

Racing & Gaming

Walt Hawkins

December 06 , 2005

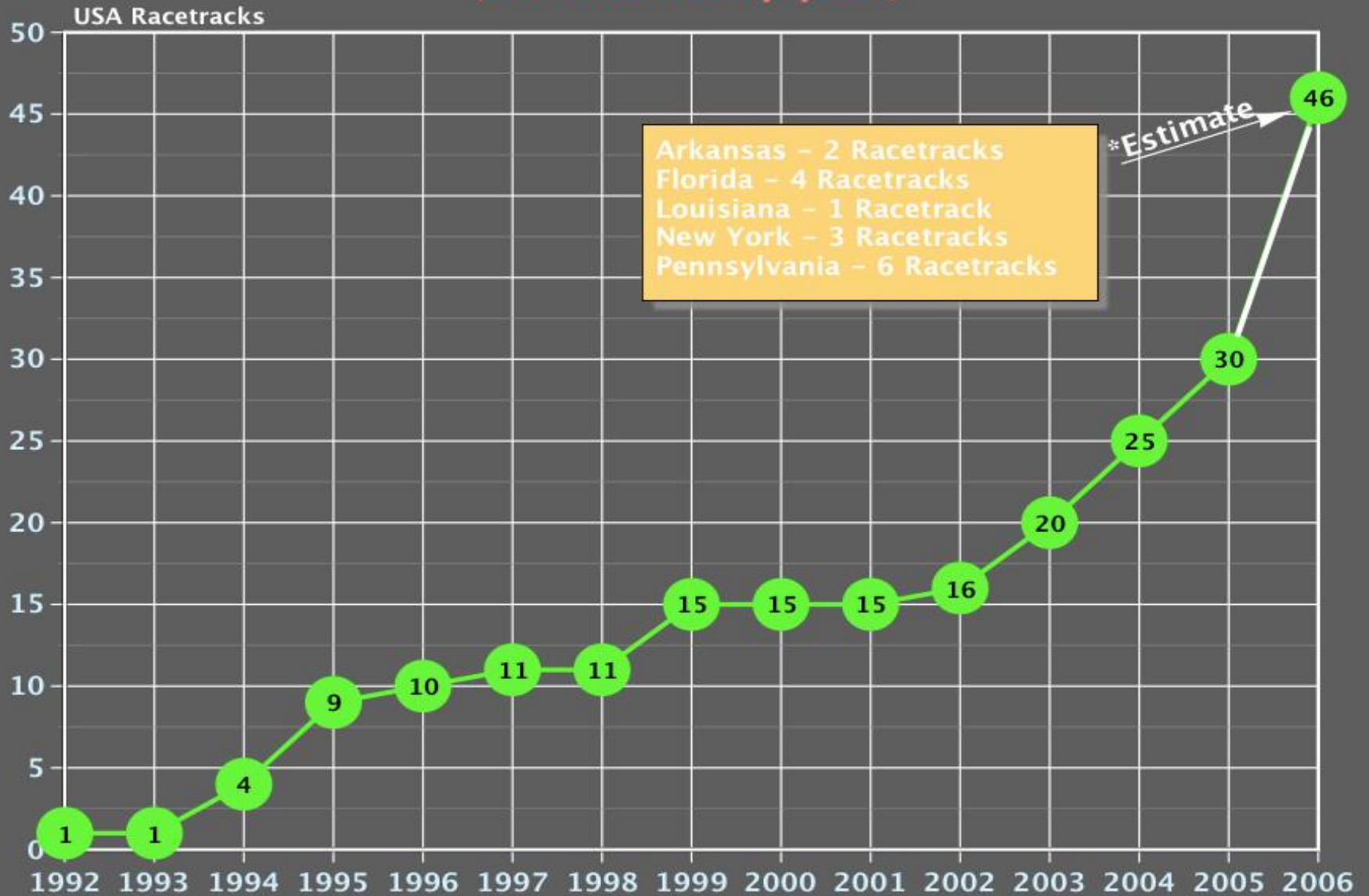


Racetrack States

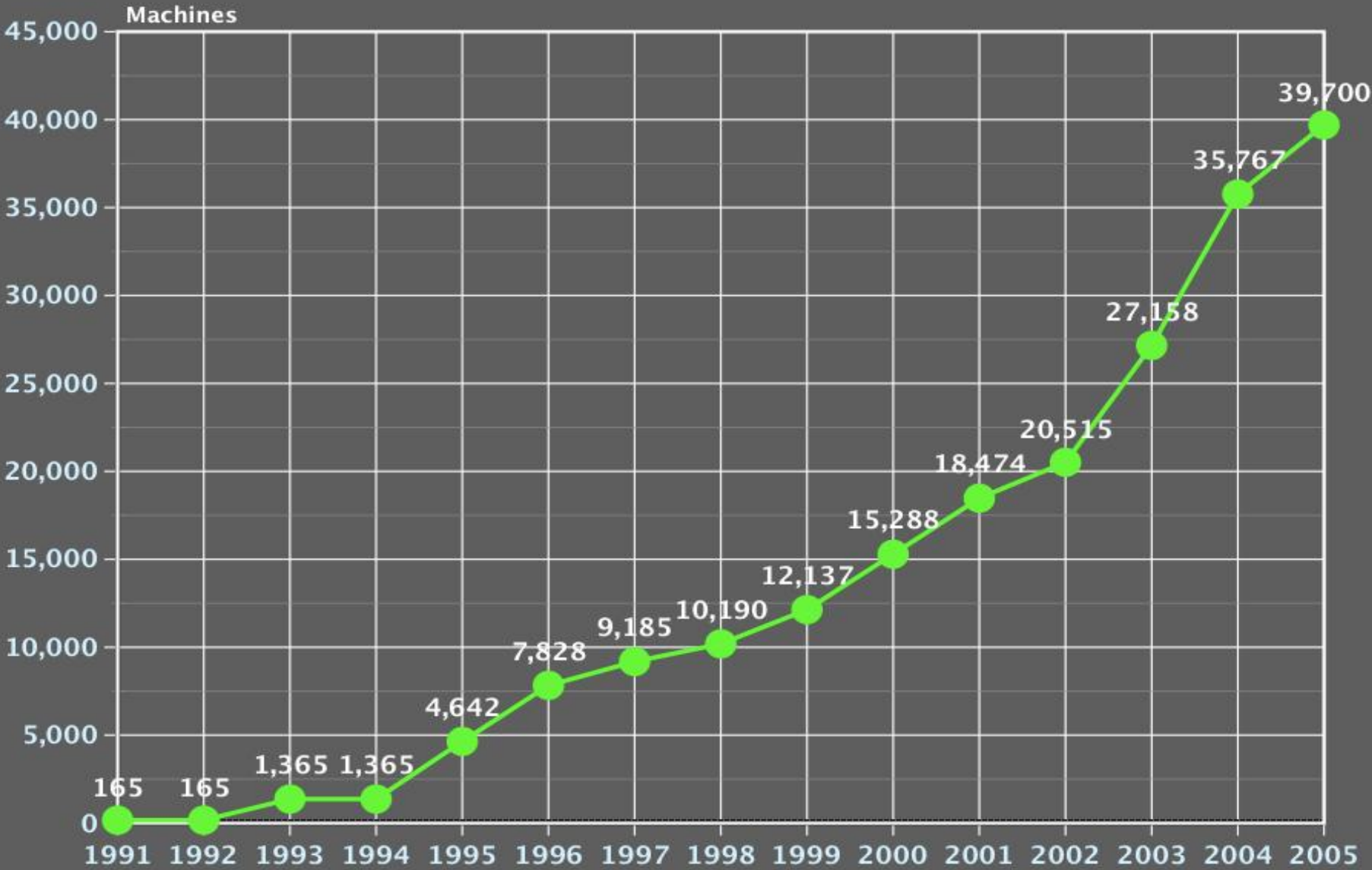


USA Racetracks with Machines

(cumulative by year)



Machines in USA Racetracks

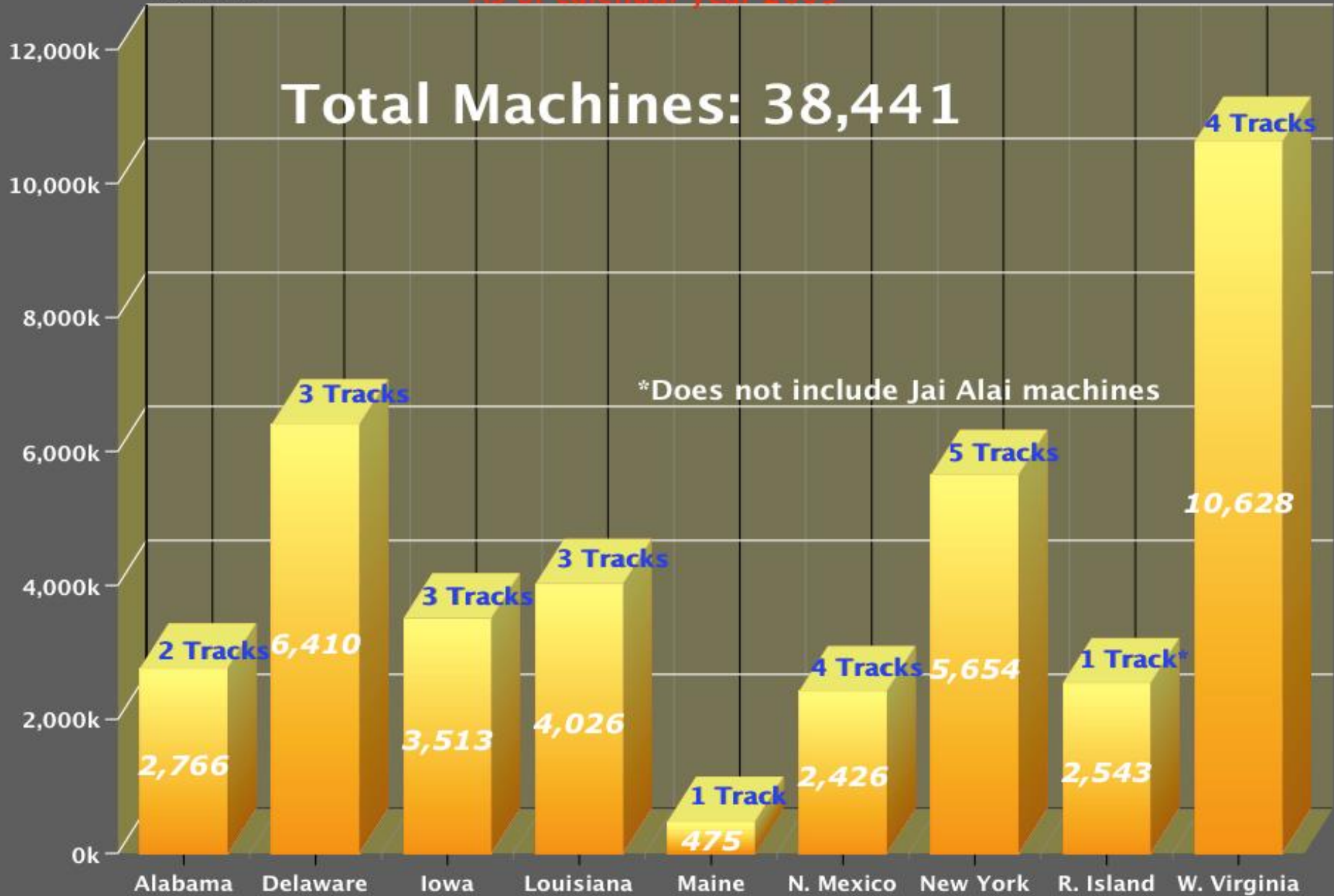


Machines in USA Racetracks

Machines

As of calendar year 2005

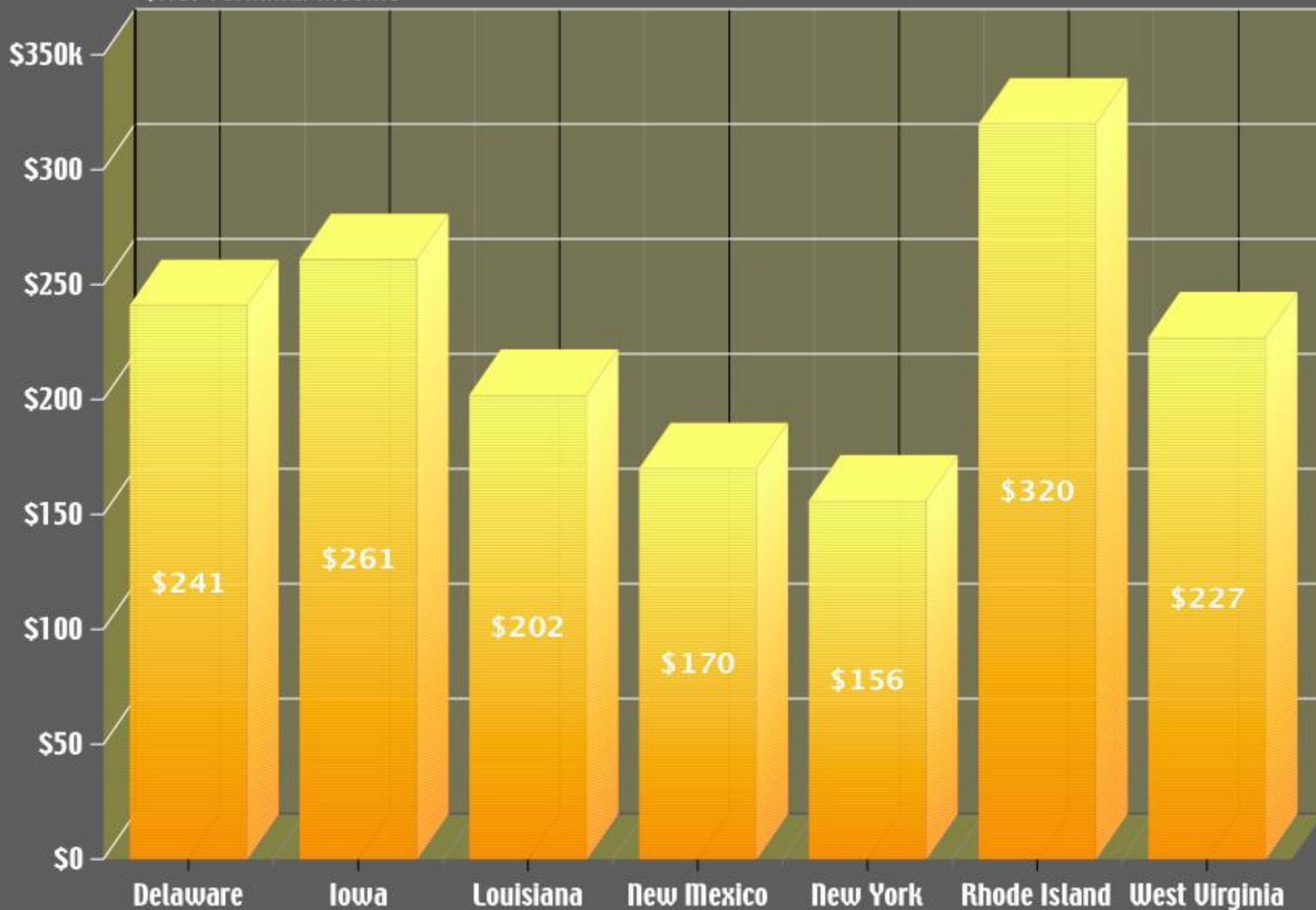
Total Machines: 38,441



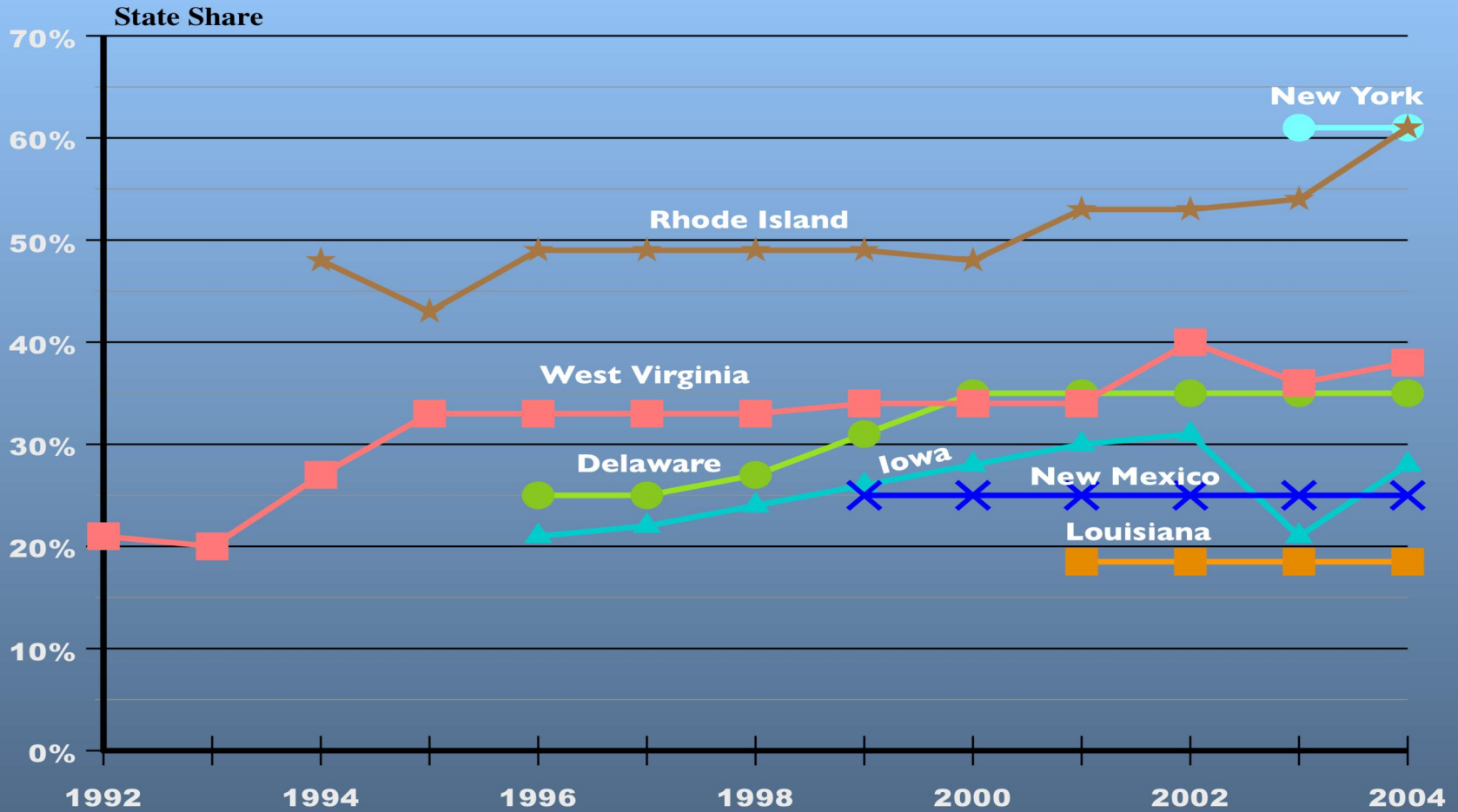
*Does not include Jai Alai machines

USA Racetracks NTI per machine

\$Net Terminal Income



USA Racetracks State Share



Sources:

Delaware, Rhode Island, West Virginia - Fiscal 2004 VLT Special Report, TLF Publications, Inc.

Iowa: <http://www.state.ia.us/irgc/>

Louisiana: <http://www.dps.state.la.us/lgcb/>

New Mexico: <http://www.nmgcb.org/>



Racetrack Allocations

State	State Share	Vendors	Horse/Dog	Racetrack	Other
Delaware Tracks	35.0%	4 to 6.5%	11.0%	49.0%	
Iowa Tracks	46.7%		12.3%	39.2%	1.8%
Louisiana Tracks	15.2%		15.0%	59.5%	10.4%
Maine	39.0%		see note	60.0%	1.0%
New Mexico Tracks	26.0%		20.0%	54.0%	
New York Tracks	60 to 70%	see note	see note	32 to 26%	4 to 8%
Pennsylvania	38.0%		12.0%	45.0%	5.0%
Rhode Island	60.6%	7.0%	3.4%	27.0%	1.0%
West Virginia Tracks	37.5%		15.5%	47.0%	

- **Delaware:** Vendors are paid weekly on a sliding scale based on WPU compared to other vendor.
- **Iowa:** State share is 28.7% and local government 18.7%. Tax structure tied up in court. State Tax is 37.5% with other local taxes included. Verify rate due to possible changes from court challenge.
- **Maine:** 1% of Adjusted Gross NTI for administrative expenses of the Gambling Control Board; 39% of Total. Gross NTI to the Board for distribution: administrative expenses of the Board (1%), Harness Purses (10%), Sires Stakes (3%), Ag Fair Support (3%), Fund for Healthy Maine (10%), U of Maine Scholarships (2%), Community College Scholarships (1%), Fund to Encourage Racing (4%), OTB Stabilization (2%), Local (1%).
- **New Mexico:** .25% goes to problem gaming from racetrack share.
- **New York Tracks:** State share: 50-60% Education, 10% Lottery Expenses. VLT vendors paid from state share. Tracks and horsemen (vendor fee): 32% for the first \$50-million of VLT revenue, 29% for the next \$100-million, and 26% above \$150-million. Track's marketing allowance: 8% for the first \$100-million, then 5% afterward. Marketing allowance for Aqueduct and Yonkers is fixed at 4%.
- **Pennsylvania:** State tax of 38% includes local share assessment of 4% of daily gross terminal revenue.
- **Rhode Island:** Lincoln Park 27%, Jai Alai 26%. 3.4% to Dog Owners
- **WV Tracks:** 7.5% of state cut: .5% Employee Pension, 1% Breeders Classic, 2% County, 3% Tourism, 1% Veterans.



CANADA

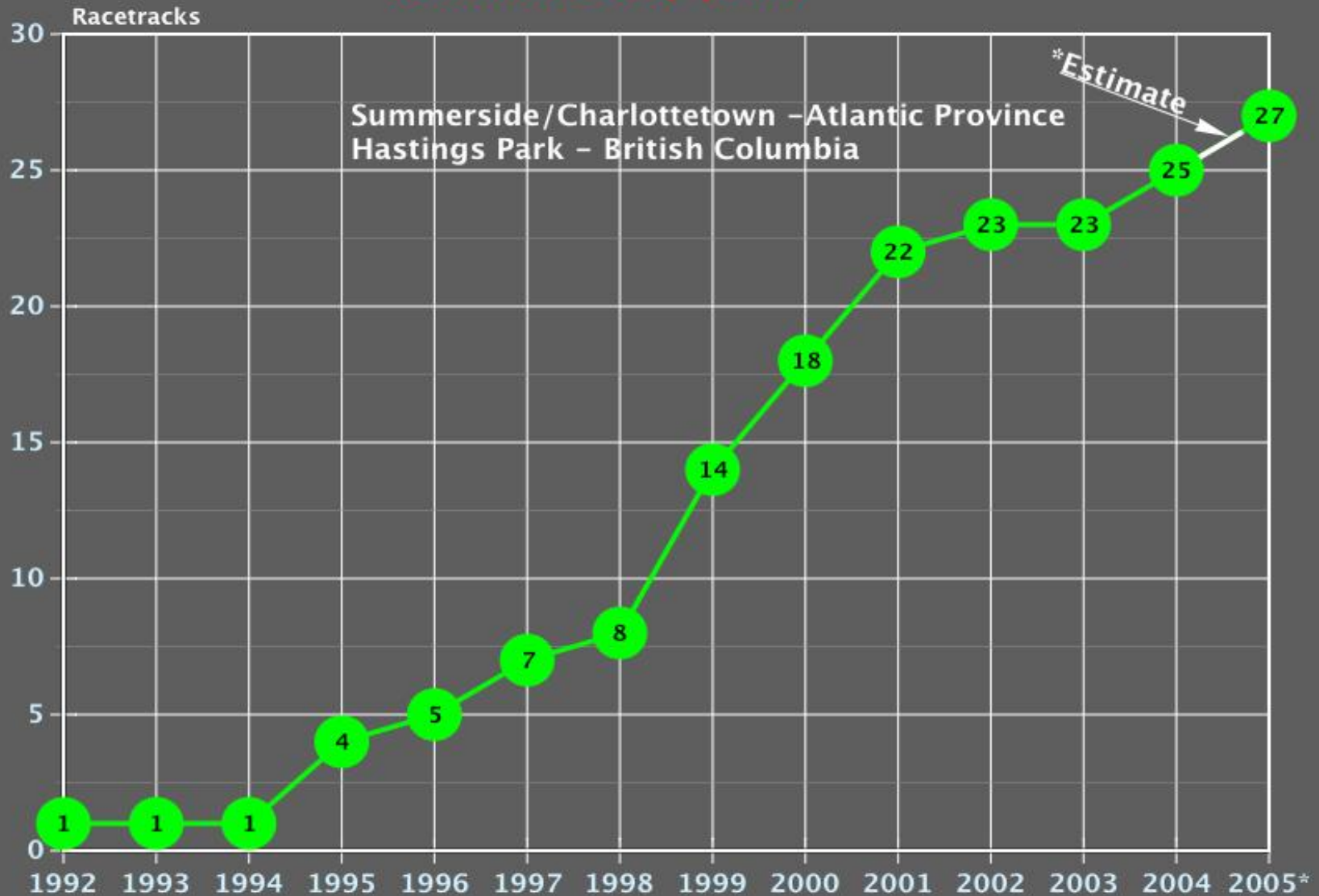


UNITED STATES OF AMERICA

Western Fair Racetrack, Woodstock Raceway, Brantford Casino

Canada Racetracks with Machines

(cumulative by year)



Machines in Canada Racetracks

Machines

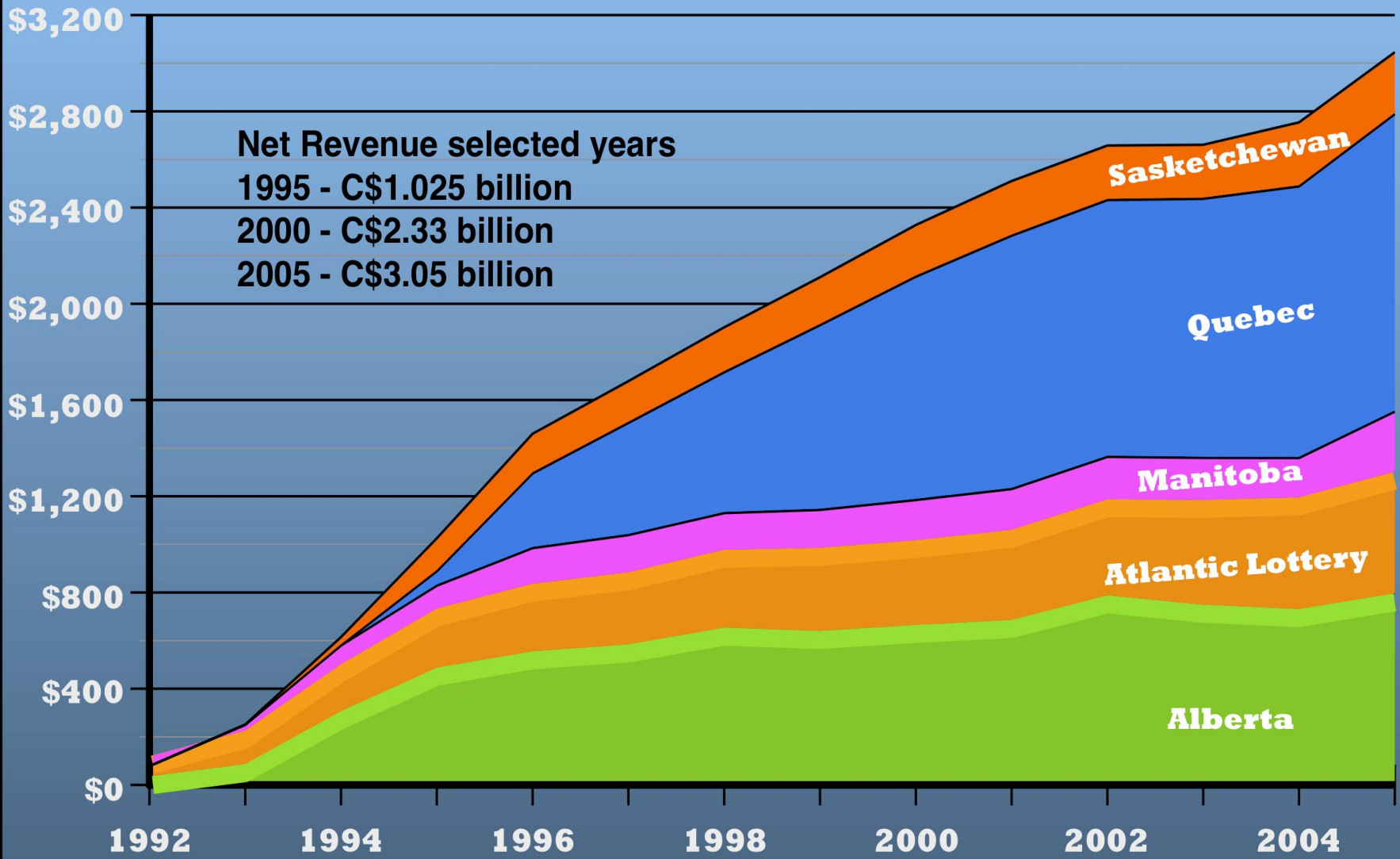
As of calendar year 2004



Canada Video Lottery Net Revenue

Jurisdiction fiscal year (April 1 - March 31)

C\$millions



Net Revenue selected years
1995 - C\$1.025 billion
2000 - C\$2.33 billion
2005 - C\$3.05 billion

Saskatchewan

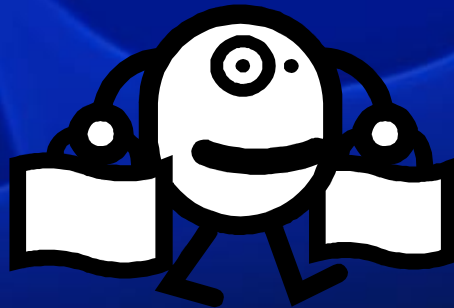
Quebec

Manitoba

Atlantic Lottery

Alberta

How did they get here...



Legislation



- Typically, a 'need' or opportunity exists
- Good, cohesive effort
- All parties at the table
- Win / Win philosophy
- Reasonable expectations
- Patience, Patience, Patience

After the fact...

- Understanding of R & R's
- Licensing
- Timeline
- Facilities Planning
- Capital needs identified
- Operating plan



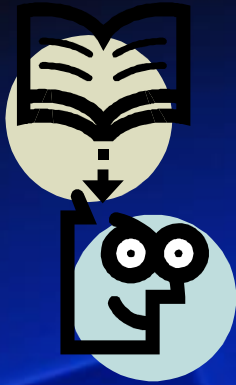
Operating Plan



Three (3) typical choices:

1. Name 'branding' relationship
2. Consultants, Mgmt. Contract
3. Roll up your sleeves -
do it yourself, w/some help





Education

- New business – new terms
 - Universities, (U. of Nevada system)
 - Operating companies
 - Consultants
 - Manufacturers