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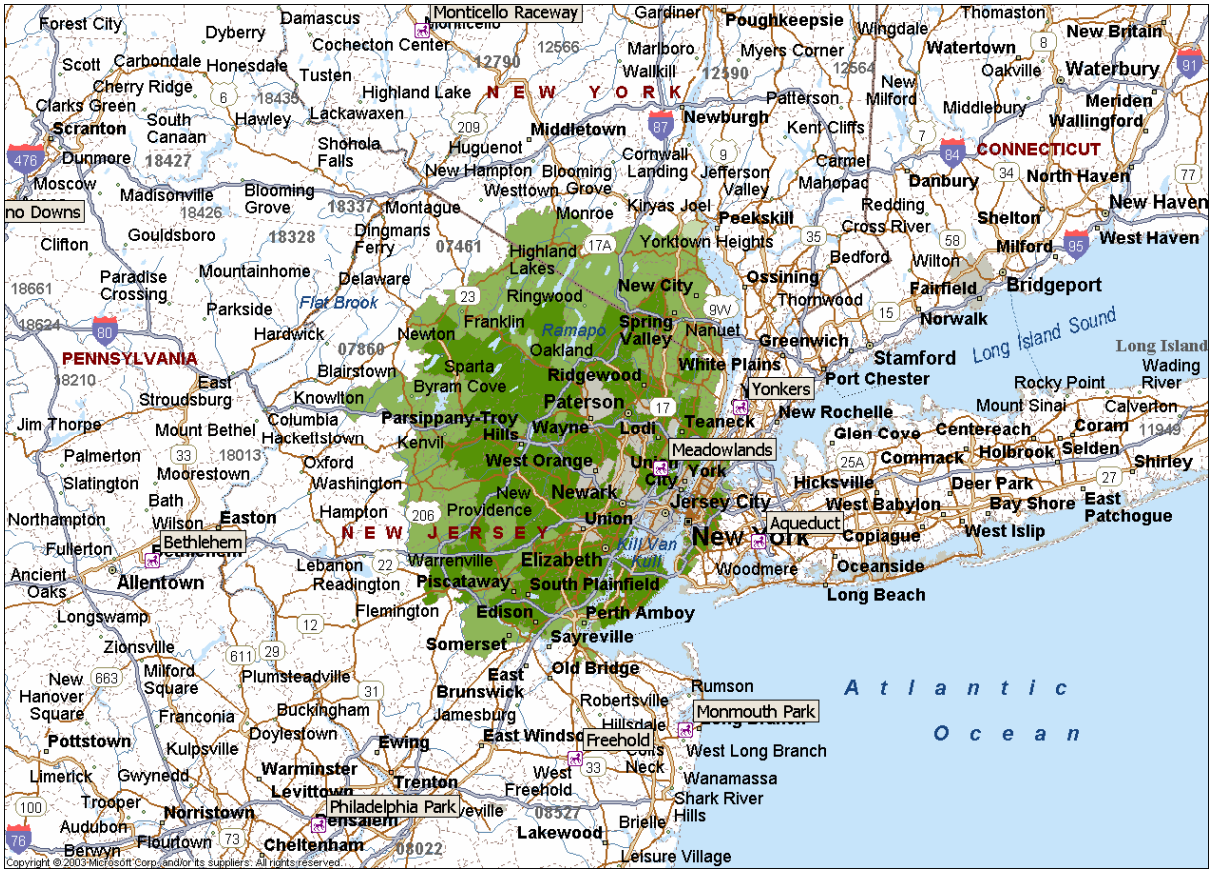
VLT Feasibility Consultant Analysis and Report
Final Report

Prepared for State of New Jersey
Office of the Treasurer



Prepared by: Christiansen Capital Advisors, LLC
Prepared for: State of New Jersey Office of the Treasurer
September 28, 2007

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Re: State of New Jersey Office of the Treasurer
"*VLT Feasibility Consultant Analysis and Report*"

Ms. Feldman:

The consulting team of Christiansen Capital Advisors, LLC (CCA) is pleased to submit a report entitled "*VLT Feasibility Consultant Analysis and Report*" addressing the tasks enumerated in the State of New Jersey Office of the Treasurer RFQ issued March 14, 2007.

We appreciate the opportunity to be of assistance.

Sincerely,

Sebastian Sinclair
President

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I. Executive Summary

Pari-mutuel betting can no longer fund the New Jersey racing industry's operating needs, and it cannot fund the industry's increasingly acute capital requirements. If horseracing is to continue in New Jersey in its present form, additional funds will have to be found. These additional funds might be supplied by New Jersey taxpayers, as a direct subsidy; or by renewing (and increasing) the subsidy provided by Atlantic City casinos through the Casino Re-development Authority (CRDA) that expires in 2007; or by adding VLTs to the racetracks and allocating sufficient shares of the revenue VLTs generate to racetrack operating needs, capital spending needs, and purses. Absent additional funding from one or a combination of these sources New Jersey's racing industry will experience significant contraction in coming years.

New Jersey horseracing is an industry in decline. Wagering on both Thoroughbred and harness racing at every New Jersey racetrack declined between 1999 and 2006; one racetrack, Garden State Park, closed in 2002. Purses likewise declined over this period. New Jersey's pari-mutuel economy is contracting. Declining handle, attendance and purses are long term trends. New Jersey should not expect the downward trends in handle, attendance and the supply of horses at its racetracks that these exhibits describe to reverse themselves in the future. The contracting pari-mutuel economy can no longer support New Jersey's racetracks as presently configured, including especially the number of live racing days (473 in 2006) they currently conduct and the purses they offer to horsemen who race in New Jersey compared to purses supplemented by machine revenue in neighboring States. Moreover, New Jersey's racetracks are old and in need of extensive refreshment capital spending. The New Jersey Sports and Exposition Authority (NJSEA) estimates that $20 million in capital spending will be needed annually between 2007 and 2011, or a total of $80 million, to refurbish and weatherproof the racetracks, provide dormitories more accommodating for year round use, and for general facility improvements, capital spending that cannot be funded from pari-mutuel betting. Even if these capital improvements are made New Jersey racetracks will remain old facilities that are not competitive with new racetrack/slot machine facilities in neighboring States, such as Chester Downs, a new harness racing/slot machine property operated by Harrah's Entertainment in the Philadelphia metropolitan area, Empire City at Yonkers Raceway, a harness racing/VLT facility in the New York metropolitan area, Presque Isle Downs, a new racetrack/slot machine facility operated by MTR Gaming Group in Erie, Pennsylvania, or new casino resorts like Atlantic City's Borgata. Adding VLTs to The Meadowlands, Monmouth Park and Freehold Raceway would create additional capital needs. Converting old racetracks to machine gaming operations is expensive. The cost of converting Yonkers Raceway, an old racetrack in the New York City metropolitan area, to VLT operations was reportedly $240 million, and the resulting "racino" is generally considered to be under-built.

Atlantic City casinos are being impacted by VLTs at Yonkers Raceway in the New York City metropolitan area and especially by slot machines in Pennsylvania. Through the first five months of 2007 Atlantic City gross gaming revenue is down 4.4%, or $93 million, compared to the first quarter of 2006, and the industry is likely to end the end the

year in a negative year-over-year position, for the first time since gaming began in 1978. New machines in neighboring States are also impacting the Atlantic City industry's income statement, as operators increase promotional spending ("comps") in an effort to maintain their top line (*win* or gross gaming revenue). Through the 1st quarter of 2007 Atlantic City net income is down 5.8%, or $18 million, compared to the first quarter of 2006. More gaming facilities are scheduled to open in Pennsylvania and in the New York City metropolitan area in coming months and years, and absent significant capital investment (in the form of new Borgata-quality properties) the additional neighboring State supply will further erode Atlantic City gross gaming revenue and operating margins. There is little New Jersey can do to prevent neighboring States from increasing the supply of gaming in Atlantic City's market area. The Atlantic City casino industry's principal asset is New Jersey's low gaming privilege tax rate (8% plus 1.25% contribution to the CRDA), which gives Atlantic City casinos an important competitive advantage in capital markets over casinos and racetracks in New York and Pennsylvania, where rates of gaming privilege tax are much higher. The most effective step New Jersey can take to ensure the continued prosperity of its casino industry is to preserve its low rate of gaming privilege tax.

The New Jersey Lottery is among the largest in the United States. While New Jersey ranks 10th in population it ranks 8th in both sales ($2.4 billion) and gross revenue (sales less prizes, $1.026 billion). The consumer price (the percentage of sales retained by the operator, i.e., sales less prizes or *gross gaming revenue*) of playing the New Jersey Lottery is about average for large lotteries, though higher than the consumer price of the Massachusetts Lottery, by many measures the best-performing lottery in the United States. The New Jersey Lottery ranks 5th in *per capita* sales, 4th in *per capita* revenue, 7th in revenue generated for government and 10th in total expenses. In *per capita* terms, therefore, the New Jersey Lottery ranks consistently above the average for comparable lotteries, indicating that the New Jersey Lottery is doing an above-average job of penetrating its market. Overall, New Jersey's lottery performs as well as or better than most of its peers.

As noted, Atlantic City gross gaming revenue (gross wagering less prize payouts) is down by approximately 4.4% for the first five months of 2007 compared to the first five months of 2006. This impact will become more severe as additional machines are added in the regional market. When all of the VLTs and slot machines now authorized in New York and Pennsylvania are operating, CCA believes the impact of this increased regional market supply will reduce Atlantic City gross gaming revenue by 12.3% from where it would be in the absence of this new competition in neighboring States.

Based on the materials we reviewed, we believe central determination system video lottery terminals, similar to the video lottery terminals currently operating at racetracks in New York, are the type of device that could be operated at The Meadowlands, Monmouth Park and Freehold Raceway under New Jersey law.

We examined three scenarios for VLTs at New Jersey racetracks: (a) at The Meadowlands; (b) at The Meadowlands and Monmouth Park and/or; (c) at The Meadowlands and Monmouth Park and Freehold Raceway.

In Scenario (a), we estimate that 2,100 central determination system VLTs at The Meadowlands would win $268.3 million in their first twelve months of operation (365 days), a win per unit per day of $350. For comparison, 5,500 central determination system VLTs at Yonkers Raceway (more than twice the number of VLTs assumed to operate at The Meadowlands in Scenario (a)), are currently (for the week ended June 2, 2007) winning $208.60 per unit per day (Appendix A, Exhibit A.3).

In Scenario (b) we assumed that 2,100 VLTs are operating at The Meadowlands and an additional 2,100 VLTs are operating at Monmouth Park. That is, in Scenario (b) a total of 4,200 VLTs are operating at these two northern New Jersey racetracks. We estimate that these 4,200 VLTs would win $411.3 million in their first twelve months of operation, a win per unit per day of $275. As in Scenario (a), 2,100 VLTs at The Meadowlands would win $268.3 million in their first twelve months of operation (365 days), a win per unit per day of $350. Monmouth Park's 2,100 VLTs would be less productive, winning $143.1 million in their first twelve months of operation, a win per unit per day of $187.

In Scenario (c) we assumed that in addition to 2,100 VLTs at The Meadowlands and up to 2,100 VLTs at Monmouth Park, up to 2,100 VLTs are operating at Freehold Raceway. That is, in Scenario (c) a maximum of 6,300 VLTs are operating at the three northern New Jersey racetracks. We estimate that these 6,300 VLTs would win $433.5 million in their first twelve months of operation, a win per unit per day of $188. As in Scenarios (a) and (b), 2,100 VLTs at The Meadowlands would win $268.3 million in their first twelve months of operation (365 days), a win per unit per day of $350. Monmouth Park's 2,100 VLTs would be less productive than in Scenario (b), winning $76 million in their first twelve months of operation, a win per unit per day of $99. Freehold Raceway's 2,100 VLTs would win $89.2 million in their first twelve months of operation (365 days), a win per unit per day of $116.

VLTs at New Jersey racetracks would not be the only, or even the most significant, factors impacting Atlantic City casinos, but they would have impacts on Atlantic City casinos. Slot machines in Pennsylvania and VLTs in the New York City metropolitan area are impacting Atlantic City casinos now and will continue to impact Atlantic City casinos with increasing force in the future, as more machines come online in these neighboring States in years to come. In preparing the projections presented in this report CCA assessed the impacts of new slot machine inventory in Pennsylvania and new VLTs in the New York City metropolitan area on Atlantic City, factoring these impacts into its projections of the Atlantic City impacts likely to result from scenarios for VLTs at The Meadowlands only, at The Meadowlands plus Monmouth Park, and at The Meadowlands plus Monmouth Park and Freehold Raceway.

In our base case, the combined impacts of the existing and scheduled future supply of machines in Pennsylvania and the New York City metropolitan area racetracks reduce Atlantic City gross gaming revenue as much as 12.3%. These are very significant impacts. We estimate that the three scenarios for VLTs at New Jersey's three major racetracks would have the following additional impacts on Atlantic City casinos:

Scenario (a), 2,100 central determination system VLTs at The Meadowlands, reduces our base case Atlantic City gross gaming revenue by 0.1%.

Scenario (b), 4,200 (total) central determination system VLTs at The Meadowlands (2,100) and Monmouth Park (2,100), reduces our base case Atlantic City gross gaming revenue by 1.1%.

Scenario (c), 6,300 (total) central determination system VLTs at The Meadowlands (2,100), Monmouth Park (2,100) and Freehold Raceway (2,100), reduces our base case Atlantic City gross gaming revenue by 1.8%.

II. VLT Feasibility Consultant Analysis and Report

Christiansen Capital Advisors, LLC ("CCA") has been asked by the State of New Jersey Office of the Treasurer to prepare a VLT Feasibility and Impact Analysis.

CCA is well qualified to perform this study, having previously worked with the State of New Jersey, the New Jersey Casino Reinvestment Development Authority, the New Jersey Sports and Exposition Authority and Merrill Lynch & Co. to evaluate the potential market, revenues and impacts on Atlantic City casinos of video lottery terminals ("VLTs") at The Meadowlands, work that was completed in 2005. Since the completion of this earlier evaluation of VLTs the gambling landscape in the mid-Atlantic region has evolved considerably, necessitating a new analysis to integrate the performance of current and proposed Pennsylvania and New York facilities that are impacting Atlantic City and The Meadowlands and Monmouth Park, racetrack facilities owned by the New Jersey Sports and Exposition Authority, and the independently owned and operated Freehold Raceway.

The results of the evaluation of VLTs completed in 2005 are summarized in an appendix (Appendix B) to this report.

CCA has conducted numerous studies for clients in the casino gaming, pari-mutuel racing and lottery industries and enjoys a reputation for expertise in all of these industries.

As part of this report, CCA assessed the feasibility of VLTs at locations other than New Jersey racetracks.

SCOPE OF STUDY

In preparing this report CCA performed the following tasks:

A. New Jersey Gambling Evaluation and Performance

CCA maintains a database of U.S. gambling statistics by State and category, including gross sales (handle), revenue, device count, and associated statistics that goes back to 1982. Using these data, CCA prepared a description of gambling in New Jersey, including handle or gross sales and consumer spending (or gross revenue defined as gross wagering less prize payouts) by category or product type and a time series analysis for each category of gambling.

B. Description of Competing Gambling Facilities in Neighboring States

CCA prepared a description of existing and proposed gambling facilities in States bordering New Jersey that compete with New Jersey gambling facilities (and the New Jersey Lottery) for regional gambling dollars. Using this description, CCA prepared an

analysis of the impacts this out-of-State competition is likely to have on New Jersey casinos, New Jersey racetracks, and the New Jersey Lottery.

C. Evaluation of Competing Gambling Facilities in Neighboring States

As part of the impact analysis in Section B, CCA evaluated competing gambling facilities in neighboring States with respect to their location, source or origin of customers, the level of activity (i.e. sales, revenue), number of activities (i.e. racing, slot machines, VLT machines, lottery tickets and so forth) and marketing strategy. CCA also evaluated New Jersey and neighboring-State gambling facilities with respect to age and physical quality, and identified additional competing gambling facilities that have been authorized but are not yet developed or operating. Utilizing its gravity model for gambling expenditures (described in Section D), CCA estimated the source or origin of new and existing customers for these gambling facilities, either authorized or in process of development, and estimated their impact on existing and/or proposed facilities in New Jersey.

D. Description of the Place of Origin of Expected Customers of New Jersey VLTs

Using its proprietary gravity model, CCA estimated the place of origin (by ZIP code) of expected customers of New Jersey VLTs under three scenarios, indicating whether these are existing customers of other facilities in New Jersey or in neighboring States (and which facilities), new customers, or customers who increase their spending on gambling with improved access to machine gaming. This analysis includes an evaluation of the attractiveness and performance of VLTs compared to reel-spinning slot machines located in Atlantic City.

This analysis provides, as outputs, consumer spending on gambling by ZIP code. By modeling gambling facilities in this manner, demographic changes arising from implementing VLTs in New Jersey were mapped (Section D).

E. Examination of the Operational and Legal Feasibility of Various Types of VLTs in New Jersey

CCA reviewed various types of VLTs and provided an opinion as to which types could be implemented in New Jersey. In providing this opinion CCA paid particular attention to the provision of New Jersey's constitution that the New Jersey Lottery be "restricted to the selling of rights to participate therein and the awarding of prizes by drawings" and that the entire net proceeds of the New Jersey Lottery are dedicated to State institutions and State aid for education. In this regard CCA relied on the 1982 Formal Opinion of the New Jersey Attorney General concerning a proposal for video lottery terminals in New Jersey, as well as New York State judicial rulings concerning the legality of VLTs in New York. Using this analysis as a basis, CCA developed projections based upon the range of VLT types allowed in New Jersey.

F. Review of Optimal VLT Supply Levels (Optimal Number of VLTs at New Jersey Racetracks)

Based on its understanding of the legal constraints described in Section E and its models of the demand for machine gaming in New Jersey and neighboring States, CCA ascertained the optimal level of machine supply by region within New Jersey.

Specifically, CCA developed estimates of optimal machine counts based on these results for VLTs (a) The Meadowlands, (b) The Meadowlands plus Monmouth Park and/or (c) The Meadowlands plus Monmouth Park and Freehold Raceway.

G. Projections of the Revenue Potential of VLTs at New Jersey Racetracks

Using its financial models, CCA developed projections of the revenues the tracks/scenarios in Section F are likely to generate if VLT machines are allowed at (a) The Meadowlands, (b) The Meadowlands plus Monmouth Park and/or (c) The Meadowlands plus Monmouth Park and Freehold Raceway.

H. Estimates of the Economic Impact of VLTs on Atlantic City

CCA overlaid its projections of VLT consumer spending by region onto its Atlantic City models and developed projections of likely changes in the level of Atlantic City gross gaming revenue, economic impact, visitor count and ancillary impacts likely to result from the scenarios in Section F and Section G. In preparing these projections CCA assessed the impacts of new slot machine inventory in Pennsylvania and new VLTs in New York on Atlantic City, factoring these impacts into its projections of the Atlantic City impacts likely to result from scenarios for VLTs at The Meadowlands only, at The Meadowlands plus Monmouth Park, and at The Meadowlands plus Monmouth Park and Freehold Raceway.

I. The Financial Impact of Scenarios (a), (b) and (c) on New Jersey Racetracks and Horsemen

CCA estimated the impact on New Jersey pari-mutuel operations of VLTs under scenarios (a), (b) and (c). In its estimates CCA included impacts on attendance, handle, purses and takeout as well as ancillary revenues for all three scenarios. In preparing estimates of these impacts CCA reviewed and analyzed the changes in pari-mutuel operations that have occurred in other States that have added slot machines or VLTs to their pari-mutuel facilities. These comparables were also factored as variables into CCA's distance and demographic models of New Jersey's three racetracks.

J. The Financial Impact of Scenarios (a), (b) and (c) on the New Jersey Lottery

CCA estimated the impact of scenarios (a), (b) and (c) on the New Jersey Lottery's sales and revenue distributions to the State of New Jersey. In preparing these estimates CCA took into account observed impacts on lotteries of pari-mutuel facility slot machines or VLTs in other States, updating, for this purpose, analyses it has previously performed of such impacts.

K. Recommendation as to the Maximum Number of VLTs that Could Be Supported at Each New Jersey Racetrack

Using the estimates and projections prepared in Sections A through J, CCA made recommendations as to the maximum number of VLTs each of New Jersey's three racetracks could support, without regard to physical constraints on the racetracks' ability to accommodate VLTs.

L. The Feasibility of VLTs at Locations other than New Jersey Racetracks

CCA prepared an analysis of VLTs at locations other than New Jersey racetracks. In preparing this analysis CCA assumed that if a region (defined by ZIP codes) appears under-served (i.e., is not proximate to a machine facility) it created model(s) for a new, hypothetical machine facility in that region. CCA also considered VLTs distributed at the storefront or neighborhood level, similar to the South Dakota VLT model.

In preparing these non-racetrack VLT analyses CCA attempted to balance the revenue potential of such VLT facilities or distributed VLTs with the associated impacts such non-racetrack VLTs would be likely to have on other New Jersey facilities including New Jersey racetracks, the New Jersey Lottery, and Atlantic City casinos in order to determine whether such facilities would be an overall net gain to the State of New Jersey and its residents.

Definitions

In general usage, "video lottery terminals" ("VLTs") are video gambling devices that accept coins or, more commonly, script and pay either in coins or credits redeemable for cash. Depending on the jurisdiction in which they operate, games presented on video lottery terminals may include (or be limited to) poker, games of chance or games of mixed chance and skill of other kinds, and video simulations of reel-spinning slot machines. Video lottery terminals provide lotteries with a machine game product that satisfies consumer demand for machine gaming, and are often loosely referred to by players and the media as slot machines. There are important differences in the way slot machines and video lottery terminals operate, however, and these differences are material both to players and in deciding what may or may not qualify as a video lottery terminal under New Jersey statute and/or constitutional law. A brief review of gambling machines operating in New Jersey or in neighboring States is therefore in order.

Gambling devices permitted in New Jersey or in neighboring States fall into three categories: *slot machines*, *central system video lottery terminals*, and *central determination system lottery terminal*s.

Slot machines are random devices. When the device is tried (by pulling a handle or pressing a button) the outcome is a random event determined by the device, even if (as is usually the case) the slot machine is connected to a computer monitoring system. The machines in Atlantic City casinos, Pennsylvania, and tribal casinos in Connecticut are slot machines. The machines at West Virginia racetracks, authorized under West Virginia's lottery law and administered by the West Virginia Lottery, are also slot machines. [1]

Video lottery terminals or VLTs are central system devices. Unlike slot machines, which (law and regulation permitting) can be played even if they are not connected to a computer monitoring system, video lottery terminals cannot be played unless the central computer system to which they are connected is "up" and operating. The VLTs at Delaware racetracks and Rhode Island pari-mutuel facilities are machines of this kind. Importantly, however, the determination of Rhode Island and Delaware VLTs is at the device level. When a Rhode Island or Delaware VLT is tried the outcome is a random event determined by a computer chip in the device. While not identical with slot machines (central system VLT title libraries, for example, may be less extensive than the title libraries available to slot machine operators), Rhode Island and Delaware VLTs are

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[1] The West Virginia Lottery Web site provides the following information:

"In the state of West Virginia, Video Lottery is the legal use of player interactive gaming machines similar to those commonly known as "slot" machines in the casino industry. As of 1994, video lottery was approved, with restraints set forth by law, at West Virginia's four thoroughbred and greyhound racetracks. The issue had to be approved by voters in the counties in which each track is located."

"In 1999, the West Virginia Legislature passed a bill allowing for a limited number of video lottery machines in adult environments. It is referred to as the "Limited Video Lottery Act." The measure outlawed pre-existing "gray" or "poker" machines and restricted the number of Limited Video Lottery terminals to no more than 9,000. The environments in which they are permitted are classified as adult-only based on the fact that they possess a Class A, Alcohol Beverage Control Administration (ABCA) license and meet various other legal requirements."

http://207.97.205.154/sections/video_lottery.aspx

"It should be noted that the machines in both environments are the same with exception to "reel and coin drop" machines that are allowed only in the racetrack environment."

"Video lottery machines are stand-alone, player-interactive gaming machines with a video simulation of the common "slot" machine. Prior to the fall of 1999, the video lottery machines in racetracks were all voucher, ticket printing machines, sold by a number of state licensed manufacturers. West Virginia law was developed to allow the licensed racetracks to offer some actual "slot" machines that did not use a video simulation and some machines that dropped coins instead of issuing vouchers. The limited video lottery product, in the non-racetrack environment, remains confined to video simulation and vouchers. Video lottery games in West Virginia must pay out no less than 80 percent and no more than 95 percent."

http://207.97.205.154/sections/video_lottery.aspx.

close substitutes and may be indistinguishable from slot machines to players and in their earnings (productivity) performance, particularly if slot machines are not available in the immediate VLT market area.

The VLTs operating at New York racetracks differ from the VLTs operating in Rhode Island and Delaware in that New York VLTs are central *determination* system devices. When a New York VLT is tried the determination is at the central system level, not at the device level. A player trying a New York VLT is not trying that device and the outcome is not a random event. Instead, the player of a New York VLT is drawing a ticket from a pre-determined stack of electronic tickets maintained for all VLTs of that title throughout New York State; if the ticket drawn is a winner the player wins; if the ticket drawn is a loser the player loses. Unless the stack of tickets is replenished, the likelihood of drawing a winning ticket decreases as winners are drawn; this has the practical consequence that the VLTs of that title become less rewarding to play as the number of winning tickets in the central computer stack diminishes. New York VLTs are lotteries in a literal sense. As is true of lottery instant tickets, the outcome (win or lose) of playing a New York central determination system VLT depends on whether a winning or losing ticket is drawn when the VLT device is tried.

There are material differences in the performance of slot machines, central system video lottery terminals, and central determination system video lottery terminals. Other things being equal, slot machines and central system VLTs where the determination is at the device level are more productive (will win more money per unit per day) than central determination system VLTs. From the State's point of view, these performance differences translate into greater revenues from slot machines and central system VLTs compared to central determination system VLTs. From the player's point of view these performance differences make slot machines and central system VLTs more appealing than central determination system VLTs, particularly when devices of both kinds are available in a given market.

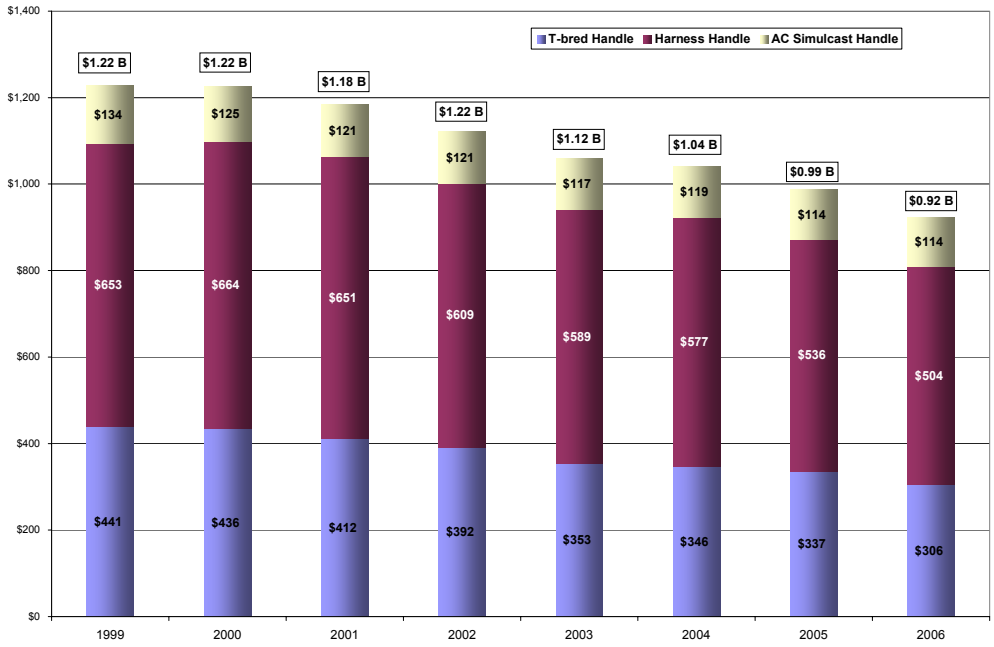
A. New Jersey Gambling Evaluation and Performance

Relying on its proprietary database of U.S. gambling statistics by State and category, CCA prepared a description of gambling in New Jersey, including handle (or gross sales) and consumer spending (gross revenue) by category or product type and a time series analysis for each form of gambling permitted in the State. Permitted forms of gambling include pari-mutuel betting on horseracing at New Jersey's racetracks (The Meadowlands, Monmouth Park, Freehold Raceway, and Atlantic City Race Course), at off-track betting (OTB) offices, and at Atlantic City casino racebooks; the New Jersey Lottery; and casino gaming in Atlantic City. This section of CCA's report presents handle or gross sales and consumer spending or gross revenue and a time series analysis for each of these kinds of gambling.

1. Pari-mutuel Horseracing

Exhibit A.1 presents pari-mutuel handle, or gross wagering, including live event, in-State simulcasts, and simulcasts imported from other jurisdictions, by breed for the years 1999 through 2006. Handle at New Jersey off-track betting (OTB) facilities, which began in April 2007, is not included in Exhibit A.1. Aggregate handle declined by approximately $300 million, or 25%, over this period, from $1.22 billion in 1999 to $924 million in 2006. Wagering on both Standardbred (harness) and Thoroughbred racing declined between 1999 and 2006.

Exhibit A.1: New Jersey Pari-mutuel Handle 1999-2006 ($M)



Note: The above exhibit does not include handle from phone/Internet wagering and it does not include export handle (amounts wagered at out of State racetracks and OTBs on New Jersey races).

Source: New Jersey Racing Commission

Exhibit A.2 presents pari-mutuel handle or gross wagering, including live event, in-State simulcasts, and simulcasts imported from other jurisdictions, by racetrack for the years 1999 through 2006. Wagering at New Jersey racetracks (excluding Atlantic City simulcast handle) declined by 25.9% over this period, from $1,093.9 million in 1999 to $809.8 million in 2006.

Thoroughbred wagering at The Meadowlands declined by 37.8%, from $139.6 million in 1999 to $86.9 million in 2006. Thoroughbred wagering at Monmouth Park declined by 13.7%, from $222.3 million in 1999 to $191.9 million in 2006. Thoroughbred racing at Garden State Park was discontinued in 2002 as a result of the closing of this facility. Overall, Thoroughbred wagering declined by 30.7%, from $440.9 million in 1999 to $305.7 million in 2006.

Standardbred wagering at The Meadowlands declined by 13.9%, from $418.5 million in 1999 to $360.3 million in 2006. Standardbred wagering at Freehold Raceway declined by 15.2%, from $90.2 million in 1999 to $76.5 million in 2006. Overall, Standardbred wagering declined by 22.8%, from $653 million in 1999 to $504.1 million in 2006. Monmouth Park does not have Standardbred racing.

Exhibit A.2: New Jersey Pari-mutuel Handle 1999-2006 ($M)

	1999	2000	2001	2002	2003	2004	2005	2006
T-Bred Track								
Atlantic City Racing Assoc	$26.2	$28.9	$31.2	$31.8	$31.1	$32.7	$30.3	$26.9
GSP	$52.7	$43.8	$32.9	$0.0	$0.0	$0.0	$0.0	$0.0
Meadowlands	$139.6	$144.8	$130.6	$150.6	$108.5	$113.2	$101.4	$86.9
Monmouth Park Jockey Club	$222.3	$218.1	$217.6	$209.9	$213.7	$200.4	$205.3	$191.9
T-bred Handle	$440.9	$435.7	$412.2	$392.4	$353.4	$346.3	$336.8	$305.7
Harness Track								
Atlantic City Racing Assoc	$76.9	$76.9	$80.4	$78.2	$74.8	$77.0	$70.8	$67.3
Freehold Raceway	$90.2	$92.3	$98.1	$100.0	$94.9	$90.7	$86.4	$76.5
GSP	$67.4	$63.9	$6.1	$0.0	$0.0	$0.0	$0.0	$0.0
Meadowlands	$418.5	$431.1	$466.5	$431.0	$419.1	$409.2	$379.2	$360.3
Harness Handle	$653.0	$664.2	$651.1	$609.1	$588.8	$576.8	$536.4	$504.1
Atlantic City Simulcast Handle	$134.2	$125.5	$121.0	$121.2	$116.5	$118.7	$113.9	$114.1
Total New Jersey Handle	**$1,228.1**	**$1,225.3**	**$1,184.3**	**$1,122.7**	**$1,058.7**	**$1,041.9**	**$987.1**	**$923.9**

Source: New Jersey Racing Commission

Exhibit A.3 presents attendance at New Jersey racetracks between 1999 and 2006. Year-over year, attendance declined in each of these years with the exception of 2004, when attendance increased year-over-year by 6.2%. Aggregate attendance declined by approximately 22.7% over this period, or by 511,681, from 2,255,166 in 1999 to 1,743,485 in 2006. Attendance at The Meadowlands declined by 30%, or 326,290, from 1,086,609 in 1999 to 760,319 in 2006. Attendance likewise declined at Monmouth Park, though by a smaller percentage: by 1.9%, or 13,697, from 726,479 in 1999 to 712,782 in 2006. Attendance at Freehold Raceway declined by 13.2%, or 19,329, from 146,277 in 1999 to 126,948 in 2006.

Exhibit A.3: New Jersey Racetrack Attendance 1999-2006

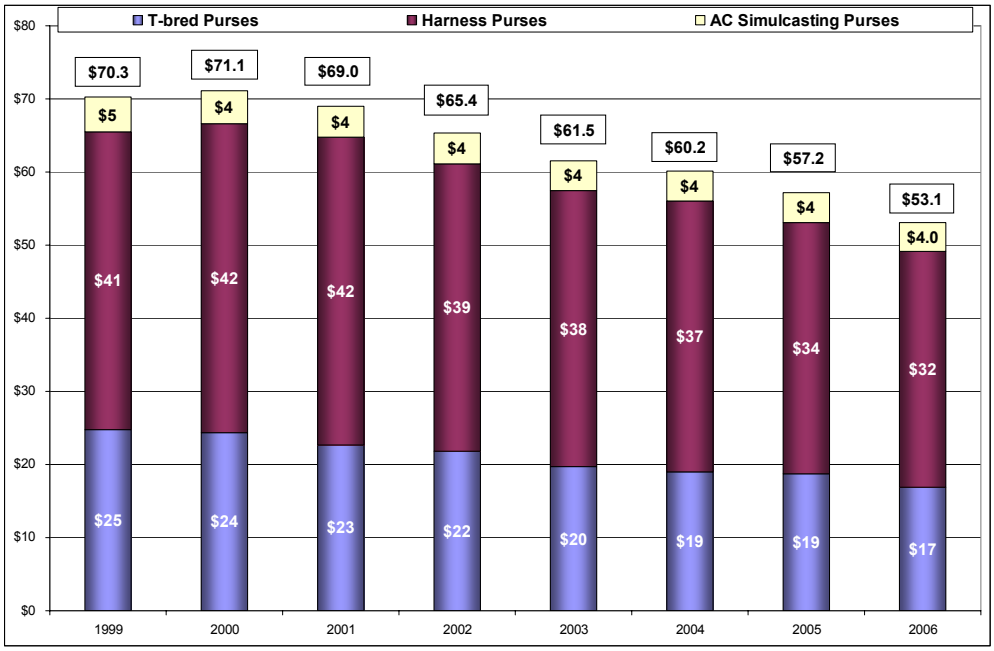
	2000	2001	2002	2003	2004	2005	2006
ACHI	165,148	148,942	139,805	138,936	142,707	136,329	134,973
ACRA	12,859	18,929	1,925	4,396	11,639	8,463	8,463
Freehold Raceway	146,277	148,599	118,718	166,023	154,459	131,884	126,948
Garden State Park	117,794	20,395	0	0	0	0	0
Meadowlands	1,086,609	1,074,829	1,080,318	870,484	990,144	784,852	760,319
Monmouth Park	726,479	772,755	766,016	716,129	715,958	797,262	712,782
Total Attendance	**2,255,166**	**2,184,449**	**2,106,782**	**1,895,968**	**2,014,907**	**1,858,790**	**1,743,485**
% Change		**-3.1%**	**-3.6%**	**-10.0%**	**6.3%**	**-7.7%**	**-6.2%**

Note: ACHI is New Jersey Harness Racing Commission's designation for the Harness meet that takes place from January to June at Freehold Raceway (Freehold also operates from August through December), and ACRA is the Thoroughbred meet that takes place at Atlantic City Racecourse.

Source: New Jersey Racing Commission

Exhibit A.4 presents purses at New Jersey racetracks between 1999 and 2006. Following a slight increase in 2000 purses derived from live and simulcast wagering at Thoroughbred and Standardbred racetracks and simulcasting at Atlantic City casinos declined by approximately 25.3%, from $71.1 million in 2000 to just under $53.1 million in 2006. Purses for both Standardbred and Thoroughbred racing declined between 1999 and 2006.

Exhibit A.4: New Jersey Purses 1999-2006 ($M)



Note: The above exhibit does not include purses generated from phone/Internet wagering and it does not include CRDA purse subsidies from Atlantic City casinos.

Source: New Jersey Racing Commission

Exhibits A.1-A.4 depict an industry in decline. Wagering on both Thoroughbred and harness racing at every New Jersey racetrack declined between 1999 and 2006; one racetrack, Garden State Park, closed in 2002. Attendance and purses likewise declined over this period. New Jersey's pari-mutuel economy is contracting. The pari-mutuel industry declines reflected in Exhibits A.1-A.4 are long term trends. New Jersey should not expect the downward trends in handle, attendance, purses and the supply of horses at its racetracks these exhibits describe to reverse themselves in the future.

Rather, the outlook for New Jersey horseracing is for accelerating declines in handle, attendance, purses and the supply of horses. New racetrack slot machine operations in Pennsylvania (started November 2006) and VLT operations at Yonkers Raceway in the New York City metropolitan area (started October 2006) are supplementing purses in both jurisdictions; these rising purses are causing racing stables to transfer horses from New Jersey racetracks to Pennsylvania and New York. On March 9, 2007 The Meadowlands announced that it is curtailing its live harness racing schedule, from five days a week to four days a week, due to an inability to fill racing cards, caused by the decision of horsemen to transfer their operations to Yonkers, where VLT-supplemented purses are higher and to Pennsylvania, where slot machine supplemented purses are increasing.

Exhibit A.5: New York, Pennsylvania, and Delaware Average Daily Purses Compared to New Jersey Average Daily Purses (from all sources) 2002-2011

Average Daily Purses	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
New York										
Yonkers	$84,833	$86,220	$74,296	$61,429	$141,361	$232,724	$299,217	$332,463	$349,086	$366,541
Aqueduct/Belmont	$424,255	$472,511	$475,630	$472,217	$445,129	$419,595	$395,525	$415,302	$431,914	$449,190
Saratoga	$31,112	$30,760	$54,792	$71,159	$95,555	$128,315	$150,310	$163,194	$170,187	$173,591
Pennsylvania										
Philadelphia Park	$144,154	$140,034	$140,738	$154,194	$140,885	$300,000	$333,882	$352,736	$360,704	$361,111
Chester Downs	n/a	n/a	n/a	n/a	n/a	$160,000	$169,600	$176,723	$184,852	$194,280
Pocono	$77,145	$84,281	$69,986	$72,351	$85,173	$100,000	$105,647	$115,192	$125,600	$136,948
Presque Isle	n/a	n/a	n/a	n/a	n/a	$200,000	$224,000	$238,112	$243,589	$247,315
The Meadows	$77,188	$75,358	$72,861	$69,879	$73,244	$100,000	$120,000	$165,360	$233,819	$323,255
Delaware										
Delaware Park	$58,642	$255,093	$301,342	$267,597	$263,759	$259,976	$256,247	$252,572	$248,950	$245,379
Dover Downs	n/a	n/a	n/a	$186,667	$204,408	$223,835	$245,109	$268,404	$293,913	$321,847
Harrington	n/a	n/a	n/a	$135,500	$135,000	$134,502	$134,006	$133,511	$133,018	$132,528
New Jersey										
Meadowlands (T-bred)	$184,603	$321,761	$191,928	$314,332	$287,203	$281,007	$273,981	$266,310	$252,728	$237,564
Meadowlands (Harness)	$275,050	$269,032	$261,159	$257,132	$257,547	$253,450	$247,367	$240,441	$232,506	$222,973
Monmouth	$411,578	$357,691	$426,894	$352,025	$348,488	$335,134	$320,053	$306,290	$287,913	$259,122
Freehold	$112,432	$103,704	$102,028	*$90,000*	*$90,000*	$85,511	$80,808	$75,959	$71,174	$66,192

Note: Freehold purse data was unavailable at the time this report was generated. Freehold purses presented in this exhibit were estimated based on data provided by the New Jersey Sports and Exposition Authority. Projections for New Jersey purse data from 2008 to 2011 were generated by continuing average growth rates in recent years. Projections for non-New Jersey purse data were generated by pairing recent rates of purse growth with estimated purse increases due to purse supplements from slots/vlts.

Source: New Jersey Sports & Exposition Authority; regulatory agency reports; Christiansen Capital Advisors, LLC

As is discussed in Section B, the new racetrack machine operations in New York and Pennsylvania are still in their development phase. More gaming facilities will open and more machines will be added to racetracks in these neighboring States in years to come. The pressure machine-supplemented purses exert on New Jersey's horse supply and on handle and attendance at New Jersey racetracks will increase in the future. Although we did not attempt to quantify the impact of racetrack machines in neighboring States on New Jersey horse breeding, declining handle and attendance at New Jersey racetracks will adversely impact New Jersey's equine agribusiness.

The adverse trends in New Jersey racing and their serious implications for New Jersey racetracks and New Jersey's equine breeding industry have been matters of concern for some time. In 2004 the Atlantic City Casino Re-Development Authority (CRDA) commenced paying an annual subsidy to New Jersey's racing industry amounting to $21.5 million annually. This subsidy is scheduled to expire at the end of the 2007 racing season. If this subsidy is not renewed the gap between the purses offered at New Jersey racetracks and racetracks in New York and Pennsylvania would widen, increasing the already severe pressure on the New Jersey horse supply and further reducing handle and attendance at New Jersey racetracks.

Finally, we note that New Jersey's racetracks are aging facilities that haven't been refreshed with the capital spending needed to keep them competitive in the leisure marketplace. We have not attempted to independently estimate the amount of the capital spending required to restore New Jersey racetracks to competitive condition. We have however reviewed a statement by the New Jersey Sports & Exposition Authority

(NJSEA) to the effect that The Meadowlands and Monmouth Park are in need of major capital improvements, costing in the Authority's view $20 million annually from 2008 though 2011 (Exhibit A.6). This $20.0 million in proposed capital spending would be used to renovate the Pegasus Restaurant at The Meadowlands and refurbish Monmouth Park.

Exhibit A.6: Capital Improvements ($M)

	2008	2009	2010	2011
	$20.0	$20.0	$20.0	$20.0
Monmouth				
Install all-weather track				
-would increase field size and reduce injuries to horses				
-provides competitive advantage over neighboring states, none of which have artificial surfaces				
-reduces maintenance costs				
Winterize stable area				
-partial winterization to accommodate year-round training				
Build new dormitories				
-to coincide with more year-round use of facilities				
Meadowlands				
Renovate Pegasus Restaurant				
-complete overhaul of décor and appearance to once again become a nighttime destination				

Source: The New Jersey Sports and Exposition Authority

Even if these capital improvements are made, however, New Jersey racetracks will remain old facilities. These old facilities will find it increasingly difficult to compete with new racetrack/slot machine facilities in neighboring States, including Chester Downs, a new property operated by Harrah's Entertainment in the Philadelphia metropolitan area, and Presque Isle, a new racetrack/slot machine facility operated by MTR Gaming in Erie, Pennsylvania, or new casino resorts like Atlantic City's Borgata. Moreover, adding VLTs to The Meadowlands, Monmouth Park and Freehold Raceway would create additional capital needs. Converting old racetracks to machine gaming operations is expensive. The cost of converting Yonkers Raceway, an old racetrack in the New York City metropolitan area, to VLT operations was reportedly $240 million, and the resulting "racino" is generally considered to be under-built.

In view of these circumstances, we feel that a more comprehensive capital plan for the Sports and Exposition Authority's racetracks may need to be developed to address the age of these facilities. A comprehensive capital spending plan should take into account New Jersey's need to remain competitive with the new racing facilities operating in Pennsylvania now (or will be operating in the future), the refurbished racetrack/VLT facility at Yonkers, and, at some point, the likelihood of a new or refurbished racetrack/VLT facility in the New York City metropolitan area operated by the New York Racing Association (NYRA) or its successor. Very substantial capital sums would be needed to ensure the continued competitiveness of New Jersey racing facilities in the future.

Exhibit A.7 presents projections of New Jersey purses for the years 2008 through 2011 as provided by the New Jersey Sports and Exposition Authority (NJSEA). These projections represent the NJSEA's view of the purse amounts and racing dates needed for the tracks to be able to continue to be competitive.

Exhibit A.7: Required New Jersey Purses 2008-2011

		2008	2009	2010	2011
Meadowlands	Racing dates	150	150	150	150
Harness	Avg. Daily Purse	$250,000	$265,000	$280,000	$300,000
	Stakes	$5,500,000	$5,750,000	$6,000,000	$6,350,000
	Total Purses	$43,000,000	$45,500,000	$48,000,000	$51,350,000
Monmouth	Racing dates	80	80	80	80
Thoroughbred	Avg. Daily Purse	$350,000	$375,000	$400,000	$430,000
	Stakes	$4,400,000	$4,600,000	$4,850,000	$5,100,000
	Total Purses	$32,400,000	$34,600,000	$36,850,000	$39,500,000
Freehold	Racing dates	192	192	192	192
Harness	Avg. Daily Purse	$90,000	$85,000	$100,000	$105,000
	Stakes	$1,000,000	$1,050,000	$1,100,000	$1,150,000
	Total Purses	$18,280,000	$19,290,000	$20,300,000	$21,310,000
Atlantic City	Racing dates	20	20	20	20
Thoroughbred	Avg. Daily Purse	$150,000	$155,000	$160,000	$170,000
	Total Purses	$3,000,000	$3,100,000	$3,200,000	$3,400,000
Breeding					
Harness	Purses	$150,000	$1,750,000	$2,000,000	$2,250,000
Thoroughbred	Purses	$1,500,000	$1,750,000	$2,000,000	$2,250,000
Earned Purses Through Wagering Handle					
	Meadowlands	$32,120,000	$33,466,000	$33,129,000	$33,100,000
	Monmouth	$19,272,000	$22,021,000	$22,586,000	$23,449,000
	Freehold	$12,500,000	$12,600,000	$12,790,000	$13,161,000
	Atlantic City	$1,000,000	$1,000,000	$1,100,000	$1,100,000
	Total Earned Purses:	$64,892,000	$69,087,000	$69,605,000	$70,810,000

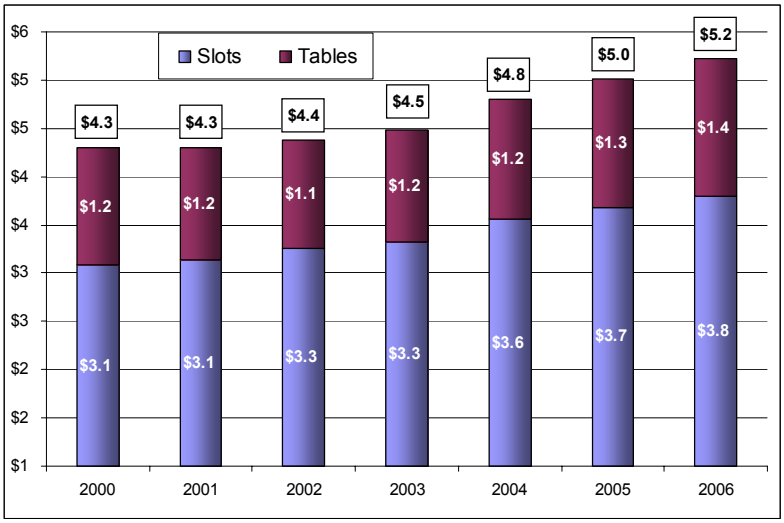
Source: The New Jersey Sports and Exposition Authority

As Exhibits A.5 and A.7 clearly show, if purses at The Meadowlands, Monmouth Park and Freehold Raceway are not supplemented in some manner, either by renewing (and increasing) the CRDA subsidy or by installing VLTs at these racetracks and allocating a substantial share of VLT revenues to purses, a widening "purse gap" will develop between New Jersey's major racetracks and the machine-supplemented purses offered by racetracks in neighboring States. Absent some such supplements, none of New Jersey's major racetracks will be competitive in the purses they offer compared to the machine-supplemented purses offered at racetracks in neighboring States. The flight of quality race horses from New Jersey racetracks to racetracks in neighboring States already in evidence would accelerate; New Jersey field sizes would contract; New Jersey racing secretaries would find it increasingly harder to card races; the quality of New Jersey racing would deteriorate; and, inevitably, handle and attendance at New Jersey racetracks would spiral downward. Unless this process is reversed The Meadowlands, Monmouth Park and Freehold Raceway would cease to be profitable and would, like Garden State Park, be forced to close.

2. Atlantic City Casinos

Exhibit A.8 presents win or gross gaming revenue for Atlantic City casinos for the years 2000-2006.

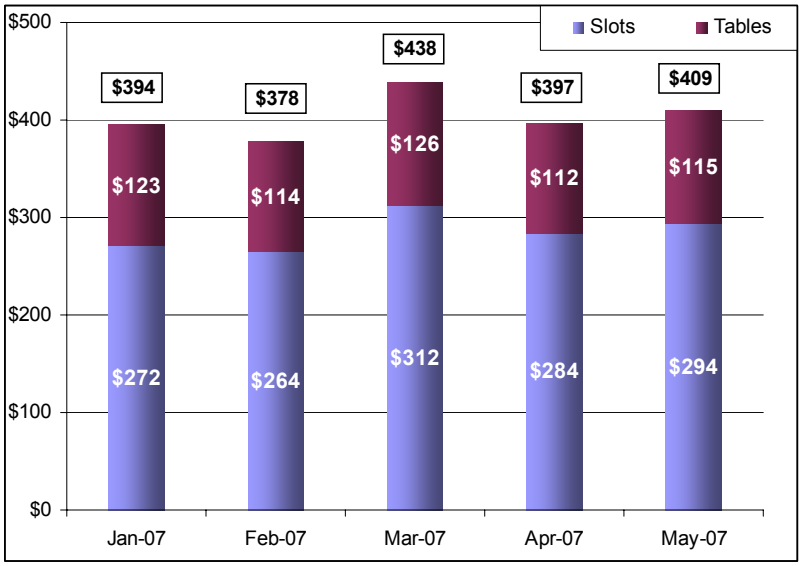
Exhibit A.8: Gross Gaming Revenue for Atlantic City Casinos 2000-2006 ($B)



Source: New Jersey Casino Control Commission

Atlantic City gross gaming revenue increased by $900 million, or by 21%, over this period, from $4.3 billion in 2000 to $5.2 billion in 2006. Annual increases in the industry's top line number were steady during this period, although generally single digit.

Exhibit A.9: Monthly Gross Gaming Revenue at Atlantic City Casinos January through May 2007 ($M)

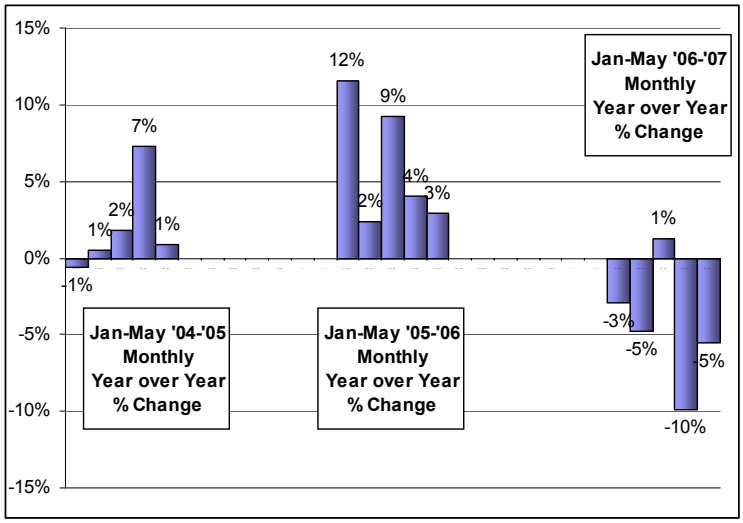


Source: New Jersey Casino Control Commission

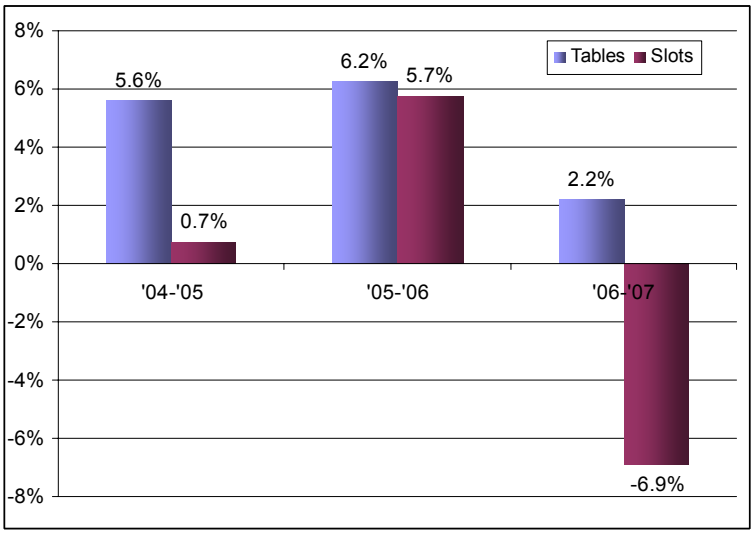
Exhibit A.9 presents monthly gross gaming revenue for Atlantic City casinos for January through May 2007.

Exhibit A.10: Comparison of Year over Year Percentage Changes in Monthly Gross Gaming Revenue at Atlantic City Casinos January through May 2006-2007, 2005-2006, and 2004-2005

Percentage Change in Year over Year Monthly Gross Gaming Revenue, January through May: 2004-2005, 2005-2006, and 2006-2007



Year over Year Monthly Table and Slot Machine Revenue, (Totals for the First 5 Months of 2004-2005, 2005-2006, and 2006-2007)



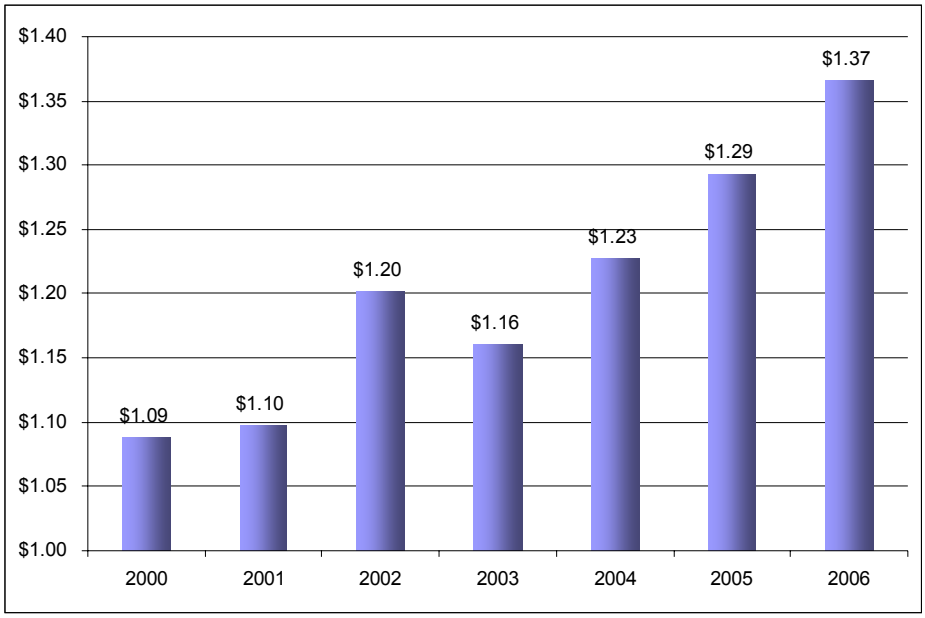
Source: New Jersey Casino Control Commission

Exhibit A.10 presents month-over-month comparisons of Atlantic City gross gaming revenue for January through May for 2004-2005, 2005-2006 and 2006-2007. While industry gross gaming revenue exhibits month-to-month fluctuations in each of these years, month-over-month comparisons for 2004-2005 and 2005-2006 are positive,

indicating growth in industry gross gaming revenue in these years. Month-over-month comparisons for the first five months of 2006-2007 are negative, however, indicating a decrease of Atlantic City slot machine revenue of 6.9%. Atlantic City casinos are being impacted by VLTs at Yonkers Raceway in the New York City metropolitan area and especially by slot machines in Pennsylvania. Through the first five months of 2007 Atlantic City gross gaming revenue is down 4.4%, or $93 million, compared to the first five months of 2006, and the industry is likely to end the end the year in a negative position, for the first time since gaming began in 1978.

Exhibit A.11 presents annual gross operating profit for Atlantic City casinos for the years 2000-2006. The industry's gross operating profit increased by $280 million, or 25.6%, over this period, from $1.09 billion in 2000 to $1.37 billion in 2006. The increases in gross operating profit were not steady, however, with a decline in 2003. A likely cause of unsteady growth in gross operating profit during a period of steady growth in gross gaming revenue is recurring increases in promotional spending as operators attempt to buy share of a market that is essentially mature for the experience offered by older, pre-Borgata properties.

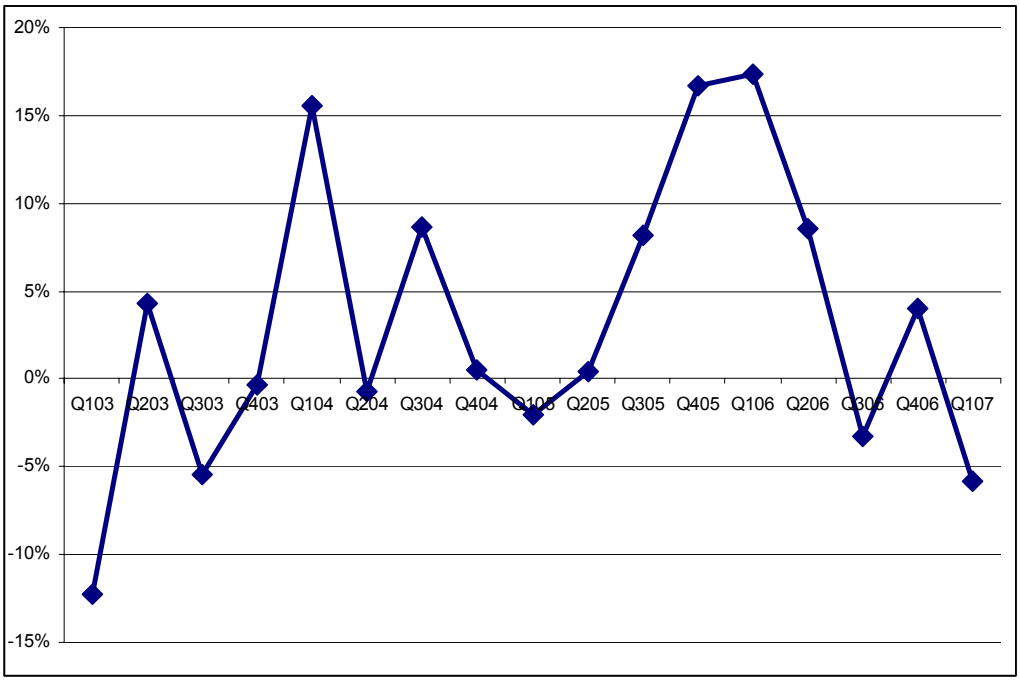
Exhibit A.11: Annual Gross Operating Profit at Atlantic City Casinos 2000-2006 ($M)



Source: New Jersey Casino Control Commission

Exhibit A.12 presents Atlantic City casino operating profit by quarter for the year 2003 through the first quarter of 2007, expressed as year-over-year percentage change. Stated quarterly, the industry's operating profit shows an irregular pattern, reflecting the seasonal nature of the market's business volume and periodic increases in promotional spending.

Exhibit A.12: Quarterly Year over Year Percent Changes in Operating Profit at Atlantic City Casinos 2000-2006



Source: New Jersey Casino Control Commission

Atlantic City casinos are being impacted by VLTs at Yonkers Raceway in the New York City metropolitan area and especially by slot machines in Pennsylvania. In the first quarter of 2007 Atlantic City gross operating profit is down 5.8%, or $18 million, compared to the first quarter of 2006.

The Atlantic City casino industry will compete with increasing numbers of machines in neighboring States in the years immediately ahead. Exhibit A.13 presents the number of VLTs and slot machines that have began operation in the New York City metropolitan area and in Pennsylvania from October 2006 through April 2007. Each month during this period has seen increases in the number of gaming machines in these two neighboring States. In total, 10,320 gaming machines began to operate in the New York City metropolitan area and in Pennsylvania during this seven-month period. For comparison, approximately 36,600 slot machines were operating in Atlantic City casinos in the first quarter of 2007.

Exhibit A.13: Number of Slot Machines/VLTs at New Facilities in Markets that Compete with Atlantic City Casinos

Date	Yonkers	Chester Downs	Philadelphia Park	Total
Oct-06	1,871			**1,871**
Nov-06	2,304			**2,304**
Dec-06	2,529		2,076	**4,605**
Jan-07	4,112	2,744	2,076	**8,932**
Feb-07	4,112	2,744	2,076	**8,932**
Mar-07	5,007	2,744	2,076	**9,827**
Apr-07	5,500	2,744	2,076	**10,320**

Source: State regulatory agencies, Christiansen Capital Advisors, LLC

The number of VLTs in the New York City metropolitan area and the number of slot machines in Pennsylvania will increase in the months and years immediately ahead. Exhibit A.14 presents our estimate of regional gaming machine supply over the next few years. Although the start dates of the increases are somewhat uncertain, all of the increased numbers of machines in Exhibit A.14 have been authorized. In total, when all of the facilities represented in Exhibit A.14 are fully built out, a total of 51,545 new VLTs and slot machines will be operating in what is today Atlantic City's market area. This is a larger number of machines than are presently operated by Atlantic City casinos. The supply increases in Exhibit A.14 will absorb significant amounts of the demand for machine gaming the regional market contains and significantly increase competitive pressure on Atlantic City's casino industry.

Exhibit A.14: Number of Neighboring State Gaming Machines

	Number of Machines*
Chester Downs	5,000
Pocono Downs	5,000
Pocono (Mt. Airy)	5,000
Bethlehem	5,000
Philadelphia Park	5,000
Philadelphia - Downtown (2)	10,000
Yonkers	7,500
Aqueduct	7,500
Monticello	1,545
Totals	**51,545**

Source: State regulatory agencies, company filings, Christiansen Capital Advisors, LLC

3. New Jersey Lottery

New Jersey's lottery is among the largest in the United States. Exhibit A.15 compares the New Jersey Lottery to other lotteries in States with large populations with respect to a number of metrics we have found to be useful in evaluating lottery performance. While New Jersey ranks 10th in population it ranks 8th in both sales ($2.4 billion) and gross revenue (sales less prizes, $1.026 billion). The consumer price of playing the New Jersey Lottery (the reciprocal of the percentage of sales paid out in prizes, 57.4%) is about average for this group of lotteries, though higher than the consumer price of the Massachusetts Lottery, by many measures the best-performing lottery in the United States. The New Jersey Lottery ranks 5th in per capita sales, 4th in per capita revenue, 7th in revenue generated for government and 10th in total expenses. Overall, then, New Jersey's lottery performs as well as or better than most of its peers.

Exhibit A.15: New Jersey Lottery Data Compared to Other Selected State Lotteries, FY 2006

State	Population (M)	Sales ($M)	Prizes ($M)	Lottery Gross Revenue ($M)	Lottery Payout %	Per Capita Lottery Sales	Per Capita Lottery Revenue	Sales as a % of Personal Income	Lottery Expenses ($M)	Expenses as a % of Gross Revenue	Transfers to Gov't ($M)
California	36.5	$3,585.0	$1,932.7	$1,652.3	53.9%	$98.3	$45.3	0.25%	$344.0		**$1,288.0**
Texas	23.5	$3,774.7	$2,310.6	$1,464.1	61.2%	$160.6	$62.3	0.47%	$376.5		**$1,090.3**
New York	19.3	$6,487.1	$3,853.4	$2,633.7	59.4%	$336.0	$136.4	0.79%	$675.3	25.6%	**$2,031.9**
Florida	18.1	$3,470.7	$2,044.2	$1,426.5	58.9%	$191.9	$78.9	0.54%	$447.4		**$1,224.7**
Illinois	12.8	$1,964.3	$1,157.3	$806.9	58.9%	$153.1	$62.9	0.40%	$196.8		**$645.9**
Pennsylvania	12.4	$3,070.3	$1,804.9	$1,265.4	58.8%	$246.8	$101.7	0.67%	$289.7		**$975.9**
Ohio	11.5	$2,220.9	$1,311.1	$909.8	59.0%	$193.5	$79.3	0.58%	$285.9		**$646.3**
Michigan	10.1	$2,212.4	$1,298.5	$913.9	58.7%	$219.1	$90.5	0.65%	$230.9	25.3%	**$699.5**
Georgia	9.4	$2,964.0	$1,815.6	$1,148.4	61.3%	$316.5	$122.6	0.99%	$314.3	27.4%	**$822.4**
New Jersey	8.7	$2,406.5	$1,380.4	$1,026.1	57.4%	$275.8	$117.6	0.60%	$181.5		**$844.2**
Virginia	7.6	$1,365.3	$773.6	$591.8	56.7%	$178.6	$77.4	0.46%	$136.8		**$454.9**
Massachusetts*	6.4	$4,502.4	$3,124.2	$1,378.2	69.4%	$699.5	$214.1	1.52%	$425.0	30.8%	**$951.2**
Maryland	5.6	$1,560.9	$907.1	$653.8	58.1%	$277.9	$116.4	0.63%	$140.2	21.4%	**$501.0**

Note: Massachusetts Lottery data are preliminary for FY 06.

Source: State lottery agencies, Christiansen Capital Advisors, LLC

Exhibit A.16 compares the New Jersey Lottery with some comparable lotteries with respect to individual non-VLT games. In general, the performance of New Jersey's instant ticket, online numbers and online lotto games is average or slightly better than average for this group of comparable lotteries.

Exhibit A.16: New Jersey Lottery Sales by Game Compared to Other Selected State Lotteries, FY 2006 ($M)

State	Instant	Numbers	Lotto	Keno	Other	Total (Non-VLT)
California	$1,929.6	$292.3	$1,351.3		$11.8	**$3,585.0**
Texas	$2,861.4	$295.4	$617.9			**$3,774.7**
New York	$3,362.7	$1,848.1	$815.8	$460.5		**$6,487.1**
Florida	$2,100.1	$558.7	$1,270.2			**$3,929.0**
Illinois	$975.8	$480.7	$507.7			**$1,964.3**
Pennsylvania	$1,594.5	$684.7	$768.6		$22.5	**$3,070.3**
Ohio	$1,274.0	$553.0	$393.9			**$2,220.9**
Michigan	$710.8	$708.7	$312.6	$438.7	$41.6	**$2,212.4**
Georgia	$1,841.0	$721.9	$351.4	$49.7		**$2,964.0**
New Jersey	$1,141.7	$719.0	$545.8			**$2,406.5**
Virginia	$689.3	$426.8	$249.2			**$1,365.3**
Massachusetts*	$3,115.1	$342.6	$267.8	$775.3	$1.7	**$4,502.4**
Maryland	$415.3	$534.6	$174.7	$436.3		**$1,560.9**

Note: Massachusetts Lottery data are preliminary for FY 06.

Source: State lottery agencies, Christiansen Capital Advisors, LLC

Exhibit A.17 presents lottery sales by game as a percentage of total sales for large domestic lotteries. The New Jersey Lottery is somewhat less dependent on instant ticket sales than some other large lotteries, perhaps indicating room for improvement: instant tickets have been the principal driver of growth for U.S. lotteries in recent years. Conversely, New Jersey's online numbers games contribute a larger percentage of total sales than is true for most of the lotteries in this group. Lotto games contribute a smaller percentage of total sales than is typical of larger State lotteries: this is to be expected in that lotto sales and State population are positively correlated.

Exhibit A.17: New Jersey Lottery Sales by Game as a Percent of Total Sales Compared to Other Selected State Lotteries, FY 2006

State	Instant	Numbers	Lotto	Keno	Other	Total (Non-VLT)
California	53.8%	8.2%	37.7%	0.0%	0.3%	**100.0%**
Texas	75.8%	7.8%	16.4%	0.0%	0.0%	**100.0%**
New York	51.8%	28.5%	12.6%	7.1%	0.0%	**100.0%**
Florida	53.5%	14.2%	32.3%	0.0%	0.0%	**100.0%**
Illinois	49.7%	24.5%	25.8%	0.0%	0.0%	**100.0%**
Pennsylvania	51.9%	22.3%	25.0%	0.0%	0.7%	**100.0%**
Ohio	57.4%	24.9%	17.7%	0.0%	0.0%	**100.0%**
Michigan	32.1%	32.0%	14.1%	19.8%	1.9%	**100.0%**
Georgia	62.1%	24.4%	11.9%	1.7%	0.0%	**100.0%**
New Jersey	47.4%	29.9%	22.7%	0.0%	0.0%	**100.0%**
Virginia	50.5%	31.3%	18.3%	0.0%	0.0%	**100.0%**
Massachusetts*	69.2%	7.6%	5.9%	17.2%	0.0%	**100.0%**
Maryland	26.6%	34.2%	11.2%	27.9%	0.0%	**100.0%**

Note: Massachusetts Lottery data are preliminary for FY 06.

Source: State lottery agencies, Christiansen Capital Advisors, LLC

Exhibit A.18 presents sales by game in terms of sales per capita. The New Jersey Lottery ranks 4th in per capita instant ticket sales, 3rd in per capita online numbers sales, 2nd in per capita lotto sales and 5th in aggregate non-VLT sales. In per capita terms, therefore, the New Jersey Lottery ranks consistently above the average for comparable lotteries, indicating that the New Jersey Lottery is doing an above-average job of penetrating its market.

Exhibit A.18: New Jersey Lottery Per Capita Sales by Game Compared to Other Selected State Lotteries, FY 2006 ($M)

State	Instant	Numbers	Lotto	Keno	Other	Total (Non-VLT)
California	$52.9	$8.0	$37.1	$0.0	$0.3	**$98.3**
Texas	$121.7	$12.6	$26.3	$0.0	$0.0	**$160.6**
New York	$174.2	$95.7	$42.3	$23.9	$0.0	**$336.0**
Florida	$116.1	$30.9	$70.2	$0.0	$0.0	**$217.2**
Illinois	$76.0	$37.5	$39.6	$0.0	$0.0	**$153.1**
Pennsylvania	$128.2	$55.0	$61.8	$0.0	$1.8	**$246.8**
Ohio	$111.0	$48.2	$34.3	$0.0	$0.0	**$193.5**
Michigan	$70.4	$70.2	$31.0	$43.4	$4.1	**$219.1**
Georgia	$196.6	$77.1	$37.5	$5.3	$0.0	**$316.5**
New Jersey	$130.9	$82.4	$62.6	$0.0	$0.0	**$275.8**
Virginia	$90.2	$55.8	$32.6	$0.0	$0.0	**$178.6**
Massachusetts*	$483.9	$53.2	$41.6	$120.4	$0.3	**$699.5**
Maryland	$74.0	$95.2	$31.1	$77.7	$0.0	**$277.9**

Note: Massachusetts Lottery data are preliminary for FY 06.

Source: State lottery agencies, Christiansen Capital Advisors, LLC

B. Competing Gambling Facilities in Neighboring States

CCA prepared a description of existing machine gaming facilities in States bordering New Jersey that compete with New Jersey casinos (and the New Jersey Lottery) for regional gambling dollars.

Exhibit B.1 presents basic data for machine gaming facilities in neighboring States. The facility's start date, machine type, current number of machines, 2006 machine win (gross gaming revenue), and machine win for the first six months of 2007 are presented in this exhibit.

Exhibit B.1: Machine Gaming Facilities in Neighboring States that Compete with Atlantic City Casinos

Facility	Opening Date	Machine Type	2006			First Six Months of 2007		
			Number of Machines	Machine Win ($M)	Win per Machine per Day	Number of Machines	Machine Win ($M)	Win per Machine per Day
Pennsylvania								
Chester Downs	Jan-07	Slot Machine	2,700	n/a	n/a	2,735	136.04	$312.8
Pocono Downs	Nov-06	Slot Machine	1,121	$21.7	$306.6	1,203	$90.9	$413.9
Philadelphia Park	Dec-06	Slot Machine	2,100	$9.9	$168.6	2,231	$142.1	$349.1
Presque Isle Downs	Feb-07	Slot Machine	2,000	n/a	n/a	2,000	66.95	$274.4
The Meadows	May-07	Slot Machine	1,738	n/a	n/a	1,738	19.17	$239.8
Delaware								
Dover Downs (racetrack)	Dec-95	Central System VLT	2,700	$218.6	$221.8	2,707	$102.9	$208.3
Harrington Raceway	Dec-95	Central System VLT	1,581	$126.5	$219.2	1,563	$61.9	$217.2
Delaware Park Racetrack	Dec-95	Central System VLT	2,500	$306.7	$336.1	3,051	$135.9	$244.0
NJ/NY Metropolitan Area								
Yonkers	Oct-06	Central Determination VLT	2,242	$49.1	$260.5	4,979	$187.2	$198.9
Monticello	Jun-04	Central Determination VLT	1,545	$76.2	$135.2	1,545	$33.7	$115.5
West Virginia								
Charles Town	1997	Independent VLT	3,500	$451.2	$353.2	4,505	$233.2	$283.6
Totals			**23,727**	**$1,259.8**	**$324.47**	**28,256**	**$1,210.0**	**$261.69**

Source: State regulatory agencies, Christiansen Capital Advisors, LLC

A total of 23,727 machines at 11 neighboring State gaming facilities won $1.26 billion in 2006. This sum is 24% of the $5.2 billion won by Atlantic City casinos in 2006. The machine population in neighboring States is smaller than the Atlantic City machine population (36,600 slot machines in 2006), but additional machine facilities are scheduled to come online in Pennsylvania and New York (Exhibit B.2) and the neighboring State machine population will grow.

All of the machine gaming facilities in Exhibit B.1 are racetracks, and machine revenues now supplement purses at all of these racetracks. For this reason, all neighboring State racetracks with machines compete with New Jersey racetracks for quality racehorses, even if these tracks are located outside the primary market areas of New Jersey racetracks or Atlantic City casinos. In the aggregate, the machines in Exhibit B.1 contributed more than $50 million to Pennsylvania and New York purses in the first five months of 2007.

Exhibit B.2 presents current and proposed machine gaming facilities scheduled to open/expand in neighboring States in the future.

Exhibit B.2: Proposed Machine Gaming Facilities in Neighboring States that Will Compete with Atlantic City Casinos

	Machine Type	Number of Machines*
Pennsylvania		
Chester Downs	Slot Machine	5,000
Pocono Downs	Slot Machine	5,000
Pocono (Mt. Airy)	Slot Machine	5,000
Bethlehem	Slot Machine	5,000
Philadelphia Park	Slot Machine	5,000
Philadelphia - Downtown (2)	Slot Machine	10,000
Delaware		
Dover Downs (racetrack)	Central System VLT	2,700
Harrington Raceway	Central System VLT	1,581
Delaware Park Racetrack	Central System VLT	2,500
NJ/NY Metropolitan Area		
Yonkers	Central Determination VLT	7,500
Aqueduct	Central Determination VLT	7,500
Monticello	Central Determination VLT	1,545
West Virginia		
Charles Town	Independent VLT	3,500
Totals		**61,826**

* Note: Pennsylvania machine counts shown in the exhibit above are the maximum allowed under Pennsylvania law. In some cases this number of machines may not be financially feasible.

Source: Company filings, State regulatory agencies, Christiansen Capital Advisors, LLC

C. Evaluation of Competing Gambling Facilities in Neighboring States

As part of the impact analysis presented in Section B of this report, CCA prepared an evaluation of competing gambling facilities in neighboring States with respect to their location, source or origin of customers, the level of activity (i.e. sales, revenue), kind and number of activities (i.e. racing, slot machines, VLT machines, lottery tickets and so forth) and marketing strategy.

Utilizing the data presented in Exhibits B.1 and B.2 CCA prepared an analysis of the impacts this out-of-State competition is likely to have on New Jersey casinos.

Exhibit C.1 presents a map of the primary market area (place of origin) of the VLT/slot machine customers at the existing and proposed machine gaming facilities in New York and Pennsylvania. In this map varying shades of green indicate spending by ZIP code: darker shades of green indicate higher spending (in that ZIP code), while lighter shades of green indicate lower spending.

Exhibit C.1: Map of Current and Proposed Machine Gaming Facilities in New York and Pennsylvania that Compete with Atlantic City Casinos

Source: Christiansen Capital Advisors, LLC

The map in Exhibit C.1 and the table in Exhibit C.2 present the results of CCA's analysis of the impacts competition from slot machines in Pennsylvania, VLTs at Empire City at Yonkers Raceway and at Aqueduct Racetrack in the New York City metropolitan area are likely to have on New Jersey casinos.

Exhibit C.2 presents the estimated impact on Atlantic City gross gaming revenue from new competition, or new regional market supply, created by slot machines in Pennsylvania, additional VLTs at Empire City at Yonkers Raceway and a new VLT facility at Aqueduct Racetrack in the New York City metropolitan area. As noted in Section A, Atlantic City gross gaming revenue is down by approximately 4.4% for the first five months of 2007 compared to the first five months of 2006. This impact will become more severe as additional machines are added in the regional market. When all of the VLTs and slot machines already authorized in New York and Pennsylvania are operating the impact of this increased regional market supply will reduce Atlantic City gross gaming revenue by 12.3%. Capital investment is Atlantic City's only real defense against the adverse impacts of machines gaming in neighboring States. Significant new capital investment in Atlantic City in the form of new Borgata-quality properties would ameliorate the impact of slot machines and VLTs in neighboring States, but even if such capital investment is made increased competitive pressure will be a fact of life for New Jersey's casino industry for years to come.

Exhibit C.2: Impact of Additional Gaming Facilities in Neighboring States on Atlantic City Gross Gaming Revenue [2]

	Gaming Revenue ($M)	% Change from Current
Current	$5,192.1	n/a
With Added Competition (NY, PA)	$4,555.7	-12.3%

Note: CCA did not estimate impacts for a particular calendar year, due to uncertainty as to the calendar dates of new regional racetrack/machine competition (e.g., the continuing uncertainty concerning the long-anticipated conversion of Aqueduct, or perhaps some other New York metropolitan area racetrack, to VLT operations, and the timing of the two Philadelphia facilities). Rather, CCA assumed that the new competing facilities in neighboring States would come online at the same period for which the impacts in the exhibits are presented (i.e. the current year). The estimated impacts shown in this exhibit are intended to reflect a full year of operation after these fully built out competing facilities begin operations.

Source: Christiansen Capital Advisors, LLC

We have confined our estimates of future impacts to Atlantic City casinos and New Jersey racetracks to gaming in neighboring States that is currently operating or has been authorized. We have not tried to estimate the impacts on New Jersey racetracks and casinos of further gaming that might be authorized in neighboring States in the future.

[2] The methodology used to develop the impact presented in Exhibit C.2 takes into account the new/expanded locations in Eastern Pennsylvania and in New York City presented in Exhibit B.2. The modeling methodology utilized to generate these impacts is described in greater detail on page 27.

Specifically, we have not tried to factor in the impact on Atlantic City of one or more tribal casinos in the Catskills region of New York State. Tribal casinos in the Catskills have been debated for years. New York's current governor, Eliot Spitzer, has proposed a single large tribal casino near Monticello. The prospects for the Catskills casino Governor Spitzer proposes are unclear, but if this casino is built, and if it is comparable in size and quality to Foxwoods and Mohegan Sun in eastern Connecticut, it would impact casinos in Atlantic City.

We have likewise not estimated the impacts of VLTs at Belmont Park in the New York City metropolitan area or the impact of VLTs or slot machines at Maryland racetracks. Both have been extensively debated; either or both may be authorized at some point in the future. Maryland's new governor, Martin O'Malley, has indicated that he supports the idea of machines as a support for Maryland's racing industry. Slot machines or VLTs at Maryland racetracks under law allocating a substantial share of machine revenue to Maryland purses would increase the already severe competitive pressure on New Jersey racetracks for quality racehorses. To a lesser but still significant extent this would be true of VLTs at Belmont Park as well. Either of these future eventualities would thus worsen the competitive position of New Jersey's racing industry and, less significantly, of the Atlantic City casino industry.

CCA also evaluated New Jersey and neighboring-State gambling facilities with respect to age and physical quality, and identified additional competing gambling facilities that have been authorized but are not yet developed or operating.

D. Place of Origin of New Jersey VLT Customers

Utilizing its gravity model for gambling expenditures, CCA estimated the source or origin of new and existing customers for these gambling facilities, either existing or authorized, and estimated their impact on existing and/or proposed facilities in New Jersey and in neighboring States. We examined three scenarios: Scenario (a), 2,100 VLTs at The Meadowlands; Scenario (b), 2,100 VLTs at The Meadowlands and 2,100 VLTs at Monmouth Park; and Scenario (c), 2,100 VLTs at The Meadowlands, 2,100 VLTs at Monmouth Park and 2,100 VLTs at Freehold Raceway.

Methodology

In conducting this study, CCA utilized proprietary models it has used in previous studies,[3] modified to take into account specific market conditions in New Jersey and surrounding areas, to develop projections for the market potential and impacts of VLTs at New Jersey's three racetracks and, as a separate exercise, distributed in non-racetrack locations in New Jersey.

The model chosen, which is used by most economists in location-based analyses of this kind, is often referred to as a "gravity model," because it is similar to Newton's Law of Gravitation (for which the distance factor would be -2.0: if you double the distance, the attraction declines by a factor of four). This model for machine and table gaming has been refined by CCA over the past 20 years, as it relates to gaming facilities; the technique focuses on the demographics of areas surrounding each facility, in particular the number of adults residing at various distances, and the observed ratio of actual spending of other similar adult populations.

The CCA model assesses, and projects, gambling revenues based upon the distribution and characteristics of the adult population surrounding each facility. The model includes as factors or variables: distance, *per capita* income, urban/rural population components, the non-resident "visitor" population, and competition. These factors or variables are weighted and aggregated to generate projections. CCA models markets in the United States down to adult population by ZIP code, and in Canada by postal FSA. This provides a more accurate assessment of geographic distribution of customer populations, particularly important in markets that have, or could have, several competing gambling facilities.

An important component of CCA's analysis is a verifiable adult spending base for VLTs or other gaming devices. We assess the experience of existing casino, riverboat, and/or pari-mutuel gaming device facilities ("racinos") in both the market being modeled and in

[3] CCA has conducted similar studies for the Federal National Gambling Impact Study Commission, and in Kentucky, Pennsylvania, Connecticut, Iowa, Massachusetts, Florida, New York, Rhode Island, California, Maryland and a variety of other North American markets.

comparable markets and use this experience as the basis for estimates of the consumer demand for a proposed gambling facility and, when necessary, its potential impacts upon existing gambling facilities. This provides a factual basis for the projections. CCA does not utilize spurious metrics such as unverifiable "propensities to gamble", or (even worse) win per unit per day from dissimilar markets. "Propensity to gamble" is not measureable short of time-consuming and costly market surveys; even if surveys of this nature are conducted the information concerning propensity to gamble in the market area is, in our experience, of limited value or misleading altogether. Extrapolating win per unit per day from markets that may not resemble the market for which projections are being constructed, or from gaming devices that may be fundamentally different from the devices for which projections are being constructed, or from markets where supply/demand relationships for machine gaming are different from the market being modeled, can and often does result in projections that in the event prove to be grossly inaccurate. CCA's projections are always based upon observed verifiable distance-adjusted spending per adult in existing comparable gambling markets.

As noted, the CCA modeling process adjusts the population surrounding each facility (or proposed facility) for distance, *per capita* income, and the proportion of urban to rural residents, the non-resident "visitor" population if any, and competition. From these data CCA calculates an adjusted adult population around each facility, or group of facilities. This measure weights the adults who live closest to a facility at higher values than those who live at greater distances. Total actual or estimated revenues (or consumer spending) in each market is divided by these adjusted population figures to arrive at revenue per "distance- adjusted" adult. [4]

Convenience is an important factor in most if not all gambling markets and gambling facilities. "Convenience" is a quality with multiple parameters where gambling is concerned. For example, in markets served by land-based slot machines and cruising riverboats, land based slot machines, with continuous hours of operation, normally prove (other things being equal) more convenient than identical riverboat machines with start-and-stop cruise schedules. Convenience of access is another key consideration. Most regional gambling markets are served via automobile or bus, and during peak hours traffic bottlenecks can, and often do, occur. Casino patrons sometimes do visit more distant facilities, Atlantic City being a case in point, particularly if there is a critical mass of casinos or amenities that they cannot find at the nearest facility, but ease of access remains, in many markets, an important factor in determining demand.

Type of device is also an important variable. If New Jersey racetracks are limited to central determination VLTs, such as the VLTs that currently operate in New York, their machines will be a competitive disadvantage to slot machines in Atlantic City and Pennsylvania and to Delaware VLTs, where the determination is at the device level (and not at the central system level).

[4] As noted above, these populations are adjusted for several other factors as well; however, the most significant variable, in terms of casino spending, is distance. Hence we refer to these populations as "distance" adjusted.

Because the public tends to gamble at the facility that is most attractive and conveniently located, patronage (and associated spending) at full-service casino gambling resort facilities falls off with distance, but less rapidly than for many other forms of gambling (and other leisure spending). For land-based casino resorts such as the ones in Atlantic City, with the proper mix of amenities, we assume (based upon previous research and CCA's experience) a "distance coefficient" [5] of -0.5 (or less), compared to values of around -0.6 for riverboats, stand alone slot facilities and large racinos, and about -0.7 for limited size and/or otherwise restricted gaming device facilities, such as New York VLT-device racinos.

These coefficients mean that casino patronage rises with increased proximity to a gaming facility in differing degrees. [6] Because slot machines and table games are commodities, distance is the predominant determinant of casino patronage (and, hence, we assume, of spending of other kinds at gambling facilities). These coefficients not only determine the overall level of per capita expenditures in the marketplace; they weigh heavily in consumer choice among competing suppliers.

Our models also incorporate the estimated effects of *per capita* income. We assume that for counties with *per capita* money incomes below regional averages slot machine (and VLT) spending declines with income with an elasticity of 0.5. We do not assume any increase in urban/rural mix (urban residents typically spend more).

In conducting this study CCA utilized the following methodological approach.

1. CCA evaluated and constructed models of the current market in terms of consumer spending at Atlantic City and other Mid-Atlantic gaming facilities.
2. CCA similarly constructed models of New Jersey's three racetracks (The Meadowlands, Monmouth Park and Freehold Raceway) assuming these facilities are converted into VLT-device racinos under the assumptions (number of VLTs per racetrack and so forth) stated in Section G).
3. CCA then compared spending in the region to other comparable casino and machine markets to ascertain the comparable average spending per person within 10 miles of an existing or proposed gaming or VLT racetrack facility.
4. CCA adjusted these models to take into account additional supply such as new New Jersey gambling venues (VLTs at tracks or, possibly, other locations).
5. The output from these models provides the distribution (or changes in distribution) of consumer spending on machine gaming down to the ZIP code level.

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[5] The "distance factors" estimated for these models are, technically, the "elasticities" of spending with respect to distance. Based upon survey data from several jurisdictions, rates of casino visitation appear to decline in proportion to about the 0.5 to 0.6 power of the distance to the casino, yielding distance factors of about 0.5 to 0.6. This is a relatively "long-distance" attraction; if distance is doubled, visitation (and hence, we assume, spending) declines by only about 30 percent.

[6] Some researchers refer to these phenomena as "attraction" and "friction". Attraction, as measured by CCA's distance coefficient, is the relative "draw" of the facility from regional markets. Friction, as measured by our models, is primarily distance, but includes other limiting factors as well such per capita income.

Utilizing these proprietary models and CCA's experience in analyzing gambling markets, CCA generated the comprehensive analysis of the feasibility and impact of the proposed VLT scenarios presented in Section G.

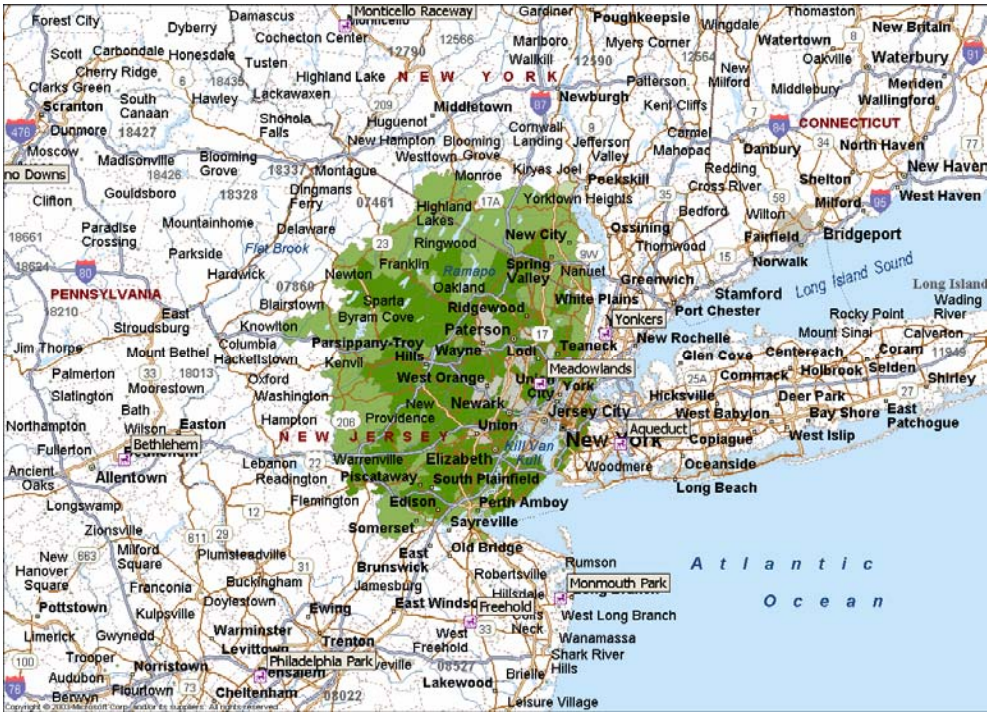
CCA estimated the place of origin (by ZIP code) of expected customers of New Jersey VLTs under three scenarios, indicating whether these are existing customers of other facilities in New Jersey or of facilities in neighboring States (and which facilities); new customers; or customers who increase their spending on gambling with improved access to machine gaming. As part of this analysis, CCA evaluated the attractiveness and performance of VLTs compared to reel-spinning slot machines located in Atlantic City.

Exhibit D.1 presents a map of the primary market area (place of origin) of Meadowlands VLT customers under Scenario (a). In Scenario (a) we assumed that the maximum number of VLTs that can be installed in The Meadowlands racetrack facility without constructing a new VLT facility or making major modifications to the existing racetrack to retrofit it as a VLT facility is 2,100 VLTs. This was the assumption underlying our earlier (in 2004-2005) study of VLTs at The Meadowlands. That is, we assumed that The Meadowlands can accommodate not more than 2,100 VLTs without major capital spending.

In this map, and in succeeding maps in Section D, varying shades of green indicate spending by ZIP code: darker shades of green indicate higher spending (in that ZIP code), while lighter shades of green indicate lower spending.

As the map shows, in Scenario (a) Meadowlands VLTs draw customers primarily from an area within a radius of 50 miles from The Meadowlands racetrack comprising northern New Jersey and Manhattan. The primary market area for Meadowlands VLTs contains approximately 13 million adults and $570 billion of personal income. One existing racetrack machine facility, Empire City Gaming at Yonkers Raceway, is located on the northeastern fringe of the Meadowlands primary market area. A second racetrack machine facility, Aqueduct, authorized but not operational, is likewise on The Meadowlands primary market area's eastern fringe. A third proposed racetrack machine facility, Belmont Park, not currently authorized, is located just to the north of Aqueduct.

Exhibit D.1: Place of Origin of Meadowlands VLT Customers: Scenario (a)



Source: Christiansen Capital Advisors, LLC

Exhibit D.2 presents a map of the primary market area (place of origin) of Atlantic City casinos under Scenario (a). Existing and authorized machine gaming facilities within Atlantic City's primary market are indicated on the map. A total of 13 existing or authorized gaming facilities located in four States (Delaware, New York, Pennsylvania and West Virginia) lie within Atlantic City's primary market area. Atlantic City casinos attract customers from a wide area, extending from Washington D.C. and northern Virginia to the south, northern New Jersey and the New York City metropolitan area to the north and, to the west, portions of eastern Pennsylvania including the Philadelphia metropolitan area. The primary market area for Atlantic City casinos is very large, containing approximately 26.5 million adults and $1.1 trillion of personal income. The primary market area for Meadowlands VLTs falls within the primary market area for Atlantic City casinos.

Exhibit D.2: Place of Origin of Atlantic City Customers: Scenario (a)

Source: Christiansen Capital Advisors, LLC

In Scenario (b) we assumed that 2,100 VLTs are operating at The Meadowlands and up 2,100 VLTs [7] are operating at Monmouth Park.

Exhibit D.3: Place of Origin of Meadowlands and Monmouth VLT Customers: Scenario (b)

Source: Christiansen Capital Advisors, LLC

Exhibit D.3 presents a map of the primary market areas (place of origin) of Meadowlands and Monmouth Park VLT customers under Scenario (b). As the map shows, the primary market area for Monmouth Park lies to the south of the primary market area for Meadowlands VLTs and is considerably smaller, comprising approximately 2.4 million adults and personal income of $88 billion. While the primary market areas for Meadowlands VLTs and Monmouth Park VLTs are separate, self-contained areas, Freehold Raceway is located within the primary market area for Monmouth Park. [8]

[7] CCA conducted a site evaluation of Monmouth Park in June 2006. Based upon this visit CCA estimates that the facility could be reconfigured to contain up to 2,500 VLTs on the first two floors of the grandstand. This would require moving many of the betting windows and improving access (particularly for those with disabilities) to the second floor. This would require a meaningful capital investment but could be accomplished. Based upon our demand analysis, however, it is CCA's opinion that the market could be adequately serviced with approximately 2,100 VLTs.

[8] In the development the demand estimates for Monmouth Park our modeling process accounted for seasonal visitation patterns to the area. Slot facilities are primarily serviced by local populations and while seasonal visitors do contribute to gross gaming revenue, seasonal visitor spending is primarily focused on non-gaming activities. A comparable market that supports this is VLTs at Newport Grand in Newport, Rhode Island. The market gets meaningful seasonal visitation but those visitors only contribute small percentages to total gross gaming revenue.

Exhibit D.4: Place of Origin of Atlantic City Customers: Scenario (b)

Source: Christiansen Capital Advisors, LLC

Exhibit D.4 presents a map of the primary market area (place of origin) of Atlantic City casinos under Scenario (b). This market area is the same as the one presented in Scenario (a), with the addition of VLTs at Monmouth Park.

In Scenario (c) we assumed that in addition to 2,100 VLTs at The Meadowlands and 2,100 VLTs at Monmouth Park, up to 2,100 VLTs are operating at Freehold Raceway

Exhibit D.5: Place of Origin of Meadowlands, Monmouth Park, and Freehold Raceway VLT Customers: Scenario (c)

Source: Christiansen Capital Advisors, LLC

Exhibit D.5 presents a map of the primary market areas (place of origin) of Meadowlands, Monmouth Park and Freehold Raceway VLT customers under Scenario (c). As noted, while the primary market areas for Meadowlands VLTs and Monmouth Park VLTs are essentially separate, self-contained areas, Freehold Raceway is located within the primary market area for Monmouth Park.

Exhibit D.6: Place of Origin of Atlantic City Customers: Scenario (c)

Source: Christiansen Capital Advisors, LLC

Exhibit D.6 presents a map of the primary market area (place of origin) of Atlantic City casinos under Scenario (c). This market area is the same as the one presented in Scenario (b), with the addition of VLTs at Freehold Raceway.

E. Operational and Legal Feasibility of VLTs in New Jersey

CCA reviewed various types of VLTs that might be added to the New Jersey Lottery and operated at New Jersey racetracks. This section of our report presents our opinion as to which of the various types of VLT operating in the northeast region of the United States could be implemented in New Jersey under existing law. In providing this opinion CCA paid particular attention to the provision of New Jersey's constitution that states its State Lottery be "restricted to the selling of rights to participate therein and the awarding of prizes by drawings" [9] and that the entire net proceeds are dedicated to State institutions and State aid for education. CCA relied on the 1982 Formal Opinion of the New Jersey Attorney General [10] concerning a proposal for video lottery terminals in New Jersey. We also reviewed a New York State judicial ruling concerning the legality of VLTs in New York. [11]

CCA has not evaluated whether any legislative or constitutional amendments are required for the implementation of VLTs at New Jersey racetracks. CCA does not practice law, and nothing in this report constitutes a legal opinion.

VLT Types and Atlantic City Casinos

In terms of their competitive impact, central system VLTs and central determination system VLTs have different implications for New Jersey's casinos. Central system VLTs where the determination is at the device level, as is true of Rhode Island and Delaware VLTs, appeal to experienced slot machine players and compete effectively with slot machines. Central determination system VLTs of the kind operating at New York racetracks are less appealing to experienced slot players, and may not provide a satisfying experience to such players particularly if slot machines are available in the market area. Other things being equal, central system VLTs similar to Delaware and Rhode Island VLTs will have greater competitive impacts on Atlantic City casinos than central determination system VLTs similar to those operating in New York.

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[9] N.J. Const. Art. 4, § 7, 2 (C).

[10] Office of the Attorney General of the State of New Jersey, Formal Opinion No. 5 – 1982 (*1982 N.J. AG LEXIS 5*). June 22, 1982. Irwin I. Kimmelman, Attorney General; by: Theodore A. Winard, Assistant Attorney General.

[11] State of New York Supreme Court, Appellate Division, Third Judicial Department, Joseph Dalton *et al. v*. George Pataki, as Governor of the State of New York *et al*. Decided and entered July 7, 2004.

Central Determination System VLTs

Players of gambling machines where the determination is at the device level, including slot machines and central system VLTs similar to those operating in Delaware and Rhode Island, are playing against individual machines. Consequently, slot machines and central system VLTs similar to those operating in Delaware and Rhode Island do not satisfy the test that players of VLTs not play against individual machines. Central determination system VLTs similar to those operating in New York, where all players of devices of a given title try to draw winning electronic tickets from a pre-determined stack of electronic tickets maintained by the system's central computer, do satisfy this requirement.

New Jersey VLTs

Based on the materials we reviewed, we believe central determination system VLTs similar to the VLTs currently operating at racetracks in New York are the type of device that could be operated at The Meadowlands, Monmouth Park and Freehold Raceway under New Jersey law.

F. Review of Optimal VLT Supply Levels at New Jersey Racetracks

Based on its understanding of the legal constraints described in Section E and its models of the demand for slot machine and VLT gaming in New Jersey and neighboring States, CCA ascertained the optimal level of machine supply by racetrack primary market area within New Jersey.

"Optimal" as used in this section of our report with respect to the Meadowlands facility means the number of VLTs that the Meadowlands primary market area could support assuming *no* physical constraints on the Meadowlands VLT facility. Specifically, in this section we assumed *no* constraints on capital spending for a new, larger machine facility at The Meadowlands; *no* site constraints; and *no* physical constraints of other kinds. As a practical matter, of course, physical constraints on the number of VLTs that could operate at the Meadowlands do exist: capital for constructing a new, larger VLT facility would be limited, the Meadowlands site may not be unlimited in size and so forth. Since statutory distributions, such as gambling privilege taxes, operator fees, etc. are unknown we did not perform a feasibility analysis of the optimal number of machines at The Meadowlands: that is, we did not determine the maximum number of VLTs at The Meadowlands that would be profitable, or the number of VLTs that would produce the maximum operating profit. The "optimal" number of machines for The Meadowlands was determined by the theoretical revenue potential of central determination system VLTs at this location under the assumption that $200 per unit per day is likely to be profitable, and that as win per unit per day falls below $200 there is increasing likelihood that the operation will be unprofitable.

Within these parameters, CCA developed estimates of optimal machine counts based on these results for VLTs (a) The Meadowlands, (b) The Meadowlands plus Monmouth Park and/or (c) The Meadowlands plus Monmouth Park and Freehold Raceway. Scenarios (b) and (c) assume that the optimal number of VLTs is operating at The Meadowlands. This (assumed a) large VLT operation at The Meadowlands would greatly reduce demand for VLTs at Monmouth Park and Freehold Raceway, thereby reducing the optimal number of VLTs at these racetracks (assuming that the optimal number of VLTs is operating at The Meadowlands). If no VLTs were operating at The Meadowlands the optimal number of VLTs at Monmouth Park and Freehold Raceway would be considerably greater than the estimates presented below.

Exhibit F.1 presents CCA's estimates of optimal machine counts for VLTs at (a) The Meadowlands, (b) The Meadowlands plus Monmouth Park, and/or (c) The Meadowlands plus Monmouth Park and Freehold Raceway.

Exhibit F.1: Estimates of Optimal Machine Counts for VLTs at Racetracks under Scenarios (a), (b), and (c)

Scenario a: Meadowlands	
Meadowlands	8,763
Total	**8,763**
Scenario b: Meadowlands and Monmouth Park	
Meadowlands	8,596
Monmouth Park	850
Total	**9,446**
Scenario c: Meadowlands, Monmouth Park, and Freehold Raceway	
Meadowlands	8,487
Monmouth Park	470
Freehold Raceway	651
Total	**9,608**

Source: Christiansen Capital Advisors, LLC

In Scenario (a) the optimal number of VLTs at The Meadowlands is 8,763.

In Scenario (b) the optimal number of VLTs at The Meadowlands is 8,596 and the optimal number of VLTs at Monmouth Park is 850. For the two racetracks combined the optimal number of VLTs is 9,446.

In Scenario (c) the optimal number of VLTs at The Meadowlands is 8,487, the optimal number of VLTs at Monmouth Park is 470 and the optimal number of VLTs at Freehold Raceway is 651. For the three racetracks combined the optimal number of VLTs is 9,608.

G. Projections of the Revenue Potential of Central Determination VLTs at New Jersey Racetracks (with Capital Constraints)

CCA developed projections of the revenues the scenarios in Section F of this report are likely to generate if central determination system VLT machines are allowed at (1) The Meadowlands, (2) The Meadowlands plus Monmouth Park, and/or (3) The Meadowlands plus Monmouth Park and Freehold Raceway.

Exhibit G.1 presents projections for gross gaming revenues (win) generated from central determination VLTs at New Jersey racetracks in the three scenarios we were asked to evaluate.

Exhibit G.1: Revenue Estimates for Central Determination VLTs at New Jersey Racetracks ($M)

Scenario a: Meadowlands	
Meadowlands	$268.3
Total	**$268.3**
Scenario b: Meadowlands and Monmouth Park	
Meadowlands	$268.3
Monmouth Park	143.1
Total	**$411.3**
Scenario c: Meadowlands, Monmouth Park, and Freehold Raceway	
Meadowlands	$268.3
Monmouth Park	76.0
Freehold Raceway	89.2
Total	**$433.5**

Source: Christiansen Capital Advisors, LLC

In Scenario (a) we assumed that the maximum number of VLTs that could be installed in the existing Meadowlands racetrack without constructing a new facility or making major modifications to the existing racetrack to retrofit it as a VLT facility is 2,100 VLTs. This was the assumption underlying our earlier (in 2004-2005) study of VLTs at The Meadowlands. That is, we assumed that The Meadowlands can accommodate not more than 2,100 VLTs without major capital spending. This number is significantly less than the optimal number of VLTs for each of these three racetracks estimated in Section F. As noted, significant capital spending would be necessary in order for the optimal number of VLTs to be accommodated at The Meadowlands.

In Scenario (a), we estimate that 2,100 central determination system VLTs at The Meadowlands would win $268.3 million in their first twelve months of operation (365 days), a win per unit per day of $350. For comparison, 5,500 central determination system VLTs at Yonkers Raceway (more than twice the number of VLTs assumed to operate at The Meadowlands in Scenario (a)), are currently (for the week ended June 2, 2007) winning $208.60 per unit per day (Appendix A, Exhibit A.3).

In Scenario (b) we assumed that 2,100 VLTs are operating at The Meadowlands and an additional 2,100 VLTs are operating at Monmouth Park. That is, in Scenario (b) a total of 4,200 VLTs are operating at these two northern New Jersey racetracks. We estimate that these 4,200 VLTs would win $411.3 million in their first twelve months of operation, a win per unit per day of $269. As in Scenario (a), 2,100 VLTs at The Meadowlands would win $268.3 million in their first twelve months of operation (365 days), a win per unit per day of $350. Monmouth Park's 2,100 VLTs would be less productive, winning $143.1 million in their first twelve months of operation, a win per unit per day of $187.

In Scenario (c) we assumed that in addition to 2,100 VLTs at The Meadowlands and 2,100 VLTs at Monmouth Park, 2,100 VLTs are operating at Freehold Raceway. That is, in Scenario (c) a total of 6,300 VLTs are operating at the three northern New Jersey racetracks. We estimate that these 6,300 VLTs would win $433.5 million in their first twelve months of operation, a win per unit per day of $188. As in Scenarios (a) and (b), 2,100 VLTs at The Meadowlands would win $268.3 million in their first twelve months of operation (365 days), a win per unit per day of $350. Monmouth Park's 2,100 VLTs would be less productive than in Scenario (b), winning $76 million in their first twelve months of operation, a win per unit per day of $99. Freehold Raceway's 2,100 VLTs would win $89.2 million in their first twelve months of operation (365 days), a win per unit per day of $116.

H. The Impact of New Jersey Racetrack VLTs on Atlantic City Casinos

CCA overlaid its projections of VLT consumer spending by New Jersey racetrack primary market area onto its Atlantic City models and developed projections of likely changes in the level of Atlantic City gross gaming revenue, visitor count and ancillary impacts likely to result in the scenarios examined in Section F and Section G.

VLTs at New Jersey racetracks would not be the only, or even the most significant, factors impacting Atlantic City casinos. Slot machines in Pennsylvania and VLTs in the New York City metropolitan area are impacting Atlantic City casinos now and will continue to impact Atlantic City casinos with increasing force in the future, as more machines come online in these neighboring States in years to come. In preparing these projections CCA assessed the impacts of new slot machine inventory in Pennsylvania and new VLTs in the New York City metropolitan area on Atlantic City, factoring these impacts into its projections of the Atlantic City impacts likely to result from scenarios for VLTs at The Meadowlands only, at The Meadowlands plus Monmouth Park, and at The Meadowlands plus Monmouth Park and Freehold Raceway.

Exhibit H.1 presents projections of impacts on the gross gaming revenue of Atlantic City casinos resulting from VLTs at New Jersey's three racetracks.

Exhibit H.1: Revenue Estimates for VLTs at New Jersey Racetracks and Atlantic City Casino Revenue Impacts

Estimated Atlantic City GGR Impacts		
	Gaming Revenue ($M)	% Change from Base
Base*	$4,555.7	n/a
Scenario a	$4,550.9	-0.1%
Scenario b	$4,507.6	-1.1%
Scenario c	$4,475.2	-1.8%

* The base case assumes 7,500 VLTs at Aqueduct and 5,000 slot machines at each of two non-racetrack facilities in downtown Philadelphia. The base case also assumes an Atlantic City casino plant essentially similar to its configuration in 2007, with no additional properties either on the Boardwalk and the Marina or at Bader Field and no new construction of Borgata-quality properties to replace old existing Boardwalk and Marina properties.

Source: Christiansen Capital Advisors, LLC

In the base case, Atlantic City annual gross gaming revenue (win) is $4.6 billion. Actual Atlantic City annual gross gaming revenue (win) was $5.2 billion for the year ended December 31, 2006. Our base case assumes continuing impacts on Atlantic City casinos from slot machines now operating at Chester Downs, Philadelphia Park and other

Pennsylvania facilities and from 5,500 VLTs now operating at Yonkers Raceway (impacts that are being felt now), plus additional impacts from 7,500 VLTs at Aqueduct and 5,000 slot machines at each of two non-racetrack facilities in downtown Philadelphia, which are scheduled to operate in the future. In our base case the combined impacts of this existing and scheduled future supply in Pennsylvania and the New York City metropolitan area reduce Atlantic City gross gaming revenue from its $5.2 billion 2006 level by 13.5%, to $4.5 billion, were these facilities up and running today. These are very significant impacts.

Scenario (a), 2,100 central determination system VLTs at The Meadowlands, reduces our base case Atlantic City gross gaming revenue by 0.1%, or $4.8 million, to $4.6 billion.

Scenario (b), 4,200 central determination system VLTs at The Meadowlands and Monmouth Park, reduces our base case Atlantic City gross gaming revenue by 1.1%, or $48.1 million, to $4.5 billion.

Scenario (c), 6,300 central determination system VLTs at The Meadowlands, Monmouth Park and Freehold Raceway, reduces our base case Atlantic City gross gaming revenue by 1.8%, or $80.5 million, to $4.5 billion.

Exhibit H.2 presents projections of economic impacts on Atlantic City casinos resulting from VLTs at New Jersey's three racetracks. In the base case, without VLTs at any New Jersey racetrack but with the machines authorized in New York and Pennsylvania operating (and no new Borgata-quality properties in Atlantic City) the gross gaming revenue of Atlantic City's casinos would fall from $5.2 billion (in 2006) to $4.6 billion. In the base case Atlantic City operating profit is $1.2 billion.

In Scenario (a), with 2,100 central determination system VLTs operating at The Meadowlands, Atlantic City gross gaming revenue would be $4.6 billion and its operating profit would be $1.2 billion.

In Scenario (b), 4,200 central determination system VLTs at The Meadowlands and Monmouth Park, Atlantic City gross gaming revenue would be $4.5 billion and its operating profit would be $1.2 billion.

In Scenario (c), with 6,300 central determination system VLTs at The Meadowlands, Monmouth Park and Freehold Raceway, Atlantic City gross gaming revenue would be $4.5 billion and its operating profit would be $1.2 billion.

Exhibit H.2: Projections of Economic Impacts on Atlantic City Casinos from VLTs at New Jersey Racetracks ($M)

Base*	
GGR	$4,555.7
Operating Profit	$1,181.6
Scenario a	
GGR	$4,550.9
Operating Profit	$1,180.3
Scenario b	
GGR	$4,507.6
Operating Profit	$1,169.1
Scenario c	
GGR	$4,475.2
Operating Profit	$1,160.7

* The base case assumes 7,500 VLTs at Aqueduct and 5,000 slot machines at each of two non-racetrack facilities in downtown Philadelphia. The base case also assumes an Atlantic City casino plant essentially similar to its configuration in 2007, with no additional properties either on the Boardwalk and the Marina or at Bader Field and no new construction of Borgata-quality properties to replace old existing Boardwalk and Marina properties.

Source: Christiansen Capital Advisors, LLC

Exhibit H.3 presents projections of revenue to government from Atlantic City casinos resulting from VLTs at New Jersey's three racetracks applying New Jersey's current gaming tax rate to the projections presented in Exhibit H.1.

Exhibit H.3: Projections of Taxes Paid on Gross Revenue by Atlantic City Casinos from Each Scenario of VLTs at New Jersey Racetracks ($M)

Base*	$364.5
Scenario a	$364.1
Scenario b	$360.6
Scenario c	$358.0

* The base case assumes 7,500 VLTs at Aqueduct and 5,000 slot machines at each of two non-racetrack facilities in downtown Philadelphia. The base case also assumes an Atlantic City casino plant essentially similar to its configuration in 2007, with no additional properties either on the Boardwalk and the Marina or at Bader Field and no new construction of Borgata-quality properties to replace old existing Boardwalk and Marina properties.

Source: Christiansen Capital Advisors, LLC

Exhibit H.4 presents projections of impacts on Atlantic City casino visitor counts resulting from VLTs at New Jersey's three racetracks. These projections were derived by discounting Atlantic City visitation in the current year to reflect the decrease in the number of machine gaming customers (as output by our gravity models described above) as a result of new competition in neighboring States and at northern New Jersey racetracks.

Exhibit H.4: Projections of Visitor Impacts on Atlantic City Casinos from VLTs at New Jersey Racetracks

Base*	
AC Visitors	30,798
Scenario a	
AC Visitors	30,542
Scenario b	
AC Visitors	29,918
Scenario c	
AC Visitors	29,310

* The base case assumes 7,500 VLTs at Aqueduct and 5,000 slot machines at each of two non-racetrack facilities in downtown Philadelphia. The base case also assumes an Atlantic City casino plant essentially similar to its configuration in 2007, with no additional properties either on the Boardwalk and the Marina or at Bader Field and no new construction of Borgata-quality properties to replace old existing Boardwalk and Marina properties.

Source: Christiansen Capital Advisors, LLC

The base case Atlantic City visitor count is 30,798 (compared to a 2006 visitor count of 35.3).

In Scenario (a) the Atlantic City visitor count is 30,542.

In Scenario (b) the Atlantic City visitor count is 29,918.

In Scenario (c) the Atlantic City visitor count is 29, 310.

I. The Financial Impact of Scenarios (a), (b), and (c) on New Jersey Racetracks and Horsemen

CCA estimated the impact on New Jersey pari-mutuel operations (handle, attendance and purses at New Jersey racetracks) of VLTs under Scenarios (a), (b) and (c).

CCA included impacts on attendance, handle, and purses as well as ancillary revenues for all three scenarios. In preparing estimates of these impacts CCA reviewed and analyzed the changes in pari-mutuel operations that have occurred in other States that have added slot machines or VLTs to their pari-mutuel facilities. These comparables were also factored as variables into CCA's distance and demographic models of New Jersey's three racetracks.

Machine Revenue Purse Supplements

CCA assumed that 12% [12] of New Jersey's machine win (gross gaming revenue, or GGR) would be used to supplement purse accounts. CCA also assumed that all New Jersey racino facilities would contribute to a State-wide purse fund and that allocations to individual tracks from that fund would be distributed in a manner consistent with purse allocations per track in New Jersey currently. Exhibit I.1 presents the resulting purse increases at each of New Jersey's three major racetracks for the years 2008 through 2011.

Exhibit I.1: Projections of Purse Supplements 2008 to 2011 ($M)

		2007	2008	2009	2010	2011
Scenario a	Meadowlands	33.5	43.1	47.9	49.3	50.8
Scenario b	Meadowlands	33.5	43.1	47.9	49.3	50.8
	Monmouth	17.9	23.0	25.5	26.3	27.1
Scenario c	Meadowlands	33.5	43.1	47.9	49.3	50.8
	Monmouth	9.5	12.2	13.6	14.0	14.4
	Freehold	11.1	14.3	15.9	16.4	16.9

Source: Christiansen Capital Advisors, LLC

Under the three scenarios for machine gaming at New Jersey racetracks we examined, VLT supplements would total approximately $33 million per year in Scenario (a), $49 million in Scenario (b) and $52 million in Scenario (c). Supplemented by machine revenues, [13] New Jersey purses would remain at current levels in Scenario (a) and increase marginally in Scenarios (b) and (c).

[12] The 12% of VLT gross gaming revenue distribution to purse account supplements was chosen because in 2006 it was the average statutory purse distribution in comparable States with machines at racetracks.

[13] Assuming that New Jersey enacts law authorizing VLTs at its three major racetracks, the subsidy currently provided by the Atlantic City CRDA would no longer be available to New Jersey tracks.

Supplemented by VLT machine revenues, larger average daily purses would enable New Jersey tracks to offer higher quality racing than it would absent this supplement and absent a renewed subsidy from the CRDA. As a result, demand for New Jersey racing would increase.

Average daily purses are directly related to the quality of the racing offered by any racetrack, including New Jersey tracks. Quality of racing, in turn, is positively correlated with handle; that is, other things being equal handle is higher for higher quality racing in both live and simulcast racing markets. The higher average daily purses at New Jersey tracks compared with racetracks nationally would place New Jersey tracks in a stronger competitive position in simulcast markets. Neighboring States are, however, as discussed in this report, supplementing their purses with machine revenue. Average daily purses are rising throughout the Northeast region as a result. This process has not has not run its course: as Yonkers adds additional machines and three additional slot facilities open in Eastern Pennsylvania purses in these neighboring States will continue to increase.

Further complicating matters, while increased purses improve the quality of the pari-mutuel product, historical results from the Iowa, Delaware, and West Virginia racinos show that while adding machine gaming to pari-mutuel facilities generally increases overall (live, simulcast and OTB) handle, wagering on live races at the racino itself is generally flat or (more usually) negative following the introduction of machines.

Under each of the scenarios we examined physical constraints on the number of machines that can be installed at The Meadowlands and Monmouth Park mean that even if these scenarios are implemented, and 7,500 VLTs are added to Aqueduct, a great deal of demand for machine gaming in New York and Northern New Jersey will remain unsatisfied. For this reason a considerable amount of the potential VLT revenue the market contains would not be realized in any of these three scenarios. The purse supplements New Jersey racing would receive in any of these three scenarios would likely maintain but not increase the present competitive position of New Jersey racing vis à vis other regional tracks. We consequently do not project significant changes in handle or attendance at New Jersey races under these scenarios, and expect that the observed decline of about 4-5% per year in recent years would continue in future years.

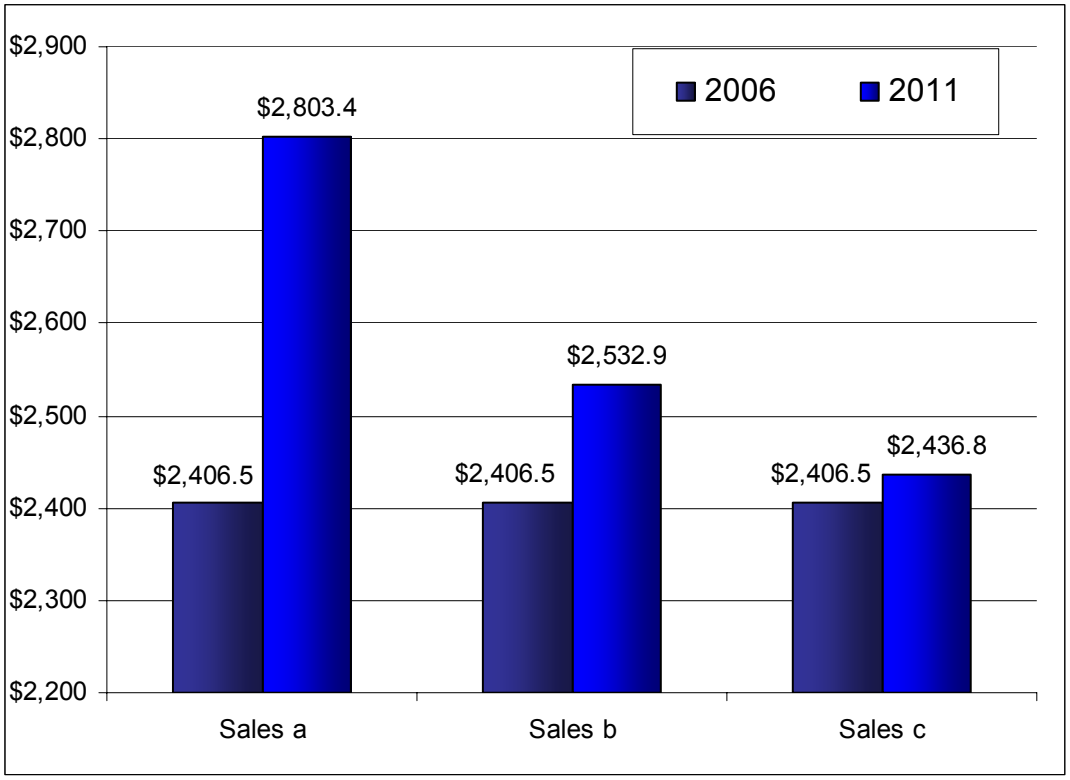
J. The Financial Impact of Scenarios (a), (b) and (c) on the New Jersey Lottery

CCA estimated the impact of Scenarios (a), (b) and (c) on the New Jersey Lottery's sales and revenue distributions to the State of New Jersey.

In preparing these estimates CCA took into account observed impacts on lotteries of pari-mutuel facility slot machines or VLTs in other States, updating, for this purpose, analyses it has previously performed of such impacts.

Exhibit J.1 presents estimates of the impact of New Jersey VLT Scenarios (a), (b), and (c) on the New Jersey Lottery's sales.

Exhibit J.1: VLT Impacts on New Jersey Lottery Sales ($M)



Source: Christiansen Capital Advisors, LLC

Exhibit J.1 compares a base case of actual 2006 New Jersey Lottery sales ($2.4 billion) to expected New Jersey Lottery sales in 2011 under the three VLT scenarios we examined. In making the projections in Exhibit J.1 current observed growth rates in the New Jersey Lottery's sales were discounted by factors corresponding to the expected impacts of VLTs at New Jersey racetracks in each of these three scenarios.

With no VLTs at New Jersey racetracks we would expect New Jersey Lottery sales in 2011 to reach $2.9 billion.

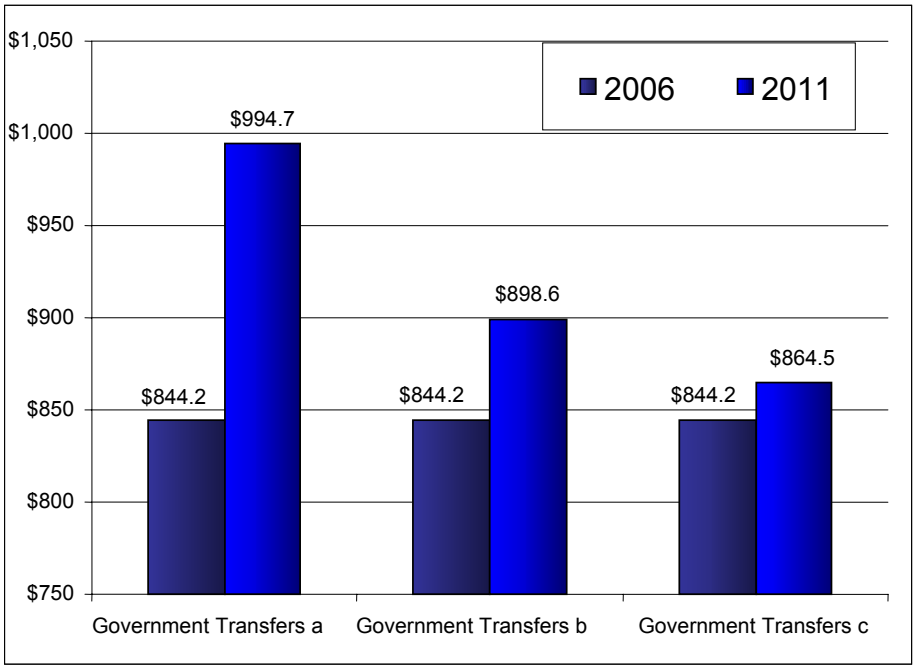
Scenario (a) reduces expected 2011 New Jersey Lottery sales by $97 million, or 3.3%, to $2.8 billion.

Scenario (b) reduces expected 2011 New Jersey Lottery sales by $370 million, or 12.7%, to $2.5 billion.

Scenario (c) reduces expected 2011 New Jersey Lottery sales by $460 million, or 16.0%, to $2.4 billion.

Exhibit J.2 presents estimates of the impact of VLT scenarios 1, 2, and 3 on the New Jersey Lottery's revenue distributions to the State of New Jersey.

Exhibit J.2: VLT Impacts on New Jersey Revenues to Government ($M)



Source: Christiansen Capital Advisors, LLC

Exhibit J.2 compares a base case of actual 2006 New Jersey Lottery revenue distributions to the State of New Jersey ($844.2 million) to expected New Jersey Lottery revenue distributions to the State of New Jersey in 2011 under the three VLT scenarios we examined. In making the projections in Exhibit J.2 current observed growth rates in the New Jersey Lottery's revenue distributions to the State of New Jersey were discounted by factors corresponding to the expected impacts of VLTs at New Jersey racetracks in each of these three scenarios.

With no VLTs at New Jersey racetracks we would expect New Jersey Lottery revenue distributions to the State of New Jersey in 2011 to reach $1.026 billion.

Scenario (a) reduces expected 2011 New Jersey Lottery revenue distributions to the State of New Jersey by $31 million, or 3%, to $994.7 million.

Scenario (b) reduces expected 2011 New Jersey Lottery revenue distributions to the State of New Jersey by $127 million, or 12.4%, to $898.6 million.

Scenario (c) reduces expected 2011 New Jersey Lottery revenue distributions to the State of New Jersey by $161 million, or 15.7%, to $864.5 million.

K. Recommendation as to the Maximum Number of VLTs that Could Be Supported at New Jersey Racetracks

Using the estimates and projections presented in Sections F through J, CCA made a recommendation as to the maximum number of VLTs each of New Jersey's three racetracks could support, without regard to physical constraints on the racetracks' ability to accommodate VLTs. This recommendation is the number of VLTs each of the three racetrack market areas could digest, assuming each racetrack facility could accommodate the recommended number of VLTs. It is important to understand that very substantial capital investment would be needed to each of the three racetracks to enable them to accommodate the maximum number of VLTs their market areas would support.

The maximum number of VLTs, as used in this report, means that upfront construction costs and short-term profitability for the operator are unimportant, as in Section F (Optimal VLT Supply), and, further, that long-term profitability for the operator is likewise not important. The maximum number of VLTs is the number of VLTs that would generate the maximum VLT gross gaming revenue, regardless of construction costs and short and long-term operator profitability.

Exhibit K.1 presents estimates of the maximum number of VLTs each of New Jersey's racetrack markets could support.

Exhibit K.1: Estimates of the Maximum Number of VLTs that each of New Jersey's Racetrack Markets Could Support

Scenario a: Meadowlands	
Meadowlands	11,684
Total	**11,684**
Scenario b: Meadowlands and Monmouth Park	
Meadowlands	11,461
Monmouth Park	1,133
Total	**12,595**
Scenario c: Meadowlands, Monmouth Park, and Freehold Raceway	
Meadowlands	11,317
Monmouth Park	627
Freehold Raceway	867
Total	**12,811**

Source: Christiansen Capital Advisors, LLC

Exhibit K.1 assumes a theoretical VLT win with no limit on capital investment and no constraints imposed by the site or other physical limitations and, using that win amount, calculates the maximum number of machines using a figure $150 per unit per day, the threshold at which we think these types of machines are (can be) profitable. For slot machines and non- restricted locations (such as in Nevada) this number would be much lower.

L. VLTs at Locations other than Racetracks

CCA prepared an analysis of VLTs at locations other than New Jersey racetracks.

In preparing this analysis CCA assumed that if a region (defined by ZIP codes) appears under-served (i.e., is not proximate to a machine facility) it could support a non-racetrack VLT facility. CCA created model(s) for a new, hypothetical machine facility in that region.

In preparing these non-racetrack VLT analyses CCA attempted to balance the revenue potential of such VLT facilities or distributed VLTs with the associated impacts such non-racetrack VLTs would be likely to have on other New Jersey facilities including New Jersey racetracks, the New Jersey Lottery, and Atlantic City casinos in order to determine whether such facilities would be an overall net gain to the State of New Jersey and its residents.

Exhibit L.1 presents projections for VLT revenues from non-racetrack VLT facilities in New Jersey. Atlantic City will feel some initial impacts from the expanded number of VLTs located near the Meadowlands that will range between 1% in Scenario (a) and 4% in Scenario (c).

Exhibit L.1: Estimated VLT Revenues from a Non-racetrack VLT facilities in New Jersey ($M)

Scenario a: Meadowlands and Meadowlands Area Non-Racetrack VLTs	
Meadowlands	$268.3
Meadowlands Area Non-Racetrack	371.4
Total	**$639.7**
Scenario b: Meadowlands, Monmouth Park, and Meadowlands Area Non-Racetrack VLTs	
Meadowlands	$268.3
Meadowlands Area Non-Racetrack	371.4
Monmouth Park	62.1
Total	**$701.8**
Scenario c: Meadowlands, Monmouth Park, Freehold Raceway, and Meadowlands Area Non-Racetrack VLTs	
Meadowlands	$268.3
Meadowlands Area Non-Racetrack	371.4
Monmouth Park	34.3
Freehold Raceway	47.5
Total	**$721.5**

Source: Christiansen Capital Advisors, LLC

CCA also considered VLTs distributed at the storefront or neighborhood level, similar to the South Dakota VLT model.

Exhibit L.2 presents projections for VLT revenues from non-racetrack VLT distributed at the neighborhood or storefront level in New Jersey. Machines distributed at the neighborhood or storefront level like those in South Dakota or the Limited Video Lottery machines around West Virginia could have a significant impact on Atlantic City and on the proposed racetrack VLT scenarios discussed above. These impacts will vary depending on the location of the machines and the number of machines permitted at each location. If strategically placed (as an alternative to the non-racetrack location near the Meadowlands presented in Exhibit L.1) the associated impacts that these machines would have on Atlantic City could be minimized but to quantify these impacts more specifically a more detailed analysis would be required of a set of proposed locations.

Exhibit L.2: Estimated VLT Revenues from non-racetrack VLTs Distributed at the Neighborhood or Storefront Level in New Jersey ($M)

Non-racetrack Locations (distributed at the neighborhood, or storefront level) in New Jersey	$1,267.0

Source: Christiansen Capital Advisors, LLC

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III. Appendices

Appendix A: New York VLT Market Data
Appendix B: Meadowlands VLT White Paper
Appendix C: Horseracing Handle in the United States
Appendix D: Glossary of Terms
Appendix E: About Christiansen Capital Advisors, LLC

Prepared by: Christiansen Capital Advisors, LLC
Friday, September 28, 2007

Appendix A: New York VLT Market Data

Appendix A: New York VLT Market Data

This appendix presents central determination system market data derived from New York VLTs utilized in preparing this report.

NEW YORK CENTRAL DETERMINATION VLTS

The New York racino VLT market is served by eight racinos with central determination VLTs as well as five tribal casinos with Class III slot machines. In the aggregate, the New York VLT facilities have 360,000 square feet of casino floor, 11,138 VLTs, and 25 restaurants. These racinos generated $715.9 million * in gross gaming revenue in the calendar year ended December 31, 2006. Exhibit A.1 presents the relevant data for each facility.

Exhibit A.1 New York VLT Facility Revenues, Amenities, and Property Performance

CY 2006	VLT Revenue ($M)	Number of VLTs	Win Per VLT Per Day	Square Footage	Restaurants
Saratoga	$118.8	1,754	$186	55,000	8
Fairgrounds (Buffalo)	41.7	900	$127	27,000	3
Batavia	23.9	591	$111	60,000	2
Finger Lakes	86.3	1,200	$197	28,000	5
Monticello	76.2	1,545	$135	40,000	3
Empire City at Yonkers (*E**)	368.9	*5,148*	$196	150,000	4
	$715.9	**11,138**	**$176**	**360,000**	**25**

*Note: Empire City at Yonkers partial year numbers were extrapolated out to 12 months to generate an annual estimate for the facility's first full year of operation.

Source: The New York Lottery

Applying the gravity model described in Section D to each of these individual facilities and their respective markets, thereby adjusting the surrounding populations for distance, income, and other factors, results in an average rate of spending per distance-adjusted adult of $266. This figure can be interpreted as the average amount an adult living within 10 miles of each location spends per year on VLTs in New York. For the reasons discussed in Section D, at greater distances this spending declines.

EMPIRE CITY GAMING AT YONKERS RACEWAY

The Empire City Gaming at Yonkers Raceway market is served by one racino with central determination VLTs. This facility has 150,000 square feet of casino floor, 5,500 VLTs (an average of 5,148 in calendar year 2006, reflecting successive increases in the number of machines installed), and 4 restaurants. Extrapolating the partial year results generated at this facility out over twelve months yields estimated gross gaming revenue for the first full year of operation of $368.9 million. * As discussed in the main body of this report, we assume that a facility's year one results are approximately 70% of its year three results. The Yonkers facility is also expected to add 2,000 VLTs within the next two years and as a result our 2009 estimate for facility performance (reflecting 7,500 VLTs) is approximately $585 million. Exhibit A.2 presents the model output for this facility under these assumptions.

Exhibit A.2 Empire City at Yonkers Raceway Model Results

Yonkers '09		Spending Base	121	
	Total Adult Population	Competition, Distance, and Income Adjustments	Spending ($M)	Actual Spending Per Adult
0-10	2,000,435	67%	$162.0	$80.96
10-25	7,456,231	40%	356.6	$47.82
25-50	4,140,524	11%	54.4	$13.13
50-75	2,652,733	0%	0.3	$0.11
75-100	4,214,009	0%	0.0	$0.00
Outside the Market (2%)			11.5	
Total	20,463,932		**$584.7**	

Source: Christiansen Capital Advisors, LLC

Applying the gravity model described in Section D to the Yonkers facility and its market, thereby adjusting the surrounding populations for distance, income, and other factors, results in an average rate of spending per distance-adjusted adult of $121. This figure can be interpreted as the average amount an adult living within 10 miles of Yonkers Raceway spends per year on VLTs at the Empire City at Yonkers Raceway VLT facility. For the reasons discussed in Section D, at greater distances this spending declines.

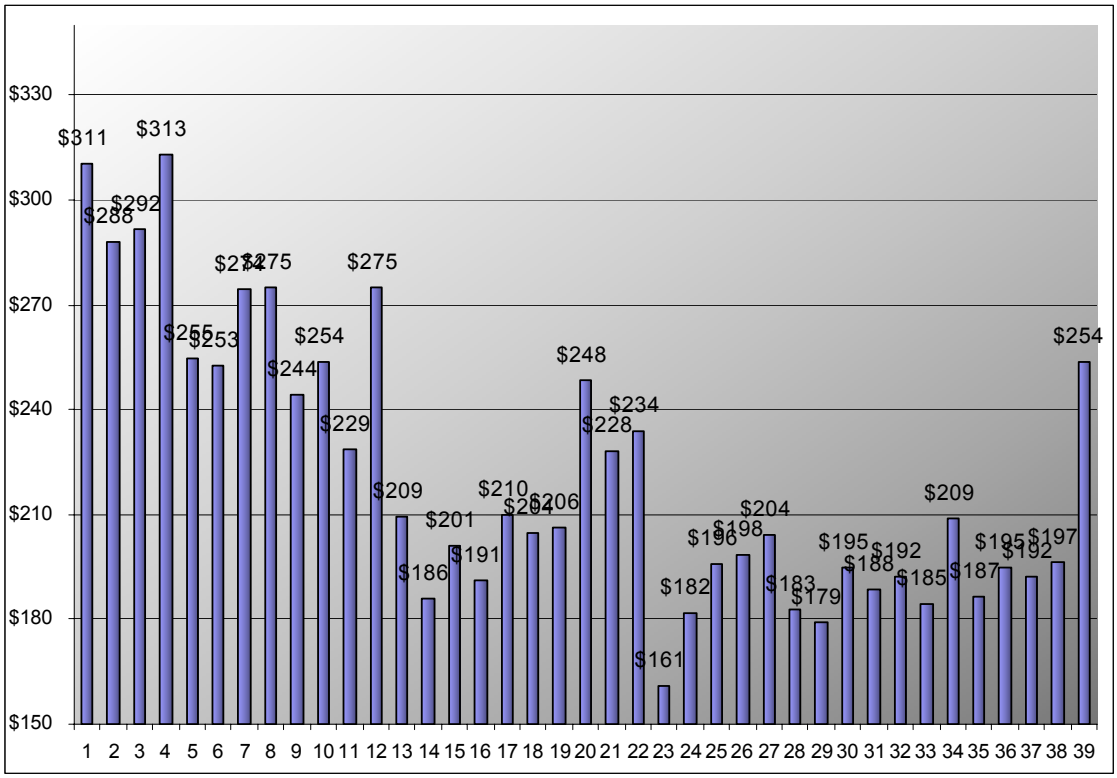
Exhibits A.3, A.3a, and A.3b present win or gross gaming revenue and win per unit per day by week for Empire City Gaming at Yonkers Raceway from the start of VLT operations through June 2007.

Exhibit A.3 Empire City Gaming at Yonkers Raceway Weekly Results

VLTs	VLT Win ($M)		% Change	Win per VLT per Day	% Change
1,871	10/14	$2.33		$310.7	
1,871	10/21	$3.77	62%	$287.9	-7%
1,871	10/28	$3.82	1%	$291.8	1%
1,871	11/04	$4.10	7%	$313.0	7%
2,371	11/11	$4.23	3%	$254.9	-19%
2,371	11/18	$4.20	-1%	$252.9	-1%
2,371	11/25	$4.55	8%	$274.4	8%
2,371	12/02	$4.57	0%	$275.2	0%
2,371	12/09	$4.05	-11%	$244.2	-11%
2,371	12/16	$4.21	4%	$253.8	4%
2,371	12/23	$3.80	-10%	$228.8	-10%
2,823	12/30	$5.43	43%	$274.9	20%
4,112	01/06	$6.02	11%	$209.2	-24%
4,112	01/13	$5.35	-11%	$185.7	-11%
4,112	01/20	$5.79	8%	$201.2	8%
4,112	01/27	$5.50	-5%	$191.0	-5%
4,112	02/03	$6.05	10%	$210.1	10%
4,112	02/10	$5.89	-3%	$204.5	-3%
4,112	02/17	$5.51	-6%	$206.0	1%
4,112	02/24	$7.14	30%	$248.2	20%
4,112	03/03	$6.56	-8%	$227.9	-8%
4,112	03/10	$6.73	3%	$233.8	3%
5,302	03/17	$5.97	-11%	$160.9	-31%
5,500	03/24	$7.00	17%	$181.9	13%
5,500	03/31	$7.54	8%	$195.7	8%
5,500	04/07	$7.63	1%	$198.3	1%
5,500	04/14	$7.86	3%	$204.3	3%
5,500	04/21	$7.0	-11%	$182.7	-11%
5,500	04/28	$6.9	-2%	$179.1	-2%
5,500	05/05	$7.5	9%	$194.7	9%
5,500	05/12	$7.3	-3%	$188.3	-3%
5,500	05/19	$7.4	2%	$192.0	2%
5,500	05/26	$7.1	-4%	$184.6	-4%
5,500	06/02	$8.0	13%	$208.6	13%
5,500	06/09	$7.2	-11%	$186.6	-11%
5,500	06/16	$7.5	4%	$194.6	4%
5,500	06/23	$7.4	-1%	$192.1	-1%
5,500	06/30	$7.6	2%	$196.6	2%
5,500	07/07	$9.8	29%	$253.6	29%

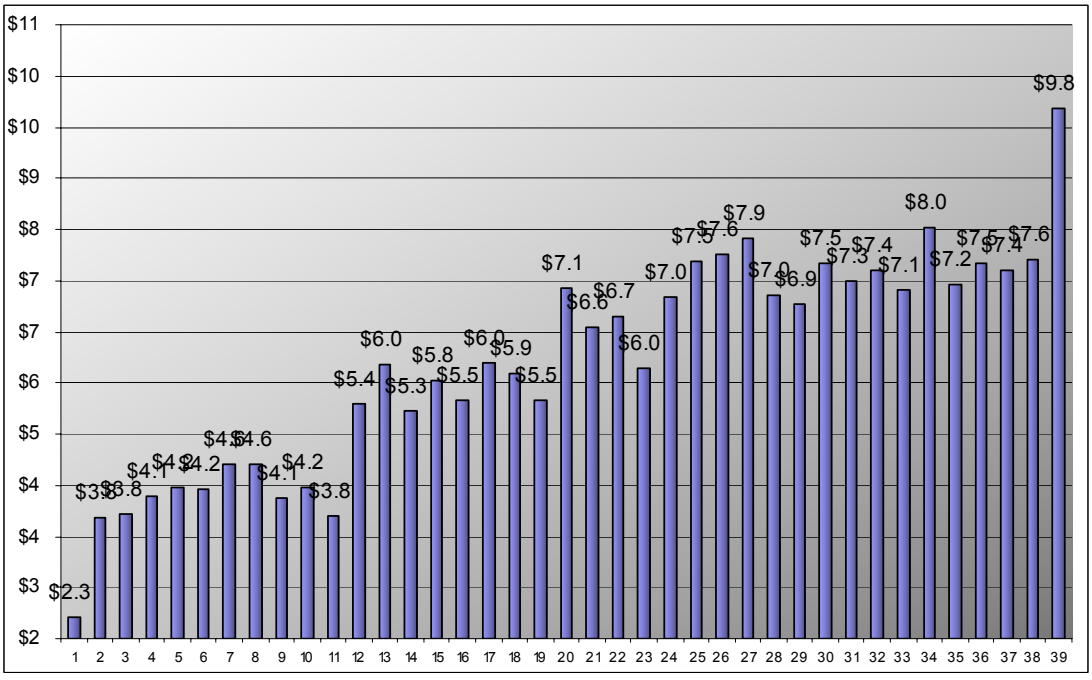
Source: Christiansen Capital Advisors, LLC

Exhibit A.3a Empire City Gaming at Yonkers Raceway Win per VLT per Day



Source: Christiansen Capital Advisors, LLC

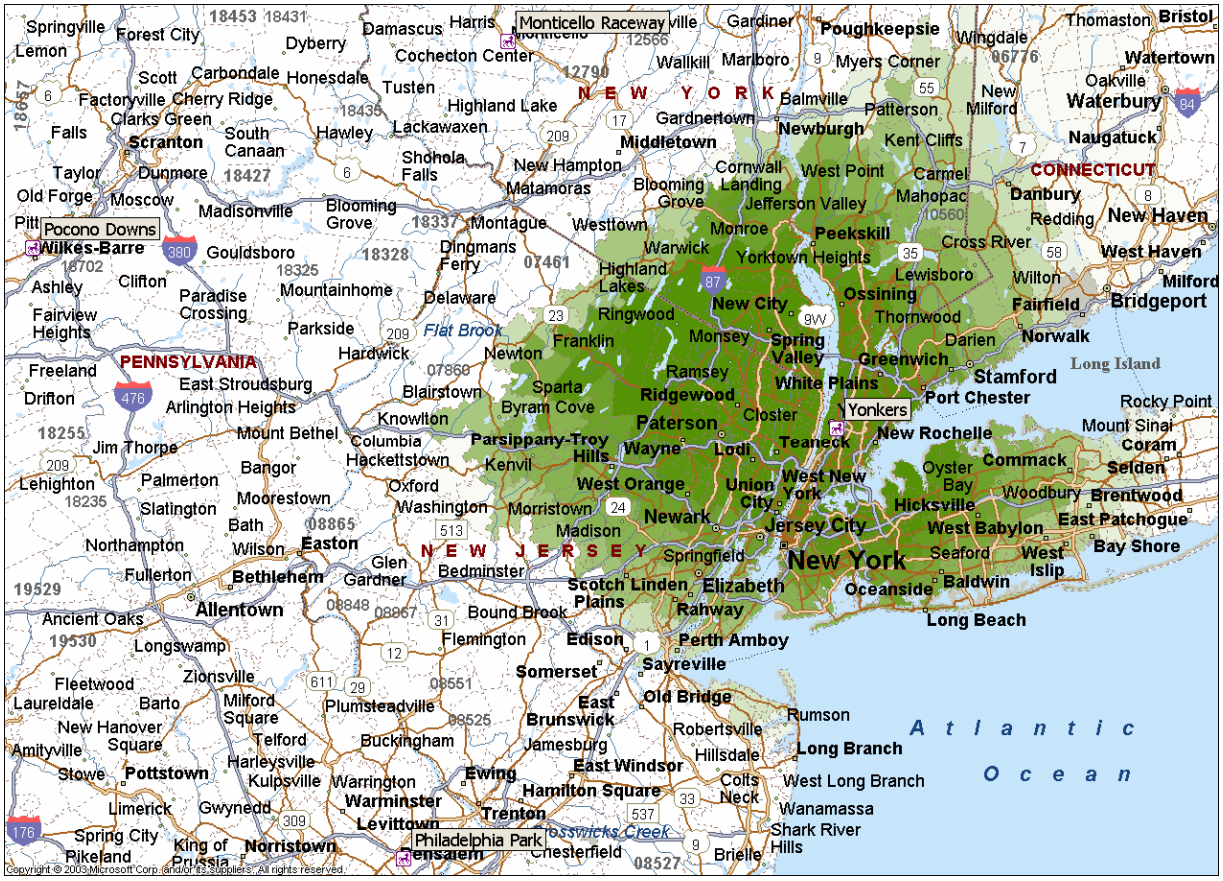
Exhibit A.3b Empire City Gaming at Yonkers Raceway Weekly VLT Win ($M)



Source: Christiansen Capital Advisors, LLC

Exhibit A.4 presents a map of the Empire City Gaming at Yonkers Raceway facility market area.

Exhibit A.4 Empire City Gaming at Yonkers Raceway Market Area Map



Source: Christiansen Capital Advisors, LLC

MONTICELLO RACEWAY

The Monticello Raceway market is served by one racino with central determination VLTs. This facility has 40,000 square feet of casino floor, 1,545 VLTs, and 3 restaurants. It generated $61.9 million in gross gaming revenue, estimated using annualized VLT revenues for the first 19 weeks of 2007, when Pocono Downs (in Pennsylvania) and Tioga Downs began operations. Exhibit A.5 presents gravity model results for this facility.

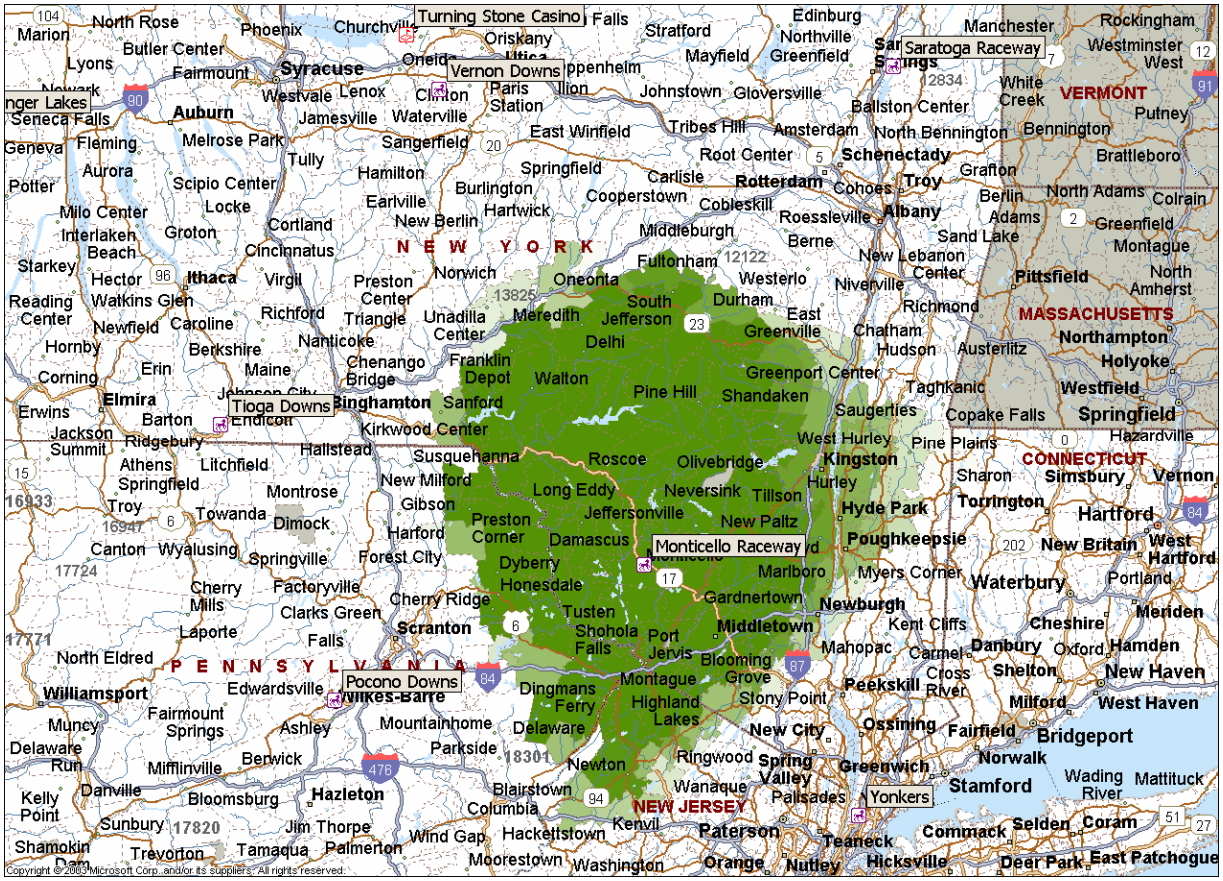
Exhibit A.5 Monticello Raceway Model Results

Monticello		Spending Base	358	
	Total Adult Population	Competition, Distance, and Income Adjustments	Spending ($M)	Actual Spending Per Adult
0-10	29,709	63%	$6.7	$476.12
10-25	124,317	35%	15.4	422.90
25-50	910,395	11%	36.5	393.00
50-75	6,501,388	0%	2.1	110.73
75-100	9,754,249	0%	0.0	198.00
Outside the Market (2%)			1.2	
Total	17,320,058		**$61.9**	

Source: Christiansen Capital Advisors, LLC

Applying the gravity model described in Section D to the Monticello facility and its market, thereby adjusting the surrounding populations for distance, income, and other factors, yields an average rate of spending per distance-adjusted adult of $358. This figure can be interpreted as the average amount an adult living within 10 miles of Monticello Raceway spends per year on VLTs at the Monticello Raceway VLT facility. For the reasons discussed in Section D, at greater distances this spending declines. Below is a map of the facility market area.

Exhibit A.6 Monticello Raceway Market Area Map



Source: Christiansen Capital Advisors, LLC

SARATOGA RACEWAY

The Saratoga Raceway market is served by one racino with central determination VLTs. This facility has 55,000 square feet of casino floor, 1,754 VLTs, and eight restaurants. Saratoga Raceway generated $118.8 million in gross gaming revenue in calendar year 2006. Exhibit A.7 presents gravity model results for this facility.

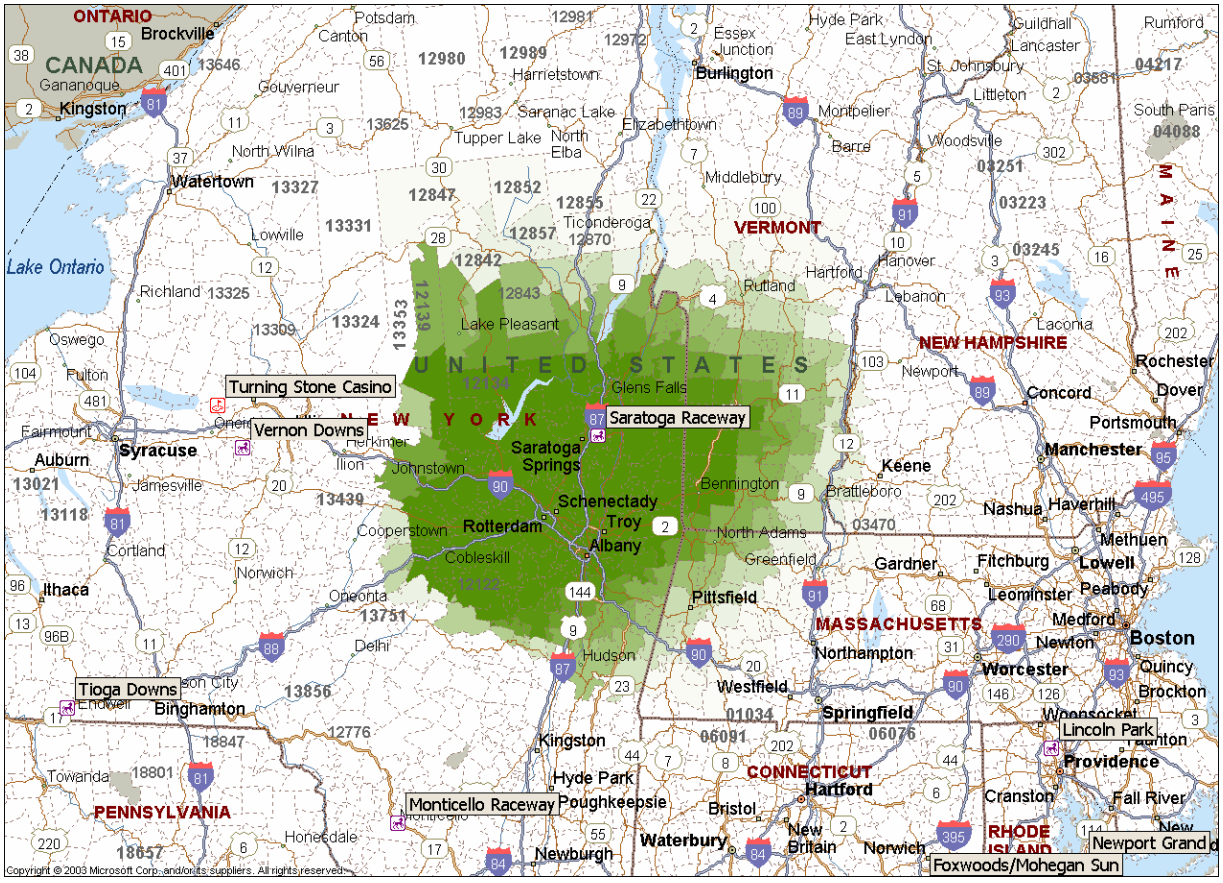
Exhibit A.7 Saratoga Raceway Model Results

Saratoga		Spending Base	366	
	Total Adult Population	Competition, Distance, and Income Adjustments	Spending ($M)	Actual Spending Per Adult
0-10	77,863	77%	$22.0	$282.47
10-25	399,601	38%	55.3	138.40
25-50	419,586	23%	34.8	82.96
50-75	486,873	2%	4.3	8.78
75-100	1,530,244	0%	0.1	0.06
Outside the Market (2%)			2.3	
Total	2,914,167		**$118.8**	

Source: Christiansen Capital Advisors, LLC

Applying the gravity model described in Section D to the Monticello facility and its market, thereby adjusting the surrounding populations for distance, income, and other factors, yields an average rate of spending per distance-adjusted adult of $366. This figure can be interpreted as the average amount an adult living within 10 miles of this market spends per year on VLTs at the Saratoga Raceway VLT facility. For the reasons discussed in Section D, at greater distances this spending declines. Below is a map of the Saratoga Raceway market area.

Exhibit A.8 Saratoga Raceway Market Area Map



Source: Christiansen Capital Advisors, LLC

FAIRGROUNDS (BUFFALO RACEWAY)

The Fairgrounds (Buffalo Raceway) market is served by one racino with central determination VLTs. Additional gaming supply surrounds this market area at tribal facilities in Niagara Falls, two tribal facilities in Salamanca and one tribal facility in Allegany. The Fairgrounds facility has 27,000 square feet of casino floor, 900 VLTs, and three restaurants. Fairgrounds generated $41.7 million in gross gaming revenue in calendar year 2006. Exhibit A.9 presents the gravity model results for this facility.

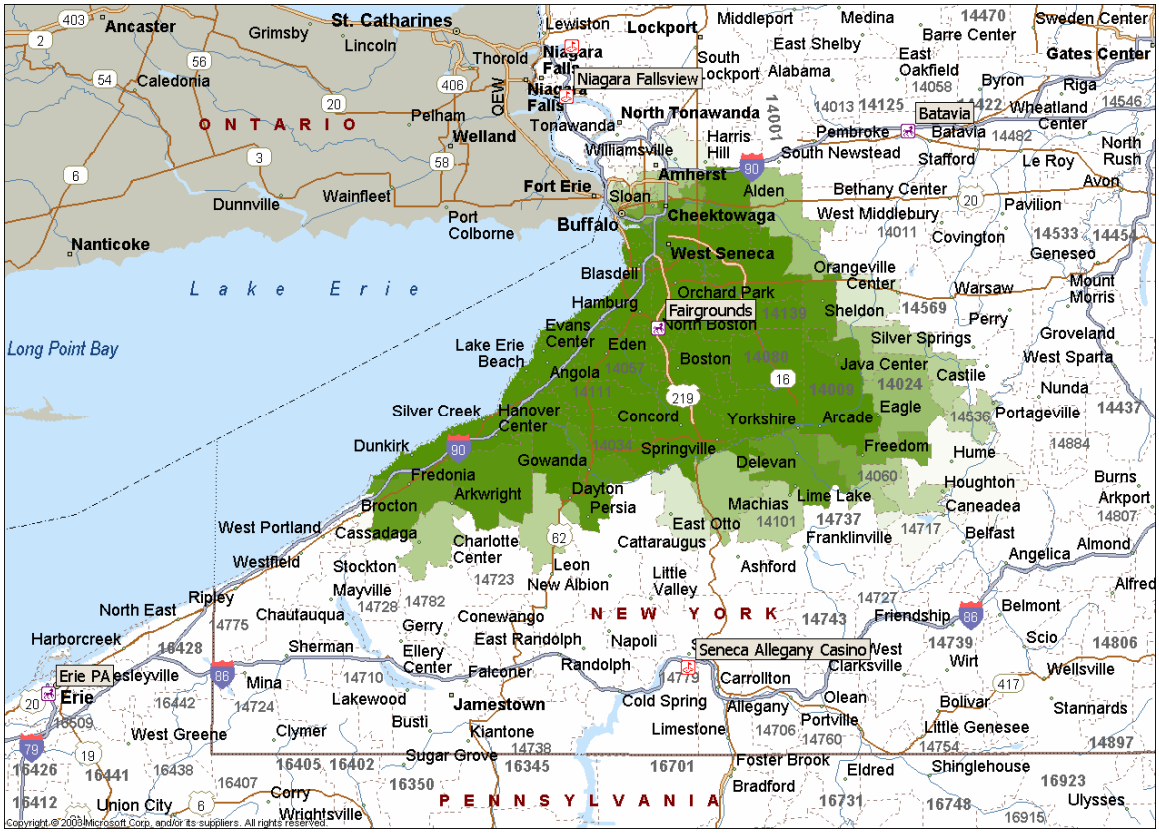
Exhibit A.9 Fairgrounds Model Results

Fairgrounds		Spending Base	201	
	Total Adult Population	Competition, Distance, and Income Adjustments	Spending ($M)	Actual Spending Per Adult
0-10	121,944	99%	$24.4	$199.94
10-25	608,749	12%	15.2	25.04
25-50	368,093	2%	1.3	3.41
50-75	696,577	0%	0.0	0.00
75-100	488,857	0%	0.0	0.00
Outside the Market (2%)			0.8	
Total	2,284,220		**$41.7**	

Source: Christiansen Capital Advisors, LLC

Applying the gravity model described in Section D to the Monticello facility and its market, thereby adjusting the surrounding populations for distance, income, and other factors, yields an average rate of spending per distance-adjusted adult of $201. This figure can be interpreted as the average amount an adult within 10 miles of this market spends per year on VLTs at the Fairgrounds (Buffalo Raceway) VLT facility. For the reasons discussed in Section D, at greater distances this spending declines. Below is a map of the facility market area.

Exhibit A.10 Fairgrounds Market Area Map



Source: Christiansen Capital Advisors, LLC

FINGER LAKES

The Finger Lakes market is served by one racino with central determination VLTs. The Finger Lakes facility has 28,000 square feet of casino floor, 1,200 VLTs, and five restaurants. This facility generated $86.3 million in gross gaming revenue in calendar year 2006. Exhibit A.11 presents the gravity model results for this facility.

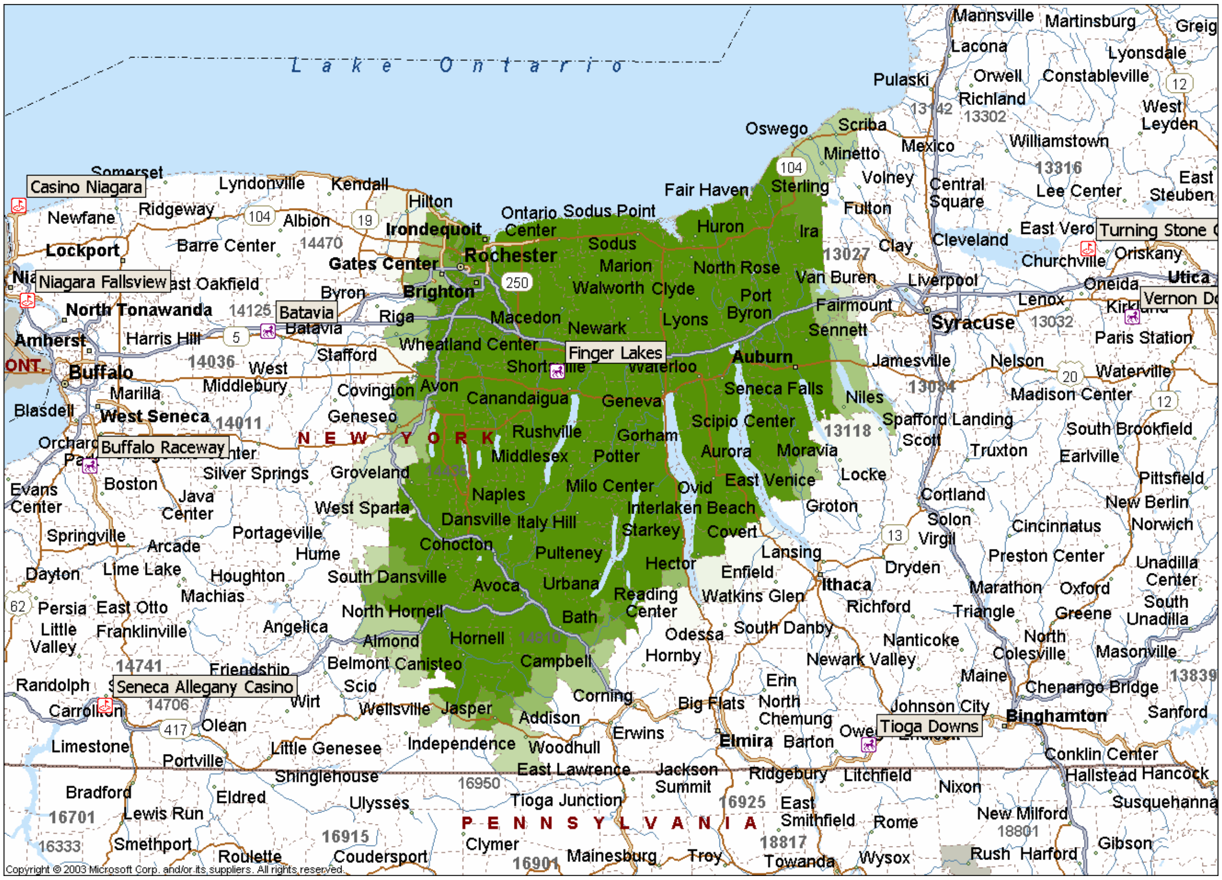
Exhibit A.11 Finger Lakes Model Results

Finger Lakes		Spending Base	277	
	Total Adult Population	Competition, Distance, and Income Adjustments	Spending ($M)	Actual Spending Per Adult
0-10	56,226	70%	$10.9	$193.11
10-25	463,659	38%	48.6	104.79
25-50	461,029	14%	17.5	38.05
50-75	1,016,744	3%	7.6	7.48
75-100	995,041	0%	0.0	0.02
Outside the Market (2%)			1.7	
Total	2,992,699		**$86.3**	

Source: Christiansen Capital Advisors, LLC

Applying the gravity model described in Section D to the Monticello facility and its market, thereby adjusting the surrounding populations for distance, income, and other factors, yields an average rate of spending per distance-adjusted adult of $277. This figure can be interpreted as the average amount an adult living within 10 miles of this market spends per year on VLTs at the Finger Lakes VLT facility. For the reasons discussed in Section D, at greater distances this spending declines. Below is a map of the facility market area.

Exhibit A.12 Finger Lakes Market Area Map



Source: Christiansen Capital Advisors, LLC

BATAVIA

The Batavia market is served by one racino with central determination VLTs. This facility has 60,000 square feet of casino floor, 591 VLTs, and two restaurants. The Batavia facility generated $23.9 million in gross gaming revenue in calendar year 2006. Exhibit A.13 presents the gravity model results for this facility.

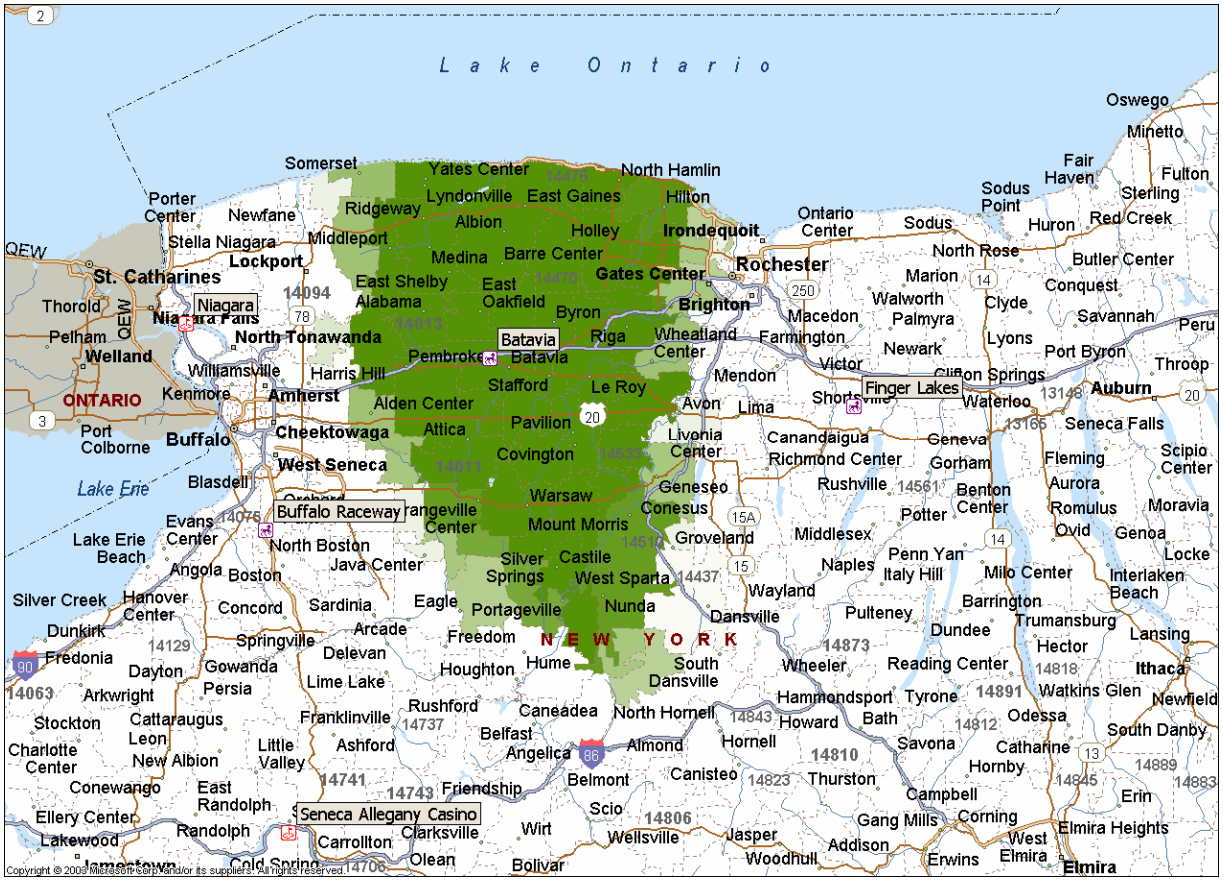
Exhibit A.13 Batavia Model Results

Batavia		Spending Base	272	
	Total Adult Population	Competition, Distance, and Income Adjustments	Spending ($M)	Actual Spending Per Adult
0-10	31,223	65%	$5.5	$177.12
10-25	197,461	23%	12.4	62.63
25-50	1,375,761	1%	5.5	4.02
50-75	273,285	0%	0.0	0.00
75-100	248,409	0%	0.0	0.00
Outside the Market (2%)			0.5	
Total	2,126,139		**$23.9**	

Source: Christiansen Capital Advisors, LLC

Applying the gravity model described in Section D to the Monticello facility and its market, thereby adjusting the surrounding populations for distance, income, and other factors, yields an average rate of spending per distance-adjusted adult of $272. This figure can be interpreted as the average amount an adult living within 10 miles of this market spends per year on VLTs at the Batavia VLT facility. For the reasons discussed in Section D, at greater distances this spending declines. Below is a map of the facility market area.

Exhibit A.14 Batavia Market Area Map



Source: Christiansen Capital Advisors, LLC

Exhibit A.15 New York VLT Market Spending Base Summary

Saratoga	$366
Monticello	$358
Finger Lakes	$277
Batavia	$272
Fairgrounds	$201
Yonkers '09	$121
Average	**$266**

Source: Christiansen Capital Advisors, LLC

Exhibit A.15 presents the spending bases for New York VLT facilities in table format.

Exhibit A.16 New York VLT Market Spending Base Summary

CY 2006	Win Per VLT Per Day
Saratoga	$186
Fairgrounds (Buffalo)	$127
Batavia	$111
Finger Lakes	$197
Monticello	$135
Empire City at Yonkers (*E**)	$196
Average	**$176**

Source: Christiansen Capital Advisors, LLC

Exhibit A.16 presents the win per VLT per day at New York VLT facilities in CY 2006.

Appendix B: Meadowlands VLT White Paper

Christiansen Capital Advisors LLC

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A Market and Potential Revenue Analysis of a Video Lottery Terminal Facility at The Meadowlands and Review of Potential Impacts on the Atlantic City Gaming industry

WHITE PAPER

Press Contact: Kelly Heck
Communications Director
Phone: 609-777-2600

March, 2005

Executive Summary

Merrill Lynch & Co. and Christiansen Capital Advisors LLC have worked with the State of New Jersey and the New Jersey Casino Reinvestment Development Authority to evaluate the potential market, revenues and impacts on Atlantic City casinos of a Video Lottery Terminals ("VLT") facility at The Meadowlands.

Our work has been framed by the State's overriding objectives:

- To continue and enhance State assistance to improve Atlantic City infrastructure and contribute to non-gaming economic development projects,
- To foster the continued growth and vibrancy of the Atlantic City gaming industry and gaming in New Jersey by protecting State borders, not just a single location,
- To preserve the New Jersey horse industry by ensuring the long-term viability of State racetracks,
- To keep the State's and the Atlantic City gaming interests in alliance, and
- Create an additional, sustainable long-term State Lottery revenue stream for dedicated State programs.

At all stages of our work, we observed that the Atlantic City casino industry is a vital part of the State's economy supported by a very reasonable regulatory and favorable tax structure and a unique CRDA assistance package.

Key Assumptions

In conducting this analysis, we have assumed that approximately 2,092 VLTs will be installed at The Meadowlands by the beginning of calendar year 2006. We have also assumed that during 2006, 3,000 competing gaming devices will begin operation at Philadelphia Park near Philadelphia, Pennsylvania and 10,000 competing gaming devices will begin operation at Aqueduct and Yonkers Raceway in New York. Meadowlands VLTs will represent only 13.8% of this initial increase in market supply.

Our analysis includes our expectation that, in 2007, Philadelphia Park will add another 2,000 machines and that two additional competing gaming facilities will open in the Philadelphia market at Chester Downs and at a non-racetrack location within the City of Philadelphia. We also assume that a fourth and final Philadelphia market facility will open in 2008 and that three tribal casinos will begin operation in the Catskills of New York in 2009. These assumptions are all based on recently enacted legal changes in Pennsylvania and well-publicized plans of the Pataki Administration and major casino companies, including several companies operating in Atlantic City.[1] At this point, VLTs at The Meadowlands will represent only 4.4% of the additional gaming supply in the AC market.

[1] Caesars Entertainment, Inc has announced plans to bid for one of the non-racetrack Pennsylvania slot licenses; Caesars proposes to invest $350 million for a slot parlor and entertainment complex on the Delaware River South of Penn's Landing. Caesars is also partners with the Saint Regis Mohawk Tribe in New York. The partners are developing the Mohawk Mountain Casino Resort in the Catskills Mountains about 90 miles Northwest of New York City. In June 2004, Harrah's Entertainment acquired a 50% interest in Chester Downs, Harrah's agreed to finance construction and start-up costs for the project, estimated at $250 million, in consideration of the equity stake. MGM Mirage has partnered with the New York Racing Association to build and operate the $100 million racino at Aqueduct.

Overview of Results

CCA's market and revenue analysis is predicated on the initial installation of VLTs in The Meadowlands grandstand facility by January 1, 2006. This assumption has been supported by preliminary engineering and architectural work discussed with us and from informal discussions with major system and machine vendors with VLT and related experience. Our key findings are highlighted below:

- VLTs at The Meadowlands will serve a very strong, latent demand for gaming entertainment in North Jersey, initially generating over $300 million dollars in annual additional Lottery revenues. VLTs at The Meadowlands will draw from Northern New Jersey and New York areas residents who don't drive the 2 hours to Atlantic City or don't do it very often. By our calculations, only 19% of potential gaming "spend" in the Northern New Jersey market makes its way to Atlantic City casinos.

- Near-term and intermediate-term competition for Atlantic City casinos from neighboring Pennsylvania and New York markets will far out-weigh any sustained competition of a VLT facility at The Meadowlands. 10,000 gaming devices at Aqueduct and Yonkers Raceway will obviously have greater implications for Atlantic City than 2,100 machines at The Meadowlands. We estimate that developing Pennsylvania and New York gaming facilities will siphon over $650 million annually from Atlantic City casinos and far out-weigh the estimated $40 million initial impact (or less than 1% of Atlantic City's gross casino revenue) of a VLT facility at The Meadowlands.

- The Meadowlands VLT facility will help prevent New Jersey population-derived gaming dollars from crossing State borders. The convenience of the 'drive-to' nature of a VLT facility at The Meadowlands will keep North Jersey gaming dollars in-State and defend New Jersey gaming from losing patrons to new venues in New York and Eastern Pennsylvania. North Jersey will soon be surrounded by three gaming alternatives: Slot machines in Philadelphia and Eastern Pennsylvania, VLTs in New York, and casinos in the Catskills, facilities with more convenient access than Atlantic City. North Jersey residents will be within an hour drive of at least one of these facilities. Gaming dollars from North Jersey will be siphoned away from Atlantic City; the only question is where they will flow too, The Meadowlands or out-of-State facilities.

- The gaming industry is expanding at an accelerating pace outside of the State of New Jersey and an enhanced State-Gaming Industry 'partnership' is needed to protect Atlantic City Casinos' unique destination market. New Jersey fosters its Atlantic City gaming industry with the second-lowest tax rate in the United States. Additionally, the Casino Reinvestment Development Authority (CRDA), which reinvests 1.25% of gross gaming revenue, is unique in the United States.

A CHANGING GAMING INDUSTRY LANDSCAPE

Since the opening of its first casino in 1978, Atlantic City has enjoyed a virtually monopoly on casino gaming for the East Coast and, in particular, the Mid-Atlantic region. That monopoly was curtailed at the margins by the authorization of racinos in Delaware in 1995 and the opening of Foxwoods Casino and Resort (1993) followed by Mohegan Sun (1996) in Eastern Connecticut. The observed historical impacts of these increases in supply were minimal and transitory (Exhibit 1).

Exhibit 1: Gross Gaming Revenues Atlantic City, Connecticut Tribal facilities and Delaware racinos 1993-2003

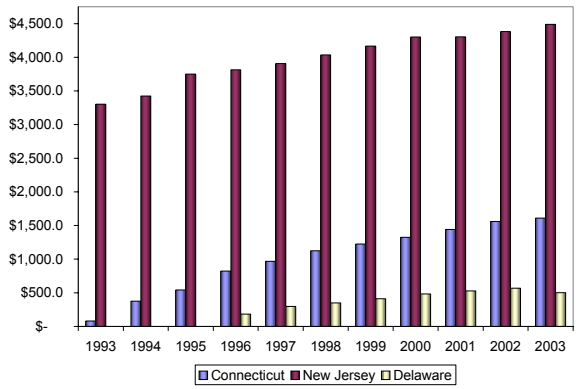


Exhibit 2: Current and Future Gaming Device Supply in the Tri-State Area

	Number of Machines	% of Total
Current		
Atlantic City, NJ	43,096	67.0%
Delaware	5,930	9.2%
Connecticut	13,574	21.1%
Monticello Raceway	1,743	2.7%
Total	64,343	100.0%
New Supply		
Philadelphia, PA	20,000	42.0%
Eastern, PA	5,500	11.6%
Yonkers	5,000	10.5%
Aqueduct	5,000	10.5%
Catskills, NY	10,000	21.0%
Meadowlands	*2,092*	*4.4%*
Total	47,592	100%

Over the next five years the regional market currently served by the Atlantic City Gaming Industry will face competing supply additions. The first of these changes is already underway in New York State. In late 2001 New York passed the Omnibus Gambling Act authorizing VLTs at the eight racetracks in the State, and paving the way for three more tribal casino/resorts in the State including the Catskills, a 90 minute drive from North Jersey and Manhattan.

On July 5, 2004 Pennsylvania Governor, Ed Rendell, signed into law Act 71 which authorizes up to 61,000 slot machines to be placed at seven racetracks, five non-racetrack locations, and two resorts within Pennsylvania. We expect the evolving installation of 20,000 slot machines within the greater Philadelphia metropolitan Philadelphia area and 5,500 machines in Eastern Pennsylvania, for a total of 35,000 machines in the next four years. All told, the supply of gaming devices in the Atlantic City greater regional market is going to increase by over 75%, with VLTs at The Meadowlands contributing less than 5% of this total.

Exhibit 3: Map of Current and Future Gaming Locations

Exhibit 4: Summary of Impacts of Future Gaming Device Supply in the Tri-State Area

	Summary of Impacts	
	# of Machines	Atlantic City Impacts (in millions)
Philadelphia	20,000	$ 300.0
NYC Racinos	10,000	$ 38.14
Catskill Casinos	10,000-15,000	$ 330.2
Total		$ 668.3

Unlike prior supply addition in Connecticut and upstate New York, these competing gaming facilities, unlike any in Atlantic City's history, will generate sustained market impacts that are neither *de minimis* or transitory. CCA estimates the impact of 20,000 devices in Philadelphia alone will siphon off nearly $300 million in slot spending from Atlantic City casinos, and that the combined impacts of Aqueduct, Yonkers, and the Catskills will impact Atlantic City by more than $650 million (Exhibit 4).

By comparison, we estimate that 2,092 VLTs at The Meadowlands will initially generate additional Lottery revenues of approximately $350 million annually with only 11.7% (equating to a decline in annual slot revenues attributable to The Meadowlands, in Atlantic City of about $32-40 million out of a base of about $4.8 billon in total Atlantic City Gross Gaming Revenue) of this total derived from customers that might otherwise have traveled to Atlantic City casinos. CCA expects this impact on Atlantic City to decline to less than $30 million annually when additional supply is installed at Aqueduct, Yonkers Raceway, and at tribally-owned casino resorts in the Catskills.

A State/Industry Partnership to protect New Jersey Gaming

The gaming industry in New Jersey will face unprecedented change in the next five years. The installation of VLTs at The Meadowlands presents an opportunity to provide a convenient (New Jersey based) gaming option for residents of Northern New Jersey and New York to compete with soon-to-be-expanded gaming competition in New York State. A New Jersey State/Atlantic City gaming industry alliance to protect New Jersey-resident gaming will keep more gambling dollars in the State of New Jersey, preserve good regulatory and favorable tax structures on the Industry and continue the flow of resources to improve Atlantic City infrastructure and encourage the AC Casinos to reinvest in-State rather than increase their presence in Pennsylvania and New York markets.

Conclusion

In recognition of the fact that gaming in the Mid-Atlantic region is undergoing wholesale changes, VLTs at The Meadowlands will recapture gaming dollars that will no longer flow to Atlantic City casinos when racinos, slot parlors and tribal casinos develop and expand in Pennsylvania and New York. These machines will help support an industry that is a vital part of the State's economy by increasing the distribution and scope of the Lottery in New Jersey. From our analysis and prior gaming market experience, CCA believes:

1. That a VLT facility envisioned by the State at The Meadowlands will not create, in and of itself, a large and sustained negative impact on Atlantic City gaming. It is easy to understand that if you have Meadowlands' VLTs only a 20 minute drive from the large population of North Jersey and neighboring New York, over 70% of the new patrons have never or infrequently visited Atlantic City casinos.

2. That the overwhelming competitive challenge faced by Atlantic City casinos in the next five years will be from neighboring gaming developments in Pennsylvania and racinos in New York and the construction of large scale, clustered casino resorts in the Catskills. It is easy to understand that when New York has 10,000 VLTs at Aqueduct and Yonkers, Greater Philadelphia has 20,000 slot machines and when southwest New York State has up to five casino hotels in the Catskills the size of Foxwoods, the Atlantic City gaming industry's existing market will be seriously impacted. Presumably this is the reason that major AC casino company players are hedging their market strategies with major plays in these competing markets.

3. That the State of New Jersey, that has already supported Casino Reinvestment Development Authority investment initiatives in Atlantic City infrastructure and in non-gaming Atlantic City Casino company projects in a scope and manner not found in other states with major gaming markets, will continue to foster and support a strong Atlantic City gaming industry.

Exhibit 5: Methodology

In our analysis, CCA utilized proprietary models it has used in previous studies, modified to take into account specific market conditions in New Jersey and surrounding areas, to develop projections for the market potential of expanded gaming in the State.

The model chosen, which is used in many location-based analyses of this type, is often referred to as a "gravity model," because it is similar to Newton's Law of Gravitation (for which the distance factor would be -2.0: if you double the distance, the attraction declines by a factor of four). This model has been refined by CCA over the years, as it relates to gaming facilities; the technique focuses on the demographics of areas surrounding each facility, in particular the number of adults residing at various distances, and the observed ratio of actual spending of other similar adult populations.

The models used for the projections in this report adjust the population surrounding each facility (or proposed facility) for distance, per capita income, and the proportion of urban to rural residents, the non-resident "visitor" population, and competition. From these data we calculate an adjusted adult population around each facility, or group of facilities. This measure weighs adults who live closer to a facility at higher values than those who live at greater distances. Total actual or estimated revenues (or consumer spending) in each market is divided by these adjusted population figures to arrive at revenue per “distance adjusted” adult.

As noted above, an important component of CCA’s analysis is a verifiable adult spending base for slot machines and table games. We assess the experience of existing casino, riverboat, and/or pari-mutuel gaming device facilities (“racinos”) in both the market being modeled and in comparable markets and use this experience as the basis for estimates of the consumer demand for a proposed gambling facility and its potential impacts upon existing gambling facilities. CCA’s analyses are based upon observed, verifiable distance-adjusted spending per adult in comparable gambling markets, providing a factual basis for projections.

Our projections of casino demand and potential revenues are based on an important observation: other things being equal, gambling patrons tend to gamble at the facility that is most conveniently located for them. "Convenience" is a quality with multiple parameters where gambling is concerned, however. Casino patrons can and sometimes do visit more distant facilities, particularly if there is a critical mass of casinos or amenities that they cannot find at the nearest facility.

Because the public tends to gamble at the facility that is most conveniently located, patronage (and associated spending) at full-service casino gambling facilities falls off with distance, but less rapidly than for many other forms of gambling (and other leisure spending). For destination land-based casino resorts, we assume (based upon previous research and CCA’s experience) a "distance coefficient” of -0.5, compared to values of around -0.6 for riverboats and large racinos and about -0.7 for limited size and or restricted-device racinos.

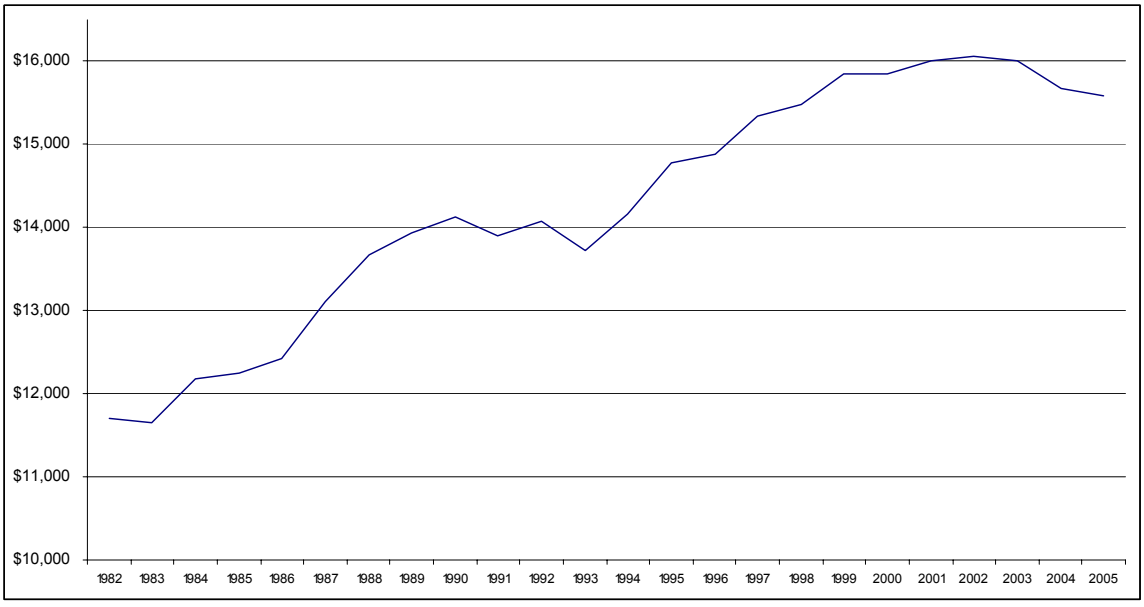
Appendix C: Horseracing Handle in the United States

Appendix C: Horseracing Handle in the United States

Pari-mutuel horse racing has undergone wholesale changes in the last 25 years in the United States. On-track wagering on live races ("live handle") decreased everywhere in the United States between 1988 and 2005. Very significant declines in live handle occurred in States with no casinos as well as in States with casinos.

Important factors in the decrease in live handle include simulcasting, which affected all pari-mutuel horse racing in the United States, and off-track betting (OTB), which is not permitted in all racing States but is permitted in several major racing States, including Illinois, New York and Kentucky. Inter-facility simulcasts of live races for betting purposes and off-track betting re-structured the U.S. pari-mutuel industry, shifting the bulk of wagers from live races to simulcast races and to OTB facilities. These re-structuring effects have been amplified in recent years by Internet betting services, including telephone account wagering services, licensed in California, Oregon and other States. These licensed interactive betting services, unlicensed interactive betting services located in other countries, and interactive betting services licensed in other countries that accept bets from U.S. residents also contribute to the decline in live handle by shifting wagers from live and simulcast pari-mutuel facilities to personal computers and interactive television. Simulcasting, off-track betting and Internet and other interactive betting services including telephone account wagering were developments internal to the horseracing industry.

Chart 1: U.S. Horseracing Handle, 1982-2005



Appendix D: Glossary of Terms

Christiansen Capital Advisors LLC

Glossary

Handle: The gross amount wagered at any form of gambling. *Gross wagering*, *betting, gross betting or gross amount bet*, *money staked*, *turnover* and *lottery sales* are in various systems of accounting synonyms for handle.

Drop: In casino revenue accounting, cash and cash equivalents exchanged for chips and (if played) risked against the casino; players' bankroll.

Drop and *handle* are often confused, but there is an important distinction in the two statistics. Handle is the total amount wagered, or bet: a chip may be wagered many times before the game goes to a decision and the chip is won or lost. Casinos generally report handle for slot operations, and in slot revenue accounting the percentage of win to handle ("takeout percentage") is accurately known. Handle at table games is not accounted. In default of handle statistics, revenue accounting for these games starts with drop.

Hold percentages for table games are ratios of win to drop. Table games typically win (*hold*) 12% to 20% of drop (and as high as 25% in market monopolies; the early days of Atlantic City or Foxwoods, for example), depending on the kind of game, odds and conditions of play, and player choice in games where different propositions have different house advantages, as in craps, or where conditions of play, as for example the number of decks used to deal twenty-one, vary in ways that materially affect outcomes.

Hold percentages should not be confused with percentages used to express *house or casino advantages* (or *expected values*) for table games. Casino advantages or expected values for table games are stated as percentages of handle, not as percentages of drop. For example, the expected value of Nevada and Atlantic City roulette is 5.26% (except for one bet on the layout with an expected value of 7.89%), the "Don't Pass" line at craps 1.402%, approximately 1% to 1.2% for baccarat and so forth.

The relationship of handle, drop, and win may be summarized in the following example: a player buys 100 $1 chips and wagers them one at a time at a table game with a casino advantage (expected value) of 1%. Our player will win some bets (or trials of the game's randomizing device) and lose others, and will, if he is statistically average, generate a handle of $10,000 before his entire $100 bankroll (or $100 drop) is lost and results in a $100 win. Our average player probably won't keep gambling until his bankroll is entirely lost, however; as noted, table games typically win from 12% to 20% of drop or player bankrolls (and more, perhaps as much as 25%, in monopoly situations).

Gross gambling revenue (GGR): Handle less payouts or prizes or winnings returned to players.

From the operator's point of view, gross revenue is money extracted from players collectively and transferred to the operator(s) of a commercial game; GGR is thus the source of *gambling industry revenues* and *government gambling tax receipts*.

From the consumer's point of view, gross gambling revenue is the *consumer price* of playing a commercial game.

Win, *takeout*, *retention*, and *net receipts* are in various systems of accounting synonyms for gross gambling revenue. By whatever name, gross gambling revenues are useful statistics. Unlike handles, which are measures of wagering volumes and thus partial functions of the velocity of dollars (or cycle times) through gambling games, gross gambling revenues are measures of the *economic value* of gambling: its cost to consumers, and its worth to operators. Gross gambling revenues, *NOT* handles, are the statistics through which one form of gambling may be compared to another, to other businesses, other industries, other forms of consumption, and to the general economy.

Appendix E: About Christiansen Capital Advisors, LLC

Appendix E

Information About Christiansen Capital Advisors, LLC

Christiansen Capital Advisors LLC is perhaps the leading analyst in the world of the economics of casino gaming, including “racinos”, riverboats, Native American gaming facilities, charitable gaming, lotteries, pari-mutuel racing operations, off-track and telephone betting operations and Internet and interactive television betting operations, and has extensive experience in assessing and quantifying the impacts and other consequences of new gambling enterprises on existing regional racing and gaming.

Christiansen Capital Advisors, LLC has extensive experience in conducting feasibility studies and economic impact studies. (The personnel narratives contained in the next section are incorporated by reference and made a part of this section, as well.)

Previous clients of Christiansen Capital Advisors, LLC include State and Provincial racing and gaming commissions, individual wagering licensees and license applicants, vendors, law firms, investment banks, gambling businesses of various kinds and State gambling industries considered as entities.

The principals and staff of Christiansen Capital Advisors, LLC. have performed studies of the economics, management, operations, taxation, and regulation of leisure and entertainment businesses in more than fifty States, Provinces, and countries, with particular focus on gaming and wagering. The subjects of these studies have included sports, entertainment, communications, casinos, sports wagering, lotteries, and all segments of the racing and pari-mutuel wagering industries. These projects have determined:

- The overall economic contribution of commercial gambling industries to countries, states, and individual localities;
- The degree of saturation and potential for growth in various markets;
- The revenue potential and economic feasibility of new projects;
- The values of existing gambling facilities;
- The impact of the development of commercial gambling on U.S. Indian lands on state-regulated wagering industries;
- The advisability of alternative strategies in legal proceedings, in legislative efforts, and before regulatory agencies;
- The effects of introducing new types of wagers into existing businesses, and other competitive strategies; and
- Optimum gambling tax rates and the impacts of changing tax rates on government and industry revenues.

The results of CCA's studies have been presented to the International Conference on Gambling and Risk-Taking sponsored biannually by the University of Nevada/Reno, the World Gaming Congress (now G2E), the University of Arizona's Race Track Industry Program's annual Symposium on Racing, the annual conferences of the American Horse Council, American Greyhound Track Operators Association, World Greyhound Federation, Harness Horsemen International, Harness Tracks of America, Thoroughbred Racing Associations, and Racetracks of Canada, the Urban Land Institute, the National Council of Legislators from Gaming States, the American Bar association, the American Law Institute,

the Mid-Atlantic Gaming Conference, gaming regulatory agencies, racing commissions, Federal, State and municipal legislative and/or executive bodies in the United States, the (United States) National Gaming Impact Study Commission, among other trade conferences, shows, legislative hearings and similar forums.

Performed market analysis, demand assessment, and a nationwide per capita spending analysis as a subcontractor to the National Opinion Research Center (NORC) for the National Gambling Impact Study Commission. CCA's Eugene Christiansen testified before the U.S. Congressional committee with oversight of the National Gambling Impact Study Commission regarding CCA's findings and analysis.

In 2000 and again in 2002, provided a detailed assessment of the market potential and feasibility of a casino facility to be located in West Warwick Rhode Island. This study also assessed the resulting net impacts upon racetrack slot machines and the State Lottery, in addition to strategic advice and counsel to the Narragansett tribe and its partner.

For Boyd Gaming Corporation, an analysis projecting the likely impact of a proposed Indian casino in Michigan on Indiana riverboats, under three alternative scenarios, one in which the Indiana boats had to maintain there cruising schedule, another in which Indiana riverboats were allowed dockside gaming, and finally if Indiana legislation were changed to allow land-based casino gaming.

For Churchill Downs Incorporated in support of a pari-mutuel license in the Pittsburg, Pennsylvania area.

Currently engaged by the City of Bangor, Maine to provide advice and support to the City of Bangor in support of negotiations to expand a pari-mutuel facility in Bangor.

For an industry trade association, prior to the enactment of the Federal Indian Gaming Regulatory Act (IGRA), a detailed study of the impacts on State-authorized legal gambling industries of potential new gambling operations on Indian reservations and other Indian lands. State-by-state projections were developed for the impacts on each major form of legal gambling.

Performed agent financing and consultation in the development of a very successful Mississippi riverboat casino.

Due diligence assessments of the performance, current value, and/or likely prospects for a variety of firms engaged in gambling businesses, or as suppliers thereto, including race tracks, casinos, and equipment suppliers.

For Dubuque Greyhound Park, prior to the enactment of Iowa's riverboat gaming legislation, a study of the feasibility of riverboat gambling on the Mississippi. Participation rates, likely casino win, and costs of operation were projected based upon data regarding local consumer behaviour, competitive interactions, cruise ship gaming norms, and the economics of small-scale casino enterprises.

For Cherokee Nations Enterprises, an assessment and financial feasibility of Class II gaming devices at an Oklahoma racetrack and at Tribal facilities.

An assessment and financial feasibility of Class II gaming devices at an Oklahoma racetrack and at Tribal facilities.

Analyses of the revenue potential and net impacts of video lottery terminals at Thoroughbred racetracks in Florida and New York.

Numerous feasibility studies for casinos, new racetracks, OTB systems, and other commercial gambling (and non-gambling) facilities.

For a wide variety of pari-mutuel facilities, assessments of the likely performance and impacts of the introduction of gaming devices and/or full-scale casino gaming. CCA has worked with the racing industries of several jurisdictions to assist in the introduction of gaming devices on favorable terms.

Provided expert witness testimony to the State of Wisconsin assessing the impacts of Indian gaming on Wisconsin greyhound tracks in re: Dairyland Greyhound Park, Inc. v. Scott McCallum et al.

Assistance to government entities investigating and preparing for the privatization of racing and wagering facilities, including the Patronato Hipodromo V Centenario, in the Dominican Republic, the Connecticut OTB system, then operated by the Connecticut Division of Special Revenue, and the Fondo de Inversiones de Venezuela, with regard to the race tracks of that country.

In 1996, for the Iowa Racing and Gaming Commission, an assessment of the potential demand and impacts on existing facilities from potential supply additions in the Omaha/Marquette market, South-eastern and South-central Iowa. CCA's analysis ultimately led to the licensing and successful launch of two riverboat casinos in that State.

Engagements in Assistance of Litigation

Valuation of Army Bingo Concession (Charitable Bingo Associates, Inc. dba Mr. Bingo v. US Army) (Included expert report and signature on opinion letter. Deposition and testimony provided by Eugene Christiansen.)

Valuation of Motor City Casino as of September 6, 1997 (Michael J. Malik Sr. v. Michelle Flaum-Malik) (Included expert report and signatory on opinion letter. Settled following interview with Eugene Christiansen and court-appointed facilitator.

Valuation of an un-built Louisiana racetrack (Livingston Downs Racing Association, Inc. v. Jefferson Downs, et al) (Included expert report and deposition of both Eugene Christiansen and Sebastian Sinclair.)

Assessment of the impacts of Indian gaming on Wisconsin Greyhounds Tracks (Dairyland Greyhound Park, Inc. v. Scott McCallum et al.) ongoing.

Litigation support to the law firm Leboef, Lamb, Leiby & MacRae in regards to Paulette Eichenholtz on behalf of International Thoroughbred Breeders, Inc. v. Robert E. Brennan.

Provided advice and counsel regarding the leisure and entertainment industries, focusing on the economics, finance, operations, and regulation of the legal (state-authorized) gambling industries to the firm of Jones, Day, Reavis & Pogue.

Provided advice and counsel to the firm of Milbank, Tweed, Hadley & McCloy in support of litigation concerning charitable gaming fundraisers.

Advice and counsel in an anti-trust case to the firm of Sutherland Asbill & Brennan LLP concerning the competitive market conditions in the market of totalizator systems.

Eugene Christiansen currently retained as expert witness in anti-trust case pending in Federal District Court for Tampa, Florida, on behalf of Tampa Bay Downs.

Christiansen Capital Advisors – Principals Biographies

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Mr. Christiansen has been active as an executive and consultant to the commercial gambling and entertainment industries since 1976. In the area of commercial gambling, he has conducted studies of the economics, taxation, financial structure, and regulation of casino gaming, pari-mutuel wagering, and lotteries, and has counseled Manhattan, Washington, D.C., Florida, and Michigan law firms in legal proceedings where gambling was an issue.

Representative work includes studies of the efficiency of a U.S. state lottery; estimates of the demand for casino gaming, lotteries, and pari-mutuel wagering in U.S. and foreign markets; the feasibility and revenue potential of off-track betting; the financial structure of the Atlantic City casino industry; the impact of gambling on U.S. Indian reservation lands on state-authorized gambling industries; analyses of gambling taxation; procedures to increase wagering and improve the efficiency of pari-mutuel betting operations; the changing nature of communications media and the implications of the changes for horse racing; the interrelationships among evolving consumer expectations, casino gaming, and other forms of entertainment; the evaluation of a proposed cable television network for a major U.S. telecommunications company; and assessment of acquisition prospects for a major equity fund.

Mr. Christiansen is the author of numerous articles dealing with casinos, horse racing, greyhound racing, jai alai, off-track betting, lotteries and related activities in trade, professional, and academic publications. He prepares authoritative statistical reports that are widely used domestically and abroad, including annual analyses of the gross wager of the United States that appears annually in International Gaming and Wagering Business magazine and other trade publications. These reports are recognized throughout the world as the most comprehensive and authoritative description of the gambling industries of the U.S. He is co-author of an influential academic study of gambling, The Business of Risk: Commercial Gambling in Mainstream America (University Press of Kansas, 1985).

Mr. Christiansen has served on the advisory boards of the National Council on Problem Gambling and the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada, Reno. He has also served on the faculty of the Institute's Executive Development Program.

Mr. Christiansen has accepted numerous invitations to address conferences concerned with casinos, the racing industry, real estate, the International Bar Association, and the Washington Journalism Center. He has also testified on various aspects of commercial gambling before Congress and state and local governments. His comments regarding gambling matters are often sought by the news media.

Mr. Christiansen is a graduate of the University of California at Berkeley.

Eugene Martin Christiansen – Published Writing

Books

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Mr. Sinclair has been an analyst at Christiansen Capital Advisors, LLC since 1993, in that capacity; he has conducted studies of the economics, financial structure, and valuation of existing and proposed gambling facilities. Mr. Sinclair has extensive experience in the development and application of quantitative computer models, and specializes in the competitive economics, business models, and the strategic financial analysis of legal gambling industries.

Illustrative current and recent projects include: a detailed assessment of the market potential for an Indian gaming facility to be located in West Warwick Rhode Island, and the resulting net impacts upon racetracks and racetrack devices in that State; the feasibility and likely financial performance of a casino cruise-to-nowhere to be berthed in Miami, Florida; The current analysis of, and five year forecast for, the worldwide market for casino gambling supplier industries through the development of a detailed economic input/output account model; an assessment of the prospects for Class II gaming devices at an Oklahoma racetrack; analysis of the potential and net impacts of video lottery terminals at a thoroughbred racetracks in Florida and New York; assessment of the prospects for, valuation, and strategic development of, Hialeah Park for the State of Florida; analysis of the potential and net impacts of video lottery terminals at a thoroughbred racetrack; a detailed sales model, historical and pro forma, for the gaming device market, that has since been adopted by the research analysts of many major financial institutions; advice and counsel to the research analysts at Salomon Smith Barney on various companies and industries; the development of a business model and assistance with the business plan of a major media company investing in new Internet businesses; and the appropriate valuation and strategy for the purchase of an ailing Las Vegas Strip property for a New York investment firm; include: the analysis and evaluation of international markets, and strategic advice on entering these markets, for a publicly traded Internet commerce concern; industry analysis and strategic advice to a major Australian telecommunications company planning to expand its business to

the Internet; the development of a business model and assistance with the business plan of a major media company investing in new Internet businesses. Since 1994, Mr. Sinclair has directed the data collection, statistical analysis, and assessment of gambling industries in the "The Gross Annual Wager of the United States" published annually in International Gaming and Wagering Business (IGWB) magazine. These articles review wagering statistics, trends, new gambling products, and industry analysis.

Mr. Sinclair is the author of numerous professional articles dealing with the economic and financial aspects of legal gambling industries in trade and professional publications. Of particular note, is his widely cited and respected "By the Numbers" column published by IGWB. Mr. Sinclair authored a chapter assessing the prospects for Internet gambling that was recently published in "The Internet Gambling Report IV" edited by Anthony Cabot. Mr. Sinclair has leveraged his unique experience with computers and the Internet, and knowledge of legal gambling businesses to become one of the foremost experts in the world on the subject of Internet gambling. His opinion and comments regarding these and other gambling matters are often sought by the news media.

Mr. Sinclair has testified on various aspects of commercial gambling before state, local governments, and the US Congress. He has also been a featured speaker at the World Gaming Congress and Expo, The Global Interactive Gaming Summit, Gaming Online, Investing in Online Gaming, and several other industry conferences.

Mr. Sinclair is a graduate of New York University.

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