

Cummings Associates

Casinos Come to Racing

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Casinos Come to Racing – Part I

Back in their golden age, race tracks were the only (legal) game in town. Sure, there was church bingo in some states, and a few casinos in far-off Nevada, but those didn't count for much. If you wanted to get a legal bet down, you had to go to the track. As a result, the racing industry prospered, generated healthy sums of money for the tracks, for horse and greyhound owners and breeders, and for the states in which they were located.

In the 1970s, however, things started to change. Slowly at first, then with increasing speed, state lotteries swept the land, introduced new game after new game, and offered the ultimate in "convenience" betting through retail outlets on the corner of every street (and sometimes two or three). Casinos came to Atlantic City. Native Americans introduced high-stakes bingo. And following the Cabazon decision, a wave of tribal casinos inundated much of the country. Seeing these, and desperate for revenues of their own following the recession of 1989-91, a number of states authorized "limited" casinos on a variety of scales, and/or "video lottery terminals," games like slot machines, on a widespread basis.

Race tracks fought back with inter-track wagering, off-track betting in a few states, and geographic expansion to new markets, including Minnesota, Alabama, Oklahoma, Texas, and Wisconsin. They got states to lower their pari-mutuel tax rates, and tried to stanch the flood of new gaming legalizations, but generally to little avail. By 1992, race tracks' share of the total legal gaming market had declined to twelve percent.

At this point, a few small voices began to speak up: If we can't beat 'em, they said, we'd better join 'em. Small states with racing industries on the brink of extinction like West Virginia and Rhode Island introduced some video lottery games at their race tracks, but fearful of going

too far, nothing like real slot machines. The early experience with these VLTs did little to convince the many skeptics that they could do much for either the industry or state governments that needed revenue. By 1994, racing's market share was down to nine percent. But on April 1 of that year, a key development went almost unnoticed elsewhere (maybe it was a joke?): with its racing industry spiralling downward due to increasing competition, both from within its own borders and from neighboring states, Iowa authorized its race tracks to offer real "spinning reel" slot machines.

The first of these facilities opened on March 17, 1995, at Bluffs Run, a greyhound track in Council Bluffs. Within days, it was clear that a phenomenon was at hand. The place was packed, and win per device averaged \$350 per day. A fluke? No, a second facility opened to equal success on April 1 at Prairie Meadows, near Des Moines. No April Fool's jokes, these facilities went on and on, generating aggregate monthly wins exceeding ten million dollars *each*, month after month. Including a smaller facility at Dubuque (opened in November, 1995), and despite new competition from riverboat casinos at Council Bluffs, Iowa's three racinos won \$271.7 million in their first full (fiscal) year of operation.

These results were dramatically superior to those of the VLTs then operating at race tracks elsewhere. Iowa's win per machine averaged \$347 per day, versus \$40-\$120 elsewhere (see Exhibit 1). Slot machines were clearly what the public wanted to play. West Virginia and Rhode Island took notice, and enhanced their offerings considerably, with very gratifying results. Also taking notice was another small state with its racing industry about to go extinct, Delaware. While operated by its State Lottery, and thus legally "VLTs," its enabling legislation did not limit the types of devices to be offered at its tracks. With "real reel" slots (and video facsimiles

thereof), Delaware's facilities were just as successful as those of Iowa when they began to open in December, 1995.

What stunned many skeptics was that slot machines could not only work at race tracks, but competed very effectively with "full" casinos. Even if you weren't the only game in town, you didn't need table games and all the trimmings to attract large numbers of customers. As indicated in Exhibit 2, in each of the three markets in which they are located, the Iowa racinos' wins per machine per day exceed those of the full-featured riverboats in the same market. (These riverboats need cruise only 100 times each year, and are otherwise open-access, so cruising requirements are not a major drawback. In fairness, the Lakeside riverboat is much further from Des Moines than is Prairie Meadows, accounting for its much lower win per unit. In the other markets, however, the racinos and riverboats have very similar access.) The racinos of Delaware, Louisiana, and New Mexico have proved equally competitive with the full casinos in their areas.

Today, racinos have demonstrated their success in six U.S. states and several provinces of Canada. As indicated in Exhibit 3, the sixteen currently-operating U.S. racinos offer more than 21,000 gaming devices; they won nearly \$2 billion in the twelve months ending June 30, 2002. Canadian racinos, primarily in Ontario (where they do not have to compete with widespread VLTs at bars and restaurants, as they do in other provinces), won more than \$1.3 billion Canadian. The recently-authorized racinos of New York will add substantially to this total. The growth curve has been phenomenal (see Exhibits 4 and 5); and after fits and starts in the early years of experimentation (Exhibit 6), wins per unit per day are now uniformly impressive (note that the Louisiana racinos' figure is for video poker only, all that was allowed, until 2002). Even the most blue-blooded traditionalists of the racing industry have now accepted racinos with open

arms, and with states' needs for government revenues heightened by the recent recession, many more state legislatures will be authorizing additional racinos.

In the following sections of this article, we'll look at both the historical trends and current status of racinos in each of the states that now have them, review developments abroad, and look briefly ahead to the prospects for further expansion in the States.

Casinos Come to Racing - Part II

Part I of this article described how the presentation of “real-reel” slot machines at the racinos of Iowa in 1995 opened the eyes of both the racing industry and state governments to their benefits. Today, seventeen racinos in six U.S. states offer just over 22,000 gaming devices; these machines won nearly \$2 billion in the twelve months ending June 30, 2002. In Canada, similar racinos won more than \$1.3 billion Canadian. The racing industry has now accepted racinos with open arms, and with states’ needs for government revenues heightened by the recent recession, they are of great interest to many jurisdictions.

In the remainder of this article, we look at both the historical trends and current status of racinos in each of the states that now have them, review developments abroad, and look briefly ahead to the prospects for further expansion in the States.

West Virginia

West Virginia was actually the first state to place video gaming devices at its race tracks on a large scale, and thereby created the first “racino,” albeit on an “experimental” basis. (Earlier, tracks in South Dakota and Montana had participated in their states’ video lottery programs, but they had very limited numbers of VLTs, no different from any other bar or restaurant.) On June 9, 1990, approximately 80 video lottery terminals were introduced at Mountaineer Park, then a very minor-league race track sandwiched at the tip of West Virginia’s northern panhandle between Ohio and Pennsylvania. The number of VLTs was soon raised to 165, but rather than being concentrated in a critical mass, they were scattered around the facility.

At first, the video games were rather simple-minded, not like anything one could find at a casino, paid out in vouchers, not in coin, and proved only modestly popular. The track and state lottery experimented with types of games, locations, prize structures, and hours of operation. The machines' performance edged up, from a total win of \$2.6 million in their first twelve months of operation (about \$43/day), to \$3.7 million, to \$4.6 million, then to \$5.6 million in fiscal 1994 (\$92/day) (see Exhibit 7).

At this point, in mid-1994, the "experiment" was declared a success and full-scale operations authorized at all four tracks in West Virginia -- pending local approval, which one track did not receive (Charles Town, in the eastern panhandle of the state, near Washington, D.C.). While still prohibited from reel-type games, up to 400 gaming devices of other types were permitted at each location. These facilities opened in September, 1994, at Mountaineer Park, at Wheeling Downs, and at Tri-State Greyhound Park, near Charleston. They immediately proved very popular; monthly win at Mountaineer Park more than doubled, and the other tracks' VLT facilities fared similarly well. In June, 1995, the number of machines at each track was raised to 800. While total revenues continued to rise, win/machine/day softened. Observing the success of real slot machines in Iowa and Delaware, video slots, and larger numbers of machines, were authorized in 1998. Subsequently, even more machines, and coin output, were added, leading, as indicated in Exhibit 7, to sharp increases in total win that have continued through this year.

In late 1997, Penn National Gaming, at that time the operator of only one modest race track in Pennsylvania, bought Charles Town, for whom the lack of access to VLTs had proved fatal. Penn National obtained the necessary local approvals and re-opened Charles Town Races as that company's first gaming facility. Including purchase price and round after round of expansions and improvements, Penn National has invested roughly \$106 million in that facility to

date, with \$43 million more in the works. Delaware North, meanwhile, is in the process of completing nearly \$90 million in capital expenditures at Wheeling Downs, including a new hotel and entertainment showroom. With additions only slightly less extensive at Mountaineer Park and Tri-State Park, all four racinos in West Virginia have become attractive regional gaming facilities. In the fiscal year ending June 30, 2002, their gaming win totaled \$596 million. The tracks' purses have increased roughly fivefold over the past ten years. Once a minor-league feeder to other states, West Virginia now draws better race horses and greyhounds from the entire Northeast. West Virginia's outstanding success with racinos has become a major incentive for neighboring Pennsylvania, Maryland and Ohio to now consider them seriously as well.

Louisiana

In 1991, the year after West Virginia began its "experiment," the state of Louisiana authorized video poker machines at restaurants, bars, truck stops, race tracks, and OTB (off-track betting) facilities. Most locations were limited to a maximum of three machines, but "truck stops" were allowed up to 50 (resulting in a proliferation of mini-casinos at such locations), and the number at race tracks was not limited. Louisiana Downs, at Bossier City (Shreveport), was the first to open a major gaming facility, with 540 video poker machines, on July 1, 1992. These machines, unlike those at Mountaineer Park, were an immediate success. In calendar 1993, the video poker win at Louisiana Downs alone amounted to \$11.3 million, roughly double that year's VLT win at Mountaineer Park.

In the spring of 1994, however, three riverboat casinos opened in rapid succession in Shreveport and Bossier City (and others opened elsewhere in Louisiana). Unlike the full-featured

slots to come later in Iowa (and ultimately, at race tracks in Louisiana), video poker alone proved limited in its ability to compete with “real” casinos. Louisiana Downs’s total win dropped by half, and fell further in subsequent years. Other tracks and OTB facilities continued to add machines, so that Louisiana’s total “racino” video-poker win rose for a few years, but wins per day per machine remained in the range of \$50-\$60. Nevertheless, just a few million dollars in annual revenue from video poker made a substantial difference to the fortunes of each of the race tracks of Louisiana.

After years of turmoil with riverboat scandals and the land-based casino in New Orleans, in 2000 the Louisiana legislature, still in need of more revenues from gaming, authorized slot machines at its race tracks, subject to local approval. The first to obtain such approval and develop its slot facility was Delta Downs, in Vinton, Louisiana, on the Texas border between Houston and Lake Charles. Completed by Boyd Gaming, the second major mainstream casino operator to buy into racinos (Harveys was first, buying Bluffs Run in Iowa in 1999 before being bought in turn by Harrahs), Delta Downs opened its slot area on February 13 of this year. As in Iowa and Delaware, business has boomed since opening day. By August 31, after six and a half months of operation, cumulative slot win had amounted to nearly \$76 million.

Louisiana race tracks have excited the interest of other mainstream casino companies. Harrahs recently purchased a majority interest in Louisiana Downs, which plans to open a major slot facility early next year. Projected capital expenditures there are on the order of \$92 million. And in a reverse twist on the principle of “if you can’t beat ‘em, ...” Peninsula Gaming, operator of the Dubuque *Diamond Jo* riverboat that competes against the racino in that city, has acquired Evangeline Downs, near Lafayette, Louisiana. While Lafayette Parish did not approve slots at the track, neighboring St. Landry Parish has done so, and Peninsula plans to spend roughly \$90

million on a new race track plus slots facility for Evangeline Downs eleven miles up the road from its current location.

Rhode Island

In mid-1992, just after Louisiana Downs opened its video-poker racino, the state of Rhode Island authorized video gaming devices at its two pari-mutuel facilities, Lincoln Greyhound Park (located in a suburb of Providence) and Newport Jai-Alai. These thus became the first greyhound track and jai-alai fronton, respectively, to add gaming devices. The Rhode Island Lottery introduced 166 video poker terminals at Lincoln Park on September 28, 1992. Additional numbers and types of games were added over the next few months, yielding a total of 1,200 machines at the two facilities. As in West Virginia, however, the types of games (and the number of vendors) were restricted by the state, and the financial results were disappointing: in their first full fiscal year of operation (FY1994), the racinos' win totaled just \$27.6 million. This was roughly \$63/machine/day, not even as high as West Virginia's machines of the same era -- but of course, West Virginia did not have anything like Foxwoods, just a few miles down the road from Rhode Island in Eastern Connecticut, which introduced its slot machines in January of 1993.

Observing Foxwoods's spectacular success, Rhode Island authorized video reel-type games late in that year. The first of these machines went into operation at Lincoln Park on December 18. Within six months, as indicated in Exhibit 8, monthly coin-in and win had tripled. By early 1995, Lincoln Park's net machine income was running at an annual rate of more than \$50 million, finally matching its initial projections (made, among others, by the current author).

Even after allowing for its more populous immediate market area, Lincoln Park's machines were markedly more attractive to consumers than the more limited video facilities at the tracks of West Virginia and Louisiana. Given Rhode Island's proximity to Foxwoods, the numbers were in fact startling to some. Though still without "real reels," coin output, or elegant surroundings (subsequently enhanced significantly), Lincoln Park was the first to prove that gaming devices at tracks could indeed compete successfully with "full" casinos. If people had been paying better attention, full-slot racinos' dramatic debut in Iowa might not have been such a surprise.

The Rhode Island racinos have subsequently added many more and better machines, absorbed a tax increase (to 52%+), and coped very successfully with massive expansions at their competitors at Foxwoods and the Mohegan Sun. As indicated in Exhibit 9, Rhode Island's total machine win has increased by percentages in the double digits every year since 1992. In the twelve months ending June 30, 2002, total win at the two facilities amounted to \$281 million.

Iowa

The surprise that was Iowa actually took quite some time to brew. In its first foray into legal gambling, Iowa authorized horse and dog racing and a state lottery in 1983. Four race tracks opened in the 1980s; two were initially quite successful (Bluffs Run, at Council Bluffs, and Dubuque Greyhound Park), and two were not (Waterloo Greyhound Park and Prairie Meadows, Iowa's only horse track, near Des Moines). The tracks at Dubuque and Des Moines were financed largely by local government bonds. Prairie Meadows went bankrupt in 1991, leaving Polk County taxpayers on the hook for \$40 million. By this time, Dubuque Greyhound Park was in financial straits as well, due to the opening first of greyhound tracks and then Native American

casinos in neighboring Wisconsin. Dubuque, however, was ironically saved by the coming of riverboat casinos to Iowa in 1991 (Iowa was in fact the first to introduce them); the Dubuque Racing Association had, much earlier than most race tracks, decided to “join ‘em” and obtained a substantial share of the revenues of its local riverboat.

The dire straits of the racing industry, however, were not enough to stimulate much interest in racinos (Waterloo Greyhound Park soon went bankrupt as well, but affecting only private investors, caused much less wailing and gnashing of teeth). Meantime, however, Iowa’s riverboat casinos were struggling under the burden of \$5 bet limits and \$200-per-cruise “loss” limits, and were being bloodied by the riverboat casinos of Illinois, which had no such limits. Several of Iowa’s riverboats pulled up stakes and sailed on down the river to even greener pastures in Mississippi, where they didn’t have to cruise at all. Iowa’s riverboats and race tracks found company in their misery, and came to an historic agreement: the racing industry would support relief for the riverboats if they, in turn, would support slot machines at race tracks. On April 1, 1994, as described in Part I of this article, this compromise was enacted into law. A year later, Bluffs Run and Prairie Meadows opened 1,000+ “real reel” slot facilities to SRO business, and the modern racino was born.

As indicated in Exhibit 10, gaming revenues at the racinos of Iowa have continued to rise fitfully over the past six years, despite increasing competition from the riverboats of that state, the riverboats of Illinois (where full-time open-access dockside gaming was approved in mid-1999), and land-based Native American casinos in many directions. The three racinos won a total of \$314.7 million in the twelve months ending June 30, 2002. All was not quite so well on the bottom line, however; Iowa’s enabling legislation had specified that the state’s tax rate on gaming at the racinos (but not at the riverboats) was to increase by two percentage points each year. By

2000, therefore, the racinos were operating under a marginal tax rate ten percentage points higher than that at the riverboats. While still profitable, this left them at a competitive disadvantage, and they pursued legal action to seek relief on the basis that the disparity in tax rates was unconstitutional. A decision in their favor was upheld by the Iowa Supreme Court this summer, and the racino tax rate reduced. How to compensate the racinos for the \$100+ million in “excess” taxes they paid over the years, however, remains an open question. Iowa, like many other states, is currently suffering from a sizable deficit in its state budget.

Delaware

For those people who failed to notice racinos’ success in Iowa, or who thought it was a one-shot fluke, Delaware sealed the case. As in West Virginia and Rhode Island, gaming devices were introduced at race tracks there (and are still operated) by the State Lottery. (In the alternative model, employed by Louisiana, Iowa, and New Mexico, the race tracks own and operate the gaming machines under the supervision of a state gaming commission, or, in Louisiana, the state police.) The Delaware Lottery alertly followed developments elsewhere, and when it introduced its first machines at Delaware Park in December, 1995, made sure they were quite competitive with those in Atlantic City, just 80 miles down the road. As in Iowa, therefore, Delaware’s racinos were an immediate success. Daily win approached \$400 per machine, and in their first full (fiscal) year of operation, total win exceeded \$255 million. With facility expansions and improvements, that figure has since more than doubled (see Exhibit 11); in Fiscal 2002, Delaware’s three racinos generated a total win of \$565.5 million.

As much as any other state, Delaware's racing industry was on the ropes before racinos were approved. Its one Thoroughbred track (Delaware Park) and two harness tracks (Dover Downs and Harrington Raceway) were about to go out of business, and both horses and racing fans were deserting Delaware for greener pastures elsewhere. Those flows have been reversed; purses have roughly quintupled since the early 1990s, horsemen from all over the East Coast now seek to race in Delaware, and handle has risen roughly fifty percent. The tracks of Maryland, Pennsylvania, and New Jersey have lost not only horses but also a few fans to the rejuvenated tracks of Delaware, adding to the urgency of the need for racinos in those states to remain competitive with little Delaware.

New Mexico

New Mexico's once-thriving racing industry also spiraled downwards in the 1990s, devastated by new race tracks in Texas (from which many of its customers had come prior to the legalization of pari-mutuel wagering there in 1989) and by the rapid growth of Native American casinos in New Mexico itself. New Mexico was late to authorize a lottery, and for many years the racing industry attempted to reverse its fortunes by lobbying for lottery games based on (and generating revenues for) horse racing. Unsuccessful in these efforts, with pari-mutuel handle down 40% since 1990, three tracks closed and more about to go under, 300 slot machines were authorized at each track in 1999. As before in Iowa and Delaware, New Mexico's race track slot facilities were an immediate success. While the markets and numbers of machines are smaller than elsewhere (see Exhibit 12), the growth in total win has been phenomenal, reaching \$115 million in the most recent fiscal year.

In 2001, the number of machines was raised to 600 per track, and up to half of these may be transferred to other race track locations. Ruidoso Downs and Sun Ray Downs, for example, are located in very small markets, while The Downs at Albuquerque and Sunland Park, near El Paso, Texas, can profitably use many more machines. Again like Iowa and Delaware, New Mexico's racinos are proving quite successful in competing with "full-featured" casinos next door. Horse racing and breeding operations are now moving back into New Mexico after years of fleeing the state. And after much disputation with its Native American casinos, New Mexico also broke new ground in obtaining compacts providing for a reasonable amount of revenue-sharing from those casinos in return for "partial exclusivity." Limited numbers of gaming machines at its race tracks (and even at New Mexico's fraternal organizations, albeit in much smaller numbers) have proved very compatible with thriving Native American casinos. This may prove a fruitful precedent for many other Western states, and some in the East, that seek to address the needs of both their racing industries and their communities of Native Americans.

Canada

While racinos were evolving in these six states in the U.S., similar developments were occurring in Canada. The context, however, was quite different there, as most Canadian provinces introduced VLTs on a widespread basis in the early 1990s (the major holdouts, then and to this day, being Ontario and British Columbia). "Charitable" casinos had been introduced even earlier, and had grown to substantial year-round operations in provinces such as Alberta. As in the U.S., the revenues of the racing industry began to fall in the face of this new competition. In response, Manitoba (in 1992), Alberta (in 1995), Quebec (also in 1995), and Saskatchewan

authorized larger numbers of VLTs and/or “real” (coin-out) slot machines at their race tracks. Most of these provinces, with significant needs for additional government revenues, also authorized slot machines at their charitable casinos, and sometimes, newly-authorized commercial casinos at the same time. The racinos in these provinces therefore operate in highly competitive environments, and are far from the “only game in town.” For the most part, however, the overall demand for machine gaming in these provinces continues to exceed the supply, gaming win per machine per day is relatively high, and substantial revenues flow from these racinos to both the provinces and to their racing industries for horsemen’s purses and track operations.

Ontario has followed a different path. To balance social concerns with the province’s great need for revenues, it did not authorized VLTs on a widespread basis, but rather legalized large-scale casino gaming at a small number of locations, starting with Casino Windsor in 1994, followed by Casino Niagara in 1997. By then, the diverse interests of the racing industry in Ontario had put aside their differences to form a strong, cohesive Ontario Horse Racing Industry Association, and soon convinced the government to extend that vision of “limited” gaming to race tracks. The first such slot facility opened in December, 1998; they now exist, and prosper, at 15 of the 19 race tracks in Ontario. Some of these tracks are quite small, and were granted only 100 slots; most facilities fall in the range of 300-750 slots; and the largest are at Fort Erie (across the Niagara River from Buffalo, New York), with 1,200 slots; Rideau-Carlton Raceway (near Ottawa), with 1,250; and Woodbine (at Toronto), with 1,700. Total win for the fiscal year ending June 30, 2002, amounted to nearly \$1.3 billion Canadian. Only 20% of this amount is allocated to the racing industry (10% to purses and 10% to the tracks), but after a series of intricate negotiations, almost all the expenses of operation have been absorbed by the Ontario Lottery and

Gaming Corporation, leaving the racing industry fairly well satisfied with a substantial amount of truly net new revenues from these racinos.

New York

The racing industry of New York, like that of many other states, had begun to lobby seriously for gaming devices at its race tracks almost immediately following the spectacular successes of racinos in Iowa and Delaware in 1995. It was not until the tragic events of 9/11/01 darkened the economic picture dramatically, however, that the political stars aligned to legalize racinos, as part of a revenue-raising measure that also authorized additional Native American casinos in the Catskills and the Niagara/Buffalo regions of New York. Based upon the Ontario model, the New York law allocates to the racing industry 25% of racino revenues, which must be split 50/50 between the tracks and the horsemen. Up to 15% of the revenues may be used by the State Lottery to cover the expenses of operation, leaving 60% net to the state. Since day one, the race tracks have argued that, as in Ontario, the lottery must pick up almost *all* the direct costs of operation for this model to be successful. Those negotiations are continuing. Several smaller race tracks are proceeding to implement plans for their racino facilities, but at most of the larger tracks it appears doubtful that the mandate to open before April of 2003 can be met.

New Prospects

With states' needs for government revenues surging rapidly due to the recent recession, the demonstrated successes of racinos have greatly increased the receptivity of other jurisdictions

to their benefits. Among the most serious prospects are those states which have existing racinos right next door: Pennsylvania, Maryland, Kentucky, Massachusetts, and Ohio.

Pennsylvania's needs for revenues have led both candidates for governor to endorse the concept of gaming machines at race tracks, one in the context of even more expanded gaming. That state has, of course, seen not only the racinos of Delaware and West Virginia reap more than a billion dollars a year in gaming revenues, in large part out of the pockets of Pennsylvanians, but over a much longer term has contributed billions of dollars in gaming to the casinos (and state government coffers) of New Jersey.

Marylanders, too, have contributed substantially to the prosperity of the racinos of Delaware and West Virginia. Outgoing Governor Glendenning was for years steadfastly opposed to expanded gaming in Maryland despite the decline of racing in that state; under any successor, the prospects for racinos at Pimlico, Laurel, and the other tracks of Maryland are expected to brighten considerably.

Kentucky first began to consider gaming machines at its race tracks when riverboat casinos opened across the Ohio river in neighboring Illinois and, especially, Indiana. Some prominent interests in the breeding industry, however, were not convinced of the need for racinos until Kentucky's race track attendance and handle clearly began to suffer. Racinos were debated seriously in the legislature last year, and will shortly be considered again.

The Massachusetts body politic has debated both racinos and casinos since shortly after the opening of Foxwoods in neighboring Connecticut in 1992, complicated by at least one Indian tribe (and now, perhaps, several) that must be accommodated. The state patched together a compromise budget to cover a \$600 million deficit earlier this year while defeating a racino/casino measure, but almost every month since then has seen its fiscal picture worsen.

Lame-duck Governor Swift has named a commission to study gaming issues, and (in a marked change from previous years) most major state officeholders, as well as the gubernatorial candidates from both parties, appear receptive.

Like Maryland, Ohio has also had a governor adamantly opposed to any expansion of gaming, despite significant flows of gaming revenues from his state to the racinos of West Virginia. Unlike Governor Glendenning, Governor Taft may remain in office for a while, but Ohio is now suffering not only from a substantial budget deficit but also from judicial mandates to restructure the funding of public education in Ohio. These fiscal needs, suggest the supporters of racinos in Ohio, will eventually overcome the opposition.

In addition to these, a number of other states have actively considered authorizing racinos recently, by legislative action or by referendum, including Alabama, Florida, Indiana, Kansas, and New Hampshire. In Arizona, racinos are included in one of the three gaming-related initiatives on the ballot this November. As jurisdictions like these see their own coffers as well as the fortunes of their racing industries dwindle, racinos will no doubt be authorized in many more states.

Exhibit 1: "Real Reel" Slots Excel in Win/Day/Machine

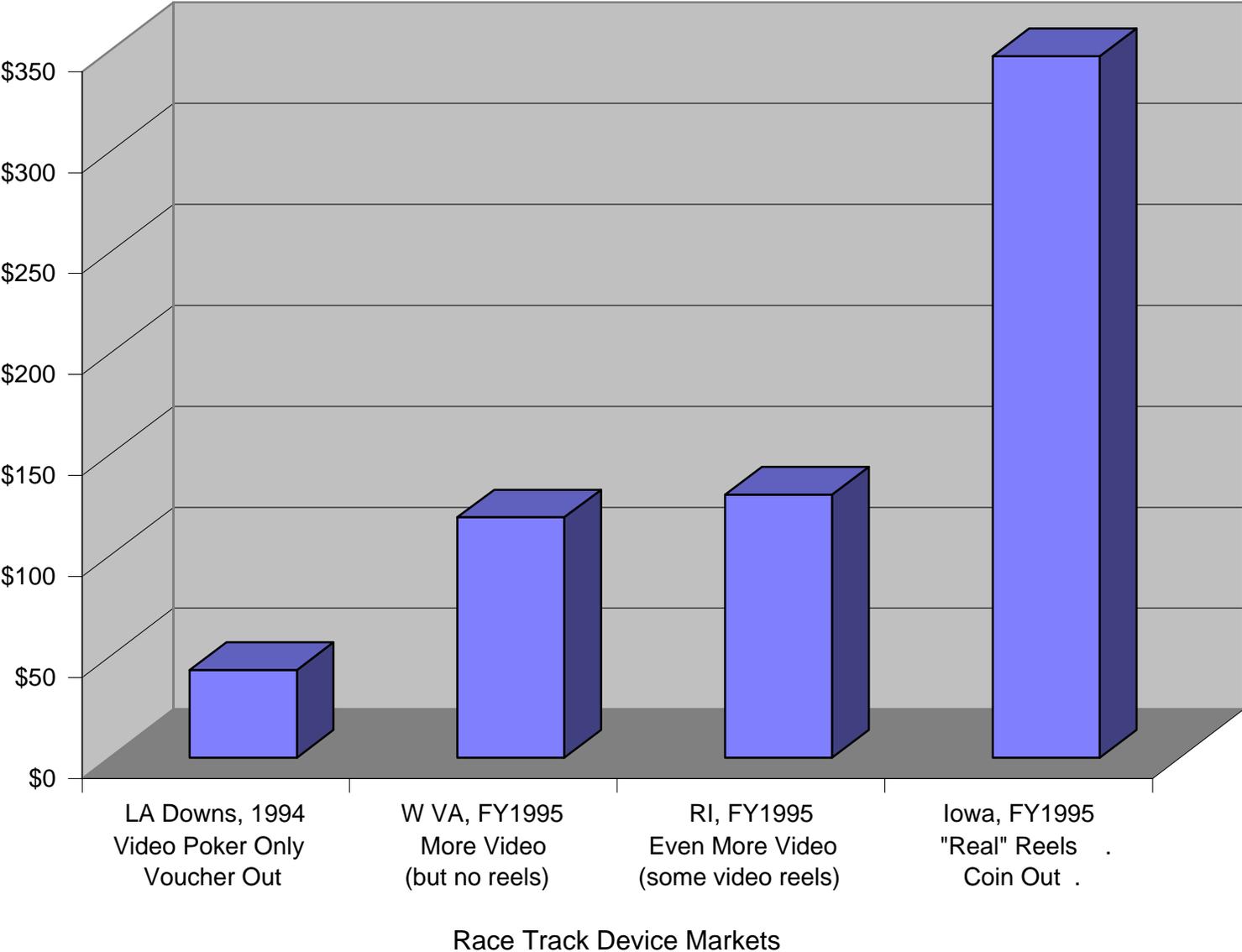
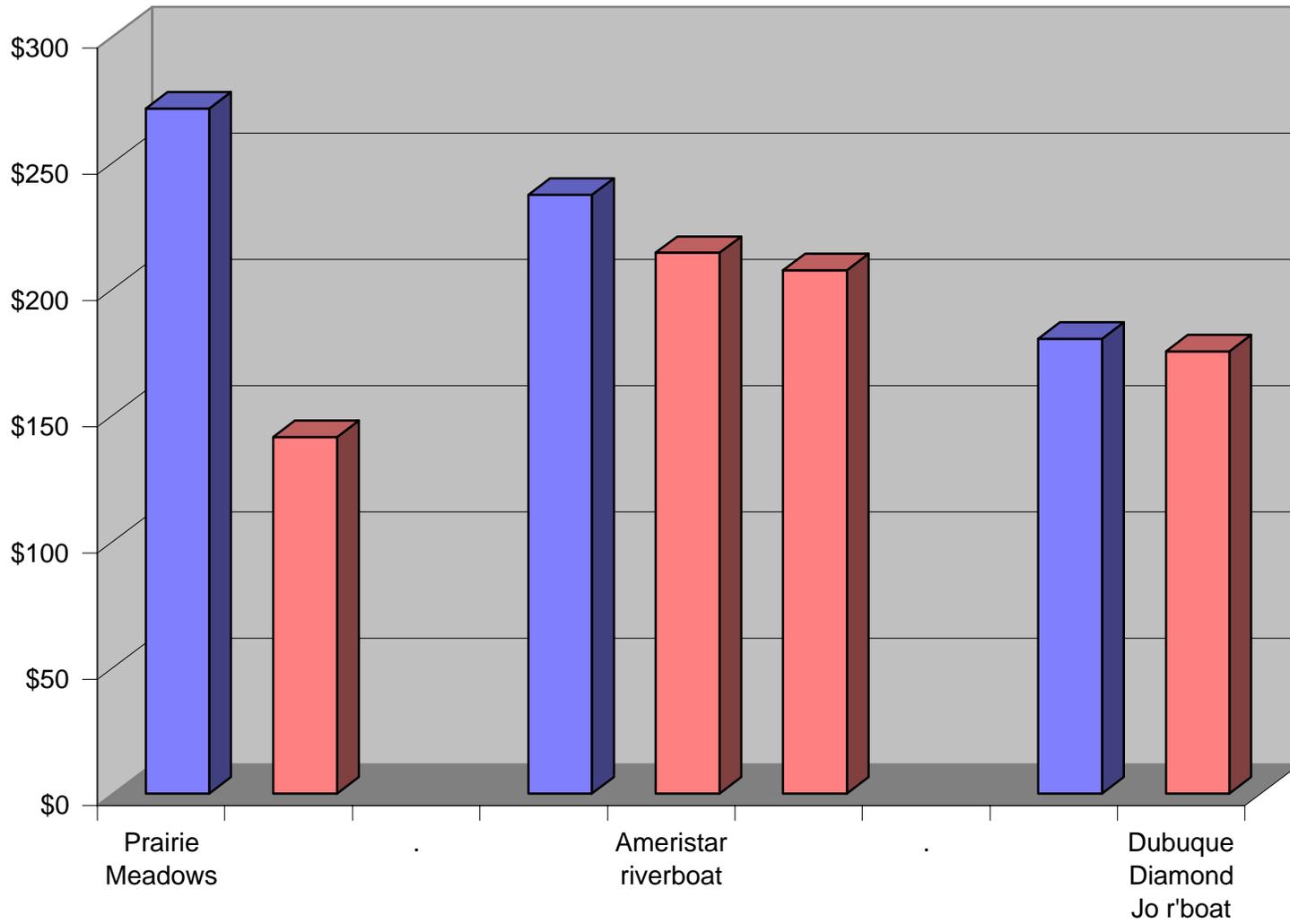


Exhibit 2: Iowa Racinos' Win//Day/Machine vs Riverboats in Same Markets (FY02)



Markets with Both Racinos and Riverboats

Exhibit 3r: Racino Performance by State
(year ending June 30, 2002)

State	Number of Racinos	Number of Devices	Total Annual Win (\$million)	Win/Machine /Day	Annual Government Revenues (\$million)
Delaware	3	5,327	\$565.5	\$296	\$183.1
Iowa	3	3,574	\$314.7	\$244	\$92.6
Louisiana *	1	1,492	\$54.4	\$266	\$8.2
New Mexico †	4	2,115	\$115.7	\$191	\$28.9
Rhode Island	2	2,478	\$281.0	\$311	\$149.1
West Virginia	4	7,021	\$595.9	\$254	\$229.3
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Total US	17	22,007	\$1,927.2	\$240	\$691.2

* Does not include Louisiana race tracks with video poker only. Louisiana's only "full" racino, Delta Downs, opened 2/13/02, hence statistics are for part year only (4.5 months).

† New Mexico figures revised (figures in previous edition were estimates).

Exhibit 4r: Total Number of Machines at U.S. Racinos, by State (as of June 30 each year)

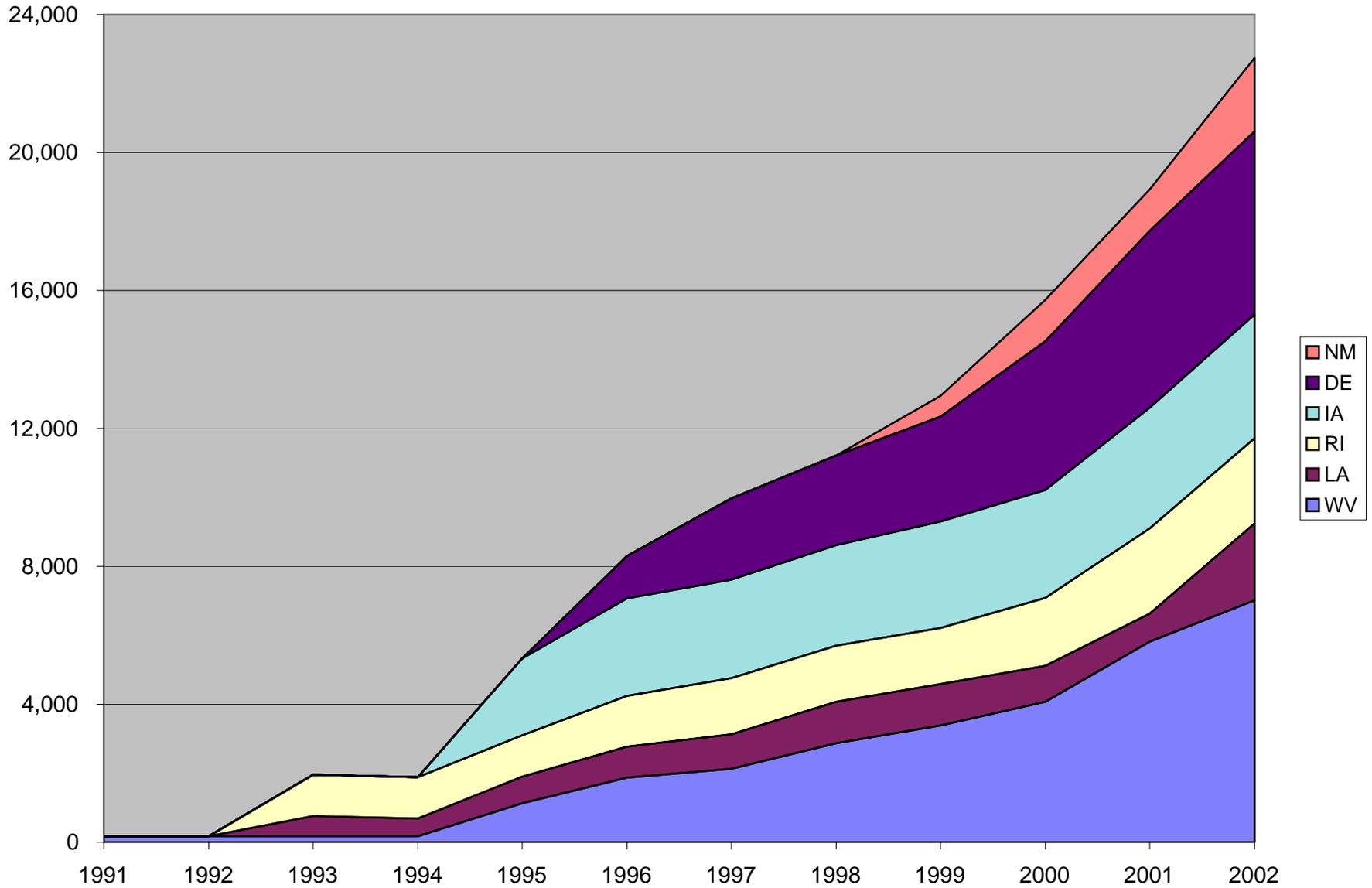


Exhibit 5r: Total Annual Win at U.S. Racinos (\$million), by State

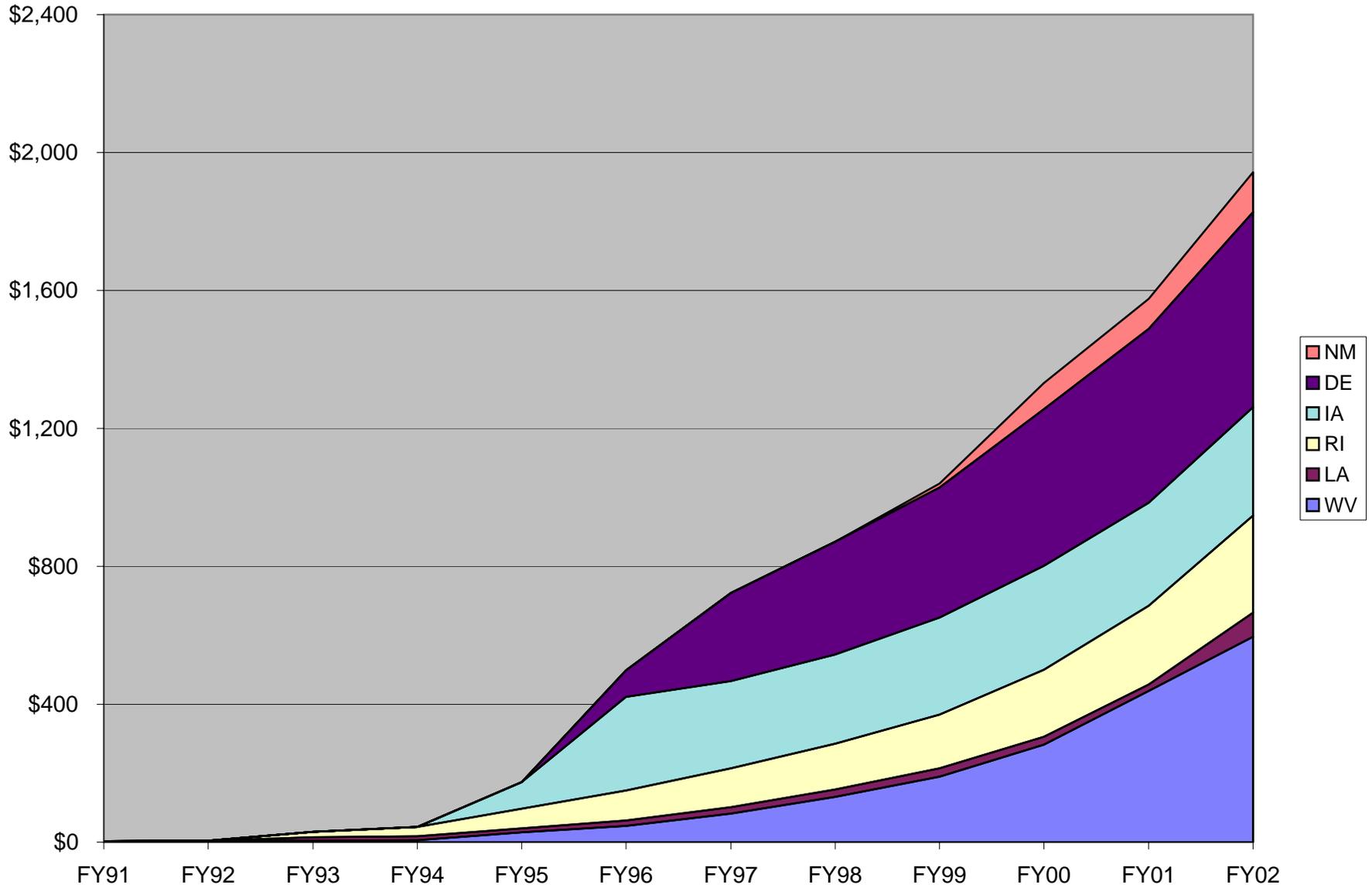


Exhibit 6r: US Racinos' Average Win/Machine/Day, by State

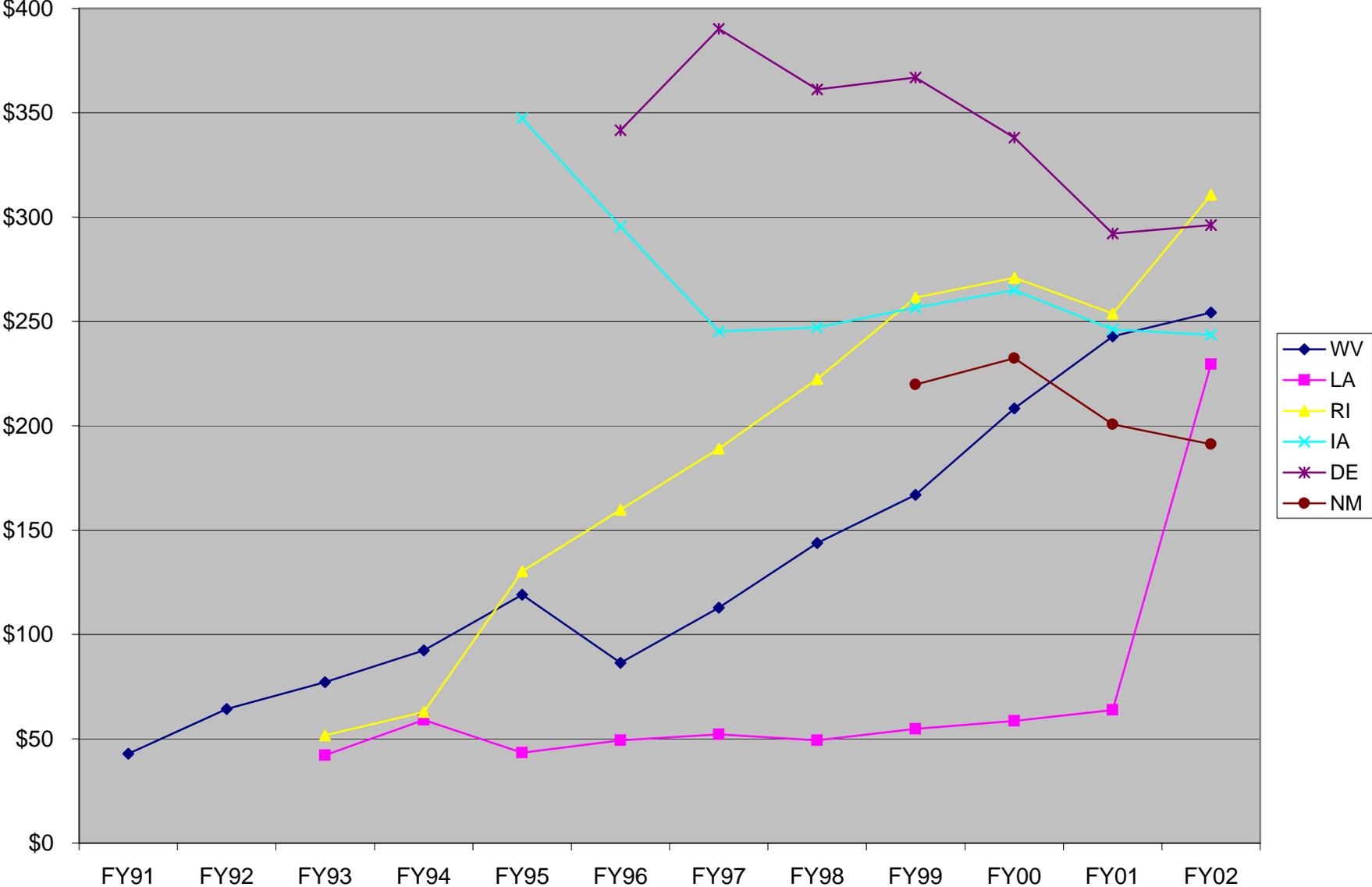


Exhibit 7a: Total Number of Machines at Racinos in West Virginia (as of June 30 each year)

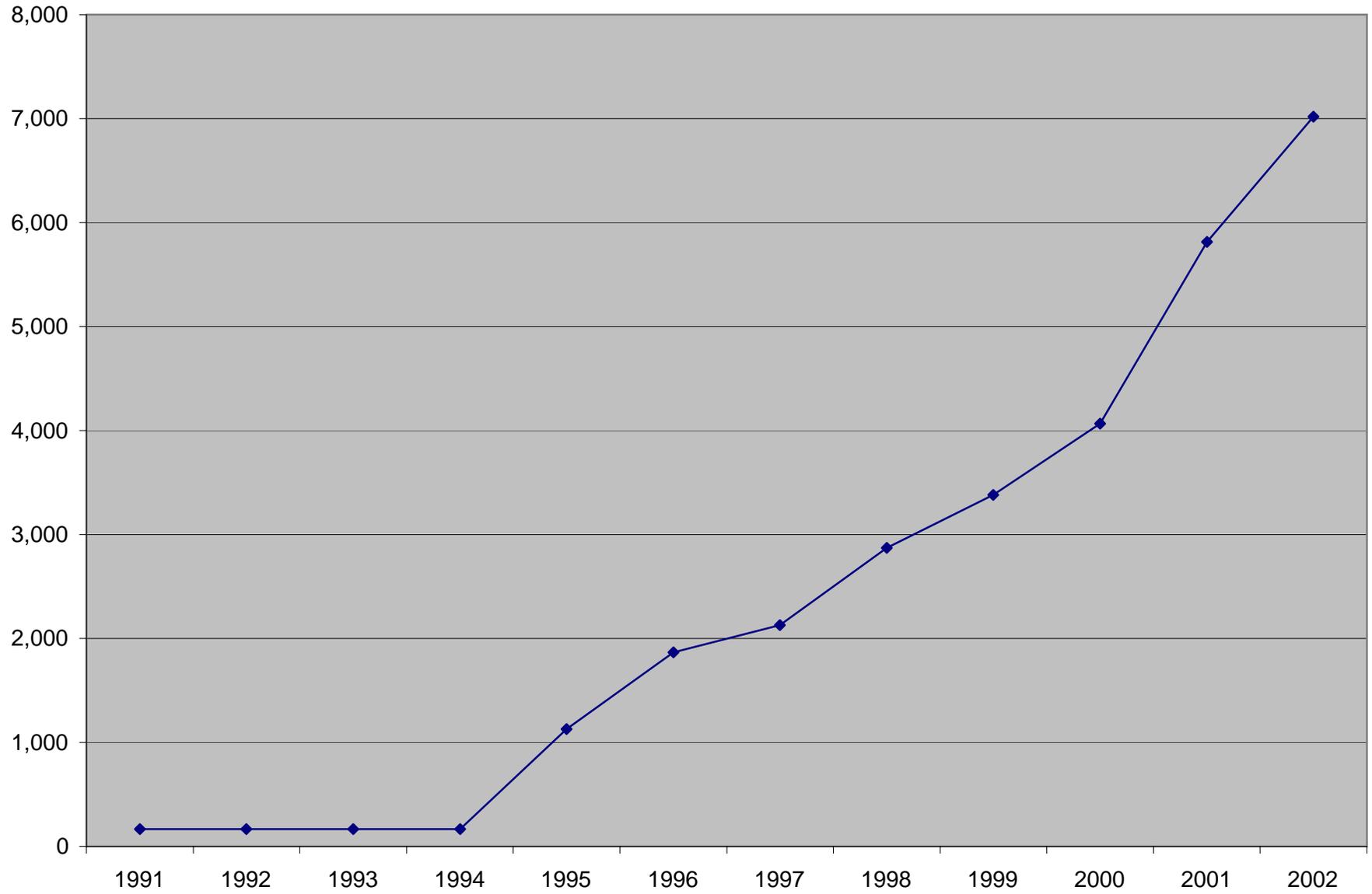


Exhibit 7b: Total Annual Win at Racinos in West Virginia (\$million)

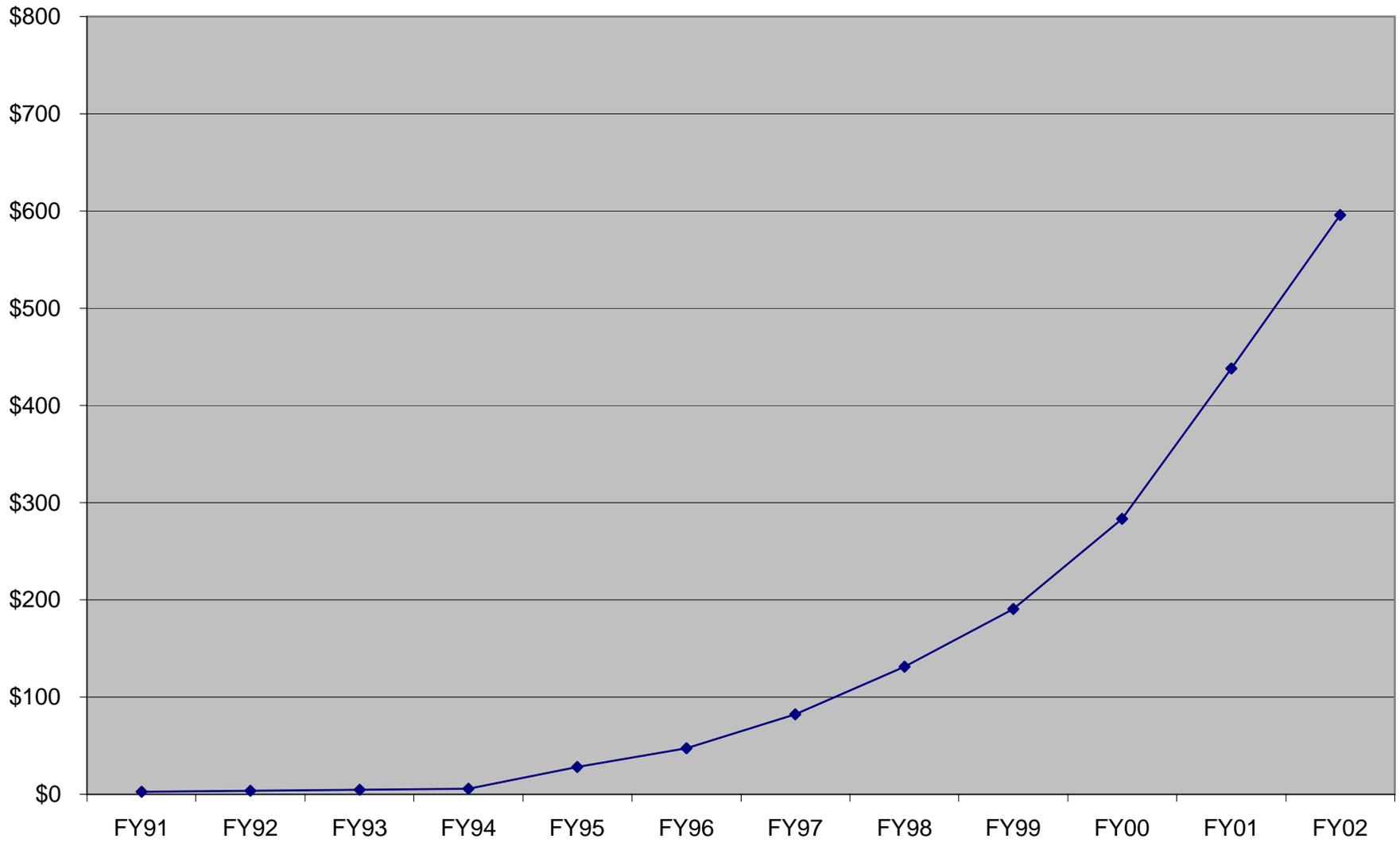


Exhibit 7c: West Virginia Racinos' Average Win/Machine/Day

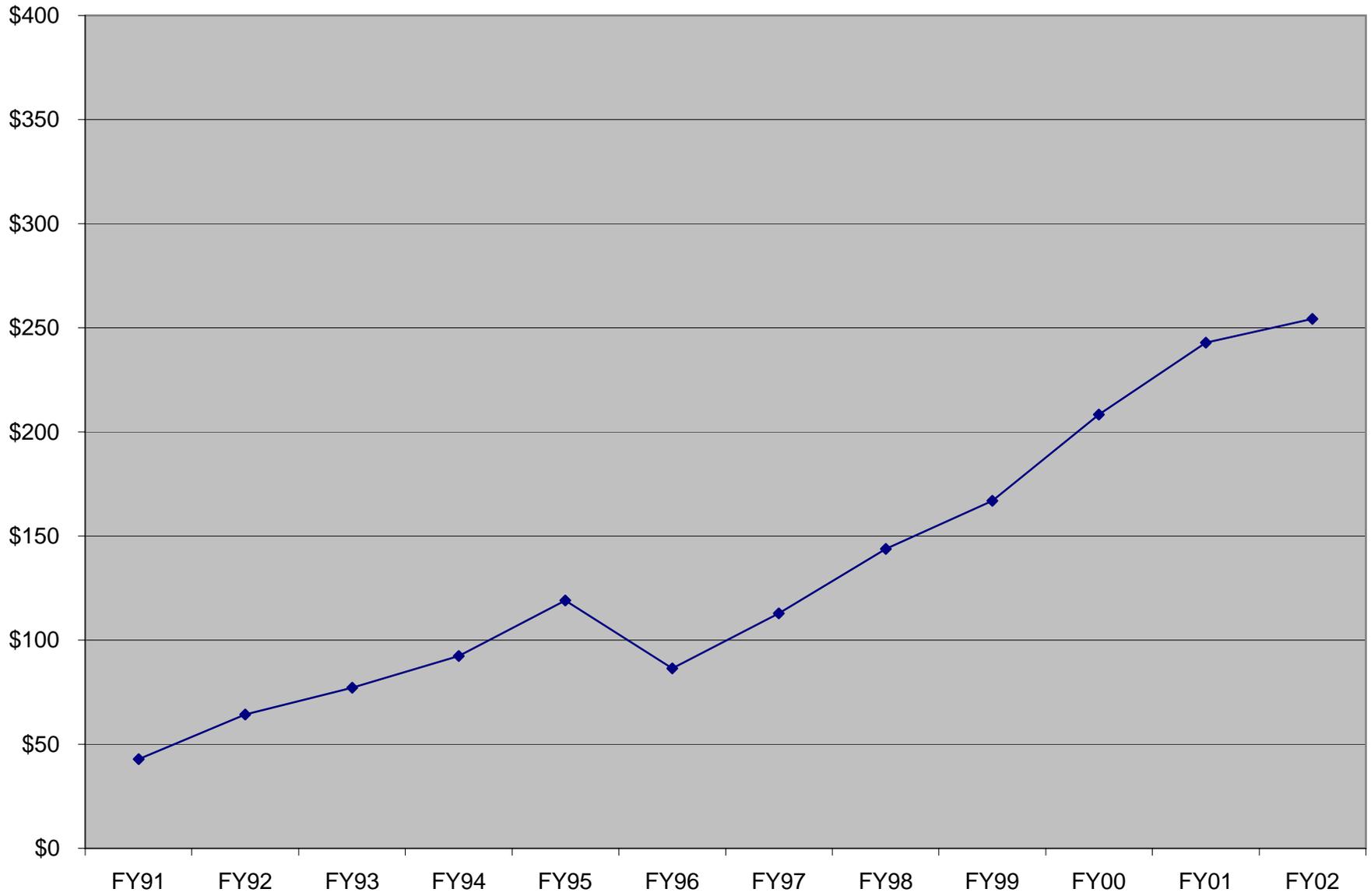


Exhibit 8: Rhode Island Racino VLT Coin In / Month (\$million)

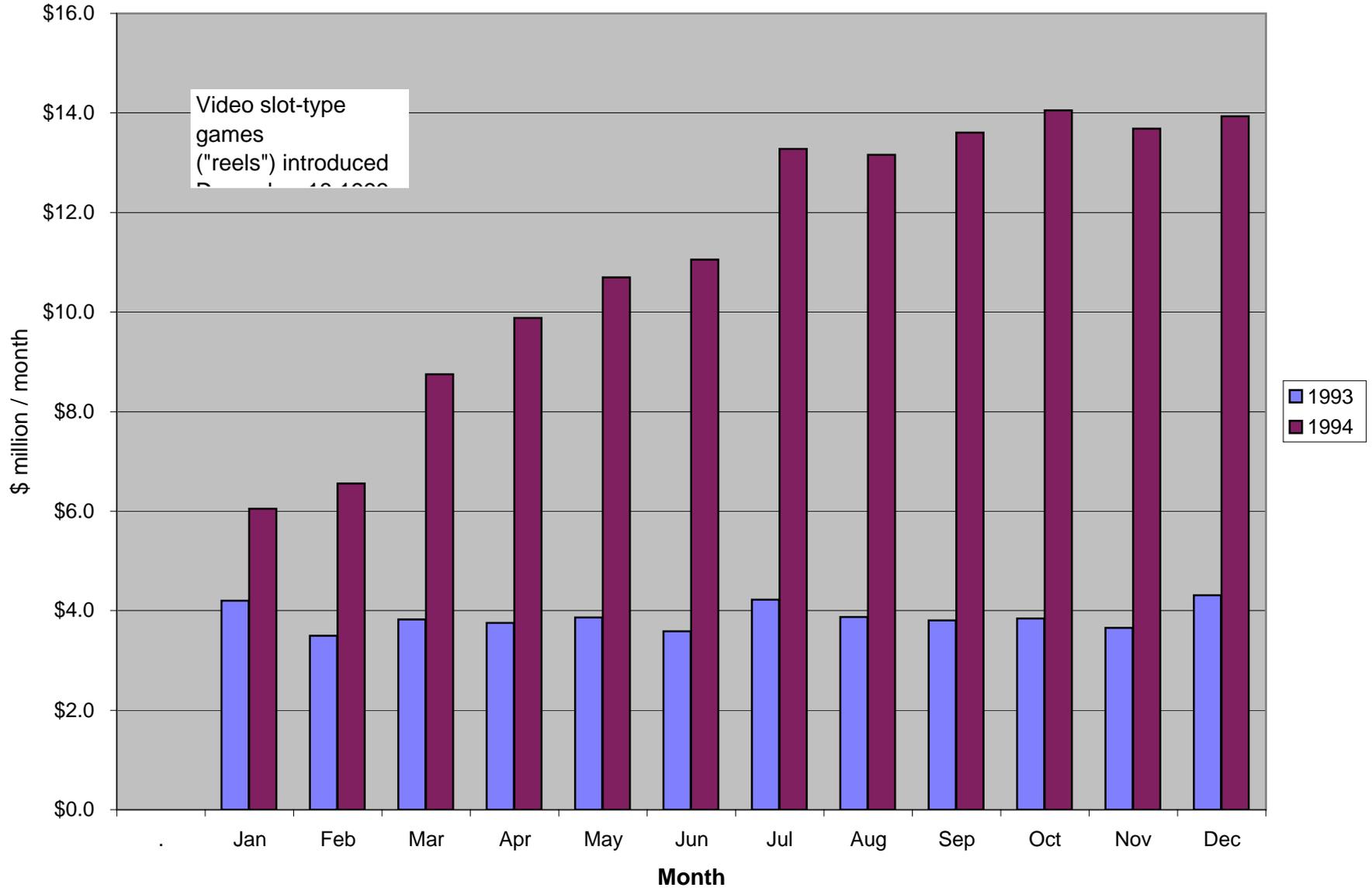


Exhibit 9a: Total Number of Machines at Racinos in Rhode Island (as of June 30 each year)

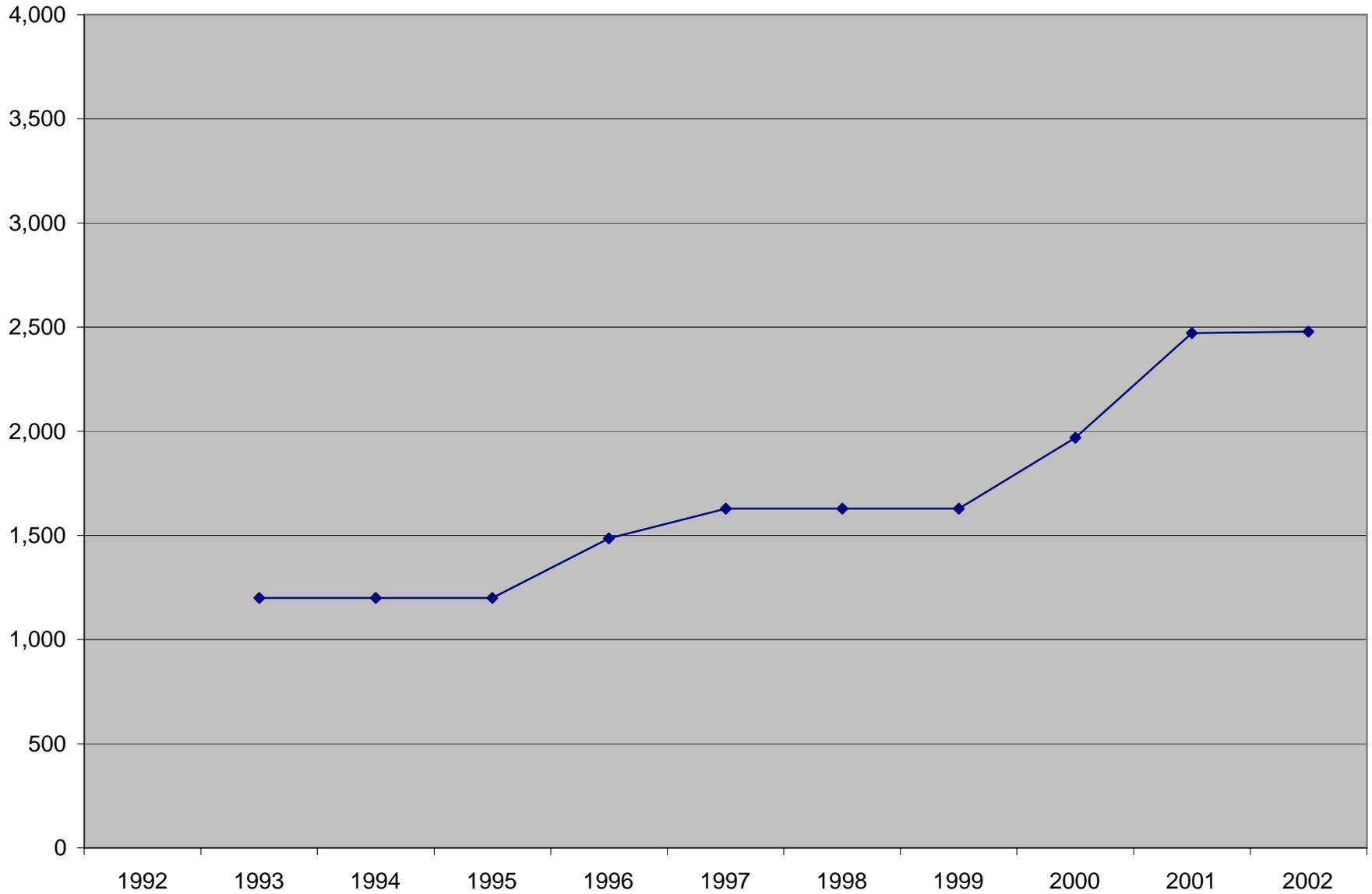


Exhibit 9b: Total Annual Win at Racinos in Rhode Island (\$million)

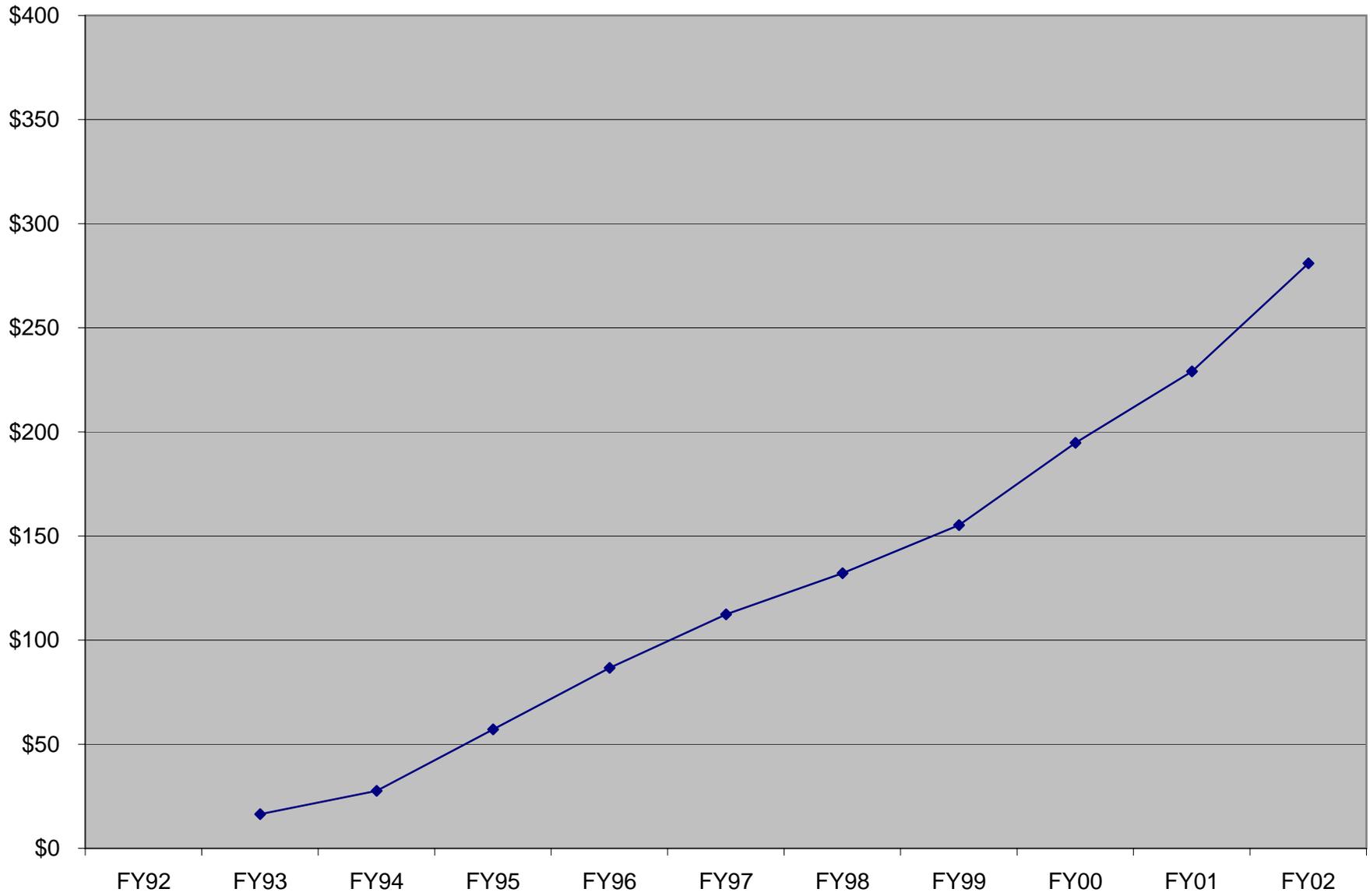


Exhibit 9c: Rhode Island Racinos' Average Win/Machine/Day

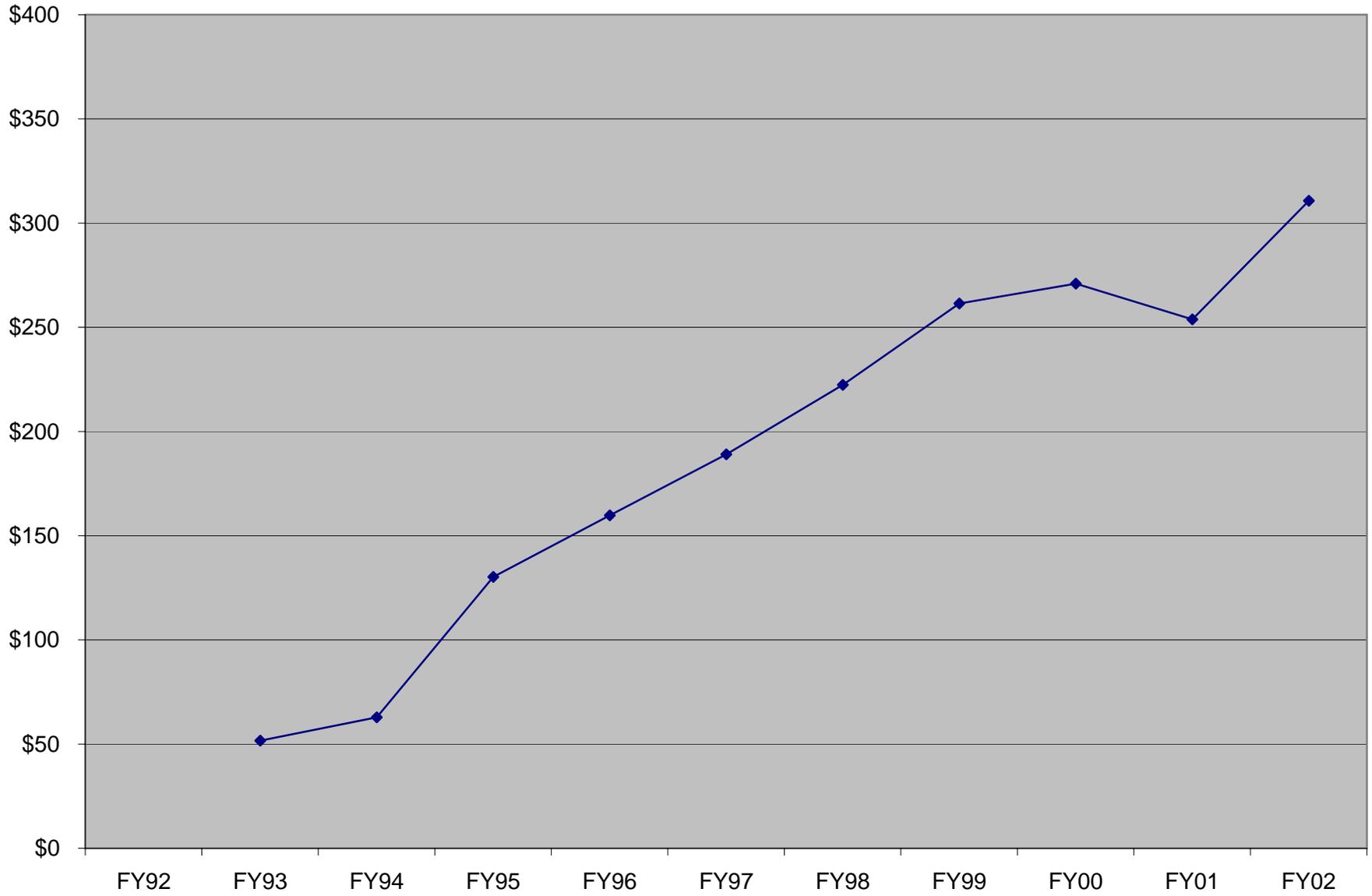


Exhibit 10a: Total Number of Machines at Racinos in Iowa (as of June 30 each year)

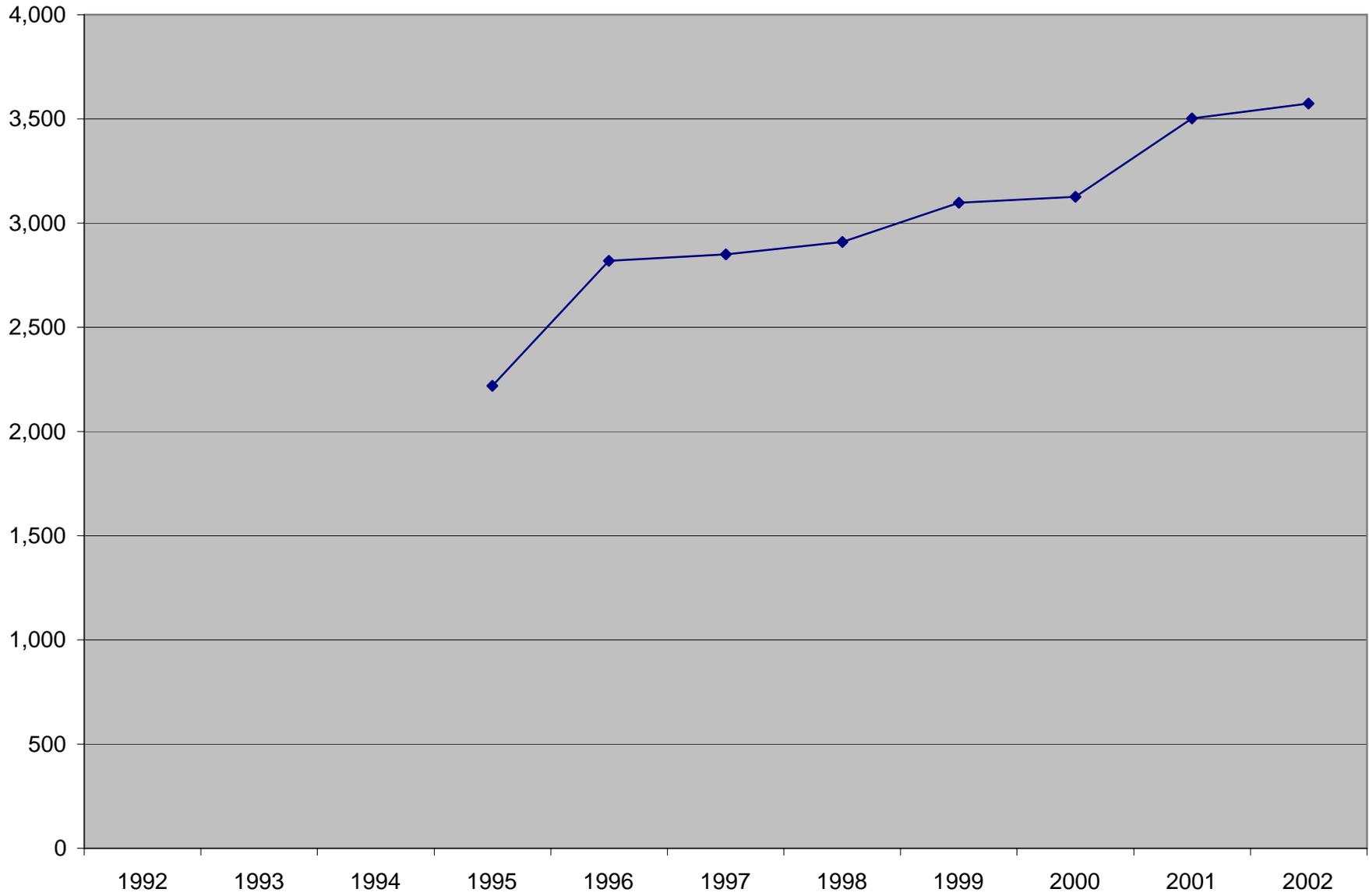


Exhibit 10b: Total Annual Win at Racinos in Iowa (\$million)

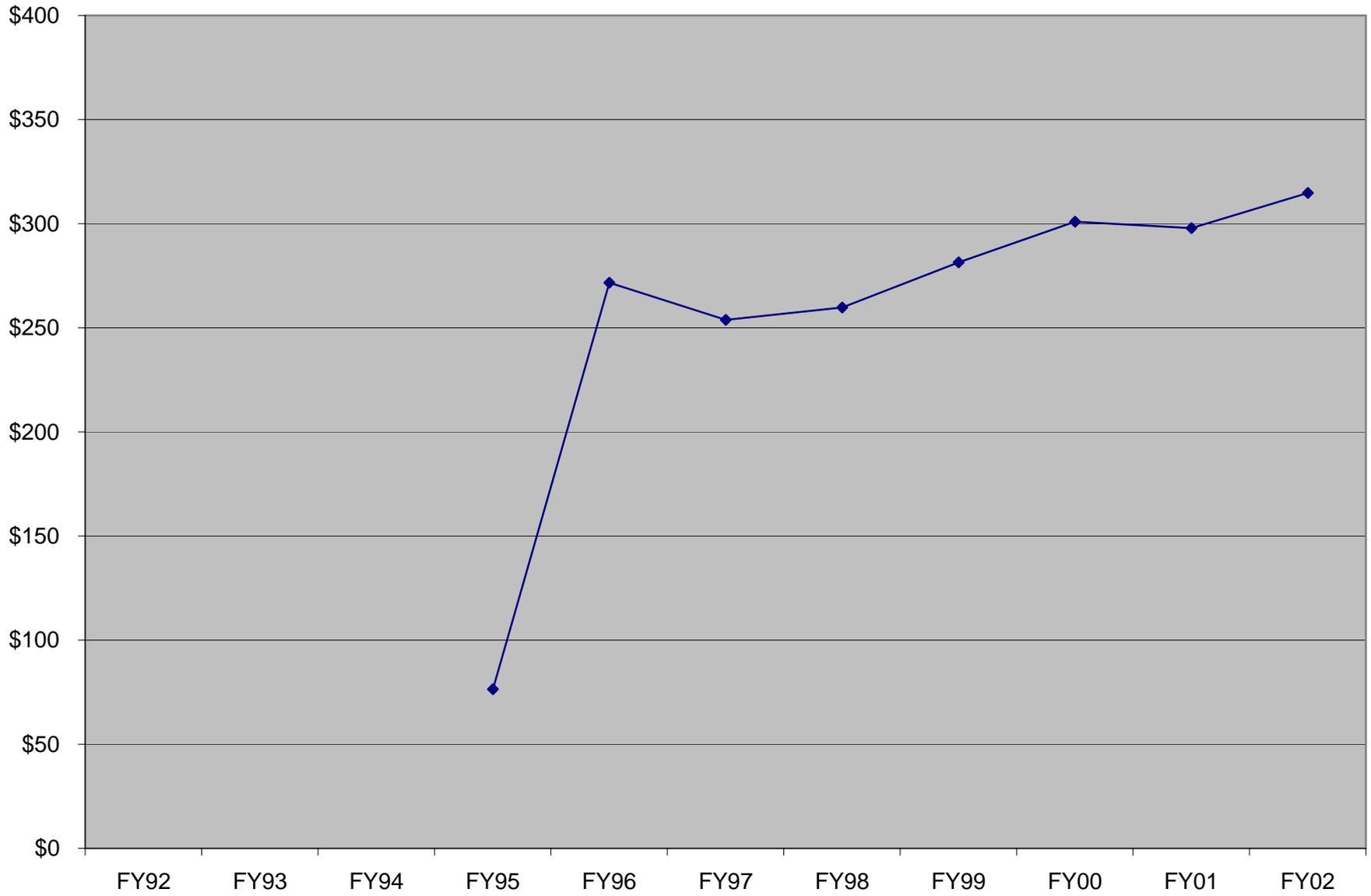


Exhibit 10c: Iowa Racinos' Average Win/Machine/Day

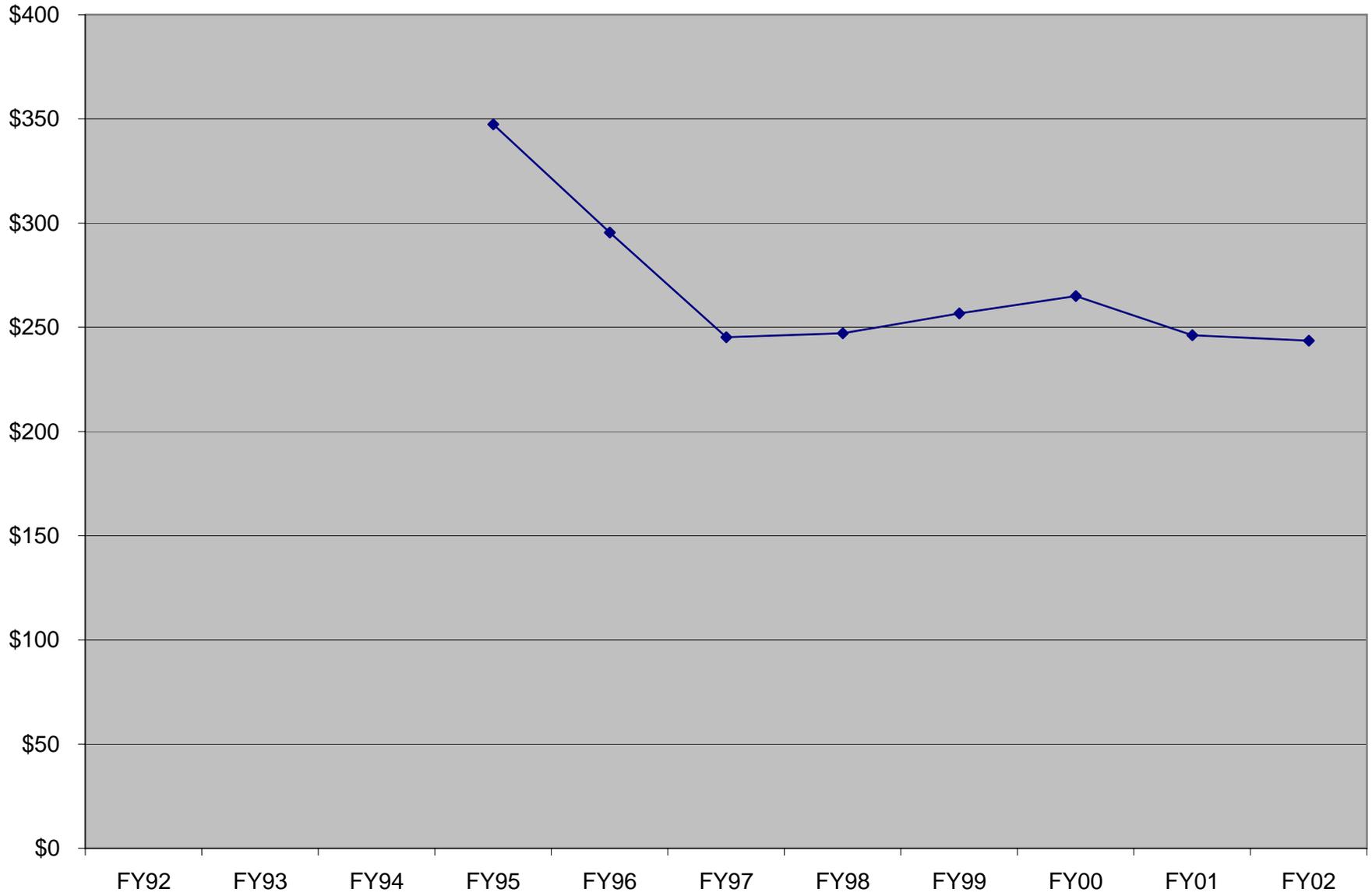


Exhibit 11a: Total Number of Machines at Racinos in Delaware (as of June 30 each year)

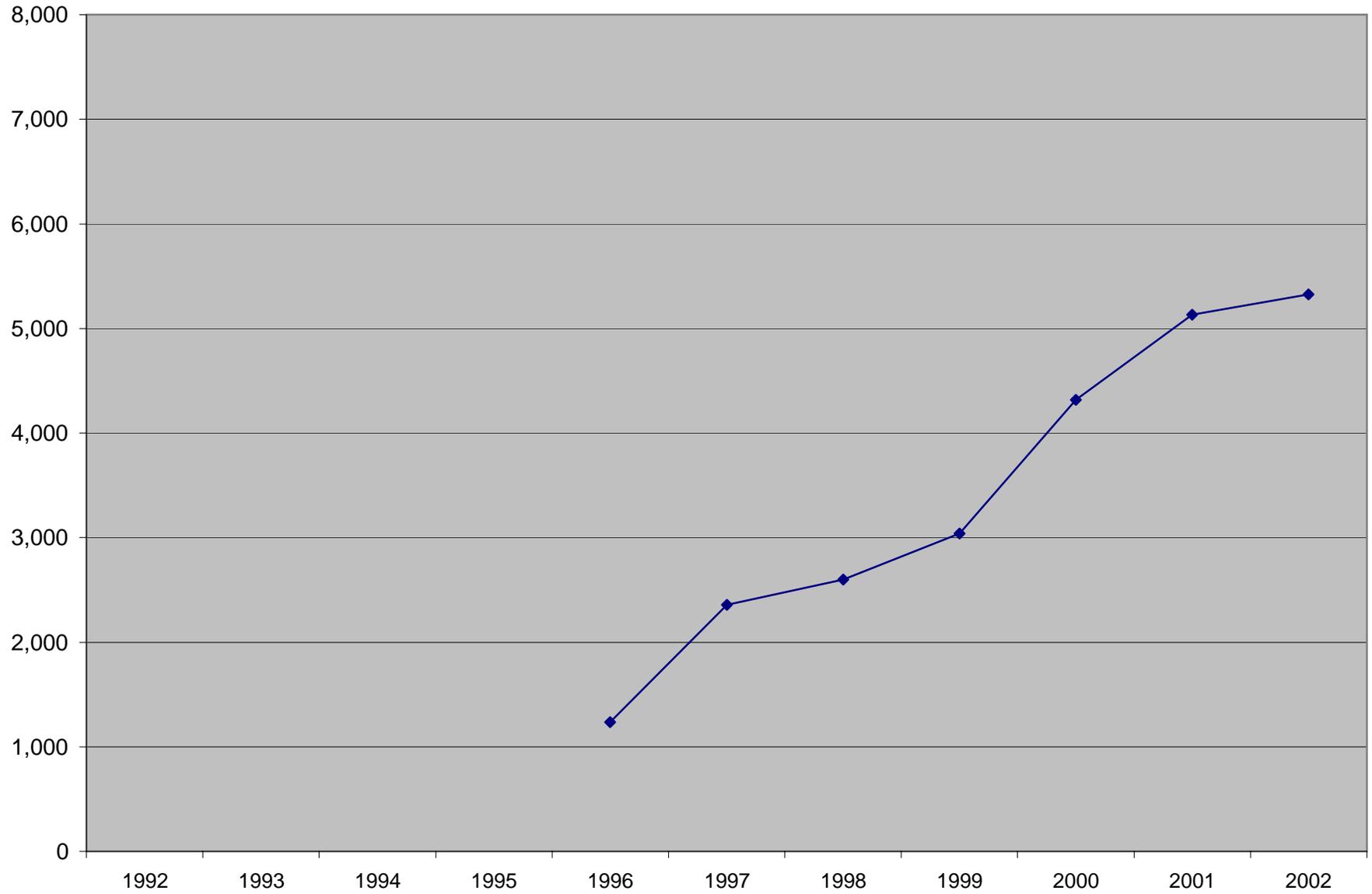


Exhibit 11b: Total Annual Win at Racinos in Delaware (\$million)

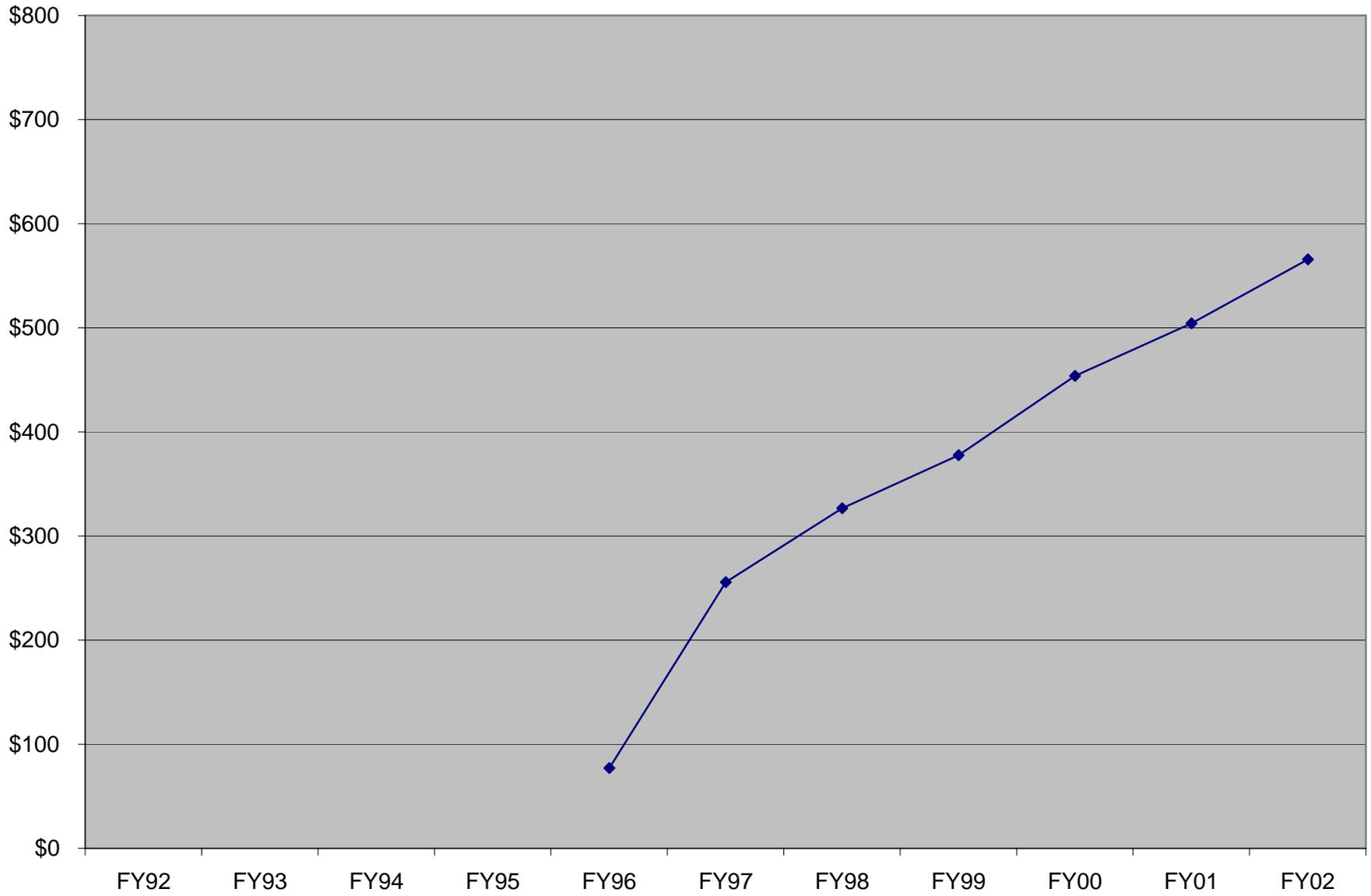


Exhibit 11c: Delaware Racinos' Average Win/Machine/Day

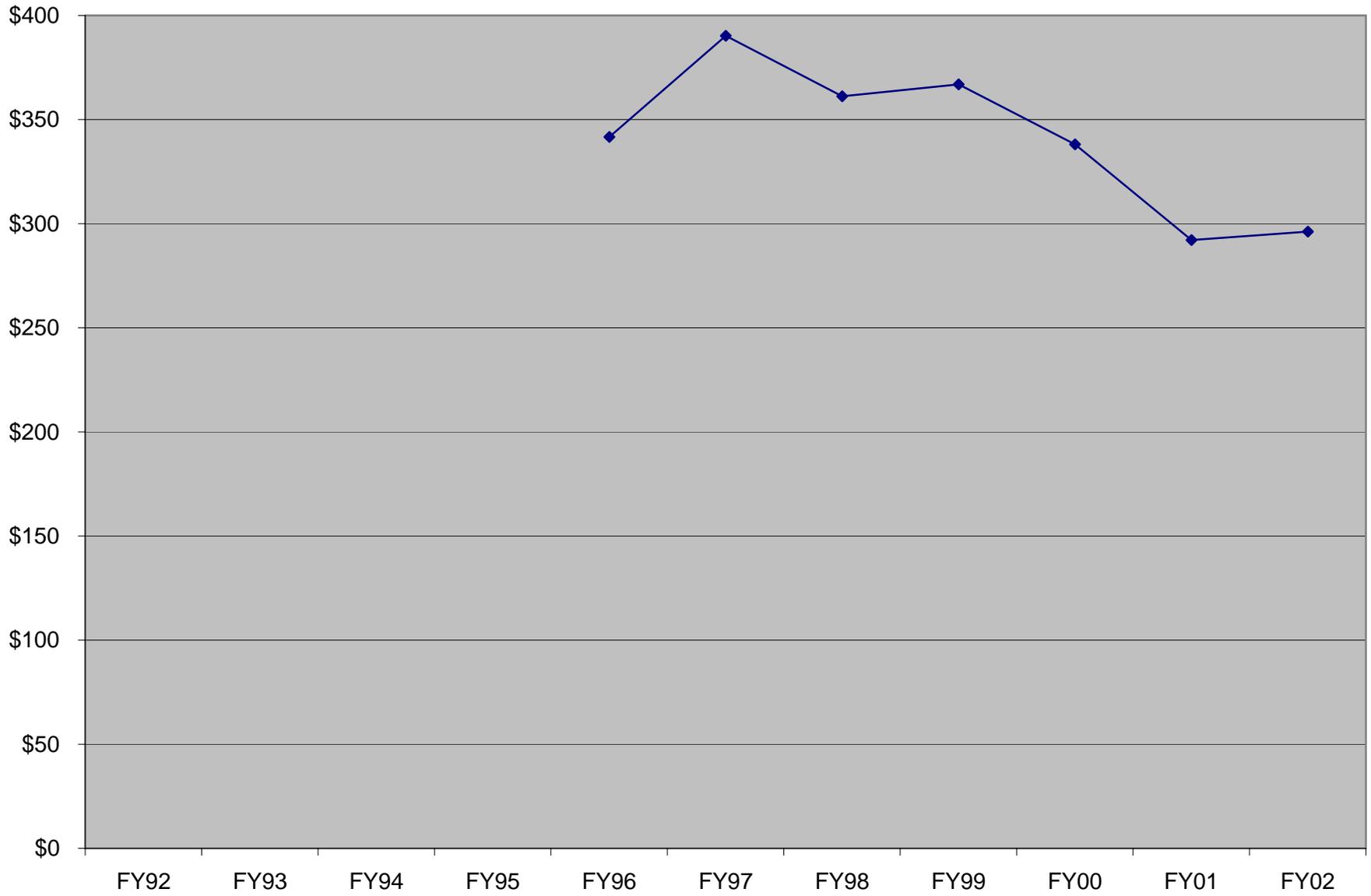


Exhibit 12a: Total Number of Machines at Racinos in New Mexico (as of June 30 each year)

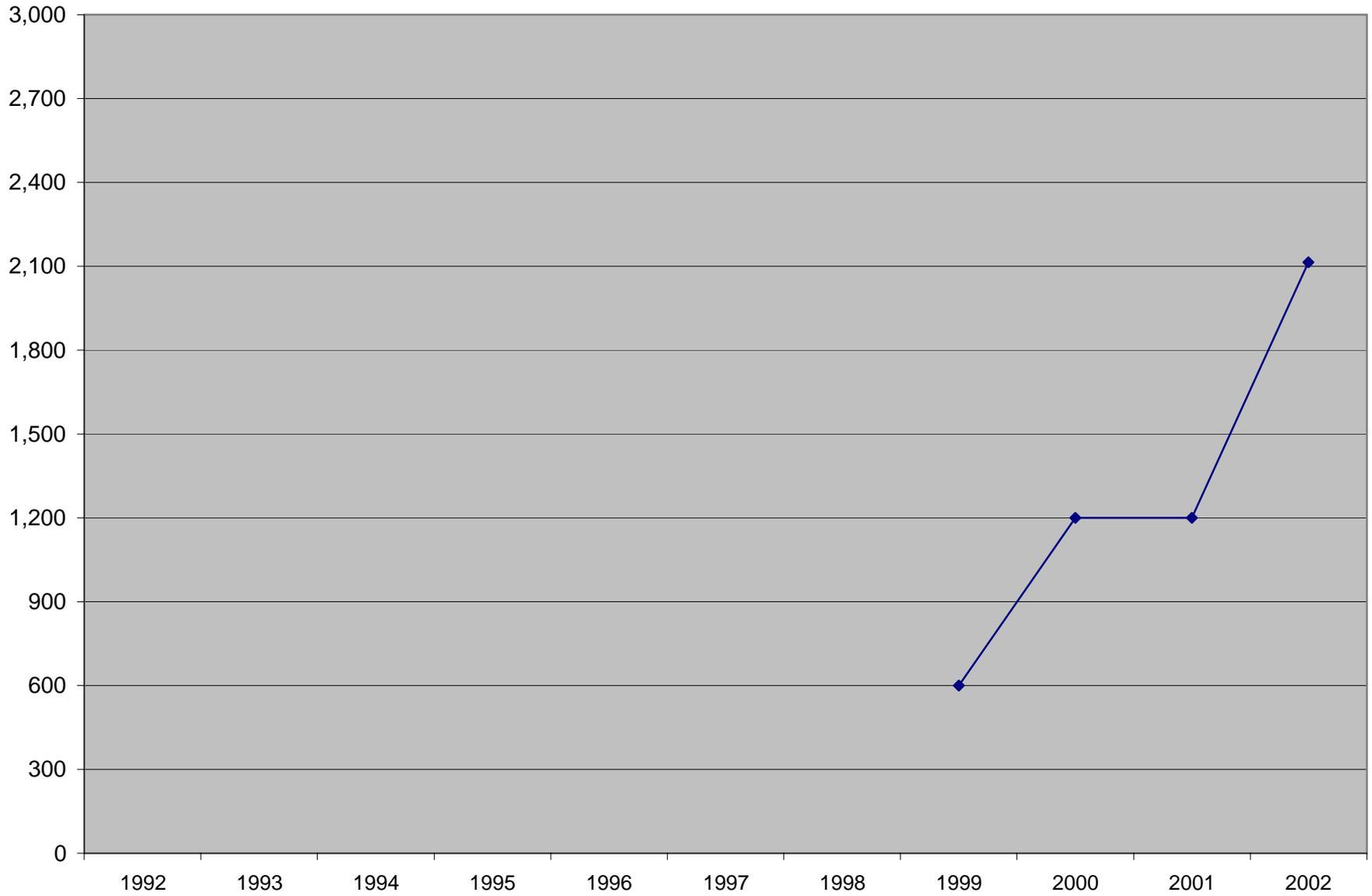


Exhibit 12b: Total Annual Win at Racinos in New Mexico (\$million)

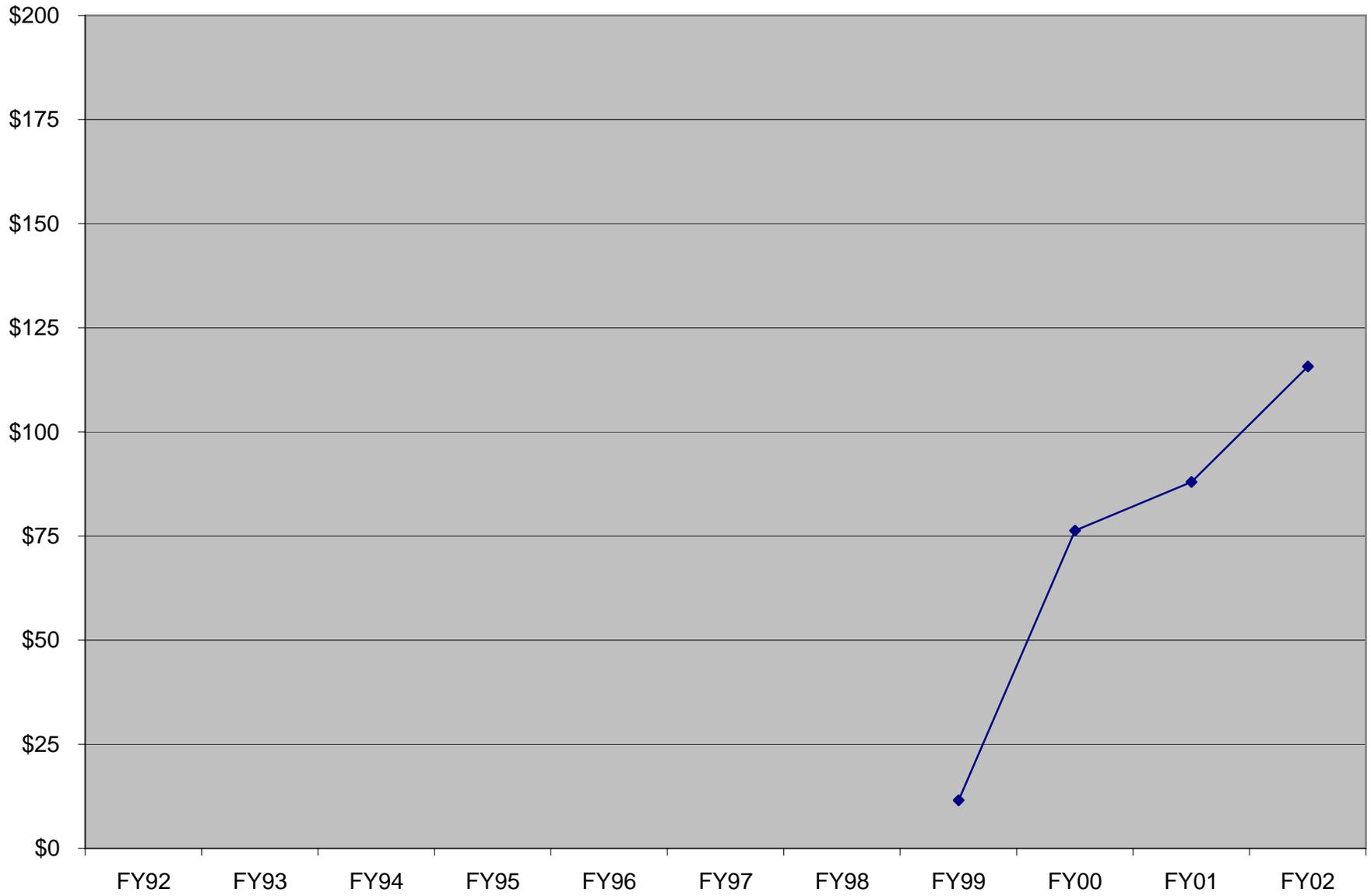


Exhibit 12c: New Mexico Racinos' Average Win/Machine/Day

