

Casino/Racetrack Benchmark Report | 2006-2010



Pennsylvania Gaming Control Board



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The Pennsylvania Gaming Control Board (“PGCB”) is pleased to present its fourth annual benchmark report which provides an update on the impact that slot machine revenues are having on the horse racing industry and pari-mutuel wagering throughout the Commonwealth. This report compares the status of wagers placed on horse and harness racing and other indicators of pari-mutuel health before and after slot machine gaming commenced in 2006.



The Pennsylvania Race Horse Development and Gaming Act states that the authorization of limited gaming is intended to positively assist the Commonwealth’s horse racing industry, support programs intended to foster and promote horse breeding and improve the living and working conditions of personnel who work and reside in and around the stable and backside areas of racetracks.

Approximately 12% of revenue generated from slot machine gaming is earmarked for the horse racing industry in order to accomplish the intent of the Act as it relates to horse racing. In 2010, over \$200 million of slot machine revenue was generated to enhance purses, assist breeding operations, provide health and pension benefits for horsemen, and improve the agricultural industry in Pennsylvania.

As a result, purses earned have increased over 250% since slot machine gaming commenced, which is intended to attract better quality horses to Pennsylvania tracks, create more competitive and exciting races, and spur investment in Pennsylvania racing and equine related products and services. With these purse supplements, the number of live races in Pennsylvania has increased by over 43%, indicating improved participation from horsemen and breeders who invest directly into Pennsylvania’s racing industry and agriculture. In addition, total wagers on Pennsylvania races, or live racing handle, has improved by over 32% since slot machine gaming commenced, indicating increased demand for wagering on Pennsylvania horse racing. This can be attributed to the increase in the supply of races and, more importantly, a significant increase in wagering on Pennsylvania racing by individuals outside of the Commonwealth. This signifies that Pennsylvania racing is growing on a national level, and as the racing industry struggles throughout the country, racing patrons are turning their attention to more competitive and exciting racing in Pennsylvania.

At the same time, the horse and harness racing industry in Pennsylvania still has significant challenges ahead in order to remain viable in the market place. Although total live racing handle has increased overall since 2006, the amount wagered by patrons within Pennsylvania continues to decrease. As the information within this report suggests, however, there has been an overall positive impact on Pennsylvania racing and the agricultural industry since slot machine gaming commenced.

Benefits for Pennsylvanians

Pennsylvania Race Horse Development and Gaming Act

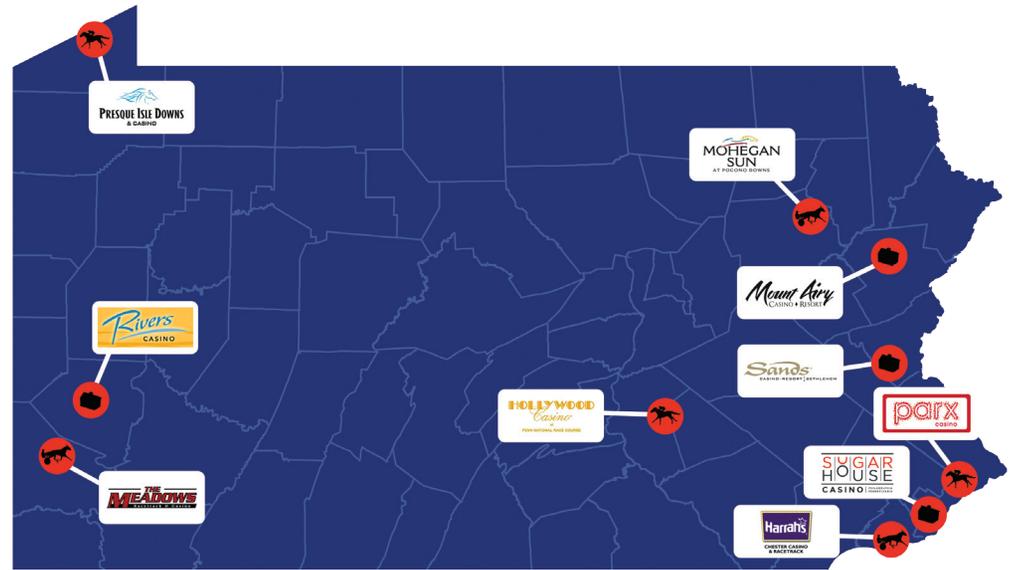
The success of legalized gaming has enabled Pennsylvania to create a significant new tax base from slot machine play that is generating millions of dollars a day to lower property taxes, help the horse/harness racing and agricultural industries, fund economic development throughout the state, and provide financial help to local communities that host these facilities. Just as important, this new industry has already created thousands of new living-wage jobs, with thousands more created through the introduction of table games at Pennsylvania casinos in mid-2010.

While overseeing this growth, the PGCB must also watch casino operations closely to protect the interests of all Pennsylvanians. That is the job of dedicated professionals who create and carry out a strong but fair regulatory framework to ensure that the gaming industry in the Commonwealth is held to the highest ethical standards.

Table games tax revenue goes primarily to the Commonwealth's General Fund with a small portion to local governments that host casinos.

Casinos in Pennsylvania

-  Stand Alone Casinos
-  Harness Racinos
-  Horse Racinos



Distribution of Slot Machine Gross Terminal Revenue



Pennsylvania law mandates the following split of revenue from each dollar generated by slot machine gaming:

-  Licensee Retained Earnings - 45%
-  Gaming Fund Property Tax Reduction - 34%
-  Race Horse Development Fund - 12%
 - 66% - Purses
 - 4% - Health Insurance & Pension Benefits
 - 7% - PA Breeders Fund
 - 3% - PA Sire Stakes Fund
 - 3% - PA Standardbred Breeders Development Fund
 - 17% - General Fund
-  Local Government Share - 4%
-  Economic Development & Tourism Fund - 5%

Gaming Tax Revenue

What is Gaming Tax Revenue?

Gaming Tax Revenue for this report is the amount of tax money generated by the play of slot machines and does not include additional revenue generated from table games. It can be broken down into four broad categories that equal roughly a 55% tax on slots gaming revenue.

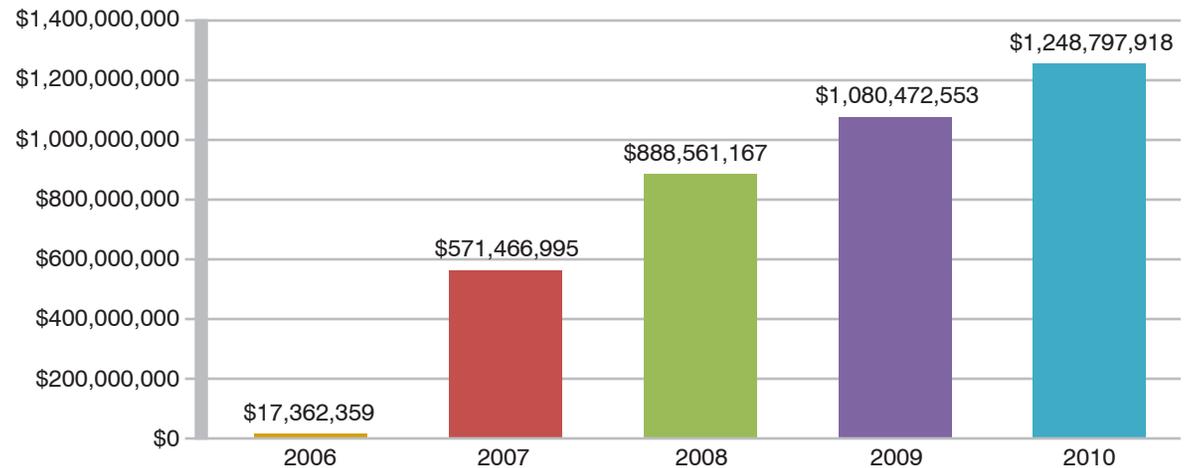
1. State Tax which equals 34% of gross terminal revenue. This revenue is mainly used for property tax reduction.
2. Local Share Tax which equals 4% of gross terminal revenue. This revenue is distributed in the counties and municipalities that have casinos in their area.
3. Race Horse Development Fund which equals roughly 12% of gross terminal revenue. This revenue is used for race horse development with a portion going to the general fund.
4. Economic Development Fund which equals 5% of gross terminal revenue. This revenue is used for economic development projects across Pennsylvania.

This report focuses mainly on the PA Race Horse Development Fund and its effects on the horse racing industry in Pennsylvania.

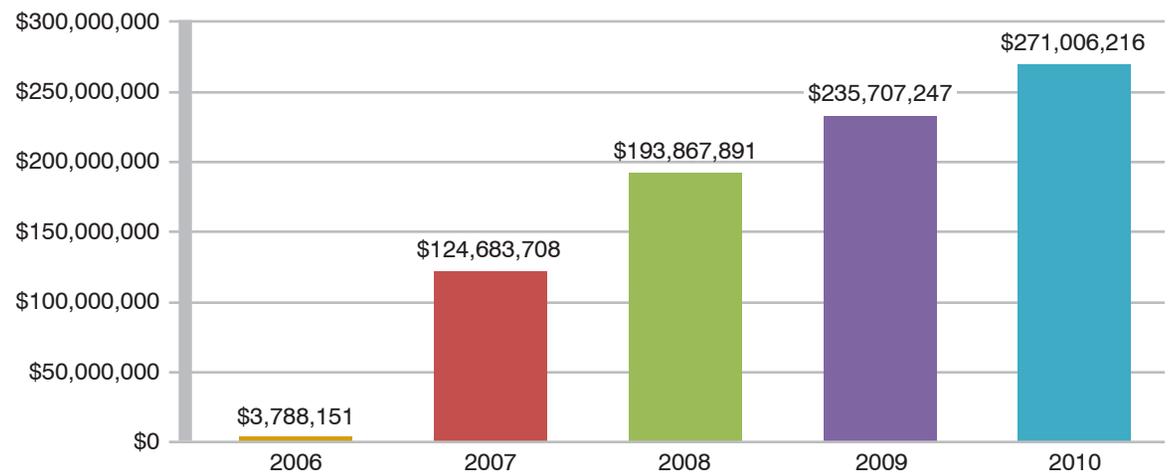
Why is this important?

The success of legalized gaming has enabled Pennsylvania to create a significant new tax base that is generating millions of dollars a day to lower property taxes, help the horse/harness racing and agricultural industries, fund economic development throughout the state, and provide financial help to local communities that host gaming facilities.

Pennsylvania Slots Tax Revenue



Pennsylvania Race Horse Development Fund



The Pennsylvania Race Horse Development Fund



The Pennsylvania Race Horse Development Fund has been established within the State Treasury and is an economic driver of pari-mutuel wagering and derived from gaming revenue. The purpose of the Fund is to further stimulate the viability and quality of racing in Pennsylvania which enhances the equine industry and agriculture on a broad based economic level.



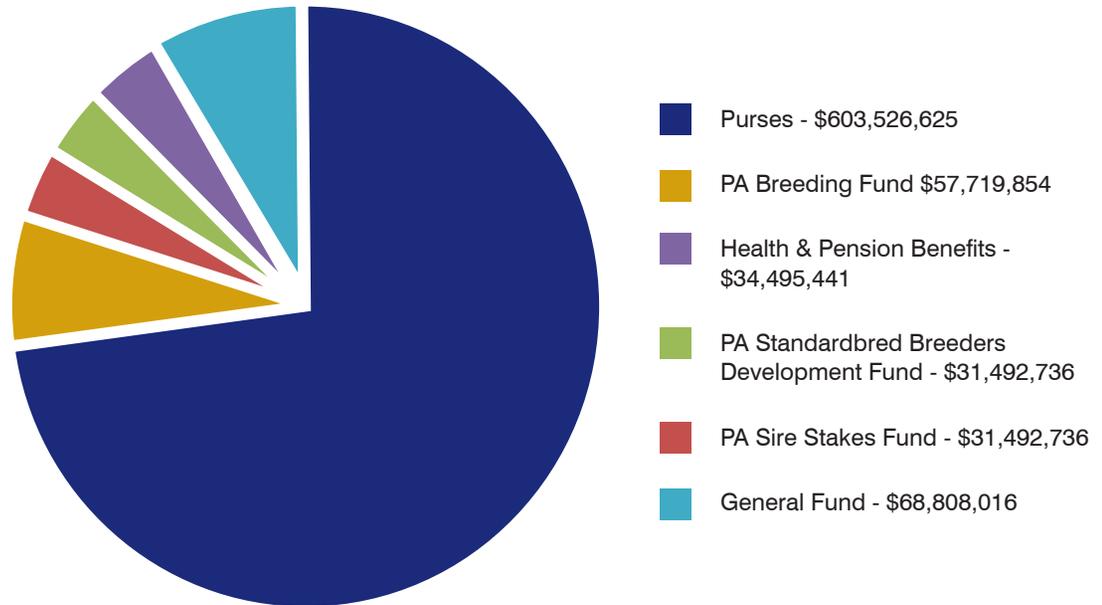
Pursuant to 4 Pa.C.S. § 1406(a), funds in the Pennsylvania Race Horse Development Fund are appropriated to the Department of Revenue and distributed on a weekly basis as follows:

- Approximately 66% is distributed to each active racetrack operator conducting live racing. The racetrack operator, in turn, deposits this money into an account established by and for the benefit of the horsemen to fund purses, or prize money, for live races. These funds are combined with revenues from existing purse agreements to fund purses for live races consistent with agreements with the horsemen.
- Approximately 4% is distributed to each active racetrack operator conducting live racing. The racetrack operator, in turn, deposits this money into an account established by and for the benefit of the horsemen to fund health insurance and pension benefits for the members of the horsemen's organizations representing the owners and trainers at the racetrack at which the licensed racing entity operates for the benefit of the organization's members, their families, employees and others in accordance with the rules and eligibility requirements of the organization.
- Approximately 7% is distributed to the Pennsylvania Breeding Fund established by the Race Horse Industry Reform Act. The Pennsylvania Breeding Fund is designed to enhance Pennsylvania's thoroughbred breeding industry, offering monetary awards to breeders, stallion owners and owners of Pennsylvania bred horses.
- Approximately 3% is distributed to the Pennsylvania Sire Stakes Fund as defined by the Race Horse Industry Reform Act. The Pennsylvania Sire Stakes Program is designed to promote Pennsylvania agriculture by providing funding for a series of races that feature the top horses sired by a registered Pennsylvania stallion. The series has four preliminary legs per racing division, with the top divisional horses competing in a championship race at season's end. There are also a set of Sire Stakes conducted at twenty stops along the Pennsylvania fair circuit.
- Approximately 3% is distributed into a restricted account in the State Racing Fund known as the Pennsylvania Standardbred Breeders Development Fund. This fund is intended to benefit the breeders of trotters and pacers racing in the Commonwealth. The program provides incentives to the owners of stallions and broodmares residing in Pennsylvania.
- Beginning January 1, 2010, 34% of the Pennsylvania Race Horse Development Fund was allocated away from the racing industry and transferred into the General Fund. This percentage fell to 17% effective July 1, 2010 and will continue at that rate through June 30, 2013 when the transfer expires.

The Pennsylvania Race Horse Development Fund - Distributions

Pennsylvania Race Horse Development Fund Distributions

November 2006 - December 2010



	2006	2007	2008	2009	2010	TOTAL
PURSES	\$ 3,030,521	\$ 99,746,964	\$ 155,094,313	\$ 188,565,798	\$ 157,089,030	\$ 603,526,625
PA BREEDING FUND	\$ 190,328	\$ 8,399,133	\$ 14,681,313	\$ 18,235,972	\$ 16,213,108	\$ 57,719,854
HEALTH & PENSION BENEFITS	\$ 151,526	\$ 4,987,348	\$ 7,754,716	\$ 9,428,290	\$ 12,173,561	\$ 34,495,441
PA STANDARDBRED BREEDERS DEVELOPMENT FUND	\$ 207,888	\$ 5,775,130	\$ 8,168,775	\$ 9,738,594	\$ 7,602,349	\$ 31,492,736
PA SIRE STAKES FUND	\$ 207,888	\$ 5,775,130	\$ 8,168,775	\$ 9,738,594	\$ 7,602,349	\$ 31,492,736
GENERAL FUND	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68,808,016	\$ 68,808,016

All statistics have been provided from various sources and have not been audited by the Pennsylvania Gaming Control Board

Purses

What are purses?

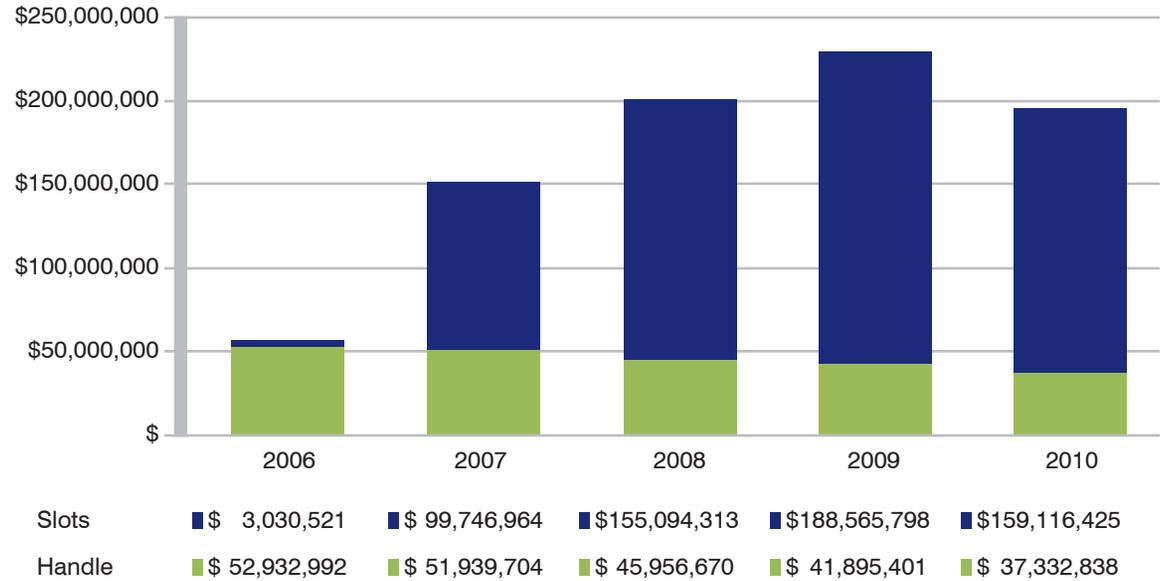
1. "Purses Earned" is the total amount of prize money available to be paid to winning horses before a race takes place.
2. "Purses Paid" is the subsequent distribution of prize money actually paid to winning horses after a race takes place.

Purses are funded mainly from slot machine revenue allocated to the Pennsylvania Race Horse Development Fund and a portion of total dollars wagered on horse racing, also known as "handle".

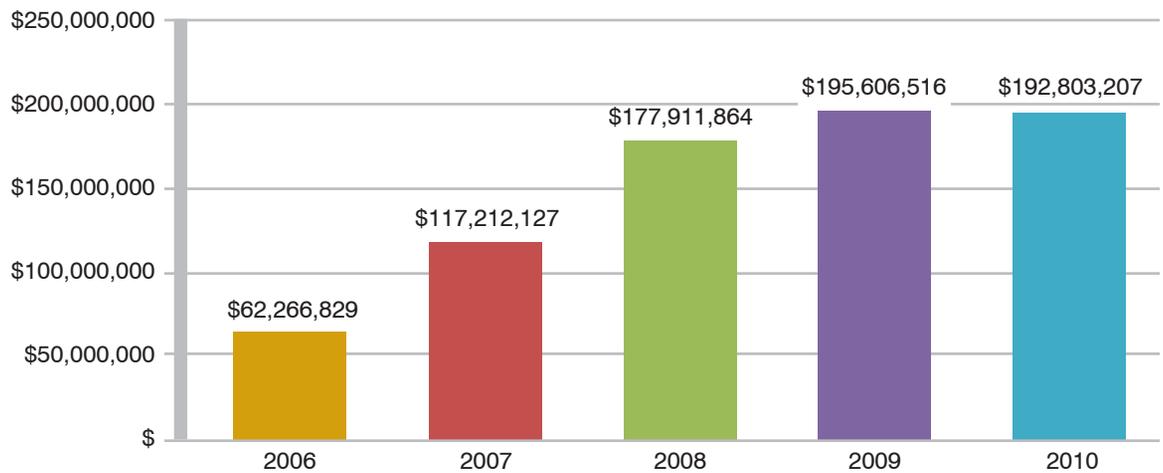
Why is this important?

An increase in purses is intended to attract better quality horses to Pennsylvania, creating more competitive and exciting races. An increase in purses also spurs investment in Pennsylvania racing and equine related products and services, which benefits the agricultural industry in the Commonwealth. Purses earned have increased over 250% since slot machine gaming commenced in Pennsylvania.

Purses Earned



Purses Paid



All statistics have been provided from various sources and have not been audited by the Pennsylvania Gaming Control Board

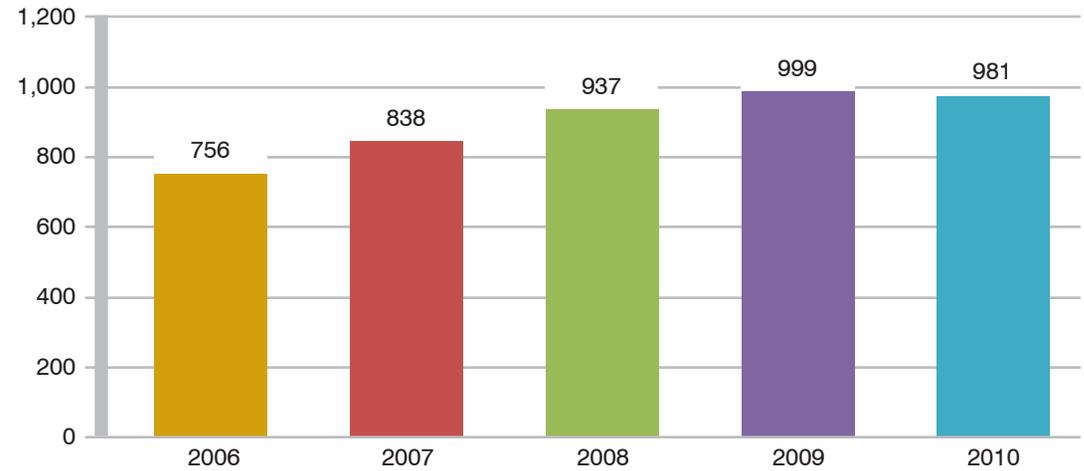
What are race days and live races?

1. Race days are the total number of days that live racing takes place at Pennsylvania tracks.
2. Live races are the total number of races that take place at Pennsylvania tracks.

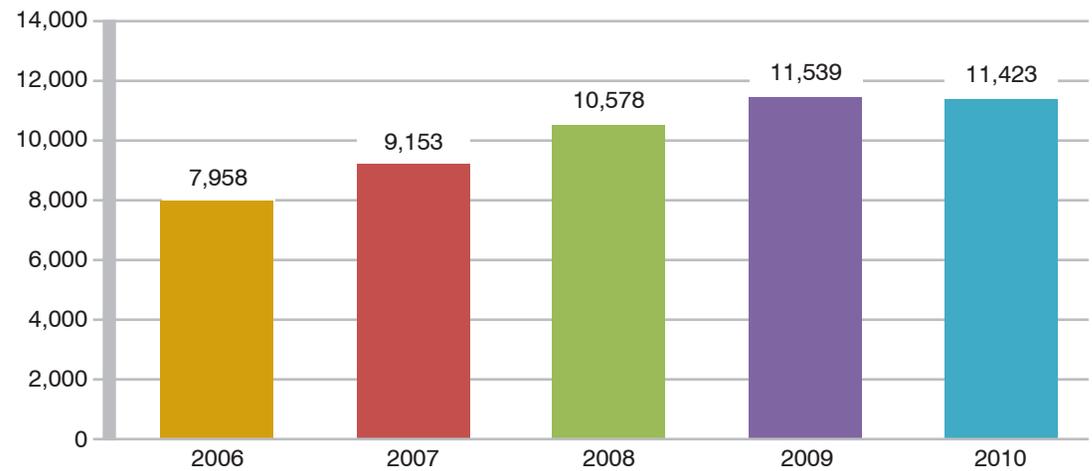
Why is this important?

The number of race days and live races are a strong indicator of total activity at tracks in Pennsylvania. Each racetrack operator must schedule a minimum number of race days and live races per year. In many respects, more race days and live races can be attributed to an increase in funding for purses which is derived from slot machine revenue. This leads to increased participation from horsemen and breeders, who invest directly into Pennsylvania's racing industry and agriculture. The number of live races has increased by over 43% since slot machine gaming commenced in Pennsylvania.

Race Days



Total Races



All statistics have been provided from various sources and have not been audited by the Pennsylvania Gaming Control Board

Live Handle

What is live handle?

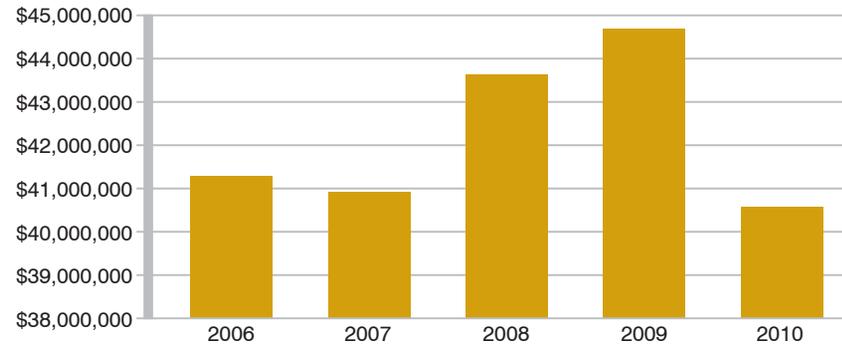
Live handle is broken down into several subcategories:

1. On Track – Total dollars wagered on Pennsylvania races at the six racetracks in the Commonwealth.
2. Off Track – Total dollars wagered on Pennsylvania races at the off track wagering facilities in the Commonwealth.
3. Phone Wagering – Total dollars wagered on Pennsylvania races through a phone or internet wagering service.
4. In-State Export – Total dollars wagered through simulcast wagering on live races held at other facilities within Pennsylvania. A racetrack exports their live racing signal to other properties within Pennsylvania.
5. Out-of-State Export – Total dollars wagered on Pennsylvania races by patrons outside of the Commonwealth through simulcast wagering. A racetrack exports their live racing signal to other properties outside of Pennsylvania.

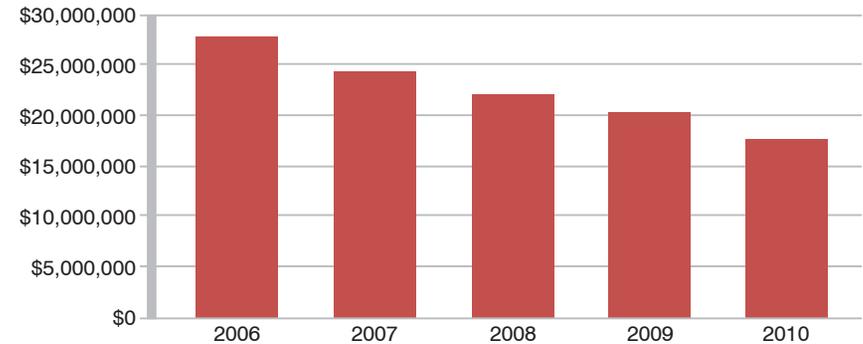
Why is this important?

Live handle, or total dollars wagered on Pennsylvania races, is imperative to the long-term success of the racing industry in the Commonwealth. An increase or decrease in live handle indicates the impact on demand for wagering on Pennsylvania horse racing. Total live racing handle has increased by over 32% since slot machine gaming commenced. This can be attributed to an increase in the number of races, and more importantly, a significant increase in wagering on Pennsylvania racing by individuals outside of the Commonwealth.

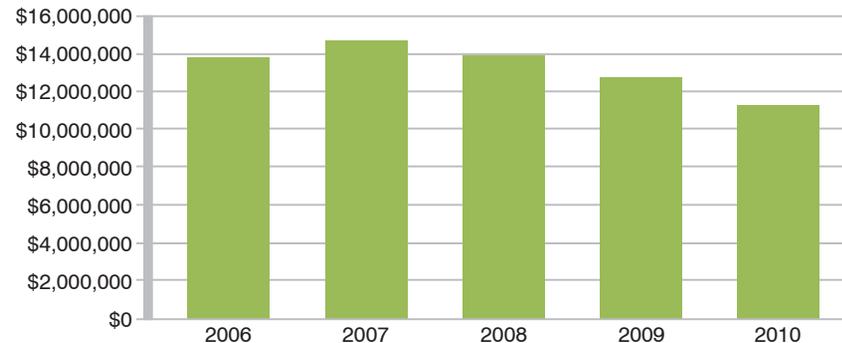
On Track



Off Track



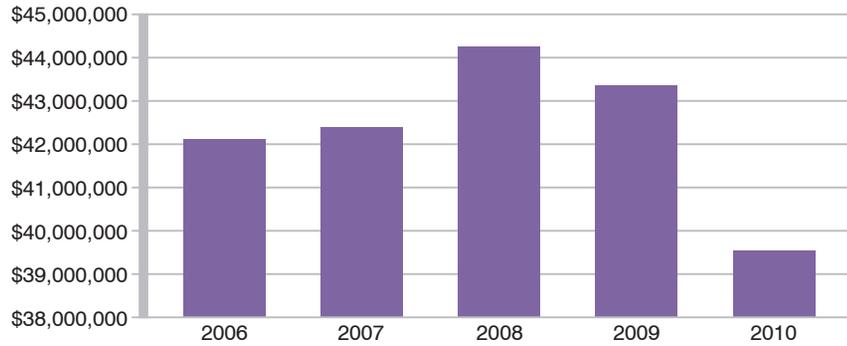
Phone Wagering



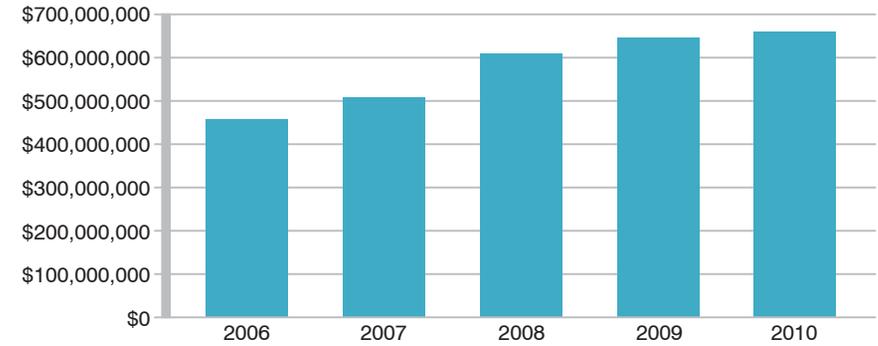
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Live Handle

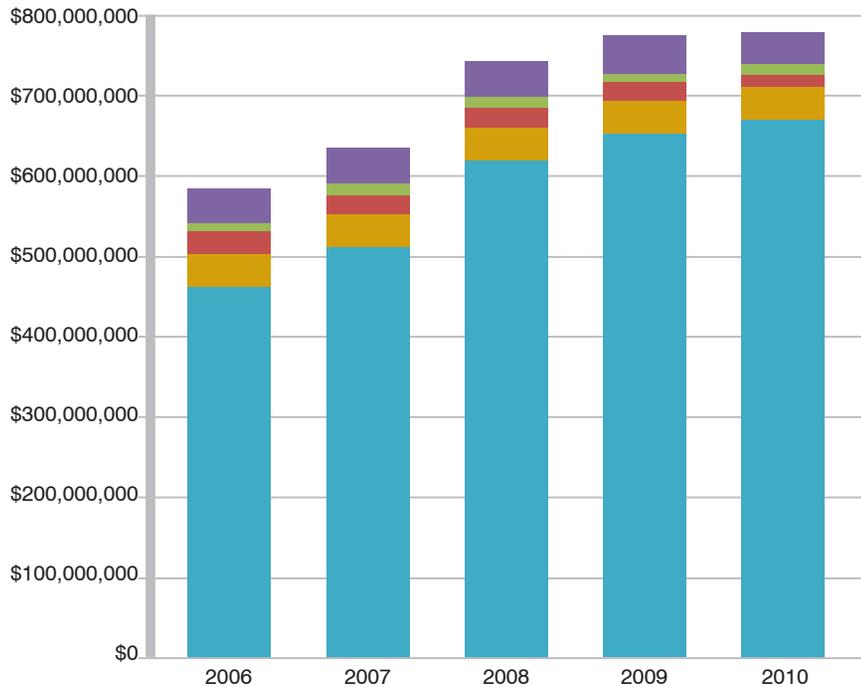
In-State Export



Out-of-State Export



Total Live Racing Handle



	2006	2007	2008
Out-of-State Export	\$ 455,536,076	\$ 503,113,349	\$ 605,509,275
On Track	\$ 41,265,236	\$ 40,888,648	\$ 43,635,577
Off Track	\$ 27,549,197	\$ 24,203,057	\$ 22,017,296
Phone Wagering	\$ 13,811,745	\$ 14,719,343	\$ 13,895,303
In-State Export	\$ 42,091,468	\$ 42,378,264	\$ 44,246,175

	2009	2010
Out-of-State Export	\$ 644,087,594	\$ 660,679,070
On Track	\$ 44,660,194	\$ 40,529,217
Off Track	\$ 20,145,365	\$ 17,562,522
Phone Wagering	\$ 12,724,755	\$ 11,304,569
In-State Export	\$ 43,341,550	\$ 39,541,392

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Conclusion

The success of Pennsylvania's gaming industry has provided a much needed source of support for horse and harness racing in the Commonwealth. Slot machine gaming has created an attractive venue for horse racing to succeed by providing resources such as increased purses for horsemen, awards for breeders, and funding for health and pension benefits. This has led to increased participation throughout the industry as



evidenced by the increase in race days and total races. The Pennsylvania Gaming Control Board is encouraged by the advancements made in the racing industry to date due to the introduction of slot machines. The PGCB will continue to monitor the horse and harness racing industry's efforts to enhance the health and development of racing, and looks forward to seeing future improvement throughout the Commonwealth.



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