

Released by Maryland Tax Education Foundation on November 9, 2004

MEDIA ADVISORY

*Pennsylvania Racino License sells for \$275 million!
Third “flip” since slots approved in July 2004.*

MAGNA ENTERTAINMENT TO REALIZE \$225 MILLION GAIN

RECENT TRANSACTION: Magna Entertainment (symbol MECA), a publicly traded operator of casinos and racetracks, agreed to sell its **Meadows** racetrack, south of Pittsburgh, for **\$225 million**. The buyers, **Oaktree Capital Management** and two **Millennium Gaming** controlling shareholders, will pay the **\$50 million license fee** required by the State of Pennsylvania, indicating a total value of **\$275 million**.

Because the slots facility is not yet built, the \$275 million is almost entirely reflective of the gaming license value, rather than the value of the small harness track.

This deal follows the sale of two other licenses: (1) **Penn National** selling its **Pocono Downs** license for **\$280 million** to the **Mohegan** tribe, owner of the large casino in Connecticut; and (2) **Harrah’s Entertainment** acquiring 50% of the **Chester Downs** harness track license, in which it has committed \$392 million to date, indicating the value of 100% of the Chester license to be in excess of **\$600 million**.

RIP-OFF OF PENNSYLVANIA TAXPAYERS: The Pennsylvania legislature grants each slots license for a price of only \$50 million, despite knowing that gaming license sales in Illinois, Michigan and Indiana realized values of \$500 million to \$700 million each. In the case of these three sales, the state gives up the difference, thereby enriching track owners by hundreds of millions at the expense of taxpayers and social programs. Frank Stronach, MECA’s controlling stockholder who is paid over \$30 million per year, will be enriched by about \$125 million as a result of the sale, which should provide MECA with an accounting gain of about \$225 million when the deal closes in 2006’s first quarter.

COMMENTS: “By investing a few million in lobbying expenses, political contributions and misleading ad campaigns, PA track owners have effectively swindled Pennsylvania taxpayers out of hundreds of millions of dollars,” said **Jeff Hooke**, Chairman of the **Maryland Tax Education Foundation**, “Attempts to repeat this cynical exercise are underway in numerous states, including Maryland.”

Contact MTEF at 703-761-4591, or on the web at www.marylandtaxeducation.org.