



Association of Gaming Equipment Manufacturers



# SLOT MARKET ASSESSMENT

ANALYSIS OF INDUSTRY DATA



February 25, 2015

Mr. Marcus Prater  
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Sent via email ([AGEM.org@cox.net](mailto:AGEM.org@cox.net))

## RE: Slot Market Assessment: Analysis of Industry Data

Dear Mr. Prater:

In accordance with your request, Applied Analysis ("AA") is pleased to submit this *Slot Market Assessment: Analysis of Industry Data* report. AA was retained by the Association of Gaming Equipment Manufacturers (the "Association" or "AGEM") to review and analyze available slot revenue and hold data in 16 jurisdictions to better understand historical market performance trends. This summary report outlines the salient findings and conclusions of our review and analysis as of the date of this report.

This report was designed by AA in response to your request. However, we make no representations as to the adequacy of these procedures for all your purposes. Generally speaking, our findings and estimates are as of December 31, 2014 and utilize the most recent data available. This report is dated as of the last day of our fieldwork. The information provided in this summary, and the conclusions reached herein, are based on the findings of our research and our knowledge of the market as of the date of this report.

Our report contains gaming data and other industry-related information. This information was collected from our internal databases and various third parties, including the Association and other public data providers. The data were assembled by AA. While we have no reason to doubt its accuracy, the information collected was not subjected to any auditing or review procedures by AA and; therefore, we can offer no representations or assurances as to its completeness.

This report is an executive summary. It is intended to provide an overview of the analyses conducted and a summary of our salient findings. AA will retain additional working papers relevant to this study. If you reproduce this report, it must be done so in its entirety. We welcome the opportunity to discuss this report with you at any time. Should you have any questions, please contact Jeremy Aguero or Brian Gordon at (702) 967-3333.

Sincerely,

  
Applied Analysis

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## Introduction

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The Association of Gaming Equipment Manufacturers (the “Association” or “AGEM”) through its members has become increasingly interested in better understanding the concept of “Return to Player” (“RTP”) and its overall impact on gaming revenue. Generally speaking, slot revenues within the United States have been trending on a relatively flat to down trajectory. There are two schools of thought with regard to the correlation between RTP (or the share of wagers held by slot operators (“slot hold percentage” or “slot win percentage”)) and overall gaming revenues (or “slot win”). Some believe that slot machine operators have been choosing to utilize “tighter” machines in an effort to capture a higher share of revenue from their players. Others believe that this “tightening” of the hold percentages on slot machines has impacted the overall player experience, resulting in lower returns on a net basis for slot operators over the longer-run due to fewer trips and/or shorter time on the device.

Quantifying the impact of hold percentage choices is a difficult task given the evolution of the gaming experience, the ever-changing nature of the economy as a whole, and other external factors. Given the volume of information available in the public domain and the various ways to analyze the information, the Association asked Applied Analysis (“AA”) to assemble, analyze and report on available information. This summary report is intended to provide baseline information on historical market performances and shed light on the issue at hand. Additional analyses, including case studies, primary research and other analytical assessments, may be warranted to evaluate the interplay between slot hold percentages and overall gaming revenue.

## Defining the Objective and Scope of Work

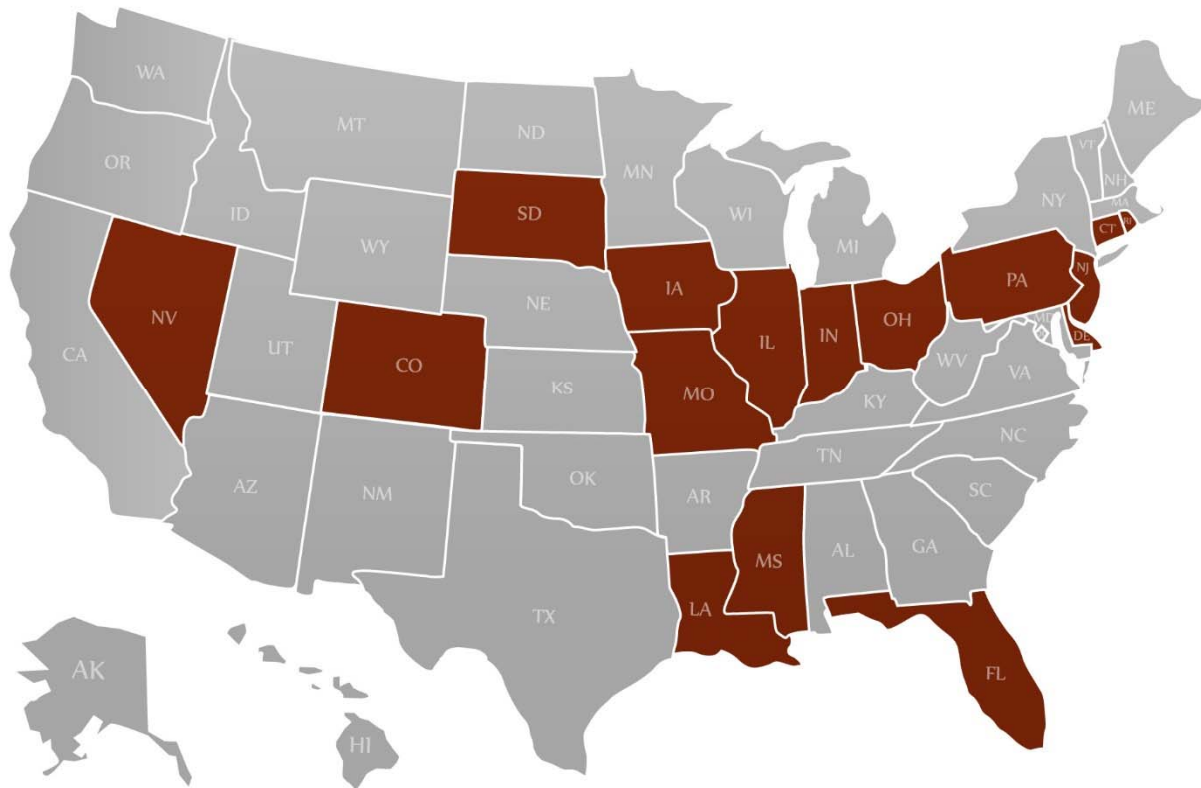
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Overall, the objective of the analysis is to evaluate whether a lower or higher RTP impacts slot revenue. Proponents of a lower RTP argue that they seek efficient usage of assets by increasing the player churn rate. Conversely, proponents of a higher RTP argue that they seek to elevate entertainment levels and therefore player interest and participation. The proposed approach is designed to elicit any meaningful insight and/or trends in this particular regard from available sources of information.

First, AA utilized publicly available data from various gaming control boards and/or commissions to report on long-run historical trends in total slot revenues as well as hold percentages. The timeframe analyzed in each market is dependent on available data, but AA targeted the inception of gaming in each market. AA analyzed the following domestic casino-gaming markets:

- Colorado
- Connecticut
- Delaware
- Florida
- Illinois
- Indiana
- Iowa
- Louisiana
- Mississippi
- Missouri
- Nevada
- New Jersey
- Ohio
- Pennsylvania
- Rhode Island
- South Dakota

## United States Gaming Markets Analyzed



There are a number of external forces impacting overall performances; as such, AA also conducted analyses to determine if there are any identifiable trends and/or correlations. Examples of the types of external forces researched and reported included significant property openings/closings, gaming regulatory changes (e.g., the introduction of VGTs in Illinois), notable weather or natural disaster events (e.g., Hurricane Katrina in Louisiana), and other similar factors of note.

The results of this analysis are expected to be combined with other industry analyses and market information in developing overall conclusions. Contributions from gaming operators, manufacturers and other stakeholders are expected to provide a comprehensive review and analysis of the question presented.

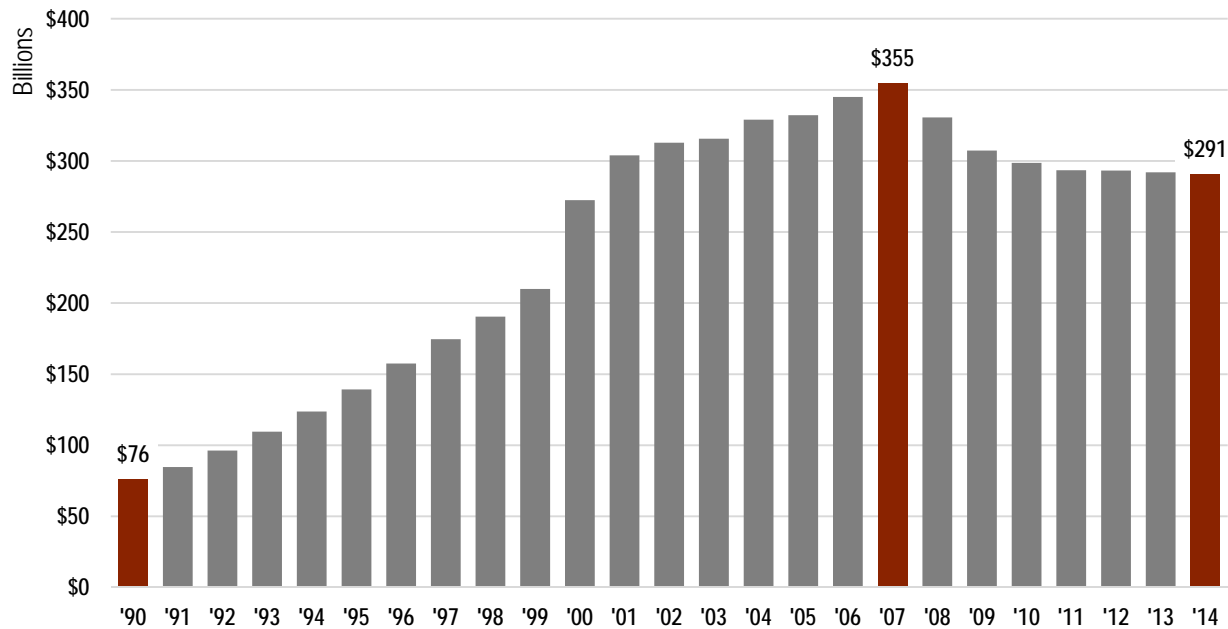
## Summary of Findings

There is no question that the gaming sector has evolved significantly over the past several decades as a number of states welcomed commercial forms of casino gaming. Two key factors that are certain as a result of the expansion of gaming: (1) more people have been exposed to gaming activities than may have been otherwise (broadening the potential demand pool); and (2) the competitive landscape evolved significantly during the better part of the past 30 years (increasing the supply-side of the equation). The net result is that gaming operators have been required to operate with more efficiency and creativity.

### Slot Handle Summary

Slot handle reflects the gross amount of money wagered on slot machines across the jurisdictions analyzed. Since the early 1990s, slot handle continued on a consistent trend line, increasing from approximately \$76 billion in 1990 to a peak value of approximately \$355 billion in 2007, representing a compound annual growth rate (CAGR) of 9.4 percent. From the peak of the market (2007), total slot handle declined at a CAGR of 2.8 percent to \$291 billion in 2014. The following depicts the market's historical performance. See the section titled *State-by-State Gaming Summary* for a review of each individual market.

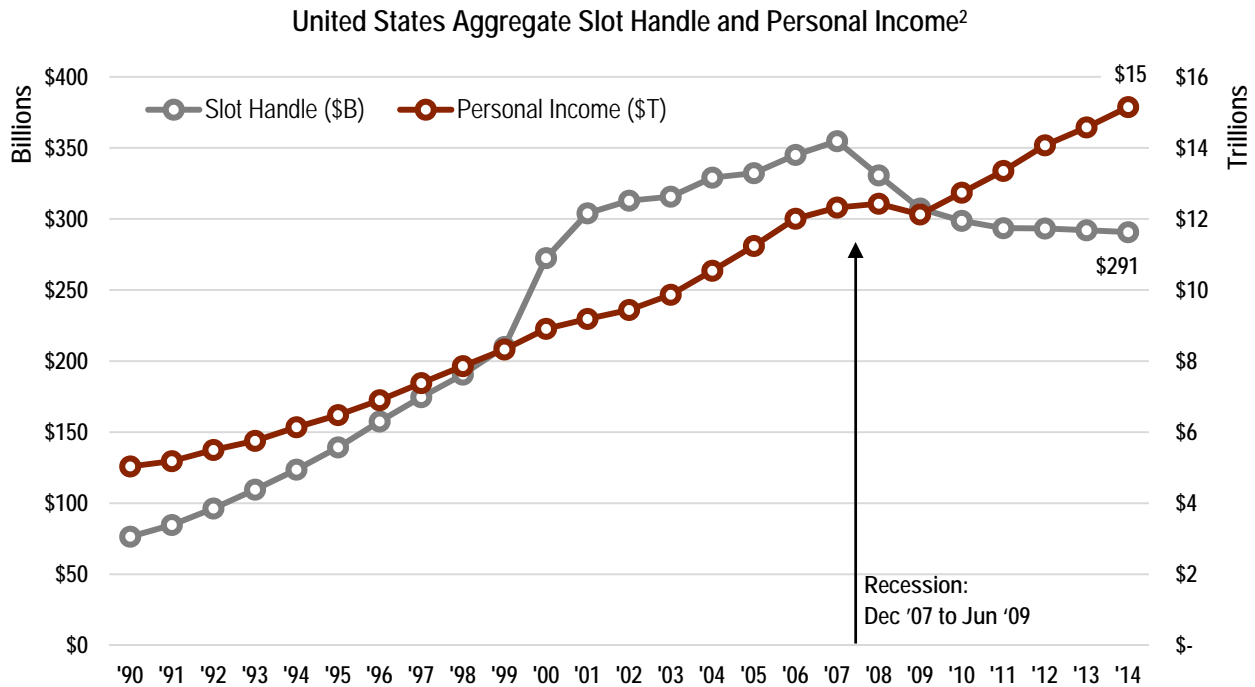
United States Aggregate Slot Handle for Reported Jurisdictions<sup>1</sup>



The shift in the total amount wagered is largely attributed to a change in the economic climate following 2007. From December 2007 to June 2009, the United States economy reported the longest recession (18 months), known as the *Great Recession*, since the *Great Depression* spanning from August 1929 to March 1933. The economic downturn played a significant role in the operational performance of gaming operators and overall consumer behavior. A total

<sup>1</sup> Aggregate slot handle for the United States reflects reported data from the 15 states noted in the introductory sections of this report; Louisiana does not publicly report slot handle and has been excluded from these figures. Slot metrics includes video lottery terminals (VLTs) and video gaming terminals (VGTs), where data is available.

of 8.7 million jobs were lost during the Great Recession, causing personal income and overall consumer spending to contract during that period. This event likely impacted how the public viewed their spending priorities post-recession as well.



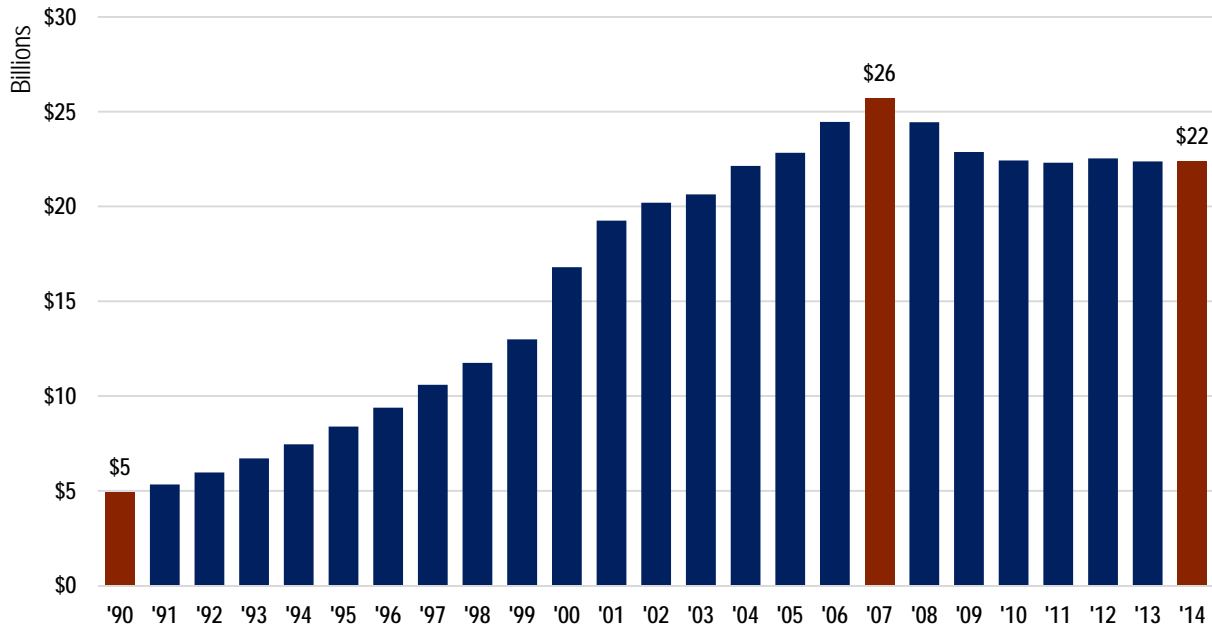
### Slot Win Summary

Slot win reflects the amount wagered by slot patrons, less the amount paid out. Total slot win across the country reported similar directional trends as slot handle reported above. In 1990, aggregate slot win totaled approximately \$5 billion and increased steadily to approximately \$26 billion by 2007, equating to a CAGR of 10.2 percent during that timeframe. Consistent with slot handle, the trend shifted to one of contraction in 2008, and generally continued through 2014 when total win reached \$22 billion (-2.0 percent CAGR).

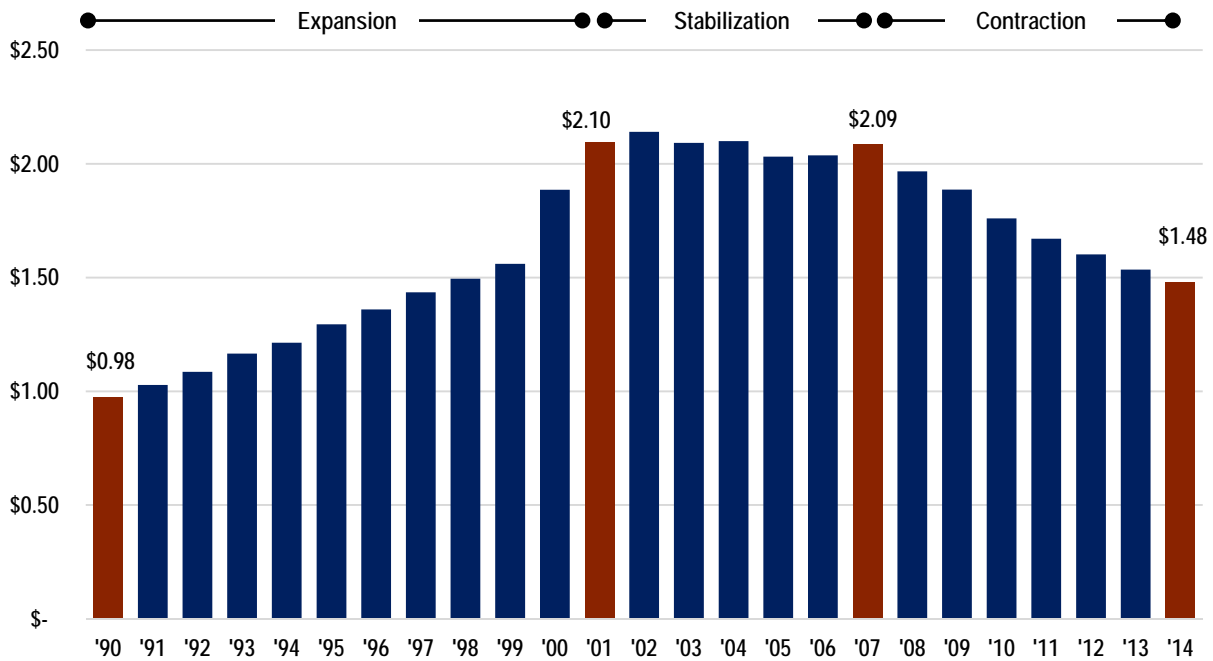
In addition to the trend in gaming win, it is important to understand how slot win has trended relative to personal incomes. Throughout the majority of the 1990s, slot revenue expanded at a faster pace than overall personal incomes suggesting a higher share of consumers' wallets were being dedicated to gaming activities. These trends moderated somewhat through the 2001 to 2007 timeframe as gaming revenue growth more closely approximated gains in personal income. From 2008 forward, there has been a clear and consistent trend that consumers are simply spending less of their earnings on slot activities.

<sup>2</sup> Personal income sourced to the Bureau of Economic Analysis (BEA); 2014 personal income growth estimated at 3.9 percent.

United States Aggregate Slot Win for Reported Jurisdictions<sup>3</sup>



United States Aggregate Slot Win per \$1,000 of Personal Income<sup>4</sup>



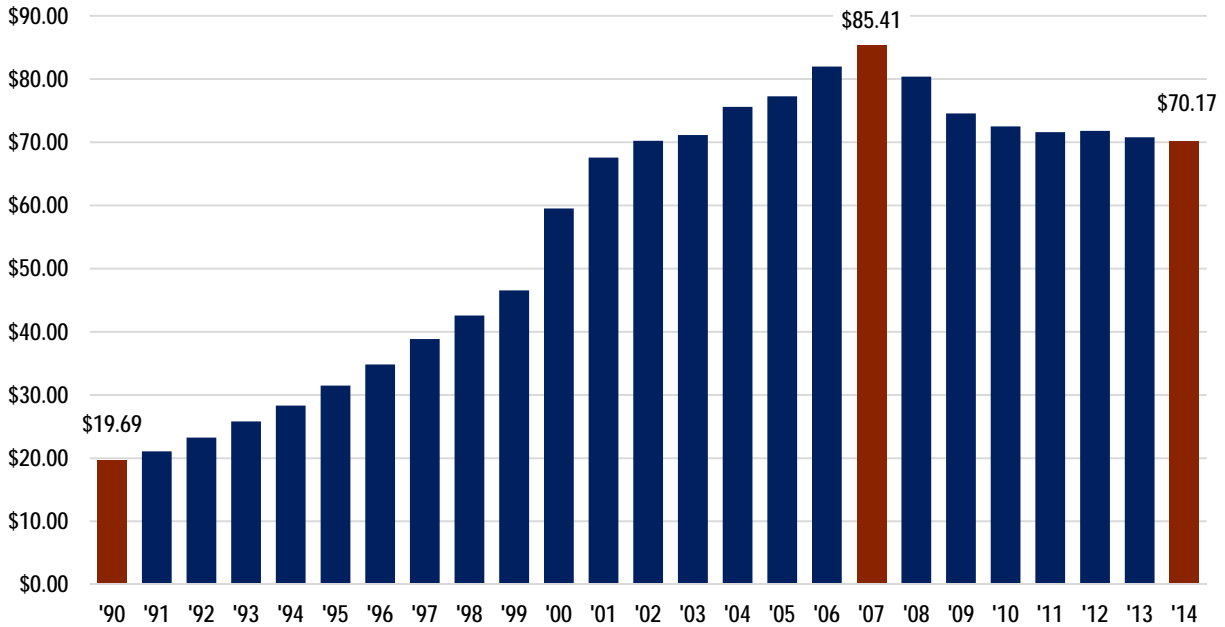
<sup>3</sup> Aggregate slot win for the United States reflects reported data from the 15 states noted in the introductory sections of this report; Louisiana does not publicly report slot win and has been excluded from these figures.

<sup>4</sup> Ratio reflects gaming win for the reported 15 states against United States personal income; the ratio is intended to provide a directional sense of movements despite imperfect alignment of geographic boundaries due to gaming patrons traveling across state lines to participate in gaming activities and other factors; personal income data for 2014 estimated to expand at 3.9 percent.



In addition to reviewing aggregate slot win relative to personal incomes, an analysis of win per capita demonstrates a similar trend. Total win per capita expanded throughout history until the peak of \$85.41 in 2007, with contraction in the 2008 to 2014 period. Throughout history, the number of casinos and slot machines continued to expand (adding capacity), and gaming play (slot win) had outpaced the growth in the number of players (population base) or their spending potential (personal income).

**United States Aggregate Slot Win per Capita<sup>5</sup>**

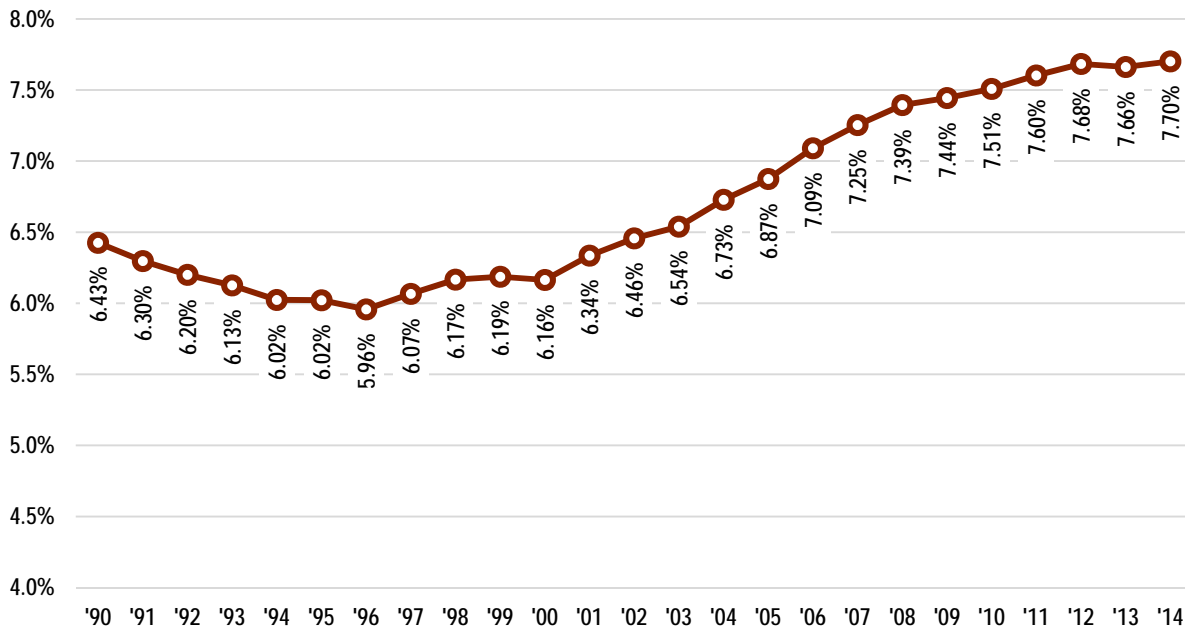


**Slot Hold Percentage Summary**

The ratio between the amount of slot win and slot handle reflects the slot hold percentage. This ratio is not a figure that is simply randomly determined based on the play of the game. Rather, slot machines are programmed with targeted hold percentages that are designed to be achieved over a long period of play. The actual hold percentage, the inverse of which is referred to as the RTP in the introductory section of this analysis, has reported consistent increases over time. Aggregate slot hold percentage reached a low of 5.96 percent in 1996, and it has posted increases generally throughout the period ending 2014. The following highlights the aggregated slot hold percentage for the 15 publicly reported states. Louisiana, which does report slot hold data (but not handle or win), has reported a consistent directional trend line.

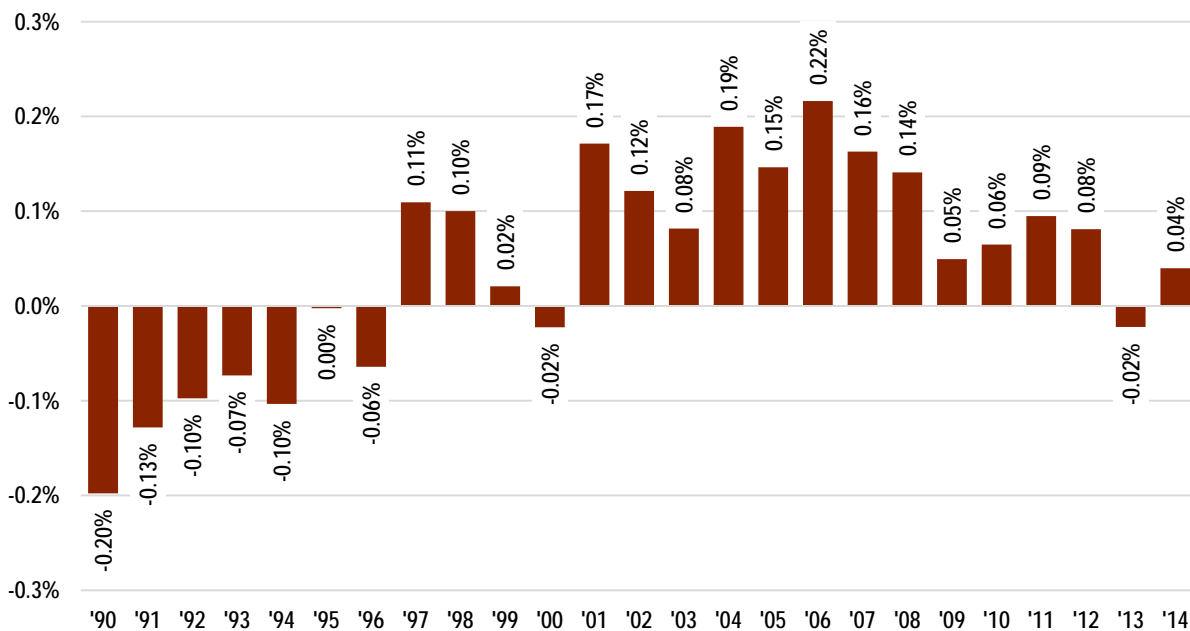
<sup>5</sup> Ratio reflects gaming win for the reported 15 states against United States population.

United States Aggregate Slot Hold Percentage



In addition to analyzing the historical trend in hold percentage, a review of the annual change in hold percentage indicates the gains in hold percentage were generally greatest during the 2001 to 2007 timeframe, reporting an average annual increase of 0.16 percentage points. From 2008 to 2014, the average annual gain was nearly one-third of the previous period change at 0.06 percent points. During 2013, the industry reported a decline in aggregate slot hold percentage followed by a year of increase in 2014.

Annual Growth in United States Aggregate Slot Hold Percentage



It is worth noting that not all states follow the aggregate market trends shown above. One market that appears to be moving in an opposite direction from the broader market is the emerging Florida gaming market. Since inception (2006), Florida has reported a declining trend in slot hold percentage, while revenues have continued to escalate in the post-recession era; supply-side expansions were also occurring. Rhode Island has also reported continued revenue expansions since slot hold percentage remained relatively flat to down since the 2007 timeframe. Also noteworthy is the fact that slot win both increased and decreased during periods when slot hold percentage was increasing.

## Conclusion

Based on our primary research conducted in selected markets (independent from this engagement), review of publicly reported consumer spending data and our understanding of the gaming sector, it appears broader economic conditions have played a meaningful role in the overall performance of the slot industry. During periods of notable economic expansions (mid-2000s), the gaming sector reported similar trends (in handle and win). On the other hand, the point at which the economic climate shifted from expansion to contraction, the slot industry followed suit. More specifically, total slot handle and win contracted for the first time in 2008 (the first full year of the *Great Recession*). This appears to be the inflection point for slot operators overall.

### Selected Economic and Slot Metrics by Cycle

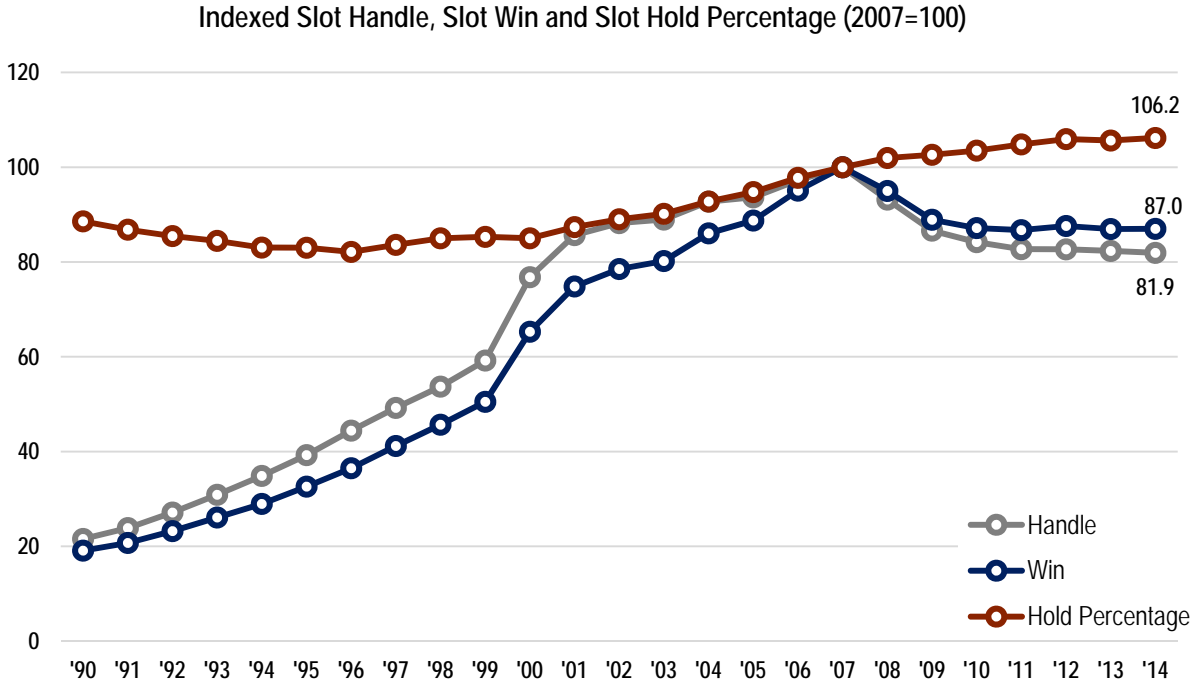
Cycle <sup>6</sup> Years	Expansion 1990 to 2001	Stabilization 2002 to 2007	Contraction 2008 to 2014
<b>Economic Metrics</b>			
Population - CAGR	1.2%	0.9%	0.8%
Employment - CAGR	1.7%	0.7%	0.1%
Personal Income - CAGR	5.6%	5.0%	2.9%
Gross Domestic Product - CAGR	5.4%	5.4%	2.8%
<b>Slot Market Metrics</b>			
Slot Handle - CAGR	13.4%	2.6%	-1.8%
Slot Win - CAGR	13.2%	5.0%	-2.0%
Slot Hold - Average	6.2%	6.8%	7.6%
Slot Hold - Low	6.0%	6.5%	7.4%
Slot Hold - High	6.4%	7.3%	7.7%
Slot Hold - Change (Low to High)	0.5%	0.8%	0.3%

While economic conditions appear to be material factors in slot performance trends, there may be other factors impacting the industry's overall performance, specifically following the conclusion of the most recent recession. Consumer spending has improved in most major gaming markets throughout the United States in recent years, while gaming volumes have continued to contract. These divergent trends, along with consumers spending a smaller share of their personal income on gaming activities in the post-recession period (July 2009 to present), suggest other factors may be impacting slot play.

Slot hold percentage has continued to edge up during the same post-recession timeframe, while gaming volumes have continued to edge down. The chart on the following page provides a comparison of aggregate slot handle, slot

<sup>6</sup> Cycles noted within the table reflect the periods identified on the chart at the bottom of page 5, which reports on the amount of slot win per \$1,000 of personal income.

win and slot hold percentage for the markets identified. All values are indexed to 2007 (end of stabilization period noted in the preceding chart) to provide a relative perspective for each of the key performance metrics. At its essence, slot hold percentage is 106.2 percent of where it stood in 2007 (+6.2 percent), while slot handle and slot win are at 81.9 percent (-18.1 percent) and 87.0 percent (-13.0 percent) of their 2007 levels, respectively.



Overall, the data assembled and analyzed suggests consumers' share of income spent on gaming activities began to plateau in the 2000s, which was also the time in which slot hold percentages began to report their most significant rate of increase. By 2008, the onset of the *Great Recession* appeared to be a triggering event that shifted the spend profile of consumers. While it would not be unreasonable for slot win to decline during this timeframe (regardless of slot hold changes), it would have been equally reasonable to believe that slot win would have reported recovery in the 2010 to 2014 timeframe more consistent with broader spending patterns. This recent shift in slot win has also been timed with a period when slot hold percentages have reached their all-time highs. While statistical correlations on a state-by-state basis vary due to any number of factors, the broader, aggregate trends would suggest a rising hold percentage has not translated into incremental gaming revenue for operators during the post-recession era. In fact, they very well may be contributing to its decline.

### State-By-State Gaming Summary

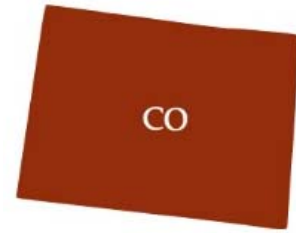
The following subsections of the analysis provide a state-by-state summary of factors impacting the gaming market along with key performance trends. Each state analysis includes a brief overview of the gaming market, key events in the state's gaming history, and performance trend data on slot handle, slot win and slot hold percentage. The analysis also includes combined trend data for the three key metrics that are indexed to a common value of 100 to provide an easier review of the three measures in aggregate. The majority of indexed values are set to 100 as of 2004, but for jurisdictions with gaming commencing after this date, a normalized date was selected for presentation purposes.

## Colorado

### *Overview*

Modern legalized gaming in Colorado began with a voter-approved constitutional amendment in 1990. The amendment limits gaming to three historic mountain towns, Black Hawk, Central City and Cripple Creek, which are home to 36 casinos.

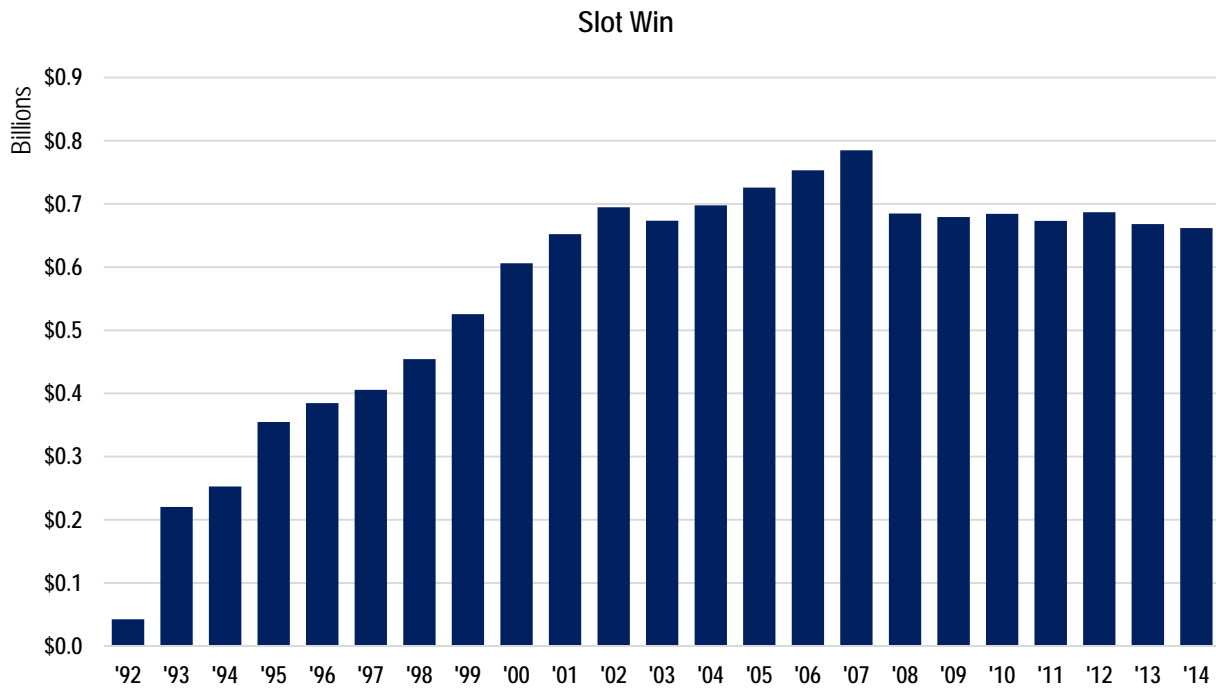
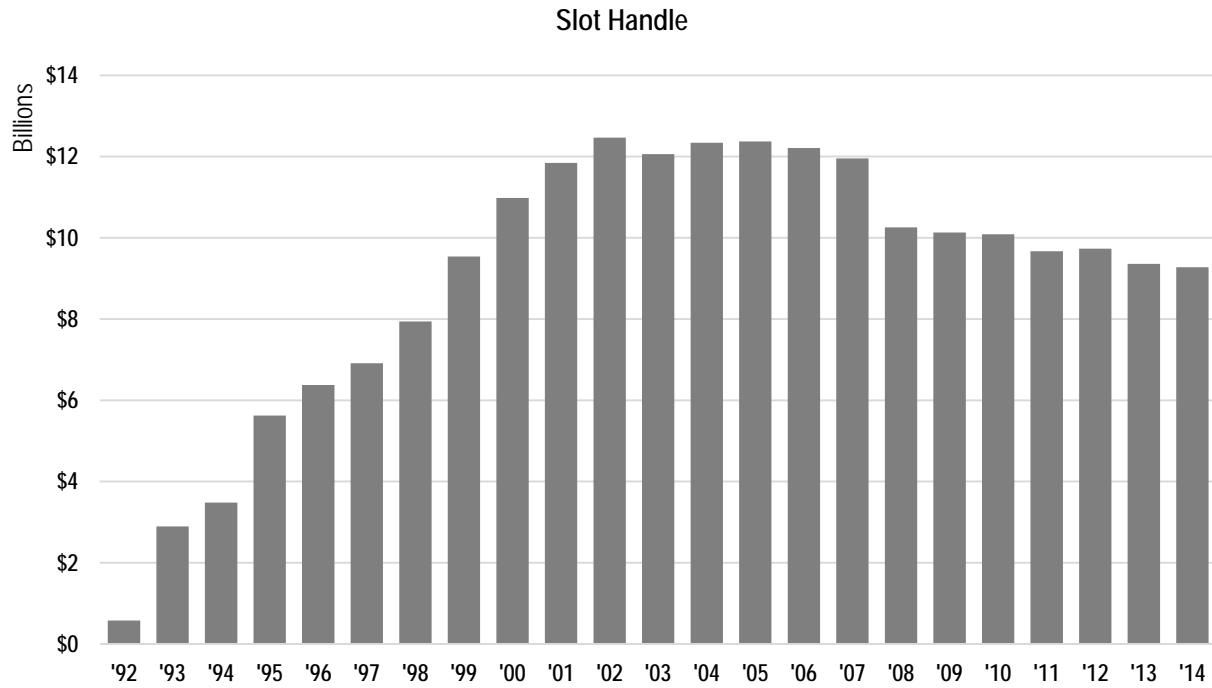
Statewide, roughly 13,600 slot machines generated \$659.4 million in revenue in fiscal year 2014. The casinos can also offer a variety of table games, including blackjack, poker and craps. Colorado is also home to two Indian casinos, the Sky Ute Casino in Ignacio and the Ute Mountain Casino in Towaoc.



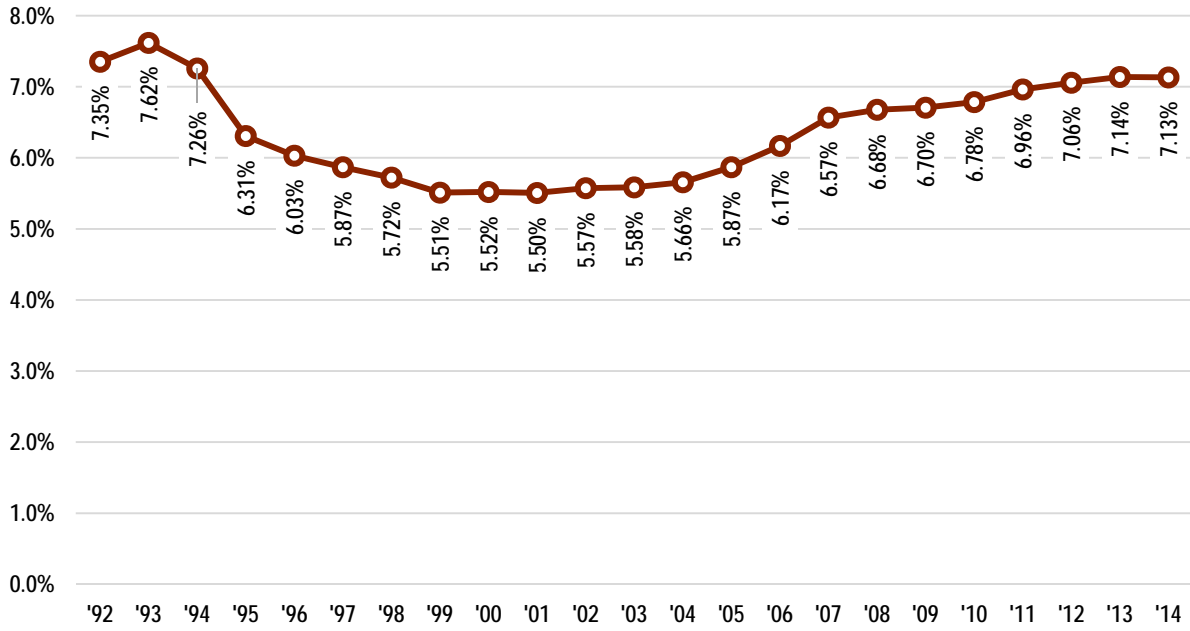
### *Key Events in History*

- November 1990 – Voters statewide approve a constitutional amendment to legalize limited gaming by a 57-43 percent margin. The original law limited games to slots, blackjack and poker, and the maximum bet to \$5. Casinos also had to close between 2 a.m. and 8 a.m.
- November 2003 – Voters overwhelmingly rejected a constitutional amendment that would have legalized video lottery terminals at racetracks in the state.
- November 2004 – Central City Parkway opened, giving motorists a direct path to Central City. The town funded the new road to avoid losing business to neighboring Black Hawk, which was the first casino town drivers encountered on the road from the Denver metro area.
- November 2008 – Voters approve another gaming-related constitutional amendment with 58 percent of the vote. This one expanded gaming to allow for 24-hour casino operation, add craps and roulette, and raise the bet limit to \$100. Implementation of the new rules required approval by voters in each gaming city. All three jurisdictions adopted the changes within a few months.
- May 2011 – A bill to legalize video lottery terminals at racetracks dies in the Legislature. A similar bill introduced the following year met the same fate.
- September 2013 – Flooding throughout the state could have had potential weather-related effects on gaming revenue.
- November 2014 – A constitutional amendment to allow casino gaming in three of Colorado's metropolitan counties failed overwhelmingly at the polls. The amendment would have legalized gaming at racetracks in Arapahoe (Denver), Mesa (Grand Junction), and Pueblo counties.

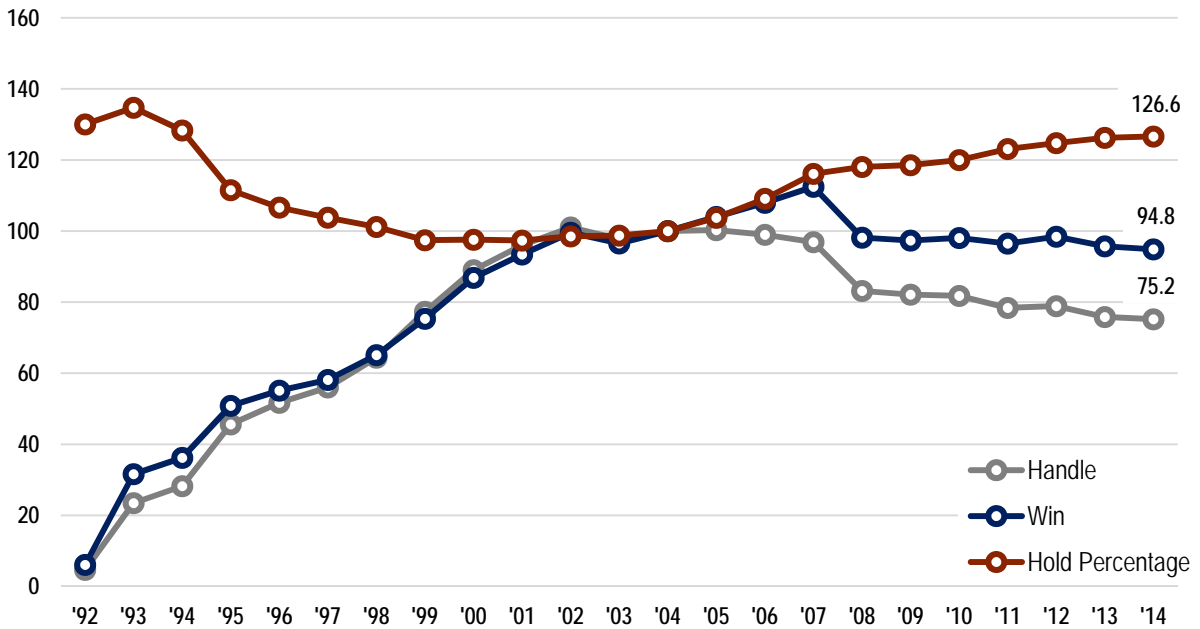
## Historical Slot Performance Trends



Slot Hold Percentage



Indexed Slot Handle, Slot Win and Slot Hold Percentage (2004=100)



## Connecticut

### *Overview*

The Constitution State is home to just two casinos. Both are run by Indian tribes, and both are among the largest casinos in North America. The Foxwoods Resort Casino in Ledyard and Mohegan Sun in Uncasville operate a combined 11,000 slot machines that generated \$587.7 million in slot hold in fiscal year 2014. Although they are not regulated by the state, the tribes have an agreement to pay 25 percent of slot hold to the state.

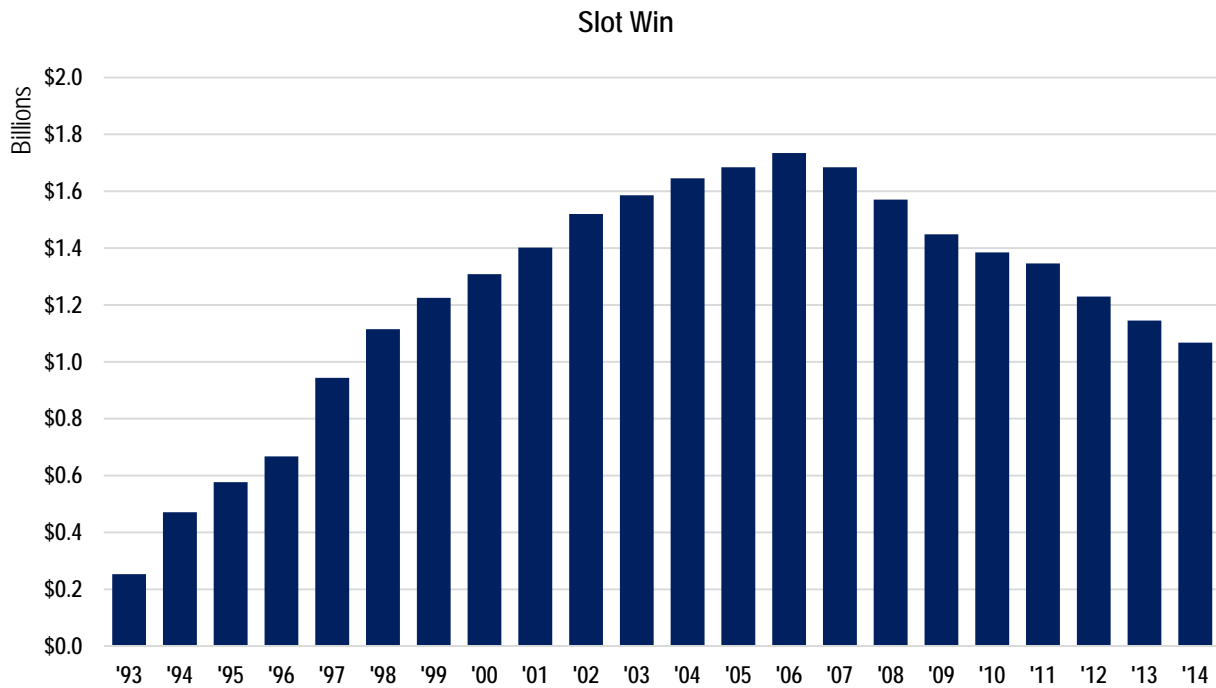
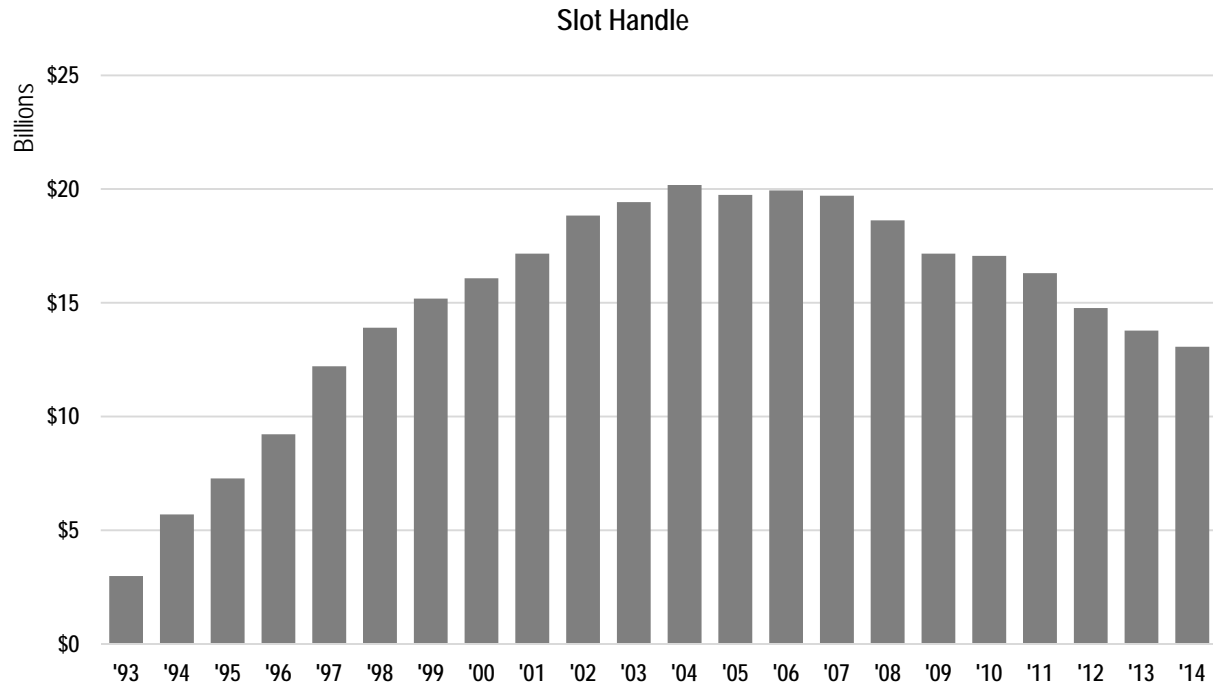


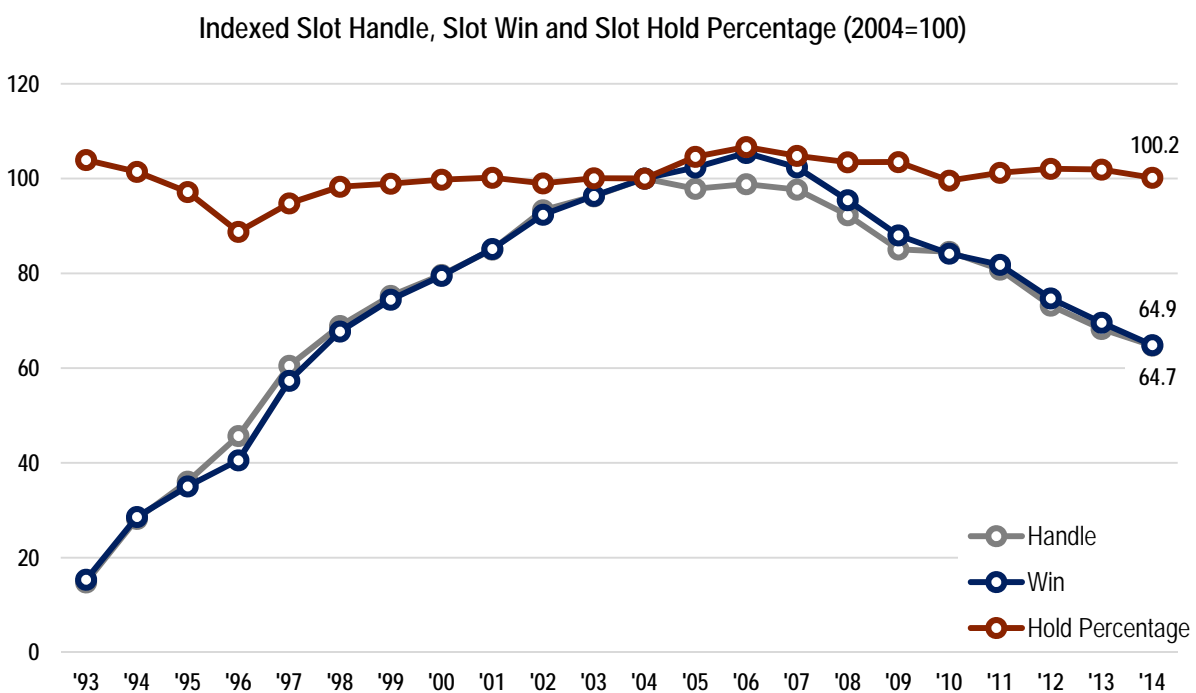
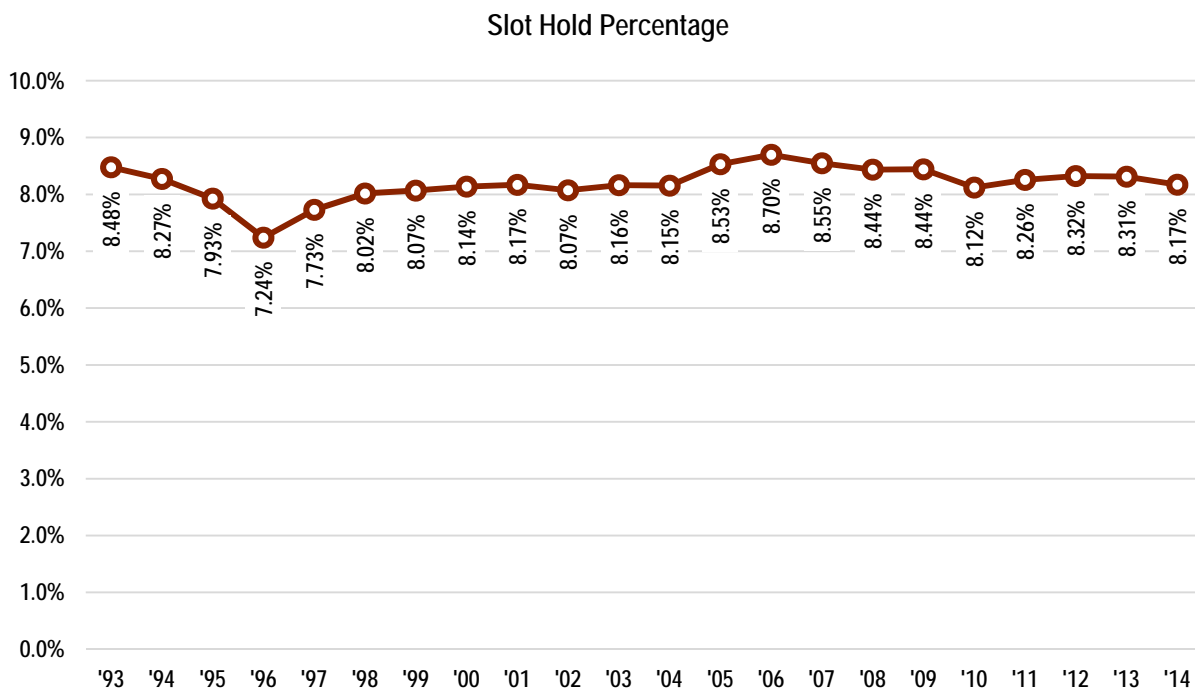
### *Key Events in History*

- July 1986 – The Mashantucket Pequot Tribe opens a high-stakes bingo hall at what will later become the Foxwoods Resort Casino.
- February 1992 – The Foxwoods High Stakes Bingo & Casino opens with casino table games, such as blackjack and roulette. Slot machines, however, are still banned in the state, so they are not allowed in the new casino.
- January 1993 – The Mashantucket Pequot Tribe and Connecticut governor's office reach an agreement to allow slots in the Indian casino. In exchange, the tribe will pay 25 percent of slot revenues to the state.
- October 1996 – The Mohegan Tribe opens the Mohegan Sun.
- May 2008 – Foxwoods Resort Casino opens a \$700-million expansion called MGM Grand at Foxwoods. The partnership with MGM Mirage (now MGM Resorts International) that forged the expansion ended in 2013.
- October 2012 – Hurricane Sandy ravages the East Coast. Both casinos remain open, but revenue takes a hit because of the extreme weather.



## Historical Slot Performance Trends





## Delaware

### *Overview*

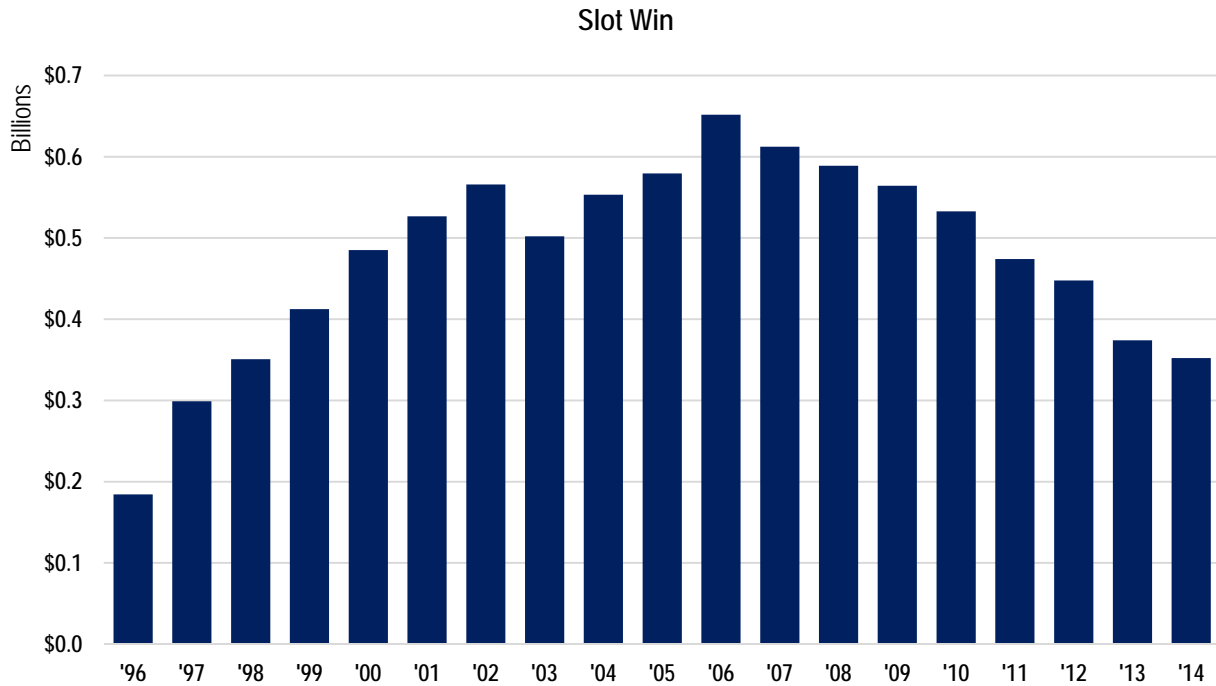
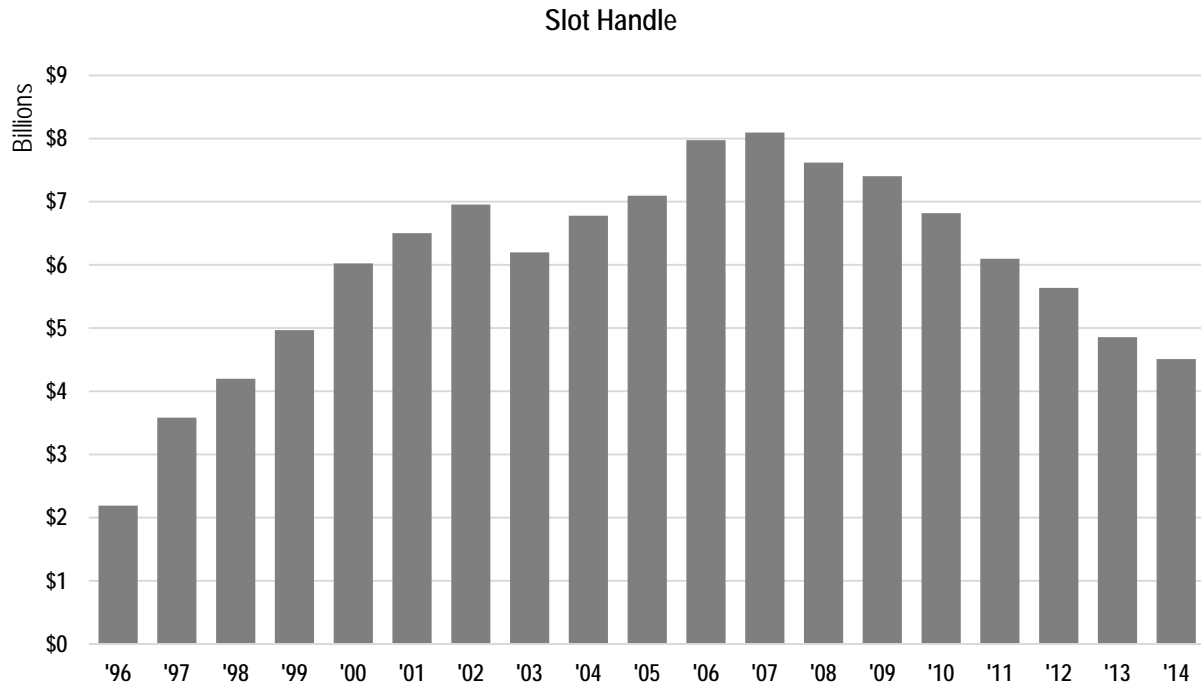
Like many other states, Delaware opened legalized gaming with video lottery terminals. Since then, it has expanded gaming options to include casino table games, sports betting and online gaming, which are all overseen by the Delaware State Lottery. The state's casinos are housed at three horserace tracks, Dover Downs, Delaware Park and Harrington Raceway. In fiscal year 2014, the 6,500 slot machines statewide earned \$355.3 million in revenue. That number has fallen significantly in recent years as neighboring states have added and expanded gaming options.



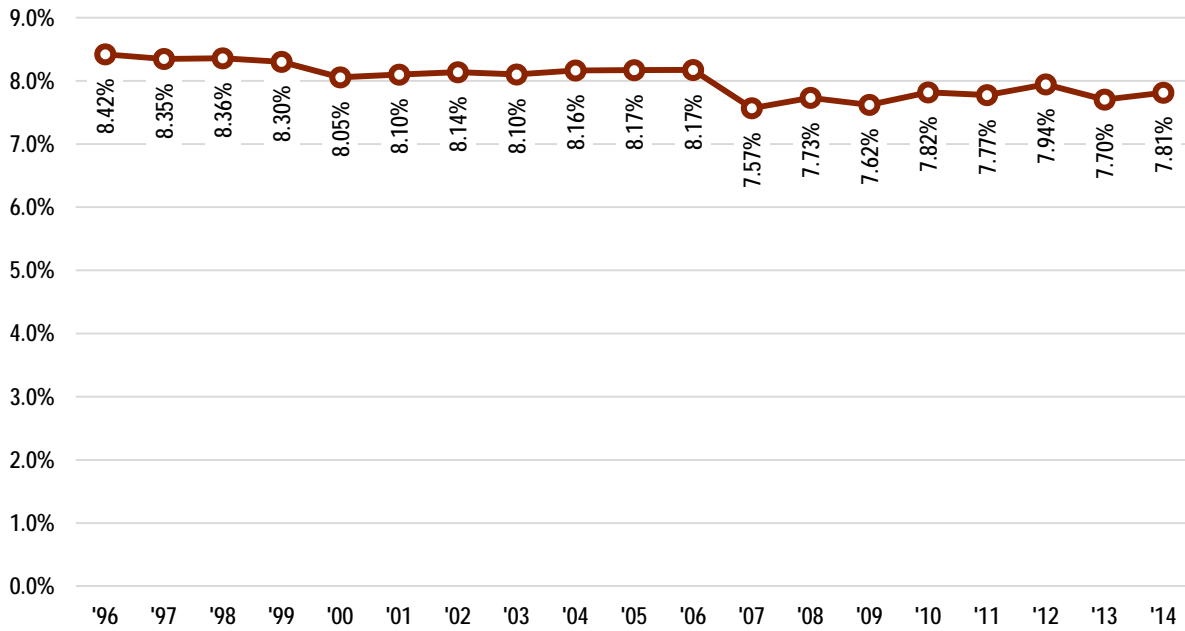
### *Key Events in History*

- June 1994 – The Legislature passes the Delaware Horse Racing Redevelopment Act, which legalizes slot machine at the state's three horse racing tracks. The first machines start operation in December 1995.
- November 2002 – The Delaware Clean Indoor Air Act becomes law, banning smoking inside casinos.
- July 2004 – Nearby Pennsylvania legalizes slot gaming. The first casinos opened in late 2006.
- January 2006 – State law expands the maximum number of slot machines at a casino from 2,500 to 4,000. The amended law also extends casino operating hours to 24 hours for most days. Casinos must still close on Easter, Christmas and from 6 a.m. to noon on Sundays.
- July 2008 – State eliminates mandatory Sunday morning closing hours for casinos, citing competition from neighboring states.
- November 2008 – In neighboring Maryland, voters approve a constitutional amendment to legalize slot gaming.
- May 2009 – Sports betting and table games at casinos legalized under state law. The first table games begin operation in June 2010.
- June 2012 – The Delaware Gaming Competitiveness Act becomes law, making Delaware the first state to legalize online gaming. Money games go online in October 2013.

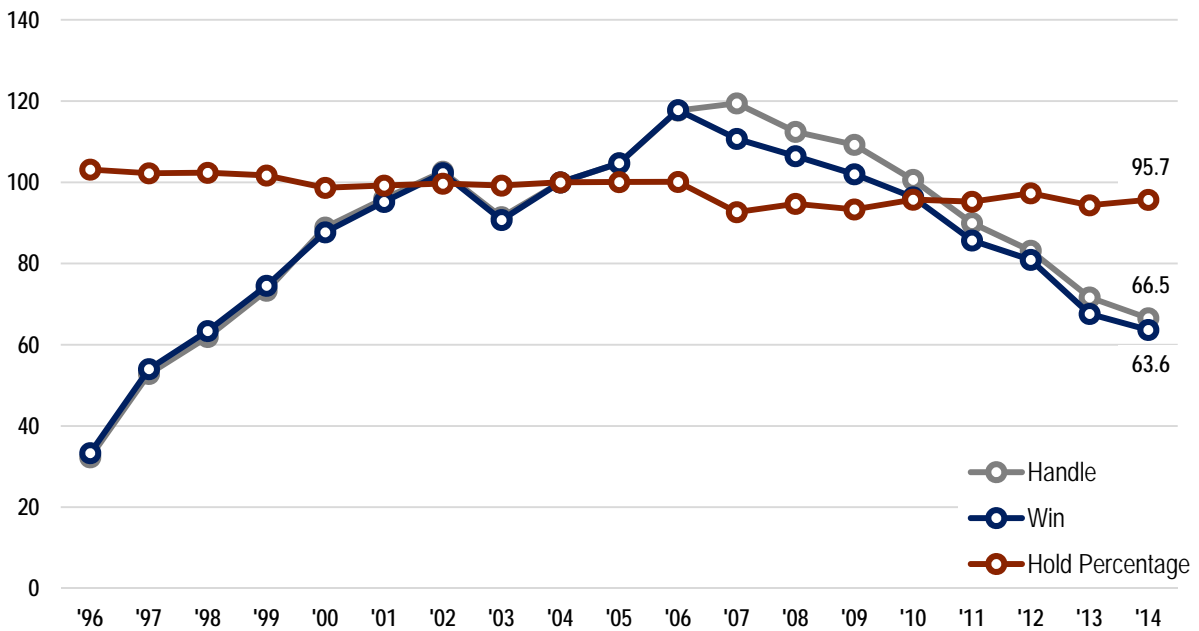
*Historical Slot Performance Trends*



### Slot Hold Percentage



### Indexed Slot Handle, Slot Win and Slot Hold Percentage (2004=100)



## Florida

### *Overview*

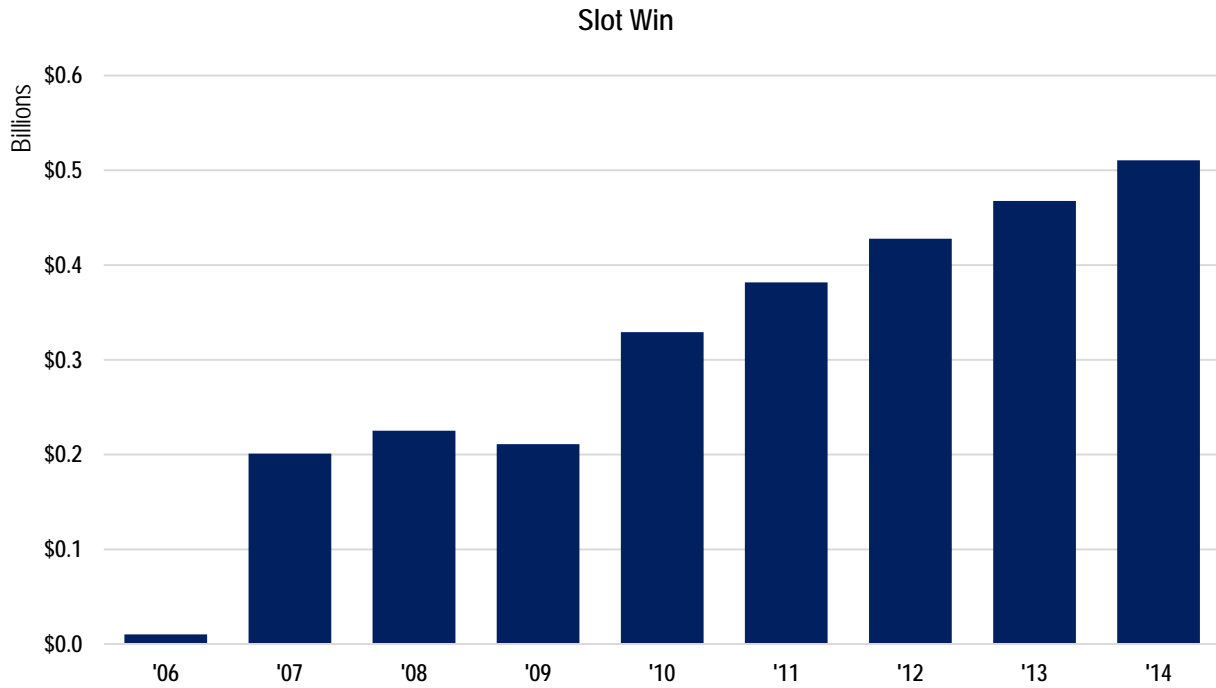
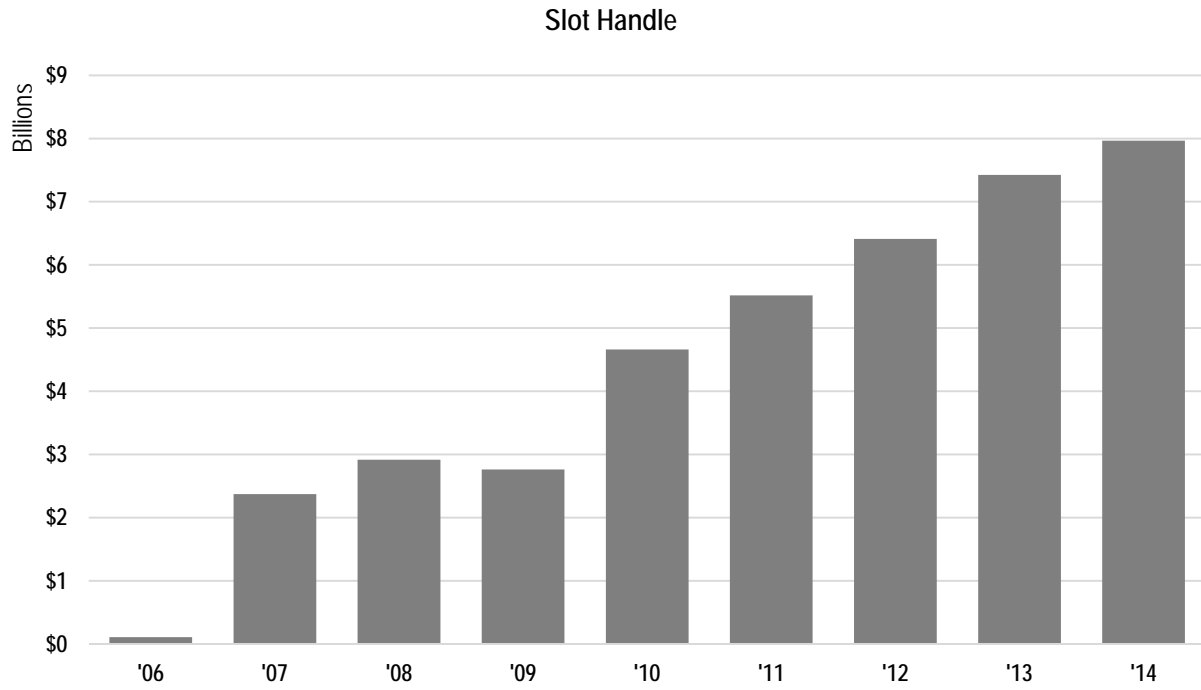
The Sunshine State has an eight-decade history with pari-mutuel racetrack betting, but it wasn't until a voter-approved initiative in 2004 that it welcomed slot machines. Now, seven so-called racinos with slot machines operate in the southern part of the state. The 7,500 slot machines at those locations raked in \$497.0 million in revenue in fiscal year 2014. The state's approval of slots opened the door for local Indian tribes, especially the Seminoles, to expand their gaming operations. The Seminole tribe, whose legal fight helped pave the way for legalized Indian gaming across the country, operates seven casinos in Florida. The Miccosukee tribe runs a single casino. Those gaming operations also face competition from "cruises to nowhere," which shuttle passengers into international waters, beyond the reach of Florida's gaming regulators.

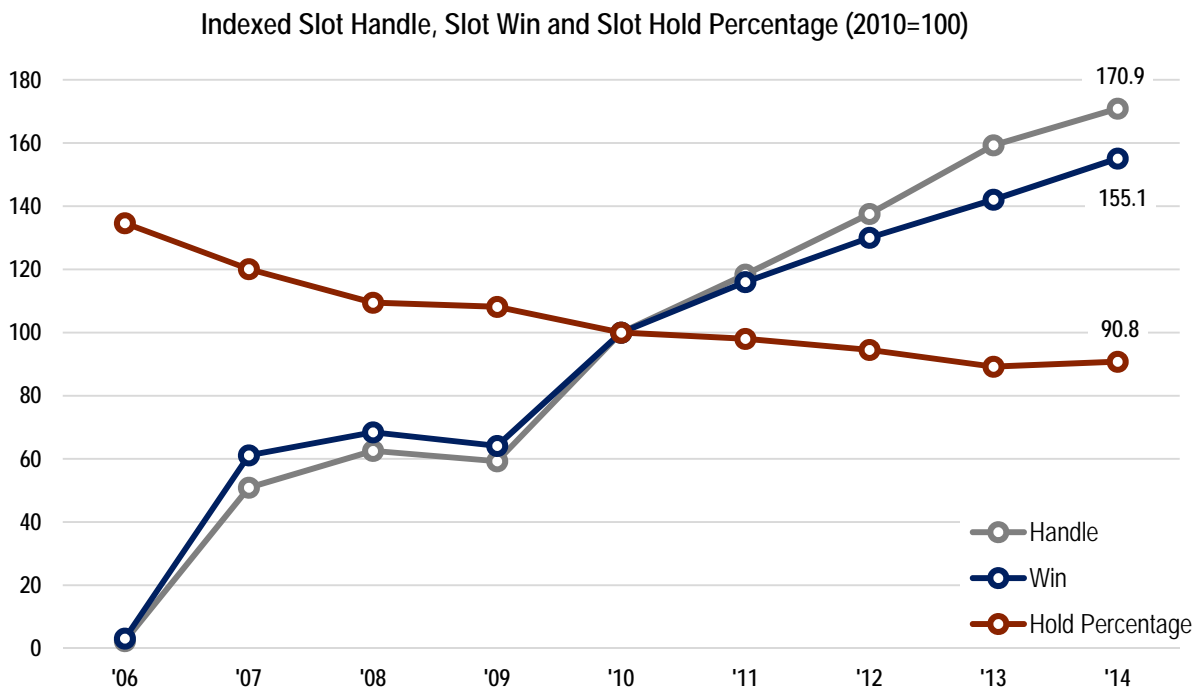
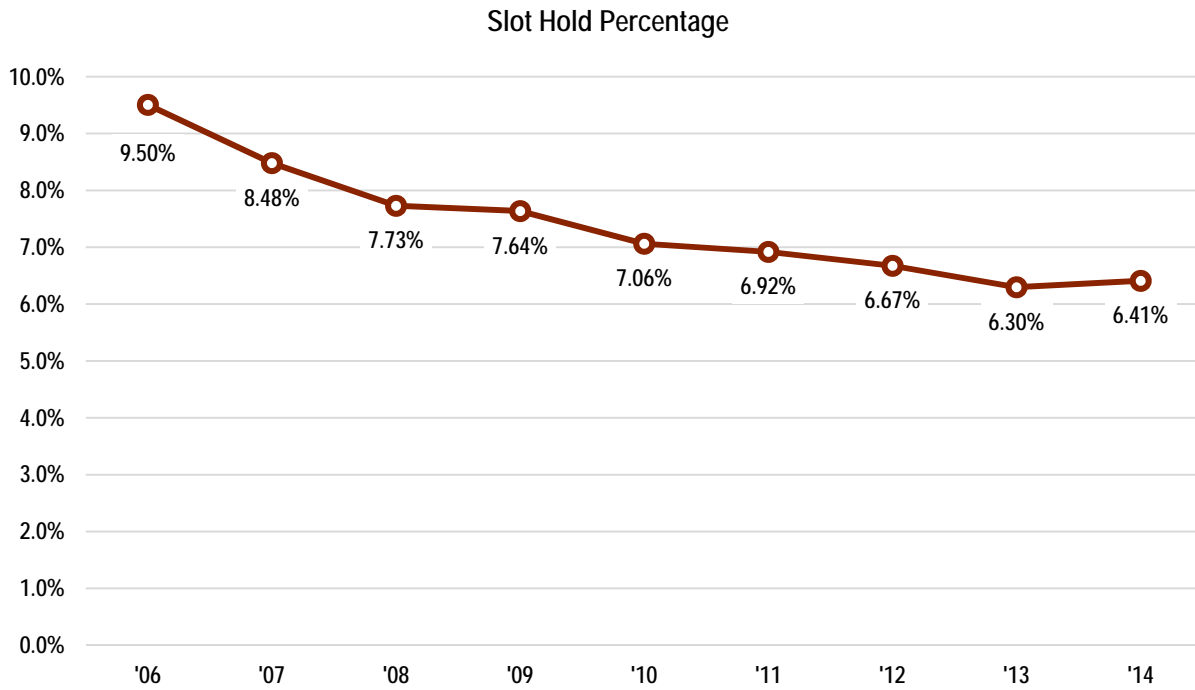


### *Key Events in History*

- October 1988 – With the passage of the Indian Gaming Regulatory Act, Seminole casinos begin running bingo-style gaming machines like those already legalized in Florida.
- November 2004 – Voters narrowly approve a constitutional amendment to legalize slot machines at pari-mutuel betting facilities in Broward and Miami-Dade counties after local approval. Broward County voters approved slots the next year. Miami-Dade voters rejected the idea on the first vote.
- November 2006 – The Isle of Capri racino in Broward County begins the first slot machine operation in Florida.
- November 2007 – The Seminole tribe reaches an agreement with the state to offer slot machines and other casino-style games. The pact also gives the tribe exclusive rights to offer blackjack and other table games.
- January 2008 – Seminole casinos start operating slot machines. Later in 2008 they begin offering blackjack.
- January 2008 – Miami-Dade voters again weigh in on allowing slot machines. This time, they pass the measure. The first slot machines go into operation in September 2009.
- April 2013 – Florida bans illegal gambling devices that had proliferated at hundreds of Internet cafes and adult gaming centers throughout the state.

## Historical Slot Performance Trends







## Illinois

### *Overview*

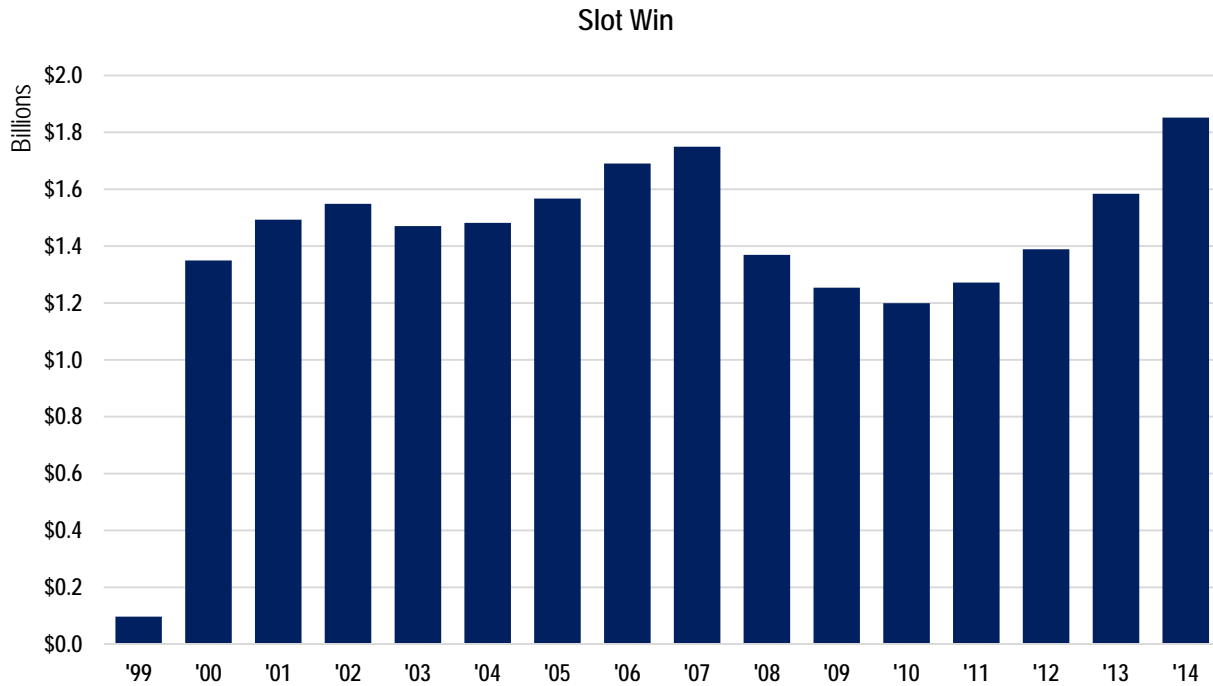
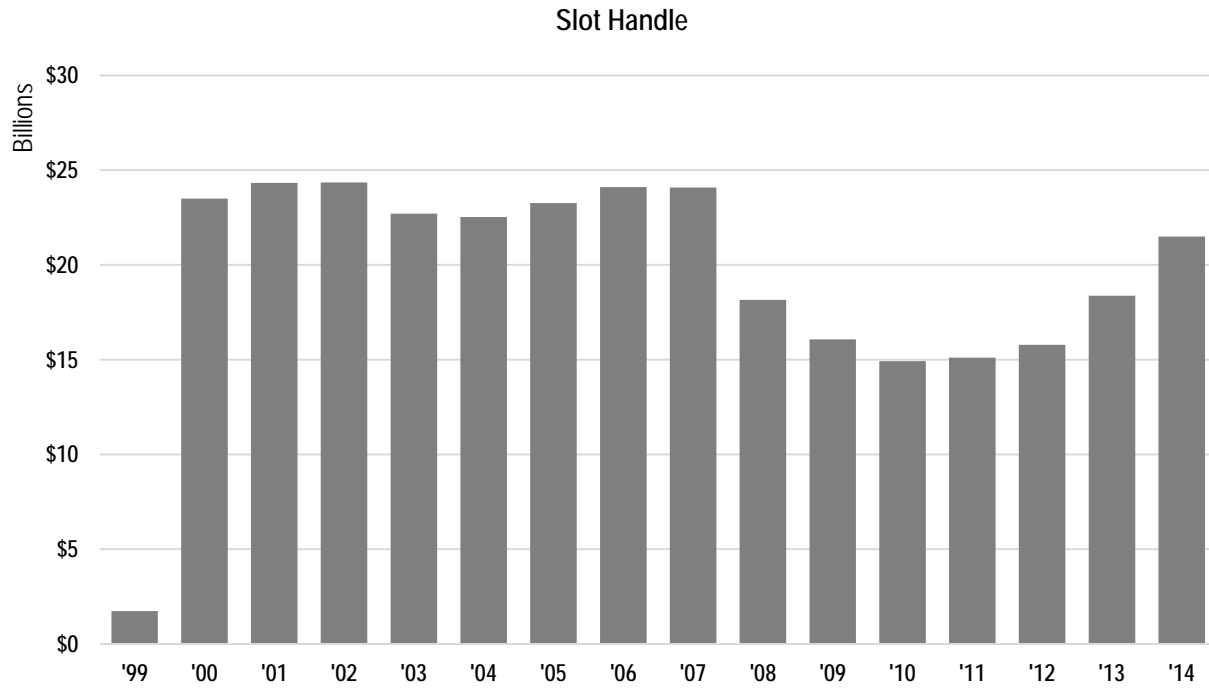
Illinois was among the first states to allow slot gaming when it legalized riverboat casinos in 1990. Twenty-five years later, the state's riverboat casinos operate about 11,000 electronic gaming devices, which generated \$1.2 billion in revenue in fiscal year 2014. Although riverboat operations have remained relatively unchanged, the state did expand gaming in 2009 by allowing video gaming terminals in bars, restaurants, truck stops and other locations statewide. Through December 2014, more than 4,670 locations operated a total of 19,182 video gaming terminals in the state. The machines generated more than \$485 million in revenue in fiscal year 2014. Several legislative efforts to expand gaming to include land-based casinos and online gaming have failed in recent years.

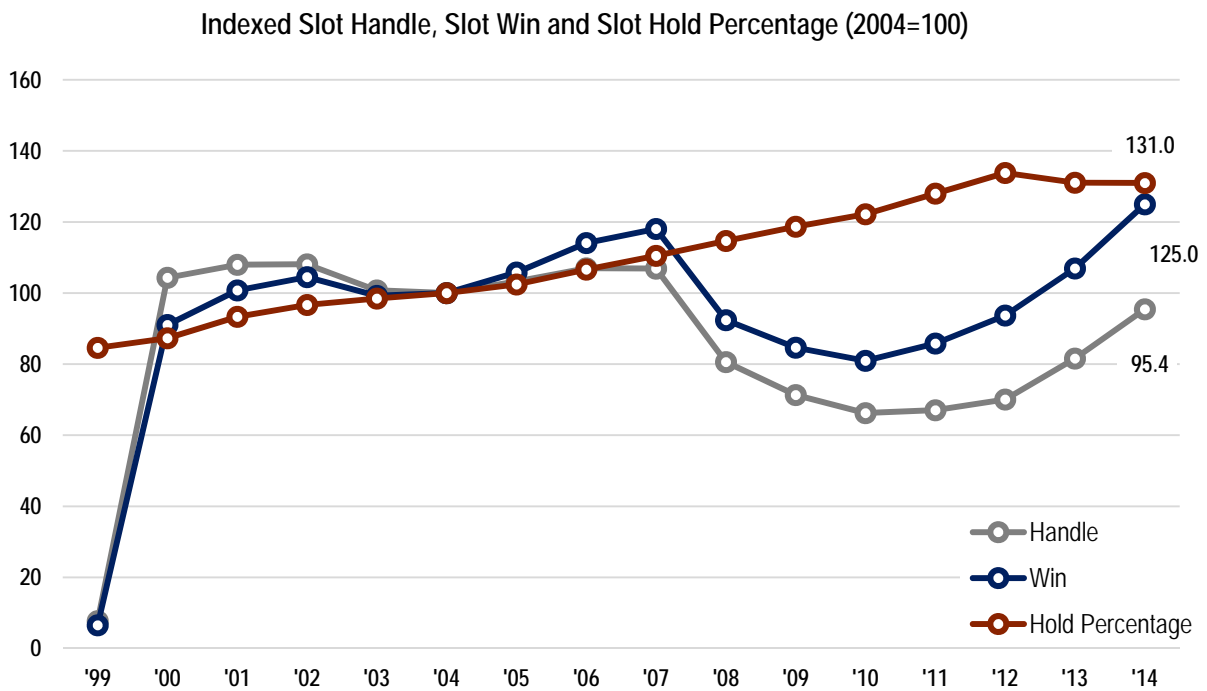
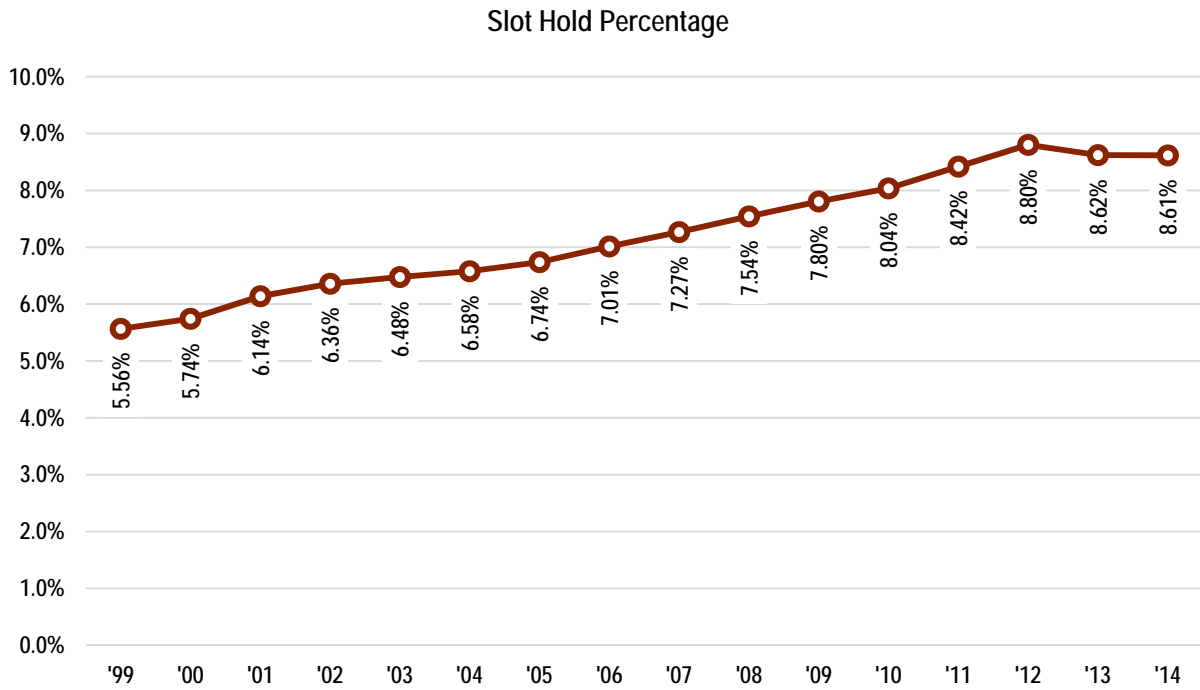


### *Key Events in History*

- February 1990 – The Riverboat Gambling Act is passed, making Illinois the second state to legalize riverboat gambling.
- September 1991 – The first riverboat casino opens in Alton.
- June 1999 – Illinois lawmakers repeal the requirement that riverboats must cruise the waters, which opens the door for dockside operations. The change immediately boosts gaming revenue among the state's nine riverboat operations.
- July 2009 – The Video Gaming Act becomes law, legalizing video gaming terminals at bars, restaurants, truck stops and other locations throughout the state. Local municipalities could opt out of the law and ban the machines from their jurisdictions.
- October 2012 – Following years of legal challenges and other regulatory issues, the state's first video gaming terminals start operating.

*Historical Slot Performance Trends*





## Indiana

### *Overview*

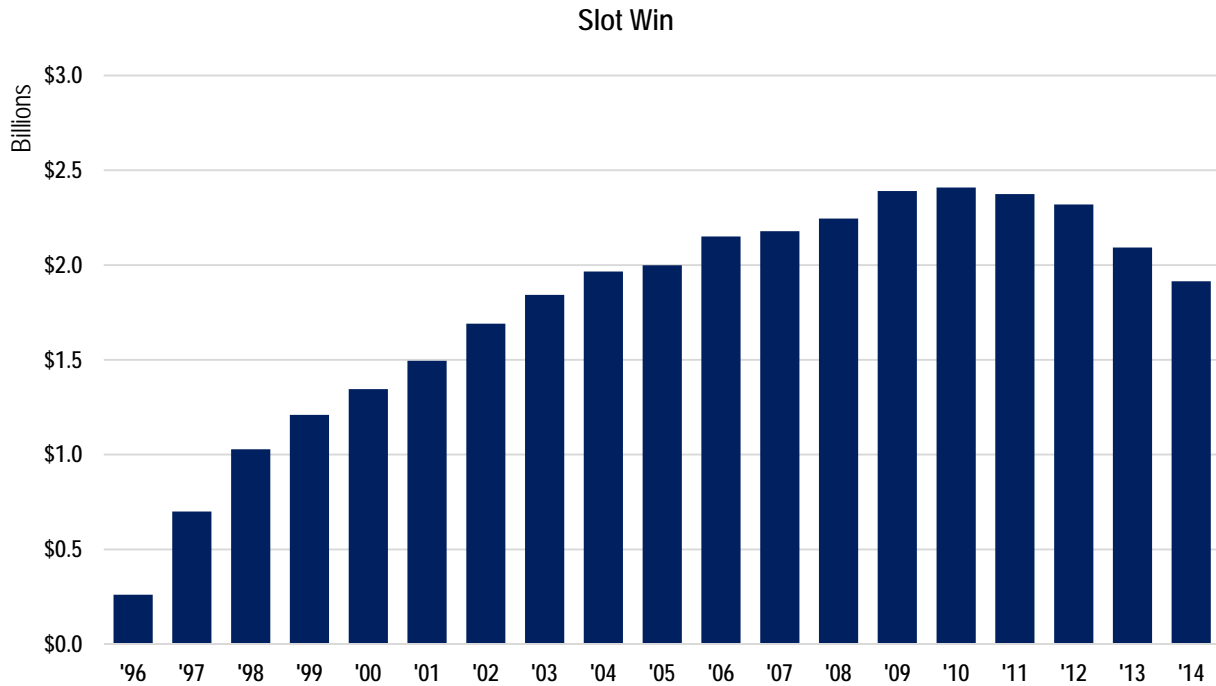
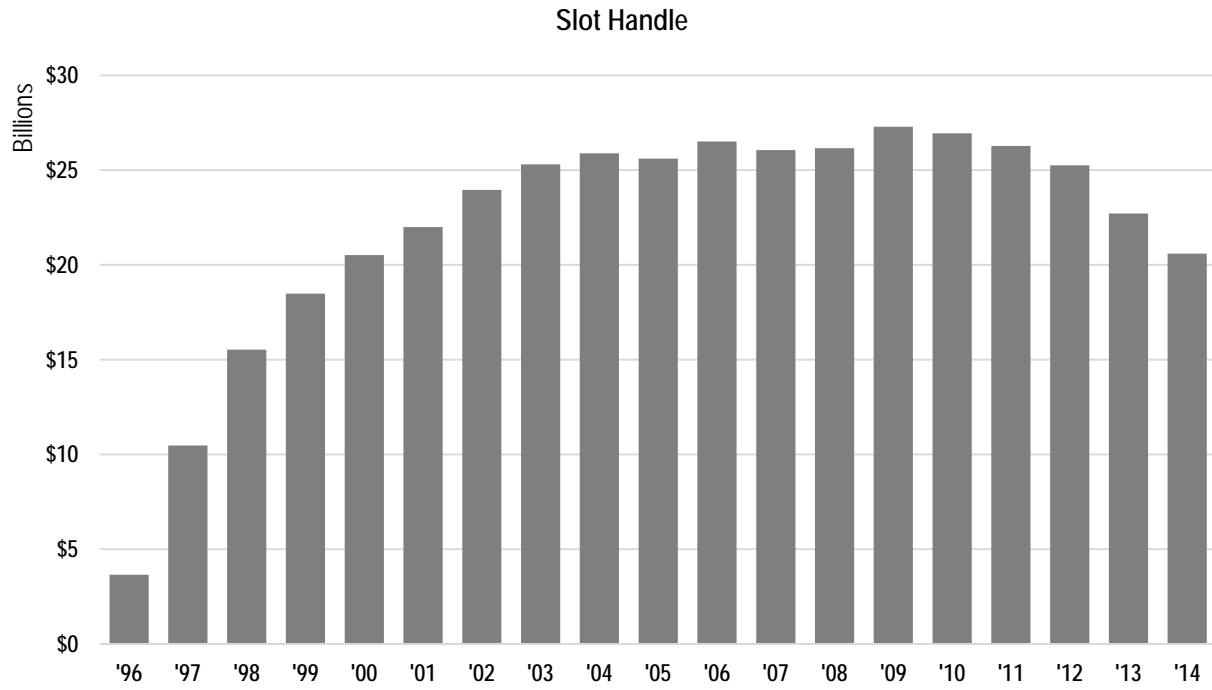
The Hoosier state followed many of its neighbors by legalizing riverboat gaming in 1993. By the end of the decade, the state would be home to 10 riverboat casinos, the same number in operation today. However, state lawmakers have expanded gaming to include three land-based casinos, including two at horse racing tracks. In all, the 13 casinos host 20,000 video lottery terminals that made \$2.0 billion in revenue in fiscal year 2014.

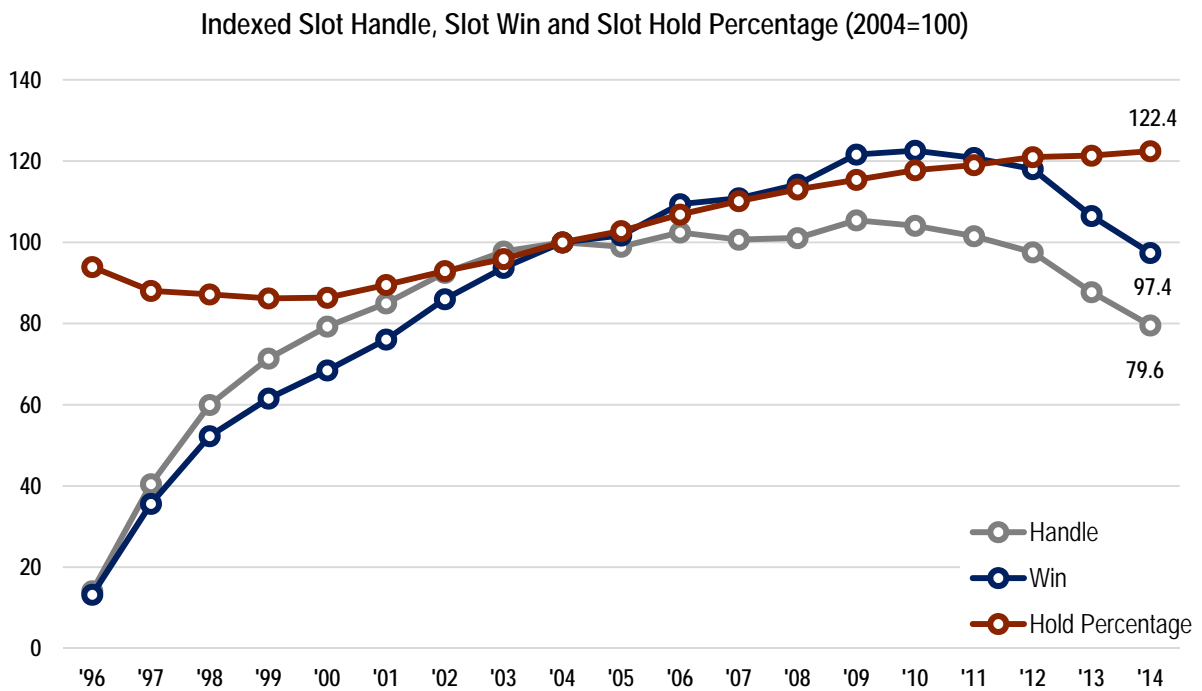
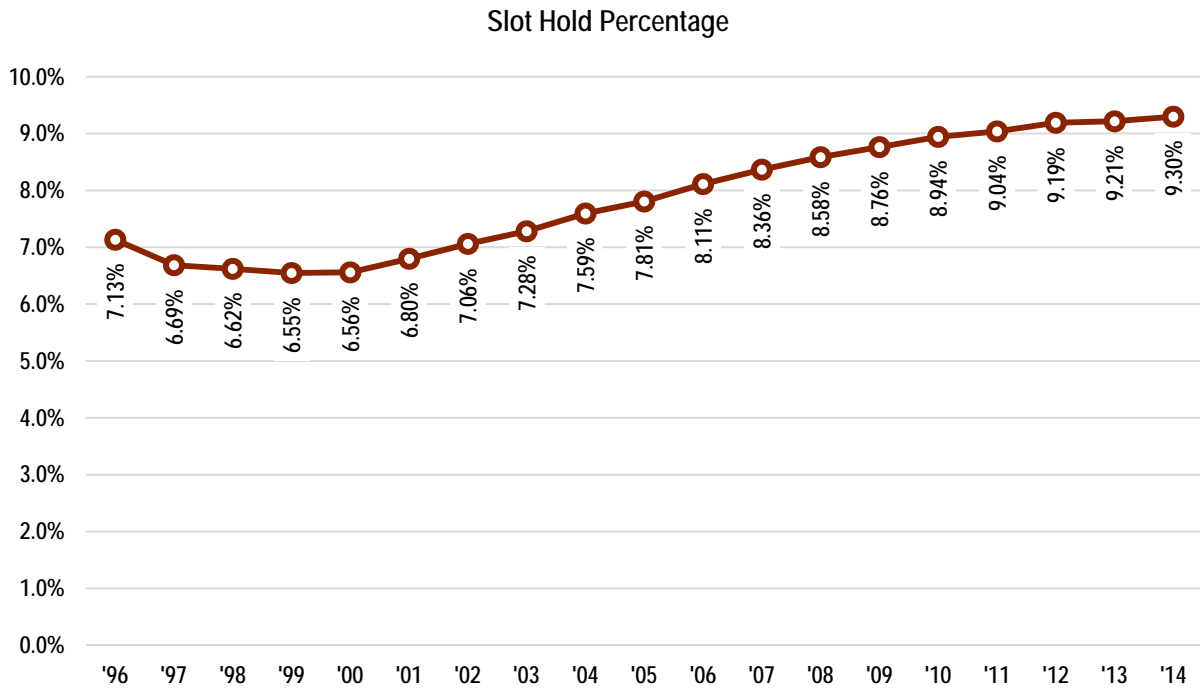


### *Key Events in History*

- July 1993 – Riverboat gambling is approved by state lawmakers. Legal challenges over the law's constitutionality will delay the premiere of riverboat gaming for more than two years.
- December 1995 – The first riverboat casino opens in Evansville.
- June 1996 – Three other riverboat casinos open in northern Indiana, starting an industry growth period that will end with 10 boats by October 2000.
- July 2002 – The state law changes to allow dockside riverboat gambling.
- November 2006 – French Lick Resort opens. Because it was licensed under a riverboat gaming license, a moat was built around the casino, which was designed to look like a boat. In 2008 the moat was removed, making it the state's first land-based casino.
- May 2007 – Video lottery terminals are legalized at two Indiana racetracks, Hoosier Park and Indiana Downs.
- October 2014 – A legislative study committee recommends changing the law to allow riverboat casinos to add land-based operations.

*Historical Slot Performance Trends*





## Iowa

### *Overview*

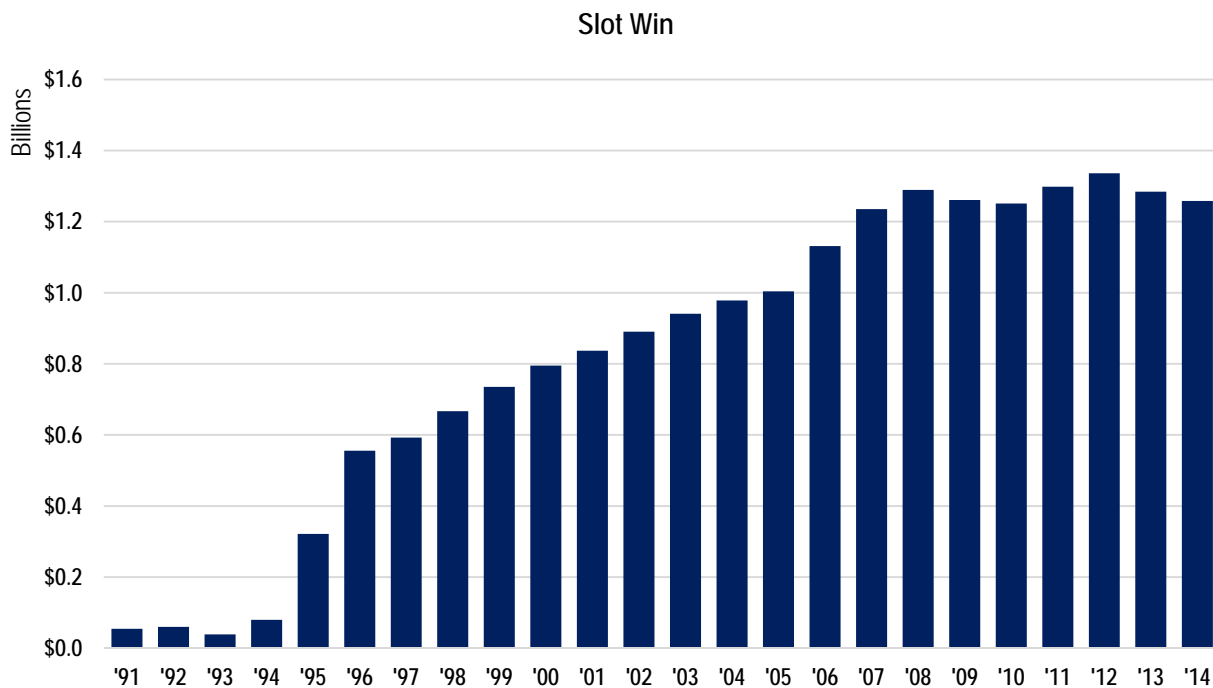
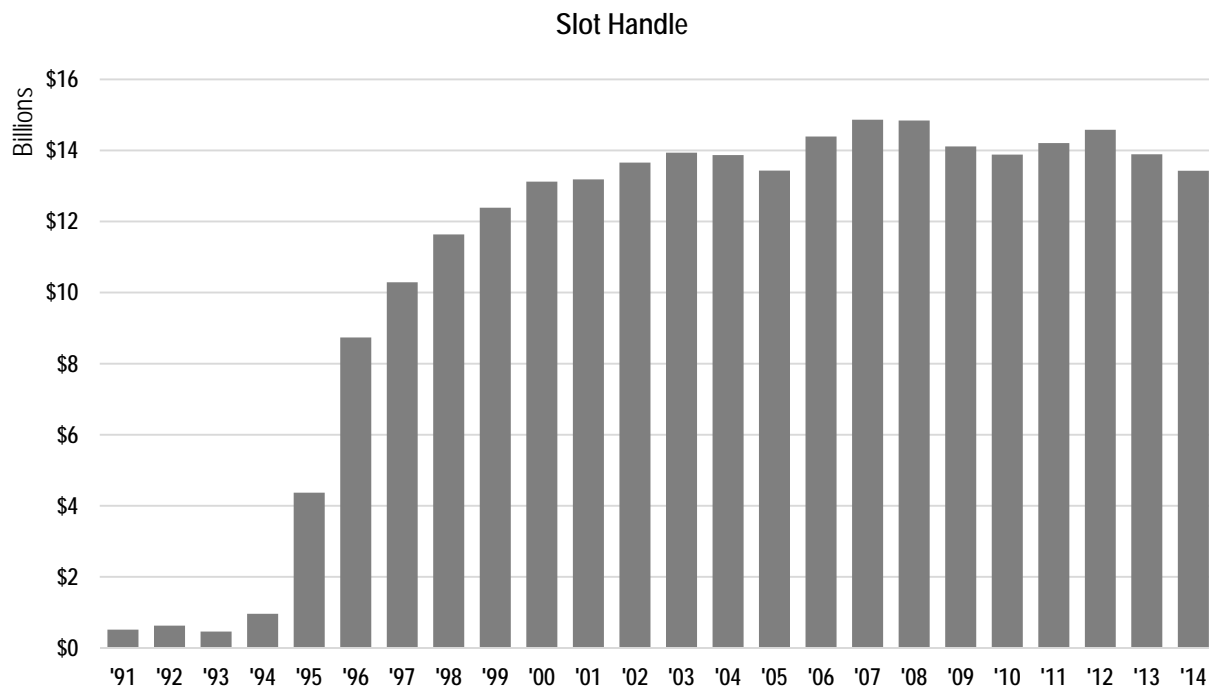
Bordered by three rivers, it's no surprise that Iowa was the first state to legalize riverboat gaming in 1989. The state added water-bound casinos just six years after allowing pari-mutuel wagering on horse and dog racing. As of December 2014, there were about 17,600 slot machines that produced \$1.3 billion in revenue for the state's 18 casinos.



### *Key Events in History*

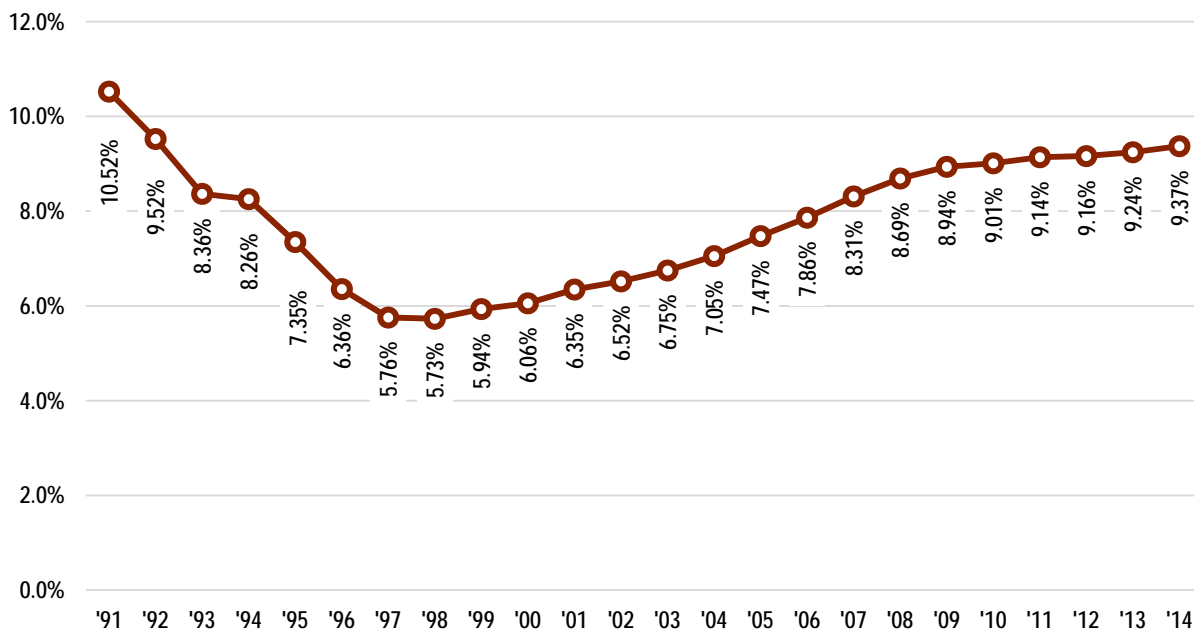
- July 1989 – Legislation passes to allow gambling on excursion boats in counties where the issue is approved by a majority of voters.
- Various dates, 1991 – The first five riverboats open for gambling: President, Diamond Lady, Dubuque Casino Belle, Emerald Lady and Mississippi Belle II.
- March 1994 – Facing competition from riverboats in neighboring Illinois, Iowa loosens many of its gaming regulations. Bet and loss limits are eliminated, and gaming operations are allowed to remain open 24 hours a day.
- April 2001 – Mississippi River flooding forces the closing of three riverboats, Rhythm City, Isle of Capri Marquette and Catfish Bend Casino, for varying time periods.
- 2007 Legislative Session – Legislation passes that authorizes land-based casinos.
- March 2008 – State gaming regulators approve land-based gaming licenses for Dubuque Racing Association/Peninsula Gaming Company, LLC and Clinton County Community Development Association/Wild Rose Clinton, LLC.
- December 2008 – Diamond Jo Casino becomes land-based.

## Historical Slot Performance Trends

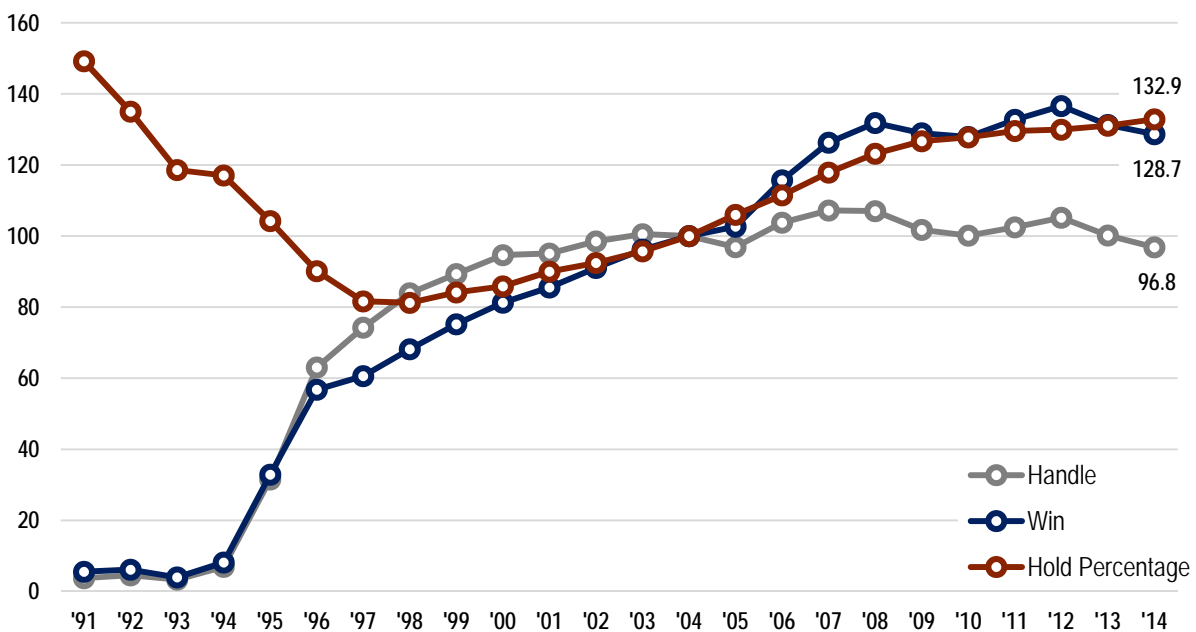




### Slot Hold Percentage



### Indexed Slot Handle, Slot Win and Slot Hold Percentage (2004=100)



## Louisiana

### *Overview*

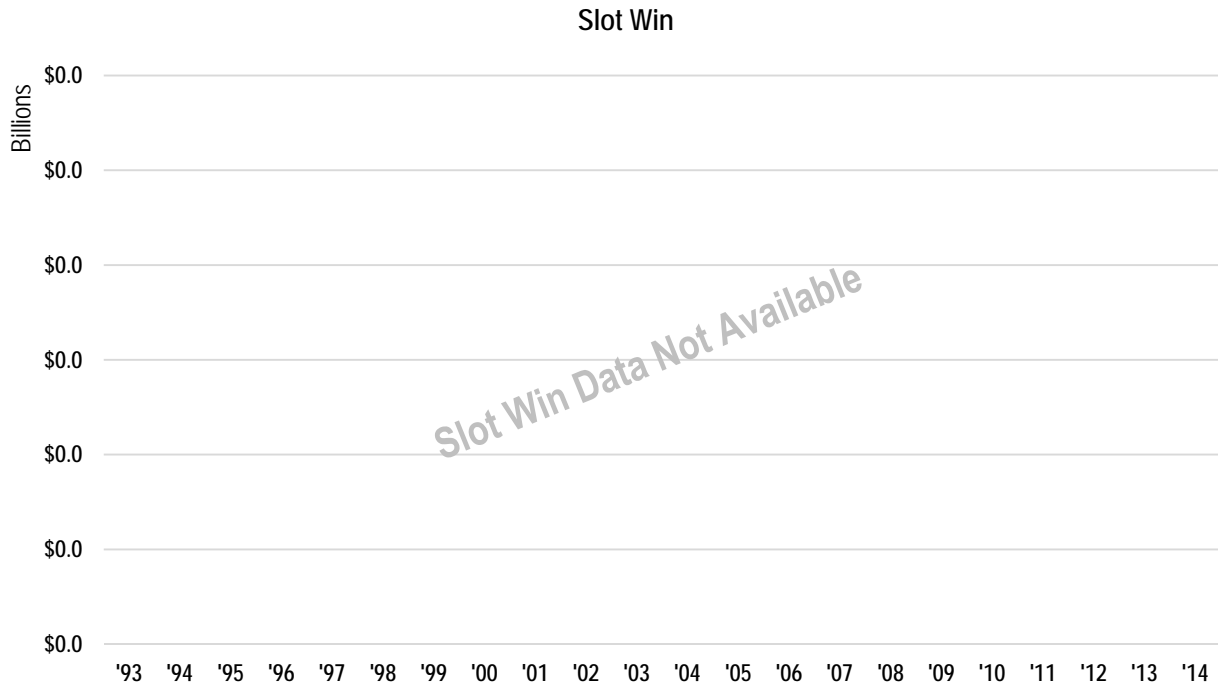
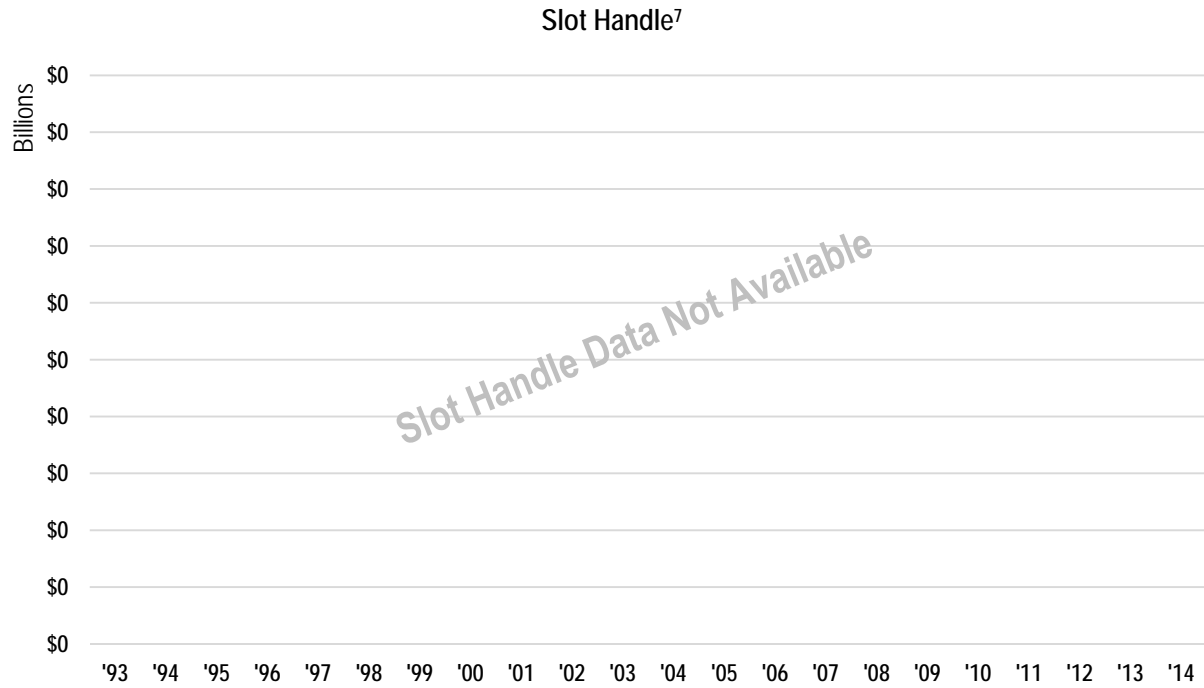
Louisiana has been known for its gaming since French settlers took root in New Orleans. However, by the end of 1800's the Louisiana Lottery was outlawed in an attempt to protect its citizens from dubious deals. This led to pari-mutuel wagering on horses being the only legal form of gambling. Since then, the Louisiana Lottery has been restored and casino gambling has been legalized on riverboats, racetracks and at one land-based casino. Video poker machines have also been legalized in bars and the state hosts three Indian casinos. Louisiana's gaming industry appears to be on the rise with 18 operating casinos producing about \$2 billion in gaming revenue a year.



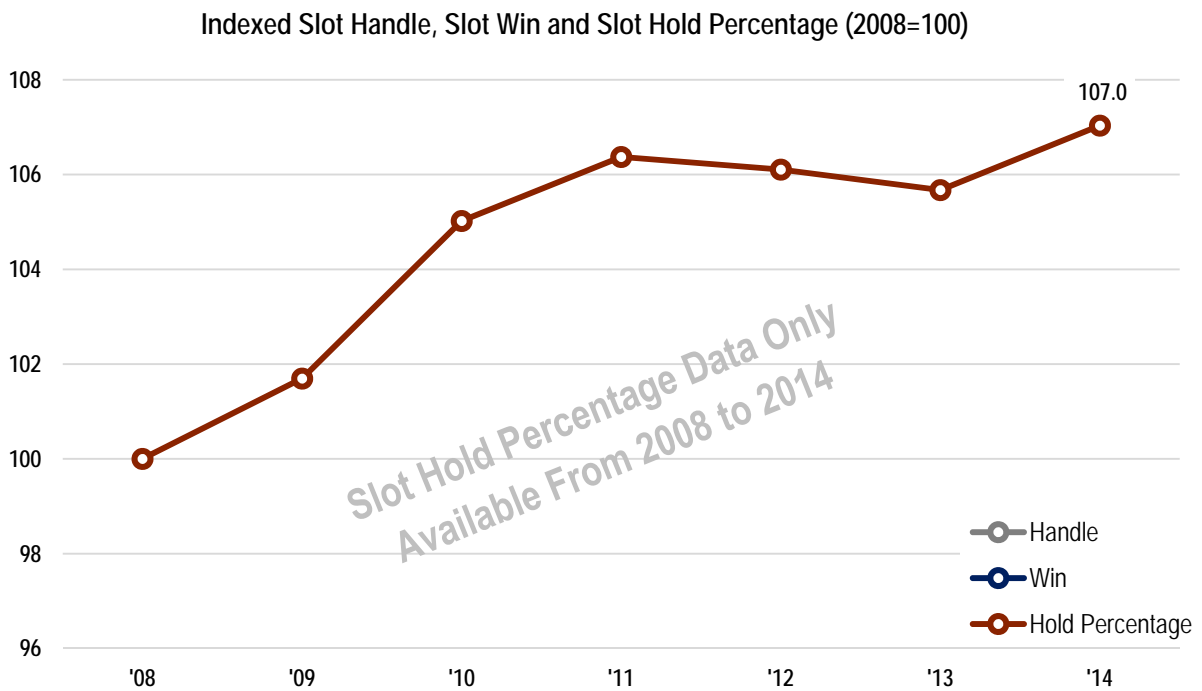
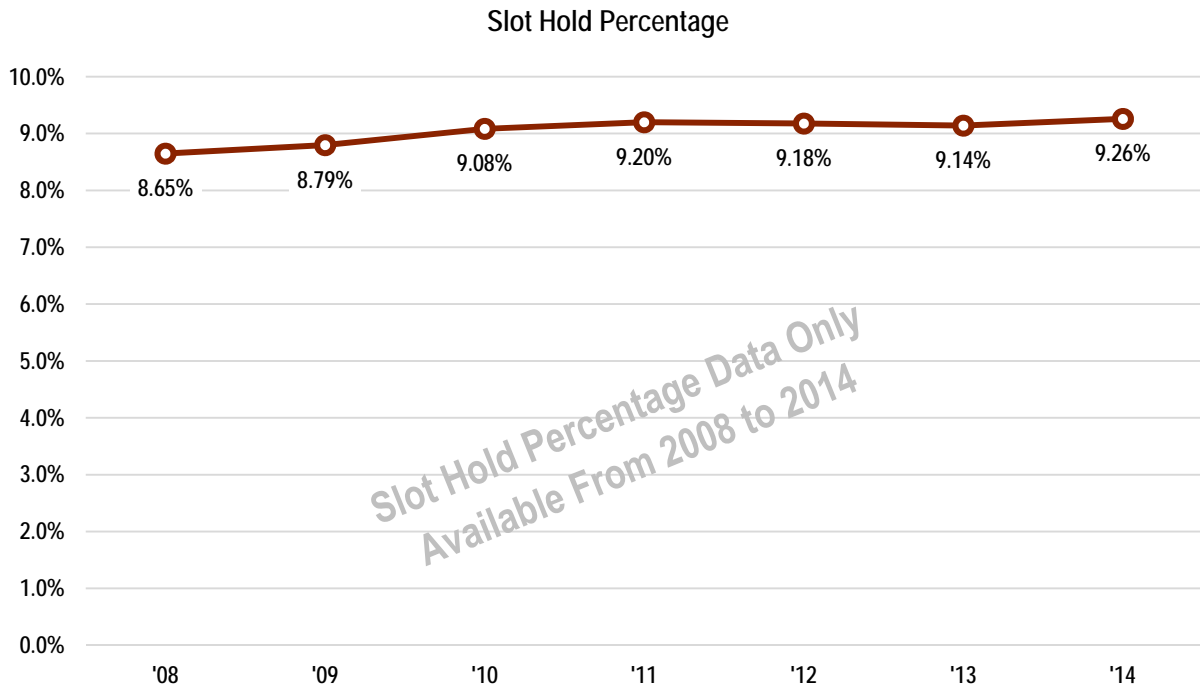
### *Key Events in History*

- July 1991 – The Legislature legalizes the opening of 15 riverboat casinos. The vessels are required to be paddle-driven replicas of historic riverboats.
- September 1991 – The first scratch-off game is introduced, beginning the Louisiana Lottery. The Louisiana Legislature allows video poker devices to be used in parishes throughout the state.
- June 1993 – Louisiana grants three Indian tribes gaming licenses. This allowed for the state's first land-based casino to be opened, Paragon Casino Resort.
- March 1995 – Louisiana becomes a member of the Multi-State Lottery, which offers residents the opportunity to participate in the PowerBall drawing.
- 1997 – State lawmakers allow slot machine gaming at racetracks in Louisiana.
- 2004 – The Legislature bans anyone under the age of 21 from entering gaming areas or playing casino games.
- August 2005 – Hurricane Katrina hits the Gulf of Mexico, causing extensive flooding along the Mississippi River. A dozen coastal casinos closed during and after the storm for repairs, leading to a significant hit to the state's gaming industry.
- February 2006 – Harrah's New Orleans reopened for the first time since Hurricane Katrina.
- August 2013 – State law raises the distance requirements between video poker establishments and certain buildings, including churches and playgrounds. The law change also caps the number pari-mutuel facilities with video poker in Jefferson Parish at five.

### Historical Slot Performance Trends



<sup>7</sup> Louisiana has been included in the analysis at the request of AGEM; however, slot handle and win data are not available from regulators. Slot win percentage is available for the market; those data have been included.



## Mississippi

### *Overview*

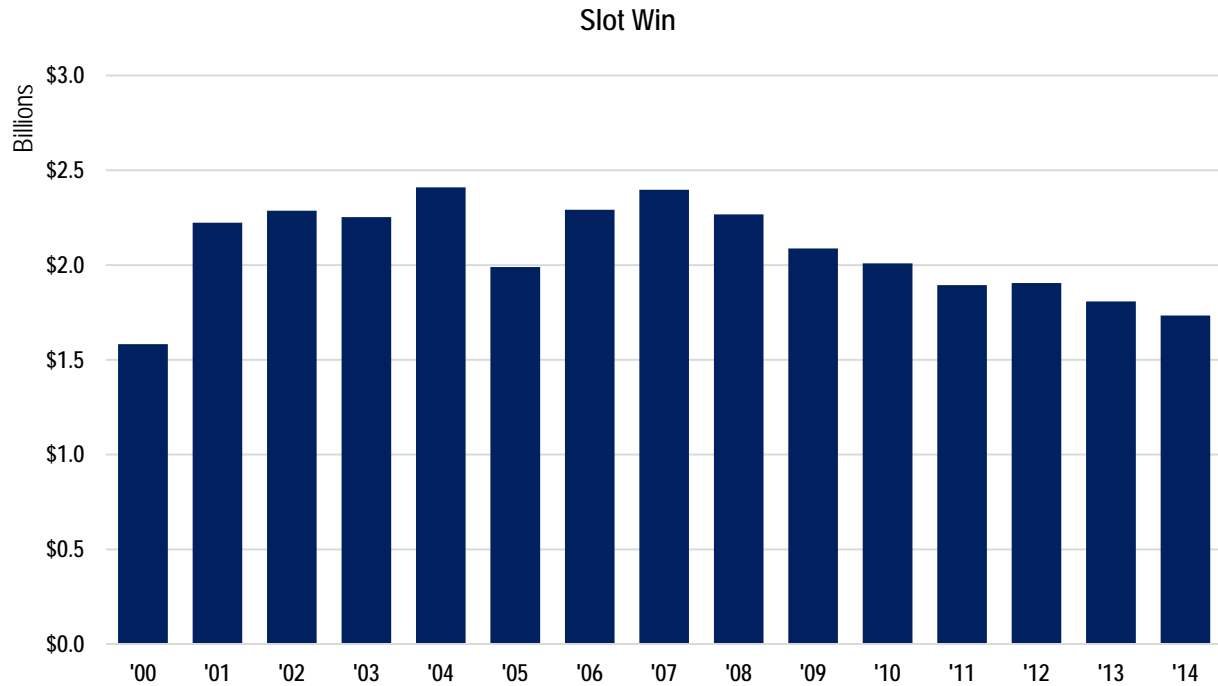
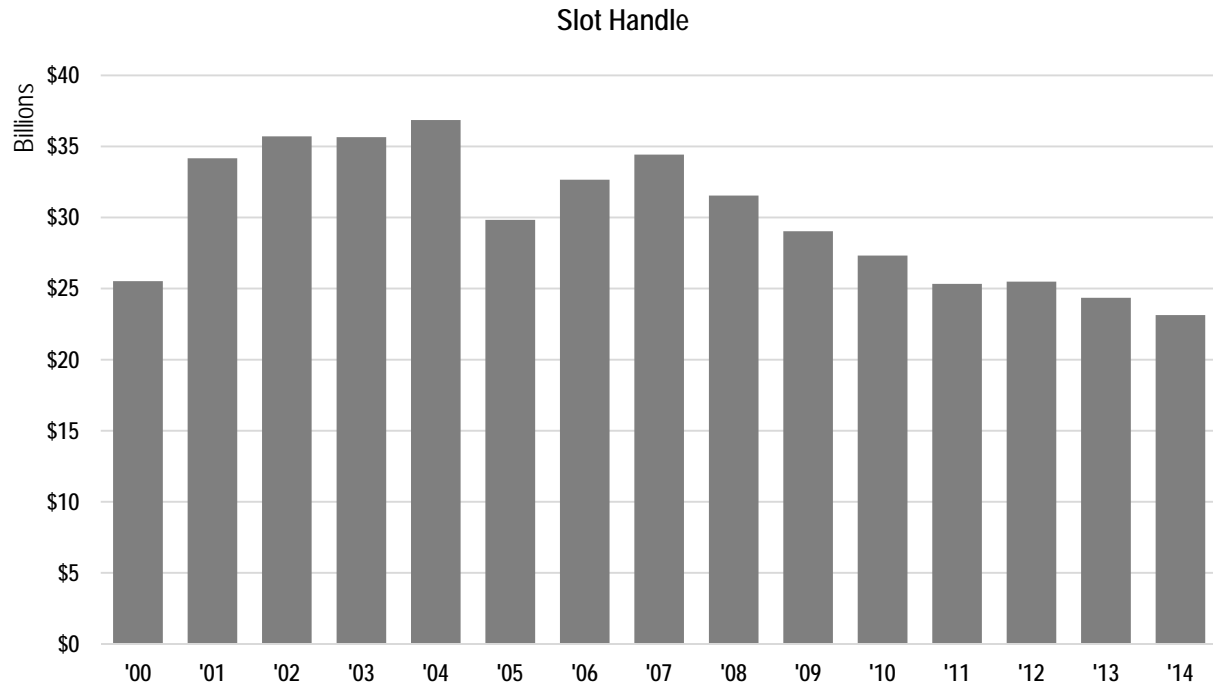
In 1990 the Mississippi Legislature approved casino gambling in dockside facilities, provided local voters approved them in their counties. Today there are 30 dockside and land-based casinos. They are home to 30,300 slot machines that produced \$1.7 billion in revenue in fiscal year 2014.

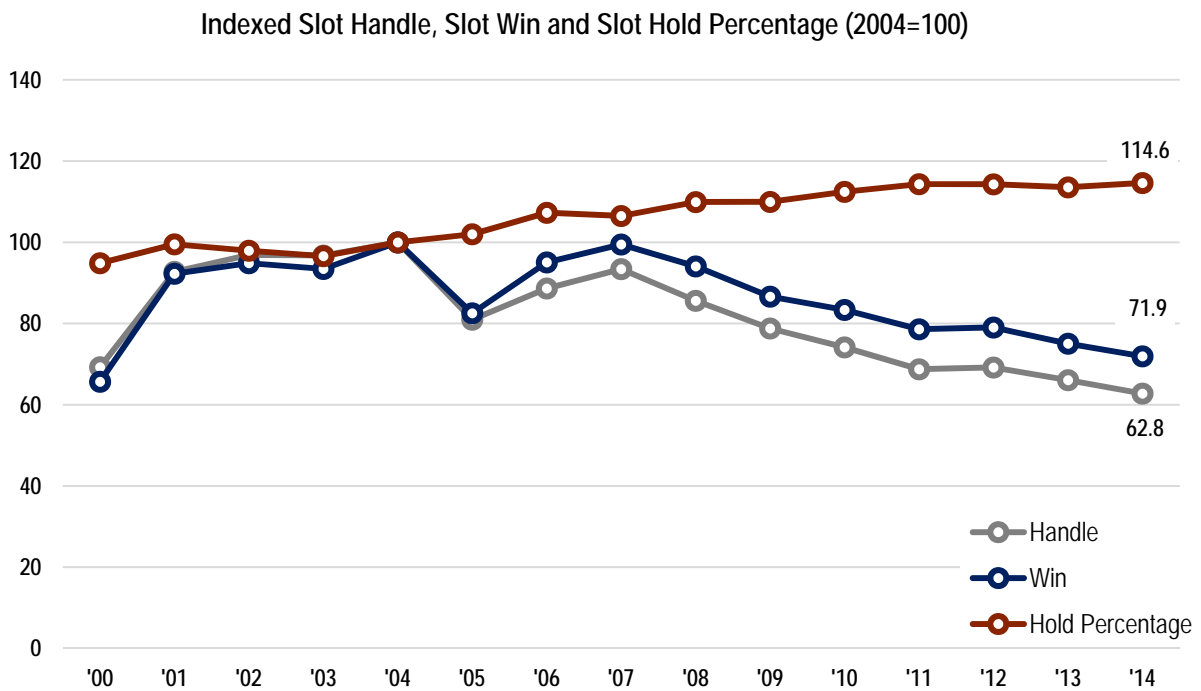
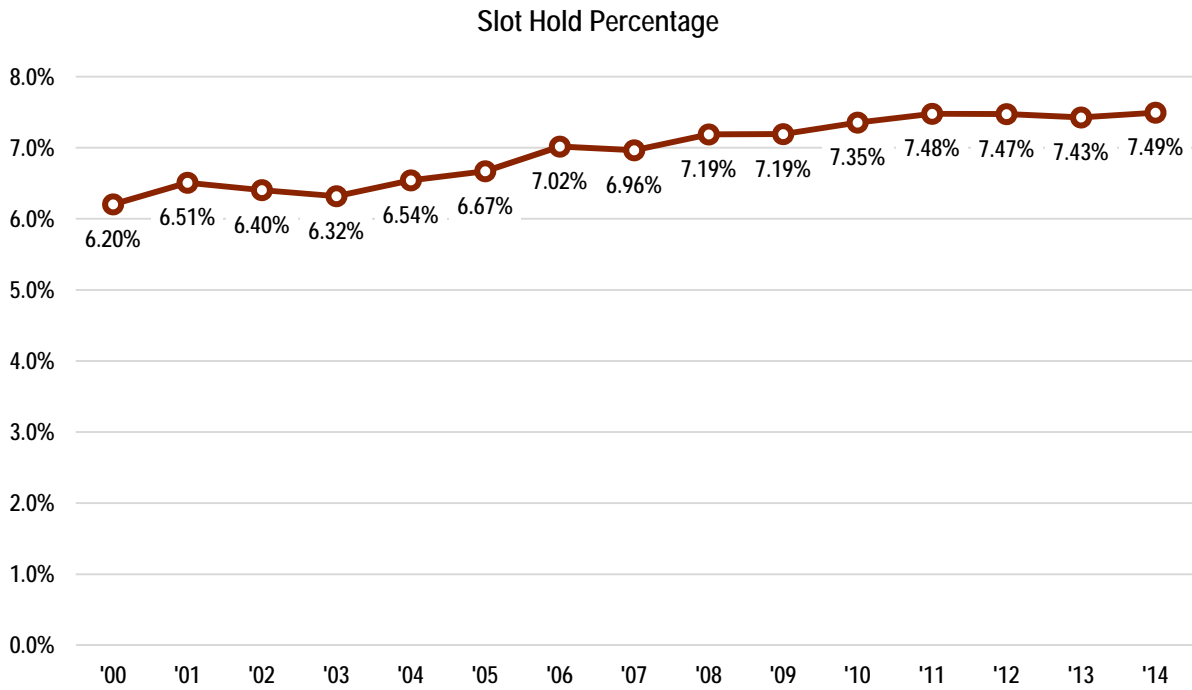


### *Key Events in History*

- June 1990 – The Legislature passes the Mississippi Gaming Control Act, allowing voter-approved gambling in counties along the Mississippi River and Gulf Coast.
- August 1992 – The Isle of Capri Casino, Mississippi's first gambling casino, opens in Biloxi.
- August 2005 – Hurricane Katrina hits the Mississippi River, causing coastal casinos to shut down to weather the storm and repair the damage it left behind. About half the dockside casinos are removed from their berths.
- October 2005 – Because of Katrina's devastation, Mississippi lawmakers are pressured to legalize land-based casinos. The law allows previously docked barge-based casinos to establish operations 800 feet inland. The federal government offers tax incentives to casinos that reopen by December 31, 2008.
- December 2005 – IP Casino Resort and Spa reopens.

## Historical Slot Performance Trends





## Missouri

### *Overview*

Riverboat casinos returned to Missouri after the Legislature legalized them in 1993. Originally, players were limited to a \$500 buy-in every two hours, the length of a riverboat's excursion time. That restriction was lifted 15 years later, which brought an increase in slot revenues and hold percentages. In fiscal year 2014, the state's 13 casinos made \$1.5 billion in revenue from their 18,800 slot machines.

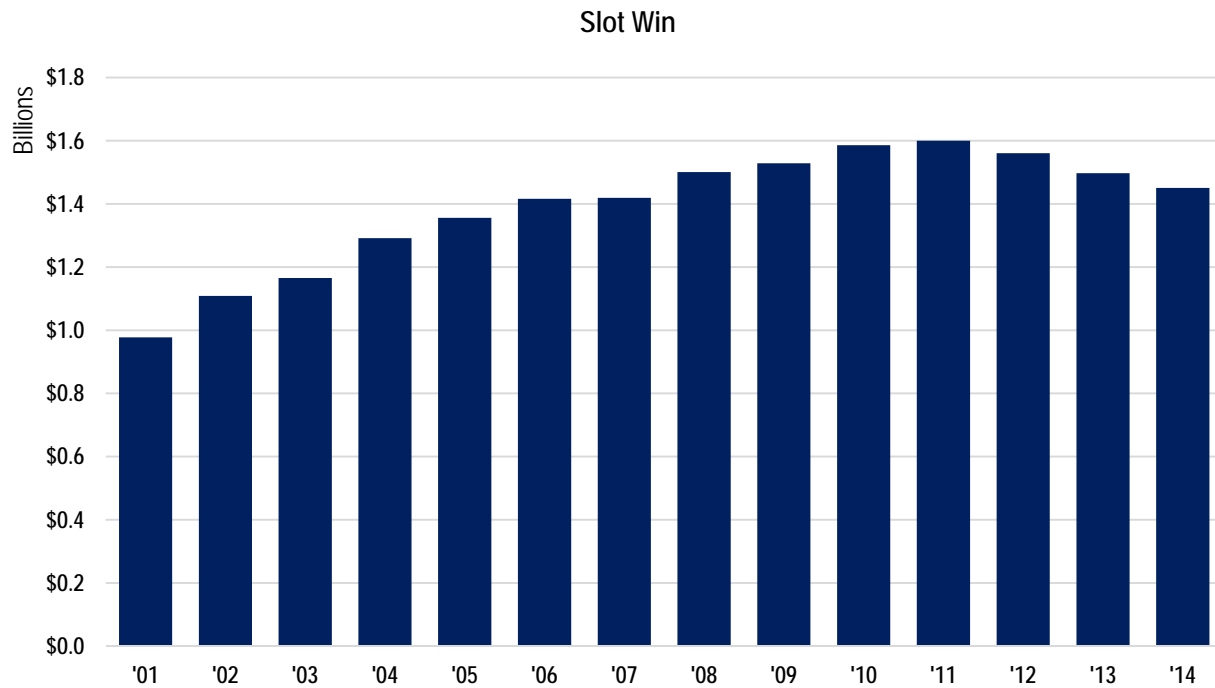
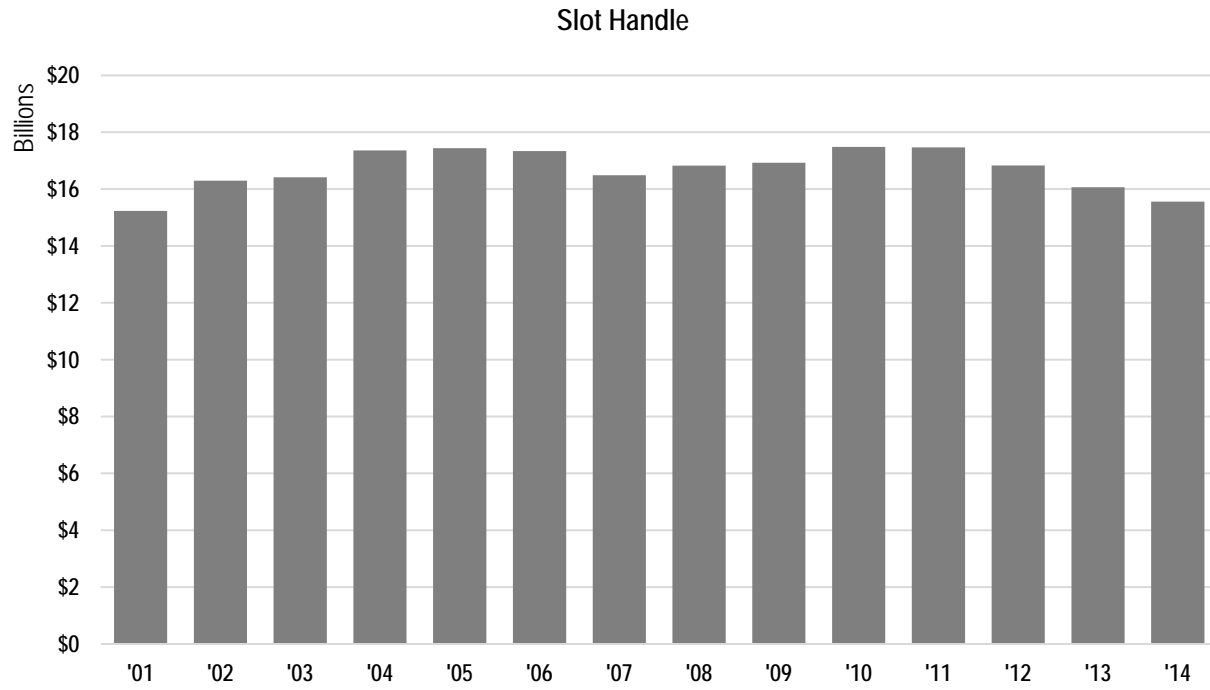


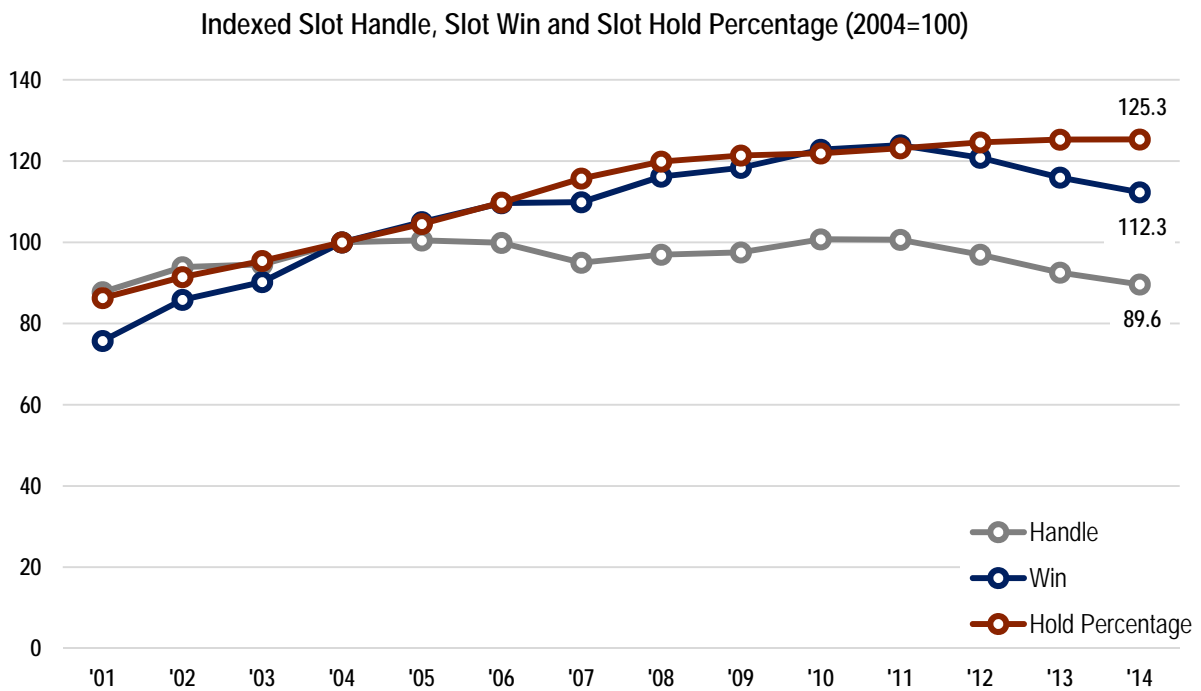
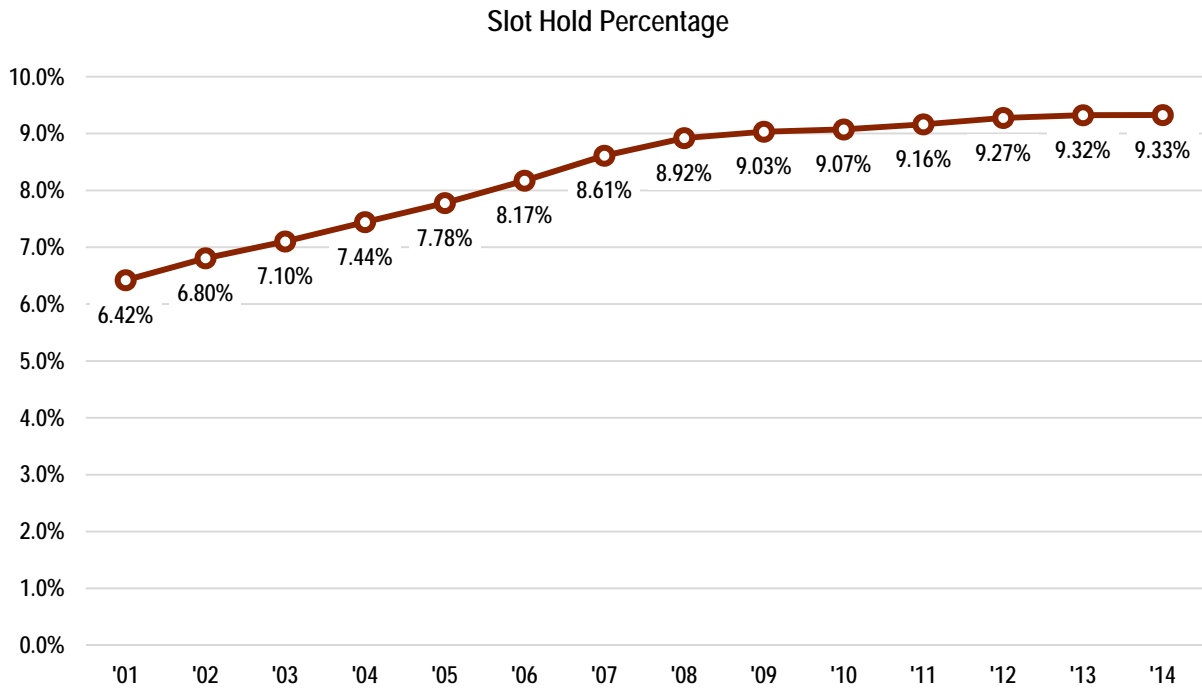
### *Key Events in History*

- April 1993 – Missouri legalizes the return of riverboat casinos. Player losses are limited to \$500 every two hours and the riverboats are required to sail.
- 1994 – Missouri's first riverboat casinos, The President Casino and the Casino St. Charles, open. Adults are allowed to board every two hours, and only games of skill, including poker and blackjack, are permitted. By the end of the year, however, slot machines are legalized.
- 1996 – Because of weather conditions and other incidents on the water, riverboats are allowed to remain docked.
- November 2008 – Voters approve Proposition A, which eliminates the player loss limit of \$500 every two hours. It also raises the state tax on casinos to 21 percent and limits the number of casino licenses to 13.
- October 2012 – The Isle of Capri - Cape Girardeau Casino opens. This is Missouri's 13<sup>th</sup> casino, the most allowed under state law.



*Historical Slot Performance Trends*





## Nevada



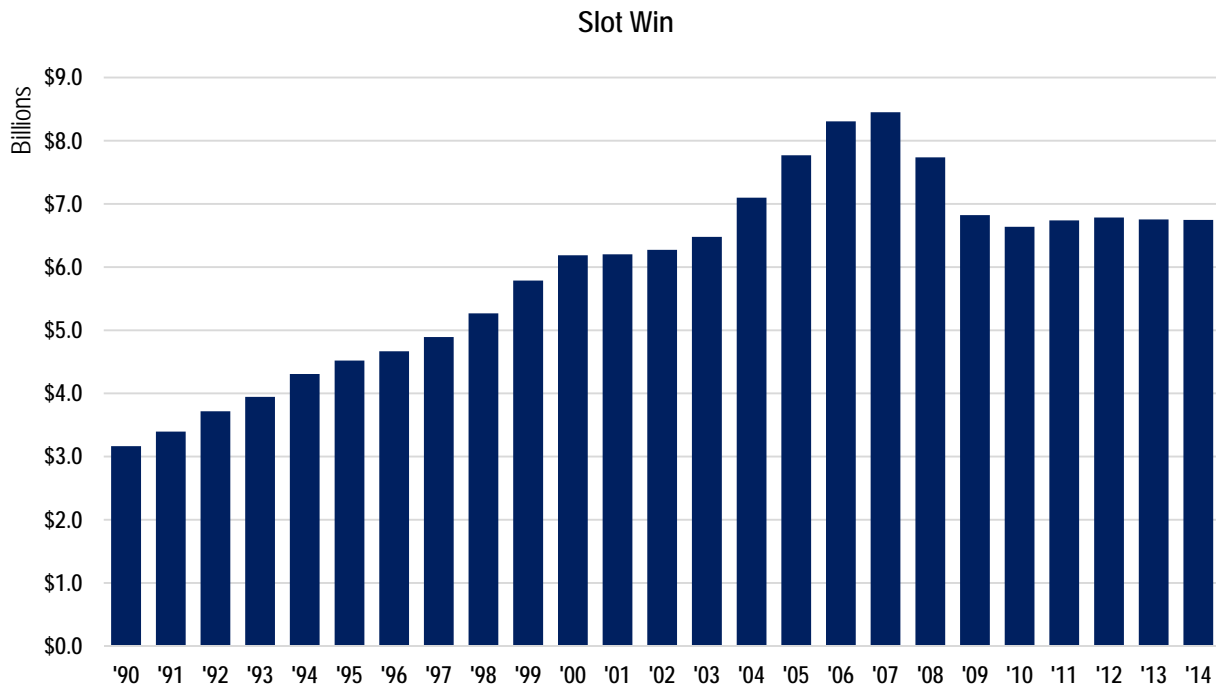
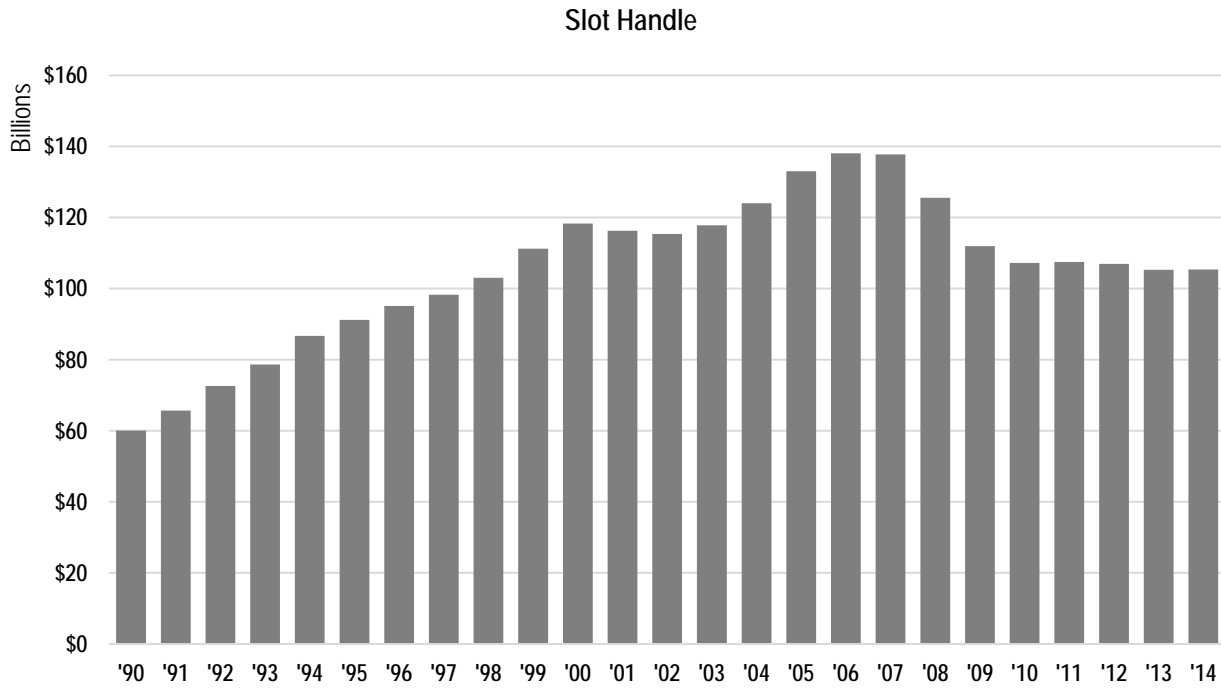
### *Overview*

For nearly a century, the Silver State has remained a pioneer in the gaming world. Its modern gaming trailblazing started in 1931, when the state became the first to legalize and regulate casino gambling. Nevada enjoyed a gaming monopoly for 45 years before New Jersey entered the gaming arena. Since then, more than a dozen states have legalized slot machines or some other form of casino gambling. Many states have also seen the rise of Indian casinos, widening the reach of legalized gaming to all corners of the United States. In the face of growing competition, Nevada has maintained its status as a gaming pioneer by becoming the first state to legalize online poker. Even with Nevada's large variety of gaming options, slots remain a significant portion of revenue, with the state's 152,300 slot machines producing \$6.7 billion in revenue in 2014.

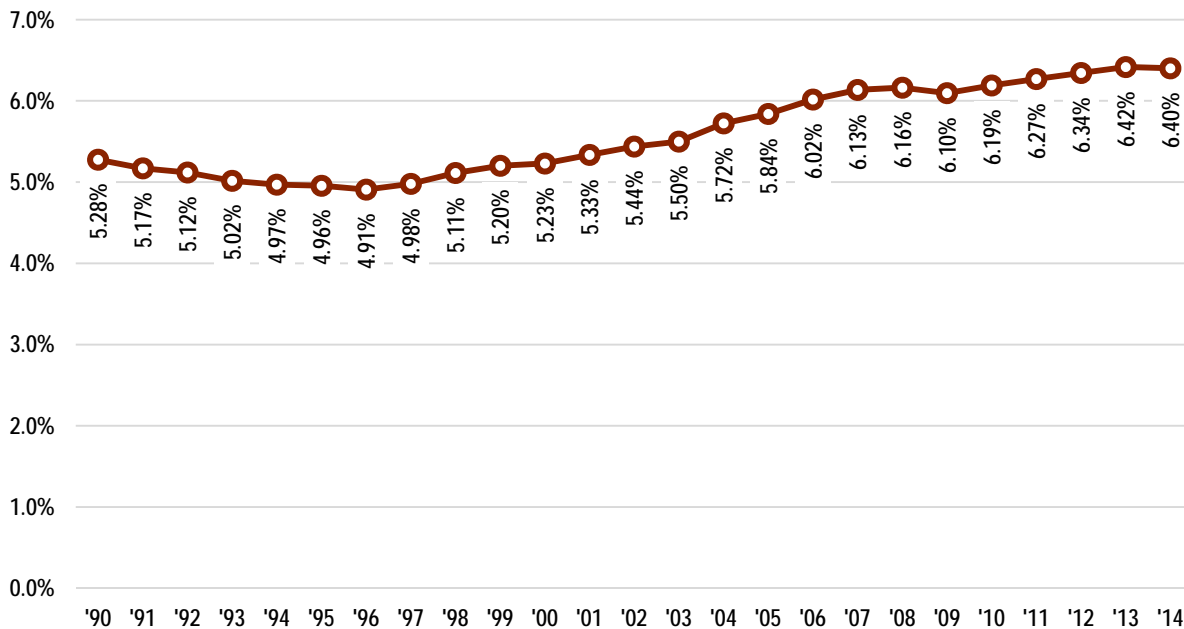
### *Key Events in History*

- November 1989 – The Mirage opens, ushering in the megaresort era along the Las Vegas Strip. More than a dozen large-scale resorts will open over the next decade.
- March 2000 – In neighboring California, voters pass Proposition 1A, which amends the constitution to legalize casino gaming on the state's Indian reservations.
- May 2000 – MGM Grand Inc. merges with Mirage Resorts Inc., becoming MGM Mirage
- February 2004 – Boyd Gaming Corp. merges with Coast Casinos Inc.
- April 2005 – MGM Mirage acquires Mandalay Resort Group. Two months later, Harrah's Entertainment buys Caesars Entertainment.
- June 2005 – Nevada legalizes betting on smartphones and other handheld devices. Their use is limited to public areas of casinos.
- May 2011 – State lawmakers legalize online poker with the caveat that it must also be considered legal by the federal government. Within seven months, the U.S. Justice Department reverses its previous position and rules that Internet gambling is legal, and Nevada officials approve online poker regulations.
- February 2013 – Nevada passes a law to allow the state to enter into pacts with other states on Internet poker.
- April 2013 – Ultimate Poker launches the first legal online poker website.
- February 2014 – Nevada enters a compact with Delaware, allowing online poker players from each state to play against each other.

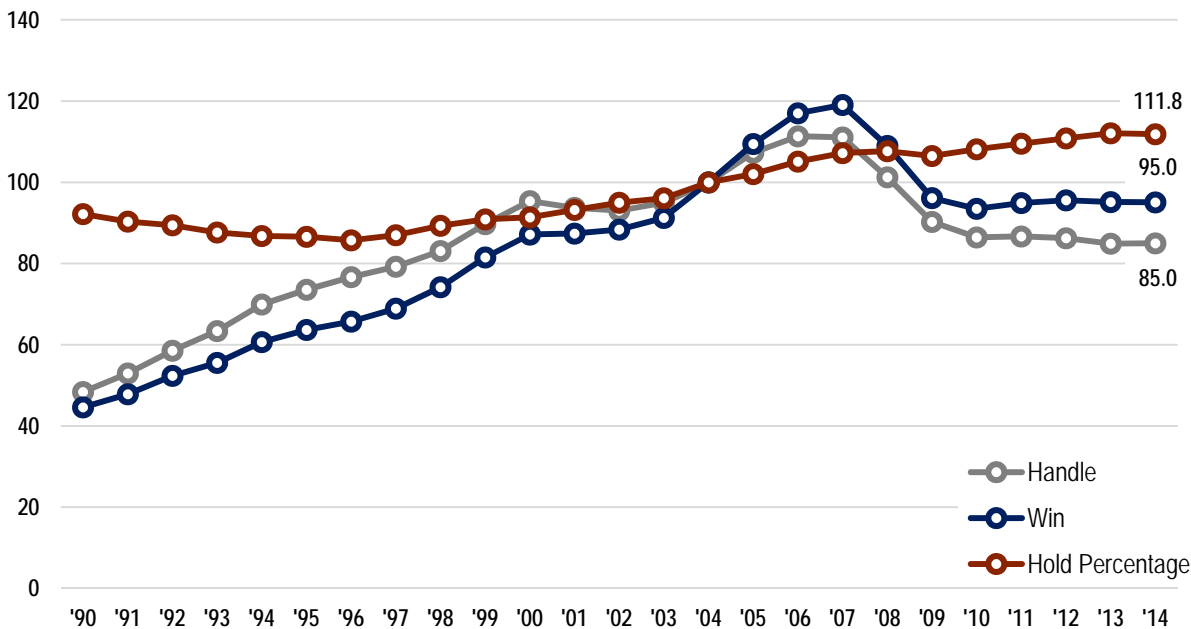
## Historical Slot Performance Trends



### Slot Hold Percentage



### Indexed Slot Handle, Slot Win and Slot Hold Percentage (2004=100)



## New Jersey

### *Overview*

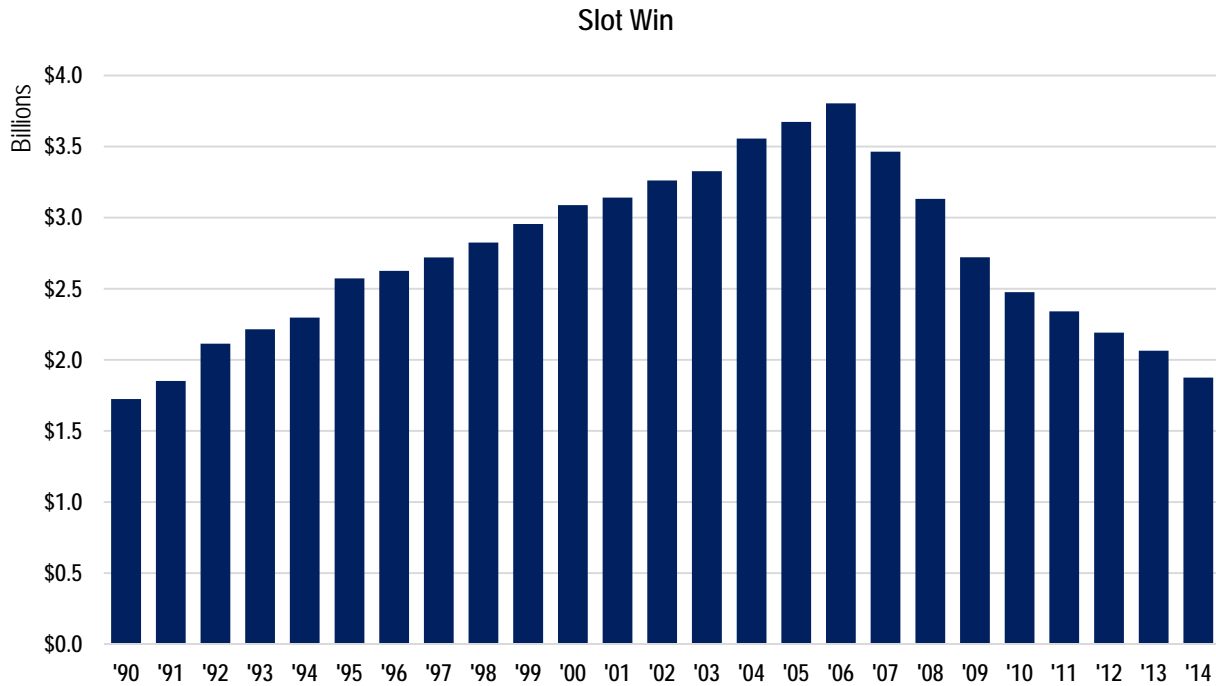
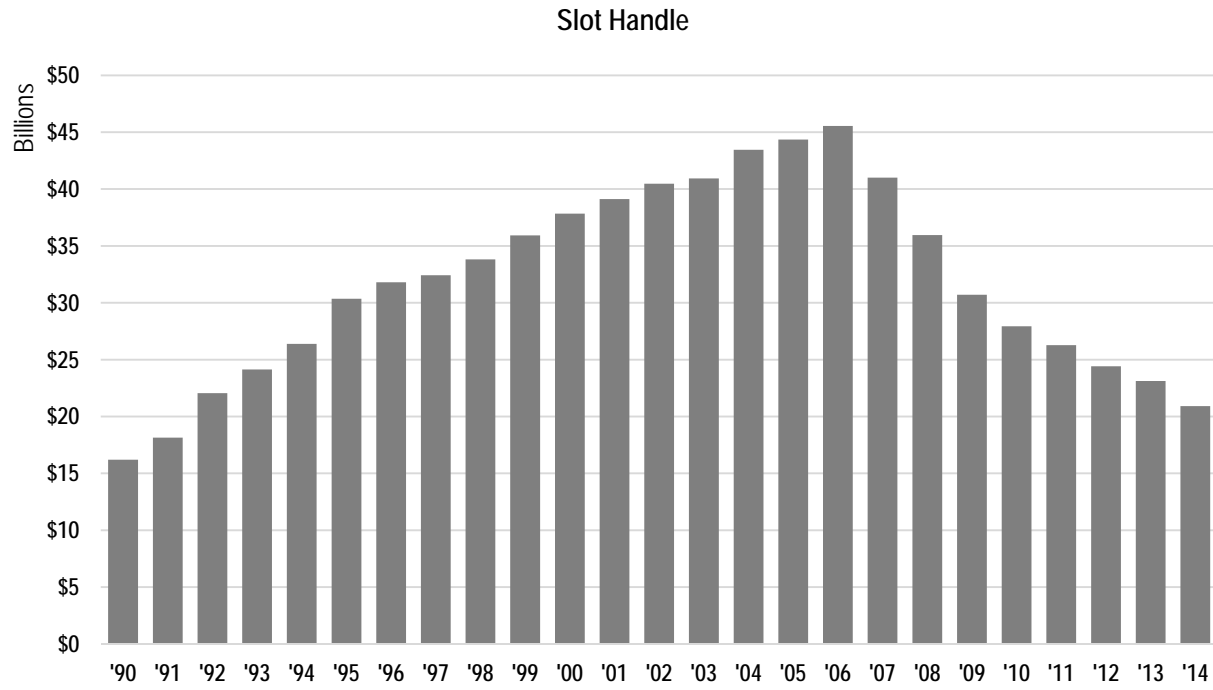
In 1976, New Jersey became the second state to legalize casino gaming within the United States. The state's early adoption made Atlantic City, New Jersey's only city to allow gambling, one of the top competitors in the gaming industry for many years. However, as neighboring states legalized gaming, New Jersey lost players who preferred to gamble closer to home. In the face of declining gaming revenues, New Jersey legalized online gaming in 2011 and continues to pursue sports betting. As of January 2015, 11 casinos remain in Atlantic City, most of which are partnered with online gambling operators.



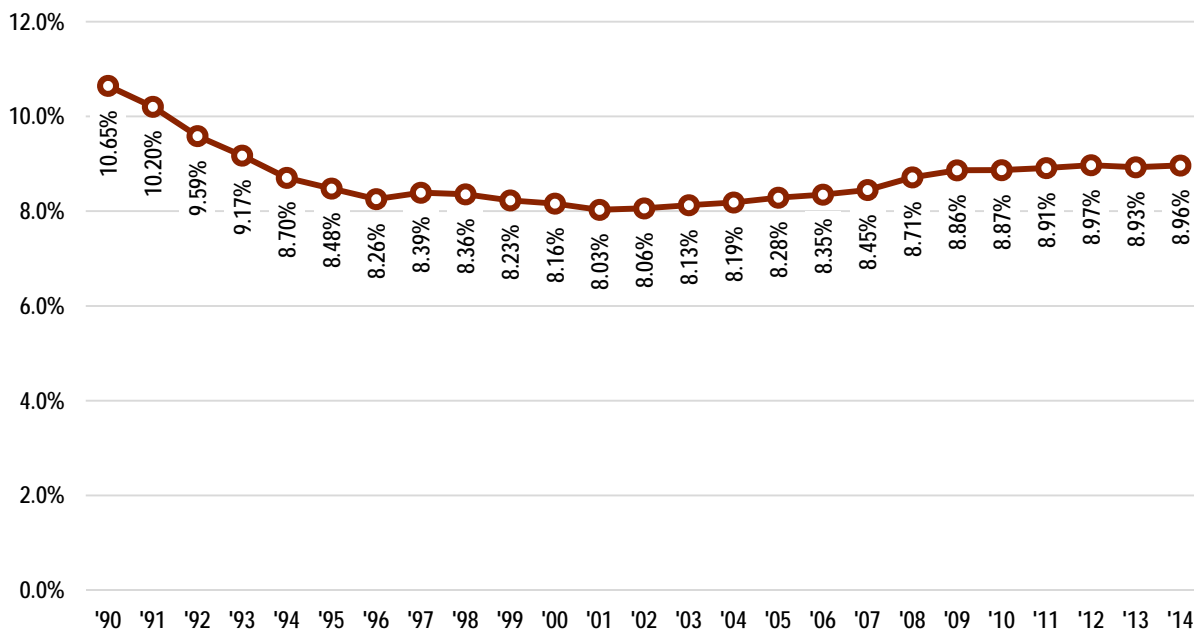
### *Key Events in History*

- 1976 – Voters approve legalized casinos in Atlantic City with the goal of revitalizing the struggling seaside destination.
- May 1978 – Atlantic City opens its first casino, Resorts Atlantic City.
- February 2004 – The Legislature passes a bill to deduct jackpot winnings from players who owe child support.
- July 2007 – Electronic table games, such as electronic poker and roulette, are approved for use in Atlantic City casinos.
- February 2013 – The Legislature overwhelmingly passes a bill to allow online gambling within New Jersey. However, online gaming sites are required to partner with Atlantic City casinos.
- November 2014 – Atlantic City's Borgata Hotel Casino and Spa partner with Pala Interactive, LLC to offer online gaming to the state of New Jersey.
- 2014 – Revel Atlantic City (opened on April 2012), Showboat (opened March 1987), Trump Plaza (opened May 1984), and Atlantic Club (opened December 1980) all close.

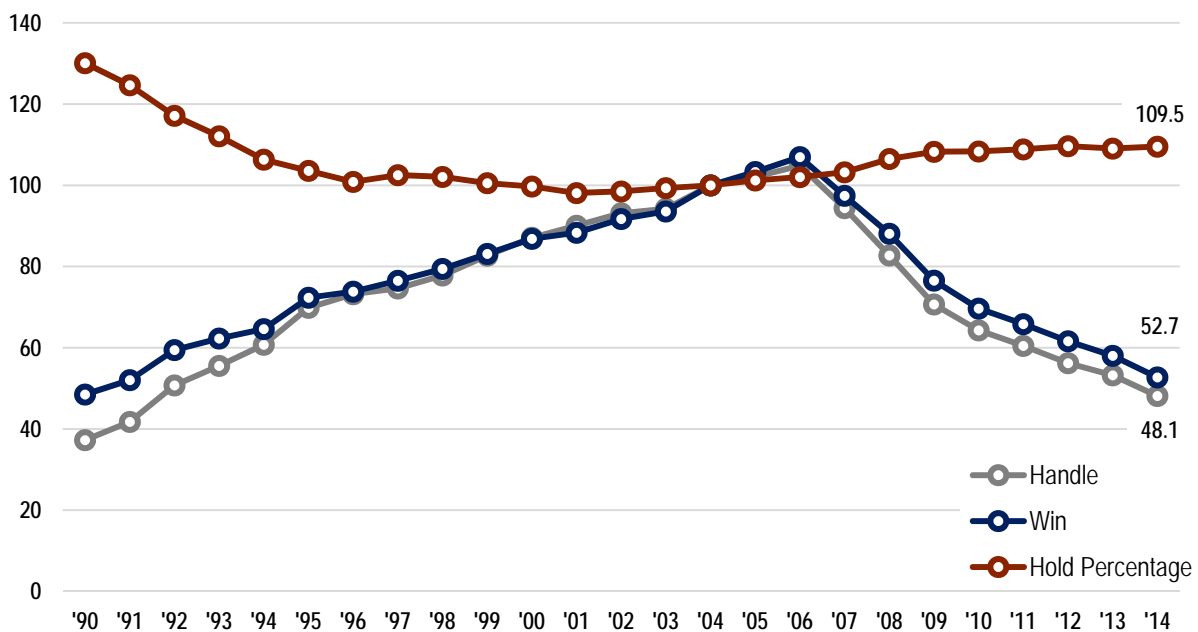
## Historical Slot Performance Trends



### Slot Hold Percentage



### Indexed Slot Handle, Slot Win and Slot Hold Percentage (2004=100)





## Ohio

### *Overview*

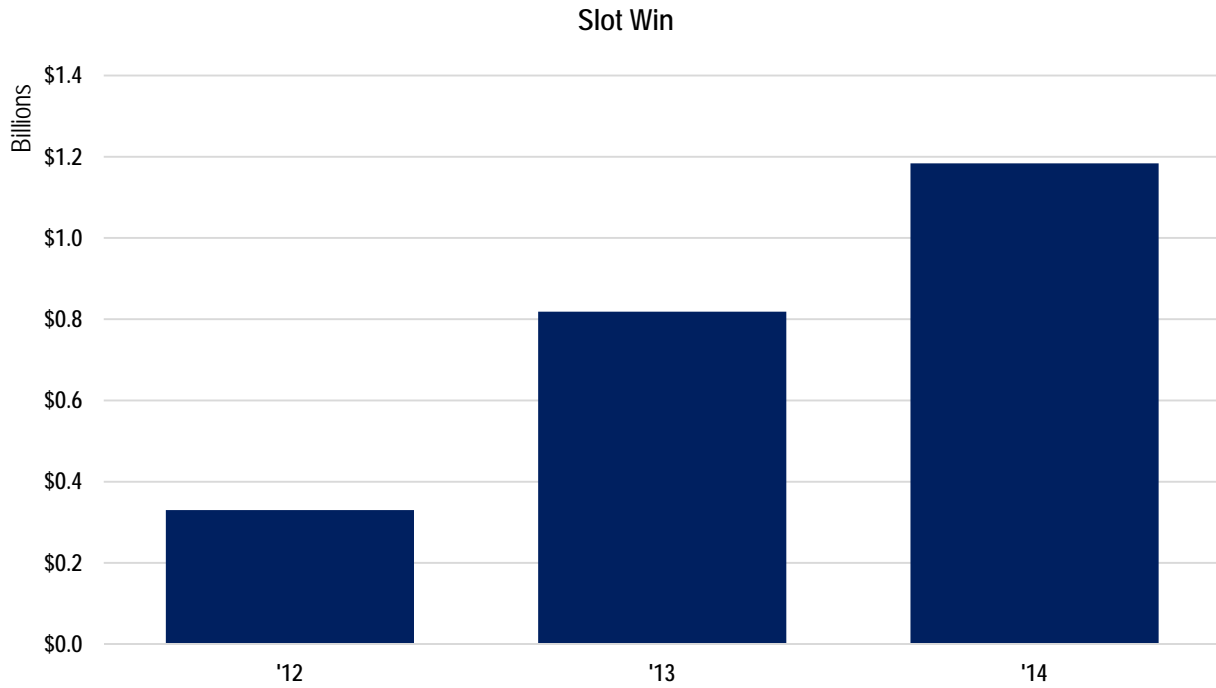
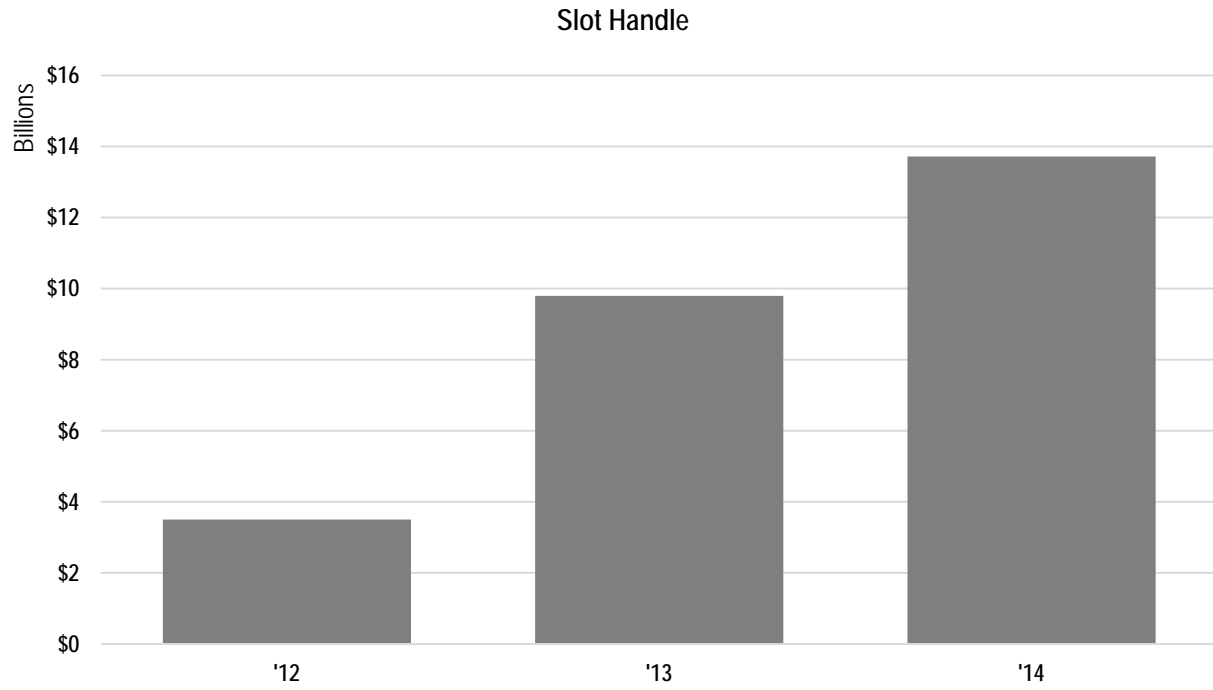
Ohio became the most recent addition to the gaming industry in 2009 when voters passed a constitutional amendment that allowed for the construction of four commercial casinos in the state's four biggest cities. It wasn't until three years after the vote, however, that the first casino, the Horseshoe Casino, opened its doors in downtown Cleveland. Ohio is now home to four land-based casinos and seven racinos that offer video lottery terminals. Altogether, the state's 8,200 slot machines generated \$560.7 million in revenue in fiscal year 2014.

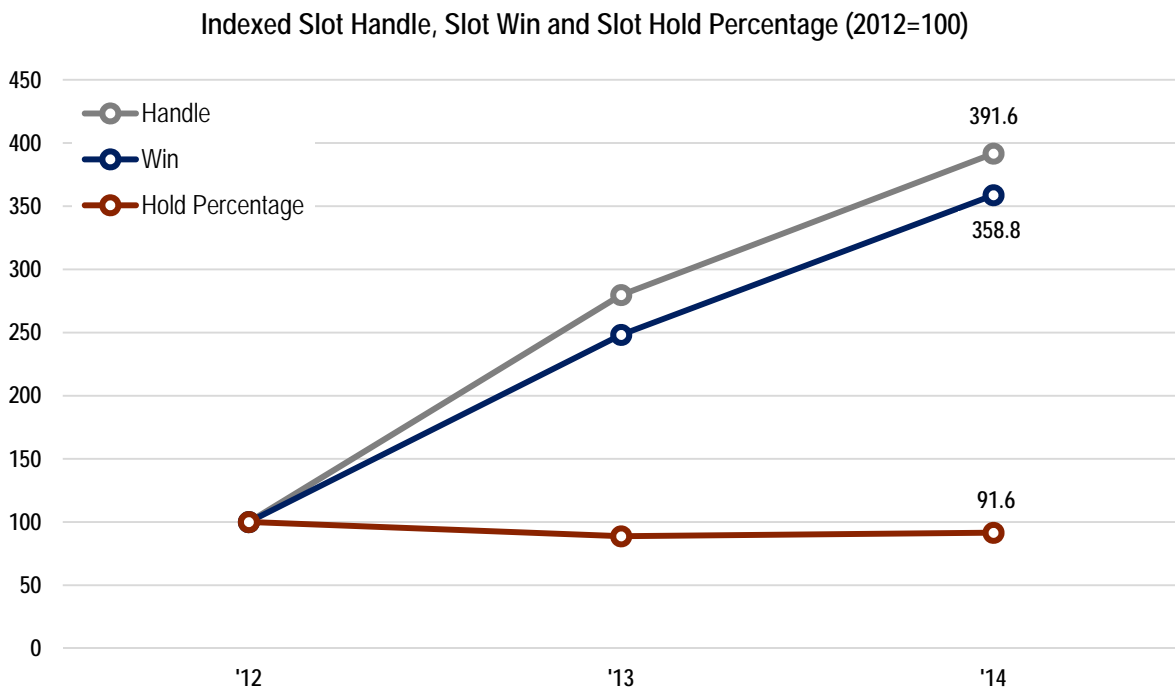
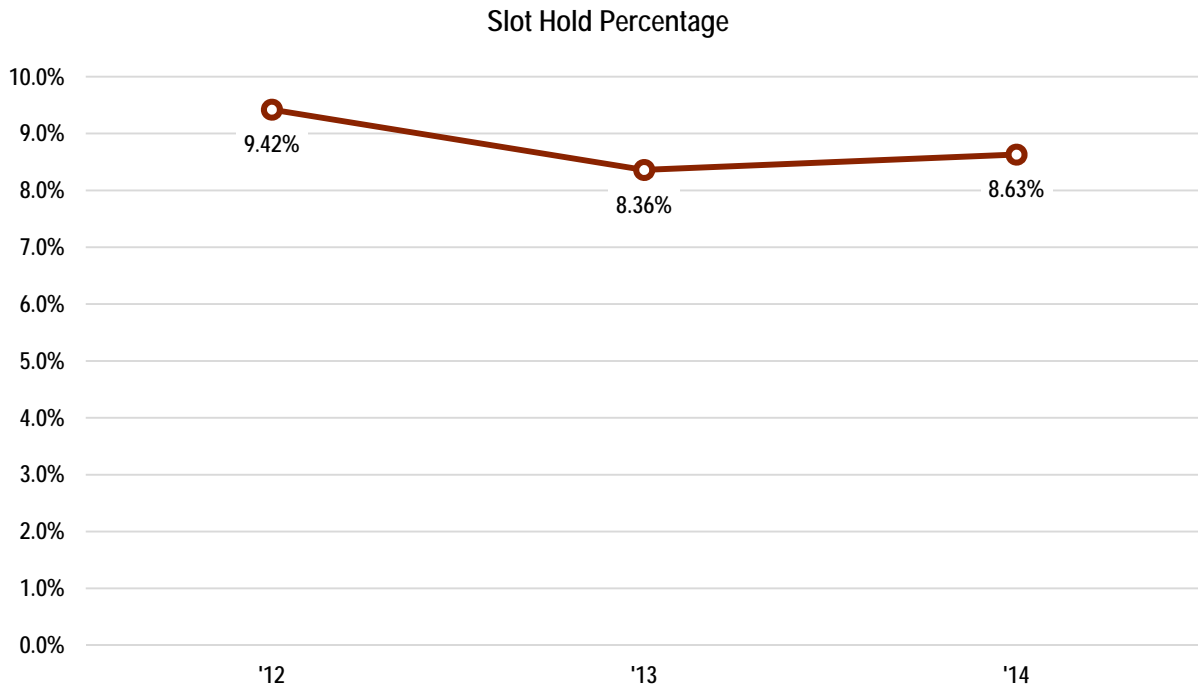


### *Key Events in History*

- July 2009 – Ohio Legislature agrees to allow video lottery terminals to be placed at the state's seven racetracks.
- November 2009 – Ohio voters pass a constitutional amendment that allows the licensing of casinos in Cleveland, Cincinnati, Toledo, and Columbus. The Casino Control Commission was formed to regulate casino activity and licensing.
- November 2010 – Ohio Governor Ted Strickland loses his bid for reelection. This forced the Casino Control Commission to stop work because its members were not yet approved by the Senate. Incoming Governor John Kasich wanted a hand in selecting the members of the commission.
- October 2011 – Kasich signs an executive order to permit the licensing and operation of 17,500 VLTs at Ohio's seven racetracks.
- May 2012 – Ohio's first casino, Horseshoe Cleveland, opens.
- June 2012 – Scioto Downs, a horse racing track since 1959 in Columbus, offers the state's first VLTs, becoming Ohio's first racino.
- August 2014 – The Horseshoe Casino – Cincinnati submitted plans to create a smoking section on its casino floor.
- October 2014 – The Parlor opened inside the Horseshoe Casino – Cincinnati. The Parlor is the Horseshoe's smoking, gambling patio and bar.

## Historical Slot Performance Trends





## Pennsylvania

### *Overview*

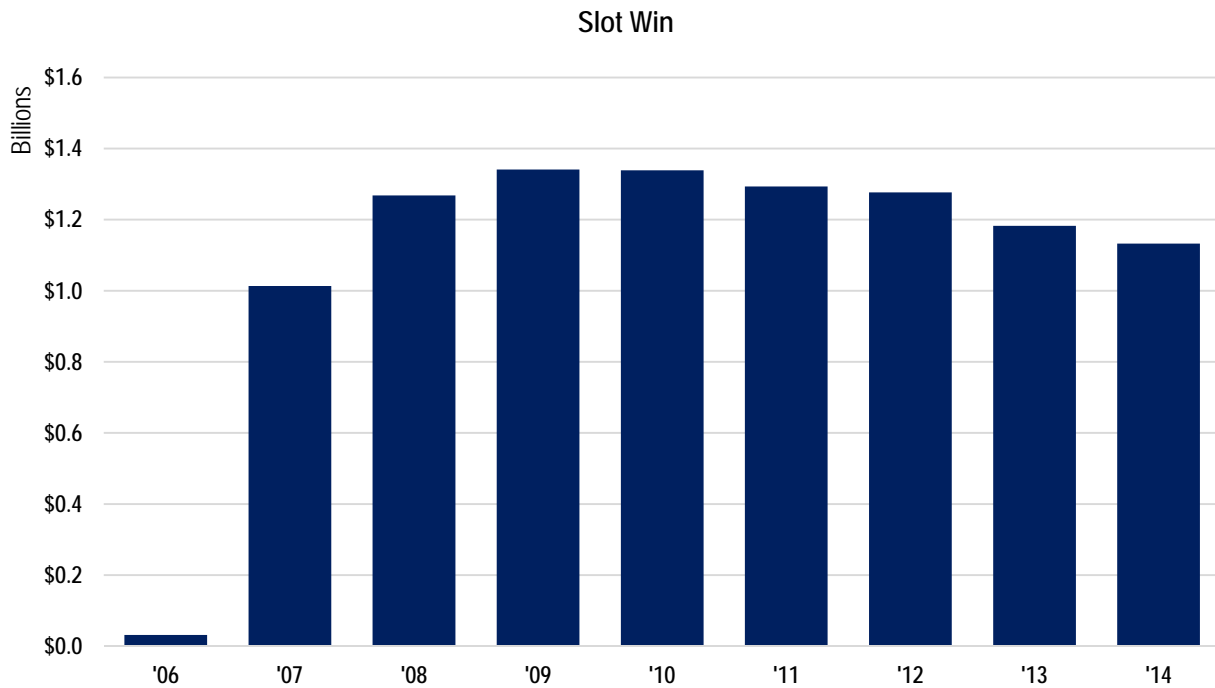
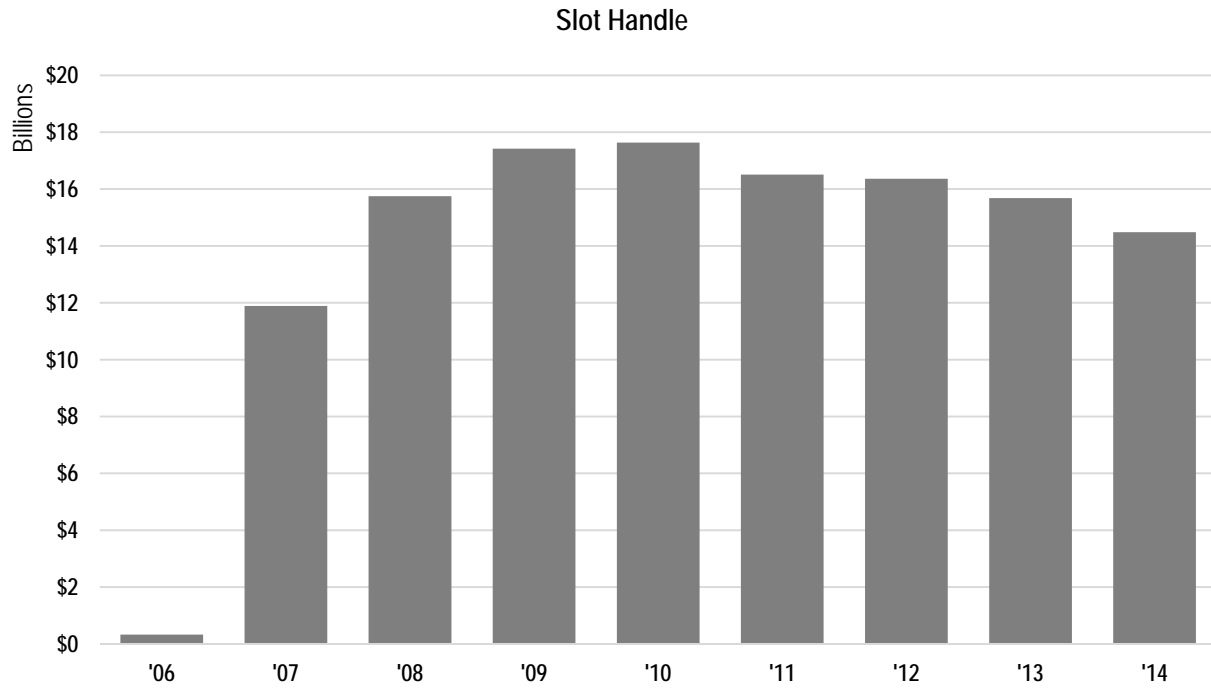


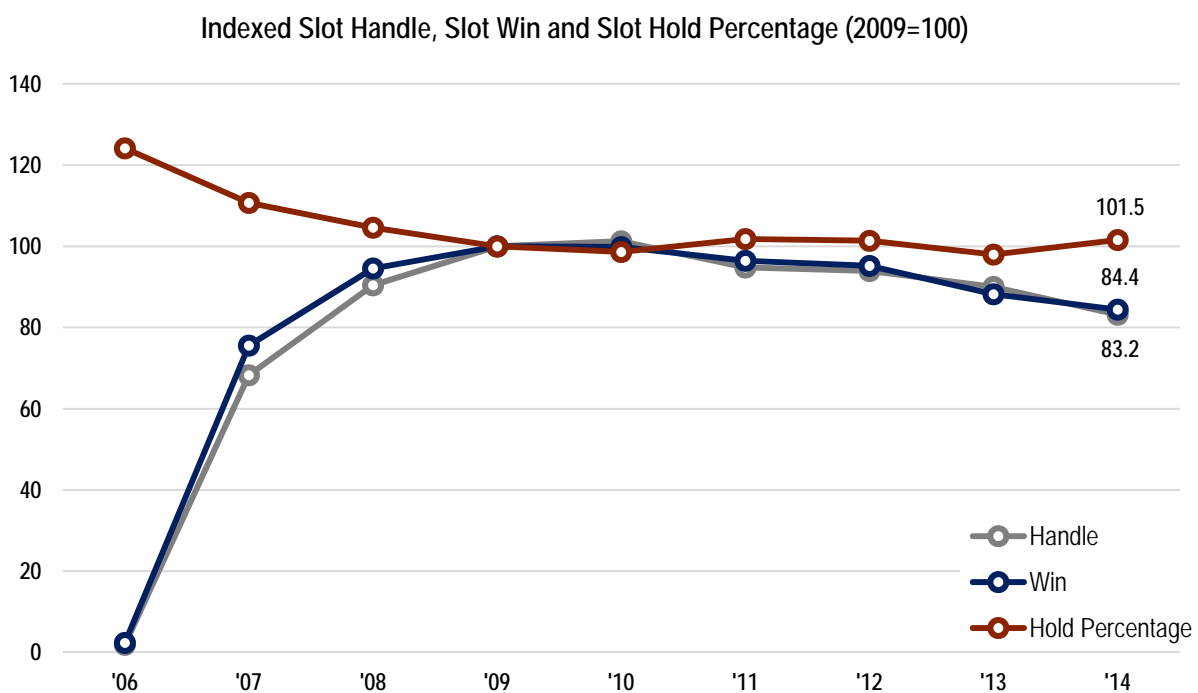
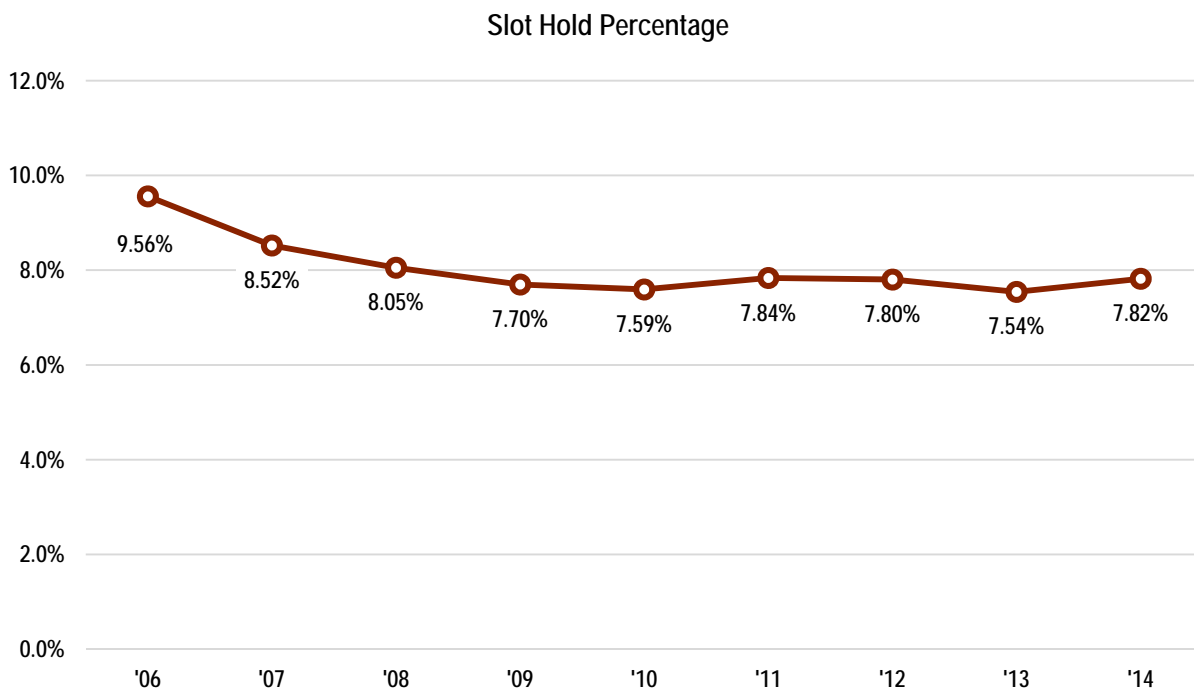
Since the late 1970's, Pennsylvanians who wanted to gamble had to drive to Atlantic City or other neighboring casino cities. That changed in 2004 when Pennsylvania legalized gambling and authorized up to 14 slot machine facilities. Since then, four casinos, six racinos, and two resorts have opened and continue to supply the state with billions each year due to the 55% tax on slot machine revenue. In fiscal year 2014, the state's slots accounted for \$1.1 billion in revenue.

### *Key Events in History*

- July 2004 – The Race Horse Development and Gaming Act is signed into law. The act created the Pennsylvania Gaming Control Board, which was the first new state agency in over 30 years. The board was allowed to issue licenses to 14 slot machine establishments distributed among racetracks, casinos and resorts.
- November 2006 – Mohegan Sun at Pocono Downs opens with the first operating slot machines in the state.
- December 2006 – Philadelphia Park Racetrack and Casino opens, establishing itself as the largest racino in the state.
- June 2008 – The Clean Indoor Air Act bans smoking for all public indoor facilities, with exemptions for some bars and designated parts of casinos. If casinos could show that smoking areas were more profitable than non-smoking ones, that establishment could apply to expand their smoking sections.
- January 2010 – The state authorizes the operation of table games, allowing racetracks and stand-alone casinos to have up to 250 table games. Slot machine operators could install up to 50 tables. Table games in Pennsylvania were taxed 16 percent the first year, then dropped to 14 percent for the following years.

*Historical Slot Performance Trends*





## Rhode Island



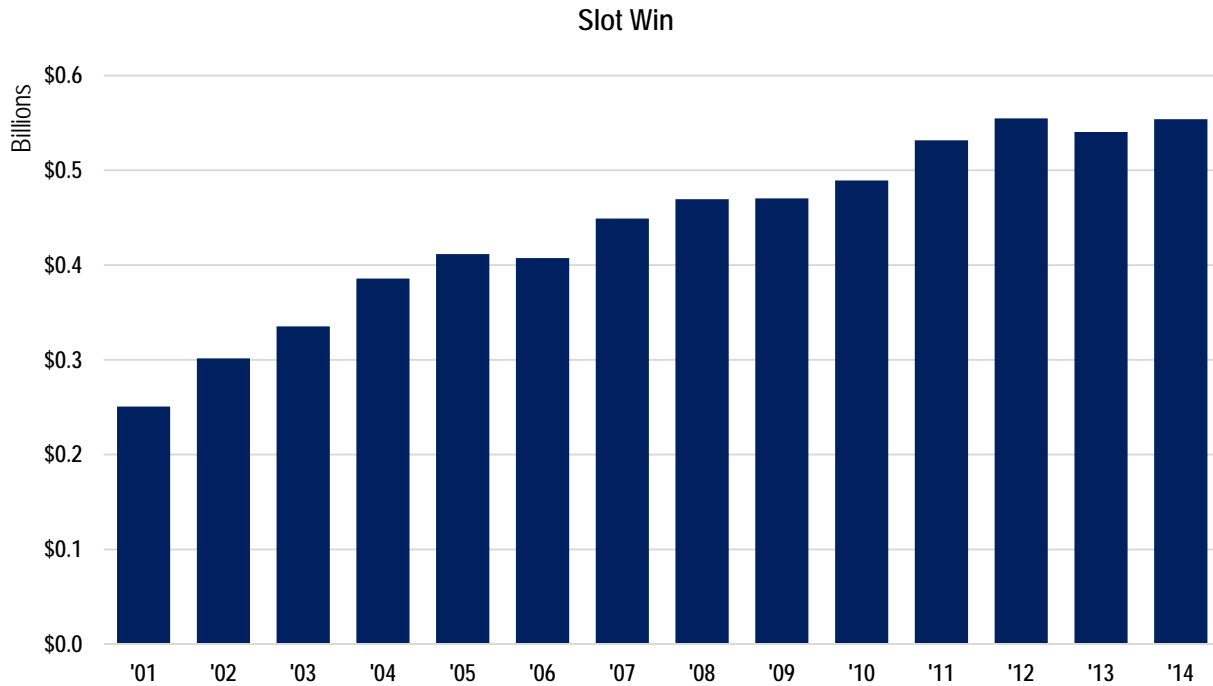
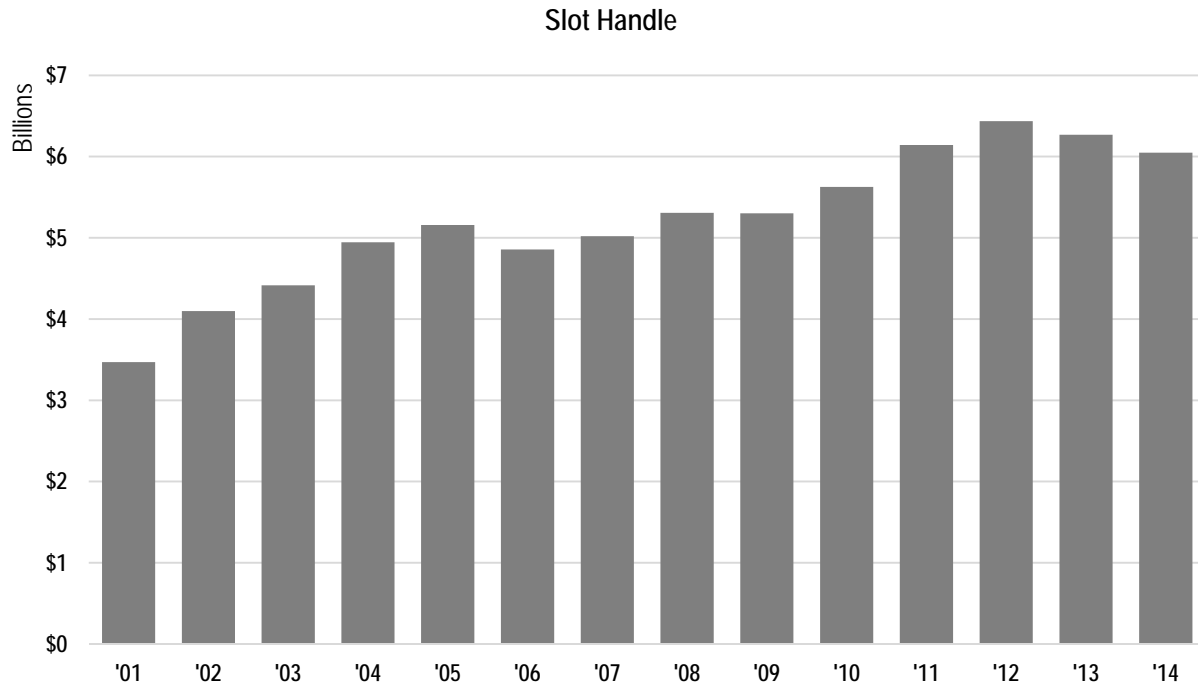
### *Overview*

Rhode Island might be the smallest state, but it continues to keep up with its sizable neighbors when it comes to gaming. In 1992 the state lawmakers legalized video lottery terminals, and Rhode Island's two pari-mutuel properties, Twin River and Newport Grand, began operating VLTs the following year. Since then these two properties have been running efficiently, providing steady revenue for the state and a seemingly increasing win percentage for players. In fiscal year 2014, the state's 5,600 slot machines raised \$507.0 million in revenue.

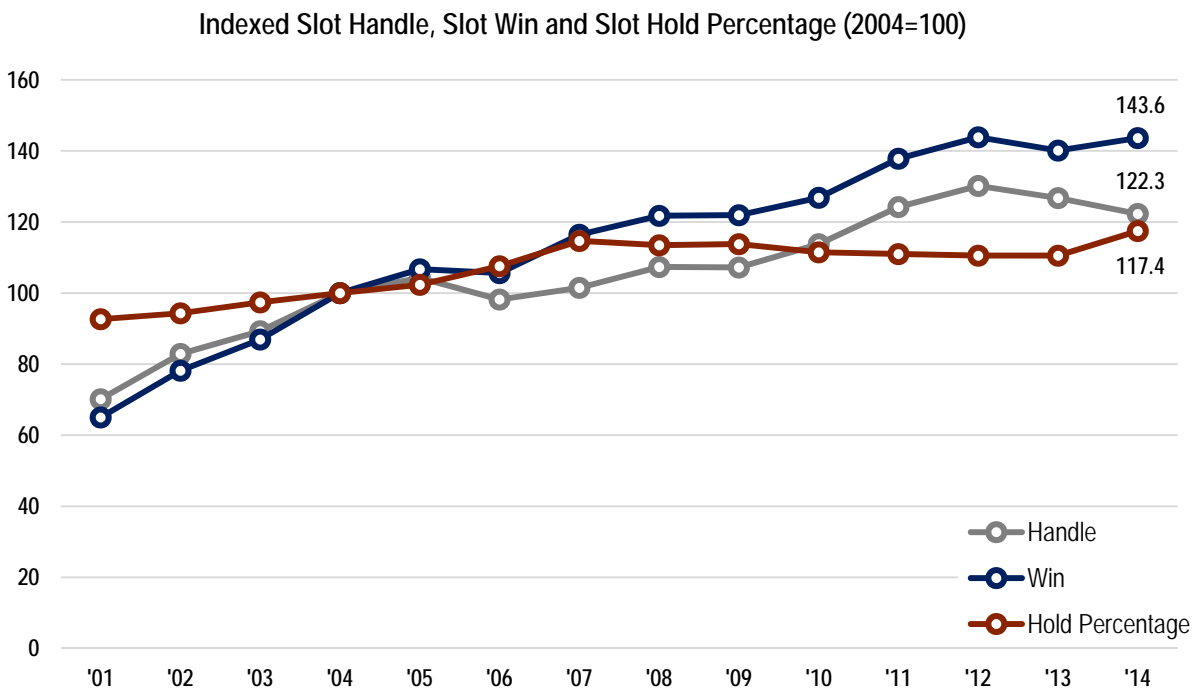
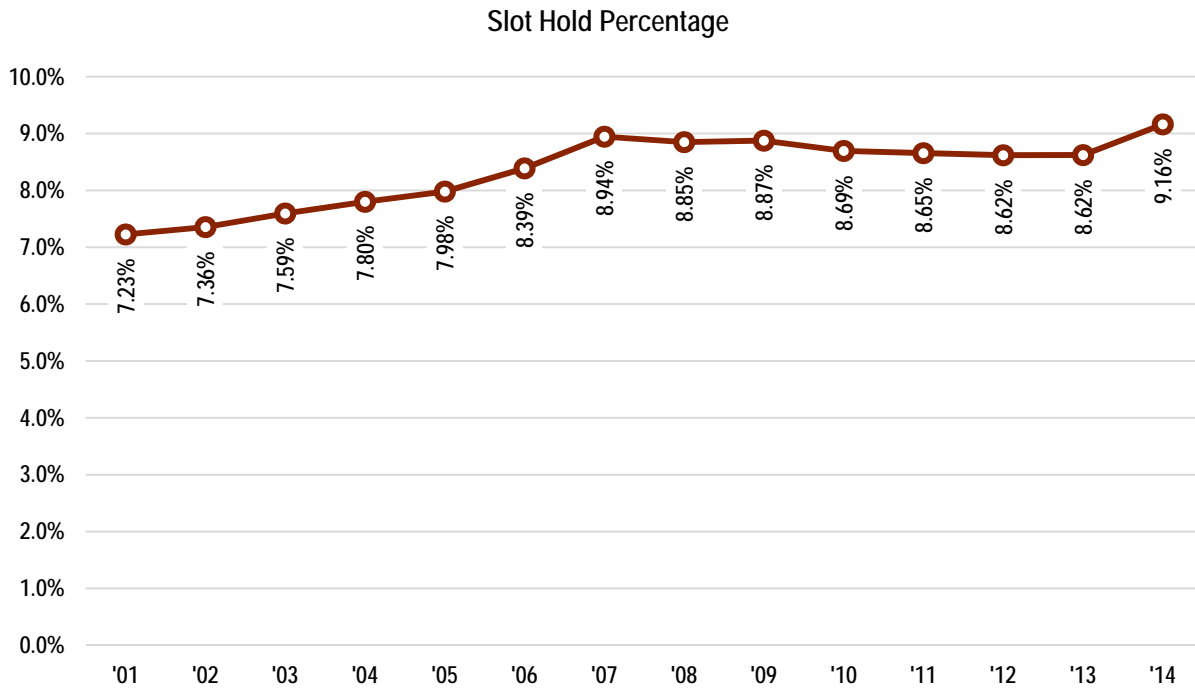
### *Key Events in History*

- November 1973 – Rhode Island Lottery is created by Constitutional Amendment. Voters favored the amendment by a three-to-one majority. The General Assembly was delegated to regulate and advise future lotteries.
- May 1974 – The first lottery drawing in the state was held.
- 1975 – Rhode Island became the first state to conduct a televised lottery drawing.
- September 1987 – Rhode Island Lottery becomes a founding member of the Multi-State Lottery Association (MUSL), established to aid in the operation of multi-state games and allow smaller states to offer games with higher jackpots.
- February 1988 – MUSL's Lotto\*America sold its first tickets.
- April 1992 – Lotto\*America was replaced by the PowerBall lottery.
- September 1992 – The operation of Video Lottery Terminals (VLTs) is approved by legislation (June). They are installed at the two pari-mutuel gaming facilities, Twin River and Newport Grand. Also, keno is introduced to Rhode Island.
- November 2012 – The Town of Lincoln approved a referendum to allow table games in Twin River.
- September 2013 – Twin River begins operating Rhode Island's first live table games.

*Historical Slot Performance Trends*







## South Dakota

### *Overview*

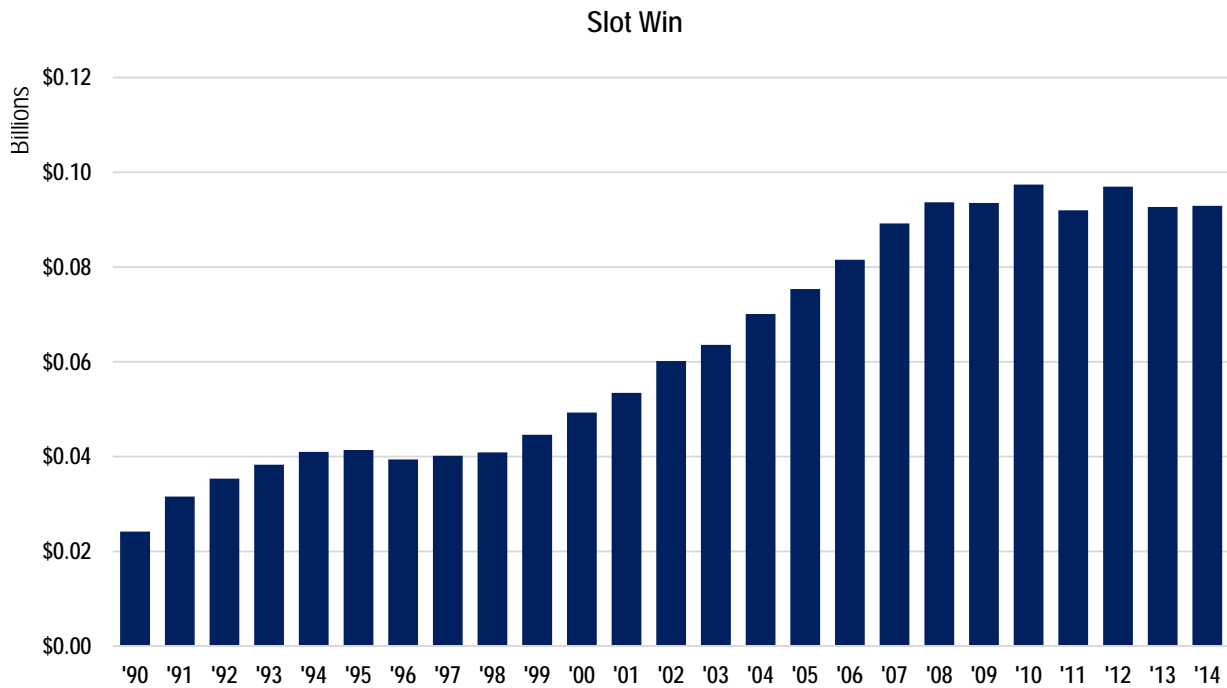
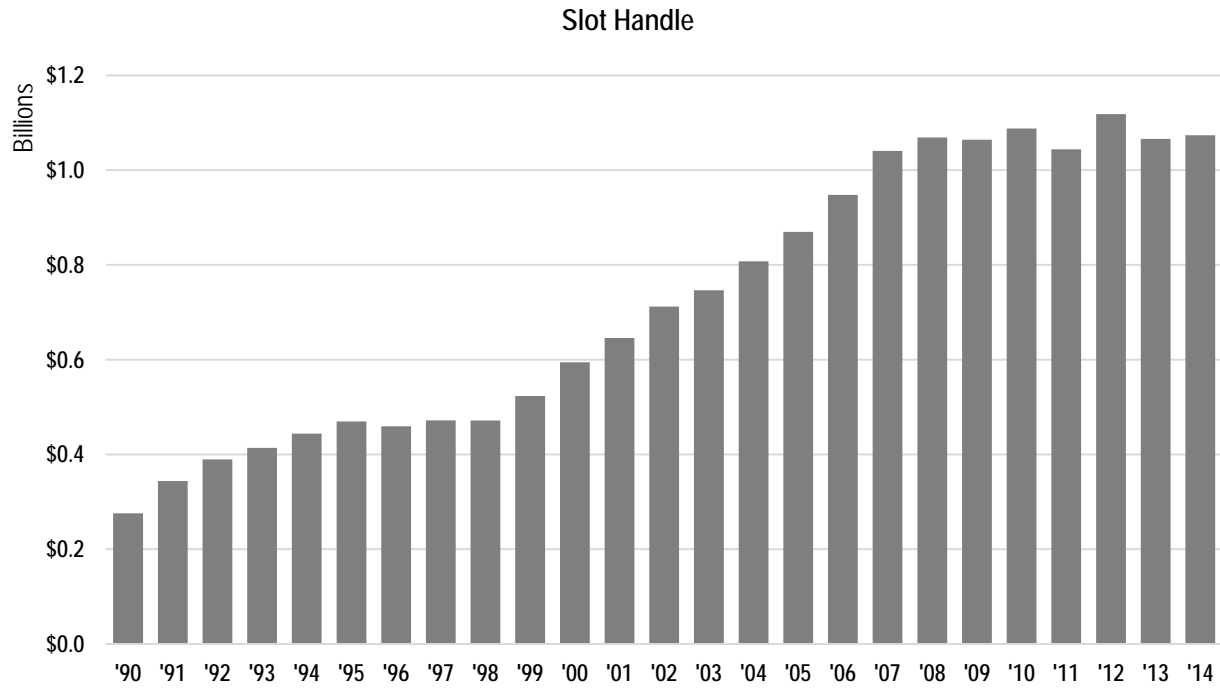


Before it was the subject of an HBO television series, Deadwood was home to the first modern casinos in South Dakota. The infamous Old West town once known for its violence is now the center of state-regulated gaming, thanks to a 1988 ballot initiative to legalize gambling in the town. The initial law allowed only slots, poker and blackjack. That changed last year when voters approved an expansion of gaming to include other casino games, including roulette and craps. The town's 24 casinos host 3,300 slot machines that raised \$92.0 million in revenue in fiscal year 2014.

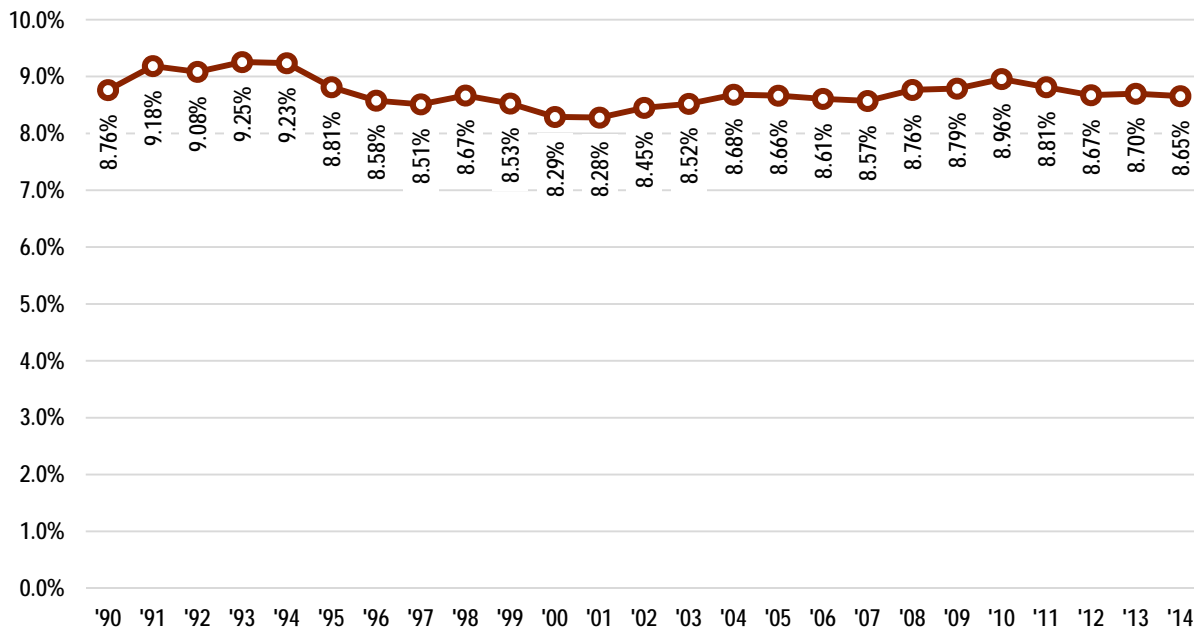
### *Key Events in History*

- November 1988 – Voters overwhelmingly pass a constitutional amendment to legalize gaming in the historic Old West town of Deadwood. The amendment calls for a \$5 betting maximum on slots, blackjack and poker.
- October 1989 – South Dakota becomes the nation's first state to offer Video Lottery Terminals (VLTs). Within the first year, 700 establishments are licensed to allow the games.
- October 1990 – The first Indian casino opens in Flandreau. Run by the Santee Sioux tribe, the casino is the first of nine Indian casinos to be approved by the state.
- June 1994 – South Dakota Supreme Court rules that the Video Lottery is unconstitutional. To reauthorize VLTs, a resolution to place a constitutional amendment on the general election ballot was passed the following month.
- August 1994 – The Video Lottery is shut down. Then on November 22, 1994, citizens in South Dakota vote to reauthorize the Video Lottery and the games resume.
- November 2000 – An initiative to raise the betting limit in Deadwood casinos to \$100 narrowly passes at the polls.
- November 2010 – A smoking ban for all indoor workplaces, including casinos, is approved by voters.
- February 2012 – State lawmakers raise Deadwood's betting limit to \$1,000.
- November 2014 – Voters easily approve a constitutional amendment that allows new casino games in Deadwood, including roulette, keno and craps.

## Historical Slot Performance Trends



### Slot Hold Percentage



### Indexed Slot Handle, Slot Win and Slot Hold Percentage (2004=100)

