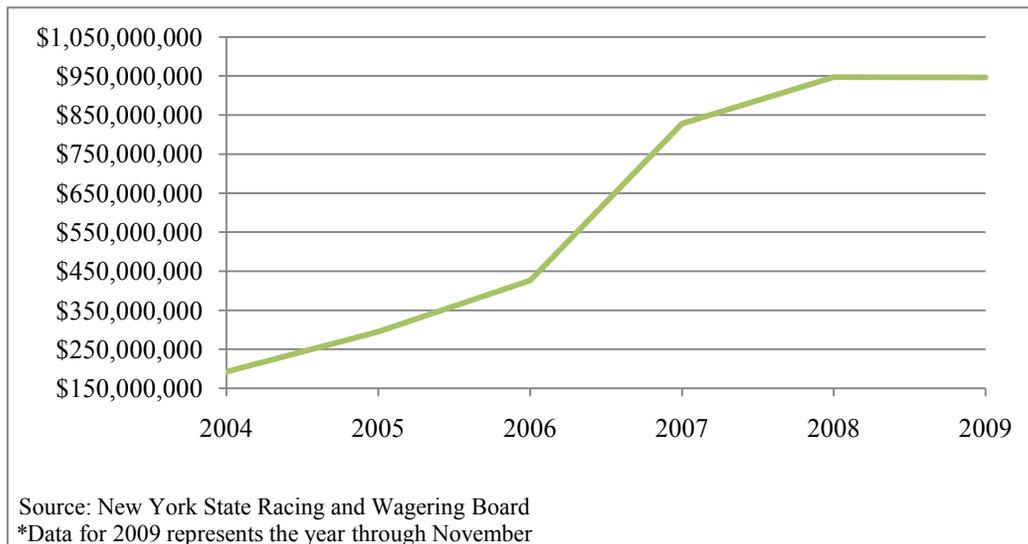
Proposed Venue	Facility Type	Proposed VGMs	Proposed Slots	Proposed Tables	Planned Opening
Aqueduct Racetrack	Racino	4,500			N/A
Shinnecock Casino	Casino		N/A	N/A	N/A

Source: See footnotes 61 and 62.

3.1.6.3 New York Gaming Market Revenues

In 2008, the New York gaming market had a gross annual gaming win of \$947 million. Since gaming began in 2004, New York has seen increased revenues each year as more venues offering video gaming machines (New York’s equivalent to VLTs) enter the market. The total market win for 2009 through November of \$946 million is near surpassing last year’s record high total win.

Figure 3-16: New York Annual Market Win



New York’s win per position increased by 19% and 13% in 2005 and 2006, only to decline by 4% in 2007, which coincided with the first full year of Empire City video gaming operations. For 2009 through November, New York’s average Win/Pos of \$188 is 8% higher than last year’s annual average.

Figure 3-17: New York Average Annual Win/Pos

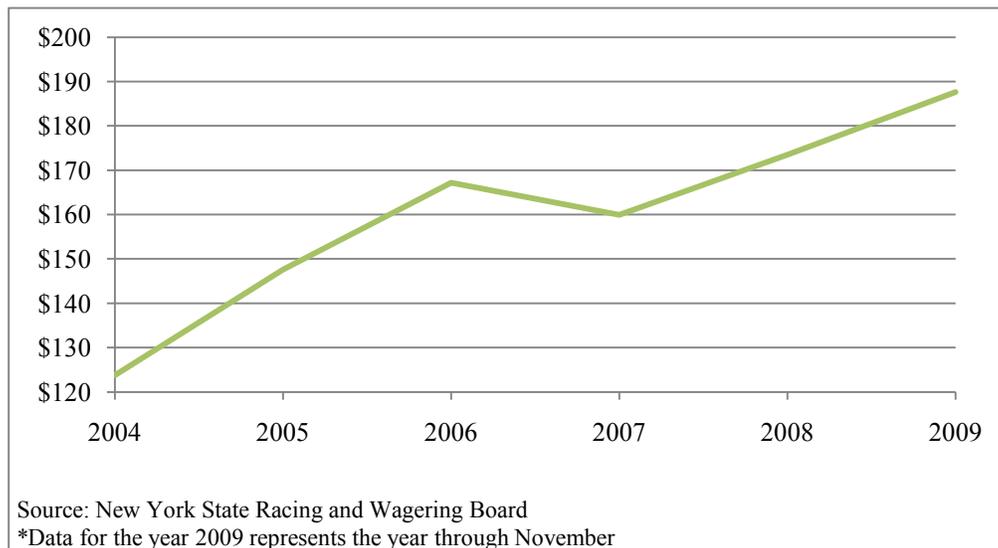


Table 3-26: New York Market Win and Average Win/Position

Year	Total Market Win	Average Annual Win/Position	Change in Total Win	Change in Annual Win/Position
2004	\$192,447,498	\$123.80		
2005	\$294,994,056	\$147.58	53%	19%
2006	\$426,305,441	\$167.21	45%	13%
2007	\$828,205,000	\$159.93	94%	-4%
2008	\$947,275,377	\$173.52	14%	8%
2009*	\$946,319,985	\$187.62	0%	8%

Source: New York State Racing and Wagering Board
 * 2009 thru November

3.1.6.3.1 Historical Gaming Statistics by Property

3.1.6.3.1.1 Annual Win

At the end of 2004, there were four racetracks properties with video gaming machines: Saratoga, Finger Lakes, the Fairgrounds, and Monticello. Saratoga was the market leader in terms of annual Win until Empire City experienced its first full year of video gaming operations in 2007. In 2008 Empire City, earned the highest gaming revenues at \$486 million—more than half of the total market revenues. Empire City’s impressive market share is more than likely due to it being the closest facility with video gaming machines to New York City. The Saratoga and Finger Lakes properties were the second and third highest revenues with \$134 and \$101 million in 2008.

Since the introduction of gaming to New York, its facilities have been operating under an oppressively high tax rate. This tax rate, 71%, hindered gaming facilities' ability to invest in their product or to market to customers. However, New York recently reduced the gaming revenue tax from 71% to a less stifling 57%. This decrease could be expected to impact the market revenues positively as current casinos use the extra cash flow to increase advertising and incentive programs. The New York legislature also recently issued another license, to be awarded in the near future, for a 4,500 machine facility at Aqueduct. Aqueduct will compete with Empire City.

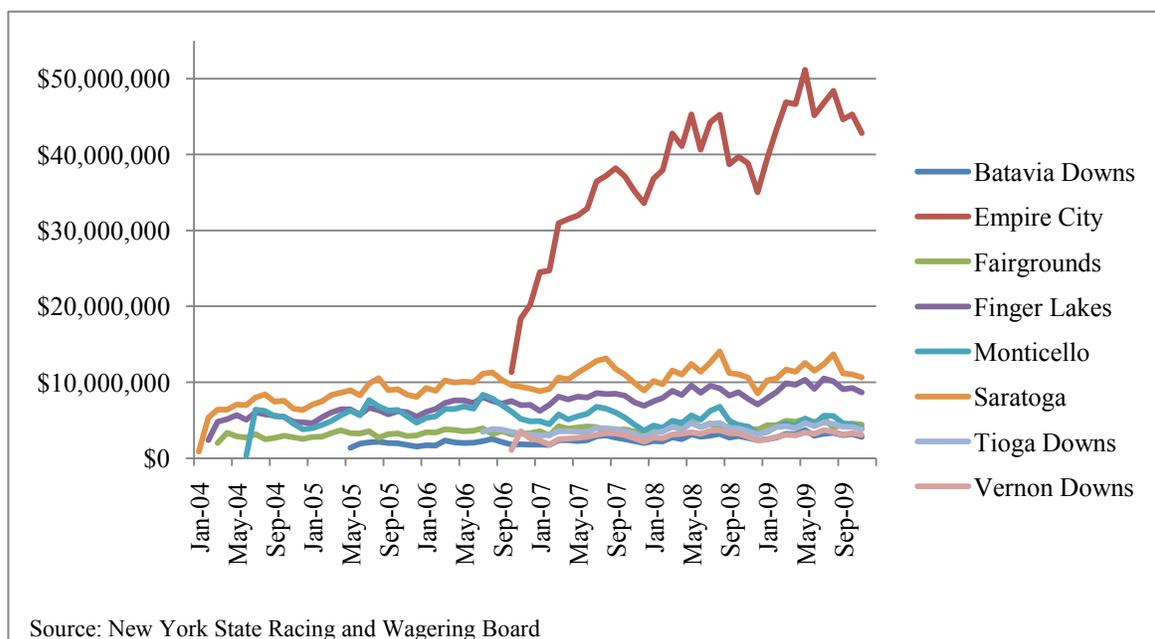
For 2009 through November, Empire City leads in annual Win with \$501 million. Batavia Downs is the least grossing property year to date, with only \$34 million in annual Win but is not too far behind Vernon Downs which has grossed \$34.6 million in gaming revenues in 2009 through November.

Table 3-27: New York Market Annual Win

Year	Batavia Downs	Empire City	Fairgrounds	Finger Lakes	Monticello	Saratoga	Tioga Downs	Vernon Downs	Total
2004			\$27,495,665	\$55,397,604	\$32,284,767	\$77,269,462			\$192,447,498
2005	\$14,679,788		\$37,654,947	\$71,030,754	\$68,058,989	\$103,569,578			\$294,994,056
2006	\$24,009,119	\$49,933,132	\$41,858,757	\$86,612,598	\$76,510,346	\$119,318,771	\$20,869,261	\$7,193,457	\$426,305,441
2007	\$28,248,761	\$394,326,303	\$44,852,733	\$93,213,533	\$64,290,240	\$129,784,671	\$41,433,974	\$32,054,785	\$828,205,000
2008	\$32,460,379	\$486,459,681	\$50,002,128	\$101,370,718	\$58,109,181	\$134,373,560	\$47,240,210	\$37,259,520	\$947,275,377
2009*	\$33,807,126	\$500,559,727	\$51,006,593	\$103,248,453	\$50,365,696	\$126,796,626	\$45,948,667	\$34,587,097	\$946,319,985

Source: New York State Racing and Wagering Board
 * 2009 thru November

Figure 3-18: New York Monthly Win per Property



Source: New York State Racing and Wagering Board

3.1.6.3.1.2 Average Annual Positions

In 2004, Monticello led the New York market in video game machine positions, averaging 1,744 positions for the year. The Fairgrounds had the lowest amount of positions in 2004, averaging 990. For 2009 through November, Empire City leads the market in average positions, offering an average of 5,321 video game machines. Batavia Downs offers the least amount of average positions for 2009 through November with little more than 600 video game machines available.

Table 3-28: New York Market Average Annual Positions

Year	Batavia Downs	Empire City	Fairgrounds	Finger Lakes	Monticello	Saratoga	Tioga Downs	Vernon Downs
2004			990	1,010	1,744	1,324		
2005	586		990	1,010	1,693	1,324		
2006	588	2,264	972	1,048	1,580	1,326	750	777
2007	591	5,206	961	1,199	1,587	1,593	750	767
2008	596	5,339	959	1,199	1,587	1,770	751	761
2009*	604	5,321	959	1,199	1,430	1,770	770	761

Source: New York State Racing and Wagering Board, TMG Consulting estimates

* 2009 thru November

3.1.6.3.1.3 Average Annual Win/Pos

New York racinos' win per position in 2008 ranged from a low of \$100, at Monticello, to a high of \$250 at Empire City. The average win per position for all New York facilities in 2008 was \$173, higher than any previous year and shows a marked improvement from 2007 when the win per position showed a dramatic decrease, most likely due to the sudden influx in supply with the opening of Empire City and the smaller Vernon Downs.

Batavia Downs, the smallest casino, had a \$149 Win/Position in 2008. Empire City had a Win/Pos of \$250 in 2008, and Finger Lakes trailed behind the Yonkers facility with \$232 in Win/Pos the same year. For 2009 through November, Empire City still leads the market in Win/Pos with \$282, while Monticello has the lowest Win/Pos of \$105.

Figure 3-20: New York Annual Win per Position

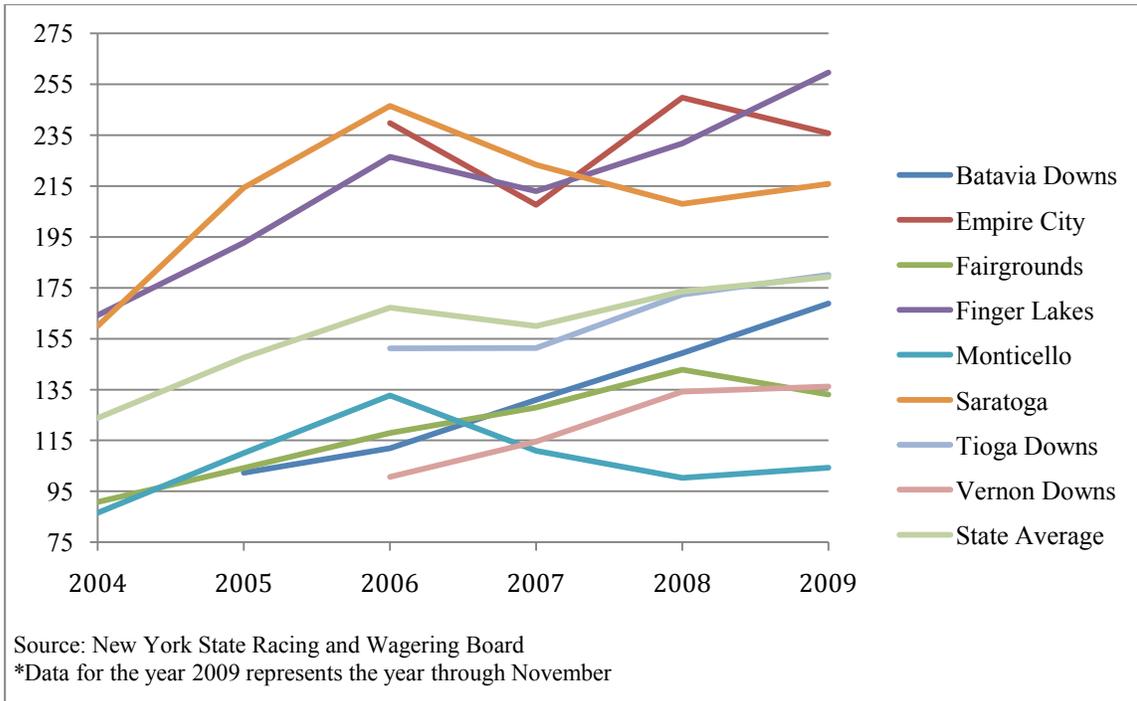


Figure 3-19: New York Monthly Win/Position

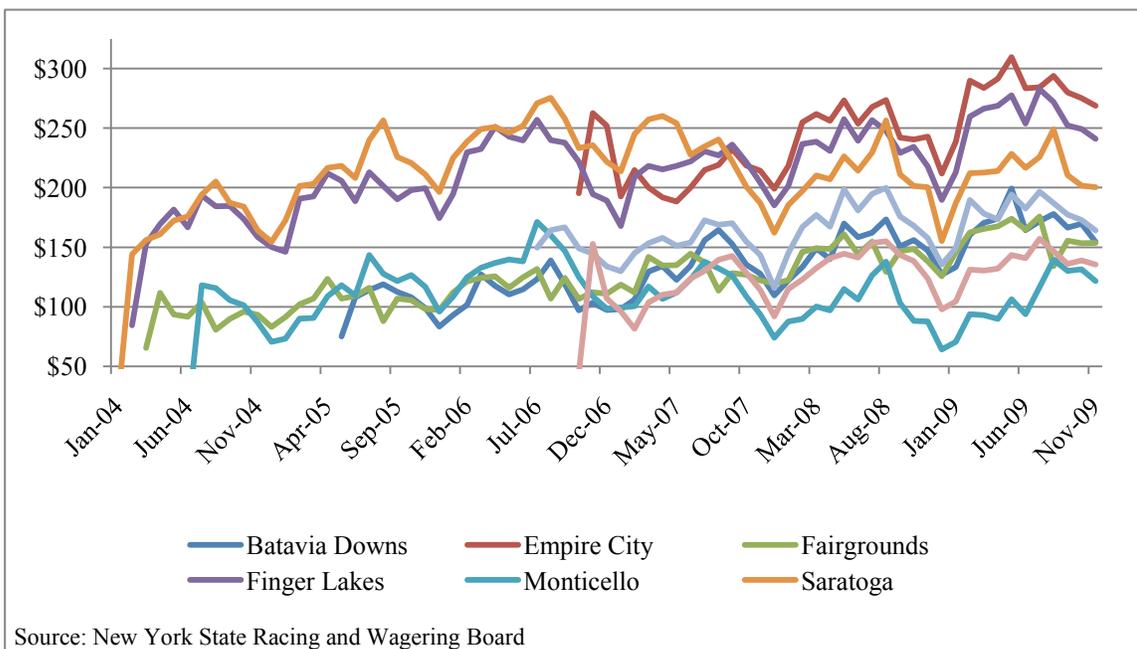


Table 3-29: New York Market Average Annual Win/Position

Year	Batavia Downs	Empire City	Fairgrounds	Finger Lakes	Monticello	Saratoga	Tioga Downs	Vernon Downs	State Average
2004			\$90.76	\$164.22	\$86.52	\$159.89			\$123.80
2005	\$102.25		\$104.22	\$192.68	\$110.12	\$214.31			\$147.58
2006	\$111.96	\$239.73	\$117.96	\$226.39	\$132.64	\$246.45	\$151.23	\$100.63	\$167.21
2007	\$130.94	\$207.53	\$127.93	\$212.92	\$110.99	\$223.28	\$151.36	\$114.51	\$159.93
2008	\$149.26	\$249.65	\$142.85	\$231.68	\$100.32	\$208.00	\$172.28	\$134.14	\$173.52
2009*	\$167.51	\$281.68	\$159.24	\$257.88	\$105.48	\$214.48	\$178.64	\$136.08	\$187.62

Source: New York State Racing and Wagering Board, TMG Consulting estimates

* 2009 thru November

3.1.7 Total Mid-Atlantic Gaming Market

3.1.7.1 Annual Win

The Mid-Atlantic gaming market has been the scene of a surge in slot and table gaming facilities since the mid-2000s. Despite becoming a more competitive market with gaming venue additions in Pennsylvania, New York, and West Virginia, the annual Win for the region has been growing less rapidly each year since 2006. For the year 2009 through October, annual Win for the region is down 18%, less than \$7.5 billion in total win, from last year's total of \$9 billion. With only two months of data remaining for 2009, it seems doubtful it will be a year of positive gaming market growth in the Mid-Atlantic.

Each year in the 2006–2009 period, New Jersey's share of total region annual Win became smaller, and to a lesser extent, Delaware's share did too. West Virginia has fluctuated during the period but has hovered in relatively the same range of capturing 15 to 18% of the Mid-Atlantic market's annual Win. Pennsylvania and New York have been increasing their shares of the region's total win.

For 2009 through October, New Jersey has less than half the market's total win (45%), which is considerably less than what it had in 2006 (68%). Pennsylvania has 22% of the market's total win, West Virginia has 15%, New York has 12%, and Delaware has 6% for 2009 through October.

While its market share of gross gaming revenues has decreased in the Mid-Atlantic by 2% from 2006 to 2009 through October, Delaware has held up well against an increasingly competitive market. In 2006 Delaware had 8% of the market's total win, and by 2009 through October, the state's total win was 6%. Part of the reason their market share has not decreased more is that the new facilities that have entered the market have not been in close proximity to Delaware's current offerings. Likewise, Delaware's market share did not increase during this period because, besides sports betting, the state's gaming industry has not been expanding.

Table 3-30: Mid-Atlantic Annual Win and Growth

Year	Annual Win	Change in Annual Win
2006	\$7,681,525,791	
2007	\$8,740,649,347	13.8%
2008	\$9,095,455,772	4.1%
2009 thru October	\$7,475,318,655	-17.8%

Source: DE Lottery Commission, NJ Casino Control Commission, WV Lottery Commission, NY State Racing and Wagering Board, PA Gaming Control Board; TMG Consulting

Table 3-31: Total State Annual Win

State	2006	2007	2008	2009*
Delaware	\$651,733,800	\$612,407,100	\$588,923,000	\$481,054,500
New Jersey	\$5,217,839,614	\$4,931,831,513	\$4,580,904,414	\$3,346,979,899
West Virginia	\$1,354,079,011	\$1,338,021,079	\$1,361,787,203	\$1,137,965,996
New York	\$426,305,441	\$828,205,000	\$947,275,377	\$866,089,594
Pennsylvania	\$31,567,926	\$1,030,184,655	\$1,616,565,778	\$1,643,228,666
Mid-Atlantic Total	\$7,681,525,791	\$8,740,649,347	\$9,095,455,772	\$7,475,318,655

Source: DE Lottery Commission, NJ Casino Control Commission, WV Lottery Commission, NY State Racing and Wagering Board, PA Gaming Control Board; TMG Consulting

*2009 includes data through October

*Totals and percentages may not always add up due to rounding.

Figure 3-21: Mid-Atlantic Annual Win (Slots and Tables)
 2006 - 2009

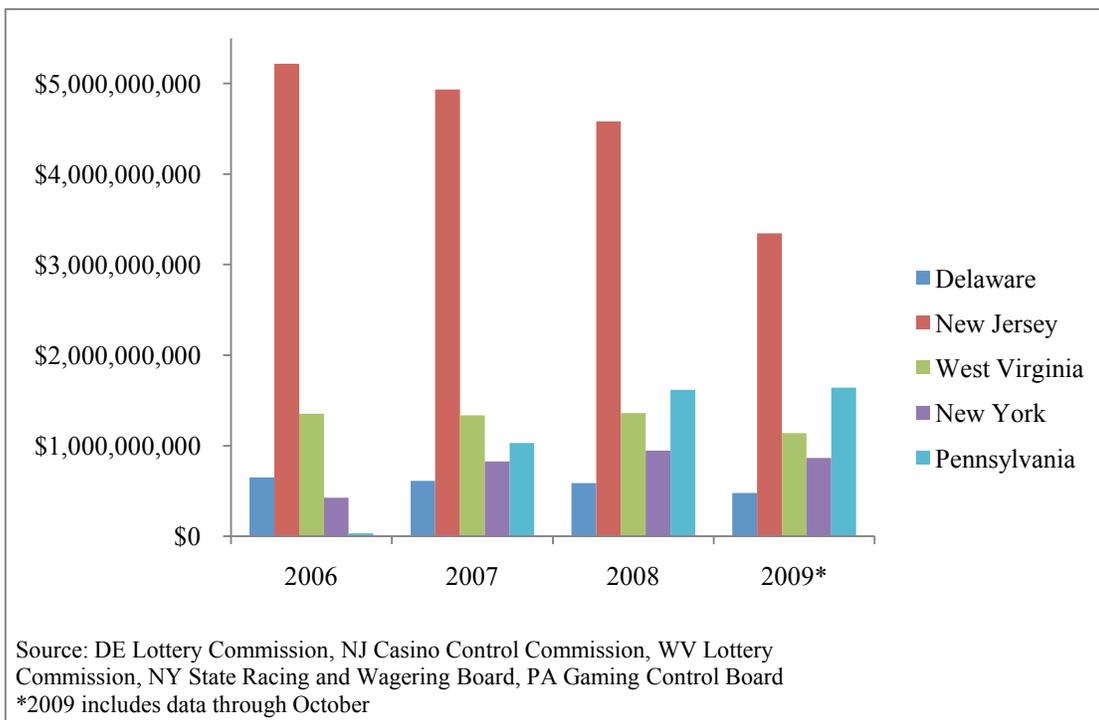


Figure 3-22: Share of Mid-Atlantic Market Total Win 2007

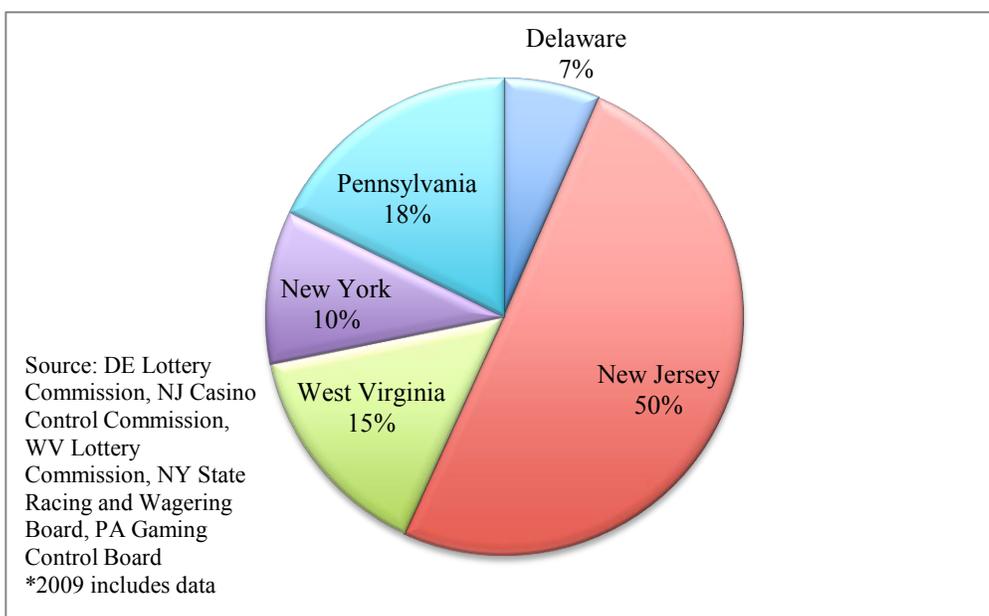


Figure 3-24: Share of Mid-Atlantic Market Total Win 2008

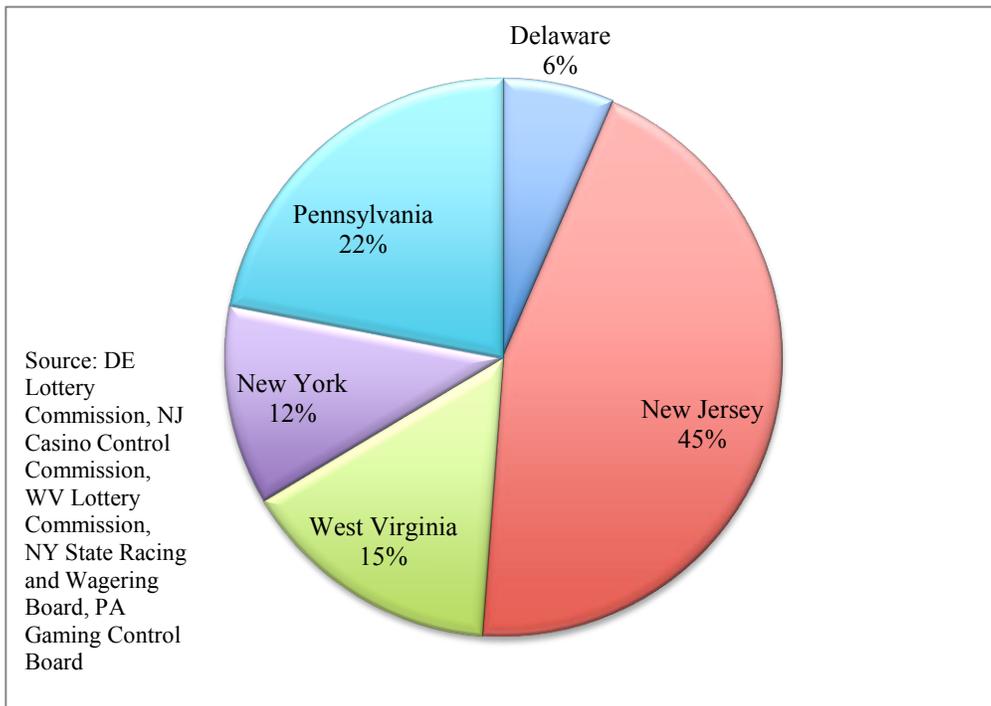
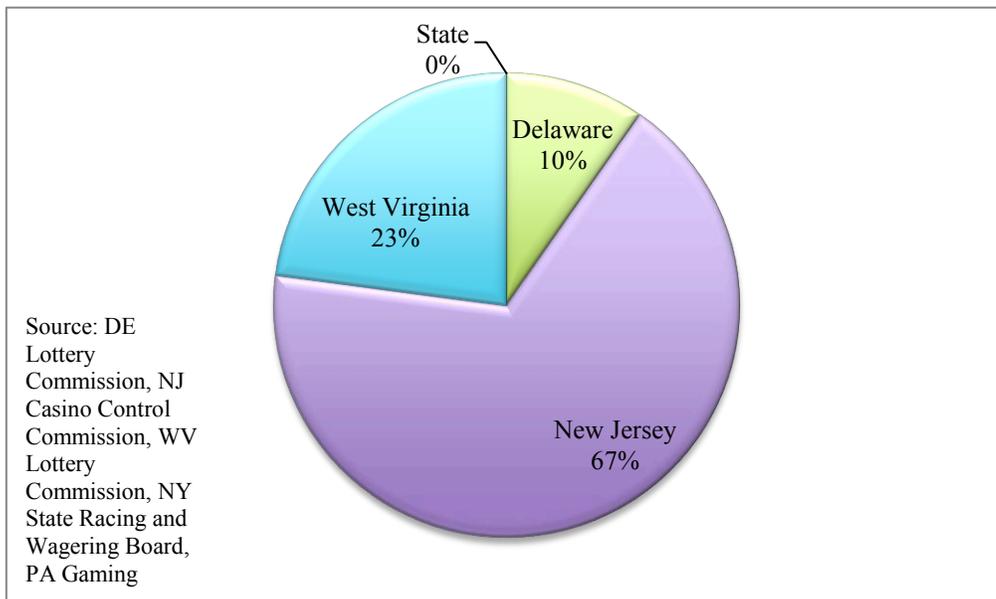


Figure 3-23: Share of Mid-Atlantic Market Total Win 2009 thru October



3.1.7.2 Average Annual Positions

The Mid-Atlantic market had about 102,000 gaming positions on average in 2008, and in 2009 through October, the region has 1.4% more positions, or approximately 104,000 positions. Only Pennsylvania has experienced a significant increase in positions between 2008 and 2009 through October; it has increased in positions by 31.8%. New Jersey is the state with the largest reduction in gaming positions and is down 7% for 2009 through October from its 2008 level.

Table 3-32: Average Annual Positions

State	2008	2009*	Change in Positions
Delaware	8,363	8,438	0.9%
New Jersey	44,688	41,625	-6.9%
West Virginia	20,845	20,426	-2.0%
New York	12,961	12,848	-0.9%
Pennsylvania	15,756	20,759	31.8%
Mid-Atlantic Total	102,614	104,096	1.4%

Source: DE Lottery Commission, NJ Casino Control Commission, WV Lottery Commission, NY State Racing and Wagering Board, PA Gaming Control Board, TMG Consulting

*2009 includes data through October

*Totals and percentages may not always add up due to rounding.

3.1.7.3 Average Annual Win/Pos

In 2006, New Jersey had a Win/Pos of \$296, the highest in the market, while Delaware had the second highest Win/Pos in the market but has since dropped to the second lowest in the market. In 2007, all states except for Pennsylvania experienced negative growth in win per position. By the end of 2008, Pennsylvania had caught up with New Jersey's win per position, which was \$281 for the year. For 2009 through October, New Jersey lead the region in average win per position with \$265, while Pennsylvania followed with nearly the same win per position—\$264. Delaware had an average of \$185 in win per position, a slight decrease from last year's \$189. New York and West Virginia, while being the bottom two states in the region in terms of win per position, were the only two states to have experienced positive growth from 2008's average. New York, as of the end of October 2009, averages \$188 in win per position, while West Virginia trails New York slightly with an average of \$183 in win per position.

**Figure 3-25: Mid-Atlantic Average Annual Win/Pos
 (Slots and Tables)
 2006 - 2009**

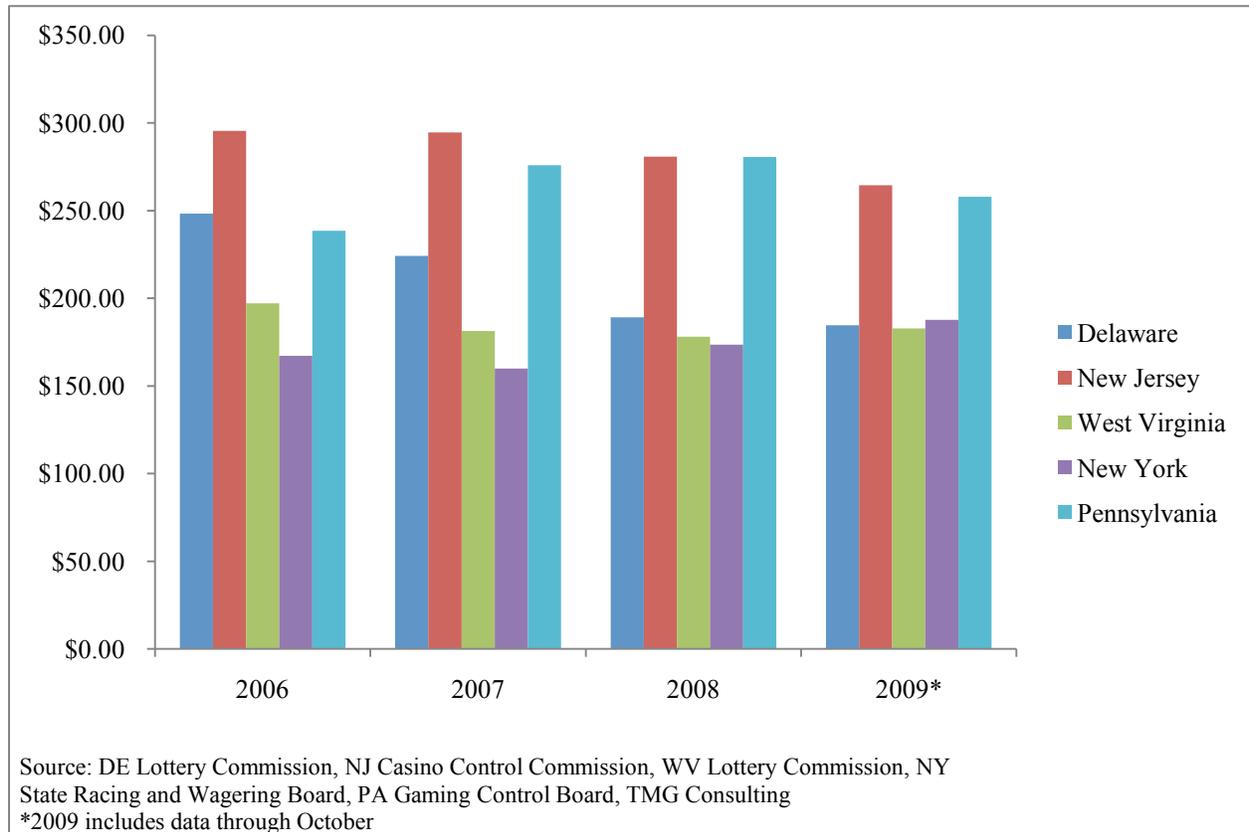


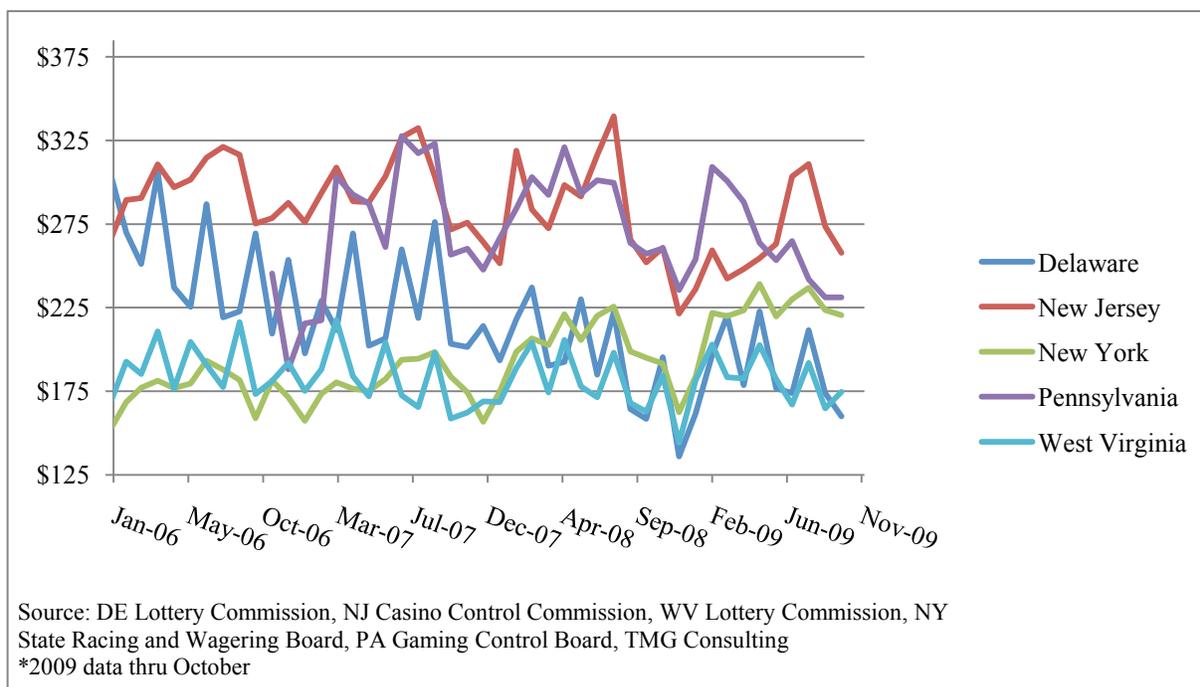
Table 3-33: Total State Average Annual Win/Pos

State	2006	2007	2008	2009*
Delaware	\$248.29	\$224.20	\$189.07	\$184.68
New Jersey	\$295.58	\$294.54	\$280.84	\$264.50
West Virginia	\$197.09	\$181.28	\$178.04	\$182.86
New York	\$167.21	\$159.93	\$173.52	\$187.62
Pennsylvania	\$238.46	\$275.85	\$280.63	\$258.02
Mid-Atlantic	\$227.04	\$214.99	\$205.37	\$204.91

Source: DE Lottery Commission, NJ Casino Control Commission, WV Lottery Commission, NY State Racing and Wagering Board, PA Gaming Control Board

*2009 includes data through October

Figure 3-26: Mid-Atlantic Monthly Win per Position
 2006 thru 2009*



3.2 GRAVITY MODEL CREATION

This section of the report details TMG Consulting’s projections of gaming revenues for the state of Delaware in multiple competitive scenarios. First, we constructed a gravity model to mimic the existing revenue and visitation patterns that the state’s three video lottery terminal (VLT) operators have experienced. Using this model, we then projected the potential impacts that increased competition from outside of Delaware could have on the existing VLT operations. Finally, we examined the potential for an expanded VLT market in the state.

It should be noted that the initial gravity model calibration (Status Quo) was performed using primary research data from a survey conducted in November and December 2009, historical revenue data for all competitors in the region, and certain confidential and proprietary data provided to TMG Consulting by the state’s three VLT operators: Dover Downs, Inc. which operates Dover Downs Hotel and Casino, Harrington Raceway which operates Harrington Raceway and Casino, and Delaware Racing Association which operates Delaware Park. This confidential and proprietary data revealed geographic distribution patterns for visitation and revenue generation at each facility and enabled TMG to create a highly specific and accurate modeling tool for the market. However, due to the sensitive nature of this property level data, it is neither detailed in this report, nor can TMG divulge such specifics without the written authorization of the VLT operators.

Our forward-looking models take into account existing competition and revenue patterns, as well as anticipated additions to the competitive supply. A measure of growth in gaming behavior in

the area was also estimated, as new supply typically creates new demand. On top of gaming demand from the local area (defined within approximately 200 miles), the potential incremental gaming revenues that could be expected from visitors to the region were also estimated.

3.2.1 Methodology

Gravity models are commonly used for commercial developments, public facilities and residential developments. First formulated in 1929 and later refined in the 1940s, the gravity model estimates where a population will shop or gamble based on travel distance and the size and quality of competing facilities. One of the gravity model's strengths is its malleability; the model can simultaneously incorporate many different variables such as population, geographical location, income, propensity to gamble and frequency of gaming trips, and measure the impact of new competition.

The gravity model is based on the concept that the attractiveness (or “gravitational pull”) of a facility is related to its size, quality, and distance from a given population. Technically speaking, the interaction between a market area and one or more gaming venues, including racetrack casinos, is based on Newton's Law of Universal Gravitation: two bodies in the universe attract each other in proportion to the product of their masses and in inverse proportion to the square of the distance between them. Thus, the expected interaction between gaming venue *i* and market area *j* is shown as follows:

$$\text{Attraction or “gravitational pull”} = K \times \frac{P_i \times P_j}{d_{ij}^2}$$

where P_i = the gaming positions in gaming venue *i*, P_j = the population in market area *j*, d_{ij} = the distance between them, and K = an attractiveness factor relating to the quality of the casino and the amenities to be found at each gaming venue in comparison to the competing set of venues.

The distribution of gaming visits is influenced by incorporating an attractiveness factor, which weighs the relative quality of a facility with respect to other gaming venues, congestion both on area roadways and within the casino, and other site-related quality issues (essentially anything that may influence gaming decisions other than proximity and the size of a facility). The attractiveness factor takes into consideration population densities, transportation infrastructure and natural geographical boundaries.

Gamer visits are then generated from population data for each zip code within each of the submarkets. Gamer visits represent the number of patron trips to a gaming market, where an individual can make any number of separate visits in the course of a year. The gamer visits generated are then distributed among the competitors based on the size of each facility, its attractiveness, and the relative distance from the zip code in question. The gravity model then calculates the probabilistic distribution of gamer visits from each submarket to each of the gaming locations in the market. A win per admission value based on household income and effective buying income is then applied to the gamer visits output in order to estimate revenues.

3.2.2 Market Area Carve-out & Population Statistics

In total, the potential local market area from which the proposed casino should be able to draw includes over 40 million residents with 29.6 million adults of legal gaming age. By 2014, this gaming age population is expected to grow to 30.6 million.

The following maps and tables describe the 26 distinct market areas that have been designated for the *Delaware Market Area*.

The distinct market areas were designated by three criteria: areas that currently are or will be primary markets for existing or planned casinos, areas defined by drive time to the various existing Delaware VLT sites, and other areas lying within 200 miles of the state. It should be noted that while certain market areas include the populations of multiple states, all Delaware market areas have been kept isolated, so that the resulting projections will clearly show the revenues that are generated by Delaware residents versus those that are generated from out-of-state patrons.

Figure 3-27: Delaware Region Population Density Map

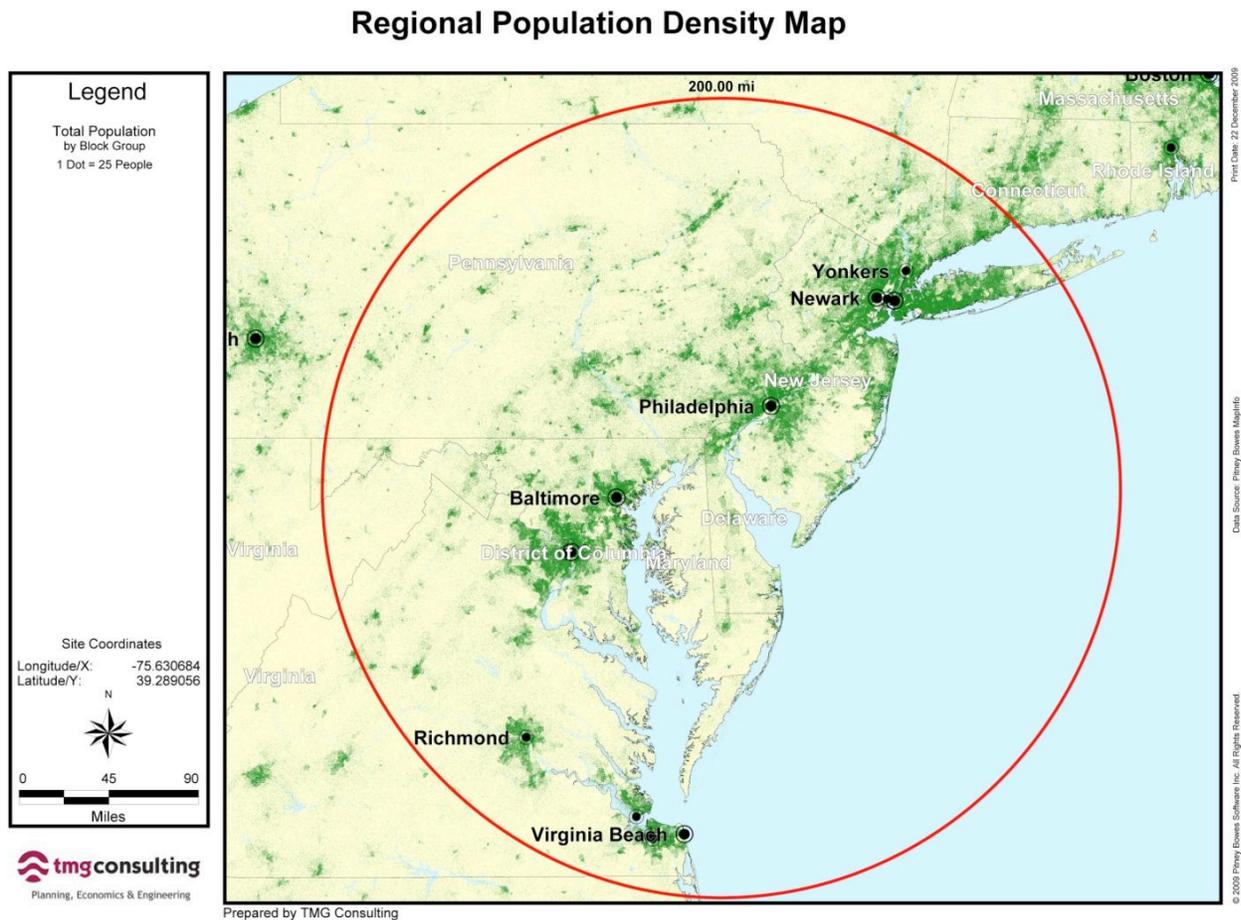
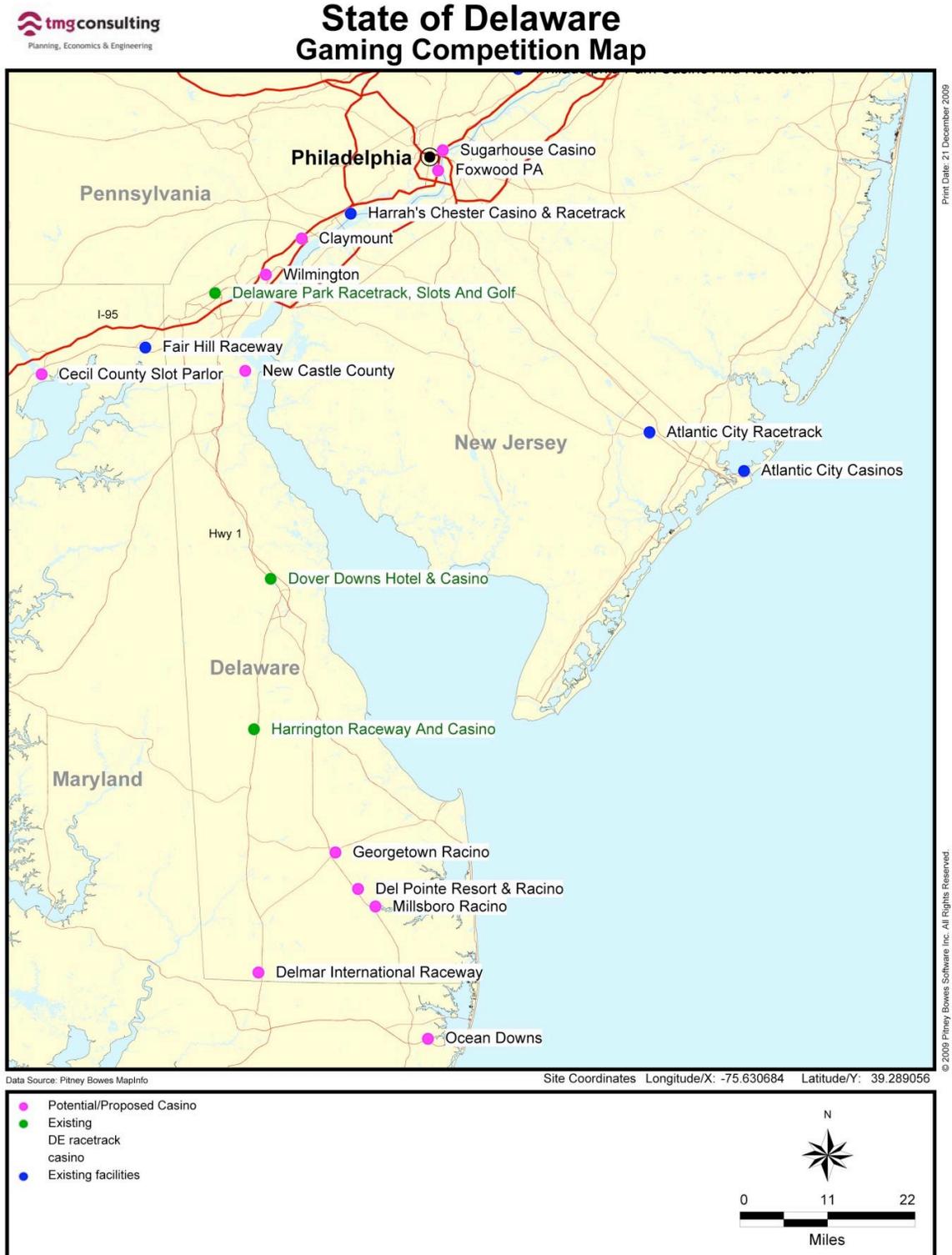
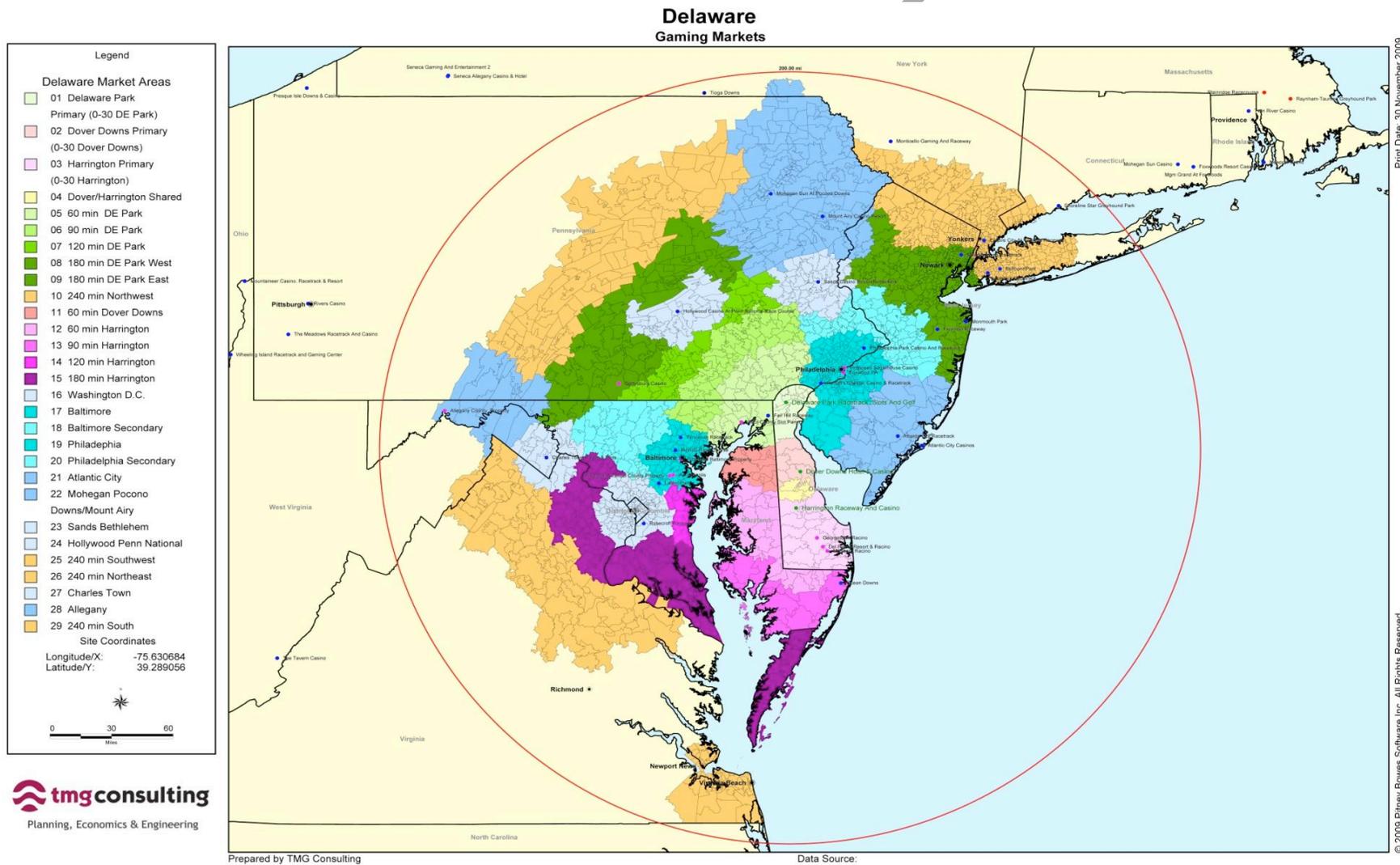


Figure 3-28: Delaware Locally Competitive Market Map



Prepared by TMG Consulting

Figure 3-29: Delaware Submarket Areas Map



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Delaware Park Primary Submarket

The Delaware Park Primary Submarket consists of the area within an approximate 30 minute drive time from the Delaware Park facility. The estimated 2009 gaming age (21+) population was 385,449 and is projected to be 402,778 by 2014, indicating an average annual growth rate (A.A.G.) of 0.9%. The average household income in this area was an estimated \$80,136 in 2009 and is expected to grow to \$95,981 in 2014, an A.A.G. of 3.7%.

Dover Downs Primary Submarket

The Dover Downs Primary Submarket consists of the area within an approximate 30 minute drive time from the Dover Downs facility. The estimated 2009 gaming age (21+) population was 77,024 and is projected to be 85,050 by 2014, indicating an A.A.G. of 2.0%. The average household income in this area was an estimated \$60,739 in 2009, and is expected to grow to \$71,196 in 2014, for an A.A.G. of 3.2%.

Harrington Raceway Primary Submarket

The Harrington Raceway Primary Submarket consists of the area within an approximate 30 minute drive time from the Harrington Raceway facility. The estimated 2009 gaming age (21+) population was 156,288 and is projected to be 172,915 by 2014, indicating an A.A.G. of 2.0%. The average household income in this area was an estimated \$65,467 in 2009, and is expected to grow to \$73,013 in 2014, for an A.A.G. of 2.2%.

Dover/Harrington Shared Submarket

The Dover/Harrington Shared Submarket consists of the area lying between the Dover Downs and Harrington Raceway facilities. The estimated 2009 gaming age (21+) population was 26,704 and is projected to be 30,246 by 2014, indicating an A.A.G. of 2.5% and making it the market area with the fastest growing population. The average household income in this area was an estimated \$61,095 in 2009 and is expected to grow to \$73,895 in 2014, an A.A.G. of 3.9%.

60 Minute DE Park Submarket

The 60 Minute Delaware Park Submarket consists of the area within an approximate 60 minute drive time from the Delaware Park facility, and includes portions of the states of Pennsylvania and Maryland. The estimated 2009 gaming age (21+) population was 550,197 and is projected to be 575,661 by 2014, indicating an A.A.G. of 0.9%. The average household income in this area was an estimated \$84,686 in 2009 and is expected to grow to only \$88,199 in 2014, an A.A.G. of 0.8%, making this the market area that is expected to sustain the most sluggish growth in incomes.

90 Minute DE Park Submarket

The 90 Minute Delaware Park Submarket consists of the area within an approximate 90 minute drive time from the Delaware Park facility, and includes only those areas outside of the state of Delaware. The estimated 2009 gaming age (21+) population was 610,001 and is projected to be 634,765 by 2014, indicating an A.A.G. of 0.8%. The average

household income in this area was an estimated \$71,950 in 2009 and is expected to grow to \$85,620 in 2014, an A.A.G. of 3.4%.

120 Minute DE Park Submarket

The 120 Minute Delaware Park Primary Submarket consists of the area within an approximate two hour drive time from the Delaware Park facility and contains only areas outside of the State of Delaware. The estimated 2009 gaming age (21+) population was 377,876 and is projected to be 394,983 by 2014, indicating an A.A.G. of 0.9%. The average household income in this area was an estimated \$66,670 in 2009 and is expected to grow to \$79,673 in 2014, an A.A.G. of 3.6%.

180 Minute DE Park East Submarket

The 180 Minute Delaware Park East Submarket consists of an area within an approximate three hour drive time from the Delaware Park facility. The estimated 2009 gaming age (21+) population was 5,641,558 and is projected to be 5,818,671 by 2014, indicating an A.A.G. of 0.6%. This market area is the second largest in terms of population. The average household income in this area was an estimated \$101,727 in 2009 and is expected to grow to \$113,484 in 2014, an A.A.G. of 2.2%.

180 Minute DE Park West Submarket

The 180 Minute Delaware Park West Submarket consists of an area within an approximate three hour drive time from the Delaware Park facility. The estimated 2009 gaming age (21+) population was 668,363 and is projected to be 690,906 by 2014, indicating an A.A.G. of 0.7%. The average household income in this area was an estimated \$61,857 in 2009, and is expected to grow to \$73,659 in 2014, an A.A.G. of 3.6%.

240 Minute Northwest Submarket

The 240 Minute Northwest Submarket consists of an area within an approximate four hour drive time from the Delaware Park facility. The estimated 2009 gaming age (21+) population was 313,859 and is projected to be 321,310 by 2014, indicating an A.A.G. of 0.5%. The average household income in this area, the lowest of all market areas, was an estimated \$54,985 in 2009 and is expected to grow to \$66,176 in 2014, an A.A.G. of 3.8%.

60 Minute Dover Downs Submarket

The 60 Minute Dover Downs Submarket consists of the area within an approximate one hour drive time from the Dover Downs facility, and includes only areas outside of the state of Delaware. The smallest population of the designated market areas, it holds an estimated 2009 gaming age (21+) population of 24,874 and is projected to grow to 25,722 by 2014, indicating an A.A.G. of 0.7%. The average household income in this area was an estimated \$68,083 in 2009 and is expected to grow to \$77,767 in 2014, an A.A.G. of 2.7%.

60 Minute Harrington Submarket

The 60 Minute Harrington Submarket consists of the area within an approximate one hour drive time from the Harrington Raceway facility, and includes only areas outside of the state of Delaware. The estimated 2009 gaming age (21+) population was 150,728 and is projected to be 154,940 by 2014, indicating an A.A.G. of 0.6%. The average household income in this area was an estimated \$70,614 in 2009 and is expected to grow to \$80,648 in 2014, an A.A.G. of 2.7%.

90 Minute Harrington Submarket

The 90 Minute Harrington Submarket consists of the area within an approximate one and one half hour drive time from the Harrington Raceway facility. The estimated 2009 gaming age (21+) population was 76,785 and is projected to be 77,270 by 2014, indicating an A.A.G. of 0.1%. The average household income in this area was an estimated \$66,308 in 2009 and is expected to grow to \$71,552 in 2014, an A.A.G. of 1.5%.

120 Minute Harrington Submarket

The 120 Minute Harrington Submarket consists of the area within an approximate two hour drive time from the Harrington Raceway facility, and includes only areas outside of the State of Delaware. The estimated 2009 gaming age (21+) population was 225,465 and is projected to be 228,568 by 2014, indicating an average annual growth rate (A.A.G.) of 0.3%. The average household income in this area was the second highest in the region, at an estimated \$102,776 in 2009, and it is expected to grow to \$121,491 in 2014, an A.A.G. of 3.4%.

180 Minute Harrington Submarket

The 180 Minute Harrington Submarket consists of the area within an approximate three-hour drive time from the Harrington Raceway facility. The estimated 2009 gaming age (21+) population was 981,431 and is projected to be 1,043,472 by 2014, indicating an A.A.G. of 1.2%. The average household income in this area was an estimated \$93,473 in 2009, and is expected to grow to \$107,523 in 2014, an A.A.G. of 2.8%.

Washington, D.C. Submarket

The Washington, D.C. Submarket consists of the area roughly including Washington, D.C. and its nearby suburbs. The estimated 2009 gaming age (21+) population was 2,437,225 and is projected to be 2,511,421 by 2014, indicating an A.A.G. of 0.6%. The average household income in this area, the highest of all submarkets in this study, was an estimated \$106,832 in 2009 and is expected to grow to \$126,426 in 2014, an A.A.G. of 3.4%.

Baltimore Submarket

The Baltimore Submarket consists of the area encompassing Baltimore, MD as well as some of its closely lying suburbs. The estimated 2009 gaming age (21+) population was 1,398,497 and is projected to be 1,395,351 by 2014, indicating a declining population

with an A.A.G. of -0.5%. The average household income in this area was an estimated \$76,058 in 2009 and is expected to grow to \$89,086 in 2014, an A.A.G. of 3.2%.

Baltimore Secondary Submarket

The Baltimore Secondary Submarket includes the area within Maryland that would likely be considered a secondary market for the proposed gaming developments in Baltimore, roughly delineated by a 30 minute drive time. The estimated 2009 gaming age (21+) population was 356,133 and is projected to be 364,853 by 2014, indicating an A.A.G. of 0.5%. The average household income in this area was an estimated \$91,793 in 2009 and is expected to grow to \$107,428 in 2014, an A.A.G. of 3.2%.

Philadelphia Submarket

The Philadelphia Submarket includes the city of Philadelphia, as well as portions of Pennsylvania and New Jersey that are within an approximate 30 minute drive time. The estimated 2009 gaming age (21+) population was 2,762,777 and is projected to be 2,817,040 by 2014, indicating an A.A.G. of 0.4%. The average household income in this area was an estimated \$76,080 in 2009 and is expected to grow to \$90,517 in 2014, an A.A.G. of 3.5%.

Philadelphia Secondary Submarket

The Philadelphia Secondary Submarket consists of the area to the north and east of Philadelphia, generally lying within a 30 minute drive time. The estimated 2009 gaming age (21+) population was 855,153 and is projected to be 892,622 by 2014, indicating an A.A.G. of 0.9%. The average household income in this area was an estimated \$96,453 in 2009 and is expected to grow to \$110,261 in 2014, an A.A.G. of 2.7%.

Atlantic City Submarket

The Atlantic City Submarket includes the city of Atlantic City, as well as the area within an approximate 30 minute drive time. The estimated 2009 gaming age (21+) population was 499,939 and is projected to be 516,763 by 2014, indicating an A.A.G. of 0.7%. The average household income in this area was an estimated \$77,972 in 2009 and is expected to grow to \$88,491 in 2014, an A.A.G. of 2.6%.

Mohegan Pocono Downs/Mount Airy Submarket

The Mohegan Pocono Downs/Mount Airy Submarket includes the region between the two facilities, as well as areas lying within an approximate 30 minute drive time. The estimated 2009 gaming age (21+) population was 761,583 and is projected to be 785,472 by 2014, indicating an A.A.G. of 0.6%. The average household income in this area was an estimated \$58,474 in 2009, and is expected to grow to \$68,317 in 2014, an A.A.G. of 3.2%.

Sands Bethlehem Submarket

The Sands Bethlehem Submarket includes the region lying within an approximate 30 minute drive time of the Sands Bethlehem facility. The estimated 2009 gaming age (21+) population was 561,111 and is projected to be 586,932 by 2014, indicating an A.A.G. of

0.9%. The average household income in this area was an estimated \$70,755 in 2009 and is expected to grow to \$83,906 in 2014, an A.A.G. of 3.5%.

Hollywood Penn National Submarket

The Hollywood Penn National Submarket includes the area surrounding the Hollywood Penn National facility. The estimated 2009 gaming age (21+) population was 385,937 and is projected to be 401,624 by 2014, indicating an A.A.G. of 0.8%. The average household income in this area was an estimated \$69,078 in 2009 and is expected to grow to \$84,033 in 2014, an A.A.G. of 4.0%, making it the market area with the second fastest income growth projection.

240 Minute Southwest Submarket

The 240 Minute Southwest Submarket consists of the area to the south and west of Delaware, and within an approximate 4 hour drive time. The estimated 2009 gaming age (21+) population was 445,289 and is projected to be 469,736 by 2014, indicating an A.A.G. of 1.1%. The average household income in this area was an estimated \$70,369 in 2009 and is expected to grow to \$79,385 in 2014, an A.A.G. of 2.4%.

240 Minute Northeast Submarket

The 240 Minute Southwest Submarket consists of the area to the north and east of Delaware, and within an approximate 4 hour drive time. This market area includes portions of New York City. The estimated 2009 gaming age (21+) population was 7,696,419 and is projected to be 7,975,308 by 2014, indicating an A.A.G. of 0.7%. The average household income in this area was an estimated \$95,305 in 2009 and is expected to grow to \$105,652 in 2014, an A.A.G. of 2.1%.

Charles Town Submarket

The Charles Town Submarket includes the area immediately surrounding the Charles Town Races facility. The estimated 2009 gaming age (21+) population was 155,254 and is projected to be 167,217 by 2014, indicating an A.A.G. of 1.5%. The average household income in this area was an estimated \$69,516 in 2009 and is expected to grow to \$76,337 in 2014, an A.A.G. of 1.9%.

Allegany Submarket

The Allegany Submarket includes the potential Allegany County gaming facility, as well as the area within an approximate 30 minute drive time. The estimated 2009 gaming age (21+) population was 96,075 and is projected to be 97,916 by 2014, indicating an A.A.G. of 0.4%. The average household income in this area was an estimated \$56,077 in 2009 and is expected to grow to \$67,189 in 2014, an A.A.G. of 3.7%.

240 Minute South Submarket

The 240 Minute South Submarket consists of the area to the south of Delaware, and within an approximate 4 hour drive time. The estimated 2009 gaming age (21+) population was 950,869 and is projected to be 965,352 by 2014, indicating an A.A.G. of 0.3%. The average household income in this area was an estimated \$69,453 in 2009 and is expected to grow to \$85,488 in 2014, an A.A.G. of 4.2%.

Table 3-34: Gaming Age Population of Market Areas

Submarket	2009	2014 Projection	Average Annual Growth
Delaware Park Primary (0-30 DE Park)	385,449	402,778	0.9%
Dover Downs Primary (0-30 Dover Downs)	77,024	85,050	2.0%
Harrington Primary (0-30 Harrington)	156,288	172,915	2.0%
Dover/Harrington Shared	26,704	30,246	2.5%
60 min DE Park	550,197	575,661	0.9%
90 min DE Park	610,001	634,765	0.8%
120 min DE Park	377,876	394,983	0.9%
180 min DE Park E	5,641,558	5,818,671	0.6%
180 min DE Park W	668,363	690,906	0.7%
240 min Northwest	313,859	321,310	0.5%
60 min Dover Downs	24,874	25,722	0.7%
60 min Harrington	150,728	154,940	0.6%
90 min Harrington	76,785	77,270	0.1%
120 min Harrington	225,465	228,568	0.3%
180 min Harrington	981,431	1,043,472	1.2%
Washington, D.C.	2,437,225	2,511,421	0.6%
Baltimore	1,398,497	1,395,351	0.0%
Baltimore Secondary	356,133	364,853	0.5%
Philadelphia	2,762,777	2,817,040	0.4%
Philadelphia Secondary	855,153	892,622	0.9%
Atlantic City	499,939	516,763	0.7%
Mohegan Pocono Downs/Mount Airy	761,583	785,472	0.6%
Sands Bethlehem	561,111	586,932	0.9%
Hollywood Penn National	385,937	401,624	0.8%
240 min Southwest	445,289	469,736	1.1%
240 min Northeast	7,696,419	7,975,308	0.7%
Charles Town	155,254	167,217	1.5%
Allegany	96,075	97,916	0.4%
240 min South	950,869	965,352	0.3%
Total	29,628,863	30,604,864	0.7%

Source: AnySite, Claritas, Inc.; TMG Consulting.

Table 3-35: Market Area Average Annual Household Incomes

Submarket	2009	2014 Projection	Average Annual Growth
Delaware Park Primary (0-30 DE Park)	\$80,136	\$95,981	3.7%
Dover Downs Primary (0-30 Dover Downs)	\$60,739	\$71,196	3.2%
Harrington Primary (0-30 Harrington)	\$65,467	\$73,013	2.2%
Dover/Harrington Shared	\$61,095	\$73,895	3.9%
60 min DE Park	\$84,686	\$88,199	0.8%
90 min DE Park	\$71,950	\$85,620	3.5%
120 min DE Park	\$66,670	\$79,673	3.6%
180 min DE Park E	\$101,727	\$113,484	2.2%
180 min DE Park W	\$61,857	\$73,659	3.6%
240 min Northwest	\$54,985	\$66,176	3.8%
60 min Dover Downs	\$68,083	\$77,767	2.7%
60 min Harrington	\$70,614	\$80,648	2.7%
90 min Harrington	\$66,308	\$71,552	1.5%
120 min Harrington	\$102,776	\$121,491	3.4%
180 min Harrington	\$93,473	\$107,523	2.8%
Washington, D.C.	\$106,832	\$126,426	3.4%
Baltimore	\$76,058	\$89,086	3.2%
Baltimore Secondary	\$91,793	\$107,428	3.2%
Philadelphia	\$76,080	\$90,517	3.5%
Philadelphia Secondary	\$96,453	\$110,261	2.7%
Atlantic City	\$77,972	\$88,491	2.6%
Mohegan Pocono Downs/Mount Airy	\$58,474	\$68,317	3.2%
Sands Bethlehem	\$70,755	\$83,906	3.5%
Hollywood Penn National	\$69,078	\$84,033	4.0%
240 min Southwest	\$70,369	\$79,385	2.4%
240 min Northeast	\$95,305	\$105,652	2.1%
Charles Town	\$69,516	\$76,337	1.9%
Allegany	\$56,077	\$67,189	3.7%
240 min South	\$69,453	\$85,488	4.2%

Source: AnySite, Claritas, Inc.; TMG Consulting.

3.2.3 Definitions

The following section provides descriptions and definitions of the various components of the model.

Gamer Visits

This measure is used to specify the number of patron trips to a gaming market, where an individual can make any number of separate visits over the course of a year. To estimate the gamer visits, separate measures of propensity and frequency are applied to the adult population in each zip code.

Propensity

Propensity is a measure of the likelihood that an individual will visit a casino in a given year. It varies based upon a number of factors, including the number of gaming venues in the area, their quality and type (e.g., land based versus riverboat or full casino versus racetrack slot-only facility), the games permitted, the availability of other entertainment and leisure options, and most importantly, the distance from a gaming venue.

Frequency

The frequency factor measures the average number of visits that an adult with a propensity to gamble will make annually to a gaming venue in the subject market. Frequency is a function of annual gaming budget as indicated by income variations, the number of venues in the market, and the quality and type of gaming facility. The frequency of visitation is inversely related to distance from a gaming venue, as fewer trips are made as convenience declines. However, the length of the average gaming trip increases with distance, such that an annual gaming budget for those living relatively far from a gaming venue may approach that of those living nearby for whom short gaming trips are typical.

Win per Admission

A win per admission value is the win by the gaming venue for each visit made to the venue. Generally it increases with distance from the gaming venue, reflecting the less frequent nature of the trips and the effort required to make them. These factors tend to create a larger proportion of more dedicated players and, hence, a larger win per admission. Effective buying income, or disposable income, is also a factor in variances in win per admission as those with more disposable income have more money with which to game.

Attractiveness Factors

Attractiveness factors measure the relative attraction of one gaming venue in relation to others in the market. Attractiveness factors are applied to the size of the gaming venue, as measured by the number of positions it has in the market. Positions are defined as the number of gaming machines plus the number of seats at gaming tables. A normative attractiveness factor would have a value one. When applied to the number of positions in a gaming venue, a normative attractiveness factor does not change the size of the gaming venue as calculated by the model and hence does not affect its attractiveness to potential patrons. A value of less than one adjusts the size of the gaming venue downwards, indicating that it is less attractive. Conversely, a value greater than one indicates that the gaming venue has characteristics that make it more attractive. Attractiveness factors can be based on a number of components including branding, the level and effectiveness of marketing efforts, and the level of quality of the casino and the amenities offered by a facility. Attractiveness factors are also adjusted to model the presence of natural and man-made boundaries which impact ease of access and convenience of travel in the market area.

The sensitivity of the model to changes in these factors is not in the nature of a direct multiplication, as it is not linear. A doubled attractiveness factor doubles the attractive

power of the venue and leads to an increase in gamer visits. It does not, however, lead to a doubled number of visits, as visits and attractiveness are not linearly correlated in the model.

3.3 GRAVITY MODEL PROJECTIONS AND REVENUE ESTIMATES

3.3.1 Model Scenario 1: Status Quo Calibration

In creating the Status Quo Gravity Model, TMG Consulting drew from a number of different data sources, such as historical gaming revenue data published by official state regulatory agencies in the region, statistical results from the November-December 2009 survey conducted among 500 active video lottery terminal gamers in the Delaware market, summaries of the players' club databases from the three existing VLT operators in Delaware, and our internal knowledge gained through experience and previous work in the regional market. The result is a model that very accurately estimates the total number of gaming visits and gaming revenues generated by each distinct market area and distributes them to the various competitors in the region.

This Status Quo model utilized the following factors, presented below as a basis of comparison to our forecast models.

Table 3-36: Delaware Gravity Model Competitive Assumptions: 2009 Status Quo Calibration

Facility	State	Gaming Positions (VLTs, Slots, Table positions)
Delaware Park Racetrack, Slots And Golf	DE	3,148
Dover Downs Hotel & Casino	DE	3,140
Harrington Raceway And Casino	DE	2,105
Atlantic City Casinos	NJ	41,441
Empire City At Yonkers Raceway	NY	5,320
Monticello Gaming And Raceway	NY	1,401
Harrah's Chester Casino & Racetrack	PA	2,916
Hollywood Casino At Penn National Race Course	PA	2,318
Mohegan Sun At Pocono Downs	PA	2,466
Mount Airy Casino Resort	PA	2,506
Philadelphia Park Casino And Racetrack	PA	2,912
Sands Casino Resort Bethlehem	PA	2,897
Charles Town Races & Slots	WV	5,003
Tioga Downs	NY	771
Total		78,345

Source: State gaming commissions

Table 3-37: Gravity Model Gaming Characteristics: 2009 Status Quo Calibration

Submarket	Propensity	Frequency	Win/Visit
Delaware Park Primary (0-30 DE Park)	38%	13.6	\$90.00
Dover Downs Primary (0-30 Dover Downs)	40%	14.6	\$68.22
Harrington Primary (0-30 Harrington)	40%	14.6	\$73.53
Dover/Harrington Shared	40%	14.6	\$68.62
60 min DE Park	33%	11.0	\$95.11
90 min DE Park	32%	10.0	\$80.81
120 min DE Park	33%	11.0	\$74.88
180 min DE Park E	29%	8.8	\$114.25
180 min DE Park W	30%	9.0	\$69.47
240 min Northwest	29%	9.0	\$61.75
60 min Dover Downs	33%	11.0	\$76.47
60 min Harrington	33%	11.0	\$79.31
90 min Harrington	31%	9.5	\$74.47
120 min Harrington	28%	8.0	\$115.43
180 min Harrington	25%	8.0	\$104.98
Washington, D.C.	28%	8.0	\$119.98
Baltimore	30%	8.8	\$85.00
Baltimore Secondary	30%	8.8	\$103.09
Philadelphia	35%	12.5	\$85.45
Philadelphia Secondary	33%	11.0	\$108.33
Atlantic City	45%	15.0	\$87.57
Mohegan Pocono Downs/Mount Airy	33%	9.4	\$65.67
Sands Bethlehem	33%	9.4	\$79.47
Hollywood Penn National	33%	9.4	\$77.58
240 min Southwest	25%	8.0	\$79.03
240 min Northeast	29%	8.8	\$107.04
Charles Town	42%	14.5	\$78.07
Allegany	30%	8.8	\$62.98
240 min South	25%	8.0	\$78.00

Source: TMG Consulting

The propensity, frequency, and win per visit factors that were used in this model calibration originated from the 500 person survey conducted in November and December 2009. This survey revealed the average gaming participation in the region as well as averages for spend per gaming trip. These factors were then adjusted for each distinct market area, with propensity and frequency adjusted according data obtained from the player database analysis, as well as a consideration of each area's access to gaming facilities (greater access relates directly to higher propensities and frequencies). The win per visit was adjusted by the income level of market area residents, and again was calibrated to match patterns seen in the players club database analysis.

When used in the gravity model, these propensity, frequency, and win per visit factors recreated the existing visitation and revenue patterns experienced by the three gaming

facilities in Delaware. *Due to confidentiality agreements with the existing operators, specific market are level results CANNOT be divulged.* However, for comparison purposes, the following rough estimate of gaming revenues accruing to Delaware is made:

- approximately 30-40% of revenues from Delaware residents
- approximately 40-50% of revenues from Maryland and Virginia residents
- approximately 10-30% of revenues from Pennsylvania and New Jersey residents

For comparison with Scenarios 2 and 3, the Status Quo revenues for each facility are presented below. It should be noted that these revenues were estimated using gaming revenue reports as provided by the State of Delaware, with TMG Consulting’s internal estimates for the last two months of the year, resulting in estimate of 2009 gaming revenues for each Video Lottery Terminal facility.

Table 3-38: Delaware Gaming Revenue Estimates: 2009 Status Quo

Facility	2009 Status Quo Estimated Gaming Revenues*
Delaware Park Racetrack, Slots And Golf	\$235,230,841
Dover Downs Hotel & Casino	\$208,354,191
Harrington Raceway And Casino	\$122,205,055
STATE TOTAL	\$565,790,087

Source: TMG Consulting

* 2009 revenues were estimated with State revenue reports through October 2009, with TMG projections for November and December

While TMG Consulting was not contracted to perform an analysis on the potential recovery of the gaming market from the current recession, a rough estimate of future revenues in this Status Quo competitive scenario was made for use in the *Socioeconomic Impact Analysis* detailed in later sections of this report. For those modeling purposes, we have assumed a further 5% decline in gaming revenues in 2010, with slow gains thereafter.

3.3.2 Model Scenario 2: Baseline

In the *Baseline* scenario, TMG Consulting has assumed that recovery from the current recession has occurred, all of the five approved locations in Maryland will have opened gaming facilities, the expected additional facilities in Pennsylvania will have opened, table games will have been added to all Pennsylvania facilities, table games will have been added to Charles Town in West Virginia, and new gaming facilities will have opened in New York. Based on market trends, this dramatic increase in supply, and the difficulties that operators have had in recent years, we have factored in no additional gaming supply in Atlantic City. While new developments such as Revel are expected to open prior to 2013, it is TMG Consulting’s assertion that such openings will result in

similar closings, and the supply of gaming positions will remain relatively unchanged. The following table details the number of gaming positions that we have assumed for the competitive facilities in this *Baseline* scenario.

Table 3-39: Delaware Gravity Model Competitive Assumptions: 2013
Baseline Estimate

Facility	State	Gaming Positions (VLTs, Slots, Table positions)
Delaware Park Racetrack, Slots And Golf	DE	3,148
Dover Downs Hotel & Casino	DE	3,140
Harrington Raceway And Casino	DE	2,105
Allegany County Property (a.k.a. Rocky Gap Lodge)	MD	1,500
Cecil County Slot Parlor	MD	1,500
Ocean Downs	MD	800
Proposed Arundel County Property (Arundel Mills Mall)	MD	4,750
Proposed Baltimore Property (Celebration Casino)	MD	3,750
Atlantic City Casinos	NJ	41,441
Aqueduct Racetrack	NY	4,500
Empire City At Yonkers Raceway	NY	5,320
Monticello Gaming And Raceway	NY	1,401
Foxwoods PA	PA	5,900
Harrah's Chester Casino & Racetrack	PA	3,440
Hollywood Casino At Penn National Race Course	PA	2,735
Mohegan Sun At Pocono Downs	PA	2,910
Mount Airy Casino Resort	PA	2,957
Philadelphia Park Casino And Racetrack	PA	3,436
Proposed Sugarhouse Casino	PA	5,000
Sands Casino Resort Bethlehem	PA	3,419
Charles Town Races & Slots	WV	5,904
Tioga Downs	NY	771
Shinnecock	NY	4,501
Total		114,329

Source: State gaming commissions; published reports; TMG Consulting research and estimates

As noted above, we expect the regional market to contain approximately 114,329 gaming positions by 2013, an increase of nearly 46% over the 2009 level of 78,345 positions. This dramatic increase is accounted for by the addition of table games to Pennsylvania and the Charles Town Races and Slots in West Virginia, as well as the new facilities in Maryland and New York.

When adding new gaming options to a market, the propensity for adults to engage in gaming and the frequency with which they do typically goes up. This pattern has been seen in every market across the United States, as well as jurisdictions across the world. Therefore, adding new gaming facilities and new positions (such as table games) to a market area that did not previously have such would be expected to positively impact both the propensity for area residents to participate in gaming as well as the frequency of their play. The table below details the factors used in the 2013 *Baseline* model. The average win per visit for each market has been adjusted from the 2009 *Status Quo* model to reflect the expected increases in average household incomes.

Table 3-40: Gravity Model Gaming Characteristics: 2013 Baseline Estimate (Add'l Competition OUTSIDE of DE)

Submarket	Propensity	Frequency	Win/Visit
Delaware Park Primary (0-30 DE Park)	38%	13.6	\$106.09
Dover Downs Primary (0-30 Dover Downs)	40%	14.6	\$78.69
Harrington Primary (0-30 Harrington)	40%	14.6	\$80.70
Dover/Harrington Shared	40%	14.6	\$81.68
60 min DE Park	33%	11.0	\$97.49
90 min DE Park	32%	10.0	\$94.64
120 min DE Park	33%	11.0	\$88.06
180 min DE Park E	29%	8.8	\$125.43
180 min DE Park W	30%	9.0	\$81.42
240 min Northwest	29%	9.0	\$73.14
60 min Dover Downs	35%	13.0	\$85.96
60 min Harrington	35%	13.0	\$89.14
90 min Harrington	31%	9.5	\$79.09
120 min Harrington	35%	13.0	\$134.28
180 min Harrington	28%	10.0	\$118.84
Washington, D.C.	30%	13.0	\$139.74
Baltimore	36%	14.0	\$96.90
Baltimore Secondary	35%	14.0	\$118.74
Philadelphia	35%	13.0	\$100.05
Philadelphia Secondary	33%	12.0	\$121.87
Atlantic City	45%	15.0	\$97.81
Mohegan Pocono Downs/Mount Airy	33%	9.4	\$75.51
Sands Bethlehem	33%	9.4	\$92.74
Hollywood Penn National	33%	9.4	\$92.88
240 min Southwest	25%	10.0	\$87.74
240 min Northeast	29%	8.8	\$116.78
Charles Town	42%	14.5	\$84.38
Allegany	35%	14.0	\$74.26
240 min South	25%	10.0	\$94.49

Source: TMG Consulting

After factoring in the expected changes in gaming behavior and new competition in the marketplace, the following estimates of gaming revenues result.

Table 3-41: Delaware Gaming Revenue Estimates: 2013 Baseline

Facility	2013 Baseline Gaming Revenues
Delaware Park Racetrack, Slots And Golf	\$182,640,687
Dover Downs Hotel & Casino	\$191,079,776
Harrington Raceway And Casino	\$107,804,576
STATE TOTAL	\$481,525,038

Source: TMG Consulting

The addition of new gaming facilities and positions to the marketplace is expected to have a significant negative impact on existing operators in Delaware. On a statewide basis, the new out of state competition is expected to result in a decline in gaming revenues of 15%, with the most severe impacts felt by Delaware Park (-22.4%). Dover Downs' revenues are expected to decline by 8.3%, while Harrington Raceway could see an 11.8% decline in gaming revenues. It should be noted that the Status Quo revenues are in 2009 dollars, and the Baseline revenues are shown in 2013 dollars; therefore the real-world impact of the new competition is expected to be even greater.

3.3.3 Model Scenario 3: Projection

In the *Projection* scenario, TMG Consulting assumed no change to the out-of-state competitive landscape beyond what has been termed the *Baseline* scenario. The *Projection* scenario takes the *Baseline* estimates and adds in new potential gaming facilities in the state of Delaware.

The propensity, frequency, and win per visit factors also remain unchanged from the *Baseline* scenario, as the markets in which the two new Delaware facilities are added were adjusted for maximum capture rate in the previous iteration. Gaming behavior is not expected to increase in these markets, as the residents within them have either long-standing access to gaming facilities or their increased access has been accounted for in the *Baseline* scenario assumptions.

After examining the effects of competition across the Mid-Atlantic region and the expected impacts of new competition on the existing Delaware facilities, TMG Consulting modeled the potential for two additional gaming facilities in Delaware. The locations for these new facilities were established with two goals in mind: 1) maximize the potential market capture and revenue generation for the new facilities and 2) limit the impacts on existing operators. In the models, TMG Consulting utilized a regional method and did not consider the exact locations of the various rumored and proposed facilities such as Del Pointe, Georgetown, and Claymount. The two *Projection* scenario facilities are termed "Southwest" and "Northeast." For each of these potential facilities, TMG Consulting has factored in an estimated 2,500 VLT devices and an additional 100 positions at electronic table games, for a total of 2,600 gaming positions.

The placement of the potential new gaming facilities in our analysis was done to maximize gaming revenues statewide, with one new facility in the southwest portion of the state, and one in the northeast portion of the state. The evaluation of revenue patterns, coupled with the locations of existing and expected out of state competition revealed that these locations would likely be optimally competitive and have the greatest revenue potential. Together, two such facilities should be capable of generating nearly \$332 million in gaming revenues annually.

The addition of new gaming facilities to the state of Delaware is projected to have a positive impact on the total gaming revenues earned in the state, but a severe negative

impact on the existing gaming operators. Total gaming revenues in Delaware are expected to climb from \$481 million (2009 dollars) in the *Baseline* scenario to nearly \$754 million (2013 dollars) in the *Projection* scenario, an increase of 56.5%. However, the same store revenues are expected to decline by 12.4% to \$422 million. The table below details these estimates.

Table 3-42: Delaware Gaming Revenue Estimates: 2013 Projection

Facility	2013 Projection Gaming Revenues
Delaware Park Racetrack, Slots And Golf	\$158,139,765
Dover Downs Hotel & Casino	\$175,402,863
Harrington Raceway And Casino	\$88,431,260
<i>SUBTOTAL - EXISTING OPERATORS</i>	<i>\$421,973,887</i>
DE Potential 1: Southwest	\$120,511,377
DE Potential 2: Northeast	\$211,291,310
STATE TOTAL	\$753,776,574

Source: TMG Consulting

While the total state gaming revenues are expected to increase, the statewide average win per position would decrease significantly, from \$185 in 2009 to \$152 in 2013. Such a decline in the revenues per machine would likely prompt operators to reduce the number of gaming devices at their facilities (to reduce operating costs), and would therefore reduce the competitive pull of those facilities to some extent. The following table details the projected win per position for each of the Delaware gaming facilities in each of the model scenarios.

Table 3-43: Delaware Win Per Position Estimates: Comparison of Win/Position

Facility	Projection Scenario (2013)		Baseline Scenario (2013)		Status Quo Scenario (2009)	
	Positions	Win/Position	Positions	Win/Position	Positions	Win/Position
Delaware Park Racetrack, Slots And Golf	3,148	\$137.61	3,148	\$158.93	3,148	\$204.70
Dover Downs Hotel & Casino	3,140	\$153.04	3,140	\$166.72	3,140	\$181.79
Harrington Raceway And Casino	2,105	\$115.07	2,105	\$140.28	2,105	\$159.02
DE Potential 1: Southwest	2,600	\$126.99				
DE Potential 2: Northeast	2,600	\$222.65				
STATE TOTAL/AVERAGE	13,594	\$151.92	8,394	\$157.17	8,394	\$184.67

Although the addition of two new gaming facilities would maximize gaming revenues to the State of Delaware, consideration of the impact of such development on existing operators must be given. In the Projection scenario, the average win per position for existing operators, most notably Harrington Raceway, declines significantly. These declines in win per position, while not indicating complete facility closures, would create a difficult operating environment for the existing operators. While cuts in operating costs would be at the discretion of each facility's management team, the decline in gaming revenues and win per position could result in job losses at those properties. Further, at 2,600 positions, the average win per position for the DE Potential 1: Southwest facility could be too low to sustain operations at that level; an experienced operator may choose to install fewer than 2,600 machines so to raise this metric and maximize efficiencies.

3.3.4 Note Regarding Table Game Revenues

While the State of Delaware has legalized table games for its gaming facilities, implementation has not yet occurred. As TMG Consulting was not contracted to perform an analysis of the potential impacts of table games, no estimates of such revenue contributions are made in this study. However, and as seen in other markets across the United States, the addition of table games to slots-only or VLT-only gaming environments typically has a positive impact on gaming revenues. Such impacts range widely (10-30% increases in gross gaming revenues), and a thorough analysis is necessary to estimate the revenue potential for the State of Delaware in this case. Were such an assessment to be performed, the general recommendations within this report could likely remain unchanged, with 2 additional gaming facilities optimizing the potential revenues to the State. If the State of Delaware desires for such an analysis to be undertaken, an amendment to the contract with TMG Consulting will be necessary.

3.4 FAIR SHARE MODEL REVENUE COMPARISON

Concurrent with our gravity model gaming revenue analysis, TMG Consulting also performed a fair share analysis of the area gaming market. While gravity models and other locational modeling tools are the most accurate in estimating the revenue potential for multiple competitors in a market, a fair share model remains a useful tool for comparison purposes and is therefore presented herein.

The reported gaming revenues for 2009 were compared to the number of gaming positions in the market and the average win per position. In total, these casinos generated \$7.12 billion in gaming revenues, with 78,345 gaming positions, for an average win per position of \$292. Applying the market average win per position to the number of positions at a given property results in an estimate of the "fair share" revenues for that facility. In actuality, the casinos in this market have generated more or less revenues than their fair share, and the resulting "premium" or "discount" to fair share is calculated in the far right column of the table below.

Table 3-44: Delaware Fair Share Model: 2009 Status Quo

Facility	2009 Gaming Revenues (Est.)	Gaming Positions (VLTs, Slots, Table positions)	Win/Position	Fair Share Revenues	Existing Premium/Discount to Fair Share
Delaware Park Racetrack, Slots And Golf	\$235,230,841	3,148	\$204.72	\$286,144,429	0.82
Dover Downs Hotel & Casino	\$208,354,191	3,140	\$181.79	\$285,417,251	0.73
Harrington Raceway And Casino	\$122,205,055	2,105	\$159.05	\$191,338,635	0.64
Atlantic City Casinos	\$3,952,308,644	41,441	\$261.29	\$3,766,871,436	1.05
Empire City At Yonkers Raceway	\$539,152,299	5,320	\$277.66	\$483,573,177	1.11
Monticello Gaming And Raceway	\$53,365,071	1,401	\$104.36	\$127,346,996	0.42
Harrah's Chester Casino & Racetrack	\$315,073,560	2,916	\$296.03	\$265,056,275	1.19
Hollywood Casino At Penn National Race Course	\$235,876,547	2,318	\$278.79	\$210,699,742	1.12
Mohegan Sun At Pocono Downs	\$219,893,536	2,466	\$244.30	\$224,152,529	0.98
Mount Airy Casino Resort	\$164,560,534	2,506	\$179.91	\$227,788,418	0.72
Philadelphia Park Casino And Racetrack	\$361,463,034	2,912	\$340.08	\$264,692,687	1.37
Sands Casino Resort Bethlehem	\$214,402,896	2,897	\$202.76	\$263,329,228	0.81
Charles Town Races & Slots	\$450,101,197	5,003	\$246.48	\$454,758,761	0.99
Tioga Downs	\$49,354,809	771	\$175.38	\$70,081,752	0.70
Total/Average	\$7,121,342,213	78,345	\$249.03	\$7,121,342,213	1.00

Source: State gaming commissions; TMG Consulting estimates

In the current state, Delaware's three gaming facilities are operating at discounts to their fair share, of 0.82, 0.73, and 0.64. Such discounts are indicative of gaming facilities with limited access to populations, as well as VLT operations in an environment in which full-scale casinos also compete for gaming activities.

Next, TMG considered the case that the planned supply additions were to come on line by 2013, and no growth occurred in the gaming market. If the region experienced no growth in gaming behavior, but only inflationary growth in total gaming revenues, the market-wide figure of \$7.12 billion would be expected to grow to approximately \$7.86 billion. If these revenues were distributed fairly among the market competitors (based on percent of total positions in the market), the Delaware facilities could see a decline of only 8% statewide, with the most severe impacts felt by the Delaware Park facility.

Table 3-45: Delaware Fair Share Model: 2013 Estimate with NO Growth* in Market Revenues

Facility	2013 Gaming Positions (VLTs, Slots, Table positions)	Fair Share of Existing Market Gaming Revenues	2009 Revenues in 2013 dollars*	% change
Delaware Park Racetrack, Slots And Golf	3,148	\$216,467,522	\$259,650,835	-17%
Dover Downs Hotel & Casino	3,140	\$215,888,839	\$229,984,042	-6%
Harrington Raceway And Casino	2,105	\$144,756,675	\$134,891,515	7%
Allegany County Property (a.k.a. Rocky Gap Lodge)	1,500	\$103,131,611		
Cecil County Slot Parlor	1,500	\$103,131,611		
Ocean Downs	800	\$55,003,526		
Proposed Arundel County Property (Arundel Mills Mall)	4,750	\$326,583,434		
Proposed Baltimore Property (Celebration Casino)	3,750	\$257,829,027		
Atlantic City Casinos	41,441	\$2,849,280,038	\$4,362,609,229	-35%
Aqueduct Racetrack	4,500	\$309,394,833		
Empire City At Yonkers Raceway	5,320	\$365,750,528	\$595,123,258	-39%
Monticello Gaming And Raceway	1,401	\$96,347,843	\$58,905,053	64%
Foxwoods PA	5,900	\$405,651,003		
Harrah's Chester Casino & Racetrack	3,440	\$236,537,426	\$347,782,257	-32%
Hollywood Casino At Penn National Race Course	2,735	\$188,066,893	\$260,363,573	-28%
Mohegan Sun At Pocono Downs	2,910	\$200,106,411	\$242,721,319	-18%
Mount Airy Casino Resort	2,957	\$203,281,735	\$181,644,038	12%
Philadelphia Park Casino And Racetrack	3,436	\$236,221,658	\$398,987,556	-41%
Proposed Sugarhouse Casino	5,000	\$343,772,036		
Sands Casino Resort Bethlehem	3,419	\$235,060,645	\$236,660,680	-1%
Charles Town Races & Slots	5,904	\$405,927,183	\$496,827,503	-18%
Tioga Downs	771	\$52,975,271	\$54,478,474	-3%
Shinnecock	4,501	\$309,463,587		
Total	114,329	\$7,860,629,334	\$7,860,629,334	

*2009 revenues have been inflated by 2.5% annually

Source: TMG Consulting estimates

However, the Delaware facilities cannot be expected to capture their fair share of the market's gaming revenues. The Delaware facilities have historically operated at a discount to fair share based on their locations in relation to population centers, as well as their limited gaming offerings. Taking these factors into account, TMG then estimated the potential revenues for the existing facilities, utilizing appropriate discounts and premiums to fair share. In this case, the total revenues for Delaware's existing facilities are expected to decline by 24.4%. The table below details this calculation.

Table 3-46: Delaware Fair Share Model: 2013 Estimate with NO Growth* in Market Revenues

Facility	2013 Gaming Positions (VLTs, Slots, Table positions)	Fair Share of Existing Market Gaming Revenues	Discount/Premium to Fair Share	2013 Gaming Revenue Estimate
Delaware Park Racetrack, Slots And Golf	3,148	\$216,467,522	0.82	\$177,951,524
Dover Downs Hotel & Casino	3,140	\$215,888,839	0.73	\$157,598,548
Harrington Raceway And Casino	2,105	\$144,756,675	0.64	\$92,453,871
Allegany County Property (a.k.a. Rocky Gap Lodge)	1,500	\$103,131,611	0.75	\$77,348,708
Cecil County Slot Parlor	1,500	\$103,131,611	0.90	\$92,818,450
Ocean Downs	800	\$55,003,526	0.75	\$41,252,644
Proposed Arundel County Property (Arundel Mills Mall)	4,750	\$326,583,434	1.00	\$326,583,434
Proposed Baltimore Property (Celebration Casino)	3,750	\$257,829,027	1.00	\$257,829,027
Atlantic City Casinos	41,441	\$2,849,280,038	1.05	\$2,989,545,652
Aqueduct Racetrack	4,500	\$309,394,833	1.05	\$324,864,574
Empire City At Yonkers Raceway	5,320	\$365,750,528	1.11	\$407,787,792
Monticello Gaming And Raceway	1,401	\$96,347,843	0.42	\$40,374,799
Foxwoods PA	5,900	\$405,651,003	0.95	\$385,368,453
Harrah's Chester Casino & Racetrack	3,440	\$236,537,426	1.19	\$281,173,079
Hollywood Casino At Penn National Race Course	2,735	\$188,066,893	1.12	\$210,539,268
Mohegan Sun At Pocono Downs	2,910	\$200,106,411	0.98	\$196,304,304
Mount Airy Casino Resort	2,957	\$203,281,735	0.72	\$146,856,241
Philadelphia Park Casino And Racetrack	3,436	\$236,221,658	1.37	\$322,583,137
Proposed Sugarhouse Casino	5,000	\$343,772,036	1.05	\$360,960,638
Sands Casino Resort Bethlehem	3,419	\$235,060,645	0.81	\$191,386,590
Charles Town Races & Slots	5,904	\$405,927,183	0.99	\$401,769,745
Tioga Downs	771	\$52,975,271	0.70	\$37,307,634
Shinnecock	4,501	\$309,463,587	1.10	\$340,409,946
Total	114,329	\$7,860,629,334		\$7,861,068,057

*2009 revenues have been inflated by 2.5% annually

Source: TMG Consulting estimates

Finally, TMG modeled the expansion case scenario for Delaware, adding in two new gaming facilities to the state. As in the gravity model calculations, we have estimated

2,600 gaming positions for each facility. For each, we have assigned a discount to fair share of 0.90, which reflects the newness of the facilities and their relative attractiveness to gamers in the market. Were the Delaware facilities to offer more than VLT gaming, these discounts to fair share would certainly be adjusted, and could reasonably become premiums to fair share.

In this case, revenues for existing operators would be expected to decline by 28% from the Status Quo. However and due to the addition of two new facilities, gaming revenues statewide would likely increase by 26.8% to \$717 million. The following table details these estimates, wherein Delaware Park's revenues would decline to \$170 million annually, Dover Downs to \$151 million, and Harrington Raceway's could fall to \$88 million. The two new operators, both given a 0.90 discount to fair share, would generate nearly \$154 million each.

Table 3-47: Delaware Fair Share Model: 2013 Estimate for Additional DE Facilities with NO Growth* in Market Revenues

Facility	2013 Gaming Positions (VLTs, Slots, Table positions)	Fair Share of Existing Market Gaming Revenues	Discount/Premium to Fair Share	2013 Gaming Revenue Estimate
Delaware Park Racetrack, Slots And Golf	3,148	\$207,050,307	0.82	\$ 170,209,912
Dover Downs Hotel & Casino	3,140	\$206,496,800	0.73	\$ 150,742,373
Harrington Raceway And Casino	2,105	\$138,459,173	0.64	\$ 88,431,753
DE Potential 1: Southwest	2,600	\$170,984,611	0.90	\$ 153,886,150
DE Potential 2: Northeast	2,600	\$170,984,611	0.90	\$ 153,886,150
Allegany County Property (a.k.a. Rocky Gap Lodge)	1,500	\$98,644,968	0.75	\$ 73,983,726
Cecil County Slot Parlor	1,500	\$98,644,968	0.90	\$ 88,780,471
Ocean Downs	800	\$52,610,650	0.75	\$ 39,457,987
Proposed Arundel County Property (Arundel Mills Mall)	4,750	\$312,375,732	1.05	\$ 327,994,518
Proposed Baltimore Property (Celebration Casino)	3,750	\$246,612,420	1.05	\$ 258,943,041
Atlantic City Casinos	41,441	\$2,725,324,813	1.05	\$ 2,859,488,304
Aqueduct Racetrack	4,500	\$295,934,904	1.05	\$ 310,731,649
Empire City At Yonkers Raceway	5,320	\$349,838,899	1.11	\$ 390,047,371
Monticello Gaming And Raceway	1,401	\$92,156,321	0.42	\$ 38,618,332
Foxwoods PA	5,900	\$388,003,541	0.95	\$ 368,603,364
Harrah's Chester Casino & Racetrack	3,440	\$226,247,090	1.19	\$ 268,940,911
Hollywood Casino At Penn National Race Course	2,735	\$179,885,221	1.12	\$ 201,379,957
Mohegan Sun At Pocono Downs	2,910	\$191,400,971	0.98	\$ 187,764,272
Mount Airy Casino Resort	2,957	\$194,438,156	0.72	\$ 140,467,400
Philadelphia Park Casino And Racetrack	3,436	\$225,945,059	1.37	\$ 308,549,463
Proposed Sugarhouse Casino	5,000	\$328,816,560	1.05	\$ 345,257,388
Sands Casino Resort Bethlehem	3,419	\$224,834,555	0.81	\$ 183,060,498
Charles Town Races & Slots	5,904	\$388,267,706	0.99	\$ 384,291,133
Tioga Downs	771	\$50,670,632	0.70	\$ 35,684,601
Shinnecock	4,501	\$296,000,667	1.12	\$ 331,520,747
Total	119,529	\$7,860,629,334		\$7,860,721,469

*2009 revenues have been inflated by 2.5% annually

Source: TMG Consulting estimates

However, simply applying a discount or premium to operators does not tell the whole story of this or any gaming market. Due to locational factors, certain facilities are expected to be impacted to a greater degree by new competition. Additionally, growth in gaming behavior has been historically proven to correlate with the addition of new gaming supply. This growth is most directly attributable to the new supply, and therefore those operators are the largest beneficiaries of it. For these reasons, gravity models and

other locational modeling tools are the most accurate in estimating the revenue potential for multiple competitors in a market. Fair share models are limited in their abilities but remain a useful tool for comparison purposes.

3.5 GAMING FACILITIES OPERATING PRO-FORMA

In estimating the expenses associated with operating a Video Lottery Terminal (VLT) facility in Delaware, TMG Consulting generated a state-specific Operating Pro Forma. This Pro Forma takes into account the current taxing structure for VLT facilities, industry standard operating ratios, and proprietary data on VLT operations in the region. In any market, individual operators strive to find efficiencies and are constantly adjusting their operations to maximize revenue. The purpose of generating the following pro formas is not to project exact profit margins for the VLT operators, but rather to use in calculating the existing and potential economic benefits attributable to these facilities. The following operating pro formas represent the total gaming revenues for the state and a rough approximation of the blended totals of expenses for all VLT operators in the state of Delaware.

3.5.1 Status Quo

The following *Consolidated Operating Pro-Forma* represents the *Status Quo* scenario, wherein no competitive changes are made to the marketplace. It should be noted that 2010 revenues show a decline from 2009, as TMG estimates that the market will not begin its recovery from the current recession until 2011.

**Table 3-48: Consolidated Operating Pro-Forma for ALL Delaware VLT Facilities:
Status Quo**

	2009	2010	2011	2012	2013
VLT REVENUES (GROSS GAMING REVENUES)	\$565,790,087	\$537,500,583	\$553,625,600	\$559,300,263	\$565,033,090
VLT REVENUES TO STATE GENERAL FUND	\$246,118,688	\$233,812,754	\$240,827,136	\$243,295,614	\$245,789,394
OTHER VLT REVENUES - PURSES, ETC.	\$93,355,364	\$88,687,596	\$91,348,224	\$92,284,543	\$93,230,460
OPERATOR REVENUES					
VLT Commissions	\$226,316,035	\$215,000,233	\$221,450,240	\$223,720,105	\$226,013,236
Food Revenue	\$56,579,009	\$53,750,058	\$55,362,560	\$55,930,026	\$56,503,309
Beverage Revenue	\$8,486,851	\$8,062,509	\$8,304,384	\$8,389,504	\$8,475,496
Finance Commissions	\$6,789,481	\$6,450,007	\$6,643,507	\$6,711,603	\$6,780,397
Gift Shop Revenue	\$565,790	\$537,501	\$553,626	\$559,300	\$565,033
Lottery Ticket Commission	\$141,448	\$134,375	\$138,406	\$139,825	\$141,258
Show Ticket Revenue	\$848,685	\$806,251	\$830,438	\$838,950	\$847,550
Other Income	\$141,448	\$134,375	\$138,406	\$139,825	\$141,258
TOTAL REVENUE	\$299,868,746	\$284,875,309	\$293,421,568	\$296,429,139	\$299,467,538
Promotional Allowances	\$50,921,108	\$48,375,052	\$49,826,304	\$50,337,024	\$50,852,978
NET REVENUE	\$248,947,638	\$236,500,256	\$243,595,264	\$246,092,116	\$248,614,560
COST OF SALES					
Food Cost	\$25,460,554	\$24,187,526	\$24,913,152	\$25,168,512	\$25,426,489
Beverage Cost	\$2,376,318	\$2,257,502	\$2,325,228	\$2,349,061	\$2,373,139
Retail Cost	\$5,658	\$5,375	\$5,536	\$5,593	\$5,650
Gift Shop Cost	\$322,500	\$306,375	\$315,567	\$318,801	\$322,069
TOTAL COST OF SALES	\$28,165,031	\$26,756,779	\$27,559,482	\$27,841,967	\$28,127,347
GROSS MARGIN	\$220,782,608	\$209,743,477	\$216,035,782	\$218,250,149	\$220,487,213
PAYROLL					
Payroll	\$49,506,633	\$47,031,301	\$48,442,240	\$48,938,773	\$49,440,395
Benefits and Taxes	\$25,460,554	\$24,187,526	\$24,913,152	\$25,168,512	\$25,426,489
TOTAL PAYROLL	\$74,967,187	\$71,218,827	\$73,355,392	\$74,107,285	\$74,866,884
OPERATING EXPENSES					
Printing	\$1,414,475	\$1,343,751	\$1,384,064	\$1,398,251	\$1,412,583
Insurance	\$4,243,426	\$4,031,254	\$4,152,192	\$4,194,752	\$4,237,748
Postage	\$1,414,475	\$1,343,751	\$1,384,064	\$1,398,251	\$1,412,583
Equipment Rental	\$282,895	\$268,750	\$276,813	\$279,650	\$282,517
Repair and Maintenance	\$1,697,370	\$1,612,502	\$1,660,877	\$1,677,901	\$1,695,099
Contract Services	\$12,447,382	\$11,825,013	\$12,179,763	\$12,304,606	\$12,430,728
Operating Supplies	\$4,809,216	\$4,568,755	\$4,705,818	\$4,754,052	\$4,802,781
Other Expenses	\$3,903,952	\$3,708,754	\$3,820,017	\$3,859,172	\$3,898,728
Entertainment	\$1,584,212	\$1,505,002	\$1,550,152	\$1,566,041	\$1,582,093
Promo & Development	\$8,486,851	\$8,062,509	\$8,304,384	\$8,389,504	\$8,475,496
Advertising/Media	\$4,526,321	\$4,300,005	\$4,429,005	\$4,474,402	\$4,520,265
Production	\$905,264	\$860,001	\$885,801	\$894,880	\$904,053
Fair Admissions/Expense	\$1,697,370	\$1,612,502	\$1,660,877	\$1,677,901	\$1,695,099

Utilities	\$9,052,641	\$8,600,009	\$8,858,010	\$8,948,804	\$9,040,529
Gross Receipt Taxes	\$1,131,580	\$1,075,001	\$1,107,251	\$1,118,601	\$1,130,066
TOTAL OPERATING EXPENSES	\$57,597,431	\$54,717,559	\$56,359,086	\$56,936,767	\$57,520,369
OPERATING INCOME	\$88,217,990	\$83,807,091	\$86,321,304	\$87,206,097	\$88,099,959
MARGIN % (on GGR)	15.6%	15.6%	15.6%	15.6%	15.6%

Source: State of Delaware Department of Finance, proprietary sources, TMG Consulting estimates

3.5.2 *Baseline*

The following *Consolidated Operating Pro-Forma* represents the *Baseline Scenario*, wherein new competition has emerged in neighboring states.

Table 3-49: Consolidated Operating Pro-Forma for ALL Delaware VLT Facilities:
Baseline (New Competition Outside of State Only)

	2013	2014	2015	2016	2017
VLT REVENUES (GROSS GAMING REVENUES)	\$481,525,038	\$486,460,670	\$491,446,891	\$496,484,222	\$501,573,185
VLT REVENUES TO STATE GENERAL FUND	\$209,463,391	\$211,610,391	\$213,779,398	\$215,970,637	\$218,184,336
OTHER VLT REVENUES - PURSES, ETC.	\$79,451,631	\$80,266,010	\$81,088,737	\$81,919,897	\$82,759,576
OPERATOR REVENUES					
VLT Commissions	\$192,610,015	\$194,584,268	\$196,578,757	\$198,593,689	\$200,629,274
Food Revenue	\$48,152,504	\$48,646,067	\$49,144,689	\$49,648,422	\$50,157,319
Beverage Revenue	\$7,222,876	\$7,296,910	\$7,371,703	\$7,447,263	\$7,523,598
Finance Commissions	\$5,778,300	\$5,837,528	\$5,897,363	\$5,957,811	\$6,018,878
Gift Shop Revenue	\$481,525	\$486,461	\$491,447	\$496,484	\$501,573
Lottery Ticket Commission	\$120,381	\$121,615	\$122,862	\$124,121	\$125,393
Show Ticket Revenue	\$722,288	\$729,691	\$737,170	\$744,726	\$752,360
Other Income	\$120,381	\$121,615	\$122,862	\$124,121	\$125,393
TOTAL REVENUE	\$255,208,270	\$257,824,155	\$260,466,852	\$263,136,638	\$265,833,788
Promotional Allowances	\$43,337,253	\$43,781,460	\$44,230,220	\$44,683,580	\$45,141,587
NET REVENUE	\$211,871,017	\$214,042,695	\$216,236,632	\$218,453,058	\$220,692,202
COST OF SALES					
Food Cost	\$21,668,627	\$21,890,730	\$22,115,110	\$22,341,790	\$22,570,793
Beverage Cost	\$2,022,405	\$2,043,135	\$2,064,077	\$2,085,234	\$2,106,607
Retail Cost	\$4,815	\$4,865	\$4,914	\$4,965	\$5,016
Gift Shop Cost	\$274,469	\$277,283	\$280,125	\$282,996	\$285,897
TOTAL COST OF SALES	\$23,970,316	\$24,216,012	\$24,464,226	\$24,714,985	\$24,968,313
GROSS MARGIN	\$187,900,700	\$189,826,682	\$191,772,406	\$193,738,073	\$195,723,888
PAYROLL					
Payroll	\$42,133,441	\$42,565,309	\$43,001,603	\$43,442,369	\$43,887,654
Benefits and Taxes	\$21,668,627	\$21,890,730	\$22,115,110	\$22,341,790	\$22,570,793
TOTAL PAYROLL	\$63,802,068	\$64,456,039	\$65,116,713	\$65,784,159	\$66,458,447
OPERATING EXPENSES					
Printing	\$1,203,813	\$1,216,152	\$1,228,617	\$1,241,211	\$1,253,933
Insurance	\$3,611,438	\$3,648,455	\$3,685,852	\$3,723,632	\$3,761,799
Postage	\$1,203,813	\$1,216,152	\$1,228,617	\$1,241,211	\$1,253,933
Equipment Rental	\$240,763	\$243,230	\$245,723	\$248,242	\$250,787
Repair and Maintenance	\$1,444,575	\$1,459,382	\$1,474,341	\$1,489,453	\$1,504,720
Contract Services	\$10,593,551	\$10,702,135	\$10,811,832	\$10,922,653	\$11,034,610
Operating Supplies	\$4,092,963	\$4,134,916	\$4,177,299	\$4,220,116	\$4,263,372
Other Expenses	\$3,322,523	\$3,356,579	\$3,390,984	\$3,425,741	\$3,460,855
Entertainment	\$1,348,270	\$1,362,090	\$1,376,051	\$1,390,156	\$1,404,405
Promo & Development	\$7,222,876	\$7,296,910	\$7,371,703	\$7,447,263	\$7,523,598
Advertising/Media	\$3,852,200	\$3,891,685	\$3,931,575	\$3,971,874	\$4,012,585
Production	\$770,440	\$778,337	\$786,315	\$794,375	\$802,517

Fair Admissions/Expense	\$1,444,575	\$1,459,382	\$1,474,341	\$1,489,453	\$1,504,720
Utilities	\$7,704,401	\$7,783,371	\$7,863,150	\$7,943,748	\$8,025,171
Gross Receipt Taxes	\$963,050	\$972,921	\$982,894	\$992,968	\$1,003,146
TOTAL OPERATING EXPENSES	\$49,019,249	\$49,521,696	\$50,029,294	\$50,542,094	\$51,060,150
OPERATING INCOME	\$75,079,384	\$75,848,948	\$76,626,399	\$77,411,820	\$78,205,291
MARGIN % (on GGR)	15.6%	15.6%	15.6%	15.6%	15.6%

Source: State of Delaware Department of Finance, proprietary sources, TMG Consulting estimates

3.5.3 Projection

The following *Consolidated Operating Pro-Forma* represents the *Projection* scenario, wherein new competition has emerged in neighboring states, and two new facilities have opened in Delaware.

**Table 3-50: Consolidated Operating Pro-Forma for ALL Delaware VLT Facilities:
Projection (New Competition Outside of State, Plus 2 New DE Facilities)**

	2013	2014	2015	2016	2017
VLT REVENUES (GROSS GAMING REVENUES)	\$753,776,574	\$761,502,784	\$769,308,188	\$777,193,597	\$785,159,831
VLT REVENUES TO STATE GENERAL FUND	\$452,265,945	\$456,901,671	\$461,584,913	\$466,316,158	\$471,095,899
OTHER VLT REVENUES - PURSES, ETC.	\$124,373,135	\$125,647,959	\$126,935,851	\$128,236,943	\$129,551,372
OPERATOR REVENUES					
VLT Commissions	\$301,510,630	\$304,601,114	\$307,723,275	\$310,877,439	\$314,063,932
Food Revenue	\$75,377,657	\$76,150,278	\$76,930,819	\$77,719,360	\$78,515,983
Beverage Revenue	\$11,306,649	\$11,422,542	\$11,539,623	\$11,657,904	\$11,777,397
Finance Commissions	\$9,045,319	\$9,138,033	\$9,231,698	\$9,326,323	\$9,421,918
Gift Shop Revenue	\$753,777	\$761,503	\$769,308	\$777,194	\$785,160
Lottery Ticket Commission	\$188,444	\$190,376	\$192,327	\$194,298	\$196,290
Show Ticket Revenue	\$1,130,665	\$1,142,254	\$1,153,962	\$1,165,790	\$1,177,740
Other Income	\$188,444	\$190,376	\$192,327	\$194,298	\$196,290
TOTAL REVENUE	\$399,501,584	\$403,596,476	\$407,733,340	\$411,912,606	\$416,134,711
Promotional Allowances	\$67,839,892	\$68,535,251	\$69,237,737	\$69,947,424	\$70,664,385
NET REVENUE	\$331,661,693	\$335,061,225	\$338,495,603	\$341,965,183	\$345,470,326
COST OF SALES					
Food Cost	\$33,919,946	\$34,267,625	\$34,618,868	\$34,973,712	\$35,332,192
Beverage Cost	\$3,165,862	\$3,198,312	\$3,231,094	\$3,264,213	\$3,297,671
Retail Cost	\$7,538	\$7,615	\$7,693	\$7,772	\$7,852
Gift Shop Cost	\$429,653	\$434,057	\$438,506	\$443,000	\$447,541
TOTAL COST OF SALES	\$37,522,998	\$37,907,609	\$38,296,162	\$38,688,697	\$39,085,256
GROSS MARGIN	\$294,138,695	\$297,153,616	\$300,199,441	\$303,276,485	\$306,385,069
PAYROLL					
Payroll	\$65,955,450	\$66,631,494	\$67,314,466	\$68,004,440	\$68,701,485
Benefits and Taxes	\$33,919,946	\$34,267,625	\$34,618,868	\$34,973,712	\$35,332,192

TOTAL PAYROLL	\$99,875,396	\$100,899,119	\$101,933,335	\$102,978,152	\$104,033,678
OPERATING EXPENSES					
Printing	\$1,884,441	\$1,903,757	\$1,923,270	\$1,942,984	\$1,962,900
Insurance	\$5,653,324	\$5,711,271	\$5,769,811	\$5,828,952	\$5,888,699
Postage	\$1,884,441	\$1,903,757	\$1,923,270	\$1,942,984	\$1,962,900
Equipment Rental	\$376,888	\$380,751	\$384,654	\$388,597	\$392,580
Repair and Maintenance	\$2,261,330	\$2,284,508	\$2,307,925	\$2,331,581	\$2,355,479
Contract Services	\$16,583,085	\$16,753,061	\$16,924,780	\$17,098,259	\$17,273,516
Operating Supplies	\$6,407,101	\$6,472,774	\$6,539,120	\$6,606,146	\$6,673,859
Other Expenses	\$5,201,058	\$5,254,369	\$5,308,226	\$5,362,636	\$5,417,603
Entertainment	\$2,110,574	\$2,132,208	\$2,154,063	\$2,176,142	\$2,198,448
Promo & Development	\$11,306,649	\$11,422,542	\$11,539,623	\$11,657,904	\$11,777,397
Advertising/Media	\$6,030,213	\$6,092,022	\$6,154,466	\$6,217,549	\$6,281,279
Production	\$1,206,043	\$1,218,404	\$1,230,893	\$1,243,510	\$1,256,256
Fair Admissions/Expense	\$2,261,330	\$2,284,508	\$2,307,925	\$2,331,581	\$2,355,479
Utilities	\$12,060,425	\$12,184,045	\$12,308,931	\$12,435,098	\$12,562,557
Gross Receipt Taxes	\$1,507,553	\$1,523,006	\$1,538,616	\$1,554,387	\$1,570,320
TOTAL OPERATING EXPENSES	\$76,734,455	\$77,520,983	\$78,315,574	\$79,118,308	\$79,929,271
OPERATING INCOME	\$117,528,843	\$118,733,514	\$119,950,533	\$121,180,026	\$122,422,121
MARGIN % (on GROSS GAMING REVENUE)	15.6%	15.6%	15.6%	15.6%	15.6%

3.6 OTHER PROJECTIONS AND ESTIMATES FOR DELAWARE GAMING

3.6.1 The Innovation Group – Del Pointe

In early 2009, The Ocean Atlantic Companies, a firm vying for a potential gaming license in Delaware, commissioned a Technical Memorandum from The Innovation Group. This document entitled, “Gaming Revenue Projections Technical Memorandum: Del Pointe Casino, Millsboro, DE”, estimated the revenue potential for a VLT facility at the Del Pointe location. This study considered the proposed Maryland facilities, as well as proposed facilities in Pennsylvania. In total, The Innovation Group estimated that a Del Pointe facility with 2,000 gaming positions would be capable of generating \$105 million in gaming revenues by the second year of operations, with an average win per visit of \$74.

By comparison, and as detailed in later sections of this report, TMG Consulting has estimated the impact of a casino in the general Southwest region of Delaware, a location closer to the large populations in Maryland. In TMG’s analysis, a slightly larger facility is envisioned as well.

3.6.2 Sage Policy Group – Del Pointe

In June 2009, on behalf of Ocean Atlantic Companies, Sage Policy Group, Inc. published “The Estimated Future Economic and Fiscal Impacts of Del Pointe on Delaware”. In it,

Sage Policy Group estimates that the Del Pointe facility would be capable of generating \$151.7 million in gaming revenues, and would support 5,919 permanent jobs.

While a detailed analysis was not made of the Sage Policy Group findings, it should be noted that their estimate of job creation appears on par with the TMG estimates since they are considering the addition of one facility and we are considering an addition of two. According to the Delaware Lottery Commission, the current gaming industry in the state is responsible for creating only 2,000 direct jobs, and TMG has estimated that an additional 10,475 indirect jobs result, for a total of 12,475 jobs.

3.6.3 Deloitte – Delaware Market Overview

Without directly quantifying the potential revenue impacts, Deloitte & Touche published their “Delaware Gaming Market Overview” in October 2009. This report states that there is “significant cause for concern for the Delaware gaming market”, due in part to:

- Delaware casino performance measured by total win and by win-per-unit has been declining. This is a strong indicator that market saturation exists.
- The current casinos have a very high reliance on out-of-state gamers. The in-state demand is significantly below the current operating levels of the three existing Delaware Casinos.
- With casino development in Maryland approved, the competitive landscape will intensify. This increased competition will reduce the preferential market positions Delaware casinos enjoyed with Maryland gamers.

Further, the report concludes that:

- With the development of gaming offerings in Maryland and potential product being added in Pennsylvania, slot revenue will continue to decline as key out-of-state gamers will gamble at more convenient casinos options within their markets.
- The addition of more casino sites in the state of Delaware will only cannibalize an already declining market.

SECTION 4: HORSE RACING INDUSTRY EVALUATION

In this section, TMG provides a thorough evaluation of the horse racing industry in the Mid-Atlantic region. This evaluation begins with an analysis and discussion of horse racing in each Mid-Atlantic state based on historical statistics. Next, the Mid-Atlantic horse racing industry is analyzed and discussed, offering a summary of how the region has performed historically and how each state's horse racing industry compares to one another. Finally, TMG discusses the model we engineered to project the potential impacts the three scenarios, *Status Quo*, *Baseline*, and *Projection*, could have on Delaware's horse racing industry. This discussion includes a thorough explanation of TMG's methodology in projecting these potential impacts, descriptions of each scenario projection, and a comparison of our projected outcome for each scenario.

4.1 HISTORICAL PERFORMANCE OF HORSE RACETRACKS

4.1.1 Delaware

Delaware's Gross Racing Revenue increased from 1995 until 2003 and then declined in the ensuing years. The highest increase in Gross Racing Revenue occurred in 1996 when Gross Racing Revenue rose by 22.1% from \$23 million to \$28 million. The highest decrease in Gross Racing Revenue occurred in 2007 when Gross Racing Revenue dropped by 12% from \$40 million to \$35 million. Gross Racing Revenue was the highest in 2003 at \$42 million. During 2002, Delaware had the highest Total Facility Handle at \$204 million, Amount Returned to Bettors at \$162 million, and Simulcast-in Handle at \$112 million.

Simulcast-in Handle percentage, which historically had the largest portion of Total Facility Handle, has declined from 60.5% in 1995 to 45.9% in 2008. The Simulcast-out Handle percentage of Total Facility Handle, however, has increased over the years from 4.5% in 1995 to 42.4% in 2008. Similar to the Simulcast-in Handle percentage, the On Track Handle percentage declined from 35% in 1995 to 11.7% in 2008. The On Track Handle was the highest in 1995 at \$38 million. Gross Purse Paid, which has seen an overall increase, was the highest in 2008 at \$85 million. There were brief decreases in 2004 and 2007 when Gross Purses Paid dropped by 8.6% and 1.7%, respectively. The highest increase in Gross Purses Paid occurred in 1997 when it rose by 105% from \$15 million to \$32 million. The Average Number of Racing Days ranged from 83 days to 133 days.

Data on Delaware's horse tracks were provided by the three existing racetrack operators. It is important to note that the exact figures for Amount Returned to Bettors were not provided by all properties and, as directed by racetrack representatives and the DDA, TMG Consulting estimated 80% of Total Facility Handle as the Amount Returned to Bettors. Thus, the Gross Racing Revenue, which was derived by subtracting the Amount Returned to Bettors from the Total Facility Handle, is an estimate.

Table 4-1: Delaware Statewide Horse tracks Racing Statistics Summary

Year	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue	Gross Purses Paid	% Change in Gross Purses Paid
1995	\$108,469,136	\$85,174,660	\$23,294,476	--	\$8,029,238	--
1996	\$132,983,665	\$104,547,350	\$28,436,315	22.1%	\$15,372,151	91.5%
1997	\$158,533,903	\$124,816,840	\$33,717,063	18.6%	\$31,511,721	105.0%
1998	\$173,688,870	\$136,978,117	\$36,710,753	8.9%	\$52,516,846	66.7%
1999	\$179,746,954	\$141,963,181	\$37,783,773	2.9%	\$54,347,275	3.5%
2000	\$179,528,650	\$141,733,454	\$37,795,196	0.0%	\$65,203,096	20.0%
2001	\$194,553,527	\$153,724,797	\$40,828,730	8.0%	\$70,269,873	7.8%
2002	\$203,857,205	\$161,766,491	\$42,090,714	3.1%	\$73,961,386	5.3%
2003	\$199,491,180	\$157,325,512	\$42,165,668	0.2%	\$80,249,323	8.5%
2004	\$190,450,023	\$150,065,943	\$40,384,080	-4.2%	\$73,311,441	-8.6%
2005	\$185,748,751	\$146,569,390	\$39,179,362	-3.0%	\$78,174,806	6.6%
2006	\$192,630,657	\$153,002,584	\$39,628,073	1.1%	\$82,285,114	5.3%
2007	\$172,348,241	\$137,476,644	\$34,871,596	-12.0%	\$80,878,758	-1.7%
2008	\$169,372,553	\$134,538,595	\$34,833,958	-0.1%	\$84,603,566	4.6%

Source: Dover Downs, Harrington Raceway, Delaware Park; TMG Consulting

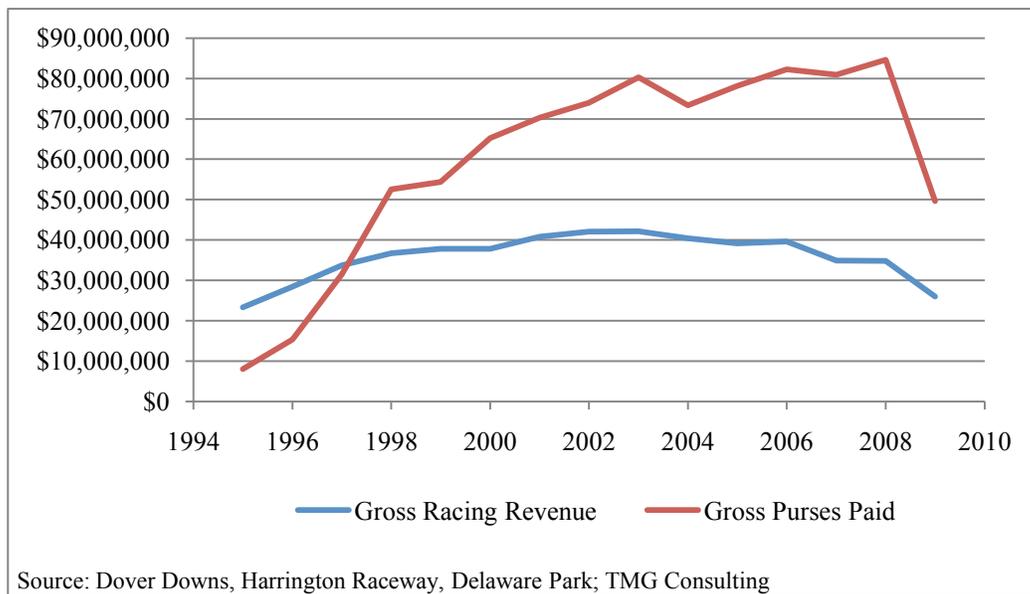
Table 4-2: Delaware Statewide Horse tracks Racing Statistics Summary Contd.

Year	Avg. # of Racing Days	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %	Simulcast-out Handle	Simulcast-out Handle %
1995	83	\$37,915,132	35.0%	\$65,622,709	60.5%	\$4,931,295	4.5%
1996	92	\$31,354,300	23.6%	\$88,216,428	66.3%	\$13,412,937	10.1%
1997	113	\$34,572,505	21.8%	\$97,641,515	61.6%	\$26,319,883	16.6%
1998	127	\$37,849,600	21.8%	\$93,190,492	53.7%	\$42,648,778	24.6%
1999	124	\$32,390,422	18.0%	\$101,175,585	56.3%	\$46,180,947	25.7%
2000	129	\$33,521,300	18.7%	\$105,925,625	59.0%	\$40,081,725	22.3%
2001	133	\$32,351,409	16.6%	\$108,943,338	56.0%	\$53,258,780	27.4%
2002	128	\$30,639,136	15.0%	\$112,151,647	55.0%	\$61,066,422	30.0%
2003	130	\$30,148,605	15.1%	\$107,647,637	54.0%	\$61,694,938	30.9%
2004	129	\$27,281,809	14.3%	\$96,799,145	50.8%	\$66,369,069	34.8%
2005	127	\$26,054,452	14.0%	\$89,657,460	48.3%	\$70,036,840	37.7%
2006	129	\$25,953,168	13.5%	\$88,770,515	46.1%	\$77,906,974	40.4%
2007	129	\$23,817,743	13.8%	\$86,000,214	49.9%	\$62,530,284	36.3%
2008	128	\$19,862,425	11.7%	\$77,674,750	45.9%	\$71,835,379	42.4%

Source: Dover Downs, Harrington Raceway, Delaware Park; TMG Consulting

As shown in the figure below, the movements of Delaware’s Gross Racing Revenue and Gross Purses Paid have not mirrored each other. While both have experienced overall increases between 1995 and 2003, the rate of increase for Gross Purses Paid has been higher and more volatile than that of Gross Racing Revenue. Both exhibited a sharp decline in 2009, although the rate of decline for Gross Purses Paid was sharper than that of Gross Racing Revenue.

Figure 4-1: Comparison of Gross Racing Revenue & Gross Purses Paid for Delaware State



4.1.2 New Jersey

New Jersey’s Gross Racing Revenue, which has seen an overall decline, was the highest in 2004 at \$897 million. Gross Racing Revenue increased in 2004 and 2007 by 3.2% and 7.3%, respectively. The largest decrease in Gross Racing Revenue occurred in 2005 when it dropped by 8.2% from \$897 million to \$824 million. During 2002, New Jersey had its highest Total Facility Handle at \$1.7 billion, Amount Returned to Bettors at \$794 million, Simulcast-in Handle at \$696 million, and On Track Handle at \$246 million. It is important to note that the Average Number of Racing Days and Attendance were the highest during 2002 at 83 days and 2,106,782 visitors, respectively. The Simulcast-out Handle percentage of Total Facility Handle, which holds the largest percentage of Total Facility Handle, increased from 43.9% in 2002 to 55.7% in 2008. The Simulcast-out Handle was the highest in 2004 at \$763 million. The Simulcast-in Handle percentage of Total Facility Handle decreased from 41.4% in 2002 to 34.8% in 2008. The On Track Handle percentage of Total Facility Handle decreased from 14.6% in 2002 to 9.5% in 2008.

Table 4-3: New Jersey Statewide Horse tracks Racing Statistics Summary

Year	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue
2002	\$1,681,505,015	\$794,496,545	\$887,008,470	--
2003	\$1,618,197,626	\$748,649,381	\$869,548,245	-2.0%
2004	\$1,629,939,485	\$732,579,133	\$897,360,352	3.2%
2005	\$1,505,872,656	\$681,726,093	\$824,146,563	-8.2%
2006	\$1,420,849,769	\$633,503,913	\$787,345,856	-4.5%
2007	\$1,431,048,171	\$586,065,630	\$844,982,541	7.3%
2008	\$1,310,703,204	\$478,998,335	\$831,704,869	-1.6%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

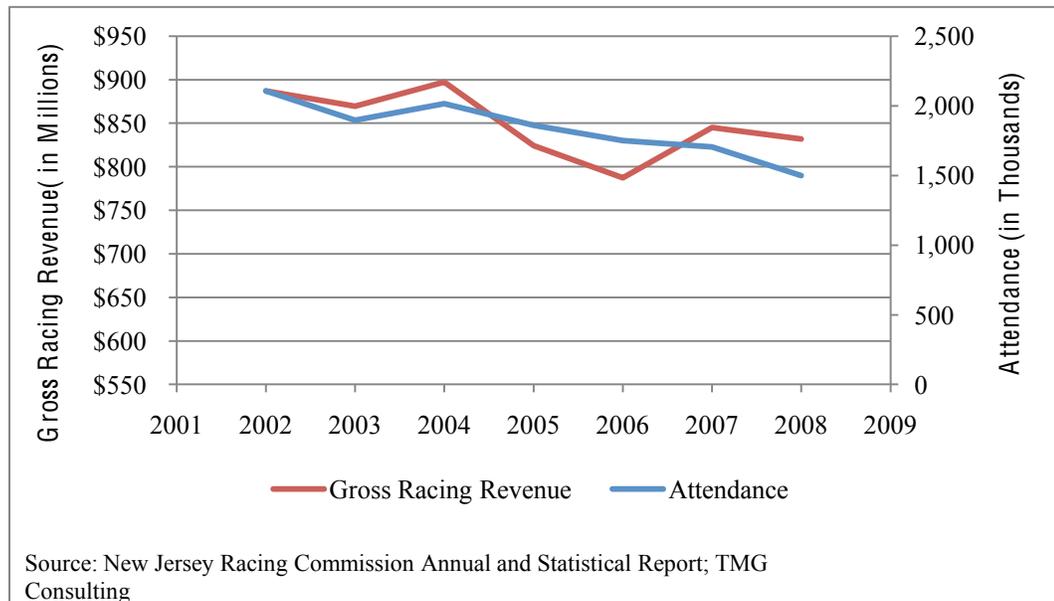
Table 4-4: New Jersey Statewide Horse tracks Racing Statistics Summary Contd.

Year	Avg. # Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	83	2,106,782	\$246,173,653	14.6%	\$738,972,182	43.9%	\$696,359,180	41.4%
2003	80	1,895,968	\$218,422,223	13.5%	\$728,673,354	45.0%	\$671,102,049	41.5%
2004	80	2,014,907	\$211,510,938	13.0%	\$763,423,462	46.8%	\$655,005,085	40.2%
2005	78	1,858,790	\$193,080,492	12.8%	\$681,865,837	45.3%	\$630,926,327	41.9%
2006	79	1,751,366	\$170,501,323	12.0%	\$654,815,221	46.1%	\$595,533,225	41.9%
2007	77	1,705,199	\$162,048,807	11.3%	\$714,631,590	49.9%	\$554,367,774	38.7%
2008	81	1,499,775	\$124,052,184	9.5%	\$730,405,350	55.7%	\$456,245,670	34.8%

Source: New Jersey Racing Commission Annual and Statistical Report

As shown in the figure below, the movement of New Jersey's Gross Racing Revenue and Attendance have generally mirrored each other, except in 2007 when Gross Racing Revenue increased sharply while Attendance declined. While both experience declines between 2004 and 2006, the rate of decline was much sharper for Gross Racing Revenue than Attendance.

Figure 4-2: Comparison of Gross Racing Revenue & Attendance for New Jersey State



4.1.3 Maryland

Maryland had its highest Total Facility Handle, \$971 million, and Simulcast-out Handle, \$583 million, in 2006. In 2002, On Track Handle, \$62 million, and Simulcast-in Handle, \$424 million, were highest for the state, while Attendance was the highest in 2003 at 2,717,842 visitors. Total Facility Handle, which has declined over the years, exhibited the sharpest decrease in 2008 when it dropped by 24% from \$872 million to \$663 million. Gross Purses Paid, which has seen an overall decrease, was the highest in 2003 at \$48 million. The highest decrease in percent change in Gross Purse Paid was in 2008 when Gross Purses Paid dropped by 26.4% from \$44 million to \$32 million. It is important to note that Average Number of Racing Days and Attendance were the lowest in 2008 at 49 days and 1,416,097 visitors, respectively, which contributed to the large decrease exhibited in Total Facility Handle and Gross Purses Paid.

The On Track Handle percentage of Total Facility Handle, which has seen an overall decrease, was the highest in 2002 at 6.6% and the lowest in 2008 at 4.6%. The Simulcast-out Handle percentage of Total Facility Handle was the highest in 2006 at 60.1%, while the Simulcast-in Handle percentage of Total Facility Handle was the highest in 2002 at 44.8%. The average number of racing days ranged from 49 days to 82 days.

Table 4-5: Maryland Statewide Horse tracks Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
2002	\$947,616,389	--	\$47,355,640	--
2003	\$913,694,610	-3.6%	\$47,555,931	0.4%
2004	\$891,056,728	-2.5%	\$38,744,905	-18.5%
2005	\$911,991,360	2.3%	\$40,781,342	5.3%
2006	\$970,572,129	6.4%	\$46,370,988	13.7%
2007	\$871,926,955	-10.2%	\$43,688,810	-5.8%
2008	\$662,782,516	-24.0%	\$32,145,710	-26.4%

Source: Maryland Racing Commission Annual Report; TMG Consulting

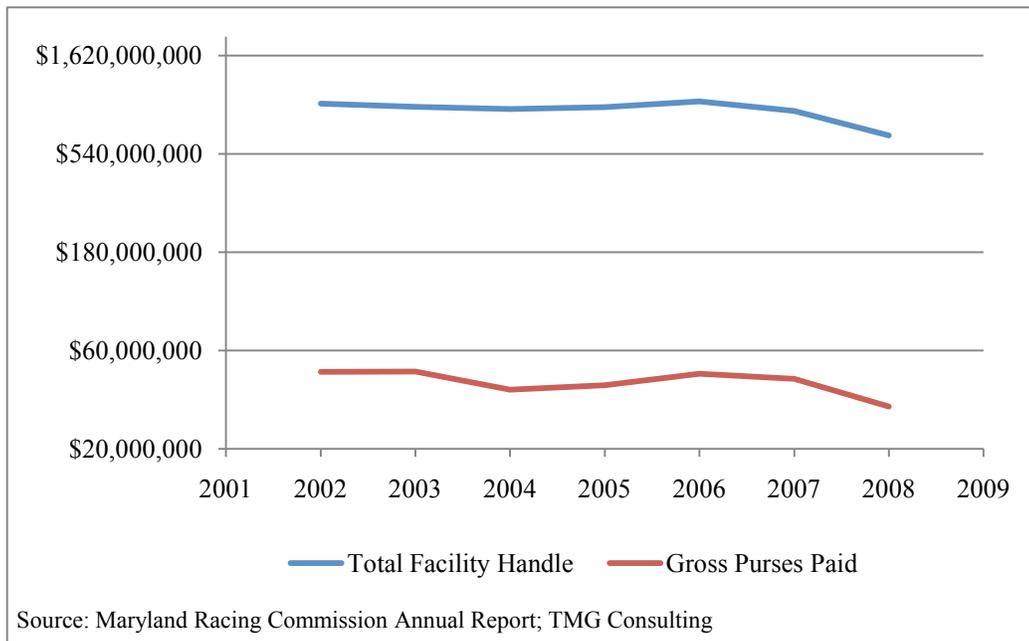
Table 4-6: Maryland Statewide Horse tracks Racing Statistics Summary Contd.

Year	Avg. # Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	82	2,416,601	\$62,224,158	6.6%	\$461,038,641	48.7%	\$424,353,590	44.8%
2003	77	2,717,842	\$54,160,118	5.9%	\$458,548,837	50.2%	\$400,985,655	43.9%
2004	73	2,564,462	\$46,908,267	5.3%	\$466,290,691	52.3%	\$377,857,770	42.4%
2005	68	1,892,841	\$47,805,433	5.2%	\$472,630,458	51.8%	\$391,555,469	42.9%
2006	69	1,839,497	\$47,543,723	4.9%	\$583,082,635	60.1%	\$362,532,282	37.4%
2007	63	1,712,205	\$40,834,564	4.7%	\$513,408,489	58.9%	\$336,219,985	38.6%
2008	49	1,416,097	\$30,695,121	4.6%	\$350,000,424	52.8%	\$294,880,451	44.5%

Source: Maryland Racing Commission Annual Report; TMG Consulting

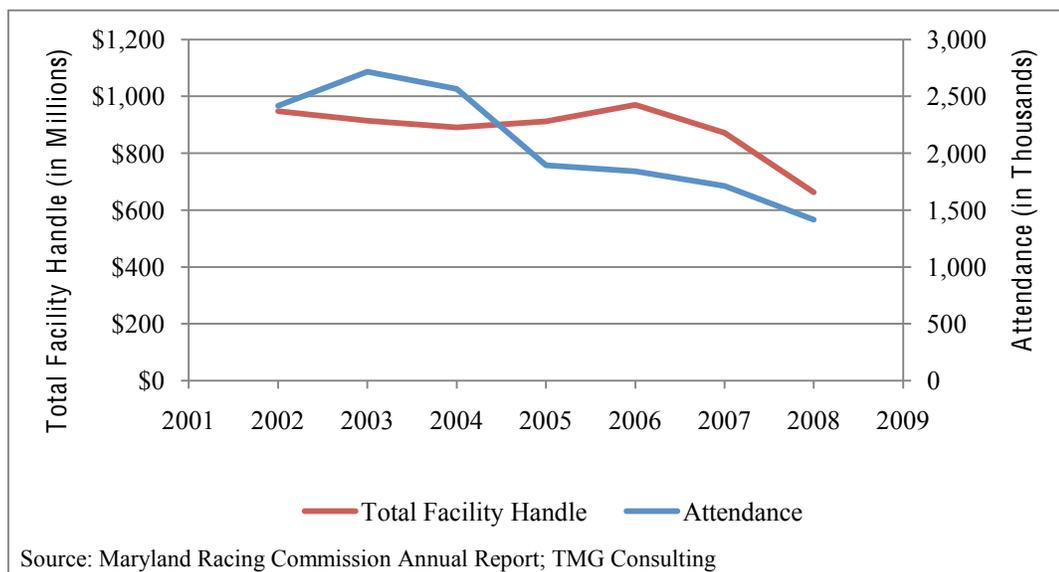
As shown in the figure below, Total Facility Handle remained relatively stable between 2002 and 2005, whereas Gross Purses Paid exhibited a sharp decline in 2004. The movement of Gross Purses Paid mirrored that of Total Facility Handle after 2006, when both began a sharp decline in the ensuing years.

Figure 4-3: Comparison of Total Facility Handle & Gross Purses Paid for Maryland State



As shown in the figure below, Attendance has been very volatile with the sharpest decrease exhibited in 2005. Total Facility Handle remained fairly stable until 2005, when it began to decline in the ensuing years. After 2006, the movement of Attendance and Total Facility Handle mirrored each other, with the latter declining at a faster rate than the former.

Figure 4-4: Comparison of Total Facility Handle & Attendance for Maryland State



4.1.4 New York

New York had its highest Total Facility Handle of \$803 million, On Track Handle of \$493 million, Simulcast-in Handle of \$310 million, and Attendance with 3,330,876 visitors, during 1999 before experiencing a decline in the ensuing years. The highest increase in percent change in Total Facility Handle occurred in 2007 when it rose by 15% from \$468 million to \$538 million. The largest decrease in percent change in Total Facility Handle occurred in 2005 when it dropped by 14.4% from \$599 million to \$513 million. Gross Purses Paid, which has seen an overall increase, was the highest in 2008 at \$233 million. The highest increase in percent change in Gross Purse Paid was in 2000 when Gross Purses Paid rose by 66.1% from \$98 million to \$164 million, despite a drop in the average number of racing days by 7 days.

The On Track Handle percentage of Total Facility Handle, which has seen an overall increase, was the highest in 2006 at 70.6% and the lowest in 1999 at 61.4%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. The average number of racing days ranged from 98 days to 131 days.

Table 4-7: New York Statewide Horse tracks Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
1999	\$803,490,353	--	\$98,477,000	--
2000	\$714,410,146	-11.1%	\$163,602,579	66.1%
2001	\$711,884,638	-0.4%	\$162,419,660	-0.7%
2002	\$709,659,318	-0.3%	\$166,223,433	2.3%
2003	\$645,924,319	-9.0%	\$160,797,589	-3.3%
2004	\$598,796,041	-7.3%	\$168,209,782	4.6%
2005	\$512,843,386	-14.4%	\$168,380,437	0.1%
2006	\$467,621,181	-8.8%	\$179,407,939	6.5%
2007	\$537,909,177	15.0%	\$229,687,871	28.0%
2008	\$521,584,274	-3.0%	\$232,665,443	1.3%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

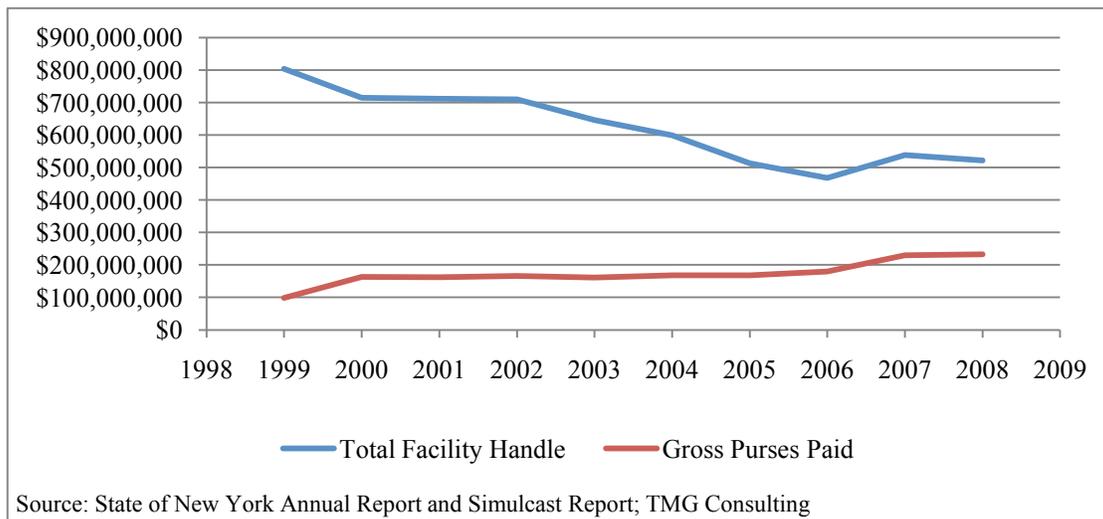
Table 4-8: New York Statewide Horse tracks Racing Statistics Summary Contd.

Year	Avg. # Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %
1999	131	3,330,876	\$493,382,046	61.4%	\$310,108,307	38.6%
2000	124	3,122,313	\$463,111,683	64.8%	\$251,298,463	35.2%
2001	120	3,030,462	\$455,786,352	64.0%	\$256,098,286	36.0%
2002	113	3,007,151	\$440,417,529	62.1%	\$269,241,789	37.9%
2003	117	2,915,260	\$401,072,456	62.1%	\$244,851,863	37.9%
2004	104	2,647,314	\$378,537,148	63.2%	\$220,258,893	36.8%
2005	107	2,559,890	\$355,664,040	69.4%	\$157,179,346	30.6%
2006	98	2,339,572	\$329,935,765	70.6%	\$137,685,416	29.4%
2007	120	3,312,773	\$353,012,828	65.6%	\$184,896,349	34.4%
2008	118	3,232,898	\$339,761,784	65.1%	\$181,822,490	34.9%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

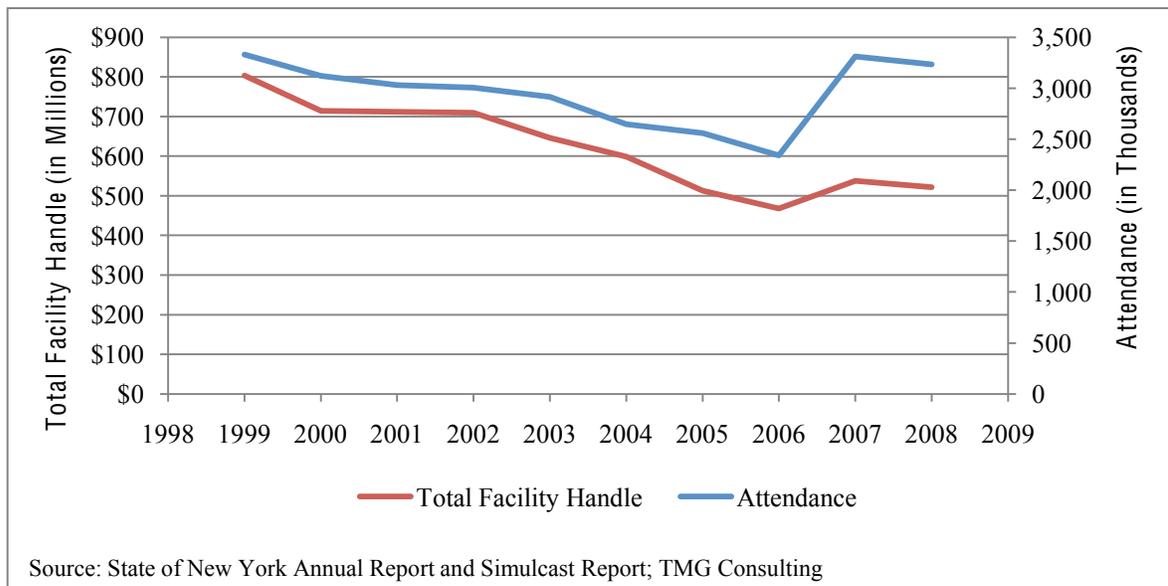
As shown in the figure below, Total Facility Handle has decreased more sharply than Gross Purses paid has increased between 1999 and 2006. The sharpest decline in Total Facility Handle occurred between 2002 and 2006. The movement in Gross Purses Paid has mirrored that of Total Facility Handle after 2006, increasing in 2007 before leveling off in 2008.

Figure 4-5: Comparison of Total Facility Handle & Gross Purses Paid for New York State



As shown in the figure below, Total Facility Handle and Attendance have declined almost simultaneously between 1999 and 2006, although the drop in the former was steeper after 2002. After 2006, both categories experienced an increase, which then leveled off in 2008. The increase in 2007 was steeper for Total Facility Handle than for Attendance.

Figure 4-6: Comparison of Total Facility Handle & Attendance for New York State



4.1.5 Pennsylvania

Pennsylvania had its highest Total Facility Handle of \$1.2 billion, Amount Returned to Bettors of \$897 million, and Gross Racing Revenue of \$281 million, during 2002 before experiencing a decline in the ensuing years. While Total Facility Handle and Amount Returned to Bettors continued to decline in 2006, the Gross Racing Revenue did increase by 5.3% from \$209 million to \$220 million, suggesting that the Amount Returned to Bettors declined more sharply than the Total Facility Handle. The sharpest decline in Gross Racing Revenue occurred in 2008 when it dropped by 12% from \$206 million to \$181 million. Gross Purses paid increased to \$193 million from \$126 million during that same year. The average number of racing days increased by 16 days from 2007 to 2008.

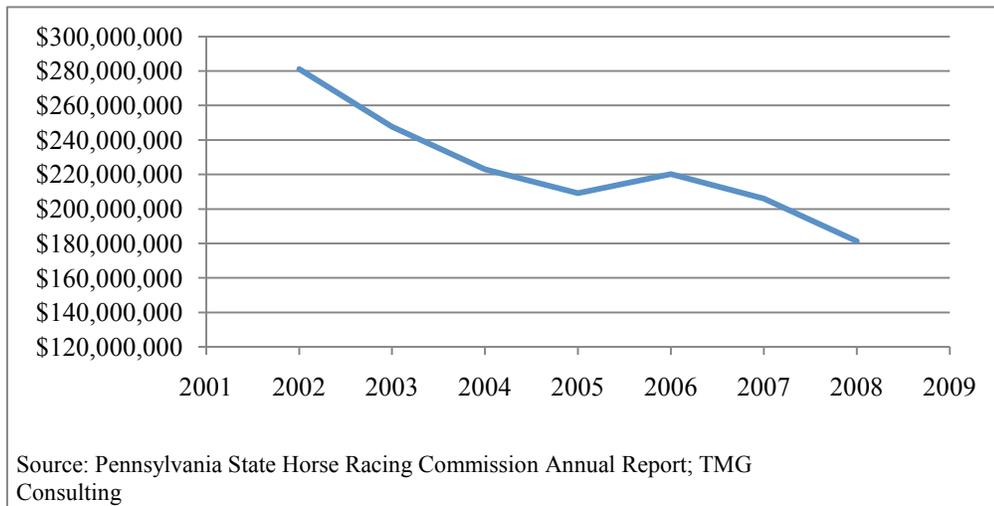
Table 4-9: Pennsylvania Statewide Horse tracks Racing Statistics Summary

Year	Avg. # Racing Days	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue	Gross Purses Paid
2002	--	\$1,178,477,636	\$897,281,623	\$281,196,013	--	--
2003	--	\$1,110,930,863	\$863,217,024	\$247,713,839	-11.9%	--
2004	--	\$1,047,440,661	\$824,477,456	\$222,963,205	-10.0%	--
2005	--	\$1,001,786,688	\$792,685,154	\$209,101,534	-6.2%	--
2006	--	\$975,670,609	\$755,548,588	\$220,122,021	5.3%	--
2007	140	\$936,200,853	\$730,236,665	\$205,964,188	-6.4%	\$126,344,002
2008	156	\$824,104,546	\$642,801,546	\$181,303,000	-12.0%	\$192,667,438

Source: Pennsylvania State Horse Racing Commission Annual Report; TMG Consulting

As shown in the figure below, Gross Racing Revenue has decreased sharply over the years from 2002 and 2008 with a brief increase in 2006. The Gross Racing Revenue in 2008 has dropped by about \$100 million since 2002.

Figure 4-7: Gross Racing Revenue for Pennsylvania State



4.1.6 West Virginia

While West Virginia offers greyhound and Thoroughbred racing, an analysis for only the latter was conducted for the purpose of this report. West Virginia had its highest Total Facility Handle of \$674 million, Amount Returned to Bettors of \$526 million, Gross Racing Revenue of \$148 million, and Gross Purses Paid of \$86 million during 2004 before experiencing a decline the following year. The average number of racing days ranged from 219 days to 242 days.

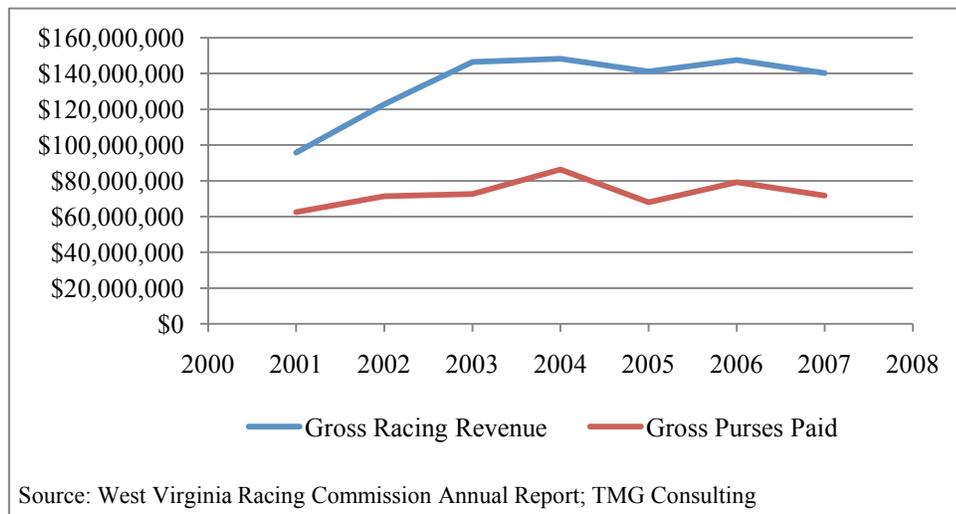
Table 4-10: West Virginia Statewide Horse tracks Racing Statistics Summary

Year	Avg. # of Racing Days	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue	Gross Purses Paid	% Change in Gross Purses Paid
2001	231	\$424,069,062	\$328,325,110	\$95,743,952	--	\$62,580,231	--
2002	242	\$542,438,619	\$419,667,658	\$122,770,961	28.2%	\$71,301,813	13.9%
2003	236	\$640,093,161	\$493,688,560	\$146,404,601	19.3%	\$72,580,847	1.8%
2004	233	\$673,842,351	\$525,597,032	\$148,245,319	1.3%	\$86,353,461	19.0%
2005	229	\$650,354,205	\$509,291,178	\$141,063,027	-4.8%	\$67,950,135	-21.3%
2006	226	\$670,481,177	\$522,975,318	\$147,505,859	4.6%	\$79,270,270	16.7%
2007	235	\$664,025,735	\$523,813,317	\$140,212,418	-4.9%	\$71,772,581	-9.5%
2008	219	\$606,459,924	--	--	--	--	--

Source: West Virginia Racing Commission Annual Report; TMG Consulting

As the figure shows below, the overall trend of Gross Purses Paid mirrored that of Gross Racing Revenue for each year. It is notable that while Gross Racing Revenue increased by 19.3%—the second highest percent increase between 2001 and 2007—in 2003, the Gross Purses Paid during that same year increased only slightly from the previous year by 1.8%—the smallest percent increase between 2001 and 2007.

Figure 4-8: Comparison of Gross Racing Revenue & Gross Purses Paid for West Virginia State



4.1.7 Definitions

The following section provides descriptions and definitions of the various components of the historical performance of horse racetracks.

4.1.7.1 On Track Handle

This is the amount a racetrack receives from bets placed at its property on its own live races. For example, this is the amount Delaware Park receives from bets wagered at Delaware Park for live races at Delaware Park. For statewide data, this is the sum of On Track Handle for all properties in that state.

4.1.7.2 Simulcast-in Handle

This is the amount a racetrack receives by importing signals from other facilities, both in- and out-of-state. For example, this is the amount Delaware Park receives from bets wagered at Delaware Park on Dover Downs' races. For statewide data, this is the sum of Simulcast-in Handle for all properties in that state.

4.1.7.3 Simulcast-out Handle

This is the amount a racetrack receives by sending out its signal to other facilities, both in- and out-of-state. For example, this is the amount Delaware Park receives from bets wagered at Dover Downs on Delaware Park's races. For statewide data, this is the sum of Simulcast-out Handle for all properties in that state.

4.1.7.4 Total Facility Handle

This is the amount a racetrack receives from all types of betting and is a sum of the following: On Track Handle, Simulcast-in Handle, and Simulcast-out Handle. For statewide data, this is the sum of Total Facility Handle for all properties in that state.

4.1.7.5 Amount Returned to Bettors

This is the amount of money given back to all bettors/patrons. For statewide data, this is the sum of Amount Returned to Bettors for all properties in that state.

4.1.7.6 Gross Racing Revenue

This was calculated by subtracting the Amount Returned to Bettors from Total Facility Handle. For statewide data, this is the sum of Gross Racing Revenue for all properties in that state.

4.1.7.7 Gross Purses Paid

This is the monetary amount distributed to owners of entrants who finished in the top positions. For statewide data, this is the sum of Gross Purses Paid for all properties in that state.

4.1.7.8 Average Number of Racing Days

For statewide data, this was calculated by taking an average of the Number of Racing Days reported by each of the properties in that state.

4.1.8 Mid-Atlantic Horse Racing Industry Summary

The Mid-Atlantic horse racing industry has a high concentration of horse racing facilities spread out among the region's six states (Delaware, Maryland, West Virginia, New Jersey, Pennsylvania, and New York). The analysis compares aggregate statistics for each state's total horse racing industry to one another to explain how this regional market has changed over the 2002-2008 period, a period marked by increased competition not expected to slow down anytime in the near future. Due to the timing of this report, 2009 horse racing data was not available for the entire region and is thus excluded from this discussion.

4.1.8.1 Total Facility Handle

Despite fierce competition between the Mid-Atlantic States, total facility handle, an aggregate of all bets received at each state's horse racetrack, decreased annually from \$5.2 billion in 2002 to \$4.1 billion in 2008. The table and charts below compare each state and the region in terms of dollars, but a market share approach is more telling of the movements in this region and will be discussed further below.

Historically, New Jersey has been the highest grossing state in terms of total facility handle. While it maintained the market lead throughout the period, New Jersey's total facility handle declined annually from 2002 to 2008. It is important to note that New Jersey's total facility handle decreased proportionally to the total market's annual decrease, and thus its declining handle did not seem to be the result of increased neighboring competition.

Figure 4-9: Mid-Atlantic States Total Facility Handle 2002-2008

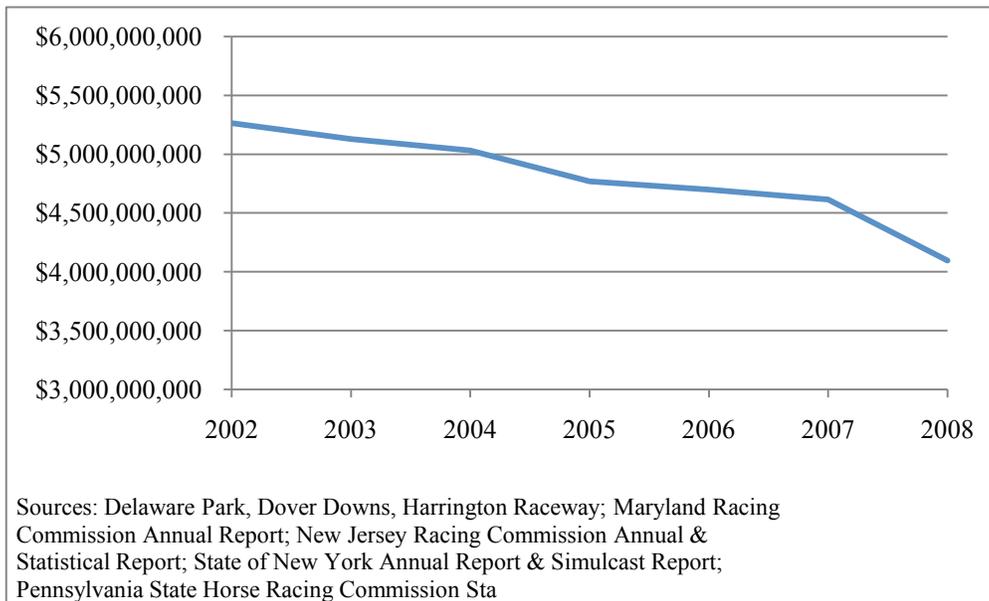


Table 4-11: Mid-Atlantic Horse Industry: Total Facility Handle Comparison

Year	Delaware	Maryland	New Jersey	New York	Pennsylvania	West Virginia	Total
2002	\$203,857,205	\$947,616,389	\$1,681,505,015	\$709,659,318	\$1,178,477,636	\$542,438,619	\$5,263,554,182
2003	\$199,491,180	\$913,694,610	\$1,618,197,626	\$645,924,319	\$1,110,930,863	\$640,093,161	\$5,128,331,759
2004	\$190,450,023	\$891,056,728	\$1,629,939,485	\$598,796,041	\$1,047,440,661	\$673,842,351	\$5,031,525,289
2005	\$185,748,751	\$911,991,360	\$1,505,872,656	\$512,843,386	\$1,001,786,688	\$650,354,205	\$4,768,597,046
2006	\$192,630,657	\$970,572,129	\$1,420,849,769	\$467,621,181	\$975,670,609	\$670,481,177	\$4,697,825,522
2007	\$172,348,241	\$871,926,955	\$1,431,048,171	\$537,909,177	\$936,200,853	\$664,025,735	\$4,613,459,132
2008	\$169,372,553	\$662,782,516	\$1,310,703,204	\$521,584,274	\$824,104,546	\$606,459,924	\$4,095,007,017

Sources: Delaware Park, Dover Downs, Harrington Raceway; Maryland Racing Commission Annual Report; New Jersey Racing Commission Annual & Statistical Report; State of New York Annual Report & Simulcast Report; Pennsylvania State Horse Racing Commission Statistical Summary; West Virginia Racing Commission Annual Report; TMG Consulting

Figure 4-10: Comparison of Total Facility Handle Among Mid-Atlantic States

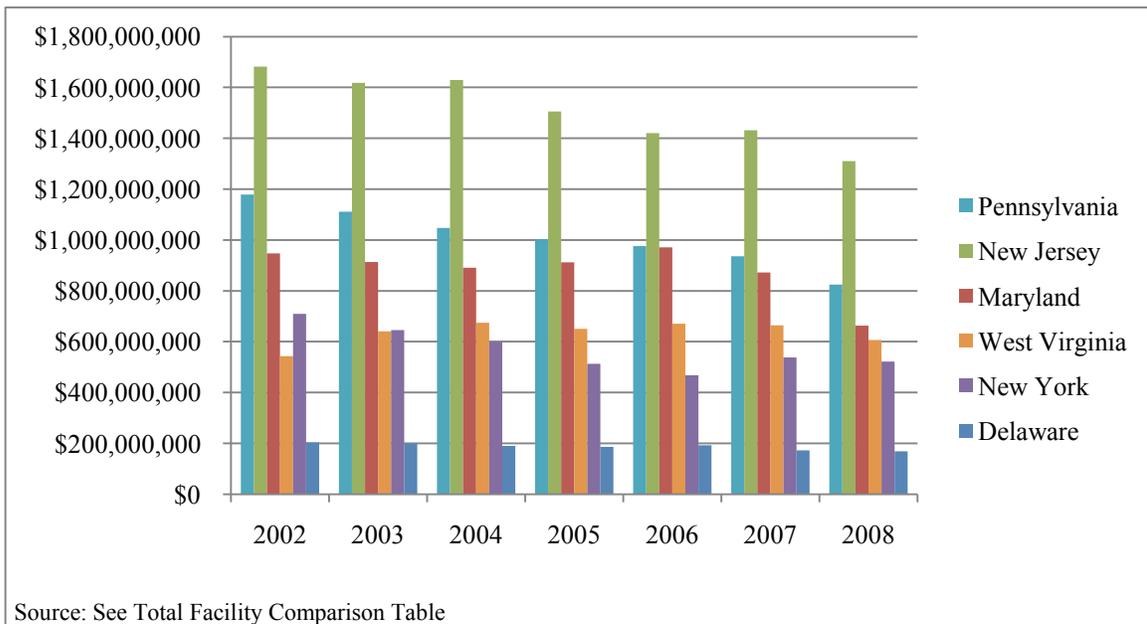
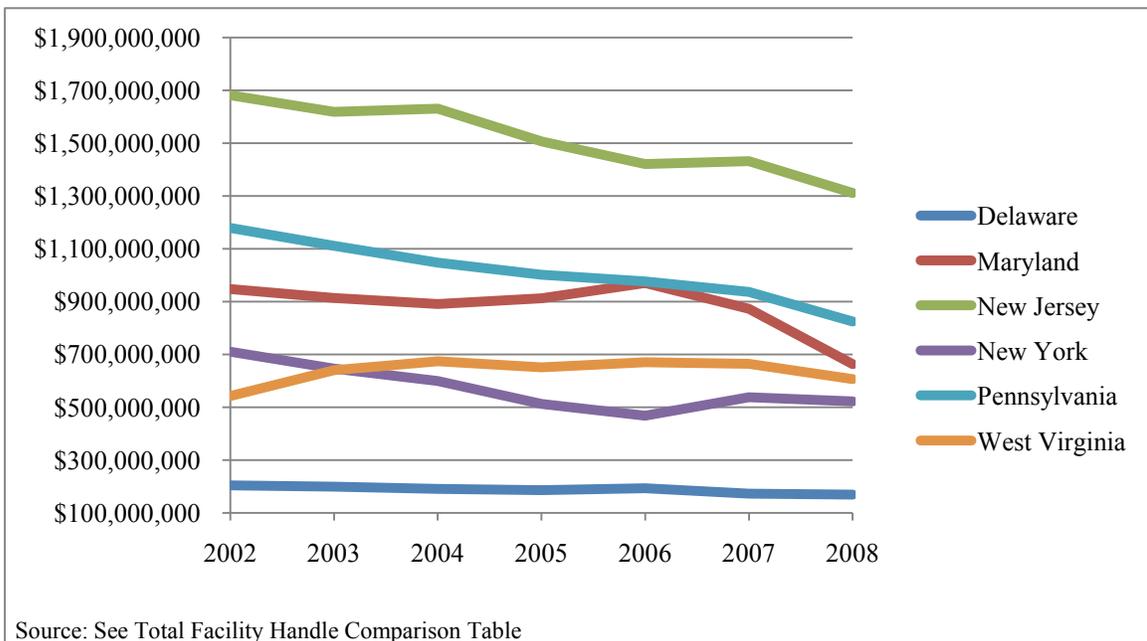


Figure 4-11: Comparison of Total Facility Handle Among Mid-Atlantic States



Using the same data presented above, TMG Consulting divided the total facility handle for each state by the Mid-Atlantic total facility handle for the corresponding year to generate market share percentages. Delaware claimed approximately 4% of this market annually from 2002 to 2008 and captured the smallest portion of the Mid-Atlantic's total

facility handle historically. Similarly, New Jersey did not experience much variability in its market share. New Jersey captured approximately 32% of the region’s total facility handle annually throughout the period, and was the market leader in total facility handle.

Maryland’s share of total facility handle was more volatile than Delaware and New Jersey’s throughout the period, hovering between 16% and 21% annually. Despite an increasing number of gaming facilities in nearby states throughout the period, Maryland remained the third largest market for horse race wagering throughout the period; however in 2008, Maryland captured less than 2% more of the market than West Virginia did.

West Virginia was the only state able to increase its market share size every year throughout the period. In 2002, West Virginia had 10% of the Mid-Atlantic’s total facility handle, and by 2008, the state had increased its market share size to nearly 15%. West Virginia was the fifth largest market in 2002 and 2003 and the fourth largest market for the rest of the period after it advanced past New York in 2004.

New York and Pennsylvania both added slot gaming to their states during the period—New York in 2004 and Pennsylvania in 2006. Despite the addition of slot machines to their tracks, neither state experienced much handle growth in either direction. New York captured approximately 12% of the market each year throughout the period and was the third largest market in the region for total facility handle. Pennsylvania captured approximately 21% of the market annually throughout the period, and was the second largest market for total facility handle. The table and charts below show the annual changes in total facility handle market size.

Table 4-12: Market Share by States (Based on Total Facility Handle)

Year	Delaware	Maryland	New Jersey	New York	Pennsylvania	West Virginia
2002	3.9%	18.0%	31.9%	13.5%	22.4%	10.3%
2003	3.9%	17.8%	31.6%	12.6%	21.7%	12.5%
2004	3.8%	17.7%	32.4%	11.9%	20.8%	13.4%
2005	3.9%	19.1%	31.6%	10.8%	21.0%	13.6%
2006	4.1%	20.7%	30.2%	10.0%	20.8%	14.3%
2007	3.7%	18.9%	31.0%	11.7%	20.3%	14.4%
2008	4.1%	16.2%	32.0%	12.7%	20.1%	14.8%

Sources: Delaware Park, Dover Downs, Harrington Raceway; Maryland Racing Commission Annual Report; New Jersey Racing Commission Annual & Statistical Report; State of New York Annual Report & Simulcast Report; Pennsylvania State Horse Racing Commission Statistical Summary; West Virginia Racing Commission Annual Report; TMG Consulting estimates

Figure 4-12: Share of Total Facility Handle

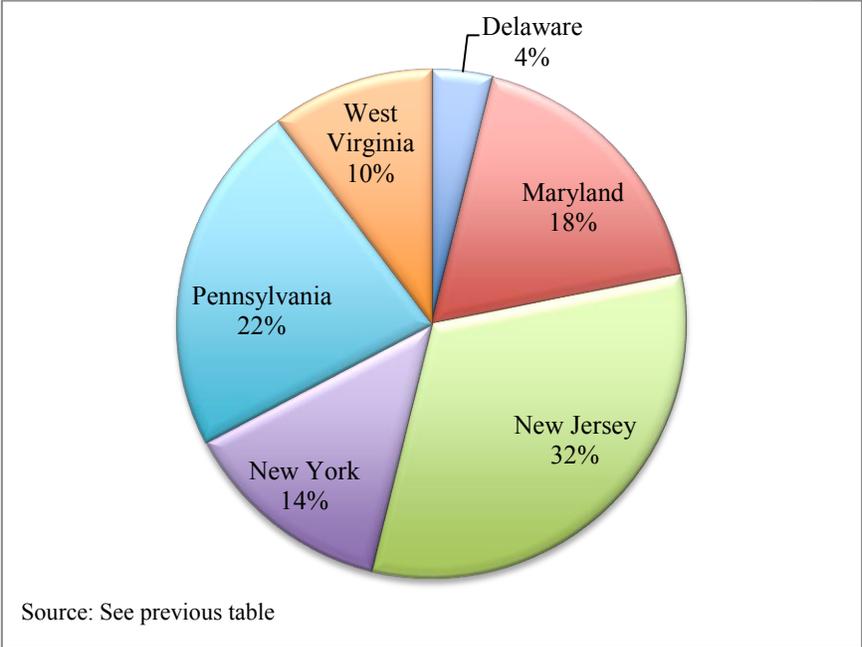
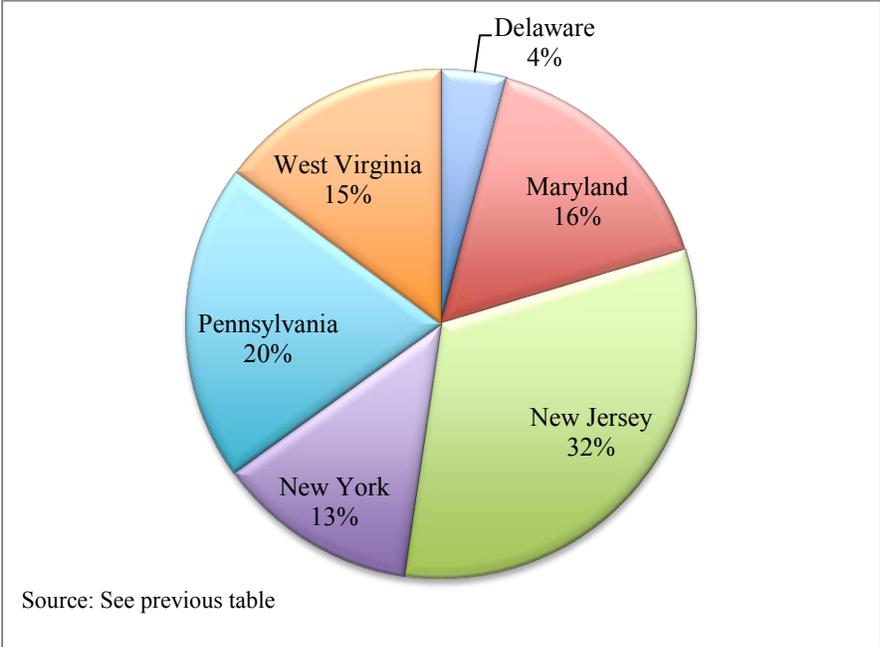


Figure 4-13: Share of Total Facility Handle



4.1.8.2 Gross Purses

Gross purses is an aggregate of the total amount of money each state's horse racing facilities reserve for distributing to owners of horses that finish in top positions in their races. In 2002, there was a total of \$556 million in gross purses paid in the Mid-Atlantic region. Maryland had \$53 million in gross purses, West Virginia had \$71.6 million, Pennsylvania had \$73.5 million Delaware had \$78.3 million, New Jersey had \$106.5 million, and New York had \$173 million in gross purses. The rank each state had in terms of gross purses paid was by no means consistent throughout the 2002-2008 period nor was the Mid-Atlantic total gross purses figure.

By 2008, the region total for gross purses was \$745.2 million, which had grown modestly from 2003 to 2006 and exploded in 2007, due mostly to the huge growth in total purses experienced in Pennsylvania from 2006 to 2007, which coincided with the first full year of gaming operations for the state. The average annual growth (A.A.G.) rate for the Mid-Atlantic during the 2002-2008 period was 5%.

The two states in the market with the longest history of racinos, Delaware and West Virginia, were the states with the least amount of annual growth in either direction. Delaware's gross purses ranged between approximately \$71 million and \$80 million with relatively little variability and an average annual growth rate of 0.2% during the 2002 to 2008 period. West Virginia actually experienced a small decline in average for gross purses during the period with an average annual growth rate of -0.3%. Gross Purses in West Virginia ranged from approximately \$70.4 million to \$89.6 million from 2002 to 2008.

The two states that began racino operations during the period, New York and Pennsylvania, were also the two states with the highest average annual growth rates. New York ranged from about \$167 million to \$240 million a year in gross purses and had an average annual growth rate of 5.5%. Pennsylvania, with 18.5% growth in gross purses a year on average, had the highest average annual growth rate of all the states. The additional money made available to purses as a result of State-sanctioned slot gaming in Pennsylvania is very clear in this data. Pennsylvania managed to increase its gross purses by 83.5% between 2006 and 2007 and then by 50.3% between 2007 and 2008. Gross purses in Pennsylvania ranged from \$71.5 million to \$203.3 million from 2002 to 2008.

The two states without racino operations, Maryland and New Jersey, showed signs of impact from continued and additional slot/casino revenue driven purses in nearby states. By 2008, New Jersey was displaced by Pennsylvania as the second largest gross purse state in the region. New Jersey's average annual growth rate for the period was 1.3%, and its gross purses ranged from \$104.4 million to \$136.6 million. Maryland experienced the most negative average annual growth in the region at a rate of -5.4% and ranged from \$38.3 million to \$54.3 million in gross purses during the period. Neither of the two market leaders in total facility handle are keeping up with the Mid-Atlantic's average annual growth rate for purses, which was 5% from 2002 to 2008. Since purses drive the growth of handles, Maryland and New Jersey will have to work on keeping up with the market's gross purses growth rate to maintain their market lead.

Table 4-13: Gross Purses by Mid-Atlantic State

Year	Delaware	Maryland	New Jersey	New York	Pennsylvania	West Virginia	Mid-Atlantic Total
2002	\$78,294,489	\$53,276,138	\$106,528,146	\$172,922,345	\$73,550,995	\$71,611,381	\$556,183,494
2003	\$70,798,702	\$52,871,406	\$104,385,280	\$167,122,473	\$71,953,643	\$73,826,390	\$540,957,894
2004	\$72,779,266	\$45,744,248	\$108,056,002	\$174,233,560	\$71,510,924	\$89,632,160	\$561,956,160
2005	\$79,622,550	\$48,828,198	\$114,932,007	\$195,134,094	\$74,132,590	\$73,306,275	\$585,955,714
2006	\$77,040,010	\$54,256,110	\$113,467,232	\$188,690,484	\$73,690,080	\$81,888,629	\$589,032,545
2007	\$80,322,618	\$50,841,093	\$136,620,384	\$239,811,508	\$135,240,375	\$73,309,674	\$716,145,652
2008	\$79,385,369	\$38,274,999	\$115,314,540	\$238,582,661	\$203,312,924	\$70,369,850	\$745,240,343
A.A.G. 02-08	0.2%	-5.4%	1.3%	5.5%	18.5%	-0.3%	5.0%

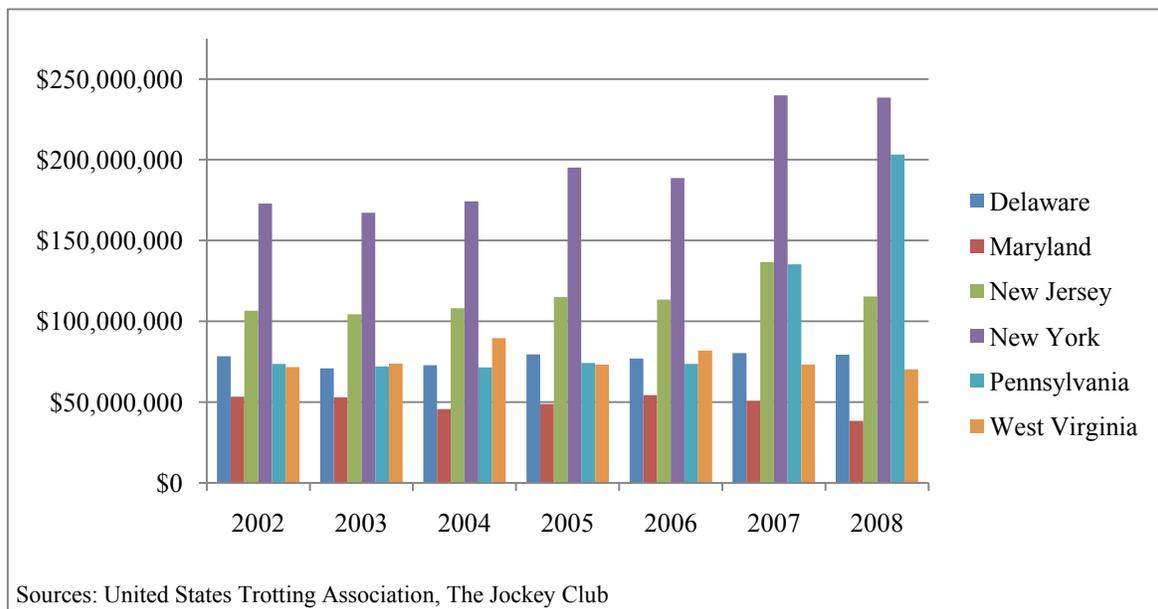
Sources: United States Trotting Association, The Jockey Club; TMG Consulting estimates

Table 4-14: Percent Change in Gross Purses by Mid-Atlantic State

Year	Delaware	Maryland	New Jersey	New York	Pennsylvania	West Virginia	Mid-Atlantic Total
2003	-9.6%	-0.8%	-2.0%	-3.4%	-2.2%	3.1%	-2.7%
2004	2.8%	-13.5%	3.5%	4.3%	-0.6%	21.4%	3.9%
2005	9.4%	6.7%	6.4%	12.0%	3.7%	-18.2%	4.3%
2006	-3.2%	11.1%	-1.3%	-3.3%	-0.6%	11.7%	0.5%
2007	4.3%	-6.3%	20.4%	27.1%	83.5%	-10.5%	21.6%
2008	-1.2%	-24.7%	-15.6%	-0.5%	50.3%	-4.0%	4.1%

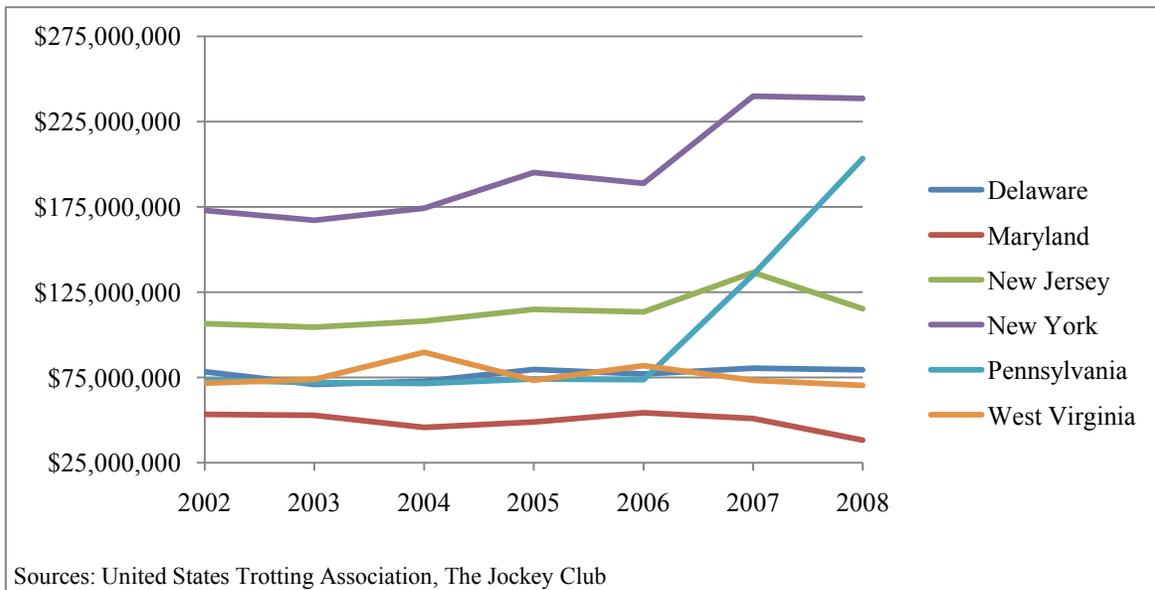
Sources: United States Trotting Association, The Jockey Club; TMG Consulting estimates

Figure 4-14: Comparison of Gross Purses Paid Among Mid-Atlantic States



Sources: United States Trotting Association, The Jockey Club

Figure 4-15: Gross Purses Among Mid-Atlantic States



4.1.8.3 Total Live Races

Total Live Races in the Mid-Atlantic region have ranged from 37.5 thousand to 41.7 thousand during the 2002-2008 period. After three years of consecutive negative growth in live races between 2002 and 2005, the region's total increased annual for the rest of the period. Maryland, New Jersey, and West Virginia experienced an overall reduction in the amount of live races hosted at their tracks. Delaware, however, experienced little variability in total live races during the period. New York and Pennsylvania both experienced an overall increase in the amount of races held at their tracks during the period. The following table and charts illustrate the Mid-Atlantic's trends in total live races held.

Table 4-15: Total Live Races by Mid-Atlantic States

Year	Delaware	Maryland	New Jersey	New York	Pennsylvania	West Virginia	Mid-Atlantic Total
2002	4,556	4,101	5,518	13,258	8,308	4,589	40,330
2003	4,819	3,955	5,397	12,490	8,265	4,520	39,446
2004	4,782	3,634	5,464	12,015	8,064	4,638	38,597
2005	4,838	3,448	5,462	11,437	7,891	4,472	37,548
2006	4,800	3,539	5,408	11,872	8,016	4,434	38,069
2007	4,723	3,403	5,139	14,715	9,196	4,357	41,533
2008	4,798	2,546	5,121	14,387	10,759	4,101	41,712

Sources: United States Trotting Association, The Jockey Club

Figure 4-16: Total Live Races by Mid-Atlantic States

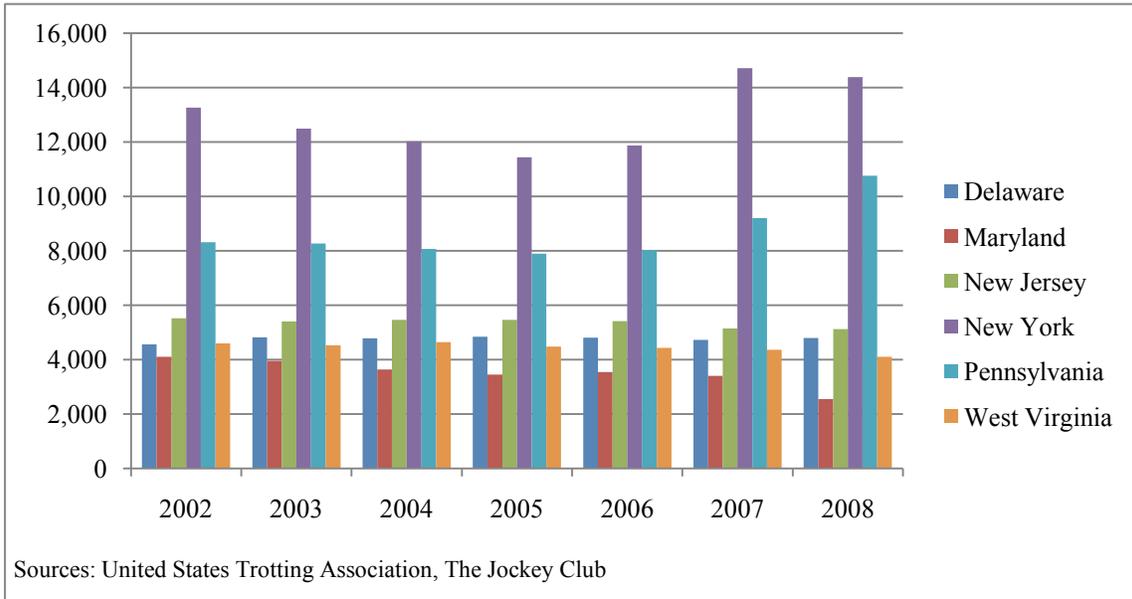
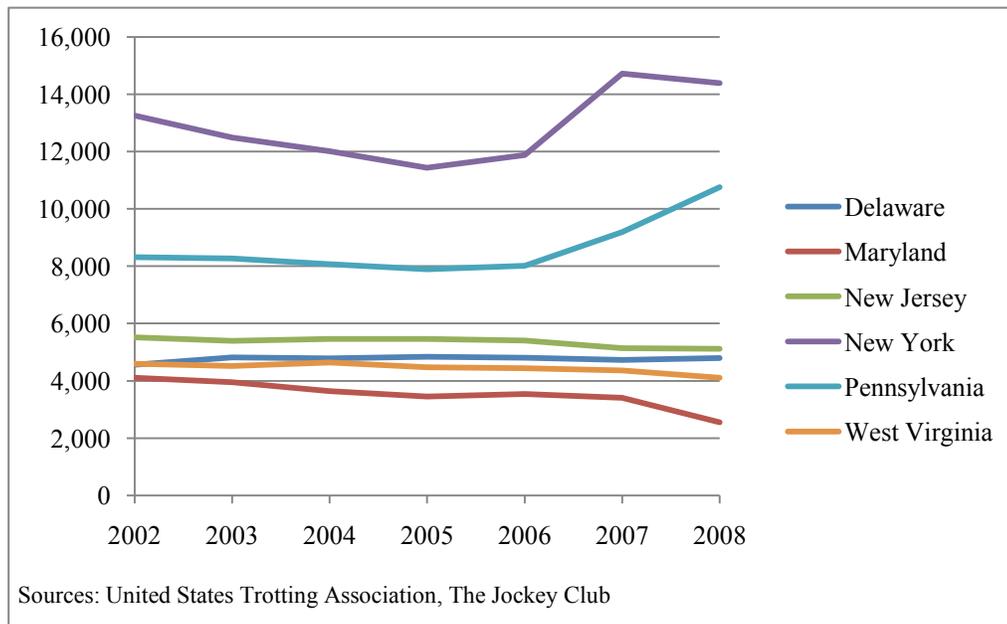


Figure 4-17: Total Live Races by Mid-Atlantic States



4.1.8.4 Purses per Race

To put every state in the Mid-Atlantic region on a level, TMG Consulting calculated the average purse per race annually for each state and the region overall by dividing number of live races by gross purses. This statistic serves for a more meaningful comparison

among the region because it ignores the scale of operations each state has and focuses on what actually happens per race.

The region's average purse per race, an average of each state's average purse per race, was its highest for the period in 2002 at \$14.5 million. In 2003, the Mid-Atlantic average purse per race was its lowest for the period in 2003 at \$14.3 million. From 2003 to 2008, Mid-Atlantic average purse per race has grown positively annually and was \$17.8 million in 2008.

In 2002, Pennsylvania had the lowest average purse per race—\$8.9 million. This trend of being last in average purse per race continued for Pennsylvania until 2008 when it had \$18.9 million in average purse per race and was only outranked by New Jersey. It was Pennsylvania's foray into slots operations that enabled it to improve its average purse per race during this period.

Maryland was ranked fifth in average purse per race in 2002 with an average purse of nearly \$13 million per race. In 2008, its average purse per race of \$15 million was lower than every other state in the region, which suggests that Maryland's horse racing industry is becoming less competitive and is being impacted increasingly negatively by the region's expanded gaming markets, especially by Pennsylvania's introduction of slots.

New York ranked fourth in the region in terms of average purse per race in 2002 with an average purse of barely over \$13 million per race. In 2008, New York had \$16.6 million in average purse per race ranking fourth in the market, outranking Delaware's \$16.5 million, and was surpassed for the first time by Pennsylvania.

West Virginia's average purse per race in 2002 was \$15.6 million and the state ranked third in the Mid-Atlantic region. In 2008, West Virginia had nearly \$17.2 million in average purse per race and was again third place among the states in average purse per race.

Delaware had the second highest average purse per race in 2002 at \$17.2 million. By 2008, Delaware was no longer state with the second highest average purse per race; it had an average of \$16.5 million and was ranked fifth in the region, only above Maryland. The introduction of gaming in New York and Pennsylvania likely impacted Delaware's average purse per race negatively, causing the state to fall so behind in the market by the end of the period.

New Jersey was consistently the highest ranked state in terms of average purse per race during the period. In 2002, New Jersey had an average of \$19.3 million in purse per race, and in 2008 it had an average of \$22.5 million. With continued expansion of gaming revenue-driven purses in its neighboring states, it is doubtful that New Jersey will maintain the regional lead in average purse per race in the future.

Table 4-16: Average Purse per Race by Mid-Atlantic States

Year	Delaware	Maryland	New Jersey	New York	Pennsylvania	West Virginia	Mid-Atlantic Average
2002	\$17,185	\$12,991	\$19,306	\$13,043	\$8,853	\$15,605	\$14,497
2003	\$14,692	\$13,368	\$19,341	\$13,381	\$8,706	\$16,333	\$14,303
2004	\$15,219	\$12,588	\$19,776	\$14,501	\$8,868	\$19,326	\$15,046
2005	\$16,458	\$14,161	\$21,042	\$17,062	\$9,395	\$16,392	\$15,752
2006	\$16,050	\$15,331	\$20,981	\$15,894	\$9,193	\$18,468	\$15,986
2007	\$17,007	\$14,940	\$26,585	\$16,297	\$14,706	\$16,826	\$17,727
2008	\$16,546	\$15,033	\$22,518	\$16,583	\$18,897	\$17,159	\$17,789

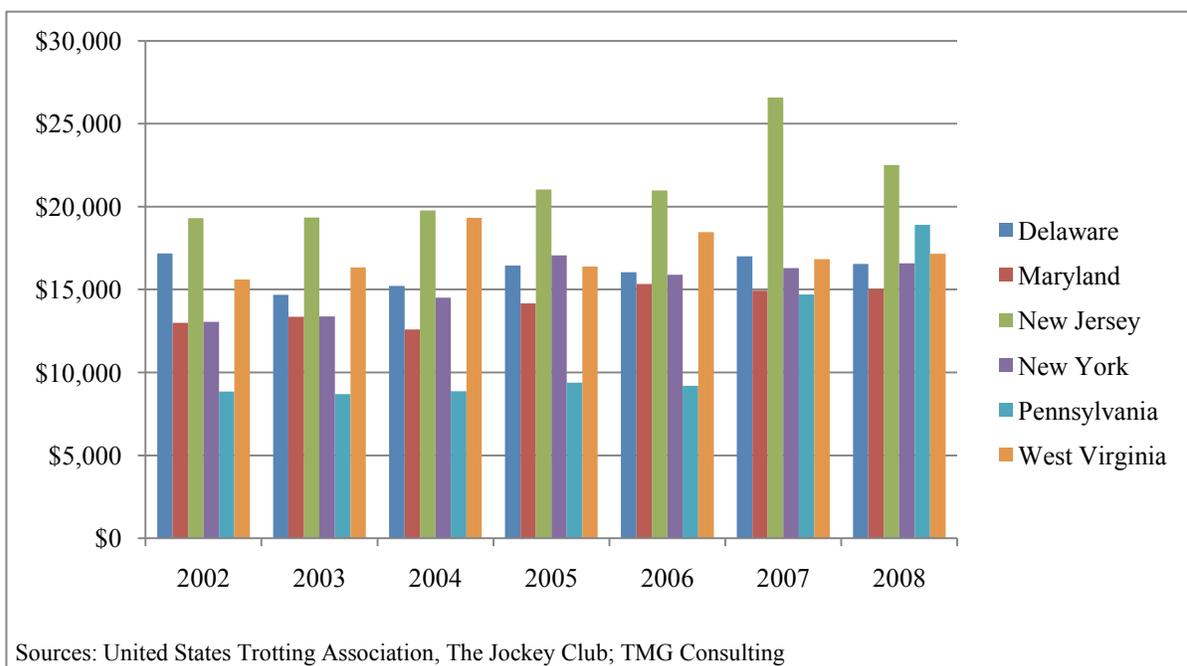
Sources: United States Trotting Association, The Jockey Club; TMG Consulting estimates

Table 4-17: Average Purse per Race Percent Change by Mid-Atlantic States

Year	Delaware	Maryland	New Jersey	New York	Pennsylvania	West Virginia	Mid-Atlantic Average
2003	-14.5%	2.9%	0.2%	2.6%	-1.7%	4.7%	-1.3%
2004	3.6%	-5.8%	2.2%	8.4%	1.9%	18.3%	5.2%
2005	8.1%	12.5%	6.4%	17.7%	5.9%	-15.2%	4.7%
2006	-2.5%	8.3%	-0.3%	-6.8%	-2.1%	12.7%	1.5%
2007	6.0%	-2.5%	26.7%	2.5%	60.0%	-8.9%	10.9%
2008	-2.7%	0.6%	-15.3%	1.8%	28.5%	2.0%	0.4%

Sources: United States Trotting Association, The Jockey Club; TMG Consulting estimates

Figure 4-18: Average Purse per Race by Mid-Atlantic States



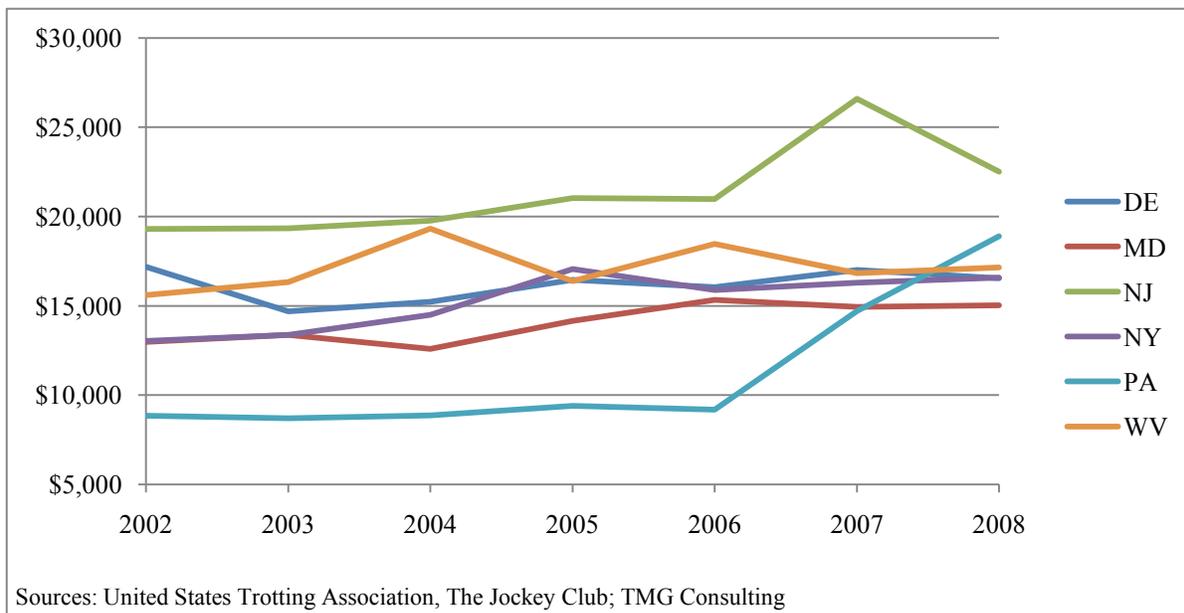
4.2 HORSE RACING IMPACT

4.2.1 Methodology

In order to project the potential impacts that the *Status Quo*, *Baseline*, and *Projection* gaming scenarios, (with a Horse or Harness Meet and without a Horse or Harness Meet), would have on Delaware’s horse racing industry (Standardbred and Thoroughbred racing), TMG developed a forecast model. The model processes several key metrics of the horse racing industry and outputs a scenario-specific annual forecast of the following: gross purses, number of live races, total handle for all races in Delaware, amount of handle returned to bettors, and gross racing revenues.

Gross purses are largely a function of gross VLT gaming revenues and indicate the quality of Delaware’s races compared to other states. Total handle indicates Delaware’s share of the Mid-Atlantic market’s horse racing industry and is the basis for determining gross racing revenues after deducting the amount returned to bettors. Gross racing revenues indicate the return on operations tracks generate. Number of live races indicates Delaware’s supply level and is determined by the track operators in compliance with the racing commissions’ provisions.

Figure 4-19: Average Purse per Race by Mid-Atlantic States



The inputs for this model were gross VLT gaming revenue projections, as detailed in the ‘*Gaming Market Assessment*’ of this report, and historical horse racing statistics which were primarily sourced from each states’ horse racing regulatory agency. However in some cases, the reporting styles of some states conflicted with others or certain statistics

were not reported by some states, and in these cases TMG used historical data provided by the Jockey Club and the United States Trotting Association to complete this analysis.

4.2.1.1 Purses

The model begins with an estimate of annual gross purses for the scenario’s forecast period. Purses are calculated using the percentage of gross VLT gaming revenue that is contributed to gross purses, or 10% as stipulated by Delaware law. Since this is only a portion of the gross purses paid, TMG analyzed historical gross purses and gross VLT gaming revenues to determine an average percentage of purses attributable to VLT revenues. This calculation yielded an average of 73.6% from 2001-2008 and was used in conjunction with forecasts of VLT revenue contributions to purses in the horse racing industry impact model.

Table 4-18: Calculation of Average Percentage of Purses Attributable to VLT Revenues

Year	Gross VLT Revenue	VLT Purse Contribution (10% of Revenues)	Gross Purses Paid	Percentage of Purses Attributable to VLT Revenues
2001	\$526,395,600	\$52,639,560	\$70,269,873	74.9%
2002	\$565,909,900	\$56,590,990	\$73,961,386	76.5%
2003	\$504,999,700	\$50,499,970	\$80,249,323	62.9%
2004	\$553,318,700	\$55,331,870	\$73,311,441	75.5%
2005	\$579,446,000	\$57,944,600	\$78,174,806	74.1%
2006	\$651,733,800	\$65,173,380	\$82,285,114	79.2%
2007	\$612,407,100	\$61,240,710	\$80,878,758	75.7%
2008	\$588,923,000	\$58,892,300	\$84,603,566	69.6%
Average Percentage of Purses Attributable to VLT Revenues:				73.6%

Sources: Delaware Lottery Commission, Delaware Park, Dover Downs, Harrington Raceway; TMG Consulting estimates

4.2.1.2 Handle

The model looks at total state handle based on market share. Market share in this case is defined as the ratio of a state’s total handle to the region’s total handle. TMG calculated annual state total handles based on state horse racing agency annual reports. A more detailed analysis of market share of total handle can be found in a previous section of the report titled *Mid-Atlantic Horse Racing Industry Analysis*.

In order to project total handles for Delaware, TMG first had to forecast the region’s total handle. The average annual growth of the Mid-Atlantic’s total handle from 2002-2008 was -4.1%. The Mid-Atlantic’s total handle consistently decreased every year during the 2002-2008 period despite more states in the region legalizing gambling, indicating an overall decline in the horse racing industry. Fiscal reports like the Nelson A. Rockefeller

Institute’s ‘Trends in State Revenues from Gambling⁶³’ indicate that the pari-mutuel wagering market nationwide has been in severe decline since 2005 and was previously in decline from 1989 to 2001. In fact, only 5 out of 36 states with pari-mutuel wagering experienced positive growth between 2008 and 2009, according to the Rockefeller Institute.

Based on the trends nationwide in pari-mutuel wagering and the trends in the Mid-Atlantic region from 2002 to 2008, TMG forecasted the Mid-Atlantic total handle to continue declining annually throughout the projection period in all scenarios. The average annual growth rate for the region from 2002-2008 was used to forecast the growth of total handle in 2009 and 2010. Since several industries, including the horse racing industry, were negatively impacted by the recession in 2008, and TMG does not anticipate the recession to continue past 2010, another average annual growth rate, -2.61%, which utilized total handle figures from 2002 to 2007 and is not hampered by recessionary pressures, was used to forecast 2011 and on.

Table 4-19: Projecting Mid-Atlantic Total Handle

Year	Historical Handle	Projection With 2002-2008 A.A.G.	Projection With 2002-2007 A.A.G.
2002	\$203,857,205	2009 \$3,927,208,048	2011 \$3,667,970,288
2003	\$199,491,180	2010 \$3,766,284,889	2012 \$3,572,222,079
2004	\$190,450,023		2013 \$3,478,973,268
2005	\$185,748,751		2014 \$3,388,158,612
2006	\$192,630,657		2015 \$3,299,714,569
2007	\$172,348,241		2016 \$3,213,579,258
2008	\$169,372,553		2017 \$3,129,692,412
A.A.G. 2002-2008	-4.10%		
A.A.G. 2002-2007	-2.61%		

Sources: Delaware Park, Dover Downs, Harrington Raceway; Maryland Racing Commission Annual Report; New Jersey Racing Commission Annual & Statistical Report; State of New York Annual Report & Simulcast Report; Pennsylvania State Horse Racing Commission Statistical Summary; West Virginia Racing Commission Annual Report; TMG Consulting

*Totals and percentages may not always add up due to rounding.

To forecast Delaware’s total handle beyond 2008, TMG calculated Delaware’s average market share of the Mid-Atlantic’s total handle, which was 3.92%. Delaware’s average market share served as a basis for calculating total state handle and was adjusted accordingly to the specific conditions each scenario presented. Delaware’s projected market share multiplied by the Mid-Atlantic’s forecasted total handle yielded projections of Delaware’s total handle.

63 Dadayan, Luke and Robert B. Ward, “For the First Time, a Smaller Jackpot,” The Nelson. A. Rockefeller Institute of Government, <http://www.rockinst.org/>.

Table 4-20: Calculation of Delaware’s Average Market Share of Mid-Atlantic Total Handle

Year	Delaware Total Handle	Mid-Atlantic Total Handle	Delaware Market Share
2002	\$203,857,205	\$5,263,554,182	3.87%
2003	\$199,491,180	\$5,128,331,759	3.89%
2004	\$190,450,023	\$5,031,525,289	3.79%
2005	\$185,748,751	\$4,768,597,046	3.90%
2006	\$192,630,657	\$4,697,825,522	4.10%
2007	\$172,348,241	\$4,613,459,132	3.74%
2008	\$169,372,553	\$4,095,007,017	4.14%
Average Delaware Market Share of Handle:			3.92%

Sources: Delaware Park, Dover Downs, Harrington Raceway; Maryland Racing Commission Annual Report; New Jersey Racing Commission Annual & Statistical Report; State of New York Annual Report & Simulcast Report; Pennsylvania State Horse Racing Commission Statistical Summary; West Virginia Racing Commission Annual Report; TMG Consulting

4.2.1.3 Live Races

The final major component of the horse racing impact model is the projection of live races. This portion of the model differs from previously described parts because it projects the track operators’ responses to market conditions, specifically how many races are set for a year based on various factors without consistent weights. To model this complex nuance in our horse racing impact study, TMG first identified the economics behind setting number of live races. Simply put, when too many races are offered at a track, demand overestimation negatively impacts not only earnings before income taxes depreciation, and amortization (EBITDA), but also the average purse per race. Rational racetrack operators do not want to do either. They would rather set a number of live races that maximizes EBITDA and maintains an attractive purse per race average for the year to sustain and to increase the quality of races overall at the track.

Historical statistics for 2002-2008 were analyzed to identify any trends or patterns in the relationship between number of live races a year, gross purses, and total handle. The following table displays year over year percent changes in each Mid-Atlantic state’s annual total handle, gross purses, and number of races during the 2002-2008 period and was used to model number of live races in this impact model.

Table 4-21: Mid-Atlantic States Year over Year Change in Purse, Total Handle, and Live Races

Year	DE % Changes			MD % Changes			NJ % Changes		
	Purses	Handles	Races	Purses	Handles	Races	Purses	Handles	Races
2003	-9.6%	-2.1%	5.8%	-0.8%	-3.6%	-3.6%	-2.0%	-3.8%	-2.2%
2004	2.8%	-4.5%	-0.8%	-13.5%	-2.5%	-8.1%	3.5%	0.7%	1.2%
2005	9.4%	-2.5%	1.2%	6.7%	2.3%	-5.1%	6.4%	-7.6%	0.0%
2006	-3.2%	3.7%	-0.8%	11.1%	6.4%	2.6%	-1.3%	-5.6%	-1.0%
2007	4.3%	-10.5%	-1.6%	-6.3%	-10.2%	-3.8%	20.4%	0.7%	-5.0%
2008	-1.2%	-1.7%	1.6%	-24.7%	-24.0%	-25.2%	-15.6%	-8.4%	-0.4%

Year	NY % Changes			PA % Changes			WV % Changes		
	Purses	Handles	Races	Purses	Handles	Races	Purses	Handles	Races
2003	-3.4%	-9.0%	-5.8%	-2.2%	-5.7%	-0.5%	3.1%	18.0%	-1.5%
2004	4.3%	-7.3%	-3.8%	-0.6%	-5.7%	-2.4%	21.4%	5.3%	2.6%
2005	12.0%	-14.4%	-4.8%	3.7%	-4.4%	-2.1%	-18.2%	-3.5%	-3.6%
2006	-3.3%	-8.8%	3.8%	-0.6%	-2.6%	1.6%	11.7%	3.1%	-0.8%
2007	27.1%	15.0%	23.9%	83.5%	-4.0%	14.7%	-10.5%	-1.0%	-1.7%
2008	-0.5%	-3.0%	-2.2%	50.3%	-12.0%	17.0%	-4.0%	-8.7%	-5.9%

Sources: Delaware Park, Dover Downs, Harrington Raceway; Maryland Racing Commission Annual Report; New Jersey Racing Commission Annual & Statistical Report; State of New York Annual Report & Simulcast Report; Pennsylvania State Horse Racing Commission Statistical Summary; West Virginia Racing Commission Annual Report; United States Trotting Association, The Jockey Club; TMG Consulting Estimates

In Delaware and other Mid-Atlantic states, number of live races often increased or decreased according to total handle from the previous year, suggesting track operators place some importance on the previous year's total handle when setting number of live races for the current year. In some cases, the data indicates that track operators were responding more to purse increases from previous years when setting the number of live races. Finally, in some cases, it appeared that track operators were placing little emphasis on recent purse and handle trends and were setting number of live races based on some other unknown factors.

Modeling projections of the number of live races required two major components: a weighted average handle to race ratio based on 2002-2008 statistics and a weighted average purse to race ratio also based on historical data ranging from 2002-2008. A weighted average, rather than a regular average of these statistics, was used to represent sensitivity to more recent trends, while still factoring in more distant trends, albeit with lesser importance. Each weighted average was used to create a separate number of live races forecast scenario. These two separate forecasts of number of live racing days served as two extremes, and more forecasts were made by averaging the two forecasts to various degrees to create a scale of forecasts, which is detailed further below. The following two tables show how the weighted average for the handle to race ratio and purse to race ratio were calculated.

Table 4-22: Calculation of Weighted Average Handle to Race Ratio

Year	Live Races	Total Handle	Handle to Race Ratio	Weights	Portion of Weighted Average
2002	4,556	\$203,857,205	44,745	1	1,598
2003	4,819	\$199,491,180	41,397	2	2,957
2004	4,782	\$190,450,023	39,826	3	4,267
2005	4,838	\$185,748,751	38,394	4	5,485
2006	4,800	\$192,630,657	40,131	5	7,166
2007	4,723	\$172,348,241	36,491	6	7,820
2008	4,798	\$169,372,553	35,301	7	8,825
Weighted Average Handle to Race Ratio:					38,118

Sources: Delaware Park, Dover Downs, Harrington Raceway; United States Trotting Association, The Jockey Club; TMG Consulting

Table 4-23: Calculation of Weighted Average Purse to Race Ratio

Year	Purses	Total Handle	Handle to Purse Ratio	Weights	Portion of Weighted Average
2002	\$73,961,386	\$203,857,205	16,234	1	580
2003	\$80,249,323	\$199,491,180	16,653	2	1,189
2004	\$73,311,441	\$190,450,023	15,331	3	1,643
2005	\$78,174,806	\$185,748,751	16,158	4	2,308
2006	\$82,285,114	\$192,630,657	17,143	5	3,061
2007	\$80,878,758	\$172,348,241	17,124	6	3,670
2008	\$84,603,566	\$169,372,553	17,633	7	4,408
Weighted Average Purse to Race Ratio:					16,859

Sources: Delaware Park, Dover Downs, Harrington Raceway; United States Trotting Association, The Jockey Club; TMG Consulting

Forecasts of the number of live races made with the weighted average handle to race ratio are calculated as follows: previous five year average handle is divided by the weighted average handle to race ratio. The handle to race ratio forecast scenario yields forecasts of the number of live races that emphasize sensitivity to the decline in overall demand (represented by handles) in the horse racing industry region and statewide. The following table serves as an example projection for number of live races in Delaware using the weighted average handle to race ratio, (projected handles vary among scenarios and lead to different projected number of live races figures).

Table 4-24: Projection of Live Races with the Weighted Average Handle to Race Ratio

Year	DE Total Handle (Historical and Projected)	Weighted Average Handle to Race Ratio	Actual and Projected Live Races with Handle to Race Ratio
2004	\$190,450,023	38,118	4,782
2005	\$185,748,751		4,838
2006	\$192,630,657		4,800
2007	\$172,348,241		4,723
2008	\$169,372,553		4,798
2009	\$153,809,825		4,778
2010	\$147,507,239		4,585
2011	\$143,656,730		4,385
2012	\$139,906,734		4,128
2013	\$136,254,627		3,957

Sources: Delaware Park, Dover Downs, Harrington Raceway; United States Trotting Association, The Jockey Club; TMG Consulting

The forecasts utilizing the weighted average purse to race ratio are calculated as follows: previous four year average purse divided by the weighted average purse to race ratio. The purse to race ratio forecast scenario yields forecasts of number of live races that emphasize sensitivity to gross purses and thus gross VLT gaming revenues. These forecasts represent an operator's optimism about market share growth, which is largely driven by purse size. The following table serves as an example projection for number of live races in Delaware using the weighted average purse to race ratio, (projected purses vary among scenarios and lead to different projected number of live races figures).

Table 4-25: Projection of Live Races with the Weighted Average Purse to Race Ratio

Year	DE Gross Purses (Historical and Projected)	Weighted Average Purse to Race Ratio	Actual and Projected Live Races with Purse to Race Ratio
2005	\$73,311,441	16,859	4,838
2006	\$78,174,806		4,800
2007	\$82,285,114		4,723
2008	\$80,878,758		4,798
2009	\$76,914,963		4,833
2010	\$73,069,215		4,815
2011	\$75,261,291		4,678
2012	\$76,032,719		4,595
2013	\$76,812,055		4,468

Sources: Delaware Park, Dover Downs, Harrington Raceway; United States Trotting Association, The Jockey Club; TMG Consulting

Finally, alternate forecast scenarios were created by melding the purse to race ratio and handle to race ratios to various degrees by taking weighted averages of the original two

forecast scenarios to create a scale of decisions a track operator could make in any given year.

Having a set of race projection scenarios based on varying degrees of emphasis put on purses and handles allowed TMG to use a dynamic scale to model the management decision of how many races to set annually. The following table serves as an example of a scale created from number of live races projection scenarios.

Table 4-26: Live Race Projections

Year	Projected Live Race Scenarios		
	Handle to Race Ratio	Average of Handle to Race and Purse to Race Ratios	Purse to Race Ratio
2009	4,778	4,805	4,833
2010	4,585	4,700	4,815
2011	4,385	4,531	4,678
2012	4,128	4,361	4,595
2013	3,957	4,213	4,468

Source: TMG Consulting

4.2.2 Status Quo Scenario

4.2.2.1 Purses

The *Status Quo* scenario for the horse racing industry impact analysis begins with gross VLT gaming revenues generated in the gaming revenue analysis portion of this report. From these revenues, TMG projected purse sizes for the period 2009-2013. True for every scenario in this horse impact study, when gross VLT gaming revenues decreased or increased one year over the next, our gross purses projection changed accordingly. This occurred because, on average, VLT gaming revenue proceeds made up 73.6% of gross purses. Because the *Status Quo* scenario projects what could potentially happen from 2009-2013 in a Mid-Atlantic market with no changes in competition, gross purses experience little variability throughout the forecasted period. This leveling off of purses is also in line with what the Rutgers impact study, discussed in an earlier section of the report, claims to happen to states with gaming revenue driven purses in the long-term when they do not expand their gaming operations. The estimated gross purses experience some minimal annual variation during the projected period.

Table 4-27: Gross Purses Projection: Status Quo Scenario

Year	Gross VLT Revenue	Purses from VLT	
		Revenue	Gross Purses Paid
2009	\$565,790,087	\$56,579,009	\$76,914,963
2010	\$537,500,583	\$53,750,058	\$73,069,215
2011	\$553,625,600	\$55,362,560	\$75,261,291
2012	\$559,300,263	\$55,930,026	\$76,032,719
2013	\$565,033,090	\$56,503,309	\$76,812,055

Source: TMG Consulting

4.2.2.2 Handle

Next TMG projected Delaware’s total handle for the *Status Quo* period. Since no new racetracks or facilities with gaming are introduced to the market in this scenario, and Delaware is assumed to preserve relatively the same market share despite added competition to the Mid-Atlantic region, we forecast the state’s total handle to annually capture 3.92% of the region’s total horse racing market. Delaware’s total handle is expected to decline in accordance to the region’s forecasted annual decline, foreshadowing the negative impact that the *Baseline* scenario will have on Delaware’s horse racing industry. In 2013, we forecast total handle to be at \$154 million, and by 2017, after consecutive annual declines, total handle is expected to be only \$136 million.

Table 4-28: Handle Projection: Status Quo Scenario

Year	Projected Mid-Atlantic Handle	DE Market Share	Projected DE Handle
2009	\$3,927,208,048	3.92%	\$153,809,825
2010	\$3,766,284,889	3.92%	\$147,507,239
2011	\$3,667,970,288	3.92%	\$143,656,730
2012	\$3,572,222,079	3.92%	\$139,906,734
2013	\$3,478,973,268	3.92%	\$136,254,627

Source: TMG Consulting

*Totals and percentages may not always add up due to rounding.

4.2.2.3 Live Races

Finally, TMG forecasted the total amount of races set each year in the period. Number of live races decreases annually in this scenario because Delaware’s horse racing market share remains static while the regional market declines annually and gross VLT gaming revenues do not lead to higher purse levels. In 2013, we forecast number of live races to be approximately 4,778, and for 2017 we projected 4,076 races.

4.2.2.4 Status Quo Impact Summary

The table below summarizes TMG’s *Status Quo* scenario projection for the horse racing industry in Delaware.

Table 4-29: Horse Racing Impact: Status Quo Scenario

Year	Gross Purses Paid	Total Live Races	Average Purse Paid per Race	Total handle for State	Amount Returned to Bettors (80% of Handle)	Gross Racing Revenue (20% of Handle)	Avg. Revenue per Race
2009	\$76,914,963	4778	\$16,099	\$153,809,825	\$123,047,860	\$30,761,965	\$6,439
2010	\$73,069,215	4700	\$15,547	\$147,507,239	\$118,005,792	\$29,501,448	\$6,277
2011	\$75,261,291	4678	\$16,088	\$143,656,730	\$114,925,384	\$28,731,346	\$6,142
2012	\$76,032,719	4361	\$17,434	\$139,906,734	\$111,925,387	\$27,981,347	\$6,416
2013	\$76,812,055	4076	\$18,844	\$136,254,627	\$109,003,702	\$27,250,925	\$6,685

Source: TMG Consulting

4.2.3 Baseline Scenario

4.2.3.1 Purses

The *Baseline* scenario projects what will happen from 2013-2017 when the state faces established and increased regional competition with no new offerings of its own. The key driver in this scenario, as in the previous scenario, is VLT gaming's revenue impact on gross purses. In this scenario, gross purses have declined to an annual range of \$65.5-\$68 million. The following table shows gross purse projections for the *Baseline* scenario.

Table 4-30: Gross Purses Projection: Baseline Scenario

Year	Gross VLT Revenue	Purses from VLT Revenue	Gross Purses Paid
2013	\$481,525,038	\$48,152,504	\$65,459,755
2014	\$486,460,670	\$48,646,067	\$66,130,717
2015	\$491,446,891	\$49,144,689	\$66,808,557
2016	\$496,484,222	\$49,648,422	\$67,493,345
2017	\$501,573,185	\$50,157,319	\$68,185,152

Source: TMG Consulting

In light of lower than historical purses and increased purse competition due to expanded gaming competition, Delaware's market share is projected to decrease annually in the *Baseline* scenario. Even though Delaware's live handle may not be impacted much by their more distant neighbors like Pennsylvania and New York's increased purse levels, Delaware's tracks have shown an increasing dependency on out-of-state export handles. Support from Delaware's local market simply is not enough to maintain the state's market share in light of increased competition.

To model decline in Delaware's market share, TMG applied an annual discount factor to the state's historical market share beginning in 2011 to reduce it by 1.5% in total by the end of the *Baseline* scenario forecast. Total handle for this scenario was \$114 million in

2013 and declined to \$76 million by 2017. The following table shows TMG’s handle projection for this scenario.

Table 4-31: Handle Projection: Baseline Scenario

Year	Projected Mid-Atlantic Handle	DE Market Share	Projected DE Handle
2011	\$3,667,970,288	3.70%	
2012	\$3,572,222,079	3.49%	
2013	\$3,478,973,268	3.27%	\$113,889,799
2014	\$3,388,158,612	3.06%	\$103,656,495
2015	\$3,299,714,569	2.85%	\$93,879,843
2016	\$3,213,579,258	2.63%	\$84,542,974
2017	\$3,129,692,412	2.42%	\$75,629,592

Source: TMG Consulting

*Totals and percentages may not always add up due to rounding.

Because gross purses and total handles are adversely affected by the dynamics of the *Baseline* scenario, the number of live races follows this trend. Live races were forecast to represent the difficulties track operators will experience in the *Baseline* scenario. With decreased purse levels, decreased handle levels, and a declining regional market, track operators are expected to eventually reduce the number of live races to maintain a competitive average purse per race and also to keep the costs of operations down. TMG has projected total live races to be 3,950 in 2013, declining to 3,406 in 2017.

4.2.3.2 Baseline Impact Summary

The table below summarizes TMG’s *Baseline* scenario projection for the horse racing industry in Delaware.

Table 4-32: Horse Racing Impact: Baseline Scenario

Year	Gross Purses Paid	Total Live Races	Average Purse Paid per Race	Total Handle for State	Amount Returned to Bettors (80% of Handle)	Gross Racing Revenue (20% of Handle)	Avg. Revenue per Race
2013	\$65,459,755	3950	\$16,571	\$113,889,799	\$91,111,839	\$22,777,960	\$5,766
2014	\$66,130,717	3942	\$16,778	\$103,656,495	\$82,925,196	\$20,731,299	\$5,260
2015	\$66,808,557	4063	\$16,445	\$93,879,843	\$75,103,874	\$18,775,969	\$4,622
2016	\$67,493,345	3702	\$18,231	\$84,542,974	\$67,634,379	\$16,908,595	\$4,567
2017	\$68,185,152	3406	\$20,017	\$75,629,592	\$60,503,674	\$15,125,918	\$4,440

Source: TMG Consulting

4.2.4 Projection With Horse or Harness Meets

4.2.4.1 Purses

The *Projection With* horse or harness meets scenario, as it relates to the horse racing industry, is a mix of positives and negatives. Due to expanded gaming operations from the addition of two racetrack casinos, gross VLT gaming revenues are noticeably higher than in the *Baseline* scenario. Higher gross VLT gaming revenues lead to increased purse levels for this scenario, ranging from \$102.5 million in 2013 to \$107 million in 2017. The following table shows the resultant gross purse projections for this scenario.

Table 4-33: Gross Purses Projection: Projection
With Horse or Harness Meets Scenario

Year	Gross VLT Revenue	Purses from VLT Revenue	Gross Purses Paid
2013	\$753,776,574	\$75,377,657	\$102,470,331
2014	\$761,502,784	\$76,150,278	\$103,520,651
2015	\$769,308,188	\$76,930,819	\$104,581,738
2016	\$777,193,597	\$77,719,360	\$105,653,701
2017	\$785,159,831	\$78,515,983	\$106,736,651

Source: TMG Consulting

4.2.4.2 Handle

Delaware’s market share of total handle is not projected to change in this scenario. There were two factors behind TMG’s decision not to model an increase in market share for this situation. First, we considered what happened in Pennsylvania with the addition of two racinos. Presque Isle Downs in 2007 and Harrah's Chester in 2006 were added to Pennsylvania’s racino market. Total handle in the state did not experience growth, and Pennsylvania’s average annual total handle was much lower for 2006-2008 (with additional facilities) than the overall period—8.1% versus -5.8%. From Pennsylvania’s example, we conclude that adding new racetracks does not necessarily increase a state’s horse racing market share, nor does it lead to increased handles.

The second factor behind our decision not to increase Delaware’s horse racing market share was the historical regional decline in the horse racing industry. Demand for horse racing has been falling annually as evidenced by historical negative growth in Mid-Atlantic total handles and stagnant historical growth in Delaware’s horse racing industry from 2002-2008. TMG modeled this scenario to show what happens when two new properties are launched in a market that already appears to be saturated and not growing.

In 2013, we projected total handle for this scenario to be \$136 million, declining annually to result in \$123 million in total handle in 2017. The following table shows handle projections for this scenario.

Table 4-34: Handle Projection: Projection With Horse or Harness Meets Scenario

Year	Projected Mid-Atlantic Handle	DE Market Share	Projected DE Handle
2013	\$3,478,973,268	3.92%	\$136,254,627
2014	\$3,388,158,612	3.92%	\$132,697,854
2015	\$3,299,714,569	3.92%	\$129,233,927
2016	\$3,213,579,258	3.92%	\$125,860,422
2017	\$3,129,692,412	3.92%	\$122,574,978

Source: TMG Consulting

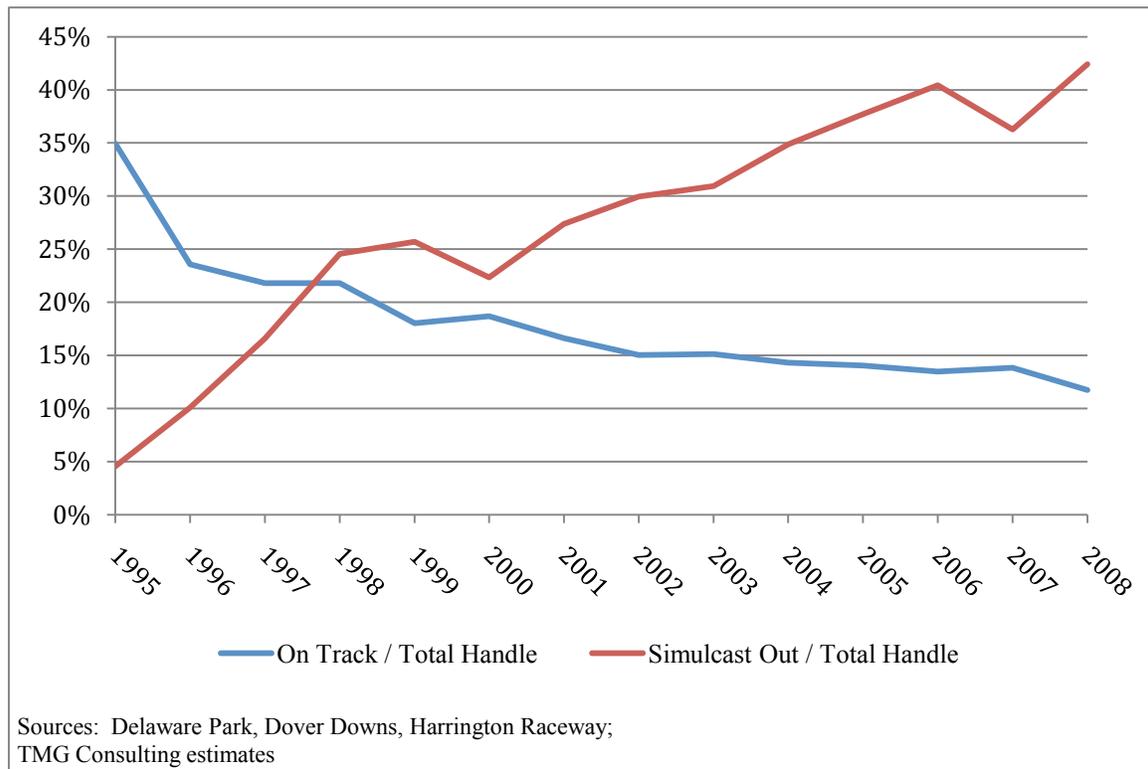
*Totals and percentages may not always add up due to rounding.

4.2.4.3 Live Races

The potential benefits the horse racing industry could have received from increased gross purses are nullified by two things in this scenario. Instead of three properties depending upon gross VLT gaming revenues to invigorate their horse track operations, there are now five. Certainly, some cannibalization occurs in this scenario. Properties in more strategic locations are able to capture a larger share of the gaming market and thus reap higher gaming revenues and purses. Conversely, properties in less strategic locations, which could include existing slot operators, capture smaller shares of the gaming market and thus generate lower gaming revenues and purses than other properties in the state.

The other factor nullifying the benefit of increased gross purses is the supply of horse races exceeding demand. All horse tracks are required to host a minimal amount of races per year, and TMG does not anticipate current track operators willfully reducing the amount of races at their track to accommodate the two new racinos. Secondly, even though all racetrack operators could work together to schedule meets on days that do not conflict with the others, as proposed in the Del Pointe Resort & Casino feasibility study conducted by Sage Policy Group, Inc., tracks will still be in direct competition on non-racing days for simulcast-in revenues, which is a second example of potential market cannibalization effects in this scenario. The chart below compares historical on-track handle to total handle and simulcast out to total handle ratios in Delaware.

Figure 4-20: On-Track Handle vs. Simulcast Out Handle



To model increases in supply, TMG first forecasted the number of live races following the same methodology as used in the previous two scenarios. Next, we inflated number of live races projections with an inflation factor representing increased in-state competition from the two new facilities and their gradual expansion in racing operations. In 2013, live races are inflated by 25%, projecting the two new tracks conduct a minimal amount of races in their earlier period of operations. This rate increases annually, and by 2017, live races are inflated by 67%. TMG projects live races for to be approximately 4,938 in 2013. Live races increase annually peaking in 2016 at 6,166 races and drop down to 6,001 races in 2017. The following table shows live race projections for this scenario.

Table 4-35: Live Race Projection and Inflation:
Projection With Horse or Harness Meets Scenario

Year	Live Race Projection	Inflation Factor	Adjusted Live Race Projection
2013	3,950	1.25	4,938
2014	4,257	1.25	5,321
2015	4,646	1.50	5,808
2016	4,932	1.50	6,166
2017	4,801	1.67	6,001

Source: TMG Consulting

*Totals and percentages may not always add up due to rounding.

4.2.4.4 Projection With Horse or Harness Meets Impact Summary

The net effect of this scenario is that the average revenue per race is much lower than in the *Status Quo* scenario, but not quite as low as in the *Baseline* scenario. The excessive amount of races in this scenario translates to a failure of the state’s racing industry to take advantage fully of higher gross purses, as evidenced in the purse per race forecast and how this projection compares to the other projection scenario. The table below summarizes TMG’s *Projection With* horse or harness meets scenario projection for the horse racing industry in Delaware.

Table 4-36: Horse Racing Impact: Projection With Horse or Harness Meets

Year	Gross Purses Paid	Total Live Races	Average Purse Paid per Race	Total Handle for State	Amount Returned to Bettors (80% of Handle)	Gross Racing Revenue (20% of Handle)	Avg. Revenue per Race
2013	\$102,470,331	4938	\$20,753	\$136,254,627	\$109,003,702	\$27,250,925	\$5,519
2014	\$103,520,651	5321	\$19,453	\$132,697,854	\$106,158,283	\$26,539,571	\$4,987
2015	\$104,581,738	5808	\$18,008	\$129,233,927	\$103,387,142	\$25,846,785	\$4,451
2016	\$105,653,701	6166	\$17,136	\$125,860,422	\$100,688,338	\$25,172,084	\$4,083
2017	\$106,736,651	6001	\$17,786	\$122,574,978	\$98,059,983	\$24,514,996	\$4,085

Source: TMG Consulting

4.2.5 Projection Without Horse or Harness Meets

4.2.5.1 Purses

The final scenario the horse racing impact model forecast is *Projection Without* horse or harness meets. In this scenario, two standalone VLT facilities enter the Delaware market. The governing assumption about these two properties as they relate to the horse racing industry is that they will contribute 10% of their gross VLT gaming revenues to purses, which will be distributed to the three racetracks. Because these new locations capture new and previously lost portions of the gaming population, gross VLT gaming revenues are noticeably higher than in the *Baseline* scenario in which Delaware does not expand its gaming market.

In fact, gross VLT gaming revenues and gross purses are exactly the same in this projection as in the previous *Projection With* scenario because TMG estimates no difference in gross VLT revenues between two racinos and two standalone facilities, and estimates that both market configurations will attract the same volume of gaming business. The table below shows purse projections for this scenario.

Table 4-37: Gross Purses Projection:
Projection Without Horse or Harness Meets Scenario

Year	Gross VLT Revenue	Purses from VLT Revenue	Gross Purses Paid
2013	\$753,776,574	\$75,377,657	\$102,470,331
2014	\$761,502,784	\$76,150,278	\$103,520,651
2015	\$769,308,188	\$76,930,819	\$104,581,738
2016	\$777,193,597	\$77,719,360	\$105,653,701
2017	\$785,159,831	\$78,515,983	\$106,736,651

Source: TMG Consulting

4.2.5.2 Handle

The major difference between this projection and *Projection With* horse or harness meets, is that this time the horse racing side of the equation is not adversely impacted by additional in-state competition and higher gross purses can be leveraged to increase the quality of races, resulting in attracting more bettors and increasing the state's market share of total handle.

Cannibalization of horse betting in Delaware from added VLT venues is projected to be negligible due to Delaware's increasing dependency on simulcast out handles. Handles are adjusted by market share as in previous scenarios. In this scenario, due to increasing its competitiveness in gross purses but offset somewhat by projected purse competitiveness in all states, save for New Jersey which is forecast not to have new gaming facilities outside of Atlantic City, we conservatively model Delaware's market share of handles to grow by two percent, from 3.92% to 5.92%, with even annual growth throughout the projection period.

Due to Delaware's increased market share size, total handle in this projection actually experiences positive annual growth despite a declining Mid-Atlantic market. Total handle for the state increases from \$150 million in 2013 to \$185 million by 2017. The following table shows projected handles for this scenario.

Table 4-38: Handle Projections: Projection Without Horse or Harness Meets

Year	Projected Mid-Atlantic Handle	DE Market Share	Projected DE Handle
2013	\$3,478,973,268	4.32%	\$150,170,520
2014	\$3,388,158,612	4.72%	\$159,803,123
2015	\$3,299,714,569	5.12%	\$168,830,502
2016	\$3,213,579,258	5.52%	\$177,277,690
2017	\$3,129,692,412	5.92%	\$185,168,826

Source: TMG Consulting

*Totals and percentages may not always add up due to rounding.

4.2.5.3 Live Races

Number of live races is modeled in this projection to respond to an invigorated state horse racing market. TMG projected overall modest positive growth in number of live races from 2013-2017 ranging from approximately 4,280 races in 2013 to a peak value 4,376 races in 2016. Delaware’s racetracks are able to have a higher amount of races per year and average revenue per race in this scenario than in the *Baseline* and *Projection With* horse or harness meets scenarios due to Delaware’s horse racing market growth outpacing the decline of the regional market.

4.2.5.4 Projection Without Horse or Harness Meets Impact Summary

The table below summarizes TMG’s *Projection Without* horse or harness meets scenario projection for the horse racing industry in Delaware.

Table 4-39: Horse Racing Impact: Projection Without Horse or Harness Meets

Year	Gross Purses Paid	Total Live Races	Average Purse Paid per Race	Total Handle for State	Amount Returned to Bettors (80% of Handle)	Gross Racing Revenue (20% of Handle)	Avg. Revenue per Race
2013	\$102,470,331	4280	\$23,943	\$150,170,520	\$120,136,416	\$30,034,104	\$7,018
2014	\$103,520,651	4231	\$24,465	\$159,803,123	\$127,842,499	\$31,960,625	\$7,553
2015	\$104,581,738	4388	\$23,832	\$168,830,502	\$135,064,402	\$33,766,100	\$7,695
2016	\$105,653,701	4595	\$22,993	\$177,277,690	\$141,822,152	\$35,455,538	\$7,716
2017	\$106,736,651	4376	\$24,391	\$185,168,826	\$148,135,061	\$37,033,765	\$8,463

Source: TMG Consulting

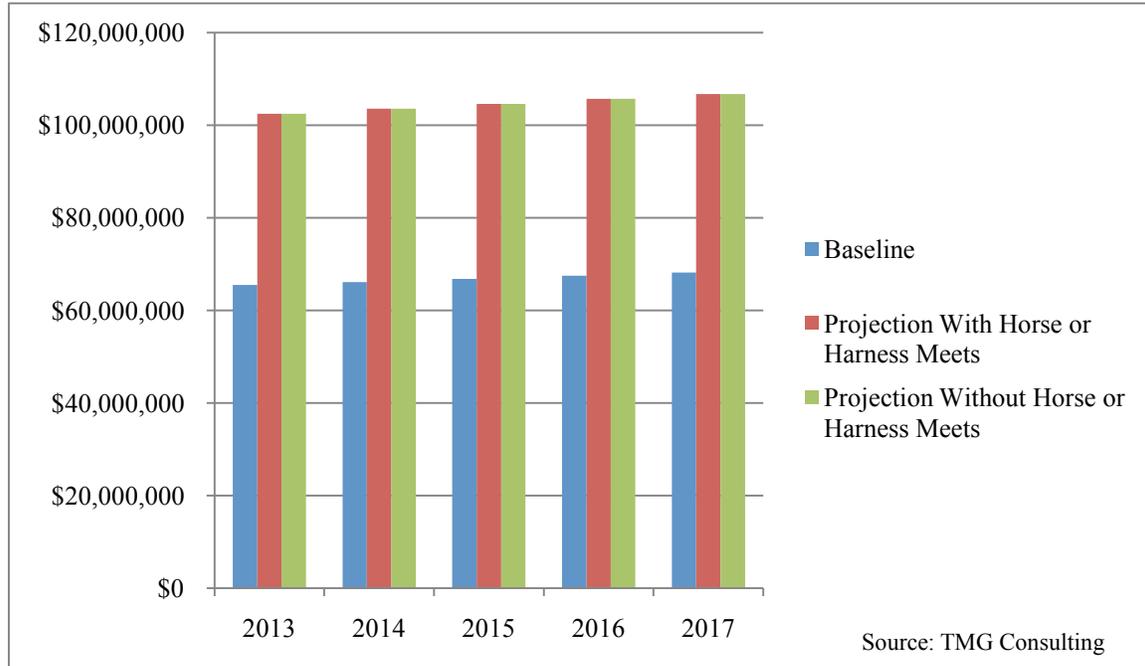
4.2.6 Comparison of Baseline and Projection Scenarios

The following discussion and accompanying charts serve the purpose of conveying how each scenario has a different impact to the horse racing industry in Delaware and how the scenarios stack up against each other.

4.2.6.1 Purses

In terms of gross purses, the *Baseline* scenario yields lower purses than both *Projection* scenarios and only experiences modest growth throughout the projected period from approximately \$65 million in 2013 to \$68 million in 2017. The outcome of not expanding the gaming market to confront regional competition for gaming revenues is reduced purse sizes. Conversely, both *Projection* scenarios capture a larger amount of gaming revenues due to expanded gaming operations in Delaware, and purse levels benefit from this. In both *Projection* cases, gross purse levels are the same and experience modest growth during the projection period, starting at approximately \$102.5 million in 2013 and growing to about \$107 million by 2017.

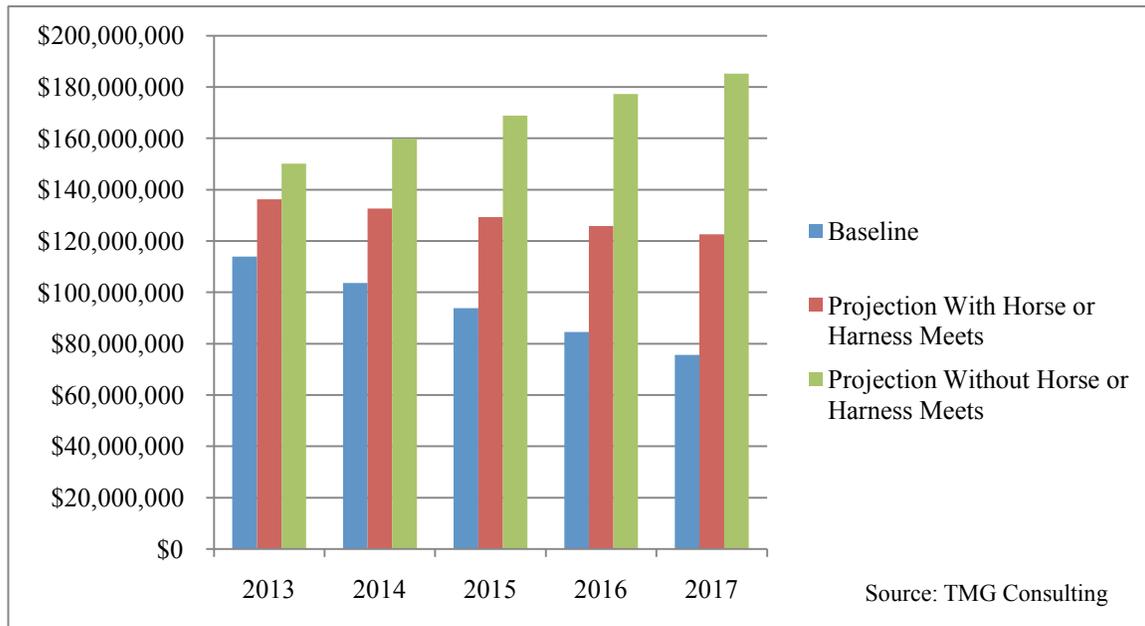
Figure 4-21: Gross Purses



4.2.6.2 Handle

Total handle growth among the *Baseline* and both *Projection* scenarios shows how each scenario fares against increased competition in the Mid-Atlantic’s horse racing industry. In the *Baseline* scenario, total handle declines annually from approximately \$114 million to \$76 million, due to less competitive purses driving down market share and a declining market overall. In *Projection With* horse or harness meets, total handle is initially high in 2013, but due to added in-state competition for purses, total handle declines annually from \$136 million in 2013 to \$123 million in 2017. *Projection Without* horse or harness meets yields the highest total handles, and is the only scenario of the three to experience positive annual growth in total handle. Under this scenario, TMG projects that Delaware’s horse track operators maximize the benefit of additional gross VLT gaming revenues to improve the quality of their races through purses awarded and, consequently, increase their market share size.

Figure 4-22: Total Handle

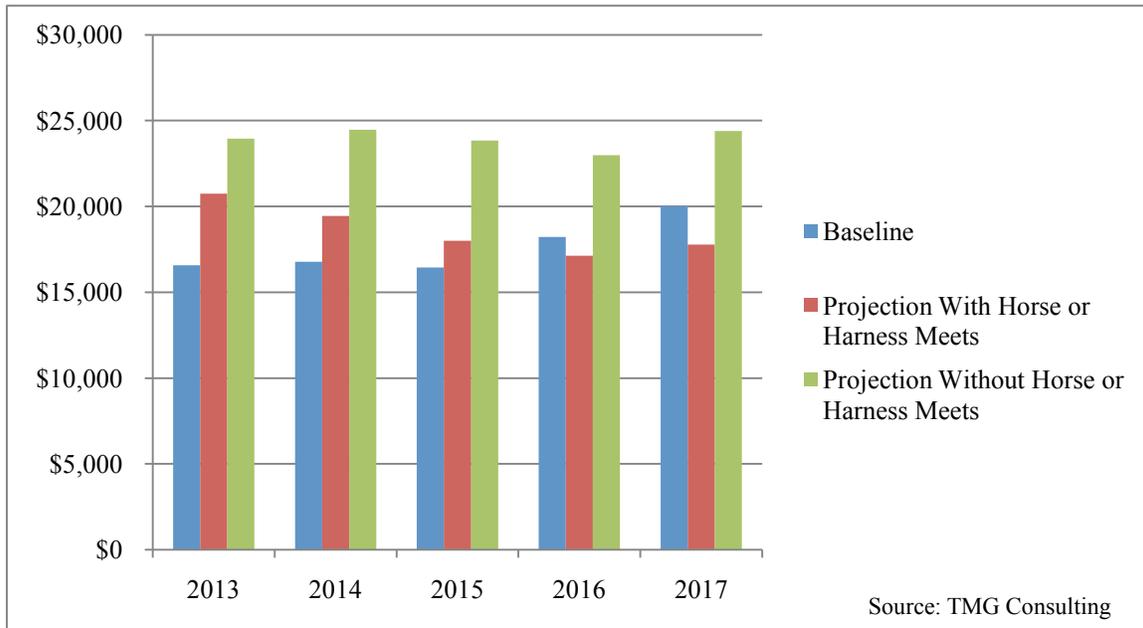


4.2.6.3 Purse per Race

The *Baseline* scenario initially experiences the lowest average purse per race, but as the additional properties in the *Projection With* horse or harness meets scenario expand their racing operations in terms of number of live races, supply exceeds demand and the average purse per race for this scenario falls behind the *Baseline* Scenario's average. The *Projection Without* horse or harness meets scenario enjoys the highest average purse per race levels out of all the scenarios. Making good use of increased purses, the properties in this projection ensure competitive purse levels and an appropriate number of live races per year as opposed to the *Projection With* horse or harness meets scenario's struggle with balancing number of races with market demand.

To further put things into perspective, *Baseline* has an average purse per race of \$16,600 in 2013, *Projection With* has an average of \$20,800, and *Projection Without* has an average of \$24,000. By 2017, *Baseline* has an average purse per race of \$20,000, *Projection With* has \$17,800, and *Projection Without* has \$24,400.

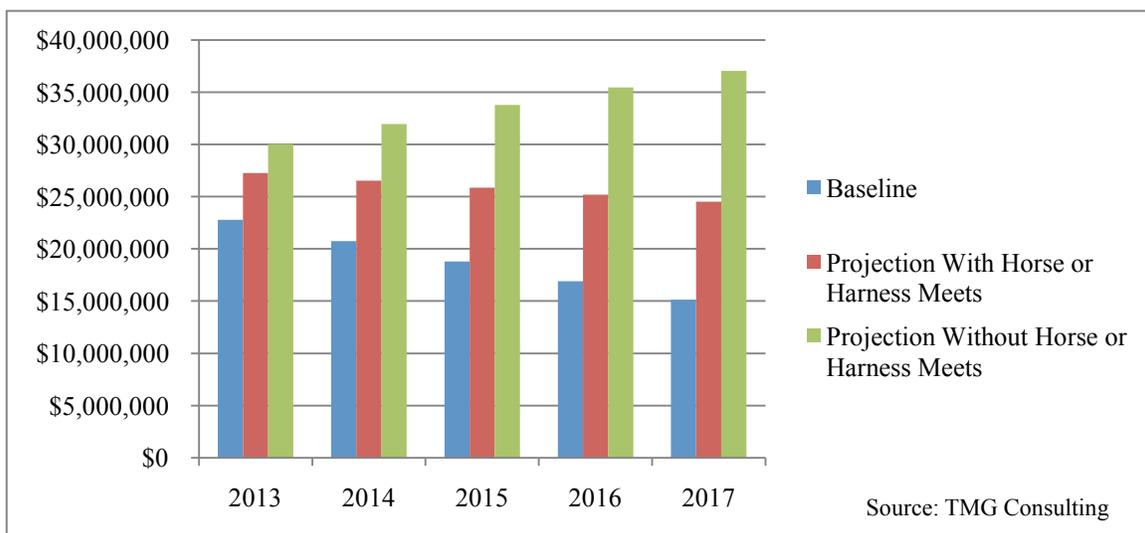
Figure 4-23: Average Purse Per Race



4.2.6.4 Gross Racing Revenue

Due to decreasing annual total handles, *Baseline* experiences the worst decline in gross racing revenues. It drops from \$22.8 million in 2013 to \$15.1 million by 2017. While the *Projection With* fares better in collecting gross racing revenues than does *Baseline*, it too suffers from a decline in revenues. Gross racing revenues for this projection drop from \$27.3 million to \$24.5 million during the projected period. *Projection Without* experiences positive growth in gross racing revenues throughout the period, starting with \$30 million in 2013 and ending with \$37 million in 2017.

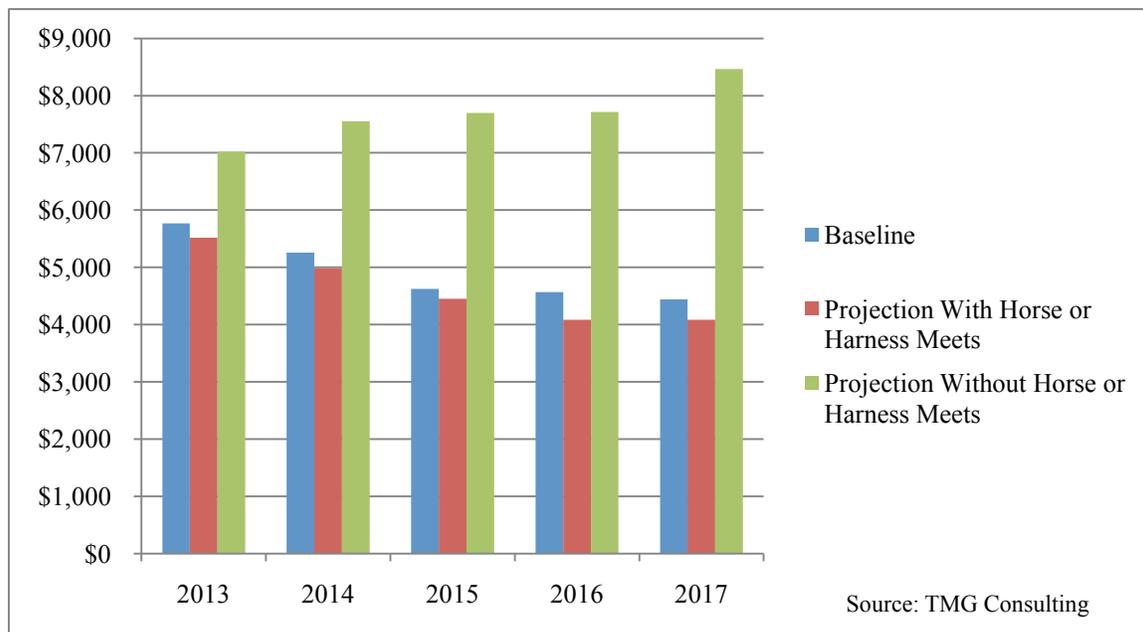
Figure 4-24: Gross Racing Revenue



4.2.6.5 Average Revenue per Race

Both *Baseline* and *Projection With* experience negative growth in average revenue per race, while *Projection Without* experiences overall positive growth in this average throughout the projected period. In 2013, *Baseline* has an average revenue per race of about \$5,800, and by 2017, it has an average of approximately \$4,500. Under the *Projection With* scenario there are simply too many races in the market per year which adversely impacts average revenue per race, making this projection scenario the worst performing scenario on this metric. In 2013, *Projection With* has an average of \$5,500 in revenues per race, and in 2017, it has an average of \$4,100. Benefiting from an increased market share, track operators in *Projection Without* experience significant growth in average revenue per race. In 2013, this projection scenario yields an average of \$7,000 per race. In 2017, *Projection Without* yields nearly \$8,500 per race.

Figure 4-25: Average Revenue per Race



4.2.7 Note Regarding a Mixed Projection Scenario: One New Facility With Racetrack, One New Facility Without Projection

If Delaware were to grant two additional VLT licenses, one for a racetrack casino and one for a standalone facility, (hereafter referred to as the *Mixed Projection* scenario), the expected outcome for this would be somewhere between TMG's *Projection With* and *Projection Without* scenarios.

4.2.7.1 Purses

Total Purses would be expected to remain the same in the projection scenarios because, as previously established, neither configuration of additional facilities is projected to have any impact on gross gaming revenues.

4.2.7.2 Total Handle and Number of Live Races

TMG previously established that adding additional racetracks to Delaware's horse racing market diminishes the benefits increased gross gaming revenues and gross purses have on the horse racing industry. In the *Projection Without* scenario, the three existing racetracks are able to maximize the growth in gross gaming revenues by having increased annual gross purses. The state horse racing industry would likely improve its regional level of competition, and consequently, the state's market share of total handle in the Mid-Atlantic region could grow.

In the *Projection With* scenario, TMG established that adding two new racetracks to the state's horse racing industry would likely nullify the benefits of increased gross purses. The addition of more racetracks increases the amount of live races per year; and the more races, the lower the average purse per race. Because the average purse per race experienced no substantial improvement in this projection over the *Status Quo* projection, *Projection With*'s market share of regional total handle does not experience positive or negative growth.

In the *Mixed Projection* scenario, the number of live races per year would be in between the other two projections. Therefore, Delaware's horse racing industry would be able to partially leverage the increase in gross purses, and Delaware's market share of total handle would experience positive growth, albeit less growth than the *Projection Without* scenario. Total handle for this scenario would be between the total handles established in the other two projections. The *Mixed Projection* scenario would also have gross racing revenues that fall between those of the other two projection scenarios.

SECTION 5: SOCIOECONOMIC IMPACT ASSESSMENT

The potential revenue generated by each scenario has been discussed, but the implications to maintain current facilities or expand the gaming industry into other parts of the state require a complex analysis of many other impacts on the community. The following section discusses the socioeconomic impact of each of the four scenarios on a wide range of factors in the Delaware community. Beginning with an assessment of direct and indirect employment, TMG assesses the market impact of each scenario including direct and indirect tax revenues and property values. TMG also provides a cursory discussion of cannibalism, and other negative social impacts that are often attributed to the gaming industry. The conclusions of this analysis should complete the story for each scenario.

5.1 IMPACT ON PROPERTY VALUES

Projecting changes in property value that may occur if new or additional gaming opportunities were introduced to a community is a speculative task. The only substantial data available are case studies of other communities and housing trends. This study looks at three communities with different gaming scenarios and analyzes property values over time. A brief analysis of the housing market in the United States and the state of Delaware are also included as points of comparison used to determine how the housing market has fared historically. It is important to note that these analyses offer only a correlation between an area's gaming circumstances and the activity in the housing market; direct causation would only be possible with a large-scale study of data and information sources that are not be publically available.

5.1.1 United States Property Values

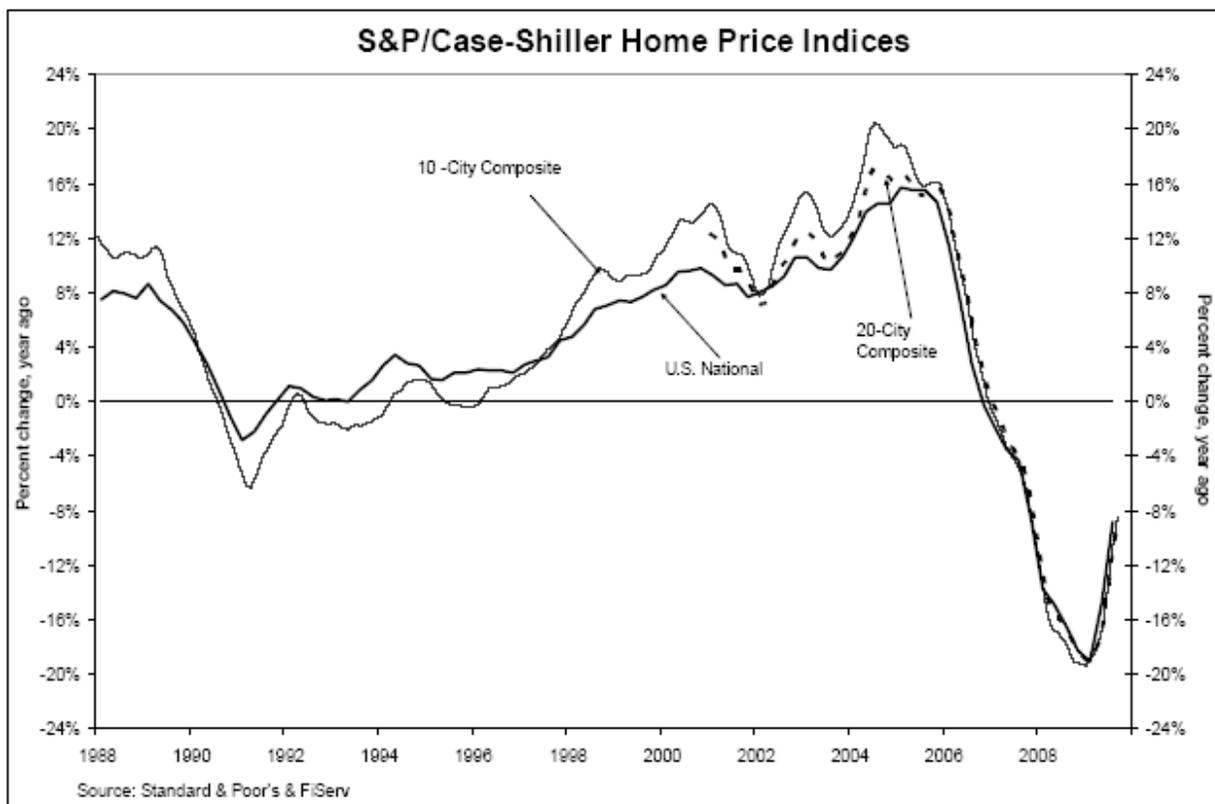
Data on the residential housing market is used as an indicator for overall property values in an area. Though properties of different uses such as commercial, retail, office and industrial space are affected differently during different economic situations, the trends of the residential market are more indicative of the performance of economies on the national, state and local levels since they are directly impacted by the economic status of the population. Since 2006, the residential housing market has been on a staggering decline, culminating in a national recession. As a result of this decline, other property markets have also been negatively affected; the price per-square-foot of office, commercial and retail space has declined as a result of cutbacks in consumer spending habits. Though this study will not delve into the intricacies of commercial and office space declines, plenty of evidence exists to support the claim that the values of such properties have also been affected as a result of the national recession.

In the housing market a number of factors are correlated to the decline in property values, such as the increase in defaulting mortgages and foreclosures due to issues such as heightened unemployment and inflation on adjustable rate mortgages. In recent years many home-owners have been unable to afford their mortgages and have been further

affected by the decline in property value, many owing more on a home than it is worth. When such circumstances become an epidemic on the national level, it can take additional time for the housing market to stabilize even if it begins to experience growth.

One way to measure the behavior of the housing market on the national level is to use the Standard & Poor/Case-Shiller Home Price Indices. These indices are constructed to accurately track the price path of typical single-family homes located in 20 metropolitan areas and 3 aggregated composites. The S&P/Case-Shiller National U.S. Home Price Index is a quarterly composite of single-family home price indices for the 9 U.S. Census divisions and is a value-weighted average of 10 metro area indices, while the S&P/Case-Shiller 20 City Composite is a value-weighted average of all 20 metro area indices. The figure below compares all three of these market groups.

Figure 5-1: United States Home Price Index



Source: Standard & Poor November 2009 Press Release

While the three composite indices cover different portions of the market, with the national being the broadest, they track each other very closely and tell the same story. Nationally, home prices appreciated in value over the decade spanning 1996-2006 (often at double-digit rates). Then prices peaked in 2006 and were in record decline with annual rates approaching -20% in 2008.

The S&P/Case-Shiller Home Price Indices were able to illustrate the historic declines in regional and national home prices over the past two years. As of October 2008, the index levels for the S&P/Case-Shiller 10 and 20 City Composites were back to their early 2004 levels, meaning that home prices in October 2008 had returned to their pre-2004 figures. Any gains in home prices during the 2004-2006 increases were given back in the last two years. The same is true for the S&P U.S. National Home Price Index.

Data through September 2009 show that the U.S. National Home Price Index improved in the third quarter of 2009, posting its second consecutive quarterly increase and further improvement in its annual rate of return.

According to a new report by Housing Predictor, which forecasts more than 250 local housing market futures in all 50 U.S. states, the national housing market would begin to recover in late 2009. The effects of the rapid growth and decline in the housing market in previous years will have long-standing impacts on the housing market and consumer's ability to purchase housing or to obtain mortgages.

5.1.2 Indicators of Property Values

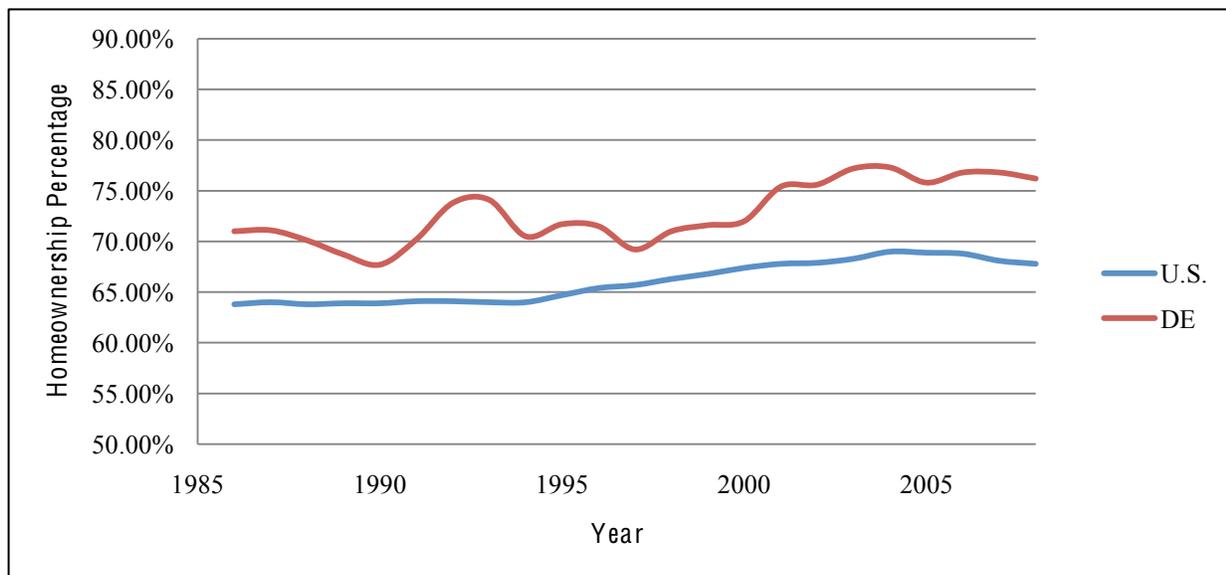
Certain social and economic conditions are indicators of property values and their likelihood to increase or decrease over time. These indicators include population density, household income, and unemployment rates among many other factors. In addition, industry professionals, such as property appraisers, use other indicators including new-home sales, housing starts, producer prices, and mortgage rates. The market favors property values in times when demand for homes is high, construction on new units increases and mortgage rates are low, whereas the property values are at their lowest when housing demand is low, construction on new units falters and interest rates on mortgages are high. In recent years, as a result of the decline property values and the inability for consumers to purchase homes or support the addition on new construction, the government has stepped in to offer incentives to stimulate the economy.

In 2009, to stimulate the housing market, the federal government began providing tax incentives of up to \$8,000 for home purchases before April 30, 2010. In addition, the Federal Reserve has kept the federal funds rate between 0% and .25% which allows banks to make low-interest loans to each other. In addition, the Federal Reserve Bank has purchased approximately \$175 billion in Fannie Mae and Freddie Mac debt. Due to the Federal Reserve's low interest rates, mortgages are being offered rates still affordable to consumers, allowing them to purchase homes. These incentives have been credited with stimulating home sales in 2009 and keeping housing prices from plummeting further. October 2009 home sales rose by 10.1% compared to September 2009 figures, climbing to the highest level in two and a half years according to a November 2009 report by the National Association of Realtors. By spring 2010, the tax incentive for home purchases will no longer be in effect, and the Federal Reserve anticipates having higher interest rates by that time as well. Speculators believe that these two events will lead, once again, to a decline in home sales unless other factors, such as steady employment and income of the local population, offset the lack of government incentives.

5.1.3 Delaware Property Values

As detailed in the previous section, median sales prices in the United States have been on a decline. According to the Delaware State Housing Authority (DSHA), Delaware has traditionally maintained one of the highest homeownership rates in the country—well above the national average. The figure below compares the homeownership rate in the United States and Delaware between the years 1986 and 2008. From this graph it is evident that Delaware has had greater homeownership rates than the national average with figures climbing towards 80% in the state while remaining below 70% nationally.

Figure 5-2: U.S. and Delaware Homeownership Rates Comparison



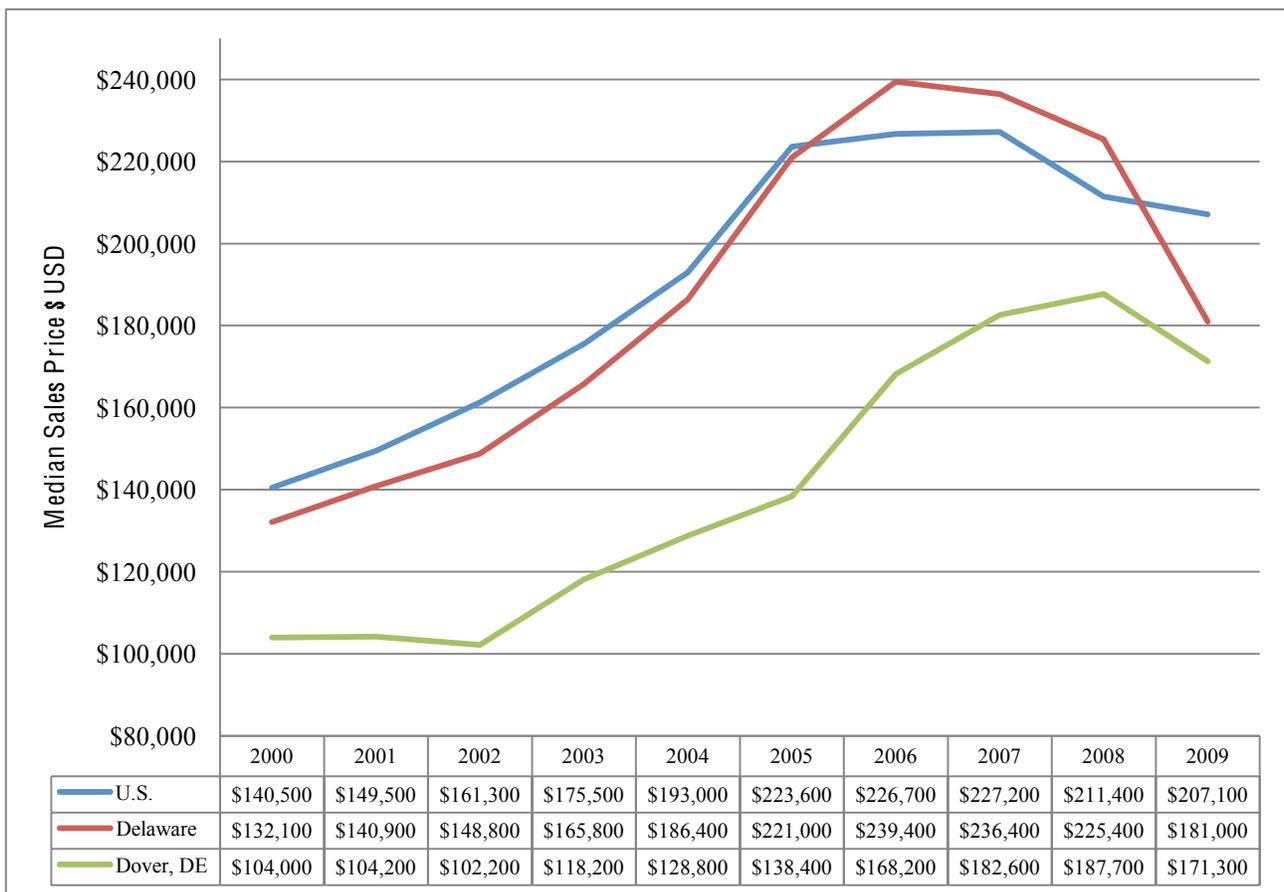
Source: Delaware State Housing Authority “U.S. and Delaware Homeownership and Vacancy Rate, 1986-2008”

In 2008, Delaware’s homeownership rate was 76.2% compared to the national rate of 67.8%, according to a report filed by the DSHA. Delaware, like most states across the nation, has experienced a menacing increase in foreclosure filings. While historically the state has averaged about 2,000 each year, that number more than doubled to 4,500 in 2008. The trend continued into 2009 and Delaware is currently on track to have over 6,000 by the end of the year. Not all filings result in foreclosures, but the picture is nonetheless indicative of the faltering real estate market.

In a proactive effort to help stem the tide of foreclosures, DSHA worked with numerous partners to create the Delaware Emergency Mortgage Assistance Program (DEMAP). Since its inception in 2007, the program has received nearly \$3 million in funding from several sources. This assistance, along with federal programs aims to curb the effects of the national recession and the diminished strength of the real estate market.

Though housing prices in Delaware have declined with the national trend they have done so at a much faster rate than the national average in the past three years, indicating that the property values in Delaware have been disproportionately affected by negative market changes. The figure below is a comparison of median home sales prices between the United States, the state of Delaware, and the city of Dover, Delaware. The data for this section was collected from Zillow, a website dedicated to providing housing statistics to real estate professionals. Zillow compiles and projects data like median home sales prices based on data reported by various agencies. The city of Dover was included in the comparison to reflect the home sale activity in an urban area of the state. The chart shows that the median sales prices in Dover were lower than that of Delaware and the United States but followed a similar trend of growth and decline in the past nine years. In contrast, the housing market in Dover peaked in 2008 with a median home sales price of \$187,700, whereas Delaware peaked in 2006 and the United States in 2007 with median home sales prices of \$239,400 and \$227,200 respectively. The figures for 2007 through 2009 are most indicative of the Delaware market’s relative strength in comparison to the United States. As the figure below indicates, Delaware experienced a dramatic decrease of 23.4% in median home sale price from 2007-2009 from \$236,400 to \$181,000, while the United States experienced an 8.7% decrease from \$227,000 in 2007 to \$207,100 in 2009

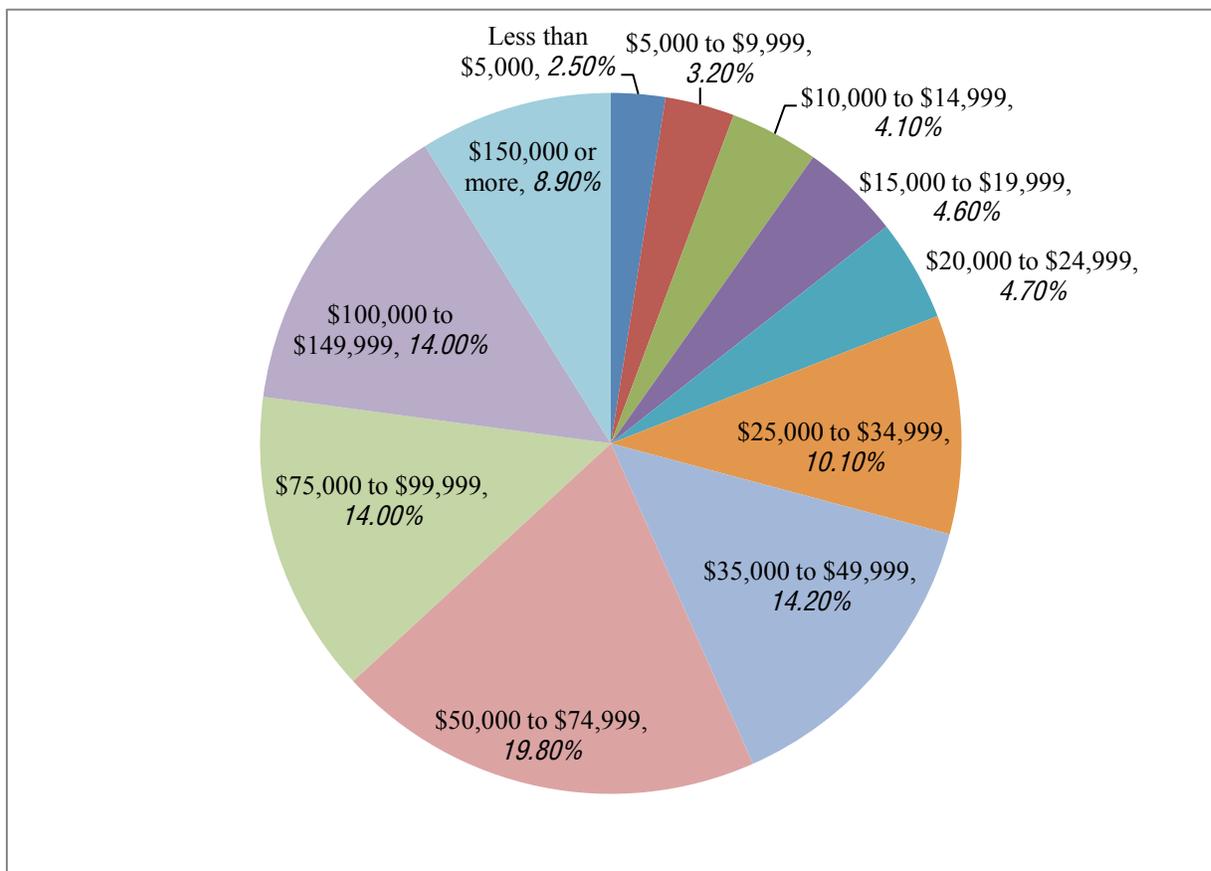
Figure 5-3: Median Homes Sale Price Comparison
United States, Delaware, and Dover, DE 2000-2009



Source: Zillow Index Median Sales Price

The United States has 112,386,298 housing units based on 2006-2008 census estimates. As the figure below indicates, Delaware has 325,746 occupied housing units representing nearly 2.9% of the nation's occupied housing stock. Of these units in Delaware, 19.8% have a household income of \$50,000 to \$74,999 whereas the United States has 18.8% in the same income range. In Delaware the median home value was reported as \$239,700, significantly higher than the national median home value of \$192,400, a difference of 19.7%. Compared to the national average, Delaware is considered one of the wealthier and more stable states historically and during the recession because homeownership, employment rates, and median home value have statistically been higher than the national average.

Figure 5-4: Delaware – Household Income



Source: U.S. Census 2006-2008 Estimates

5.1.4 Property Values and Gaming Case Studies

Based on the research for this study, it is evident that a gaming facility may have an impact on property values if it affects the market enough to stimulate economic growth more than the status quo. For example, if a facility creates more jobs and increases household income in the community, it may in-turn result in higher property values due

to consumer's ability to purchase homes and support local retail and commercial establishments. Conversely, if a facility does not create more jobs and instead cannibalizes from the local community, the property values will likely remain unchanged unless the local average income changes significantly. The case studies included in this section contain examples of three types of communities, each revealing a different economic situation based on a unique gaming scenario.

5.1.4.1 Case Study 1: Jefferson County West Virginia, location of Charles Town Races and Slots (horse racing and slot machine gaming)

Jefferson County, West Virginia is located in the northeastern portion of the state and is less than 70 miles from the metropolitan Washington, DC area.

One of the attractions that has generated a lot of revenue in the area is the Charles Town Races and Slots (CTRS) facility. The facility operates about 70 miles from Baltimore and Washington, DC and attracts 4 million visitors each year. CTRS has more than 5,000 slot machines, along with live and simulcast horse racing. It has hosted live Thoroughbred racing since 1933, and it began offering gaming to visitors in 1997.

A report entitled "The Economic Impact of Charles Town Races and Slots" was released in October 2009. This report includes detailed statistics for the CTRS facility and the impact the facility has had on the surrounding community and state. According to the report, CTRS generated \$448 million in gross revenue in 2006, the highest amount of any racino venue in the country at the time. In addition, the horse track generated \$218,298,545 in handles, representing approximately 31% of total state-wide racing revenues.

Compared to state and national trends, CTRS is performing better than its competitors. Annual purses have grown from \$5,065,422 in 1997 to \$39,456,525 in 2008, representing a 678.9% increase. Charles Town also has more than 200 racing days per year, compared to 140 in neighboring Maryland. Part of what makes the race track component at CTRS function is the increased funding of purses, supplemented by Video Lottery Terminal profits. The daily purse at CTRS grew from \$31,858 in 1997 to \$172,299 in 2008. Of the \$39,456,526 total purses in 2008 85% of the funding, or \$33.4 million, came from slots gaming sources. Without the infusion of VLT funding, the CTRS facility would be unable to host high stakes races.

The table below presents population and housing statistics for Jefferson County from 1990 and 2000 census figures, as well as 2009 estimated and 2014 projected figures for the available categories.

Table 5-1: Jefferson County, WV Housing Statistics

Jefferson County, WV	Year				Percent Change			Average Annual Growth		
	1990	2000	2009	2014	1990-2000	2000-2009	1990-2009	1990-2009	2000-2009	2009-2014
Population	35,926	42,165	52,298	56,181	17%	24%	46%	2.1%	2.7%	1.4%
Total Households	12,914	16,156	20,003	21,910	25%	24%	55%	2.5%	2.7%	1.8%
Median Household Income	\$30,941	\$44,396	\$51,161	\$54,244	43%	15%	65%	2.8%	1.8%	1.2%
Total Owner Occupied Housing Units	9,286	12,225	15,210		32%	24%	64%	2.8%	2.8%	
Total Renter Occupied Housing Units	3,628	3,901	4,796		8%	23%	32%	1.6%	2.6%	
Median Home Value	\$84,100	\$116,685	\$234,465		39%	101%	179%	5.9%	9.1%	

Source: 1990 Census, 2000 Census, MapInfo

* CTRS installed VLTs in 1997.

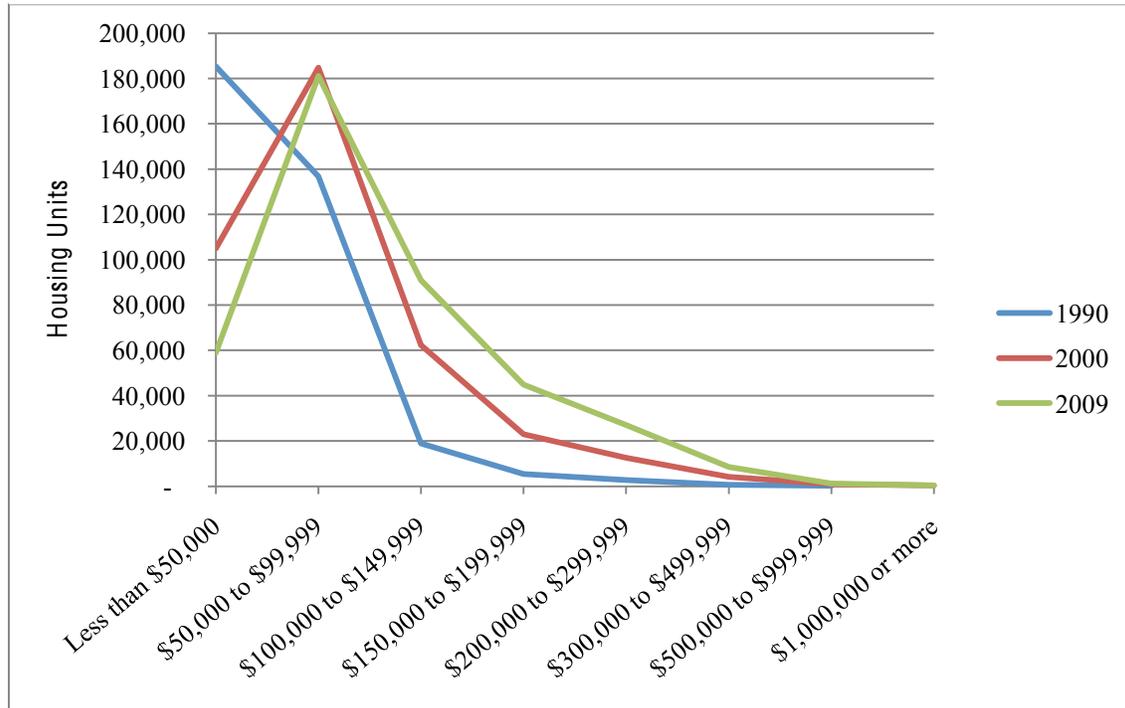
The county has experienced population growth of 45% between the 1990 and 2009. In addition, the population is expected to grow from 52,298 in 2009, to a projected 56,181 in 2014. Median household income has also grown since a 1990 figure of \$30,941 to an estimated \$51,191 in 2009 and a projected \$54,244 in 2014 which represents a 65% change between 1990 and 2009. Of the three counties studied for this report Jefferson had the greatest percent increase in population from 1990 to 2009.

Total households in the county grew to accommodate the growth in population. From 1990 to 2000 the number of households grew from 12,914 to 20,003, a 55% change. In 1990 the county had 9,286 owner-occupied housing units. Owner-occupied units represent the population's home-ownership and do not include rental or seasonal properties. The number of owner occupied housing units grew from 12,225 in 2000 to 15,210 in 2009, a percent change of 64% from the 1990 figure. Over the same time-period the average annual growth of rental units grew by 2.6%, but overall represented a lesser proportion of the housing stock indicating an upward trend towards home-ownership among the growing population. The percentage of total households living in rental units declined from 28.1% in 1990, 24.1% in 2000, to 23.9% in 2009.

Median home value also grew significantly with a percent change of almost 179% between 1990 and 2009, from a median home value of \$84,100 to an estimated median home value of \$234,465. Yearly, this represents an average annual growth of 9.1%. This growth in median home value is the greatest of all the cases studied for this report.

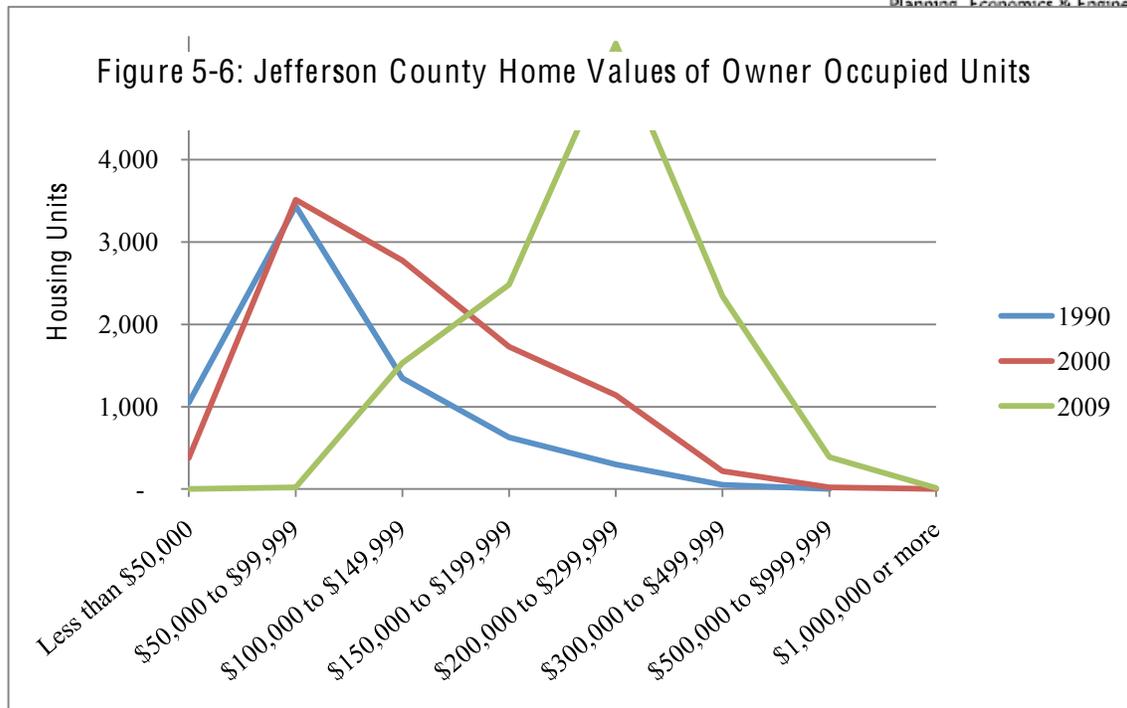
Home values in West Virginia have been consistently lower than the other counties studied for this report. The figure below shows that for the three years data was collected, most homes have been valued below \$99,000 which is unique because 2009 estimates do not indicate that the state had any significant increases in home values during the housing boom. Though there were more units valued in higher price ranges in the year 2009, the distributed proportion of home values nearly mirrored 2000 figures.

Figure 5-5: State of West Virginia Home Values of Owner Occupied Units



Source: 1990 Census, 2000 Census, MapInfo

In the 1990 and 2000 censuses, Jefferson County performed similarly to the state average with most homes valued between \$50,000 and \$99,000. The most staggering shift between the county and state is in the 2009 estimates when the most homes on the state level are valued at the \$50,000 to \$99,999 range, whereas the highest number of homes in Jefferson County is valued in the \$300,000 to \$499,999 range. The performance in home values in Jefferson County were well above the state average, which may have resulted from the economic activity produced by the casino, racetrack and other businesses that were created as a result of the economic stimulus in the area.



Source: 1990 Census, 2000 Census, MapInfo

5.1.4.1.1 Preserving Farmland Property Values

Sustaining a horse racing facility in Jefferson County has also contributed to sustaining property values of undeveloped farm land. According to The American Farmland Trust, it is estimated that 2.2 million acres of land are lost every year in the United States due to the pressures of development. Preservation of the agricultural community in Jefferson County ensures agricultural product production, open space protection and the enhancement of tourism, thus the horse racing facilities have allowed the community to continue investment in agricultural and equine industries and offset the pressure to develop. The horse racing industry creates a demand for equine farms, boarding, breeding and training facilities, and agricultural production of feed, as well as veterinary locations within a reasonable distance from the racing facility. All of these facilities require agricultural land that may otherwise be considered more valuable for other uses.

Between 2002 and 2007, Jefferson County farmland improvements became more evident. During this period the number of county farms increased from 474 to 546, a 15% increase in an industry that has been experiencing substantial decline nationwide.

CTRS fosters a significant economic impact in the surrounding community, as it is large enough to employ a significant number of full-time and seasonal employees. The 780 CTRS employees who reside in Jefferson County make up 1.5% of the county's 2009 population estimate of 52,298 people. The average wage rate in the area is between \$13.42 and \$14.88 per hour, while the state's minimum wage is \$7.25. The unemployment rate in the county has been approximately 3.4% with a high of 6.9% in 2009, comparatively lower than the state rate of 8.6% and the national average of 9.7%.

CTRS has had a significant impact on Jefferson County. The facility has created jobs with competitive wages, infused local businesses with tourism and positively affected the preservation of farmland. Property values have increased significantly higher than state averages, indicating that the presence of CTRS in the county may have impacted these trends.

5.1.4.2 Case Study 2 – Newport County, RI Newport Grand Casino (slots only)

The Newport Grand Casino, the gaming destination in Newport County, has been owned and operated since 1976 and employs approximately 250 people. The facility first opened as a jai alai gaming center and has continued to change throughout the years. In 1991 simulcast dog and horse races were added, however the big change came in 1992 with the installation of video lottery terminals. In 2003 jai alai was discontinued due to direct losses of about \$2.5 million annually. Beginning in August 2007, Newport Grand invested \$28 million to transform the former jai alai fronton space into 22,000 square-feet of gaming and entertainment space to add 500 slot machines, six virtual blackjack tables, two new food and beverage outlets, enhanced security operations, and back of house functions. Newport Grand now offers more than 1,500 slot machines and simulcast wagering to tracks across the country.

According to the U.S. Census Bureau, Newport County, Rhode Island has a total area of 314 square miles, of which 104 square miles of it is land and 210 square miles of it is water. The table below includes population and housing statistics from 1990 and 2000 census figures, as well as 2009 estimated and 2014 projected figures for the available categories.

Table 5-2: Newport County, RI Housing Statistics

Newport County, RI	Year				Percent Change			Average Annual Growth		
	1990	2000	2009	2014	1990-2000	2000-2009	1990-2009	1990-2009	2000-2009	2009-2014
Population	87,120	85,387	80,212	81,243	-2%	-6%	-8%	-0.5%	-0.8%	0.3%
Total Households	32,657	35,209	37,843	38,194	8%	7%	16%	0.8%	0.9%	0.2%
Median Household Income	\$35,829	\$50,472	\$57,912	\$59,235	41%	15%	62%	2.7%	1.7%	0.5%
Total Owner Occupied Housing Units	19,419	21,699	24,559		12%	13%	26%	1.3%	1.6%	
Total Renter Occupied Housing Units	4,788	13,529	13,305		183%	-2%	178%	5.8%	-0.2%	
Median Home Value	\$160,900	\$164,108	\$276,865		2%	69%	72%	3.1%	6.8%	

Source: 1990 Census, 2000 Census, MapInfo

Newport County has experienced population decline at a rate of -8% between 1990 and 2009, however the population is expected to grow to 81,243 in 2014. Of all the counties studied for the report, Newport was the only one with a reported decline in population during any time period.

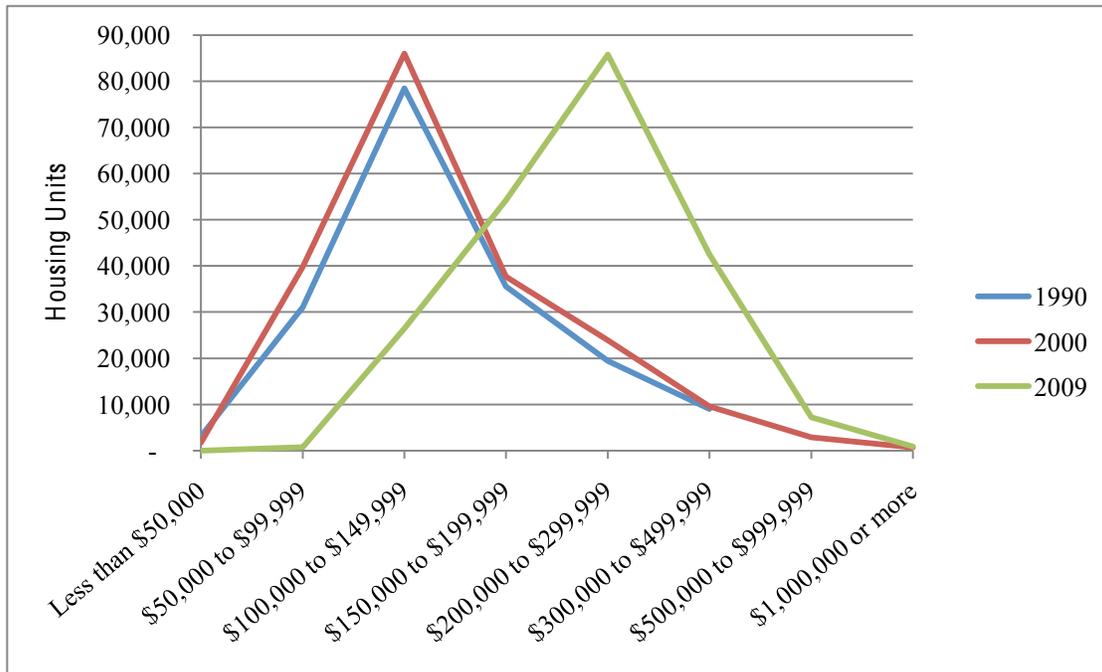
Median household income has grown since a 1990 figure of \$35,829 to an estimated \$57,912 in 2009, and is projected to grow to \$59,235 by 2014. This change in median household income represents a 62% change between 1990 and 2009 and an average annual growth rate of 2.7% during the same period.

Median home value between 1990 and 2000 grew from \$160,900 to \$164,108, a change of 2%. Of the counties studied for the report Newport has the lowest percent change in median home value from 1990 to 2000. In following years the value grew more significantly with a percent change of 69% between the years 2000 to 2009 when the median home value grew to an estimated \$276,865.

Total households in the county grew while the total population declined. From 1990 to 2000 the number of households grew from 32,657 to 35,209, an 8% change. In 2009 total households grew an additional 15% to 37,843. In 1990, the county had 19,419 owner-occupied housing units. Owner-occupied units represent the population's home-ownership and do not include rental or seasonal properties. The number of owner occupied housing units grew from 21,699 in 2000 to 24,559 in 2009, a percent change of almost 26% from the 1990 figure. Over the same time-period the average annual growth of rental units grew by 5.8%, and overall represented a greater proportion of the housing stock indicating a downward trend towards home-ownership among the declining population. The percentage of total households living in rental units grew from 14.6% in 1990, to 38.4% in 2000 and 35.1% in 2009. Of all the counties studied for this report Newport had the greatest increase in rental units from 1990 to 2009.

There are a total of 24,559 owner-occupied housing units in Rhode Island. Based on 2009 estimates, The figure below indicates the value of housing units in the state of Rhode Island. Based on 1990 and 2000 census statistics, the greatest numbers of these homes were valued in the \$100,000 to \$149,000 range. According to 2009 estimates, more homes are now valued in the \$200,000 to \$299,999 range.

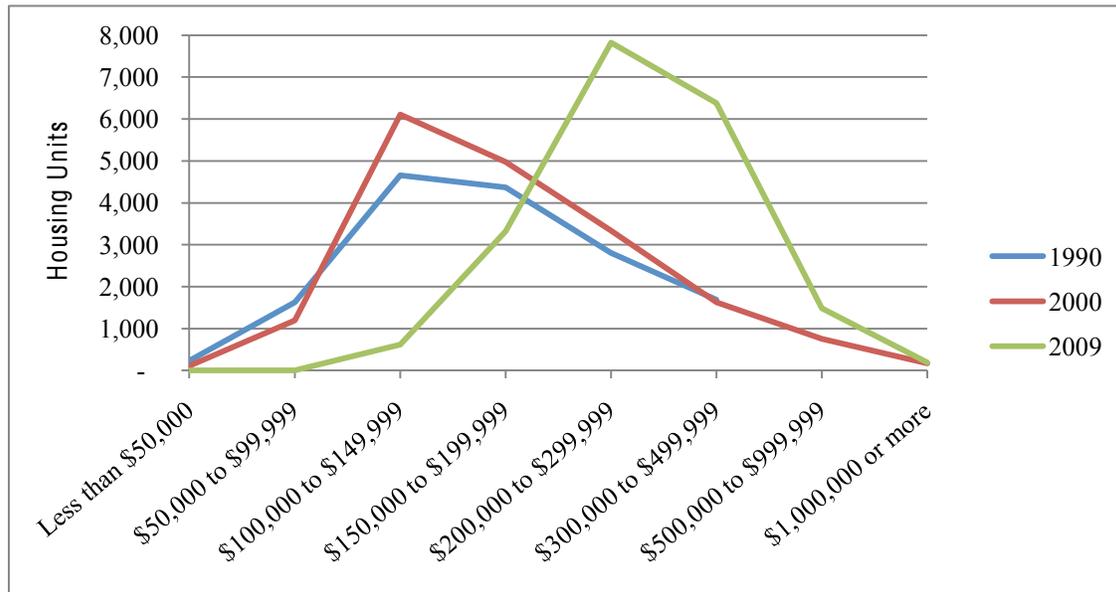
Figure 5-7: State of Rhode Island Home Values of Owner Occupied Units



Source: 1990 Census, 2000 Census, MapInfo

The figure below indicates the value of housing units in the county of Newport, Rhode Island. Figures for the county were used because the difference between the city and county data was minimal and also provided a slightly larger sample size. Housing property values in Newport County, Rhode Island followed closely to the overall statewide trend. In 1990 and 2000 census statistics, the most home units were valued in the \$100,000-\$149,000 range. In 2009 estimates, most homes were valued in the \$200,000-\$299,000 range. This growth is consistent with the statewide trend.

Figure 5-8: Newport County Home Values of Owner Occupied Units



Source: 1990 Census, 2000 Census, MapInfo

The Newport Grand Casino has had financial troubles throughout its history and has been unable to sustain a racing component in the facility. In addition, the number of people employed does not represent a significant proportion of the overall population. Due to its small size and limited gaming offerings, the Newport Grand is not considered a destination casino and therefore would not have significant effects on supporting industries, like restaurants and hotels, more than is already produced by the popularity of Newport as a regional travel destination. The changes in property values in the county do not exhibit any indication of being affected by the presence of the casino, as they follow the trend set forth by the state overall. It can be concluded that the presence of slot parlors may not have a significant positive or negative effect on a community in regards to property values.

5.1.4.3 Case Study 3– Anne Arundel County, MD (no gaming)

Anne Arundel County, Maryland is located south of the city of Baltimore. According to the U.S. Census Bureau, the county has a total area of 588 square miles, 416 square miles of which is land and 172 square miles of which is water. This county was chosen as a case study because it presently does not have any gaming facilities. Recently there have been proposals to introduce gaming to the county and therefore making it a viable comparison between other counties that already have gaming. Figures for the county, rather than the city, were used because they provided a greater sample size. The gaming facility currently being proposed would be located in the Arundel Mills Mall and would be the largest gaming attraction in the state. The table below includes population and housing statistics from 1990 and 2000 census figures, as well as 2009 estimated and 2014 projected figures for the available categories.

Table 5-3: Anne Arundel County, MD Housing Statistics

Anne Arundel County, MD	Year				Percent Change			Average Annual Growth		
	1990	2000	2009	2014	1990- 2000	2000- 2009	1990- 2009	1990- 2009	2000- 2009	2009- 2014
	Population	427,239	489,500	520,306	524,542	15%	6%	22%	1.1%	0.8%
Total Households	148,925	178,611	202,872	211,199	20%	14%	36%	1.7%	1.6%	0.8%
Median Household Income	\$45,147	\$62,133	\$72,622	\$82,702	38%	17%	61%	2.7%	2.0%	2.6%
Total Owner Occupied Housing Units	108,649	134,922	156,006		24%	16%	44%	2.0%	1.8%	
Total Renter Occupied Housing Units	40,465	43,748	46,935		8%	7%	16%	0.8%	0.9%	
Median Home Value	\$127,900	\$159,264	\$270,067		25%	70%	111%	4.2%	6.8%	

Source: 1990 Census, 2000 Census, MapInfo

Anne Arundel County has experienced population growth at a rate of 22% between 1990 and 2009. In 1990 the county had a population of 427,239 which grew to 520,306 by 2009, a 61% change during that time period and an average annual growth rate of 1.1%. In 2014 the population is expected to grow to 524,542, representing an average annual growth rate of 0.2% from 2009.

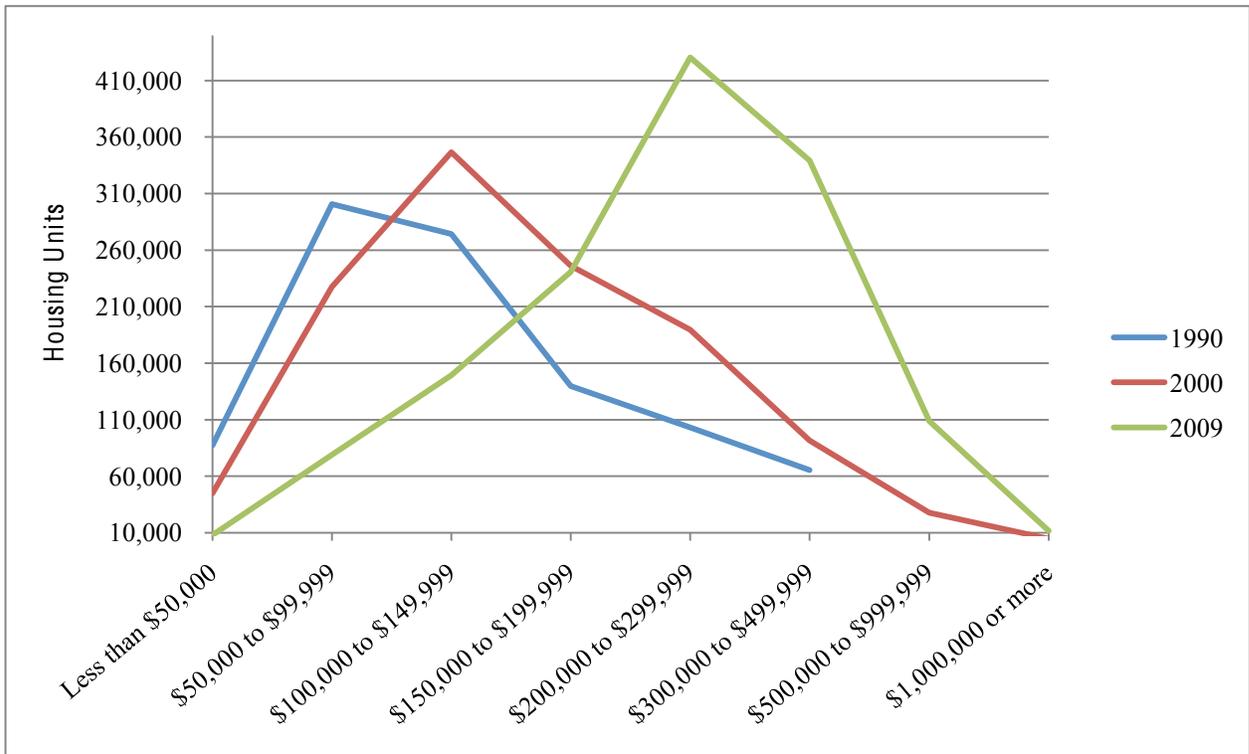
Median household income has grown significantly from \$45,147 in 1990 to an estimated \$72,622 in 2009. Year over year this represents an average annual growth of 2.7%. In 2014 the median household income for the county is projected to reach \$82,702, an annual growth rate of 2.6%.

Median home value grew significantly with a percent change of almost 111% between the years 1990 and 2009. In 1990 the median home value was \$127,900 and grew to an estimated \$276,067 in 2009, an average annual growth of 4.2%.

Total households in the county grew to accommodate the increase in population. From 1990 to 2000 the number of households grew from 148,925 to 178,611, a 20% change. In 2009 total households grew an additional 14% to 202,872. In 1990 the county had 108,649 owner-occupied housing units. Owner-occupied units represent the population's home-ownership and do not include rental or seasonal properties. The number of owner occupied housing units grew from 134,922 in 2000 to 156,006 in 2009, a percent change of 44% from the 1990 figure. Over the same time-period the number of rental units grew by 16%, and overall represented a lesser proportion of the housing stock indicating an upward trend towards home-ownership among the growing population. The percentage of total households living in rental units declined from 27.1% in 1990, 24.5% in 2000, to 23.1% in 2009.

Housing property values in the state grew at a faster rate than in Anne Arundel County. The figure below represents the change in home value for the state of Maryland. In 1990 most homes in Maryland were valued in the \$50,000-\$99,000 range, and in 2000 most home units were valued in the \$100,000-\$149,000 range and the \$200,000-\$299,000 range in 2009.

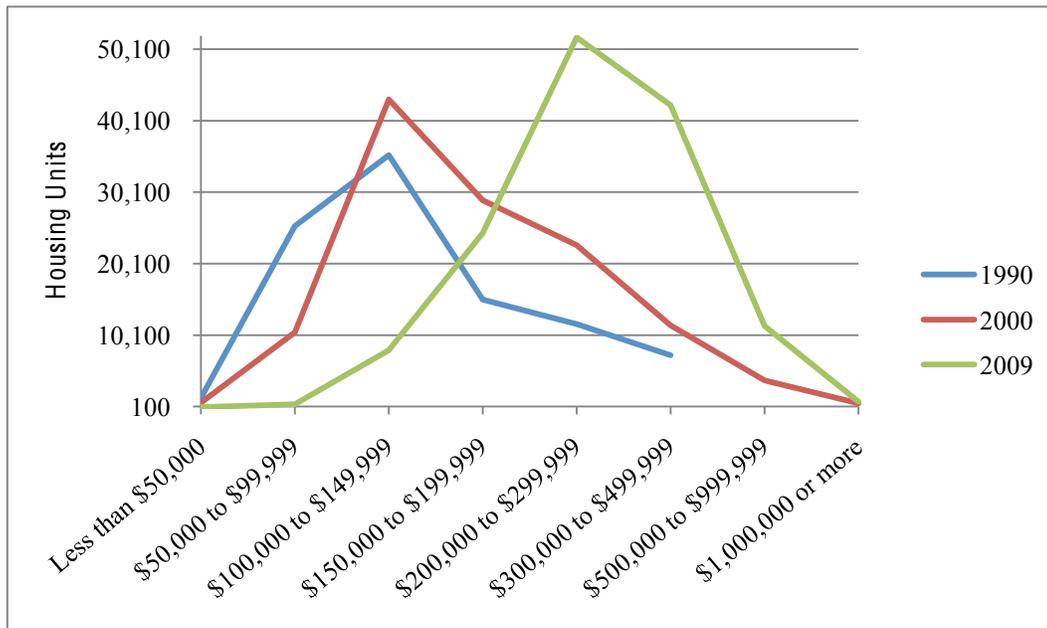
Figure 5-9: State of Maryland Home Values of Owner Occupied Units



Source: 1990 Census, 2000 Census, MapInfo

In Anne Arundel County, home values in 1990 and 2000 remained similar, with the most homes in the \$100,000 to \$149,000 value range. The county experienced an increase in home values in 2009, with most homes in the \$200,000 to \$299,000 range.

Figure 5-10: Anne Arundel County Home Values of Owner Occupied Units



Source: 1990 Census, 2000 Census, MapInfo

In conclusion, Anne Arundel County did not experience drastic growth or decline that could be attributed to a lack of gaming facility. Overall, the county was slightly behind state median home values in 1990 and 2000 but caught up by 2009.

5.1.5 Conclusions

- A community with a slot parlor should not expect to have exponential growth in median household income; rather it is more likely to follow overall trends. All three counties studied experienced an increase in median household income of roughly the same amount, in the 60-65% range.
- The presence of slot machines alone does not have a significant impact on home value compared to an area with no gaming. Anne Arundel County exhibited higher increases in median home value with growth of 111% between 1990 and 2009, while Newport County was significantly lower, with a 72% change during the same time period. Though Newport performed slightly lower, the 1990 Median Home Value for the area was \$160,900, 25.8% higher than Anne Arundel County during the same year indicating that the property values may have been inflated due to the area's historically high performance in wealth, home-ownership and overall desirability.
- A county with a racino is more likely to exhibit increases in median home value over time. Jefferson County, WV had the highest and most dramatic overall

growth in values with a 101% increase from 2000 through 2009, representing an average annual growth of 9.1%. During the same time period Newport County and Anne Arundel County exhibited increase of 69% and 70% respectively.

- A horse racing facility may impact property values of previously under-valued agricultural land positively. Jefferson County has experienced a growth in the number of farms and overall acreage of agricultural land in the county in the years following the implementation of VLTs.

5.2 POTENTIAL FOR CANNIBALIZATION

Aside from the financial effects of adding or expanding the gaming industry in the state, there are significant social and economic impacts to consider. One possible impact of a new gaming facility is the cannibalization of other markets or firms within the leisure and entertainment industry. Cannibalization refers to the reduction in interest, attendance, market share, or revenues of one firm, market or industry due to the introduction of a new product into the market. TMG has identified five potential causes of cannibalization in a market:

1. The market is over saturated.
2. Competing firms are located too close to each other.
3. Competing firms do not offer a unique product.
4. The market represents a consumer market that is limited and impossible to expand.
5. Temporary attraction creates short term cannibalization that will wane to a fair share of the market.

5.2.1 TMG Interviews

In order to better understand the potential for cannibalization, TMG conducted in-depth research and interviewed several representatives of key organizations in communities with established casino industries. The interviewees were asked about the community's sentiment prior to the introduction of a casino, as well as observations on the short and long term impact casinos had on the community after being built. Overall these interviews revealed that the casinos did not have an evident cannibalization effect. Rather, many of the representatives cited increased tourism as the main deterrent of cannibalization in their communities. The increased number of tourists offsets the potential for cannibalization due to increased spending in the leisure sector.

Thomas Garrett, Senior Economist at the Federal Reserve of St. Louis confirmed an increase of jobs and tax revenue that was expected from the introduction of gaming but also cautioned that there would be a "reallocation of dollars among businesses in the

entertainment industry” which would be difficult to measure⁶⁴. Garrett implies that, although the overall spending in the entertainment and leisure industry may increase, some facilities will experience negative impacts due to reduced patronage and this may be difficult to calculate. Furthermore, small nuances in the entertainment industry are hard to predict due to consumer discrimination.

According to Kate Scaglione, Director of Marketing at Niagara USA, the addition of gaming served as a catalyst for further development in the area. When gaming venues attract additional visitors and tourists to an area, other industries are supported by their spending. Hotels, restaurants and other venues for entertainment are just a few examples of related businesses that thrive in casino areas.

Similarly, Miriam Perkins of the Marketing Department at the San Diego Convention and Visitors Bureau stated that the introduction of gaming increased the options offered to tourists which has aided the leisure industry as a whole, noting that there was no noticeable cannibalization of local businesses by the casinos.

5.2.2 Tax Revenues

Governments also benefit from the introduction of a casino. One concern related to cannibalization is that the shift in spending may affect the tax base of an area. Conversely, casinos typically have an opposite effect due to the uniquely high tax rate applied to their profits. In some communities gaming tax rates can be as high as 75%. These profits are taxed at a higher rate than any other business, and therefore overall tax revenues tend to increase even if overall spending does not.

Tax revenues are generally diverted to larger funds and distributed evenly throughout the state and are used to pay for infrastructure improvements and social services. For example, Charles Town Racing and Slots in Jefferson County, WV had Video Lottery Terminal revenues in excess of \$400 million in 2008, 34% of which was distributed directly to the state with an additional 2% to the county and municipality. Over ten years, the direct impact to the county has been over \$24 million. These funds are in addition to monies that trickle down from the state’s coffers for institutions, such as the state’s School Building Authority which received about \$18 million from casino revenues in 2008, \$1 million of which was returned back to Jefferson County for the construction and maintenance of schools through a major improvement grant.

In an article published in *Gaming Law Review* in August 2004, the authors point out that “tax revenue may not, however, be the only concern, because there may be significant social or external costs from gambling⁶⁵.” This theory suggests that there are additional costs to the community associated with casinos that may not be directly related to its operation. Overall, casino legislation generally addresses this type of concern and

64 See Appendix: Cannibalization Interviews

65 George G. Fenich, Kathryn Hashimoto. *Gaming Law Review*. August 2004, 8(4): 247-259.
doi:10.1089/blr.2004.8.247.

research has revealed that the costs associated with the casino do not outweigh the overall benefits.

5.2.3 Survey of Gaming Community Leaders

Motivated by this classic conflict of costs and benefits, the Peter D. Hart Research Associated conducted a telephone survey in 2005 for the American Gaming Association. Hart Research surveyed 201 local community leaders. All were selected from jurisdictions with commercial casino gaming (including racetrack casinos) in order to extract their personal and community reactions to the introduction of gaming. These surveys were completed to address the various concerns that often arise in regards to economic and social impacts on a community. The survey group consisted of 108 elected officials, such as mayors, city/county council members and state legislators, and 93 non-elected civic leaders, such as police chiefs, chamber of commerce leaders, and economic development officials, most of whom lived and worked in the communities prior to the introduction of casinos⁶⁶. These community leaders generally demonstrated a positive reaction to the casinos' impacts, citing additional tax revenue, jobs, secondary economic development, and contributions to community and charitable organizations.

Additional tax revenue is one of the main benefits of casino development. Seventy three percent of those leaders surveyed believed that the tax revenue and development agreements had permitted their communities to take on projects that otherwise would have been impossible. The majority of community leaders refute the claim that casinos simply redistribute money that would have been spent in other ways rather than increasing net tax revenue and economic activity⁶⁷.

5.3 SOCIAL IMPACTS

The motivation to discuss the introduction or expansion of gaming in a community include the wide variety of positive drivers that are known to accompany the gaming industry—job creation, increased tax revenue, economic development, and more attractive options for tourists. There is, however, an equal number of cited concerns, including gambling addiction, crime, and traffic. The survey by Peter D. Hart Research Associated also addresses these various social concerns. The study concluded that while 49% of adults nationwide would not support the introduction of gaming in their communities, 75% of community leaders surveyed would vote for the legislation in their communities again. It is a controversial topic for community leaders, but the survey brings to light a convincing argument in support of gaming.

5.3.1 Job Quality

When comparing a casino job to one that would require similar education, nearly half of community leaders thought that casinos offered their employees better pay and benefits than other businesses, while 8% believed casinos offered worse pay and benefits, and

66 Hart, Peter D. Community Leaders' Perceptions of Gaming Industry's Effects, September 2005

67 Hart, Peter D. Community Leaders' Perceptions of Gaming Industry's Effects, September 2005

28% saw pay and benefits as comparable⁶⁸. Since most jobs offered at casinos do not require higher education, the introduction of gaming offers on-the-job training for many positions with transferable knowledge base that is considered a great asset to a community.

5.3.2 Charity and Community Support

Two thirds of leaders see casinos as doing a good job donating money to community and charitable organizations. Some casino companies, like Harrah's Entertainment, have charitable foundations for organized corporate giving. The Harrah's Foundation is a private, non-operating foundation funded by a percentage of operating income from Harrah's Entertainment's properties. The Harrah's Foundation serves as the principal funding entity for the company's community and social investments. The Foundation funds programs and projects of at least \$10,000. In 2008, the Harrah's Foundation distributed nearly \$9.3 million to nonprofit organizations across the country and overseas.

In addition, other donations are often given to communities which are less evident than direct financial contributions. Casinos often provide facilities, venues, and donation drives for community and charitable organizations. In December 2009 the Blue Lake Casino and Hotel and the Blue Lake Rancheria collected donations of toys and food valued at more than \$102,000 in just the seven weeks of a holiday charity event.

Though casinos may be willing to provide such services, they are often unable to sponsor or accommodate certain events due to age restrictions imposed on the facilities that limit the services they can provide to adults.

5.3.3 Gambling Addiction

The Community Leaders Survey also found that many of the negative effects associated with the introduction of a casino such as gambling addiction, bankruptcies, crime, traffic congestions, and other social or domestic problems are not really problems in their communities. Of all these effects the only one that survey leaders expressed concern about was gambling addiction. In order to address this issue, almost all gaming legislation is coupled with a problem gambling fund for social aid.

5.3.4 Crime

Despite the surveyed leaders' apparent lack of concern with casino-associated crime, the subject has been a contentious point of public and academic debate. In "Casinos, Crime, and Community Costs," Earl Grinols and David Mustard⁶⁹, two widely known professors of economics who study the social effects of gaming, identify two positive factors through which casinos may reduce crime and five negative factors that may lead to increased crime.

68 Hart, Peter D. Community Leaders' Perceptions of Gaming Industry's Effects, September 2005

69 Grinols, Earl and David Mustard. "Casinos, Crime, and Community Costs," January 2005.

Potential positive factors created by the introduction of gaming:

1. Better job opportunities for low-skilled workers
2. Local economic development effects

Potential negative factors created by the introduction of gaming:

1. May harm economic development by draining local economy of resources
2. May lead to an increased crime payoff, resulting in more crime
3. Pathological gambling may increase with the spread of casinos
4. May attract criminals to a region
5. May induce a change in the local population toward one more apt to commit crimes

According to Grinols and Mustard “roughly 8% of crime in casino counties in 1996 was attributable to casinos, costing the average adult in casino counties \$75 per year⁷⁰.” Douglas M. Walker, also a professor of economics who has published several papers concerning the effects of gaming, refutes these claims made by Grinols and Mustard in his article “Do Casinos Really Cause Crime?” Walker points out the shortcomings of Grinols and Mustard’s study, one of which is the failure to adequately account for the temporary effect of visitors on the increase in population when calculating the crime rate per capita (only putting them in the numerator, not denominator), the result of which “is that [they] overstate the crime rate in casino counties and therefore, overstate the risk to casino county residents of being victimized by crime.”

Other studies that have examined crime rates while also accounting for visitors in particular casino markets have found mixed results. Tourist areas may act as crime hubs, attracting criminals. For example, tourists and casino patrons may be known to carry cash and therefore become targets of theft and robbery for criminals. To offset the likelihood of criminal activity, casinos have implemented increased security measures throughout the country. Many casinos also offer electronic forms of payment which allows patrons to gamble without carrying cash with them⁷¹.

5.3.5 Conclusion

Studies show that for every pro, there is a con when it comes to gaming. However, the overall sentiment that was expressed in the TMG interviews with local contacts as well as reported in the community leaders survey, is that the pros seem to outweigh the cons. The tax revenue, job creation, increased tourism, and overall stimulus that is directly and indirectly attributed to gaming operations is an undeniable asset that leaves any community in its wake the resources to triumph over any potential negative implication.

70 Douglas M. Walker, “Do Casinos Really Cause Crime?”, *Econ Journal Watch*, 2008, 5, (1), 4-20.

71 Stitt, Nichols and Giacomassi “Does the presence of casinos increase crime? *Crime & Delinquency*, Vol. 49, No. 2, 253-284 (2003).

5.4 DIRECT AND INDIRECT EMPLOYMENT IMPACTS

TMG Consulting modeled the potential employment impact of each of the four focus scenarios: *Status Quo*, *Baseline*, and the two *Projection* scenarios of additional facilities in the Delaware market, one with a horse meet the other without. The foregoing employment impact model was comprised of three primary source inputs: the revenue projections presented in the previous sections of this report, coupled with internal financial reports of operating costs and employment at the current Delaware gaming venues as reported to the Delaware Lottery Commission, and the most recent Regional Input-Output Multipliers II (RIMS II) as provided by U.S. Department of Commerce’s Bureau of Economic Analysis (BEA).

The table below shows the Delaware Lottery Commission’s internal report of direct employment in the gaming industry from 2004 to September of 2009. On average from 2004 to September of 2009, approximately 2,009 full time employees were directly employed in the Delaware gaming industry. This data was used to calibrate and check the model below.

Table 5-4: Delaware Historical Full Time Equivalent Gaming Employees and Attendance 2004-2009

Year	Employees	Rate of Change	Attendance	Rate of Change
2004	2,173		7,392,038	
2005	2,029	-7%	7,214,486	-2%
2006	2,132	5%	7,412,309	3%
2007	1,931	-9%	7,258,910	-2%
2008	1,871	-3%	7,558,715	4%
2009 (Jan-Sept)	1,920	3%	7,221,185	-4%
Average	2,009		7,342,941	-0.4%

Source: Delaware Lottery Commission, TMG Consulting

5.4.1 *Status Quo*

To calculate the total direct and indirect employment created from gaming operations, TMG used the RIMS II model which was developed by the U.S. Department of Commerce and Bureau of Economic Analysis, and the revenue projections from the pro forma of each scenario. The first step in this analysis is to calculate the *Status Quo* scenario, which is our comparison model to each of the following scenarios. Below is an operating pro forma of the *Status Quo* scenario showing gross gaming revenues, revenues to the state, and revenues to the operator.

Table 5-5 Status Quo Revenue Pro Forma Excerpt 2009-2013

	2009	2010	2011	2012	2013
GROSS RACING REVENUES	\$ 30,761,965	\$ 29,501,448	\$ 28,731,346	\$ 27,981,347	\$ 27,250,925
RACING REVENUES TO THE STATE	\$ 1,538,098	\$ 1,475,072	\$ 1,436,567	\$ 1,399,067	\$ 1,362,546
VLT GROSS GAMING REVENUES	\$ 565,790,087	\$ 537,500,583	\$ 553,625,600	\$ 559,300,263	\$ 565,033,090
VLT REVENUES TO STATE GENERAL FUND	\$ 246,118,688	\$ 233,812,754	\$ 240,827,136	\$ 243,295,614	\$ 245,789,394
OTHER VLT REVENUES - PURSES, ETC.	\$ 93,355,364	\$ 88,687,596	\$ 91,348,224	\$ 92,284,543	\$ 93,230,460
OPERATOR REVENUES					
Racing Commissions	\$ 29,223,867	\$ 28,026,375	\$ 27,294,779	\$ 26,582,279	\$ 25,888,379
VLT Commissions	\$ 226,316,035	\$ 215,000,233	\$ 221,450,240	\$ 223,720,105	\$ 226,013,236
Food Revenue	\$ 56,579,009	\$ 53,750,058	\$ 55,362,560	\$ 55,930,026	\$ 56,503,309
Beverage Revenue	\$ 8,486,851	\$ 8,062,509	\$ 8,304,384	\$ 8,389,504	\$ 8,475,496
Finance Commissions	\$ 6,789,481	\$ 6,450,007	\$ 6,643,507	\$ 6,711,603	\$ 6,780,397
Gift Shop Revenue	\$ 565,790	\$ 537,501	\$ 553,626	\$ 559,300	\$ 565,033
Lottery Ticket Commission	\$ 141,448	\$ 134,375	\$ 138,406	\$ 139,825	\$ 141,258
Show Ticket Revenue	\$ 848,685	\$ 806,251	\$ 830,438	\$ 838,950	\$ 847,550
Other Income	\$ 141,448	\$ 134,375	\$ 138,406	\$ 139,825	\$ 141,258
TOTAL REVENUE	\$ 329,092,613	\$ 312,901,684	\$ 320,716,347	\$ 323,011,419	\$ 325,355,917

Source: TMG Consulting Estimates and RIMS II

Since the most current RIMS II model is based on 2006 dollars, the revenues from the TMG scenario pro formas were adjusted to 2006 dollars for congruence with the 2006 RIMS II data. Because the RIMS data is organized by North American Industry Classification System (NAICS) codes, the revenues as shown in the pro forma excerpt above were categorized into the same sectors of the economy as defined by the NAICS to account for the individual effect of each of the separate market area: gaming; food and beverage; retail; and government, which includes all revenue to the State. The multiplier for each industry is listed in the table below and used to determine the number of total (direct and indirect) jobs created in each industry for every million dollars of revenues in 2009. Direct jobs are those jobs created at the gaming venue, in other words, employees of the racetrack or casino. Indirect jobs are those jobs created in all sectors of the economy. In other words, the multiplier captures the multiplied effect of increased dollars to one market on the entire economy.

In the table below, an estimated 8,669 jobs exist in the Delaware market including both direct employees of the gaming sector and induce, or indirect jobs, that are created by the stimulated economy in all sectors. While the table below shows the number of jobs for five separate sectors of the economy, it is important to note that these jobs are created by the stimulation of this particular sector and that these jobs are not created exclusively within this sector. For example, the total tax revenue of \$248 million in 2009 entered into the government sector, but these dollars impacted the entire economy via the multiplier effect to create 2,249 total jobs throughout the economy, not in the government sector. Again, total jobs are the jobs created throughout the entire economy which is induced by increase spending in the individual sector. The multipliers are different for each sector because the impact for each sector varies. Dollars entering the economy in the retail

sector have a smaller impact (17.37 jobs per million dollars) than the dollars entering the entertainment sector (48.10 jobs per million dollars).

Table 5-6 Status Quo: Delaware Direct and Indirect Full Time Equivalent Gaming Employment 2009

Department	2009 Revenues	Discount Factor	2006 Equivalent	Multiplier	2009 Total Jobs
Gaming	\$262,612,278	1.061	\$247,513,928	18.93	4,686
Food and Beverage	\$65,065,860	1.061	\$61,325,033	27.50	1,686
Retail	\$565,790	1.061	\$533,261	17.37	9
Entertainment	\$848,685	1.061	\$799,892	48.10	38
Government	\$247,656,786	1.061	\$233,418,272	9.63	2,249
Total	\$576,749,399		\$543,590,386		8,669

Source: TMG Consulting Estimates and RIMS II

The above steps were repeated for years 2010-2013 to model a *Status Quo* scenario for the next five years.

The *Status Quo* table below shows both direct and indirect jobs created by the gaming industry in Delaware for comparison to the following *Baseline* and *Projection* scenarios. Of the 2,000 total direct jobs in the Delaware gaming industry based on the Delaware Lottery Commission estimates, the RIMS II model calculates another approximately 6,700 jobs are created in all industries based on the revenue collected by each sector, for a total impact of 8,669 jobs in 2009.

Table 5-7 Status Quo: Delaware Direct and Indirect Full Time Equivalent Gaming Employment 2009-2012

Department	2009	2010	2011	2012
Gaming	4,686	4,803	4,923	5,046
Food and Beverage	1,686	1,728	1,772	1,816
Retail	9.3	9.5	9.7	10.0
Entertainment	38	39	40	41
Government	2,249	2,305	2,363	2,422
Total Direct and Indirect Jobs	8,669	8,886	9,108	9,336

Source: TMG Consulting Estimates and RIMS II

After 2013, the revenues estimates are multiplied by a conservative growth rate of 2.5%, as used in previous sections of this report, to account for inflation. These modeled estimates are projected out to 2017 in order to provide a comparison state for the following three scenarios.

Table 5-8 Status Quo: Delaware Direct and Indirect
Full Time Equivalent Gaming Employment 2013-2017

Department	2013	2014	2015	2016	2017
Gaming	5,173	5,302	5,434	5,570	5,710
Food and Beverage	1,861	1,908	1,956	2,004	2,055
Retail	10.2	10.5	10.7	11.0	11.3
Entertainment	42	44	45	46	47
Government	2,482	2,544	2,608	2,673	2,740
Total Direct and Indirect Jobs Created	9,569	9,808	10,053	10,305	10,562

Source: TMG Consulting Estimates and RIMS II

5.4.2 Baseline Scenario

The comparison scenario analysis begins with the *Baseline* scenario, where Delaware experiences an increase in regional competition with no change to the local market. Below is the *Baseline* pro forma, inputs for the model.

Table 5-9 Baseline Revenue Pro Forma Excerpt 2013-2017

	2013	2014	2015	2016	2017
RACING GROSS REVENUES	\$22,777,960	\$20,731,299	\$18,775,969	\$16,908,595	\$15,125,918
RACING REVENUES TO STATE	\$1,138,898	\$1,036,565	\$938,798	\$845,430	\$756,296
VLT REVENUES (GROSS GAMING REVENUES)	\$481,525,038	\$486,460,670	\$491,446,891	\$496,484,222	\$501,573,185
VLT REVENUES TO STATE GENERAL FUND	\$209,463,391	\$211,610,391	\$213,779,398	\$215,970,637	\$218,184,336
OTHER VLT REVENUES - PURSES, ETC.	\$79,451,631	\$80,266,010	\$81,088,737	\$81,919,897	\$82,759,576
OPERATOR REVENUES					
Racing Commissions	\$21,639,062	\$19,694,734	\$17,837,170	\$16,063,165	\$14,369,622
VLT Commissions	\$192,610,015	\$194,584,268	\$196,578,757	\$198,593,689	\$200,629,274
Food Revenue	\$48,152,504	\$48,646,067	\$49,144,689	\$49,648,422	\$50,157,319
Beverage Revenue	\$7,222,876	\$7,296,910	\$7,371,703	\$7,447,263	\$7,523,598
Finance Commissions	\$5,778,300	\$5,837,528	\$5,897,363	\$5,957,811	\$6,018,878
Gift Shop Revenue	\$481,525	\$486,461	\$491,447	\$496,484	\$501,573
Lottery Ticket Commission	\$120,381	\$121,615	\$122,862	\$124,121	\$125,393
Show Ticket Revenue	\$722,288	\$729,691	\$737,170	\$744,726	\$752,360
Other Income	\$120,381	\$121,615	\$122,862	\$124,121	\$125,393
TOTAL REVENUE	\$276,847,332	\$277,518,889	\$278,304,023	\$279,199,803	\$280,203,411

Source: TMG Consulting Estimates

Using the same process as above in the *Status Quo* scenario, TMG modeled the employment impact in the *Baseline* scenario. Since the RIMS multipliers are a factor of the revenue estimates, jobs decrease significantly in the *Baseline* scenario. Given the expected loss in market share in the *Baseline* scenario, Delaware can expect a decrease in total (direct and indirect) jobs of 2,250 in 2013, the year that all known developments in

planning are expected to be open, compared to the *Status Quo* for a total of 7,319 total jobs.

Table 5-10 Baseline: Delaware Direct and Indirect Full Time Equivalent Gaming Employment 2013-2017

Department	2013	2014	2015	2016	2017
Gaming	3,931	4,029	4,129	4,233	4,339
Food and Beverage	1,435	1,471	1,508	1,545	1,584
Retail	7.9	8.1	8.3	8.5	8.7
Entertainment	33	34	34	35	36
Government	1,912	1,960	2,009	2,060	2,111
Total Direct and Indirect Jobs Created	7,319	7,502	7,689	7,881	8,078

Source: TMG Consulting Estimates and RIMS II

5.4.3 Projection Scenario

The two *Projection* scenarios account for the addition of competitively located gaming venues in Delaware: both with a horse meet, and without. The table below details the pro forma for the *Projection Without* scenario.

Table 5-11 Projection Without Horse or Harness Meets Revenue Pro Forma Excerpt 2009-2013

	2013	2014	2015	2016	2017
RACING GROSS REVENUES	\$30,034,104	\$31,960,625	\$33,766,100	\$35,455,538	\$37,033,765
RACING REVENUES TO THE STATE	\$1,501,705	\$1,598,031	\$1,688,305	\$1,772,777	\$1,851,688
VLT REVENUES (GROSS GAMING REVENUES)	\$753,776,574	\$761,502,784	\$769,308,188	\$777,193,597	\$785,159,831
VLT REVENUES TO STATE GENERAL FUND	\$452,265,945	\$456,901,671	\$461,584,913	\$466,316,158	\$471,095,899
OTHER VLT REVENUES - PURSES, ETC.	\$124,373,135	\$125,647,959	\$126,935,851	\$128,236,943	\$129,551,372
OPERATOR REVENUES					
Racing Commissions	\$28,532,399	\$30,362,593	\$32,077,795	\$33,682,761	\$35,182,077
VLT Commissions	\$301,510,630	\$304,601,114	\$307,723,275	\$310,877,439	\$314,063,932
Food Revenue	\$75,377,657	\$76,150,278	\$76,930,819	\$77,719,360	\$78,515,983
Beverage Revenue	\$11,306,649	\$11,422,542	\$11,539,623	\$11,657,904	\$11,777,397
Finance Commissions	\$9,045,319	\$9,138,033	\$9,231,698	\$9,326,323	\$9,421,918
Gift Shop Revenue	\$753,777	\$761,503	\$769,308	\$777,194	\$785,160
Lottery Ticket Commission	\$188,444	\$190,376	\$192,327	\$194,298	\$196,290
Show Ticket Revenue	\$1,130,665	\$1,142,254	\$1,153,962	\$1,165,790	\$1,177,740
Other Income	\$188,444	\$190,376	\$192,327	\$194,298	\$196,290
TOTAL REVENUE	\$428,033,983	\$433,959,069	\$439,811,135	\$445,595,367	\$451,316,788

Source: TMG Consulting Estimates

In this scenario, jobs are expected to increase by 30% compared to the *Status Quo*. This scenario shows the powerful effect of the multiplier in the gaming economy.

Table 5-12 Projection Without Horse or Harness Meets: Delaware
Direct and Indirect Full Time Equivalent Gaming Employees 2013-2017

Department	2013	2014	2015	2016	2017
Gaming	6,057	6,209	6,364	6,523	6,686
Food and Beverage	2,247	2,303	2,360	2,419	2,480
Retail	12.3	12.7	13.0	13.3	13.6
Entertainment	51	53	54	55	57
Government	4,107	4,210	4,315	4,423	4,533
Total Direct and Indirect Jobs	12,475	12,786	13,106	13,434	13,770

Source: TMG Consulting Estimates and RIMS II

In the final scenario, TMG models the total jobs created in the event that the gaming industry in Delaware expands in order to compete with the regional expansion and in this scenario two racetrack casinos are developed. Below is the Pro-forma for *Projection With* horse or harness meets.

Table 5-13 Projection With Horse or Harness Meets
Revenue Pro Forma Excerpt 2009-2013

	2013	2014	2015	2016	2017
RACING GROSS REVENUES	\$27,250,925	\$26,539,571	\$25,846,785	\$25,172,084	\$24,514,996
RACING REVENUES TO STATE	\$1,362,546	\$1,326,979	\$1,292,339	\$1,258,604	\$1,225,750
VLT REVENUES (GROSS GAMING REVENUES)	\$753,776,574	\$761,502,784	\$769,308,188	\$777,193,597	\$785,159,831
VLT REVENUES TO STATE GENERAL FUND	\$452,265,945	\$456,901,671	\$461,584,913	\$466,316,158	\$471,095,899
OTHER VLT REVENUES - PURSES, ETC.	\$124,373,135	\$125,647,959	\$126,935,851	\$128,236,943	\$129,551,372
OPERATOR REVENUES					
Racing Commissions	\$25,888,379	\$25,212,592	\$24,554,446	\$23,913,480	\$23,289,246
VLT Commissions	\$301,510,630	\$304,601,114	\$307,723,275	\$310,877,439	\$314,063,932
Food Revenue	\$75,377,657	\$76,150,278	\$76,930,819	\$77,719,360	\$78,515,983
Beverage Revenue	\$11,306,649	\$11,422,542	\$11,539,623	\$11,657,904	\$11,777,397
Finance Commissions	\$9,045,319	\$9,138,033	\$9,231,698	\$9,326,323	\$9,421,918
Gift Shop Revenue	\$753,777	\$761,503	\$769,308	\$777,194	\$785,160
Lottery Ticket Commission	\$188,444	\$190,376	\$192,327	\$194,298	\$196,290
Show Ticket Revenue	\$1,130,665	\$1,142,254	\$1,153,962	\$1,165,790	\$1,177,740
Other Income	\$188,444	\$190,376	\$192,327	\$194,298	\$196,290
TOTAL REVENUE	\$425,389,964	\$428,809,068	\$432,287,786	\$435,826,086	\$439,423,956

Source: TMG Consulting Estimates

When compared to the *Baseline* scenario, the *Projection With* scenario has similarly high modeled employment levels but the number of jobs does not reach the level of the previous projected case, *Projection Without*, due to the modeled reduced revenue associated with horse meet operations.

Table 5-14 Projection With Horse or Harness Meets: Delaware
Full Time Equivalent Gaming Employees 2013-2017

Department	2013	2014	2015	2016	2017
Gaming	6,010	6,161	6,315	6,472	6,634
Food and Beverage	2,247	2,303	2,360	2,419	2,480
Retail	12.3	12.7	13.0	13.3	13.6
Entertainment	51	53	54	55	57
Government	4,107	4,210	4,315	4,423	4,533
Total Direct and Indirect Jobs Created	12,427	12,738	13,057	13,383	13,718

Source: TMG Consulting Estimates and RIMS II

5.4.4 Summary

The table below summarizes the employment impact of gaming operations in 2013 for each scenario.

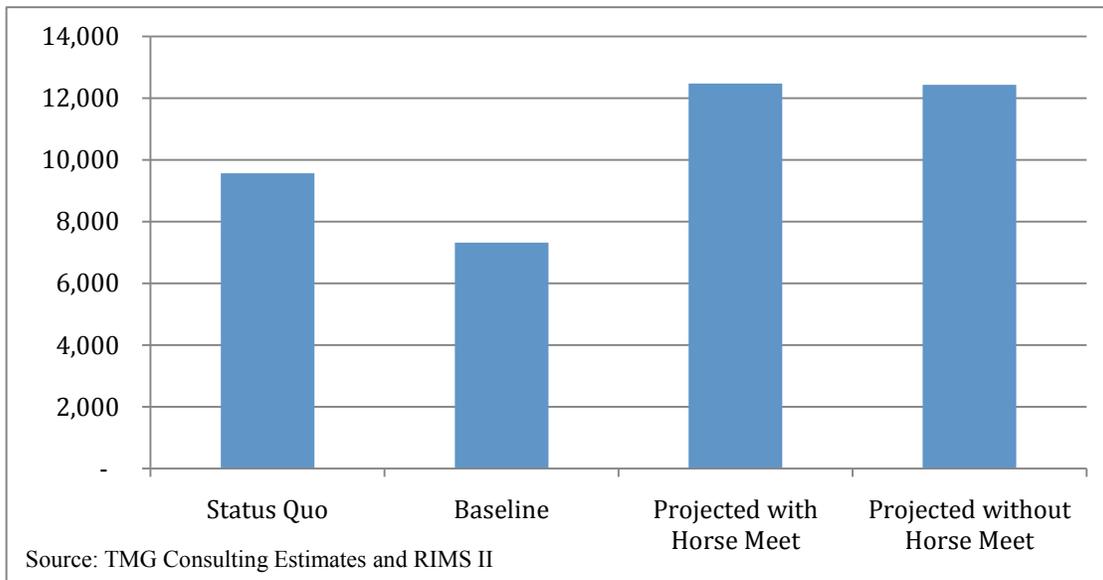
Table 5-15 Comparison Chart of each Scenario
Delaware Full Time Equivalent Gaming Employees 2013

Scenario	Total Jobs
Status Quo	9,569
Baseline	7,319
Projection With	12,427
Projection Without	12,475

Source: TMG Consulting Estimates and RIMS II

The *Baseline* scenario has the lowest level of employment impact at 7,319 total jobs. The *Projection Without* scenario has the highest level of employment impact with 12,475 total jobs. While the *Projection With* scenario impacts 22 fewer jobs than the *Projection Without*, since the cost of operating a horse meet or racino is significantly higher than that of a casino or VLT venue.

Figure 5-11: Comparison Chart of each Scenario
 Total Employment Impact of Gaming Operations 2013



5.5 TAX IMPACT

Changes to the gaming market in Delaware and the regional competitive market will have a notable impact on tax revenue for the state and for local municipalities. Below is a discussion of several types of taxes that will be impacted, including the gross receipts taxes and income taxes collected.

5.5.1 Delaware Direct Tax Revenues

Using current rates for gaming and gross receipts, TMG estimated the revenues that both the state and the local governments could expect to earn from taxes generated by the following four scenarios: *Status Quo*, *Baseline*, *Projection With* horse or harness meets, *Projection Without* horse or harness meets.

For each scenario, TMG assessed the level of taxes generated by VLT gaming operations and gross receipts. In the *Status Quo* scenario, total taxes are estimated to reach \$258 million in 2009, decline in 2010 along with the expected decline in gaming revenues, and then to recover slowly. The five year projected total tax revenues from gaming and racing operations is \$1.265 billion.

Table 5-16 Status Quo: Gaming and Racing Operations and Gross Receipts Tax Revenues

Video Lottery	Effective Rate	2009	2010	2011	2012	2013	Five Year Total
Gross Revenues		\$565,790,087	\$537,500,583	\$553,625,600	\$559,300,263	\$565,033,090	\$2,781,249,624
State General Fund	43.5%	\$246,118,688	\$233,812,754	\$240,827,136	\$243,295,614	\$245,789,394	\$1,209,843,586
DE Social Programs	0.5%	\$2,828,950	\$2,687,503	\$2,768,128	\$2,796,501	\$2,825,165	\$13,906,248
Gross Receipt Taxes	0.2%	\$1,131,580	\$1,075,001	\$1,107,251	\$1,118,601	\$1,130,066	\$5,562,499
Para Mut. Taxes	5.0%	\$7,690,491	\$7,375,362	\$7,182,837	\$6,995,337	\$6,812,731	\$36,056,758
Total Tax Revenue		\$257,769,710	\$244,950,620	\$251,885,352	\$254,206,053	\$256,557,357	\$1,265,369,091

Source: TMG Consulting Estimates and RIMS II

In the *Baseline* scenario, which assumes no change to the Delaware racing and gaming landscape but accounts for increased gaming competition in the region, tax revenues are calculated to decline considerably in 2013 to about \$218.5 million, and growth is expected to be minimal (no more than inflationary growth) each year. The five year projected total tax revenues from gaming and racing operations is \$1.1 billion.

Table 5-17 Baseline: Gaming and Racing Operations and Gross Receipts Tax Revenues

Video Lottery	Effective Rate	2013	2014	2015	2016	2017	Five Year Total
Gross Revenues		\$481,525,038	\$486,460,670	\$491,446,891	\$496,484,222	\$501,573,185	\$2,457,490,006
State General Fund	43.5%	\$209,463,391	\$211,610,391	\$213,779,398	\$215,970,637	\$218,184,336	\$1,069,008,153
DE Social Programs	0.5%	\$2,407,625	\$2,432,303	\$2,457,234	\$2,482,421	\$2,507,866	\$12,287,450
Gross Receipt Taxes	0.2%	\$963,050	\$972,921	\$982,894	\$992,968	\$1,003,146	\$4,914,980
Para Mut. Taxes	5.0%	\$5,694,490	\$5,182,825	\$4,693,992	\$4,227,149	\$3,781,480	\$23,579,935
Total Tax revenue		\$218,528,557	\$220,198,441	\$221,913,518	\$223,673,175	\$225,476,828	\$1,109,790,518

Source: TMG Consulting Estimates and RIMS II

In the *Projection With* horse or harness meets scenario, total tax revenue achieves a level of \$339-\$353 million, substantially higher than the *Baseline* projection and exceeding the *Status Quo* scenario, showing that Delaware tax revenues would benefit from the expansion of gaming into regions that can directly compete with the new developments in Maryland and/or Pennsylvania. The five year projected total tax revenues from gaming and racing operations is \$1.733 billion.

Table 5-18 Projection With Horse or Harness Meets: Gaming and Racing Operations and Gross Receipts Tax Revenues

Video Lottery	Effective Rate	2013	2014	2015	2016	2017	Five Year Total
Gross Revenue		\$753,776,574	\$761,502,784	\$769,308,188	\$777,193,597	\$785,159,831	\$3,846,940,975
State General Fund	43.5%	\$327,892,810	\$331,253,711	\$334,649,062	\$338,079,215	\$341,544,527	\$1,673,419,324
DE Social Programs	0.5%	\$3,768,883	\$3,807,514	\$3,846,541	\$3,885,968	\$3,925,799	\$19,234,705
Gross Receipt Taxes	0.2%	\$1,507,553	\$1,523,006	\$1,538,616	\$1,554,387	\$1,570,320	\$7,693,882
Para Mut. Taxes	5.0%	\$6,812,731	\$6,634,893	\$6,461,696	\$6,293,021	\$6,128,749	\$32,331,090
Total Tax revenue		\$339,981,977	\$343,219,123	\$346,495,915	\$349,812,591	\$353,169,394	\$1,732,679,001

Source: TMG Consulting Estimates and RIMS II

The *Projection Without* horse or harness meets scenario indicates tax revenues that are higher than the *Projection With* horse or harness meets scenario, due to the slightly higher level of projected revenues. *Projection Without* horse or harness meets also generates more tax revenues than the *Baseline* and *Status Quo* scenarios. The five year projected total tax revenues from gaming and racing operations is \$1.742 billion.

Table 5-19 Projection Without Horse or Harness Meets:
Gaming and Racing Operations and Gross Receipts Tax Revenues

Video Lottery	Effective Rate	2013	2014	2015	2016	2017	Five Year Total
Gross Revenue		\$753,776,574	\$761,502,784	\$769,308,188	\$777,193,597	\$785,159,831	\$3,846,940,975
State General Fund	43.5%	\$327,892,810	\$331,253,711	\$334,649,062	\$338,079,215	\$341,544,527	\$1,673,419,324
DE Social Programs	0.5%	\$3,768,883	\$3,807,514	\$3,846,541	\$3,885,968	\$3,925,799	\$19,234,705
Gross Receipt Taxes	0.2%	\$1,507,553	\$1,523,006	\$1,538,616	\$1,554,387	\$1,570,320	\$7,693,882
Para Mut. Taxes	5.0%	\$7,508,526	\$7,990,156	\$8,441,525	\$8,863,885	\$9,258,441	\$42,062,533
Total Tax revenue		\$340,677,772	\$344,574,387	\$348,475,744	\$352,383,454	\$356,299,087	\$1,742,410,444

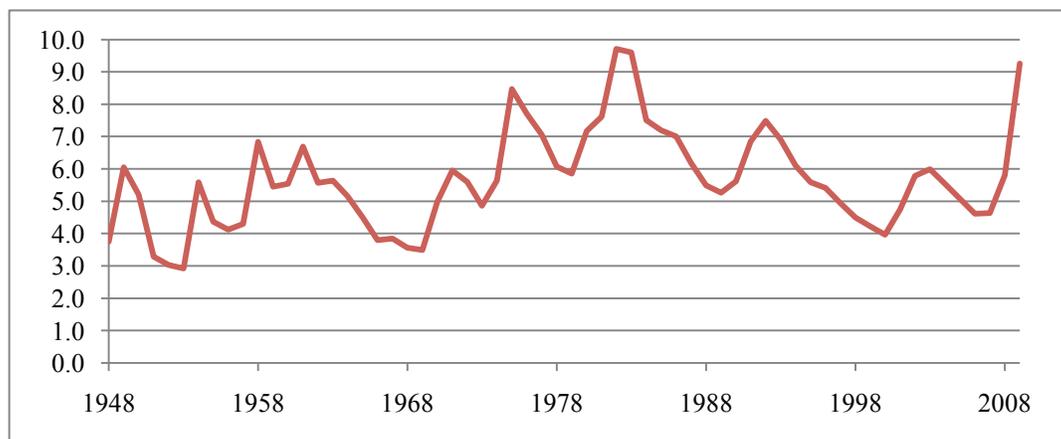
Source: TMG Consulting Estimates and RIMS II

The direct gaming tax revenues described above indicate that if Delaware were to maintain the *Baseline* scenario and deter strategic expansion into markets that would directly compete with neighboring states, the state would stand to lose approximately \$120 million in taxes revenues in 2013.

5.5.2 Employment Earnings on State and Local Tax Revenues

In order to determine the impact of direct and indirect jobs created from the gaming industry on the Delaware economy and to calculate the changes in tax revenue based on household earnings, TMG began analyzing the historical and current unemployment trends in the state. As shown in the following chart, the unemployment rate in Delaware in 2009 is above 9%, a near all time high for the state.

Figure 5-20 Delaware Average Annual Unemployment Rate



Source: Bureau of Labor Statistics

Considering the high unemployment rate in Delaware compared to the preceding decade, TMG anticipates that any direct and indirect jobs created by increased gaming operations in the state will be easily absorbed by the current labor pool. This assumption is also validated by the historical existence of gaming in the area: while a state that institutes gaming as a new market in the economy has a relatively untrained labor force and may rely on attracting out-of state gaming experience, a state that has existing gaming has a labor force that is more familiar and experienced in the gaming sector. For these reasons, TMG assumes no new residents to the state as a conservative approach to estimating future tax revenues to the State.

5.5.2.1 Status Quo

Using our own VLT and gross racing revenue estimates for each scenario, TMG projected the total household earnings, both direct and indirect, attributed to the Delaware gaming market. The following table shows the projected revenues as they were estimated by TMG Consulting, and were presented in previous sections of this study. In order to maintain dollar consistency in our calculations, 2009 dollars were converted to 2006 dollars by dividing by the applicable annual urban consumer price indicators (CPI-U) when utilizing the 2006 RIMS II final demand earnings multipliers for Delaware. For every dollar collected in operator revenue, approximately \$0.51 (according to the 2006 RIMS II multipliers) is paid out as earnings to households in all industries in the Delaware market. Therefore, in the *Status Quo* scenario, the projected \$577 million in total gaming revenue translates to \$260 million in household (HH) earnings in the Delaware market.

Table 5-21 Status Quo: Household Earnings Impact
Attributed to Gaming Operations 2009

Department	2009 Revenues	Discount Factor	2006 Equivalent	RIMS II Multiplier	2009 HH Earnings
Gaming	\$262,612,278	1.061	\$247,513,928	0.52	\$127,964,701
Food and Beverage	\$65,065,860	1.061	\$61,325,033	0.54	\$32,925,410
Retail	\$565,790	1.061	\$533,261	0.48	\$254,046
Entertainment	\$848,685	1.061	\$799,892	0.58	\$463,137
Government	\$247,656,786	1.061	\$233,418,272	0.42	\$98,339,118
Total	\$576,749,399		\$543,590,386	\$0.51	\$259,946,412

Source: TMG Consulting Estimates and RIMS II

Below are the modeled household earnings created for 2009-2017 in the *Status Quo* scenario.

Table 5-22 Status Quo: Household Earnings
Attributed to Gaming Operations 2009-2012 in 2006 Dollars

Department	2009	2010	2011	2012
Gaming	\$127,964,701	\$131,163,818	\$134,442,914	\$137,803,987
Food and Beverage	\$32,925,410	\$33,748,545	\$34,592,259	\$35,457,066
Retail	\$254,046	\$260,397	\$266,907	\$273,579
Entertainment	\$463,137	\$474,716	\$486,584	\$498,748
Government	\$98,339,118	\$100,797,596	\$103,317,536	\$105,900,474
Total Household Earnings	\$259,946,412	\$266,445,072	\$273,106,199	\$279,933,854

Source: TMG Consulting Estimates and RIMS II

Using a conservative growth factor of 2.5% to account for inflation, the above estimates were projected out to 2017 for comparison to the three following scenarios, where 2013 is the year that all proposed competitors in the region expect to be operational. In the *Status Quo* scenario, household earnings are expected to range from \$287-\$317 million from 2013-2017.

Table 5-23 Status Quo: Household Earnings
Attributed to Gaming Operations 2013-2017 in 2006 Dollars

Department	2013	2014	2015	2016	2017
Gaming	\$141,249,086	\$144,780,313	\$148,399,821	\$152,109,817	\$155,912,562
Food and Beverage	\$36,343,492	\$37,252,080	\$38,183,382	\$39,137,966	\$40,116,415
Retail	\$280,419	\$287,429	\$294,615	\$301,980	\$309,530
Entertainment	\$511,217	\$523,997	\$537,097	\$550,525	\$564,288
Government	\$108,547,986	\$111,261,686	\$114,043,228	\$116,894,308	\$119,816,666
Total Household Earnings	\$286,932,200	\$294,105,505	\$301,458,143	\$308,994,596	\$316,719,461

Source: TMG Consulting Estimates and RIMS II

Using the Bureau of Economic Analysis (BEA) data on Delaware household earnings through October 2009, TMG projected the percentages of household earnings that Delaware can expect to receive as tax revenues on the state and local tax level.

Based on 1998-2008 BEA statistics on Delaware household earnings, state revenues from household earnings, and local revenues from household earnings, TMG calculated the average annual growth rate for each and projected household earnings, state revenues, and local revenues for 2009-2017 based on these growth rates. For each projected year, TMG calculated the proportion of household earnings that was state revenues and the proportion of household earnings that was local revenues. These proportions were used in our tax revenue projections for each scenario as effective tax rates. State revenues from household earnings are taxes collected by the State of Delaware and include income taxes, motor vehicle taxes, and other miscellaneous taxes. Local revenues from household earnings are taxes collected at the county level and include property taxes, public utility taxes, fees and penalties, and other miscellaneous taxes.

To calculate state and local revenues for each scenario, TMG applied the state and local tax proportions, or effective tax rates, to the annual projections of household earnings. Based on an effective tax rate TMG calculated the indirect tax revenues received from gaming operations, in the state of Delaware. Indirect tax revenues from household income are the tax revenues received from payroll taxes of direct gaming employees and indirect employment earnings induced by gaming operations in the economy. In the 2009 *Status Quo* scenario, the state earned approximately \$7.8 million dollars and the local municipalities \$470,500 that can be attributed to gaming operations.

Table 5-24 Status Quo: Household Earnings
Attributed to Gaming Operations Impact on Tax Revenues 2009-2012

	2009	2010	2011	2012
Household Earnings	\$259,946,412	\$266,445,072	\$273,106,199	\$279,933,854
State Revenues	\$7,781,165	\$7,823,004	\$7,865,069	\$7,907,360
Local Revenues	\$470,484	\$473,533	\$476,643	\$482,882
State Tax Effective Rate	2.99%	2.94%	2.88%	2.82%
Local Tax Effective Rate	0.18%	0.18%	0.17%	0.17%

Sources: Bureau of Economic Analysis; TMG estimates

Between 2013 and 2017, state tax revenues range from \$7.9 million to \$8.1 million. These figures will be used as a comparison to the following three scenarios: *Baseline*, *Projection With* horse or harness meets, and *Projection Without* horse or harness meets.

Table 5-25 Status Quo: Household Earnings
Attributed to Gaming Operations Impact on Tax Revenues 2013-2017

	2013	2014	2015	2016	2017
Household Earnings	\$286,932,200	\$294,105,505	\$301,458,143	\$308,994,596	\$316,719,461
State Revenues	\$7,949,878	\$7,992,625	\$8,035,601	\$8,078,809	\$8,122,249
Local Revenues	\$482,882	\$486,032	\$489,203	\$492,394	\$495,606
State Tax Rate (% of household earnings)	2.77%	2.72%	2.67%	2.61%	2.56%
Local Tax Rate (% of household earnings)	0.17%	0.17%	0.17%	0.16%	0.16%

Sources: Bureau of Economic Analysis; TMG estimates

5.5.2.2 *Baseline*

In the *Baseline* scenario in 2013, total household earnings are expected to decrease by more than \$65 million compared to the *Status Quo* to approximately \$220 million as shown below.

Table 5-26 Baseline: Household Earnings Impact
Attributed to Gaming Operations 2013

Department	2013 Revenues	Discount Factor	2006 Equivalent	Multiplier	2013 HH Earnings
Gaming	\$220,268,140	1.061	\$207,604,279	0.52	\$107,331,412
Food and Beverage	\$55,375,379	1.061	\$52,191,686	0.54	\$28,021,716
Retail	\$481,525	1.061	\$453,841	0.48	\$216,210
Entertainment	\$722,288	1.061	\$680,761	0.58	\$394,161
Government	\$210,602,289	1.061	\$198,494,147	0.42	\$83,625,584
Total	\$487,449,621		\$459,424,714		\$219,589,083

Source: TMG Consulting Estimates and RIMS II

The *Baseline* scenario shows similarly deflated household earnings between 2013 and 2017 with a range from \$220-\$242 million.

Table 5-27 Baseline: Household Earnings
Attributed to Gaming Operations 2013-2017 in 2006 Dollars

Department	2013	2014	2015	2016	2017
Gaming	\$107,331,412	\$110,014,698	\$112,765,065	\$115,584,192	\$118,473,796
Food and Beverage	\$28,021,716	\$28,722,259	\$29,440,316	\$30,176,324	\$30,930,732
Retail	\$216,210	\$221,615	\$227,155	\$232,834	\$238,655
Entertainment	\$394,161	\$404,015	\$414,115	\$424,468	\$435,080
Government	\$83,625,584	\$85,716,224	\$87,859,129	\$90,055,607	\$92,306,998
Total Household Earnings	\$219,589,083	\$225,078,810	\$230,705,780	\$236,473,425	\$242,385,261

Source: TMG Consulting Estimates and RIMS II

This decrease in household revenues translates to a similarly extreme reduction in state and local revenues attributed to direct and indirect household earnings from gaming operations. In 2013, tax revenues are expected to be \$6 million for the state and \$369,500 for local municipalities, as compared to \$10.8 million and \$656,000 in the *Status Quo* scenario.

Table 5-28 Baseline: Household Earnings
Attributed to Gaming Operations Impact on Tax Revenues 2013-2017 in 2006 Dollars

	2013	2014	2015	2016	2017
Household Earnings	\$219,589,083	\$225,078,810	\$230,705,780	\$236,473,425	\$242,385,261
State Revenues	\$6,084,038	\$6,116,752	\$6,149,642	\$6,182,709	\$6,215,953
Local Revenues	\$369,549	\$371,960	\$374,387	\$376,829	\$379,287
State Tax Rate (% of household earnings)	2.77%	2.72%	2.67%	2.61%	2.56%
Local Tax Rate (% of household earnings)	0.17%	0.17%	0.16%	0.16%	0.16%

Sources: Bureau of Economic Analysis; TMG estimates

5.5.2.3 Projection With Horse or Harness Meets

In the *Baseline* Scenario, household income decreases by more than \$150 million in 2013 as compared to the *Status Quo* scenario, having a severe negative effect on tax revenues. Below, the *Projection With* horse or harness meets scenario shows increased household earnings to \$389 million in 2013, a 78% increase compared to the *Baseline* scenario and a 50% increase compared to the *Status Quo*.

Table 5-29 Projection With Horse or Harness Meets: Household Earnings Impact Attributed to Gaming Operations 2013

Department	2013 Revenues	Discount Factor	2006 Equivalent	RIMS II Multiplier	2013 HH Earnings
Gaming	\$336,821,216	1.061	\$317,456,377	0.52	\$164,124,947
Food and Beverage	\$86,684,306	1.061	\$81,700,571	0.54	\$43,865,037
Retail	\$753,777	1.061	\$710,440	0.48	\$338,453
Entertainment	\$1,130,665	1.061	\$1,065,660	0.58	\$617,017
Government	\$452,265,945	1.061	\$426,263,850	0.42	\$179,584,960
Total	\$877,655,908		\$827,196,897		\$388,530,414

Source: TMG Consulting Estimates and RIMS II

This trend continues through 2017 with household earnings ranging from \$388.5 to \$428.9 million between 2013 and 2017.

Table 5-30 Projection With Horse or Harness Meets: Household Earnings Attributed to Gaming Operations 2013-2017 in 2006 Dollars

Department	2013	2014	2015	2016	2017
Gaming	\$164,124,947	\$168,228,071	\$172,433,772	\$176,744,617	\$181,163,232
Food and Beverage	\$43,865,037	\$44,961,663	\$46,085,704	\$47,237,847	\$48,418,793
Retail	\$338,453	\$346,915	\$355,588	\$364,477	\$373,589
Entertainment	\$617,017	\$632,442	\$648,253	\$664,460	\$681,071
Government	\$179,584,960	\$184,074,584	\$188,676,449	\$193,393,360	\$198,228,194
Total Household Earnings	\$388,530,414	\$398,243,674	\$408,199,766	\$418,404,760	\$428,864,879

Source: TMG Consulting Estimates and RIMS II

In this scenario, state and local revenues are expected to reach \$10.8 million and \$654,000 respectively in 2013, significantly higher than the revenues projected in the *Status Quo* and *Baseline* scenarios.

Table 5-31 Projection With Horse or Harness Meets: Household Earnings
 Attributed to Gaming Operations Impact on Tax Revenues 2013-2017
 in 2006 Dollars

	2013	2014	2015	2016	2017
Household Earnings	\$388,530,414	\$398,243,674	\$408,199,766	\$418,404,760	\$428,864,879
State Revenues	\$10,764,806	\$10,822,688	\$10,880,882	\$10,939,389	\$10,998,211
Local Revenues	\$653,863	\$658,128	\$662,422	\$666,743	\$671,093
State Tax Rate (% of household earnings)	2.77%	2.72%	2.67%	2.61%	2.56%
Local Tax Rate (% of household earnings)	0.17%	0.17%	0.16%	0.16%	0.16%

Sources: Bureau of Economic Analysis; TMG estimates

5.5.2.4 Projection Without Horse or Harness Meets:

The Projection Without horse or harness meets scenario is similar to the above scenario, *Projection With* horse or harness meets, with results that are slightly higher based on the modeled racing revenues reported previously in this report. Because of the competitive nature of the racing industry, the Delaware market can expect decreased revenues from an expansion of the racing industry within the state. This effect is reflected in the household earnings estimates below.

Table 5-32 Projection Without Horse or Harness Meets: Household Earnings
 Impact Attributed to Gaming Operations 2013 in 2006 Dollars

Department	2013 Revenues	Discount Factor	2006 Equivalent	Multiplier	2013 HH Earnings
Gaming	\$339,465,236	1.061	\$319,948,384	0.52	\$165,413,315
Food and Beverage	\$86,684,306	1.061	\$81,700,571	0.54	\$43,865,037
Retail	\$753,777	1.061	\$710,440	0.48	\$338,453
Entertainment	\$1,130,665	1.061	\$1,065,660	0.58	\$617,017
Government	\$452,265,945	1.061	\$426,263,850	0.42	\$179,584,960
Total	\$880,299,928		\$829,688,905		\$389,818,782

Source: TMG Consulting Estimates and RIMS II

In this scenario, household earnings in 2013 are \$390 million, slightly higher than the reported \$388.5 million in the above *Projection With* horse or harness meets scenario.

Table 5-33 Projection Without Horse or Harness Meets: Household Earnings Attributed to Gaming Operations 2013-2017 in 2006 Dollars

Department	2013	2014	2015	2016	2017
Gaming	\$165,413,315	\$169,548,648	\$173,787,364	\$178,132,048	\$182,585,349
Food and Beverage	\$43,865,037	\$44,961,663	\$46,085,704	\$47,237,847	\$48,418,793
Retail	\$338,453	\$346,915	\$355,588	\$364,477	\$373,589
Entertainment	\$617,017	\$632,442	\$648,253	\$664,460	\$681,071
Government	\$179,584,960	\$184,074,584	\$188,676,449	\$193,393,360	\$198,228,194
Total Household Earnings	\$389,818,782	\$399,564,251	\$409,553,358	\$419,792,191	\$430,286,996

Source: TMG Consulting Estimates and RIMS II

This trend continues through 2017 with household earnings ranging from \$390 to \$430 million between 2013 and 2017. Tax revenues are also expected to exceed all previous scenarios with \$10.8 million collected in 2013 by the state.

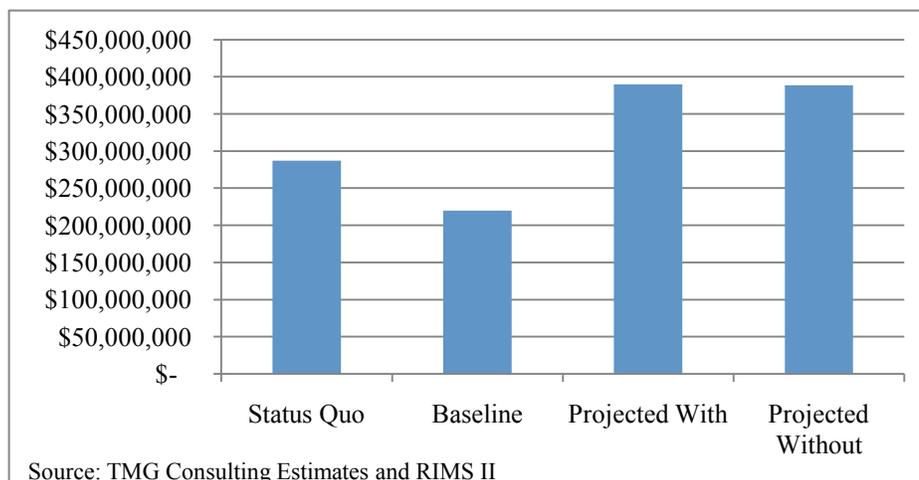
Table 5-34 Projection Without Horse or Harness Meets: Household Earnings Attributed to Gaming Operations Impact on Tax Revenues 2013-2017

	2013	2014	2015	2016	2017
Household Earnings	\$389,818,782	\$399,564,251	\$409,553,358	\$419,792,191	\$430,286,996
State Revenues	\$10,800,502	\$10,858,576	\$10,916,963	\$10,975,664	\$11,034,681
Local Revenues	\$656,031	\$660,311	\$664,618	\$668,954	\$673,318
State Tax Rate (% of household earnings)	2.77%	2.72%	2.67%	2.61%	2.56%
Local Tax Rate (% of household earnings)	0.17%	0.17%	0.16%	0.16%	0.16%

Sources: Bureau of Economic Analysis; TMG estimates

The following chart summarizes the household earnings discussion, showing the *Status Quo* scenario compared to the *Baseline* as the worst case scenario, and the two *Projection* scenarios as a vast improvement over the *Status Quo*.

Figure 5-12: Summary: Household Earnings Impact Attributed to Gaming Operations 2013



5.5.3 Total Tax Impact

In terms of direct taxes taken from racing and gaming operations in Delaware, all four scenarios can be compared in the year 2013. The *Baseline* scenario clearly generates the least amount of revenues for Delaware across all categories and fares worse than even the *Status Quo* scenario. *Projection With* horse or harness meets and *Projection Without* horse or harness meets yield the same direct tax revenues except for pari-mutuel taxes, where *Projection Without* horse or harness meets generates approximately \$700,000 more than the *Projection With* horse or harness meets. The reason *Projection Without* horse or harness meets generates more pari-mutuel tax revenues than the other projection is because, under this scenario, Delaware's three existing racetracks are able to increase their market shares from larger purses. Under the *Projection With* horse or harness meets scenario, Delaware's horse racing market share does not increase because there are five horse racetracks splitting the increase in gross purses instead of three. The *Projection Without* horse or harness meets scenario is expected to generate the most state revenue of all the scenarios with a total of \$340.7 million for 2013, followed by the *Projection With* horse or harness meets scenario at \$340 million in 2013. *Status Quo* is projected to generate \$256.6 million in state revenues in 2013, and the *Baseline* scenario is projected to generate \$218.5 million.

Table 5-35: Total Direct Tax Impact 2013

Revenue	Status Quo	Baseline	Projection With	Projection Without
State General Fund from VLT Proceeds	\$245,789,394	\$209,463,391	\$327,892,810	\$327,892,810
DE Social Programs from VLT Proceeds	\$2,825,165	\$2,407,625	\$3,768,883	\$3,768,883
Gross Receipts	\$1,130,066	\$963,050	\$1,507,553	\$1,507,553
Pari-mutuel Taxes	\$6,812,731	\$5,694,490	\$6,812,731	\$7,508,526
Total State Tax Revenues	\$256,557,357	\$218,528,557	\$339,981,977	\$340,677,772

Source: TMG Consulting Estimates

For total indirect tax impact, each scenario is compared below by the amount of state and local revenues generated from the indirect and direct jobs the gaming market in Delaware creates. In 2013, the *Projection With* horse or harness meets scenario yields the most indirect state revenues and local revenues, \$10.8 million and \$653,900 respectively. The *Baseline* scenario produces the least amount of indirect state and local revenues of the four scenarios, and in 2013 it is projected to generate \$6.1 million in state revenues and \$369,500 in local revenues.

Table 5-36: Total Indirect Tax Impact 2013

Revenue	Status Quo	Baseline	Projection With	Projection Without
State Revenues	\$7,949,878	\$6,084,038	\$10,764,806	\$10,800,502
Local Revenues	\$482,882	\$369,549	\$653,863	\$656,031

Source: TMG Consulting Estimates

By 2017, the *Projection Without* scenario generates the most direct tax revenues with a total of \$356.3 million. *Projection With* totals \$353.2 million in direct tax revenues in 2017. *Baseline* generates the least amount of direct taxes in 2017, and totals \$225.5 million for the year in tax revenues.

Table 5-37: Total Direct Tax Impact 2017

Revenue	Baseline	Projection With	Projection Without
State General Fund from VLT Proceeds	\$218,184,336	\$341,544,527	\$341,544,527
DE Social Programs from VLT Proceeds	\$2,507,866	\$3,925,799	\$3,925,799
Gross Receipts	\$1,003,146	\$1,570,320	\$1,570,320
Pari-mutuel Taxes	\$3,781,480	\$6,128,749	\$9,258,441
Total State Tax Revenues	\$225,476,828	\$353,169,394	\$356,299,087

Source: TMG Consulting Estimates

In 2017, we project that the *Projection Without* horse or harness meets scenario will produce the most state and local revenues, totaling \$11.0 million for state and \$673,300 for local. The *Projection With* horse or harness meets scenario yields almost the same revenues in 2013 and is projected to generate \$10.9 million in state revenues and \$671,000 in local revenues.

Table 5-38: Total Indirect Tax Impact 2017

Revenue	Baseline	Projection With	Projection Without
State Revenues	\$6,215,953	\$10,998,211	\$11,034,681
Local Revenues	\$379,287	\$671,093	\$673,318

Source: TMG Consulting Estimates

The following two tables summarize the total tax impact (indirect and direct) for each scenario in 2013 and 2017.

Table 5-39: Total Tax Impact 2013 (Direct and Indirect)

Revenue	Status Quo	Baseline	Projection With	Projection Without
State General Fund from VLT Proceeds	\$245,789,394	\$209,463,391	\$327,892,810	\$327,892,810
DE Social Programs from VLT Proceeds	\$2,825,165	\$2,407,625	\$3,768,883	\$3,768,883
Gross Receipts	\$1,130,066	\$963,050	\$1,507,553	\$1,507,553
Pari-mutuel Taxes	\$6,812,731	\$5,694,490	\$6,812,731	\$7,508,526
Indirect State Tax Revenues	\$7,949,878	\$6,084,038	\$10,764,806	\$10,800,502
Total to State	\$264,507,235	\$224,612,595	\$350,746,783	\$351,478,274
Indirect Local Tax Revenues	\$482,882	\$369,549	\$653,863	\$656,031
Total Tax Impact	\$264,990,117	\$224,982,144	\$351,400,646	\$352,134,305

Source: TMG Consulting Estimates

Table 5-40: Total Tax Impact 2017 (Direct and Indirect)

Revenue	Baseline	Projection With	Projection Without
State General Fund from VLT Proceeds	\$218,184,336	\$341,544,527	\$341,544,527
DE Social Programs from VLT Proceeds	\$2,507,866	\$3,925,799	\$3,925,799
Gross Receipts	\$1,003,146	\$1,570,320	\$1,570,320
Pari-mutuel Taxes	\$3,781,480	\$6,128,749	\$9,258,441
Indirect State Tax Revenues	\$6,215,953	\$10,998,211	\$11,034,681
Total to State	\$231,692,781	\$364,167,605	\$367,333,767
Indirect Local Tax Revenues	\$379,287	\$671,093	\$673,318
Total Tax Impact	\$232,072,068	\$364,838,698	\$368,007,086

Source: TMG Consulting Estimates

5.5.4 Socioeconomic Impact of a Mixed Projection Scenario

Following what was projected for both the *Projection With* and the *Projection Without* scenarios, the socioeconomic impact of a *Mixed Projection* scenario would show marginal improvement, in terms of revenues to the state and local municipalities, compared to the *Projection With scenario*, but would have less of a positive impact than the *Projection Without* scenario. Since the *Mixed Projection* is estimated to generate slightly more revenues than the *Projection With* scenario due to higher gross racing revenues, the *Mixed Projection* scenario would lead to a marginally higher level of direct and indirect tax revenues and direct and indirect employment. Because the *Projection*

Without scenario most likely generates the most revenues, it remains the scenario most likely to have the largest positive socioeconomic impact out of the three.

SECTION 6: DISCLAIMER

Consumer demand for gaming is particularly sensitive to downturns in the economy. Changes in consumer preferences or discretionary consumer spending brought about by factors such as fears of war, future acts of terrorism, general economic conditions, disposable consumer income, fears of recession and changes in consumer confidence in the economy could reduce customer demand for luxury products and leisure services, thus imposing practical limits on pricing and harming operations. Our project would thereby be adversely affected.

All projections will be affected by international, national and local economic conditions. A recession or downturn in the general economy, or in a region constituting a significant source of customers, could result in fewer customers, which would adversely affect projections.

Casinos are generally dependent on the willingness of customers to travel. As a result of the terrorist acts of September 11, 2001, domestic and international travel was severely disrupted, which resulted in a decrease in customer visits to casinos. In addition, developments in international conflicts such as the conflict in Iraq could have a similar effect on domestic and international travel. No one can predict the extent to which disruptions in air or other forms of travel as a result of any future terrorist act, outbreak of hostilities or escalation of war would adversely affect projections. It is possible that airplane terrorism could lead to increased travel by automobile and possibly an increase in local casino admissions.

As a result of the SARS outbreak in Asia, there was a decrease in travel to and from, and economic activity in, affected regions. In addition, there have been recent fears concerning the spread of an avian flu. Potential future outbreaks of SARS, avian flu or other highly infectious diseases may adversely affect the number of visitors. Any new outbreak of such a highly infectious disease could have a material adverse effect on the projections.

If changes in transportation infrastructure cause it to become insufficient to meet the demand of visitors, the desirability of this location as a gaming and tourist destination, as well as the results of operations, could be negatively impacted.

This report reflects analysis and opinion based on primary and secondary sources of information. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis regarding the project are based on trends and assumptions and, therefore, there will usually be differences between the estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. The accompanying study is prepared for the information and use of our client, and may not be relied upon by any third party for any purpose, including but not limited to financing of the project or investing in the

project. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report.

TMG Consulting makes no express or implied representation or warranty or guarantee as to the attainability of any projected or estimated information referenced or set forth herein, or as to the accuracy or completeness of the assumptions from which such projected or estimated information is derived. Any such projections or estimations are necessarily subject to a high degree of uncertainty and may vary materially and adversely from actual results.

Some of the statements in this report constitute forward-looking statements. These statements involve risks, uncertainties and other factors that may cause you or your industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "would," "could," "believe," "expect," "anticipate," "estimate," "intend," "plan," "continue" or the negative of these terms or other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. If one or more of the assumptions underlying our forward-looking statements proves incorrect, then actual results, levels of activity, performance or achievements could differ significantly from those expressed in or implied by the forward-looking statements contained herein. These forward-looking statements are subject to risks, uncertainties, and assumptions about or the projections that are subject to change based on various important factors, some of which are beyond our control. The factors identified above, among others, could cause our projections to differ significantly from the goals, plans, objectives, intentions and expectations expressed in our forward-looking statements. Therefore, we caution you not to place undue reliance on our forward-looking statements. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

While TMG Consulting endeavors to provide reliable estimates and projections, it will not be liable for any claim by any party acting on these estimates and projections.

SECTION 7: APPENDIX

7.1 PRIMARY RESEARCH: SURVEY OF 500 ACTIVE DELAWARE GAMERS

7.1.1 Questionnaire

1. Are you over the age of 21?
 - a. No, TERMINATE
 - b. Yes. What age group describes you?
 - i. 21-25
 - ii. 26-35
 - iii. 35-45
 - iv. 45-55
 - v. 55-65
 - vi. 65 and older
2. Have you visited a casino or racetrack casino in the last 12 months?
 - a. No, TERMINATE (but still record responses)
 - b. Yes. How many times?
 - i. More than once per week
 - ii. Once per week
 - iii. Two times per month
 - iv. Once per month
 - v. Once every other month
 - vi. Just a couple of times per year
 - vii. Once
3. Have you visited a Delaware racetrack casino in the last 12 months?
 - a. No, TERMINATE (but still record responses)
 - b. Yes. How many times?
 - i. More than once per week
 - ii. Once per week
 - iii. Two times per month
 - iv. Once per month
 - v. Once every other month
 - vi. Just a couple of times per year
 - vii. Once
4. How far from where you live is your favorite local casino or racetrack casino?
 - a. 0 - 30 minutes
 - b. 30 minutes - 1 hour
 - c. 1 hour - 1 ½ hours
 - d. 1 ½ - 2 hours
 - e. 2 hours or more

5. How far are you willing to drive to go to a casino or racetrack casino for a weekday visit?
 - a. 30 minutes
 - b. 45 minutes
 - c. 1 hour
 - d. 2 hours
 - e. 3 hours or more
6. Approximately how much is your gaming budget for a weekday casino or racetrack casino visit?
 - a. \$200 or more
 - b. \$150
 - c. \$100
 - d. \$50
 - e. \$25
7. How far are you willing to drive to go to a casino or racetrack casino for an overnight visit?
 - a. 30 minutes
 - b. 45 minutes
 - c. 1 hour
 - d. 2 hours
 - e. 3 hours
 - f. 4 hours or more
8. Approximately how much is your gaming budget for an overnight casino or racetrack casino visit?
 - a. \$500 or more
 - b. \$400
 - c. \$300
 - d. \$200
 - e. \$100
 - f. \$50
 - g. \$25
9. How satisfied are you with the racetrack casinos in Delaware?
 - a. Very satisfied
 - b. Satisfied
 - c. Only somewhat satisfied
 - d. Not satisfied
10. How satisfied are you with the casinos and racetrack casinos in Pennsylvania?
 - a. Very satisfied
 - b. Satisfied
 - c. Only somewhat satisfied
 - d. Not satisfied
11. New casinos will be opening soon in Maryland. How likely are you to visit these facilities?
 - a. Won't visit
 - b. Not likely

- c. Likely
 - d. Very Likely
 - e. Will definitely visit
12. What ethnic group do you identify with?
- a. Hispanic
 - b. Black
 - c. Asian
 - d. White
 - e. Other
13. Are you male or female?
- a. Male
 - b. Female

7.1.2 Raw Data from Delaware Video Lottery Terminal Survey

TABLE004

How many times?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
More than once per week	23	-	2	2	4	6	9
	5%		6%	4%	4%	5%	5%
Once per week	37	-	3	5	7	6	16
	7%		10%	9%	7%	5%	9%
Two times per month	52	-	3	5	7	12	25
	10%		10%	9%	7%	9%	14%
Once per month	47	-	2	2	11	10	22
	9%		6%	4%	11%	8%	13%
Once every other month	55	2	4	5	14	10	20
	11%	25%	13%	9%	14%	8%	12%
Just a couple of times per year	195	4	10	21	44	57	59
	39%	50%	32%	37%	43%	45%	34%
Once	91	2	7	17	16	27	22
	18%	25%	23%	30%	16%	21%	13%

TABLE005

Have you visited a Delaware racetrack casino in the last 12 months?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
Yes	500	8	31	57	103	128	173
	100%	100%	100%	100%	100%	100%	100%

TABLE006

How many times?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
More than once per week	23	-	2	1	3	5	12
	5%		6%	2%	3%	4%	7%
Once per week	29	1	1	5	6	4	12
	6%	13%	3%	9%	6%	3%	7%
Two times per month	47	-	3	4	12	11	17
	9%		10%	7%	12%	9%	10%
Once per month	46	1	3	1	10	8	23
	9%	13%	10%	2%	10%	6%	13%
Once every other month	53	2	5	8	11	12	15
	11%	25%	16%	14%	11%	9%	9%
Just a couple of times per year	173	3	9	16	36	51	58
	35%	38%	29%	28%	35%	40%	34%
Once	129	1	8	22	25	37	36
	26%	13%	26%	39%	24%	29%	21%

TABLE007

How far from where you live is your favorite local casino or racetrack casino?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
0 - 30 minutes	276	4	19	45	56	70	82
	55%	50%	61%	79%	54%	55%	47%
30 minutes - 1 hour	124	2	4	7	30	32	49
	25%	25%	13%	12%	29%	25%	28%
1 hour - 1 1/2 hours	53	2	4	3	7	13	24
	11%	25%	13%	5%	7%	10%	14%
1 1/2 - 2 hours	15	-	-	-	2	3	10
	3%				2%	2%	6%
2 hours or more	32	-	4	2	8	10	8
	6%		13%	4%	8%	8%	5%

TABLE008

How far are you willing to drive to go to a casino or racetrack casino for a weekday visit?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
30 minutes	228	3	19	39	44	64	59
	46%	38%	61%	68%	43%	50%	34%
45 minutes	48	-	3	4	9	9	23
	10%		10%	7%	9%	7%	13%
1 hour	130	2	7	10	26	34	51
	26%	25%	23%	18%	25%	27%	29%
2 hours	69	3	1	2	20	17	26
	14%	38%	3%	4%	19%	13%	15%
3 hours or more	25	-	1	2	4	4	14
	5%		3%	4%	4%	3%	8%

TABLE009

Approximately how much is your gaming budget for a weekday casino or racetrack casino visit?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
\$200 or more	96	3	3	11	21	23	35
	19%	38%	10%	19%	20%	18%	20%
\$150	34	1	5	-	12	8	8
	7%	13%	16%		12%	6%	5%
\$100	100	1	6	12	21	24	36
	20%	13%	19%	21%	20%	19%	21%
\$50	97	1	6	11	18	25	36
	19%	13%	19%	19%	17%	20%	21%
\$25	173	2	11	23	31	48	58
	35%	25%	35%	40%	30%	38%	34%

TABLE010

How far are you willing to drive to go to a casino or racetrack casino for an overnight visit?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
30 minutes	126	1	-	15	19	40	51
	25%	13%		26%	18%	31%	29%
45 minutes	20	2	2	2	3	3	8
	4%	25%	6%	4%	3%	2%	5%
1 hour	106	2	9	9	24	25	37
	21%	25%	29%	16%	23%	20%	21%
2 hours	144	1	15	19	32	34	43
	29%	13%	48%	33%	31%	27%	25%
3 hours	58	1	2	8	12	17	18
	12%	13%	6%	14%	12%	13%	10%
4 hours or more	46	1	3	4	13	9	16
	9%	13%	10%	7%	13%	7%	9%

TABLE011

Approximately how much is your gaming budget for an overnight casino or racetrack casino visit?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
\$500 or more	66	2	6	11	16	15	16
	13%	25%	19%	19%	16%	12%	9%
\$400	27	-	1	2	6	8	10
	5%		3%	4%	6%	6%	6%
\$300	34	-	3	3	10	9	9
	7%		10%	5%	10%	7%	5%
\$200	112	4	9	16	23	22	38
	22%	50%	29%	28%	22%	17%	22%
\$100	94	1	3	7	18	35	30
	19%	13%	10%	12%	17%	27%	17%
\$50	66	-	4	5	13	16	28
	13%		13%	9%	13%	13%	16%
\$25	101	1	5	13	17	23	42
	20%	13%	16%	23%	17%	18%	24%

TABLE012

How satisfied are you with the racetrack casinos in Delaware?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
Very satisfied	142	3	6	15	29	39	50
	28%	38%	19%	26%	28%	30%	29%
Satisfied	220	5	16	24	42	57	76
	44%	63%	52%	42%	41%	45%	44%
Only somewhat satisfied	96	-	8	11	24	19	34
	19%		26%	19%	23%	15%	20%
Not satisfied	42	-	1	7	8	13	13
	8%		3%	12%	8%	10%	8%

TABLE013

How satisfied are you with the casinos and racetrack casinos in Pennsylvania?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
Very satisfied	30	1	2	1	6	8	12
	6%	13%	6%	2%	6%	6%	7%
Satisfied	165	5	8	21	34	41	56
	33%	63%	26%	37%	33%	32%	32%
Only somewhat satisfied	112	1	6	14	21	30	40
	22%	13%	19%	25%	20%	23%	23%
Not satisfied	193	1	15	21	42	49	65
	39%	13%	48%	37%	41%	38%	38%

TABLE014

New casinos will be opening soon in Maryland. How likely are you to visit these facilities?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173

Won't visit	86	-	7	10	18	18	33
	17%		23%	18%	17%	14%	19%
Not likely	204	1	12	29	33	56	73
	41%	13%	39%	51%	32%	44%	42%
Likely	104	3	8	12	22	26	33
	21%	38%	26%	21%	21%	20%	19%
Very Likely	52	4	4	3	15	11	15
	10%	50%	13%	5%	15%	9%	9%
Will definitely visit	54	-	-	3	15	17	19
	11%			5%	15%	13%	11%

TABLE015

What ethnic group do you identify with?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
Hispanic	3	-	-	1	1	1	-
	1%			2%	1%	1%	
Black	50	2	2	6	12	14	14
	10%	25%	6%	11%	12%	11%	8%
Asian	5	-	2	1	1	-	1
	1%		6%	2%	1%		1%
White	416	5	26	46	83	104	152
	83%	63%	84%	81%	81%	81%	88%
Other	26	1	1	3	6	9	6
	5%	13%	3%	5%	6%	7%	3%

TABLE016

Are you male or female?

	TOTAL	What age group describes you?					
		21-25	26-35	35-45	45-55	55-65	65 and older
TOTAL	500	8	31	57	103	128	173
Male	215	4	16	29	45	49	72
	43%	50%	52%	51%	44%	38%	42%
Female	285	4	15	28	58	79	101

	57%	50%	48%	49%	56%	62%	58%	
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TABLE001

Are you over the age of 21?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
Yes	500	23	29	47	46	53	173	129
	100%	100%	100%	100%	100%	100%	100%	100%

TABLE002

What age group describes you?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
21-25	8	-	1	-	1	2	3	1
	2%		3%		2%	4%	2%	1%
26-35	31	2	1	3	3	5	9	8
	6%	9%	3%	6%	7%	9%	5%	6%
35-45	57	1	5	4	1	8	16	22
	11%	4%	17%	9%	2%	15%	9%	17%
45-55	103	3	6	12	10	11	36	25
	21%	13%	21%	26%	22%	21%	21%	19%
55-65	128	5	4	11	8	12	51	37
	26%	22%	14%	23%	17%	23%	29%	29%
65 and older	173	12	12	17	23	15	58	36
	35%	52%	41%	36%	50%	28%	34%	28%

TABLE003

Have you visited a casino or racetrack casino in the last 12 months?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
Yes	500	23	29	47	46	53	173	129
	100%	100%	100%	100%	100%	100%	100%	100%

TABLE004

How many times?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
More than once per week	23	17	1	1	-	3	1	-
	5%	74%	3%	2%		6%	1%	
Once per week	37	2	23	6	4	-	2	-
	7%	9%	79%	13%	9%		1%	
Two times per month	52	2	3	34	4	3	4	2
	10%	9%	10%	72%	9%	6%	2%	2%
Once per month	47	-	-	1	32	7	4	3
	9%			2%	70%	13%	2%	2%
Once every other month	55	-	1	4	2	30	15	3
	11%		3%	9%	4%	57%	9%	2%
Just a couple of times per year	195	2	1	1	3	10	137	41
	39%	9%	3%	2%	7%	19%	79%	32%
Once	91	-	-	-	1	-	10	80
	18%				2%		6%	62%

TABLE005

Have you visited a Delaware racetrack casino in the last 12 months?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
Yes	500	23	29	47	46	53	173	129
	100%	100%	100%	100%	100%	100%	100%	100%

TABLE006

How many times?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
More than once per week	23	23	-	-	-	-	-	-
	5%	100%						
Once per week	29	-	29	-	-	-	-	-
	6%		100%					
Two times per month	47	-	-	47	-	-	-	-
	9%			100%				
Once per month	46	-	-	-	46	-	-	-
	9%				100%			
Once every other month	53	-	-	-	-	53	-	-
	11%					100%		
Just a couple of times per year	173	-	-	-	-	-	173	-
	35%						100%	
Once	129	-	-	-	-	-	-	129
	26%							100%

TABLE007

How far from where you live is your favorite local casino or racetrack casino?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
0 - 30 minutes	276	20	19	28	28	26	92	63
	55%	87%	66%	60%	61%	49%	53%	49%
30 minutes - 1 hour	124	2	5	12	9	15	48	33
	25%	9%	17%	26%	20%	28%	28%	26%
1 hour - 1 1/2 hours	53	-	2	5	5	7	19	15
	11%		7%	11%	11%	13%	11%	12%
1 1/2 - 2 hours	15	1	-	1	-	1	5	7
	3%	4%		2%		2%	3%	5%
2 hours or more	32	-	3	1	4	4	9	11
	6%		10%	2%	9%	8%	5%	9%

TABLE008

How far are you willing to drive to go to a casino or racetrack casino for a weekday visit?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
30 minutes	228	8	14	20	18	18	80	70
	46%	35%	48%	43%	39%	34%	46%	54%
45 minutes	48	2	2	4	5	6	19	10
	10%	9%	7%	9%	11%	11%	11%	8%
1 hour	130	9	8	13	11	18	44	27
	26%	39%	28%	28%	24%	34%	25%	21%
2 hours	69	3	2	9	7	9	22	17
	14%	13%	7%	19%	15%	17%	13%	13%
3 hours or more	25	1	3	1	5	2	8	5
	5%	4%	10%	2%	11%	4%	5%	4%

TABLE009

Approximately how much is your gaming budget for a weekday casino or racetrack casino visit?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
\$200 or more	96	4	8	13	10	12	32	17
	19%	17%	28%	28%	22%	23%	18%	13%
\$150	34	2	3	5	1	6	13	4
	7%	9%	10%	11%	2%	11%	8%	3%
\$100	100	6	3	8	16	12	34	21
	20%	26%	10%	17%	35%	23%	20%	16%
\$50	97	4	8	12	6	8	38	21
	19%	17%	28%	26%	13%	15%	22%	16%
\$25	173	7	7	9	13	15	56	66
	35%	30%	24%	19%	28%	28%	32%	51%

TABLE010

How far are you willing to drive to go to a casino or racetrack casino for an overnight visit?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
30 minutes	126	2	5	10	9	12	48	40
	25%	9%	17%	21%	20%	23%	28%	31%
45 minutes	20	5	-	1	4	2	6	2
	4%	22%	-	2%	9%	4%	3%	2%
1 hour	106	3	6	11	15	8	42	21
	21%	13%	21%	23%	33%	15%	24%	16%
2 hours	144	9	14	12	7	18	45	39
	29%	39%	48%	26%	15%	34%	26%	30%
3 hours	58	1	2	6	7	5	20	17
	12%	4%	7%	13%	15%	9%	12%	13%
4 hours or more	46	3	2	7	4	8	12	10
	9%	13%	7%	15%	9%	15%	7%	8%

TABLE011

Approximately how much is your gaming budget for an overnight casino or racetrack casino visit?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
\$500 or more	66	2	7	8	7	11	17	14
	13%	9%	24%	17%	15%	21%	10%	11%
\$400	27	3	3	2	2	4	6	7
	5%	13%	10%	4%	4%	8%	3%	5%
\$300	34	1	-	7	6	1	16	3
	7%	4%	-	15%	13%	2%	9%	2%
\$200	112	7	9	9	11	11	39	26
	22%	30%	31%	19%	24%	21%	23%	20%
\$100	94	6	5	12	7	11	34	19
	19%	26%	17%	26%	15%	21%	20%	15%
\$50	66	3	2	4	9	5	25	18
	13%	13%	7%	9%	20%	9%	14%	14%
\$25	101	1	3	5	4	10	36	42
	20%	4%	10%	11%	9%	19%	21%	33%

TABLE012

How satisfied are you with the racetrack casinos in Delaware?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
Very satisfied	142	9	11	21	14	14	52	21

	28%	39%	38%	45%	30%	26%	30%	16%
Satisfied	220	7	7	17	18	22	80	69
	44%	30%	24%	36%	39%	42%	46%	53%
Only somewhat satisfied	96	3	9	9	10	12	26	27
	19%	13%	31%	19%	22%	23%	15%	21%
Not satisfied	42	4	2	-	4	5	15	12
	8%	17%	7%		9%	9%	9%	9%

TABLE013

How satisfied are you with the casinos and racetrack casinos in Pennsylvania?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
Very satisfied	30	1	2	3	4	3	13	4
	6%	4%	7%	6%	9%	6%	8%	3%
Satisfied	165	9	11	13	14	17	53	48
	33%	39%	38%	28%	30%	32%	31%	37%
Only somewhat satisfied	112	4	7	12	9	11	41	28
	22%	17%	24%	26%	20%	21%	24%	22%
Not satisfied	193	9	9	19	19	22	66	49
	39%	39%	31%	40%	41%	42%	38%	38%

TABLE014

New casinos will be opening soon in Maryland. How likely are you to visit these facilities?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
Won't visit	86	4	3	6	5	8	32	28
	17%	17%	10%	13%	11%	15%	18%	22%
Not likely	204	6	11	14	20	15	75	63
	41%	26%	38%	30%	43%	28%	43%	49%
Likely	104	6	8	14	9	12	38	17
	21%	26%	28%	30%	20%	23%	22%	13%
Very Likely	52	4	4	8	4	5	15	12
	10%	17%	14%	17%	9%	9%	9%	9%
Will definitely visit	54	3	3	5	8	13	13	9
	11%	13%	10%	11%	17%	25%	8%	7%

TABLE015

What ethnic group do you identify with?

	TOTAL	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
		More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
Hispanic	3	-	2	-	-	-	1	-
	1%		7%				1%	
Black	50	3	3	6	5	5	12	16
	10%	13%	10%	13%	11%	9%	7%	12%
Asian	5	-	-	-	1	1	1	2
	1%				2%	2%	1%	2%
White	416	18	21	40	38	44	148	107
	83%	78%	72%	85%	83%	83%	86%	83%
Other	26	2	3	1	2	3	11	4
	5%	9%	10%	2%	4%	6%	6%	3%

TABLE016

Are you male or female?

	Have you visited a Delaware racetrack casino in the last 12 months? How many times?						
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	TOTAL	More than once per week	Once per week	Two times per month	Once per month	Once every other month	Just a couple of times per year	Once
TOTAL	500	23	29	47	46	53	173	129
Male	215	16	16	20	21	27	66	49
	43%	70%	55%	43%	46%	51%	38%	38%
Female	285	7	13	27	25	26	107	80
	57%	30%	45%	57%	54%	49%	62%	62%

TABLE001

Are you over the age of 21?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
Yes	500	86	204	104	52	54
	100%	100%	100%	100%	100%	100%

TABLE002

What age group describes you?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
21-25	8	-	1	3	4	-
	2%		*	3%	8%	
26-35	31	7	12	8	4	-
	6%	8%	6%	8%	8%	
35-45	57	10	29	12	3	3
	11%	12%	14%	12%	6%	6%
45-55	103	18	33	22	15	15
	21%	21%	16%	21%	29%	28%
55-65	128	18	56	26	11	17
	26%	21%	27%	25%	21%	31%
65 and older	173	33	73	33	15	19
	35%	38%	36%	32%	29%	35%

Note: Percentage less than 0.5 printed as *.

TABLE003

Have you visited a casino or racetrack casino in the last 12 months?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
Yes	500	86	204	104	52	54
	100%	100%	100%	100%	100%	100%

TABLE004

How many times?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
More than once per week	23	6	6	3	4	4
	5%	7%	3%	3%	8%	7%
Once per week	37	4	14	10	4	5
	7%	5%	7%	10%	8%	9%
Two times per month	52	4	17	19	5	7
	10%	5%	8%	18%	10%	13%
Once per month	47	7	19	10	5	6
	9%	8%	9%	10%	10%	11%
Once every other month	55	8	12	15	8	12
	11%	9%	6%	14%	15%	22%
Just a couple of times per year	195	33	88	39	18	17
	39%	38%	43%	38%	35%	31%
Once	91	24	48	8	8	3
	18%	28%	24%	8%	15%	6%

TABLE005

Have you visited a Delaware racetrack casino in the last 12 months?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
Yes	500	86	204	104	52	54
	100%	100%	100%	100%	100%	100%

TABLE006

How many times?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
More than once per week	23	4	6	6	4	3
	5%	5%	3%	6%	8%	6%
Once per week	29	3	11	8	4	3
	6%	3%	5%	8%	8%	6%
Two times per month	47	6	14	14	8	5
	9%	7%	7%	13%	15%	9%
Once per month	46	5	20	9	4	8
	9%	6%	10%	9%	8%	15%
Once every other month	53	8	15	12	5	13
	11%	9%	7%	12%	10%	24%
Just a couple of times per year	173	32	75	38	15	13
	35%	37%	37%	37%	29%	24%
Once	129	28	63	17	12	9
	26%	33%	31%	16%	23%	17%

TABLE007

How far from where you live is your favorite local casino or racetrack casino?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
0 - 30 minutes	276	53	134	57	18	14
	55%	62%	66%	55%	35%	26%
30 minutes - 1 hour	124	14	53	25	19	13
	25%	16%	26%	24%	37%	24%
1 hour - 1 1/2 hours	53	10	8	11	8	16
	11%	12%	4%	11%	15%	30%
1 1/2 - 2 hours	15	1	4	6	1	3
	3%	1%	2%	6%	2%	6%
2 hours or more	32	8	5	5	6	8
	6%	9%	2%	5%	12%	15%

TABLE008

How far are you willing to drive to go to a casino or racetrack casino for a weekday visit?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
30 minutes	228	56	115	38	10	9
	46%	65%	56%	37%	19%	17%
45 minutes	48	7	22	11	4	4
	10%	8%	11%	11%	8%	7%
1 hour	130	15	39	34	21	21
	26%	17%	19%	33%	40%	39%
2 hours	69	6	21	20	11	11
	14%	7%	10%	19%	21%	20%
3 hours or more	25	2	7	1	6	9
	5%	2%	3%	1%	12%	17%

TABLE009

Approximately how much is your gaming budget for a weekday casino or racetrack casino visit?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
\$200 or more	96	7	26	26	13	24

	19%	8%	13%	25%	25%	44%
\$150	34	5	8	8	4	9
	7%	6%	4%	8%	8%	17%
\$100	100	11	43	19	16	11
	20%	13%	21%	18%	31%	20%
\$50	97	17	42	27	7	4
	19%	20%	21%	26%	13%	7%
\$25	173	46	85	24	12	6
	35%	53%	42%	23%	23%	11%

TABLE010

How far are you willing to drive to go to a casino or racetrack casino for an overnight visit?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
30 minutes	126	45	55	18	2	6
	25%	52%	27%	17%	4%	11%
45 minutes	20	2	9	5	2	2
	4%	2%	4%	5%	4%	4%
1 hour	106	16	47	22	10	11
	21%	19%	23%	21%	19%	20%
2 hours	144	17	61	37	17	12
	29%	20%	30%	36%	33%	22%
3 hours	58	3	19	13	9	14
	12%	3%	9%	13%	17%	26%
4 hours or more	46	3	13	9	12	9
	9%	3%	6%	9%	23%	17%

TABLE011

Approximately how much is your gaming budget for an overnight casino or racetrack casino visit?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
\$500 or more	66	5	19	16	10	16
	13%	6%	9%	15%	19%	30%
\$400	27	4	10	4	6	3
	5%	5%	5%	4%	12%	6%
\$300	34	2	9	7	7	9
	7%	2%	4%	7%	13%	17%
\$200	112	12	46	34	11	9
	22%	14%	23%	33%	21%	17%
\$100	94	13	44	18	11	8
	19%	15%	22%	17%	21%	15%
\$50	66	15	30	14	4	3
	13%	17%	15%	13%	8%	6%

\$25	101	35	46	11	3	6
	20%	41%	23%	11%	6%	11%

TABLE012

How satisfied are you with the racetrack casinos in Delaware?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
Very satisfied	142	27	46	33	16	20
	28%	31%	23%	32%	31%	37%
Satisfied	220	32	103	44	23	18
	44%	37%	50%	42%	44%	33%
Only somewhat satisfied	96	11	42	20	10	13
	19%	13%	21%	19%	19%	24%
Not satisfied	42	16	13	7	3	3
	8%	19%	6%	7%	6%	6%

TABLE013

How satisfied are you with the casinos and racetrack casinos in Pennsylvania?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
Very satisfied	30	2	11	5	7	5
	6%	2%	5%	5%	13%	9%
Satisfied	165	19	70	38	18	20
	33%	22%	34%	37%	35%	37%
Only somewhat satisfied	112	16	43	29	12	12
	22%	19%	21%	28%	23%	22%
Not satisfied	193	49	80	32	15	17
	39%	57%	39%	31%	29%	31%

TABLE014

New casinos will be opening soon in Maryland. How likely are you to visit these facilities?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
Won't visit	86	86	-	-	-	-
	17%	100%				
Not likely	204	-	204	-	-	-

	41%		100%			
Likely	104	-	-	104	-	-
	21%			100%		
Very Likely	52	-	-	-	52	-
	10%				100%	
Will definitely visit	54	-	-	-	-	54
	11%					100%

TABLE015

What ethnic group do you identify with?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
Hispanic	3	-	-	1	-	2
	1%			1%		4%
Black	50	6	13	13	9	9
	10%	7%	6%	13%	17%	17%
Asian	5	1	3	1	-	-
	1%	1%	1%	1%		
White	416	76	179	83	40	38
	83%	88%	88%	80%	77%	70%
Other	26	3	9	6	3	5
	5%	3%	4%	6%	6%	9%

TABLE016

Are you male or female?

	TOTAL	New casinos will be opening soon in Maryland. How likely are you to visit these facilities?				
		Won't visit	Not likely	Likely	Very Likely	Will definitely visit
TOTAL	500	86	204	104	52	54
Male	215	40	80	48	22	25
	43%	47%	39%	46%	42%	46%
Female	285	46	124	56	30	29
	57%	53%	61%	54%	58%	54%

7.2 INTERVIEW SUMMARIES

7.2.1 Cannibalization

Kate Scaglione, Director of Marketing at Niagara USA, noted that there was positive reception towards the introduction of a casino since Niagara's tourism was on the decline and they were looking for ways to increase tourism. Once the casino was built, it served as a catalyst for further development in the area. The casino did meet their expectations by increasing tourism and serving as the first step to turning around the decline in tourism.

Miriam Perkins, who works in the Marketing Department at the San Diego Convention & Visitors Bureau, said there was positive reception to casinos because it would add to the overall choices available to tourists. Since tourists don't come for just one thing, the casinos had a positive effect since it added to the plate of options that could be presented to tourists. Once the casinos were built, Ms. Perkins said there was no noticeable cannibalization of local businesses by the casinos.

Thomas Garrett, Senior Economist at the Federal Reserve of St. Louis said St. Louis expected to benefit from the following areas with the introduction of a casino: increased jobs, a lower rate of unemployment, and increased tax revenue from new residents. He said that there was little cannibalization of local businesses – there was simply a reallocation of dollars among businesses in the entertainment industry. Even if cannibalization were present, it would be hard to measure, Mr. Garrett noted.

Keith Toler, Executive Director at the Santa Fe Convention & Visitors Bureau, said that there was little to no expectation from the possible benefits of a casino due to two primary factors: 1.) the casinos were located far from the city and would be self-contained and 2.) the casinos were owned by tribes and would not contribute to tax revenues. Due to the first factor, no cannibalization of local businesses was expected. Those going to the casinos would likely spend their money there (for food, drinks, and other sundry items) and wouldn't really have spent their money at the local businesses to begin with. Once the casinos were built, there was little change aside from a modest increase in tourism.

Simon Brackley, CEO of the Santa Fe Chamber of Commerce, noted that there was some concern of gambling addiction and lack of tax generation prior to the building of the tribal casinos. He noted, however, that there were no concerns regarding cannibalization of local businesses. The arrival of the casinos brought about lots of new jobs in construction and management, additional revenue from new residents, and increased tourism from conventions and tourists from Texas where there are few casinos. While there was no cannibalization of local businesses, Mr. Brackley noted there was cannibalization of events, such as Bingo Night, offered by non-profit organizations, churches, and senior organizations. Casinos offered large buses to bring senior citizens to the casinos. This has resulted in a lack of neighborhood cohesion since the local

organizations offered a venue for social interaction. While some gambling addiction materialized it was minimal and was not cause for concern. Mr. Brackely commented that, while no tax revenues were generated from the tribal casinos, a few of them did reinvest in the community by building parks and schools. Tribes that reinvested in the community generally tended to do better financially than those that simply kept the profits.

Michael O’Callahan, COO of the Detroit Metro Convention & Visitors Bureau, noted that the community was not receptive towards casinos due to concerns about morality generated from a mostly older, conservative population. There was also the stigma of organized crime. However, Mr. O’Callahan commented that the casinos have become a real asset to the community by increasing tourism from overnight stays and day trippers. The casinos offered a different form of entertainment and a negligible amount (less than 1%) of cannibalization took place. There was one local restaurant near the casinos that closed, but Mr. O’Callahan noted that it probably would have gone out of business anyway since it was old and deteriorating.

7.2.2 Horse Racing Industry Topics

In a discussion with Tim Capps, Executive-in-Residence at the University of Louisville’s Equine Studies Program, Mr. Capps said that a comparison between Standardbreds and Thoroughbreds couldn’t really be made since they were two different animals with different gaits and, thus, participated in two different types of racing. He did point out that Standardbreds were more durable, cheaper to train & buy, and could run longer than Thoroughbreds. However, payout opportunities were generally greater with Thoroughbreds. Mr. Capps pointed out that the prevalence of Thoroughbred racing was partly attributable to cultural differences: west of the Mississippi, there are few Standardbred races because people aren’t as familiar with it and the horse culture is different. In terms of optimal track length, Mr. Capps commented that mile-long tracks offered the best test of a horse’s capability. He also noted that mile-long tracks were preferable from a safety standpoint and that race times were usually faster on these types of tracks. He also pointed out that most world records have been established on mile-long tracks.

Laura Plato, Director of Operations at the Horsemen’s Benevolent & Protective Association, commented that aside from having higher purses, Thoroughbreds were more costly to care for than Standardbreds. While Standardbreds are on the decline, they are typically heartier, cheaper, calmer, and easier to deal with than Thoroughbreds. While Thoroughbreds need to be trotted on the track, Standardbreds can simply jog around in the backyard. Standardbreds have longer endurance and can race more frequently – typically three times in a night - than Thoroughbreds. From Ms. Plato’s viewpoint, the longer the track the better since the turns aren’t as sharp and, thus, are not as hard on the horse’s legs as shorter tracks. She pointed out that horses tended to break down more often on shorter tracks.

Keith Chamblin, who works in the National Thoroughbred Racing Association’s marketing department, said that a comparison between Standardbreds and Thoroughbreds would be difficult to make. The choice to offer one form of racing over another really depended on jurisdiction, history, location, and other circumstances surrounding the decision. Mr. Chamblin noted that Thoroughbreds were more prevalent throughout the United States. Regarding optimal track lengths, Mr. Chamblin commented that mile-long tracks typically were considered Class I facilities, whereas shorter tracks were considered Class II or Class III facilities.

In an interview with Stan Bergstein, an Executive at Harness Tracks of America, Mr. Bergstein commented that Standardbreds are more preferable than Thoroughbreds from an owner’s perspective. While Thoroughbreds race every month or every two months, Standardbreds can race every week or every two weeks. Additionally, Thoroughbreds experience higher break downs than Standardbreds. The durability of Standardbreds also leads to more starts. Furthermore, Standardbreds are a sounder breed and maximize earning options. Mr. Bergstein said that provincial ideas about Standardbreds have been a source for lack of growth in this type of racing: those involved in Thoroughbred racing typically look down at Standardbred racing and regard it as an inferior sport. Thoroughbred racing is regarded as more popular and “carries an imagined aura of acceptability and sociability.” When asked about his opinion on the optimal track length, Mr. Bergstein said that, while longer tracks were the most optimal since they resulted in fewer impediments and had fewer turns, the answer depended on whose point of view it was coming from: participant or spectator. Smaller racetracks are better for spectators since they get a better view of the race; longer racetracks are better for participants since there are fewer turns and more racing room. Longer racetracks also deliver better equality in racing. While he pointed out that the most successful days in racing took place on half-mile tracks, Mr. Bergstein said that 5/8-mile tracks offered a good compromise for both spectator and participant.

7.3 HISTORICAL PERFORMANCE OF HORSE RACETRACKS

7.3.1 *New Jersey*

7.3.1.1 *Property-level*

7.3.1.1.1 Atlantic City Racetrack

This horse track located in Mays Landing, New Jersey. The venue has one restaurant and features Thoroughbred racing. Atlantic City Racetrack’s Gross Racing Revenue, which has seen an overall decline, was the highest in 2004 at \$6.7 million. The largest decline was exhibited in 2007 when Gross Racing Revenue dropped by 16.7% from \$5 million to \$4.2 million. Total Facility Handle, which has seen an overall decline, was the highest in 2004 at \$33 million. Amount Returned to Bettors, which has seen an overall decline, was

the highest in 2004 at \$26 million. It is interesting to note that the number of racing days has remained the same, 4 days, throughout the declines exhibited in Gross Racing Revenue, Total Facility Handle, and Amount Returned to Bettors. Additionally, despite being open for an additional 2 days in 2008, the racetrack exhibited a decline in all three previously mentioned categories.

The Simulcast-in Handle, which has shown an overall decline, was the highest in 2004 at \$32 million. Likewise, its percentage of Total Facility Handle has dropped from 99.5% in 2002 to 95.8% in 2008. The On Track Handle, which has shown an overall increase, was the highest in 2008 at \$808 thousand. Its percentage of Total Facility Handle has risen from 0.5% in 2002 to 4.2% in 2008. The overall Attendance has grown from 1,925 visitors in 2002 to 25,485 visitors in 2008.

Table 7-1: Atlantic City Racetrack Racing Statistics Summary

Year	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue
2002	\$31,830,885	\$25,318,773	\$6,512,112	--
2003	\$31,137,416	\$24,747,899	\$6,389,517	-1.9%
2004	\$32,669,975	\$25,939,570	\$6,730,405	5.3%
2005	\$30,294,673	\$23,920,539	\$6,374,134	-5.3%
2006	\$26,890,421	\$20,899,038	\$5,991,383	-6.0%
2007	\$22,502,802	\$17,513,977	\$4,988,825	-16.7%
2008	\$19,458,707	\$15,231,811	\$4,226,896	-15.3%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

Table 7-2: Atlantic City Racetrack Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	1	1,925	\$170,686	0.5%	\$31,660,199	99.5%
2003	4	4,396	\$335,350	1.1%	\$30,802,066	98.9%
2004	4	11,639	\$458,868	1.4%	\$32,211,107	98.6%
2005	4	8,463	\$412,528	1.4%	\$29,882,145	98.6%
2006	4	16,344	\$692,856	2.6%	\$26,197,565	97.4%
2007	4	17,239	\$731,283	3.2%	\$21,771,519	96.8%
2008	6	25,485	\$807,932	4.2%	\$18,650,775	95.8%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

7.3.1.1.2 Freehold Raceway

Located in Freehold, New Jersey, this half-mile horse track features harness racing. Freehold Raceway also has one restaurant. Freehold Raceway's Gross Racing Revenue, which has shown an overall decline, was the highest in 2002 at \$140 million. The largest decline was exhibited in 2008 when Gross Racing Revenue dropped by 22.2% from \$105 million to \$82 million. Total Facility Handle, which has seen an overall decline, was the highest in 2004 at \$266 million. Amount Returned to Bettors, which has seen an overall decline, was the highest in 2002 at \$140 million.

The Simulcast-in Handle, which has shown an overall decline, was the highest in 2002 at \$127 million. Likewise, its percentage of Total Facility Handle has dropped from 51.3% in 2002 to 43.1% in 2008. The Simulcast-out Handle, which increased until 2005 before declining in the ensuing years, was the highest in 2004 at \$114 million. Its percentage of Total Facility Handle increased from 35.8% in 2002 to 47.4% in 2008. It is interesting to note that Simulcast-in Handle held the largest percentage of Total Facility Handle except in 2006 and 2008, when Simulcast-out Handle exceeded it. The On Track Handle, which has shown an overall decline, was the highest in 2002 at \$32 million. Its percentage of Total Facility Handle has dropped from 12.9% in 2002 to 9.5% in 2008. The overall Attendance has dropped from 258,523 visitors in 2002 to 222,571 visitors in 2008. The Number of Racing Days ranged from 188 days to 192 days.

Table 7-3: Freehold Raceway Racing Statistics Summary

Year	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue
2002	\$247,717,401	\$140,094,725	\$140,094,725	--
2003	\$248,203,608	\$135,126,397	\$135,126,397	-3.5%
2004	\$266,039,604	\$133,317,877	\$133,317,877	-1.3%
2005	\$254,226,224	\$123,819,669	\$123,819,669	-7.1%
2006	\$236,227,703	\$112,455,721	\$112,455,721	-9.2%
2007	\$218,789,282	\$104,988,343	\$104,988,343	-6.6%
2008	\$182,320,286	\$81,652,704	\$81,652,704	-22.2%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

Table 7-4: Freehold Raceway Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	192	258,523	\$31,980,960	12.9%	\$88,634,636	35.8%	\$127,101,805	51.3%
2003	188	304,959	\$28,759,940	11.6%	\$95,654,267	38.5%	\$123,789,401	49.9%
2004	189	297,166	\$28,335,324	10.7%	\$114,451,631	43.0%	\$123,252,649	46.3%
2005	191	268,213	\$27,101,872	10.7%	\$113,052,442	44.5%	\$114,071,910	44.9%
2006	192	261,921	\$25,867,744	11.0%	\$107,320,539	45.4%	\$103,039,420	43.6%
2007	190	251,642	\$22,852,181	10.4%	\$95,905,837	43.8%	\$100,031,264	45.7%
2008	191	222,571	\$17,247,849	9.5%	\$86,455,733	47.4%	\$78,616,704	43.1%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

7.3.1.1.3 Meadowlands Racetrack

This two-track Thoroughbred and harness horse racing facility is located in East Rutherford, New Jersey. On site, there are seven restaurants. Like all horse racetracks in New Jersey, Meadowlands only offers wagering on races and has no casino games. Meadowlands Racetracks' Gross Racing Revenue, which has shown an overall decline, was the highest in 2002 at \$539 million. The largest decline was exhibited in 2005 when Gross Racing Revenue dropped by 14.7% from \$535 million to \$456 million. Total Facility Handle, which has seen an overall decline, was the highest in 2002 at \$1 billion. Amount Returned to Bettors, which has seen an overall decline, was the highest in 2002 at \$462 million. It is important to note that the number of racing days, 228 days, was the highest in 2002, which may contribute to why the highest amount for all three categories was exhibited in 2002.

The Simulcast-out Handle, which holds the largest percentage of Total Facility Handle and has shown an overall decline, was the highest in 2004 at \$455 million. However, its percentage of Total Facility Handle has increased from 44.5% in 2002 to 54% in 2008. The Simulcast-in Handle, which has shown an overall decline, was the highest in 2002 at \$402 million. Its percentage of Total Facility Handle decreased from 40.2% in 2002 to 36.8% in 2008. The On Track Handle, which has shown an overall decline, was the highest in 2002 at \$153 million. Its percentage of Total Facility Handle has dropped from 15.3% in 2002 to 9.5% in 2008. The overall Attendance has dropped from 1,080,318 visitors in 2002 to 575,673 visitors in 2008. The Number of Racing Days ranged from 184 days to 228 days.

Table 7-5: Meadowlands Racetrack Racing Statistics Summary

Year	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue
2002	\$1,000,330,064	\$461,640,718	\$538,689,346	--
2003	\$919,313,216	\$418,204,011	\$501,109,205	-7.0%

2004	\$948,306,052	\$413,497,299	\$534,808,753	6.7%
2005	\$829,925,589	\$373,493,114	\$456,432,475	-14.7%
2006	\$787,081,814	\$348,055,770	\$439,026,044	-3.8%
2007	\$693,074,498	\$306,495,147	\$386,579,351	-11.9%
2008	\$691,784,081	\$258,117,880	\$433,666,201	12.2%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

Table 7-6: Meadowlands Racetrack Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	228	1,080,318	\$152,715,841	15.3%	\$445,202,523	44.5%	\$402,411,700	40.2%
2003	193	870,484	\$127,789,299	13.9%	\$414,013,116	45.0%	\$377,510,801	41.1%
2004	214	990,144	\$127,825,371	13.5%	\$455,273,294	48.0%	\$365,207,387	38.5%
2005	184	784,852	\$107,599,342	13.0%	\$368,015,638	44.3%	\$354,310,609	42.7%
2006	190	760,319	\$93,896,453	11.9%	\$355,654,659	45.2%	\$337,530,702	42.9%
2007	188	680,402	\$74,827,242	10.8%	\$312,226,570	45.0%	\$306,020,686	44.2%
2008	190	575,673	\$63,479,844	9.2%	\$373,728,167	54.0%	\$254,576,070	36.8%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

7.3.1.1.4 Monmouth Park

This Thoroughbred racing facility in Oceanport, New Jersey has five restaurants. Monmouth Park's main track is a one-mile dirt oval with chutes for 6 furlong and 1 1/4 mile races. Monmouth Park's Gross Racing Revenue, which has shown an overall increase, was the highest in 2007 at \$340 million. The largest increase occurred in 2007 when Gross Racing Revenue rose by 55.4% from \$219 million to \$340 million. This occurred despite a decrease in Number of Racing Days from 87 days in 2006 to 79 days in 2007. Attendance was the highest in 2007 at 755,916 visitors. Total Facility Handle, which has been volatile, was the highest in 2007 at \$497 million. Amount Returned to Bettors, which has seen an overall decline, was the highest in 2002 at \$167 million.

The Simulcast-out Handle, which holds the largest percentage of Total Facility Handle and has been volatile, was the highest in 2007 at \$306 million. Its percentage of Total Facility Handle has increased from 51.1% in 2002 to 64.8% in 2008. The Simulcast-in Handle, which has shown an overall decline, was the highest in 2003 at \$139 million. Its percentage of Total Facility Handle decreased from 33.7% in 2002 to 25% in 2008. The On Track Handle, which has shown an overall decline, was the highest in 2007 at \$64 million. Its percentage of Total Facility Handle has dropped from 15.3% in 2002 to 10.2% in 2008. The Number of Racing Days ranged from 78 days to 100 days.

Table 7-7: Monmouth Park Racetrack Racing Statistics Summary

Year	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue
2002	\$401,626,665	\$167,442,329	\$234,184,336	--
2003	\$419,543,386	\$170,571,074	\$248,972,312	6.3%
2004	\$382,923,854	\$159,824,387	\$223,099,467	-10.4%
2005	\$391,426,170	\$160,492,771	\$230,933,399	3.5%
2006	\$370,649,831	\$152,093,384	\$218,556,447	-5.4%
2007	\$496,681,589	\$157,068,163	\$339,613,426	55.4%
2008	\$417,140,130	\$123,995,940	\$293,144,190	-13.7%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

Table 7-8: Monmouth Park Racetrack Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	78	766,016	\$61,306,166	15.3%	\$205,135,023	51.1%	\$135,185,476	33.7%
2003	92	716,129	\$61,537,634	14.7%	\$219,005,971	52.2%	\$138,999,781	33.1%
2004	72	715,958	\$54,891,375	14.3%	\$193,698,537	50.6%	\$134,333,942	35.1%
2005	90	797,262	\$57,966,750	14.8%	\$200,797,757	51.3%	\$132,661,663	33.9%
2006	87	712,782	\$50,044,270	13.5%	\$191,840,023	51.8%	\$128,765,538	34.7%
2007	79	755,916	\$63,638,101	12.8%	\$306,499,183	61.7%	\$126,544,305	25.5%
2008	100	676,046	\$42,516,559	10.2%	\$270,221,450	64.8%	\$104,402,121	25.0%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

7.3.1.2 Harness Racetracks vs. Thoroughbred Racetracks

7.3.1.2.1 Harness Racetracks

In New Jersey, there are two properties that offer harness horse racing, Freehold Raceway and Meadowlands Racetrack. The Gross Racing Revenue from both harness racetracks, which increased until 2004 before declining in the ensuing years, was the highest in 2004 at \$561 million. The largest decrease was exhibited in 2007 when Gross Racing Revenue dropped by 11% from \$491 million to \$437 million. Total Facility Handle, which has seen an overall decline, was the highest in 2002 at more than \$1 billion. Amount Returned to Bettors, which has also seen an overall decline, was the highest in 2002 at \$482 million. It is important to note that both Average Number of Racing Days and Attendance were the highest during 2002 as well at 119 days and 1,075,893 visitors, respectively.

The Simulcast-out Handle, which holds the largest percentage of Total Facility Handle and has exhibited a decline over the years, was the highest in 2004 at \$476 million. Its percentage of Total Facility Handle has increased from 44.7% in 2002 to 54.4% in 2008. The Simulcast-in Handle, which has shown an overall decline, was the highest in 2002 at \$410 million. Its percentage of Total Facility Handle, which has been volatile, decreased from 39.9% in 2002 to 35.8% in 2008. The On Track Handle, which has shown an overall decline, was the highest in 2002 at \$159 million. Its percentage of Total Facility Handle has dropped from 15.4% in 2002 to 9.9% in 2008.

Table 7-9: New Jersey Harness Racetracks Racing Statistics Summary

Year	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue
2002	\$1,027,720,997	\$481,761,359	\$545,959,638	--
2003	\$1,023,750,765	\$467,304,627	\$556,446,138	1.9%
2004	\$1,017,892,510	\$457,370,289	\$560,522,221	0.7%
2005	\$951,858,469	\$418,246,786	\$533,611,683	-4.8%
2006	\$883,585,441	\$392,764,962	\$490,820,479	-8.0%
2007	\$780,001,025	\$343,305,851	\$436,695,174	-11.0%
2008	\$748,579,195	\$281,905,340	\$466,673,855	6.9%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

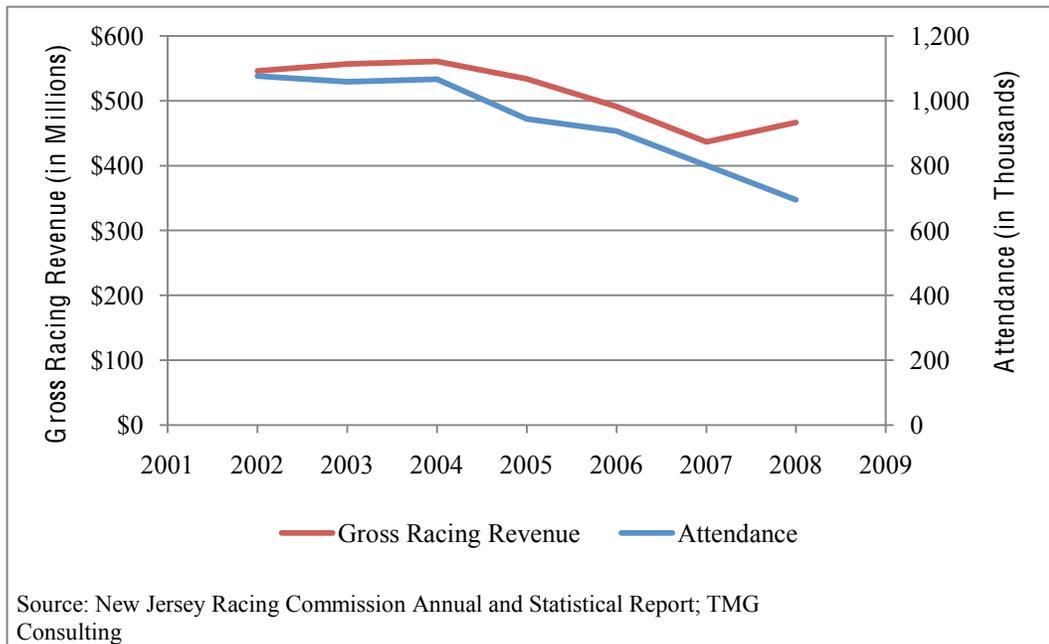
Table 7-10: New Jersey Harness Racetracks Racing Statistics Summary Contd.

Year	Avg. # Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	119	1,075,893	\$158,193,538	15.4%	\$459,259,784	44.7%	\$410,267,675	39.9%
2003	118	1,058,359	\$145,141,747	14.2%	\$472,427,391	46.1%	\$406,181,627	39.7%
2004	118	1,066,136	\$141,140,800	13.9%	\$476,276,063	46.8%	\$400,475,647	39.3%
2005	116	943,483	\$125,531,331	13.2%	\$448,388,987	47.1%	\$377,938,151	39.7%
2006	116	906,780	\$111,003,351	12.6%	\$408,487,432	46.2%	\$364,094,658	41.2%
2007	112	800,769	\$87,344,734	11.2%	\$361,113,106	46.3%	\$331,543,185	42.5%
2008	113	694,680	\$74,044,487	9.9%	\$406,871,566	54.4%	\$267,663,142	35.8%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

As shown in the figure below, the movement of Gross Racing Revenue for New Jersey Harness Racetracks has roughly mirrored that of Attendance, except in 2008 when Gross Racing Revenue increased despite a sharp decline in Attendance.

Figure 7-1: Comparison of Gross Racing Revenue & Attendance for New Jersey Harness Racetracks



7.3.1.2.2 Thoroughbred Racetracks

In New Jersey, there are three properties that offer Thoroughbred horse racing: Atlantic City Racetrack, Meadowlands Racetrack, and Monmouth Park. The Gross Racing Revenue from all three Thoroughbred racetracks, which has been volatile, was the highest in 2007 at \$408 million. The largest decrease was exhibited in 2005 when Gross Racing Revenue dropped by 14% from \$337 million to \$291 million. Total Facility Handle, which has seen an overall decline, was the highest in 2002 at \$654 million. Amount Returned to Bettors, which has also seen an overall decline, was the highest in 2002 at \$313 million. It is important to note that Attendance was the highest during 2002 as well at 1,030,889 visitors.

The Simulcast-out Handle, which has held the largest percentage of Total Facility Handle consecutively in the last three years and has been volatile, was the highest in 2004 at \$287 million. Its percentage of Total Facility Handle has increased from 42.8% in 2002 to 57.6% in 2008. The Simulcast-in Handle, which has shown an overall decline, was the highest in 2002 at \$286 million. Its percentage of Total Facility Handle, which has declined over the years, decreased from 43.8% in 2002 to 33.5% in 2008. The On Track Handle, which has shown an overall decline, was the highest in 2002 at \$88 million. Its percentage of Total Facility Handle has dropped from 13.5% in 2002 to 8.9% in 2008. The Average Number of Racing Days ranged from 40 days to 49 days.

Table 7-11: New Jersey Thoroughbred Racetracks Racing Statistics Summary

Year	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue
2002	\$653,784,018	\$312,735,186	\$341,048,832	--
2003	\$594,446,861	\$281,344,754	\$313,102,107	-8.2%
2004	\$612,046,975	\$275,208,844	\$336,838,131	7.6%
2005	\$554,014,187	\$263,479,307	\$290,534,880	-13.7%
2006	\$537,264,328	\$240,738,951	\$296,525,377	2.1%
2007	\$651,047,146	\$242,759,779	\$408,287,367	37.7%
2008	\$562,124,009	\$197,092,995	\$365,031,014	-10.6%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

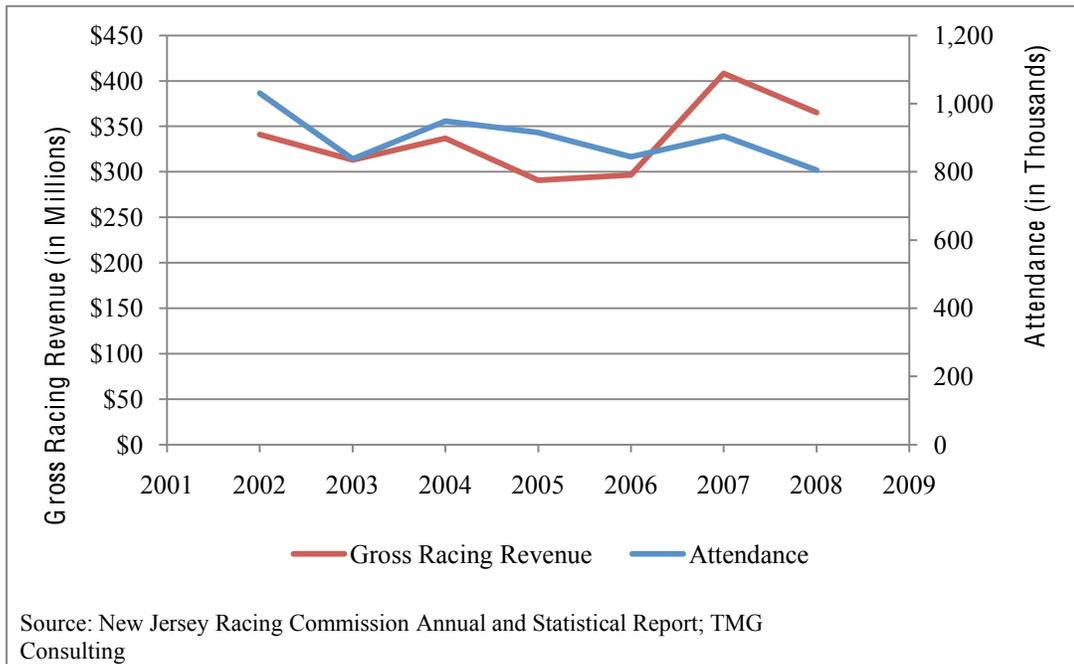
Table 7-12: New Jersey Thoroughbred Racetracks Racing Statistics Summary Contd.

Year	Avg. # of Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	47	1,030,889	\$87,980,115	13.5%	\$279,712,398	42.8%	\$286,091,505	43.8%
2003	41	837,609	\$73,280,476	12.3%	\$256,245,963	43.1%	\$264,920,422	44.6%
2004	41	948,771	\$70,370,138	11.5%	\$287,147,399	46.9%	\$254,529,438	41.6%
2005	40	915,307	\$67,549,161	12.2%	\$233,476,850	42.1%	\$252,988,176	45.7%
2006	41	844,586	\$59,497,972	11.1%	\$246,327,789	45.8%	\$231,438,567	43.1%
2007	41	904,430	\$74,704,073	11.5%	\$353,518,484	54.3%	\$222,824,589	34.2%
2008	49	805,095	\$50,007,697	8.9%	\$323,533,784	57.6%	\$188,582,528	33.5%

Source: New Jersey Racing Commission Annual and Statistical Report; TMG Consulting

As shown in the figure below, the movement of Gross Racing Revenue for New Jersey Thoroughbred Racetracks has roughly mirrored that of Attendance, except in 2006 when Gross Racing Revenue increased despite a decline in Attendance. It is interesting to note that Gross Racing Revenue increased more sharply than Attendance in 2007.

Figure 7-2: Comparison of Gross Racing Revenue & Attendance for New Jersey Thoroughbred Racetracks



7.3.2 Maryland

7.3.2.1 Property-level

7.3.2.1.1 Laurel Park

Laurel Park is a two-track, Thoroughbred racing facility located in Laurel, Maryland. On site, there are two bars and four restaurants. In early 2009, Laurel Park made a bid to become one of Maryland's five venues with slots, but was disqualified from the bidding process for failing to pay the bidding fee. The racetrack has seen a decline in its Total Facility Handle with the sharpest decline of 30.3% exhibited in 2008 when it dropped from \$495 million to \$345 million. The largest increase in Total Facility Handle occurred in 2005 when it rose by 48.4% from \$300 million to \$444 million. Gross Purses Paid was the highest in 2006 at \$30 million. The largest percent increase in Gross Purses Paid occurred in 2005 when Gross Purses Paid rose by 151.9% from \$9 million to \$23 million. It is important to note that the number of racing days increased from 62 days to 134 days in 2005, which contributed to the large increases exhibited in Total Facility Handle and Gross Purses Paid.

The Simulcast-out Handle percentage, which holds the largest share of Total Facility Handle, has increased over the years. The highest Simulcast-out Handle percentage was 70.5% in 2006 at \$382 million. The Simulcast-in Handle percentage was the highest in

2004 at 50% of Total Facility Handle, \$150 million. The Simulcast-in Handle was the highest in 2002 at \$164 million and the lowest in 2008 at \$117 million. The On Track Handle percentage declined from 6.8% in 2002 to 4.5% in 2008. The On Track Handle was the highest in 2002 at \$29 million. Attendance declined from 918,725 visitors in 2002 to 595,036 visitors in 2008. The number of racing days ranged from 62 days to 153 days.

Table 7-13: Laurel Park Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
2002	\$426,930,682	--	\$24,300,202	--
2003	\$427,464,717	0.1%	\$23,811,771	-2.0%
2004	\$299,577,896	-29.9%	\$9,286,091	-61.0%
2005	\$444,496,106	48.4%	\$23,392,376	151.9%
2006	\$542,712,730	22.1%	\$30,306,075	29.6%
2007	\$495,368,695	-8.7%	\$28,973,186	-4.4%
2008	\$345,385,842	-30.3%	\$22,545,198	-22.2%

Source: Maryland Racing Commission Annual Report; TMG Consulting

Table 7-14: Laurel Park Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	144	918,725	\$28,892,681	6.8%	\$234,449,337	54.9%	\$163,588,664	38.3%
2003	138	825,530	\$25,118,717	5.9%	\$250,383,747	58.6%	\$151,962,253	35.5%
2004	62	651,644	\$10,938,015	3.7%	\$138,857,262	46.4%	\$149,782,619	50.0%
2005	134	769,814	\$23,627,369	5.3%	\$269,034,024	60.5%	\$151,834,713	34.2%
2006	153	798,795	\$26,246,235	4.8%	\$382,416,543	70.5%	\$139,107,792	25.6%
2007	148	688,623	\$21,768,715	4.4%	\$346,287,952	69.9%	\$131,712,816	26.6%
2008	134	595,036	\$15,641,791	4.5%	\$215,662,011	62.4%	\$117,496,690	34.0%

Source: Maryland Racing Commission Annual Report; TMG Consulting

7.3.2.1.2 Ocean Downs

Ocean Downs is a harness race track located in Berlin, Maryland. The site features a snack bar, two restaurants, and a bar. Ocean Downs was the first property in Maryland that the Maryland Video Lottery Committee approved for slots. Management plans for the property to be ready by Memorial Day, 2010 to roll out its initial slot offering of 600 machines, with 200 more to follow within the next year. The racetrack has seen a decline in its Total Facility Handle with the sharpest decline of 11.9% exhibited in 2008 when it dropped from \$22 million to \$19 million. This could be attributed to the fact that Attendance was the lowest in 2008 at 126,049 visitors. The Total Facility Handle was

the highest in 2002 at \$27 million. Gross Purses Paid, which has been volatile, was the highest in 2005 at approximately \$975,000. The largest percent increase in Gross Purses Paid occurred in 2004 when Gross Purses Paid rose by 39.2% from approximately \$664,000 to \$924,000.

The Simulcast-in Handle percentage, which holds the largest share of Total Facility Handle and has experienced an overall decline, was the highest in 2003 at 87% at about \$23 million. The Simulcast-in Handle was the highest in 2003 at \$23 million and the lowest in 2008 at \$15 million. The highest Simulcast-out Handle percentage was 16.9% in 2008 at about \$3 million. The highest Simulcast-out Handle was approximately \$4 million in 2006. The On Track Handle percentage increased from 7.9% in 2002 to 10% in 2008. The On Track Handle was the highest in 2002 at over \$2 million. Attendance was the highest in 2006 at 212,969 visitors. The number of racing days has stayed at 40 days, except in 2004 when it dropped to 39 days.

Table 7-15: Ocean Downs Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
2002	\$27,085,027	--	\$839,570	--
2003	\$25,863,364	-4.5%	\$663,630	-21.0%
2004	\$24,232,190	-6.3%	\$923,680	39.2%
2005	\$23,833,000	-1.6%	\$974,810	5.5%
2006	\$22,241,580	-6.7%	\$820,265	-15.9%
2007	\$21,940,544	-1.4%	\$902,500	10.0%
2008	\$19,340,528	-11.9%	\$926,550	2.7%

Source: Maryland Racing Commission Annual Report; TMG Consulting

Table 7-16: Ocean Downs Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	40	135,868	\$2,152,267	7.9%	\$2,825,200	10.4%	\$22,107,560	81.6%
2003	40	142,830	\$2,056,640	8.0%	\$1,301,466	5.0%	\$22,505,258	87.0%
2004	39	141,229	\$2,057,361	8.5%	\$2,659,108	11.0%	\$19,515,721	80.5%
2005	40	140,264	\$2,056,739	8.6%	\$2,879,772	12.1%	\$18,896,489	79.3%
2006	40	212,969	\$2,051,340	9.2%	\$3,746,542	16.8%	\$17,920,681	80.6%
2007	40	132,902	\$2,018,446	9.2%	\$3,247,877	14.8%	\$18,128,717	82.6%
2008	40	126,049	\$1,934,469	10.0%	\$3,273,466	16.9%	\$15,090,178	78.0%

Source: Maryland Racing Commission Annual Report; TMG Consulting

7.3.2.1.3 Pimlico Race Course

Pimlico is the former home of the Preakness Stakes and is located in Baltimore. It has a one-mile dirt oval and seven-furlong turf oval that are not currently in use. Daily simulcasts are available at Pimlico, and the facility has three restaurants and bars. Valet parking is available to Pimlico visitors. The racetrack has seen a decline in its Total Facility Handle with the sharpest decline of 29.7% exhibited in 2005 when it dropped from \$443 million to \$312 million. The Total Facility Handle was the highest in 2004 at \$443 million. Gross Purses Paid, which has also seen an overall decline, was the highest in 2004 at \$23 million. The largest percent increase in Gross Purses Paid occurred in 2004 when Gross Purses Paid rose by 44.6% from \$16 million to \$23 million. It is important to note that the number of racing days dropped from 135 days in 2004 to 61 days in 2005. Pimlico had the highest number of racing days and Attendance in 2004 at 135 days and 792,342 visitors, respectively.

The highest Simulcast-out Handle percentage, which holds the largest share of Total Facility Handle, was 70.6% in 2004 at \$313 million. The Simulcast-out Handle, which has declined over the years, was the highest in 2004 at \$313 million. The Simulcast-in Handle percentage was the highest in 2008 at 37.6%, \$79 million. The Simulcast-in Handle, which has declined over the years, was the highest in 2002 at \$115 million and the lowest in 2008 at \$79 million. The On Track Handle percentage, which has declined over the years, was the highest in 2002 at 5.8%, which was approximately \$20 million. The On Track Handle was the highest in 2004 at \$26 million. The number of racing days ranged from 31 days to 135 days.

Table 7-17: Pimlico Race Course Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
2002	\$342,925,380	--	\$15,238,698	--
2003	\$319,632,216	-6.8%	\$15,701,370	3.0%
2004	\$443,257,338	38.7%	\$22,705,429	44.6%
2005	\$311,746,065	-29.7%	\$11,293,851	-50.3%
2006	\$282,880,724	-9.3%	\$8,922,813	-21.0%
2007	\$249,614,130	-11.8%	\$8,481,554	-4.9%
2008	\$210,926,376	-15.5%	\$6,952,102	-18.0%

Source: Maryland Racing Commission Annual Report; TMG Consulting

Table 7-18: Pimlico Race Course Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	74	674,188	\$20,042,369	5.8%	\$207,401,941	60.5%	\$115,481,070	33.7%
2003	71	749,230	\$16,878,035	5.3%	\$190,938,476	59.7%	\$111,815,705	35.0%
2004	135	792,342	\$25,838,130	5.8%	\$313,159,329	70.6%	\$104,259,879	23.5%
2005	61	470,514	\$15,686,999	5.0%	\$191,336,296	61.4%	\$104,722,770	33.6%
2006	31	395,994	\$13,288,969	4.7%	\$179,993,116	63.6%	\$98,770,104	34.9%
2007	31	524,994	\$12,343,805	4.9%	\$153,138,606	61.4%	\$91,518,799	36.7%
2008	31	455,069	\$10,748,712	5.1%	\$125,628,052	59.6%	\$79,333,210	37.6%

Source: Maryland Racing Commission Annual Report; TMG Consulting

7.3.2.1.4 Rosecroft Raceway

This horse track located in Fort Washington, Maryland features harness racing and two restaurants. The property can also be reserved for special events, parties, and conferences. The racetrack has seen a decline in its Total Facility Handle with the sharpest decline of 17.6% exhibited in 2008 when it dropped from \$100 million to \$83 million, in part because the number of racing days dropped to an all-time low of 43 days in 2008. The Total Facility Handle was the highest in 2002 at \$144 million. Gross Purses Paid, which has seen an overall decline, was the highest in 2003 at \$6 million. The largest percent increase in Gross Purses Paid occurred in 2006 when Gross Purses Paid rose by 28.9% from \$4 million to \$5 million.

The highest Simulcast-in Handle percentage, which holds the largest share of Total Facility Handle, was 99.4% in 2008 at \$82 million. The Simulcast-in Handle, which has declined over the years, was the highest in 2002 at \$122 million. The Simulcast-out Handle percentage was the highest in 2006 at 11.2%, which was approximately \$13 million. The Simulcast-out Handle, which has declined over the years, was the highest in 2006 at \$13 million. The On Track Handle percentage was the highest in 2002 at 6.5%, which was approximately \$9 million. The On Track Handle, which has declined over the years, was the highest in 2002 at \$9 million. The number of racing days ranged from 43 days to 137 days.

Table 7-19: Rosecroft Raceway Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
2002	\$143,520,794	--	\$6,063,000	--
2003	\$133,266,968	-7.1%	\$6,472,340	6.8%
2004	\$116,691,559	-12.4%	\$4,874,030	-24.7%
2005	\$124,294,851	6.5%	\$4,184,330	-14.2%
2006	\$116,490,086	-6.3%	\$5,392,600	28.9%
2007	\$100,461,095	-13.8%	\$4,592,400	-14.8%
2008	\$82,737,506	-17.6%	\$1,137,900	-75.2%

Source: Maryland Racing Commission Annual Report; TMG Consulting

Table 7-20: Rosecroft Raceway Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	137	652,852	\$9,347,168	6.5%	\$11,889,197	8.3%	\$122,284,429	85.2%
2003	122	579,255	\$8,222,275	6.2%	\$11,408,570	8.6%	\$113,636,123	85.3%
2004	117	489,536	\$6,266,855	5.4%	\$7,153,390	6.1%	\$103,271,314	88.5%
2005	97	484,701	\$4,767,933	3.8%	\$4,458,802	3.6%	\$115,068,116	92.6%
2006	106	404,191	\$4,498,952	3.9%	\$13,076,182	11.2%	\$105,795,175	90.8%
2007	86	339,579	\$3,504,514	3.5%	\$8,275,858	8.2%	\$93,974,442	93.5%
2008	43	216,921	\$1,310,387	1.6%	\$2,840,594	3.4%	\$82,224,172	99.4%

Source: Maryland Racing Commission Annual Report; TMG Consulting

7.3.2.1.5 Timonium Racetrack

Timonium Racetrack offers Thoroughbred horse races and is located in Timonium, Maryland. This property only features racing during the Maryland State Fair during August and has one restaurant. The racetrack has seen a decline in its Total Facility Handle with the sharpest decline of 27.3% exhibited in 2007 when it dropped from \$6 million to \$4.5 million. The Total Facility Handle was the highest in 2005 at approximately \$8 million. Gross Purses Paid, which has declined, was the highest in 2004 at approximately \$956,000. The largest percent decrease in Gross Purses Paid occurred in 2008 when Gross Purses Paid dropped by 21% from approximately \$739,000 to \$584,000.

The highest Simulcast-out Handle percentage, which holds the largest share of Total Facility Handle, was 64.6% in 2005 at approximately \$5 million, the highest Simulcast-out Handle. The Simulcast-in Handle percentage was the highest in 2007 at 19.5%, which was about \$885,000. The Simulcast-in Handle, which has been volatile, was the highest at \$1.1 million in 2003. The On Track Handle percentage was the highest in 2007 at 26.4%, \$1,199,084. The On Track Handle, which has declined over the years, was the highest in 2003 at \$1.9 million. While Attendance was the highest in 2004 at 489,711 visitors, it is important to note that Attendance figures for this property during 2003 and 2004 included visitors attending the State Fair, according to the Maryland Racing Commission Annual Report. The number of racing days ranged from 7 days to 8 days.

Table 7-21: Timonium Racetrack Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
2002	\$7,154,506	--	\$914,170	--
2003	\$7,467,345	4.4%	\$906,820	-0.8%
2004	\$7,297,745	-2.3%	\$955,675	5.4%
2005	\$7,621,338	4.4%	\$935,975	-2.1%
2006	\$6,247,009	-18.0%	\$929,235	-0.7%
2007	\$4,542,491	-27.3%	\$739,170	-20.5%
2008	\$4,392,264	-3.3%	\$583,960	-21.0%

Source: Maryland Racing Commission Annual Report; TMG Consulting

Table 7-22: Timonium Racetrack Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	8	34,968	\$1,789,673	25.0%	\$4,472,966	62.5%	\$891,867	12.5%
2003	8	420,997	\$1,884,451	25.2%	\$4,516,578	60.5%	\$1,066,316	14.3%
2004	8	489,711	\$1,807,906	24.8%	\$4,461,602	61.1%	\$1,028,237	14.1%
2005	8	27,548	\$1,666,393	21.9%	\$4,921,564	64.6%	\$1,033,381	13.6%
2006	8	27,548	\$1,458,227	23.3%	\$3,850,252	61.6%	\$938,530	15.0%
2007	7	26,107	\$1,199,084	26.4%	\$2,458,196	54.1%	\$885,211	19.5%
2008	7	23,022	\$1,059,762	24.1%	\$2,596,301	59.1%	\$736,201	16.8%

Source: Maryland Racing Commission Annual Report; TMG Consulting

7.3.2.2 Harness Racetracks vs. Thoroughbred Racetracks

7.3.2.2.1 Harness Racetracks

In Maryland, there are two properties that offer harness horse racing, Ocean Downs and Rosecroft Raceway. The Total Facility Handle collected from both properties has declined over the years from 2002 to 2008, with a brief increase in 2005. The sharpest decline occurred in 2008 when Total Facility Handle dropped by 16.6% from \$122 million to \$102 million. Gross Purses Paid, which has declined, was the highest in 2003 at \$7 million. The largest percent decrease in Gross Purses Paid occurred in 2008 when Gross Purses Paid dropped by 62.4% from \$5 million to \$2.1 million. It is important to note that both the Average Number of Racing Days and Attendance were the lowest in 2008 at 42 days and 342,970 visitors, respectively, which may explain the sharp drops exhibited in Total Facility Handle and Gross Purses Paid. During 2002, harness racetracks in Maryland exhibited the highest Total Facility Handle, \$170,605,821; On Track Handle, \$11,499,435; and Simulcast-in Handle, \$144,391,989. This could be attributed to the fact that the Average Number of Racing Days and Attendance were the highest in 2002 at 89 days and 788,720 visitors, respectively.

The highest Simulcast-in Handle percentage, which holds the largest share of Total Facility Handle and has seen an overall increase, was 95.3% in 2008 at \$97 million. The highest Simulcast-out Handle percentage was 12.1% in 2006 at \$17 million. The highest On-track Handle percentage was 6.7% in 2002 at \$11 million. The average number of racing days ranged from 42 days to 89 days.

Table 7-23: Maryland Harness Racetracks Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
2002	\$170,605,821	--	\$6,902,570	--
2003	\$159,130,332	-6.7%	\$7,135,970	3.4%
2004	\$140,923,749	-11.4%	\$5,797,710	-18.8%
2005	\$148,127,851	5.1%	\$5,159,140	-11.0%
2006	\$138,731,666	-6.3%	\$6,212,865	20.4%
2007	\$122,401,639	-11.8%	\$5,494,900	-11.6%
2008	\$102,078,034	-16.6%	\$2,064,450	-62.4%

Source: Maryland Racing Commission Annual Report; TMG Consulting

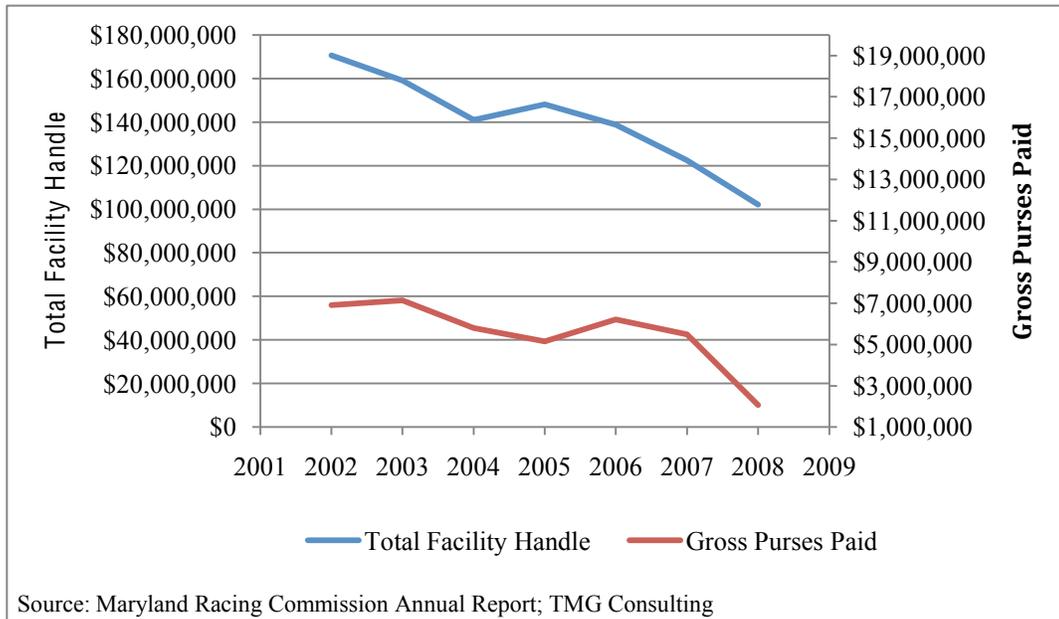
Table 7-24: Maryland Harness Racetracks Racing Statistics Summary Contd.

Year	Avg. # Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	89	788,720	\$11,499,435	6.7%	\$14,714,397	8.6%	\$144,391,989	84.6%
2003	81	722,085	\$10,278,915	6.5%	\$12,710,036	8.0%	\$136,141,381	85.6%
2004	78	630,765	\$8,324,216	5.9%	\$9,812,498	7.0%	\$122,787,035	87.1%
2005	69	624,965	\$6,824,672	4.6%	\$7,338,574	5.0%	\$133,964,605	90.4%
2006	73	617,160	\$6,550,292	4.7%	\$16,822,724	12.1%	\$123,715,856	89.2%
2007	63	472,481	\$5,522,960	4.5%	\$11,523,735	9.4%	\$112,103,159	91.6%
2008	42	342,970	\$3,244,856	3.2%	\$6,114,060	6.0%	\$97,314,350	95.3%

Source: Maryland Racing Commission Annual Report; TMG Consulting

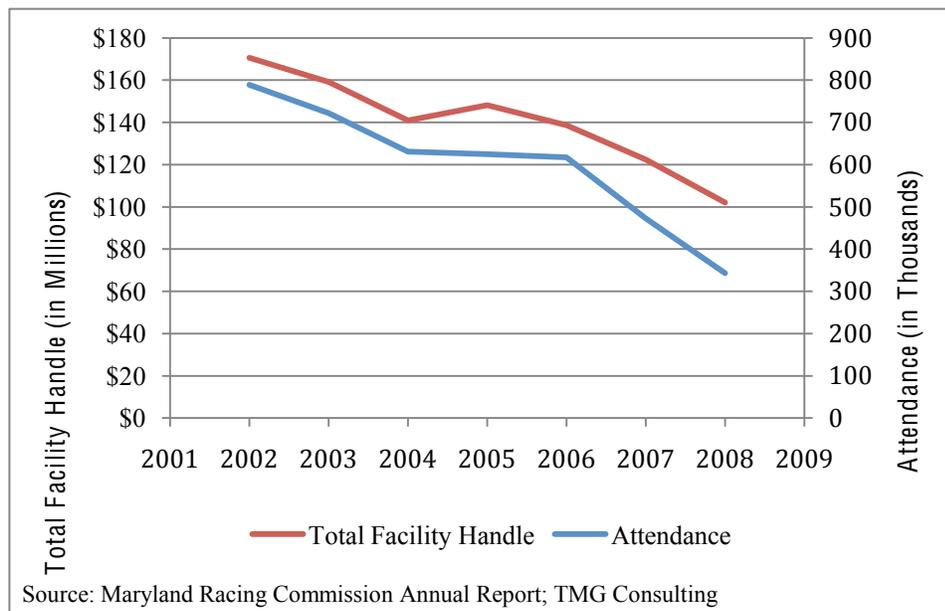
As shown in the figure below, the movement of Gross Purses Paid has generally mirrored that of Total Facility Handle, except between 2004 and 2006. While Total Facility Handle increased in 2005 from the previous year, Gross Purses Paid declined. Furthermore, Gross Purses Paid increased in 2006, despite a decline in Total Facility Handle.

Figure 7-3: Comparison of Total Facility Handle & Gross Purses Paid for Maryland Harness Racetracks



As shown in the figure below, the movement of Total Facility Handle has generally mirrored that of Attendance, except between 2004 and 2006. While Total Facility Handle increased in 2005 before declining in 2006, Attendance remained relatively unchanged.

Figure 7-4: Comparison of Total Facility Handle & Attendance for Maryland Harness Racetracks



7.3.2.2.2 Thoroughbred Racetracks

In Maryland, there are three properties that offer Thoroughbred horse racing: Pimlico Race Course, Laurel Park, and Timonium Racetrack. The Total Facility Handle collected from all three properties has declined over the years from 2002 to 2008, with brief increases in 2005 and 2006. The sharpest decline occurred in 2008 when Total Facility Handle dropped by 25.2% from \$750 million to \$561 million. During 2006, Thoroughbred racetracks in Maryland exhibited the highest Total Facility Handle, \$832 million, and Simulcast-out Handle, \$566 million. Gross Purses Paid, which has declined, was the highest in 2002 at \$40 million. The largest percent decrease in Gross Purses Paid occurred in 2008 when Gross Purses Paid dropped by 21.2% from \$38 million to \$30 million.

The Simulcast-in Handle and On-track Handle, which have both declined over the years, were the highest in 2002 at \$280 million and \$51 million, respectively. The highest Simulcast-out Handle percentage, which holds the largest share of Total Facility Handle and has seen an overall increase, was 68.1% in 2006 at \$566 million. The highest Simulcast-in Handle percentage was 36% in 2002 at \$280 million. The highest On-track Handle percentage was 6.5% in 2002 at \$51 million. Attendance, which has declined over the years, was the highest in 2003 at 1,995,757 visitors. The average number of racing days ranged from 57 days to 75 days.

Table 7-25: Maryland Thoroughbred Racetracks Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
2002	\$777,010,568	--	\$40,453,070	--
2003	\$754,564,278	-2.9%	\$40,419,961	-0.1%
2004	\$750,132,979	-0.6%	\$32,947,195	-18.5%
2005	\$763,863,509	1.8%	\$35,622,202	8.1%
2006	\$831,840,463	8.9%	\$40,158,123	12.7%
2007	\$749,525,316	-9.9%	\$38,193,910	-4.9%
2008	\$560,704,482	-25.2%	\$30,081,260	-21.2%

Source: Maryland Racing Commission Annual Report; TMG Consulting

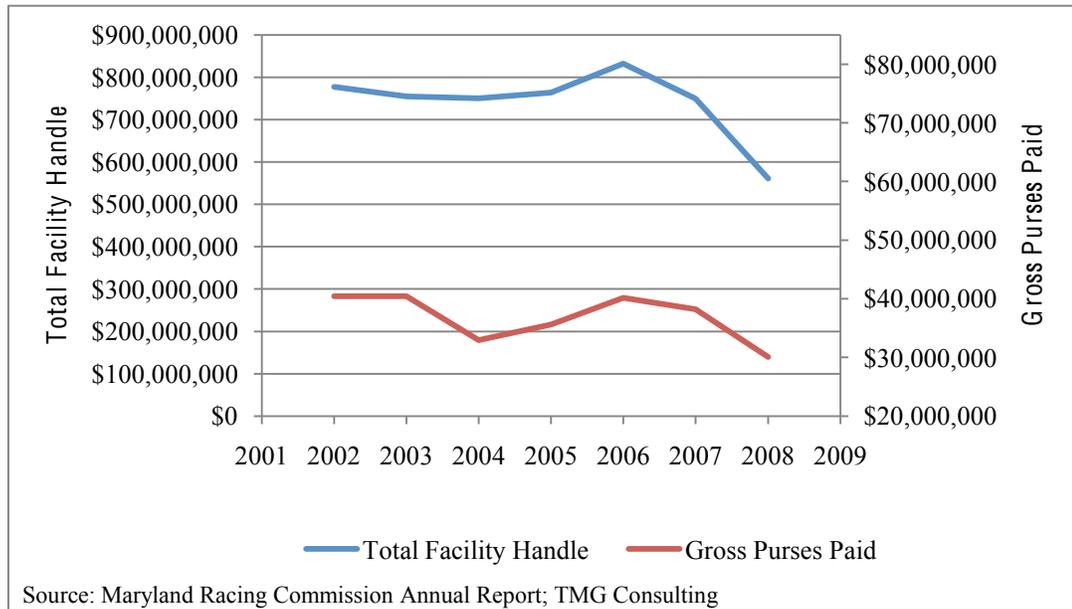
Table 7-26: Maryland Thoroughbred Racetracks Racing Statistics Summary Contd.

Year	Avg. # of Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-out Handle	Simulcast-out Handle %	Simulcast-in Handle	Simulcast-in Handle %
2002	75	1,627,881	\$50,724,723	6.5%	\$446,324,244	57.4%	\$279,961,601	36.0%
2003	72	1,995,757	\$43,881,203	5.8%	\$445,838,801	59.1%	\$264,844,274	35.1%
2004	68	1,933,697	\$38,584,051	5.1%	\$456,478,193	60.9%	\$255,070,735	34.0%
2005	68	1,267,876	\$40,980,761	5.4%	\$465,291,884	60.9%	\$257,590,864	33.7%
2006	64	1,222,337	\$40,993,431	4.9%	\$566,259,911	68.1%	\$238,816,426	28.7%
2007	62	1,239,724	\$35,311,604	4.7%	\$501,884,754	67.0%	\$224,116,826	29.9%
2008	57	1,073,127	\$27,450,265	4.9%	\$343,886,364	61.3%	\$197,566,101	35.2%

Source: Maryland Racing Commission Annual Report; TMG Consulting

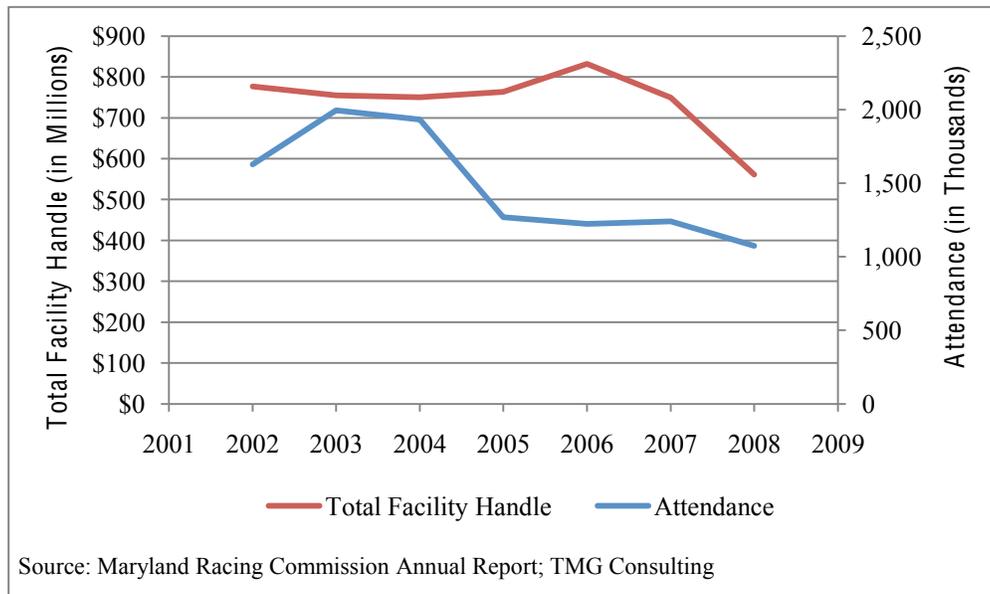
As shown in the figure below, the movement of Gross Purses Paid has generally mirrored that of Total Facility Handle, except between 2004 and 2005. While Total Facility Handle remained relatively unchanged in 2004 and 2005, Gross Purses Paid dropped sharply in 2004 before increasing in 2005. Both Total Facility Handle and Gross Purses Paid have declined sharply after 2006.

Figure 7-5: Comparison of Total Facility Handle & Gross Purses Paid for Maryland Thoroughbred Racetracks



As shown in the figure below, the movement of Total Facility Handle does not mirror that of Attendance. Despite an increase in Attendance in 2003 followed by sharp declines until 2005, Total Facility Handle remained relatively unchanged between 2002 and 2005. Furthermore, Total Facility Handle dropped sharply in 2007, despite an increase in Attendance.

Figure 7-6: Comparison of Total Facility Handle & Attendance for Maryland Thoroughbred Racetracks



7.3.3 New York

7.3.3.1 Property-level

7.3.3.1.1 Aqueduct Racetrack

Located in Jamaica, New York, Aqueduct Racetrack has three tracks featuring Thoroughbred racing. The property has four restaurants and two bars. The racetrack has seen a decline in its Total Facility Handle with the sharpest decline of 16.5% exhibited in 2005. The property did experience two brief increases in Total Facility Handle during 2002 and 2006. Gross Purses Paid has shown an increase over the years from 2001 to 2008, except for a brief decline by 5.2% in 2006. The highest percent change in Gross Purses Paid was 6.9% in 2007 when the amount rose to \$118 million. The highest amount of Gross Purses Paid was in 2008 at \$122 million. It is important to note that, beginning in 2000, Gross Purses Paid was reported as an aggregate of all three properties that NYRA runs – Aqueduct, Racetrack, Belmont Park, and Saratoga Race Course.

The On Track Handle percentage of Total Facility Handle was the highest in 1999 at 57.6% and the lowest in 2003 at 52.3%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. During 1999, Aqueduct Racetrack exhibited the highest Total Facility Handle, \$248 million; and On Track Handle, \$143 million. It is important to note that the Number of Racing Days and Attendance were the highest in 1999 as well at 137 days and 761,873 visitors, respectively. The number of racing days ranged from 119 days to 137 days.

Table 7-27: Aqueduct Racetrack Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid*	% Change in Gross Purses Paid*
1999	\$247,716,792	--	\$46,887,000	--
2000	\$225,819,603	-8.8%	\$113,305,173	141.7%
2001	\$221,054,170	-2.1%	\$113,428,564	0.1%
2002	\$230,276,443	4.2%	\$115,077,446	1.5%
2003	\$194,828,473	-15.4%	\$115,214,292	0.1%
2004	\$173,285,748	-11.1%	\$115,475,811	0.2%
2005	\$144,752,167	-16.5%	\$116,232,673	0.7%
2006	\$152,691,402	5.5%	\$110,170,855	-5.2%
2007	\$134,842,831	-11.7%	\$117,814,278	6.9%
2008	\$132,143,110	-2.0%	\$121,564,236	3.2%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

*Starting in 2000, Gross Purses Paid were reported as an aggregate of all 3 properties NYRA runs: Aqueduct Racetrack, Belmont Park, and Saratoga Race Course

Table 7-28: Aqueduct Racetrack Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %
1999	137	761,873	\$142,705,705	57.6%	\$105,011,087	42.4%
2000	134	681,263	\$128,885,414	57.1%	\$96,934,189	42.9%
2001	134	638,303	\$123,405,133	55.8%	\$97,649,037	44.2%
2002	133	678,707	\$124,884,338	54.2%	\$105,392,105	45.8%
2003	122	554,058	\$101,956,483	52.3%	\$92,871,990	47.7%
2004	123	461,305	\$95,515,272	55.1%	\$77,770,476	44.9%
2005	121	371,012	\$79,159,096	54.7%	\$65,593,071	45.3%
2006	121	369,874	\$80,780,116	52.9%	\$71,911,286	47.1%
2007	116	319,614	\$72,965,575	54.1%	\$61,877,256	45.9%
2008	119	326,557	\$74,150,303	56.1%	\$57,992,807	43.9%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.1.2 Batavia Downs Gaming

Batavia Downs Gaming is a racing and video gaming center owned and operated by Western Regional Off-Track Betting Corporation in association with the New York Lottery. Western OTB is a public benefit corporation in the state of New York. Batavia Downs is the oldest lighted harness track in North America, opening on September 20,

1940. The facility features 590 video lottery terminals, convention space, and a food and beverage outlet.

The racetrack has seen a decline in its Total Facility Handle with the sharpest decline of 55.7% exhibited in 2004 when the track had only 2 live racing days compared to 68 days the year before. The property did experience dramatic increases in Total Facility Handle during 2002, when the property began to offer live racing on its own track, and during 2005, when the number of live racing days increased from 2 days to 58 days. Gross Purses Paid has shown an increase over the years from 2003 to 2008, except for a brief decline by 97.3% in 2004 - due to the number of live racing days discussed earlier - and 3.3% in 2007. The highest percent change in Gross Purses Paid was 26.7% in 2003 when the amount rose from \$1.5 million to \$1.8 million. The dramatic increase exhibited in 2005 was discounted given the abnormal operations the year before.

The On Track Handle percentage of Total Facility Handle was the highest in 2003 at 33.2% and the lowest in 2004 at 2.5%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. During 2002, Batavia Downs Gaming exhibited the highest Total Facility Handle, \$11 million; On Track Handle, \$3.5 million; Simulcast-in Handle, \$7.2 million and Number of Racing Days, 72 days. Attendance and Gross Purses Paid were the highest in 2008 at 138,001 visitors and \$4.2 million, respectively. The number of racing days ranged from 2 days to 72 days.

Table 7-29: Batavia Downs Gaming Racing Statistics Summary

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
2001	--	--	--	--	\$577,344	100.0%	\$577,344	--	--	--
2002	72	104,151	\$3,531,175	33.0%	\$7,165,499	67.0%	\$10,696,674	1752.7%	\$1,458,773	--
2003	68	70,197	\$3,420,176	33.2%	\$6,871,281	66.8%	\$10,291,457	-3.8%	\$1,848,580	26.7%
2004	2	1,837	\$113,980	2.5%	\$4,444,207	97.5%	\$4,558,187	-55.7%	\$49,350	-97.3%
2005	58	--	\$2,467,716	28.0%	\$6,354,366	72.0%	\$8,822,082	93.5%	\$3,214,914	6414.5%
2006	57	--	\$2,001,660	26.0%	\$5,706,503	74.0%	\$7,708,163	-12.6%	\$4,055,956	26.2%
2007	57	130,030	\$2,098,565	29.3%	\$5,064,266	70.7%	\$7,162,831	-7.1%	\$3,922,500	-3.3%
2008	60	138,001	\$2,038,563	30.8%	\$4,577,139	69.2%	\$6,615,702	-7.6%	\$4,186,997	6.7%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.1.3 Belmont Park

This is a three-track Thoroughbred horse racing facility located in Elmont, New York. Belmont Park only offers betting on races and does not have casino gaming. Besides from horse racing, the facility offers six restaurants and a bar to visitors. The racetrack has seen an overall decline in its Total Facility Handle with the sharpest decline of 7.2% exhibited in 2004. The largest increase in Total Facility Handle occurred in 2001 when it

rose by 7% from \$162 million to \$174 million. The On Track Handle percentage of Total Facility Handle, which has also seen an overall decline, was the highest in 2001 at 78.3% and the lowest in 2007 at 63.7%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively.

During 2001, Belmont Park exhibited the highest Total Facility Handle, \$174 million and On Track Handle, \$136 million. Attendance and number of Racing Days were the highest in 2005 at 827,548 visitors and 97 days, respectively. Beginning in 2000, Gross Purses Paid was reported as an aggregate of all three properties that NYRA runs – Aqueduct, Racetrack, Belmont Park, and Saratoga Race Course. Gross Purses Paid has shown an increase over the years from 2001 to 2008, except for a brief decline by 5.2% in 2006. The highest percent change in Gross Purses Paid was 6.9% in 2007 when the amount rose to \$118 million. The highest amount of Gross Purses Paid was in 2008 at \$122 million. The number of racing days ranged from 87 days to 97 days.

Table 7-30: Belmont Park Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid*	% Change in Gross Purses Paid*
1999	\$169,408,508	--	\$41,743,000	--
2000	\$162,215,066	-4.2%	\$113,305,173	171.4%
2001	\$173,650,448	7.0%	\$113,428,564	0.1%
2002	\$163,846,419	-5.6%	\$115,077,446	1.5%
2003	\$164,468,817	0.4%	\$115,214,292	0.1%
2004	\$152,553,258	-7.2%	\$115,475,811	0.2%
2005	\$154,370,223	1.2%	\$116,232,673	0.7%
2006	\$154,882,849	0.3%	\$110,170,855	-5.2%
2007	\$161,689,223	4.4%	\$117,814,278	6.9%
2008	\$157,699,870	-2.5%	\$121,564,236	3.2%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

*Starting in 2000, Gross Purses Paid were reported as an aggregate of all 3 properties NYRA runs: Aqueduct Racetrack, Belmont Park, and Saratoga Race Course

Table 7-31: Belmont Park Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %
1999	87	709,357	\$131,206,388	77.4%	\$38,202,120	22.6%
2000	88	685,035	\$124,896,081	77.0%	\$37,318,985	23.0%
2001	87	684,961	\$135,971,744	78.3%	\$37,678,704	21.7%
2002	88	667,235	\$125,279,727	76.5%	\$38,566,692	23.5%
2003	93	703,456	\$118,069,796	71.8%	\$46,399,021	28.2%
2004	93	670,417	\$113,576,195	74.5%	\$38,977,063	25.5%
2005	97	827,548	\$116,487,459	75.5%	\$37,882,764	24.5%
2006	92	530,303	\$108,393,724	70.0%	\$46,489,125	30.0%
2007	92	545,576	\$102,998,780	63.7%	\$58,690,443	36.3%
2008	95	599,951	\$101,084,673	64.1%	\$56,615,197	35.9%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.1.4 Fairgrounds Gaming & Racetrack

The Fairgrounds, located in Hamburg, NY is a Western New York entertainment destination that offers harness racing. With over 265 acres, the facility is home to a variety of the top events and attractions in the area. The casino features 900 video gaming machines. There is over 100,000 square feet of convention and meeting space as well as three food and beverage outlets. The racetrack has seen a decline in its Total Facility Handle with the sharpest decline of 21.4% exhibited in 2003. The property did experience two brief increases in Total Facility Handle during 2004 and 2008. Gross Purses Paid has decreased from 1999 to 2003 and increased from 2004 to 2007 before decreasing again in 2008. The highest increase in percent change in Gross Purses Paid was 90% in 2004 when the amount rose from \$1.7 million to \$3.2 million. The highest decrease in percent change in Gross Purses Paid was 36.6% in 2003 when the amount decreased from \$2.6 million to \$1.7 million. The Number of Racing Days and Attendance were the lowest in 2003 at 66 days and 41,832 visitors, respectively, which contributed to the sharp decreases exhibited in Total Facility Handle and Gross Purses Paid.

The On Track Handle percentage of Total Facility Handle, which has seen an overall decline, was the highest in 1999 at 39.6% and the lowest in 2003 at 21.6%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. During 1999, Fairgrounds Gaming & Racetrack exhibited the highest Total Facility Handle, \$24 million; On Track Handle, \$9.4 million; and Simulcast-in Handle, \$14.4 million. It is important to note that the Number of Racing Days, 173 days, and Attendance, 120,008 visitors, were the highest in 1999 as well. The number of racing days ranged from 66 days to 173 days.

Table 7-32: Fairgrounds Gaming & Racetrack Racing Statistics Summary

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
1999	173	120,008	\$9,441,706	39.6%	\$14,377,432	60.4%	\$23,819,138	--	\$4,424,000	--
2000	143	104,934	\$8,039,808	35.9%	\$14,363,360	64.1%	\$22,403,168	-5.9%	\$4,238,210	-4.2%
2001	127	87,022	\$6,525,727	33.6%	\$12,897,136	66.4%	\$19,422,863	-13.3%	\$3,732,360	-11.9%
2002	84	54,185	\$3,881,305	23.6%	\$12,552,307	76.4%	\$16,433,612	-15.4%	\$2,621,975	-29.8%
2003	66	41,832	\$2,792,284	21.6%	\$10,127,889	78.4%	\$12,920,173	-21.4%	\$1,661,715	-36.6%
2004	87	57,907	\$3,666,794	28.0%	\$9,414,725	72.0%	\$13,081,519	1.2%	\$3,157,972	90.0%
2005	84	53,898	\$3,343,376	26.8%	\$9,130,454	73.2%	\$12,473,830	-4.6%	\$4,474,065	41.7%
2006	84	52,339	\$3,075,693	25.1%	\$9,186,821	74.9%	\$12,262,514	-1.7%	\$5,505,493	23.1%
2007	82	44,843	\$2,613,218	23.1%	\$8,688,498	76.9%	\$11,301,716	-7.8%	\$5,539,815	0.6%
2008	83	--	\$2,553,114	22.5%	\$8,799,291	77.5%	\$11,352,405	0.4%	\$5,111,746	-7.7%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.1.5 Finger Lakes Gaming & Racetrack

Located in the heart of the Finger Lakes region in Western New York, the facility has hosted over 62,000 horse races and entertained over 19 million fans since opening in 1962. The casino facility features over 30,000 square feet of gaming space, 1,200 video gaming terminals, and five food and beverage outlets. Additionally, the facility features Thoroughbred racing on a one mile horse track. The racetrack has seen an overall decline in its Total Facility Handle with the sharpest decline of 12.7% exhibited in 2000. The property did experience two brief increases in Total Facility Handle during 2001 and 2004. Gross Purses Paid has decreased from 1999 to 2003 and increased from 2004 to 2007 before decreasing again in 2008. The highest increase in Gross Purses Paid was 54.3% in 2004 when the amount rose from \$10.4 million to \$16.1 million. The highest decrease in percent change in Gross Purses Paid was 7.2% in 2002 when the amount decreased from \$11.4 million to \$10.6 million.

The On Track Handle percentage of Total Facility Handle, which has seen an overall decline, was the highest in 1999 at 78.5% and the lowest in 2006 at 42%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. During 1999, Finger Lakes Gaming & Racetrack exhibited the highest Total Facility Handle, \$36 million; On Track Handle, \$28 million; Number of Racing Days, 176 days; and Attendance, 252,342 visitors. The number of racing days ranged from 154 days to 176 days.

Table 7-33: Finger Lakes Gaming & Racetrack

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
1999	176	252,342	\$28,220,000	78.5%	\$7,735,682	21.5%	\$35,955,682	--	\$12,063,000	--
2000	167	222,590	\$23,156,123	73.8%	\$8,231,645	26.2%	\$31,387,768	-12.7%	\$11,585,496	-4.0%
2001	165	207,681	\$20,273,013	59.7%	\$13,678,373	40.3%	\$33,951,386	8.2%	\$11,439,939	-1.3%
2002	161	197,182	\$15,614,825	46.8%	\$17,753,500	53.2%	\$33,368,325	-1.7%	\$10,616,901	-7.2%
2003	154	190,353	\$13,288,077	45.6%	\$15,862,723	54.4%	\$29,150,800	-12.6%	\$10,426,260	-1.8%
2004	157	236,322	\$14,114,914	46.7%	\$16,096,661	53.3%	\$30,211,575	3.6%	\$16,089,000	54.3%
2005	160	241,270	\$12,994,770	43.5%	\$16,911,317	56.5%	\$29,906,087	-1.0%	\$16,402,000	1.9%
2006	156	233,218	\$11,789,232	42.0%	\$16,260,269	58.0%	\$28,049,501	-6.2%	\$16,650,723	1.5%
2007	158	231,722	\$11,738,299	44.2%	\$14,822,850	55.8%	\$26,561,149	-5.3%	\$17,572,000	5.5%
2008	157	207,725	\$10,869,944	42.2%	\$14,891,799	57.8%	\$25,761,743	-3.0%	\$16,921,400	-3.7%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.1.6 Monticello Gaming and Raceway

Located just 90 miles from downtown New York City, Monticello Gaming and Raceway is located in the heart of the Sullivan County Catskills vacationland, offering year-round harness racing on a half-mile track. The casino features 40,000 square feet of gaming space with 1,500 video lottery terminals. The property features three food and beverage outlets. The racetrack has seen an overall decline in its Total Facility Handle with the sharpest decline of 20.6% exhibited in 2007. The largest increase in Total Facility Handle occurred in 2005 when Total Facility Handle rose by 9.6% from \$14.9 million to \$16.3 million. Gross Purses Paid has experienced an overall increase from 1999 to 2008. The highest increase in percent change in Gross Purses Paid was 63.3% in 2005 when the amount rose from \$7 million to \$12 million. The highest decrease in percent change in Gross Purses Paid was 30% in 2003 when the amount decreased from \$7 million to \$5 million.

The On Track Handle percentage of Total Facility Handle, which has seen an overall decline, was the highest in 1999 at 51.2% and the lowest in 2008 at 40.2%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. During 1999, Monticello Gaming and Raceway exhibited the highest Total Facility Handle, \$22 million; On Track Handle, \$11 million; and Attendance, 76,891 visitors. Simulcast-in Handle was the highest in 2002 at \$10 million. The number of racing days ranged from 204 days to 246 days.

Table 7-34: Monticello Gaming and Raceway Racing Statistics Summary

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
1999	216	76,891	\$11,355,013	51.2%	\$10,807,628	48.8%	\$22,162,641	--	\$4,889,000	--
2000	213	64,429	\$10,411,505	49.3%	\$10,713,116	50.7%	\$21,124,621	-4.7%	\$6,071,050	24.2%
2001	209	60,134	\$9,671,758	51.1%	\$9,262,136	48.9%	\$18,933,894	-10.4%	\$5,992,068	-1.3%
2002	221	62,941	\$9,352,988	47.8%	\$10,222,375	52.2%	\$19,575,363	3.4%	\$6,815,785	13.7%
2003	204	54,267	\$7,224,785	45.0%	\$8,827,390	55.0%	\$16,052,175	-18.0%	\$4,769,634	-30.0%
2004	230	--	\$6,270,555	42.2%	\$8,601,982	57.8%	\$14,872,537	-7.3%	\$7,264,652	52.3%
2005	235	--	\$8,299,034	50.9%	\$7,997,242	49.1%	\$16,296,276	9.6%	\$11,860,600	63.3%
2006	246	--	\$8,214,936	50.2%	\$8,144,817	49.8%	\$16,359,753	0.4%	\$14,716,800	24.1%
2007	219	--	\$5,369,843	41.3%	\$7,625,472	58.7%	\$12,995,315	-20.6%	\$12,022,500	-18.3%
2008	223	--	\$4,390,364	40.2%	\$6,536,208	59.8%	\$10,926,572	-15.9%	\$10,958,000	-8.9%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.1.7 Saratoga Gaming and Raceway

The facility includes harness horse racing and gaming facilities. The casino features 100,000 square feet of gaming space with 1,700 video lottery terminals. Event space is available for meetings and conventions. There are three food and beverage outlets. The racetrack has seen an overall increase in its Total Facility Handle with the largest increase occurring in 2004 when Total Facility Handle rose by 23.5% from \$32 million to \$39 million. Gross Purses Paid has experienced an overall increase from 1999 to 2008. The highest increase in percent change in Gross Purses Paid was 129.7% in 2004 when the amount rose from \$4 million to \$9 million. The highest decrease in percent change in Gross Purses Paid was 12.4% in 2007 when the amount decreased from \$17 million to \$14 million.

The On Track Handle percentage of Total Facility Handle, which has seen an overall decline, was the highest in 1999 at 34% and the lowest in 2008 at 21.8%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. During 2006, Saratoga Gaming and Raceway exhibited the highest Total Facility Handle, \$41 million, and On Track Handle, \$9 million. Simulcast-in Handle was the highest in 2008 at \$33 million. The number of racing days ranged from 122 days to 173 days.

Table 7-35: Saratoga Gaming and Raceway Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
1999	\$26,864,001	--	\$3,248,000	--
2000	\$27,943,724	4.0%	\$3,725,300	14.7%
2001	\$29,033,039	3.9%	\$3,608,671	-3.1%
2002	\$30,487,685	5.0%	\$3,795,748	5.2%
2003	\$31,644,865	3.8%	\$3,975,649	4.7%
2004	\$39,092,822	23.5%	\$9,131,238	129.7%
2005	\$37,044,965	-5.2%	\$10,014,891	9.7%
2006	\$40,631,280	9.7%	\$16,532,421	65.1%
2007	\$39,910,441	-1.8%	\$14,478,609	-12.4%
2008	\$39,712,001	-0.5%	\$14,266,218	-1.5%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

Table 7-36: Saratoga Gaming and Raceway Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %
1999	139	111,802	\$6,821,872	34.0%	\$20,042,129	74.6%
2000	143	95,159	\$6,492,682	30.3%	\$21,451,042	76.8%
2001	134	95,623	\$6,157,071	26.9%	\$22,875,968	78.8%
2002	122	--	\$6,186,778	25.5%	\$24,300,907	79.7%
2003	129	--	\$6,145,003	24.1%	\$25,499,862	80.6%
2004	165	--	\$8,826,475	29.2%	\$30,266,347	77.4%
2005	173	--	\$8,278,060	28.8%	\$28,766,905	77.7%
2006	171	--	\$8,831,610	27.8%	\$31,799,670	78.3%
2007	169	--	\$7,721,731	24.0%	\$32,188,710	80.7%
2008	169	--	\$7,105,544	21.8%	\$32,606,457	82.1%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.1.8 Saratoga Race Course

This three-track, steeplechase, Thoroughbred racing facility is located in Saratoga Springs, New York and has six restaurants and three bars. The racetrack has seen an increase in its Total Facility Handle between 1999 and 2003. The Total Facility Handle decreased between 2003 and 2006 before increasing shortly for the year 2007. The largest increase in Total Facility Handle occurred in 2007 when Total Facility Handle rose by 20.4% from \$110 million to \$133 million. Beginning in 2000, Gross Purses Paid was reported as an aggregate of all three properties that NYRA runs – Aqueduct, Racetrack, Belmont Park, and Saratoga Race Course. Gross Purses Paid has shown an increase over the years from 2001 to 2008, except for a brief decline by 5.2% in 2006.

The highest percent change in Gross Purses Paid was 6.9% in 2007 when the amount rose to \$118 million. The highest amount of Gross Purses Paid was in 2008 at \$122 million.

The On Track Handle percentage of Total Facility Handle, which has seen an overall decline, was the highest in 1999 at 96.8% and the lowest in 2002 at 86%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. During 2003, Saratoga Race Course exhibited the highest Total Facility Handle, \$136 million; Simulcast-in Handle, \$19 million; and Attendance, 1,049,309 visitors. On Track Handle was the highest in 2007 at \$123 million. The number of racing days ranged from 35 days to 36 days.

Table 7-37: Saratoga Race Course Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid*	% Change in Gross Purses Paid*
1999	\$115,721,490	--	\$41,743,000	--
2000	\$120,318,322	4.0%	\$113,305,173	171.4%
2001	\$133,619,232	11.1%	\$113,428,564	0.1%
2002	\$134,124,672	0.4%	\$115,077,446	1.5%
2003	\$136,132,414	1.5%	\$115,214,292	0.1%
2004	\$134,438,343	-1.2%	\$115,475,811	0.2%
2005	\$132,692,723	-1.3%	\$116,232,673	0.7%
2006	\$110,401,148	-16.8%	\$110,170,855	-5.2%
2007	\$132,889,420	20.4%	\$117,814,278	6.9%
2008	\$125,377,494	-5.7%	\$121,564,236	3.2%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

*Starting in 2000, Gross Purses Paid were reported as an aggregate of all 3 properties NYRA runs: Aqueduct Racetrack, Belmont Park, and Saratoga Race Course

Table 7-38: Saratoga Race Course Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %
1999	36	920,216	\$111,969,541	96.8%	\$3,751,949	3.2%
2000	36	978,296	\$116,356,627	96.7%	\$3,961,695	3.3%
2001	36	1,011,669	\$116,599,001	87.3%	\$17,020,231	12.7%
2002	36	999,388	\$115,400,499	86.0%	\$18,724,173	14.0%
2003	36	1,049,309	\$117,408,241	86.2%	\$18,724,173	13.8%
2004	36	1,040,668	\$115,774,774	86.1%	\$18,663,569	13.9%
2005	36	999,215	\$117,378,959	88.5%	\$15,313,764	11.5%
2006	35	966,033	\$101,242,104	91.7%	\$9,159,044	8.3%
2007	36	1,018,273	\$123,018,041	92.6%	\$9,871,379	7.4%
2008	35	872,557	\$114,563,754	91.4%	\$10,813,740	8.6%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.1.9 Syracuse Mile

Located in Syracuse, New York, Syracuse Mile features harness racing and has one restaurant. The racetrack has seen a decline in its Total Facility Handle between 1999 and 2005. The largest increase in Total Facility Handle occurred in 2005 when Total Facility Handle rose by 63.6% from approximately \$495,000 to \$811,000. The property had half the number of live racing days in 2004 (3 days) compared to 2005 (6 days). During 2000, Syracuse Mile exhibited the highest Total Facility Handle, \$961,000. Attendance was the highest in 1999 at 9,318 visitors. Gross Purses Paid increased between 1999 and 2005, with a sharp decrease in 2004 when the number of live racing days was the lowest. The highest Gross Purses Paid was in 2002 at \$1.2 million. The number of racing days ranged from 3 days to 6 days.

Table 7-39: Syracuse Mile Racing Statistics Summary

Year	# Racing Days	Attendance	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
1999	6	9,318	\$915,250	--	\$913,000	--
2000	5	7,782	\$961,041	5.0%	\$1,090,650	19.5%
2001	5	6,414	\$935,807	-2.6%	\$1,091,835	0.1%
2002	5	615	\$861,829	-7.9%	\$1,228,669	12.5%
2003	--	--	--	--	--	--
2004	3	4,154	\$495,449	--	\$829,000	--
2005	6	8,112	\$810,501	63.6%	\$1,205,494	45.4%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.1.10 Tioga Downs

Tioga Downs is a gaming and racing destination that has two tracks featuring harness racing. The facility includes a casino with 750 video gaming terminals. The facility includes meeting and convention space for up to 250 people. There are four food and beverage outlets. In its three years of operation, the racetrack has seen an overall increase in its Total Facility Handle with the largest increase occurring in 2007 when Total Facility Handle rose by 45.3% from \$5 million to \$7 million. The On Track Handle percentage of Total Facility Handle, which has seen an overall decline, was the highest in 2006 at 96.7% and the lowest in 2008 at 40.7%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. During 2007, Tioga Downs exhibited the highest Total Facility Handle, \$7 million. Simulcast-in Handle and Attendance were the highest in 2008 at \$5 million and 996,798 visitors, respectively. Gross Purses Paid has experienced an overall increase, with the highest increase in percent change exhibited in 2007 when the amount rose by 36.6% from \$5 million to \$7 million. The number of racing days ranged from 51 days to 59 days.

Table 7-40: Tioga Downs Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
2006	\$4,627,065	--	\$5,292,779	--
2007	\$6,724,569	45.3%	\$7,231,629	36.6%
2008	\$6,582,331	-2.1%	\$7,493,392	3.6%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

Table 7-41: Tioga Downs Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %
2006	51	134,800	\$2,274,822	96.7%	\$2,352,243	50.8%
2007	58	943,465	\$2,200,076	48.6%	\$4,524,493	67.3%
2008	59	996,798	\$1,905,655	40.7%	\$4,676,676	71.0%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.1.11 Vernon Downs & Miracle Isle Gaming Resort

Vernon Downs features racing, gaming, and hotel accommodations. The casino features 777 video gaming machines and the track features live harness racing. Additionally, the property features a 173-suite hotel, event space for up to 350 people, and six food and beverage outlets. The racetrack has seen an overall decrease in its Total Facility Handle with the largest decrease occurring in 2004 when Total Facility Handle dropped by 46% from \$19 million to \$10 million. Gross Purses Paid has experienced an overall increase from 1999 to 2008. The highest increase in percent change in Gross Purses Paid was 17% in 2002 when the amount rose from \$2.4 million to \$2.8 million. The dramatic increase exhibited in 2007 was discounted due to the abnormal operations in 2006 indicated by the number of racing days, which was less than half of 2007's.

The On Track Handle percentage of Total Facility Handle, which has seen an overall decline, was the highest in 2006 at 36.6% and the lowest in 2001 at 19.9%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. During 2001, Vernon Downs exhibited the highest Total Facility Handle, \$21.8 million, and Simulcast-in Handle, \$17.4 million. During 1999, the Number of Racing Days, 114 days; Attendance, 152,068 visitors; and On-Track Handle, \$7 million were the highest. The number of racing days ranged from 30 days to 114 days.

Table 7-42: Vernon Downs & Miracle Isle Gaming Resort
Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
1999	\$20,569,236	--	\$2,521,000	--
2000	\$18,098,808	-12.0%	\$2,416,572	-4.1%
2001	\$21,767,222	20.3%	\$2,393,670	-0.9%
2002	\$20,773,338	-4.6%	\$2,801,550	17.0%
2003	\$19,289,465	-7.1%	\$2,645,311	-5.6%
2004	\$10,421,499	-46.0%	\$830,940	-68.6%
2005	--	--	--	--
2006	\$4,601,536	--	\$1,684,075	--
2007	\$13,940,634	203.0%	\$5,503,775	226.8%
2008	\$13,952,577	0.1%	\$5,923,746	7.6%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

Table 7-43: Vernon Downs & Miracle Isle Gaming Resort
Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %
1999	114	152,068	\$7,036,061	34.2%	\$13,533,175	65.8%
2000	93	95,407	\$4,650,566	25.7%	\$13,448,242	74.3%
2001	84	71,378	\$4,331,615	19.9%	\$17,435,607	80.1%
2002	84	85,362	\$4,682,919	22.5%	\$16,090,419	77.5%
2003	93	108,859	\$4,711,200	24.4%	\$14,578,265	75.6%
2004	44	58,941	\$2,138,229	20.5%	\$8,283,270	79.5%
2005	--	--	--	--	--	--
2006	30	53,005	\$1,684,169	36.6%	\$2,917,367	63.4%
2007	80	79,250	\$3,594,215	25.8%	\$10,346,419	74.2%
2008	90	91,309	\$3,623,174	26.0%	\$10,329,403	74.0%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.1.12 Empire City at Yonkers Raceway.

Empire City is one of the largest video gaming centers in New York State affiliated with the state's lottery system. The property features a casino and live harness racing on the track. The casino features 5,300 video gaming machines. There is convention and meeting space to accommodate up to 400 people. The property features six food and beverage outlets. The racetrack has seen an overall decrease in its Total Facility Handle with the largest decrease occurring in 2006 when Total Facility Handle dropped by 84% from \$46 million to \$7 million, due to a drop in number of Racing Days by

approximately 30%. Gross Purses Paid was on a decline before significantly improving in 2007. The largest decrease in percent change in Gross Purse Paid was exhibited in 2005 with a drop by 67.7%. The drop from \$15 million to \$ million occurred when number of racing days in 2005 was close to half of that in 2004.

The On Track Handle percentage of Total Facility Handle, which has seen an overall decline, was the highest in 1999 at 45.2% and the lowest in 2005 at 16.4%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. During 1999, Vernon Downs exhibited the highest Total Facility Handle, \$140 million; Attendance, 217,001 visitors; On Track Handle, \$44 million; and Simulcast-in Handle, \$97 million. The number of racing days ranged from 32 days to 307 days.

Table 7-44: Empire City at Yonkers Raceway Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
1999	\$140,357,615	--	\$23,532,000	--
2000	\$133,650,350	-4.8%	\$21,170,128	-10.0%
2001	\$127,316,541	-4.7%	\$20,732,553	-2.1%
2002	\$124,259,323	-2.4%	\$21,806,586	5.2%
2003	\$112,131,597	-9.8%	\$20,256,148	-7.1%
2004	\$99,522,397	-11.2%	\$15,381,819	-24.1%
2005	\$45,782,377	-54.0%	\$4,975,800	-67.7%
2006	\$7,314,408	-84.0%	\$4,798,837	-3.6%
2007	\$73,275,720	901.8%	\$45,602,765	850.3%
2008	\$73,781,205	0.7%	\$46,239,708	1.4%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

Table 7-45: Empire City at Yonkers Raceway Racing Statistics Summary Contd.

Year	# Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %
1999	273	217,001	\$43,710,510	45.2%	\$96,647,105	68.9%
2000	256	187,418	\$39,261,836	41.6%	\$94,388,514	70.6%
2001	252	167,277	\$31,915,483	33.5%	\$95,401,058	74.9%
2002	257	157,385	\$30,741,146	32.9%	\$93,518,177	75.3%
2003	235	142,929	\$26,056,411	30.3%	\$86,075,186	76.8%
2004	207	115,763	\$18,044,511	22.1%	\$81,477,886	81.9%
2005	105	58,835	\$6,445,069	16.4%	\$39,337,308	85.9%
2006	32	--	\$1,647,699	29.1%	\$5,666,709	77.5%
2007	307	--	\$18,694,485	34.3%	\$54,581,235	74.5%
2008	253	--	\$17,476,696	31.0%	\$56,304,509	76.3%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

7.3.3.2 Harness Racetracks vs. Thoroughbred Racetracks

7.3.3.2.1 Harness Racetracks

In New York, there are eight properties that offer harness horse racing: Batavia Downs Gaming, Fairgrounds Gaming & Racetrack, Monticello Gaming and Raceway, Saratoga Gaming and Raceway, Syracuse Mile, Tioga Downs, Vernon Downs & Miracle Isle Gaming Resort, and Empire City at Yonkers Raceway. The Total Facility Handle collected from all eight properties has declined over the years from 1999 to 2008, with brief increases in 2002 and 2007. The sharpest decline occurred in 2005 when Total Facility Handle dropped by 33.4% from \$182 million to \$121 million. Gross Purses Paid, which has seen an overall increase, was the highest in 2007 at \$94 million. The highest increase in percent change in Gross Purse Paid was in 2007 when Gross Purses Paid rose by 79.3% from \$53 million to \$94 million.

During 1999, harness racetracks in New York exhibited the highest Total Facility Handle, \$235 million; On Track Handle, \$79 million; and Average Number of Racing Days, 154 days. Attendance was the highest in 2008 and 1,266,108 visitors and Simulcast-in Handle was the highest in 2002 at \$164 million. The On Track Handle percentage of Total Facility Handle, which has seen an overall decline, was the highest in 1999 at 51% and the lowest in 2004 at 27.8%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. The average number of racing days ranged from 96 days to 154 days.

Table 7-46: New York Harness Racetracks Racing Statistics Summary

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
1999	\$234,687,881	--	\$39,527,000	--
2000	\$224,181,712	-4.5%	\$38,711,910	-2.1%
2001	\$217,986,710	-2.8%	\$37,551,157	-3.0%
2002	\$223,087,824	2.3%	\$40,529,086	7.9%
2003	\$202,329,732	-9.3%	\$35,157,037	-13.3%
2004	\$182,044,410	-10.0%	\$36,644,971	4.2%
2005	\$121,230,031	-33.4%	\$35,745,764	-2.5%
2006	\$93,504,719	-22.9%	\$52,586,361	47.1%
2007	\$165,311,226	76.8%	\$94,301,593	79.3%
2008	\$162,922,793	-1.4%	\$94,179,807	-0.1%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

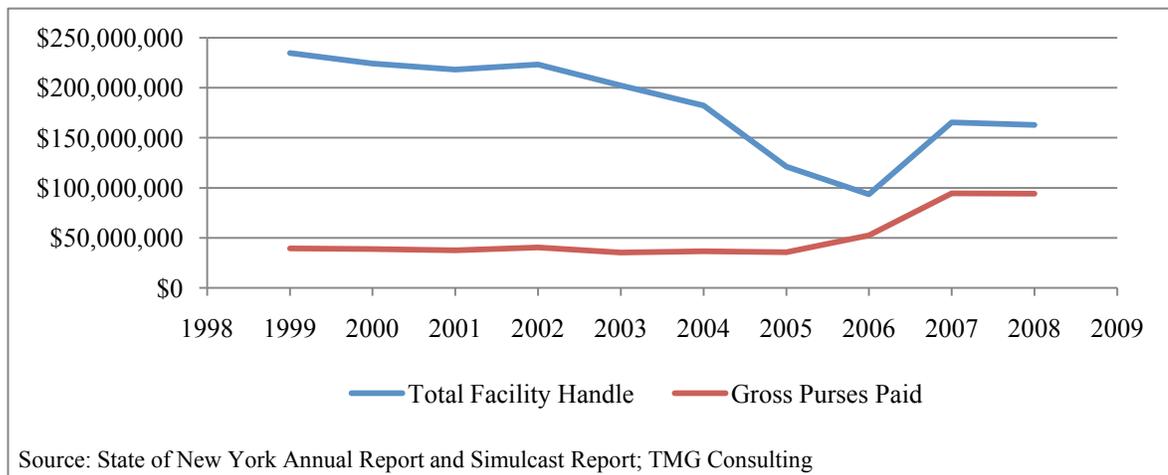
Table 7-47: New York Harness Racetracks Racing Statistics Summary Contd.

Year	Avg. # Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast- in Handle %
1999	154	687,088	\$79,280,412	51.0%	\$155,407,469	66.2%
2000	142	555,129	\$69,817,438	45.2%	\$154,364,274	68.9%
2001	135	487,848	\$59,537,461	37.6%	\$158,449,249	72.7%
2002	121	464,639	\$59,238,140	36.2%	\$163,849,684	73.4%
2003	133	418,084	\$50,349,859	33.1%	\$151,979,873	75.1%
2004	105	238,602	\$39,555,993	27.8%	\$142,488,417	78.3%
2005	110	120,845	\$29,643,756	32.4%	\$91,586,275	75.5%
2006	96	240,144	\$27,730,589	42.2%	\$65,774,130	70.3%
2007	139	1,197,588	\$42,292,133	34.4%	\$123,019,093	74.4%
2008	134	1,226,108	\$39,093,110	31.6%	\$123,829,683	76.0%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

As shown in the figure below, Total Facility Handle has decreased more sharply than Gross Purses paid has increased between 1999 and 2005. The gap between Gross Purses Paid and Total Facility was brought closer together in 2006 when Total Facility Handle decreased sharply and Gross Purses Paid increased. In 2007, both Total Facility Handle and Gross Purses Paid increased significantly before leveling off in 2008.

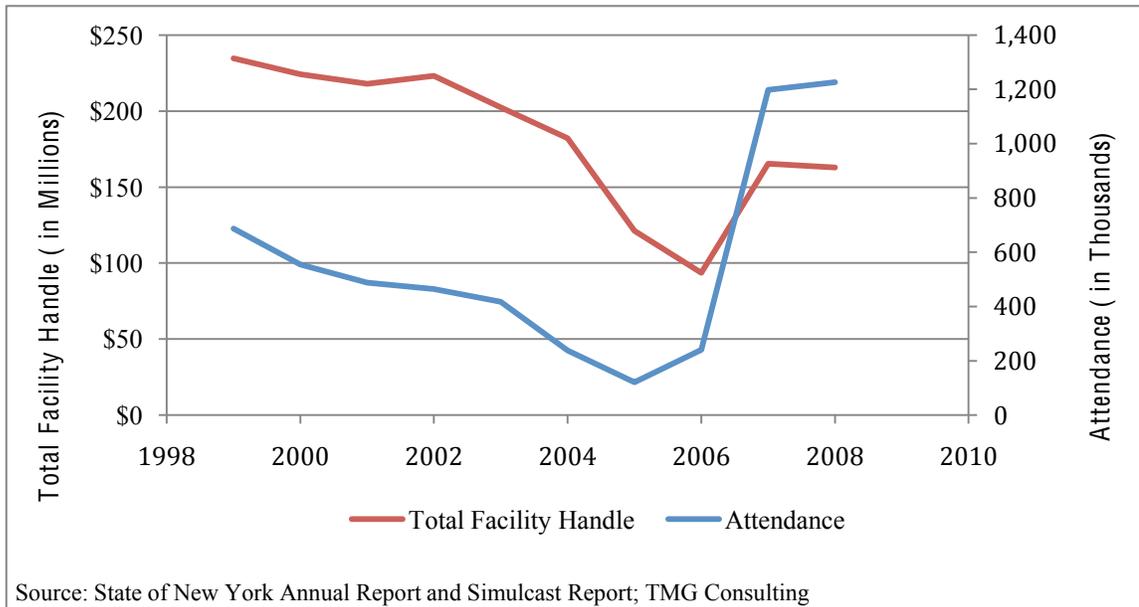
Figure 7-7: Comparison of Total Facility Handle and Gross Purses Paid for New York Harness Racetracks



As shown in the figure below, the decline in Total Facility Handle has mirrored the decline in Attendance between 1999 and 2005. After 2006, Attendance increased at a rate much higher than Total Facility Handle after 2006 before leveling off in 2008. The

sharp decreases in Attendance can be attributed, in part, to the fact that attendance was not available for all properties for all years after 2003.

Figure 7-8: Comparison of Total Facility Handle and Attendance for New York Harness Racetracks



7.3.3.2.2 Thoroughbred Racetracks

In New York, there are four properties that offer Thoroughbred horse racing: Aqueduct Racetrack, Belmont Park, Finger Lakes Gaming & Racetrack, and Saratoga Race Course. The Total Facility Handle collected from all four properties has declined over the years from 1999 to 2008, with a brief increase in 2001. The sharpest decline occurred in 2000 when Total Facility Handle dropped by 13.8% from \$569 million to \$490 million. Gross Purses Paid, which has seen an overall increase, was the highest in 2008 at \$138 million. The highest increase in percent change in Gross Purse Paid was in 2000 when Gross Purses Paid rose by 111.9% from \$59 million to \$125. The Gross Purses Paid in that year more than doubled despite the drop in average number of racing days by 3 days.

During 1999, Thoroughbred racetracks in New York exhibited the highest Total Facility Handle, \$569 million; On Track Handle, \$414 million; Simulcast-in Handle, \$155 million; Average Number of Racing Days, 109 days; and Attendance, 2,643,788 visitors. The On Track Handle percentage of Total Facility Handle, which has seen an overall increase, was the highest in 2008 at 83.8% and the lowest in 1999 at 72.8%. These two years were also the lowest and highest Simulcast-in Handle percentage of Total Facility Handle, respectively. The average number of racing days ranged from 101 days to 109 days.

**Table 7-48: New York Thoroughbred Racetracks
Racing Statistics Summary**

Year	Total Facility Handle	% Change in Total Facility Handle	Gross Purses Paid	% Change in Gross Purses Paid
1999	\$568,802,472	--	\$58,950,000	--
2000	\$490,228,434	-13.8%	\$124,890,669	111.9%
2001	\$493,897,928	0.7%	\$124,868,503	0.0%
2002	\$486,571,494	-1.5%	\$125,694,347	0.7%
2003	\$443,594,587	-8.8%	\$125,640,552	0.0%
2004	\$416,751,631	-6.1%	\$131,564,811	4.7%
2005	\$391,613,355	-6.0%	\$132,634,673	0.8%
2006	\$374,116,462	-4.5%	\$126,821,578	-4.4%
2007	\$372,597,951	-0.4%	\$135,386,278	6.8%
2008	\$358,661,481	-3.7%	\$138,485,636	2.3%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

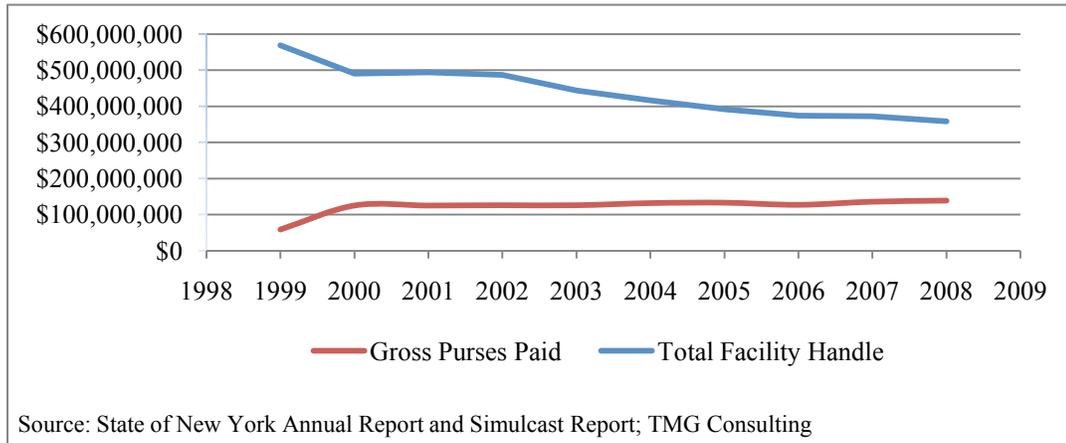
**Table 7-49: New York Thoroughbred Racetracks
Racing Statistics Summary Contd.**

Year	Avg. # Racing Days	Attendance	On Track Handle	On Track Handle %	Simulcast-in Handle	Simulcast-in Handle %
1999	109	2,643,788	\$414,101,634	72.8%	\$154,700,838	27.2%
2000	106	2,567,184	\$393,294,245	80.2%	\$96,934,189	19.8%
2001	106	2,542,614	\$396,248,891	80.2%	\$97,649,037	19.8%
2002	105	2,542,512	\$381,179,389	78.3%	\$105,392,105	21.7%
2003	101	2,497,176	\$350,722,597	79.1%	\$92,871,990	20.9%
2004	102	2,408,712	\$338,981,155	81.3%	\$77,770,476	18.7%
2005	104	2,439,045	\$326,020,284	83.3%	\$65,593,071	16.7%
2006	101	2,099,428	\$302,205,176	80.8%	\$71,911,286	19.2%
2007	101	2,115,185	\$310,720,695	83.4%	\$61,877,256	16.6%
2008	102	2,006,790	\$300,668,674	83.8%	\$57,992,807	16.2%

Source: State of New York Annual Report and Simulcast Report; TMG Consulting

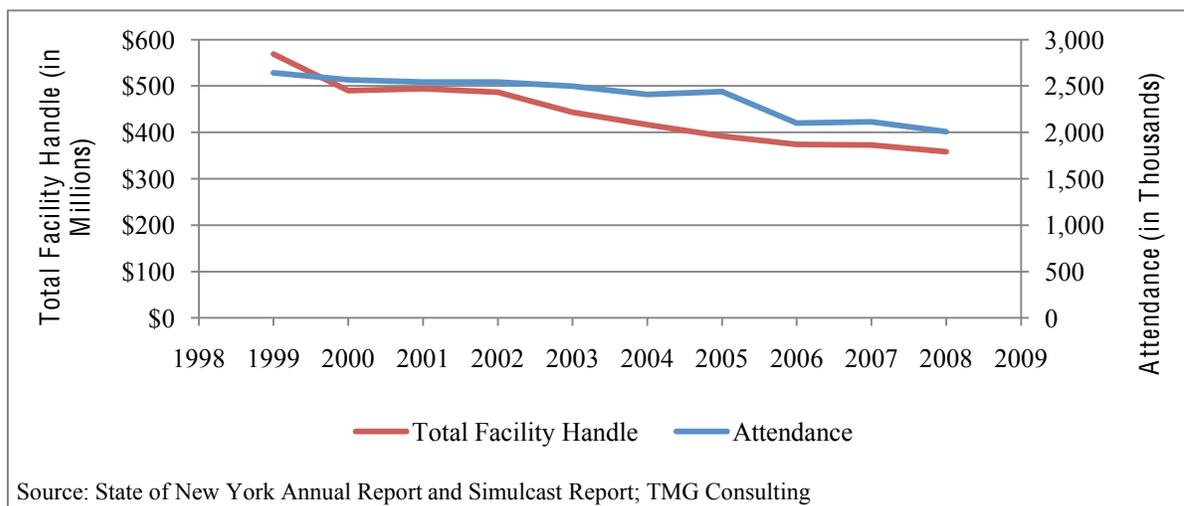
As shown in the figure below, Total Facility Handle has decreased more sharply than Gross Purses paid has increased between 1999 and 2008. In 2000, Total Facility Handle and Gross Purses Paid experienced the most significant decrease and increase, respectively. While there was little change for both measures between 2000 and 2002, Total Facility Handle began to decline significantly after 2002, as Gross Purses Paid remained relatively the same.

Figure 7-9: Comparison of Total Facility Handle and Gross Purses Paid for New York Thoroughbred Racetracks



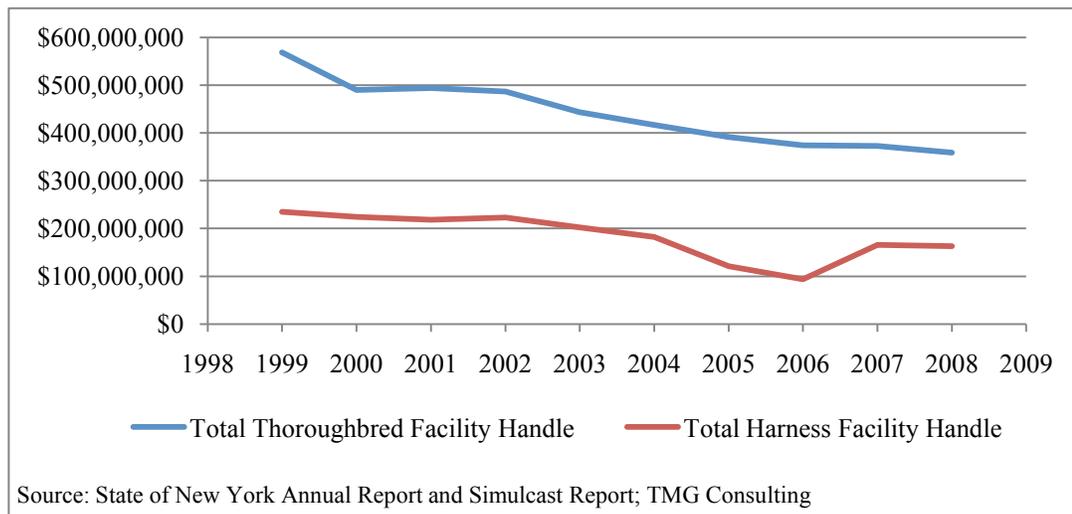
As shown in the figure below, Total Facility Handle has decreased more sharply than Attendance has decreased between 1999 and 2008. Total Facility Handle exhibited some sharp declines between 1999 and 2003, despite Attendance remaining fairly stable. Even though Attendance exhibited a modest increase in 2005, Total Facility Handle continued to decline. It is notable that Total Facility Handle maintained the same rate of decline despite a sharp drop in Attendance in 2006. Both categories have mirrored each other in their movements after 2006.

Figure 7-10: Comparison of Total Facility Handle and Attendance for New York Thoroughbred Racetracks



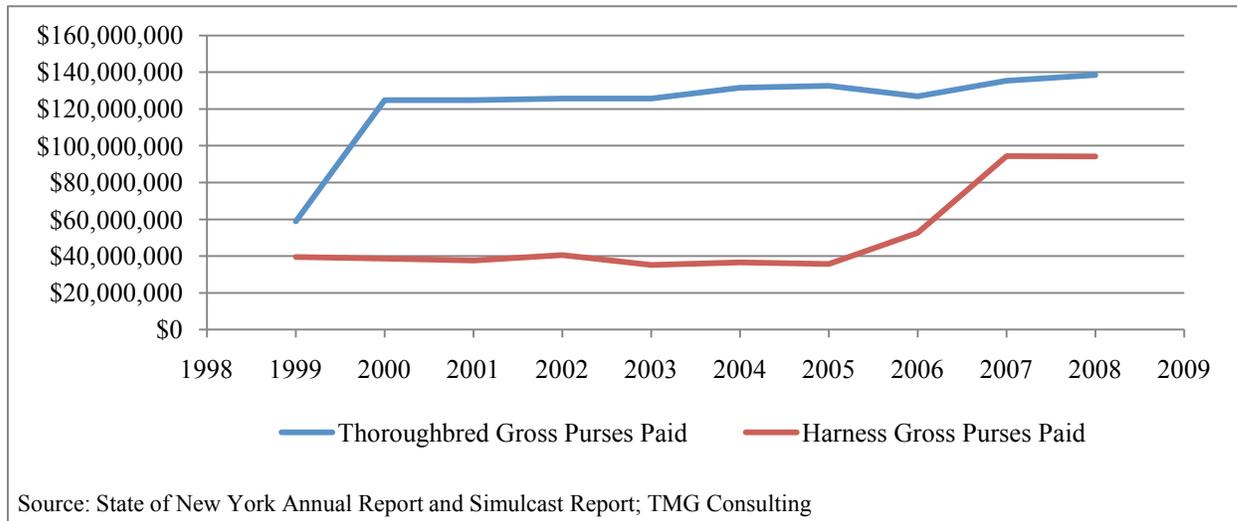
In a comparison of New York Harness & Thoroughbred racetracks, the figure below shows that Total Facility Handle for both has decreased from 1999 to 2008, though the decline for Thoroughbred racetracks has been steeper than that of harness racetracks. However, between 2004 and 2006, the Total Facility Handle for Harness racetracks dropped dramatically, while the decline for Thoroughbred racetracks was more gradual. The increase in Total Facility Handle for Harness racetracks in 2007 brought the Total Facility Handle closer to 2004's level.

Figure 7-11: Comparison of New York Harness & Thoroughbred Total Facility Handle



In a comparison of New York harness and Thoroughbred racetracks, the figure below shows that Gross Purses Paid increased dramatically for Thoroughbred racetracks between 1999 and 2000, but Gross Purses Paid remained unchanged for harness racetracks. Between 2000 and 2005, Gross Purses Paid remained relatively flat for both types of racetracks, although there was a slight increase between 2003 and 2005 for Thoroughbred racetracks. However, the Gross Purses Paid increased much more sharply for Harness racetracks between 2005 and 2007 when Gross Purses Paid more than doubled 2005's level.

Figure 7-12: Comparison of New York Harness & Thoroughbred Gross Purses Paid



7.3.4 Pennsylvania

7.3.4.1 Property-level

7.3.4.1.1 Harrah's Chester Casino & Racetrack

Harrah's horse track features live harness racing on its 0.625 mile track and daily simulcasts. The 100,000 square foot gaming facility that is located on Chester's waterfront contains an event center, nine restaurants & bars, and more than 2,900 slot machines. A parking garage holding 2,600 cars, valet parking, and a separate bus bay are available. In its three years of operation, Harrah's Chester has seen an increase in its Gross Racing Revenue from approximately \$62,000 in 2006 to \$7.2 million in 2008. While Gross Purses Paid almost doubled in 2008 from \$22 million to \$42 million, Total Facility Handle increased only marginally in 2008 from \$31 million to \$33 million. The number of racing days also increased from 95 days to 140 days in 2008.

Table 7-50: Harrah's Chester Casino & Racetrack Racing Statistics Summary

Year	# Racing Days	Attendance	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	Gross Purses Paid
2006	--	26,151	\$8,002,166	\$7,939,004	\$63,162	--
2007	95	--	\$30,981,237	\$24,165,365	\$6,815,872	\$21,808,705
2008	140	--	\$32,723,044	\$25,523,974	\$7,199,070	\$41,597,865

Source: Pennsylvania State Horse Racing Commission Annual Report; TMG Consulting

7.3.4.1.2 Hollywood Casino & Penn National Race Course

Penn National Race Course is a Thoroughbred horse racing track and casino located in Grantville, Pennsylvania. The track features a one-mile long dirt course. The casino features approximately 2,000 slot machines, virtual blackjack, and three-card poker games. There is over 6,000 square feet of meeting and convention space as well as eight food and beverage outlets. The racetrack has seen a decline in its Gross Racing Revenue with the sharpest decline of 31.5% exhibited in 2007. This decline occurred the year after the property showed the highest increase in percent change in Gross Racing Revenue at 48% in 2006. During 2002, Penn National received the highest Gross Racing Revenue, \$64 million, and the highest Total Facility Handle, \$225 million. Attendance was the highest during 2002 as well at 687,693 visitors. The Amount Returned to Bettors, \$169 million, was the highest in 2003. Gross Purses Paid has shown an increase over the years from 2002 to 2008. No decline has been exhibited. The highest percent change in Gross Purses Paid was 43.2% in 2008 when the amount rose to \$21 million. The number of racing days ranged from 177 days to 194 days.

Table 7-51: Penn National Race Course Racing Statistics Summary

Year	# Racing Days	Attendance	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue	Gross Purses Paid	% Change in Gross Purses Paid
2002	194	687,693	\$225,020,849	\$160,889,907	\$64,130,942	--	\$12,144,696	--
2003	192	590,431	\$218,198,344	\$168,789,511	\$49,408,833	-23.0%	\$12,455,606	2.6%
2004	190	623,110	\$210,679,054	\$165,844,445	\$44,834,609	-9.3%	\$14,308,906	14.9%
2005	182	588,416	\$201,306,008	\$158,970,454	\$42,335,554	-5.6%	\$14,486,250	1.2%
2006	182	510,954	\$192,892,548	\$130,228,064	\$62,664,484	48.0%	\$14,486,250	0.0%
2007	177	--	\$195,026,978	\$152,121,043	\$42,905,935	-31.5%	\$14,764,080	1.9%
2008	178	--	\$171,800,846	\$134,004,660	\$37,796,186	-11.9%	\$21,143,686	43.2%

Source: Pennsylvania State Horse Racing Commission Annual Report; TMG Consulting

7.3.4.1.3 The Meadows Racetrack and Casino

The Meadows Racetrack and Casino is a Standardbred harness racing track and slot machine casino in North Strabane Township in Pennsylvania. Formerly just a temporary structure, The Meadows Casino opened on April 15, 2009. The casino features a 350,000 square-foot facility with 3,700 slot machines and 60 electronic table games. There are private banquet rooms for functions of up to 100 people as well as four food and beverage outlets and a bowling alley. The racetrack has seen a decline in its Gross Racing Revenue with the sharpest decline of 25.4% exhibited in 2004. The property exhibited a brief increase in its Gross Racing Revenue in 2007 when the percent change from the previous year rose 1.4% to \$30 million. During 2002, The Meadows exhibited the highest Gross Racing Revenue, \$48 million, Total Facility Handle, \$240 million, Amount Returned to Bettors, \$192 million, and Attendance, 400,657 visitors. While

Gross Purses Paid almost doubled in 2008 from \$20 million to \$34 million, Total Facility Handle decreased from \$137 million to \$119 million. The number of racing days increased by a day from 2007 to 2008.

Table 7-52: The Meadows Racetrack and Casino Racing Statistics Summary

Year	# Racing Days	Attendance	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue	Gross Purses Paid
2002	--	400,657	\$240,434,985	\$192,347,988	\$48,086,997	--	--
2003	--	377,081	\$203,531,002	\$158,756,217	\$44,774,785	-6.9%	--
2004	--	347,769	\$167,119,771	\$133,695,817	\$33,423,954	-25.4%	--
2005	--	309,555	\$163,138,769	\$130,847,814	\$32,290,955	-3.4%	--
2006	--	289,778	\$151,980,698	\$122,341,181	\$29,639,517	-8.2%	--
2007	207	--	\$136,591,980	\$106,541,744	\$30,050,236	1.4%	\$19,643,947
2008	208	--	\$119,498,463	\$93,208,801	\$26,289,662	-12.5%	\$34,380,356

Source: Pennsylvania State Horse Racing Commission Annual Report; TMG Consulting

7.3.4.1.4 Mohegan Sun at Pocono Downs

On January 25, 2005, Mohegan Sun acquired its first gaming venture outside of Connecticut with its \$280 million purchase of the Pocono Downs Racetrack in Plains Township, Pennsylvania from Penn National Gaming. Mohegan Sun renamed the property "Mohegan Sun at Pocono Downs" and began a major expansion. Harness horse racing is offered at this property. The new casino features 2,500 slot machines, a high-limit room, and virtual blackjack and poker. There are thirteen food and beverage outlets as well as five retail stores. Operation as the first slots casino in the state of Pennsylvania commenced in November 2006.

The racetrack has seen an overall decline in its Gross Racing Revenue with the sharpest decline of 17.8% exhibited in 2008. The property exhibited brief increases in its Gross Racing Revenue in 2004 when the percent change from the previous year rose 0.1% to \$32 million and in 2007 when the percent change from the previous year rose 7.9% to \$27 million. During 2002, Pocono Downs exhibited the highest Gross Racing Revenue, \$34 million, Total Facility Handle, \$163 million, Amount Returned to Bettors, \$129 million, and Attendance, 126,706 visitors. While Gross Purses Paid decreased marginally in 2008 from \$17.5 million to \$17.1 million, Total Facility Handle decreased sharply from \$121 million to \$99 million. The number of racing days decreased in 2008 from 133 days to 95 days.

Table 7-53: Mohegan Sun at Pocono Downs Racing Statistics Summary

Year	# Racing Days	Attendance	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue	Gross Purses Paid
2002	--	126,706	\$163,207,646	\$128,934,040	\$34,273,606	--	--
2003	--	120,115	\$149,439,733	\$117,266,853	\$32,172,880	-6.1%	--
2004	--	120,096	\$146,329,399	\$114,136,931	\$32,192,468	0.1%	--
2005	--	117,076	\$134,942,755	\$105,438,074	\$29,504,681	-8.3%	--
2006	--	63,317	\$127,811,458	\$103,192,367	\$24,619,091	-16.6%	--
2007	133	--	\$120,742,116	\$94,178,850	\$26,563,266	7.9%	\$17,509,869
2008	95	--	\$99,260,402	\$77,423,114	\$21,837,288	-17.8%	\$17,109,369

Source: Pennsylvania State Horse Racing Commission Annual Report; TMG Consulting

7.3.4.1.5 Philadelphia Park Casino and Racetrack

Philadelphia Park Casino & Racetrack is comprised of Parx Casino, which features 2,231 slot machines and 11 electronic table games, and a main grandstand undergoing renovation. The casino has valet parking and five restaurants and bars. The horse track has a 1 mile dirt oval and a 7 furlong turf oval. In addition to live Thoroughbred racing, the racetrack also simulcasts races. Plans for the 430-acre site include a parking garage, luxury hotel, conference center, clubhouse spa, and shopping mall.

The racetrack has seen a decline in its Gross Racing Revenue with the sharpest decline of 13.6% exhibited in 2008. No increase in Gross Racing Revenue has been exhibited between 2002 and 2008. During 2002, The Meadows exhibited the highest Gross Racing Revenue, \$135 million; Total Facility Handle, \$550 million; and Attendance, 1,161,733 visitors. The Amount Returned to Bettors was the highest in 2003 at \$415 million. Gross Purses Paid has shown an increase over the years from 2002 to 2008, with brief decreases in 2003 and 2006. The highest increase in percent change in Gross Purses Paid was 52.1% in 2007 when the amount rose to \$42 million. However, the highest Gross Purses Paid was in 2008 at \$56 million. The number of racing days ranged from 202 days to 215 days.

Table 7-54: Philadelphia Park Casino and Racetrack Racing Statistics Summary

Year	# Racing Days	Attendance	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue	Gross Purses Paid	% Change in Gross Purses Paid
2002	215	1,161,733	\$549,814,156	\$415,109,688	\$134,704,468	--	\$27,888,850	--
2003	211	810,032	\$539,761,784	\$418,404,443	\$121,357,341	-9.9%	\$27,237,200	-2.3%
2004	214	745,930	\$523,312,437	\$410,800,263	\$112,512,174	-7.3%	\$28,258,125	3.7%
2005	214	854,398	\$502,399,156	\$397,428,812	\$104,970,344	-6.7%	\$30,393,989	7.6%
2006	202	687,456	\$494,983,739	\$391,847,972	\$103,135,767	-1.7%	\$27,506,472	-9.5%
2007	203	--	\$443,413,208	\$345,862,302	\$97,550,906	-5.4%	\$41,830,331	52.1%
2008	214	--	\$383,064,780	\$298,790,528	\$84,274,252	-13.6%	\$56,140,686	34.2%

Source: Pennsylvania State Horse Racing Commission Annual Report; TMG Consulting

7.3.4.1.6 Presque Isle Downs & Casino

Presque Isle Downs is a 272-acre facility offering gaming, dining, and horse racing. The casino is over 48,000 square feet and has approximately 2,000 slot machines. The horse track features a one-mile track with live Thoroughbred horse racing and simulcasts. On site, there are six food and beverage outlets.

In its two years of operation, Presque Isle Downs & Casino has seen an increase in its Gross Racing Revenue from \$2.1 million in 2007 to \$3.9 million in 2008. Gross Purses Paid more than doubled in 2008 from \$11 million to \$22 million and Total Facility Handle almost doubled in 2008 from \$9 million to \$18 million. The number of racing days increased four times from 25 days to 101 days in 2008.

Table 7-55: Presque Isle Downs & Casino Racing Statistics Summary

Year	# Racing Days	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	Gross Purses Paid
2007	25	\$9,445,334	\$7,367,361	\$2,077,973	\$10,787,070
2008	101	\$17,757,011	\$13,850,469	\$3,906,542	\$22,295,476

Source: Pennsylvania State Horse Racing Commission Annual Report; TMG Consulting

7.3.4.2 *Harness Racetracks vs. Thoroughbred Racetracks*

7.3.4.2.1 Harness Racetracks

In Pennsylvania, there are three properties that offer harness horse racing: Harrah's Chester Casino & Racetrack, The Meadows Racetrack and Casino, and Mohegan Sun at Pocono Downs. The Gross Racing Revenue collected from all three properties has declined over the years from 2002 to 2008, with a brief increase in 2007 when Gross Racing Revenue rose by 16.8%. The sharpest decline occurred in 2004 when Gross Racing Revenue dropped from \$77 million to \$66 million. During 2002, harness racetracks in Pennsylvania exhibited the highest Total Facility Handle, \$404 million; Amount Returned to Bettors, \$321 million; and Gross Racing Revenue, \$82 million. While Gross Purses Paid increased in 2008 from \$59 million to \$93 million, the Total Facility Handle decreased from \$288 million to \$251 million. The average number of racing days increased by 3 days from 2007 to 2008.

Table 7-56: Pennsylvania Harness Racetracks Racing Statistics Summary

Year	Avg. # Racing Days	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue	Gross Purses Paid
2002	--	\$403,642,631	\$321,282,028	\$82,360,603	--	--
2003	--	\$352,970,735	\$276,023,070	\$76,947,665	-6.6%	--
2004	--	\$313,449,170	\$247,832,748	\$65,616,422	-14.7%	--
2005	--	\$298,081,524	\$236,285,888	\$61,795,636	-5.8%	--
2006	--	\$287,794,322	\$233,472,552	\$54,321,770	-12.1%	--
2007	145	\$288,315,333	\$224,885,960	\$63,429,373	16.8%	\$58,962,521
2008	148	\$251,481,909	\$196,155,889	\$55,326,020	-12.8%	\$93,087,590

Source: Pennsylvania State Horse Racing Commission Annual Report; TMG Consulting

7.3.4.2.2 Thoroughbred Racetracks

In Pennsylvania, there are three properties that offer Thoroughbred horse racing: Hollywood Casino & Penn National Race Course, Philadelphia Park Casino and Racetrack, and Presque Isle Downs & Casino. The Gross Racing Revenue collected from all three properties has declined over the years from 2002 to 2008, with a brief increase in 2006 when Gross Racing Revenue rose by 12.6%. The sharpest decline occurred in 2003 when Gross Racing Revenue dropped from \$199 million to \$171 million. During 2002, Thoroughbred racetracks in Pennsylvania exhibited the highest Total Facility Handle, \$775 million, and Gross Racing Revenue, \$199 million. While the Gross Racing Revenue has declined over the years, Gross Purses Paid has increased over the years with brief decreases in 2003 and 2006. The highest increase in percent change in Gross Purses Paid occurred in 2007, rising by 60.5% from \$42 million to \$67 million. Gross Purses Paid was the highest in 2008 at \$99.6 million. The average number of racing days ranged from 135 days to 205 days.

Table 7-57: Pennsylvania Thoroughbred Racetracks Racing Statistics Summary

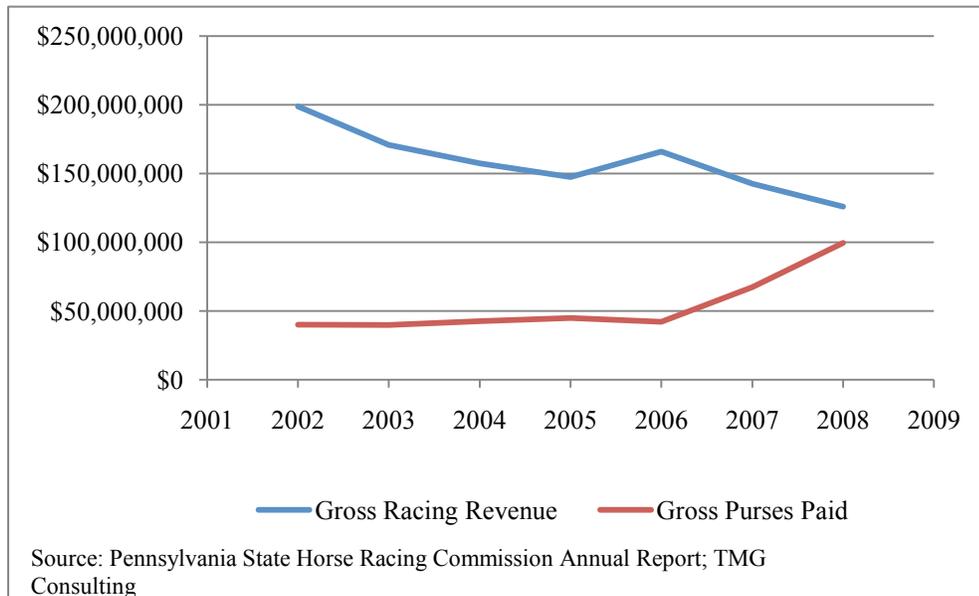
Year	Avg. # Racing Days	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue	Gross Purses Paid	% Change in Gross Purses Paid
2002	205	\$774,835,005	\$575,999,595	\$198,835,410	--	\$40,033,546	--
2003	202	\$757,960,128	\$587,193,954	\$170,766,174	-14.1%	\$39,692,806	-0.9%
2004	202	\$733,991,491	\$576,644,708	\$157,346,783	-7.9%	\$42,567,031	7.2%
2005	198	\$703,705,164	\$556,399,266	\$147,305,898	-6.4%	\$44,880,239	5.4%
2006	192	\$687,876,287	\$522,076,036	\$165,800,251	12.6%	\$41,992,722	-6.4%
2007	135	\$647,885,520	\$505,350,706	\$142,534,814	-14.0%	\$67,381,481	60.5%
2008	164	\$572,622,637	\$446,645,657	\$125,976,980	-11.6%	\$99,579,848	47.8%

Source: Pennsylvania State Horse Racing Commission Annual Report; TMG Consulting

As shown in the figure below, Gross Racing Revenue has decreased more sharply than Gross Purses paid has increased between 2002 and 2005. Despite a significant increase in Gross Racing Revenue in 2006, Gross Purses Paid declined marginally. After 2006,

Gross Racing Revenue continued to decline, while Gross Purses Paid increased more sharply, bringing the gap between Gross Racing Revenue and Gross Purses Paid to be the smallest in 2008. During 2002, the gap between Gross Racing Revenue and Gross Purses Paid was the widest.

Figure 7-13: Comparison of Gross Racing Revenue and Gross Purses Paid for Pennsylvania Thoroughbred Racing Tracks



7.3.5 West Virginia

7.3.5.1 Property-level

7.3.5.1.1 Charles Town Races & Slots

Located in Charles Town, West Virginia, Charles Town Races & Slots has the most VLT positions in the state and offers Thoroughbred racing. The horse track racino features six restaurants, an inn, VLT gaming, and race wagering. Table games are not currently offered at this property. The racetrack has seen a decline in its Gross Racing Revenue with the sharpest decline of 11.1% exhibited in 2007. While 2002 showed the highest percent change in Gross Racing Revenue at 19.8%, the highest Gross Racing Revenue Charles Town Races & Slots received was in 2004 at \$59 million. Total Facility Handle, \$267 million, and Amount Returned to Bettors, \$208 million, were the highest during 2004 as well. Gross Purses Paid increased from 2001 until 2004, which was the year that paid the highest Gross Purses. The following year exhibited the sharpest decline of 20.4% in Gross Purses Paid. The number of racing days ranged from 222 days to 254 days.

Table 7-58: Charles Town Races & Slots Racing Statistics Summary

Year	# Racing Days	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue	Gross Purses Paid	% Change in Gross Purses Paid
2001	233	\$196,283,584	\$153,082,749	\$43,200,835	--	\$28,259,002	--
2002	254	\$235,119,484	\$183,381,378	\$51,738,106	19.8%	\$31,982,512	13.2%
2003	250	\$241,109,518	\$187,295,148	\$53,814,370	4.0%	\$33,080,025	3.4%
2004	247	\$267,189,573	\$208,407,866	\$58,781,707	9.2%	\$48,084,595	45.4%
2005	243	\$261,615,579	\$205,156,370	\$56,459,209	-4.0%	\$38,275,296	-20.4%
2006	222	\$235,587,314	\$183,758,105	\$51,829,209	-8.2%	\$42,280,020	10.5%
2007	246	\$236,087,756	\$190,021,694	\$46,066,062	-11.1%	\$40,631,700	-3.9%
2008	223	\$218,298,545	--	--	--	--	--

Source: West Virginia Racing Commission Annual Report; TMG Consulting

7.3.5.1.2 Mountaineer Casino Racetrack and Resort

Located in Chester, West Virginia, which is about an hour's drive away from Pittsburgh and Cleveland, Mountaineer Casino Racetrack and Resort has ten restaurants, two bars, a hotel, a spa, and a golf course on site. In addition to horse race wagering, this facility also offers VLT and table gaming. This Thoroughbred track has seen a decline in its Gross Racing Revenue with the sharpest decline exhibited in 2005. The Gross Racing Revenue dropped 5.4% from \$89 million to \$85 million. However, Mountaineer Casino experienced a brief increase in Gross Racing Revenue in 2006, with a 13.1% increase from the previous year.

Mountaineer Casino received the highest Total Facility Handle, \$435 million, and Gross Racing Revenue, \$96 million, during 2006. Likewise, the highest Amount Returned to Bettors, \$339 million, was during 2006. Gross Purses Paid has exhibited a similar pattern to the Gross Racing Revenue with the sharpest decline of 22.5% exhibited in 2005, with a Gross Purses Paid of \$30 million. While Gross Purses Paid did increase in 2006 to \$37 million, there was a decline by 15.8% the following year in 2007. The highest Gross Purses Paid was in 2003 at \$40 million. The number of racing days ranged from 214 days to 230 days.

Table 7-59: Mountaineer Casino Racetrack and Resort Racing Statistics Summary

Year	# Racing Days	Total Facility Handle	Amount Returned to Bettors	Gross Racing Revenue	% Change in Gross Racing Revenue	Gross Purses Paid	% Change in Gross Purses Paid
2001	228	\$227,785,478	\$175,242,361	\$52,543,117	--	\$34,321,229	--
2002	230	\$307,319,135	\$236,286,280	\$71,032,855	35.2%	\$39,319,301	14.6%
2003	222	\$398,983,643	\$306,393,412	\$92,590,231	30.3%	\$39,500,822	0.5%
2004	219	\$406,652,778	\$317,189,166	\$89,463,612	-3.4%	\$38,268,866	-3.1%
2005	215	\$388,738,626	\$304,134,808	\$84,603,818	-5.4%	\$29,674,839	-22.5%
2006	229	\$434,893,863	\$339,217,213	\$95,676,650	13.1%	\$36,990,250	24.7%
2007	223	\$427,937,979	\$333,791,623	\$94,146,356	-1.6%	\$31,140,881	-15.8%
2008	214	\$388,161,379	--	--	--	--	--

Source: West Virginia Racing Commission Annual Report; TMG Consulting