

THE
Lodge
AT BELMONT
Simulcast Wagering
& Charitable Gaming

INSTANT RACING INFORMATION

OCTOBER 2009

THE Lodge AT BELMONT

Andy Lietz, Chairman
PO Box 738
Rye, NH 03870

October 15, 2009

Dear Chairman Lietz

On behalf of The Lodge at Belmont I am presenting the enclosed materials for review by the Gaming Study Commission. The lodge at Belmont is a pari mutuel wagering facility, a Charity Games of Chance facility, and a Game Operator Employer licensed by the NH Racing and Charitable Gaming Commission. In fact we were the first facility and Game Operator to receive a license from the state when the law was changed to allow charities to hire Game Operator's. The Lodge at Belmont is owned by Torguson Gaming Group Inc. whose principle Marlin Torguson is a highly regarded pioneer of Mississippi Gulf Coast gaming.

We currently offer simulcast racing on over 70 racetracks around the Country and beyond. In 2009 the Legislature removed the requirement that racetracks had to run live racing in order to offer simulcast racing. As a result we did not offer live racing in 2009 and do not anticipate running live racing in 2010.

We also offer charity gaming five days each week. Our games include Roulette, Craps, Let It Ride, Three Card Poker, Blackjack, cash poker and poker tournaments.

We enthusiastically support the addition of slot machines at our facility. Given the background of Marlin Torguson we are confident that should slot machines ever be approved for operation at The Lodge at Belmont we would operate a very successful facility which would generate hundreds of jobs and a sustainable revenue stream for the state.

However, slot machines are not the only opportunity for expanded and enhanced gaming that could be successful in our state. We have adopted the philosophy that we should seek to grow the business we are currently in by looking for enhancements to our pari mutuel business as well to the Games of Chance side of the business.

THE Lodge AT BELMONT

Enclosed you will find information on one such product known as Instant Racing sometimes called Historical Racing. This is a pure pari mutuel wagering system that has proven very successful in Arkansas. Instant Racing has recently been approved for use in Alabama and is under consideration in several states. We see enhancements such as this as a way for us to continue to attract customers to our facility and to maintain and increase the jobs we provide.

The need to grow our business is obvious. Unless something is allowed that will help us to grow I believe the pari mutuel industry in NH will be gone within two to three years, perhaps sooner.

In 2009 the Legislature passed a tax on gambling winnings that applies to pari mutual wagering. As a result we have seen a marked decline in wagers from our out of state telephone account wagering customers. This has led to lost state revenue and unless a change is made soon will lead to many lost jobs.

Comparing our gross wagers through September 29 of this year to the same period last year we are down over \$14,000,000.00. State revenue for that same period from our facility is down over \$200,000.00.

I urge the Commission to focus some of your time looking at opportunities to enhance our current gaming business and not focus entirely on the lure of slot machines. There are many things the state could do to help grow our business, create more jobs in this industry and increase state revenue that do not involve slots.

On the charity gaming side there are opportunities that should be explored that include allowing the playing of the games I mentioned above in their electronic versions. I believe you should also explore increasing the statutory bet limit of \$4.00 to something more attractive to players. A \$10.00 limit would raise revenue for the charity and the state as well as the game operators and would attract players who currently leave the state to play the games we offer because our limit is too low.

Other areas you should consider enhancements in include bingo games and Lucky 7 ticket sales. Again, there are many opportunities in the marketplace to grow these businesses. Linked bingo, electronic bingo and electronic Lucky 7 tickets machines would all enhance the playing experience and keep NH competitive.

THE Lodge AT BELMONT

NH has not kept up with the evolving gaming market over the past twenty years. We live in a technological age and we are still playing bingo and poker the way they did in the 1800's. We have not changed pari mutuel wagering opportunities since 1991 when simulcast wagering was allowed. I encourage you to look at all of these areas and I believe you will find that we can enhance our current businesses in a reasonable manner to allow steady growth with no negative side affects.

Thank you for your consideration of these matters. Please let me know if you have any questions. I would also like to offer the Commission to come to our facility for a first hand tour. If you are interested in doing that please let me know and I will work that in around your schedule.

Sincerely

Rick Newman
Director of Government Affairs



DETAILED LEGAL EXPLANATION OF INSTANT

RACING

The attached petition was filed in Florida. The Division of Pari Mutuel wagering denied the petition on the grounds that the current Florida statute would need to be amended to allow them to approve Instant Racing. However, the petition offers an excellent detailed description and explanation of Instant Racing.

Belmont Gaming, LLC

12 Month Tax Projection with Race Tech

Taxes
 Taxes from Instant Racing
 Taxes from Pari-Mutuel
 Taxes from Games of Chance
Total Gaming Taxes
 Meals & Rooms Tax
 Increased BET & Other Taxes & Licenses
Total Other Taxes
Total Taxes

2010 Budget with Race Tech by Terminal count					
	300	500	1,000	1,500	2,000
Taxes from Instant Racing	2,399,828	3,763,331	6,918,705	9,504,520	11,559,173
Taxes from Pari-Mutuel	606,432	612,497	618,622	624,808	631,056
Taxes from Games of Chance	46,717	47,184	47,656	48,133	48,614
Total Gaming Taxes	3,052,978	4,423,012	7,584,983	10,177,460	12,238,843
Meals & Rooms Tax	70,107	90,808	126,516	152,231	172,954
Increased BET & Other Taxes & Licenses	34,696	39,367	48,750	56,000	68,480
Total Other Taxes	104,803	130,175	175,266	208,231	241,434
Total Taxes	3,157,781	4,553,187	7,760,249	10,385,692	12,480,277



HISTORICAL INFORMATION ON WAGERING TRENDS

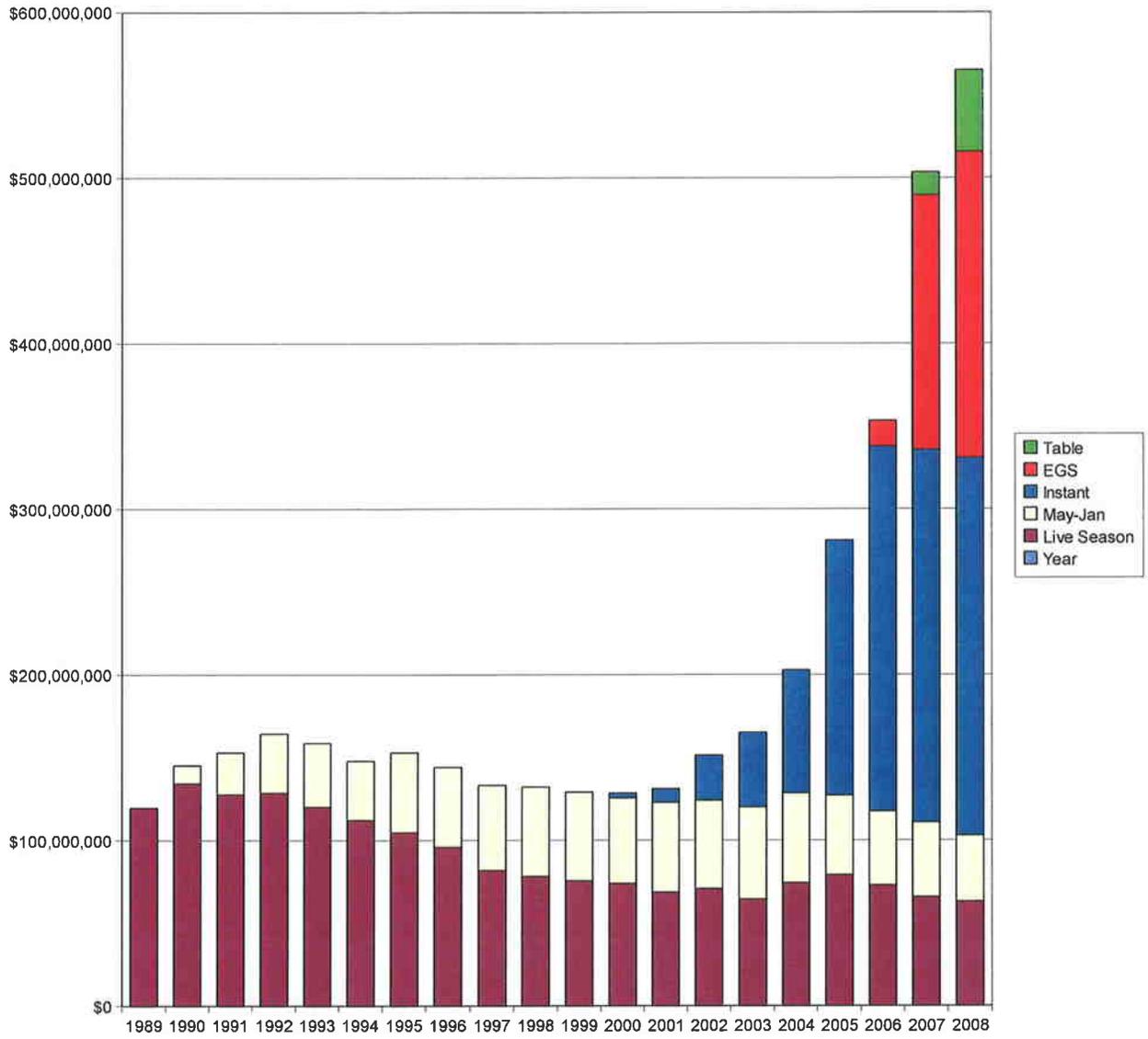
AT OAKLAWN JOCKEY CLUB IN ARKANSAS WITH

INSTANT RACING

Since 2000 Oaklawn Jockey Club in Hot Springs Arkansas has offered Instant Racing. The attached information shows the handle [total wagers] on Instant Racing since it began.

The EGS column which begins in 2006 shows the amount of wagers on Electronic Games of Skill such as poker.

Total wagering at Oaklawn



Year	Live Season	May-Jan	Instant	EGS	Table	TOTAL
1989	119,611,381					119,611,381
1990	134,338,732	10,909,262				145,247,994
1991	127,790,355	25,200,878				152,991,233
1992	128,643,388	35,747,180				164,390,568
1993	120,041,434	38,693,359				158,734,793
1994	112,087,872	35,725,748				147,813,620
1995	104,739,948	48,169,728				152,909,676
1996	95,893,065	48,135,238				144,028,303
1997	81,704,341	51,510,644				133,214,985
1998	78,091,220	54,095,218				132,186,438
1999	75,429,046	53,715,024				129,144,070
2000	73,905,611	51,641,285	2,898,744			128,445,640
2001	68,558,858	54,263,410	8,169,050			130,991,318
2002	70,734,256	53,348,107	27,165,606			151,247,969
2003	64,313,309	55,659,143	45,144,219			165,116,671
2004	74,259,516	54,214,102	74,259,516			202,733,134
2005	79,026,000	48,113,900	153,947,715			281,087,615
2006	72,881,971	44,748,722	220,228,153	15,600,016		337,858,846
2007	65,769,167	45,021,893	225,007,820	153,790,031	13,822,040	503,410,951
2008	62,964,255	39,974,868	228,021,683	184,900,288	49,141,500	565,002,594



DETAILED LEGAL EXPLANATION OF INSTANT

RACING

The attached petition filed was filed in Florida. The Division of Pari Mutuel wagering denied the petition on the grounds that the current Florida statute would need to be amended to allow them to approve Instant Racing. However, the petition offers an excellent detailed description and explanation of Instant Racing.

FILED	
<small>Department of Business and Professional Regulation Deputy Agency Clerk</small>	
CLERK	Brandon Nichols
Date	2/26/2009
File #	2009-01433

STATE OF FLORIDA
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
DIVISION OF PARI-MUTUEL WAGERING

IN RE: PETITION FOR DECLARATORY STATEMENT

RICHMOND ENTERTAINMENT
INC., d/b/a HAMILTON JAI ALAI,
and AMTOTE INTERNATIONAL,
INC.,

DS 2008-046

DBPR Case No. 2008038736

Petitioners,

and

INVESTMENT CORP. OF PALM
BEACH, d/b/a PALM BEACH
KENNEL CLUB, ST. PETERSBURG
KENNEL CLUB INC., d/b/a DERBY
LANE, JACKSONVILLE KENNEL
CLUB, INC., ORANGE PARK
KENNEL CLUB, INC., and
BAYARD RACEWAYS, INC.
d/b/a ST. JOHNS GREYHOUND
PARK

Intervenors.

_____ /

DECLARATORY STATEMENT

Petitioners, Richmond Entertainment, Inc., d/b/a Hamilton Jai Alai, (Hamilton) and Amtote International, Inc. (Amtote) (collectively Petitioners) filed a Petition for Declaratory Statement with the Division of Pari-Mutuel Wagering (Division) regarding whether the betting system of wagering known as "Instant Racing" is permitted at Hamilton's facility pursuant to Chapter 550, Florida Statutes (F.S.).

ISSUE PRESENTED

1. The Petitioners requested a Declaratory Statement as to whether the wagering system known as Instant Racing is authorized for use in Florida at Hamilton's facility pursuant to Chapter 550, F.S. Hamilton holds a valid pari-mutuel permit and license to conduct Jai-Alai. Amtote holds a business license issued by the Division to operate a totalizator system for pari-mutuel permitholders in the state of Florida. The Petitioners require a Declaratory Statement as to whether Hamilton, as a holder of a valid Jai-Alai license, may accept simulcasts of pari-mutuel racing events and use those simulcast events in the operation of a proposed Instant Racing system at its licensed pari-mutuel facility. Further, the Petitioners ask if Instant Racing is authorized at Hamilton's licensed pari-mutuel facility, what are the restrictions and requirements that must be observed in order to qualify for operation at its licensed pari-mutuel facility.

STATEMENT OF THE FACTS

2. Petitioners are a pari-mutuel wagering permit holder licensed by the Division of Pari-Mutuel Wagering to operate a jai alai fronton in Hamilton County, Florida, and a licensed totalizator system operator at pari-mutuel facilities in Florida.

3. On July 7, 2008, Petitioners filed a petition for declaratory statement seeking a determination as to the legality of Instant Racing.

4. On July 17, 2008 Investment Corp. of Palm Beach d/b/a Palm Beach Kennel Club and St. Petersburg Kennel Club, Inc. d/b/a Derby Lane filed a petition to intervene On July 31, 2008, Jacksonville Kennel Club, Inc., Orange Park Kennel Club, Inc. and Bayard Raceways, Inc d/b/a filed a petition to intervene.

5. On September 10, 2008, a public hearing was held by the Division regarding the petition at which time sworn testimony was offered by Petitioners regarding Instant Racing.

6. Instant Racing involves the use of recorded historic pari-mutuel events, presently greyhound and thoroughbred races, on which patrons place wagers. The totalisator used in Instant Racing employs the same technology as those totalisator machines defined in Section 550.002(36), F.S., which the Division licenses for use today.

7. A typical Instant Racing wager proceeds as follows: A customer inserts cash or a credit voucher into an Amtote Self-Service Terminal which displays the amount the patron has available to wager. The terminal is in use throughout Florida today for self service wagers. Depending on whether the customer is wagering on recordings of greyhound races or thoroughbred races, the Instant Racing system randomly selects races from a grouping of 336 greyhound races or 720 thoroughbred races from the recorded races stored in its main server; the races are configured so that every possible outcome from an eight greyhound field or a ten thoroughbred field is available for patron wagering.

8. Once the customer inputs a wagering amount, a race is randomly selected from the available races and the customer may make a selection of potential finishers. The customer has the ability to look at some handicapping data to assist in making the wagering selection which is provided to the customer along with the selected race. This information is represented in the form of performance charts. However, the name of the venue, date of the race, number of the race, name of the horse or dog, and if applicable, the jockey and trainer, are presented in the generic so that the customer cannot determine

which race that it has received. During the period between when the race is provided to the customer and when the wager is placed, the self service terminal displays the payouts available from the actual pools in which the customer may make a wager. The pools are locked when the player makes a wager

9. The totalisator system accumulates wagers, records sales, calculates payoffs, and displays wagering data on a display device located at a pari-mutuel facility. In an Instant Race as in with a live pari-mutuel event, there are no fixed odds. The final odds are determined by the wagering by those participating in the pari-mutuel wagering pools available for that particular recorded race. Once the wager is submitted to the totalisator, the race is shown to the customer on the self service terminal and the result of the race is displayed. At the conclusion of the race, the patron may wager on another race or “cash out” the balance available by receiving a voucher from the self-service terminal and redeeming it like a mutuel ticket or credit voucher.

10. The Instant Racing system requires that a set percentage of the wager be deducted as a commission that includes taxes with the balance of the wager being available to the patron on a particular race. The operator receives a take-out amount from the gross pool and has no interest in the winning outcome. Further, the payout amount for the Instant Racing pool is determined by the amounts the players wager; there are no fixed odds. The operation of the Instant Racing pool is consistent with the Model Rules for Pari-mutuel Wagering of the Association of Racing Commissioners International. Generally applied regulatory requirements for pari-mutuel wagering pools are met with the Instant Racing pools.

11. The races provided in the Instant Racing system are not computer images or fictional events driven in some random fashion. There are no specifications within its system for predetermined wagering results or patron payout percentage. The recorded races used by the Instant Racing were conducted live at officially recognized racetracks under the supervision of a state regulatory body with official results determined without disqualification, coupling, dead heats or other post-race altering of the finish.

12. Instant Racing has a database of over 500,000 races from more than 40 racetracks. In the case of Instant Racing on recorded thoroughbred races, more than 20,000 races are used for distribution to the player terminals. The totalisator system is constantly creating different groups of 720 races which offer the patron the same likelihood of race outcomes. The groups and the races within those groups are selected by a random number generator located at the totalisator hub to ensure the security and integrity of the system. The random number generator has been certified to meet the test for randomness and is tested regularly by the Thoroughbred Racing Protective Bureau (TRPB) to ensure randomness in the race selection process. In addition, the TRPB tests the entire database monthly to ensure no pattern exists in the delivery of the races to the terminals. As part of the integrity checks on the system, the TRPB also audits the handicapping information for accuracy, verifies that the order of finish and payouts of the races match the day the race was first run, and inspects race videos for clarity. Similarly, the totalisator is audited using nationally recognized SAS70 audit protocols to ensure its integrity. Suspicious activity as to an unusual frequency of selecting winners is scrutinized in the same fashion and under the same standard as that applied to live racing. Lastly, Instant Racing meets all of the TRPB audit standards for pari-mutuel wagering.

13. The racing databases from which the race groups are selected are changed regularly to further ensure that the customer is not able to identify the race or predict its outcome in advance. The racing database is easy to reconfigure and can be changed as often as weekly based on the desires of the regulator. Racing databases can be reconfigured within 24 hours and can be restricted to races from only a particular jurisdiction.

14 Races used in Instant Racing are subject to signed agreements with the “host” racetrack that conducted the original race. This agreement allocates three percent of the takeout from the race used to the host racetrack which in turn shares these proceeds pursuant to agreements with its horsemen, breeders, or greyhound owners and trainers.

15. The Instant Racing system does provide for protections and controls to prevent or significantly reduce the possibility of a pari-mutuel pool on an Instant Racing event from being inappropriately manipulated. The Instant Racing system does sequester the racing information from pari-mutuel wagering pool participants and displays partial information required to apply skill to the betting process. The identity of the race participants and the individual location of the race are withheld from those intending to participate in the pari-mutuel wagering pool for that event. The race events are individually delivered to the totalisator system in a specified order from a secure location. The objective is to assure that no unfair advantage is given to a pari-mutuel pool participant with advance knowledge of the outcome of the previously run live race prior to closing the Instant Racing pari-mutuel wagering pool on that race.

16. Amtote, which operates the Instant Racing system, is a licensed totalizator company and operates under the jurisdiction of the Division. The Petitioners assert that

all equipment is stored in a secured location and operated exclusively by authorized personnel holding licenses issued by the Division. An audit trail is created in the totalisator system. The system triggers the video server to select the next Instant Race with no advance identifying knowledge. The next race in the wagering sequence is determined by a computerized algorithm written to make it impossible to determine in advance exactly which race will be presented to which Instant Race terminal at any designated facility.

17. The system uses the services of the TRPB for regular audits to monitor and analyze operations in addition to Amtote's SAS 70 reporting to verify system integrity. Additionally, the licensed facility administration has the ability to monitor wagering using player tracking programs available within the system. Suspicious activity as to an unusual frequency of selecting winners is scrutinized in the same fashion and under the same standard as that applied to live racing.

18. The system possesses the potential to audit post-event wagering patterns. The wagering patterns may be assessed subsequent to an Instant Race wager to determine if the wagering pattern in some fashion may disclose inappropriate wagering activity, access to otherwise nondisclosed information by one or more pool participants, or other improper activity

CONCLUSIONS OF LAW

19. The Division is authorized to regulate the pari-mutuel industry and administer the provisions of Chapter 550, F.S , pursuant to Section 550.0251, F S

20. Sections 120.565(1) and (2), F.S., provide as follows:

(1) Any substantially affected person may seek a declaratory statement regarding an agency's opinion as to the applicability of a statutory provision, or of any rule or order of the agency, as it applies to the Petitioner's particular set of circumstances.

* * *

(2) The petition seeking a declaratory statement shall state with particularity the Petitioner's set of circumstances and shall specify the statutory provision, rule, or order that the Petitioner believes may apply to the set of circumstances.

21. The purpose of a Declaratory Statement is to allow a Petitioner to select a proper course of action in advance. *Novick v Department of Health, Board of Medicine*, 816 So. 2d 1237 (Fla. 5th DCA 2002). The Supreme Court of Florida, in *Florida Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering v Investment Corp of Palm Beach*, 747 So. 2d 374 (Fla. 1999), recognized that by enacting Section 120.565, F.S., the Legislature gave citizens a right to get a clear, binding answer from the agency on how the agency's statute and rules apply. In *Investment Corp of Palm Beach*, the Court also recognized the unique nature of this industry with limited participants who would almost invariably have an interest in a Declaratory Statement. The Court further found that changes to the Administrative Procedure Act allow for the issuance of Declaratory Statements even though the interest of persons who are not a party may be affected. *Id.* 747 So. 2d 374, at 378 and 385.

22. In this situation, the Pari-Mutuel industry has a very limited number of participants engaged in almost identical operations, differentiated under Chapter 550, F.S. only regarding the type of event to which the pari-mutuel wagering activity applies. As a consequence of the facts presented, the agency is permitted to simultaneously provide a Declaratory Statement and initiate rulemaking regarding Instant Racing both as it applies

to the Petitioners and other interested members of the Pari-Mutuel Wagering industry in the state.

23. Hamilton and the Intervenors have been issued permits which have been approved by election and have received licenses from the Division to conduct pari-mutuel operations at a location specified in their permits pursuant to the provisions of Chapter 550, F.S. In this instance Hamilton holds a valid pari-mutuel permit and license to conduct Jai-Alai, and the Intervenors hold similar pari-mutuel permits to conduct greyhound racing. The Petitioners require a Declaratory Statement as to whether Hamilton, as a holder of a valid Jai-Alai license may accept simulcasts of pari-mutuel racing events and employ those simulcast events in the operation of Amtote's proposed Instant Racing system at Hamilton's licensed pari-mutuel facility. Therefore, the Petitioners are entitled to a Declaratory Statement regarding whether the pari-mutuel betting system of wagering known as Instant Racing is authorized for use in Florida at Hamilton's licensed pari-mutuel facility pursuant to Chapter 550, F.S. The Intervenors similarly authorized to intervene.

24. Florida courts have determined that the state may exercise greater control in the exercise of its police power to regulate gambling because the public interest and the public welfare are affected by legalized gambling. In *Hialeah Racing Association, Inc. v Gulfstream Park Racing Association, Inc.*, 37 So. 2d 692, 694 (Fla. 1949), *appeal dismissed*, 336 U.S. 948, 69 S. Ct. 885, 93 L. Ed. 1104 (1949), the Florida Supreme Court found:

[a]uthorized gambling is a matter over which the state may exercise greater control and exercise its police power in a more arbitrary manner because of the noxious qualities of the enterprise as distinguished from those enterprises not affected with a public interest and those enterprises

over which the exercise of police power is not so essential for the public welfare.

25. Pari-mutuel wagering, is a form of gambling, which even though legal pursuant to the provisions of Chapter 550, F.S. has the greater potential to be injurious to the public welfare. *See Astral Liquors, Inc v Department of Business Regulation*, 463 So. 2d 1130, 1131-32 (Fla. 1985). The state exercises greater oversight over the conduct and outcome of pari-mutuel events because of the potential harm that gambling poses to the public and the increased harm it poses when the results of pari-mutuel contests are manipulated for the gain of a few at the expense of other participants. The state requires a greater level of certainty and verification that each pari-mutuel contest upon which wagering is authorized is conducted according to published rules and requirements by which all participants participate.

26. Section 550.002(22), F.S. defines the term “pari-mutuel” as

A system of betting on races or games in which the winners divide the total amount bet, after deducting management expenses and taxes, in proportion to the sums they have wagered individually and with regard to the odds assigned to particular outcomes

27. Based on the findings of fact, the Division finds that competent substantial evidence exists that the Instant Race system is “pari-mutuel” wagering as that term is defined by Section 550 002(22), F S. The Petitioners has demonstrated that the Instant Race system requires a set percentage of the wager be deducted as a commission to the operator to include taxes with the balance of the wager being available to the bettor on a particular race. First, the operator receives a take-out amount from the gross pool and the operator has no interest in the winning outcome. Second, the payout amount for the

instant racing pool is determined by the amounts the players wager and there are no fixed odds.

28. However, since the Instant Racing system does not utilize live racing being conducted at the permitholder's facility, the statutes that authorize pari-mutuel wagering at one facility on signals broadcast from other locations must be examined to determine whether Instant Racing is authorized by Chapter 550, Florida Statutes, as a "rebroadcast" of a simulcast or intertrack wagering signal as urged by the Petitioners.

29. Pari-mutuel wagering conducted on races and games received from tracks located outside the state of Florida is authorized by Section 550.3551, Florida Statutes. Specifically, Section 550.3551(3), Florida Statutes, authorizes horse tracks to receive broadcasts of horseraces conducted in other states and Section 550.3551(4), Florida Statutes, authorizes greyhound tracks and jai alai frontons to receive broadcasts of races or games conducted outside the state of Florida. Section 550.3551(5), Florida Statutes, restricts the direct receipt of a broadcast from a location from outside Florida to broadcasts received from an out-of-state permitholder who holds the same class of pari-mutuel permit held by the recipient.

30. Sections 550 3551(3)-(5), Florida Statutes, read as follows:

(3) Any horse track licensed under this chapter may receive broadcasts of horseraces conducted at other horse racetracks located outside this state at the racetrack enclosure of the licensee during its racing meet.

(a) All broadcasts of horseraces received from locations outside this state must comply with the provisions of the Interstate Horseracing Act of 1978, 92 Stat. 1811, 15 U.S.C. ss. 3001 et seq.

(b) Wagers accepted at the horse track in this state may be, but are not required to be, included in the pari-mutuel pools of the out-of-state horse track that broadcasts the race. Notwithstanding any contrary provisions of this chapter, if the horse track in this state elects to include wagers

accepted on such races in the pari-mutuel pools of the out-of-state horse track that broadcasts the race, from the amount wagered by patrons at the horse track in this state and included in the pari-mutuel pools of the out-of-state horse track, the horse track in this state shall deduct as the takeout from the amount wagered by patrons at the horse track in this state and included in the pari-mutuel pools of the out-of-state horse track a percentage equal to the percentage deducted from the amount wagered at the out-of-state racetrack as is authorized by the laws of the jurisdiction exercising regulatory authority over the out-of-state horse track.

(c) All forms of pari-mutuel wagering are allowed on races broadcast under this section, and all money wagered by patrons on such races shall be computed as part of the total amount of money wagered at each racing performance for purposes of taxation under ss 550.0951, 550.09512, and 550.09515. Section 550.2625(2)(a), (b), and (c) does not apply to any money wagered on races broadcast under this section. Similarly, the takeout shall be increased by breaks and uncashed tickets for wagers on races broadcast under this section, notwithstanding any contrary provision of this chapter.

(4) Any dog track or fronton licensed under this chapter may receive broadcasts of dograces or jai alai games conducted at other tracks or frontons located outside the state at the track enclosure of the licensee during its operational meeting. All forms of pari-mutuel wagering are allowed on dograces or jai alai games broadcast under this subsection. All money wagered by patrons on dograces broadcast under this subsection shall be computed in the amount of money wagered each performance for purposes of taxation under ss 550.0951 and 550.09511.

(5) A pari-mutuel permitholder licensed under this chapter may not receive broadcasts of races or games from outside this state except from an out-of-state pari-mutuel permitholder who holds the same type or class of pari-mutuel permit as the pari-mutuel permitholder licensed under this chapter who intends to receive the broadcast.

31. While the receipt of a signal from outside the state of Florida constitutes “simulcasting” as that term is defined by Section 550.002(32), Florida Statutes, Sections 550.3551(3)-(5), Florida Statutes, do not use the terms “simulcast” or “simulcasting” to authorize the receipt of broadcasts from out-of-state, they merely authorize the receipt of “broadcasts” or a “broadcast” signal by an in-state pari-mutuel facility.

32. Section 550.002(3), Florida Statutes, defines “broadcast” as follows:

(3) "Broadcast" means the broadcast, transmission, simulcast, or exhibition in any medium or manner by means that may include, but are not limited to, community antenna systems that receive and retransmit television or radio signals by wire, cable, or otherwise to television or radio sets, and cable origination networks or programmers that transmit programming to community antenna televisions or closed-circuit systems by wire, cable, satellite, or otherwise.

[Emphasis added.]

33. The definition of "broadcast" contained in Section 550.002(3), Florida Statutes, includes the term "simulcast." "Simulcast" is defined by Section 550.002(32), Florida Statutes, as follows:

(32) "Simulcasting" means broadcasting events occurring live at an in-state location to an out-of-state location, or receiving at an in-state location events occurring live at an out-of-state location, by the transmittal, retransmittal, reception, and rebroadcast of television or radio signals by wire, cable, satellite, microwave, or other electrical or electronic means for receiving or rebroadcasting the events.

[Emphasis added.]

34. As it pertains to events occurring at an out-of-state location, the definition of "simulcasting" in Section 550.00(32), Florida Statutes, uses the present tense terms "receiving" and "events occurring live" to describe receipt of races broadcast from out-of-state. Petitioners assert that the term "rebroadcasting" which is contained within the definition of "simulcasting" would authorize Instant Racing since the previously run races are stored for rebroadcast at a later time. However, the term "rebroadcasting" is only used within the context of methods by which those "events occurring live" may be received. At the time simulcast wagering authorization was authorized by Section 550.3551, F S , the Instant Racing system was not in existence.

35. Further, the authorization to conduct intertrack wagering also indicates an intention by the legislature that the races and games transmitted from in-state locations be

conducted live. Sections 550.615(1)-(2), Florida Statutes, which authorize intertrack wagering, read as follows:

(1) Any horserace permitholder licensed under this chapter which has conducted a full schedule of live racing may, at any time, receive broadcasts of horseraces and accept wagers on horseraces conducted by horserace permitholders licensed under this chapter at its facility.

(2) Any track or fronton licensed under this chapter which in the preceding year conducted a full schedule of live racing is qualified to, at any time, receive broadcasts of any class of pari-mutuel race or game and accept wagers on such races or games conducted by any class of permitholders licensed under this chapter.

36. Section 550.002(17), Florida Statutes, defines “intertrack wagering” as follows:

(17) "Intertrack wager" means a particular form of pari-mutuel wagering in which wagers are accepted at a permitted, in-state track, fronton, or pari-mutuel facility on a race or game transmitted from and performed live at, or simulcast signal rebroadcast from, another in-state pari-mutuel facility.

[Emphasis added.]

37. The definition of “intertrack” wager authorizes pari-mutuel wagering on two types of signals, live events at another in-state pari-mutuel facility or the rebroadcast of a simulcast signal from another in-state pari-mutuel facility. The reference to a live race or game is plain on its face. As indicated earlier, the receipt of simulcast signals are restricted by Section 550.3551(5), Florida Statutes, to an out-of-state permitholder with the same class of pari-mutuel permit. Thus, the reference to a “simulcast signal rebroadcast from, another in-state pari-mutuel facility” contained in the definition of “intertrack wager” found in Section 550.002(17), Florida Statutes, authorizes wagering on races or games of a different class of out-of-state permitholder that are “rebroadcast” from an authorized in-state recipient.

38. As noted, while authorized by statute, pari-mutuel wagering is a form of gambling. In *PPI, Inc. v Dep't of Business and Professional Reg*, 698 So. 2d 306, (Fla 3rd DCA 1997), the Court noted that statutes authorizing gambling are “an exception to long-standing Florida law that prohibits all such forms of gambling” and that such exceptions are to be strictly construed. *Id* at 308. Therefore, it would not be appropriate to interpret the definitions of simulcast or intertrack wagering to include recorded and stored races as those used in Instant Racing.

39. While the Petitioners have presented evidence that the Instant Racing system is pari-mutuel and contains sufficient safeguards to ensure fairness and integrity for those playing, it is clear from the statutory language of Section 550.002 (17) and (32), F S. that the legislature contemplated that races be live (*See* Section 550.002 (17), F S., “performed live” and Section 550.002 (32) F.S., referring to “occurring live”) In order for Instant Racing to fit within the statutory framework of chapter 550 F.S., specific authority for the use of historic races in both “simulcast” as well as “intertrack wager” would have to be present as well as any necessary rulemaking authority to implement such a system. Therefore, it does not appear that the Legislature intended to authorize forms of pari-mutuel wagering such as those utilized by the Instant Racing system.

THEREFORE, the foregoing findings of fact and conclusions of law, the Petition is answered in the negative. The Instant Racing system is not authorized by the above referenced provisions of Chapter 550, Florida Statutes, and the request to employ the Instant Racing system is hereby DENIED.

DONE AND ORDERED this 26TH day of February, 2009.



David J. Roberts, Director
Division of Pari-Mutuel Wagering
Northwood Centre
1940 North Monroe Street
Tallahassee, Florida 32399-1035

NOTICE OF RIGHT TO APPEAL UNLESS WAIVED

Unless expressly waived, any party substantially affected by this final order may seek judicial review by filing an original Notice of Appeal with the Clerk of the Department of Business and Professional Regulation, and a copy of the notice, accompanied by the filing fees prescribed by law, with the clerk of the appropriate District Court of Appeal within thirty (30) days rendition of this order, in accordance with Rule 9 110, Fla. R. App. P., and Section 120 68, Florida Statutes.

CERTIFICATE OF SERVICE

I hereby certify this 26th day of February, 2009, that a true copy of the foregoing has been provided by U S. Certified Mail to the following.

RICHARD E. GENTRY, ESQ.
2305 Braeburn Circle
Tallahassee, Florida 32309-3003

MARC W. DUNBAR, ESQ.
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LEGAL OPINION OF ATTORNEY DAN MULLEN ON

INSTANT RACING IN NH

Following is a legal opinion issued by attorney Dan Mullen. Attorney Mullen served as an assistant Attorney General and in that role advised the then Pari Mutuel Commission on legal matters.

John T. Alexander
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Connecticut

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Massachusetts
and Illinois

***** Also admitted
in Massachusetts

November 7, 2008

VIA FACSIMILE AND REGULAR MAIL

Paul M. Kelley, Director
New Hampshire Racing & Charitable Gaming Commission
57 Regional Drive, Unit 3
Concord, NH 03301

Dear Mr. Kelly:

This office represents Marlin Torguson, an officer of The Lodge at Belmont ("The Lodge"). The Lodge is interested in introducing a form of pari-mutuel wagering through a method called "Instant Racing". Instant Racing is a method of wagering on the results of horse races. Instant Racing wagers are pari-mutuel wagers, meaning that the racetrack accepting the wager has no interest in the outcome of the race. Rather, the wagered money is "pooled". The racetrack deducts a said amount from the pool to pay for horsemen's purses, operating expenses and other costs. The balance of the pool is returned to patrons who place winning wagers.

Instant Racing is conducted through the use of self-service totalizator machines. The self-service totalizator machines used for Instant Racing operate on the same basic principal as traditional self-service totalizator machines used throughout the United States. In either case, a patron places a wager on the machine, and the machine transmits information regarding the wager to a central totalizator system. The central totalizator system keeps track on all wagers placed into a given pari-mutuel pool, calculates the amount of take-out the racetrack is permitted to deduct, and calculates the pay-out for winning wagers. In addition to these traditional functions, the totalizator machines used for Instant Racing incorporate new technology. This new technology permits a patron to not just place a wager on the machine, but to also watch the race (or portion thereof) and view the official race results on the machine. The Instant Racing totalizator machine then displays the results of the patron's wager using video and/or mechanical displays.

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The only substantive difference between Instant Racing and traditional pari-mutuel wagering on horse racing is that in Instant Racing, the patron wagers on a previously-run horserace. Each Instant Racing totalizator machine is connected to a central server that stores digital image of tens of thousands of previously-run races. Each horserace on the server is an actual horserace that was conducted by a licensed US pari-mutuel facility, and that concluded with official results. Each horserace on the server has exactly ten separate wagering interests (i.e., ten different horses on which the patron can wager). The identity of the horserace, the racetrack at which such race was conducted, and the horses participating in the race are withheld from the patron until after the patron has placed the wager. However, prior to placing the wager, the patron does have the opportunity to examine past performance data showing the relative merits of each of the entries as they actually existed on the day of the race.

Instant Racing is a patented pari-mutuel wagering system consisting of a number of remote computer terminals connected to a central server. The patent for the Instant Racing system is held by Race Tech, LLC, an Arkansas limited liability company. As described above, the Instant Racing central server contains more than one hundred thousand races which have previously been run at various locations around the United States under the authority of the state licensing and regulatory agency of the particular jurisdiction. When money is inserted at a remote terminal, information regarding a historic race is displayed on the terminal without identification of the location where, or date on which, it was run. Horses and jockeys are identified only by number, such that it is a statistical impossibility for the wagerer to know the result of the race prior to the placement of his wager. True and accurate past performance information (as published in the "Daily racing form" for horse races, on the date of the race), presented in graphic form, is displayed on the terminal to enable the wagerer to handicap the race prior to placing the wager.

Following placement of the wager, the wagerer has the option of viewing the entire race, or viewing only the final furlong of the race and after the race is shown, the date and location of the race is disclosed to the wagerer. The wagered amount is placed in a pari-mutuel pool of similar denomination wagers, and the first wagerer within the pool to have placed a winning wager wins the pool, less authorized deductions established by the law in the jurisdiction in which the wager was placed. If no wagerer within a particular pari-mutuel pool is successful, the pool is carried over.

Wagerers who utilize the handicapping information provided enjoy a significant increase in the odds of placing a winning wager over the odds of winning based upon pure chance. In our opinion, the New Hampshire Racing and Charitable Gaming Commission has the authority to authorize use the Instant Racing technology at racetracks licensed within the State of New Hampshire and we respectfully request that the Commission give such authorization.

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A. Powers of the Commission

The Commission is granted “all the powers, duties and rights conferred upon State commissions under the United States Interstate Horseracing Act of 1978.”¹ RSA 284:6-a, III. These rights, powers and duties include adopting rules relative to the operation of racetracks in which horseraces or meets are held, and the rules of greyhound racing. Furthermore, New Hampshire case law has interpreted the powers of the commission, and has found the commission to be a quasi-judicial body whose decisions and orders are afforded deference in judicial review. *See North Hampton Racing and Bidding Association v. New Hampshire Racing Commission*, 94 N.H. 156 (1946). The Commission, therefore, has the power to make any decision, or to promulgate any rule or regulation that it sees fit, as long as it falls within the very broad framework of “reasonableness”.

The statute which grants the pari-mutuel the authority to regulate pari-mutuel pools is RSA 284:22. This statute states, in relevant part, that licensees may “sell pari-mutuel pools in accordance with this chapter and rules adopted by the Commission. Pari-mutuel pools shall be sold within the enclosure of the racetrack where a licensed race or race meet is held or as provided in RSA 284:22-a, and not elsewhere.” There are no further limitations on sales; only location of sales, not manner of sale is covered by this section. Section 22-a, which governs simulcast racing, provides that, when a licensee receives a transmission of a race which is run at another track, the licensee may sell pari-mutuel pools on that race as long as the sale takes place “within the enclosure of the racetrack at which the licensee holds a license for the current year to conduct live racing in this state.” RSA 284:22-a, II (a). The sale must be made “with the agreement or approval of the racetrack which *provides* the transmission of the races to be simulcast and the racetrack which *conducts the races to be simulcast.*” RSA 284:22-a, II (a). (emphasis added). The provider and conductor as described in this section may presumably be one in the same, but the legislative intent that there be an agreement among all parties involved in this enterprise is clear. Aside from this contractual mandate, there is no indication that the legislature meant to control any other part of the pari-mutuel sale.

¹ The Interstate Horseracing Act (IHA) 15 U.S.C. §§3001 et seq. was passed in 1974. In it, Congress recognized the importance of pari-mutuel horseracing as an industry which provides substantial revenue to the state. Congress established its intention to regulate interstate commerce in this field, while at the same time reaffirming the State’s traditional role in regulating gaming within their borders.

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B. Rule Making

The Commission is authorized to adopt rules relative to the sale of pari-mutuel pools, and these rules are exempt from the provisions of the administrative procedure act ("APA"), RSA 284:12, ¶4; RSA 541-A:21. This exemption from the APA indicates that the legislature intended the Commission to formalize these rules without any hearing or comment from interested parties. The effect of this exemption is that the Commission is truly the first and last word when it comes to decision making in the area of pari-mutuel sales. The exclusion of the notice and hearing requirement that accompany most other agency action affords the Commission unlimited discretion in the promulgation of rules relevant to racing and the sale of pari-mutuel pools. Thus, its rules will not be found invalid if it can cite any conceivable reason for promulgation of such sales.

The language in RSA 284:22 is simple in regard to pari-mutuel pools. "[A] licensee under this chapter may sell pari-mutuel pools in accordance with this chapter and rules adopted by the Commission." "Pari-mutuel pools shall be sold within the enclosure of a racetrack or a licensed race as held or as provided in RSA 284:22-A, and not elsewhere." RSA 284:22.

This language is not restrictive. It enforces the theory that the legislature intended the Commission to determine in what manner the sale occurs. The statute only mentions that a licensee may *sell* pari-mutuel pools, and they must be sold *within the enclosure of the racetrack*. No further restrictions on sales were written into the statute. The Commission, having been charged by this statute with promulgating rules relative to racing, becomes the sole authority as to how sales take place.

The Commission has adopted rules relative to harness racing and greyhound racing which provides a definition of pari-mutuel wagering. In the greyhound racing rules found at Pari 800, Pari 801.41 defines pari-mutuel wagering as "a form of betting on the outcome of a race in which all bets are pooled and held by a licensee for distribution of the total sum of the bets, less any deductions authorized by law, to holders of winning tickets. For the rules of harness racing, the definition of pari-mutuel wagering is found in rules which has been incorporated by reference by the Commission. Those rules are found at the Association of Racing Commissioners International-North American Pari-Mutuel Regulators Association Joint Rules (ARGI/NAPRA). Pari-mutuel wagering is defined as "a form of wagering on the outcome of an event in which all wagers are pooled and held by an association for distribution of the total amount, less the deductions authorized by law, to holders of tickets on the winning contestants."

As described above, Instant Racing is a method of wagering on the outcome of a horserace in which all wagered money is "pooled". The only deductions allowed are those authorized by law, such as paying for horsemen purses, operating expenses, and other costs. The

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balance of the pool is returned to patrons who place the winning wagers. Instant Racing thus falls within the definition of pari-mutuel wagering contained in the rules of the Racing and Charitable Gaming Commission.

As stated above, RSA 284:22 simply provides that "pari-mutuel pools shall be sold within the enclosure of a racetrack or where a licensed race or race meet is held or as provided in RSA 284:22-A, and not elsewhere." The statute gives the Commission broad authority to sell pari-mutuel pools and only states that they must be sold within the enclosure of the racetrack. No further restrictions on sales were written into the statute. The Commission therefore becomes the sole authority as to how sales may take place.

Moreover, if the Commission believes that any of its rules do not authorize it to allow for Instant Racing, Pari 502.02 authorizes the Commission to waive any rule if the Commission determines that compliance with any rule is rendered unnecessary by new technology or innovative design or construction of facilities. Additionally, Pari 603.01 authorizes the Commission to waive any rule relative to harness racing in order to advance the purposes of RSA 284 as it applies to harness racing.

Furthermore, should the Commission wish to promulgate rules which address the issues which have been raised here, it has the authority to do so via regulating the sale of pari-mutuel pools. The process of promulgating these rules would not have to follow the usual process outlined in RSA 541-A because the rule making would be regulating the sale of pari-mutuel pools.

C. Conclusion

It is our opinion that the Commission has the authority to authorize Instant Racing at racetracks within the State of New Hampshire. In our view, RSA 284:22 and 22-A authorize the Commission to promulgate rules necessary for the use of such a method for pari-mutuel wagering, if the Commission believes that such rules are necessary.

As an aside, it should be noted that Instant Racing has been very successful in other jurisdictions. With the advent of Instant Racing, jurisdictions have found that it has had a profound impact on purses, the breeders fund, employment and tax revenues in the jurisdictions in which it is allowed. As Congress has recognized the Interstate Horseracing Act, horseracing provides substantial revenue to the State of New Hampshire. This revenue can be further enhanced by authorizing the use of Instant Racing at licensed racetracks within the State of New Hampshire. Accordingly, we respectfully request that the Commission authorize the use of Instant Racing within licensed racetracks in the State of New Hampshire.

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We would be happy to meet with you and members of the Commission to discuss this further if the Commission so chooses. I look further to hearing from you regarding this matter in the near future.

Very truly yours,

A handwritten signature in cursive script that reads "Daniel J. Mullen". The signature is written in dark ink and is positioned above the printed name and email address.

Daniel J. Mullen
dmullen@ranspell.com

DJM/dl

cc: Marlin Torguson
383460



DESCRIPTION OF INSTANT RACING PUT OUT BY RACE TECH

RaceTech is the developer and manufacturer of Instant Racing Terminals.
Enclosed is the company description of their product.

705 Olive Street, Suite 804

2705 Central Avenue



1-800-554-5265

St. Louis, MO 63101

Hot Springs, AR 71901

General Description of Instant Racing

Instant Racing is a method of wagering on the results of horse races. Instant Racing wagers are pari-mutuel wagers, meaning that the racetrack accepting the wager has no interest in the outcome of the race. Rather, the wagered money is "pooled." The racetrack deducts a set amount from the pool to pay for horsemen's purses, operating expenses, and other costs. The balance of the pool is returned to patrons who place winning wagers.

Instant Racing is conducted through the use of self-service totalizator machines. The self-service totalizator machines used for Instant Racing operate on the same basic principle as traditional self-service totalizator machines used throughout the United States. In either case, a patron places a wager on the machine, and the machine transmits information regarding the wager to a central totalizator system. The central totalizator system keeps track of all wagers placed into a given pari-mutuel pool, calculates the amount of takeout the racetrack is permitted to deduct, and calculates the payout for winning wagers. In addition to the traditional totalizator functions, the totalizator machines used for Instant Racing incorporate new technology. This new technology permits a patron to not just place a wager on the machine, but to also watch the race (or a portion thereof) and view the official race results on the machine. The Instant Racing totalizator machine then displays the results of the patron's wager using entertaining video and/or mechanical displays.

The only substantive difference between Instant Racing and traditional pari-mutuel wagering on horse races is that in Instant Racing, the patron wagers on a previously-run horse race. Each Instant Racing totalizator machine is connected to a central server that stores digital images of tens of thousands of previously run horse races. Each horse race on the server is an actual horse race that was conducted by a licensed U.S. pari-mutuel facility, and that concluded with official results. Each horse race on the server has exactly ten separate wagering interests (i.e., ten different horses on which the patron can wager). The identity of the horse race, the racetrack at which such race was conducted, and the horses participating in the race are withheld from the patron until after the patron has placed the wager. However, prior to placing a wager the patron does have the opportunity to examine past performance data showing the relative merits of each of the entries as they actually existed on the day of the race.

When placing a wager on an Instant Racing totalizator machine, a patron attempts to select the first three finishers of the race, in exact order. The patron can win in any one of several different ways, such as: (1) the patron's selections correctly match the first three finishers in exact order; (2) the patron's top two selections correctly match the first two finishers in any order; (3) any of the patron's three selections correctly match the first two finishers in any order; and (4) the patron's top selection wins the race. The payout amount varies for the different types of wins depending upon how difficult it is to win in that particular manner. This is similar to traditional pari-mutuel wagering, where the trifecta has a higher payout than the exacta because it is more difficult to pick.

Description of Equipment Used for Instant Racing

In order to fully understand the equipment used for Instant Racing, it is important to first understand the mechanics of traditional pari-mutuel wagering. Traditional pari-mutuel wagering is conducted through the use of an electronic totalizator system. The totalizator system consists of two main components.

The first component of the totalizator system is the tote terminal. The tote terminal is an interface between the person placing the wager and the totalizator system. There are two predominant types of tote terminals in use at racetracks today: clerk-operated tote terminals and self-service tote terminals. When a patron places a wager with a live mutuel clerk at a racetrack betting window, the clerk enters the wager into a clerk-operated tote terminal. The terminal communicates the wager information to the totalizator "hub", and prints out a betting ticket for the patron which contains the information regarding the wager. In lieu of placing a wager through a live mutuel clerk, a racetrack patron can use a self-service tote terminal. The self-service tote terminals feature enhanced graphics and other features to make them more patron-friendly. Self-service terminals also feature bill and/or voucher readers, so that the patron can insert cash or a betting voucher directly into the machine when placing the wager.

The second component of the totalizator system is the totalizator hub. The hub consists of the computer hardware, software and communications systems that collect all of the incoming data from the tote terminals. Wagers on any given horse race are typically placed via both clerk-operated tote terminals and self-service tote terminals located at racetracks and off-track betting facilities throughout the country. The totalizator hub collects all of the wagering data, assigns each wager into the appropriate pari-mutuel pool, calculates the amount of takeout the racetrack is entitled to withhold from such pool, and computes the amount of the winning wagers.

Instant Racing is a method of placing pari-mutuel wagers on previously-run horse races. As such, Instant Racing wagers are placed through a totalizator system as described above. The totalizator system used for Instant Racing has one additional component - a video server. The video server is a computer that stores the digitized images of the previously-run horse races, together with the handicapping information associated with such races.¹ The self-service tote terminals used for Instant Racing differ from traditional self-service tote terminals in that they (i) display the handicapping data directly on the tote terminal screen, (ii) display the video image of the race directly on the tote terminal screen, and (iii) display the outcome of the patron's wager using entertaining graphics.

¹ The totalizator system stores the handicapping information associated with such races. Many of the races stored in the system have over 70 different handicapping elements associated with them. The exact number of handicapping elements for each race depends on the amount of data available for such race in the Daily Racing Form on the day the race was originally run.

Methodology of Placing an Instant Racing Wager

Set forth below is a list of the steps taken when a patron places an Instant Racing wager:

1. The patron establishes a balance at the self-service tote terminal by entering cash or a betting voucher.
2. The patron determines the amount of the desired wager, and enters the amount on the tote terminal.
3. The patron's wager is automatically divided between many pari-mutuel pools, some of which are harder to win than others.²
4. Our system selects a "group" of 720 races from those residing on the system, each race having a unique sequence of finish which can be technically defined as permutations of the first three finishers in a ten horse race. Then, our system chooses one of the historical races contained on the video server which is randomly selected and sent to the patron's self-service tote terminal, along with a portion of the handicapping data available for such race.³
5. The patron has an opportunity to view the handicapping information. The handicapping information is supplied by the Daily Racing Form and is actual handicapping data that was available for the race on the day the race was actually run.
6. The patron selects the three horses he or she believes will finish first, second and third in the race. The patron may change selections at any time prior to pressing "Start."
7. The patron presses "Start" to watch the race. The patron may watch the entire race, or may choose to watch only the stretch run.
8. The patron wins or loses depending upon the extent to which the patron's selections match the actual order of finish for the race.
9. If the patron wins, he or she is automatically paid (by way of a credit to the patron's balance) whatever amount is in the applicable pari-mutuel pool. If the patron wins more than one pari-mutuel pool on a single wager, the patron is paid only for the highest pari-mutuel pool.⁴

² The splitting of certain wagers into multiple pools has long taken place in traditional pari-mutuel wagering. For example, wagers placed into a pick-six pool automatically entitle the patron to win either the pick-six jackpot, or the pick-five consolation prize.

³ This step is similar to traditional pari-mutuel wagering wherein the racetrack's racing secretary establishes the races and the patron has no choice over what races will be run at a particular racetrack on a particular day. This is the only step in Instant Racing that features a random element. The random element does not impact the outcome of a patron's wager, but rather merely establishes which race the patron will wager on and which handicapping elements the patron will see.

⁴ This is similar to the pick-six wager. If the patron picks all six horses, the patron wins the pick-six jackpot, but is not also paid the pick-five consolation prize.

10. If the patron loses, the each applicable pool carries-over and continues to grow until someone else, betting on a different race, wins the applicable pool.⁵

11. The patron repeats steps 2 through 10 for each wager.

12. When the patron is finished playing, he or she receives a credit voucher for the remaining balance. The voucher may be used at another self-service tote terminal, or may be redeemed for cash.

⁵ Pick-six carry-overs are commonplace in racing throughout the U.S. Patrons playing on the second day of a pick-six carry-over wager on different races than the patrons playing on the first day, but they are all playing for the same pool.

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1. What defines a "historical race"?

A historical race is simply a horse race that was previously run at a licensed U.S. pari-mutuel facility, and that concluded with official results. Instant Racing uses only historical races that have 10 horses running, and that concluded without scratches, disqualifications, or dead-heat finishes. Furthermore, historical races are used for Instant Racing only if Racetech is able to obtain a video of the race, as well as the Daily Racing Form handicapping information available for the race on the day it was run.

2. Once a race is selected, what happens to that race? Is it randomly reset in the mix of other races, or is it eliminated and replaced by another race?

When a race is selected for a player's wager, the race is not removed from the database. The race remains in the mix of races stored in the database. Thus, for every wager, the race database is the same. It is conceivable (but unlikely) that the same race could be selected for the next wager, either for the same player or for another player. However, because every race remains anonymous until after the player has placed his wager, the use of the same race will not affect the outcome of the wager. Rather, the outcome of the wager is determined by the player's skill in selecting the top three finishing horses based on the handicapping information presented.

3. How many races are stored in the device?

Racetech presently has an offline video database containing more than 214,000 horse races conducted at licensed U.S. pari-mutuel facilities. Of these offline races, approximately 21,200 qualify under the present criteria for use in Instant Racing wagering. About one-half of the qualifying races are loaded on the video servers for use in Instant Racing wagering at any one time. The qualifying races can be rotated onto and off of the video servers so that the database of races is not static.

The video servers contain only video files, and may be located onsite for fast access. On the other hand, the handicapping information associated with each historical race and the official race finish data are stored in the totalizator system in a secure offsite location. No video files or data are stored in the individual Instant Racing terminals.

Those terminals (just like self-service tote terminals in use at racetracks today) are simply communication devices which transmit the information regarding the player's wager to and from the totalizator system.

4. What is the "technical" name of the device or component that randomly selects the race?

All random race selections are driven by a software random number generator executed within the totalizator system. The random number generator was developed by AmTote using a "multiply with carry generator" algorithm suggested in papers published by George Marsaglia of Florida State University. The AmTote software random number generator and its usage methods have been tested and passed by independent testing laboratories.

The random number generator has no effect on the outcome of a player's wager. Once a player is presented with a particular race on which to wager, it is up to the player to pick three horses based on the handicapping information presented. The outcome of the player's wager is dependent upon the skill of the player in selecting the horses that finish first, second and third in the race.

5. What is the structure of the pool, identified in RaceTech's "General Description of Instant Racing", the balance of which (after deducting takeout) is "returned to patrons who place winning wagers"? I.e., what bets or other "payments in" constitute the makeup of the pool at the time the player initiates the game by pressing the start button on his terminal?

In order to fully understand the answer to this question, it is important to first have a complete understanding of "traditional" pari-mutuel wagering. At a racetrack today, when a player places a wager on a live horse race, the wager is placed into the appropriate pool (or appropriate pools in the case of multi-payout wagers such as the twin trifecta or the Pick-6).

To use an example from "traditional" pari-mutuel wagering, suppose that 100 players each wager \$2 on a horse race, with 50 of the players picking a horse to win, 25 players picking a horse to place, and 25 players picking a horse to show. In this example, each different type of wager is collected in a different pool. Thus, the win pool will contain \$100 (50 times \$2) and the place and show pools will each contain \$50 (25 times \$2). If two of the win pool players pick the winning horse, the players will win approximately \$40 each. The win amount is calculated by subtracting the racetrack's commission (approximately \$20) from the total pool amount (\$100), and dividing the difference by the number of winning wagers (in this example, two).

Now suppose that 21 players wagering in the show pool wager correctly (i.e., their show wager is placed on any of the top three horses). Applying the strict pari-mutuel mathematical formula would result in the winning show pool players actually losing money. (The racetrack takes its commission (approximately \$10) out of the show pool and distributes the remainder (\$40) among the 21 winning players, for a per-player payout of approximately \$1.90). This type

of pool, where the winning payout based on the pari-mutuel formula is less than the amount of the winning wager, is known in the industry as a “minus” pool.

Minus pools are governed by the particular state’s racing law. In the case of a wager on Instant Racing, as opposed to “traditional” live horse races. As each wager is placed, the wager amount is split into several parts, in increments of 1/1000 of a cent. These parts are (a) the racetrack’s commission, (b) one pool for each specified way to win, and (c) a seed pool that ensures that minus pools do not occur. For the Thoroughbred Mania version of Instant Racing, each dollar wagered is split as follows¹:

¹ When playing Thoroughbred Mania, a player has the choice of betting one dollar (or other unit) per race or two dollars (or other units). The first dollar wagered makes the player eligible to win any one of six different pools (trifecta, exacta, win, etc.). The second dollar wagered makes the player eligible to win two additional pools which are more difficult to win (Pick-3 and Pick-4).

First Unit Bet

	Seed Pool Not Full	Seed Pool Full
Takeout	10.0%	10.0%
Seed Pool	75.0%	0.0%
3 Exact Order	3.1%	18.6%
Top 2 Exact Order	2.8%	16.8%
Top 2 Picks in Money	1.0%	6.0%
3 to get Top 2	4.6%	27.6%
3 to get 1 st , 3 rd	2.8%	16.8%
Top Pick Wins Race	0.7%	4.2%
Total	100.0%	100.0%

Second Unit Bet

	Seed Pool Not Full	Seed Pool Full
Takeout	8.0%	8.0%
Seed Pool	75.0%	0.0%
Pick-4	17.0%	92.0%
Pick-4 Consolation	0.0%	0.0%
Total	100.0%	100.0%

In order to eliminate the occurrence of minus pools, which are standard occurrences in “traditional” pari-mutuel wagering, Instant Racing utilizes the concept of a seed pool. The seed pool is essentially a pool of money held by the operator to make sure all winning wagers can be paid the amount required by applicable regulation. The seed pool in Instant Racing is made up of money wagered by players. On the other hand, the deficit in a traditional minus pool is paid by the racetrack. Thus, Instant Racing is actually a more pure form of pari-mutuel wagering than is “traditional” wagering on live horse races, because in “traditional” wagering there are circumstances under which the racetrack stands to lose money to the players. As can be seen from the first column of the chart above, if the seed pool is not filled to its predetermined level, a large portion of each wager is placed into the seed pool until it reaches capacity.

The vast majority of wagering through Instant Racing takes place when the seed pool has already been filled to its predetermined level. Therefore, most wagers are allocated as shown in the second column of the chart above. As multiple players are wagering on different \$1 Thoroughbred Mania machines², each wager is allocated as set forth in the chart. Each of the six pools for the first dollar bet, and the two pools for the second dollar bet, will continue to grow based on the foregoing allocations until someone wins the wager that corresponds to a particular pool. Upon winning the wager, the amount in the applicable pool will be paid to the winning player (less breakage). The pools that were not won will continue to grow, and the pool that was

² Different versions of Instant Racing, and different wager denominations of the same version, are considered different wagers and thus are placed into different pools.

won will begin anew starting at the applicable minimum amount (which minimum amount is funded from the seed pool to ensure that a minus pool never occurs).

6. **For purposes of this question please assume that there are 10 system terminals in use, with a different race selected by the server for each terminal.**
- a. **RaceTech's "General Description of Instant Racing" suggests that players' bets are divided into separate standard, exotic and proposition pools for each wager made available by the betting terminals. If so, how (and by which component of the system) is the calculation made of each portion of the player's total bet for allocation among the pools?**

Assuming that the ten players in this hypothetical are each wagering on a \$1 Thoroughbred Mania machine and each player wagers two units per race, the ten players will be playing against each other in eight different pari-mutuel pools. A description of the eight pari-mutuel pools is set forth in the chart contained in the answer to Question No. 5.

Each dollar wagered by a player is divided among the track's commission and the eight pari-mutuel pools (and in certain instances the seed pool) in accordance with the percentages set forth in the chart. The allocation does not take place within the player terminal because the player terminal is simply a communication device that transmits information about a wager to and from the totalizator system. The calculation of the allocation is done by the totalizator system. Furthermore, each time such an allocation is calculated, the totalizator system updates the total amount contained in each pool. This is the exact function the totalizator system already performs in "traditional" pari-mutuel wagering.

- b. **How (and by which system component) are the odds on the available wagers (standard, exotic, proposition) calculated for purposes of the payoff of the winning wagers?**

Unlike slot machines or other forms of house-banked casino gaming, there are no true "odds" in Instant Racing. A slot machine might pay fixed 10 to 1 odds for a certain combination of symbols, and fixed 30 to 1 odds for a less frequent combination of symbols. In Instant Racing, on the other hand, each payout is entirely dependent upon the amount in the pari-mutuel pool. An Instant Racing player might win the "3 Exact Order" pool three times in the span of one hour, and each time the payout will be different.

Just as in "traditional" live horse racing, the totalizator system allocates all wagers into the appropriate pari-mutuel pools and keeps track of the total amount contained in each pool. Thus, at any point in time the totalizator system can inform the player of the amount the player will receive if the player wins the pool. Each individual Instant Racing terminal displays the pool amounts (i.e., probable pays), and these displays are updated approximately every 2-5 seconds (much more frequently than is customary in "traditional" live horse racing).

- c. **How (and by which system component) are the individual payoffs (displayed on the terminal for the various wagers to which the player's bet is allocated) calculated?**

Individual payoffs for a winning wager and the probable-pays displayed on each Instant Racing terminal are calculated the same way. The totalizator system allocates all wagers into the appropriate pari-mutuel pools and keeps track of the total amount contained in each pool. The total amount in a pool is rounded down according to the breakage parameters, and paid in full to the first wager that wins it.

The only exception is the Thoroughbred Mania Pick-4 Consolation, which has no pool of its own. Rather, the Pick-4 Consolation is paid as a percentage (10%) of the Pick-4 pool. The Pick-4 Consolation is paid to a player who has selected the winning horse in three consecutive races, but has lost in the fourth race. If the player had selected four consecutive winning horses, he or she would have won the Pick-4 pool in its entirety.

When a wager qualifies for more than one way to win, the player receives the highest payout. For example, if the player's selections match the first three finishers in exact order, then the first unit bet qualifies to win both the 3 Exact Order pool (i.e., the trifecta) and the Top 2 Exact Order pool (i.e., the exacta). In this situation, the player receives the higher paying pool.

John Walzak
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Toronto, ON, M8Y 3Y3

To Whom It May Concern

I have been asked to comment on the "Instant Racing Pools" as described in the Model Rules of the Association of Racing Commissioners International. Specifically, I have been asked my opinion on whether or not the pools are pari-mutuel compared to other pari-mutuel pools based on horse and dog racing. I have reviewed the rules, observed the operation of the pools in a controlled demonstration and interviewed some of the pool developers.

A. Basic Pari-mutuel Tests

In my opinion the "Instant Racing Pools" are based on the following pari-mutuel principles:

- 1) The operator (and government) receives a take-out amount from the gross pool – there is no interest in the winning outcome;
- 2) The payout amounts are determined by the amounts wagered by players – there are no fixed odds;

Instant Racing Pools comes in four iterations, all included in the Model Rules. The deduction of the take-out, before the winning payout is calculated, is common to each version. The rules typically describe this procedure with the words "After applicable takeout has been deducted from the wager..." (*PMRMR-004-035 Proprietary Wagers*, A. Instant Racing Pools (1) (d)). The takeout is applied to the wager in a manner consistent with the Net Pricing Method, whereby the takeout may vary across wagers in a pool and is calculated separately for the wagers involved. This method is described in the Model Rules at *PMRMR-004-030 Calculation Of Payouts And Distribution Of Pools*.

Payouts are calculated in the standard pari-mutuel fashion – the amount bet on the winning outcome is divided into the net pool (the amount available to be won), breakage/minimum payout rule is applied and the resulting price is allocated to each winning wager, according to the amount of that wager (a \$4 winning wager receives twice as much as a \$2 winning wager). In the case of the Instant Racing Pools, there may only be one winning wager for any pool. The calculation is akin to a Win pool for which there is only one winning wager – the holder of that wager receives the entire net pool (minus breaks) regardless the amount that was wagered. This calculation is described under the section titled "Payment Calculation" for each variation of the pool.

The two principles above are, in my opinion, the key factors in determining whether or not a proposed wagering game is pari-mutuel or not. I believe that the "Instant Racing Pools" all meet these two key criteria.

B. Additional/Supplemental Pari-mutuel Tests

In addition to the basic two criteria above, the following factors are generally applied to pari-mutuel pools through regulatory programs. In my opinion these factors apply to the "Instant Racing Pools":

- 1) A player selects the outcome on which to wager based on the player's personal decision – handicapping information based on the past performance of the contestants is provided;
- 2) The player can view the race played;
- 3) The wagers are made through a totalizator system with fully auditable transaction records for selling, accounting and cashing of the wagers;
- 4) The winning outcome is determined by the order of finish of a race sanctioned by a racing commission;
- 5) The pools operate according to consistent internal logic for determining winners;
- 6) The pools operate according to consistent external logic (of other pari-mutuel pools) for determining price calculations, breakage, minimum payout, carryover, split and bonus pools;
- 7) The pools may only be operated if approved by a regulatory body;
- 8) The takeout may be apportioned in the same manner as other pari-mutuel pools – to purses, the track, the state, etc.

The first four factors are provided for in the Model Rules. Whether or not any actual implementation of the "Instant Racing Pools" meets these requirements is a factual question, best left to on-site review. The fifth factor, a consistent internal logic, seems to be a given to me. This factor is generally concerned with how winners are determined and how exceptions to the rule are handled. Again, real life experience and evaluation may be the best method for assessing this factor. For the purposes of my opinion, I accept the internal logic of the pools.

Factors seven and eight are also factual in nature and best left to field verification. Both factors are included in the Model Rules. I assume that any implementation of the "Instant Racing Pools" will be in compliance.

That leaves factor six: The pools operate according to consistent external logic (of other pari-mutuel pools) for determining price calculations, breakage, minimum payout, carryover, split and bonus pools.

Price Calculation, Breakage and Minimum Payout

The price calculations, as mentioned above, are relatively straight forward. In Model Rule terminology, they are single price pools similar to the basic Win calculation. Breakage, or minimum pay rules, are also straightforward. Breakage is a variable in the pari-mutuel world. It defines the rounding down in the price calculation and sets some expectations for minimum payouts. As a rounding method it is mostly a method for creating revenue for the pool operator or the state. The breakage point is defined by state law and ranges from \$.05 to \$1. The higher the breakage point, the higher the revenue to the recipient. The "Instant Racing Pools" follows whatever the breakage rule may be in the jurisdiction, just like any other pool. The second aspect of the breakage issue is the minimum payout. This level is defined by rule and often linked to the breakage point. Typically, minimum payouts are defined as \$.05/dollar wagered and can range to \$.10/dollar wagered. The pool operator must fund, from its revenues, any shortfall in the pool to meet the minimum payout level. The "Instant Racing Pools" take a similar but perhaps more pragmatic approach to the minimum payout issue. Minimum payouts are defined and posted for various wagering outcomes. The funding for these levels is provided through the seed pool that is accumulated for each pool. In my opinion, the calculation, breakage and minimum payout operations for the "Instant Racing Pools" meet the definition of pari-mutuel.

Before moving to the next factors, a short note on calculating pari-mutuel pools. The traditional method of calculation was to pool the wagers then calculate the takeout from the pool. The introduction of net pricing, allowing more than one takeout rate to be applied to a pool, created the possibility of calculating the takeout on a wager by wager basis, to ensure the proper rate was applied. With computers, the new method could be implemented seamlessly, and allowed for a

level of precision that could maximize the return to the wager. In general, deducting from a pool or deducting from each bet is an arithmetic choice that has minimal impact on the calculation. The "Instant Racing Pools" have adopted the wager level as the point of calculation for the takeout, carryover and split. In my opinion this is consistent with generally accepted pari-mutuel operations.

Carryover Pools

The operation of carryover, split and bonus pools is the heart of the "Instant Racing Pools". A carryover pool involves moving the net pool (the amount available to be won) to a future event/race whenever no winning selection is made. The concept started with Pick N pools, designed to create jackpots at the races that could rival lottery pools. The idea was that the more available to win the more players will bet. By ensuring future events had money available for potential winners, those players were attracted. The carryover was applied to a different event than originally wagered and made available to wagers not part of the original event. There are a number of carryover pools in the Model Rules including the Twin Tri, Twin Quinella, Twin Superfecta, Pick N Place X, Racingo, etc. The carryover is the basis for the "Instant Racing Pools". Whenever a player loses, the net pool portion of her wager is carried to the next event and made available to be won by that player. The first event is the race and wager at the first player's machine. The second event is the next player, race, machine and so forth. In my opinion, the operation of the carryover pools in the "Instant Racing Pools" are consistent with operation of carryover pools in other pari-mutuel pools.

Split Pools

The split pool is a variation on the carryover pool. It involves splitting a portion of the net pool off and making it available to be won if a subset of the winning outcome is selected by a player. For example, in a Pick 6 pool requiring the correct selection of the winners of six races, the rules allow for a portion of the net pool to be made available for those selecting 5 winners. The rules define various methods for splitting the net pool. The general idea is to encourage players to participate in the pool by paying out lesser amounts for less than perfect selections. "Instant Racing Pools" use split pools in the same manner. The rules define the allocation of each wager to the net pools that are defined by the methods of winning or ways to win. These split portions are pooled into a series of carryover pools available to be won by the players. This practice of apportioning and carrying over is consistent, in my opinion, with the same practice in other pari-mutuel pools, particularly the Pick N pool and the Pick N Place X pool, both in the Model Rules. The seed pool, used to ensure there are sufficient funds available to meet the minimum payout rules for the various methods or ways to win, is a fairly unique implementation of the carryover concept. While simply a variation on the split pool concept, allocating a portion of

the net pool for a specified outcome, the seed pool concept has been implemented in Canada as a variation on the Pick N pool. A defined method of calculation for the pool allowed for a portion of the day's net pool to be allocated to a future Pick N pool whenever the complete winning selection was made. This portion "seeded" the next pool, accelerating the growth of the carryover by attracting players when the available amount to win was traditionally low. The seed pool in the "Instant Racing Pools" works to accomplish the same goal – to ensure players have something to win. Again, this is, in my opinion, consistent with accepted pari-mutuel operations.

Bonus Pools

Bonus pools are used in the "Twin" series of pools referenced above. The concept is that a portion of the net pool is split off and reserved for those players who won the first level. For example, in a Twin Tri, those players who won the trifecta bet on a race qualified for a chance to select another trifecta bet in a subsequent race. The players receive a payout for the first winning selection and a chance to select in the second event without cost. If there are no winners at the second level the pool is carried over to next Twin Tri pool and made available for the second event of that pool. The bonus is funded by allocating a portion of the net pool to the bonus. The bonus in the "Instant Racing Pools" works in the same manner. A portion of each wager is allocated to the bonus pool. To qualify for the bonus a player must select a qualifying outcome. No cost is associated with playing the bonus. The bonus pool carries forward if the player does not make the correct selection. This is, in my opinion, consistent with accepted pari-mutuel operations.

I trust this opinion is clear. I have attached a resume of my professional experiences. I may be contacted to discuss this opinion at 905 301-0394.

Yours truly,



John Walzak

Pari-mutuel and Skill aspects of Instant Racing

1. Defining "pari-mutuel" wagering:

- a. The player is not betting against the "house", just against other players.
- b. The "house" has no interest in who wins or loses, or whether a particular wager wins. The racing establishment takes a set commission from the gross wager, and all of the rest is split among the winners.
- c. Fixed-odds slot machine wagers are betting for winnings "banked" by the house. Instant Racing games are not "banked games" like slot machines.
- d. Since minimum payoffs are funded by setting aside a portion of the bets in a Seed Pool, Instant Racing is even more pari-mutuel than regular racetrack wagering. When the standard racetrack Show pool has a minus pool, players are betting against the house.

2. Modeled after common pari-mutuel methods:

- a. The concept of pari-mutuel wagering is central to the pending patent. If this were just another slot machine, the patent would have been 50 years too late.
- b. Similar in concept to the Pick-N and Twin-Trifecta multi-tier payoffs: The Pick-6 often pays part of the pool to exact 6-of-6 winners, and another part to 5-of-6 winners. The Pick-9 has been known to have up to three ways to win. Similarly, the Twin-Trifecta generally pays part of the pool to the first Trifecta winners, and another part to those who also win the second Trifecta.
- c. Similar in concept to the Pick-N and Twin-Trifecta carry-over jackpots: In most Pick-6 pools when no wager wins the exact 6-of-6 payoff, that portion of the pool is carried forward, progressively increasing from day to day until it is won. Similarly, in the Twin-Trifecta when no wager wins both consecutive Trifectas, that portion of the pool is carried forward.

3. Extension of current offerings:

The Racetech gaming system provides the new *Instant Racing* component in the complete Live / Simulcast / Instant Racing (Replay) pari-mutuel wagering services provided at horse and dog racetracks.

4. Racetech contracted to design the Instant Racing system with AmTote International, not with a slot vendor or a casino company:

- a. AmTote International has been a leader in pari-mutuel wagering for over 60 years, with its core business devoted exclusively to pari-mutuel wagering.
- b. The game terminal is built from many internal components of the new AmTote V3000 self-service racetrack terminal. These are mounted in a cabinet similar in appearance to a slot machine in hopes of enticing slot lovers back to the racetrack.
- c. The central system (transaction server) is an AmTote Spectrum totalisator system, with over 1.3 million lines of code designed specifically for pari-mutuel wagering. The system was modified only by adding a few new commands, transactions, database components, and reports.

5. Technically unlike slot machines:

- a. The terminal contains no component or software that is involved in determining the winner. This is all handled in the central tote system, which is in a secure offsite location, using a private network with encrypted communications.
- b. No data revealing the race ID or results is in the terminal until after the player selections have been sent to the central tote system. Therefore, the theft and modification of a terminal or its software offers no benefit to a potential hacker.

6. Pari-mutuel wagering information displays are more current and extensive than required for live racing:

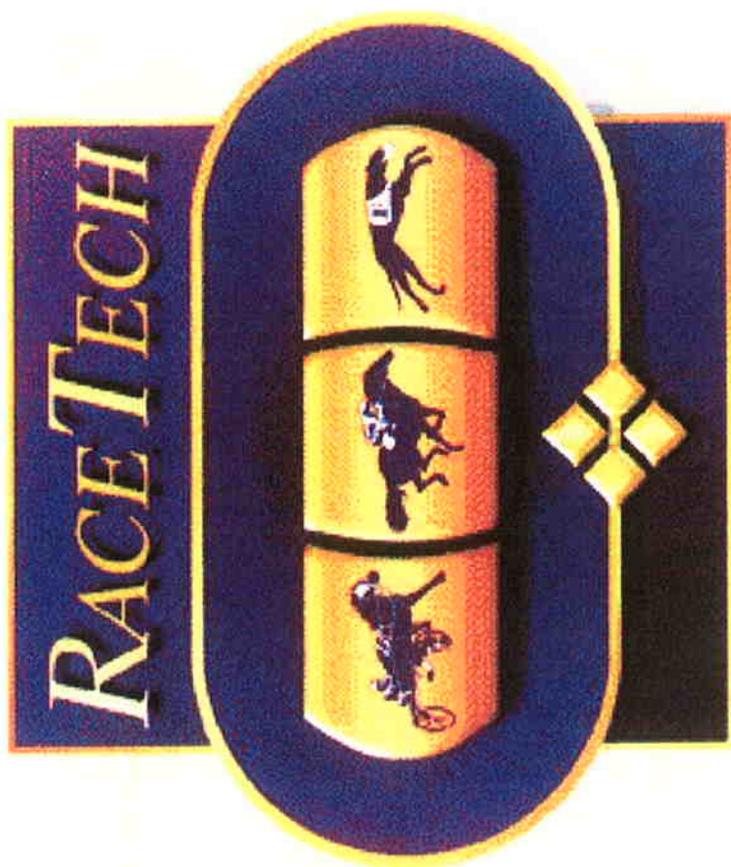
- a. Up-to-the-second displays: The current "probable pays" are shown on the terminal screen, updated every 2-5 seconds.
- b. The moment the "Start" button is pressed, the "probable pays" screen clears. Within a fraction of a second, the central system updates displays with the exact "will-pay" values, while the race video starts to play. If the player wins one of the pools, the value is highlighted when the results are revealed. The "will-pay" values stays on the screen until after the player has seen these race results.
- c. Past performance statistics that were available on the day of the actual live race are presented on the terminal screen. The data are more readily available and in a form more easily understood than is common during live racing.

7. A game of skill, not a mere game of chance:

- a. The player may select the three horses or greyhounds he or she believes may be the first to finish the race. An automatic selection is not forced on the player.
- b. Several past-performance charts may be viewed before the selections are entered, so the player can exercise and improve his or her handicapping skills.
- c. Experience has demonstrated that Instant Racing players use their skill to win at a rate significantly higher than random chance. Conversely, slot machine designers must certify that their machines actually do provide a game of chance.

8. Another benefit, mentioned in the patent:

"Importantly, the system supports and rewards the racing industry which produced the original wagering performances, which adds continuing "shelf life" and revenues to the original event."





CREDIT

\$0.00

BASH
OUT

HELP

SHORT RACE

LONG RACE

PLACE YOUR PARI-MUTUEL WAGER

POST TIME • POST TIME

Copyright 2000, RaceTech, LLC PATENT PENDING



50¢ PLAYS PICK 4 JACKPOT

Pick 4 - Jackpot
(BET MAX)

379.50

Pick 4 - Consolation

31.95

1ST



2ND

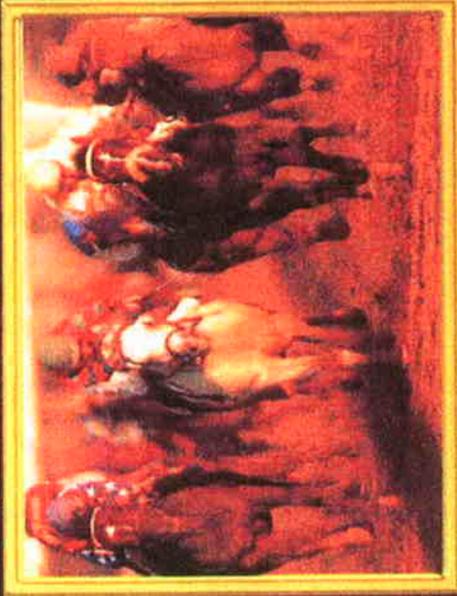


3RD



Your Picks

Largest Qualifying Pool Wins.



Current Pools

3 Exact Order	8.50
Top 2 Exact Order	1.25
Top 2 Picks 1st, 2nd or 3rd	0.35
3 to Get Top 2	0.50
3 to Get 1st, 3rd	0.35
Top Pick Wins Race	0.25

8 Ways to Win!

To play, press BET MAX

CREDIT \$6.50

Select Your Horses

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10

CLEAR SELECTIONS

EXIT TO MENU

HELP

BET

BET MAX

START





Pick 4 Jackpot (BET MAX)

433.10

Pick 4 Consolation

43.30

SELECT
1st



Your Picks

MORE

Daces Won Reccided
to 1

Current Pools

3 Exact Order	19.85
Top 2 Exact Order	1.25
Top 2 Picks 1st, 2nd or 3rd	0.35
3 to Get Top 2	0.90
3 to Get 1st, 3rd	0.70
Top Pick wins Race	0.25

8 Ways to Win!

Select Horse to Finish First

BET \$0.50 CREDIT \$6.00

- Select Your Horses
-
- 1
 - 2
 - 3
 - 4
 - 5
 - 6
 - 7
 - 8
 - 9
 - 10

CLEAR SELECTIONS

EXIT TO MENU

BET

BET MAX

START





Pick 4 Jackpot
(BET MAX)

431.50

Pick 4 Consolation

43.15

1ST

2ND

3RD

Your Picks

MORE

Racing Daily Form

Current Pools

3 Exact Order	2.50
Top 2 Exact Order	1.80
Top 2 Picks 1st, 2nd or 3rd	0.35
3 to Get Top 2	0.50
3 to Get 1st, 3rd	1.20
Top Pick Wins Race	0.25

BET 50.50 CREDIT \$4.75

8 Ways To Win!

Press **START** to begin

Select Your Horses

1 **2** **3** **4** **5** **6** **7** **8** **9** **10**

CLEAR SELECTIONS **HELP** **BET** **BET MAX** **START**

EXIT TO MENU

PERMANENT



Pick 4 Jackpot (BET MAX)

344.70

Pick 4 Consolation

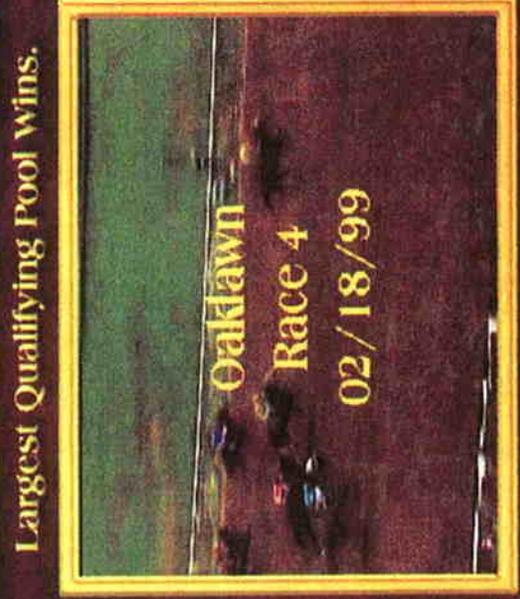
34.40

Your Picks

8 2 7

Results

WINNER!



Current Pools

3 Exact Order **14.25**

Top 2 Exact Order **3.20**

Top 2 Picks 1st, 2nd or 3rd **0.35**

3 to Get Top 2 **0.50**

3 to Get 1st, 3rd **0.35**

Top Pick Wins Race **0.25**

8 Ways To Win!

BET \$0.50 CREDIT \$4.25

Select Your Horses

1 2 3 4 5 6 7 8 9 10

BET MAX

EXIT TO MENU

HELP

BET

BET MAX

START



Instant Racing boosts purses; Oaklawn Park officials use the electronic game to attract people to racing

Racing First

BY TOM LaMARRA

It was cloudy with afternoon temperatures in the upper 30s, but that didn't stop more than 16,000 people from attending the races on a recent Saturday at Oaklawn Park. The large crowd on the apron at post time for each race was more reminiscent of the peak season at the Hot Springs, Ark., facility.

Perhaps they were anxious for some action after Oaklawn canceled four days of racing the week before because of adverse weather-related track conditions. Or maybe Oaklawn is just one of those special places where the racing product still has 10,000-plus appeal at the turnstiles on an average Saturday.

For the past seven years, Oaklawn also has offered gaming in the form of pari-mutuel Instant Racing machines, and last year added electronic games of skill. Not that management discourages patrons from playing the machines, but the gaming room is tucked away in a corner of the first floor near the indoor paddock and hardly intrusive to racing operations.

If further proof is needed that Oaklawn officials see gaming, not racing, as merely a means to an end, consider comments from Oaklawn general manager Eric Jackson when he was asked for a status report on the track.

"Probably the next big development we have to do is a building (for gaming)," Jackson said. "We've imposed on the racing fan far more than we should have. I think there are a lot of entities in racing in order to get gaming. We really are racetrackers.

"Nobody loves racing more than the Cella family, and they're not going to let anybody take our eye off the ball. Gaming is great and it's a lot of fun because it attracts people who wouldn't be here otherwise. We're in it to attract people to racing."

Unable to win legislative support for slot machines, Oaklawn gambled on Instant Racing machines, which resemble video lottery terminals but employ recycled races and are considered pari-mutuel in nature. Play increased from \$75 million in 2004 to \$150 million in 2005 and \$240 million in 2006. This year, with electronic games of skill—video poker, for instance—in the mix, gaming handle is projected to be \$350 million.

"That's a good omen for purses," Jackson said. "And play on Instant Racing is up over last year for the first 40 or 45 days of this year. There has been some trade-off (with the games of skill), but Instant Racing continues to grow."

Revenue from the machines—roughly 15% of gross handle—is the reason purses this year are projected to average close to \$300,000 a day at Oaklawn, one of a dwindling number of family-owned racetracks in an increasingly corporate world. Jackson credits a commitment by owner Charles Cella during tough times in the 1990s for helping bridge the gap.

"The Cellas overpaid purses eight straight years in the 1990s by about \$4 million," Jackson said. "During one of our darkest hours, (Cella) kept writing the checks with no idea there would ever be payback. We've also worked with the horsemen. We bang heads from time to time, but we've been

through elections and legislative sessions together. We're in this canoe together."

Jackson is a principal in RaceTech, the company that developed Instant Racing. The machines are in use in Arkansas and Oregon, and legislation to authorize them is under consideration in Ohio and Virginia. RaceTech officials believed early on Instant Racing would be an easier sell than slots, but success in Arkansas hasn't captivated the racing industry.

"Why we're not in more states is a mystery to me," Jackson said. "Plan B worked out pretty well for us. We weren't ever going to get slots."

Oaklawn has about 450 gaming terminals; a study suggests the market could handle 1,000. A freestanding gaming facility adjacent to the grandstand/clubhouse will be constructed once a court challenge to the legality of electronic games of skill is resolved. Jackson said Oaklawn is in a "holding pattern" pending that outcome.

On another issue, Jackson said Oaklawn isn't ready to jump on the synthetic-surface bandwagon. Though racing in January and early February can lead to missed training and racing days, the Oaklawn surface otherwise performs well.

"I think the verdict is still out," Jackson said of synthetic surfaces. "I don't think we're quite ready to make that leap of faith. We have a track-surface committee with trainers and vets, and I'd say we're pleased with the racetrack we have. That doesn't mean there isn't something better.

"We really want horses that come out of here on the Triple Crown trail to run on a surface like they're going to be on (at Churchill Downs, Pimlico Race Course, and Belmont Park)."

Oaklawn's 3-year-old series—the \$250,000 Southwest Stakes, the \$300,000 Rebel Stakes (gr. III), and the \$1-million Arkansas Derby (gr. II)—has grown in prominence in this decade. The Oaklawn series produced Smarty Jones, Afleet Alex, and Lawyer Ron in 2004, 2005, and 2006, respectively. 

STEADY GROWTH

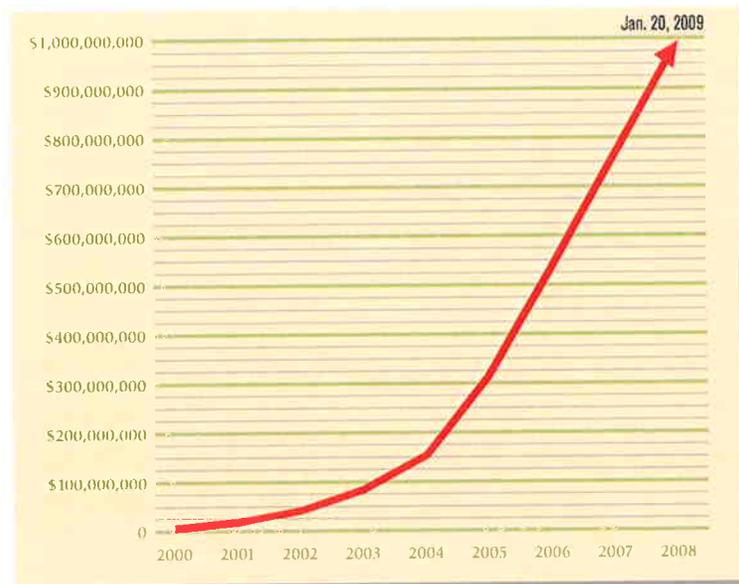
(daily average purses at Oaklawn)

Year	Purses
2007	*\$300,000
2006	\$275,275
2005	\$253,095
2004	\$238,896
2003	\$234,033
2002	\$219,417
2001	\$211,267

*projected

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**BACKGROUND AND GAMING HISTORY OF MARLIN
TORGUSON CEO OF TORGUSON GAMING GROUP THE
PARENT COMPANY OF THE LODGE AT BELMONT**



Marlin F. Torguson



Marlin F. Torguson is perhaps the gaming industry's greatest visionary. He founded Casino Magic Corp. in 1992, with the opening of the first barge-concept casino in the world, Casino Magic Bay St. Louis. The company was awarded the IPO of the Year in 1992, generating over \$21 million with its initial public offering on October 23, 1992. He served as president and chief executive officer as the company quickly expanded and unveiled its Biloxi property June 5, 1993. As chairman of the board and director, he further developed the corporation opening Casino Magic properties in Greece, Argentina and Bossier City, Louisiana. Torguson was a director on the board of Pinnacle Entertainment for five years, with his term ending May 4, 2004. Pinnacle Entertainment is the holding company for Casino Magic properties outside of Bay St. Louis, Mississippi – Boomtown Casino New Orleans & Boomtown Casino Reno, and Belterra Casino, Indiana.

Additionally, Torguson has been a co-owner of GMT Management Company since 1983. He successfully spearheaded Indian gaming nationally, as he expanded Jackpot Junction Casino in Morton, Minnesota, from a bingo hall to the largest gaming facility between Las Vegas and Atlantic City in 1990. In 1991 Torguson converted a landmark building in Deadwood, South Dakota, into Goldiggers Hotel & Casino.

Prior to entering the gaming industry, Torguson owned and operated several restaurants in Minnesota, including the Farmer's Daughter in Litchfield and Torgy's East in Spicer. He was the co-owner of Payless Liquor in Alexandria, Minnesota, from 1982 to 1999. He gained his experience in the food and beverage industry working at and developing his family's business, Torgy's on the Lake in Glennwood, Minnesota. Torgy's on the Lake was founded in 1948 by Torguson's father. Torguson went to work there in 1966, and today is the sole owner.

Marlin F. Torguson has contributed a tremendous amount to the progress and proliferation of the gaming industry as a whole. If history is a prediction of the future, he will continue to be a leader in his future endeavors.

THE WALL STREET JOURNAL.

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★★ SOUTHWEST EDITION

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THE WALL STREET JOURNAL.

MONEY & INVESTING

New-Stock Offerings Pose Peril, Analysts Warn, As Quality of Issues Tends to Weaken Amid Boom

OTC FOCUS

By SARA CALJAN

Staff Reporter of THE WALL STREET JOURNAL
NEW YORK — The average new-stock issue has soared 27% in the past six months, but don't let the dazzling gains fool you.

While investors still have a healthy appetite for new-stock offerings, there are signs that the easy money already has been made. Analysts argue that forthcoming initial public offerings aren't likely to be nearly as well as recent stellar performers such as Alpha-Beta Technology, Platinum Software and American Studios, which have more than doubled since coming public.

"If this market is in a serious correction, the recent IPOs will come down harder and faster than the market at large," warns John Laporte, manager of Baltimore's T. Rowe Price New Horizons Fund.

Quality of Offerings

The problem, say analysts, is that the quality of companies coming public tends to decline the longer the IPO frenzy lasts. That makes the IPO market treacherous for novice investors who are lured into the market by the early dazzling successes.

Many investors are entering the IPO market, hoping to find stocks such as Casino Magic, the best-performing IPO in the past six months.

Casino Magic, which came public in October, is now trading at 13%, nearly four times its offering price of \$, but even an apparently solid success like Casino Magic could be vulnerable. Investors say the rapidly expanding gambling company, which plans to open a new casino in Illinois, Mass., early this summer, might suffer a stock market setback if it can't maintain its expected growth rate.

"The ones with the strongest run-ups are the most vulnerable to a price correction in the market," says Robert Natale, Standard & Poor's new-issues analyst.

"Many times the growth rate matures and slows down and these stocks become too expensive for their high trading prices."

Mr. Natale also warns investors not to jump quickly into other gambling offerings based on the success of Casino Magic. "Usually, the better deals go first in an industry underwriting cycle. At the end of the cycle, the valuations are much higher and there is an added risk that the quality of the deal isn't as good, but is riding on the newly attracted attention," he says.

Some investors already have sold out of Argozy Gaming, offered last week at \$9 a share through lead underwriter Donaldson, Lufkin & Jenrette. Scott Mullinix, a portfolio assistant with IDS Growth Spectrum Advisors in Minneapolis, says the firm bought into the Argozy offering and sold it 10 minutes after it opened on the market. The Alton, Ill.-based company owns and operates a gambling riverboat on the Mississippi in Illinois. The stock closed unchanged at 13% on Friday.

Mr. Mullinix says his firm was also quick to sell President Riverboat Casinos, another gambling company. One of the past six months' top 20 best-performing IPOs, President Riverboat came public at 18% through lead underwriter Montgomery Securities and is now trading at nearly double that price at 35%.

The Best and Worst IPOs

Initial public offerings from August 1, 1992, to February 18, 1993, ranked by percentage gain or loss in price since offering date.

The Best Performers

COMPANY	UNDERWRITER	OFFER MONTH	OFFER PRICE*	CURRENT PRICE	PERCENT CHANGE
Casino Magic	Summit Investment	Oct.	\$ 5.00	\$18.88	277.6%
Fesco	Miller Johnson	Aug.	5.00	15.50	210.0
Alpha-Beta Technology	Alex. Brown	Oct.	8.00	19.00	137.5
Creative Technology	Goldman Sachs	Aug.	12.00	27.50	129.2
American Studios	Robinson-Humphrey	Sept.	8.00	18.00	125.0
Telira	Merrill Lynch	Aug.	14.50	31.00	115.9
Platinum Software	Hambrecht & Quist	Oct.	14.00	30.50	117.9
On Assignment	Advest	Sept.	7.00	14.63	109.0
Wishara Technologies	Cruickshank	Nov.	6.25	12.00	92.0
Future Healthcare	Glaser Capital	Oct.	4.50	8.63	91.8

The Worst Performers

COMPANY	UNDERWRITER	OFFER MONTH	OFFER PRICE*	CURRENT PRICE	PERCENT CHANGE
Universal Heights	Noble Investment	Dec.	\$ 5.50	\$1.63	-70.4%
Computervision	Shearson Lehman	Aug.	12.00	4.88	-59.3
EC02	Eliot Allen	Oct.	9.10	4.25	-53.3
Health Image Media	D.H. Blair	Oct.	6.00	3.25	-45.8
Kennedy-Wilson	Oppenheimer	Aug.	7.00	4.00	-42.9
Danklin	Stephens	Aug.	13.00	7.50	-42.3
Diversifax	Lafferty	Nov.	5.00	2.94	-41.2
Ecozy Interamerica	First Equity	Aug.	7.00	4.25	-39.3
DeWette	M.C. Wainwright	Sept.	6.00	3.75	-37.5
OrthoLogic	Hendon Imhoff	Jan.	6.50	4.13	-36.5

* Adjusted for splits

Source: Securities Data Co.

"This is a hot area of the market, but quite frankly competition is going to be a real issue at some point down the road and the stock price can only go so high," says Mr. Mullinix.

New issues have struggled in recent months. The average IPO is up just 2% since the beginning of the year, notes Lindsay Van Vorrhis, an analyst with Securities Data Co.

Other indexes tell the same story. The Standard & Poor's New Issues Index shows a gain of 34% from the beginning of August, but the index, which contains all but the smallest IPOs with an offering price of less than \$5, is up just 0.12% for this year.

The Nasdaq Composite Index, the benchmark of the over-the-counter market, where most new issues trade, also reflects a current waning appetite for IPOs and small stocks. The index rose 1.16 to 661.61 on Friday, down 6.4% from its Feb. 4 high of 708.85 and down 2% for the year to date.

The weakening of new-issue stock prices should come as no surprise, says S&P's Mr. Natale. "The average new issue rises the most within the first three months of its offering," he says. "An even stronger trend is for the companies that have managed to do well for the first six months, won't do as well afterwards."

Like gambling stocks, analysts say restaurant and computer networking issues have also become overvalued. Restaurant operator Fresh Choice, which was brought public in early December, is trading at 81% above its opening price of 13. The stock edged up 1/2 to 23 1/2 Friday. Networking company NetWorth doubled as soon as it hit the market in late November. It closed at 27 1/2 Friday, 72% above its offering price of 16.

Right now, investors are wary of most health care and biotechnology issues, because of the uncertainties surrounding President Clinton's health care policy. Mr. Natale says any new issues that help with cost containment would be good buys. But in the meantime, he reckons most medical-related stocks will be shaky, at best, and few new issues in this industry will make it to market.

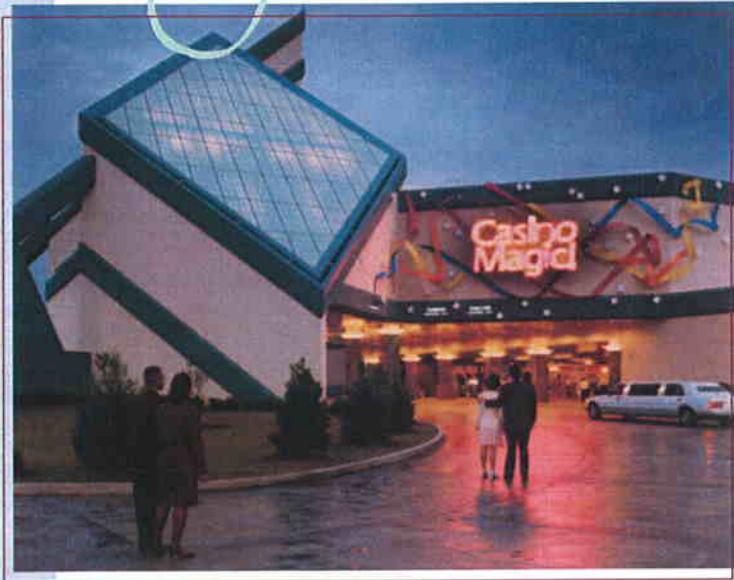
Despite the dangers, Shearson Lehman Brothers growth stock analyst Susan Hirsch, like many analysts, remains bullish on growth stocks and the new-issues market. In a report released Friday, she notes that aggressive growth fund managers have 39% to 35% of their portfolios in cash. She thinks that some of this money will be put to work in the new-issues market in the next several months.

"We believe technology and information stocks will continue to provide leadership to this sector," she says.

But analysts say investors should pick their technology stocks carefully. The forthcoming Technomally Technologies is rated an "avoid" by S&P's Mr. Natale. The Israel-based company provides software used for computer-aided production engineering. The 2.5 million-share offering is planned to come to market at between 9 and 11 a share through lead underwriter Shearson Lehman Brothers. Mr. Natale says that with an earnings estimate of 25 cents a share for 1993, the stock will have a "hefty" price-to-earnings ratio of 40 times.

Magic

Casino Magic



*Casino Magic
Bay St. Louis*

It used to be the rule that institutional investors judged gaming stocks to be too volatile, too risky, and best left to speculators. Now, however, the success of Casino Magic Corp. had many "portfolio purists" looking at gaming with new eyes and seeing a solid investment opportunity.

The first indication of this change in attitude occurred in October 1992, when Casino Magic issued one of the most successful initial public offerings in the history of American Business. In less than 12 months, Casino Magic's stock, traded on NASDAQ, had soared from an initial price of \$5 per share to over \$84 per share before a three-for-one split in June 1993 – an incredible return of over 1,600 percent and a figure that even die-hard traditionalists couldn't argue with.

Growing by the "Magic"

As if by "magic," this appropriately named, solid young company became the darling of Wall Street. Casino Magic shares were consistently on the "most active" list, share prices had boomed, investors were beaming, and the cable and network investment talk shows were calling. Everyone wanted to know the secret behind the success of Casino Magic Corp.

What they found was an aggressive founder, president and CEO named Marlin Torguson. Torguson entered the gaming industry in 1983 when he formed GMT Management, a company that contracted to operate Jackpot Junction Casino, a highly successful casino owned by the lower Sioux tribe in Morton, Minnesota. GMT received a percentage of profits from the casino until Torguson sold his interest back to the tribe in 1992. In 1991, he opened Goldiggers Hotel & Casino in a historic landmark building in Deadwood, South Dakota.

Still not satisfied even after the remarkable success of his first two ventures, Torguson sensed there was something even bigger on the horizon. He found it in 1990 on a trip to the Mississippi Gulf Coast where a pro-dockside gaming campaign was gathering tremendous public support.

Magic

Discovering a New Gaming Heaven

As Torguson recalls, "I looked at the location, the climate, the sandy beaches, the recreational and hotel facilities, and I thought I'd found heaven. It was obvious that the Mississippi Gulf Coast was the perfect place for dockside gaming."

Following the passage of legislation permitting dockside gaming, Torguson's team immediately began planning construction for Casino Magic Bay St. Louis – less than an 60-minute drive from New Orleans. Financed with \$18.4 million in proceeds from their October IPO, the first phase of Casino Magic Bay St. Louis was opened to the public on September 30, 1992 and a gaming legacy was born. Crowds were so large that they attracted nationwide media coverage, and Casino Magic winnings were among the largest in the country!

A Pair of Solid Success Stories



*Casino Magic
Biloxi*

Park for recreational vehicles, and a 50-slip marina for small pleasure craft and large yachts. A 600-acre site remained available for future development.

Then, some 18 months later, both Casino Magic Bay St. Louis and Casino Magic Biloxi were fully operational. Casino Magic Bay St. Louis contained over 39,500 square feet of gaming area with 1,109 slot machines, 68 table games and a 35-seat Keno Parlor. An additional 87,000 square feet had been allotted for office space and other non-gaming activities, including Torgy's, an elegant and popular new restaurant specializing in prime cuts of the finest steaks, as well as tempting lobster dishes. The casino complex also featured a 1,950-space parking lot, a 100-unit RV



*Odyssey Buffet,
Casino Magic Biloxi*

Casino Magic Biloxi contained 55,000 square feet of casino space with 1,148 slot machines, 70 table games and a 35-seat Keno Parlor, as well as more than 60,000 square feet for restaurants, offices and other non-gaming activities. In addition, Casino Magic Biloxi was one of the first gaming complexes to have its own McDonald's restaurant.

Both facilities were continuing to record strong numbers. Even with the opening of four new competitors, the two Casino Magic facilities had retained a share of approximately 29 percent of the Mississippi Gulf Coast gaming market. Revenues and profits had grown as well. For the 12 months ending September 30, 1993, net revenues were \$172 million, with net income of approximately \$41 million, or 23.8 percent of revenues.

Magic

Implementing a New Philosophy

These impressive numbers can be attributed, in part, to the success of Casino Magic's corporate philosophy as well as to the extensive gaming experience of Casino Magic's top management staff. As Torguson emphasized, "Our corporate goal was to develop, own and operate quality casinos in multiple geographic locations, placing emphasis on high quality facilities and accessing new markets early. We strived to create a high value, high quality gaming experience in which everything was designed to maximize profits and, therefore, investor return. In order to best achieve these objectives, we maintained a top level management and executive staff with wide and deep experience in the gaming industry. This type of experience was a definite plus when it came to providing a consistently high level of performance."



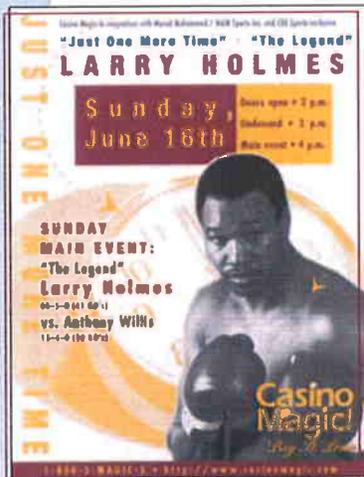
A typical gaming day at Casino Magic

lives within a 150-mile radius should visit Casino Magic and experience the quality entertainment package we provided," Torguson explained. "We targeted these potential gaming patrons through mass media and direct marketing promotions as well as by supporting special events and sponsoring local transportation. We also identified, recognized and rewarded repeat casino players through our *Magic Money Players Club*, which then had over 120,000 members. We enhanced the numbers generated by these efforts by running aggressive plane and bus charter programs and by presenting special sports and other live professional entertainment on a regular basis.

A carefully planned marketing plan was also invaluable. "We approached our marketing efforts with the attitude that everyone who

Special Events Attract Many Visitors

"The publicity generated by our on-site boxing series, for example, was priceless. HBO, ESPN, USA Network and other nationally known networks broadcast fights featuring Oscar DeLaHoya, Larry Holmes, Roberto Duran and Roy Jones, Jr. *Live from Casino Magic*' to over 300 million people worldwide. These events were also covered by many major newspapers throughout America and attracted many new customers to the casino. Plus," Torguson grins "our concerts and special holiday celebrations which featured entertainers like Pete Fountain, Fats Domino, Crystal Gayle, Faith Hill, Tim McGraw and others brought in crowds that were nothing short of phenomenal."



Magic

Facing Up to New Competition

Was he concerned that more competition and more casinos were moving in to the Mississippi Gulf Coast gaming market and would soon be established in nearby New Orleans?

Torguson thoughtfully explained, "I don't think 'concerned' is as accurate a description as perhaps 'aware' is. We were aware of the increased competition and, therefore, we were preparing to meet these competitive challenges by offering the highest quality gaming product and the best in customer amenities."

Torguson emphasized, however, that there was a great deal of business to go around. "There's a misconception in some investment circles that the Mississippi Gulf Coast is this tiny little hamlet far away from anything resembling a city. The fact is, more than four and a half million people live within 150 miles. Bay St. Louis is less than 60 minutes from New Orleans and Biloxi is just an hour from Mobile, Alabama. In other words, there were plenty of potential customers just a short drive away. Plus, over three million tourists were visiting the Gulf Coast's white sandy beaches in 1990. In addition, our air charter program was then operating out of 28 cities. In 1994 we had more than 100 flights a month to the Mississippi Gulf Coast, that brought in over 100,000 customers.

In-House advantages

Insiders said whatever the future competitive level may be. Torguson held a trump card in the quality of Casino Magic Corp. top management. One example is executive vice president Al Kokesch, an 18-hour-a-day "go getter" who served as general manager of Jackpot Junction and had been with Torguson since 1983. Kokesch is a rare individual who is equally adept at both the financial and promotional aspects of running a successful gaming enterprise. And, according to Torguson, "He is without question, the hardest working man I've ever known. Our investors had a true friend in Al Kokesch."



Magic

Expansion Plans

Torguson's other trump card may have been his own aggressiveness. In a meeting in Las Vegas in 1993 Torguson told investors, "If there's one thing I want to emphasize in reviewing our company history, it's that Casino Magic Corp. has always been and always will be a company looking to grow in order to maximize investor return."

The first steps toward this goal were already in progress with planned expansions in both Bay St. Louis and Biloxi. As Torguson explains, "Bay St. Louis is to become a total destination resort. The first phase of a luxury hotel and convention center to be built adjacent to the casino will include conference rooms, a health club, restaurants, cocktail and lounge facilities, a large entertainment complex and much more. There were also plans to develop an 18-hole golf course designed by Arnold Palmer combined with a golf academy. In Biloxi, we had already begun construction on a 387-room luxury hotel adjacent to our casino. Our goal was to make Casino Magic Bay St. Louis and Casino Magic Biloxi, two of the South's premier spots to visit for both business and pleasure.

Casino Magic Corp. Company Profile

The Company

Casino Magic Corporation was incorporated on April 17, 1992. The corporation had six material subsidiaries: Mardi Gras Casino Corp., Bays St. Louis Corp., Biloxi Casino Corp., and Gulfport Casino Corp., all of Mississippi. Also included is Atlantic/Pacific Corp. of South Dakota and Casino Magic Neuquen, SA.

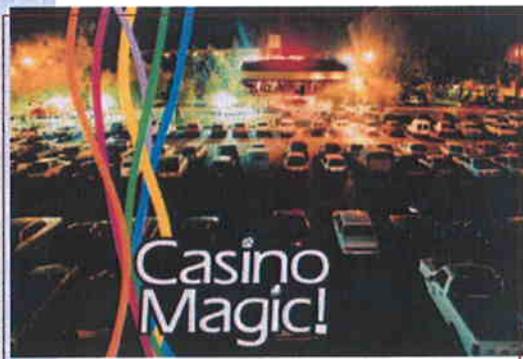
Magic

The Operation

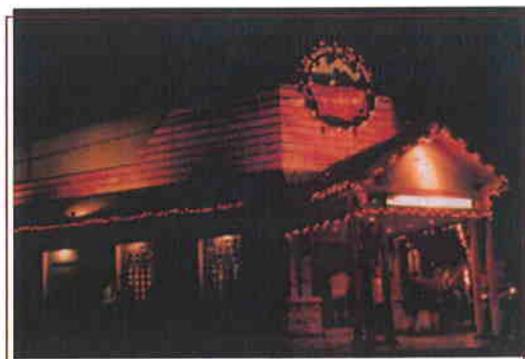
The Minnesota Corporation operated under a decentralized management structure with principal offices in Bay St. Louis, Mississippi which managed gaming casinos in Bay St. Louis and Biloxi, MS, Deadwood, SD and Neuquen City and San Martin de los Andes, Argentina.

Casino Magic owned and operated two dockside casinos (collectively referred to as "Gulf Coast Casinos") located on the Mississippi Gulf Coast in the cities of Bay St. Louis and Biloxi. Together these two casinos, which conducted business under the name "Casino Magic," operated a total of 2,288 slot machines, 114 table games (including 12 poker) and two 35-seat Keno Parlors. In addition to the Gulf Coast Casinos, the Company owned and operated a historic gaming casino in Deadwood, South Dakota ("Casino Magic South Dakota") and two casinos in the Province of Neuquen, Argentina (collectively referred to as "Casino Magic Argentina") located in the cities of Neuquen and San Martin de los Andes.

The Company was pursuing a number of development opportunities, such as management of a resort complex, which included a casino in northeastern Greece, and management agreements with the Sisseton-Wahpeton Dakota Nation in North Dakota. The Company was also exploring the development of additional gaming opportunities in states where legislation to permit gaming had been recently passed or was contemplated, such as Alabama, Iowa, Indiana, Kansas, Massachusetts, and Pennsylvania. In addition, the Company was negotiating with North American Indian tribes to enter into agreements to develop and manage gaming casinos for those tribes.



*Casino Magic
Neuquen, Argentina*



*Casino Magic
San Martin, Argentina*

Magic

Industry Background

Until approximately 1988, legalized casino gaming in the United States was restricted substantially to the State of Nevada and the City of Atlantic City, New Jersey. Since then, legalized casino gaming has significantly expanded throughout the United States. Numerous states have legalized either land-based, riverboat or dockside gaming. At least 35 states sponsor lotteries, and several states sponsor the use of video poker, video blackjack, or are required to leave their mooring and cruise during gaming operations. The laws generally require cruises to be of a certain duration, and will permit dockside gaming shortly preceding and following the cruise period. While dockside gaming must be conducted on a vessel in a body of water, the vessel is not required to leave its moorings and customers may come and go at will. Dockside gaming was authorized in Mississippi in June 1990, but gaming operations did not commence until August, 1992, with the opening of three dockside casinos in Biloxi. The legal age for gaming in Mississippi is 21. Some states limit the amount that a gaming customer may bet or lose, which is referred to as "limited stakes gaming," and prohibit the issuance of house credit. The gaming laws of Mississippi permit 24-hour unlimited stakes gaming, and permit the issuance of house credit.

Since the passage of the 1988 Indian Gaming Regulatory Act, a significant number of North American Indian tribes have established gaming on Indian reservations. Gaming on Indian lands is subject to compacts that North American Indian tribes are required to enter into with the state in which the gaming takes place., which may or may not limit the nature of the tribe's gaming activity.

A large number of new organized companies, as well as those historically based in Nevada and Atlantic City, New Jersey, have moved to take advantage of the newly enacted gaming regulation, resulting in the prospect of rapidly expanding number of gaming casinos throughout the United States. Management believes that this trend of expansion is likely to continue, as state governments and Native American Indian tribal governments seek additional sources of revenue.

The expansion of gaming has also occurred in counties other than the United States. A number of countries, including Greece and Argentina, have either adopted laws which permit gaming or expanded such legislation as to provide gaming enterprises with the opportunity to operate casinos. As in the United States, a significant motive for allowing gaming operations is the substantial revenues generated for the government of the country in which the gaming activity is located.



Magic

Company History

Development of Casino Magic was lead by **Marlin F. Torguson**. From 1984 to 1992, Torguson developed and managed the highly successful Jackpot Junction Casino in Morton, Minnesota. Jackpot Junction was one of the pioneering developments in the explosive growth of Indian gaming in Minnesota, and with the strong foundation developed by Torguson, Jackpot has remained a strong Casino gaming destination in the upper midwest. After selling the management contract to the tribal interests of the Lower Sioux Indian Reservation in 1992, Torguson began the development of Casino Magic, building on the initial base of operations provided by Goldiggers, a hotel and gaming establishment which he opened in 1991, in Deadwood, South Dakota.

Properties

Casino Magic Bay St. Louis & Casino Magic Biloxi

Casino Magic Bay St. Louis and Casino Magic Biloxi were two of the 13 casinos in operation on the Mississippi Gulf Coast. Management believed that the Company could continue to be successful casino operations in an important and growing gaming destination. Approximately 70 percent of the Company's customers resided within 150 miles of the two sites. This primary market area included a population of an estimated 4.5 million residents. New Orleans is approximately 60 miles west of Bay St. Louis and Mobile, Alabama is approximately 60 miles east of Biloxi. Previously, the market range was limited due to the lack of overnight, on-site accommodations on the Gulf Coast. The completion and opening of the 201-room Casino Magic Inn located at Casino Magic Bay St. Louis, allowed the Company to expand its market range.

The Gulf Coast Casinos are physically positioned along 26 miles of sandy beaches and the area offers a variety of outdoor activities including boating, fishing and golf. In 1993, an estimated three million tourists visited the area. Local tourism officials estimated that in 1994 the number grew to approximately 7 million. It was believed the Company's advertising coupled with other casino marketing efforts and local tourism promotion would continue to promote the area as a desirable gaming location, thus increasing future gaming patron numbers. Increased patron numbers would partially compensate for future expansion of existing and new gaming facilities in Mississippi and neighboring states.

Magic



*Casino Magic
Bay St. Louis Inn*

Casino Magic Bay St. Louis, Mississippi

Casino Magic Bay St. Louis opened September 30, 1992. It marked the emergence of Casino Magic as a premier casino operator on the rapidly developing Mississippi Gulf Coast. The casino facility consisted of 125,000 sq. ft. of permanent space with about 40,000 sq. ft. in the casino.

The Bay St. Louis casino is situated on more than 600 acres on the Bay of St. Louis, Mississippi. It afforded the opportunity for substantial future development. In December, 1994, a 200+ room hotel was constructed adjacent to the casino. Also developed were a recreational vehicle park, the Magic Dome Entertainment Center and a 50-slip Marina. Plans were underway to continue to develop the 600-acre Bay St. Louis property into a destination resort. Plans included the construction of a second hotel with such amenities as specialty shops, swimming pools, a convention center, a 5-star-100-unit RV Park and a championship golf course designed the Palmer Course Design Company. The company planned to commence construction of the golf facilities in mid-1995, with completion scheduled for late 1996.

Casino Magic Biloxi, Mississippi

Casino Magic Biloxi opened June 5, 1993. It is physically housed on the golden beaches of the Mississippi Gulf Coast. Permanent structures of 115,000 sq. ft., with twin 139-foot towers made it the tallest building on the Mississippi Gulf Coast. Casino Magic Biloxi featured over 60,000 sq. ft. of casino action and a nightly laser light show. The casino provided a covered parking garage, free of charge to its customers and had plans for and 18-story hotel.

In March 1995, the Company signed a letter of intent to acquire Casino One Corporation, a wholly-owned subsidiary of Gaming Corporation of America. Casino One Corporation leased, and had an option to purchase, approximately 1.8 acres of land which was contiguous with the Casino Magic Biloxi property. Casino One Corporation also owned approximately 2.2 acres of land directly across U.S. Highway 90, from the 1.8 acres. The Company was developing specific plans for the property and anticipated that a portion of it would be used to establish additional parking and another portion would be used to develop a hotel/retail complex.

Magic

Casino Magic South Dakota

The company operated a nine-room historic hotel, restaurant and bar, and gaming casino in Deadwood, South Dakota, under the name "Goldiggers Hotel and Gaming Establishment" ("Goldiggers"). Goldiggers began business in April, 1991, and operated approximately 83 slot machines, 10 video lottery machines, five blackjack table and two poker tables. Goldiggers also provided limited food and beverage service.

The Company's management estimated that approximately 50 percent of its customers at Goldiggers were derived from approximately 900,000 tourists, primarily families who were visiting Deadwood, South Dakota annually.



*Casino Magic
North Dakota
rendering*

Casino Magic North Dakota

The Sisseton-Wahpeton Dakota Nation selected the Company to develop and manage a gaming casino (Dakota Magic) on the lands held in trust for the tribe near Hankinson, North Dakota. The site is located off U.S. Interstate 29, approximately 70 miles south of Fargo, North Dakota. Dakota Magic is within a 200-mile radius of a population of 4.1 million people. Under the North Dakota compact, the operation would provide a wide

variety of table games, craps, live-action keno, pari-mutual wagering and sports book. Many of these attractions were not available in Minnesota, and South Dakota Indian casinos.

The Company believed that the proximity to several medium to large Minnesota cities, its proximity to and visibility from I-29, the 100-room hotel and the availability of many new games would draw at least occasional visits from patrons who were now visiting area Indian casinos.



Other Ventures

Casino Magic Argentina

In December 1994, the Company, through its wholly-owned subsidiary, Casino Magic Neuquen SA, entered in to a 12-year concession agreement with the Province of Neuquen, Argentina. Casino Magic Neuquen operated 2 casinos (collectively "Casino Magic Argentina") in the Province of Neuquen in the cities of Neuquen and San Martin de los Andes. Casino Magic Argentina, which began operation in January, 1995, included approximately 53,000 sq. ft. of gaming space and contained approximately 350 gaming positions, which featured 42 table games, 89 slot machines and a 384-seat bingo facility. The Company had unrestricted rights to increase the number of gaming positions at both locations, and had the exclusive right to establish other gaming operations, as well as slot machine routes, off-track betting and other forms of gaming in either of the two cities, and slot machine routes anywhere within the province. The Company remodeled the two casinos, and intended to add approximately 310 additional slot machines by May, 1995.

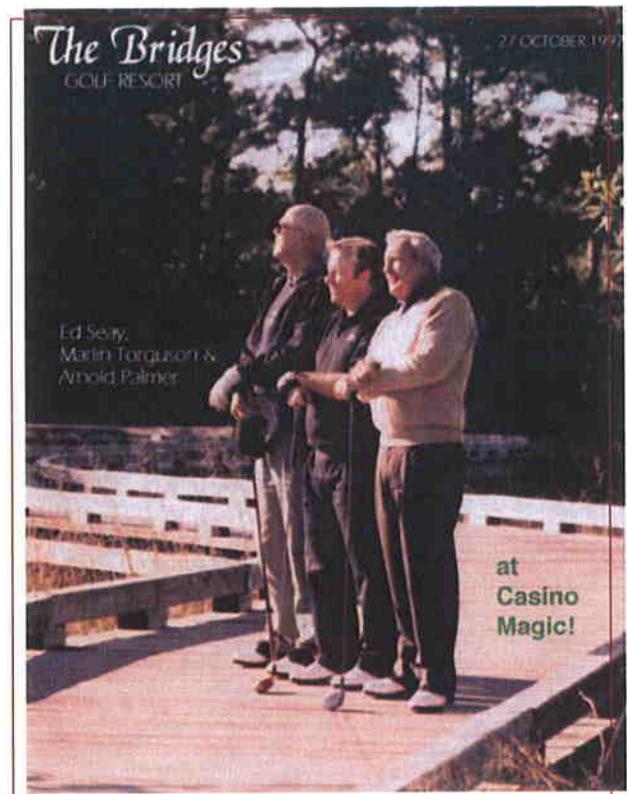
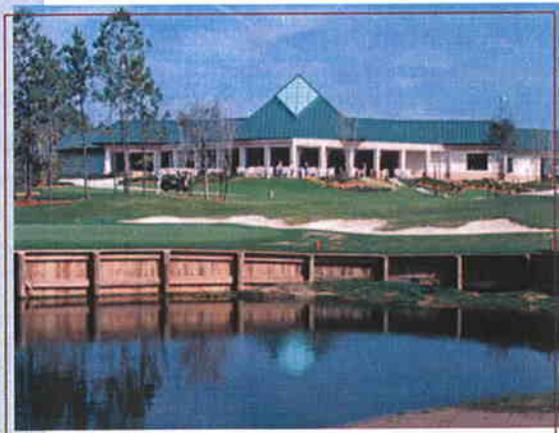
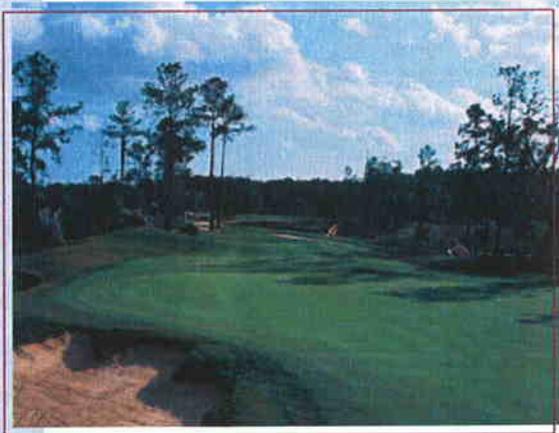
Magic

The Bridges Golf Resort

At Casino Magic Bay St. Louis

Tee off on one of the finest courses in the South. The Bridges is an Arnold Palmer-designed 18-hole championship Golf Course that opened in 1995. It has been ranked by Golf Digest as one of the top ten courses in the state and is the only Gulf Coast Golf Course situated adjacent to a casino. It's a one-of-a-kind which features:

- 21 wooden bridges, winding through vast wetlands and luscious fairways
- An 11-acre practice facility, including 2 chipping greens and 2 putting greens
- A premier lighting system for night practice and a challenging Par 72 course
- A clubhouse serving cool refreshments and appetizing food.



Magic

Jackpot Junction

Jackpot Junction Casino Hotel gave you the best of two worlds – Vegas-style attraction and warm Midwestern hospitality. Located in southwest Minnesota, about 110 miles from Minneapolis/St. Paul, Jackpot offers action 24 hours a day, 365 days a year. We were Minnesota's first and friendliest casino.

Since 1988, when Congress passed the Indian Gaming Regulatory Act, we grew along with our customers and their needs. The success of Jackpot Junction was important to the Lower Sioux Indian Community that owns and operates this establishment, and it has shown.

Located a short 110 miles Southwest of the Twin Cities, Jackpot Junction Casino hotel offers the finest accommodations, and meeting & banquet facilities. Offering 276 guest rooms that have a decor in rich warm tones with a tasteful Native American theme that runs throughout. The lobby is dominated by a 30-foot eagle flying overhead. Hand painted murals depicting all four seasons of the scenic Redwood River Valley in the early 1800's has made this AAA 3-diamond a great getaway and value. Jackpot Junction also offers 38,000 sq. ft. of meeting and convention space making Jackpot Junction Casino Hotel a viable location for Southern Minnesota trade shows, special events, meetings and banquets.



*Jackpot Junction,
Morton, Minnesota*