IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

MTR GAMING GROUP, INC.

/s/ David R. Hughes
David R. Hughes

/s/ Steven M. Billick
Steven M. Billick,
Chairman of the Compensation Committee

/s/ James V. Stanton
James V. Stanton
Member of the Compensation Committee

/s/ Raymond K. Lee
Raymond K. Lee
Member of the Compensation Committee

/s/ Robert F. Griffin
Robert F. Griffin
President and Chief Executive Officer

EX-10.6 3 a2195375zex-10_6.htm EXHIBIT 10.6

Exhibit 10.6

EMPLOYMENT AGREEMENT

EMPLOYER: MTR Gaming Group, Inc. ("MTR" or the "Company")

EMPLOYEE: John W. Bittner, Jr. ("Executive")

TERM: One year, commencing on November 1, 2009 (the "Employment Date"), and ending on November 1, 2010 (such period, subject to earlier termination as provided herein, being referred to as the "Period of Employment").

DUTIES: Executive agrees to serve the Company as its Executive Vice President of Finance and Accounting, and Treasurer of the Company, and in such other office of MTR and/or its Affiliates to which Executive may be elected or appointed. Executive shall devote all of his time, energy and skill during regular business hours to the business and affairs of the Company and its affiliates and to the promotion of their interests. Executive shall report directly to and shall be subject to the direction of the CFO.

COMPENSATION:

(a) **Salary:** $270,756 per year, subject to periodic increase or cash bonus by the Company's Compensation Committee in its sole discretion.

(b) **Benefits:** Employee benefit plans made available by the Company now or in the future to its executives as the Company's Compensation Committee may periodically award in its discretion.

(c) **Automobile Allowance:** $600 per month toward the lease or purchase, insurance and maintenance of an automobile.

(d) **Vacation:** Four (4) weeks of paid vacation annually to be taken at a time or times mutually satisfactory to Executive and the Company (Executive shall not in any event utilize more than six weeks of vacation in any twelve month period). Unused vacation will be paid to Executive at the end of the Period of Employment as additional compensation.

(e) **Expenses:** Reimbursement of all travel and other expenses incident to the rendering of services by Executive, including the expenses associated with gaming licensing in any state in which the Company or one of its affiliates requests Executive to become licensed. The Company shall also provide Executive a Company cellular telephone, or, at the Company's election, reimburse Executive for the cost of a cellular phone and monthly service charges maintained by Executive.

(f) **Working Facilities:** The Company shall provide Executive with an office, secretarial, administrative and other assistance, and such other facilities and services as shall be suitable to his position and appropriate for the performance of his duties.

TERMINATION:

(a) **Termination Without Cause:** The Company may, by notice to Executive, terminate Executive's employment without cause at any time, in which event Executive shall be entitled to receive in full, upon the effective date of the termination: (i) payment of the salary that would have accrued through November 1, 2010; (ii) any accrued but unpaid vacation pay; and (iii) reimbursement for any expenses; provided, however that Executive shall concurrently with such payments execute a release in form and substance acceptable to the Company in its discretion and shall have complied with the Company's termination procedures.

(b) **Termination For Cause:** The Company may also terminate Executive's employment without notice (and without payment in lieu of notice) for cause. "Cause" shall mean (i) conviction of a felony, (ii) embezzlement or misappropriation of funds or property of the Company or any of its affiliates, (iii) Executive's consistent refusal to substantially perform, or willful misconduct in the substantial performance of, his duties and obligations hereunder; (iv) Executive's engaging in activity that the CEO determines in his reasonable judgment would result in the suspension or revocation of any video lottery, pari-mutuel, or other gaming license or permit held by the Company or any of its subsidiaries; or (v) a determination by any state gaming regulatory agency that Executive is not suitable to hold his position or otherwise to participate in a gaming enterprise in the state in question. In the event of termination for cause, neither party shall have any further obligations or duties under this Agreement, except that the Company shall be obligated to pay any salary and vacation pay that are accrued but unpaid through the effective date of termination, provided that Executive complies with the Company's termination procedures.

(c) **Death or Disability:** the Period of Employment shall cease and terminate upon the earliest to occur of the following events: (i) the death of Executive or (ii) at the election of the CEO (subject to the Americans With Disabilities Act), the inability of Executive by reason of physical or mental disability to continue the proper performance of his duties hereunder for a period of 180 consecutive

days. Upon termination of the Period of Employment as a result of the Executive's death or disability, in consideration for Executive or his heirs and beneficiaries releasing the Company from any claims, damages or causes of action by execution of a release in form and substance acceptable to the Company in its sole discretion, the Company shall pay to Executive or his estate, as the case may be, a lump sum amount equal to the base salary described above for the remaining term of the Agreement.

(d) **Termination Procedures**: Upon termination of his employment with the Company for any reason, Executive agrees to return to the Company all tangible manifestations of Confidential Materials and all copies thereof, not to disparage the Company, and for a period of two (2) years from the date of such termination not to solicit for employment any employee of the Company. All programs, ideas, strategies approaches, practices or inventions created, developed, obtained or conceived of by Executive during the term hereof by reason of his engagement by the Company, shall be owned by and belong exclusively to the Company, provided that they are related in any manner to the Company's business or that of any of its Affiliates. Executive shall (i) promptly disclose all such programs, ideas, strategies, approaches, practices, inventions or business opportunities to the Company, and (ii) execute and deliver to the Company, without additional compensation, such instruments as the Company may require from time to time to evidence its ownership of any such items.

CONFIDENTIALITY:

Executive agrees that he will not, directly or indirectly, (i) disclose to any other person or entity either during or after his employment by the Company or (ii) use, except during his employment by the Company in the business and for the benefit of the Company or any of its affiliates, any confidential information and trade secrets (collectively, "Confidential Material") relating to the business practices of the Company and its affiliates acquired by Executive during his employment by the Company. Executive agrees that during the term hereof he will not become a stockholder, director, officer, employee or agent of or consultant to any corporation, or member of or consultant to any partnership or other entity, or engage in any business as a sole proprietor or act as a consultant to any such entity, or otherwise engage, directly or indirectly, in any enterprise, in each case which competes with any business or activity engaged in, or known by Executive to be contemplated to be engaged in, by the Company or any of its affiliates within one hundred (100) miles

of any location in which the Company or any affiliate does business or in which Executive has knowledge that the Company or any of its Affiliates contemplates doing business; provided, however, that competition shall not include the ownership (solely as an investor and without any other participation in or contact with the management of the business) of less than five percent (5%) of the outstanding shares of stock of any corporation engaged in any such business, which shares are regularly traded on a national securities exchange or in an over-the-counter market.

GENERAL:

(a) **Parties In Interest:** This Agreement shall be binding upon and inure to the benefit of Executive and his heirs and beneficiaries, and it shall be binding upon and inure to the benefit of the Company and its successors and assigns.

(b) **Arbitration:** Any disputes arising under the terms of this Agreement shall be settled by binding arbitration between the parties in the Weirton/Chester, West Virginia/Wexford, Pennsylvania area in a proceeding held under the rules of the American Arbitration Association. The arbitrators shall have no authority to grant either party any consequential, incidental, punitive or special damages.

(c) **Entire Agreement:** This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Executive by the Company and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever. Any modification of this Agreement will be effective only if it is in writing signed by the parties.

(d) **Governing Law:** West Virginia without giving effect to the choice of law or conflicts of law rules and laws of such jurisdiction.

(e) **Severability:** In the event that any term or condition contained in this Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or condition of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable term or condition had never been contained herein.

(f) **Indemnification:** The Company shall indemnify, defend and hold the Executive harmless, to the extent permitted by law, including

the payment of reasonable attorneys' fees, if the Company does not directly provide Executive's defense, from and against any and all civil claims made by anyone, including, but not limited to, a corporate entity, company, other employee, agent, patron or member of the general public with respect to any claims that assert as a basis, any acts, omissions or other circumstances involving the performance of Executive's employment duties hereunder unless such claim is finally determined by a court of competent jurisdiction to arise from Executive's gross negligence or willful, intentional and/or wanton act.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of this 9th day of November, 2009.

MTR Gaming Group, Inc.

By: /s/ Robert F. Griffin
Robert F. Griffin, President & CEO

/s/ John W. Bittner, Jr.
John W. Bittner, Jr.

EX-31.1 4 a2195375zex-31_1.htm EXHIBIT 31.1

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Robert F. Griffin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MTR Gaming Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and we have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2009

/s/ ROBERT F. GRIFFIN

Robert F. Griffin
President and Chief Executive Officer

EX-32.1 6 a2195375zex-32_1.htm EXHIBIT 32.1

Exhibit 32.1

CERTIFICATION
of
Robert F. Griffin
President and Chief Executive Officer

I, Robert F. Griffin, President and Chief Executive Officer of MTR Gaming Group, Inc. (the "Company"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2009 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d); and

2. The information contained in the Periodic Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2009

/s/ ROBERT F. GRIFFIN

Robert F. Griffin
President and Chief Executive Officer

EX-32.2 7 a2195375zex-32_2.htm EXHIBIT 32.2

Exhibit 32.2

CERTIFICATION
of
David R. Hughes
Chief Financial Officer

I, David R. Hughes, Chief Financial Officer of MTR Gaming Group, Inc. (the "Company"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2009 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d); and

2. The information contained in the Periodic Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2009

/s/ DAVID R. HUGHES

David R. Hughes
Corporate Executive Vice President and Chief Financial Officer

Appendix 7

Exhibit 2

10-K 1 a2191532z10-k.htm FORM 10-K

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
COMMISSION FILE NO. 000-20508

GRAPHI

MTR GAMING GROUP, INC.

(exact name of registrant as specified in its charter)

DELAWARE	**84-1103135**
(State of Incorporation)	(IRS Employer Identification No.)

STATE ROUTE 2, SOUTH, P.O. BOX 356, CHESTER, WEST VIRGINIA 26034
(Address of principal executive offices)

(304) 387-8000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to Section 12(g) of the Act:

Title of each Class:	**Name of each exchange on which registered:**
Common Stock $.00001 par value	NASDAQ Stock Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§299.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 30, 2008, the aggregate market value of our common stock held by non-affiliates of the Company (based on the number of shares issued and outstanding and the NASDAQ Official Close Price on that date) was $114,535,000.

The number of shares outstanding of our Common Stock at March 13, 2009 was 27,475,260 shares.

Documents Incorporated by Reference

Portions of the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A in connection with the Registrant's 2009 Annual Meeting of Stockholders (the "Proxy Statement") or portions of the Registrant's Form 10-K/A, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this report. Such Proxy Statement or Form 10-K/A will be filed with the Commission not later than 120 days after the conclusion of the Registrant's fiscal year ended December 31, 2008.

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PART I

ITEM 1. BUSINESS.

Cautionary Statement Regarding Forward-Looking Information

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements regarding our strategies, objectives and plans for future development or acquisitions of properties or operations, as well as expectations, future operating results and other information that is not historical information. When used in this document, the terms or phrases such as "anticipates," "believes," "projects," "plans," "intends," "estimates," "expects," "could," "would," "will likely continue," and variations of such words or similar expressions are intended to identify forward-looking statements. Although our expectations, beliefs and projections are expressed in good faith and with what we believe is a reasonable basis, there can be no assurance that these expectations, beliefs and projections will be realized.

There are a number of risks and uncertainties that could cause our actual results to differ materially from those expressed in the forward-looking statements which are included elsewhere in this report. Such risks, uncertainties and other important factors include, but are not limited to:

(i) changes in, or failure to comply with, laws, regulations, the conditions of our West Virginia and Pennsylvania gaming licenses (or the failure to obtain renewals thereof), accounting standards or environmental laws (including adverse changes in regulation by various state gaming or racing authorities and the rates of taxation on gaming revenues) and delays in regulatory licensing processes;

(ii) competitive and general economic conditions in our markets, including when the slot parlor licensed for downtown Pittsburgh, Pennsylvania completes construction and successfully opens, and whether the harness horseracing track recently licensed in Lawrence County, Pennsylvania obtains a slot machine license, is constructed and successfully opens, the impact of the planned April 2009 opening of the permanent facility and increase in the number of games at The Meadows Racetrack & Casino in Washington, Pennsylvania, and the legalization of new forms of gaming in states within our target markets;

(iii) the success and growth of table gaming at Mountaineer to distinguish Mountaineer from slots-only competitors and increase revenue and profitability of Mountaineer's hotel, food and beverage, and other amenities;

(iv) construction factors relating to maintenance and expansion of operations, including litigation, delays, zoning issues, environmental restrictions, site conditions, weather or other hazards;

(v) volatility and disruption of the capital and credit markets and adverse changes in the global and U.S. economies, which may negatively impact our revenues and ability to access financing;

(vi) dependence on Mountaineer and Presque Isle Downs for the majority of our revenues and cash flows;

(vii) dependence upon key personnel and the ability to attract new personnel;

(viii) weather or road conditions limiting access to our properties;

(ix) the ability to refinance existing debt, or obtaining additional financing, if and when needed, and the impact of leverage and debt service requirements; and

(x) the delisting of our common stock from the NASDAQ Global Select Market that may occur if the closing bid price falls below $1.00 per share for 30 consecutive days.

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We do not intend to update publicly any forward-looking statements, except as may be required by law.

Overview

MTR Gaming Group, Inc. (the "Company" or "we"), through our wholly-owned subsidiaries, owns and operates The Mountaineer Casino, Racetrack & Resort in Chester, West Virginia; Presque Isle Downs & Casino in Erie, Pennsylvania; and Scioto Downs in Columbus, Ohio. We consider these three properties, which are located in contiguous states, to be our core assets. We also own a 50% interest in North Metro Harness Initiative, LLC, which operates Running Aces Harness Park in Anoka County, Minnesota, and a 90% interest in Jackson Trotting Association, LLC.

During 2008 we sold our two properties located in Las Vegas, Nevada, Binion's Gambling Hall & Hotel and Ramada Inn and Speedway Casino, which we owned and operated through wholly-owned subsidiaries. Also during 2008, we ceased the operations of racing and simulcast wagering at Jackson Harness Raceway that operated on land leased in Jackson, Michigan, for which a wholly-owned subsidiary held a 90% interest. Through a combination of the proceeds from the sales of our Nevada properties, proceeds from the sale of certain other assets and cash flow from operations, during 2008 we reduced our indebtedness by approximately $54 million.

With the sale of our Nevada properties, closure of our unprofitable Michigan racetrack, the completion of our major construction projects, the full implementation of table gaming at our Mountaineer facility, and the hiring of a new Chief Executive Officer, we refocused our efforts from development to operations with the goal of improving our operating margins at our core properties and reducing our debt.

We were incorporated in March 1988 in Delaware under the name "Secamur Corporation," a wholly-owned subsidiary of Buffalo Equities, Inc. In 1996, we were renamed MTR Gaming Group, Inc and since 1998, we have operated only in the racing, gaming and entertainment businesses.

Properties

The Mountaineer Casino, Racetrack & Resort

Mountaineer is one of only four racetracks in West Virginia permitted to operate slot machines and one of only three racetracks in West Virginia currently permitted to operate traditional casino table gaming. Mountaineer is located on the Ohio River at the northern tip of West Virginia's northwestern panhandle, approximately thirty miles from the Pittsburgh International Airport and an hour's drive from downtown Pittsburgh. Since acquiring Mountaineer in 1992, we continue to focus on expanding the reach of our extensive customer base and improving our operating results. As a result, Mountaineer has become a diverse gaming, entertainment and convention complex with:

- 122,000 square feet of gaming space housing 3,184 slot machines, 40 poker tables, which we began operating in October 2007, and 55 casino table games (including blackjack, craps, roulette and other games), which we began operating in late December 2007;

- 357 hotel rooms, including the 256-room, 219,000 square foot Grande Hotel at Mountaineer, which offers 29 suites, a full-service spa and salon, a gourmet coffee shop, a 104-seat upscale steakhouse and various casual food and beverage outlets, a retail plaza and an indoor and outdoor swimming pool;

- 13,500 square feet of convention space, which can accommodate seated meals for groups of up to 575, as well as smaller meetings in more intimate break-out rooms that can accommodate 75 people and entertainment events for approximately 1,300 guests;

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- live thoroughbred horse racing on a one-mile dirt surface or a 7/8 mile grass surface with expansive clubhouse, restaurant, bars and concessions, as well as grandstand viewing areas with enclosed seating for 770 patrons and 2,800 patrons, respectively;

- on-site parimutuel wagering and thoroughbred, harness and greyhound racing simulcast from other prominent tracks, as well as wagering on Mountaineer's races at over 1,000 sites to which the races are simulcast;

- Woodview, an eighteen-hole par 71 golf course measuring approximately 6,550 yards located approximately seven miles from Mountaineer;

- a 69,000 square foot theater and events center, known as the "Harv", that seats approximately 5,000 patrons for concerts and other entertainment offerings;

- a 12,000 square foot fitness center which has a full complement of weight training and cardiovascular equipment, as well as a health bar, locker rooms with steam and sauna facilities, and outdoor tennis courts; and

- surface parking for approximately 5,400 cars.

Mountaineer's revenues and profits are driven primarily by its gaming operations and to a lesser extent its lodging, food and beverage operations, parimutuel wagering, convention center, events center, and recreational facilities fees.

Presque Isle Downs & Casino

Presque Isle Downs & Casino opened on February 28, 2007 in Erie, Pennsylvania, is our first "green field" project and represents the culmination of planning, land acquisition, licensing, construction, financing and lobbying that began in the spring of 2001. The 140,000 square foot clubhouse consists of:

- gaming space housing 2,000 ticket-in, ticket-out slot machines, including automated table gaming devices;

- several dining options, including an up to 250-seat buffet, a 60-seat upscale steakhouse, a clubhouse restaurant and several bars, as well as entertainment; and

- surface parking for approximately 3,225 cars.

On September 1, 2007, Presque Isle Downs commenced live thoroughbred racing on a one-mile track with a state-of-the-art synthetic racing surface, grandstand, barns, paddock and related facilities, as well as on-site parimutuel wagering and thoroughbred and harness racing simulcast from other prominent tracks, as well as wagering on Presque Isle Downs' races at over 300 sites to which the races are simulcast. We expect to hold live racing at least 100 days per year, primarily between May and September. Racing fans will have approximately 1,000 seats located both indoors and out.

Scioto Downs

In July 2003, we acquired 100% of the stock of Scioto Downs, Inc., which owns and operates a harness horse racetrack in Columbus, Ohio. The property includes: the racetrack, which conducts live harness racing from May through mid-September and simulcasting from May through mid-October; a grandstand that will accommodate 10,000 patrons; an enclosed clubhouse that will accommodate 1,500 patrons; approximately 6,000 parking spaces; and barns, paddock and related facilities for the horses, drivers, and trainers.

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Running Aces Harness Park

In June 2004, our wholly-owned subsidiary, MTR-Harness, Inc., acquired a 50% interest in the North Metro Harness Initiative, LLC, then a wholly-owned subsidiary of Southwest Casino Corporation. In early 2008, North Metro completed construction of a harness racetrack and card room on a 178.4-acre site approximately 30 miles northeast of Minneapolis, Minnesota. Running Aces Harness Park commenced live racing and simulcast operations (import and export) with parimutuel wagering on April 11, 2008, and opened a 50-table card room offering "non-banked" games (those in which the players play only against each other instead of against the house) on June 30, 2008.

On October 19, 2008, Southwest Casino Corporation sold its 50% membership interest in North Metro to Black Diamond Commercial Finance, LLC (North Metro's lender), for (i) $1.00; (ii) relief from a $1 million guarantee by Southwest of North Metro's obligations; (iii) a right to repurchase the membership interest; and (iv) certain other considerations. Although we have been in discussions with Black Diamond, we have not entered into similar agreements and continue to own our 50% membership interest in North Metro. Black Diamond has requested that we make additional investments in North Metro; however under the terms of our Fifth Amended and Restated Credit Agreement, as amended, we do not have the ability to provide further financial support to North Metro. Since acquiring 50% of the venture, Black Diamond has hired a management company to run the day-to-day operations, and on March 2, 2009, removed the board seat held by MTR-Harness, Inc, from North Metro's board of directors. Our interest in North Metro is pledged to Black Diamond as collateral for the construction loan.

On October 31, 2008, the Black Diamond credit agreement was amended to provide for additional loans to North Metro of up to $1,250,000 (with the making of such additional loans being subject to Black Diamond's sole and absolute discretion). Concurrently, Black Diamond lent North Metro an additional $650,000, of which $430,313 was applied to pay Black Diamond interest in arrears and of which $219,687 was lent to North Metro for additional working capital. On November 3, 2008, Black Diamond and MTR-Harness entered into a Forbearance Agreement pursuant to which Black Diamond agreed not to enforce, until November 25, 2008, its rights under the Black Diamond credit agreement arising from the failure of North Metro to satisfy certain financial covenants, including the satisfaction of a minimum EBITDA threshold, a maximum leverage threshold, and a minimum cash requirement. On November 24, 2008, Black Diamond and MTR-Harness entered into an additional Forbearance Agreement pursuant to which Black Diamond agreed not to enforce, prior to January 19, 2009, its rights under the Black Diamond credit agreement arising from the failure of North Metro to satisfy certain financial covenants, including the satisfaction of a minimum EBITDA threshold, a maximum leverage threshold, and a minimum cash requirement. While Black Diamond has reserved all rights under the credit agreement, it has not taken any action with respect to MTR-Harness or the Company (other than the removal of MTR-Harness' board seat from North Metro's board of directors).

Jackson Harness Raceway

On December 6, 2005, our wholly-owned subsidiary, Jackson Racing, Inc., acquired a 90% interest in Jackson Trotting Association, LLC, which operated Jackson Harness Raceway in Jackson, Michigan, and offered harness racing from late-April to mid-July, parimutuel wagering and casual dining.

Based upon projected operating losses, our inability to provide further funding to Jackson Trotting and an assessment of the potential for legislation permitting gaming operations at the racetracks in Michigan, Jackson Trotting ceased the operations of racing and simulcast wagering at Jackson Harness Raceway on December 4, 2008, and surrendered the racing license to the Michigan Racing Commission. Accordingly, live and simulcast racing will not be scheduled in 2009.

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Ramada Inn and Speedway Casino

On June 3, 2008, our wholly-owned subsidiary, Speakeasy Gaming of Las Vegas, Inc., sold the gaming assets of the Ramada Inn and Speedway Casino, located in North Las Vegas, Nevada, to Lucky Lucy D, LLC in accordance with the terms of an Asset Purchase and Sale Agreement dated January 11, 2008. Pursuant to the terms of the agreement, Lucky Lucy paid $2.0 million in cash for the gaming assets and is obligated to pay an additional amount of up to $4.775 million subject to an earn-out provision based on the property's gross revenues over the four-year period that commenced January 11, 2008. Any proceeds that are received will be recorded as the amounts are realized. This sale was the second part of the transaction, the first part of which involved the sale of Speedway's real property to Ganaste LLC on January 11, 2008. A shareholder of Ganaste LLC is the sole owner of Lucky Lucy. Ganaste paid $11.4 million in cash for the real property.

Binion's Gambling Hall & Hotel

On March 7, 2008, we sold 100% of the stock of our wholly-owned subsidiaries, Speakeasy Gaming of Fremont, Inc., which owned and operated Binion's Gambling Hall & Hotel located in Las Vegas, Nevada, and Speakeasy Fremont Experience Operating Company in accordance with the terms of a Stock Purchase Agreement dated June 26, 2007 (as subsequently amended), executed between the Company and TLC Casino Enterprises, Inc. The transaction was subject to purchase price adjustments based on changes in the net working capital, certain capital expenditures between execution and closing, and a $3.5 million working capital adjustment which remained with Binion's upon closing. Net cash to the Company at closing was approximately $28.0 million, of which $27.6 million was utilized to reduce amounts outstanding under our credit facility. In January 2009, the post-closing purchase price adjustment was settled with TLC Casino Enterprises, Inc. Accordingly, we paid TLC the total amount due of approximately $1.5 million.

Business Strategy

Our business strategy is to drive revenues and profits from our core racetrack-based gaming properties in West Virginia and Pennsylvania, while limiting the carrying costs or otherwise maximizing our investments in our other properties, thus becoming a diversified, regional racino company. Specifically, we intend to: (i) continue to capitalize on recently legalized table gaming to drive revenue growth and improve operating margins at Mountaineer, as we believe table gaming improves Mountaineer's ability to compete by both distinguishing Mountaineer from slots-only facilities in Pennsylvania and in West Virginia's bars and fraternal organizations and attracting patrons with more disposable income and a greater propensity to utilize Mountaineer's high-end amenities; (ii) grow our patron base at Presque Isle Downs (which commenced operations on February 28, 2007) and cross-market Presque Isle Downs with Mountaineer; (iii) promote the passage of slot machine gaming at Scioto Downs; and (iv) cut corporate overhead expenses and continue to sell non-core assets, such as land holdings in West Virginia and Pennsylvania, for which we may utilize the net proceeds from such sales to reduce our debt.

- *Capitalize on Table Gaming at Mountaineer*

Mountaineer began offering poker in October 2007 and casino table games in late December 2007. We expect table gaming's impact on Mountaineer's operations to be far more broad than the incremental revenue from the table games themselves. We believe that table games has increased Mountaineer's customer base and attracts more affluent patrons, resulting in increased utilization of Mountaineer's luxury hotel, spa, steak house and entertainment offerings. Equally important, with only one other casino offering table gaming within a 225 mile radius of Mountaineer, we believe Mountaineer will enjoy a competitive advantage over limited video lottery machines permitted in West Virginia's local bars and fraternal organizations and Pennsylvania's slots-only casinos.

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- *Grow Customer Base at Presque Isle Downs; Cross Marketing with Mountaineer*

During 2008, Presque Isle Downs' management team focused on optimizing head counts, responding to customer preferences regarding types of machines and wagering limits, and eliminating inefficiencies inherent in a start-up operation. We intend to grow the customer base at Presque Isle Downs through customer-based (as opposed to informational) advertising campaigns. In late June 2008, having obtained all necessary regulatory approvals, we implemented a single frequent player's reward program for use at both Presque Isle Downs and Mountaineer. We believe the resulting cross marketing opportunities will benefit both properties.

- *Pursuing Legislation for Additional Forms of Gaming at our Properties*

We have been pursuing and intend to continue to pursue legislation for video lottery or slot machine gaming at racetracks in Ohio. We believe that such legislation will result in improvement of our business prospects and financial condition. Enhanced gaming at our properties will create new jobs and a new source of revenue, increase foot traffic at our properties, and provide a competitive advantage. We are also pursuing regulatory approval of non-taxable promotional play for our slot machines in West Virginia. This program, which allows the casino to offer patrons the ability to play a slot machine without having to wager money (and without the wager being taxable to the casino), is available to players at casinos in neighboring Pennsylvania.

Competition

We face substantial competition in each of the markets in which our facilities are located. See "Item 1A. Risk Factors—Risks Related to Our Business" which is included elsewhere in this report.

Gaming Operations

Specific competitive factors relating to our primary gaming markets include the following:

Mountaineer. In recent years, the number of gaming options available to consumers in our West Virginia area market has increased considerably. While there are three other tracks in West Virginia that offer slot machine gaming, only one, Wheeling Downs, lies within Mountaineer's primary market (a 150-mile radius), located approximately 50 miles to the south in Wheeling, West Virginia. That competitor currently operates approximately 1,900 slot machines, 20 poker tables, and 43 casino table games. Additionally, West Virginia permits limited video lottery machines ("LVL's") in local bars and fraternal organizations. The law authorizes up to 9,000 slot machines in adults-only facilities throughout West Virginia. No more than five slot machines are allowed in each establishment licensed to sell alcoholic beverages; and no more than ten slot machines are allowed in each licensed fraternal organization. As of March 1, 2009, there were a total of approximately 1,400 LVL's in bars and fraternal organizations in Hancock County (where Mountaineer is located) and the two neighboring counties (Brook and Ohio Counties). Although the bars and fraternal organizations housing these machines lack poker and table gaming, as well as the amenities and ambiance of our resort, they do compete with us, particularly for the local patronage. During 2008, with respect to West Virginia casinos and LVL's within our target market, Mountaineer's market share was 47%, compared to 36% for Wheeling Downs and 17% for the LVLs. Including slot casinos in Western Pennsylvania, Mountaineer's and Presque Isle Downs' market shares were 25% and 20%, respectively, compared to 19% for Wheeling Downs, 9% for the LVLs, and 27% for The Meadows Racetrack & Casino.

Pennsylvania's slot machine law contemplates the installation of slot machines at up to fourteen locations: (i) seven racetracks (including Presque Isle Downs) each with up to 3,000 slots initially and with the ability to apply to the Pennsylvania Gaming Control Board for up to 5,000 slots (five of which, in addition to Presque Isle Downs, have opened); (ii) five stand-alone slot parlors with up to 5,000 slots (one of which has opened); and (iii) two resort locations with up to 500 slots each. In June 2007, The

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Meadows Racetrack & Casino, a harness racetrack approximately 40 miles southeast of Mountaineer, opened its temporary slots casino with 1,825 slot machines, and is expected to open its permanent casino with over 3,000 slot machines and various food and beverage outlets in April 2009. In December 2006, the Pennsylvania Gaming Control Board approved a license for a stand-alone slot parlor to be located in downtown Pittsburgh, approximately a one-hour drive from Mountaineer and a two-hour drive from Presque Isle Downs. The owners of the planned Pittsburgh facility announced that they intend to open Rivers Casino with 3,000 slot machines and five food and beverage outlets in August 2009. Additionally, in September 2007, the Pennsylvania Harness Horse Racing Commission granted a license to build Valley View Downs in Lawrence County, Pennsylvania, approximately 45 miles from Mountaineer and 90 miles from Presque Isle Downs; and in November 2007, Valley View applied to the Pennsylvania Gaming Control Board for the final Category 1 racetrack slot machine license. The Gaming Control Board has taken no action on the application, and in September 2008, the owners of the project announced that they have no financing for the project and intended to sell the opportunity. When the downtown Pittsburgh facility successfully opens, Mountaineer will compete with it for slot patrons. Likewise, if Valley View Downs obtains a slot license and successfully opens a slot facility, it too would represent new competition for Mountaineer.

Presque Isle Downs. Presque Isle Downs competes principally with the Seneca Allegany Casino & Hotel in Salamanca, New York, approximately seventy-five miles away. That facility has approximately 2,300 slot machines, 40 table games, and a 212-room hotel with resort amenities and has announced plans to expand its hotel; however such plans have been temporarily suspended. Presque Isle Downs will also face competition from the Rivers Casino in downtown Pittsburgh when it opens as well as from slots at Valley View Downs in Lawrence County, Pennsylvania if that project receives a slot machine license, is successfully constructed, and opens.

All of our gaming operations also compete to a lesser extent with operations in other locations, including Native American lands, and with other forms of legalized gaming in the United States, including state-sponsored lotteries, on- and off- track wagering, high-stakes bingo, card parlors, and the emergence of Internet gaming. In addition, casinos in Canada have likewise recently begun advertising in our target markets.

Racing and Parimutuel Operations

Mountaineer. Mountaineer's racing and parimutuel operations compete directly for wagering dollars with Wheeling Downs, which is located approximately 50 miles from Mountaineer; Thistledown and Northfield Park, which are located approximately 85 miles to the northwest of Mountaineer in Cleveland, Ohio; and The Meadows, located approximately 40 miles southeast of Mountaineer in Washington, Pennsylvania. Wheeling Downs conducts parimutuel greyhound racing and casino gaming. Thistledown and Northfield Park conduct parimutuel horse racing but not video lottery or slot gaming. The Meadows conducts live harness racing, simulcasting and slot gaming. Mountaineer would also compete for parimutuel wagering patrons with Valley View Downs in Lawrence County, Pennsylvania, approximately 45 miles from Mountaineer, if it is constructed and opened. Since commencing export simulcasting in August 2000, Mountaineer competes with racetracks across the country to have its signal carried by off-track wagering parlors. Mountaineer also competes for wagering dollars with off-track wagering facilities in Ohio and Pennsylvania, and competes with other racetracks for participation by quality racehorses.

Presque Isle Downs. Presque Isle Downs faces competition from other racetracks in Pennsylvania and off-track wagering facilities in Pennsylvania and West Virginia, as well as from casinos in Western New York. Presque Isle Downs will also compete with Valley View Downs if it is constructed and opens.

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Scioto Downs. Scioto Downs competes directly with other racetracks in Ohio, including River Downs Horse Racing in Cincinnati, Ohio; and to a lesser extent, casino gambling in Indiana and in Michigan. Further, Scioto Downs faces competition from off-track wagering facilities in Ohio, Pennsylvania and West Virginia.

Employees

As of March 1, 2009, we had approximately 2,900 employees in total.

Mountaineer. Mountaineer has approximately 1,825 employees. Approximately 55 of Mountaineer's employees are represented by a union covering our parimutuel clerks and certain employees providing off-track betting services. We have an agreement in place with the parimutuel clerks until November 30, 2009. In addition, approximately 110 employees are represented by a union covering our VLT gaming employees pursuant to a collective bargaining agreement that expires March 1, 2011.

Presque Isle Downs. Presque Isle Downs employs approximately 630 people, which increases by approximately 245 during racing.

Scioto Downs. There are approximately 15 employees at Scioto Downs, which increases by approximately 210 during racing which is conducted from May through September.

Regulation and Licensing

General

All of our gaming and racing operations are subject to extensive regulation under the laws and regulations of each of the jurisdictions in which we operate and could be subjected at any time to additional or more restrictive regulations. Gaming laws are generally designed to protect gaming consumers and the integrity of the gaming industry and to keep the industry free of inappropriate or criminal influences. Gaming laws are also designed to maximize state and local revenues derived through taxes and licensing fees imposed on gaming industry participants as well as to enhance economic development, tourism, and participation of minorities in employment, contracting, and ownership. To accomplish these public policy goals, gaming laws establish procedures to ensure that participants in the gaming industry meet certain standards of character and fitness. In addition, gaming laws require gaming industry participants to:

- establish procedures designed to prevent cheating and fraudulent practices;
- establish and maintain responsible accounting practices and procedures;
- establish practices to promote diversity in hiring, contracting and ownership;
- maintain effective controls over their financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- maintain systems for reliable record keeping;
- file periodic reports with gaming regulators; and
- establish programs to promote responsible gaming and inform patrons of the availability of help for problem gaming.

Typically, these requirements are set forth by statute and administered by a regulatory agency (either a lottery commission, gaming commission or gaming control board) with broad discretion to

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regulate owners, managers, and persons with financial interests in gaming operations. Among other things, gaming authorities in the various jurisdictions in which we operate:

- adopt rules and regulations under the implementing statutes;
- interpret and enforce gaming laws;
- impose disciplinary sanctions for violations, including fines and penalties;
- review the character and fitness of participants in gaming operations and make determinations regarding their suitability or qualification for licensure;
- grant licenses for participation in gaming operations;
- collect and review reports and information submitted by participants in gaming operations;
- review and approve transactions, such as acquisitions or change-of-control transactions of gaming industry participants, securities offerings and debt transactions engaged in by such participants; and
- establish and collect fees and taxes.

Any change in the laws or regulations of a gaming jurisdiction could have a material adverse effect on our gaming operations.

Licensing and Suitability

Gaming laws require us, each of our subsidiaries engaged in gaming operations, certain of our directors, officers and employees, and in some cases, certain of our shareholders and holders of our debt securities, to obtain licenses or approvals (or seek waivers) from gaming authorities. Licenses typically require a determination that the applicant qualifies or is suitable to hold the license, a determination over which gaming authorities have very broad discretion. Criteria used in determining whether to grant a license to conduct gaming operations, while varying among jurisdictions, generally include consideration of factors such as:

- the financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the state and exhibits the ability to maintain adequate insurance levels;
- the quality of the applicant's casino facilities;
- the amount of revenue to be derived by the applicable state from the operation of the applicant's casino;
- the applicant's practices with respect to minority hiring and training; and
- the effect on competition and general impact on the community.

In evaluating individual applicants, gaming authorities consider the individual's business experience and reputation for good character, the individual's criminal history and credit, and the character of those with whom the individual associates. In addition to us and our subsidiaries engaged in gaming operations, gaming authorities may investigate any individual who has a material relationship to or material involvement with, any of these entities to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Our officers, directors and certain key employees must file applications with the gaming authorities and may be required to be licensed, qualified or be found suitable in many jurisdictions. Gaming authorities may deny an application for licensing for any cause which they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a

thorough investigation. The applicant must pay all the costs of the investigation. Changes in licensed positions must be reported to

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gaming authorities and in addition to their authority to deny an application for licensure, qualification or a finding of suitability, gaming authorities have jurisdiction to disapprove a change in a corporate position. If one or more gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with us, we would be required to sever all relationships with such person. In addition, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, certain of our stockholders or holders of our debt securities may be required to undergo a suitability investigation similar to that described above. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of our voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability. Most gaming authorities, however, allow an "institutional investor" to apply for a waiver. An "institutional investor" is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or those of any of our gaming affiliates, or the taking of any other action which gaming authorities find to be inconsistent with holding our voting securities for investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by gaming authorities may be denied a license or found unsuitable, as applicable. Any stockholder found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our voting securities beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we: (i) pay that person any dividend or interest upon our voting securities; (ii) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person; (iii) pay remuneration in any form to that person for services rendered or otherwise; or (iv) fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of that person's voting securities for cash at fair market value.

The gaming laws in some of the jurisdictions in which we operate also require that suppliers of certain goods and services to gaming industry participants be licensed and require us to purchase and lease gaming equipment, supplies and services only from licensed suppliers.

Licenses in most of the jurisdictions in which we conduct gaming operations are granted for limited durations and require renewal from time to time. The failure to renew any of our licenses could have a material adverse effect on our gaming operations.

Violations of Gaming Laws

If we or our subsidiaries violate applicable gaming laws, our gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we and any other persons involved could be subject to substantial fines. Furthermore, violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, violations by us of applicable gaming laws could have a material adverse effect on our gaming operations.

Some gaming jurisdictions prohibit certain types of political activity by a gaming licensee, its officers, directors and key people. A violation of such a prohibition may subject the offender to criminal and/or disciplinary action.

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Reporting and Record-Keeping Requirements

We are required periodically to submit detailed financial and operating reports and furnish any other information about us and our subsidiaries which gaming authorities may require. Under federal law, we are required to record and submit detailed reports of currency transactions involving greater than $10,000 at our casinos as well as any suspicious activity that may occur at such facilities. We are required to maintain a current stock ledger which may be examined by gaming authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to gaming authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may, and in certain jurisdictions do, require certificates for our securities to bear a legend indicating that the securities are subject to specified gaming laws.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions by us and our subsidiaries must be reported to and in some cases approved by gaming authorities. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise are subject to receipt of prior approval of gaming authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction. The Pennsylvania Gaming Control Board may impose a re-licensing fee of up to $50 million in connection with a change in control. To date, however, as a matter of policy, the Pennsylvania Gaming Control Board has set the re-licensing fee in the event of a change of control at $2.5 million.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions, including some of the counties and cities in which our operations are conducted, in connection with our casino gaming operations, computed in various ways depending on the type of gaming or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable with varying frequency. License fees and taxes are based upon such factors as:

- a percentage of the gross gaming revenues received;
- the number of gaming devices and table games operated; and
- in the case of Pennsylvania and West Virginia, certain minimum annual amounts.

In West Virginia, gaming tax rates increase after gross gaming revenues exceed a threshold (in our case, approximately $160 million per year based on the state's June 30 fiscal year). Furthermore, tax rates are subject to change, sometimes with little notice, and such changes could have a material adverse effect on our gaming operations.

In addition to taxes specifically unique to gaming, we are required to pay all other applicable taxes.

Operational Requirements

In most jurisdictions, we are subject to certain requirements and restrictions on the conduct of our gaming operations. In some states, we are required to give preference to local suppliers and include minority and women-owned businesses as well as in general business activity. Similarly, we may be required to give employment preference to minorities, women and in-state residents in certain

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jurisdictions. Moreover, many jurisdictions require a gaming operation to maintain insurance and post bonds in amounts determined by their gaming authority.

In addition, our ability to conduct certain types of games, introduce new games or move existing games within our facilities may be restricted or subject to regulatory review and approval. Some of our operations are subject to restrictions on the number of gaming positions we may have and the maximum wagers allowed to be placed by our customers.

In Pennsylvania, as the holder of a Category 1 license, Presque Isle Downs will be required to create a fund to be used for the improvement and maintenance of the backside area of the racetrack. Generally, a Category 1 licensee must deposit into the fund $5 million over the initial five-year period of the license and an amount not less than $250,000 or more than $1 million annually for the five years thereafter. However, as a new racetrack, Presque Isle Downs is exempt from the $5 million requirement and will not be required to begin the $250,000 payments until 2017. In September 2008, Pennsylvania implemented restrictions on smoking in casinos. Currently, 50% of Presque Isle Downs' slot machines must be located in non-smoking sections.

Racetracks

In West Virginia and Pennsylvania our ability to conduct gaming operations is conditioned on the maintenance of racing licenses and agreements or certain arrangements with horsemen's or labor groups. See "Item 1A. Risk Factors—Risks Related to Our Business" which is included elsewhere in this report.

Regulations governing our horse racing operations are administered separately from the regulations governing gaming operations, with separate licenses and license fee structures. The racing authorities responsible for regulating our racing operations have broad oversight authority, which may include: annually reviewing and granting racing licenses and racing dates; with respect to Pennsylvania, approving the opening and operation of off track wagering facilities; approving simulcasting activities; licensing all officers, directors, racing officials and certain other employees of a racing licensee; and approving all contracts entered into by a racing licensee affecting racing and pari-mutuel wagering operations.

Environmental Matters

We are subject to various federal, state and local environmental laws and regulations that govern activities that may have adverse environmental effects, such as discharges to air and water, as well as the management and disposal of solid and hazardous wastes. These laws are complex, and subject to change. Under such laws and regulations, we may incur costs to obtain permits and other approvals required for our activities and operations, or to achieve or maintain compliance. For example, we may incur future costs under existing and new regulations pertaining to storm water and wastewater management at our racetracks. In addition, we may face penalties or other liabilities in the event that we fail to comply with these laws and regulations. For instance, water discharges from our racetrack operations at our Mountaineer facility were the subject of past enforcement actions by state regulators. We satisfied the requirements of those past proceedings, and recently obtained an extension of time until not later than January 26, 2011 to achieve compliance with the final requirement of our applicable permit.

We also are subject to laws and regulations that create liability and cleanup responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating hazardous substances or petroleum products on its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. The presence of, or failure to

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remediate properly, such substances may materially adversely affect the ability to sell or rent such property or to borrow funds using such property as collateral. Additionally, the owner of a site may be subject to claims by third parties based on damages and costs resulting from environmental contamination emanating from a site.

In connection with our property acquisitions, we have conducted environmental assessments of substantially all our properties. Based on these assessments, we have identified soil and/or groundwater contamination and other issues (such as the presence of wetlands or asbestos) at certain of our properties that may require further action or involve regulatory oversight. Generally, the contamination issues relate to prior uses of our properties by the prior landowners and operators. For example, in connection with the acquisition of a site in Pennsylvania that was formerly operated as a paper manufacturing plant, we entered into a consent order and agreement with the Pennsylvania Department of Environmental Protection in which we agreed to clean up certain portions of the site. At the time of our purchase, cleanup costs (as a component of overall site development and earthwork costs) were estimated at $3 million. We have since sold the portion of the property that will require further work to a third party who has agreed to undertake the work required under such consent order agreement and to pay any and all such costs. However, in the event that the purchaser fails to honor its obligations, we could incur costs related to this matter in the future. In addition, we are engaged in investigation or remediation efforts at several other of our properties.

We anticipate spending up to approximately $1 million during 2009 and approximately $6 million in the aggregate over the succeeding two fiscal years for capital expenditures related to environmental control facilities associated with our horseracing facilities in West Virginia and Ohio.

Compliance with Other Laws

We are also subject to a variety of other rules and regulations, including zoning, construction and land use laws and regulations, and laws governing the serving of alcoholic beverages in all of the states in which we operate. Mountaineer, Presque Isle Downs, Scioto, the Speedway property and Jackson Harness derive other revenues from the sale of alcoholic beverages. Any interruption or termination of the ability to serve alcoholic beverages at those properties would have a material adverse effect on our business, financial condition and results of operations.

Available Information

For more information about us, visit our website at *www.mtrgaming.com.* Our electronic filings with the Securities and Exchange Commission (including all annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to these reports), including the exhibits, are available free of charge through our website as soon as reasonably practicable after we electronically file them with or furnish them to the Securities and Exchange Commission. Additionally, the West Virginia Lottery Commission and the Pennsylvania Gaming Control Board maintain websites through which they periodically (generally weekly) report our revenue from gaming operations and other information. We have no control over the information posted to these websites and cannot assure the accuracy of such information.

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ITEM 1A. RISK FACTORS.

Risks Related to Current Economic Conditions

The volatility and disruption of the capital and credit markets and adverse changes in the U.S. and global economies may negatively impact our revenues and our ability to access financing.

During the past eighteen months, a confluence of many factors has contributed to diminish expectations for the U.S. economy and increase market volatility for publicly traded securities, including the common shares of publicly owned companies. These factors include the availability and cost of credit, declining business and consumer confidence and increased unemployment. These conditions have combined to create an unprecedented level of market volatility, which we believe has influenced the price of our shares. These economic conditions have also affected lenders who provide capital that we use to support elements of our business strategy.

While we intend to finance capital projects with cash on hand, cash flow from operations and proceeds from the sale of non-core assets, we may require additional financing to support our growth. Borrowings under our credit facility will be limited by the mandatory scheduled commitment reductions. Moreover, we will need to refinance our $130 million 9.75% senior unsecured notes and our credit facility. However, due to the existing uncertainty in the capital and credit markets, we may not have access to sufficient capital on terms acceptable to us (and in the case of the refinance of the senior unsecured notes, acceptable to our senior secured lenders) or at all. See "*Risks Related to Our Capital Structure*" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—*Liquidity and Sources of Capital*" which is included elsewhere in this report. Further, if adverse regional and national economic conditions persist or worsen, we could experience material decreases in revenues from our operations attributable to decreases in consumer spending levels and could fail to satisfy covenants imposed by our existing debt agreements.

Risks Related to Our Business

We depend on Mountaineer and Presque Isle Downs for the majority of our revenues, and, therefore, any risks faced by those operations could have a material impact on our results of operations.

We currently remain dependent upon Mountaineer and Presque Isle Downs for the majority of our revenues and cash flows. While slot operations at Presque Isle Downs (which commenced on February 28, 2007) have helped diversify our revenue sources, we nevertheless may be subject to greater risks than a geographically diversified gaming operation, including, but not limited to the following risks faced by our Mountaineer and Presque Isle Downs operations:

- risks related to local and regional economic and competitive conditions, such as a decline in the number of visitors, a downturn in the overall economy in Mountaineer's and Presque Isle Downs' markets, a decrease in gaming activities in those markets or an increase in competition, including, but not limited to, competition from limited video lottery machines in local bars and fraternal organizations in West Virginia and continued competition from existing and future gaming facilities in Pennsylvania;

- changes in local and state governmental laws and regulations (including changes in laws and regulations affecting gaming operations and taxes) applicable to Mountaineer or Presque Isle Downs;

- impeded access to Mountaineer or Presque Isle Downs due to weather, floods, road construction or closures of primary access routes;

- work stoppages at Mountaineer or Presque Isle Downs;

- risks related to acts of terrorism, international conflicts or breaches of security affecting Mountaineer or Presque Isle Downs; and

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- natural and other disasters affecting Mountaineer's or Presque Isle Downs' market.

The occurrence of any of these or similar events could have a material adverse effect on our business, financial condition and results of operations.

We face significant competition from other gaming and racing facilities, and increased competition could have a material adverse effect on us.

Gaming Operations. We face substantial competition in each of the markets in which our gaming facilities are located. Some of the competitors have significantly greater name recognition and financial and marketing resources than we do; some are permitted to conduct additional forms of gaming; and some pay substantially lower taxes than we do, which may permit them to spend more for marketing and promotions and thus gain a competitive advantage over us. All of our gaming operations primarily compete with other gaming operations in their geographic areas. New expansion and development activity is occurring in each of the relevant markets. These factors, as well as the legalization of other forms of gaming, such as casino table gaming, in the markets in which our gaming facilities are located, may intensify competitive pressures and could have a material adverse effect on us.

Specifically, in West Virginia we continue to face competition from limited video lottery machines ("LVLs") in local bars and fraternal organizations. The law authorizes up to 9,000 slot machines in adults-only facilities throughout West Virginia. No more than five slot machines are allowed in each establishment licensed to sell alcoholic beverages; and no more than ten slot machines are allowed in each licensed fraternal organization. In addition, Pennsylvania's slot machine law contemplates the installation of slot machines at up to fourteen locations: (i) seven racetracks (including Presque Isle Downs) each with up to 3,000 slots initially and with the ability to apply to the Pennsylvania Gaming Control Board for up to 5,000 slots (five of which, in addition to Presque Isle Downs, have opened); (ii) five stand-alone slot parlors with up to 5,000 slots (one of which has opened); and (iii) two resort locations with up to 500 slots each. In June 2007, The Meadows Racetrack & Casino, a harness racetrack approximately 40 miles southeast of Mountaineer, opened its temporary slots casino with 1,825 slot machines, and is expected to open its permanent casino with over 3,000 slot machines and various food and beverage outlets in April 2009. In December 2006, the Pennsylvania Gaming Control Board approved a license for a stand-alone slot parlor to be located in downtown Pittsburgh, approximately a one-hour drive from Mountaineer and a two-hour drive from Presque Isle Downs. The owners of the planned Pittsburgh facility announced that they intend to open Rivers Casino with 3,000 slot machines and five food and beverage outlets in August 2009. Additionally, in September 2007, the Pennsylvania Harness Horse Racing Commission granted a license to build Valley View Downs in Lawrence County, Pennsylvania, approximately 45 miles from Mountaineer and 90 miles from Presque Isle Downs; and in November 2007, Valley View applied to the Pennsylvania Gaming Control Board for the final Category 1 racetrack slot machine license. The Gaming Control Board has taken no action on the application, and in September 2008, the owners of the project announced that they had no financing for the project and intended to sell the opportunity. When the downtown Pittsburgh facility successfully opens, Mountaineer will compete with it for slot patrons. Likewise, if Valley View Downs obtains a slot license and successfully opens a slot facility, it too would represent new competition for Mountaineer.

Presque Isle Downs competes principally with the Seneca Allegany Casino & Hotel in Salamanca, New York, approximately seventy-five miles away. That facility has approximately 2,300 slot machines, 40 table games, and a 212-room hotel with resort amenities. All of our gaming operations also compete to a lesser extent with operations in other locations, including Native American lands, and with other forms of legalized gaming in the United States, including state-sponsored lotteries, on- and off- track wagering, high-stakes bingo, card parlors, and the emergence of Internet gaming. In addition, casinos in Canada have likewise recently begun advertising in our target markets.

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Racing and Parimutuel Operations. Mountaineer's racing and parimutuel operations compete directly for wagering dollars with Wheeling Downs, which is located approximately 50 miles from Mountaineer; Thistledown and Northfield Park, which are located approximately 85 miles to the northwest of Mountaineer in Cleveland, Ohio; and The Meadows, located approximately 40 miles southeast of Mountaineer in Washington, Pennsylvania. Wheeling Downs conducts parimutuel greyhound racing and casino gaming. Thistledown and Northfield Park conduct parimutuel horse racing but not video lottery or slot gaming. The Meadows conducts live harness racing, simulcasting and slot gaming. Mountaineer would also compete for parimutuel wagering patrons with Valley View Downs in Lawrence County, Pennsylvania, approximately 45 miles from Mountaineer, if it is constructed and opened. Since commencing export simulcasting in August 2000, Mountaineer competes with racetracks across the country to have its signal carried by off-track wagering parlors. Mountaineer also competes for wagering dollars with off-track wagering facilities in Ohio and Pennsylvania, and competes with other tracks for participation by quality racehorses.

Presque Isle Downs faces competition from other racetracks in Pennsylvania and off-track wagering facilities in Pennsylvania and West Virginia, as well as from casinos in Western New York. Presque Isle Downs will also compete with Valley View Downs if it is constructed and opens.

Scioto Downs competes directly with other racetracks in Ohio, including River Downs Horse Racing in Cincinnati, Ohio; and to a lesser extent, casino gambling in Indiana and in Michigan. Further, Scioto Downs faces competition from off-track wagering facilities in Ohio, Pennsylvania and West Virginia.

Increased competition may require us to make substantial capital expenditures, subject to the limitations imposed by our credit agreement, to maintain and enhance the competitive positions of our properties, including updating slot machines to reflect changing technology, refurbishing rooms and public service areas periodically, replacing obsolete equipment on an ongoing basis, and making other expenditures to increase the attractiveness and add to the appeal of our properties, including increased marketing and promotions.

In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including shopping, athletic events, television and movies, concerts and travel. Increased competition from other gaming and racing facilities and other leisure and entertainment activities could have a material adverse effect on our business, financial condition and results of operations.

We are subject to extensive regulation by gaming and racing authorities.

Licensing Requirements. We are subject to extensive state and local regulation. State and local authorities require us and our subsidiaries to demonstrate suitability to obtain and maintain various licenses, and require that we have registrations, permits and approvals, to conduct gaming and racing operations, to sell alcoholic beverages and tobacco in our facilities and to operate our food service facilities. These regulatory authorities may, for any reason set forth in applicable legislation or regulation, limit, condition, suspend or revoke a license or registration to conduct gaming or racing operations or prevent us from owning the securities of any of our gaming or racing subsidiaries. In addition, we must periodically apply to renew many of our licenses or registrations. We cannot assure you that we will be able to obtain such renewals. Any failure to maintain or renew our existing licenses, registrations, permits or approvals would have a material adverse effect on us. In addition, to enforce applicable laws and regulations, regulatory authorities may levy substantial fines against or seize the assets of our company, our subsidiaries or the people involved in violating gaming laws or regulations. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

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Potential Changes in Regulatory Environment. If current laws are modified, or if additional laws or regulations are adopted, it could have a material adverse effect on us. From time to time, legislators and special interest groups have proposed legislation that would restrict or prevent gaming or racing operations in the jurisdictions in which we operate. For example, in February of 2009, the Governor of Pennsylvania expressed a desire to pass legislation permitting slot machines in bars and restaurants in that state. Other laws, such as smoking bans, do not specifically restrict gaming operations but, as a practical matter, make gaming facilities less attractive to gaming patrons and can result in substantially reduced revenues. Restriction on or prohibition of our gaming or racing operations, whether through legislation or litigation, could have a material adverse effect on our business, financial condition and results operations.

Taxation. We pay substantial taxes and fees with respect to our operations. From time to time, federal, state and local legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming and racing industry. It is not possible to determine with certainty the likelihood of changes in tax laws or in the administration of such laws. Changes in the tax laws or administration of those laws, if adopted, could have a material adverse effect on our business, financial condition and results of operations.

We depend on agreements with our horsemen and parimutuel clerks to operate our business.

The Federal Interstate Horse Racing Act, the state racing laws in West Virginia, Ohio and Pennsylvania require that, in order to simulcast races, we have written agreements with the horse owners and trainers at those racetracks. In addition, in order to operate slot machines in West Virginia, we are required to enter into written agreements regarding the proceeds of the slot machines (a "proceeds agreement") with a representative of a majority of the horse owners and trainers and with a representative of a majority of the parimutuel clerks. In Pennsylvania, we must have an agreement with the representative of the horse owners. We have the requisite agreements in place with the Mountaineer Horsemen until December 31, 2009. With respect to the Mountaineer parimutuel clerks, we have a labor agreement in force until November 30, 2009, and a proceeds agreement until April 14, 2010. We are required to have a proceeds agreement in effect on July 1 of each year with the horsemen and the parimutuel clerks as a condition to renewal of our video lottery license for such year. If the requisite proceeds agreement is not in place as of July 1 of a particular year, Mountaineer's application for renewal of its video lottery license could be denied, in which case Mountaineer would not be permitted to operate its slot machines. Additionally, the renewal of the video lottery license is a prerequisite to the renewal of the table games license. With respect to the Scioto horsemen, the agreement with the Horsemen's Benevolent & Protective Association is effective until November 29, 2012, and the agreement with the Ohio Harness Horsemen's Association provides for automatic annual renewals. Presque Isle Downs has the requisite agreement in place with the Pennsylvania Horsemen's Benevolent and Protective Association until March 13, 2013, with automatic two-year renewals unless either party provides written notice of termination at least ninety (90) days prior to the scheduled renewal date. With the exception of the Mountaineer and Presque Isle Downs horsemen's agreements and the agreement between Mountaineer and the parimutuel clerks' union described above, each of the agreements referred to in this paragraph may be terminated upon written notice by either party.

If we fail to maintain operative agreements with the horsemen, we will not be permitted to conduct live racing and export and import simulcasting at those racetracks, and, in West Virginia we will not be permitted to operate our slot machines and table games (including if we do not have in place the required proceeds agreement with the Mountaineer parimutuel clerks union) and in Pennsylvania we will not be permitted to operate our slot machines. In addition, our simulcasting agreements are subject to the horsemen's approval. If we fail to renew or modify existing agreements on satisfactory terms, this failure could have a material adverse effect on our business, financial condition and results of operations.

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We are required to schedule a minimum number of live racing days in West Virginia and Pennsylvania.

All of the states in which we conduct live racing impose requirements with respect to the minimum number of live race dates annually. West Virginia and Pennsylvania, the states in which our racetracks operate slot machines or casino table games, gaming laws and regulations likewise condition gaming operations on the satisfaction of live racing requirements. If we fail to meet the minimum live racing day requirements at Mountaineer, we would be prohibited under West Virginia law from conducting simulcast racing or renewing our gaming license at Mountaineer. In order to conduct simulcast racing or conduct gaming operations, Mountaineer is required under West Virginia law to apply for a minimum of 210 live race days each year and to obtain Racing Commission approval for any reduction in race days actually held during that year. Live racing days typically vary in number from year to year and are based on a number of factors, including the number of suitable race horses and the occurrence of severe weather, many of which are beyond our control. If we were unable to conduct simulcast racing or offer slot machine gaming at Mountaineer, this would have a material adverse effect on our business, financial condition, results of operations and ability to meet our payment obligations under our various debt instruments.

Although Pennsylvania racing laws require a minimum of twenty-five live race dates per year, the gaming laws require new racetracks, such as Presque Isle Downs, that wish to conduct slot operations to conduct live racing a minimum of 150 days per year beginning in the year which is two years following the issuance of the slot machine license, unless the Horse Racing Commission determines that such number is not practically feasible due to projected or actual weather conditions. Failure to meet the required minimum number of days would result in immediate suspension of the slot machine license. If we were unable to offer slot machine gaming at Presque Isle Downs, this would have a material adverse effect on our business, financial condition, results of operations and ability to meet our payment obligations under our various debt instruments.

Our gaming operations are dependent on our linkage of slot machines to state central systems.

Our gaming operations at Mountaineer and Presque Isle Downs are dependent on our linkage to the states' central systems. Our equipment is connected to these central systems by telephone lines. The central systems track all gaming activity. If the operation of the central systems were disrupted for any reason, including disruption of telephone service, we believe that the states would suspend all gaming operations within the states until normal operation of the systems was restored. Any such suspension could cause a material disruption of our gaming operations and any of the foregoing difficulties could have a material adverse effect on our business, financial condition and results of operations.

We may face disruption in developing and integrating facilities we may expand or acquire, including financing, construction and other development risk.

The development and integration of facilities we may expand or acquire in the future will require the dedication of management resources that may temporarily detract attention from our day-to-day business. The process of developing and integrating these operations also may interrupt the activities of that business, which could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that we will be able to manage the combined operations effectively or realize any of the anticipated benefits of these new or expanded operations.

Any of the foregoing difficulties could have a material adverse effect on our business, financial condition and results of operations.

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Some of our intellectual property is not protected by federally registered trademarks; we rely on common law rights.

We hold eighteen federally registered trademarks (with an additional seven pending) and own 55 internet domain names in connection with our business. Apart from registered trademarks, we rely on common law rights, developed through use, with respect to our intellectual property. While we believe that our trademarks and common law rights are sufficient to permit us to use all of the intellectual property we are currently using, and that we are not infringing the intellectual property rights of others, we cannot assure you that no one will challenge our rights in the future. If we were to lose any of our intellectual property, it could have a material adverse effect on our business, financial condition and results of operations.

We are or may become involved in legal proceedings that could impact our financial condition.

From time to time, we are defendants in various lawsuits relating to matters incidental to our business. Because we accommodate large numbers of patrons and employ many people, our business subjects us to the risk of lawsuits filed by patrons, past and present employees, competitors, business partners and others in the ordinary course of business. No assurance can be provided as to the outcome of these matters and whether our policies of insurance will be sufficient to pay potential losses. We may not be successful in the defense of these lawsuits, which could result in settlements or damages that could have a material adverse effect on our business, financial condition and results of operations.

We depend on our key personnel.

We are highly dependent on the services of Robert F. Griffin, our President and Chief Executive Officer, and other officers and key employees. We have entered into an employment agreement with Mr. Griffin, which will expire on November 1, 2010. We have also entered into employment agreements with certain other officers and key managers. The loss of the services of any of these individuals could have a material adverse effect on our business, financial condition and results of operations.

Our business may be materially and adversely affected by recession or economic downturn; the seasonal nature of our business could also materially and adversely affect our cash flows.

Our primary business involves leisure and entertainment. The economic health of the leisure and entertainment industry is affected by a number of factors that are beyond our control, including: (1) general economic conditions and economic conditions specific to our primary markets; (2) levels of disposable income of patrons; (3) increased transportation costs resulting in decreased travel by patrons; (4) local conditions in key gaming markets, including seasonal and weather-related factors; (5) increases in gaming and racing taxes or fees; (6) competitive conditions in the gaming, leisure and entertainment industry and in particular markets, including the effect of such conditions on the pricing of our products; (7) substantial price increases in the cost of energy in the United States; and (8) the relative popularity of entertainment alternatives to gaming and racing that compete for the leisure dollar. Any of these factors could materially adversely impact the leisure and entertainment industry generally, and as a result, our revenues and results of operations.

In addition, our operations at Mountaineer, Presque Isle Downs, and Scioto Downs are typically seasonal in nature. Winter conditions may adversely affect transportation routes to our properties, as well as cause cancellations of live horse racing. As a result, unfavorable seasonal conditions could have a material adverse effect on our operations.

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We are subject to environmental laws and potential exposure to environmental liabilities.

We are subject to various federal, state and local environmental laws and regulations that govern activities that may have adverse environmental effects, such as discharges to air and water, as well as the management and disposal of solid and hazardous wastes. These laws are complex, and subject to change. Under such laws and regulations, we may incur costs to obtain permits and other approvals required for our activities and operations, or to achieve or maintain compliance. For example, we may incur future costs under existing and new regulations pertaining to storm water and wastewater management at our racetracks. In addition, we may face penalties or other liabilities in the event that we fail to comply with these laws and regulations. For instance, water discharges from our racetrack operations at our Mountaineer facility were the subject of past enforcement actions by state regulators. We satisfied the requirements of those past proceedings, and recently obtained an extension of time until not later than January 26, 2011 to achieve compliance with the final requirement of our applicable permit. Such costs and liabilities have not in the past had a material impact on our business or financial condition. We believe, but we cannot assure you, that compliance with environmental laws and regulations will not have such an impact in the future.

We also are subject to laws and regulations that create liability and cleanup responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating hazardous substances or petroleum products on its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. The presence of, or failure to remediate properly, such substances may materially adversely affect the ability to sell or rent such property or to borrow funds using such property as collateral. Additionally, the owner of a site may be subject to claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Based on currently available information, we believe, although we cannot assure you, that such liabilities will not have a material impact on our business.

The evolution of the slot machine manufacturing industry could impose additional costs on us.

A majority of our revenues are attributable to slot machines operated by us at our casinos and racinos. It is important, for competitive reasons, that we offer to our customers the most popular and up-to-date slot machine games with the latest technology. We continue to upgrade our older slot machines with newer and more advanced interactive electronic games.

For competitive reasons, we may be forced to purchase new slot machines or enter into participating lease arrangements that are more expensive than our current costs associated with the continued operation of our existing slot machines. Slot machine lease arrangements typically require the payment of a fixed daily rental and participation agreements include payment of a percentage of coin-in or net win amounts. Generally, a participating lease is substantially more expensive over the long term than the cost to purchase a new machine. If the newer slot machines do not result in sufficient incremental revenues to offset the increased investment and participating lease costs, it could hurt our profitability.

Risks Related to Our Capital Structure

Our substantial indebtedness could adversely affect our financial health.

We continue to have a significant amount of indebtedness. Our substantial indebtedness could have important consequences to our financial health. For example, it could:

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

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- require us to dedicate a substantial portion of our cash flow from operations to debt service, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- make it more difficult for us to satisfy our obligations with respect to our debt;
- increase our vulnerability to general adverse economic and industry conditions;
- place us at a competitive disadvantage compared to our competitors that are less leveraged; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds. A failure to comply with those covenants could result in an event of default.

Any of the above-listed factors could have a material adverse effect on our business, financial condition and results of operations. A violation of one of the credit agreement's quarterly financial covenants during 2009 could result in a demand for the acceleration of repayment of amounts outstanding under the credit facility. An acceleration of the repayment of amounts outstanding under the credit facility, or our inability to successfully refinance the 9.75% senior secured notes and the credit facility by their respective maturity dates or secure an extended maturity deadline to which our senior secured lenders may approve, would have a material adverse effect on our financial position and could raise doubts as to our ability to continue as a going concern. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—*"Liquidity and Sources of Capital"* which is included elsewhere in this report.

In addition, we may incur substantial additional indebtedness in the future, including, for example, funding for future expansion and new acquisitions. If we incur additional debt, the related risks that we now face could intensify.

We must refinance our 9.75% $130 million senior unsecured notes by January 2, 2010 and our senior secured revolving credit facility by March 31, 2010.

Our $130 million 9.75% senior unsecured notes mature on April 1, 2010. However, our Fifth Amended and Restated Credit Agreement, as amended, requires us to refinance those notes with other unsecured indebtedness by January 2, 2010 on terms and conditions acceptable to our senior secured lenders. If the senior unsecured notes are not refinanced by this date, the maturity date of the amounts outstanding under our senior secured revolving credit facility will be accelerated to January 2, 2010. In any event, our credit agreement expires March 31, 2010. Particularly in light of the downturn in the national and worldwide economies and the current state of the credit markets, we cannot assure you that we will be able to refinance our senior unsecured notes by January 2, 2010 and our credit agreement ($101.9 million outstanding as of March 1, 2009) by March 31, 2010 on terms acceptable to us, on terms acceptable to our senior secured lenders, or at all, or that we will be able to obtain extensions of the maturity deadlines. If we are unable to refinance our senior unsecured notes by either January 2, 2010, or an extended maturity deadline to which our senior secured lenders may approve, and our credit agreement by March 31, 2010, it would have a material adverse effect on our financial position and could raise doubts as to our ability to continue as a going concern. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—*Liquidity and Sources of Capital"* which is included elsewhere in this report.

The availability and cost of financing could have a material adverse effect on our business.

We intend to finance our current and future capital projects primarily with cash on hand, cash flow from operations and proceeds from the sale of non-core assets. Borrowings under our credit facility will be limited by the mandatory scheduled commitment reductions. We may in the future seek additional debt financing, which would require compliance with the terms of our credit agreement regarding

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additional indebtedness, the consent of our senior secured lenders and compliance with the indentures governing our senior notes and senior subordinated notes, and/or equity capital. We currently anticipate that up to approximately $16.7 million in additional spending will be required to meet our capital spending requirements for 2009. In the event additional financing is required for our current or future capital projects and we are unable to obtain such financing, we will have to adopt one or more alternatives, such as reducing or delaying our planned capital expenditures, selling assets, restructuring debt, or obtaining additional debt or equity financing or joint venture partners, or further modifying our credit agreement. These sources of funds may not be sufficient to finance our capital projects, and other financing may not be available on acceptable terms, in a timely manner or at all. In addition, our existing indebtedness contains certain restrictions on our ability to incur additional indebtedness. If we are unable to secure additional financing, we could be forced to limit or suspend our capital projects and we could lose one or more of our licenses, which may have a material adverse effect on our business, financial condition and results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—*Liquidity and Sources of Capital*" which is included elsewhere in this report.

To service our indebtedness, we will require a significant amount of cash, which depends on many factors beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us in amounts sufficient to enable us to fund our liquidity needs with respect to our indebtedness. In addition, if we consummate significant acquisitions in the future, our cash requirements may increase significantly. We cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all. Our future operating performance and our ability to service or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—*Liquidity and Sources of Capital*" which is included elsewhere in this report.

Risks Related to Our Common Stock

If the price of our common stock declines below $1.00 per share for a sustained period, our common stock may be delisted from the NASDAQ Global Select Market.

The NASDAQ Global Select Market imposes, among other requirements, listing maintenance standards including minimum bid and public float requirements. In particular, NASDAQ rules require us to maintain a minimum bid price of $1.00 per share of our common stock. If the closing bid price of our common stock falls below $1.00 per share for 30 consecutive business days, we would fail to be in compliance with NASDAQ's continued listing standards and, if we are unable to cure the non-compliance within 180 days, our common stock may be delisted from NASDAQ. Delisting could adversely affect both the market liquidity and the market price of our common stock. Such delisting could also adversely affect our ability to obtain financing. In light of the recent volatility in stock prices generally, and the continued turbulence in the financial markets, NASDAQ recently suspended enforcement of the $1.00 minimum bid price requirement and has informed NASDAQ-listed companies that it will not take any action to delist any security for non-compliance with this requirement during the suspension period. Enforcement of the $1.00 minimum bid price requirement is scheduled to be reinstated on April 20, 2009. Recently, our common stock has traded below the $1.00 per share level and has been as low as $0.77 per share within the last twelve months. The closing price on March 13, 2009, was $0.93 per share. As of this date, our common shares have not traded below the applicable $1.00 minimum closing bid requirement for 30 consecutive business days.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

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ITEM 2. PROPERTIES.

The following describes our principal real properties:

The Mountaineer Casino, Racetrack & Resort. We own approximately 2,350 acres of land in Chester, Hancock County, West Virginia, of which the resort occupies approximately 215 acres and the Woodview Golf Course occupies approximately 170 acres. The property also includes a one-mile all weather, lighted thoroughbred racetrack and an enclosed grandstand, clubhouse and related facilities for the horses, jockeys and trainers.

Presque Isle Downs & Casino. The clubhouse and thoroughbred racetrack is located on a 272-acre site that we own in Summit Township, Erie County, Pennsylvania. Of this site, approximately 58 acres are dedicated to the public as open space. The site includes barns and related facilities for the horses, jockeys and trainers. In addition, we own three other parcels of land; a 213-acre site in McKean Township, Pennsylvania; a 25-acre site in Erie, Pennsylvania; and a 14-acre site in Summit Township that formerly housed an off-track wagering facility.

Scioto Downs. Scioto Downs owns approximately 208 acres of land in Columbus, Ohio that serves as the site for the harness racetrack. In addition to the racetrack, there is parking, a grandstand, clubhouse and dining facilities, as well as barns and stables.

Running Aces Harness Park. North Metro Harness Initiative, LLC owns 178.4 acres in Columbus Township, Anoka County, Minnesota, approximately 30 miles northeast of Minneapolis, that serves as the site for the harness racetrack and card room. It owns a separate 24-acre parcel (for wetlands mitigation) that is not material to its planned operations and a one-half acre site that houses a fifteen room inn.

Jackson Harness Raceway. Jackson Harness Raceway is located on property leased from Jackson County, Michigan on the Jackson County Fairgrounds through December 31, 2012.

Substantially all of our assets are pledged to secure the debt evidenced by the Fifth Amended and Restated Credit Agreement, as amended, entered as of September 22, 2006, by and among us, our operating subsidiaries and Wells Fargo Bank, N.A. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation—*Liquidity and Sources of Capital*" which is included elsewhere in this report.

ITEM 3. LEGAL PROCEEDINGS.

Gary Birzer and Amy Birzer v. MTR Gaming Group, Inc. and Mountaineer Park, Inc, et. al, Civil Action No. 06-C-2-W, Circuit Court of Hancock County, West Virginia. On January 17, 2006, Gary Birzer, a jockey who was injured during a race at Mountaineer in July 2004, filed a first amended complaint in which he alleges that Mountaineer was negligent in its design, construction and maintenance of the racetrack as well as in its administration of races. Mr. Birzer seeks medical expenses to date of $550,000, future medical expenses, unspecified lost wages and other damages resulting from his injuries. Mr. Birzer seeks in excess of $10 million in damages. Mr. Birzer's wife seeks $2 million for loss of consortium. Mountaineer has answered the complaint, denying any negligence or wrongdoing and further alleging that Mr. Birzer's injuries, to the extent the result of negligence, resulted from Mr. Birzer's own negligence or the negligence of others. Though the complaint is unclear as to the basis for liability against the Company, it appears that the Company was named a defendant because it is Mountaineer's parent company and allegedly conspired with the other defendants to cause Mr. Birzer's injuries. We believe, but cannot assure, that we have sufficient liability insurance coverage for these claims.

We are also party to various lawsuits, which have arisen in the normal course of our business. The liability arising from unfavorable outcomes of those lawsuits is not expected to have a material impact on our consolidated financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our Common Stock is quoted on the NASDAQ Global Select Market under the symbol "MNTG". On March 13, 2009, the NASDAQ Official Closing Price for our common stock was $0.93. As of March 12, 2009, there were of record 839 holders of our common stock.

We are prohibited from paying any dividends without our lenders' consent. We historically have not paid cash dividends and do not intend to pay such dividends in the foreseeable future.

The following table sets forth the range of high and low bid price quotations for our common stock for the two fiscal years ended December 31, 2007 and 2008, and for the period of January 1, 2009 through March 13, 2009. These quotes are believed to be representative of inter-dealer quotations, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

	Stock Price	
	High	Low
Year Ended December 31, 2007:		
First Quarter	13.95	11.08
Second Quarter	16.88	12.82
Third Quarter	16.12	8.91
Fourth Quarter	9.58	5.92
Year Ended December 31, 2008:		
First Quarter	7.62	4.95
Second Quarter	7.70	4.67
Third Quarter	5.24	2.80
Fourth Quarter	4.25	1.44
Year Ending December 31, 2009		
First Quarter (January 1, 2009 through March 13, 2009)	2.02	0.77

The NASDAQ Global Select Market imposes, among other requirements, listing maintenance standards including minimum bid and public float requirements. In particular, NASDAQ rules require us to maintain a minimum bid price of $1.00 per share of our common stock. If the closing bid price of our common stock falls below $1.00 per share for 30 consecutive business days, we would fail to be in compliance with NASDAQ's continued listing standards and, if we are unable to cure the non-compliance within 180 days, our common stock may be delisted from NASDAQ. In light of the recent volatility in stock prices generally, and the continued turbulence in the financial markets, NASDAQ recently suspended enforcement of the $1.00 minimum bid price requirement and has informed NASDAQ-listed companies that it will not take any action to delist any security for non-compliance with this requirement during the suspension period. Enforcement of the $1.00 minimum bid price requirement is scheduled to be reinstated on April 20, 2009. As of March 13, 2009, our common shares have not traded below the applicable $1.00 minimum closing bid requirement for 30 consecutive business days.

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Equity Compensation Plan Information

The following table sets forth information as of December 31, 2008, with respect to compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	899,000	$ 7.93	231,000
Equity compensation plans not approved by security holders	584,800	$ 7.48	60,000
Total	1,483,800		291,000

The Company's equity compensation plans that were not approved by security holders (as no such approval was required) consist of (i) grants of NQSOs as inducement for initial employment by the Company or its subsidiaries; (ii) grants of NQSOs to non-executive employees; and (iii) NQSOs granted under our 2001 Employee Stock Incentive Plan or available for grant under our 2002 Employee Stock Incentive Plan, both of which are "broad-based plans" as defined by the NASDAQ Market Place Rules (i.e., ones in which not more than half of the options/shares may be awarded to officers and directors). In the case of all such plans, the exercise price of options must be not less than fair market value of the common stock on the date of grant. Options granted under the plans may be for terms of up to ten years. The 2001 and 2002 Employee Stock Incentive Plans are to be administered by the board or a committee of the board consisting of not fewer than two non-employee directors. Repricing under the 2001 plan is limited to 10% of the number of options then outstanding thereunder; repricing under the 2002 plan is prohibited.

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Stock Performance Graph

The following graph demonstrates a comparison of cumulative total returns of the Company, the NASDAQ Market Index (which is considered to be a broad index) and an industry peer group index based upon companies which are publicly traded with the same four digit standard industrial classification code ("SIC") as the Company (SIC 7999—Amusement and Recreational Services) for the past five years since December 31, 2003. The following graph assumes $100 invested in each of the above groups and the reinvestment of dividends.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN
AMONG MTR GAMING GROUP, INC.,
NASDAQ MARKET INDEX AND SIC CODE INDEX

GRAPHIC

ASSUMES $100 INVESTED ON JAN. 1, 2004
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DEC. 31, 2008

	Year Ended					
Index Description	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
MTR GAMING GROUP, INC.	100.00	102.52	101.07	118.64	65.92	16.31
SIC CODE INDEX(1)	100.00	183.02	179.54	173.88	131.90	28.36
NASDAQ MARKET INDEX	100.00	108.41	110.79	122.16	134.29	79.25

(1) The peer group consists of the following companies: Boyd Gaming Corp., CKX Inc., Isle of Capri Casinos, Lakes Entertainment Inc., Littlefield Corporation, Multimedia Games Inc., Nevada Gold & Casinos, Southwest Casino Corp., Sportsnuts Inc., Ticketmaster Entertainment Inc., Trans World Corp., W Technologies Inc., and Youbet.com Inc.

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ITEM 6. SELECTED FINANCIAL DATA.

The selected historical financial data presented below as of and for each of the five years ended December 31, 2008, have been derived from our audited consolidated financial statements of the Company, certain of which are included elsewhere in this report, and should be read in conjunction with those consolidated financial statements and the related notes, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" also included elsewhere herein.

(dollars in thousands, except per share amounts)

	Fiscal Years Ended December 31,				
	2008	2007(2)	2006(3)	2005(4)	2004
STATEMENT OF OPERATIONS DATA:					
Total revenues	$478,772	$421,814	$302,212	$294,225	$302,557
Net revenues(1)	470,851	415,846	297,780	290,011	297,939
Operating income	38,165	26,578	28,980	28,068	37,370
(Loss) income from continuing operations	(15,278)	(5,868)	7,407	8,508	14,567
(Loss) income from discontinued operations(5)	(2,433)	(5,491)	(2,961)	(739)	(112)
Net (loss) income	(17,711)	(11,359)	4,446	7,769	14,455
Net (loss) income per share---continuing operations:					
Basic	(0.56)	(0.21)	0.27	0.30	0.51
Assuming dilution	(0.56)	(0.21)	0.27	0.30	0.50
BALANCE SHEET DATA:					
Working capital (deficit)	407	(1,651)	(5,981)	6,502	17,913
Current assets	71,095	59,940	54,402	42,406	35,539
Current liabilities	70,688	61,591	60,383	35,904	17,626
Total assets	527,710	611,320	479,503	334,677	296,247
Long-term obligations (net of current portion)	357,112	420,520	271,907	152,966	133,134
Total liabilities	432,107	498,868	351,139	210,757	172,993
Total stockholders' equity	95,401	112,147	122,984	120,976	123,254

(1) Net revenues represent total revenues less promotional allowances.

(2) Effective April 30, 2007, we deconsolidated North Metro Harness (See No. 4) and began accounting for its investment in North Metro under the equity method of accounting.

(3) Effective January 1, 2006, we adopted Financial Accounting Standards Board Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation. The effect of adopting this new accounting principle amounted to a charge of $102,000 net of tax.

(4) In October 2005 we began consolidating the financial statements of North Metro Harness in accordance with FASB Interpretation No. 46 "Consolidation of Variable Interest Entities" (FIN 46) and subsequent revision FIN 46R.

(5) The operating results for Binion's Gambling Hall & Hotel, the Ramada Inn and Speedway Casino and Jackson Harness Raceway have been reflected as discontinued operations in 2008. Corresponding reclassifications have been made to the prior period presentation.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis, including the critical accounting policies contained herein, should be read in conjunction with our consolidated financial statements and the related notes which are included elsewhere in this report.

Overview

We own and operate The Mountaineer Casino, Racetrack & Resort in Chester, West Virginia; Presque Isle Downs & Casino in Erie, Pennsylvania; and Scioto Downs in Columbus, Ohio. We consider these three properties, which are located in contiguous states, to be our core assets. We also own a 50% interest in North Metro Harness Initiative, LLC, which operates Running Aces Harness Park in Anoka County, Minnesota, and a 90% interest in Jackson Trotting Association, LLC.

Presque Isle Downs commenced slot machine gaming operations on February 28, 2007, and live thoroughbred horse racing with parimutuel wagering on September 1, 2007. We expect that Presque Isle Downs will continue to generate significant revenues and profits and diversify our operations.

Mountaineer opened 37 poker tables on October 19, 2007 (which increased to 40 tables in 2008), and opened 50 table games on December 20, 2007 (which increased to 55 tables in 2008). The poker tables are located in the facility's Grandstand, and the table games are located in the Speakeasy Gaming Saloon (connected to our hotel) as well as the Grandstand.

On March 7, 2008, we sold 100% of the stock of our wholly-owned subsidiaries, Speakeasy Gaming of Fremont, Inc., which owned and operated Binion's Gambling Hall & Hotel, and Speakeasy Fremont Experience Operating Company in accordance with the terms of a Stock Purchase Agreement dated June 26, 2007 (as subsequently amended), executed between the Company and TLC Casino Enterprises, Inc. The transaction was subject to purchase price adjustments based on changes in the net working capital, certain capital expenditures between execution and closing, and a $3.5 million working capital adjustment which remained with Binion's upon closing. Net cash to the Company at closing was approximately $28.0 million, of which $27.6 million was utilized to reduce amounts outstanding under our credit facility. Reclassifications have been made to the prior period presentation to reflect the assets and liabilities of Binion's as held for sale and the operating results and cash flows as discontinued operations. In January 2009, the post-closing purchase price adjustment was settled with TLC Casino Enterprises, Inc. Accordingly, we paid TLC the total amount due of approximately $1.5 million.

On June 3, 2008, our wholly-owned subsidiary, Speakeasy Gaming of Las Vegas, Inc., sold the gaming assets of the Ramada Inn and Speedway Casino to Lucky Lucy D, LLC in accordance with the terms of an Asset Purchase and Sale Agreement dated January 11, 2008. Pursuant to the terms of the agreement, Lucky Lucy paid $2.0 million in cash for the gaming assets and is obligated to pay an additional amount of up to $4.775 million subject to an earn-out provision based on the property's gross revenues over the four-year period that commenced January 11, 2008. Any proceeds that are received will be recorded as the amounts are realized. This sale was the second part of the transaction, the first part of which involved the sale of Speedway's real property to Ganaste LLC on January 11, 2008. A shareholder of Ganaste LLC is the sole owner of Lucky Lucy. Ganaste paid $11.4 million in cash for the real property. Reclassifications have been made to the prior period presentation to reflect the assets and liabilities of Speedway as held for sale and the operating results and cash flows as discontinued operations.

On December 4, 2008, Jackson Trotting Association, LLC ceased the operations of racing and simulcast wagering at Jackson Harness Raceway in Jackson, Michigan and surrendered the racing license to the Michigan Racing Commission. Accordingly, live and simulcast racing will not be

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scheduled in 2009. Through our wholly-owned subsidiary, Jackson Racing, Inc., we acquired a 90% interest in Jackson Trotting Association LLC in December 2005. Reclassifications have been made to the prior period presentation to reflect the assets, liabilities, operating results and cash flows of Jackson as discontinued operations.

The following table sets forth a reconciliation of net income (loss), a GAAP financial measure, to EBITDA, a non-GAAP measure, for the years ended December 31.

	2008	2007
	(in thousands)	
Continuing Operations:		
MTR Gaming Group—(Consolidated):		
Loss from continuing operations	$(15,278)	$ (5,868)
Interest expense, net of interest income and minority interest	40,520	34,334
Benefit for income taxes, net of minority interest	(3,197)	(1,962)
Depreciation, net of minority interest	29,839	27,791
Loss on debt modification	3,820	—
Equity in loss of unconsolidated joint venture	12,300	234
Loss on disposal of property, net of minority interest	2,956	133
EBITDA	$ 70,960	$54,662
Mountaineer:		
Income from continuing operations	$ 16,703	$12,962
Interest expense, net of interest income	8,973	8,739
Provision for income taxes	9,309	7,158
Depreciation	14,781	15,772
Loss on disposal of property	1,655	143
EBITDA	$ 51,421	$44,774
Presque Isle Downs:		
Income from continuing operations	$ 11,056	$ 8,478
Interest expense, net of interest income	1,534	1,260
Provision for income taxes	5,423	3,453
Depreciation	13,896	10,541
Loss on disposal of property	1,539	—
EBITDA	$ 33,448	$23,732
Scioto Downs:		
Loss from continuing operations	$ (1,511)	$ (1,937)
Interest expense, net of interest income	108	124
Benefit for income taxes	(806)	(1,053)
Depreciation	904	1,154
EBITDA	$ (1,305)	$ (1,712)

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	2008	2007
	(in thousands)	
MTR-Harness/Running Aces:		
Loss from continuing operations	$(10,892)	$ (378)
Interest expense, net of interest income and minority interest	14	42
Benefit for income taxes, net of minority interest	(1,491)	(94)
Depreciation, net of minority interest	—	3
Equity in loss of unconsolidated joint venture	12,300	234
EBITDA	$ (69)	$ (193)
Corporate:		
Loss from continuing operations	$(30,634)	$(24,993)
Interest expense, net of interest income	29,891	24,169
Benefit for income taxes	(15,632)	(11,426)
Depreciation	258	321
Loss on debt modification	3,820	—
Gain on disposal of property	(238)	(10)
EBITDA	$(12,535)	$(11,939)
Discontinued operations:		
Binion's Gambling Hall & Hotel:		
Loss from discontinued operations	$ (1,507)	$ (5,171)
Interest income, net of interest expense	(29)	(26)
Benefit for income taxes	(929)	(2,801)
Depreciation	—	1,916
Other income	—	(1,268)
Loss on disposal of property	903	1,995
EBITDA	$ (1,562)	$ (5,355)
Ramada Inn and Speedway Casino:		
Income from discontinued operations	$ 1,600	$ 32
Interest expense	163	389
Provision for income taxes	861	13
Depreciation	199	826
Gain on disposal of property	(3,578)	—
EBITDA	$ (755)	$ 1,260
Jackson Racing:		
Loss from discontinued operations	$ (2,526)	$ (352)
Interest expense, net of interest income and minority interest	2	5
Benefit for income taxes, net of minority interest	(1,360)	(191)
Depreciation, net of minority interest	30	20
Impairment loss	2,586	—
Loss (gain) on disposal of property, net of minority interest	160	(5)
EBITDA	$ (1,108)	$ (523)

EBITDA represents earnings (losses) before interest expense (income), income tax expense (benefit), depreciation and amortization, loss on debt modification, equity in loss of unconsolidated joint venture, (gain) loss on disposal of property and loss on asset impairment. EBITDA is not a measure of performance or liquidity calculated in accordance with generally accepted accounting principles ("GAAP"), is unaudited and should not be considered an alternative to, or more meaningful than, net income or income from operations as an indicator of our operating performance, or cash

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flows from operating activities, as a measure of liquidity. EBITDA has been presented as a supplemental disclosure because it is a widely used measure of performance and basis for valuation of companies in our industry. Uses of cash flows that are not reflected in EBITDA include capital expenditures (which are significant given our expansion), interest payments, income taxes, and debt principal repayments. Moreover, other companies that provide EBITDA information may calculate EBITDA differently than we do.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

The following tables set forth information concerning our results of operations by property for continuing operations for the years ended December 31.

	2008	2007
	(in thousands)	
Net revenues—Continuing operations:		
Mountaineer(1)	$289,986	$261,386
Presque Isle Downs(2)	176,761	149,858
Scioto Downs	4,092	4,562
North Metro/Running Aces	—	28
Corporate	12	12
Consolidated net revenues	$470,851	$415,846

(1) Mountaineer commenced poker on October 19, 2007 and table gaming on December 20, 2007.

(2) Presque Isle Down's commenced slot operations on February 28, 2007 and racing operations on September 1, 2007.

	2008	2007
	(in thousands)	
Operating income (loss)—Continuing operations:		
Mountaineer(1)	$ 34,986	$ 28,859
Presque Isle Downs(2)	18,012	13,191
Scioto Downs	(2,208)	(2,866)
North Metro/Running Aces	(69)	(356)
Corporate	(12,556)	(12,250)
Consolidated operating income	$ 38,165	$ 26,578

(1) Mountaineer's operating income for 2008 includes poker and table gaming operations, and for 2007 includes project opening costs of $2.6 million.

(2) Presque Isle Downs' operating income for 2007 includes project opening costs of $3.0 million.

Mountaineer's Operating Results:

During the year ended December 31, 2008, Mountaineer's operating results (particularly gaming and food, beverage and lodging) benefited, as expected, from the introduction of poker and table games in the fourth quarter of 2007, but continued to be adversely affected by competition, primarily from the implementation of slot operations in Pennsylvania. Net revenues increased by $28.6 million, or 10.9%, primarily due to a $24.1 million increase in gaming revenues. Net revenues earned

from food, beverage and lodging operations increased by $4.6 million, and net revenues earned from other sources,

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including parimutuel commissions, increased by $1.3 million. Promotional allowances increased by $1.4 million. Mountaineer's operating margin increased to 12.1% in 2008 from 11.0% in 2007.

Significant factors contributing to Mountaineer's 2008 operating results were:

- an increase in gross profit from gaming operations, as well as food, beverage and lodging operations (as discussed below);
- the absence of project opening costs in 2008, which were $2.6 million in 2007;
- a decrease in depreciation expense of $1.0 million in 2008; and
- the absence of a non-recurring assessment of West Virginia use tax in 2008, which was $1.0 million in 2007; offset by
- an overall increase in compensation and benefits costs of $17.6 million during 2008, resulting primarily from addition of approximately 800 employees related to introduction of poker and table gaming in the fourth quarter of 2007 and expanded 24/7 operations;
- severance costs of $0.5 million in the fourth quarter of 2008 related to a reduction in workforce; and
- an increase in utilities and other maintenance costs of $0.6 million during 2008 related to expanded 24/7 operations.

A discussion of Mountaineer's key operations follows.

Gaming Operations. Revenues from gaming operations during 2008 increased by $24.1 million, or 10.5%, to $253.4 million compared to 2007, and gross profit increased by $6.2 million, or 6.9%.

The increase in gaming revenues was directly attributable to the introduction of poker and table gaming in the fourth quarter of 2007. Poker and table games generated $7.3 million and $41.5 million of revenues, respectively, during 2008. However, during the same period, Mountaineer's revenue from slots decreased by $22.2 million, or 9.8%, to $204.6 million.

During the year ended December 31, 2008, Mountaineer's average daily net win per slot machine decreased to $175 compared to $194 during 2007. As of December 31, 2008, Mountaineer operated 3,184 slot machines compared to 3,224 at December 31, 2007. The following is a summary of slot gross wagers, less winning patron payouts for the years ended December 31:

	2008	2007
	(in thousands)	
Total gross wagers	$ 2,245,726	$ 2,480,719
Less winning patron payouts	(2,041,079)	(2,253,847)
Gaming revenues (slot net win)	$ 204,647	$ 226,872

Mountaineer opened 37 poker tables on October 19, 2007 (which increased to 40 tables in 2008), and opened 50 table games on December 20, 2007 (which increased to 55 tables in 2008). The poker tables are located in the facility's Grandstand, and the table games are located in the Speakeasy Gaming Saloon (connected to our hotel) as well as the Grandstand. There are no statutory limits on the size of wagers or number of games and statutory gaming taxes are assessed at the rate of 35% of revenues, in addition to an annual licensing fee of $1.5 million for the first year of operations (for the period July 1, 2007 through June 30, 2008) and $2.5 million thereafter. With the commencement of table gaming, Mountaineer expanded its hours of operation to twenty-four hours per day, seven days per week.

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During the year ended December 31, 2008, Mountaineer's total poker rake (the fee or commission taken by the operator of a poker game based on a percentage of the amount wagered on each hand) was $7.3 million with an average daily poker rake per table of $507. With respect to table gaming, the total table net win amounted to $41.5 million with a table drop (the total dollar value of gaming chips purchased) of $225.1 million, resulting in a hold percentage of 18.4%. The average daily net win per table was $2,104.

Management attributes the decrease in slot revenue primarily to the continuing impact on our market from gaming operations in Pennsylvania, with which Mountaineer shares some customer base in Ohio and Pennsylvania. In addition to the opening of Presque Isle Downs, The Meadows Racetrack & Casino, a harness racetrack in Washington, Pennsylvania, opened its temporary slot casino with 1,825 machines in June 2007. The Meadows, which is approximately 40 miles southeast of Mountaineer, is expected to open its permanent casino with over 3,000 slot machines and various food and beverage outlets in April 2009.

We believe table games at Mountaineer will continue to enhance its competitive position by drawing new customers and driving increased play from our existing customers, which may contribute to Mountaineer's gaming revenue growth. Furthermore, table gaming at Mountaineer will also help distinguish our product from slot machines in local bars and clubs and slot machine operations in Pennsylvania. However, gaming operations at Mountaineer during 2009 may continue to be impacted by the adverse changes in the U.S. economy and by the planned openings of The Meadows permanent casino in April 2009 and the Rivers Casino in downtown Pittsburgh, Pennsylvania, approximately a one-hour drive from Mountaineer, which is expected to open in August 2009 with 3,000 slot machines and five food and beverage outlets.

Overall, the increase in revenues from gaming operations during 2008 resulted in increased gaming taxes and assessments in the amount of $4.7 million to $135.0 million compared to 2007. Additionally, gaming compensation and benefits costs increased by $11.9 million during 2008 compared to 2007 principally as a result of the addition of poker and table games staffing and expanded 24/7 operations; and Mountaineer incurred incremental equipment lease expense of $0.6 million during the year related to leases of various table games and related equipment.

Parimutuel Commissions. Parimutuel commissions is a predetermined percentage of the total amount wagered (wagering handle), with a higher commission earned on a more exotic wager, such as a trifecta, than on a single horse wager, such as a win, place or show. In parimutuel wagering, patrons bet against each other rather than against the operator of the facility or with pre-set odds. The total wagering handle is composed of the amounts wagered by each individual according to the wagering activity. The total amounts wagered form a pool of funds, from which winnings are paid based on odds determined solely by the wagering activity. The racetrack acts as a stakeholder for the wagering patrons and deducts a "take-out" or gross commission from the amounts wagered, from which the racetrack pays state and county taxes and racing purses. Mountaineer's parimutuel commission rates are fixed as a percentage of the total wagering handle or total amounts wagered. Parimutuel commissions for

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Mountaineer, detailing gross handles less patron payouts and deductions, for the years ended December 31 were as follows:

	2008	2007
	(in thousands)	
Import simulcast racing parimutuel handle	$ 16,997	$ 18,028
Live racing parimutuel handle	8,057	9,383
Less patrons' winning tickets	(19,774)	(21,636)
	5,280	5,775
Revenues—export simulcast	11,316	12,066
	16,596	17,841
Less:		
State and county parimutuel tax	(440)	(452)
Purses and Horsemen's Association	(7,343)	(7,937)
Revenues—parimutuel commissions	$ 8,813	$ 9,452

Overall, Mountaineer's parimutuel commissions decreased by 6.8% during 2008 compared to 2007, which is consistent with the national average decline in wagering of 7.16% during 2008, as reported by the *National Thoroughbred Racing Association* and *Equibase Company*. In addition, Mountaineer's decrease in live and import simulcast racing handle can be attributable to eight fewer racing days during 2008 compared to 2007 as a result of more severe winter weather conditions in early 2008. The decline in on-track wagering and the decrease in the number of racing days contributed to the decrease in export simulcast racing handle.

Live racing and import simulcast may continue to be impacted by the conversion of some live racing patrons to export simulcast patrons (whether through traditional off track wagering facilities or growth in the utilization of telephone and/or Internet wagering) and increased competition from Pennsylvania's racetracks. Mountaineer currently simulcasts its live races to over 1,000 sites.

Food, beverage and lodging operations. Revenues from food, beverage and lodging operations during 2008 were $25.3 million, which increased by $4.6 million, or 22.2%, compared to 2007, and gross profit from these operations increased by $1.9 million, or 34.9%. The increase in revenues and gross profit resulted primarily from increased patron traffic resulting from the opening of table games and expanded 24/7 operations.

The average daily room rate for the Grande Hotel increased to $78.93 during 2008 from $62.44 during 2007, but the average occupancy rate decreased to 74.7% from 76.4% during the same periods, respectively. The increases in daily room rates primarily reflect the effects of table gaming which enabled us to realize increased room rates without significantly reducing our hotel occupancy.

Other operations. Other operating revenues for 2008 were primarily derived from special events at The Harv and Convention Center; from the operations of the Spa, Fitness Center, retail outlets and golf course; from the sale of programs, admission fees, and lottery tickets; and from check cashing and ATM services. Mountaineer earned other revenues of $8.1 million for 2008 and $6.2 million for 2007. The increase in revenues was primarily due to:

- an increase in retail sales and spa service revenue in the aggregate amount of $0.7 million primarily from increased patron traffic resulting from the opening of table games; and
- the receipt of a $0.6 million settlement of a claims dispute related to our former self-insured employee health insurance plan.

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Presque Isle Downs' Operating Results:

Presque Isle Downs commenced slot machine gaming operations on February 28, 2007, and live thoroughbred horse racing with parimutuel wagering on September 1, 2007. During 2008, net revenues increased by $26.9 million, or 18.0%, primarily due to a $23.0 million increase in slots revenue. Net revenues earned from parimutuel commissions increased by $2.0 million and net revenues earned from food and beverage operations increased by $2.1 million. The property's operating margin (inclusive of $3.0 million of project opening costs in 2007) increased slightly to 10.2% during 2008 compared to 8.8% during 2007.

Significant factors contributing to Presque Isle Downs' 2008 operating results were:

- an increase in gross profit from gaming operations (as discussed above);
- the absence of project opening costs in 2008, which were $3.0 million during the first half of 2007; and
- a decrease in marketing promotions and advertising costs of $1.2 million in 2008; offset by
- an increase in depreciation expense of $3.4 million in 2008;
- a loss on disposal of certain equipment components of the property's surveillance system in the amount of $1.5 million; and
- an increase in the operating losses incurred from parimutuel commissions operations of $0.6 million during 2008.

Gaming Operations. Revenues from gaming operations during 2008 increased by $23.0 million, or 16.8%, to $164.6 million compared to 2007, and gross profit increased by $8.8 million, or 18.2%. During 2008, Presque Isle Downs' average daily net win per slot machine decreased to $224 compared to $231 during 2007. The 2007 average daily net win per slot machine reflects the enthusiasm surrounding the opening and initial months of operations. The difference in revenues from gaming operations is also attributable in part to the fact that Presque Isle Downs was not open for a full year in 2007. During 2008 and 2007, Presque Isle Downs operated 2,000 slot machines, including automated table gaming devices.

However, gaming operations at Presque Isle Downs during 2009 may be impacted by the adverse changes in the U.S. economy and by the planned openings of The Meadows permanent casino in April 2009 and the Rivers Casino in downtown Pittsburgh, Pennsylvania, approximately a two-hour drive from Presque Isle Downs, which is expected to open in August 2009 with 3,000 slot machines and five food and beverage outlets.

Overall, the increase in revenues from gaming operations during 2008 resulted in increased gaming taxes and assessments in the amount of $13.5 million to $99.6 million compared to 2007. Additionally, Presque Isle Downs incurred additional equipment lease expenses of $0.9 million during the year related to leases of various slot machines. However, this increased expense was offset in part by decreased compensation and benefits costs in the amount of $0.5 million as a result of the property's cost reduction initiatives.

Parimutuel Commissions. Overall, Presque Isle Downs' parimutuel commissions revenue increased to $3.1 million during 2008 from $1.2 million during 2007. Live and export simulcast handle increased by $1.0 million during the year and import simulcast handle increased by $1.5 million. These increases can be attributed to 101 live racing days in 2008 compared to 25 live racing days in 2007. However, expenses related to racing operations increased to $4.5 million during 2008 from $1.9 million during 2007.

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The operating results related to parimutuel commissions have been impacted by Presque Isle Downs' inability to send out its live racing signal to advance deposit wagering sites due to restrictions related to a horsemen's dispute. The Interstate Horse Racing Act requires horsemen's approval in order to send a live racing signal to these sites and the horsemen have withheld their approval pending resolution of their dispute. The timing of a resolution of this dispute could continue to have a negative impact of Presque Isle Downs' operating results related to parimutuel commissions in 2009 and beyond. Presque Isle Downs currently simulcasts its live races to approximately 323 sites.

Scioto Downs' Operating Results:

Net revenues decreased by $0.5 million during 2008 compared to 2007, and operating expenses decreased by $1.1 million during the same periods. However, 2008 and 2007 results are not directly comparable. In order to reduce expenses and operating losses, Scioto Downs and Beulah Park, the other racetrack in Columbus, Ohio, entered into an agreement, which was approved by the Ohio Racing Commission, whereby Scioto operated its simulcasting only during its live race meet (May 4, 2008 through October 13, 2008). During the remaining periods Scioto Downs' simulcasting was closed and Beulah Park operated its simulcasting. Similarly, when Scioto was open for live racing and simulcasting, Beulah Park was closed. The operating loss incurred by Scioto during 2008 was $0.6 million less than the loss incurred in 2007, primarily as a result of this agreement and a reduction in operating costs of Scioto's subsidiary, RacelineBet, Inc.

North Metro (d/b/a Running Aces Harness Park) Operating Results—Equity in Loss of Unconsolidated Joint Venture:

In June 2004, our wholly-owned subsidiary, MTR-Harness, Inc., acquired a 50% interest in North Metro Harness Initiative, LLC (*d/b/a Running Aces Harness Park*), then a wholly-owned subsidiary of Southwest Casino Corporation. In early 2008, North Metro completed construction of a harness racetrack and card room on a 178.4-acre site approximately 30 miles northeast of Minneapolis, Minnesota. Running Aces commenced live racing and simulcast operations (import and export) with parimutuel wagering on April 11, 2008, and opened a 50-table card room offering "non-banked" games (those in which the players play only against each other instead of against the house) on June 30, 2008.

During the year ended December 31, 2008, we recorded equity losses in North Metro of approximately $3.5 million. On October 19, 2008, Southwest Casino Corporation sold its 50% membership interest in North Metro to Black Diamond Commercial Finance, LLC (North Metro's lender) for (i) $1.00; (ii) relief from a $1 million guarantee by Southwest of North Metro's obligations; (iii) a right to repurchase the membership interest; and (iv) certain other considerations. Although we have been in discussions with Black Diamond, we have not entered into similar agreements and continue to own our 50% membership interest in North Metro. Black Diamond has requested that we make additional investments in North Metro; however under the terms of our Fifth Amended and Restated Credit Agreement, as amended, we do not have the ability to provide further financial support to North Metro. Since acquiring 50% of the venture, Black Diamond has hired a management company to run the day-to-day operations, and on March 2, 2009, removed the board seat held by MTR-Harness, Inc, from North Metro's board of directors. Additionally, Black Diamond has entered into a Forbearance Agreement with MTR-Harness pursuant to which Black Diamond agreed that, prior to January 19, 2009, Black Diamond will not enforce its rights under its credit agreement with North Metro arising from the failure of North Metro to satisfy certain financial covenants. While Black Diamond has reserved all rights under the credit agreement, it has not taken any action with respect to MTR-Harness or the Company (other than the removal of MTR-Harness' board seat from North Metro's board of directors). Based on these developments, we determined that there is substantial doubt as to whether we can recover our investment in North Metro. Accordingly, during 2008 we

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recorded impairment losses in the aggregate amount of $8.7 million (for which a tax benefit could not be recognized), which reduced our investment in North Metro.

In April 2007, North Metro obtained financing that is without recourse to us (except for $1 million) and commenced construction of the harness racetrack and card room. Upon execution of the non-recourse financing obtained by North Metro, we concluded that North Metro was no longer a variable interest entity in accordance with FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," ("FIN 46") and subsequent revision FIN 46R. Therefore, effective April 30, 2007, we deconsolidated North Metro and applied the equity method of accounting to our investment in North Metro in accordance with FIN 46. However, as a result of a $1 million guarantee that we provided in July 2008 on North Metro's obligations under its credit agreement, we completed a re-evaluation of whether North Metro is a variable interest entity in accordance with FIN 46. Based on this re-evaluation, we determined that North Metro was not a variable interest entity; and therefore continued to apply the equity method to the investment in North Metro. Prior to April 30, 2007, the operations of North Metro Harness were consolidated as part of our operating results, net of minority interest. Through April 30, 2007, MTR-Harness incurred an operating loss of $321,000 and recorded minority interest of $144,000. Since this time through December 31, 2007, MTR-Harness recorded $234,000 of equity in loss of an unconsolidated joint venture.

Corporate Operating Results:

During the year ended December 31, 2008, corporate general and administrative expenses were $12.4 million compared to $12.0 million during 2007. Significant factors contributing to general and administrative expenses during 2008 were:

- severance costs of $0.4 million in the fourth quarter of 2008 related to a reduction in workforce;
- an increase in stock-based employee compensation costs of $0.2 million; and
- an increase in deferred compensation costs of $0.4 million; offset by
- a decrease in salaries and bonus expenses in the aggregate amount of $0.7 million.

Depreciation Expense:

Depreciation expense increased by $2.0 million to $29.8 million during 2008 compared to 2007, primarily due to the opening of Presque Isle Downs on February 28, 2007. During 2008, Presque Isle Downs' depreciation increased $3.4 million, which was offset by a decrease in Mountaineer's depreciation of $1.0 million. We expect depreciation expense to increase slightly during 2009.

Loss on Disposal of Property:

During 2008, we incurred a net loss of $3.0 million on the disposal of property as follows:

- In October 2008, we received proceeds of $1.8 million related to the sale of our corporate airplane, which resulted in a gain of $0.7 million.
- In connection with an October 2008 amendment to and expiration of an employment agreement with the former President and Chief Executive Officer of the Company, we recorded a loss of $2.1 million associated with the corporate residence and associated real property and furnishings that will be conveyed to such former executive on May 1, 2009.
- In December 2008, Presque Isle Downs recorded a $1.5 million loss on the disposal of certain equipment components of its surveillance system that were defective and malfunctioning. We are pursuing legal action to recover the cost of the defective and malfunctioning equipment; however any recovery will not be recorded

until realized.

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Interest:

Interest expense, net of interest income, increased by $6.1 million to $40.5 million during 2008 compared to 2007. The increase is attributable to:

- additional interest expense of $1.9 million related to consent fees on our senior subordinated notes;
- the absence of capitalized interest in 2008 related to the construction of Presque Isle Downs, which was $2.2 million in 2007;
- increased interest expense in the aggregate amount of $0.5 million related to borrowings under our credit facility (net of repayments during 2008) and equipment financing for Mountaineer and Presque Isle Downs; and
- increased amortization of deferred financing fees in the amount of $1.3 million.

Loss on Debt Modification:

As a result of two amendments to our senior secured credit agreement during 2008, which modified certain aspects of the credit facility including a reduction of the borrowing commitment and term (see "Liquidity and Sources of Capital"), we were required to proportionately reduce the amount of existing deferred financing fees to reflect the reduction in borrowing capacity. In this regard, we incurred a loss on debt modification in the amount of $3.8 million during 2008 resulting from write-offs of deferred financing fees.

Provision for Income Taxes:

The income tax benefit in 2008 for continuing operations was computed based on an effective income tax rate of 17.3% including interest expense related to uncertain tax positions in income tax expense. During 2008, we recognized $251,000 of interest income (net of tax) related to uncertain tax positions. The interest income resulted from the reversal of previously established interest expense accruals on tax matters that were settled favorably.

The effective income tax rate is reflective of permanent non-deductible expenses and certain impairment losses for which we were not able to recognize a tax benefit; and correspondingly recorded a valuation allowance of $2.9 million during 2008.

The income tax benefit in 2007 was computed based on an effective income tax rate of 25.1% including interest expense related to uncertain tax positions of approximately $217,000 (net of tax).

Discontinued Operations:

Binion's Gambling Hall & Hotel. On March 7, 2008, we sold 100% of the stock of our wholly-owned subsidiaries, Speakeasy Gaming of Fremont, Inc., which owned and operated Binion's Gambling Hall & Hotel, and Speakeasy Fremont Experience Operating Company in accordance with the terms of a Stock Purchase Agreement dated June 26, 2007 (as subsequently amended), executed between the Company and TLC Casino Enterprises, Inc. The transaction was subject to purchase price adjustments based on changes in the net working capital, certain capital expenditures between execution and closing, and a $3.5 million working capital adjustment which remained with Binion's upon closing. Reclassifications have been made to the prior period presentation to reflect the assets and liabilities of Binion's as held for sale and the operating results and cash flows as discontinued operations. On December 31, 2007, we recorded a loss of $2.0 million to adjust the carrying value of Binion's assets to the anticipated proceeds, less costs to sell; and in January 2009, the post-closing purchase price adjustment was settled with TLC Casino Enterprises, Inc. Upon completion of the sale on March 7,

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2008, and resolution of the purchase price adjustment, we incurred an additional loss on disposal of $0.9 million.

During 2008, we incurred a pre-tax loss on the discontinued operations of Binion's in the amount of $2.4 million (inclusive of the additional losses on the sale of $0.9 million) compared to a pre-tax loss of $8.0 million during 2007 (inclusive of the loss on the sale of $2.0 million and income of $1.3 million related to a cash distribution for Binion's interest as a member in a mutual insurance company that converted to a stock corporation).

Ramada Inn and Speedway Casino. On June 3, 2008, our wholly-owned subsidiary, Speakeasy Gaming of Las Vegas, Inc., sold the gaming assets of the Ramada Inn and Speedway Casino to Lucky Lucy D, LLC in accordance with the terms of an Asset Purchase and Sale Agreement dated January 11, 2008. Pursuant to the terms of the agreement, Lucky Lucy paid $2.0 million in cash for the gaming assets and is obligated to pay an additional amount of up to $4.775 million subject to an earn-out provision based on the property's gross revenues over the four-year period that commenced January 11, 2008. Any proceeds that are received will be recorded as the amounts are realized. This sale was the second part of the transaction, the first part of which involved the sale of Speedway's real property to Ganaste LLC on January 11, 2008. A shareholder of Ganaste LLC is the sole owner of Lucky Lucy. Ganaste paid $11.4 million in cash for the real property. Reclassifications have been made to the prior period presentation to reflect the assets and liabilities of Speedway as held for sale and the operating results and cash flows as discontinued operations. On January 11, 2008, we recorded a gain on the sale of the real property in the amount of $2.8 million, and on June 3, 2008, we recorded a gain on the sale of the gaming assets in the amount of $1.2 million.

During 2008, we earned pre-tax income on the discontinued operations of Speedway in the amount of $2.8 million (inclusive of the 2008 gains on the sale of $4.0 million) compared to pre-tax income of $0.1 million during 2007. In addition, we also incurred a loss of $0.4 million during 2008 in connection with the write-off of an intangible asset related to our Nevada gaming license which was surrendered with the sale of Speedway.

Jackson Racing (d/b/a Jackson Harness Raceway). On December 6, 2005, our wholly-owned subsidiary, Jackson Racing, Inc., acquired a 90% interest in Jackson Trotting Association, LLC, which operated Jackson Harness Raceway in Jackson, Michigan, and offered harness racing from late-April to mid-July, parimutuel wagering and casual dining. Since acquisition, Jackson Trotting has generated operating losses and is projecting further operating losses. Additionally, Jackson Trotting has substantially exhausted its operating funds, including funds provided by the Company. Furthermore, under the terms of our Fifth Amended and Restated Credit Agreement, as amended, we do not have the ability to provide further financial support to Jackson Trotting.

Based on the current and projected operating losses and the funding shortfall, we performed an evaluation to determine whether the assets of Jackson Trotting were impaired. Jackson Trotting's assets consisted primarily of a $2.6 million intangible asset that represented the assigned value of the racing licenses held by Jackson Trotting. The value assigned to the racing licenses considered that the racing licenses permit Jackson Trotting to conduct live racing and simulcasting operations, and if legislative proposals in Michigan were passed, would permit Jackson Trotting to operate electronic gaming devices.

Based upon the projected operating losses, our inability to provide further funding to Jackson Trotting and an assessment of the potential for legislation permitting gaming operations at the racetracks in Michigan, we concluded that the Jackson Trotting intangible asset was impaired and, accordingly, recorded an impairment loss of $2.6 million ($2.1 million net of tax) during 2008.

During 2008, we incurred a pre-tax loss on the operations of Jackson Trotting, before the 10% minority interest not owned by us, of $4.0 million (inclusive of the 2008 impairment loss of

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$2.6 million) compared to a pre-tax loss of $0.6 million during 2007. In addition, a loss of approximately $160,000 was incurred in the first quarter of 2008 in connection with the expiration of land options and other costs.

On December 4, 2008, Jackson Trotting ceased the operations of racing and simulcast wagering at Jackson Harness Raceway and surrendered the racing license to the Michigan Racing Commission. Accordingly, live and simulcast racing will not be scheduled in 2009. Reclassifications have been made to the prior period presentation to reflect the assets, liabilities, operating results and cash flows of Jackson as discontinued operations.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

The following tables set forth information concerning our results of operations by property for continuing operations for the year ended December 31.

	2007	2006
	(in thousands)	
Net revenues—Continuing operations:		
Mountaineer	$261,385	$292,313
Presque Isle Downs	149,858	—
Scioto Downs	4,562	5,455
North Metro/Running Aces	28	—
Corporate	12	12
Consolidated net revenues	$415,845	$297,780

(1) Mountaineer commenced poker on October 19, 2007 and table gaming on December 20, 2007.

(2) Presque Isle Down's commenced slot operations on February 28, 2007 and racing operations on September 1, 2007.

	2007	2006
	(in thousands)	
Operating income (loss)—Continuing operations:		
Mountaineer(1)	$ 28,859	$ 48,732
Presque Isle Downs(2)	13,191	(2,414)
Scioto Downs	(2,866)	(4,972)
North Metro	(356)	(515)
Corporate	(12,250)	(11,851)
Consolidated operating income	$ 26,578	$ 28,980

(1) Mountaineer's operating income for 2007 includes project opening costs of $2.6 million.

(2) Presque Isle Downs' operating income (loss) includes project opening costs of $3.0 million and $2.3 million for 2007 and 2006, respectively.

Although we experienced an increase in revenues principally because of the opening of Presque Isle Downs, operating margins and profits did not increase correspondingly. This can be attributed to the decline in margins at Mountaineer owing to the impact of new competition on revenue and the commencement of poker and table gaming at Mountaineer. Additionally, pre-opening and development expenses related to the opening of Presque Isle Downs, as well as operating inefficiencies at Presque Isle Downs that are inherent in commencement of a new operation contributed to the decline.

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Mountaineer's Operating Results:

During the year ended December 31, 2007, net revenues decreased by $30.9 million, or 10.6%, primarily due to a $29.7 million decrease in gaming revenues (net of poker and table games revenues of $2.6 million). Parimutuel commissions and food, beverage and lodging revenues decreased by $0.2 million and $0.9 million, respectively. Revenue from other sources decreased by $0.6 million. Promotional allowances decreased by $0.1 million. Mountaineer's operating margin decreased to 11.0% in 2007 from 16.7% in 2006, a decrease of 34.1%.

Operating margins at Mountaineer were impacted due to:

- a decrease in gross profit from gaming, parimutuel commissions, food beverage and lodging operations (as discussed below) and other revenue aggregating $14.9 million including $13.4 million from gaming; and
- costs incurred in connection with the opening of table gaming at Mountaineer's facility (discussed below) in the amount of $2.6 million;
- an increase in marketing and promotion costs of $2.7 million consisting of an increase in promotions (slots, hotel and food) and advertising costs in reaction to increased competition in Pennsylvania and an awareness campaign for table games;
- an increase in general and administrative costs of $2.7 million due principally to higher salaries, wages and benefits ($1.0 million) and increases in professional and outside services, repairs, utilities and West Virginia use tax; and
- a decrease in depreciation expense of approximately $3.2 million.

A discussion of Mountaineer's key operations follows.

Gaming Operations. Revenues from gaming operations decreased by $29.7 million, or 11.5%, to $229.4 million during 2007 compared to 2006. Gross profit from gaming operations decreased by $13.4 million, or 13.0%, during 2007 compared to 2006. Management primarily attributes the decrease in revenue from gaming operations during 2007 to the impact on our market from the opening of gaming operations in Pennsylvania, which share some customer base in Ohio and Pennsylvania. In addition to the opening of Presque Isle Downs, on June 11 2007, The Meadows Racetrack & Casino, a harness racetrack in Washington, Pennsylvania, opened its new slot casino with 1,738 machines. The Meadows is approximately 40 miles southeast of Mountaineer.

During the year ended December 31, 2007, Mountaineer's average daily net win per machine decreased by 12.2% to $194 compared to $221 during 2006. The following is a summary of slot gross wagers, less winning patron payouts at Mountaineer for the years ended December 31:

	2007	2006
	(in thousands)	
Total gross wagers	$ 2,480,719	$ 2,876,960
Less winning patron payouts	(2,253,847)	(2,617,863)
Gaming revenues (net win)	$ 226,872	$ 259,097

On October 19, 2007, Mountaineer introduced 37 poker tables (subsequently increased to 40 poker tables), and opened 50 table games (blackjack, craps and roulette) on December 20, 2007 (subsequently increased to 55 table games). The poker tables are located in the facility's Grandstand, and the table games are located in the Speakeasy Gaming Saloon (connected to our hotel) as well as the Grandstand. There are no statutory limits on the size of wagers or number of games. Gaming taxes are assessed at the rate of 35%. Poker and table games generated gaming revenues of approximately $0.8 million and $1.8 million, respectively since opening in 2007 until December 31, 2007. With the commencement of

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table gaming, Mountaineer expanded its hours of operation to twenty-four hours per day, seven days per week.

Overall, the decrease in revenues from gaming operations during 2007 resulted in a $16.8 million decrease in gaming taxes and assessments. Additionally, gaming salaries and benefits increased $0.5 million principally as a result of the addition of table games staffing.

Parimutuel Commissions. Parimutuel commissions for Mountaineer, detailing gross handles less patron payouts and deductions, for years ended December 31 were as follows:

	2007	2006
	(in thousands)	
Import simulcast racing parimutuel handle	$ 18,028	$ 19,308
Live racing parimutuel handle	9,383	10,957
Less patrons' winning tickets	(21,636)	(23,864)
	5,775	6,401
Revenues—export simulcast	12,066	11,838
	17,841	18,239
Less:		
State and county parimutuel tax	(452)	(469)
Purses and Horsemen's Association	(7,937)	(8,073)
Revenues—parimutuel commissions	$ 9,452	$ 9,697

The decrease in live and import simulcast racing handle is due principally to six fewer race days as compared to 2006 as a result of more severe weather conditions in 2007 and decreased attendance resulting from the ability of patrons to place parimutuel wagers via telephone and the Internet.

Live racing and import simulcast may continue to be impacted by the conversion of some live racing patrons to export simulcast patrons (whether through traditional off track wagering facilities or growth in the utilization of telephone and/or Internet wagering).

Food, beverage and lodging operations. Revenues from food, beverage and lodging operations decreased by $0.5 million during 2007 compared to 2006, and gross profit from these operations decreased by $1.1 million, or 17.2%. The decrease in revenues resulted from a decrease in patron traffic and the decrease in gross profit resulted primarily from increased food costs, compensation and benefits and utilities costs.

The average daily room rate for the Grande Hotel decreased to $62.44 during 2007 from $71.63 during 2006, but the average occupancy rate increased to 76.4% from 74.8% during the same periods, respectively. The average occupancy and daily room rates reflect marketing campaigns designed to increase player loyalty and combat increased competition from the commencement of gaming operations in Pennsylvania.

Other operations: Other operating revenues for 2007 were primarily derived from special events at The Harv and Convention Center; from the operations of the Spa, Fitness Center, retail outlets and golf course; from the sale of programs, admission fees, and lottery tickets; and from check cashing and ATM services. Mountaineer earned other revenues of $6.2 million for 2007 and $6.8 million for 2006.

Presque Isle Downs' Operating Results:

Presque Isle Downs commenced slot machine gaming operations on February 28, 2007, and live thoroughbred horse racing with parimutuel wagering on September 1, 2007. During September 2007, we completed 25 race dates as approved by the Pennsylvania Racing Commission. From its opening