MTR
GAMING GROUP, INC.

2011 ANNUAL REPORT

Artist Rendering of Scioto Downs—Columbus, Ohio

Mountaineer Casino, Racetrack & Resort—Chester, West Virginia

Presque Isle Downs & Casino—Erie, Pennsylvania

COMPANY PROFILE

MTR Gaming Group, Inc. is a hospitality and gaming company that through subsidiaries owns and operates Mountaineer Casino, Racetrack & Resort in Chester, West Virginia; Presque Isle Downs & Casino in Erie, Pennsylvania; and Scioto Downs in Columbus, Ohio.

MISSION

MTR's mission is to focus on our core competencies as a regional gaming operator and leader in the racing industry—to leverage that experience to enhance stockholder value, to create an exceptional guest experience for our patrons and to be an outstanding corporate citizen in the communities in which we operate.

DEAR FELLOW STOCKHOLDERS:

As we prepare for the anticipated opening of our gaming facility at Scioto Downs in Columbus, Ohio in the very near future, I want to take a step back and discuss the past year that has led us to this point. We believe we turned a corner in 2011 by stabilizing our existing operations—leading to a successful year and increased Adjusted EBITDA[1] from continuing operations. Our results were led by key marketing initiatives, increased efficiencies and thoughtful capital improvements which started to pay considerable dividends toward the end of the year, as well as a full year of table gaming at Presque Isle Downs & Casino. Operating margins at Presque Isle Downs increased during 2011 while margins at Mountaineer Casino, Racetrack & Resort remained consistent—proving once again that we take our focus on cost control with utmost seriousness. We also successfully refinanced our debt in August 2011, which was imperative to getting our Scioto Downs project off the ground and running. And notably, we ended the year on a considerable upswing, with net revenue growth of 9% and record Adjusted EBITDA[1] up 16% to $20.0 million in the fourth quarter of 2011, and we plan on capitalizing on this momentum in 2012.

On behalf of the executive management team, I want to thank our 2,600 employees for their continued hard work and dedication which made 2011 a successful year for MTR Gaming and positioned us for our most important year ever as Scioto Downs prepares to open its doors in the imminent future. Your management team will continue to keep focus on our current operations and especially on our customer service to ensure the best possible experience and value for all of our patrons and our stockholders.

2011 FINANCIAL RESULTS

For the year ended December 31, 2011, MTR's total net revenues increased 1% to $428.1 million from $424.9 million in 2010. Adjusted EBITDA[1] from continuing operations increased 7% to $82.6 million (including $2.1 million from a mineral rights lease bonus payment) from $77.4 million in the prior year (after project-opening costs of $1.4 million and severance expenses of $1.7 million).

The 2011 loss from continuing operations was $51.2 million, or $1.84 per share, which included incremental interest expense of $6.0 million, or $0.22 per share, and a loss on debt extinguishment of $34.4 million, or $1.23 per share, caused by the refinancing of our debt in August 2011. In the prior year, the Company reported a loss from continuing operations of $5.0 million, or $0.18 per share.

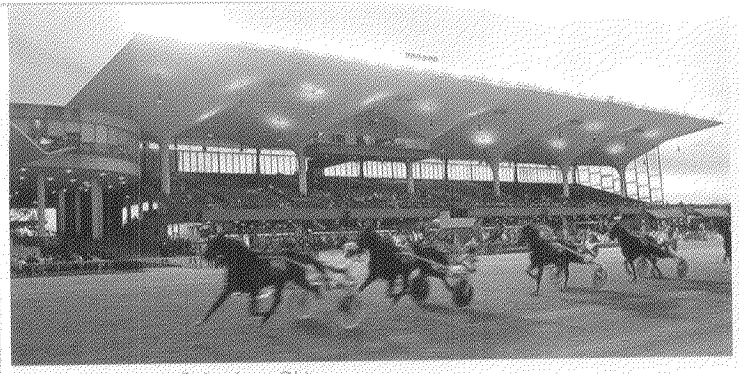
2011 HIGHLIGHTS

2011 was highlighted by the ground-breaking of our gaming facility at Scioto Downs, made possible through the successful refinancing of our debt in August. At Presque Isle Downs, we enjoyed a full year of table gaming and the opening of our new poker room in October. Our new offerings, along with efficient cost control, helped Presque Isle Downs achieve a 4% growth in revenue and a 12% increase in Adjusted EBITDA[1] during the year.

SCIOTO DOWNS

A difficult first half of the year at Mountaineer, partially caused by competition from the introduction of table games in Pennsylvania, caused revenue and Adjusted EBITDA[1] to decline by 2% overall during 2011. However, once table games were anniversaried in July, we started to notice a significant improvement in our results, resulting in a revenue increase of 15% and an Adjusted EBITDA[1] increase of 30% in the fourth quarter of 2011, and this momentum has continued into 2012.

Jeffrey J. Dahl
President and Chief Executive Officer



Scioto Downs—Columbus, Ohio

The Grande Hotel at Mountaineer

2012—A NEW BEGINNING

2012 will see one of the most important milestones achieved in MTR's history—the installation of video lottery terminals (VLTs) at Scioto Downs, which will result in a full-fledged entertainment venue. As of this letter, the construction of the new facility is nearing completion, the majority of the VLTs have been delivered, senior property management has been put in place and we are in the process of finalizing an exceptional customer service team. We have already received our conditional VLT license and are preparing for an anticipated opening within the second quarter of 2012. The gaming facility will have 2,117 video lottery terminals and will be permitted to increase that number to as many as 2,500. Additionally, there will be a state-of-the-art, 300-seat buffet, a 100-seat casual dining restaurant, and center bar/lounge with high-tech sound and lights, and we will offer a variety of entertainment operations while the racetrack also benefits from significant improvements. We are very excited about Scioto Downs and believe it will be a facility of which our stockholders and the citizens of Columbus can be proud. We believe the opening of Scioto Downs positions us well to grow in 2012 despite the significant new competition in Ohio.

At Presque Isle Downs, our new poker room will have a full year of operations, and we will be able to take advantage of a lowering of our table game tax rate from 16% to 14% in July 2012. We are also pleased with the recent announcements of our marketing agreement with the fast-growing Sheetz convenience store chain as well as our recent agreement to manage a new Baymont Inn and Suites branded Wyndham hotel adjacent to Presque Isle Downs, which will open in 2013.

presque isle downs & casino

At Mountaineer, we have seen a considerable uptick in business over the past few months, which we attribute to our new marketing initiatives and a general economic improvement, as well as our capital improvements designed to enhance the customer experience. The capital improvements have been aided by the West Virginia racetrack modernization fund, which allows us to recover a portion of our capital expenditures for items that have a useful life of more than three years (which includes slot machines). We are keenly aware of the new competition coming from Ohio, but we will continue to keep a close eye on costs and remain confident that Mountaineer is now in a solid position.

MOUNTAINEER CASINO RACETRACK & RESORT

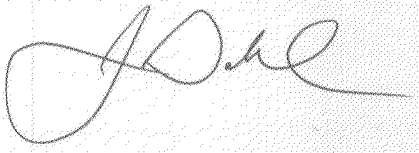
Finally, on May 1st, we launched an improved loyalty program that is the first step in producing an integrated and coordinated players club between all of our properties. Further, we are launching affiliation programs with other entertainment and gaming destinations to provide our loyal customers with additional opportunities to benefit from their play at our facilities.

CONCLUSION

In our previous stockholder letter, I mentioned that 2011 would be a test of our management team, and I believe we passed with flying colors as the Company and its employees rose to the challenge. I believe our fourth quarter results are a strong indicator of our capabilities, and we believe the upcoming opening of our gaming facility at Scioto Downs will put MTR Gaming on an entirely new level. We look forward to providing further updates on its operation in the upcoming months.

Whether you are a recent stockholder or a long-term investor in our Company, we thank you for your continued support of MTR Gaming.

Sincerely,



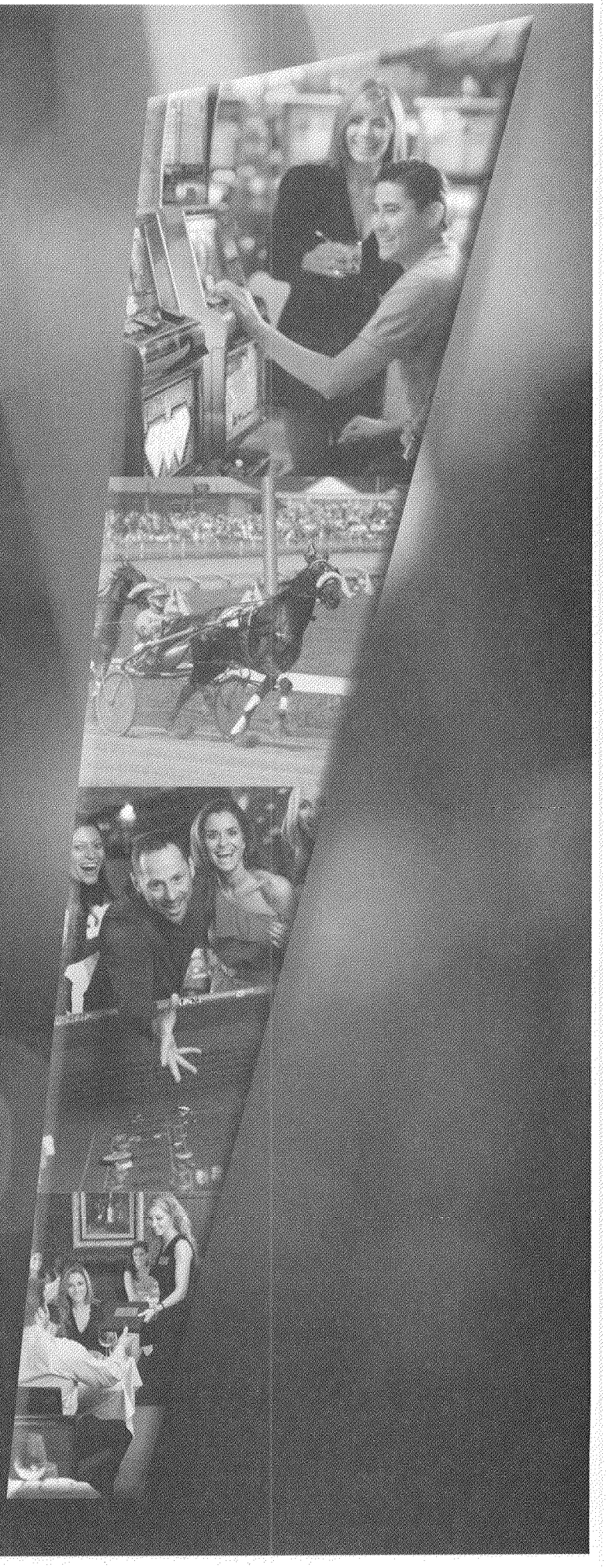
Jeffrey J. Dahl
President and Chief Executive Officer

1 See pages 43 through 45 of our Form 10-K included in this Annual Report for a reconciliation of income (loss) from continuing operations, which is a generally accepted accounting principle ("GAAP") financial measure, to Adjusted EBITDA from continuing operations, which is a non-GAAP financial measure.

MTR
GAMING GROUP, INC.

FORM 10-K

Financial Review 2011



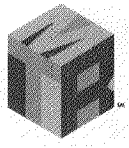
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

COMMISSION FILE NO. 000-20508



MTR GAMING GROUP, INC.

MTR GAMING GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**84-1103135**
(State of Incorporation)	(IRS Employer Identification No.)

STATE ROUTE 2, SOUTH, P.O. BOX 356, CHESTER, WEST VIRGINIA 26034
(Address of principal executive offices)

(304) 387-8000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to Section 12(g) of the Act:

Title of each Class:	**Name of each exchange on which registered:**
Common Stock $.00001 par value	NASDAQ Stock Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§299.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 30, 2011, the aggregate market value of our voting and non-voting common equity held by non-affiliates of the Company (based on the number of shares issued and outstanding and the NASDAQ Official Close Price on that date) was $80,341,000.

As of March 12, 2012, there were 27,668,839 outstanding shares of our Common Stock.

Documents Incorporated by Reference

Portions of the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A in connection with the Registrant's 2012 Annual Meeting of Stockholders (the "Proxy Statement") or portions of the Registrant's Form 10-K/A, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this report. Such Proxy Statement or Form 10-K/A will be filed with the Commission not later than 120 days after the conclusion of the Registrant's fiscal year ended December 31, 2011.

TABLE OF CONTENTS

PART I

PART I

ITEM 1. BUSINESS.

Cautionary Statement Regarding Forward-Looking Information

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements regarding our strategies, objectives and plans for future development or acquisitions of properties or operations, as well as expectations, future operating results and other information that is not historical information. When used in this report, the terms or phrases such as "anticipates", "believes", "projects", "plans", "intends", "expects", "estimates", "could", "would", "will likely continue", and variations of such words or similar expressions are intended to identify forward-looking statements. Although our expectations, beliefs and projections are expressed in good faith and with what we believe is a reasonable basis, there can be no assurance that these expectations, beliefs and projections will be realized.

There are a number of risks and uncertainties that could cause our actual results to differ materially from those expressed in the forward-looking statements which are included elsewhere in this report. Such risks, uncertainties and other important factors include, but are not limited to:

- our dependence on our West Virginia and Pennsylvania casinos for the majority of our revenues and cash flows and the success and growth of table gaming at these casinos;
- competitive and general economic conditions in our markets;
- the successful implementation of video lottery terminals ("VLTs") at racetracks in Ohio and our ability to operate VLTs at Scioto Downs Casino & Racetrack, our racetrack in Columbus, Ohio;
- the effect of economic, credit and capital market conditions on the economy and the gaming and entertainment industry;
- weather or road conditions limiting access to our properties;
- volatility and disruption of the capital and credit markets;
- changes in, or failure to comply with, laws, regulations or the conditions of our West Virginia, Pennsylvania and Ohio gaming and racing licenses (or the failure to obtain renewals thereof), accounting standards or environmental laws (including adverse changes in the rates of taxation on gaming revenues) and delays in regulatory licensing processes;
- construction factors relating to maintenance and expansion of operations;
- the outcome of legal proceedings;
- dependence upon key personnel and the ability to attract new personnel;
- the ability to retain and attract customers;
- the effect of war, terrorism, natural disasters and other catastrophic events;
- the effect of disruptions to our systems and infrastructure;
- our substantial indebtedness;
- the ability to refinance existing debt, or obtain additional financing, if and when needed, the cost of refinancing, and the impact of leverage and debt service requirements;
- our ability to comply with certain covenants in our debt documents;
- other factors set forth under "Risk Factors."

In light of these and other risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K, even if subsequently made available on our website or otherwise, and we do not intend to update publicly any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made, except as may be required by law.

Overview

MTR Gaming Group, Inc. (the "Company" or "we"), a Delaware corporation, is a hospitality and gaming company that owns and operates racetrack, gaming and hotel properties in West Virginia, Pennsylvania, and Ohio.

The Company, through its wholly-owned subsidiaries, owns and operates Mountaineer Casino, Racetrack & Resort in Chester, West Virginia ("Mountaineer"); Presque Isle Downs & Casino in Erie, Pennsylvania ("Presque Isle Downs"); and Scioto Downs Casino & Racetrack in Columbus, Ohio ("Scioto Downs"). We consider these three properties, which are located in contiguous states, to be our core assets. Scioto Downs, through its subsidiary RacelineBet, Inc., also operates Racelinebet.com, a national account wagering service that offers online and telephone wagering on horse races as a marketing affiliate of TwinSpires.com, an affiliate of Churchill Downs, Inc.

We were incorporated in March 1988 in Delaware under the name "Secamur Corporation," a wholly-owned subsidiary of Buffalo Equities, Inc. In 1996, we were renamed MTR Gaming Group, Inc and since 1998, we have operated only in the racing, gaming and entertainment businesses.

Financial Information

Refer to Part II, Item 6.—Selected Financial Data" and "Part II, Item 7.—Management's Discussion and Analysis of Financial Condition and Results of Operations" for information about our revenue and operating results and total assets and liabilities and "Part II, Item 8.—Financial Statements and Supplementary Data" for our consolidated financial statements and accompanying footnotes.

Properties

Mountaineer Casino, Racetrack & Resort

Mountaineer is one of only four racetracks in West Virginia currently permitted to operate slot machines and traditional casino table gaming. Mountaineer is located on the Ohio River at the northern tip of West Virginia's northwestern panhandle, approximately thirty miles from the Pittsburgh International Airport and a one-hour drive from downtown Pittsburgh. Since acquiring Mountaineer in 1992, we continue to focus on expanding the reach of our extensive customer base and improving our operating results, including by right sizing our operations and redesigning for efficiency. As a result, Mountaineer has become a diverse gaming, entertainment and convention complex with:

- 106,000 square feet of gaming space housing approximately 2,132 slot machines, 14 poker tables, and 45 casino table games (including blackjack, craps, roulette and other games);
- 357 hotel rooms, including the 256-room, 219,000 square foot Grande Hotel at Mountaineer, which offers 29 suites, a full-service spa and salon, a gourmet coffee shop, a 104-seat upscale steakhouse, a 280-seat buffet, and various casual food and beverage outlets, a retail plaza and an indoor and outdoor swimming pool;

- 13,500 square feet of convention space, which can accommodate seated meals for groups of up to 575, as well as smaller meetings in more intimate break-out rooms that can accommodate 75 people and entertainment events for approximately 1,300 guests;
- live thoroughbred horse racing on a one-mile dirt surface or a ⅞ mile grass surface with expansive clubhouse, restaurant, bars and concessions, as well as grandstand viewing areas with enclosed seating for 770 patrons and 2,800 patrons, respectively;
- on-site pari-mutuel wagering and thoroughbred, harness and greyhound racing simulcast from other prominent tracks, as well as wagering on Mountaineer's races at over 1,300 sites to which the races are simulcast;
- Woodview, an eighteen-hole par 71 golf course measuring approximately 6,550 yards located approximately seven miles from Mountaineer;
- a 69,000 square foot theater and events center that seats approximately 5,000 patrons for concerts and other entertainment offerings;
- a 12,000 square foot fitness center which has a full complement of weight training and cardiovascular equipment, as well as a health bar, locker rooms with steam and sauna facilities, and outdoor tennis courts; and
- surface parking for approximately 5,400 cars.

Mountaineer's revenues and profits are driven primarily by its gaming operations. For the year ended December 31, 2011, Mountaineer generated $224.1 million of net revenues and had an average daily net win per slot machine of $186 and an average daily net win per table game of $1,675. During the month of December 2011, approximately 76% of the total amount played in Mountaineer's slot machines was attributable to customers from Ohio, 21% to customers from Pennsylvania, 2% to customers from West Virginia and 1% to customers from other locations, while approximately 79% of the total amount played at Mountaineer's table games was attributable to customers from Ohio, 15% to customers from Pennsylvania, 1% to customers from West Virginia and 5% to customers from other locations.

Presque Isle Downs & Casino

Presque Isle Downs, located in Erie, Pennsylvania, opened for business on February 28, 2007, and commenced table gaming operations on July 8, 2010. The 140,000 square foot clubhouse consists of:

- 59,000 square feet of gaming space housing approximately 2,070 slot machines, 44 casino table games and a nine-table poker room, which we began operating on October 3, 2011;
- several dining options, including a 250-seat buffet, an upscale flexible seating bar and grille with seating for 65-90 patrons, a clubhouse restaurant and several bars, as well as entertainment; and
- surface parking for approximately 3,225 cars.

Additionally, Presque Isle Downs operates live thoroughbred racing on a one-mile track with a state-of-the-art synthetic racing surface with grandstand, barns, paddock and related facilities, on-site pari-mutuel wagering and thoroughbred and harness racing simulcast from other prominent tracks, and wagering on Presque Isle Downs' races at over 1,200 sites to which the races are simulcast. Live racing is conducted from May through September with indoor and outdoor seating for approximately 750 patrons.

For the year ended December 31, 2011, Presque Isle Downs generated $201.1 million of net revenues and had an average daily net win per slot machine of $223 and an average daily net win per table game of $1,245. During the month of December 2011, approximately 45% of the total amount

played in Presque Isle Downs' slot machines was attributable to customers from Ohio, 51% to customers from Pennsylvania, 3% to customers from New York and 1% to customers from other locations, while approximately 51% of the total amount played at Presque Isle's table games was attributable to customers from Ohio, 40% to customers from Pennsylvania, 4% to customers from New York and 5% to customers from other locations.

Scioto Downs Casino & Racetrack

Scioto Downs, located in Columbus, Ohio, currently has a racetrack, which conducts live harness racing from May through mid-September and on-site pari-mutuel wagering and thoroughbred, harness and greyhound racing simulcast from other prominent tracks, as well as wagering on Scioto Downs' races at over 800 sites to which the races are simulcast, from May through mid-October; a grandstand that will accommodate 10,000 patrons; an enclosed clubhouse that will accommodate 1,500 patrons; approximately 6,000 parking spaces; and barns, paddock and related facilities for the horses, drivers, and trainers. For the year ended December 31, 2011, Scioto Downs generated $2.8 million of net revenues. Located on approximately 208 acres approximately eight miles from downtown Columbus, Ohio and within 90 miles of 3.2 million adults, we believe Scioto Downs is a competitive location for video lottery terminals. See "Business Strategy—*VLT Gaming at Scioto Downs*" and "Risk Factors—Risks Related to Our Business—*Although conditionally licensed, VLT operations at Scioto Downs may be impacted by pending legal challenges and legislation*" both of which are included elsewhere in this report.

Discontinued Operations

Our wholly-owned subsidiary MTR-Harness, Inc. previously held a 50% interest in North Metro Harness Initiative, LLC (d/b/a Running Acres Harness Park) that operates a harness racetrack in Minneapolis, Minnesota. Pursuant to a settlement agreement with North Metro's lender executed on May 27, 2009, we relinquished our interest in North Metro.

Our wholly-owned subsidiary, Jackson Racing, Inc. holds a 90% interest in Jackson Trotting Association, LLC, which operated Jackson Harness Raceway in Jackson, Michigan. On December 4, 2008, Jackson Trotting ceased the racing and simulcast wagering operations at Jackson Harness Raceway and surrendered its racing license to the Michigan Racing Commission.

On March 7, 2008, we sold 100% of the stock of our wholly-owned subsidiaries, Speakeasy Gaming of Fremont, Inc., which owned and operated Binion's Gambling Hall & Hotel located in Las Vegas, Nevada ("Binion's"), and Speakeasy Fremont Experience Operating Company in accordance with the terms of a Stock Purchase Agreement dated June 26, 2007 (as subsequently amended), executed between the Company and TLC Casino Enterprises, Inc. ("TLC").

On June 3, 2008, our wholly-owned subsidiary, Speakeasy Gaming of Las Vegas, Inc., sold the gaming assets of the Ramada Inn and Speedway Casino located in North Las Vegas, Nevada to Lucky Lucy D, LLC in accordance with the terms of an Asset Purchase and Sale Agreement dated January 11, 2008. This sale was the second part of the transaction, the first part of which involved the sale of Speedway's real property to Ganaste LLC on January 11, 2008. A shareholder of Ganaste LLC is the sole owner of Lucky Lucy.

Business Strategy

Our business strategy is to drive revenues and profits from our racetrack- based gaming properties in West Virginia, Pennsylvania and Ohio subject to the enumerated risk factors, thus becoming a diversified, regional racino company.

- *Capitalize on Table Gaming at Mountaineer*

We believe table gaming improves Mountaineer's ability to compete by distinguishing Mountaineer from slots-only facilities in West Virginia's bar and fraternal organizations and attracting patrons with disposable income and a propensity to utilize Mountaineer's high-end amenities. We believe that table gaming has helped to increase average spend in the casino and resulted in greater utilization of Mountaineer's luxury hotel, spa, steak house and entertainment offerings.

- *Grow Customer Base and Table Gaming at Presque Isle Downs*

We commenced table gaming operations at Presque Isle Downs on July 8, 2010 and currently operate 44 casino table games. We believe that the addition of table games allows Presque Isle Downs to compete more effectively with the Seneca Allegany Casino in Salamanca, New York, approximately seventy-five miles from Presque Isle Downs, which already had table games. In addition, Presque Isle Downs opened a 2,000 square-foot, nine-table poker room on October 3, 2011, which we believe will contribute to Presque Isle Downs' offerings as a full service casino facility.

- *Drive Enhanced Revenue with Increased Marketing Efforts*

In 2009, we began offering credit to Mountaineer's slot and table gaming customers on a limited basis, and in 2010 began offering credit to Presque Isle Downs' table gaming customers. Furthermore, in late-2010, Pennsylvania's casinos were granted the ability to offer credit to slot customers. Presque Isle Downs received final regulatory approval and began offering credit to slot customers in July 2011. As part of our overall marketing strategy, we increased the use of credit for qualified patrons as a means of further enhancing gaming revenue at Mountaineer and Presque Isle Downs. In addition, we focused our marketing efforts on our existing 760,000 member customer database and capitalized on our spa, golf and hotel amenities at Mountaineer in order to attract repeat visitors. We also enhanced our marketing efforts at Presque Isle Downs through affinity programs and an improved player tracking system for our existing 588,000 customers currently enrolled in our loyalty program.

Furthermore, we have undertaken several strategic initiatives that we believe will allow us to continue the progress we have made. First, we are preparing to launch an improved loyalty program that is the first step in producing an integrated and coordinated players club between all of our properties. Secondly, we are launching an affiliation program with other entertainment and gaming destinations to provide our loyal customers with additional opportunities to benefit from their play at our facilities. We have reached an agreement with the Cosmopolitan Hotel in Las Vegas which gives our customers special access to that facility. These are just the first steps in a process that will provide a multitude of options to reward our loyal customers.

- *VLT Gaming at Scioto Downs*

In June 2011, the Governor of Ohio announced a framework for the expansion of gaming in Ohio including the installation of video lottery terminals ("VLTs") at Ohio's existing horse racetracks, including Scioto Downs. The framework included the below proposed terms for racetrack owners seeking to become VLT sales agents:

- $50.0 million licensing fee ($10.0 million payable upon application, $15.0 million payable at the onset of VLT sales and $25.0 million payable one year after the onset of VLT sales);
- commission for VLT sales agents (the amount of sales revenue the racetrack owners would be permitted to retain) would not exceed 66.5%;

- required investment of at least $150.0 million in the facilities within three (3) years following licensure, including VLT machines, with a maximum credit of $25 million allowed for the value of existing facilities and land;
- facilities would be required to open within three (3) years of license approval;
- the state would consider transferring horse racing permits from current track locations to new temporary locations, which may include the Dayton and Youngstown areas, at a later date;
- VLT sales may not be able to commence prior to VLT licensees reaching an agreement with the horse racing industry on funds to benefit the horse racing industry; and
- for the first ten (10) years of operation, VLT agent licenses would be granted only to horse racing permit holders.

On June 29, 2011, the Ohio legislature approved a bill that would permit any owner of an Ohio racetrack eligible for a permit to operate VLTs to apply to the Ohio State Racing Commission within a two-year period following the effective date of the legislation for a transfer of its racetrack license. To the extent that any such transfer is approved, the owner of such facility will be permitted to operate a temporary facility at its new location while constructing or otherwise preparing its new track. We expect the racetracks will be authorized to have temporary facilities. Any transfer of an existing racetrack license will be subject to payment of a relocation fee and any such temporary facility will be required to meet minimum capital investment and structure requirements, each to be established by the Ohio State Racing Commission. The legislation provides, however, that an owner of an Ohio racetrack located on property owned by a political subdivision may relocate its track to a new location within 20 miles of its current location and such owner may not be charged a relocation fee. One of our competitors, Penn National Gaming, Inc., has already informed the Ohio State Racing Commission that it will seek permission to relocate its Toledo and Columbus racetracks to Youngstown and Dayton.

In October 2011, the Ohio Lottery Commission approved rules and regulations for licensing VLT operations at Ohio's racetracks. Such rules were implemented by Executive Order by the Governor of Ohio. The majority of the rules have been formally approved and obtained permanent status. Additionally, the Ohio Racing Commission approved emergency rules by executive order that outline the process for existing Ohio racetracks to relocate, subject to payment of a relocation fee. The amount of such fee and other economical benefit data that may be requested has not yet been determined. However, in order to operate VLTs at the racetracks we believe we may need to reach an agreement with the horse racing industry on funds to benefit the industry. We are also under the belief that the State of Ohio reserves the right to determine the terms of such an agreement if one is not reached by the time VLT sales are set to begin. In addition, VLT operations at racetracks are the subject of litigation seeking to prevent such gaming activities, which could delay or potentially halt commencement of VLT operations. As a result, we cannot assure you that the operation of VLTs at the racetracks will commence on the terms described above or of the timing of commencement of operations of VLTs at racetracks in Ohio.

Scioto Downs is one of seven racetracks in Ohio that are eligible to apply for a three-year renewable sales agent license to operate a VLT facility at its existing racetrack. For the first ten (10) years, we expect such VLT licenses to be granted only to the existing seven racetracks. On January 25, 2012, we received our Video Lottery Sales Agent License (the "License") at Scioto Downs and submitted our initial $10 million license fee. The License is conditional and permits Scioto Downs to install and operate VLTs subject to compliance with all applicable statutes, regulations and provisions of Scioto Downs' Video Lottery License Application (the "Application") and verification of the Application by the Ohio Lottery Commission prior to Scioto Downs commencing video lottery sales.

The construction of the VLT facility at Scioto Downs commenced in December 2011 and is expected to take approximately nine months to complete. The gaming facility build out, which will be in

two phases, is expected to encompass approximately 132,000 square feet, including 65,000 square feet of gaming space to accommodate up to 2,500 VLTs and four food and beverage outlets. Development, construction and equipment costs are expected to be approximately $125.0 million over a required three-year period, not including the $50 million license fee. Subject to the conditions placed on the License, we expect that we will open the new facility in the second quarter of 2012 with 1,800 VLTs and the facility will be fully operational in the third quarter of 2012 with approximately 400 additional VLTs. Additionally, there will be a 300-seat buffet, a 100-seat casual dining restaurant, an 82-seat bar/lounge with high-tech sound and lights, and will offer a variety of entertainment options. The existing racetrack will also benefit from a variety of improvements.

However, there can be no assurance as to actual timing of the opening of the facility, which may be affected by a number of factors beyond our control, including pending legal challenges and legislation. See "Risk factors—Risks related to our business—*Although conditionally licensed, VLT operations at Scioto Downs may be impacted by pending legal challenges and legislation*" which is included elsewhere in this report.

While we believe that the approval of VLT gaming at Scioto Downs may positively impact our financial condition and results of operations, we also expect that gaming activity at the planned Ohio casinos and racinos will negatively impact our results of operations at Mountaineer and Presque Isle Downs and that such negative impact may be material.

Competition

We face substantial competition in each of the markets in which our facilities are located. See "Risk Factors—Risks Related to Our Business" which is included elsewhere in this report.

Gaming Operations

In recent years, the number of gaming options available to consumers in our West Virginia market area has increased considerably. While there are three other tracks and one resort in West Virginia that offer slot machine and table gaming, only one, Wheeling Downs, lies within Mountaineer's primary market, located approximately 40 miles south of Mountaineer in Wheeling, West Virginia. That competitor currently operates approximately 1,800 slot machines, 12 poker tables, and 37 casino table games.

The primary competitors for Mountaineer (and to a lesser extent, Presque Isle Downs) are gaming operations in Pennsylvania. Pennsylvania's slot machine law, as amended on January 7, 2010, contemplates the installation of slot machines and table games at up to fourteen locations: (i) seven racetracks (including Presque Isle Downs) each with up to 3,000 slots initially and with the ability to apply to the Pennsylvania Gaming Control Board for up to 5,000 slots and up to 250 table games (six of which, in addition to Presque Isle Downs, are currently operating slots and table games); (ii) five stand-alone casinos with up to 5,000 slots and up to 250 table games (four of which are currently operating slots and table games); and (iii) two resort locations with up to 500 slots each (600 if they also offer table games) and up to 50 table games. The January 7, 2010, amendment of the Pennsylvania slot machine law also authorizes the Gaming Control Board to issue a third resort license (Category 3) after July 20, 2017, under certain circumstances. The Meadows Racetrack & Casino, a harness racetrack located in Washington, Pennsylvania, approximately 50 miles southeast of Mountaineer, currently operates approximately 3,300 slot machines and 78 casino table games, including 26 poker tables, as well as various food and beverage outlets. The Rivers Casino, a stand-alone casino located in downtown Pittsburgh, approximately a one-hour drive from Mountaineer and a two-hour drive from Presque Isle Downs, currently operates approximately 3,000 slot machines and over 100 casino table games, including 30 poker tables, as well as various food, beverage and entertainment venues. Additionally, on May 20, 2011, the Pennsylvania Gaming Control Board approved a Category 3 resort

casino to be built at the Nemacolin Woodlands Resort in Farmington, Pennsylvania, approximately 95 miles from Mountaineer. This casino is expected to open in January 2013. Further, in September 2007, the Pennsylvania State Horse Racing Commission granted a license to build Valley View Downs in Lawrence County, Pennsylvania, approximately 45 miles from Mountaineer and 90 miles from Presque Isle Downs; and in November 2007, Valley View applied to the Pennsylvania Gaming Control Board for the final Category 1 racetrack slot machine license. However, in September 2008, the owners of the project announced that they had no financing for the project and intended to sell the opportunity. On October 28, 2009, Valley View filed for Chapter 11 bankruptcy protection and its parent corporation, Centaur, Inc., defaulted on its $492 million debt and filed for Chapter 11 bankruptcy on March 6, 2010. During 2010, Valley View Downs' owners petitioned the bankruptcy court to allow the auction of Valley View Downs. American Harness Tracks LLC was the successful bidder and was awarded the harness-racing license held by Valley View Downs. American Harness Tracks LLC will also need to obtain a casino license from the Pennsylvania Gaming Control Board in order to move forward with the casino project. Mountaineer (and to a lesser extent, Presque Isle Downs) compete with The Rivers Casino and The Meadows Racetrack & Casino for gaming patrons. Likewise, if American Harness Tracks LLC obtains a gaming license and successfully opens a casino, it would represent new competition for Mountaineer and Presque Isle Downs. Presque Isle Downs also competes principally with the Seneca Allegany Casino & Hotel in Salamanca, New York, approximately seventy-five miles away. That facility has approximately 2,000 slot machines, 33 table games, and a 212-room hotel with resort amenities.

Additionally, Mountaineer competes with smaller gaming operations conducted in local bars and fraternal organizations. West Virginia law permits limited video lottery machines ("LVLs") in local bars and fraternal organizations. The West Virginia Lottery Commission authorizes up to 7,500 slot machines in these facilities throughout West Virginia. No more than five slot machines are allowed in each establishment licensed to sell alcoholic beverages, and no more than ten slot machines are allowed in each licensed fraternal organization. As of March 1, 2012, there were a total of approximately 1,100 LVL's in bars and fraternal organizations in Hancock County (where Mountaineer is located) and the two neighboring counties (Brooke and Ohio Counties). Although the bars and fraternal organizations housing these machines lack poker and table gaming, as well as the amenities and ambiance of our Mountaineer facility, they do compete with us, particularly for the local patronage.

During 2011, with respect to West Virginia casinos and LVL's within our target market, Mountaineer's market share was 47%, compared to 34% for Wheeling Downs and 19% for the LVLs. Including slot casinos in Western Pennsylvania, Mountaineer's and Presque Isle Downs' respective market shares were each 16%, compared to 12% for Wheeling Downs, 6% for the LVLs, 24% for The Meadows Racetrack & Casino and 26% for The Rivers Casino.

All of our gaming operations also compete to a lesser extent with operations in other locations, including Native American lands, and with other forms of legalized gaming in the United States, including state-sponsored lotteries, on- and off- track wagering, high-stakes bingo, card parlors, and the emergence of Internet gaming. In addition, casinos in Canada have likewise recently begun advertising in our target markets. See "Risk Factors—Risks Related to Our Business—*We face significant competition from other gaming and racing facilities, and increased competition could have a material adverse effect on us; recent approval of gaming in Ohio will create significant new competition*" which is included elsewhere in this report.

Racing and Pari-mutuel Operations

Mountaineer's racing and pari-mutuel operations compete directly for wagering dollars with Wheeling Downs, which is located approximately 40 miles south of Mountaineer in Wheeling, West Virginia; Thistledown and Northfield Park, which are both located approximately 85 miles to the northwest of Mountaineer in Cleveland, Ohio; and The Meadows Racetrack & Casino, located approximately 50 miles southeast of Mountaineer in Washington, Pennsylvania. Wheeling Downs conducts pari-mutuel greyhound racing, simulcasting and casino gaming. Both Thistledown and Northfield Park conduct pari-mutuel horse racing but neither conducts video lottery gaming, at this time. The Meadows Racetrack & Casino conducts live harness racing, simulcasting and casino gaming. Mountaineer would also compete for pari-mutuel wagering patrons with Valley View Downs in Lawrence County, Pennsylvania, approximately 45 miles from Mountaineer, if it is constructed and opened. Since commencing export simulcasting in August 2000, Mountaineer competes with racetracks across the country to have its signal carried by off-track wagering parlors. Mountaineer also competes for wagering dollars with off-track wagering facilities in Ohio and Pennsylvania, and competes with other racetracks for participation by quality racehorses.

Presque Isle Downs faces competition from other racetracks and off-track wagering facilities in Pennsylvania and Ohio, as well as from casinos in Western New York. Presque Isle Downs will also compete with Valley View Downs if it is constructed and opens.

Scioto Downs competes primarily with Beulah Park, a thoroughbred racetrack also located in Columbus Ohio (although currently Scioto Downs and Beulah Park do not operate on the same dates pursuant to an agreement between Scioto Downs and Beulah Park which was approved by the Ohio Racing Commission), and to a lesser extent, casino gambling in Indiana and in Michigan. Further, Scioto Downs faces competition from off-track wagering facilities in Ohio and Pennsylvania.

Employees

As of March 1, 2012, we had approximately 2,600 employees.

Mountaineer Casino, Racetrack & Resort. Mountaineer has approximately 1,360 employees. Approximately 20 of Mountaineer's employees are represented by a union covering our pari-mutuel clerks and certain employees providing simulcast betting services. We have an agreement in place with the pari-mutuel clerks until November 30, 2012. In addition, approximately 80 employees are represented by a union covering our VLT gaming employees pursuant to a collective bargaining agreement that expires March 1, 2015.

Presque Isle Downs & Casino. Presque Isle Downs employs approximately 920 people, which increases by approximately 120 during racing which is generally conducted from May through September. In addition, Presque Isle Downs is currently in negotiations with union groups which would represent approximately 300 employees consisting of certain food & beverage, housekeeping, cash handling and slot services positions.

Scioto Downs Casino & Racetrack. There are approximately 12 employees at Scioto Downs, which increases by approximately 160 during racing which is generally conducted from May through September. We expect that we will add approximately 700 employees at Scioto Downs when we commence VLT gaming operations.

Regulation and Licensing

General

All of our gaming and racing operations are subject to extensive regulation under the laws and regulations of each of the jurisdictions in which we operate and could be subjected at any time to

additional or more restrictive regulations. Gaming laws are generally designed to protect gaming consumers and the integrity of the gaming industry and to keep the industry free of inappropriate or criminal influences. Gaming laws are also designed to maximize state and local revenues derived through taxes and licensing fees imposed on gaming industry participants as well as to enhance economic development, tourism, and participation of minorities in employment, contracting, and ownership. To accomplish these public policy goals, gaming laws establish procedures to ensure that participants in the gaming industry meet certain standards of character and fitness. In addition, gaming laws require gaming industry participants to:

- establish procedures designed to prevent cheating and fraudulent practices;
- establish and maintain responsible accounting practices and procedures;
- establish practices to promote diversity in hiring, contracting and ownership;
- maintain effective controls over their financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- maintain systems for reliable record keeping;
- file periodic reports with gaming regulators;
- disclose substantive changes in the information or documentation provided with its license application; and
- establish programs to promote responsible gaming and inform patrons of the availability of help for problem gaming.

Typically, these requirements are set forth by statute and administered by a regulatory agency (which could be in the form of a lottery commission, gaming commission or gaming control board) with broad discretion to regulate owners, managers, and persons with financial interests in gaming operations. Among other things, gaming authorities in the various jurisdictions in which we operate:

- adopt rules and regulations under the implementing statutes;
- interpret and enforce gaming laws;
- impose disciplinary sanctions for violations, including fines and penalties;
- review the character and fitness of participants in gaming operations and make determinations regarding their suitability or qualification for licensure;
- grant licenses for participation in gaming operations;
- collect and review reports and information submitted by participants in gaming operations;
- review and approve transactions, such as acquisitions or change-of-control transactions of gaming industry participants, securities offerings and debt transactions engaged in by such participants; and
- establish and collect fees and taxes.

Any change in the laws or regulations of a gaming jurisdiction could have a material adverse effect on our gaming operations.

Licensing and Suitability

Gaming laws require us, each of our subsidiaries engaged in gaming operations, certain of our directors, officers and employees, and in some cases, certain of our stockholders and holders of our debt securities, to obtain licenses or approvals (or seek waivers) from gaming authorities. In

Pennsylvania, our stockholders and holders of our debt securities would be required to obtain licenses if the Pennsylvania Gaming Control Board has reason to believe a particular stockholder or holder of our debt security would not satisfy suitability criteria. Licenses typically require a determination that the applicant qualifies or is suitable to hold the license, a determination over which gaming authorities have very broad discretion. Criteria used in determining whether to grant a license to conduct gaming operations, while varying among jurisdictions, generally include consideration of factors such as:

- the financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the state and exhibits the ability to maintain adequate insurance levels;
- the quality of the applicant's casino facilities;
- the amount of revenue to be derived by the applicable state from the operation of the applicant's casino;
- the applicant's practices with respect to minority hiring and training; and
- the effect on competition and general impact on the community.

In evaluating individual applicants, gaming authorities consider the individual's business experience and reputation for good character, the individual's criminal history and credit, and the character of those with whom the individual associates. In addition to us and our subsidiaries engaged in gaming operations, gaming authorities may investigate any individual who has a material relationship to or material involvement with, any of these entities to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Our officers, directors and certain key employees must file applications with the gaming authorities and may be required to be licensed, qualified or be found suitable in many jurisdictions. Gaming authorities may deny an application for licensing for any cause which they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a thorough investigation. The applicant must pay all the costs of the investigation. Changes in licensed positions must be reported to gaming authorities and in addition to their authority to deny an application for licensure, qualification or a finding of suitability, gaming authorities have jurisdiction to disapprove a change in a corporate position. If one or more gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with us, we would be required to sever all relationships with such person. In addition, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, including Pennsylvania, certain of our stockholders or holders of our debt securities may be required to undergo a suitability investigation similar to that described above. In West Virginia, the West Virginia Lottery Commission may at any time require that we establish the qualifications of any investor or creditor under the West Virginia Lottery Racetrack Table Games Act and rules and regulations related thereto. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of our voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability. Most gaming authorities, however, allow an "institutional investor" to apply for a waiver. An "institutional investor" is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or those of any of our gaming affiliates, or the taking of any other action which gaming authorities find to be inconsistent with holding our voting securities for investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its

status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by gaming authorities may be denied a license or found unsuitable, as applicable. Any stockholder found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our voting securities beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we: (i) pay that person any dividend or interest upon our voting securities; (ii) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person; (iii) pay remuneration in any form to that person for services rendered or otherwise; or (iv) fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of that person's voting securities for cash at fair market value.

The gaming laws in some of the jurisdictions in which we operate also require that suppliers of certain goods and services to gaming industry participants be licensed and require us to purchase and lease gaming equipment, supplies and services only from licensed suppliers.

Licenses in most of the jurisdictions in which we conduct gaming operations are granted for limited durations and require renewal from time to time. The failure to renew any of our licenses could have a material adverse effect on our gaming operations.

Violations of Gaming Laws

If we or our subsidiaries violate applicable gaming laws, our gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we and any other persons involved could be subject to substantial fines. The terms of our gaming licenses require us to self-report to gaming regulators of gaming laws and violations of certain other laws. Furthermore, violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, violations by us of applicable gaming laws could have a material adverse effect on our gaming operations.

Some gaming jurisdictions prohibit certain types of political activity by a gaming licensee, its officers, directors and key people. A violation of such a prohibition may subject the offender to criminal and/or disciplinary action.

Reporting and Record-Keeping Requirements

We are required periodically to submit detailed financial and operating reports and furnish any other information about us and our subsidiaries which gaming authorities may require. Under federal law, we are required to record and submit detailed reports of currency transactions involving greater than $10,000 at our casinos as well as any suspicious activity that may occur at such facilities. We are required to maintain a current stock ledger which may be examined by gaming authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to gaming authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may, and in certain jurisdictions do, require certificates for our securities to bear a legend indicating that the securities are subject to specified gaming laws. In West Virginia and Pennsylvania, we are required to disclose any substantive change in information or documentation provided with our license application such as (1) any change in key personnel or the key person at its holding company or affiliates; (2) a change in type of business organization; (3) a change of more than five percentage points in capitalization or debt to equity ratio; (4) a change in debt holders; (5) a change in investors or stockholders; or (6) a change in source of funds. We expect similar requirements in Ohio.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions by us and our subsidiaries must be reported to and in some cases approved by gaming authorities. The issuance and sale of notes does not require approval by gaming authorities, but we must give notice to the relevant gaming authorities in Pennsylvania and West Virginia. We expect similar requirements in Ohio. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise are subject to receipt of prior approval of gaming authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction. The Pennsylvania Gaming Control Board may impose a re-licensing fee of up to $50 million in connection with a change in control. To date, however, as a matter of policy, the Pennsylvania Gaming Control Board has set the re-licensing fee in the event of a change of control at $2.5 million.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions, including some of the counties and cities in which our operations are conducted, in connection with our casino gaming operations, computed in various ways depending on the type of gaming or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable with varying frequency. License fees and taxes are based upon such factors as:

- a percentage of the gross gaming revenues received;
- the number of gaming devices and table games operated; and
- in the case of Pennsylvania and West Virginia, certain minimum annual amounts.

In West Virginia, slot gaming tax rates increase after gross slot gaming revenues exceed a threshold (in our case, approximately $160 million per year based on the state's June 30 fiscal year). The effective tax rate on slot gaming revenues at Mountaineer is approximately 56% to 57% (based on a rate of 55.4% of the first $160.0 million of revenue and 59.7% thereafter) and the effective tax rate on table game revenues at Mountaineer is approximately 38% to 41% (based on a state rate of 35% and an annual $2.5 million license fee). The effective tax rate on slot gaming revenues at Presque Isle Downs is approximately 61% (based on a state rate of 55% in addition to a minimum tax of the greater of 2% or $10.0 million for the host municipality). Furthermore, tax rates are subject to change, sometimes with little notice, and such changes could have a material adverse effect on our gaming operations. The effective tax rate on table game revenues at Presque Isle Downs will be 16% for the first two years of operations (or through July 7, 2012) and 14% thereafter.

West Virginia legislation became effective on July 1, 2011 that created a modernization fund that enables each racetrack to recover (from amounts paid to the West Virginia Lottery Commission, as discussed below) $1 for each $2 expended for certain facility capital improvements having a useful life of more than three years and placed into service after July 1, 2011. Qualifying capital improvements include the purchase of slot machines and related equipment to the extent such slot machines are retained by Mountaineer at its West Virginia location for not less than five years. Each of the four West Virginia racetrack's share of the amounts deposited into the modernization fund will be calculated in the same ratio as each racetrack's apportioned contribution to the West Virginia Lottery Commission's four percent administrative cost fund to the combined amounts paid by the four racetracks. On July 26, 2011, the West Virginia Lottery Commission issued an administrative order which stated that approximately $3.7 million is available to Mountaineer during the state's fiscal year

commencing July 1, 2011. Any unexpended balance from a given fiscal year will be available for one additional fiscal year, after which time the remaining unused balance carried forward will be forfeited. In addition, the bill also removed the $5 maximum bet limit on slot machines and allows the slot machines to accept $50 and $100 bills.

For information on license fees and gaming taxes in Ohio, see "Business Strategy—*VLT Gaming at Scioto Downs*" above.

Operational Requirements

In most jurisdictions, we are subject to certain requirements and restrictions on the conduct of our gaming operations. In some states, we are required to give preference to local suppliers and include minority and women-owned businesses as well as in general business activity. Similarly, we may be required to give employment preference to minorities, women, and in-state residents in certain jurisdictions. Moreover, many jurisdictions require a gaming operation to maintain insurance and post bonds in amounts determined by their gaming authority.

In addition, our ability to conduct certain types of games, introduce new games or move existing games within our facilities may be restricted or subject to regulatory review and approval. Some of our operations are subject to restrictions on the number of gaming positions we may have and the maximum wagers allowed to be placed by our customers.

In Pennsylvania, as the holder of a Category 1 license, Presque Isle Downs will be required to create a fund to be used for the improvement and maintenance of the backside area of the racetrack. Generally, a Category 1 licensee must deposit into the fund $5 million over the initial five-year period of the license and an amount not less than $250,000 or more than $1 million annually for the five years thereafter. However, as a new racetrack, Presque Isle Downs is exempt from the $5 million requirement and will not be required to begin the $250,000 payments until 2017. In September 2008, Pennsylvania implemented restrictions on smoking in casinos. Currently, 50% of Presque Isle Downs' casino floor must be located in non-smoking sections. In addition, Presque Isle Downs has an agreement with the Pennsylvania Racing Commission to complete the construction of two new barns in 2012.

The Pennsylvania Department of Revenue will assess all licensees, including Presque Isle Downs, their proportionate share of amounts represented by the borrowings of the Pennsylvania Gaming Control Board (the "PGCB"), the Pennsylvania Department of Revenue and the Pennsylvania State Police (collectively "the borrowers"), which were required to fund the costs they incurred in connection with the initial development of the infrastructure to support gaming operations in Pennsylvania as well as the initial ongoing costs of the borrowers. The initial funding of these costs was provided from a loan from the Pennsylvania General Fund in the amount of approximately $36.1 million, and further funding was provided from additional loans from the Pennsylvania Property Tax Reserve Fund in the aggregate amount of approximately $63.8 million.

For the $63.8 million that was borrowed from the Property Tax Reserve Fund, payment was originally scheduled to begin after the eleventh facility opened while payment of the remaining $36.1 million that was borrowed from the General Fund would commence after all fourteen licensees are operational. On July 11, 2011, the PGCB issued an administrative order which established that payments associated with the $63.8 million that was borrowed from the Property Tax Reserve Fund would commence on January 1, 2012, and would not be dependent on the opening of the eleventh facility. The repayment allocation between all current licensees is based upon equal weighting of (i) cumulative gross slot revenue since inception in relation to the combined cumulative gross slot revenue for all licensees and (ii) single year gross slot revenue (during the state's fiscal year ending June 30) in relation to the combined single year gross slot revenue for all licensees; and amounts paid each year will be adjusted annually based upon changes in the licensee's proportionate share of gross

slot revenue. We have estimated that our proportionate share of the aggregate $63.8 million to be assessed to the gaming facilities will be approximately $4.0 million, or 6%, and will be paid quarterly over a ten-year period. For the $36.1 million that was borrowed from the General Fund, payment is still scheduled to begin after all fourteen licensees are operational. Although we cannot determine when payment will begin, we have considered a similar repayment model for the General Fund borrowings and estimated that our proportionate share of the aggregate $36.1 million to all fourteen gaming facilities will approximate $1.9 million, or 5%.

For information on operational requirements in Ohio, see "Business Strategy—*VLT Gaming at Scioto Downs*" above.

Racetracks

In West Virginia, Pennsylvania and Ohio our ability to conduct gaming operations is conditioned on the maintenance of racing licenses and agreements or certain arrangements with horsemen's or labor groups. See "Risk Factors—Risks Related to Our Business—*We depend on agreements with our horsemen and pari-mutuel clerks to operate our business*" which is included elsewhere in this report.

Regulations governing our horse racing operations are administered separately from the regulations governing gaming operations, with separate licenses and license fee structures. The racing authorities responsible for regulating our racing operations have broad oversight authority, which may include: annually reviewing and granting racing licenses and racing dates; with respect to Pennsylvania, approving the opening and operation of off-track wagering facilities; approving simulcasting activities; licensing all officers, directors, racing officials and certain other employees of a racing licensee; and approving all contracts entered into by a racing licensee affecting racing and pari-mutuel wagering operations.

Environmental Matters

We are subject to various federal, state and local environmental laws and regulations that govern activities that may have adverse environmental effects, such as discharges to air and water, as well as the management and disposal of solid, animal and hazardous wastes and exposure to hazardous materials. These laws and regulations, which are complex and subject to change, include United States Environmental Protection Agency and state laws and regulations that address the impacts of manure and wastewater generated by Concentrated Animal Feeding Operations ("CAFO") on water quality, including, but not limited to, storm water discharges. CAFO regulations include permit requirements and water quality discharge standards. Enforcement of CAFO regulations has been receiving increased governmental attention. Compliance with these and other environmental laws can, in some circumstances, require significant capital expenditures. For example, we may incur future costs under existing and new laws and regulations pertaining to storm water and wastewater management at our racetracks. Moreover, violations can result in significant penalties and, in some instances, interruption or cessation of operations. Water discharges from our racetrack operations at our Mountaineer facility were the subject of past enforcement actions by state regulators. We satisfied the requirements of those past proceedings and recently achieved compliance with the final requirement of our applicable permit.

We also are subject to laws and regulations that create liability and cleanup responsibility for releases of regulated materials into the environment. Certain of these laws and regulations impose strict, and under certain circumstances joint and several liability on, a current or previous owner or operator of property for the costs of remediating regulated materials on or emanating from its property. The presence of, or failure to remediate properly, such materials may materially adversely affect the ability to sell or rent such property or to borrow funds using such property as collateral. Additionally, the owner of a facility may be subject to claims by third parties based on damages and costs resulting from environmental contamination at or emanating from third party sites when the

owner sent wastes for disposal or treatment. See "Risk factors—Risks related to our business—*We are subject to environmental laws and potential exposure to environmental liabilities*" which is included elsewhere in this report.

In connection with our property acquisitions, we typically conduct environmental assessments of the target properties. Based on these assessments, we have identified soil and/or groundwater contamination and other issues (such as the presence of wetlands or asbestos) at certain of our properties that may require further action or involve regulatory oversight. Generally, the contamination issues relate to uses of our properties by the prior landowners and operators. For example, in October 2004, we acquired a property in Pennsylvania that had pre-existing contamination from its former use as a paper manufacturing plant. We entered into a Consent Order with the Pennsylvania Department of Environmental Protection (the "PaDEP") in which we agreed to clean up certain portions of the site in consideration for a covenant not to sue and insulation from liability arising from certain pre-existing contamination, provided we did not exacerbate the pre-existing contamination. We also purchased an Environmental Risk Insurance Policy in the amount of $10 million through 2014 with respect to the property, which we believe is in excess of any exposure that we may have in this matter. In October 2005, we sold the portion of the property that will require further work to a third party who assumed our obligations under the Consent Order and agreed to undertake the required remediation work. We understand that the purchaser has begun the necessary cleanup. However, in the event that the purchaser fails to honor its obligations, we could incur costs related to this matter in the future. In addition, from time-to-time, we are engaged in investigation or remediation efforts at our other properties.

Compliance with Other Laws

We are also subject to a variety of other rules and regulations, including zoning, construction and land use laws and regulations, and laws governing the serving of alcoholic beverages in all of the states in which we operate. Mountaineer, Presque Isle Downs and Scioto Downs derive other revenues from the sale of alcoholic beverages. Any interruption or termination of the ability to serve alcoholic beverages at those properties would have a material adverse effect on our business, financial condition and results of operations.

Available Information

For more information about us, visit our website at *www.mtrgaming.com.* Our electronic filings with the Securities and Exchange Commission (including all annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to these reports), including the exhibits, are available free of charge through our website as soon as reasonably practicable after we electronically file them with or furnish them to the Securities and Exchange Commission. Additionally, the West Virginia Lottery Commission and the Pennsylvania Gaming Control Board maintain websites through which they periodically (generally weekly) report our revenue from gaming operations and other information. We have no control over the information posted to these websites and cannot assure the accuracy of such information.

ITEM 1A. RISK FACTORS.

Risks Related to Current Economic Conditions

The volatility and disruption of the capital and credit markets and adverse changes in the U.S. and global economies may negatively impact our revenues and our ability to access financing.

During the past few years, a confluence of many factors contributed to diminished expectations for the U.S. economy and increased market volatility for publicly traded securities. These factors included the availability and cost of credit, declining business and consumer confidence and increased unemployment. These economic conditions also affected lenders, resulting in severely contracted credit markets making it costly and difficult to obtain new credit or refinance existing debt. While economic conditions have recently shown signs of improvement, that trend may not continue and the extent of current economic improvement or stability in the credit markets is not known.

While we intend to finance capital projects with cash on hand, cash flow from operations, proceeds from the 2011 issuance of $565 million of our 11.5% Senior Secured Second Lien Notes due August 1, 2019, and proceeds from the sale of non-core assets, we may require additional financing to support our growth. Borrowings under our senior secured revolving credit facility will be limited. However, as a result of uncertainties that may remain or develop in the capital and credit markets and without the continued and sustained improvements in such financial markets, we may not have access to sufficient capital on terms that are satisfactory to us, on terms acceptable to our senior secured lenders, or at all. Further, if adverse regional and national economic conditions fail to improve significantly, persist or worsen, we could experience material decreases in revenues and cash flows from our operations attributable to decreases in consumer spending levels and could fail to satisfy covenants imposed by our existing debt agreements.

Risks Related to Our Business

We depend on Mountaineer and Presque Isle Downs for substantially all of our revenues, and, therefore, any risks faced by those operations could have a material impact on our results of operations.

We currently remain dependent upon Mountaineer and Presque Isle Downs for substantially all of our revenues and cash flows. As a result, we may be subject to greater risks than a geographically diversified gaming operation, including, but not limited to the following risks faced by our Mountaineer and Presque Isle Downs operations:

- risks related to local and regional economic and competitive conditions, such as a decline in the number of visitors, a downturn in the overall economy in Mountaineer's and Presque Isle Downs' markets, a decrease in gaming activities in those markets or an increase in competition, including, but not limited to, competition from limited video lottery machines in local bars and fraternal organizations in West Virginia, continued competition from gaming facilities in Pennsylvania and competition from future gaming facilities in Ohio and Pennsylvania (as further described below);
- changes in local and state governmental laws and regulations (including changes in laws and regulations affecting gaming operations and taxes) applicable to Mountaineer or Presque Isle Downs;
- impeded access to Mountaineer or Presque Isle Downs due to weather, floods, road construction or closures of primary access routes;
- work stoppages at Mountaineer or Presque Isle Downs;
- risks related to acts of terrorism, international conflicts or breaches of security affecting Mountaineer or Presque Isle Downs; and

- natural and other disasters affecting Mountaineer's or Presque Isle Downs' market.

The occurrence of any of these or similar events could have a material adverse effect on our business, financial condition and results of operations.

We face significant competition from other gaming and racing facilities, and increased competition could have a material adverse effect on us; recent passage of a referendum authorizing four casinos in Ohio will create significant new competition.

Gaming Operations. We face substantial competition in each of the markets in which our gaming facilities are located. Some of the competitors have significantly greater name recognition and financial and marketing resources than we do; some are permitted to conduct additional forms of gaming; and some pay substantially lower taxes than we do, which may permit them to spend more for marketing and promotions and thus gain a competitive advantage over us. All of our gaming operations primarily compete with other gaming operations in their geographic areas. New expansion and development activity is occurring in each of the relevant markets. These factors, as well as the legalization of other forms of gaming in the markets in which our gaming facilities are located, may intensify competitive pressures and could have a material adverse effect on us. For example, video lottery terminal ("VLT") gaming at racetracks in Ohio, when operational, will compete with Mountaineer and Presque Isle Downs, and new casino gaming operations in Ohio as a result of the November 3, 2009 amendment to the Ohio constitution will also compete with Mountaineer, Presque Isle Downs and Scioto Downs and may have a material adverse effect on our business, financial condition and results of operations. Such adverse impact may be exacerbated by any permitted relocations of racetracks from their existing locations. See "*—Recent approval of gaming in Ohio will create significant new competition*" below.

In recent years, the number of gaming options available to consumers in our West Virginia market area has increased considerably. While there are three other tracks and one resort in West Virginia that offer slot machine and table gaming, only one, Wheeling Downs, lies within Mountaineer's primary market, located approximately 40 miles south of Mountaineer in Wheeling, West Virginia. That competitor currently operates approximately 1,800 slot machines, 12 poker tables, and 37 casino table games.

The primary competitors for Mountaineer (and to a lesser extent, Presque Isle Downs) are gaming operations in Pennsylvania. Pennsylvania's slot machine law, as amended on January 7, 2010, contemplates the installation of slot machines and table games at up to fourteen locations. See "Business—*Competition—Gaming Operations*" which is included elsewhere in this report. Additionally, Mountaineer competes with smaller gaming operations conducted in local bars and fraternal organizations. West Virginia law permits limited video lottery machines ("LVLs") in local bars and fraternal organizations. The West Virginia Lottery Commission authorizes up to 7,500 slot machines in these facilities throughout West Virginia. No more than five slot machines are allowed in each establishment licensed to sell alcoholic beverages, and no more than ten slot machines are allowed in each licensed fraternal organization. As of March 1, 2012, there were a total of approximately 1,100 LVL's in bars and fraternal organizations in Hancock County (where Mountaineer is located) and the two neighboring counties (Brooke and Ohio Counties). Although the bars and fraternal organizations housing these machines lack poker and table gaming, as well as the amenities and ambiance of our Mountaineer facility, they do compete with us, particularly for the local patronage.

All of our gaming operations also compete to a lesser extent with operations in other locations, including Native American lands, and with other forms of legalized gaming in the United States, including state-sponsored lotteries, on- and off- track wagering, high-stakes bingo, card parlors, and the emergence of Internet gaming. In addition, casinos in Canada have likewise recently begun advertising in our target markets.

Racing and Pari-mutuel Operations. Mountaineer's racing and pari-mutuel operations compete directly for wagering dollars with Wheeling Downs, which is located approximately 40 miles south of Mountaineer; Thistledown and Northfield Park, which are both located approximately 85 miles to the northwest of Mountaineer in Cleveland, Ohio; and The Meadows Racetrack & Casino, located approximately 50 miles southeast of Mountaineer in Washington, Pennsylvania. Wheeling Downs conducts pari-mutuel greyhound racing, simulcasting and casino gaming. Both Thistledown and Northfield Park conduct pari-mutuel horse racing but neither conducts video lottery gaming, at this time. The Meadows Racetrack & Casino conducts live harness racing, simulcasting and casino gaming. Mountaineer would also compete for pari-mutuel wagering patrons with Valley View Downs in Lawrence County, Pennsylvania, approximately 45 miles from Mountaineer, if it is constructed and opened. Since commencing export simulcasting in August 2000, Mountaineer competes with racetracks across the country to have its signal carried by off-track wagering parlors. Mountaineer also competes for wagering dollars with off-track wagering facilities in Ohio and Pennsylvania, and competes with other racetracks for participation by quality racehorses.

Presque Isle Downs faces competition from other racetracks and off-track wagering facilities in Pennsylvania and Ohio, as well as from casinos in Western New York. Presque Isle Downs will also compete with Valley View Downs if it is constructed and opens.

Scioto Downs competes primarily with Beulah Park, a thoroughbred racetrack also located in Columbus Ohio (although currently Scioto Downs and Beulah Park do not operate on the same dates pursuant to an agreement between Scioto Downs and Beulah Park which was approved by the Ohio Racing Commission), and to a lesser extent, casino gambling in Indiana and in Michigan. Further, Scioto Downs faces competition from off-track wagering facilities in Ohio and Pennsylvania.

Increased competition may require us to make substantial capital expenditures to maintain and enhance the competitive positions of our properties, including updating slot machines to reflect changing technology, refurbishing rooms and public service areas periodically, replacing obsolete equipment on an ongoing basis, and making other expenditures to increase the attractiveness and add to the appeal of our properties, including increased marketing and promotions. We cannot assure you that we will have sufficient cash on hand or access to financing to fund such capital expenditures. In addition, certain of our competitors have access to greater financial resources than we do, which may permit them to make capital improvements that we do not have sufficient funding to make or purchase newer slot or other equipment which could put us at a competitive disadvantage.

In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including shopping, athletic events, television and movies, concerts and travel. Increased competition from other gaming and racing facilities and other leisure and entertainment activities could have a material adverse effect on our business, financial condition and results of operations.

Recent approval of gaming in Ohio will create significant new competition.

On November 3, 2009, Ohio voters adopted a constitutional amendment (the "Constitutional Amendment") that permits a casino in each of Cleveland, Cincinnati, Toledo and Columbus. A casino in Cleveland will increase competition at both Mountaineer and Presque Isle Downs commencing approximately in mid-2012. A casino in Columbus will increase competition at Scioto Downs. Each casino may have up to 5,000 video lottery terminals ("VLTs") as well as any other casino games authorized in any state that borders Ohio. In addition, in June 2011, the Governor of Ohio authorized the implementation of VLT gaming at Ohio's existing racetracks, including Scioto Downs.

During the fourth quarter of 2011, approximately 76% of the total amount played in Mountaineer's slot machines was attributable to customers from Ohio and approximately 46% of the total amount played in Presque Isle Downs' slot machines was attributable to customers from Ohio. As

a result, we expect that future gaming operations at the downtown Cleveland casino and at the racetracks at both Thistledown and Northfield Park (which are both located in the Cleveland area) will significantly compete with gaming operations at Mountaineer and Presque Isle Downs. While we believe that the approval of VLT gaming at Scioto Downs may positively impact our financial condition and results of operations, we also expect that gaming activity at the planned Ohio casinos and racinos, may negatively impact our results of operations at Mountaineer and Presque Isle Downs and that such negative impact may be material. Although we intend to be proactive in our efforts to mitigate the effects of such competition, including completing our efforts to introduce gaming at Scioto Downs by mid-2012, continuing to provide first-class customer service at all of our facilities and continuing to manage and reduce our costs, casino gaming permitted pursuant to the Constitutional Amendment and VLT gaming at racetracks in Ohio may materially and adversely affect our results of operations and consequently our ability to obtain financing, to pay the license fees and otherwise make necessary investments at Scioto Downs to permit VLT gaming and comply with the conditions to licensing.

On June 29, 2011, the Ohio legislature approved a bill that would permit any owner of an Ohio racetrack eligible for a permit to operate VLTs to apply to the Ohio State Racing Commission within a two-year period following the effective date of the legislation for a transfer of its racetrack license. To the extent that any such transfer is approved, the owner of such facility will be permitted to operate a temporary facility at its new location while constructing or otherwise preparing its new track. We expect the racetracks will be authorized to have temporary facilities. Any transfer of an existing racetrack license will be subject to payment of a relocation fee and any such temporary facility will be required to meet minimum capital investment and structure requirements, each to be established by the Ohio State Racing Commission. The legislation provides, however, that an owner of an Ohio racetrack located on property owned by a political subdivision may relocate its track to a new location within 20 miles of its current location and such owner may not be charged a relocation fee. One of our competitors, Penn National Gaming, Inc., has already informed the Ohio State Racing Commission that it will seek permission to relocate its Toledo and Columbus racetracks to Youngstown and Dayton. Relocation of an existing racetrack to Youngstown, Ohio will create significant additional competition in one of our primary markets. We expect that such additional competition could have a material adverse effect on our financial conditions and results of operations, particularly on our operations at Mountaineer.

Although conditionally licensed, VLT operations at Scioto Downs may be impacted by pending legal challenges and legislation.

In June 2011, the Governor of Ohio announced a framework for the expansion of gaming in Ohio including the installation of VLTs at Ohio's existing horse racetracks. The Governor authorized and the legislature ratified that each of Ohio's seven racetracks, including Scioto Downs, will be permitted to apply for 3 year renewable VLT licenses at a cost of $50.0 million each, which would be paid $10.0 million at the time of application, $15.0 million when the machines begin operating, and $25.0 million one year later. For the first ten years, we expect such VLT licenses to be granted only to the seven existing racetracks. The VLT authorization provides that the commission applicable to VLT operations at racetracks will be 66.5% of all VLT gross sales revenue and that the racetracks would be required to invest at least $150.0 million in facilities within three years following licensure, including the cost of VLT machines, with a maximum credit of $25.0 million for the value of existing facilities and land. It is our belief that the authorization may further provide that a racetrack may not operate until such racetrack reaches an agreement that is acceptable to the horse racing industry with respect to funds to benefit the horse racing industry. In addition, the authorization provides that racetracks must open their facilities within three years of being licensed.

In addition, the conditions applicable to VLTs at Ohio racetracks require significant investment in license fees and development of gaming facilities and the State of Ohio is expected to retain 33.5% of the net revenues from VLTs. Accordingly, even if we open and operate VLT's at Scioto Downs, we

cannot assure you that the revenues generated from VLT gaming at Scioto Downs will yield an adequate return on our investment or that we will be able to operate VLTs at Scioto Downs profitably because of the significant investment required and the retention of revenues by the State of Ohio.

In October 2011, the Ohio Lottery Commission approved rules and regulations for licensing VLT operations at Ohio's racetracks. Such rules were implemented by Executive Order by the Governor of Ohio. The majority of the rules have been formally approved and obtained permanent status. Additionally, the Ohio Racing Commission approved emergency rules by executive order that outline the process for existing Ohio racetracks to relocate, subject to payment of a relocation fee. The amount of such fee and other economical benefit data that may be requested has not yet been determined. However, in order to operate VLTs at the racetracks we believe we may need to reach an agreement with the horse racing industry on funds to benefit the industry. We are also under the belief that the State of Ohio reserves the right to determine the terms of such an agreement if one is not reached by the time VLT sales are set to begin. On December 6, 2011, additional legislation was introduced that seeks to make changes to the law regarding guidelines for statewide education management system, horse racing, VLTs and casino gaming. As it relates to horseracing and VLTs, the proposed legislation establishes a minimum number of racing days and requires simulcast programs; refines the procedures for licensing by the state lottery commission of lottery technology providers, testing laboratories and gaming employees; and stipulates that certain propriety information provided by the applicants for a VLT-related license are confidential and not subject to disclosure.

In addition, VLT operations at racetracks are the subject of litigation seeking to prevent such gaming activities, which could delay or potentially halt commencement of VLT operations. Specifically, on October 21, 2011, a lawsuit was filed by a public policy group in Ohio challenging the Ohio Governor and legislature's approval of legislation authorizing VLTs at the racetracks. On December 9, 2011, the Ohio Attorney General, on behalf of the Ohio Governor, filed a motion to dismiss this lawsuit for failure to state a claim upon which relief can be granted, as well as on the grounds that the plaintiffs identified in the lawsuit lack standing to bring their claims. The plaintiffs filed their response on January 23, 2012, and oral arguments have not been scheduled. The Company and other racetracks and casinos filed motions to intervene in this matter and the motions were approved in February 2012. See "Legal Proceedings" which is included elsewhere in this report. Due to the lawsuit and other risk factors described herein, we cannot assure you that the operation of VLTs at the racetracks, including Scioto Downs, will commence on the terms described above or of the timing of commencement of operations of VLTs at racetracks in Ohio, including Scioto Downs.

Our business may be materially and adversely affected by recession or economic downturn; the seasonal nature of our business could also materially and adversely affect our cash flows.

Our primary business involves leisure and entertainment. The economic health of the leisure and entertainment industry is affected by a number of factors that are beyond our control, including: (1) general economic conditions and economic conditions specific to our primary markets; (2) levels of disposable income of patrons; (3) increased energy costs in the United States, including transportation costs resulting in decreased travel by patrons; (4) local conditions in key gaming markets, including seasonal and weather-related factors; (5) increases in gaming and racing taxes or fees; (6) competitive conditions in the gaming, leisure and entertainment industry and in particular markets, including the effect of such conditions on the pricing of our products; and (7) the relative popularity of entertainment alternatives to gaming and racing that compete for the leisure dollar. Any of these factors could materially adversely impact the leisure and entertainment industry generally, and as a result, our business, financial condition and results of operations.

In addition, our operations at Mountaineer, Presque Isle Downs, and Scioto Downs are typically seasonal in nature. Winter conditions may adversely affect transportation routes to our properties, as well as cause cancellations of live horse racing. As a result, unfavorable seasonal conditions could have

a material adverse effect on our operations. It is unlikely that we will be able to obtain business interruption coverage for casualties resulting from severe weather, and there can be no assurance that we will be able to obtain casualty insurance coverage at affordable rates, if at all, for casualties resulting from severe weather.

We are subject to extensive regulation by gaming and racing authorities.

We are subject to extensive state and local regulation. State and local authorities require us and our subsidiaries to demonstrate suitability to obtain and maintain various licenses, and require that we have registrations, permits and approvals, to conduct gaming and racing operations, to sell alcoholic beverages and tobacco in our facilities and to operate our food service facilities. These regulatory authorities may, for any reason set forth in applicable legislation or regulation, limit, condition, suspend or revoke a license or registration to conduct gaming or racing operations or prevent us from owning the securities of any of our gaming or racing subsidiaries. In addition, we must periodically apply to renew many of our licenses or registrations. We cannot assure you that we will be able to obtain such renewals. Any failure to maintain or renew our existing licenses, registrations, permits or approvals would have a material adverse effect on us. In addition, to enforce applicable laws and regulations, regulatory authorities may levy substantial fines against or seize the assets of our company, our subsidiaries or the people involved in violating gaming laws or regulations. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

If current laws are modified, or if additional laws or regulations are adopted, there could be a material adverse effect on us. From time to time, legislators and special interest groups have proposed legislation that would restrict or prevent gaming or racing operations in the jurisdictions in which we operate. Other laws, such as smoking bans, do not specifically restrict gaming operations but, as a practical matter, make gaming facilities less attractive to gaming patrons and can result in substantially reduced revenues. Restriction on or prohibition of our gaming or racing operations, whether through legislation or litigation, could have a material adverse effect on our business, financial condition and results operations.

We pay substantial taxes and fees with respect to our operations. From time to time, federal, state and local legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming and racing industry. It is not possible to determine with certainty the likelihood of changes in tax laws or in the administration of such laws. Changes in the tax laws or administration of those laws, if adopted, could have a material adverse effect on our business, financial condition and results of operations.

We depend on agreements with our horsemen and pari-mutuel clerks to operate our business.

The Federal Interstate Horse Racing Act and the state racing laws in West Virginia, Ohio and Pennsylvania require that, in order to simulcast races, we have written agreements with the horse owners and trainers at those racetracks. In addition, in order to operate slot machines in West Virginia, we are required to enter into written agreements regarding the proceeds of the slot machines (a "proceeds agreement") with a representative of a majority of the horse owners and trainers and with a representative of a majority of the pari-mutuel clerks. In Pennsylvania, we must have an agreement with the representative of the horse owners. We have the requisite agreements in place with the horsemen at Mountaineer until December 31, 2012. With respect to the Mountaineer pari-mutuel clerks, we have a labor agreement in force until November 30, 2012, and a proceeds agreement until April 14, 2013. We are required to have a proceeds agreement in effect on July 1 of each year with the horsemen and the pari-mutuel clerks as a condition to renewal of our video lottery license for such year. If the requisite proceeds agreement is not in place as of July 1 of a particular year, Mountaineer's application for renewal of its video lottery license could be denied, in which case Mountaineer would not be permitted to operate either its slot machines or table games. With respect to the horsemen at

Scioto Downs, the agreement with the Horsemen's Benevolent & Protective Association is effective until November 29, 2012, and the agreement with the Ohio Harness Horsemen's Association provides for automatic annual renewals. Presque Isle Downs has the requisite agreement in place with the Pennsylvania Horsemen's Benevolent and Protective Association until March 13, 2013, with automatic two-year renewals unless either party provides written notice of termination at least ninety (90) days prior to the scheduled renewal date. With the exception of the respective Mountaineer and Presque Isle Downs horsemen's agreements and the agreement between Mountaineer and the pari-mutuel clerks' union described above, each of the agreements referred to in this paragraph may be terminated upon written notice by either party.

If we fail to maintain operative agreements with the horsemen, we will not be permitted to conduct live racing and export and import simulcasting at those racetracks, and, in West Virginia we will not be permitted to operate our slot machines and table games (including if we do not have in place the required proceeds agreement with the Mountaineer pari-mutuel clerks union) and in Pennsylvania we will not be permitted to operate our slot machines and table games. In addition, our simulcasting agreements are subject to the horsemen's approval. If we fail to renew or modify existing agreements on satisfactory terms, this failure could have a material adverse effect on our business, financial condition and results of operations.

We are required to schedule a minimum number of live racing days in West Virginia and Pennsylvania.

All of the states in which we conduct live racing impose requirements with respect to the minimum number of live race dates annually. The gaming laws and regulations of West Virginia and Pennsylvania, the states in which our racetracks operate slot machines and casino table games, likewise impose conditions on gaming operations for the satisfaction of live racing requirements. Live racing days typically vary in number from year to year and are based on a number of factors, including the number of suitable race horses and the occurrence of severe weather, many of which are beyond our control, as well as our agreements with the horsemen's associations that represent the owners and trainers who race at our tracks. If we fail to meet the minimum live racing day requirements at Mountaineer, we would be prohibited under West Virginia law from conducting simulcast racing or renewing our gaming license at Mountaineer. In addition, the failure to meet the required minimum number of days at Presque Isle Downs would result in immediate suspension of the slot machine license. If we were unable to offer simulcast racing or slot machine gaming at Mountaineer or slot machine gaming at Presque Isle Downs, this would have a material adverse effect on our business, financial condition, results of operations and ability to meet our payment obligations under our various debt instruments. In addition, in Ohio a pending agreement with the horsemen and/or proposed legislation may impose minimum racing day requirements which may be reduced by agreement between the racetrack operator and the horsemen.

Our gaming operations are dependent on our linkage of slot machines to state central systems.

Our gaming operations at Mountaineer and Presque Isle Downs are dependent on our linkage to the states' central systems; and we expect a similar central system will be in place in Ohio for Scioto Downs' VLT gaming operations. Our equipment is connected to these central systems by telephone lines. The central systems track all gaming activity. If the operation of the central systems were disrupted for any reason, including disruption of telephone service, we believe that the states would suspend all gaming operations within the states until normal operation of the systems was restored. Any such suspension could cause a material disruption of our gaming operations and any of the foregoing difficulties could have a material adverse effect on our business, financial condition and results of operations.

We may face disruption in developing and integrating facilities we may expand or acquire, including financing, construction and other development risk.

The development and integration of facilities we may expand or acquire in the future will require the dedication of management resources that may temporarily detract attention from our day-to-day business. The process of developing and integrating these operations also may interrupt the activities of that business, which could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that we will be able to manage the combined operations effectively or realize any of the anticipated benefits of these new or expanded operations.

On January 25, 2012, we received our Video Lottery Sales Agent License (the "License") at Scioto Downs and submitted our initial $10 million license fee. The License is conditional and permits Scioto Downs to install and operate VLTs subject to compliance with all applicable statutes, regulations and provisions of Scioto Downs' Video Lottery License Application (the "Application") and verification of the Application by the Ohio Lottery Commission prior to Scioto Downs commencing video lottery sales. The construction of the VLT facility at Scioto Downs commenced in December 2011. We cannot be sure that the cost of construction of the planned facility at Scioto Downs will not exceed our estimate of the cost of contracts for development or construction of any portion of planned expansion or cash on hand or financing necessary to pay the costs of the planned expansion. In addition, construction projects entail significant risks, including shortages of materials or skilled labor, unforeseen engineering, environmental or geological problems, work stoppages, weather interference and unanticipated cost increases, any of which can give rise to delays or cost overruns, which may be significant. Design, planning, construction, equipment or staffing requirements or problems or difficulties in obtaining any of the requisite licenses, permits, allocations or authorizations from regulatory authorities could increase the cost or delay the construction or opening of our planned expansion at Scioto Downs or otherwise adversely affect the project's planned design and features.

Any of the foregoing difficulties could have a material adverse effect on our business, financial condition and results of operations.

We are or may become involved in legal proceedings that could impact our financial condition.

From time to time, we are defendants in various lawsuits relating to matters incidental to our business. Because we accommodate large numbers of patrons and employ many people, our business subjects us to the risk of lawsuits filed by patrons, past and present employees, competitors, business partners and others in the ordinary course of business. No assurance can be provided as to the outcome of these matters and whether our policies of insurance will be sufficient to pay potential losses. We may not be successful in the defense of these lawsuits, which could result in settlements or damages that could have a material adverse effect on our business, financial condition and results of operations.

We depend on our key personnel.

We are highly dependent on the services of Jeffrey J. Dahl, our President and Chief Executive Officer, and other named executive officers and key employees. We have entered into an employment agreement with Mr. Dahl, which will expire on January 10, 2014. We have also entered into employment agreements with certain other officers and key managers. The loss of the services of any of these individuals could have a material adverse effect on our business, financial condition and results of operations.

We are subject to environmental laws and potential exposure to environmental liabilities.

We are subject to various federal, state and local environmental laws and regulations that govern activities that may have adverse environmental effects, such as discharges to air and water, as well as

the management and disposal of solid, animal and hazardous wastes and exposure to hazardous materials. These laws and regulations, which are complex and subject to change, include United States Environmental Protection Agency and state laws and regulations that address the impacts of manure and wastewater generated by Concentrated Animal Feeding Operations ("CAFO") on water quality, including, but not limited to, storm water discharges. CAFO regulations include permit requirements and water quality discharge standards. Enforcement of CAFO regulations has been receiving increased governmental attention. Compliance with these and other environmental laws can, in some circumstances, require significant capital expenditures. For example, we may incur future costs under existing and new laws and regulations pertaining to storm water and wastewater management at our racetracks. Moreover, violations can result in significant penalties and, in some instances, interruption or cessation of operations.

We also are subject to laws and regulations that create liability and cleanup responsibility for releases of regulated materials into the environment. Certain of these laws and regulations impose strict, and under certain circumstances joint and several liability on, a current or previous owner or operator of property for the costs of remediating regulated materials on or emanating from its property. The presence of, or failure to remediate properly, such materials may materially adversely affect the ability to sell or rent such property or to borrow funds using such property as collateral. Additionally, the owner of a facility may be subject to claims by third parties based on damages and costs resulting from environmental contamination at or emanating from third party sites when the owner sent wastes for disposal or treatment.

The evolution of the slot machine manufacturing industry could impose additional costs on us.

A majority of our revenues are attributable to slot machines operated by us at our casinos and racinos. It is important, for competitive reasons, that we offer to our customers the most popular and up-to-date slot machine games with the latest technology. We continue to upgrade our older slot machines with newer and more advanced interactive electronic games.

For competitive reasons, we may be forced to purchase new slot machines or enter into participating lease arrangements that are more expensive than our current costs associated with the continued operation of our existing slot machines. Slot machine lease arrangements typically require the payment of a fixed daily rental and participation agreements include payment of a percentage of coin-in or net win amounts. Generally, a participating lease is substantially more expensive over the long term than the cost to purchase a new machine. If the newer slot machines do not result in sufficient incremental revenues to offset the increased investment and participating lease costs, it could have an adverse effect on our profitability.

Risks Related to Our Capital Structure

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under the Notes.

On August 1, 2011, after receiving the required consents of the holders of our $125 million in the aggregate principal amount of 9% Senior Subordinated Notes (the "2012 Notes") and our $260 million in the aggregate principal amount of 12.625% Senior Secured Notes (the "2014 Notes") to permit the proposed amendments to the indentures governing the 2012 Notes and the 2014 Notes which eliminated substantially all of the restrictive covenants contained in such indentures and released the collateral securing our obligations under the 2014 Notes, we completed the offering of $565 million in aggregate principal amount of Senior Secured Second Lien Notes due August 1, 2019 (the "Notes") at an issue price equal to 97% of the aggregate principal amount of the Notes. The Notes were issued pursuant to an indenture, dated as of August 1, 2011 (the "Indenture"), among the Company, Mountaineer Park, Inc., Presque Isle Downs, Inc., Scioto Downs, Inc. (each, a wholly-owned subsidiary

of the Company and as a guarantor, the "Guarantors") and Wilmington Trust, National Association, as Trustee and as Collateral Agent. Substantially concurrently with the closing of the offering, we terminated our former credit facility and entered into a new senior secured revolving credit facility (the "Credit Facility") with a borrowing availability of $20.0 million and a maturity date of August 1, 2016. No amounts have been drawn under the Credit Facility.

As a result of this refinancing transaction, as of December 31, 2011, after giving effect to the issuance of Notes and the use of proceeds thereof, we had $565.0 million of indebtedness outstanding and $20.0 million of unused commitments under the Credit Facility. Our substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to the Notes and our other indebtedness, which could in turn result in an event of default on the Notes or such other indebtedness;
- limit our ability to borrow additional funds or to sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes;
- increase our vulnerability to adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, future business opportunities or other purposes, such as funding our working capital and capital expenditures;
- limit our flexibility in planning for, or reacting to, changes in the business and industry in which we operate;
- affect our ability to satisfy financial suitability standards prerequisite to obtaining new gaming or racing licenses and renewal of existing licenses;
- place us at a competitive disadvantage compared to certain competitors that have proportionately less debt; and
- prevent us from raising the funds necessary to repurchase all Notes tendered to us upon the occurrence of a change of control, which would constitute a default under the Indenture governing the Notes, which in turn would trigger a default under the Credit Facility if the Credit Facility remains outstanding after such change of control.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations, prospects or ability to satisfy our obligations under the Notes.

In addition, we and our future subsidiaries may be able to incur substantially more debt in the future. Although our Credit Facility and the Indenture governing the Notes contain restrictions on our incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, indebtedness incurred in compliance with these restrictions could be substantial. The terms of the Indenture will permit us to incur additional indebtedness, including additional secured indebtedness. Such additional indebtedness may intensify the risks we face as a result of our substantial indebtedness and, to the extent such indebtedness is secured, could negatively impact the ability of the holders of Notes to realize the proceeds of collateral distributed in connection with any foreclosure, insolvency, liquidation, reorganization, dissolution or similar proceedings.

Our Credit Facility and the Indenture governing the Notes contain various covenants limiting the discretion of our management in operating our business and could prevent us from capitalizing on business opportunities and taking some corporate actions.

Our Credit Facility and the Indenture governing the Notes impose significant operating and financial restrictions on us. These restrictions will limit or restrict, among other things, our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness;
- make restricted payments;
- make investments;
- create, incur or suffer to exist liens;
- sell assets;
- enter into agreements restricting our subsidiaries' ability to pay dividends, make loans or transfer assets to us;
- engage in transactions with affiliates; and
- consolidate, merge or sell all or substantially all of our assets.

These restrictions on our ability to operate our business could seriously harm our business by, among other things, limiting our ability to take advantage of financing, merger and acquisition and other business opportunities.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants. Failure to comply with any of the covenants in our existing or future financing agreements (including the Indenture governing the Notes and the Credit Facility) could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of the indebtedness under these agreements, terminate any funding commitments and foreclose upon any collateral securing such indebtedness. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations, including our obligations under the Notes. We would, therefore, be required to seek alternative sources of funding, which may not be available on commercially reasonable terms, terms as favorable as our current agreements or at all, or face bankruptcy. If we are unable to refinance our indebtedness or find alternative means of financing our operations, we may be required to curtail our operations or take other actions that are inconsistent with our current business practices or strategy. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders or amend the covenants.

Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate the cash required to service our debt.

Our ability to make payments on, or repay or refinance, our indebtedness, including the Notes, and to fund planned capital expenditures, will depend largely upon our future operating performance. Our future performance, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In particular, if adverse regional and national economic conditions persist, worsen, or fail to improve significantly, we could experience decreased revenues from our operations attributable to decreases in consumer spending levels and could fail to generate sufficient cash to fund our liquidity needs or fail to satisfy the financial and other restrictive covenants that we are subject to under our indebtedness. In addition, our ability to borrow funds in the future to make payments on our indebtedness will depend on the satisfaction of the

covenants in the Indenture governing the Notes, the Credit Facility and our other debt agreements, and other agreements we may enter into in the future. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under the Credit Facility or from other sources in an amount sufficient to enable us to pay our indebtedness, including the Notes, or to fund our other liquidity needs.

We cannot assure you that we will be able to refinance any of our indebtedness, including our indebtedness under the Credit Facility, on commercially reasonable terms or at all. In particular, the Credit Facility will mature prior to the maturity of the Notes. If we were unable to make payments or refinance our indebtedness or obtain new financing under these circumstances, we would have to consider other options, such as the sale of assets, the sales of equity and/or negotiations with our lenders to restructure the applicable indebtedness. The Indenture governing the Notes, the Credit Facility and our other debt instruments may restrict, or market or business conditions may limit, our ability to take some or all of these actions.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, or premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. Any default under the agreements governing our indebtedness, including a default under the Credit Facility that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could render us unable to pay the principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The following describes our principal real properties as of March 1, 2012:

The Mountaineer Casino, Racetrack & Resort. We own approximately 1,730 acres of land in Chester, Hancock County, West Virginia, of which the resort occupies approximately 213 acres and the Woodview Golf Course occupies approximately 163 acres. The property also includes a one-mile all weather, lighted thoroughbred racetrack and an enclosed grandstand, clubhouse and related facilities for the horses, jockeys and trainers. Included in the 1,730 acres of land is approximately 1,350 acres of land that are considered non-operating real properties that we intend to sell.

On May 10, 2011, Mountaineer entered into lease agreements with Chesapeake Appalachia, LLC ("Chesapeake") to lease mineral rights (primarily oil and gas) with respect to approximately 1,707 acres in West Virginia that Mountaineer controls or holds the mineral rights. The agreements have an initial term of five (5) years, with an option to extend for an additional five (5) year term. The agreements required Chesapeake to pay Mountaineer a lease bonus payment of $1,265 per acre on land parcels totaling 1,707 acres, for a total of approximately $2.1 million, of which $1.8 million was paid initially and the remaining $0.3 million was paid upon the release of certain liens on that property. In addition, Mountaineer will receive a 14% royalty on the sale of any oil or gas extracted by Chesapeake.

Mountaineer will continue to retain the ownership rights in all of the property and has the ability to sell the property subject to the terms of the lease agreements.

Presque Isle Downs & Casino. The clubhouse and thoroughbred racetrack is located on a 272-acre site that we own in Summit Township, Erie County, Pennsylvania. Of this site, approximately 58 acres are dedicated to the public as open space. The site includes barns and related facilities for the horses, jockeys and trainers. In addition, we own three other parcels of land; a 213-acre site in McKean Township, Pennsylvania; a 24-acre site in Erie, Pennsylvania; and an 11-acre site in Summit Township that formerly housed an off-track wagering facility. These three properties are considered non-operating real properties that we intend to sell.

Scioto Downs Casino & Racetrack. Scioto Downs owns approximately 208 acres of land in Columbus, Ohio that serves as the site for the harness racetrack. In addition to the racetrack, there is parking, a grandstand, clubhouse and dining facilities, as well as barns and stables.

Substantially all of our assets are pledged to secure the debt evidenced by the Senior Secured Second Lien Notes and the Credit Agreement by and among us, our operating subsidiaries and JPMorgan Chase Bank, N.A. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—*Liquidity and Sources of Capital*" which is included elsewhere in this report.

ITEM 3. LEGAL PROCEEDINGS.

State ex rel. Walgate v. Kasich; Case No. 11 CV-10-13126; Court of Common Pleas of Franklin County, Ohio. Scioto Downs, Inc., in order to protect its right to video lottery terminal ("VLT") gaming pursuant to its conditional license granted by the Ohio Lottery Commission, successfully intervened in a lawsuit filed by a public policy group in Ohio challenging the Ohio Governor's and legislature's approval of legislation authorizing VLTs at Ohio's seven horse racetracks. Relators-Plaintiffs in this case, among other claims against Ohio's casinos, allege that VLTs were not contemplated by Ohio's constitutional amendment permitting casinos in Ohio. Dispositive Motions that were filed by the Ohio Attorney General as well as Scioto Downs, Inc. were deemed filed as of February 20, 2012 and are scheduled to be heard on April 5, 2012.

Greater Erie Industrial Development Corporation v. Presque Isle Downs, Inc; Case No. 11436-09; Court of Common Pleas of Erie County, Pennsylvania. On October 1, 2009, the Greater Erie Industrial Development Corporation, as plaintiff ("GEIDC") initiated legal action against Presque Isle Downs, Inc. alleging breach of contract regarding clean fill dirt which the GEIDC claims was supposed to be furnished as a result of the sale of industrial land from Presque Isle Downs on October 11, 2005. The GEIDC's Motion for Summary Judgment was granted on December 14, 2011, and entered on December 20, 2011 in the amount of $706,000. Presque Isle Downs timely filed its appeal January 13, 2012. Oral arguments should be scheduled before September 30, 2012.

Edson R. Arneault and Gregory J. Rubino v. Individual Members and Employees of the Pennsylvania Gaming Control Board, MTR Gaming Group, Inc., et al; Case No. 2:05-mc-02025; United States District Court for the Western District of Pennsylvania. On April 15, 2011, Messrs. Edson R. Arneault (the Company's former chairman, president and chief executive officer) and Gregory J. Rubino, as co-plaintiffs, initiated legal action against individual members and employees of the Pennsylvania Gaming Control Board, the Company, as well as certain of our former and current officers and directors, Presque Isle Downs, Inc., Leonard Ambrose, III, Nicholas C. Scott and Scott's Bayfront Development, Inc. The lawsuit alleges a conspiracy by Company officials and the Pennsylvania Gaming Control Board to violate Messrs. Arneault and Rubino's due process and equal protection rights, as well as claims for promissory estoppel and unjust enrichment (the "Complaint"). Mr. Arneault is seeking recovery of legal fees relating to the renewal of his Pennsylvania gaming license and Mr. Rubino is seeking amounts he alleges are owing under his former consulting agreement with the Company and Presque Isle Downs, Inc., as well as certain of its former and current officers and

directors. The Company, Presque Isle Downs, Inc. and its former and current officers and directors that are parties to this action (collectively, the "MTR Defendants") believe this lawsuit is without merit, vehemently deny the allegations and intend to defend the case vigorously. Additionally, the MTR Defendants have submitted Motions to Dismiss the Complaint pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure which state that the Complaint is wholly frivolous both legally and factually.

Presque Isle Downs, Inc. v. Dwayne Cooper Enterprises, Inc. et al; Civil Action No. 10493-2009; Court of Common Pleas of Erie County, Pennsylvania. On April 17, 2010, Presque Isle Downs, Inc. initiated legal action which named as defendants Dwayne Cooper Enterprises, Inc. ("DCE"), Turner Construction Company, and Rectenwald Buehler Architects, Inc. f/k/a Weborg Rectenwald Buehler Architects, Inc. with respect to the surveillance system that was installed as part of the original construction of Presque Isle Downs which opened on February 28, 2007. Shortly after the opening of Presque Isle Downs, it was discovered that certain equipment components of the surveillance system that were installed by DCE were defective or malfunctioning. Furthermore, various components of the surveillance system that DCE was required to install were not installed. As a result, during 2008 Presque Isle Downs was required to replace certain equipment components of the surveillance system at a cost of $1.9 million, and to write-off approximately $1.5 million related to the net book value of the equipment that was replaced. On April 5, 2011, Presque Isle Downs received a default judgment in the amount of $2.7 million against DCE for the failure to answer or otherwise respond to Presque Isle Downs' complaint. We are currently in the process of attempting to enforce the judgment. Any proceeds that may be received will be recorded as the amounts are realized.

We are also a party to various lawsuits, which have arisen in the normal course of our business. The liability arising from unfavorable outcomes of those lawsuits is not expected to have a material impact on our consolidated financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our Common Stock is quoted on the NASDAQ Global Select Market under the symbol "MNTG". On March 12, 2012, the NASDAQ Official Closing Price for our common stock was $4.87. As of March 12, 2012, there were of record 790 holders of our common stock.

We are prohibited from paying any dividends without our lenders' consent. We historically have not paid cash dividends and do not intend to pay such dividends in the foreseeable future.

The following table sets forth the range of high and low bid price quotations for our common stock for the two fiscal years ended December 31, 2010 and 2011, and for the period of January 1, 2012 through March 12, 2012. These quotes are believed to be representative of inter-dealer quotations, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

	Stock Price	
	High	Low
Year Ended December 31, 2010:		
First Quarter	2.15	1.26
Second Quarter	2.25	1.30
Third Quarter	2.41	1.54
Fourth Quarter	2.16	1.52
Year Ended December 31, 2011:		
First Quarter	2.83	1.98
Second Quarter	3.24	2.31
Third Quarter	3.19	1.85
Fourth Quarter	2.05	1.30
Year Ending December 31, 2012:		
First Quarter (January 1, 2012 through March 12, 2012)	4.87	1.86

The NASDAQ Global Select Market imposes, among other requirements, listing maintenance standards including minimum bid and public float requirements. In particular, NASDAQ rules require us to maintain a minimum bid price of $1.00 per share of our common stock. If the closing bid price of our common stock falls below $1.00 per share for 30 consecutive business days, we would fail to be in compliance with NASDAQ's continued listing standards and, if we are unable to cure the non-compliance within 180 days, our common stock may be delisted from NASDAQ. As of March 12, 2012, our common shares have not traded below the applicable $1.00 minimum closing bid requirement for 30 consecutive business days.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2011, with respect to compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,319,669	$ 4.43	2,163,875
Equity compensation plans not approved by security holders	25,000	$15.00	86,500
Total	1,344,669		2,250,375

The Company previously maintained a 2000 Employee Stock Incentive Plan, a 2001 Employee Stock Incentive Plan, a 2002 Employee Stock Incentive Plan, a 2004 Employee Stock Incentive Plan, a 2005 Employee Stock Incentive Plan and a 2007 Employee Stock Incentive Plan (collectively, the "Prior Plans"). During 2010, the stockholders approved and the Company implemented, the 2010 Long-Term Incentive Plan (the "2010 Plan") so that it had a single vehicle for granting long-term incentive awards going forward, and to have the ability to grant certain forms of incentive awards previously not available under the Prior Plans. While the 2010 Plan replaced the Prior Plans as the means pursuant to which we grant long-term incentive awards to executive officers, certain key employees and non-employee directors, awards granted under the Prior Plans will remain in place subject to the terms and conditions of the Prior Plans.

The Company's equity compensation plans that were not approved by security holders (as no such approval was required) consist of (i) grants of non-qualified stock options ("NQSOs") as inducement for initial employment by the Company or its subsidiaries; (ii) grants of NQSOs to non-executive employees; and (iii) NQSOs granted under our previous 2001 Employee Stock Incentive Plan or available for grant under our previous 2002 Employee Stock Incentive Plan, both of which are "broad-based plans" as defined by the NASDAQ Market Place Rules (i.e., ones in which not more than half of the options/shares may be awarded to officers and directors). In the case of all such plans, the exercise price of options must be not less than fair market value of the common stock on the date of grant. Options granted under the plans may be for terms of up to ten years. The 2001 and 2002 Employee Stock Incentive Plans were administered by the board or a committee of the board consisting of not fewer than two non-employee directors. Repricing under the 2001 Employee Stock Incentive Plan is limited to 10% of the number of options then outstanding thereunder; repricing under the 2002 Employee Stock Incentive Plan is prohibited.

On January 10, 2011, we granted, pursuant to the execution of an employment agreement with our President and Chief Executive Officer, nonqualified stock options to purchase a total of 150,000 shares of the Company's common stock, one-third of which vested and became exercisable on the date of grant, and the remaining two-thirds of which will vest and become exercisable in equal installments on the first and second anniversaries of the effective date of the employment agreement, subject to continued employment with the Company as of each of the applicable vesting dates.

On January 28, 2011, the Compensation Committee of the Board of Directors of the Company approved the grant of (i) nonqualified stock options to purchase a total of 340,500 shares of the Company's common stock; (ii) a total of 113,600 restricted stock units ("RSUs"); and (iii) cash-based performance awards totaling $604,700 to executive officers and certain key employees under the

Company's 2010 Long-Term Incentive Plan (the "2010 Plan"). The stock options will vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. Further, all unvested options will fully vest and become exercisable immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The RSUs will vest and become non-forfeitable upon the third anniversary of the date of grant; and all unvested RSUs will vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The cash-based performance awards are contingent upon the achievement of differing levels of performance (as defined) and are measured by the level of the Company's Corporate Free Cash Flow (as defined) over a one-year Performance Period, which is defined as calendar year 2011. The performance award levels were achieved for 2011, and the awards earned will vest and become payable at the end of the Vesting Period, defined as the two calendar year period following the Performance Period. The earned awards also vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company.

On March 28, 2011, in connection with the termination of a key employee, 51,433 RSUs, 54,200 stock options and cash awards of $121,300 were forfeited.

On May 4, 2011, the Compensation Committee of the Board of Directors of the Company approved the grant of (i) nonqualified stock options to purchase a total of 46,500 shares of the Company's common stock; (ii) a total of 15,600 RSUs; and (iii) a cash-based performance award totaling $100,000 to an executive officer under the 2010 Plan. The stock options will vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. Further, all unvested options will fully vest and become exercisable immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The RSUs will vest and become non-forfeitable upon the third anniversary of the date of grant; and all unvested RSUs will vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The cash-based performance awards are contingent upon the achievement of differing levels of performance (as defined) and are measured by the level of the Company's Corporate Free Cash Flow (as defined) over a one-year Performance Period, which is defined as calendar year 2011. The performance award levels were achieved for 2011, and the awards earned will vest and become payable at the end of the Vesting Period, defined as the two calendar year period following the Performance Period. The earned awards also vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company.

On August 12, 2011, pursuant to the 2010 Plan and approved by the Compensation Committee of the Board of Directors, each of the Company's six non-employee directors were granted 19,500 RSUs. The RSUs vested immediately and will be delivered upon the date that is the earlier of termination of service on the Board of Directors or the consummation of a change of control of the Company.

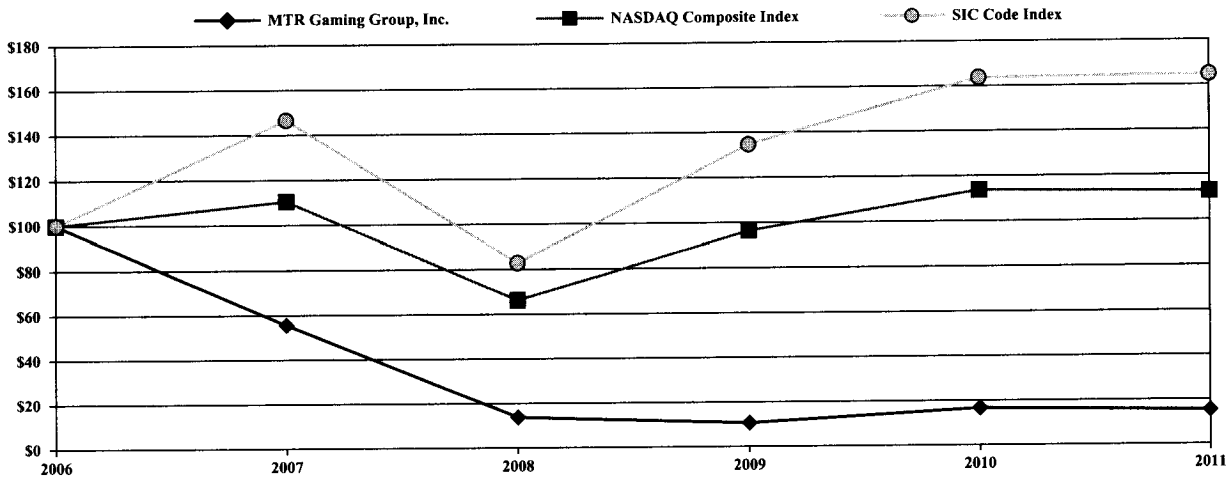
On January 27, 2012, the Compensation Committee of the Board of Directors of the Company approved the grant of (i) nonqualified stock options to purchase a total of 354,900 shares of the Company's common stock; (ii) a total of 118,200 RSUs; and (iii) cash-based performance awards totaling $637,500 to executive officers and certain key employees under the 2010 Plan. The stock options will vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. Further, all unvested options will fully vest and become exercisable immediately upon (i) the termination of employment by the death or the disability of the applicable employee or

(ii) consummation of a change of control of the Company. The RSUs will vest and become non-forfeitable upon the third anniversary of the date of grant; and all unvested RSUs will vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The cash-based performance awards are contingent upon the achievement of differing levels of performance (as defined) and are measured by the level of the Company's Corporate Free Cash Flow (as defined) over a one-year Performance Period, which is defined as calendar year 2012. The awards earned, if any, will vest and become payable at the end of the Vesting Period, defined as the two calendar year period following the Performance Period. The earned awards also vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company.

Stock Performance Graph

The following graph demonstrates a comparison of cumulative total returns of the Company, the NASDAQ Market Index (which is considered to be a broad index) and an industry peer group index based upon companies which are publicly traded with the same four digit standard industrial classification code ("SIC") as the Company (SIC 7999—Amusement and Recreational Services) for the past five years since December 31, 2006. The following graph assumes $100 invested in each of the above groups and the reinvestment of dividends.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN
AMONG MTR GAMING GROUP, INC.,
NASDAQ MARKET INDEX AND SIC CODE INDEX



ASSUMES $100 INVESTED ON DECEMBER 31, 2006
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DECEMBER 31, 2011

	Year Ended					
Index Description	**12/31/2006**	**12/31/2007**	**12/31/2008**	**12/31/2009**	**12/31/2010**	**12/31/2011**
MTR GAMING GROUP, INC.	$100.00	$ 55.56	$13.75	$ 10.64	$ 16.61	$ 15.30
NASDAQ MARKET INDEX	100.00	110.55	66.30	96.34	113.70	112.76
SIC CODE INDEX(1)	100.00	146.56	82.77	134.58	163.79	164.80

(1) The peer group includes, but is not limited to, the following companies: American Vantage Companies, Century Casinos, Inc., Dover Downs Gaming & Entertainment, Inc., Dover Motorsports, Inc., Florida Gaming Corporation, GameTech International, Inc., Gaming Partners International Corporation, Gate to Wire Solutions, Inc., Global Casinos, Inc., Great Canadian Gaming Corporation, Lakes Entertainment, Inc., Littlefield Corporation, Nevada Gold & Casinos, Inc., and Tix Corporation.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth summary consolidated financial and other data as of and for each of the five years ended December 31, 2011. The summary consolidated financial data have been derived from our audited consolidated financial statements of the Company, certain of which are included elsewhere in this report, and should be read in conjunction with those consolidated financial statements

and the accompanying related notes, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" also included elsewhere herein.

(dollars in thousands, except per share amounts)

	Fiscal Years Ended December 31,				
	2011	2010(1)	2009	2008	2007(2)(3)
Statement of Operations Data:					
Revenues:					
Gaming	$385,300	$382,514	$400,583	$418,055	$370,956
Pari-mutuel commissions	10,206	11,181	12,806	14,454	13,321
Food, beverage and lodging	32,617	32,265	31,973	35,963	29,421
Other	11,058	8,737	8,764	10,300	8,088
Total revenues	439,181	434,697	454,126	478,772	421,786
Less promotional allowances	(11,095)	(9,806)	(9,971)	(7,921)	(5,968)
Net revenues	428,086	424,891	444,155	470,851	415,818
Operating income(4)	47,572	47,759	22,847	38,234	26,934
Loss from continuing operations(5)	(51,153)	(4,963)	(23,698)	(4,386)	(5,490)
(Loss) income from discontinued operations(6)(7)	788	(153)	1,160	(13,325)	(5,869)
Net loss	$(50,365)	$ (5,116)	$(22,538)	$(17,711)	$(11,359)
Loss per share from continuing operations:					
Basic	$ (1.84)	$ (0.18)	$ (0.86)	$ (0.16)	$ (0.20)
Diluted	$ (1.84)	$ (0.18)	$ (0.86)	$ (0.16)	$ (0.20)
Balance Sheet Data:					
Cash and cash equivalents	$ 85,585	$ 53,820	$ 44,755	$ 29,011	$ 31,045
Working capital (deficit)	45,237	28,824	26,281	407	(1,651)
Current assets	102,392	70,512	72,160	71,095	59,940
Current liabilities	57,155	41,688	45,879	70,688	61,591
Total assets	640,871	493,509	503,013	527,710	611,320
Long-term obligations (current portion)	—	1,255	6,618	20,498	11,008
Long-term obligations (net of current portion)	548,933	376,830	375,885	357,112	420,520
Total liabilities	622,544	425,274	429,740	432,107	498,868
Total stockholders' equity	18,327	68,235	73,273	95,603	112,147

(1) Presque Isle Downs commenced table gaming on July 8, 2010.

(2) Mountaineer commenced poker on October 19, 2007 and table gaming on December 20, 2007.

(3) Presque Isle Downs commenced slot operations on February 28, 2007 and live racing operations on September 1, 2007.

(4) Operating income for 2011 includes (i) a lease bonus payment of $2.1 million related to the lease of mineral rights on land parcels that Mountaineer controls or holds the mineral rights; (ii) project-opening costs of $0.2 million related to Presque Isle Downs and Scioto Downs; (iii) impairment losses in the aggregate amount of $0.7 million related to non-operating real properties; and (iv) other regulatory gaming assessment costs of $5.9 million related to Presque Isle Downs (See "Management's discussion and analysis of financial condition and results of operations" which is included elsewhere in this report).

Operating income for 2010 includes (i) project-opening costs of $1.4 million related to Presque Isle Downs which commenced table gaming on July 8, 2010; (ii) other regulatory gaming assessment costs of $0.8 million related to Presque Isle Downs (See "Management's discussion and analysis of financial condition and results of operations" which is included elsewhere in this report) and (iii) strategic costs of $0.5 million associated with lobbying and gaming efforts in Ohio.

Operating income for 2009 includes (i) impairment losses in the aggregate amount of $10.4 million related to non-operating real properties and $1.5 million that fully impaired the goodwill for Mountaineer; (ii) strategic costs of $9.8 million associated with lobbying and gaming efforts in Ohio; and (iii) a charge of $1.6 million related to a legal settlement with a former Chairman, President and Chief Executive Officer.

Operating income for 2008 includes (i) a loss on disposal of property of $2.1 million associated with the corporate residence and associated real property and furnishings that was conveyed to a former Chairman, President and Chief Executive Officer on May 1, 2009; and (ii) a $1.5 million loss on the disposal of certain equipment components of Presque Isle Downs' surveillance system that were defective and malfunctioning.

Operating income for 2007 includes (i) project-opening costs of $3.0 million related to Presque Isle Downs, which opened on February 28, 2007; and (ii) project-opening costs of $2.6 million related to Mountaineer which commenced poker and table gaming in the fourth quarter of 2007.

(5) Loss from continuing operations for 2011 includes (i) a loss on debt extinguishment in the aggregate amount of $34.4 million resulting from the write-offs of deferred financing fees and original issue discount and the payment of tender and redemption fees to the holders of our repurchased $260 million 12.625% Senior Secured Notes and our repurchased $125 million 9% Senior Subordinated Notes (See "Management's Discussion and Analysis of Financial Condition and Results of Operations—*Liquidity and Sources of Capital*" which is included elsewhere in this report); and (ii) an income tax valuation allowance of $3.9 million that was provided in excess of the Company's deferred tax benefits.

Loss from continuing operations for 2009 includes (i) a loss on debt modification in the aggregate amount of $1.8 million resulting from the write-offs of deferred financing fees; and (ii) a loss on debt extinguishment of $1.3 million resulting from the write-off of deferred financing fees and payment of consent fees to the holders of our repurchased $130 million 9.75% Senior Unsecured Notes (See "Management's Discussion and Analysis of Financial Condition and Results of Operations—*Liquidity and Sources of Capital*" which is included elsewhere in this report).

Loss from continuing operations for 2008 includes a loss on debt modification in the aggregate amount of $3.8 million resulting from the write-offs of deferred financing fees.

(6) The operating results MTR-Harness, Inc. and North Metro Harness Initiative, LLC (*dba Running Aces Harness Park*) were reflected as discontinued operations in 2009. Corresponding reclassifications have been made to the presentation of the prior periods.

The operating results for Binion's Gambling Hall & Hotel, the Ramada Inn and Speedway Casino, Jackson Racing, Inc. and Jackson Trotting Association, LLC (*d/b/a Jackson Harness Raceway*) were reflected as discontinued operations in 2008. Corresponding reclassifications have been made to the presentation of the prior periods.

(7) Loss from discontinued operations for 2011 includes $867,000 received as a settlement payment relating to the sale of Binion's.

Loss from discontinued operations for 2008 includes (i) an impairment loss of $8.7 million related to our investment in North Metro Harness Initiative, LLC (for which it could not be determined until 2009 that a $2.9 million tax benefit could be realized); and (ii) an impairment loss of $2.6 million ($2.1 million net of tax) related to our investment in Jackson Trotting Association, LLC.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis, including the critical accounting policies contained herein, should be read in conjunction with our consolidated financial statements and the related notes which are included elsewhere in this report.

Our historical operating results may not be indicative of our future results of operations because of the factors discussed in "Business—Cautionary Statement Forward-Looking Information" which is included elsewhere in this report.

Overview

We were incorporated in March 1988 in Delaware under the name "Secamur Corporation," a wholly-owned subsidiary of Buffalo Equities, Inc. In 1996, we were renamed MTR Gaming Group, Inc and since 1998, we have operated only in the racing, gaming and entertainment businesses.

Through our wholly-owned subsidiaries, we own and operate Mountaineer Casino, Racetrack & Resort in Chester, West Virginia ("Mountaineer"); Presque Isle Downs & Casino in Erie, Pennsylvania ("Presque Isle Downs"); and Scioto Downs Casino & Racetrack in Columbus, Ohio ("Scioto Downs"). We consider these three properties, which are located in contiguous states, to be our core assets. Scioto Downs, through its subsidiary RacelineBet, Inc., also operates Racelinebet.com, a national account wagering service that offers online and telephone wagering on horse races as a marketing affiliate of TwinSpires.com, an affiliate of Churchill Downs, Inc.

Mountaineer currently operates approximately 2,132 slot machines, 14 poker tables and 45 casino table games, including blackjack, craps, roulette and other games, and offers live thoroughbred horse racing and on-site pari-mutuel wagering.

Presque Isle Downs commenced operations on February 28, 2007 and commenced table gaming operations on July 8, 2010. The property currently operates approximately 2,070 slot machines, 44 casino table games and a nine-table poker room, which we began operating on October 3, 2011. In addition, Presque Isle Downs offers live thoroughbred horse racing during the months of May through September with pari-mutuel wagering year-round.

Scioto Downs currently conducts live harness horse racing with pari-mutuel wagering generally during the months of May through September. However, on January 25, 2012, we received our Video Lottery Sales Agent License (the "License") at Scioto Downs and submitted our initial $10 million license fee. The License is conditional and permits Scioto Downs to install and operate VLTs subject to compliance with all applicable statutes, regulations and provisions of Scioto Downs' Video Lottery License Application (the "Application") and verification of the Application by the Ohio Lottery Commission prior to Scioto Downs commencing video lottery sales.

The construction of the VLT facility at Scioto Downs commenced in December 2011 and is expected to take approximately nine months to complete. The gaming facility build out, which will be in two phases, is expected to encompass approximately 132,000 square feet, including 65,000 square feet of gaming space to accommodate up to 2,500 VLTs and four food and beverage outlets. Development, construction and equipment costs are expected to be approximately $125.0 million over a required three-year period, not including the $50 million license fee. Subject to the conditions placed on the License, we expect that we will open the new facility in the second quarter of 2012 with 1,800 VLTs and the facility will be fully operational in the third quarter of 2012 with approximately 400 additional VLTs. Additionally, there will be a 300-seat buffet, a 100-seat casual dining restaurant, an 82-seat bar/lounge with high-tech sound and lights, and will offer a variety of entertainment options. The existing racetrack will also benefit from a variety of improvements.

Discontinued operations include (i) MTR Harness, Inc. and its interest in North Metro Harness Initiative, LLC; (ii) Jackson Racing, Inc. and its interest in Jackson Trotting Association, LLC; (iii) Binion's Gambling Hall & Hotel; and (iv) the Ramada Inn and Speedway Casino.

Results of Operations

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

The following tables set forth information concerning our results of operations by property for continuing operations.

	2011	2010
	(in thousands)	
Net revenues—continuing operations:		
Mountaineer Casino, Racetrack & Resort(1)	$224,103	$228,784
Presque Isle Downs & Casino(1)	201,148	193,005
Scioto Downs Casino & Racetrack	2,750	2,963
Corporate	85	139
Consolidated net revenues	$428,086	$424,891

(1) Mountaineer's net revenues for 2011 include lease bonus payments of $2.1 million related to the lease of mineral rights on land parcels.

(2) Presque Isle Downs commenced table gaming on July 8, 2010.

	2011	2010
	(in thousands)	
Operating income (loss)—continuing operations:		
Mountaineer Casino, Racetrack & Resort	$35,671	$ 34,996
Presque Isle Downs & Casino(1)(2)	23,423	25,740
Scioto Downs Casino & Racetrack	(2,243)	(2,018)
Corporate	(9,279)	(10,959)
Consolidated operating income(3)	$47,572	$ 47,759

(1) Presque Isle Downs' operating income for 2011 includes other regulatory gaming assessment costs of $5.9 million.

(2) Presque Isle Downs' operating income for 2010 includes table gaming operations which commenced July 8, 2010, project-opening costs of $1.4 million, and other regulatory gaming assessment costs of $0.8 million.

(3) Consolidated operating income for 2011 includes asset impairment charges in the aggregate amount of $0.7 million as follows: Mountaineer—$0.2 million; Presque Isle Downs—$0.4 million; and Corporate—$0.1 million (as discussed below under the caption *"Impairment Losses"*).

The following table sets forth a reconciliation of income (loss) from continuing operations, a generally accepted accounting principles ("GAAP") financial measure, to Adjusted EBITDA from continuing operations, a non-GAAP measure, and income (loss) from discontinued operations, a GAAP

financial measure, to Adjusted EBITDA from discontinued operations, a non-GAAP measure, for each of the years ended December 31, 2011 and 2010.

	2011	2010
	(in thousands)	
Continuing Operations:		
MTR Gaming Group, Inc. (consolidated)—continuing operations:		
Loss from continuing operations	$ (51,153)	$ (4,963)
Interest expense, net of interest income and capitalized interest	60,014	54,083
Provision (benefit) for income taxes	4,347	(1,361)
Depreciation	27,939	28,733
Regulatory gaming assessments	5,925	800
Loss on disposal of property	470	75
Impairment loss	685	40
Loss on debt modification and extinguishment	34,364	—
Adjusted EBITDA from continuing operations	$ 82,591	$ 77,407
Mountaineer Casino, Racetrack & Resort:		
Income from continuing operations	$ 35,653	$ 22,526
Interest expense, net of interest income	22	142
(Benefit) provision for income taxes	(4)	12,328
Depreciation	11,831	13,383
(Gain) loss on disposal of property	(257)	72
Impairment loss	204	—
Adjusted EBITDA from continuing operations	$ 47,449	$ 48,451
Presque Isle Downs & Casino:		
Income from continuing operations	$ 19,491	$ 15,160
Interest expense, net of interest income	4	28
Provision for income taxes	3,927	10,553
Depreciation	15,292	14,503
Regulatory gaming assessments	5,925	800
Loss on disposal of property	727	3
Impairment loss	412	—
Adjusted EBITDA from continuing operations	$ 45,778	$ 41,047
Scioto Downs Casino & Racetrack:		
Loss from continuing operations	$ (2,164)	$ (1,355)
(Capitalized interest) interest expense, net	(20)	70
Benefit for income taxes	—	(733)
Depreciation	767	801
Gain on debt modification and extinguishment	(59)	—
Adjusted EBITDA from continuing operations	$ (1,476)	$ (1,217)
Corporate:		
Loss from continuing operations	$(104,133)	$(41,294)
Interest expense, net of interest income	60,008	53,843
Provision (benefit) for income taxes	424	(23,509)
Depreciation	49	46
Impairment loss	69	40
Loss on debt modification and extinguishment	34,423	—
Adjusted EBITDA from continuing operations	$ (9,160)	$(10,874)
Discontinued operations:		
Income (loss) discontinued operations	$ 788	$ (153)
Interest (income) expense	(162)	3
Benefit for income taxes	—	(82)
Adjusted EBITDA from discontinued operations	$ 626	$ (232)

Adjusted EBITDA represents earnings (losses) before interest expense (income), income tax expense (benefit), depreciation and amortization, (gain) loss on the sale or disposal of property, other regulatory gaming assessment costs, loss on asset impairment, loss (gain) on debt modification and extinguishment and equity in loss of unconsolidated joint venture, to the extent that such items existed in the periods presented. Adjusted EBITDA is not a measure of performance or liquidity calculated in accordance with GAAP, is unaudited and should not be considered an alternative to, or more meaningful than, net income (loss) or income (loss) from operations as an indicator of our operating performance, or cash flows from operating activities, as a measure of liquidity. Adjusted EBITDA has been presented as a supplemental disclosure because it is a widely used measure of performance and basis for valuation of companies in our industry. Management of the Company uses Adjusted EBITDA as the primary measure of the Company's operating performance and as a component in evaluating the performance of operating personnel. Uses of cash flows that are not reflected in Adjusted EBITDA include capital expenditures, interest payments, income taxes and debt principal repayments, which can be significant. Moreover, other companies that provide EBITDA or Adjusted EBITDA information may calculate it differently than we do. The definition of Adjusted EBITDA may not be the same as the definitions used in any of our debt agreements.

Mountaineer's Operating Results

During the year ended December 31, 2011, Mountaineer's net revenues decreased by $4.7 million, or 2.1%, compared to the year ended December 31, 2010, primarily due to a $5.9 million decrease in gaming revenues. Net revenues earned from pari-mutuel commissions decreased by $0.6 million; however food, beverage and lodging revenues increased by $0.7 million and revenues from other sources increased by $2.0 million. Promotional allowances increased by $0.9 million. However, Mountaineer's overall operating margin increased to 15.9% in 2011 from 15.3% in 2010. During the second half of 2011, Mountaineer's operating results were not as severely affected by competition from gaming operations in Pennsylvania and weak economic conditions (as was the case in the first half of 2011). Specifically, Mountaineer experienced net revenue growth of 15.2% during the fourth quarter of 2011. Mountaineer's favorable results during the fourth quarter of 2011 were attributable to a change in Mountaineer's marketing approach, utilizing the entire availability of free play more effectively and providing consistent promotional offerings. In addition, the area's winter weather in late-2011 was milder than in 2010, thus enabling patrons to visit the property on a more consistent basis than in the previous year.

On May 10, 2011, Mountaineer entered into lease agreements with Chesapeake Appalachia, LLC ("Chesapeake") to lease mineral rights (primarily oil and gas) with respect to approximately 1,707 acres in West Virginia that Mountaineer controls or holds the mineral rights. The agreements have an initial term of five (5) years, with an option to extend for an additional five (5) year term. The agreements required Chesapeake to pay Mountaineer a lease bonus payment of $1,265 per acre on land parcels totaling 1,707 acres, for a total of approximately $2.1 million, of which $1.8 million was paid initially and the remaining $0.3 million was paid upon the release of certain liens on that property. In addition, Mountaineer will receive a 14% royalty on the sale of any oil or gas extracted by Chesapeake. The lease bonus payments were included in other revenues in our consolidated statement of operations during 2011, and any future royalty payments will be recognized in our consolidated statement of operations when received. Mountaineer will continue to retain the ownership rights in all of the property and has the ability to sell the property subject to the terms of the lease agreements.

Significant factors contributing to Mountaineer's 2011 operating results were:

- an overall decrease in compensation and benefits costs of $1.4 million;
- a decrease in advertising costs of $0.9 million, offset by an increase in marketing promotions of $0.4 million;

- an overall decrease in other operating costs of $0.4 million due to an efficient control of costs; and
- the receipt of $2.1 million of mineral rights lease bonus payments associated with the lease of mineral rights underlying certain of Mountaineer's land holdings (as discussed above).

A discussion of Mountaineer's key operations follows.

Gaming Operations. Revenues from gaming operations during 2011 decreased by $5.9 million, or 2.9%, to $196.8 million compared to $202.7 million in 2010; and gross profit decreased by $2.7 million, or 3.4%. The decline in the gross profit margin resulted primarily from the 2.9% decrease in total gaming revenue with only a 2.6% decrease in operating costs. Revenues from slot operations increased by $0.4 million to $165.6 million in 2011 compared to $165.2 million in 2010, and poker and table gaming revenue decreased by $6.3 million, generating revenues of $2.5 million and $28.7 million, respectively, in 2011 compared to $3.9 million and $33.6 million, respectively, in 2010.

The following tables set forth statistical information concerning Mountaineer's gaming operations.

	2011	2010
Slots:		
Total gross wagers	$ 2,051,242,000	$ 2,082,335,000
Less winning patron payouts	(1,885,215,000)	(1,917,100,000)
Gaming revenues (slot net win)	$ 166,027,000	$ 165,235,000
Average daily net win per slot machine	$ 186	$ 163
Hold percentage	8.1%	7.9%
Average number of slot machines	2,441	2,779
Tables:		
Total table drop	$ 146,450,000	$ 190,349,000
Average daily net win per table game	$ 1,675	$ 1,533
Hold percentage	19.6%	17.6%
Average number of tables	47	60
Poker:		
Average daily poker rake per table	$ 303	$ 362
Average number of tables	23	30

We attribute the increase in slot revenue for the year ended December 31, 2011 primarily to the favorable slot operating results in the fourth quarter of 2011 when slot revenues increased by 15.1% over the prior year quarter. Competitive pressures from Pennsylvania casinos were mitigated in part due to a change in Mountaineer's marketing approach, utilizing the entire availability of free play more effectively and providing consistent promotional offerings. The marketing approach, coupled with milder winter weather in late-2011, brought patrons to the property on a more consistent basis than in the previous year.

Even though Mountaineer's operating results were not as severely affected by competition from gaming operations in Pennsylvania and general economic conditions in the latter part of 2011, we expect that competitive pressures are likely to continue to impact slot gaming at Mountaineer in the foreseeable future.

Management attributes the decrease in table gaming and poker revenue primarily to the commencement of table games at Pennsylvania casinos on July 8, 2010, which caused an increase in competitive pressures from The Rivers Casino, which is located in downtown Pittsburgh, Pennsylvania and is approximately a one-hour drive from Mountaineer, and The Meadows Racetrack & Casino, a harness racetrack in Washington, Pennsylvania, which is approximately 50 miles southeast of

Mountaineer, and to a lesser extent, Presque Isle Downs. Management expects that these competitive pressures are likely to continue to impact table gaming and poker revenue at Mountaineer in 2012.

In addition, on November 3, 2009, the voters of Ohio approved a constitutional amendment permitting casinos to be located in each of Cleveland, Cincinnati, Toledo, and Columbus. A casino in Cleveland will increase competition at Mountaineer commencing in approximately mid-2012. Each casino may have up to 5,000 video lottery terminals ("VLTs") as well as any other casino games authorized in any state that borders Ohio. Furthermore in June 2011, the Governor of Ohio announced a framework for the expansion of gaming in Ohio including the installation of VLTs at Ohio's existing horse racetracks, including Scioto Downs. As a result, we expect that future gaming operations at the downtown Cleveland casino, Thistledown and Northfield Park (which are both also located in the Cleveland area) will create significant new competition at Mountaineer, which may negatively impact our results of operations at Mountaineer and that such negative impact may be material. We intend to be proactive in our efforts to mitigate the effects of such competition, which includes continuing to provide first-class customer service at all of our facilities and continuing to manage and reduce our costs.

Gaming taxes and assessments as a percentage of slot revenues for both 2011 and 2010 were 55.4%. For poker and table gaming operations, the tax rate is 35% plus amortization of an annual licensing fee of $2.5 million. Therefore, the effective tax rates on poker and table gaming revenues were 43.0% in 2011 and 41.7% in 2010, respectively, as a result of decreased table gaming revenue. Overall, gaming taxes and assessments decreased by $2.0 million during 2011 compared to 2010 as a result of the overall decrease in gaming revenues. Additionally, gaming compensation and benefits costs decreased by $1.0 million during 2011 compared to 2010.

On July 1, 2011, West Virginia legislation was passed that removes the $5 maximum bet limit on slot machines and allows the slot machines to accept $50 and $100 bills. We believe that these changes allow Mountaineer to compete more effectively with gaming operations in Pennsylvania which do not have these restrictions that previously existed in West Virginia.

As part of our overall marketing strategy, Mountaineer increased its offering of credit to qualified patrons as a means of further enhancing both slot and table gaming revenue at Mountaineer. We also focused our marketing efforts on our existing 760,000 member customer database and capitalize on our spa, golf and hotel amenities at Mountaineer in order to attract repeat visitors. Furthermore, we have undertaken several strategic initiatives that we believe will allow us to continue the progress we have made. First, we are preparing to launch an improved loyalty program that is the first step in producing an integrated and coordinated players club between all of our properties. Secondly, we are launching an affiliation program with other entertainment and gaming destinations to provide our loyal customers with additional opportunities to benefit from their play at our facilities. We have reached an agreement with the Cosmopolitan Hotel in Las Vegas which gives our customers special access to that facility. These are just the first steps in a process that will provide a multitude of options to reward our loyal customers.

Mountaineer offers its patrons the ability to play slot machines with promotional credits (commonly referred to as "free play"). Promotional credits are not subject to taxes and assessments. Mountaineer's ability to offer promotional credits is subject to revision and review at any time by the West Virginia Lottery Commission. Beginning in the fourth quarter of 2010, the maximum percentage of allowable promotional credits to be redeemed increased from 2% to 2½% of credits played during the preceding calendar year. In the event that this maximum is exceeded, Mountaineer is assessed gaming taxes and assessments on the amount of the excess. During 2011 and 2010, Mountaineer's patrons redeemed promotional credits of $48.0 million and $42.5 million, respectively. Effective on January 1, 2012 and through June 30, 2012 the maximum percentage of allowable promotional credits to be redeemed increased to 2¾% of credits played during the preceding calendar year.

Pari-mutuel Commissions. Pari-mutuel commissions is a predetermined percentage of the total amount wagered (wagering handle), with a higher commission earned on a more exotic wager, such as a trifecta, than on a single horse wager, such as a win, place or show. In pari-mutuel wagering, patrons bet against each other rather than against the operator of the facility or with pre-set odds. The total wagering handle is composed of the amounts wagered by each individual according to the wagering activity. The total amounts wagered form a pool of funds, from which winnings are paid based on odds determined solely by the wagering activity. The racetrack acts as a stakeholder for the wagering patrons and deducts a "take-out" or gross commission from the amounts wagered, from which the racetrack pays state and county taxes and racing purses. Mountaineer's pari-mutuel commission rates are fixed as a percentage of the total wagering handle or total amounts wagered. Pari-mutuel commissions for Mountaineer, detailing gross handles less patron payouts and deductions, for the years ended December 31 were as follows:

	2011	2010
	(in thousands)	
Import simulcast racing pari-mutuel handle	$ 9,503	$ 11,063
Live racing pari-mutuel handle	4,864	5,745
Less patrons' winning tickets	(11,324)	(13,233)
	3,043	3,575
Revenues—export simulcast	8,175	8,798
	11,218	12,373
Less:		
State and county pari-mutuel tax	(404)	(408)
Purses and Horsemen's Association	(4,840)	(5,371)
Revenues—pari-mutuel commissions	$ 5,974	$ 6,594

Overall, Mountaineer's pari-mutuel commissions decreased by 9.4% during 2011 compared to 2010. Beginning in 2010, Mountaineer ceased live racing during the winter months of January and February. Mountaineer's live race meet was 210 days during both 2011 and 2010. The decrease in import simulcast handle, as well as export simulcast, was due to a decline in on-track and off-track wagering, which is consistent with the national average decline in wagering of 5.7% during 2011 compared 2010, as reported by *Equibase Company*. We expect these declines to continue during 2012.

Live racing and import simulcast may continue to be impacted by the conversion of some live racing patrons to export simulcast patrons (whether through traditional off-track wagering facilities or growth in the utilization of telephone and/or internet wagering) and increased competition from Pennsylvania's racetracks. Mountaineer currently simulcasts its live races to over 1,300 sites.

Food, beverage and lodging operations. Revenues from food, beverage and lodging operations during 2011 were $21.1 million, which increased by $0.7 million, or 3.8%, compared to 2010; however the gross profit from these operations only increased by 1.9% due to increased operating expenses. As a result, the gross profit margin decreased to 32.3% in 2011 from 32.9% in 2010. The increase in revenues was reflective of the increase in patron traffic and the decrease in gross profit margin was a result of a 2% increase in food costs.

The average daily room rate ("ADR") for the Grande Hotel (exclusive of complimentary rooms provided to gaming patrons) decreased to $69.83 during 2011 from $77.38 during 2010. The ADR (inclusive of complimentary rooms) decreased to $50.04 from $54.67 during the respective periods; however, the average occupancy rate increased to 87.7% in 2011 from 82.9% in 2010. During 2011, RevPAR (or revenue per available room) was $44.10 compared to $45.31 during 2010. The decrease in

daily room rates and increase in occupancy primarily reflected a shift in marketing strategies to market the hotel to gaming patrons.

Other operations. Other operating revenues were primarily derived from operations of the spa, fitness center, retail outlets, valet parking and golf course; from the sale of programs, admission fees, and lottery tickets; from check cashing and ATM services and from special entertainment events at The Harv and the convention center. During 2011, Mountaineer's earned revenues from other operations increased by $2.0 million during 2011; and operating expenses decreased by $0.1 million during the same periods. The increase in revenues was primarily derived from lease bonus payments aggregating approximately $2.1 million associated with the lease of mineral rights underlying certain of Mountaineer's land holdings, as discussed above.

Presque Isle Downs' Operating Results

Presque Isle Downs commenced table gaming operations on July 8, 2010, and opened a nine-table poker room on October 3, 2011. During the year ended December 31, 2011, Presque Isle Downs' net revenues increased by $8.1 million, or 4.2%, compared to the year ended December 31, 2010, primary due to an increase in incremental table gaming and poker revenue of $10.6 million and $0.5 million, respectively, offset by a decrease in slot revenues of $2.5 million. Revenues from other sources, including pari-mutuel commissions and food and beverage, decreased by $0.1 million compared to the prior year. Also, as a result of table gaming operations, promotional allowances increased by $0.4 million. Presque Isle Downs' operating margin increased to 15.2% in 2011 (exclusive of a $0.4 million impairment loss, a $0.7 million litigation accrual and a $5.9 million charge for other regulatory gaming assessment costs) from 14.5% in 2010 (exclusive of project-opening costs of $1.4 million and other regulatory gaming assessment costs of $0.8 million) due primarily to increased revenues, operational efficiencies and the property's cost containment efforts.

Significant factors contributing to Presque Isle Downs' 2011 operating results were:

- the fluctuations in net revenues and operating margins (as discussed above);
- a charge of $5.9 million during 2011 representing the property's estimated total obligation associated with the estimated proportionate assessment of amounts due under an administrative order executed by the Pennsylvania Gaming Control Board on July 11, 2011 (as discussed below); and
- the overall increase in compensation and benefits of $3.0 million during 2011 compared to 2010, primarily as a result of the implementation of table games and poker; offset by
- the absence of project-opening costs of $1.4 million during 2010 related to the implementation of table gaming operations.

Gaming Operations. Revenues from gaming operations during 2011 increased by $8.6 million, or 4.8%, to $188.4 million compared to $179.8 million in 2010; and the gross profit margin (exclusive of $5.9 million and $0.8 million of other regulatory gaming assessments in 2011 and 2010, respectively) increased to 38.1% in 2011 compared to 36.8% in 2010. Revenues from slot operations decreased by $2.5 million to $167.4 million in 2011 compared to $169.9 million in 2010, and poker and table gaming revenue increased by $11.2 million, generating revenues of $20.4 million and $0.5 million in 2011.

The decrease in slot revenues is primarily due to road construction and traffic delays on each of the casino's primary feeder highways during 2011, as well as increased competitive pressures from casinos in western Pennsylvania and western New York; however these factors were mitigated during the fourth quarter of 2011 as a result of milder winter weather conditions in late-2011 compared to the previous. The increase in the gross profit margin is attributed to operational efficiencies.

The following tables set forth statistical information concerning Presque Isle Downs' gaming operations.

	2011	2010
Slots:		
Total gross wagers	$ 2,220,701,000	$ 2,262,614,000
Less winning patron payouts	(2,053,252,000)	(2,092,227,000)
Gaming revenues (slot net win)	$ 167,449,000	$ 170,387,000
Average daily net win per slot machine	$ 223	$ 234
Hold percentage	7.5%	7.5%
Average number of slot machines	2,057	1,997
Tables:		
Total table drop	$ 107,602,000	$ 56,193,000
Average daily net win per table game	$ 1,245	$ 1,157
Hold percentage	19.0%	17.5%
Average number of tables	45	48
Poker:		
Average daily poker rake per table	$ 169	N/A
Average number of tables	9	N/A

Presque Isle Downs' slot gaming taxes and assessments approximated 60.5% of slot revenues during 2011 compared to 60.7% during 2010, while its table gaming taxes and assessments were 17.5% of table gaming revenues during both 2011 and 2010. Even though gaming revenues increased by $8.6 million, gaming taxes and assessments (excluding the $5.9 million charge for other regulatory gaming assessment costs) only increased overall by $0.2 million to $105.0 million compared to 2010. This slight increase resulted from the $11.2 million increase in table gaming revenue offset by the $2.5 million decrease in slot revenue, which has a much higher tax rate. The effective tax rate on table game revenues will decrease by 2% upon the completion of two years of operations (or on July 8, 2012). In addition, gaming compensation and benefits increased by $3.0 million during 2011, which was almost entirely related to table gaming.

In addition, Presque Isle Downs opened a nine-table poker room on October 3, 2011. Total development costs, including renovation, equipment and project-opening costs, were in the aggregate $0.6 million. We believe the poker room will contribute to Presque Isle Downs' offerings as a full service casino facility.

Upon commencement of slot operations at Presque Isle Downs, the Pennsylvania Gaming Control Board (the "PGCB") advised Presque Isle Downs that it would receive a one-time assessment of $0.8 million required of each slot machine licensee after commencement of gaming operations. The assessment was paid and represented a prepayment toward the borrowings of the PGCB, the Pennsylvania Department of Revenue and the Pennsylvania State Police (collectively "the borrowers"), which were required to fund the costs they incurred in connection with the initial development of the infrastructure to support gaming operations in Pennsylvania as well as the initial ongoing costs of the borrowers. Based upon correspondence we received from the Pennsylvania Department of Revenue and discussions with the PGCB that additional assessments would be likely, the total prepayment by Presque Isle Downs of $0.8 million was recognized as a gaming assessment and charged to expense during the third quarter of 2010. The initial funding of these costs was provided from a loan from the Pennsylvania General Fund in the amount of approximately $36.1 million, and further funding was provided from additional loans from the Pennsylvania Property Tax Reserve Fund in the aggregate amount of approximately $63.8 million.

The Pennsylvania Department of Revenue will assess all licensees, including Presque Isle Downs, their proportionate share of amounts represented by the borrowings, which are in the aggregate amount of $99.9 million, as a result of gaming operations once the designated number of Pennsylvania's slot machine licensees is operational. For the $63.8 million that was borrowed from the Property Tax Reserve Fund, payment was originally scheduled to begin after the eleventh facility opened while payment of the remaining $36.1 million that was borrowed from the General Fund would commence after all fourteen licensees are operational. On July 11, 2011, the PGCB issued an administrative order which established that payments associated with the $63.8 million that was borrowed from the Property Tax Reserve Fund would commence on January 1, 2012, and would not be dependent on the opening of the eleventh facility. The repayment allocation between all current licensees is based upon equal weighting of (i) cumulative gross slot revenue since inception in relation to the combined cumulative gross slot revenue for all licensees and (ii) single year gross slot revenue (during the state's fiscal year ending June 30) in relation to the combined single year gross slot revenue for all licensees; and amounts paid each year will be adjusted annually based upon changes in the licensee's proportionate share of gross slot revenue. We have estimated that our proportionate share of the aggregate $63.8 million to be assessed to the gaming facilities will be approximately $4.0 million, or 6%, and will be paid quarterly over a ten-year period. For the $36.1 million that was borrowed from the General Fund, payment is still scheduled to begin after all fourteen licensees are operational. Although we cannot determine when payment will begin, we have considered a similar repayment model for the General Fund borrowings and estimated that our proportionate share of the aggregate $36.1 million to all fourteen gaming facilities will approximate $1.9 million, or 5%.

The estimated total obligation in the aggregate amount of approximately $5.9 million has been included in our accompanying consolidated statement of operations as "Regulatory Gaming Assessments" for the year ended December 31, 2011. The recorded estimate will be subject to revision based upon future changes in the revenue assumptions utilized to develop the estimate.

On November 3, 2009, the voters of Ohio approved a constitutional amendment permitting casinos to be located in each of Cleveland, Cincinnati, Toledo, and Columbus. A casino in Cleveland will increase competition at Presque Isle Downs commencing in approximately mid-2012. Each casino may have up to 5,000 VLTs as well as any other casino games authorized in any state that borders Ohio. Furthermore in June 2011, the Governor of Ohio announced a framework for the expansion of gaming in Ohio including the installation of VLTs at Ohio's existing horse racetracks, including Scioto Downs. As a result, we expect that future gaming operations at the downtown Cleveland casino, Thistledown and Northfield Park (which are both also located in the Cleveland area) will create significant new competition at Presque Isle Downs, which may negatively impact our results of operations at Presque Isle Downs and that such negative impact may be material. We intend to be proactive in our efforts to mitigate the effects of such competition, which includes maximizing benefits of table gaming operations at Presque Isle Downs, continuing to provide first-class customer service at all of our facilities and continuing to manage and reduce costs.

During 2010, we began offering credit to Presque Isle Downs' table gaming customers. Furthermore, in late-2010, Pennsylvania's casinos were granted the ability to offer credit to slot customers. Presque Isle Downs received final regulatory approval from the Pennsylvania Gaming Control Board and began to offer credit to slot customers. As part of our overall marketing strategy, we increased the use of credit for qualified patrons as a means of further enhancing gaming revenue at Presque Isle Downs. We also enhanced our marketing efforts at Presque Isle Downs through affinity programs and an improved player tracking system for our existing 588,000 customers currently enrolled in our loyalty program in order to attract repeat visitors. Furthermore, we have undertaken several strategic initiatives that we believe will allow us to continue the progress we have made. First, we are preparing to launch an improved loyalty program that is the first step in producing an integrated and coordinated players club between all of our properties. Secondly, we are launching an affiliation

program with other entertainment and gaming destinations to provide our loyal customers with additional opportunities to benefit from their play at our facilities. We have reached an agreement with the Cosmopolitan Hotel in Las Vegas which gives our customers special access to that facility. These are just the first steps in a process that will provide a multitude of options to reward our loyal customers.

Pari-mutuel Commissions. During 2011, revenues from pari-mutuel commissions decreased by $0.2 million to $2.5 million compared to 2010; and operating expenses remained consistent at $3.6 million during the respective periods.

Live racing at Presque Isle Downs commenced on May 17, 2011 and ended on October 1, 2011, operating live racing on 100 days. The decrease in revenues during 2011 is related primarily to the decrease in the live and import simulcast racing handle which were $3.4 million and $8.4 million in 2011, respectively, compared to $3.6 million and $9.8 million during 2010, respectively. The decrease in live and import simulcast handle was due to a decline in wagering, which is consistent with the national average decline in wagering of 5.7% during 2011 compared to 2010, as reported by *Equibase Company*. We expect these declines to continue during 2012. Currently, Presque Isle Downs simulcasts its live races to over 850 sites.

Food and beverage operations. Revenues from food and beverage operations during 2011 were $11.1 million, which decreased by $0.4 million, or 3.2%, compared to 2010, primarily due to a decrease in slot patron traffic; and operating expenses decreased by $0.2 million. As a result, the gross profit margin decreased to 18.5% in 2011 from 19.4% in 2010. The primary reason for the decrease was a 2% increase in food costs.

Other operations. Other operating revenues were primarily derived from operations of retail outlets and valet parking; from the sale of programs, admission fees, and lottery tickets; from ATM services and from special entertainment events. During 2011, Presque Isle Downs' earned revenues from other operations increased by $0.4 million, or 22.1%, compared to 2010. The increase in revenue was primarily due to an increase in ATM commissions in July 2010.

Scioto Downs' Operating Results

Scioto Downs' net revenues decreased by $0.2 million and the operating loss increased by $0.2 million during the year ended December 31, 2011, compared to the year ended December 31, 2010. During 2011, Scioto Downs raced live for a total of 57 days, which commenced on May 13, 2011 and ended on September 11, 2011; and Scioto Downs operated simulcasting from May 8, 2011 through October 8, 2011. In order to reduce expenses and operating losses, Scioto Downs and Beulah Park, the other racetrack in Columbus, Ohio, entered into an annual agreement effective in 2008, which was approved by the Ohio Racing Commission, whereby Scioto operates its simulcasting only during its live race meet; and during the remaining periods, Scioto Downs' simulcasting is closed and Beulah Park operates its simulcasting. Similarly, when Scioto is open for live racing and simulcasting, Beulah Park is closed. The current agreement expires on December 31, 2012.

On November 3, 2009, the voters of Ohio approved a constitutional amendment permitting casinos to be located in each of Cleveland, Cincinnati, Toledo, and Columbus. A casino in Columbus will increase competition at Scioto Downs. Each casino may have up to 5,000 video lottery terminals ("VLTs") as well as any other casino games authorized in any state that borders Ohio. In June 2011, Governor of Ohio's administration announced it had reached agreements with two casino operators in Ohio regarding the expansion of gaming within the state. The announced agreements provided a framework for the expansion of gaming in Ohio including the installation of VLTs at Ohio's existing horse racetracks. We intend to be proactive in our efforts to mitigate the effects of such competition, which includes establishing a new VLT gaming facility at Scioto Downs.

Scioto Downs is one of seven racetracks in Ohio that are eligible to apply for a three-year renewable sales agent license to operate a VLT facility at its existing racetrack. For the first ten (10) years, we expect such VLT licenses to be granted only to the existing seven racetracks. On January 25, 2012, we received our Video Lottery Sales Agent License (the "License") at Scioto Downs and submitted our initial $10 million license fee. The License is conditional and permits Scioto Downs to install and operate VLTs subject to compliance with all applicable statutes, regulations and provisions of Scioto Downs' Video Lottery License Application (the "Application") and verification of the Application by the Ohio Lottery Commission prior to Scioto Downs commencing video lottery sales.

The construction of the VLT facility at Scioto Downs commenced in December 2011 and is expected to take approximately nine months to complete. The gaming facility build out, which will be in two phases, is expected to encompass approximately 132,000 square feet, including 65,000 square feet of gaming space to accommodate up to 2,500 VLTs and four food and beverage outlets. Development, construction and equipment costs are expected to be approximately $125.0 million over a required three-year period, not including the $50 million license fee. Subject to the conditions placed on the License, we expect that we will open the new facility in the second quarter of 2012 with 1,800 VLTs and the facility will be fully operational in the third quarter of 2012 with approximately 400 additional VLTs. Additionally, there will be a 300-seat buffet, a 100-seat casual dining restaurant, an 82-seat bar/lounge with high-tech sound and lights, and will offer a variety of entertainment options. The existing racetrack will also benefit from a variety of improvements. However, there can be no assurance as to actual timing of the opening of the facility, which may be affected by a number of factors beyond our control (See additional information regarding the future of VLT gaming at Scioto Downs discussed below under the caption "Liquidity and Sources of Capital—*Commitments and Contingencies.*"

Corporate Operating Results

During the year ended December 31, 2011, corporate general and administrative expenses were $9.2 million compared to $11.0 million during the year ended December 31, 2010. Significant factors contributing to the decrease in general and administrative expenses in 2011 were:

- the absence of severance costs of $1.1 million during 2011 that related to the resignations of executives during the third quarter of 2010;
- a decrease in salaries, bonuses and benefits of $0.5 million during 2011 compared to 2010; and
- a decrease in legal, lobbying costs and other outside services of $0.9 million during 2011 compared to 2010 year; offset by
- an increase in long-term incentive plan compensation in the amount of $0.6 million during 2011 compared to 2010.

Depreciation Expense

Depreciation expense decreased by $0.8 million during 2011 compared to 2010. During 2011, depreciation expense related to Mountaineer decreased by $1.6 million compared to 2010 due to aging assets; however, depreciation expense at Presque Isle increased by $0.8 million compared to 2010 due to capital expenditures resulting from the implementation of table games in 2010. Total depreciation expense was $27.9 million during the year ended December 31, 2011.

Impairment Loss

During both 2011 and 2010, we performed an evaluation to determine if our non-operating real properties were carried at the lower of the carrying value or fair value. The fair values were determined by independent appraisals and considered expected net cash flows including estimates of costs to sell. In connection with this assessment, the carrying value of certain assets exceeded their

respective fair value. As a result, we adjusted the carrying value of certain non-operating real properties, recognizing impairment losses in the aggregate amount of $0.7 million, of which $0.2 million related to real property owned by Mountaineer, $0.4 million related to real property owned by Presque Isle Downs and $0.1 million related other owned real property. Based upon the results of the 2010 appraisals, no adjustments to the carrying value of non-operating real property were necessary for the year ended December 31, 2010.

In addition, we performed the annual impairment tests of our other intangible assets as of December 31, 2011 and 2010, which were generally based on discounted cash flows and review of market data. For both 2011 and 2010, we determined that there was no impairment of other intangible assets based upon the results of the impairment evaluations (see additional information below under the caption "Critical Accounting Policies—*Impairment of Long-Lived Assets and Other Intangible Assets*").

Sale or Disposal of Property

During the year ended December 31, 2011, we incurred a net loss on the on the sale or disposal of various equipment and non-operating real properties in the aggregate of $470,000 as follows:

- Mountaineer completed the sale of 21 acres of non-operating real property land holdings in West Virginia for approximately $424,000, after closing costs. This transaction resulted in a gain on sale of approximately $196,000.
- In relation to Presque Isle Downs' sale of the non-operating real property to the Greater Erie Industrial Development Corporation (the "GEIDC") in 2005, and the ruling in favor of the GEIDC by the Erie County Court of Common Pleas on December 14, 2011, we recorded the judgment of approximately $708,000 as an additional loss on sale of property (see additional information discussed below under the caption "Liquidity and Sources of Capital—*Commitments and Contingencies*").
- We sold or disposed of various gaming and other equipment during 2011. In the aggregate, the sales of such equipment resulted in a net gain of approximately $42,000.

During the year ended December 31, 2010, we incurred a net loss on the sale or disposal of various equipment and non-operating real properties in the aggregate of $75,000 as follows:

- Mountaineer and Presque Isle Downs incurred losses of $29,000 and $77,000, respectively, on the sale or disposal of various gaming and maintenance equipment.
- Mountaineer sold certain parcels of non-operating real property land holdings in West Virginia for approximately $157,000, after closing costs, which resulted in a gain on sale of approximately $3,000.
- Mountaineer sold a certain parcel of a non-operating real property land holding in West Virginia for approximately $9,000, after closing costs, which resulted in a loss on sale of approximately $43,000.
- Presque Isle Downs sold three acres associated with the 14.3 acre, off-track wagering facility in Erie, Pennsylvania for approximately $1.2 million, after closing costs, which resulted in a gain on sale of approximately $76,000.

Interest

The Company's net interest expense increased by $6.6 million during 2011 compared to 2010. The increase primarily relates to our additional borrowings outstanding as a result of the refinancing transaction that closed on August 1, 2011, as discussed below under the caption "*Liquidity and Sources of Capital.*" As a result of the additional borrowings, we expect to incur incremental interest expense of approximately $18.4 million on an annual basis. However, we expect that amortization of deferred financing fees and original issue discount will decrease by approximately $2.8 million on an annual basis.

In connection with the refinancing transaction, we expect our net interest expense, including amortization of deferred financing fees and original issue discount, to be approximately $69.0 million during 2012.

Loss on Debt Extinguishment

During the third quarter of 2011, we incurred a loss on the extinguishment of debt in the aggregate amount of approximately $34.4 million as a result of the repurchase of our previously issued $125 million Senior Subordinated Notes and $260 million Senior Secured Notes on August 1, 2011 (as discussed below under the caption "*Liquidity and Sources of Capital*"). The loss reflects the write-off of the net unamortized deferred financing fees associated with the aforementioned notes, as well as with of our former credit facility, in the aggregate amount of $9.8 million, the write-off of net unamortized original issue discount related to our previously issued $260 million Senior Secured Notes in the amount of $7.4 million, and the payment of tender or redemption fees to the holders of the aforementioned notes in the aggregate amount of $17.2 million.

Income Taxes

The income tax provision from continuing operations for the year ended December 31, 2011 results in an effective tax rate that has an unusual relationship to the Company's pretax loss. This is due to an increase in the valuation allowance on the Company's deferred tax assets as discussed below. The income tax provision also includes interest expense related to uncertain tax positions and a tax assessment of $339,000, plus interest of $42,000 related to the settlement of the 2007 IRS examination.

The difference between the effective rate and the statutory rate is attributed primarily to permanent items not deductible for income tax purposes and the treatment of certain items in accordance with the rules for interperiod tax allocation. As a result of our net operating losses and the net deferred tax asset position (after exclusion of certain deferred tax liabilities that generally cannot be offset against deferred tax assets), we expect to continue to provide for a full valuation allowance against all of our net federal and net state deferred tax assets.

For income tax purposes we amortize or depreciate certain assets that have been assigned an indefinite life for book purposes. The incremental amortization or depreciation deductions for income tax purposes result in an increase in certain deferred tax liabilities that cannot be used as a source of future taxable income for purposes of measuring our need for a valuation allowance against the net deferred tax assets. Therefore, we recorded additional valuation allowances for the year ended December 31, 2011 in the aggregate amount of $3.9 million in excess of deferred tax benefits.

For federal income tax purposes, we have approximately $0.5 million in alternative minimum tax credit carryforwards, approximately $60.1 million in net operating loss carryforwards, approximately $832,000 in capital loss carryforwards, and approximately $268,000 in other federal credit carryforwards at December 31, 2011. The net operating loss carryforwards begin to expire in 2020 and the capital loss carryforwards begin to expire in 2014. A portion of the net operating loss carryforwards (approximately $3.0 million) is limited as to the amount that can be utilized in each tax year by Section 382 of the

Internal Revenue Code. The alternative minimum tax credit can be carried forward indefinitely. We have state net operating loss carryforwards of $35.0 million that begin to expire in 2024. We are no longer subject to federal and state income tax examinations for years before 2004.

The income tax benefit for continuing operations during 2010 was computed based on an effective income tax rate of approximately 21.5% including interest expense related to uncertain tax positions in income tax expense. The recorded income tax benefit reflects an adjustment to the effective income tax rate of $1.1 million for permanent non-deductible expenses and $0.6 million for valuation allowances on deferred state income tax benefits. During 2010, we recognized approximately $16,000 of interest expense (net of tax) related to uncertain tax positions.

Discontinued Operations

On March 7, 2008, we sold 100% of the stock of our wholly-owned subsidiaries, Speakeasy Gaming of Fremont, Inc., which owned and operated Binion's Gambling Hall & Hotel located in Las Vegas, Nevada ("Binion's"), and Speakeasy Fremont Experience Operating Company in accordance with the terms of a Stock Purchase Agreement dated June 26, 2007 (as subsequently amended), executed between the Company and TLC Casino Enterprises, Inc. ("TLC"). In connection with our original acquisition of Binion's on March 11, 2004, we provided limited guarantees on certain land leases that expired in March 2010. TLC remained obligated to use its reasonable best efforts to assist us in obtaining releases of these guarantees, to pay the rent underlying the leases we guaranteed on a timely basis, and to indemnify us in the event we were required to pay the land lease obligations pursuant to the guarantees.

Since July 2009, TLC paid only a portion of total monthly rent with respect to one of the leases we guaranteed. Upon the demand of the landlord that we make monthly payments pursuant to our guarantee, we paid the amounts demanded (approximately $0.7 million in the aggregate through March 2010), thus curing the events of default. We demanded reimbursement from TLC, and commenced legal action for indemnification pursuant to the Stock Purchase Agreement. On October 27, 2009, we reached a settlement with TLC whereby TLC agreed to confess judgment as to amounts we paid and amounts that may be paid by us through the expiration of the guarantees, certain legal fees and interest at the rate of 10% on amounts actually paid by us with respect to the rental payments. We agreed to forbear from enforcing the judgment for two years. Through December 31, 2011, TLC reimbursed us $25,000 for legal fees that we had incurred in connection with our collection efforts. Subsequent to December 31, 2011, TLC reimbursed us approximately $867,000 as payment in full on the settlement plus interest. This amount is reflected as part of accounts receivable in the accompanying consolidated balance sheet at December 31, 2011, and as part of income from discontinued operations in the accompanying consolidated statement of operations for the year ended December 31, 2011.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

The following tables set forth information concerning our results of operations by property for continuing operations.

	2010	2009
	(in thousands)	
Net revenues—continuing operations:		
Mountaineer Casino, Racetrack & Resort	$228,784	$262,718
Presque Isle Downs & Casino(1)	193,005	178,440
Scioto Downs	2,963	2,946
Corporate	139	51
Consolidated net revenues	$424,891	$444,155

(1) Presque Isle Downs commenced table gaming on July 8, 2010.

	2010	2009
	(in thousands)	
Operating income (loss)—continuing operations:		
Mountaineer Casino, Racetrack & Resort	$ 34,996	$ 27,135
Presque Isle Downs & Casino(1)	25,740	18,702
Scioto Downs	(2,018)	(1,933)
Corporate(2)	(10,959)	(21,057)
Consolidated operating income(3)	$ 47,759	$ 22,847

(1) Presque Isle Downs' operating income for 2010 includes table gaming operations which commenced July 8, 2010 and related project-opening costs of $1.4 million.

(2) Corporate's operating loss for 2009 includes charges in the aggregate amount of $9.8 million for strategic costs associated with lobbying and gaming efforts in Ohio and a charge of $1.6 million related to legal settlements (as discussed below under the caption *"Corporate Operating Results"*)

(3) Consolidated operating income for 2009 includes asset impairment charges in the aggregate amount of $11.9 million as follows: Mountaineer—$6.2 million; Presque Isle Downs—$4.1 million; and Corporate—$1.6 million (as discussed below under the caption *"Impairment Losses"*).

Mountaineer's Operating Results

During the year ended December 31, 2010, Mountaineer's operating results were affected by competition, primarily from gaming operations in Pennsylvania, including the commencement of table gaming in July 2010, general economic conditions and unusually severe weather conditions in February and December of 2010. Net revenues decreased by $33.9 million, or 12.9%, compared to the year ended December 31, 2009, primarily due to a $31.5 million decrease in gaming revenues. Net revenues earned from food, beverage and lodging operations decreased by $1.5 million, and net revenues earned from other sources, including pari-mutuel commissions, decreased by $1.4 million. Promotional allowances decreased by $0.5 million. However, Mountaineer's overall operating margin (exclusive of $6.2 million of asset impairment charges in 2009, as discussed below) increased to 15.3% in 2010 from 12.7% in 2009 due primarily to the property's cost containment efforts.

Significant factors contributing to Mountaineer's 2010 operating results were:

- an overall decrease in compensation and benefits costs of $6.0 million;
- a decrease in marketing promotions and advertising costs of $8.1 million primarily related to 2009 cash promotions that were eliminated as a result of the implementation of non-taxable promotional credits on September 1, 2009, as well as by reductions in advertising in 2010;
- a decrease in maintenance and operating supplies costs of $0.8 million; and
- a decrease in consulting and other outside professional services of $1.3 million.

A discussion of Mountaineer's key operations follows.

Gaming Operations. Revenues from gaming operations during 2010 decreased by $31.5 million, or 13.4%, to $202.7 million compared to 2009; and gross profit decreased by $12.2 million, or 13.5%. The decline in the gross profit resulted primarily from the decline of total gaming revenue. Revenues from slot operations decreased by $23.7 million to $165.2 million in 2010 compared to $188.9 million in 2009, and poker and table gaming revenue decreased by $7.8 million, generating revenues of $3.9 million and $33.6 million, respectively, in 2010 compared to $6.2 million and $39.1 million, respectively, in 2009.

The following tables set forth statistical information concerning Mountaineer's gaming operations.

	2010	2009
Slots:		
Total gross wagers	$ 2,082,335,000	$ 2,156,667,000
Less winning patron payouts	(1,917,100,000)	(1,967,778,000)
Gaming revenues (slot net win)	$ 165,235,000	$ 188,889,000
Average daily net win per slot machine	$ 163	$ 176
Hold percentage	7.9%	8.8%
Average number of slot machines	2,779	2,943
Tables:		
Total table drop	$ 190,349,000	$ 214,862,000
Average daily net win per table game	$ 1,533	$ 1,758
Hold percentage	17.6%	18.2%
Average number of tables	60	61
Poker:		
Average daily poker rake per table	$ 362	$ 424
Average number of tables	30	40

Management attributes the decrease in slot revenue for the year ended December 31, 2010 primarily to increased competitive pressures and general economic conditions, as well as unusually severe weather conditions in February and December of 2010 (as compared to 2009). On August 9, 2009, The Rivers Casino, which is located in downtown Pittsburgh, Pennsylvania and is approximately a one-hour drive from Mountaineer, opened with slot machines and various food, beverage and entertainment venues. Additionally, The Meadows Racetrack & Casino, a harness racetrack in Washington, Pennsylvania, which is approximately 40 miles southeast of Mountaineer, opened its permanent casino on April 15, 2009, with slot machines and various food and beverage outlets. As of March 15, 2011, The Rivers Casino operated approximately 3,000 slot machines, 24 poker tables and 62 casino table games (with an additional 19 tables requested) and The Meadows Racetrack & Casino currently operated approximately 3,500 slot machines, 26 poker tables and 36 casino table games.

Management attributes the decrease in table gaming and poker revenue primarily to the commencement of table games at Pennsylvania casinos on July 8, 2010, which caused an increase in

competitive pressures from The Rivers Casino, The Meadows Racetrack & Casino and to a lesser extent, Presque Isle Downs.

In addition, on November 3, 2009, the voters of Ohio approved a proposal for a casino to be located in each of Cleveland, Cincinnati, Toledo, and Columbus. A casino in Cleveland will increase competition at Mountaineer commencing in approximately mid-2012, unless a temporary facility as currently being discussed opens earlier. We intend to be proactive in our efforts to mitigate the effects of such competition, which includes continuing to provide first-class customer service at all of our facilities and continuing to manage and reduce our costs.

On September 1, 2009, Mountaineer began to offer its patrons the ability to play slot machines with promotional credits (commonly referred to as "free play"). Promotional credits are not subject to taxes and assessments. Management believes that free play allows Mountaineer to compete more effectively with gaming operations in Pennsylvania, which already had free play. Mountaineer's ability to offer promotional credits is subject to revision and review at any time by the West Virginia Lottery Commission. Beginning in the fourth quarter of 2010, the maximum percentage of allowable promotional credits to be redeemed increased from 2% to 2½% of credits played during the preceding calendar year. In the event that this maximum is exceeded, Mountaineer may be assessed gaming taxes and assessments on the amount of the excess. In addition, the West Virginia Lottery Commission has the ability to discontinue promotional credits at its discretion.

Through December 31, 2010, we converted 2,047 of our slot machines and the state's central monitoring system to accommodate free play. At this time, we do not intend to incur any additional costs to convert our remaining existing slot machines to accommodate free play. We believe the implementation of free play at Mountaineer will continue to enhance Mountaineer's competitive position by drawing new customers and driving increased play from our existing customers. During the years ended December 31, 2010 and 2009, our patrons redeemed promotional credits of $42.4 million and $11.0 million, respectively.

In 2009, we began offering credit to Mountaineer's slot and table gaming customers on a limited basis. As part of our overall marketing strategy, we intend to increase its use of credit for qualified patrons as a means of further enhancing gaming revenue at Mountaineer.

Gaming taxes and assessments as a percentage of slot revenues for the years ended December 31, 2010 and 2009 were 55.5% and 56.0%, respectively. For poker and table gaming operations, the tax rate is 35% plus amortization of an annual licensing fee of $2.5 million which resulted in effective tax rates of 41.7% and 40.5% for 2010 and 2009, respectively. Overall, gaming taxes and assessments decreased by $16.9 million to $124.2 million during 2010 compared to 2009 as a result of decreased gaming revenues. Additionally, gaming compensation and benefits costs decreased by $2.4 million during 2010 compared to 2009 principally as a result of cost containment efforts.

Pari-mutuel Commissions. Pari-mutuel commissions is a predetermined percentage of the total amount wagered (wagering handle), with a higher commission earned on a more exotic wager, such as a trifecta, than on a single horse wager, such as a win, place or show. In pari-mutuel wagering, patrons bet against each other rather than against the operator of the facility or with pre-set odds. The total wagering handle is composed of the amounts wagered by each individual according to the wagering activity. The total amounts wagered form a pool of funds, from which winnings are paid based on odds determined solely by the wagering activity. The racetrack acts as a stakeholder for the wagering patrons and deducts a "take-out" or gross commission from the amounts wagered, from which the racetrack pays state and county taxes and racing purses. Mountaineer's pari-mutuel commission rates are fixed as a percentage of the total wagering handle or total amounts wagered. Pari-mutuel commissions for

Mountaineer, detailing gross handles less patron payouts and deductions, for the years ended December 31 were as follows:

	2010	2009
	(in thousands)	
Import simulcast racing pari-mutuel handle	$ 11,063	$ 13,080
Live racing pari-mutuel handle	5,745	7,119
Less patrons' winning tickets	(13,233)	(15,944)
	3,575	4,255
Revenues—export simulcast	8,798	9,871
	12,373	14,126
Less:		
State and county pari-mutuel tax	(408)	(431)
Purses and Horsemen's Association	(5,371)	(6,157)
Revenues—pari-mutuel commissions	$ 6,594	$ 7,538

Overall, Mountaineer's pari-mutuel commissions decreased by 12.5% during 2010 compared to 2009 as a result of 15 fewer live racing days in 2010 compared to 2009. Beginning in 2010, Mountaineer ceased live racing during the winter months of January and February. The decrease in import simulcast handle, as well as export simulcast, was also due to a decline in on-track and off-track wagering, which is consistent with the national average decline in wagering and purses of 7.3% and 6.1%, respectively, during the 2010 compared to 2009, as reported by *Equibase Company*.

Live racing and import simulcast may continue to be impacted by the conversion of some live racing patrons to export simulcast patrons (whether through traditional off-track wagering facilities or growth in the utilization of telephone and/or internet wagering) and increased competition from Pennsylvania's racetracks. Mountaineer, as of March 15, 2011, simulcasted its live races to over 1,300 sites.

Food, beverage and lodging operations. Revenues from food, beverage and lodging operations during 2010 were $20.3 million, which decreased by $1.5 million, or 6.9%, compared to 2009; and gross profit from these operations decreased by 7.3%. The decrease in revenues was reflective of the decline in patron traffic and a shift in marketing strategies designed to reduce food and beverage offers to patrons and increase free play programs.

Year-to-date, the average daily room rate ("ADR") for the Grand Hotel (exclusive of complimentary rooms provided to gaming patrons) decreased by 11.1% to $77.38 during the 2010 from $87.08 during 2009. The ADR (inclusive of complimentary rooms) decreased to $54.67 from $63.55 during the same periods, respectively. However, the average occupancy rate increased to 82.9% from 78.0% during the same periods, respectively. During 2010, RevPAR (or revenue per available room) was $45.31 compared to $45.22 during 2009.

The decrease in daily room rates and increase in occupancy primarily reflects a shift in marketing strategies to market the hotel to gaming patrons and grant complimentary rooms to such patrons.

Other operations. Other operating revenues were primarily derived from operations of the Spa, Fitness Center, retail outlets and golf course; from the sale of programs, admission fees, and lottery tickets; from check cashing and ATM services and from special events at The Harv and the convention center. Mountaineer's earned revenues from other operations decreased by $0.5 million, or 7.4%, during 2010; and operating expenses decreased by a $0.9 million, or 16.3% compared to 2009. The decrease in revenue was primarily due to a decrease in entertainment and convention center revenues,

and the decrease in operating costs was primarily due to a decrease in entertainment costs as well as other cost containment efforts.

Presque Isle Downs' Operating Results

On July 8, 2010, Presque Isle Downs commenced table gaming operations with 48 casino table games. During the year ended December 31, 2010, Presque Isle Downs experienced an overall increase in revenue compared to the year ended December 31, 2009, primarily attributable to the implementation of table gaming. Net revenues increased by $14.6 million, or 8.2%, primarily due to incremental table gaming revenue of $9.8 million, an increase in slot revenues of $3.6 million, and an increase in revenues earned from food, beverage and other sources of $1.8 million. Also, as a result of table gaming, promotional allowances increased by $0.3 million. Presque Isle Downs' overall operating margin (exclusive of $1.4 million of project-opening costs in 2010 and $4.1 million of asset impairment charges in 2009, as discussed below) increased to 14.0% in 2010 from 12.8% in 2009 due primarily to operational efficiencies and the property's cost containment efforts.

Significant factors contributing to Presque Isle Downs' 2010 operating results were:

- the commencement of table gaming which resulted in table gaming revenues of $9.8 million;
- increases in slot revenues and food and beverage revenues of $3.6 million and $1.3 million, respectively;
- an increase in gross profit from food and beverage operations (as discussed below);
- a decrease in consulting and other outside professional services of $0.3 million; offset by
- overall increases in compensation and benefits of $3.8 million;
- a regulatory assessment of $0.8 million relating to slot operations (as discussed below);
- an increase in marketing promotions of $0.9 million;
- an increase in real estate taxes of $0.8 million; and
- project-opening costs related to the implementation of table gaming operations on July 8, 2010 of $1.4 million.

Gaming Operations. Revenues from gaming operations during 2010 increased by $13.4 million, or 8.1%, to $179.8 million compared to 2009, and gross profit increased by $5.8 million, or 9.8%. The increase in revenues from gaming operations and gross profit during 2010 as compared to 2009 is primarily due to the commencement of table gaming on July 8, 2010. During 2010, Presque Isle Downs earned table gaming revenue of $9.8 million and experienced an increase in slot revenues of $3.6 million.

The following tables set forth statistical information concerning Presque Isle Downs' gaming operations.

	2010	2009
Slots:		
Total gross wagers	$ 2,262,614,000	$ 2,123,589,000
Less winning patron payouts	(2,092,656,000)	(1,957,216,000)
Gaming revenues (slot net win)	$ 169,958,000	$ 166,373,000
Average daily net win per slot machine	$ 233	$ 228
Hold percentage	7.5%	7.8%
Average number of slot machines	1,997	2,000
Tables:		
Total table drop	$ 56,193,000	—
Average daily net win per table game	$ 1,157	—
Hold percentage	17.5%	—
Average number of tables	48	—

Presque Isle Downs' slot gaming taxes and assessments approximated 60.7% of slot revenues during both 2010 and 2009, while its table gaming taxes and assessments approximated 17.5% of table gaming revenues in 2010. Gaming taxes and assessments increased overall by $4.7 million to $105.7 million compared to 2009 as a result of the implementation of table gaming, the increase in slot revenues and a regulatory assessment of $0.8 million. The effective tax rate on table game revenues will decrease by 2% upon the completion of two years of operations (or on July 8, 2012).

Upon commencement of slot operations at Presque Isle Downs, the Pennsylvania Gaming Control Board (the "PGCB") advised Presque Isle Downs that it would receive a one-time assessment of $0.8 million required of each slot machine licensee after commencement of gaming operations. The assessment was paid and represented a prepayment toward the total borrowings of the PGCB, the Pennsylvania Department of Revenue and the Pennsylvania State Police (collectively "the borrowers"), required to fund the costs they incurred as a result of gaming operations. Based upon correspondence we received from the Pennsylvania Department of Revenue and discussions with the PGCB that additional assessments would be likely, the total prepayment by Presque Isle Downs of $0.8 million was recognized as a gaming assessment and charged to expense during the third quarter of 2010. The Pennsylvania Department of Revenue will assess all licensees, including Presque Isle Downs, their proportionate share of the total borrowings incurred by the borrowers as a result of gaming operations once the designated number of Pennsylvania's slot machine licensees is operational. For a portion of the borrowings, the repayment is to begin after the eleventh facility opens while repayment of the balance will commence after all fourteen licensees are operational. Until such time as the required slot machine licensees are operational, the proportional shares of repayment are calculated and the repayment periods are ascertained, we cannot determine the amount of such future obligation. It is anticipated that such repayment period will be between five and ten years.

Gaming compensation and benefits increased by $3.0 million during 2010. Specifically, compensation and benefits costs related to table gaming were $3.2 million during 2010. In addition, gaming equipment rental and lease costs decreased by $0.2 million during 2010, which is comprised of a decrease of $0.5 million for slot machine leases, offset by the addition of table gaming-related equipment leases aggregating $0.3 million.

On November 3, 2009, the voters of Ohio approved a proposal for a casino to be located in each of Cleveland, Cincinnati, Toledo, and Columbus. A casino in Cleveland will increase competition at Presque Isle Downs commencing approximately in mid-2012 unless a temporary facility as currently being discussed opens earlier. We intend to be proactive in our efforts to mitigate the effects of such

competition, which includes maximizing benefits of table gaming operations at Presque Isle Downs, continuing to provide first-class customer service at all of our facilities and continuing to manage and reduce costs.

Finally, in 2010 we began offering credit to Presque Isle Downs' table gaming customers. Furthermore, in late-2010, Pennsylvania's casinos were granted the ability to offer credit to slot customers. Therefore Presque Isle Downs intends to offer credit to slot customers beginning in 2011, pending final regulatory approval. As part of our overall marketing strategy, we intend to increase its use of credit for qualified patrons as a means of further enhancing gaming revenue at Presque Isle Downs.

Pari-mutuel Commissions. Revenues from pari-mutuel commissions during 2010 decreased by $0.3 million to $2.8 million as compared to 2009; and operating expenses decreased by $0.4 million to $3.6 million. Live racing at Presque Isle Downs commenced on May 7, 2010 and ended on September 25, 2010, operating live racing on 100 days. The live racing handle decreased to $3.6 million during 2010 compared to $4.4 million during 2009; and the import simulcast racing handle decreased to $9.8 million during 2010 compared to $11.9 million during 2009. The decrease in import simulcast handle was due to a decline in on-track and off-track wagering, which is consistent with the national average decline in wagering of 7.3% during the 2010 compared to 2009, as reported by *Equibase Company*.

In May 2009, the horsemen granted Presque Isle Downs approval to simulcast its live racing signal to advance deposit wagering sites. As a result, the export simulcast handle increased to $41.0 million during 2010 compared to $38.3 million during 2009. As of March 15, 2011, Presque Isle Downs simulcasted its live races to over 850 sites.

Food and beverage operations. Revenues from food and beverage operations during 2010 were $11.4 million, which increased by $1.3 million, or 12.5%, as compared to 2009, primarily due in an increase in patron traffic resulting from the implementation of table gaming. Operating expenses increased by $0.2 million, primarily due to the corresponding increase in revenues. The gross profit from food and beverage operations was 19.4% for 2010 compared to 11.4% for 2009. The increase in gross profit was a direct result of increased operating efficiencies. For example, food and beverage direct costs as a percentage of revenues decreased by 4%, and food and beverage salaries as a percentage of revenues decreased by 3%.

Scioto Downs' Operating Results

During 2010, the property's net revenues and operating loss remained consistent compared to 2009. However, Scioto outsourced its food and beverage outlets to a third-party operator during 2009, but operated them internally during 2010. As a result, Scioto Downs earned revenues of $0.5 million from food and beverage operations in 2010; however the benefit of these additional revenues was offset by a decrease in revenues from pari-mutuel commission and other sources. The decrease in pari-mutuel commissions during 2010 is consistent with the decrease of Scioto's live, import and export handles which aggregated $24.0 million in 2010 compared to $28.4 million in 2009.

In order to reduce expenses and operating losses, Scioto Downs and Beulah Park, the other racetrack in Columbus, Ohio, entered into an annual agreement effective in 2008, which was approved by the Ohio Racing Commission, whereby Scioto operates its simulcasting only during its live race meet (generally May through September); and during the remaining periods, Scioto Downs' simulcasting is closed and Beulah Park operates its simulcasting. Similarly, when Scioto is open for live racing and simulcasting, Beulah Park is closed. The 2011 agreement expires on December 31, 2011. Live racing at Scioto Downs commenced on May 7, 2010 and ended on September 11, 2010.

There have been no significant negative developments that would indicate that the valuation and related assumptions would not continue to indicate values that would at least support the carrying value of the other intangible assets as of December 31, 2010. As such, there is no impairment of the intangible asset at Scioto Downs as of December 31, 2010.

Corporate Operating Results

During 2010, corporate general and administrative expenses were $11.0 million compared to $19.4 million during 2009. Significant factors contributing to the decrease in general and administrative expenses in 2010 were:

- a decrease of $9.3 million associated with strategic costs related to lobbying efforts for gaming in Ohio ($0.5 million in 2010 compared to $9.8 million in 2009);
- the absence of a 2009 legal settlement aggregating $1.6 million related to a former Chairman, President and Chief Executive Officer (See "Legal Proceedings" included elsewhere in this report);
- the reversal of deferred compensation costs of $0.3 million during the first quarter of 2009 related to a former executive;
- decreases in legal and accounting services of $0.5 million; offset by
- an increase in severance costs of $1.3 related to the resignations of executives during the third quarter;
- an increase in compensation and benefits of $0.5 million related to changes in corporate staffing levels;
- an increase in stock-based compensation of $0.6 million related primarily to various grants of restricted stock units during the year; and
- an increase in consulting and other professional fees of $0.3 million.

Depreciation Expense

Depreciation decreased by $0.5 million during 2010 primarily due to decreased depreciation of $1.0 million for Mountaineer, offset by an increase of $0.5 million at Presque Isle Downs. Total depreciation expense was $28.7 million during 2010 and $29.3 million during 2009.

Impairment Loss

During 2009, we performed an evaluation to determine if our non-operating real properties were carried at the lower of the carrying value or fair value. The fair values were determined by independent appraisals and considered expected net cash flows including estimates of costs to sell. In connection with this assessment, the carrying value of certain assets exceeded their respective fair value. As a result, we adjusted the carrying value of certain non-operating real properties, recognizing impairment losses in the aggregate amount of $10.4 million, of which $6.2 million related to real property owned by Mountaineer and $4.1 million related to real property owned by Presque Isle Downs.

During 2010, we also had substantially all non-operating real properties appraised by an independent appraisal company. Based upon the results of the 2010 appraisals, no adjustments to the carrying value of non-operating real property at Mountaineer or Presque Isle Downs were necessary for the year ended December 31, 2010.

In addition, we performed the annual impairment tests of our goodwill and other intangible assets as of December 31, 2010 and 2009, which were generally based on discounted cash flows and review of market data. Accordingly, at December 31, 2009, as a result of the impact of anticipated increased competition, we recorded an impairment loss of $1.5 million that fully impaired the goodwill for Mountaineer. For the year ended December 31, 2010, we determined that there was no impairment of goodwill or other intangible assets based upon the results of the impairment evaluations (see additional information above under the caption "*Scioto Downs' Operating Results*").

Loss on Disposal of Property

During the year ended December 31, 2010, we incurred a net loss on the sale or disposal of various equipment and non-operating real properties in the aggregate of $75,000 as follows:

- Mountaineer and Presque Isle Downs incurred losses of $29,000 and $77,000, respectively, on the sale or disposal of various gaming and maintenance equipment.
- Mountaineer sold certain parcels of non-operating real property land holdings in West Virginia for approximately $157,000, after closing costs, which resulted in a gain on sale of approximately $3,000.
- Mountaineer sold a certain parcel of a non-operating real property land holding in West Virginia for approximately $9,000, after closing costs, which resulted in a loss on sale of approximately $43,000.
- Presque Isle Downs sold three acres associated with the 14.3 acre, off-track wagering facility in Erie, Pennsylvania for approximately $1.2 million, after closing costs, which resulted in a gain on sale of approximately $76,000.

During the year ended December 31, 2009, we incurred a net loss of $0.2 million on the disposal of property, which included a loss of $143,000 incurred by Mountaineer on the sale of a parcel of non-operating real property land holdings.

Interest

Interest expense, net of interest income, increased by $9.3 million to $54.1 million during 2010 compared $44.8 during 2009. The increase is primarily attributable to:

- incremental interest of $7.9 million during 2010 incurred on our $260 million 12.625% Senior Secured Notes which proceeds were used in March 2009 to payoff $100.9 million under our former credit facility and our $130 million 9.75% Senior Unsecured Notes;
- increased amortization of deferred financing fees and discounts on our Senior Secured Notes in the aggregate amount of $1.2 million during 2010 compared to 2009; and
- interest related to our Credit Facility of $0.7 million during 2010, which includes a prepayment fee of $100,000 during the third quarter of 2010; offset by
- decreased interest of $0.4 million during 2010 compared to 2009, related primarily to the repayment of promissory notes and capital lease obligations.

During the year ended December 31, 2010, Presque Isle Downs recorded $92,000 of capitalized interest associated with the construction costs for the implementation of table gaming operations on July 8, 2010.

Loss on Debt Modification and Extinguishment

During 2009, we incurred losses on the modification of debt in the aggregate amount of approximately $1.8 million resulting from two amendments to our former senior secured credit agreement which modified certain aspects of our former credit facility including reductions of the borrowing commitment. As such, we were required to proportionately reduce the amount of existing deferred financing fees to reflect the reduction in borrowing capacity. The loss on debt modification reflected the write-offs of deferred financing fees associated with our former credit facility. In addition, as a result of the repurchase of our $130 million 9.75% Senior Unsecured Notes on August 12, 2009, we incurred a loss on debt extinguishment of approximately $1.3 million. The loss on debt

extinguishment reflected the write-off of remaining deferred financing fees associated with the Senior Unsecured Notes and the payment of a consent fee to the holders of such notes.

Income Taxes

Continuing Operations: The income tax benefit for continuing operations during 2010 was computed based on an effective income tax rate of approximately 21.5% including interest expense related to uncertain tax positions in income tax expense. The recorded income tax benefit reflects an adjustment to the effective income tax rate of $1.1 million for permanent non-deductible expenses and $0.6 million for valuation allowances on deferred state income tax benefits. During 2010, we recognized approximately $16,000 of interest expense (net of tax) related to uncertain tax positions.

The income tax benefit for continuing operations during 2009 was computed based on an effective income tax rate of 5.4% including interest expense related to uncertain tax positions in income tax expense. The recorded income tax benefit reflects a $4.3 million adjustment to the effective income tax rate for the year due to the impact of permanent non-deductible expenses, including amounts related to lobbying efforts in Ohio, relative to our pre-tax income and a reduction in our estimated annual pre-tax income. During 2009, we recognized approximately $36,000 of interest expense (net of tax) related to uncertain tax positions.

For federal income tax purposes, we have approximately $0.5 million in alternative minimum tax credit carryforwards, approximately $18.2 million in net operating loss carryforwards, approximately $759,000 in capital loss carryforwards, and approximately $199,000 in other federal credit carryforwards at December 31, 2010. The net operating loss carryforwards begin to expire in 2020 and the capital loss carryforwards begin to expire in 2014. A portion of the net operating loss carryforwards (approximately $3.0 million) is limited as to the amount that can be utilized in each tax year by Section 382 of the Internal Revenue Code. The alternative minimum tax credit can be carried forward indefinitely. We have state net operating loss carryforwards of $35.4 million that begin to expire in 2024. We are no longer subject to federal and state income tax examinations for years before 2004.

Discontinued Operations: The income tax benefit for discontinued operations during both 2010 and 2009 was computed based on an effective income tax rate of 35.0%. Additionally, during 2009, we obtained new information that caused us to reevaluate the recoverability of deferred tax assets aggregating approximately $2.9 million associated with certain impairment losses recorded in 2008. As a result, we determined that it was more likely than not that the deferred tax assets would be realized and a previously established valuation allowance of approximately $2.9 million was reversed.

Discontinued Operations

North Metro (d/b/a Running Aces Harness Park) Operating Results. In June 2004, our wholly-owned subsidiary, MTR-Harness, Inc., acquired a 50% interest in North Metro Harness Initiative, LLC (*d/b/a Running Aces Harness Park*), then a wholly-owned subsidiary of Southwest Casino Corporation. In early 2008, North Metro completed construction of a harness racetrack and card room on a 178.4-acre site approximately 30 miles northeast of Minneapolis, Minnesota. Running Aces commenced live racing and simulcast operations (import and export) with pari-mutuel wagering on April 11, 2008, and opened a 50-table card room offering "non-banked" games (those in which the players play only against each other instead of against the house) on June 30, 2008. The racetrack was constructed with financing provided by Black Diamond Commercial Finance, LLC as agent (collectively "Black Diamond").

On October 19, 2008, Southwest Casino Corporation sold its 50% membership interest in North Metro to Black Diamond for (i) $1.00; (ii) relief from a $1.0 million guarantee by Southwest of North Metro's obligations; (iii) a right to repurchase the membership interest; and (iv) certain other considerations. On April 3, 2009, we received notification that Black Diamond, as a result of North Metro's default under the Black Diamond credit agreement, was pursuing legal action seeking

(i) enforcement of our payment of the $1 million guarantee of North Metro's indebtedness and certain additional costs, and (ii) foreclosure of our subsidiary's pledged equity interest in North Metro. Pursuant to a settlement agreement with Black Diamond executed on May 27, 2009, we relinquished our interest in North Metro (the value of which we had already determined was impaired and written down to $0 during 2008) and paid $1 million to satisfy our obligations under the guarantee. Concurrently, MTR Gaming Group, Inc. entered into a Signal and Consulting Agreement with North Metro pursuant to which North Metro paid us $250,000 to provide consulting services with respect to its racing operations for a term of three years. On June 3, 2009, Black Diamond terminated the litigation with prejudice and we and Black Diamond executed mutual releases.

During the year ended December 31, 2010, we incurred a pre-tax loss on discontinued operations of approximately $8,000. During the year ended December 31, 2009, we incurred a pre-tax loss on discontinued operations of approximately $1.3 million and an income tax benefit of approximately $3.3 million, including an income tax benefit of approximately $2.9 million related to the realization of deferred tax assets associated with impairment losses of $8.7 million that were recorded in 2008.

The assets and liabilities of MTR-Harness, Inc. and its interest in North Metro have been reflected as assets and liabilities of discontinued operations in our consolidated balance sheets and the operating results and cash flows have been reflected as discontinued operations.

Jackson Racing (d/b/a Jackson Harness Raceway). On December 6, 2005, our wholly-owned subsidiary, Jackson Racing, Inc., acquired a 90% interest in Jackson Trotting Association, LLC, which operated Jackson Harness Raceway in Jackson, Michigan, and offered harness racing, pari-mutuel and simulcast wagering and casual dining. Since acquisition, Jackson Trotting generated operating losses. Additionally, Jackson Trotting exhausted its operating funds, including funds provided by the Company. On December 4, 2008, Jackson Trotting ceased the racing and simulcast wagering operations at Jackson Harness Raceway and surrendered its racing license to the Michigan Racing Commission.

During the years ended December 31, 2010 and 2009, we incurred pre-tax losses on discontinued operations of approximately $11,000 and $22,000, respectively, before the 10% non-controlling interest in Jackson Trotting not owned by us.

The assets and liabilities of Jackson Racing, Inc. and its interest in Jackson Trotting have been reflected as assets and liabilities of discontinued operations in our consolidated balance sheets and the operating results and cash flows have been reflected as discontinued operations.

Ramada Inn and Speedway Casino. On June 3, 2008, our wholly-owned subsidiary, Speakeasy Gaming of Las Vegas, Inc., sold the gaming assets of the Ramada Inn and Speedway Casino, located in North Las Vegas, Nevada to Lucky Lucy D, LLC in accordance with the terms of an Asset Purchase and Sale Agreement dated January 11, 2008. Pursuant to the terms of the agreement, Lucky Lucy paid $2.0 million in cash for the gaming assets and is obligated to pay an additional amount of up to $4.775 million subject to an earn-out provision based on the property's gross revenues over the four-year period that commenced January 11, 2008. In July 2009, Speakeasy Gaming of Las Vegas, Inc. assigned to the Company its right to any payment under the earn-out provision. Although it is unlikely, any proceeds that may be received will be recorded as the amounts are realized. This sale was the second part of the transaction, the first part of which involved the sale of Speedway's real property to Ganaste LLC on January 11, 2008. A shareholder of Ganaste LLC is the sole owner of Lucky Lucy. Ganaste paid $11.4 million in cash for the real property. On January 11, 2008, we recorded a gain on the sale of the real property in the amount of $2.8 million, and on June 3, 2008, we recorded a gain on the sale of the gaming assets in the amount of $1.2 million.

During the years ended December 31, 2010 and 2009, we recorded pre-tax income on discontinued operations in the amounts of approximately $57,000 and $43,000, respectively.

Binion's Gambling Hall & Hotel. On March 7, 2008, we sold 100% of the stock of our wholly-owned subsidiaries, Speakeasy Gaming of Fremont, Inc., which owned and operated Binion's Gambling Hall & Hotel located in Las Vegas, Nevada, and Speakeasy Fremont Experience Operating Company in accordance with the terms of a Stock Purchase Agreement dated June 26, 2007 (as subsequently amended), executed between the Company and TLC Casino Enterprises, Inc. ("TLC"). The transaction was subject to certain purchase price adjustments. Net cash to the Company at closing was approximately $28.0 million. In January 2009, we settled the post-closing purchase price adjustment in the amount of approximately $1.5 million.

In connection with our original acquisition of Binion's on March 11, 2004, we provided limited guarantees on certain land leases that expired in March 2010 and totaled approximately $394,000 at December 31, 2009. TLC remained obligated to use its reasonable best efforts to assist us in obtaining releases of these guarantees, to pay the rent underlying the leases we guaranty on a timely basis, and to indemnify us in the event we are required to pay the land lease obligations pursuant to the guarantees.

Since July 2009, TLC has paid only a portion of total monthly rent with respect to one of the leases we guarantee. Upon the demand of the landlord that we make monthly payments pursuant to our guarantee, we paid the amounts demanded (approximately $724,000 in the aggregate through March 15, 2010), thus curing the events of default. We demanded reimbursement from TLC, and commenced legal action for indemnification pursuant to the Stock Purchase Agreement. On October 27, 2009, we reached a settlement with TLC whereby TLC agreed to confess judgment as to amounts we paid and amounts that may be paid by us through the expiration of the guarantees, certain legal fees and interest at the rate of 10% on amounts actually paid by us with respect to the rental payments. We agreed to forbear from enforcing the judgment for two years, provided however that the forbearance will terminate under certain conditions, including if TLC fails to timely make any of the agreed payments or there is a change in control of TLC. During the forbearance period, TLC is also obligated to make payments in partial satisfaction of the judgment in the event TLC raises any capital through debt or equity. Through December 31, 2010, TLC has reimbursed us $25,000 for legal fees that we had incurred in connection with our collection efforts.

Also in connection with our original acquisition of Binion's, we obtained title to the property and equipment subject to increase in the purchase price by $5.0 million if, at the termination of a Joint Operating License Agreement with HHLV Management Company, LLC, an affiliate of Harrah's Entertainment, Inc., certain operational milestones were achieved. Harrah's claimed it had met the milestones, however we disputed such claim. On June 11, 2009, we settled this dispute by finalizing a previous agreement in principle and paid HHLV Management Company approximately $0.7 million, which represented $1.75 million of purchase price adjustment less approximately $1.1 million for other amounts HHLV Management Company owed us. This settlement resulted in an adjustment to previously recorded amounts and a charge to discontinued operations of approximately $0.4 million.

During the years ended December 31, 2010 and 2009, we incurred a pre-tax loss on discontinued operations of approximately $272,000 and $1.2 million, respectively.

Cash Flows

Net cash provided by operating activities approximated $39.7 million during 2011 compared to $42.3 million during 2010. Current year non-cash expenses included $33.4 million of depreciation and amortization, $34.4 million in write-offs of deferred financing and other fees resulting from the extinguishment of long-term debt, $5.9 million of other regulatory gaming assessments, and $0.7 million of impairment losses. In 2010, operating activities included depreciation and amortization of $35.3 million. Additionally, changes in operating assets and liabilities during 2011 resulted in a source of cash of approximately $10.3 million due primarily to an increase in accrued interest. During 2010, changes in

operating assets and liabilities resulted in a source of cash of approximately $12.8 million due primarily to income tax refunds aggregating $8.9 million.

Net cash used in investing activities was $139.1 million during 2011, comprised primarily of $130.1 million of funds held for construction, capital expenditures aggregating $11.3 million offset by the reimbursement of capital expenditures from West Virginia regulatory authorities aggregating $1.8 million, and proceeds from the sale of property aggregating $0.5 million. During 2010, net cash used in investing activities was $24.2 million, comprised primarily of the payment of the Pennsylvania table games license fee of $16.5 million, capital expenditures of $16.4 million offset by the reimbursement of capital expenditures from the West Virginia Racing Commission of $5.2 million, and proceeds from the sale of property of $1.7 million.

Net cash provided by financing activities was $131.1 million during 2011 compared to net cash used in financing activities of $9.0 million during 2010. Financing activities for 2011 included net proceeds of $548.1 million from the issuance of $565 million of our Senior Secured Second Lien Notes which were utilized to repurchase our previously issued $125 million Senior Subordinated Notes for $125.2 million, repurchase our previously issued $260 million Senior Secured Notes for $277.0 million, and pay various financing-related costs aggregating $12.8 million. Other principal payments on long-term obligations aggregated $1.9 million. Financing activities for 2010 included the receipt of proceeds of $10.0 million from our former credit facility, which was subsequently repaid, and proceeds of $0.7 million from equipment financing, offset by payment of financing costs of $2.1 million and principal payments on long-term obligations aggregating $7.6 million.

Inflation

We do not believe that inflation has had a significant impact on our revenues, results of operations or cash flows since inception.

Liquidity and Sources of Capital

We had working capital of $45.2 million as of December 31, 2011, and our unrestricted cash balance amounted to $85.6 million. At December 31, 2011, the balances in bank accounts owned by Mountaineer's horsemen, but to which we contribute funds for racing purses, exceeded our purse payment obligations by $4.8 million. This amount is available for payment of future purse obligations at our discretion and in accordance with the terms of Mountaineer's agreement with the Horsemen's Benevolent & Protective Association ("HBPA"). In addition, $130.0 million of the net proceeds that we received in connection with our offering of $565 million of Senior Secured Second Lien Notes (as discussed below) will be utilized to provide necessary funding to establish a new video lottery terminal ("VLT") facility at Scioto Downs. Such net proceeds have been deposited into an account that is separately maintained as funds held for construction.

At December 31, 2011 we had total debt in aggregate principal amount of $548.9 million (net of discounts), all of which was secured, and cash collateralized letters of credit for approximately $0.2 million were outstanding. In connection with the refinancing transaction on August 1, 2011 (as discussed below), our former $20.0 million credit facility was terminated and we entered into a new $20.0 million senior secured revolving credit facility. At December 31, 2011, there were no borrowings under the new credit facility.

We believe that our cash balances on hand (including funds held for construction), cash flow from operations, extended payment terms from gaming equipment vendors, availability under the new Credit Facility and any proceeds from the sale of non-core assets will be sufficient to fund our liquidity needs, including debt service of our $565 million Senior Secured Second Lien Notes, any other contemplated capital expenditures and short-term funding requirements for the next twelve months, as well as the amounts required for the licensing and construction of a video lottery terminal gaming facility at Scioto

Downs. We cannot assure you that estimates of our liquidity needs are accurate or that new business developments or other unforeseen events will not occur. If any of these events occur, it could result in the need to raise additional funds and increased difficulties with respect to our ability to raise such funds.

If we are unable to generate sufficient cash flow in the future, we may be unable to fund our operations, satisfy our debt obligations or make timely payment toward the final portion of the Scioto Downs VLT license fee, which is due one year after the opening of VLT operations at Scioto Downs. Any of these events could have a material adverse effect on our liquidity position, business, consolidated financial condition and results of operations.

From time to time, we may dispose of real property, equipment or other assets that do not continue to support the operation of our core properties. On April 14, 2011, we completed the sale of 21 acres of non-operating real property land holdings in West Virginia for approximately $424,000, after closing costs. This transaction resulted in a gain on sale of approximately $196,000.

On May 10, 2011, Mountaineer entered into lease agreements with Chesapeake Appalachia, LLC ("Chesapeake") to lease mineral rights (primarily oil and gas) with respect to approximately 1,707 acres in West Virginia that Mountaineer controls or holds the mineral rights. The agreements have an initial term of five (5) years, with an option to extend for an additional five (5) year term. The agreements required Chesapeake to pay Mountaineer a lease bonus payment of $1,265 per acre on land parcels totaling 1,707 acres, for a total of approximately $2.1 million, of which $1.8 million was paid initially and the remaining $0.3 million was paid upon the release of certain liens on that property. In addition, Mountaineer will receive a 14% royalty on the sale of any oil or gas retrieved by Chesapeake. Mountaineer will continue to retain the ownership rights in all of the property and has the ability to sell the property subject to the terms of the lease agreements.

Refinancing

On August 1, 2011, after receiving the required consents of the holders of our previously issued $125 million in the aggregate principal amount of 9% Senior Subordinated Notes (the "2012 Notes") and our previously issued $260 million in the aggregate principal amount of 12.625% Senior Secured Notes (the "2014 Notes") to permit the proposed amendments to the indentures governing the 2012 Notes and the 2014 Notes which eliminated substantially all of the restrictive covenants contained in such indentures and released the collateral securing our obligations under the 2014 Notes, we completed the offering of $565 million in aggregate principal amount of Senior Secured Second Lien Notes due August 1, 2019 (the "Notes") at an issue price equal to 97% of the aggregate principal amount of the Notes. The Notes were issued pursuant to an indenture, dated as of August 1, 2011 (the "Indenture"), among the Company, Mountaineer Park, Inc., Presque Isle Downs, Inc., Scioto Downs, Inc. (each, a wholly-owned subsidiary of the Company and as a guarantor, the "Guarantors") and Wilmington Trust, National Association, as Trustee and as Collateral Agent. The net proceeds of the sale of the Notes were utilized to:

- repurchase all of our outstanding 2012 Notes that were tendered in connection with the tender offer and consent solicitation and pay the accrued and unpaid interest thereon;
- repurchase all of our outstanding 2014 Notes that were tendered in connection with the tender offer and consent solicitation and pay the accrued and unpaid interest thereon;
- pay consent fees associated with the solicitation of consents to certain amendments to the indentures governing the 2012 Notes and 2014 Notes;
- fund the redemption of the 2012 Notes and 2014 Notes that remained outstanding following the completion and settlement of the tender offers and consent solicitations and pay accrued and unpaid interest thereon;

- pay fees and expenses incurred in connection with the offering of the Notes and the tender offers and consent solicitations; and
- provide necessary funding to establish a new video lottery terminal ("VLT") gaming facility at Scioto Downs.

Under the terms of the offer to purchase the 2012 Notes, holders of approximately $99.0 million of the 2012 Notes who tendered their notes and delivered consents received $1,002.50 per $1,000.00 of the aggregate principal amount of the notes tendered and accrued and unpaid interest thereon. The 2012 Notes that remained outstanding following the consummation of the tender were redeemed on August 31, 2011, and the holders of such notes received a redemption price of 100% of the aggregate principal amount of such notes and accrued and unpaid interest thereon.

Under the terms of the offer to purchase the 2014 Notes, holders of approximately $232.8 million of the 2014 Notes who tendered their notes and delivered consents received $1,065.63 per $1,000.00 of the aggregate principal amount of the notes tendered and accrued and unpaid interest thereon. The 2014 Notes that remained outstanding following the consummation of the tender offers were redeemed on August 31, 2011, and the holders of such notes received a redemption price of 106.313% of the aggregate principal amount of such notes and accrued and unpaid interest thereon.

We incurred a pretax loss on debt extinguishment of approximately $34.4 million related to the refinancing.

The Notes will mature on August 1, 2019, with interest payable semi-annually in arrears on February 1 and August 1 of each year. Until and including the interest payment due on August 1, 2013, interest will be payable, at the election of the Company, (i) entirely in cash or (ii) at a rate of 10.50% in cash and a rate of 1.00% paid in kind by increasing the principal amount of the outstanding Notes or by issuing additional PIK Notes, as defined in the Indenture. The initial interest payment due on February 1, 2012 was satisfied in cash and PIK Interest, as defined in the Indenture. As a result, additional Notes of $2,825,000 were issued on February 1, 2012. We have also made the election to satisfy the interest payment due on August 1, 2012 in cash and PIK Interest.

The Notes and the guarantees are the Company's and the Guarantors' senior secured obligations and are jointly and severally, fully, and unconditionally guaranteed by the Guarantors, as well as future subsidiaries, other than our immaterial subsidiaries and unrestricted subsidiaries, as defined in the Indenture. The Notes and the guarantees rank equally in right of payment with all of the Company's and the Guarantors' existing and future senior debt and senior in right of payment to all of the Company's and the Guarantors' future subordinated debt. The Notes and the guarantees will be effectively junior to any of the Company's and the Guarantors' existing and future debt that is secured by senior or prior liens on the collateral, including indebtedness under the Company's new senior secured revolving credit facility, as discussed below, to the extent of the value of the collateral securing such obligations. The Notes and the guarantees will be structurally subordinated to all existing and future liabilities of the Company's subsidiaries that do not guarantee the Notes.

The Notes are secured by a second priority lien on substantially all of the assets of the Company and the Guarantors, other than excluded property. Excluded property includes (i) property, including gaming licenses and gaming equipment that cannot be collateral pursuant to applicable law, (ii) contracts that prohibit the grant of a security interest therein, (iii) motor vehicles, vessels, aircraft and other similar property, (iv) property subject to purchase money liens or capital leases permitted to be incurred under the Indenture, (v) certain intellectual property rights, (vi) certain parcels of non-core land, including a portion of the real property subject to the Chesapeake mineral rights lease (as discussed above), and real estate that is not material real property, (vii) capital stock of the Company's subsidiaries and (viii) deposit accounts. Excluded property, however, does not include proceeds from the sale of any such assets (unless such proceeds would otherwise constitute excluded property).

On or after August 1, 2015, we may redeem all or a portion of the Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of the principal amount) set forth below plus accrued and unpaid interest and additional interest, if any, on the Notes redeemed, to the applicable redemption date, if redeemed during the 12-month period beginning on August 1 of the years indicated below:

Year	Percentage
2015	106.000%
2016	103.000%
2017 and thereafter	100.000%

If we experience certain change of control events (as defined in the Indenture), we must offer to repurchase the Notes at 101% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date.

If we sell assets or experience certain events of loss under certain circumstances and do not use the proceeds for specified purposes, we must offer to repurchase the Notes at 100% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date.

If we have excess cash flow (as defined in the Indenture) for any fiscal year, commencing with the fiscal year ending December 31, 2012, and our consolidated total debt ratio is equal to or greater than 4.0:1.0, we must offer to purchase a portion of the outstanding Notes at a redemption price of 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase with 75% of our excess cash flow in excess of $7.5 million for such fiscal year. In addition, we must offer to purchase $150.0 million of the Notes if we fail to receive a license to operate VLTs at Scioto Downs from the Ohio Lottery Commission by June 1, 2012. We received our Video Lottery Sales Agent License (the "License") at Scioto Downs on January 25, 2012. The License is conditional and permits Scioto Downs to install and operate VLTs subject to compliance with all applicable statutes, regulations and provisions of Scioto Downs' Video Lottery License Application (the "Application") and verification of the Application by the Ohio Lottery Commission prior to Scioto Downs commencing video lottery sales. If imposed by gaming laws and regulations, the Notes are subject to redemption by the Company if after determination by applicable gaming regulatory authorities that a holder of the Notes will not be licensed, qualified or found suitable under applicable gaming laws.

Until such time as we were granted the License to operate VLTs at Scioto Downs or have deposited payment for the offer to purchase the Notes as described in the preceding paragraph with the paying agent, we were not able to utilize $130.0 million of the net proceeds of the Notes. Such net proceeds were deposited into a segregated account in which the Collateral Agent, on behalf of the holders of the Notes, had a perfected first-priority security interest. Prior to the receipt of the License, no withdrawals were permitted from the segregated account except in connection with the consummation of the offer to purchase the Notes pursuant to the preceding paragraph. Upon the satisfaction of the licensing requirement as evidenced by the receipt of the License to install and operate VLTs at Scioto Downs, we are now permitted to utilize the $130.0 million portion of the net proceeds of the Notes for the establishment, construction, development or operation of VLTs at Scioto Downs. The $130.0 million of the proceeds from the sale of the Notes, including interest, is reflected as funds held for construction in the accompanying consolidated balance sheet at December 31, 2011.

The Indenture contains certain covenants limiting, among other things, our ability and the ability of our subsidiaries (other than its unrestricted subsidiaries) to:

- incur additional indebtedness;
- create, incur or suffer to exist certain liens;
- pay dividends or make distributions on capital stock or repurchase capital stock;

- make certain investments;
- place restrictions on the ability of subsidiaries to pay dividends or make other distributions to the Company;
- sell certain assets or merge with or consolidate into other companies; and
- enter into certain types of transactions with the stockholders and affiliates.

These covenants are subject to a number of exceptions and qualifications as set forth in the Indenture. The Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on such Notes to be declared due and payable.

Under the registration rights agreement applicable to the Notes, we were required to complete an offer to exchange the Notes for equivalent registered securities within 225 days following the date of issuance of the Notes. The exchange offer was completed on March 12, 2012. In addition, under certain circumstances, we are required to file a shelf registration statement to cover resales of the Notes. The Securities and Exchange Commission has broad discretion to determine whether any shelf registration statement will be declared effective and may delay or deny the effectiveness of any such registration statement filed by us for a variety of reasons. We will be required to pay liquidated damages on the Notes if we fail to comply with certain requirements in connection with, if applicable, a shelf registration statement.

New Credit Facility

On August 1, 2011, we terminated our former credit facility and entered into a new senior secured revolving credit facility (the "Credit Facility") with a borrowing availability of $20.0 million and a maturity date of August 1, 2016. No amounts were drawn under the former credit facility nor have any amounts been drawn under the Credit Facility. The interest rate per annum applicable to loans under the Credit Facility will be, at the Company's option, either (i) LIBOR plus a spread of 4.0%, or (ii) base rate, which will be the "prime rate" of interest in effect on the day of the borrowing request as published in the Wall Street Journal, plus a spread of 3.0%.

The Credit Facility is secured by substantially the same assets securing the Notes (and including securities of the Company's subsidiaries to the extent permitted by law). Borrowings under the Credit Facility are guaranteed by all of our existing and future domestic restricted subsidiaries. The security interest in the collateral that secures the Credit Facility is senior to the security interest in the collateral that secures the Notes.

The Credit Facility contains a number of customary covenants that, among other things, restrict, subject to certain exceptions, our ability and the ability of our subsidiary guarantors to incur additional indebtedness or become a guarantor; create a lien on collateral; engage in mergers, consolidations or asset dispositions; pay dividends or make distributions; make investments, loans or advances; engage in certain transactions with affiliates or subsidiaries; make capital expenditures; or modify our line of business. The Credit Facility also includes certain financial covenants, including the requirements that the Company maintain throughout the term of the Credit Facility and measured as of the end of each fiscal quarter (on a trailing four-quarter period basis), the following maximum consolidated leverage ratios: (i) 7.75:1.00 for the fiscal quarters ending September 30, 2011 through June 30, 2012, (ii) 7.50:1.00 for the fiscal quarters ending September 30, 2012 and December 31, 2012, (iii) 7.00:1.00 for the fiscal quarters ending March 31, 2013 through September 30, 2013, and (iv) 6.50:1.00 for the fiscal quarters ending December 31, 2013 through December 31, 2015. In addition, the Company will be required to maintain a minimum consolidated interest coverage ratio not greater than: (i) 1.25:1.00 for the fiscal quarters ending September 30, 2011 through March 31, 2012, (ii) 1.30:1.00 for the fiscal quarter ending June 30, 2012, and (iii) 1.40:1.00 for the fiscal quarters ending September 30, 2012 through December 31, 2015 and a minimum consolidated EBITDA amount of (x) $60.0 million for the

fiscal quarters ending September 30, 2011 through December 31, 2012 and (y) $80.0 million for the fiscal quarters ending March 31, 2013 through December 31, 2015. Capital expenditures are also limited to $25.0 million per annum throughout the term of the Credit Facility. As of December 31, 2011, the Company remained in compliance with the covenants.

The Credit Facility contains a number of customary events of default, including, among others, for the non-payment of principal, interest or other amounts; the inaccuracy of certain representations and warranties; the failure to perform or observe certain covenants; a cross-default to other indebtedness of the Company, including the Notes; certain events of bankruptcy or insolvency; certain ERISA events; the invalidity of certain loan documents; certain changes of control; and certain material adverse changes. If any event of default occurs, the lenders under the Credit Facility would be entitled to take various actions, including accelerating amounts due thereunder and taking all actions permitted to be taken by a secured creditor.

In 1999, Scioto Downs, Inc. entered into a term loan agreement that provided for monthly payments of principal and interest of $30,025 through September 2013. The effective interest rate was 6.25% per annum. The term loan was collateralized by a first mortgage on Scioto Downs' real property facilities, as well as other personal property, and an assignment of the rents from lease arrangements. On July 29, 2011, we prepaid the entire balance of $715,000 outstanding under the first lien mortgage. As a result of the prepayment, we recorded a pretax gain on debt extinguishment of approximately $60,000 during 2011.

Permitted indebtedness under the Credit Facility includes furniture and equipment financing provided that the aggregate principal amounts of such indebtedness outstanding at any time shall not exceed the greater of $20 million and 4.5% of consolidated net tangible assets (as defined) ; other unsecured indebtedness at any time not to exceed $5.0 million; and other indebtedness to finance the acquisition, development or construction of any future gaming property provided that (i) such indebtedness shall be unsecured and subordinated to the Credit Facility, (ii) no part of the principal or interest of such indebtedness is required to be paid prior to six months after the maturity date of the Credit Facility and (iii) upon the incurrence of such indebtedness and after giving pro forma effect thereto there shall be no default or event of default and that we shall be in pro forma compliance with the financial covenants.

The Indenture governing the Notes permits equipment financing for gaming facilities which are either non-recourse to the Company or limited in amount to the greater of $20 million or 4.5% of consolidated tangible assets (as defined) of the Company. The Indenture also permits (i) financing under credit agreements of up to $20 million and (ii) indebtedness to finance the purchase, lease or improvement of property or equipment (other than software) in an aggregate principal amount at the date of such incurrence, together with all other indebtedness previously incurred under this clause, not to exceed 2.5% of consolidated net tangible assets as defined; *provided, however,* that such indebtedness exists at the date of such purchase or transaction or is created within 180 days thereafter. However, additional borrowings, including amounts permitted under the indentures are limited by the terms of the Credit Facility (as discussed above). In order to borrow amounts in excess of the debt permitted to be incurred under the Indenture governing the Notes and our Credit Facility, we must either satisfy the debt incurrence tests provided by the indenture, obtain the prior consents of the holders of at least a majority in aggregate principal amount of those notes and the consent of the lenders under our Credit Agreement, or obtain a sufficient amount of financing to refinance the Notes and indebtedness outstanding under our Credit Facility, if any.

Our substantial debt and the terms of such debt, as described in the immediately foregoing paragraphs and elsewhere throughout this report, could have significant effects on our business. See "Risk Factors—Risks Related to Our Capital Structure" which is included elsewhere in this report.

The following table provides a summary of our debt obligations, capital lease obligations, operating lease payments, deferred compensation arrangements and certain other material purchase obligations as of December 31, 2011 for continuing operations. This table excludes other obligations that we may have, such as pension obligations.

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(in millions)		
Contractual cash obligations:					
Long-term debt obligations(1)	$565.0	$ —	$ —	$ —	$ 565.0
Operating leases(2)	4.1	1.3	1.6	1.2	—
Capital expenditures(3)	23.9	23.9	—	—	—
Gaming license fees(4)	52.5	17.5	30.0	5.0	See note(4)
Purchase and other contractual obligations	3.8	2.9	0.9	—	—
Minimum purse obligations(5)	25.0	25.0	—	—	—
Employment agreements(6)	7.1	3.7	3.4	—	—
Total	$681.4	$74.3	$35.9	$6.2	$ 565.0

(1) These amounts, exclusive of the interest component, are included in our consolidated balance sheets, which are included elsewhere in this report. See Note 8 to our consolidated financial statements for additional information about our debt and related matters.

(2) Our operating lease obligations are described in Note 9 to our consolidated financial statements.

(3) This amount relates principally to contractual obligations related to the construction of the video lottery terminal ("VLT") gaming facility at Scioto Downs ($23.1 million) and the construction of two barns at Presque Isle Downs ($0.8 million), pursuant to an agreement with the Pennsylvania Racing Commission.

(4) Includes an annual table gaming license fee of $2.5 million for Mountaineer which is due on July 1st of each year as long as Mountaineer operates table games and the remaining VLT licensing fee for Scioto Downs, for which $15.0 million is payable at the onset of VLT sales and $25.0 million is payable one year after the onset of VLT sales.

(5) Pursuant to an agreement with the Mountaineer Park Horsemen's Benevolent and Protective Association, Inc. and/or in accordance with the West Virginia racing statute, Mountaineer is required to utilize its best efforts to conduct racing for a minimum of 210 days and pay average daily minimum purses established by Mountaineer prior to the first live racing date each year ($119,000 for 2012) for the term of the agreement which expires on December 31, 2012.

(6) Includes base salaries, guaranteed payments and annual targeted incentive amounts.

Capital Expenditures

During the year ended December 31, 2011, additions to property and equipment and other capital projects aggregated $14.9 million, which included $4.6 million related to the purchase of 264 new slot machines, $0.8 million related to various slot theme conversions, $0.4 million related to the addition of the nine-table poker room at Presque Isle Downs, $4.9 million of construction and development costs related to the construction of the new video lottery terminal ("VLT") gaming facility at Scioto Downs, and $0.5 million towards the construction of two new barns at Presque Isle Downs, pursuant to an agreement with the Pennsylvania Racing Commission.

During the year ended December 31, 2011, the West Virginia Racing Commission reimbursed Mountaineer for capital expenditures aggregating $0.4 million. Future reimbursements from the West

Virginia Racing Commission are subject to the availability of racing funds. In addition, West Virginia legislation became effective on July 1, 2011 that created a modernization fund that enables each racetrack to recover (from amounts paid to the West Virginia Lottery Commission, as discussed below) $1 for each $2 expended for certain facility capital improvements having a useful life of more than three years and placed into service after July 1, 2011. Qualifying capital improvements include the purchase of slot machines and related equipment to the extent such slot machines are retained by Mountaineer at its West Virginia location for not less than five years. Each of the four West Virginia racetrack's share of the amounts deposited into the modernization fund will be calculated in the same ratio as each racetrack's apportioned contribution to the West Virginia Lottery Commission's four percent administrative cost fund to the combined amounts paid by the four racetracks. On July 26, 2011, the West Virginia Lottery Commission issued an administrative order which stated that approximately $3.7 million is available to Mountaineer during the state's fiscal year commencing July 1, 2011. Any unexpended balance from a given fiscal year will be available for one additional fiscal year, after which time the remaining unused balance carried forward will be forfeited. During the six months ended December 31, 2011, Mountaineer made eligible purchases of 161 slot machines and certain other eligible gaming equipment aggregating $3.0 million, which qualified for a reimbursement of approximately $1.5 million. This reimbursement amount is reflected as a reduction in the basis of the underlying assets in the consolidated balance sheet as of December 31, 2011.

We anticipate spending up to a total of approximately $9.0 million during 2012 on capital expenditures, exclusive of amounts relating to the VLT gaming facility at Scioto Downs. Expenditures for 2012 are expected to include $2.5 million for slot machines and theme conversions at Mountaineer, $2.5 million for slot machines and theme conversions at Presque Isle Downs, $0.8 million for gaming floor renovations at Mountaineer and $0.8 million to complete the construction of two new barns at Presque Isle Downs.

The construction of the VLT facility at Scioto Downs commenced in December 2011 and is expected to take approximately nine months to complete. The gaming facility build out, which will be in two phases, is expected to encompass approximately 132,000 square feet, including 65,000 square feet of gaming space to accommodate up to 2,500 VLTs and four food and beverage outlets. Development, construction and equipment costs are expected to be approximately $125.0 million over a required three-year period, not including the $50 million license fee. The majority of the development, construction and equipment cost expenditures are expected to occur during 2012. Subject to the conditions placed on the License, we expect that we will open the new facility in the second quarter of 2012 with 1,800 VLTs and the facility will be fully operational in the third quarter of 2012 with approximately 400 additional VLTs. Additionally, there will be a 300-seat buffet, a 100-seat casual dining restaurant, an 82-seat bar/lounge with high-tech sound and lights, and will offer a variety of entertainment options. The existing racetrack will also benefit from a variety of improvements.

Commitments and Contingencies

In June 2011, the Governor of Ohio announced a framework for the expansion of gaming in Ohio including the installation of video lottery terminals ("VLTs") at Ohio's existing horse racetracks, including Scioto Downs. The framework included the below proposed terms for racetrack owners seeking to become VLT sales agents:

- $50.0 million licensing fee ($10.0 million payable upon application, $15.0 million payable at the onset of VLT sales and $25.0 million payable one year after the onset of VLT sales);
- commission for VLT sales agents (the amount of sales revenue the racetrack owners would be permitted to retain) would not exceed 66.5%;

- required investment of at least $150.0 million in the facilities within three (3) years following licensure, including VLT machines, with a maximum credit of $25 million allowed for the value of existing facilities and land;
- facilities would be required to open within three (3) years of license approval;
- the state would consider transferring horse racing permits from current track locations to new temporary locations, which may include the Dayton and Youngstown areas, at a later date;
- VLT sales may not be able to commence prior to VLT licensees reaching an agreement with the horse racing industry on funds to benefit the horse racing industry; and
- for the first ten (10) years of operation, VLT agent licenses would be granted only to horse racing permit holders.

On June 29, 2011, the Ohio legislature approved a bill that would permit any owner of an Ohio racetrack eligible for a permit to operate VLTs to apply to the Ohio State Racing Commission within a two-year period following the effective date of the legislation for a transfer of its racetrack license. To the extent that any such transfer is approved, the owner of such facility will be permitted to operate a temporary facility at its new location while constructing or otherwise preparing its new track. We expect the racetracks will be authorized to have temporary facilities. Any transfer of an existing racetrack license will be subject to payment of a relocation fee and any such temporary facility will be required to meet minimum capital investment and structure requirements, each to be established by the Ohio State Racing Commission. The legislation provides, however, that an owner of an Ohio racetrack located on property owned by a political subdivision may relocate its track to a new location within 20 miles of its current location and such owner may not be charged a relocation fee. One of our competitors, Penn National Gaming, Inc., has already informed the Ohio State Racing Commission that it will seek permission to relocate its Toledo and Columbus racetracks to Youngstown and Dayton. Relocation of an existing racetrack to Youngstown, Ohio will create significant additional competition in one of our primary markets. We expect that such additional competition could have a material adverse effect on our financial conditions and results of operations, particularly on our operations at Mountaineer. However, the impact of such competition could be mitigated, in part, by the positive impact on our financial condition and results of operations by the addition of VLTs at our Scioto Downs property.

In October 2011, the Ohio Lottery Commission approved rules and regulations for licensing VLT operations at Ohio's racetracks. Such rules were implemented by Executive Order by the Governor of Ohio. The majority of the rules have been formally approved and obtained permanent status. Additionally, the Ohio Racing Commission approved emergency rules by executive order that outline the process for existing Ohio racetracks to relocate, subject to payment of a relocation fee. The amount of such fee and other economical benefit data that may be requested has not yet been determined. However, in order to operate VLTs at the racetracks we believe we may need to reach an agreement with the horse racing industry on funds to benefit the industry. We are also under the belief that the State of Ohio reserves the right to determine the terms of such an agreement if one is not reached by the time VLT sales are set to begin. In addition, VLT operations at racetracks are the subject of litigation seeking to prevent such gaming activities, which could delay or potentially halt commencement of VLT operations. Specifically, on October 21, 2011, a lawsuit was filed by a public policy group in Ohio challenging the Ohio Governor and legislature's approval of legislation authorizing VLTs at the racetracks. On December 9, 2011, the Ohio Attorney General, on behalf of the Ohio Governor, filed a motion to dismiss this lawsuit for failure to state a claim upon which relief can be granted, as well as on the grounds that the plaintiffs identified in the lawsuit lack standing to bring their claims. The plaintiffs filed their response on January 23, 2012, and oral arguments have not been scheduled. The Company and other racetracks and casinos filed motions to intervene in this matter and the motions were approved in February 2012. See "Legal Proceedings" which is included elsewhere in this report. Due to the lawsuit and other risk factors described herein, we cannot assure you that the

operation of VLTs at the racetracks, including Scioto Downs, will commence on the terms described above or of the timing of commencement of operations of VLTs at racetracks in Ohio, including Scioto Downs.

Scioto Downs is one of seven racetracks in Ohio that are eligible to apply for a three-year renewable sales agent license to operate a VLT facility at its existing racetrack. For the first ten (10) years, we expect such VLT licenses to be granted only to the existing seven racetracks. On January 25, 2012, we received our Video Lottery Sales Agent License (the "License") at Scioto Downs and submitted our initial $10 million license fee. The License is conditional and permits Scioto Downs to install and operate VLTs subject to compliance with all applicable statutes, regulations and provisions of Scioto Downs' Video Lottery License Application (the "Application") and verification of the Application by the Ohio Lottery Commission prior to Scioto Downs commencing video lottery sales.

The construction of the VLT facility at Scioto Downs commenced in December 2011 and is expected to take approximately nine months to complete. The gaming facility build out, which will be in two phases, is expected to encompass approximately 132,000 square feet, including 65,000 square feet of gaming space to accommodate up to 2,500 VLTs and four food and beverage outlets. Development, construction and equipment costs are expected to be approximately $125.0 million over a required three-year period, not including the $50 million license fee. Subject to the conditions placed on the License, we expect that we will open the new facility in the second quarter of 2012 with 1,800 VLTs and the facility will be fully operational in the third quarter of 2012 with approximately 400 additional VLTs. Additionally, there will be a 300-seat buffet, a 100-seat casual dining restaurant, an 82-seat bar/lounge with high-tech sound and lights, and will offer a variety of entertainment options. The existing racetrack will also benefit from a variety of improvements. However, there can be no assurance as to actual timing of the opening of the facility, which may be affected by a number of factors beyond our control, as discussed above.

While we believe that the approval of VLT gaming at Scioto Downs may positively impact our financial condition and results of operations, we also expect that gaming activity at the planned Ohio casinos and racinos will negatively impact our results of operations at Mountaineer and Presque Isle Downs and that such negative impact may be material. On November 3, 2009, Ohio voters adopted a constitutional amendment (the "Constitutional Amendment") that permits a casino in each of Cleveland, Cincinnati, Toledo and Columbus. A casino in Cleveland will increase competition at both Mountaineer and Presque Isle Downs commencing approximately in mid-2012. A casino in Columbus will increase competition at Scioto Downs. Each casino may have up to 5,000 video lottery terminals ("VLTs") as well as any other casino games authorized in any state that borders Ohio.

Upon commencement of slot operations at Presque Isle Downs, the Pennsylvania Gaming Control Board (the "PGCB") advised Presque Isle Downs that it would receive a one-time assessment of $0.8 million required of each slot machine licensee after commencement of gaming operations. The assessment was paid and represented a prepayment toward the borrowings of the PGCB, the Pennsylvania Department of Revenue and the Pennsylvania State Police (collectively "the borrowers"), which were required to fund the costs they incurred in connection with the initial development of the infrastructure to support gaming operations in Pennsylvania as well as the initial ongoing costs of the borrowers. Based upon correspondence we received from the Pennsylvania Department of Revenue and discussions with the PGCB that additional assessments would be likely, the total prepayment by Presque Isle Downs of $0.8 million was recognized as a gaming assessment and charged to expense during the third quarter of 2010. The initial funding of these costs was provided from a loan from the Pennsylvania General Fund in the amount of approximately $36.1 million, and further funding was provided from additional loans from the Pennsylvania Property Tax Reserve Fund in the aggregate amount of approximately $63.8 million.

The Pennsylvania Department of Revenue will assess all licensees, including Presque Isle Downs, their proportionate share of amounts represented by the borrowings, which are in the aggregate amount of $99.9 million, as a result of gaming operations once the designated number of Pennsylvania's slot machine licensees is operational. For the $63.8 million that was borrowed from the Property Tax Reserve Fund, payment was originally scheduled to begin after the eleventh facility opened while payment of the remaining $36.1 million that was borrowed from the General Fund would commence after all fourteen licensees are operational. On July 11, 2011, the PGCB issued an administrative order which established that payments associated with the $63.8 million that was borrowed from the Property Tax Reserve Fund would commence on January 1, 2012, and would not be dependent on the opening of the eleventh facility. The repayment allocation between all current licensees is based upon equal weighting of (i) cumulative gross slot revenue since inception in relation to the combined cumulative gross slot revenue for all licensees and (ii) single year gross slot revenue (during the state's fiscal year ending June 30) in relation to the combined single year gross slot revenue for all licensees; and amounts paid each year will be adjusted annually based upon changes in the licensee's proportionate share of gross slot revenue. We have estimated that our proportionate share of the aggregate $63.8 million to be assessed to the gaming facilities will be approximately $4.0 million, or 6%, and will be paid quarterly over a ten-year period. For the $36.1 million that was borrowed from the General Fund, payment is still scheduled to begin after all fourteen licensees are operational. Although we cannot determine when payment will begin, we have considered a similar repayment model for the General Fund borrowings and estimated that our proportionate share of the aggregate $36.1 million to all fourteen gaming facilities will approximate $1.9 million, or 5%.

The estimated total obligation in the aggregate amount of approximately $5.9 million has been included in our accompanying consolidated statement of operations as "Regulatory Gaming Assessments" for the year ended December 31, 2011. The recorded estimate will be subject to revision based upon future changes in the revenue assumptions utilized to develop the estimate.

In October 2004, we acquired 229 acres of real property, known as the International Paper site, as an alternative site to build Presque Isle Downs. In October 2005, we sold all but approximately 24 acres of this site for $4.0 million to the Greater Erie Industrial Development Corporation, a private, not-for-profit entity that is managed by the municipality (the "GEIDC"). Although the sales agreement was subject to, among other things, a release (by International Paper Company and the Pennsylvania Department of Environmental Protection (the "PaDEP") of our obligations under the consent order (as discussed below), we waived this closing condition.

In connection with our acquisition of the International Paper site, we entered into a consent order and decree (the "Consent Order") with the PaDep and International Paper insulating us from liability for certain pre-existing contamination, subject to compliance with the Consent Order, which included a proposed environmental remediation plan for the site, which was tied specifically to the use of the property as a racetrack. The proposed environmental remediation plan in the Consent Order was based upon a "baseline environmental report" and management estimated that such remediation would be subsumed within the cost of developing the property as a racetrack. The racetrack was never developed. The GEIDC assumed primary responsibility for the remediation obligations under the Consent Order relating to the property they acquired (approximately 205 acres). The GEIDC agreed to indemnify us for the breach of its obligations under the Consent Order. However, we have been advised by the PaDEP that we have not been released from liability and responsibility under the Consent Order. The GEIDC has begun the necessary remediation activities. We also purchased an Environmental Risk Insurance Policy in the amount of $10 million expiring in 2014 with respect to the property, which we believe is in excess of any exposure that we may have in this matter.

The GEIDC claimed that Presque Isle Downs was obligated to supply approximately 50,500 cubic yards of "clean fill dirt" for the parcel of land of the International Paper site that was previously sold to the GEIDC. Presque Isle Downs has taken the position that it has no such obligation because

(i) any such requirement contained in the sales agreement was merged into the deed delivered at the time of the sale; and (ii) the GEIDC had expressly waived this requirement. However, on December 14, 2011, the Erie County Court of Common Pleas ruled in favor of the GEIDC, awarding them $0.6 million in damages, plus interest. See "Legal Proceedings" which is included elsewhere in this report. Although we plan to appeal the ruling, Presque Isle Downs has accrued approximately $0.7 million, which is reflected as part of accrued liabilities in the accompanying consolidated balance sheet at December 31, 2011.

On March 7, 2008, we sold 100% of the stock of our wholly-owned subsidiaries, Speakeasy Gaming of Fremont, Inc., which owned and operated Binion's Gambling Hall & Hotel located in Las Vegas, Nevada ("Binion's"), and Speakeasy Fremont Experience Operating Company in accordance with the terms of a Stock Purchase Agreement dated June 26, 2007 (as subsequently amended), executed between the Company and TLC Casino Enterprises, Inc. ("TLC"). In connection with our original acquisition of Binion's on March 11, 2004, we provided limited guarantees on certain land leases that expired in March 2010. TLC remained obligated to use its reasonable best efforts to assist us in obtaining releases of these guarantees, to pay the rent underlying the leases we guaranteed on a timely basis, and to indemnify us in the event we were required to pay the land lease obligations pursuant to the guarantees.

Since July 2009, TLC paid only a portion of total monthly rent with respect to one of the leases we guaranteed. Upon the demand of the landlord that we make monthly payments pursuant to our guarantee, we paid the amounts demanded (approximately $0.7 million in the aggregate through March 2010), thus curing the events of default. We demanded reimbursement from TLC, and commenced legal action for indemnification pursuant to the Stock Purchase Agreement. On October 27, 2009, we reached a settlement with TLC whereby TLC agreed to confess judgment as to amounts we paid and amounts that may be paid by us through the expiration of the guarantees, certain legal fees and interest at the rate of 10% on amounts actually paid by us with respect to the rental payments. We agreed to forbear from enforcing the judgment for two years. Through December 31, 2011, TLC reimbursed us $25,000 for legal fees that we had incurred in connection with our collection efforts. Subsequent to December 31, 2011, TLC reimbursed us approximately $867,000 as payment in full on the settlement plus interest. This amount is reflected as part of accounts receivable in the accompanying consolidated balance sheet at December 31, 2011, and as part of income from discontinued operations in the accompanying consolidated statement of operations for the year ended December 31, 2011.

We are faced with certain contingencies involving litigation and environmental remediation and compliance. These commitments and contingencies are discussed in greater detail in "Legal Proceedings" and Note 9 to our consolidated financial statements, both of which are included elsewhere in this report. In addition, new competition may have a material adverse effect on our revenues, and could have a similar adverse effect on our liquidity. See "Risk Factors—Risks Related to Our Business" which is included elsewhere in this report.

Bond Requirements. Mountaineer is required to maintain bonds in the aggregate amount of $1.2 million for the benefit of the West Virginia Lottery Commission and Presque Isle Downs is required to maintain a slot machine payment bond for the benefit of the Commonwealth of Pennsylvania in the amount of $1.0 million. In addition, Presque Isle Downs is also required to maintain a bond in the amount of $500,000 for the benefit of the federal government for environmental matters. The bonding requirements have been satisfied via the issuance of a surety bonds.

Employment, Consulting and Deferred Compensation Agreements. We have entered into employment agreements with our executive officers, other members of management and certain key employees. These agreements generally have two- or three-year terms and typically indicate a base salary and often contain provisions for participation in the Company's annual and long-term incentive plans. The executives and certain other members of management are also entitled to severance payments if terminated without "cause" or upon voluntary termination of employment for "good reason" including following a "change of control" (as these terms are defined in the employment agreements).

Regulation and Taxes. We are subject to extensive regulation by the State of West Virginia Racing and Lottery Commissions, the Pennsylvania Racing Commission and Gaming Authorities and the Ohio Racing and Lottery Commissions. Change in applicable laws or regulations could have a significant impact on our operations.

The gaming industry represents a significant source of tax revenues, particularly to the States of West Virginia and Pennsylvania and their counties and municipalities (and the State of Ohio upon commencement of casino and VLT gaming operations). We pay substantial taxes and fees with respect to our operations. From time to time, federal, state and local legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming and racing industry. Changes in the tax laws or administration of those laws, if adopted, could have a material adverse effect on our business, financial condition and results of operations. However, it is not possible to determine with certainty the likelihood of changes in tax laws or in the administration of such laws. We believe that recorded tax balances are adequate.

Outstanding Options and Restricted Stock Units

On January 10, 2011, we granted, pursuant to the execution of an employment agreement with our President and Chief Executive Officer, nonqualified stock options to purchase a total of 150,000 shares of the Company's common stock, one-third of which vested and became exercisable on the date of grant, and the remaining two-thirds of which will vest and become exercisable in equal installments on the first and second anniversaries of the effective date of the employment agreement, subject to continued employment with the Company as of each of the applicable vesting dates.

On January 21, 2011, as a result of the termination of an executive officer, 125,000 restricted stock units and a cash award of $93,500 vested and became non-forfeitable upon termination, pursuant to the Restricted Stock and Cash Award Agreement dated January 22, 2010.

On January 28, 2011, the Compensation Committee of the Board of Directors of the Company approved the grant of (i) nonqualified stock options to purchase a total of 340,500 shares of the Company's common stock; (ii) a total of 113,600 restricted stock units ("RSUs"); and (iii) cash-based performance awards totaling $604,700 to executive officers and certain key employees under the Company's 2010 Long-Term Incentive Plan (the "2010 Plan"). The stock options will vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. Further, all unvested options will fully vest and become exercisable immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The RSUs will vest and become non-forfeitable upon the third anniversary of the date of grant; and all unvested RSUs will vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The cash-based performance awards are contingent upon the achievement of differing levels of performance (as defined) and are measured by the level of the Company's Corporate Free Cash Flow (as defined) over a one-year Performance Period, which is defined as calendar year 2011. The performance award levels were achieved for 2011, and the awards earned will vest and become payable at the end of the Vesting Period, defined as the two calendar year period following the Performance Period. The earned awards also vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company.

On March 28, 2011, in connection with the termination of a key employee, 51,433 RSUs, 54,200 stock options and cash awards of $121,300 were forfeited.

On May 4, 2011, the Compensation Committee of the Board of Directors of the Company approved the grant of (i) nonqualified stock options to purchase a total of 46,500 shares of the

Company's common stock; (ii) a total of 15,600 RSUs; and (iii) a cash-based performance award totaling $100,000 to an executive officer under the 2010 Plan. The stock options will vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. Further, all unvested options will fully vest and become exercisable immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The RSUs will vest and become non-forfeitable upon the third anniversary of the date of grant; and all unvested RSUs will vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The cash-based performance awards are contingent upon the achievement of differing levels of performance (as defined) and are measured by the level of the Company's Corporate Free Cash Flow (as defined) over a one-year Performance Period, which is defined as calendar year 2011. The performance award levels were achieved for 2011, and the awards earned will vest and become payable at the end of the Vesting Period, defined as the two calendar year period following the Performance Period. The earned awards also vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company.

On August 12, 2011, pursuant to the 2010 Plan and approved by the Compensation Committee of the Board of Directors, each of the Company's six non-employee directors were granted 19,500 RSUs. The RSUs vested immediately and will be delivered upon the date that is the earlier of termination of service on the Board of Directors or the consummation of a change of control of the Company.

On January 27, 2012, the Compensation Committee of the Board of Directors of the Company approved the grant of (i) nonqualified stock options to purchase a total of 354,900 shares of the Company's common stock; (ii) a total of 118,200 RSUs; and (iii) cash-based performance awards totaling $637,500 to executive officers and certain key employees under the 2010 Plan. The stock options will vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. Further, all unvested options will fully vest and become exercisable immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The RSUs will vest and become non-forfeitable upon the third anniversary of the date of grant; and all unvested RSUs will vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The cash-based performance awards are contingent upon the achievement of differing levels of performance (as defined) and are measured by the level of the Company's Corporate Free Cash Flow (as defined) over a one-year Performance Period, which is defined as calendar year 2012. The awards earned, if any, will vest and become payable at the end of the Vesting Period, defined as the two calendar year period following the Performance Period. The earned awards also vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company.

As of March 12, 2012, there were outstanding 628,000 RSUs and options to purchase 1,130,700 shares of our common stock. If all such stock options were exercised, we would receive proceeds of approximately $5.5 million. We utilize the treasury stock method in determining the dilutive effect of outstanding stock options and RSUs. Our basic earnings per share is computed as net income (loss) available to common stockholders divided by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock options and RSUs utilizing the treasury stock method. Diluted earnings per share is calculated by using the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of these occurrences.

Critical Accounting Policies

Our significant accounting policies are included in Note 2 to our consolidated financial statements which is included elsewhere in this report. These policies, along with the underlying assumptions and judgments made by our management in their application, have a significant impact on our consolidated financial statements. These judgments are subject to an inherent degree of uncertainty and actual results could differ from our estimates.

Revenue Recognition. Gaming revenues consist of the net win from gaming activities, which is the difference between amounts wagered and amounts paid to winning patrons, and is recognized at the time wagers are made net of winning payouts to patrons. Pari-mutuel commissions consist of commissions earned from thoroughbred and harness racing, and importing of simulcast signals from other race tracks. Pari-mutuel commissions are recognized at the time wagers are made. Such commissions are a designated portion of the wagering handle as determined by state racing commissions, and are shown net of the taxes assessed by state and local agencies, as well as purses and other contractual amounts paid to horsemen associations. We recognize revenues from fees earned through the exporting of simulcast signals to other race tracks at the time wagers are made. Such fees are based upon a predetermined percentage of handle as contracted with the other race tracks. Revenues from food and beverage are recognized at the time of sale and revenues from lodging are recognized on the date of stay. Other revenues are recorded at the time services are rendered or merchandise sold. We offer certain promotional allowances to our customers, including complimentary lodging, food and beverage, and promotional credits for free play on slot machines. The retail value of these promotional items is shown as a deduction from total revenues on our consolidated statements of operations.

Impairment of Goodwill and Other Intangible Assets. We review the carrying value of our goodwill, if any, and indefinite-lived intangible assets annually. Unforeseen events, changes in circumstances and market conditions and material differences in estimates of future cash flows could negatively affect the fair value of our assets and result in an impairment charge. Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties. Fair value can be estimated utilizing a number of techniques including quoted market prices, prices for comparable assets, or other valuation processes involving estimates of cash flows, multiples of earnings or revenues. Management must make various assumptions and estimates when performing its impairment assessments, particularly as it relates to cash flows and asset performance. Cash flow estimates are, by their nature, subjective and actual results may differ materially from the estimates. Cash flow estimates include assumptions regarding factors such as recent and budgeted operating performance, net win per unit (revenue), patron visits, growth percentages, operating margins, and current regulatory, social and economic climates. These estimates could also be negatively impacted by changes in federal, state, or local regulations, economic downturns or developments, other market conditions affecting travel and access to the properties.

The fair value measurements employed for our impairment evaluations of goodwill and other indefinite-lived intangible assets were generally based on a discounted cash flow approach and review of market data, which falls within Level 3 of the fair value hierarchy. In accordance with the requirements of ASC 350, *Intangibles—Goodwill and Other*, we performed the annual impairment tests of our other intangible assets as of December 31, 2011. At January 1, 2011, goodwill of approximately $494,000 existed at Presque Isle Downs and was associated with the 2007 acquisition of an off-track wagering facility in Erie, Pennsylvania. The carrying value of the net assets of Presque Isle Downs is negative (which is attributed primarily to debt incurred in connection with the original construction of the casino and race track). At December 31, 2010, this resulted in a reporting unit fair value in excess of carrying value, thus precluding further analysis pursuant to Step 2 under ASC 350, prior to the adoption of ASU 2010-28—*When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* ("ASU 2010-28"). Upon adoption of ASU 2010-28, on

January 1, 2011, we reassessed the Presque Isle Downs goodwill impairment test, including allocation of the fair value of the reporting unit to the various tangible and intangible assets and liabilities of Presque Isle Downs, we concluded that the goodwill was impaired. Impairment was recorded through an adjustment to decrease beginning retained earnings of approximately $289,000 (net of $205,000 of deferred income taxes) at January 1, 2011, to reflect the adoption of ASU 2010-28 and the corresponding impairment of the Presque Isle Downs' goodwill. For the year ended December 31, 2011, we determined that was no impairment of other indefinite-lived intangible assets based upon results of impairment evaluations.

Property and Equipment. Property and equipment are recorded at cost, less accumulated depreciation. Expenditures for major renewals and betterments that significantly extend the useful life of existing property and equipment are capitalized and depreciated, while expenditures for routine repairs and maintenance are expensed as incurred. We capitalize direct materials, labor and interest during construction periods. Gains or losses on the disposal of property and equipment are included in operating income. Depreciation, which includes amortization of assets under capital leases, if any, is computed using the straight-line method over their useful lives. We make judgments in determining the estimated useful lives and salvage values of assets. Interest is allocated and capitalized to construction in progress by applying our cost of borrowing rate to qualifying assets. Property, equipment and other long-lived assets are assessed for impairment in accordance with ASC 360—*Property, Plant, and Equipment*. For assets to be disposed of, impairment is recognized based on the lower of carrying value or fair value less costs of disposal, as estimated based on comparable asset sales, offers received, or a discounted cash flow model. Assets to be held and used are reviewed for impairment whenever indicators of impairment exist. The estimated future cash flows of the asset, on an undiscounted basis, are compared to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment is recorded based on the fair value of the asset, typically measured using a discounted cash flow model (Level 3).

For undeveloped properties, including non-operating real properties, when indicators of impairment are present, properties are evaluated for impairment and losses are recorded when undiscounted cash flows estimated to be generated by an asset or market comparisons are less than the asset's carrying amount. The amount of the impairment loss is calculated as the excess of the asset's carrying value over its fair value, which is determined using a discounted cash flow analysis, management estimates or market comparisons. The fair value measurements employed for our impairment evaluations, which are subject to the assumptions and factors as previously discussed, were generally based on a review of comparable activities in the marketplace, which falls within Level 3 of the fair value hierarchy.

For each of the three years in the period ended December 31, 2011, we had substantially all non-operating real properties appraised by an independent appraisal company. As a result, we adjusted the carrying values of the assets, recognizing losses in the aggregate amount of $0.7 million during the year ended December 31, 2011, and $10.4 million during the year ended December 31, 2009. Based upon the results of the 2010 appraisals, no adjustments to the carrying value of non-operating real property were necessary for the year ended December 31, 2010. We do not anticipate that we will be able to sell the majority of these assets within the next twelve months. As such, these properties are not classified as held-for-sale as of December 31, 2011 and 2010.

Frequent Players Program. We offer programs whereby our participating patrons can accumulate points for wagering that can be redeemed for credits for free play on slot machines, lodging, food and beverage, merchandise and in limited situations, cash. Based upon the estimated redemptions of frequent player program points, an estimated liability is established for the cost of redemption on earned but unredeemed points. The estimated cost of redemption utilizes estimates and assumptions of the mix of the various product offerings for which the points will be redeemed and costs of such

product offerings. Changes in the programs, membership levels and redemption patterns of our participating patrons can impact this liability. The aggregate outstanding liability for the frequent players program approximated $568,000 and $667,000 at December 31, 2011 and 2010, respectively, and is included as a component of other accrued liabilities in our accompanying consolidated balance sheets.

Casino Jackpot Liabilities. In April 2010, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update No. 2010-16, *Entertainment—Casinos (Topic 924): Accruals for Casino Jackpot Liabilities* ("ASU 2010-16"). ASU 2010-16 codified the consensus reached in Emerging Issues Task Force Issue No. 09-F, "Casino Base Jackpot Liabilities." ASU 2010-16 amended the FASB Accounting Standards Codification™ to clarify that an entity should not accrue jackpot liabilities, or portions thereof, before a jackpot is won if the entity can avoid paying the jackpot. Jackpots should be accrued and charged to revenue when an entity has the obligation to pay the jackpot. The guidance in this ASU applies to both base and progressive jackpots. We adopted the amendments in this ASU effective January 1, 2011.

We analyzed the gaming regulations within each of our key jurisdictions to ascertain the necessary adjustments to be made to our financial records associated with the adoption of ASU 2010-16. Based upon our assessment of those regulations, we determined that an increase in the progressive jackpot liability was required for our Mountaineer property and a decrease in the progressive jackpot liability was required for our Presque Isle Downs property. On a combined basis, the adoption resulted in a net decrease in the progressive jackpot liability of approximately $184,000. The amendments, resulting from the adoption of ASU 2010-16, were applied by recording a cumulative-effect adjustment of approximately $7,000 to increase beginning retained earnings (net of $61,000 of deferred income taxes and $116,000 of deferred gaming taxes) at January 1, 2011.

Income Taxes. We compute our annual tax rate based on the statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we earn income. Significant judgment is required in determining our annual tax rate and in evaluating uncertainty in our tax positions. We recognize a benefit for tax positions that we believe will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that we believe has more than a 50% probability of being realized upon settlement. We regularly monitor our tax positions and adjust the amount of recognized tax benefit based on our evaluation of information that has become available since the end of our last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. The difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting represents unrecognized tax benefits. These unrecognized tax benefits are presented in the balance sheet principally within accrued income taxes.

We account for income taxes and the related accounts under the liability method. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted rates expected to be in effect during the year in which the basis differences reverse.

We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, we consider future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, we would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income. As of December 31, 2011, we have a valuation allowances aggregating $24.8 million principally related to certain federal and state net operating loss carryforwards.

Interest and tax-related penalties associated with uncertain tax positions are included in benefit for income taxes in the accompanying consolidated statement of operations.

The Company and its subsidiaries file a consolidated federal income tax return. We are no longer subject to federal and state income tax examinations for years before 2004.

Stock-Based Compensation. We account for stock-based compensation in accordance with ASC 718—*Compensation—Stock Compensation*. ASC 718 requires all share-based payments to employees, including grants of employee stock options and restricted stock units, to be recognized in the consolidated statement of operations based on their fair values and that compensation expense be recognized for awards over the requisite service period of the award or to an employee's eligible retirement date, if earlier. Determining the fair value of stock-based awards at the grant date requires judgment including estimating the expected term that stock options will be outstanding prior to exercise and the associated volatility. We used the simplified method for estimating expected option life and historic volatility for estimating volatility. During the years ended December 31, 2011 and 2010, we recorded stock-based compensation expense of approximately $1.3 million and $0.7 million, respectively.

Recently Issued Accounting Pronouncements

In June 2011, the FASB issued new guidance to increase the prominence of other comprehensive income in financial statements. This guidance provides the option to present the components of net income and comprehensive income in either one single statement or in two consecutive statements reporting net income and other comprehensive income. This guidance will be effective for the Company beginning in fiscal year 2012. Other than change in presentation, the adoption of this guidance will not have an impact on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to changes in interest rates primarily from our variable rate long-term debt arrangements. However, with the issuance of the fixed rate Senior Secured Second Lien Notes due 2019, our exposure to interest rate changes will be limited to amounts which may be outstanding under our Credit Facility (See "Management's Discussion and Analysis of Financial Condition and Results of Operations—*Liquidity and Sources of Capital*" which is included elsewhere in this report).

Depending upon the amounts outstanding under our Credit Facility a hypothetical 100 basis point (1%) change in interest rates would result in an annual interest expense change of up to approximately $200,000, assuming that the entire amount of borrowings permitted under the Credit Facility was outstanding.

At December 31, 2011, the fair value of amounts outstanding under our Credit Facility and other long-term debt approximates the carrying value, except for our Senior Secured Second Lien Notes for which the fair value was determined based upon level 2 inputs (as defined by ASC 820, *Fair Value Measurements and Disclosures*) including quoted market prices and bond terms and conditions. The aggregate fair value of the Senior Secured Second Lien Notes was $473.2 million at December 31, 2011.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements and accompanying footnotes are set forth on pages F-1 through F-[xx] of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports that we file under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, evaluated and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2011. They have concluded that our disclosure controls and procedures are effective to ensure that the information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized, evaluated and reported within the time periods specified in SEC rules and forms.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)). There are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of controls. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Accordingly, our internal controls over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management conducted an evaluation and assessed the effectiveness of our internal control over financial reporting as of December 31, 2011, based upon the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation and assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2011, to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this Form 10-K, has issued an attestation report on the Company's internal control over financial reporting. Ernst & Young LLP's attestation report on the Company's internal control over financial reporting is included in this Form 10-K.

Changes in Internal Controls

There were no significant changes in our internal control over financial reporting that occurred during the last fiscal quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
MTR Gaming Group, Inc.

We have audited MTR Gaming Group, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). MTR Gaming Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, MTR Gaming Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of MTR Gaming Group, Inc. as of December 31, 2011 and 2010 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2011 of MTR Gaming Group, Inc. and our report dated March 15, 2012 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Pittsburgh, Pennsylvania
March 15, 2012

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item is hereby incorporated by reference to our definitive Proxy Statement for our 2012 Annual Meeting of Stockholders (our "2012 Proxy Statement") to be filed with the Securities and Exchange Commission no later than April 30, 2012, pursuant to Regulation 14A under the Securities Act.

We have adopted a code of ethics and business conduct applicable to all directors and employees, including the chief executive officer, chief financial officer and principal accounting officer. The code of ethics and business conduct is posted on our website, http://www.mtrgaming.com (accessible through the "Corporate Governance" caption of the Investor Relations page) and a printed copy will be delivered on request by writing to the corporate secretary at MTR Gaming Group, Inc., c/o corporate secretary, P.O. 356, Chester, West Virginia, 26034. We intend to satisfy the disclosure requirement regarding certain amendments to, or waivers from, provisions of its code of ethics and business conduct by posting such information on our website.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is hereby incorporated by reference to our 2012 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2012, pursuant to Regulation 14A under the Securities Act.

ITEM 12. STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item is hereby incorporated by reference to our 2012 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2012, pursuant to Regulation 14A under the Securities Act.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information required by this Item is hereby incorporated by reference to our 2012 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2012, pursuant to Regulation 14A under the Securities Act.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is hereby incorporated by reference to our 2012 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2012, pursuant to Regulation 14A under the Securities Act.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL SCHEDULES.

(a) Financial Statements (Included in Part II of this report):

Schedule II—Valuation Allowances for the years ended December 31, 2011, 2010, and 2009.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(b) Exhibits:

EXHIBIT NO.	ITEM TITLE
3.1	Restated Certificate of Incorporation for Winner's Entertainment, Inc. dated August, 17, 1993 (incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended December 31, 1993).
3.2	Certificate of Amendment to the Restated Certificate of Incorporation of MTR Gaming Group, Inc. dated August 5, 2010 (incorporated by reference to our Quarterly Report on Form 10-Q filed on August 9, 2010).
3.3	Amended Bylaws (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2009).
3.4	Certificate of Amendment of Restated Certificate of Incorporation of Winner's Entertainment, Inc. dated October 10, 1996 (incorporated by reference to our Current Report on Form 8-K filed on November 1, 1996).
4.1	Supplemental Indenture dated as of August 1, 2011, by and between the Company, certain of its wholly-owned subsidiaries (as guarantors) and Wilmington Trust, National Association (successor by merger to Wilmington Trust FSB) (the 2014 Notes Supplemental Indenture) (incorporated by reference to our current report on Form 8-K filed on August 3, 2011).
4.2	Supplemental Indenture dated as of August 1, 2011, by and between the Company, certain of its wholly-owned subsidiaries (as guarantors) and Wilmington Trust Company (the 2012 Notes Supplemental Indenture) (incorporated by reference to our current report on Form 8-K filed on August 3, 2011).
4.3	Indenture dated as of August 1, 2011, by and between the Company, certain of its wholly-owned subsidiaries (as guarantors) and Wilmington Trust, National Association (incorporated by reference to our current report on Form 8-K filed on August 3, 2011).

EXHIBIT NO.	ITEM TITLE
10.1	Credit Agreement dated as of August 1, 2011, by and between the Company, JPMorgan Chase Bank, N.A., as administrative agent, Mountaineer Park, Inc., Presque Isle Downs, Inc., and Scioto Downs, Inc. and the lenders party thereto (incorporated by reference to our current report on Form 8-K filed on August 3, 2011).
10.2	Agreement dated November 1, 2008 between Mountaineer Park, Inc. and Racetrack Employees Union Local No. 101 [Schedules omitted] (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2009).
10.3	Agreement dated December 31, 2009 by and between Mountaineer Park, Inc. and Mountaineer Park Horsemen's Benevolent and Protective Association, Inc. (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2010).
10.4	Agreement dated February 22, 2007 by and between Presque Isle Downs, Inc. and the Pennsylvania Horsemen's Benevolent and Protective Association Inc. (incorporated by reference to our Annual Report on Form 10-K filed on April 2, 2007).
10.5	Employment Agreement, dated as of January 6, 2011, by and between MTR Gaming Group, Inc. and Jeffrey J. Dahl (incorporated by reference to our Current Report on Form 8-K filed on January 10, 2011).
10.6	First Amendment to Employment Agreement, dated as of January 6, 2011, by and between MTR Gaming Group, Inc. and Jeffrey J. Dahl (incorporated by reference to our Current Report on Form 8-K filed on December 7, 2011).
10.7	Employment Agreement, dated as of March 30, 2011, by and between MTR Gaming Group, Inc. and Joseph L. Billhimer (incorporated by reference to our current report on Form 8-K filed on April 4, 2011).
10.8	First Amendment to Employment Agreement, dated as of March 30, 2011, by and between MTR Gaming Group, Inc. and Joseph L. Billhimer (incorporated by reference to our Current Report on Form 8-K filed on December 7, 2011).
10.9	Employment Agreement, dated as of November 5, 2010, by and between MTR Gaming Group, Inc. and John W. Bittner, Jr. (incorporated by reference to our Current Report on Form 8-K filed on November 9, 2010).
10.10	Employment Agreement, effective as of December 16, 2010, by and between MTR Gaming Group, Inc. and Narciso A. Rodriguez-Cayro (incorporated by reference to our Current Report on Form 8-K filed on December 22, 2010).
10.11	Employment Agreement, dated as of December 15, 2010, by and between Presque Isle Downs, Inc., a wholly-owned subsidiary of MTR Gaming Group, Inc., and Fred A. Buro (filed herewith).
10.12	First Amendment to Employment Agreement, dated as of December 15, 2010, by and between MTR Gaming Group, Inc. and Fred A. Buro (incorporated by reference to our Current Report on Form 8-K filed on December 7, 2011).
10.13	MTR Gaming Group, Inc. Executive Medical Reimbursement Plan Document and Summary (incorporated by reference to our Current Report on Form 8-K filed on December 30, 2011).
10.14	2010 Long-Term Incentive Plan (incorporated by reference to our Quarterly Report on Form 10-Q filed on August 9, 2010).

EXHIBIT NO.	ITEM TITLE
10.15	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2010 Long-Term Incentive Plan) (incorporated by reference to our Quarterly Report on Form 10-Q filed on August 9, 2010).
10.16	Form of Nonqualified Stock Option Award Agreement (2010 Long-Term Incentive Plan) (incorporated by reference to our Current Report on Form 8-K filed on February 3, 2011).
10.17	Form of Restricted Stock Unit Award Agreement (2010 Long-Term Incentive Plan) (incorporated by reference to our Current Report on Form 8-K filed on February 3, 2011).
10.18	Form of Cash-Based Performance Award Agreement (2010 Long-Term Incentive Plan) (incorporated by reference to our Current Report on Form 8-K filed on February 3, 2011).
14.1	Code of Ethics and Business Conduct of the Company (incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended December 31, 2003).
14.2	Amendment to the Company's Code of Ethics and Business Conduct (incorporated by reference to our Current Report on Form 8-K filed on April 24, 2007).
21.1	Subsidiaries of the Registrant (filed herewith).
23.1	Consent of Ernst & Young LLP (filed herewith).
31.1	Certification of Jeffrey J. Dahl pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of John W. Bittner, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Jeffrey J. Dahl in accordance with 18 U.S.C. Section 1350 (filed herewith).
32.2	Certification of John W. Bittner Jr. in accordance with 18 U.S.C. Section 1350 (filed herewith).
101.1	XBRL Instance Document
101.2	XBRL Taxonomy Extension Schema Document
101.3	XBRL Taxonomy Extension Calculation Linkbase Document
101.4	XBRL Taxonomy Extension Definition Linkbase Document
101.5	XBRL Taxonomy Extension Label Linkbase Document
101.6	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MTR GAMING GROUP, INC.

By: /s/ JEFFREY J. DAHL
Jeffrey J. Dahl
President, Chief Executive Officer and Director

Date: March 15, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the date indicated.

Name	Capacity	
/s/ JEFFREY J. DAHL Jeffrey J. Dahl	President, Chief Executive Officer and Director	March 15, 2012
/s/ STEVEN M. BILLICK Steven M. Billick	Chairman	March 15, 2012
/s/ ROBERT A. BLATT Robert A. Blatt	Director	March 15, 2012
/s/ JAMES V. STANTON James V. Stanton	Director	March 15, 2012
/s/ RICHARD DELATORE Richard Delatore	Director	March 15, 2012
/s/ RAYMOND K. LEE Raymond K. Lee	Director	March 15, 2012
/s/ ROGER P. WAGNER Roger P. Wagner	Director	March 15, 2012
/s/ JOHN W. BITTNER, JR. John W. Bittner, Jr.	Executive Vice President and Chief Financial Officer	March 15, 2012

MTR GAMING GROUP, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
MTR Gaming Group, Inc.

We have audited the accompanying consolidated balance sheets of MTR Gaming Group, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MTR Gaming Group, Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), MTR Gaming Group, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2012 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Pittsburgh, Pennsylvania
March 15, 2012

MTR GAMING GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share amounts)

	December 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 85,585	$ 53,820
Restricted cash	1,146	1,143
Accounts receivable, net of allowance for doubtful accounts of $383 in 2011 and $386 in 2010	4,554	2,790
Amounts due from West Virginia Lottery Commission	122	—
Inventories	3,503	3,476
Deferred financing costs	1,622	4,106
Deferred income taxes	494	—
Prepaid expenses and other current assets	5,366	5,177
Total current assets	102,392	70,512
Property and equipment, net	299,579	314,484
Funds held for construction project	130,114	—
Goodwill	—	494
Other intangible assets	85,577	85,529
Deferred financing costs, net of current portion	9,919	8,113
Deposits and other	1,902	1,984
Non-operating real property	11,207	12,215
Assets of discontinued operations	181	178
Total assets	$640,871	$493,509
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,461	$ 1,887
Accounts payable—gaming taxes and assessments	8,854	7,968
Accrued payroll and payroll taxes	4,114	3,861
Accrued interest	27,072	16,702
Accrued income taxes	958	546
Other accrued liabilities	10,741	9,052
Construction project and equipment liabilities	3,732	136
Deferred income taxes	—	64
Current portion of long-term debt	—	1,255
Liabilities of discontinued operations	223	217
Total current liabilities	57,155	41,688
Long-term debt, net of current portion	548,933	376,830
Other regulatory gaming assessments	5,408	—
Deferred income taxes	11,048	6,756
Total liabilities	622,544	425,274
Stockholders' equity:		
Common stock, $.00001 par value; 100,000,000 shares authorized; 27,656,019 shares issued and outstanding at December 31, 2011 and 27,475,260 shares issued and outstanding at December 31, 2010	—	—
Additional paid-in capital	62,804	61,910
(Accumulated deficit) retained earnings	(44,288)	6,359
Accumulated other comprehensive loss	(404)	(251)
Total stockholders' equity of MTR Gaming Group, Inc.	18,112	68,018
Non-controlling interest of discontinued operations	215	217
Total stockholders' equity.	18,327	68,235
Total liabilities and stockholders' equity	$640,871	$493,509

See accompanying notes to consolidated financial statements.

MTR GAMING GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share amounts)

	Years Ended December 31,		
	2011	2010	2009
Revenues:			
Gaming	$ 385,300	$ 382,514	$ 400,583
Pari-mutuel commissions	10,206	11,181	12,806
Food, beverage and lodging	32,617	32,265	31,973
Other	11,058	8,737	8,764
Total revenues	439,181	434,697	454,126
Less promotional allowances	(11,095)	(9,806)	(9,971)
Net revenues	428,086	424,891	444,155
Operating expenses:			
Costs of operating departments:			
Gaming			
Operating	238,343	238,594	251,106
Other regulatory assessments	5,925	800	—
Pari-mutuel commissions	11,411	11,276	12,524
Food, beverage and lodging	23,701	23,249	23,613
Other	6,271	6,144	6,238
Marketing and promotions	12,609	12,788	19,646
General and administrative	52,963	54,068	66,748
Project opening costs	197	1,365	—
Depreciation	27,939	28,733	29,279
Impairment loss	685	40	11,945
Loss on sale or disposal of property	470	75	209
Total operating expenses	380,514	377,132	421,308
Operating income	47,572	47,759	22,847
Other (expense) income:			
Other	—	—	(39)
Interest income	145	37	467
Interest expense	(60,159)	(54,120)	(45,233)
Loss on debt modification and extinguishment	(34,364)	—	(3,105)
Loss from continuing operations before income taxes	(46,806)	(6,324)	(25,063)
(Provision) benefit for income taxes	(4,347)	1,361	1,365
Loss from continuing operations	(51,153)	(4,963)	(23,698)
Discontinued operations:			
Income (loss) from discontinued operations before income taxes and non-controlling interest	787	(234)	(2,445)
Benefit for income taxes	—	82	3,619
Income (loss) from discontinued operations before non-controlling interest	787	(152)	1,174
Non-controlling interest	1	(1)	(14)
Income (loss) from discontinued operations	788	(153)	1,160
Net loss	$ (50,365)	$ (5,116)	$ (22,538)
Net loss per share—basic:			
Loss from continuing operations	$ (1.84)	$ (0.18)	$ (0.86)
Income (loss) from discontinued operations	0.03	(0.01)	0.04
Basic net loss per share	$ (1.81)	$ (0.19)	$ (0.82)
Net loss per share—diluted:			
Loss from continuing operations	$ (1.84)	$ (0.18)	$ (0.86)
Income (loss) from discontinued operations	0.03	(0.01)	0.04
Diluted net loss per share	$ (1.81)	$ (0.19)	$ (0.82)
Weighted average number of shares outstanding:			
Basic	27,835,649	27,549,546	27,475,260
Diluted	27,835,649	27,549,546	27,475,260

See accompanying notes to consolidated financial statements.

MTR GAMING GROUP, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(dollars in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balances, December 31, 2008	27,475,260	$—	$61,774	$ 34,013	$(386)	$ 95,401
Net loss	—	—	—	(22,538)	—	(22,538)
Pension other comprehensive income, net of tax benefit of $46	—	—	—	—	86	86
Comprehensive loss						(22,452)
Stock-based compensation	—	—	108	—	—	108
Balances, December 31, 2009	27,475,260	—	61,882	11,475	(300)	73,057
Net loss	—	—	—	(5,116)	—	(5,116)
Pension other comprehensive income, net of tax of $26	—	—	—	—	49	49
Comprehensive loss						(5,067)
Stock-based compensation	—	—	28	—	—	28
Balances, December 31, 2010	27,475,260	—	61,910	6,359	(251)	68,018
Net loss	—	—	—	(50,365)	—	(50,365)
Cumulative effect of accounting change, net of tax of $144	—	—	—	(282)	—	(282)
Pension other comprehensive income, net of tax benefit of $82	—	—	—	—	(153)	(153)
Comprehensive loss						(50,800)
Stock-based compensation	180,759	—	894	—	—	894
Balances, December 31, 2011	27,656,019	$—	$62,804	$(44,288)	$(404)	$ 18,112

See accompanying notes to consolidated financial statements.

MTR GAMING GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Years ended December 31,		
	2011	2010	2009
Cash flows from operating activities:			
Net loss	$ (50,365)	$ (5,116)	$ (22,538)
Adjustments to reconcile net loss to net cash provided by net operating activities:			
Depreciation	27,939	28,733	29,279
Amortization of deferred financing fees and original issue discount	5,470	6,613	5,447
Loss on debt modification and extinguishment	34,364	—	3,105
Impairment loss	685	40	11,945
Bad debt expense	109	209	437
Stock-based compensation expense	947	606	108
Deferred income taxes	3,878	(1,697)	5,692
(Decrease) increase in long-term deferred compensation	—	—	(359)
Loss on the sale or disposal of property	470	75	209
Change in operating assets and liabilities:			
Accounts receivable	(1,873)	(358)	4,639
Prepaid income taxes	—	9,209	(1,604)
Other current assets	(370)	3,322	12,027
Accounts payable	(57)	675	(4,719)
Accrued liabilities	12,207	(44)	(5,425)
Other regulatory gaming assessments	5,925	—	—
Accrued income taxes	412	—	—
Net cash provided by continuing operating activities	39,741	42,267	38,243
Net cash provided by (used in) discontinued operating activities	1	(12)	(410)
Net cash provided by operating activities	39,742	42,255	37,833
Cash flows from investing activities:			
Decrease in deposits and other	82	2,608	390
(Increase) decrease in restricted cash	(3)	(660)	446
Funds held for construction project	(130,114)	—	—
Proceeds from the sale of property and equipment	96	314	192
Proceeds from the sale of non-operating real property	424	1,370	—
Reimbursement of capital expenditures from West Virginia regulatory authorities	1,830	5,162	—
Capital expenditures	(11,349)	(16,448)	(12,179)
Payment of Pennsylvania table games license and related fees	(48)	(16,508)	—
Net cash used in continuing investing activities	(139,082)	(24,162)	(11,151)
Cash flows from financing activities:			
Proceeds from credit facility	—	10,000	—
Proceeds from issuance of equipment financing and long-term debt	—	679	14,238
Proceeds from issuance of Senior Secured Second Lien Notes	548,050	—	—
Proceeds from issuance of Senior Secured Notes	—	—	247,720
Principal payments on long-term debt and capital lease obligations	(1,866)	(17,597)	(26,317)
Financing costs paid	(12,217)	(2,110)	(13,980)
Payment of debt extinguishment costs	(619)	—	—
Repurchase of Senior Subordinated Notes	(125,247)	—	—
Repurchase of Senior Secured Notes	(276,996)	—	—
Repurchase of Senior Unsecured Notes	—	—	(130,650)
Repayment of senior secured revolving credit facility	—	—	(101,949)
Net cash provided by (used in) continuing financing activities	131,105	(9,028)	(10,938)
Net increase in cash and cash equivalents	31,765	9,065	15,744
Cash and cash equivalents, beginning of year	53,820	44,755	29,011
Cash and cash equivalents, end of year	$ 85,585	$ 53,820	$ 44,755
Cash paid during the year for:			
Interest paid	$ 44,319	$ 45,052	$ 27,972
Income taxes refunded	$ —	$ (8,930)	$ (9,071)

See accompanying notes to consolidated financial statements.

1. BUSINESS AND BASIS OF PRESENTATION

MTR Gaming Group, Inc. (the "Company" or "we"), a Delaware corporation, owns and operates racetrack, gaming and hotel properties in West Virginia, Pennsylvania, and Ohio.

The Company, through its wholly-owned subsidiaries, owns and operates Mountaineer Casino, Racetrack & Resort in Chester, West Virginia ("Mountaineer"); Presque Isle Downs & Casino in Erie, Pennsylvania ("Presque Isle Downs"); and Scioto Downs Casino and Racetrack in Columbus, Ohio ("Scioto Downs"). Scioto Downs, through its subsidiary RacelineBet, Inc., also operates Racelinebet.com, a national account wagering service that offers online and telephone wagering on horse races as a marketing affiliate of TwinSpires.com, an affiliate of Churchill Downs, Inc.

Through May 27, 2009, our wholly-owned subsidiary, MTR-Harness, Inc., owned a 50% interest in North Metro Harness Initiative, LLC ("North Metro"), which operates Running Aces Harness Park in Anoka County, Minnesota. As discussed in Note 4, we relinquished our interest in North Metro to North Metro's lender pursuant to a settlement agreement with North Metro's lender executed on May 27, 2009. The assets, liabilities, operating results and cash flows of MTR-Harness, Inc. and its interest in North Metro are reflected as discontinued operations.

We have evaluated all subsequent events through the date the financial statements were issued. No material recognized or non-recognized subsequent events were identified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company as described in Note 1. All significant intercompany transactions have been eliminated in consolidation. Non-controlling interests represent the proportionate share of the equity that is owned by third parties in entities controlled by the Company. The net income or loss of such entities is allocated to the non-controlling interests based on their percentage ownership throughout the year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted, highly liquid investments purchased with a remaining maturity of 90 days or less. We maintain cash and cash equivalents with various financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation. Cash and cash equivalents also includes cash maintained for gaming operations. In addition, funds held for construction project are also comprised of cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

Restricted cash includes unredeemed winning tickets from its racing operations, funds related to horsemen's fines and certain simulcasting funds that are restricted to payments for improving horsemen's facilities and increasing racing purses at Scioto Downs, bank deposits that serve as collateral for letters of credit, cash deposits that serve as collateral for surety bonds and short-term certificates of deposit that serve as collateral for certain bonding requirements.

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures* provides guidance for measuring the fair value of assets and liabilities and requires expanded disclosures about fair value measurements. ASC 820 indicates that fair value should be determined based on the assumptions that marketplace participants would use in pricing the asset or liability and provides additional guidelines to consider in determining the market-based measurement.

ASC 820 requires fair value measurement be classified and disclosed in one of the following categories:

Level 1: Unadjusted quoted market prices for identical assets and liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, for the asset or liability through corroboration with market data for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities (management's own assumptions about what market participants would use in pricing the asset or liability at the measurement date).

The fair value of our cash equivalents approximated the carrying value at December 31, 2011 and 2010. In addition, funds held for construction represents monies invested in money market funds and all approximate the carrying value at December 31, 2011. The fair value was determined based on Level 1 inputs.

Pursuant to the provisions of our current and former Credit Facility (see Note 8), any outstanding borrowings bore interest based on the prevailing interest rates. As such, the carrying value of any outstanding borrowings approximates fair value. There were no amounts outstanding at December 31, 2011 and 2010. The fair value of our $565 million 11.5% Senior Secured Second Lien Notes (See Note 8) was $473.2 million at December 31, 2011 compared to a carrying value of $548.9 million at December 31, 2011. The fair values of our Senior Secured Second Lien Notes were determined based on Level 2 inputs including quoted market prices and bond terms and conditions.

The fair value of our previously issued $260 million 12.625% Senior Secured Notes (see Note 8) was $270.1 million at December 31, 2010 compared to a carrying value of $251.1 million at December 31, 2010. The fair value of our previously issued $125 million 9% Senior Subordinated Notes (see Note 8) was $111.9 million at December 31, 2010 compared to a carrying value of $125 million. The fair values of our Senior Secured Notes and our Senior Subordinated Notes were determined based on Level 2 inputs including quoted market prices and bind terms and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Our Senior Secured Second Lien Notes, our previously issued Senior Secured Notes, our previously issued Senior Subordinated Notes, and any amounts outstanding under our other debt financing arrangements were stated at carrying value as long-term debt in our consolidated balance sheets.

Inventories

Inventories are stated at the lower of cost (determined by the first-in, first-out method) or market.

Deferred Financing Costs

Deferred financing costs that we incur in connection with the issuance of debt are deferred and amortized to interest expense over the life of the underlying debt. During each of the three years ended December 31, we incurred deferred financing costs as follows: 2011—$12.2 million; 2010—$2.1 million; and 2009—$14.0 million. Amortization expense, including amortization of deferred financing fees and original issue discount, was as follows: 2011—$5.5 million; 2010—$6.6 million; and 2009—$5.4 million.

As a result of the repurchase of our previously issued $125 million Senior Subordinated Notes and $260 million Senior Secured Notes, as discussed in Note 8, unamortized discount and deferred financing costs of approximately $17.2 million were written off during 2011. These amounts are reflected in our accompanying consolidated statements of operations as components of the loss on debt modification and extinguishment for the year ended December 31, 2011.

As a result of the Fifth and Seventh Amendments to our former Fifth Amended and Restated Credit Agreement and the reduction in borrowing capacity as discussed in Note 8, we were required to proportionately reduce the amount of existing deferred financing costs. Consequently, we recorded write-offs of deferred financing costs of approximately $1.8 million during 2009. In addition, as a result of the repurchase of our Senior Unsecured Notes as discussed in Note 8, unamortized discount and deferred financing costs of approximately $0.6 million were written off during 2009. These amounts are reflected in our accompanying consolidated statements of operations as components of the loss on debt modification and extinguishment for the year ended December 31, 2009.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Expenditures for major renewals and betterments that significantly extend the useful life of existing property and equipment are capitalized and depreciated, while expenditures for routine repairs and maintenance are expensed as incurred. We capitalize direct materials, labor and interest during construction periods. Gains or losses on the disposal of property and equipment are included in operating income. Depreciation, which includes amortization of assets under capital leases, if any, is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 to 40 years
Furniture and fixtures	5 to 7 years
Equipment and automobiles	3 to 15 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest is allocated and capitalized to construction in progress by applying our cost of borrowing rate to qualifying assets. Primarily as a result of construction of the video lottery terminal ("VLT") facility at Scioto Downs during 2011 (see Note 7) and construction related to the implementation of table games at Presque Isle Downs during 2010, interest capitalized during the years ended December 31, 2011 and 2010, was $39,000 and $0.1 million, respectively. There was no interest capitalized during the year ended December 31, 2009.

Property, equipment and other long-lived assets are assessed for impairment in accordance with ASC 360, *Property, Plant & Equipment*. For assets to be disposed of, impairment is recognized based on the lower of carrying value or fair value less costs of disposal, as estimated based on comparable asset sales, offers received, or a discounted cash flow model. Assets to be held and used are reviewed for impairment whenever indicators of impairment exist. The estimated future cash flows of the asset, on an undiscounted basis, are compared to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment is recorded based on the fair value of the asset, typically measured using a discounted cash flow model (Level 3).

For undeveloped properties, including non-operating real properties, when indicators of impairment are present, properties are evaluated for impairment and losses are recorded when undiscounted cash flows estimated to be generated by an asset or market comparisons are less than the asset's carrying amount. The amount of the impairment loss is calculated as the excess of the asset's carrying value over its fair value, which is determined using a discounted cash flow analysis, management estimates or market comparisons. The fair value measurements employed for our impairment evaluations, which are subject to the assumptions and factors as previously discussed, were generally based on a review of comparable activities in the marketplace, which falls within Level 3 of the fair value hierarchy.

Based upon our determination in 2009 of our intent to sell our non-operating real properties, we had substantially all non-operating real properties appraised by an independent appraisal company for each of the three years ending December 31, 2011. As a result, we adjusted the carrying values of the assets, recognizing losses in the aggregate amount of $685,000 during the year ended December 31, 2011, and $10.4 million during the year ended December 31, 2009. Based upon the results of the 2010 appraisals, no adjustments to the carrying value of non-operating real property were necessary for the year ended December 31, 2010. We do not anticipate that we will be able to sell the majority of these assets within the next twelve months. As such, these properties are not classified as held-for-sale as of December 31, 2011 and 2010.

Goodwill and Other Intangible Assets

Goodwill and other indefinite-lived intangible assets are required to be evaluated for impairment on an annual basis in accordance with the provisions of ASC 350, *Intangibles—Goodwill and Other*. Other intangible assets consist of expenditures associated with obtaining racing and gaming licenses, which consist principally of legal fees, license fees, and investigative costs.

ASC 350 requires a two-step process be performed to analyze whether or not goodwill has been impaired. Step one requires that the fair value of the reporting unit be compared to carrying value. Prior to the adoption of ASU 2010-28—*When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* ("ASU 2010-28"), if the fair value of the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reporting unit is higher than its carrying value, no impairment is indicated and there is no need to perform the second step of the process. If the fair value of the reporting unit is lower than its carrying value, step two must be evaluated. Step two requires that a hypothetical purchase price allocation analysis be done to reflect the implied fair value of goodwill. This implied fair value is then compared to the carrying value of goodwill. If the current fair value is lower than the carrying value, impairment must be recorded. For indefinite-lived intangible assets, if the carrying amount of an intangible asset exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess.

The fair value measurements employed for our impairment evaluations of goodwill and other intangible assets were generally based on a discounted cash flow approach and review of market data, which falls within Level 3 of the fair value hierarchy. In accordance with the requirements of ASC 350, we performed the annual impairment tests of our goodwill and other intangible assets as of December 31, 2010. At December 31, 2010, we determined that there was no impairment of goodwill or other intangible assets based upon the results of the impairment evaluations.

At January 1, 2011, goodwill of approximately $494,000 existed at Presque Isle Downs and was associated with the 2007 acquisition of an off-track wagering facility in Erie, Pennsylvania. The carrying value of the net assets of Presque Isle Downs is negative (which is attributed primarily to debt incurred in connection with the original construction of the casino and race track). At December 31, 2010, this resulted in a reporting unit fair value in excess of carrying value, thus precluding further analysis pursuant to Step 2 under ASC 350, prior to the adoption of ASU 2010-28. Upon adoption of ASU 2010-28, on January 1, 2011, we reassessed the Presque Isle Downs goodwill impairment test, including allocation of the fair value of the reporting unit to the various tangible and intangible assets and liabilities of Presque Isle Downs, we concluded that the goodwill was impaired. Impairment was recorded through an adjustment to decrease beginning retained earnings of approximately $289,000 (net of $205,000 of deferred income taxes) at January 1, 2011, to reflect the adoption of ASU 2010-28 and the corresponding impairment of the Presque Isle Downs' goodwill.

In accordance with the requirements of ASC 350, we performed the annual impairment tests of our other intangible assets as of December 31, 2011. For the year ended December 31, 2011, we determined that was no impairment of other intangible assets based upon results of impairment evaluations.

Revenue Recognition

Gaming revenues consist of the net win from gaming activities, which is the difference between amounts wagered and amounts paid to winning patrons, and is recognized at the time wagers are made net of winning payouts to patrons.

Pari-mutuel commissions consist of commissions earned from thoroughbred and harness racing, and importing of simulcast signals from other race tracks. Pari-mutuel commissions are recognized at the time wagers are made. Such commissions are a designated portion of the wagering handle as determined by state racing commissions, and are shown net of the taxes assessed by state and local agencies, as well as purses and other contractual amounts paid to horsemen associations. We recognize revenues from fees earned through the exporting of simulcast signals to other race tracks at the time wagers are made. Such fees are based upon a predetermined percentage of handle as contracted with the other race tracks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues from food and beverage are recognized at the time of sale and revenues from lodging are recognized on the date of stay. Other revenues are recorded at the time services are rendered or merchandise is sold.

Promotional Allowances and Complimentaries

We offer certain promotional allowances to our customers, including complimentary lodging, food and beverage, and promotional credits for free play on slot machines. The retail value of these promotional items is shown as a deduction from total revenues on our consolidated statements of operations.

Total revenues do not include the retail amount of complimentaries provided gratuitously to customers. For each of the three years ended December 31, these complimentaries were as follows: 2011—$3.0 million; 2010—$3.3 million; and 2009—$2.9 million.

Frequent Players Program

We offer programs whereby our participating patrons can accumulate points for wagering that can be redeemed for credits for free play on slot machines, lodging, food and beverage, merchandise and in limited situations, cash. Based upon the estimated redemptions of frequent player program points, an estimated liability is established for the cost of redemption of earned but unredeemed points. The estimated cost of redemption utilizes estimates and assumptions of the mix of the various product offerings for which the points will be redeemed and costs of such product offerings. Changes in the programs, membership levels and changes in the redemption patterns of our participating patrons can impact this liability. The aggregate outstanding liability for the frequent players program approximated $568,000 and $667,000 at December 31, 2011 and 2010, respectively, and is included as a component of other accrued liabilities in our accompanying consolidated balance sheets.

Casino Jackpot Liabilities

In April 2010, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update No. 2010-16, *Entertainment—Casinos (Topic 924): Accruals for Casino Jackpot Liabilities* ("ASU 2010-16"). ASU 2010-16 codified the consensus reached in Emerging Issues Task Force Issue No. 09-F, "Casino Base Jackpot Liabilities." ASU 2010-16 amended the FASB Accounting Standards Codification™ to clarify that an entity should not accrue jackpot liabilities, or portions thereof, before a jackpot is won if the entity can avoid paying the jackpot. Jackpots should be accrued and charged to revenue when an entity has the obligation to pay the jackpot. The guidance in this ASU applies to both base and progressive jackpots. We adopted the amendments in this ASU effective January 1, 2011.

We analyzed the gaming regulations within each of our key jurisdictions to ascertain the necessary adjustments to be made to our financial records associated with the adoption of ASU 2010-16. Based upon our assessment of those regulations, we determined that an increase in the progressive jackpot liability was required for our Mountaineer property and a decrease in the progressive jackpot liability was required for our Presque Isle Downs property. On a combined basis, the adoption resulted in a net decrease in the progressive jackpot liability of approximately $184,000. The amendments, resulting from the adoption of ASU 2010-16, were applied by recording a cumulative-effect adjustment of

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

approximately $7,000 to increase beginning retained earnings (net of $61,000 of deferred income taxes and $116,000 of deferred gaming taxes) at January 1, 2011.

Income Taxes

We compute our annual tax rate based on the statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we earn income. Significant judgment is required in determining our annual tax rate and in evaluating uncertainty in our tax positions. We recognize a benefit for tax positions that we believe will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that we believe has more than a 50% probability of being realized upon settlement. We regularly monitor our tax positions and adjust the amount of recognized tax benefit based on our evaluation of information that has become available since the end of our last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. The difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting represents unrecognized tax benefits. These unrecognized tax benefits are presented in the balance sheet principally within accrued income taxes.

We account for income taxes and the related accounts under the liability method. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted rates expected to be in effect during the year in which the basis differences reverse.

We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, we consider future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, we would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income. As of December 31, 2011, we have a valuation allowances aggregating $24.8 million principally related to certain federal and state net operating loss carryforwards.

Interest and tax-related penalties associated with uncertain tax positions are included in benefit for income taxes in the accompanying consolidated statement of operations.

The Company and its subsidiaries file a consolidated federal income tax return. We are no longer subject to federal and state income tax examinations for years before 2004.

Earnings per Share

Basic earnings per share is computed as net income (loss) available to common stockholders divided by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflect the potential dilution that could occur from common shares issuable through stock options, unvested restricted stock units ("RSUs") and other convertible securities utilizing the treasury stock method. Diluted earnings per share is calculated by using the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of these occurrences. For each of the three years in the period ended December 31, 2011, all potentially dilutive securities have been considered anti-dilutive because of the net loss from continuing operations for 2011, 2010, and 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following tables illustrate the required disclosure of the reconciliation of the numerators and denominators of the basic and diluted net income per share from continuing operations computations during each of the three years ended December 31.

	2011	2010	2009
	(dollars in thousands, except per share amounts)		
Loss from continuing operations	$ (51,153)	$ (4,963)	$ (23,698)
Income (loss) from discontinued operations	788	(153)	1,160
Net loss available to common stockholders	$ (50,365)	$ (5,116)	$ (22,538)
Shares outstanding:			
Weighted average shares outstanding	27,835,649	27,549,546	27,475,260
Effect of dilutive securities	—	—	—
Diluted shares outstanding	27,835,649	27,549,546	27,475,260
Basic net (loss) income per common share:			
Continuing operations	$ (1.84)	$ (0.18)	$ (0.86)
Discontinued operations	0.03	(0.01)	0.04
Basic net loss per common share	$ (1.81)	$ (0.19)	$ (0.82)
Diluted net (loss) income per common share:			
Continuing operations	$ (1.84)	$ (0.18)	$ (0.86)
Discontinued operations	0.03	(0.01)	0.04
Diluted net loss per common share	$ (1.81)	$ (0.19)	$ (0.82)

The dilutive EPS calculations do not include the following potential dilutive securities for each of the three years ended December 31 because they were anti-dilutive.

	2011	2010	2009
Anti-dilutive stock options outstanding	800,800	398,000	1,209,500
Anti-dilutive restricted stock units outstanding	227,769	350,000	—
	1,028,569	748,000	1,209,500

Stock-Based Compensation

We account for stock-based compensation in accordance with ASC 718—*Compensation—Stock Compensation*. ASC 718 requires all share-based payments to employees, including grants of employee stock options and restricted stock units, to be recognized in the consolidated statement of operations based on their fair values and that compensation expense be recognized for awards over the requisite service period of the award or to an employee's eligible retirement date, if earlier. ASC 718 also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

Recently Issued Accounting Pronouncements

In June 2011, the FASB issued new guidance to increase the prominence of other comprehensive income in financial statements. This guidance provides the option to present the components of net income and comprehensive income in either one single statement or in two consecutive statements reporting net income and other comprehensive income. This guidance will be effective for the Company beginning in fiscal year 2012. Other than change in presentation, the adoption of this guidance will not have an impact on our consolidated financial statements.

3. RISKS AND UNCERTAINTIES (UNAUDITED)

Compliance with Debt Covenants

The Credit Facility, as discussed in Note 8, contains customary affirmative and negative covenants that include the requirement that we satisfy, on a consolidated basis, specified quarterly financial tests. The Company remains in compliance with the covenants as of December 31, 2011. As discussed in Note 7, we anticipate the commencement of video lottery terminal ("VLT") gaming operations at Scioto Downs in the second quarter of 2012. Delays in the commencement of VLT operations could have an impact on future covenant compliance. Failure to meet these financial tests could result in a demand for the acceleration of repayment of amounts outstanding under the Credit Facility, if any, and could have a material adverse effect on our consolidated financial position.

Concentration of Credit Risk

We maintain cash balances at certain financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. In addition, we maintain significant cash balances on hand at our gaming facilities.

Cyclical Nature of Business

Our primary business involves leisure and entertainment. The economic health of the leisure and entertainment industry is affected by a number of factors that are beyond our control, including: (1) general economic conditions and economic conditions specific to our primary markets; (2) levels of disposable income of patrons; (3) increased energy costs in the United States, including transportation costs resulting in decreased travel by patrons; (4) local conditions in key gaming markets, including seasonal and weather-related factors; (5) increases in gaming and racing taxes or fees; (6) competitive conditions in the gaming, leisure and entertainment industry and in particular markets, including the effect of such conditions on the pricing of our products; and (7) the relative popularity of entertainment alternatives to gaming and racing that compete for the leisure dollar. Any of these factors could materially adversely impact the leisure and entertainment industry generally, and as a result, our business, financial condition and results of operations.

Licensing

We are subject to extensive state and local regulation. State and local authorities require us and our subsidiaries to demonstrate suitability to obtain and maintain various licenses, and require that we have registrations, permits and approvals, to conduct gaming and racing operations, to sell alcoholic

3. RISKS AND UNCERTAINTIES (UNAUDITED) (Continued)

beverages and tobacco in our facilities and to operate our food service facilities. These regulatory authorities may, for any reason set forth in applicable legislation or regulation, limit, condition, suspend or revoke a license or registration to conduct gaming or racing operations or prevent us from owning the securities of any of our gaming or racing subsidiaries. In addition, we must periodically apply to renew many of our licenses or registrations. Any failure to maintain or renew our existing licenses, registrations, permits or approvals would have a material adverse effect on us. In addition, to enforce applicable laws and regulations, regulatory authorities may levy substantial fines against or seize the assets of our company, our subsidiaries or the people involved in violating gaming laws or regulations. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

All of the states in which we conduct live racing impose requirements with respect to the minimum number of live race dates annually. If we fail to meet the minimum live racing day requirements, suspension or non-renewal of our gaming licenses could result; which would have a material adverse effect on our business, financial condition, results of operations and ability to meet our payment obligations under our various debt instruments.

Potential Changes in Regulatory Environment

If current laws are modified, or if additional laws or regulations are adopted, there could be a material adverse effect on us. From time to time, legislators and special interest groups have proposed legislation that would restrict or prevent gaming or racing operations in the jurisdictions in which we operate. Restriction on or prohibition of our gaming or racing operations, whether through legislation or litigation, could have a material adverse effect on our business, financial condition and results of operations.

Taxation

We pay substantial taxes and fees with respect to our operations. From time to time, federal, state and local legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming and racing industry. Changes in the tax laws or administration of those laws, if adopted, could have a material adverse effect on our business, financial condition and results of operations.

Competition

We face substantial competition in each of the markets in which our gaming and racing facilities are located. Some of the competitors have significantly greater name recognition and financial and marketing resources than we do; some are permitted to conduct additional forms of gaming; and some pay substantially lower taxes than we do, which may permit them to spend more for marketing and promotions and thus gain a competitive advantage over us. All of our gaming and racing operations primarily compete with other gaming and racing operations in their geographic areas. New expansion and development activity is occurring in each of the relevant markets, which may intensify competitive pressures and could have a material adverse effect on us.

In July 2010, table gaming operations commenced in Pennsylvania. While Presque Isle Downs has benefited from this with their commencement of table games on July 8, 2010, the introduction of table games in Pennsylvania has increased competition at Mountaineer.

3. RISKS AND UNCERTAINTIES (UNAUDITED) (Continued)

On November 3, 2009, Ohio voters adopted a constitutional amendment (the "Constitutional Amendment") that permits a casino in each of Cleveland, Cincinnati, Toledo and Columbus. A casino in Cleveland will increase competition at both Mountaineer and Presque Isle Downs commencing approximately in mid-2012. A casino in Columbus will increase competition at Scioto Downs. Each casino may have up to 5,000 video lottery terminals ("VLTs") as well as any other casino games authorized in any state borders Ohio. In addition, in June 2011, the Governor of Ohio authorized the implementation of VLT gaming at Ohio's seven existing racetracks, including Scioto Downs. As a result, we expect that future gaming operations at the downtown Cleveland casino and at the racetracks at both Thistledown and Northfield Park (both of which are also located in the Cleveland area) will significantly compete with gaming operations at Mountaineer and Presque Isle Downs. While we believe that the approval of VLT gaming at Scioto Downs may positively impact our financial condition and results of operations because we expect that VLT gaming at Scioto Downs will increase our revenues and operating margins at that property, we also expect that such future gaming activity at Northfield Park and Thistledown racetracks, as well as gaming activity at the planned Ohio casinos, may negatively impact our results of operations at Mountaineer and Presque Isle Downs and that such negative impact may be material.

On June 29, 2011, the Ohio legislature approved a bill that would permit any owner of an Ohio racetrack eligible for a permit to operate VLTs to apply to the Ohio State Racing Commission within a two-year period following the effective date of the legislation for a transfer of its racetrack license. To the extent that any such transfer is approved, the owner of such facility will be permitted to operate a temporary facility at its new location while constructing or otherwise preparing its new track. We expect the racetracks will be authorized to have temporary facilities. Any transfer of an existing racetrack license will be subject to payment of a relocation fee and any such temporary facility will be required to meet minimum capital investment and structure requirements, each to be established by the Ohio State Racing Commission. The legislation provides, however, that an owner of an Ohio racetrack located on property owned by a political subdivision may relocate its track to a new location within 20 miles of its current location and such owner may not be charged a relocation fee. One of our competitors has already informed the Ohio State Racing Commission that it will seek permission to relocate its Toledo and Columbus racetracks to Youngstown and Dayton. Relocation of an existing racetrack to Youngstown, Ohio will create significant additional competition in one of our primary markets. We expect that such additional competition could have a material adverse effect on our financial condition and results of operations, particularly on our operations at Mountaineer and to a lesser extent, Presque Isle Downs.

Environmental Regulations

We are subject to various federal, state and local environmental laws and regulations that govern activities that may have adverse environmental effects, such as discharges to air and water, as well as the management and disposal of solid, animal and hazardous wastes and exposure to hazardous materials. These laws and regulations, which are complex and subject to change, include United States Environmental Protection Agency and state laws and regulations that address the impacts of manure and wastewater generated by Concentrated Animal Feeding Operations ("CAFO") on water quality, including, but not limited to, storm water discharges. CAFO regulations include permit requirements and water quality discharge standards. Enforcement of CAFO regulations has been receiving increased governmental attention. Compliance with these and other environmental laws can, in some

3. RISKS AND UNCERTAINTIES (UNAUDITED) (Continued)

circumstances, require significant capital expenditures. For example, we may incur future costs under existing and new laws and regulations pertaining to storm water and wastewater management at our racetracks. Moreover, violations can result in significant penalties and, in some instances, interruption or cessation of operations. Water discharges from our racetrack operations at our Mountaineer facility were the subject of past enforcement actions by state regulators. We satisfied the requirements of those past proceedings and recently achieved compliance with the final requirement of our applicable permit.

4. ACQUISITIONS AND DISPOSITIONS OF PROPERTY

Jackson Trotting Association, LLC (d/b/a Jackson Harness Raceway)

Our wholly-owned subsidiary, Jackson Racing, Inc., holds a 90% interest in Jackson Trotting Association, LLC, which operated Jackson Harness Raceway in Jackson, Michigan, and offered harness racing, pari-mutuel and simulcast wagering and casual dining. On December 4, 2008, Jackson Trotting ceased the racing and simulcast wagering operations at Jackson Harness Raceway and surrendered its racing license to the Michigan Racing Commission.

The assets and liabilities of Jackson Racing, Inc. and Jackson Trotting have been reflected as assets and liabilities of discontinued operations in our accompanying consolidated balance sheets as of December 31, 2011 and 2010, and the operating results and cash flows have been reflected as discontinued operations for each of the three years in the period ended December 31, 2011.

Summary operating results for the discontinued operations for the years ended December 31 were as follows:

	2011	2010	2009
	(in thousands)		
Net revenues	$ —	$ —	$ —
Loss from discontinued operations before income taxes and non-controlling interest	(32)	(11)	(22)
Loss from discontinued operations, net of non-controlling interest and income taxes	(31)	(7)	(24)

North Metro Harness Initiative, LLC (d/b/a Running Aces Harness Park)

Our wholly-owned subsidiary, MTR-Harness, Inc., previously held a 50% interest in North Metro Harness Initiative, LLC (*d/b/a Running Aces Harness Park*), that constructed and operated a harness racetrack and card room in Minneapolis, Minnesota.

The racetrack was constructed with financing provided by Black Diamond Commercial Finance, LLC as agent (collectively "Black Diamond"), without recourse to us except for a $1.0 million guarantee that we provided in July 2008. On April 3, 2009, we received notification that Black Diamond was pursuing legal action seeking (i) enforcement of our payment of the $1.0 million guarantee of North Metro's indebtedness and certain additional costs, and (ii) foreclosure of our subsidiary's pledged equity interest in North Metro. Pursuant to a settlement agreement with Black Diamond executed on May 27, 2009, we relinquished our interest in North Metro (the value of which we had already written down to $0 in the previous year) and paid $1.0 million to satisfy our obligations under the guarantee, which is included within income (loss) from discontinued operations in our

4. ACQUISITIONS AND DISPOSITIONS OF PROPERTY (Continued)

accompanying consolidated statements of operations for the year ended December 31, 2009. Concurrently, MTR Gaming Group, Inc. entered into a Signal and Consulting Agreement with North Metro pursuant to which North Metro paid us $250,000 to provide consulting services with respect to its racing operations for a term of three years. On June 3, 2009, Black Diamond terminated the litigation with prejudice and we and Black Diamond executed mutual releases.

During the years ended December 31, 2011 and 2010, we recorded no equity income or losses in North Metro. During the year ended December 31, 2009, we recorded an equity loss in North Metro of $1.0 million. This loss is included within income (loss) from discontinued operations in our accompanying consolidated statements of operations, as noted below. The assets and liabilities of MTR-Harness, Inc. have been reflected as assets and liabilities of discontinued operations in our accompanying consolidated balance sheets as of December 31, 2011 and 2010, and the operating results and cash flows have been reflected as discontinued operations for each of the three years in the period ended December 31, 2011.

Summary operating results for the discontinued operations for each of the three years ended December 31 were as follows:

	2011	2010	2009
	(in thousands)		
Net revenues	$—	$—	$ —
Loss from discontinued operations before income taxes and non-controlling interest	—	(8)	(1,294)
(Loss) income from discontinued operations, net of non-controlling interest and income taxes	—	(5)	2,038

During the year ended December 31, 2009, MTR-Harness, Inc. recorded an income tax benefit of approximately $2.9 million related to the realization of deferred tax assets associated with the impairment losses of $8.7 million that were recorded in 2008.

Binion's Gambling Hall & Hotel

On March 7, 2008, we sold 100% of the stock of our wholly-owned subsidiaries, Speakeasy Gaming of Fremont, Inc., which owned and operated Binion's Gambling Hall & Hotel located in Las Vegas, Nevada ("Binion's"), and Speakeasy Fremont Experience Operating Company in accordance with the terms of a Stock Purchase Agreement dated June 26, 2007 (as subsequently amended), executed between the Company and TLC Casino Enterprises, Inc. ("TLC"). The transaction was subject to certain purchase price adjustments. In January 2009, we settled the post-closing purchase price adjustment by a payment in the amount of approximately $1.5 million, which we deposited into an escrow account that was utilized to pay a portion of the land lease obligations guaranteed by the Company as discussed below. The balance of the escrow account was expended in July 2009.

In connection with our original acquisition of Binion's on March 11, 2004, we provided limited guarantees on certain land leases that expired in March 2010. TLC remained obligated to use its reasonable best efforts to assist us in obtaining releases of these guarantees, to pay the rent underlying the leases we guaranteed on a timely basis, and to indemnify us in the event we were required to pay the land lease obligations pursuant to the guarantees.

4. ACQUISITIONS AND DISPOSITIONS OF PROPERTY (Continued)

Since July 2009, TLC paid only a portion of total monthly rent with respect to one of the leases we guaranteed. Upon the demand of the landlord that we make monthly payments pursuant to our guarantee, we paid the amounts demanded (approximately $0.7 million in the aggregate through March 2010), thus curing the events of default. We demanded reimbursement from TLC, and commenced legal action for indemnification pursuant to the Stock Purchase Agreement. On October 27, 2009, we reached a settlement with TLC whereby TLC agreed to confess judgment as to amounts we paid and amounts that may be paid by us through the expiration of the guarantees, certain legal fees and interest at the rate of 10% on amounts actually paid by us with respect to the rental payments. We agreed to forbear from enforcing the judgment for two years. Through December 31, 2011, TLC has reimbursed us $25,000 for legal fees that we had incurred in connection with our collection efforts. Subsequent to December 31, 2011, TLC reimbursed us approximately $867,000 as payment in full on the settlement plus interest. This amount is reflected as part of accounts receivable in the accompanying consolidated balance sheet at December 31, 2011, and as part of income from discontinued operations in the accompanying consolidated statement of operations for the year ended December 31, 2011.

Also in connection with our original acquisition of Binion's, we obtained title to the property and equipment subject to an increase in purchase price by $5.0 million if, at the termination of a Joint Operating License Agreement with HHLV Management Company, LLC, an affiliate of Harrah's Entertainment, Inc., certain operational milestones were achieved. Harrah's claimed it had met the milestones, however we disputed such claim. On June 11, 2009, we settled this dispute by finalizing the previous agreement in principle and paid HHLV Management Company approximately $0.7 million, which represented $1.75 million of purchase price adjustment less approximately $1.1 million for other amounts HHLV Management Company owed us. This settlement resulted in an adjustment to previously recorded amounts and a charge to discontinued operations of approximately $0.4 million, which is included as part of income from discontinued operations in our accompanying consolidated statement of operations for the year ended December 31, 2009.

Operating results and cash flows relating to Binion's have been reflected as discontinued operations for each of the three years in the period ended December 31, 2011.

Summary operating results for the discontinued operations of Binion's for each of the three years ended December 31 are as follows:

	2011	2010	2009
		(in thousands)	
Net revenues	$ —	$ —	$ —
Income (loss) from discontinued operations before income taxes	819	(272)	(1,172)
Income (loss) from discontinued operations, net of income taxes	819	(177)	(882)

Ramada Inn and Speedway Casino

On June 3, 2008, our wholly-owned subsidiary, Speakeasy Gaming of Las Vegas, Inc., sold the gaming assets of the Ramada Inn and Speedway Casino, located in North Las Vegas, Nevada to Lucky Lucy D, LLC ("Lucky Lucy") in accordance with the terms of an Asset Purchase and Sale Agreement dated January 11, 2008. Pursuant to the terms of the agreement, Lucky Lucy was obligated to pay an

4. ACQUISITIONS AND DISPOSITIONS OF PROPERTY (Continued)

additional amount of up to $4.775 million subject to an earn-out provision based on the property's gross revenues over the four-year period that commenced January 11, 2008. In July 2009, Speakeasy Gaming of Las Vegas, Inc. assigned to the Company its right to any payment under the earn-out provision. The Company did not receive any proceeds under the earn-out provision. This sale was the second part of the transaction, the first part of which involved the sale of Speedway's real property to Ganaste LLC on January 11, 2008. A shareholder of Ganaste LLC is the sole owner of Lucky Lucy. Ganaste paid $11.4 million in cash for the real property.

Speedway's operating results and cash flows have been reflected as discontinued operations for each of the three years in the period ended December 31, 2010.

Summary operating results for the discontinued operations of Speedway for each of the three years ended December 31 are as follows:

	2011	2010	2009
	(in thousands)		
Net revenues	$—	$—	$—
Income from discontinued operations before income taxes	—	57	43
Income from discontinued operations, net of income taxes	—	37	28

Other

During 2009, we designated certain assets, consisting principally of land and undeveloped properties, as non-operating real property and declared our intent to sell those assets. During 2011, we completed the sale of 21 acres of non-operating real property land holdings in West Virginia for approximately $424,000, after closing costs. This transaction resulted in a gain on sale of approximately $196,000. The carrying value of this property was included in non-operating real property in our consolidated balance sheet as of December 31, 2010. In addition, we also sold various gaming and other equipment during the year ended December 31, 2011. In the aggregate, the sales of such equipment produced net proceeds of $96,000 and resulted in a gain on sale of approximately $42,000.

Throughout 2010, we sold various parcels of non-operating real property land holdings located in West Virginia and Pennsylvania for aggregate proceeds of approximately $1.4 million, after closing costs. These transactions, when aggregated, resulted in a net gain on sale of approximately $36,000. The carrying values of these properties were included in non-operating real property in our accompanying consolidated balance sheet as of December 31, 2009. In addition, we sold or disposed of various gaming and maintenance equipment during the year ended December 31, 2010. In the aggregate, the sales of such equipment produced net proceeds of $314,000 and resulted in a loss on sale or disposal of approximately $106,000.

During 2009, we sold various parcels of non-operating real property land holdings located in West Virginia for $142,000 after closing costs, which resulted in a loss on sale of $143,000.

Based upon our determination in 2009 of our intent to sell our non-operating real properties, we had substantially all non-operating real properties appraised by an independent appraisal company for each of the three years ending December 31, 2011. As a result, we adjusted the carrying values of the assets, recognizing losses in the aggregate amount of $685,000 during the year ended December 31, 2011, and $10.4 million during the year ended December 31, 2009. Other than the sales completed in

4. ACQUISITIONS AND DISPOSITIONS OF PROPERTY (Continued)

2011 and 2010, as discussed above, the remaining properties do not meet the classification criteria established in ASC 360 and as such are not classified as held for sale at December 31, 2011 and 2010. These properties are included in non-operating real property in our accompanying consolidated balance sheets at December 31, 2011 and 2010.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2011	2010
	(in thousands)	
Land	$ 67,864	$ 67,864
Building and improvements	268,678	267,665
Equipment	160,229	156,064
Furniture and fixtures	20,576	20,516
Construction in progress	6,164	323
	523,511	512,432
Less accumulated depreciation	(223,932)	(197,948)
	$ 299,579	$ 314,484

Depreciation expense charged to operations related to property and equipment during each of the three years ended December 31 was as follows: 2011—$27.9 million; 2010—$28.7 million; and 2009—$29.3 million.

On May 10, 2011, Mountaineer entered into lease agreements with Chesapeake Appalachia, LLC ("Chesapeake") to lease mineral rights (primarily oil and gas) with respect to approximately 1,707 acres in West Virginia that Mountaineer controls or holds the mineral rights. The agreements have an initial term of five (5) years, with an option to extend for an additional five (5) year term. The agreements required Chesapeake to pay Mountaineer a lease bonus payment of $1,265 per acre on land parcels totaling 1,707 acres, for a total of approximately $2.1 million, of which $1.8 million was paid initially and the remaining $0.3 million was paid upon the release of certain liens on that property. These amounts are included in other revenues in our accompanying consolidated statement of operations for the year ended December 31, 2011. In addition, Mountaineer will receive a 14% royalty on the sale of any oil or gas extracted by Chesapeake. Such future royalty payments will be recognized in our consolidated statement of operations when received. Mountaineer will continue to retain the ownership rights in all of the property and has the ability to sell the property subject to the terms of the lease agreements.

5. PROPERTY AND EQUIPMENT (Continued)

During the years ended December 31, 2011 and 2010, the West Virginia Racing Commission reimbursed Mountaineer for capital expenditures aggregating $0.4 million and $5.2 million, respectively. These reimbursements are reflected within investing activities in our accompanying consolidated statements of cash flows. The 2010 reimbursement of $5.2 million included $1.2 million related to capital expenditures that were incurred in prior years. These reimbursement amounts were applied against the applicable acquisition costs which resulted in corresponding adjustments to depreciation expense. Such adjustments did not have a material impact on our consolidated financial statements. Future reimbursements from the West Virginia Racing Commission are subject to the availability of racing funds. In addition, West Virginia legislation became effective on July 1, 2011 that created a modernization fund that enables each racetrack to recover (from amounts paid to the West Virginia Lottery Commission, as discussed below) $1 for each $2 expended for certain facility capital improvements having a useful life of more than three years and placed into service after July 1, 2011. Qualifying capital improvements include the purchase of slot machines and related equipment to the extent such slot machines are retained by Mountaineer at its West Virginia location for not less than five years. Each of the four West Virginia racetrack's share of the amounts deposited into the modernization fund will be calculated in the same ratio as each racetrack's apportioned contribution to the West Virginia Lottery Commission's four percent administrative cost fund to the combined amounts paid by the four racetracks. On July 26, 2011, the West Virginia Lottery Commission issued an administrative order which stated that approximately $3.7 million is available to Mountaineer during the state's fiscal year commencing July 1, 2011. Any unexpended balance from a given fiscal year will be available for one additional fiscal year, after which time the remaining unused balance carried forward will be forfeited. During the six months ended December 31, 2011, Mountaineer made eligible purchases of 161 slot machines and certain other eligible gaming equipment aggregating $3.0 million, which qualified for a reimbursement of approximately $1.5 million. This amount is a reduction in the basis of the underlying assets. As of December 31, 2011, we had received $1.4 million and the remaining $0.1 million is reflected as amounts due from the West Virginia lottery commission in the accompanying consolidated balance sheet as of December 31, 2011.

As discussed in Note 7, we commenced construction of the video lottery terminal ("VLT") facility at Scioto Downs in December 2011, which is expected to take approximately nine months to complete. Development, construction and equipment costs are expected to be approximately $125.0 million over a required three-year period; however the majority of the development, construction and equipment cost expenditures are expected to occur during 2012. Through December 31, 2011, we expended $4.9 million related to construction and development costs related to the facility, which is included in property and equipment, net on the accompanying consolidated balance sheet as of December 31, 2011 as part of construction in progress.

We commenced table gaming operations at Presque Isle Downs on July 8, 2010. Expenditures for the table games expansion at Presque Isle Downs totaled approximately $22.1 million (which is net of a $3.5 million deposit returned to the Company by the Commonwealth of Pennsylvania) and included capital expenditures of $7.7 million, $16.5 million for the licensing fee and $1.4 million in project-opening costs.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

The gross carrying value, accumulated amortization and net book value of each major component of our goodwill and other intangible assets at December 31 was as follows:

	2011			2010		
	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
	(in thousands)					
Goodwill	$ 494	$494	$ —	$ 494	$—	$ 494
Licensing costs	85,577	—	85,577	85,529	—	85,529
	$86,071	$494	$85,577	$86,023	$—	$86,023

As discussed in Note 2, in accordance with the requirements of ASC 350, we performed the annual impairment tests of our goodwill, if any, and other intangible assets as of December 31, 2011 and 2010.

At January 1, 2011, goodwill of approximately $494,000 existed at Presque Isle Downs and was associated with the 2007 acquisition of an off-track wagering facility in Erie, Pennsylvania. The carrying value of the net assets of Presque Isle Downs is negative (which is attributed primarily to debt incurred in connection with the original construction of the casino and race track). At December 31, 2010, this resulted in a reporting unit fair value in excess of carrying value, thus precluding further analysis pursuant to Step 2 under ASC 350, prior to the adoption of ASU 2010-28. Upon adoption of ASU 2010-28, we reassessed the Presque Isle Downs goodwill impairment test, including allocation of the fair value of the reporting unit to the various tangible and intangible assets and liabilities of Presque Isle Downs, we concluded that the goodwill was impaired. Impairment was recorded through an adjustment to decrease beginning retained earnings of approximately $289,000 (net of $205,000 of deferred income taxes) at January 1, 2011, to reflect the adoption of ASU 2010-28 and the corresponding impairment of the Presque Isle Downs' goodwill. For the years ended December 31, 2011 and 2010, we determined that there was no impairment of our other intangible assets based upon the results of the impairment evaluations.

In connection with the annual impairment test of goodwill at December 31, 2009, as a result of the impact of increased competition, we recorded an impairment loss of $1.5 million that fully impaired the goodwill for Mountaineer.

In conjunction with the commencement of table gaming operations commenced at Presque Isle Downs during 2010, we were required to pay a licensing fee of $16.5 million. The licensing fee is included in other intangible assets in our accompanying consolidated balance sheets as of December 31, 2011 and 2010, and was included in our annual impairment test as of December 31, 2011 and 2010. Our analysis indicated that the intangible asset was not impaired as of December 31, 2011 or 2010.

As discussed in Note 7, in January 2012 we received a conditional license from the Ohio Lottery Commission to install and operate video lottery terminals at Scioto Downs. In conjunction with receipt of the license, we paid an initial $10 million license fee with additional amounts of $15 million payable upon commencement of VLT operations and $25 million upon the one-year anniversary.

There have been no negative developments that would indicate that the valuation and related assumptions would not continue to indicate values that would at lease support the carrying value of the other intangible assets as of December 31, 2011.

6. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

There was no amortization expense related to goodwill or other intangible assets for any of the three years ended in the period ended December 31, 2011.

7. SCIOTO DOWNS

In June 2011, the Governor of Ohio announced a framework for the expansion of gaming in Ohio including the installation of video lottery terminals ("VLTs") at Ohio's existing horse racetracks, including Scioto Downs. The framework included the below proposed terms for racetrack owner seeking to become VLT sales agents:

- $50.0 million licensing fee ($10.0 million payable upon application, $15.0 million payable at the onset of VLT sales and $25.0 million payable one year after the onset of VLT sales);
- commission for VLT sales agents (the amount of sales revenue the racetrack owners would be permitted to retain) would not exceed 66.5%;
- required investment of at least $150.0 million in the facilities within three (3) years following licensure, including VLT machines, with a maximum credit of $25.0 million allowed for the value of existing facilities and land;
- facilities would be required to open within three (3) years of license approval;
- the state would consider transferring horse racing permits from current track locations to new temporary locations, which may include the Dayton and Youngstown areas, at a later date;
- VLT sales may not be able to commence prior to VLT licensees reaching an agreement with the horse racing industry on funds to benefit the horse racing industry; and
- for the first ten (10) years of operation, VLT agent licenses would be granted only to horse racing permit holders.

On June 29, 2011, the Ohio legislature approved a bill that would permit any owner of an Ohio racetrack eligible for a permit to operate VLTs to apply to the Ohio State Racing Commission within a two-year period following the effective date of the legislation for a transfer of its racetrack license. To the extent that any such transfer is approved, the owner of such facility will be permitted to operate a temporary facility at its new location while constructing or otherwise preparing its new track. We expect the racetracks will be authorized to have temporary facilities. Any transfer of an existing racetrack license will be subject to payment of a relocation fee and any such temporary facility will be required to meet minimum capital investment and structure requirements, each to be established by the Ohio State Racing Commission. The legislation provides, however, that an owner of an Ohio racetrack located on property owned by a political subdivision may relocate its track to a new location within 20 miles of its current location and such owner may not be charged a relocation fee. One of our competitors has already informed the Ohio State Racing Commission that it will seek permission to relocate its Toledo and Columbus racetracks to Youngstown and Dayton. Relocation of an existing racetrack to Youngstown, Ohio will create significant additional competition in one of our primary markets.

In October 2011, the Ohio Lottery Commission approved rules and regulations for licensing VLT operations at Ohio's racetracks. Such rules were implemented by Executive Order by the Governor of Ohio. The majority of the rules have been formally approved and obtained permanent status. Additionally, the Ohio Racing Commission approved emergency rules by executive order that outline

7. SCIOTO DOWNS (Continued)

the process for existing Ohio racetracks to relocate, subject to payment of a relocation fee. The amount of such fee and other economical benefit data that may be requested has not yet been determined. However, in order to operate VLTs at the racetracks we believe we may need to reach an agreement with the horse racing industry on funds to benefit the industry. We are also under the belief that the State of Ohio reserves the right to determine the terms of such an agreement if one is not reached by the time VLT sales are set to begin. On December 6, 2011, additional legislation was introduced that seeks to make changes to the law regarding guidelines for statewide education management system, horse racing, VLTs and casino gaming. As it relates to horseracing and VLTs, the proposed legislation establishes a minimum number of racing days and requires simulcast programs; refines the procedures for licensing by the state lottery commission of lottery technology providers, testing laboratories and gaming employees; and stipulates that certain propriety information provided by the applicants for a VLT-related license are confidential and not subject to disclosure.

In addition, VLT operations at racetracks are the subject to litigation seeking to prevent such gaming activities, which could delay or potentially halt commencement of VLT operations. Specifically, on October 21, 2011, a lawsuit was filed by a public policy group in Ohio challenging the Ohio Governor and legislature's approval of legislation authorizing VLTs at the racetracks. On December 9, 2011, the Ohio Attorney General, on behalf of the Ohio Governor, filed a motion to dismiss this lawsuit for failure to state a claim upon which relief can be granted, as well as on the grounds that the plaintiffs identified in the lawsuit lack standing to bring their claims. The plaintiffs filed their response on January 23, 2012, and oral arguments have not been scheduled. The Company and other racetracks and casinos filed motions to intervene in this matter and the motions were approved in February 2012 (see Note 9). As a result, we cannot assure you that the operation of VLTs at the racetracks, including Scioto Downs, will commence on the terms described above or of the timing of commencement of operations of VLTs at racetracks in Ohio, including Scioto Downs.

Scioto Downs is one of seven racetracks in Ohio that are eligible to apply for a three-year renewable sales agent license to operate a VLT facility at its existing racetrack. For the first ten (10) years, we expect such VLT licenses to be granted only to the existing seven racetracks. On January 25, 2012, we received our Video Lottery Sales Agent License (the "License") at Scioto Downs and submitted our initial $10 million license fee. The License is conditional and permits Scioto Downs to install and operate VLTs subject to compliance with all applicable statutes, regulations and provisions of Scioto Downs' Video Lottery License Application (the "Application") and verification of the Application by the Ohio Lottery Commission prior to Scioto Downs commencing video lottery sales.

The construction of the VLT facility at Scioto Downs commenced in December 2011 and is expected to take approximately nine months to complete. The gaming facility build out, which will be in two phases, is expected to encompass approximately 132,000 square feet, including 65,000 square feet of gaming space to accommodate up to 2,500 VLTs and four food and beverage outlets. Development, construction and equipment costs are expected to be approximately $125.0 million over a required three-year period, not including the $50 million license fee. Subject to the conditions placed on the License, we expect that we will open the new facility in the second quarter of 2012 with 1,800 VLTs and the facility will be fully operational in the third quarter of 2012 with approximately 400 additional VLTs. Additionally, there will be a 300-seat buffet, a 100-seat casual dining restaurant, an 82-seat bar/lounge with high-tech sound and lights, and will offer a variety of entertainment options. The existing racetrack will also benefit from a variety of improvements. However, there can be no assurance

7. SCIOTO DOWNS (Continued)

as to actual timing of the opening of the facility, which may be affected by a number of factors beyond our control.

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations at December 31 are summarized as follows:

	2011	2010
	(in thousands)	
Senior Secured Second Lien Notes (net of unamortized discount of $16,067)	$548,933	$ —
Senior Secured Notes (net of unamortized discount of $8,856)	—	251,144
Senior Subordinated Notes	—	125,000
Equipment financing (net of unamortized discount of $37)	—	959
Promissory notes and other long-term debt (net of unamortized premium of $94)	—	982
	548,933	378,085
Less current portion	—	(1,255)
Long-term portion	$548,933	$376,830

2011 Refinancing

On August 1, 2011, after receiving the required consents of the holders of our previously issued $125 million in the aggregate principal amount of 9% Senior Subordinated Notes (the "2012 Notes") and our previously issued $260 million in the aggregate principal amount of 12.625% Senior Secured Notes (the "2014 Notes") to permit the proposed amendments to the indentures governing the 2012 Notes and the 2014 Notes which eliminated substantially all of the restrictive covenants contained in such indentures and released the collateral securing our obligations under the 2014 Notes, we completed the offering of $565 million in aggregate principal amount of Senior Secured Second Lien Notes due August 1, 2019 (the "Notes") at an issue price equal to 97% of the aggregate principal amount of the Notes. The Notes were issued pursuant to an indenture, dated as of August 1, 2011 (the "Indenture"), among the Company, Mountaineer Park, Inc., Presque Isle Downs, Inc., Scioto Downs, Inc. (each, a wholly-owned subsidiary of the Company and as a guarantor, the "Guarantors") and Wilmington Trust, National Association, as Trustee and as Collateral Agent. The net proceeds of the sale of the Notes were utilized to:

- repurchase all of our outstanding 2012 Notes that were tendered in connection with the tender offer and consent solicitation and pay the accrued and unpaid interest thereon;
- repurchase all of our outstanding 2014 Notes that were tendered in connection with the tender offer and consent solicitation and pay the accrued and unpaid interest thereon;
- pay consent fees associated with the solicitation of consents to certain amendments to the indentures governing the 2012 Notes and 2014 Notes;
- fund the redemption of the 2012 Notes and 2014 Notes that remained outstanding following the completion and settlement of the tender offers and consent solicitations and pay accrued and unpaid interest thereon;

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

- pay fees and expenses incurred in connection with the offering of the Notes and the tender offers and consent solicitations; and
- provide necessary funding to establish a new video lottery terminal ("VLT") gaming facility at Scioto Downs.

Under the terms of the offer to purchase the 2012 Notes, holders of approximately $99.0 million of the 2012 Notes who tendered their notes and delivered consents received $1,002.50 per $1,000.00 of the aggregate principal amount of the notes tendered and accrued and unpaid interest thereon. The 2012 Notes that remained outstanding following the consummation of the tender were redeemed on August 31, 2011, and the holders of such notes received a redemption price of 100% of the aggregate principal amount of such notes and accrued and unpaid interest thereon.

Under the terms of the offer to purchase the 2014 Notes, holders of approximately $232.8 million of the 2014 Notes who tendered their notes and delivered consents received $1,065.63 per $1,000.00 of the aggregate principal amount of the notes tendered and accrued and unpaid interest thereon. The 2014 Notes that remained outstanding following the consummation of the tender offers were redeemed on August 31, 2011, and the holders of such notes received a redemption price of 106.313% of the aggregate principal amount of such notes and accrued and unpaid interest thereon.

We incurred a pretax loss on debt extinguishment of approximately $34.4 million related to the refinancing, which is reflected in our accompanying consolidated statements of operations as the loss on debt modification and extinguishment for the year ended December 31, 2011.

The Notes will mature on August 1, 2019, with interest payable semi-annually in arrears on February 1 and August 1 of each year. Until and including the interest payment due on August 1, 2013, interest will be payable, at the election of the Company, (i) entirely in cash or (ii) at a rate of 10.50% in cash and a rate of 1.00% paid in kind by increasing the principal amount of the outstanding Notes or by issuing additional PIK Notes, as defined in the Indenture. The initial interest payment due on February 1, 2012 was satisfied in cash and PIK Interest, as defined in the Indenture. As a result, additional Notes of $2,825,000 were issued on February 1, 2012. We have also made the election to satisfy the interest payment due on August 1, 2012 in cash and PIK Interest.

The Notes and the guarantees are the Company's and the Guarantors' senior secured obligations and are jointly and severally, fully, and unconditionally guaranteed by the Guarantors, as well as future subsidiaries, other than our immaterial subsidiaries and unrestricted subsidiaries, as defined in the Indenture. The Notes and the guarantees rank equally in right of payment with all of the Company's and the Guarantors' existing and future senior debt and senior in right of payment to all of the Company's and the Guarantors' future subordinated debt. The Notes and the guarantees will be effectively junior to any of the Company's and the Guarantors' existing and future debt that is secured by senior or prior liens on the collateral, including indebtedness under the Company's new senior secured revolving credit facility, as discussed below, to the extent of the value of the collateral securing such obligations. The Notes and the guarantees will be structurally subordinated to all existing and future liabilities of the Company's subsidiaries that do not guarantee the Notes.

The Notes are secured by a second priority lien on substantially all of the assets of the Company and the Guarantors, other than excluded property. Excluded property includes (i) property, including gaming licenses and gaming equipment that cannot be collateral pursuant to applicable law, (ii) contracts that prohibit the grant of a security interest therein, (iii) motor vehicles, vessels, aircraft

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

and other similar property, (iv) property subject to purchase money liens or capital leases permitted to be incurred under the Indenture, (v) certain intellectual property rights, (vi) certain parcels of non-core land, including a portion of the real property subject to the Chesapeake mineral rights lease (see Note 5), and real estate that is not material real property, (vii) capital stock of the Company's subsidiaries and (viii) deposit accounts. Excluded property, however, does not include proceeds from the sale of any such assets (unless such proceeds would otherwise constitute excluded property).

On or after August 1, 2015, we may redeem all or a portion of the Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of the principal amount) set forth below plus accrued and unpaid interest and additional interest, if any, on the Notes redeemed, to the applicable redemption date, if redeemed during the 12-month period beginning on August 1 of the years indicated below:

Year	Percentage
2015	106.000%
2016	103.000%
2017 and thereafter	100.000%

If we experience certain change of control events (as defined in the Indenture), we must offer to repurchase the Notes at 101% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date.

If we sell assets or experience certain events of loss under certain circumstances and do not use the proceeds for specified purposes, we must offer to repurchase the Notes at 100% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date.

If we have excess cash flow (as defined in the Indenture) for any fiscal year, commencing with the fiscal year ending December 31, 2012, and our consolidated total debt ratio is equal to or greater than 4.0:1.0, we must offer to purchase a portion of the outstanding Notes at a redemption price of 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase with 75% of our excess cash flow in excess of $7.5 million for such fiscal year. In addition, we must offer to purchase $150.0 million of the Notes if we fail to receive a license to operate VLTs at Scioto Downs from the Ohio Lottery Commission by June 1, 2012. We received our Video Lottery Sales Agent License (the "License") at Scioto Downs on January 25, 2012. The License is conditional and permits Scioto Downs to install and operate VLTs subject to compliance with all applicable statutes, regulations and provisions of Scioto Downs' Video Lottery License Application (the "Application") and verification of the Application by the Ohio Lottery Commission prior to Scioto Downs commencing video lottery sales. If imposed by gaming laws and regulations, the Notes are subject to redemption by the Company if after determination by applicable gaming regulatory authorities that a holder of the Notes will not be licensed, qualified or found suitable under applicable gaming laws.

Until such time as we were granted a license to operate VLTs at Scioto Downs or have deposited payment for the offer to purchase the Notes as described in the preceding paragraph with the paying agent, we were not able to utilize $130.0 million of the net proceeds of the Notes. Such net proceeds were deposited into a segregated account in which the Collateral Agent, on behalf of the holders of the Notes, had a perfected first-priority security interest. Prior to the receipt of the License, no withdrawals were permitted from the segregated account except in connection with the consummation of the offer

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

to purchase the Notes pursuant to the preceding paragraph. Upon the satisfaction of the licensing requirement, as evidenced by the receipt of the License to install and operate VLTs at Scioto Downs, we are now permitted to utilize the $130.0 million portion of the net proceeds of the Notes for the establishment, construction, development or operation of VLTs at Scioto Downs. The $130.0 million of the proceeds from the sale of the Notes is reflected as funds held for construction in the accompanying consolidated balance sheet at December 31, 2011.

The Indenture contains certain covenants limiting, among other things, our ability and the ability of our subsidiaries (other than its unrestricted subsidiaries) to:

- incur additional indebtedness;
- create, incur or suffer to exist certain liens;
- pay dividends or make distributions on capital stock or repurchase capital stock;
- make certain investments;
- place restrictions on the ability of subsidiaries to pay dividends or make other distributions to the Company;
- sell certain assets or merge with or consolidate into other companies; and
- enter into certain types of transactions with the stockholders and affiliates.

These covenants are subject to a number of exceptions and qualifications as set forth in the Indenture. The Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on such Notes to be declared due and payable.

Under the registration rights agreement applicable to the Notes, we were required to complete an offer to exchange the Notes for equivalent registered securities within 225 days following the date of issuance of the Notes. The exchange offer was completed on March 12, 2012. In addition, under certain circumstances, we are required to file a shelf registration statement to cover resales of the Notes. The Securities and Exchange Commission has broad discretion to determine whether any shelf registration statement will be declared effective and may delay or deny the effectiveness of any such registration statement filed by us for a variety of reasons. We will be required to pay liquidated damages on the Notes if we fail to comply with certain requirements in connection with, if applicable, a shelf registration statement.

New Credit Facility

On August 1, 2011, we terminated our former credit facility and entered into a new senior secured revolving credit facility (the "Credit Facility") with a borrowing availability of $20.0 million and a maturity date of August 1, 2016. No amounts were drawn under the former credit facility nor have any amounts been drawn under the Credit Facility. The interest rate per annum applicable to loans under the Credit Facility will be, at the Company's option, either (i) LIBOR plus a spread of 4.0%, or (ii) base rate, which will be the "prime rate" of interest in effect on the day of the borrowing request as published in the Wall Street Journal, plus a spread of 3.0%.

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

The Credit Facility is secured by substantially the same assets securing the Notes (and including securities of the Company's subsidiaries to the extent permitted by law). Borrowings under the Credit Facility are guaranteed by all of our existing and future domestic restricted subsidiaries. The security interest in the collateral that secures the Credit Facility is senior to the security interest in the collateral that secures the Notes.

The Credit Facility contains a number of customary covenants that, among other things, restrict, subject to certain exceptions, our ability and the ability of our subsidiary guarantors to incur additional indebtedness or become a guarantor; create a lien on collateral; engage in mergers, consolidations or asset dispositions; pay dividends or make distributions; make investments, loans or advances; engage in certain transactions with affiliates or subsidiaries; make capital expenditures; or modify its line of business. The Credit Facility also includes certain financial covenants, including the requirements that the Company maintain throughout the term of the Credit Facility and measured as of the end of each fiscal quarter (on a trailing four-quarter period basis), the following maximum consolidated leverage ratios: (i) 7.75:1.00 for the fiscal quarters ending September 30, 2011 through June 30, 2012, (ii) 7.50:1.00 for the fiscal quarters ending September 30, 2012 and December 31, 2012, (iii) 7.00:1.00 for the fiscal quarters ending March 31, 2013 through September 30, 2013, and (iv) 6.50:1.00 for the fiscal quarters ending December 31, 2013 through December 31, 2015. In addition, the Company will be required to maintain a minimum consolidated interest coverage ratio not greater than: (i) 1.25:1.00 for the fiscal quarters ending September 30, 2011 through March 31, 2012, (ii) 1.30:1.00 for the fiscal quarter ending June 30, 2012, and (iii) 1.40:1.00 for the fiscal quarters ending September 30, 2012 through December 31, 2015 and a minimum consolidated EBITDA amount of (x) $60.0 million for the fiscal quarters ending September 30, 2011 through December 31, 2012 and (y) $80.0 million for the fiscal quarters ending March 31, 2013 through December 31, 2015. Capital expenditures are also limited to $25.0 million per annum throughout the term of the Credit Facility. As of December 31, 2011, the Company remained in compliance with the covenants.

The Credit Facility contains a number of customary events of default, including, among others, for the non-payment of principal, interest or other amounts; the inaccuracy of certain representations and warranties; the failure to perform or observe certain covenants; a cross-default to other indebtedness of the Company, including the Notes; certain events of bankruptcy or insolvency; certain ERISA events; the invalidity of certain loan documents; certain changes of control; and certain material adverse changes. If any event of default occurs, the lenders under the Credit Facility would be entitled to take various actions, including accelerating amounts due thereunder and taking all actions permitted to be taken by a secured creditor.

2009 Refinancing

On August 12, 2009, we completed the offering of $250 million in aggregate principal amount of 12.625% Senior Secured Notes due July 15, 2014, at an issue price of 95.248% of the principal amount of the Senior Secured Notes. The net proceeds of the sale of the Senior Secured Notes, together with cash on hand, were utilized to (i) repurchase all of our outstanding $130 million 9.75% Senior Unsecured Notes that were due April 1, 2010; (ii) repay $100.2 million outstanding under our former senior secured revolving credit facility; and (iii) pay consent fees in connection with the solicitation of consents to certain amendments to the indenture governing the Senior Subordinated Notes.

As a result of the repurchase of the Senior Unsecured Notes, we incurred a pre-tax loss on the refinancing of approximately $1.3 million, which is reflected in our accompanying consolidated

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

statements of operations as a component of the loss on debt modification and extinguishment for the year ended December 31, 2009.

On October 13, 2009, we completed an additional offering of $10 million in aggregate principal amount of 12.625% Senior Secured Notes due July 15, 2014, at an issue price of 96.000% of the principal amount of the Senior Secured Notes. The additional notes form a part of the same series as our previously issued and outstanding Senior Secured Notes and on an aggregate basis represent the $260 million 12.625% Senior Secured Notes. The net proceeds of this offering were used for general corporate purposes.

The $260 million 12.625% Senior Secured Notes were scheduled to mature on July 15, 2014, with interest payable semi-annually on January 15 and July 15 of each year. As previously discussed, the 12.625% Senior Secured Notes were refinanced in August 2011

Former Senior Subordinated Notes

Our 9% Senior Subordinated Notes were scheduled to mature in their entirety on June 1, 2012. As previously discussed, the Senior Subordinated Notes were refinanced in August 2011.

Commencing in the second quarter of 2008 and until the Senior Subordinated Notes were no longer outstanding, we were required to pay consent fees of $5.00 per $1,000 of principal to the holders of our Senior Subordinated Notes if we did not satisfy certain quarterly financial ratios. We did not meet these ratios and therefore recorded additional expense during each of the three years ended December 31 as follows: 2011—$1.25 million; 2010—$2.5 million; and 2009—$2.5 million.

Former Credit Agreements

On July 24, 2009, we executed the Limited Consent and Fifth Amendment to our former Fifth Amended and Restated Credit Agreement (the "Fifth Amendment"), dated as of July 15, 2009. The Fifth Amendment became effective, and its provisions were implemented, upon the completion of our refinancing of the Senior Unsecured Notes and voluntary prepayment of all amounts outstanding under our former senior secured revolving credit facility ($100.2 million at August 12, 2009). The Fifth Amendment amended the former credit agreement and provided for $20.0 million of revolving borrowing capacity (the "Amended and Restated Credit Facility").On October 13, 2009, we executed the Seventh Amendment to our former Fifth Amended and Restated Credit Agreement (the "Seventh Amendment"). The Seventh Amendment permitted the sale of the $10 million of additional Senior Secured Notes and reduced the borrowing capacity from $20 million to $10 million, subject to the mandatory commitment reduction of $5.5 million in December 2009.

As a result of the Fifth and Seventh Amendments to our former Amended and Restated Credit Facility and the reduction in borrowing capacity, we were required to proportionately reduce the amount of existing deferred financing costs. Consequently, we recorded a write-off of deferred financing costs of approximately $1.8 million during 2009. This amount is reflected in our accompanying consolidated statements of operations as a component of the loss on debt modification and extinguishment during the year ended December 31, 2009.

During the fourth quarter of 2009, we borrowed $13.1 million under the former Amended and Restated Credit Facility and subsequently repaid such amounts prior to the end of 2009.

On March 18, 2010, the Company and Mountaineer Park, Inc., Presque Isle Downs, Inc. and Scioto Downs, Inc. (each a wholly-owned subsidiary of the Company) and Aladdin Credit

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Advisors, L.P., as administrative agent, entered into a Credit Agreement (the "Credit Agreement") which provided for a $20.0 million senior secured delayed-draw term loan credit facility, $10.0 million of which was drawn by the Company and subsequently repaid in September 2010. The Credit Agreement replaced our former Amended and Restated Credit Facility, except for letters of credit aggregating $0.4 million, and would have matured on March 31, 2010. In connection with the termination of our former Amended and Restated Credit Facility, the outstanding letters of credit remained outstanding but were cash collateralized. The remaining cash collateralized letters of credit amounting to $0.2 million are included in restricted cash in our accompanying consolidated balance sheets as of December 31, 2011 and 2010. Financing costs of approximately $1.7 million were incurred in connection with the execution of the Credit Agreement.

On September 24, 2010, we repaid the total amount of the $10.0 million outstanding under the Credit Agreement and executed Amendment No. 1 to the Credit Agreement (the "Amendment") to permit the re-borrowing of the $10.0 million that was repaid. In conjunction with the repayment and Amendment, we were required to pay a $100,000 prepayment fee and a $300,000 amendment fee. The cost of the amendment fee was included in deferred financing costs in our accompanying consolidated balance sheet at December 31, 2010, less accumulated amortization.

The Credit Agreement was replaced with the Credit Facility, as previously discussed, in August 2011.

Other Debt Financing Arrangements

In April 1999, Scioto Downs, Inc. entered into a term loan agreement that provided for monthly payments of principal and interest of $30,025 through September 2013. The effective interest rate was 6.25% per annum. The term loan was collateralized by a first mortgage on Scioto Downs' real property facilities, as well as other personal property, and an assignment of the rents from lease arrangements. At December 31, 2010, there was $1.0 million outstanding under the term loan. On July 29, 2011, we prepaid the entire balance outstanding under the first lien mortgage. As a result of the prepayment, we recorded a pretax gain on debt extinguishment of approximately $60,000, which is reflected in our accompanying consolidated statements of operations as a component of the loss on debt modification and extinguishment for the year ended December 31, 2011.

Throughout 2007 and 2008, both Presque Isle Downs and Mountaineer executed various promissory notes and capital lease arrangements to finance the purchase of equipment including slot machines and surveillance equipment. During 2010, the promissory notes and capital lease arrangements were paid in full.

During 2010 and 2009, the Company purchased slot machines pursuant to purchase arrangements whereby the machine suppliers provided payment terms of two years with no interest. As of December 31, 2010, the aggregate amount outstanding under these arrangements approximated $1.0 million, net of imputed interest at 6.75%, or an aggregate discount of approximately $37,000. During 2011, the outstanding balances were paid in full.

Annual Commitments

We do not have any scheduled principal payments during the five-year period ending on December 31, 2016. The Notes are payable in their entirety on August 1, 2019.

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

MTR Gaming Group, Inc. (parent company) has no independent operations or assets, the guarantees by the guarantor subsidiaries are full and unconditional and joint and several, and any subsidiaries of the parent company's continuing operations other than the subsidiary guarantors are minor. Accordingly, condensed consolidating financial information reflecting the parent company, combined subsidiary guarantors and combined other subsidiaries have not been included. There are no significant restrictions on the ability of the parent company or any guarantor to obtain funds from its subsidiaries by dividend or loan.

9. COMMITMENTS AND CONTINGENCIES

Bond Requirements

Mountaineer is required to maintain bonds in the aggregate amount of $1.2 million for the benefit of the West Virginia Lottery Commission and Presque Isle Downs is required to maintain a slot machine payment bond for the benefit of the Commonwealth of Pennsylvania in the amount of $1.0 million. In addition, Presque Isle Downs is also required to maintain a bond in the amount of $500,000 for the benefit of the federal government for environmental matters. The bonding requirements have been satisfied via the issuance of a surety bonds.

Operating and Land Leases

We lease equipment, including some of our slot machines, timing and photo finish equipment, videotape and closed circuit television equipment, and certain pari-mutuel equipment under operating leases. During each of the three years ended December 31, total rental expense under these leases was as follows: 2011—$1.6 million; 2010—$1.6 million; and 2009—$0.9 million.

Future Minimum Lease Payments

Future annual minimum payments under all material operating leases at December 31, 2011 were as follows:

	Operating Leases (in thousands)
2012	$1,344
2013	941
2014	608
2015	601
2016	590
Thereafter	—

Litigation

On April 15, 2011, Messrs. Edson R. Arneault (the Company's former chairman, president and chief executive officer) and Gregory J. Rubino, as co-plaintiffs, initiated legal action against individual members and employees of the Pennsylvania Gaming Control Board, the Company, as well as certain of our former and current officers and directors, Presque Isle Downs, Inc., Leonard Ambrose, III, Nicholas C. Scott and Scott's Bayfront Development, Inc. The lawsuit alleges a conspiracy by Company officials and the Pennsylvania Gaming Control Board to violate Messrs. Arneault and Rubino's due process and equal protection rights, as well as claims for promissory estoppel and unjust enrichment

9. COMMITMENTS AND CONTINGENCIES (Continued)

(the "Complaint"). Mr. Arneault is seeking recovery of legal fees relating to the renewal of his Pennsylvania gaming license and Mr. Rubino is seeking amounts he alleges are owing under his former consulting agreement with the Company and Presque Isle Downs, Inc., as well as certain of its former and current officers and directors. The Company, Presque Isle Downs, Inc. and its former and current officers and directors that are parties to this action (collectively, the "MTR Defendants") believe this lawsuit is without merit, vehemently deny the allegations and intend to defend the case vigorously. Additionally, the MTR Defendants have submitted Motions to Dismiss the Complaint pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure which state that the Complaint is wholly frivolous both legally and factually.

On April 17, 2010, Presque Isle Downs, Inc. initiated legal action which named as defendants Dwayne Cooper Enterprises, Inc. ("DCE"), Turner Construction Company, and Rectenwald Buehler Architects, Inc. f/k/a Weborg Rectenwald Buehler Architects, Inc. with respect to the surveillance system that was installed as part of the original construction of Presque Isle Downs which opened on February 28, 2007. Shortly after the opening of Presque Isle Downs, it was discovered that certain equipment components of the surveillance system that were installed by DCE were defective or malfunctioning. Furthermore, various components of the surveillance system that DCE was required to install were not installed. As a result, during 2008 Presque Isle Downs was required to replace certain equipment components of the surveillance system at a cost of $1.9 million, and to write-off approximately $1.5 million related to the net book value of the equipment that was replaced. On April 5, 2011, Presque Isle Downs received a default judgment in the amount of $2.7 million against DCE for the failure to answer or otherwise respond to Presque Isle Downs' complaint. We are currently in the process of attempting to enforce the judgment. Any proceeds that may be received will be recorded as the amounts are realized.

Scioto Downs, Inc., in order to protect its right to video lottery terminal ("VLT") gaming pursuant to its conditional license granted by the Ohio Lottery Commission, successfully intervened in a lawsuit filed by a public policy group in Ohio challenging the Ohio Governor's and legislature's approval of legislation authorizing VLTs at Ohio's seven horse racetracks. Relators-Plaintiffs in this case, among other claims against Ohio's casinos, allege that VLTs were not contemplated by Ohio's constitutional amendment permitting casinos in Ohio. Dispositive Motions that were filed by the Ohio Attorney General as well as Scioto Downs, Inc. were deemed filed as of February 20, 2012 and are scheduled to be heard on April 5, 2012.

In October 2004, we acquired 229 acres of real property, known as the International Paper site, as an alternative site to build Presque Isle Downs. In October 2005, we sold all but approximately 24 acres of this site for $4.0 million to the Greater Erie Industrial Development Corporation, a private, not-for-profit entity that is managed by the municipality (the "GEIDC"). Although the sales agreement was subject to, among other things, a release (by International Paper Company and the Pennsylvania Department of Environmental Protection (the "PaDEP") from our obligations under the consent order (as discussed below), we waived this closing condition.

In connection with our acquisition of the International Paper site, we entered into a consent order and decree (the "Consent Order") with the PaDep and International Paper insulating us from liability for certain pre-existing contamination, subject to compliance with the Consent Order, which included a proposed environmental remediation plan for the site, which was tied specifically to the use of the property as a racetrack. The proposed environmental remediation plan in the Consent Order was based upon a "baseline environmental report" and management estimated that such remediation would be

9. COMMITMENTS AND CONTINGENCIES (Continued)

subsumed within the cost of developing the property as a racetrack. The racetrack was never developed. The GEIDC assumed primary responsibility for the remediation obligations under the Consent Order relating to the property they acquired (approximately 205 acres). The GEIDC has agreed to indemnify us for the breach of its obligations under the Consent Order. However, we have been advised by the PaDEP that we have not been released from liability and responsibility under the Consent Order. The GEIDC has begun the necessary remediation activities. We also purchased an Environmental Risk Insurance Policy in the amount of $10 million expiring in 2014 with respect to the property, which we believe is in excess of any exposure that we may have in this matter.

The GEIDC claimed that Presque Isle Downs was obligated to supply approximately 50,500 cubic yards of "clean fill dirt" for the parcel of land of the International Paper site that was previously sold to the GEIDC. Presque Isle Downs has taken the position that it has no such obligation because (i) any such requirement contained in the sales agreement was merged into the deed delivered at the time of the sale; and (ii) the GEIDC had expressly waived this requirement. However, on December 14, 2011, the Erie County Court of Common Pleas ruled in favor of the GEIDC, awarding them $0.6 million in damages, plus interest. Although we plan to appeal the ruling, Presque Isle Downs has accrued approximately $0.7 million, which is reflected as part of accrued liabilities in the accompanying consolidated balance sheet at December 31, 2011.

On May 5, 2006, HHLV Management Company, LLC, an affiliate of Harrah's Entertainment, Inc., served a complaint for breach of contract against Speakeasy Gaming of Fremont, Inc. (and MTR Gaming Group, Inc. as guarantor of the obligations of Speakeasy Gaming of Fremont, Inc.). The complaint alleged that HHLV was entitled to an additional $5 million of purchase price pursuant to the Purchase Agreement by which Speakeasy Gaming of Fremont acquired Binion's Gambling Hall & Hotel. The Company and Speakeasy Gaming of Fremont, Inc. answered the complaint, generally denying liability and filed counterclaims. On June 11, 2009, we settled this dispute and paid HHLV Management Company approximately $0.7 million, which represented $1.75 million of purchase price adjustment less approximately $1.1 million for other amounts HHLV Management Company owed us.

On October 8, 2009, Edson R. Arneault initiated a legal action which named as defendants the Company, certain of its affiliates and various other parties regarding a dispute under Mr. Arneault's deferred compensation and employment agreements. The complaint alleged, among other things, that we were required to continue to pay annual premiums on insurance policies under the deferred compensation and employment agreements between the Company and Mr. Arneault. Effective March 1, 2010, the Company and named defendants and Mr. Arneault entered into a Settlement Agreement and Release (the "Settlement Agreement"), pursuant to which we agreed to and paid on March 2, 2010, an aggregate of $1.6 million to Mr. Arneault to, among other things, (a) terminate the obligations of the parties under a consulting agreement between the Company and Mr. Arneault, other than an agreement by Mr. Arneault not to compete with the Company by owning, operating, joining, controlling, participating in, or being connected as an officer, director, employee, partner, stockholder, consultant or otherwise with any gaming business within 100 miles of any facility owned or leased by the Company, and a non-solicitation agreement by Mr. Arneault, (b) satisfy in full any obligations that the Company may have had under a deferred compensation agreement with Mr. Arneault (in his capacity as our former Chairman, President and Chief Executive Officer), and (c) resolve, compromise and settle any and all claims related to the action filed by Mr. Arneault against the Company, its affiliates and other named parties. The settlement in the aggregate amount of $1.6 million was included as a component of other accrued liabilities in our consolidated balance sheet as of December 31, 2009.

9. COMMITMENTS AND CONTINGENCIES (Continued)

In addition, pursuant to the terms of the Settlement Agreement, Mr. Arneault disclaimed all rights in the life insurance policies, and the proceeds and cash surrender value of such policies, that were designed to fund any deferred compensation obligations owed by the Company to Mr. Arneault. In conjunction with the settlement, we surrendered the life insurance policies and in April 2010 we received the cash surrender value of such policies in the aggregate amount of approximately $1.8 million, which was included in deposits and other in our consolidated balance sheet as of December 31, 2009.

We are also a party to various lawsuits, which have arisen in the normal course of our business. The liability arising from unfavorable outcomes of those lawsuits is not expected to have a material impact on our consolidated financial condition or results of operations.

Regulatory Gaming Assessments

Upon commencement of slot operations at Presque Isle Downs, the Pennsylvania Gaming Control Board (the "PGCB") advised Presque Isle Downs that it would receive a one-time assessment of $0.8 million required of each slot machine licensee after commencement of gaming operations. The assessment was paid and represented a prepayment toward the borrowings of the PGCB, the Pennsylvania Department of Revenue and the Pennsylvania State Police (collectively "the borrowers"), which were required to fund the costs they incurred in connection with the initial development of the infrastructure to support gaming operations in Pennsylvania as well as the initial ongoing costs of the borrowers. Based upon correspondence we received from the Pennsylvania Department of Revenue and discussions with the PGCB that additional assessments would be likely, the total prepayment by Presque Isle Downs of $0.8 million was recognized as a gaming assessment and charged to expense during the third quarter of 2010. The initial funding of these costs was provided from a loan from the Pennsylvania General Fund in the amount of approximately $36.1 million, and further funding was provided from additional loans from the Pennsylvania Property Tax Reserve Fund in the aggregate amount of approximately $63.8 million.

The Pennsylvania Department of Revenue will assess all licensees, including Presque Isle Downs, their proportionate share of amounts represented by the borrowings, which are in the aggregate amount of $99.9 million, as a result of gaming operations once the designated number of Pennsylvania's slot machine licensees is operational. For the $63.8 million that was borrowed from the Property Tax Reserve Fund, payment was originally scheduled to begin after the eleventh facility opened while payment of the remaining $36.1 million that was borrowed from the General Fund would commence after all fourteen licensees are operational. On July 11, 2011, the PGCB issued an administrative order which established that payments associated with the $63.8 million that was borrowed from the Property Tax Reserve Fund would commence on January 1, 2012, and would not be dependent on the opening of the eleventh facility. The repayment allocation between all current licensees is based upon equal weighting of (i) cumulative gross slot revenue since inception in relation to the combined cumulative gross slot revenue for all licensees and (ii) single year gross slot revenue (during the state's fiscal year ending June 30) in relation to the combined single year gross slot revenue for all licensees; and amounts paid each year will be adjusted annually based upon changes in the licensee's proportionate share of gross slot revenue. We have estimated that our proportionate share of the aggregate $63.8 million to be assessed to the gaming facilities will be approximately $4.0 million and will be paid quarterly over a ten-year period. For the $36.1 million that was borrowed from the General Fund, payment is still scheduled to begin after all fourteen licensees are operational. Although we cannot

9. COMMITMENTS AND CONTINGENCIES (Continued)

determine when payment will begin, we have considered a similar repayment model for the General Fund borrowings and estimated that our proportionate share of the aggregate $36.1 million to all fourteen gaming facilities will approximate $1.9 million.

The estimated total obligation in the aggregate amount of approximately $5.9 million has been included in our accompanying consolidated statement of operations as "Regulatory Gaming Assessments" for the year ended December 31, 2011. The recorded estimate will be subject to revision based upon future changes in the revenue assumptions utilized to develop the estimate.

Agreements with Horsemen and Pari-mutuel Clerks

The Federal Interstate Horse Racing Act and the state racing laws in West Virginia, Ohio and Pennsylvania require that, in order to simulcast races, we have written agreements with the horse owners and trainers at those racetracks. In addition, in order to operate slot machines in West Virginia, we are required to enter into written agreements regarding the proceeds of the slot machines (a "proceeds agreement") with a representative of a majority of the horse owners and trainers and with a representative of a majority of the pari-mutuel clerks. In Pennsylvania, we must have an agreement with the representative of the horse owners. We have the requisite agreements in place with the horsemen at Mountaineer until December 31, 2012. With respect to the Mountaineer pari-mutuel clerks, we have a labor agreement in force until November 30, 2012, and a proceeds agreement until April 14, 2013. We are required to have a proceeds agreement in effect on July 1 of each year with the horsemen and the pari-mutuel clerks as a condition to renewal of our video lottery license for such year. If the requisite proceeds agreement is not in place as of July 1 of a particular year, Mountaineer's application for renewal of its video lottery license could be denied, in which case Mountaineer would not be permitted to operate its slot machines. Additionally, the renewal of the video lottery license is a prerequisite to the renewal of the table games license. With respect to the horsemen at Scioto Downs, the agreement with the Horsemen's Benevolent & Protective Association is effective until November 29, 2012, and the agreement with the Ohio Harness Horsemen's Association provides for automatic annual renewals. However, in conjunction with the planned VLT facility at Scioto Downs we are currently negotiating a new agreement with the Ohio Harness Horsemen's Association. Such an agreement must be in place prior to opening the Scioto Downs VLT facility. Presque Isle Downs has the requisite agreement in place with the Pennsylvania Horsemen's Benevolent and Protective Association until March 31, 2013, with automatic two-year renewals unless either party provides written notice of termination at least ninety (90) days prior to the scheduled renewal date. With the exception of the respective Mountaineer and Presque Isle Downs horsemen's agreements and the agreement between Mountaineer and the pari-mutuel clerks' union described above, each of the agreements referred to in this paragraph may be terminated upon written notice by either party.

Officer Employment Agreements

The Company has entered into employment agreements with its executive officers, other members of management and certain key employees. These agreements generally have two- to three-year terms and typically indicate a base salary and often contain provisions for participation in the Company's annual and long-term incentive plans. The executives and certain other members of management are also entitled to a severance payment if terminated without "cause" or upon voluntary termination of employment for "good reason" including following a "change of control" (as these terms are defined in the employment agreements).

10. RETIREMENT PLANS

In December 2008, we established the MTR Gaming Group, Inc. Retirement Plan (the "Retirement Plan"). At that time, the Mountaineer qualified defined contribution plan and the Scioto Downs'401(k) plan were merged into the Retirement Plan. Additionally, the Retirement Plan provides 401(k) participation to Presque Isle Downs' employees. Matching contributions by the Company for each of the three years ended December 31, were 2011—$67,000; 2010—$94,000; and 2009—$87,000.

Mountaineer's qualified defined contribution plan covers substantially all of its employees and was merged as a component of the Retirement Plan as previously discussed. The Mountaineer plan was ratified retroactively on March 18, 1994 by West Virginia legislation. Contributions to the plan are based on ¼% of the race track and simulcast wagering handles and approximately 1% of the net win from gaming operations until the racetrack reaches its Excess Net Terminal Income threshold, which for Mountaineer is approximately $160 million per year based on the state's June 30 fiscal year. Contributions to the plan during each of the three years ended December 31, were 2011—$1.9 million; 2010—$2.0 million and 2009—$2.2 million. Contributions were made to the Retirement Plan for the benefit of only the Mountaineer employees.

Scioto Downs sponsors a noncontributory defined-benefit plan covering all full-time employees meeting certain age and service requirements. On May 31, 2001, the plan was amended to freeze eligibility, accrual of years of service and benefits. Scioto Downs' pension expense during each of the three years ended December 31 was as follows: 2011—$(25,000); 2010—$(25,000); and 2009—$(41,000). As of December 31, 2011, the fair value of the plan assets were approximately $1.0 million and the fair value of the benefit obligations were approximately $1.2 million, resulting in an under-funded status of $0.2 million. As of December 31, 2010, the fair value of the plan assets and benefit obligations were each approximately $1.1 million, resulting in a fully funded status. We did not make cash contributions to the Scioto Downs pension plan during any of the three years in the period ended December 31, 2011.

11. ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs during each of the three years ended December 31 were as follows: 2011—$12.6 million; 2010—$12.8 million; and 2009—$19.6 million. Advertising costs are reduced by advertising grants Mountaineer received from the State of West Virginia for each of the three years ended December 31 as follows: 2011—$0.6 million; 2010—$0.7 million; and 2009—$0.7 million. Advertising costs are also reduced by reimbursements Presque Isle Downs received from the Pennsylvania Horsemen's Benevolent & Protective Association for each of the three years ended December 31 as follows: 2011—$59,000; 2010—$7,000; and 2009—$65,000.

12. STOCKHOLDERS' EQUITY

Common Stock

On August 5, 2010, our stockholders approved an amendment to the Company's Restated Certificate of Incorporation to increase the total number of shares of common stock which the Company will have authority to issue from 50,000,000 shares to 100,000,000 shares, par value $0.00001 per share.

12. STOCKHOLDERS' EQUITY (Continued)

Limitations on Dividends

We are prohibited from paying any dividends without our lenders' consent. We currently intend to retain all earnings, if any, to finance and expand our operations.

Stock-Based Compensation

We account for stock-based compensation in accordance with ASC 718 *Compensation—Stock Compensation*. Total stock-based compensation expense recognized during each of the three years ended December 31 was as follows: 2011—$1,296,000; 2010—$668,000; and 2009—$108,000. These amounts are included in general and administrative expense in our accompanying consolidated statement of operations.

Restricted Stock Units and Stock Options

On January 22, 2010, we amended certain of our stock incentive plans to provide for the grants of restricted stock units ("RSUs") and cash awards to key employees (including officers and directors) of or consultants to the Company, or its subsidiaries, as the Compensation Committee of the Company's Board of Directors may determine. Pursuant to the amended plans, on January 22, 2010, we granted a total of 520,000 RSUs with a fair value of $1.78 per unit, the NASDAQ Official Close Price per share of common stock on that date, and cash awards totaling $390,000 to executive officers and certain key employees.

On May 17, 2010, we granted 50,000 RSUs with a fair value of $1.90 per unit, the NASDAQ Official Close Price per share of common stock on that date, and a cash award of $37,500 to a key employee; on June 9, 2010, we granted a total of 75,000 RSUs with a fair value of $1.75 per unit, the NASDAQ Official Close Price per share of common stock on that date, to two executive officers; and on November 4, 2010, we granted 55,000 RSUs with a fair value of $1.90 per unit, the NASDAQ Official Close Price per share of common stock on that date, and a cash award of $52,250 to an executive officer, effective November 8, 2010. The RSUs and cash awards will generally vest in three equal installments beginning on the first anniversary of the date of grant. Vesting will be accelerated upon consummation of a change of control of the Company (as defined), or upon other employee termination provisions (as defined).

As a result of the termination of a key employee during the first quarter of 2010, and of the resignation of two executive officers during the third quarter of 2010, unvested RSUs of 50,000 and 300,000, respectively, were forfeited.

On August 5, 2010, our stockholders approved the Company's 2010 Long-Term Incentive Plan (the "2010 Plan") which provides for grants of stock options, stock appreciation rights, restricted stock, restricted stock units and other equity and non-equity based awards to employees, officers and non-employee members of the Board. Pursuant to the 2010 Plan, on August 5, 2010 each of the Company's six non-employee directors were granted 30,000 RSUs with a fair value of $2.14 per unit, the NASDAQ Official Close Price per share of common stock on that date. The grants of such RSUs were previously approved by the Board of Directors, pending the approval of the 2010 Plan by our stockholders. The RSUs vested immediately and will be delivered upon the date that is the earlier of termination of service on the Board of Directors or the consummation of a change of control of the Company.

12. STOCKHOLDERS' EQUITY (Continued)

On January 10, 2011, the Company granted, pursuant to the execution of an employment agreement with our new President and Chief Executive Officer, nonqualified stock options to purchase a total of 150,000 shares of the Company's common stock at a purchase price of $2.04, the NASDAQ average price per share on that date. One-third of the options vested and became exercisable on the date of grant, and two-thirds of which will vest and become exercisable in equal installments on the first and second anniversaries of the effective date of the employment agreement, subject to continued employment with the Company as of each applicable vesting dates. The weighted average grant date fair value of the 150,000 options was $1.3187 per share.

On January 21, 2011, as a result of the termination of an executive officer, 125,000 RSUs and a cash award of $93,500 vested and became non-forfeitable upon termination, pursuant to the Restricted Stock and Cash Award Agreement dated January 22, 2010.

On January 28, 2011, the Compensation Committee of the Board of Directors of the Company approved the grant of (i) nonqualified stock options to purchase a total of 340,500 shares of the Company's common stock at a purchase price of $2.32, the NASDQ average price per share on that date; (ii) a total of 113,600 RSUs with a fair value of $2.32 per unit, the NASDAQ Official average price per share on that date; and (iii) cash-based performance awards totaling $604,700 to executive officers and certain key employees under the 2010 Plan. The stock options will vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. Further, all unvested options will fully vest and become exercisable immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The weighted average grant date fair value of the 340,500 options was $1.5224 per share. The RSUs will vest and become non-forfeitable upon the third anniversary of the date of grant; and all unvested RSUs will vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The cash-based performance awards relate to the achievement of differing levels of performance (as defined) and are measured by the level of the Company's Corporate Free Cash Flow (as defined) over a one-year Performance Period, which is defined as the calendar year 2011. The performance award levels were achieved for 2011, and the awards earned will vest and become payable at the end of the Vesting Period, defined as the two calendar year period following the Performance Period. The earned awards also vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company.

On March 28, 2011, in connection with the termination of a key employee, 51,433 RSUs, 54,200 stock options and cash awards of $121,300 were forfeited.

On May 4, 2011, the Compensation Committee of the Board of Directors of the Company approved the grant of (i) nonqualified stock options to purchase a total of 46,500 shares of the Company's common stock at a purchase price of $2.78 per share, the NASDAQ average price per share on that date; (ii) a total of 15,600 RSUs with a fair value of $2.78 per unit, the NASDAQ Official average price per share on that date; and (iii)) a cash-based performance award totaling $100,000 to an executive officer under the 2010 Plan. The stock options will vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. Further, all unvested options will fully vest

12. STOCKHOLDERS' EQUITY (Continued)

and become exercisable immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The weighted average grant date fair value of the 46,500 options was $1.83 per share. The RSUs will vest and become non-forfeitable upon the third anniversary of the date of grant; and all unvested RSUs will vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The cash-based performance awards are contingent upon the achievement of differing levels of performance (as defined) and are measured by the level of the Company's Corporate Free Cash Flow (as defined) over a one-year Performance Period, which is defined as calendar year 2011. The performance award levels were achieved for 2011, and the awards earned will vest and become payable at the end of the Vesting Period, defined as the two calendar year period following the Performance Period. The earned awards also vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company.

On August 12, 2011, pursuant to the 2010 Plan and approved by the Compensation Committee of the Board of Directors, each of the Company's six non-employee directors were granted 19,500 RSUs with a fair value of $2.77 per unit, the NASDAQ Official average price per share of common stock on that date. The RSUs vested immediately and will be delivered upon the date that is the earlier of termination of service on the Board of Directors or the consummation of a change of control of the Company.

On January 27, 2012, the Compensation Committee of the Board of Directors of the Company approved the grant of (i) nonqualified stock options to purchase a total of 354,900 shares of the Company's common stock at a purchase price of $2.44, the NASDQ average price per share on that date; (ii) a total of 118,200 RSUs with a fair value of $2.44 per unit, the NASDAQ Official average price per share on that date; and (iii) cash-based performance awards totaling $637,500 to executive officers and certain key employees under the 2010 Plan. The stock options will vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. Further, all unvested options will fully vest and become exercisable immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The weighted average grant date fair value of the 354,900 options was $1.72 per share. The RSUs will vest and become non-forfeitable upon the third anniversary of the date of grant; and all unvested RSUs will vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The cash-based performance awards relate to the achievement of differing levels of performance (as defined) and are measured by the level of the Company's Corporate Free Cash Flow (as defined) over a one-year Performance Period, which is defined as the calendar year 2012. The earned awards, if any, will vest and become payable at the end of the Vesting Period, defined as the two calendar year period following the Performance Period. The earned awards also vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company.

12. STOCKHOLDERS' EQUITY (Continued)

The restricted stock unit activity for the year ended December 31, 2011 and 2010 was as follows:

	Restricted Stock Units	
	Number of RSUs	Weighted Average Grant Date Fair Value
Unvested December 31, 2009	—	$ —
Granted	880,000	1.87
Vested	(180,000)	2.14
Forfeited	(350,000)	1.78
Unvested December 31, 2010	350,000	$1.81
Granted	246,200	2.57
Exercised	(199,997)	1.80
Vested	(117,000)	2.77
Forfeited	(51,434)	1.97
Unvested December 31, 2011	227,769	$2.11

Stock option activity during each of the three years ended December 31 is summarized as follows:

	Number of Option Shares	Exercise Price Range Per Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Balance, December 31, 2008	1,483,800	$2.50 - $16.27	$ 7.75		
Forfeited	(274,300)	$2.50 - $16.27	$11.47		
Balance, December 31, 2009	1,209,500	$2.50 - $16.27	$ 6.91		
Forfeited	(341,500)	$3.71 - $16.27	$ 7.68		
Expired	(470,000)	$ 2.50	$ 2.50		
Balance, December 31, 2010	398,000	$ 7.30 - 16.27	$11.46		
Granted	537,000	$ 2.04 - 2.78	$ 2.28		
Forfeited	(54,200)	$ 2.32	$ 2.32		
Expired	(80,000)	$ 7.30 - 13.60	$ 8.48		
Balance, December 31, 2011	800,800	$ 2.04 - 16.27	$ 6.22	6.81	$—
Exercisable, December 31, 2011	368,000	$ 2.04 - 16.27	$10.83	4.12	$—

The total compensation cost related to unvested stock option and restricted stock unit awards not yet recognized at December 31, 2011was $437,000 and $346,000, respectively, or a total of $783,000. This cost will be recognized over the remaining vesting periods which will not exceed two years. The total compensation cost related to unvested stock option awards not yet recognized at December 31,

12. STOCKHOLDERS' EQUITY (Continued)

2009 was $65,000. This cost was recognized over the remaining vesting periods which did not exceed one year. There was no compensation cost related to unvested stock option awards that were not yet recognized at December 31, 2010.

There were no options exercised during the three years ended December 31, 2011. Shares issued for stock option exercises are issued from authorized, unissued shares.

The weighted average grant date fair value of the 537,000 options granted during the year ended December 31, 2011 was $803,000. During the years ended December 31, 2011 and 2009, the fair value of the 50,000 and 332,000 options, respectively, which vested during the year, was $66,000 and $2,193,000, respectively. There were no options that vested during the year ended December 31, 2010.

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants for each of the three years ended December 31 is as follows:

	2011	2010	2009
Expected dividend yield	N/A	N/A	N/A
Expected stock price volatility	72.9%	N/A	N/A
Risk-free interest rate	2.43%	N/A	N/A
Expected life of options	5.86 years	N/A	N/A

13. INCOME TAXES

The income tax provisions (benefit) attributable to continuing and discontinued operations during each of the three years ended December 31 is as follows:

	2011	2010	2009
		(in thousands)	
Continuing operations	$4,347	$(1,361)	$(1,365)
Discontinued operations	—	(82)	(3,619)
	$4,347	$(1,443)	$(4,984)

The income tax provision (benefit) attributable to the loss from continuing operations before income taxes during each of the three years ended December 31 is summarized as follows:

	2011	2010	2009
		(in thousands)	
Current Federal	$ 400	$ —	$(9,342)
Deferred Federal	2,636	(1,911)	7,977
Deferred State	1,311	550	—
Provision (benefit) for income taxes	$4,347	$(1,361)	$(1,365)

The Company and its subsidiaries file a US federal income tax return, and various state and local income tax returns. The Company is no longer subject to US Federal or state and local tax examinations by tax authorities for years before 2004. The Internal Revenue Service (the "IRS") finalized its examination of the Company's U.S. income tax return for the year ended December 31,

13. INCOME TAXES (Continued)

2007. In connection with their review, the IRS increased the Company's 2007 income tax liability by approximately $339,000 (plus interest associated with this amount of approximately $43,000), an amount that did not have a material impact on the consolidated financial statements. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2011	2010	2009
	(in thousands)		
Balance January 1	$418	$418	$284
Increase related to prior period tax positions	—	—	134
Reductions related to prior period tax positions	—	—	—
Balance December 31	$418	$418	$418

The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is approximately $0.1 million. We do not expect a significant increase or decrease to the total amounts of unrecognized tax benefits within the next twelve months.

We recognize interest accrued related to unrecognized tax benefits in income tax expense, and penalties in operating expense. We recognized interest and penalties during each of the three years ended December 31 as follows: 2011—$24,000; 2010—$24,000; and 2009—$55,000.

A reconciliation of the expected statutory federal income tax benefit to the provision (benefit) for income taxes for continuing operations during each of the three years ended December 31 was as follows:

	2011	2010	2009
Benefit for income taxes at a federal statutory rate	35.0%	35.0%	35.0%
Increase (reduction) in income tax benefit resulting from:			
Permanent items not deductible for income tax purposes	(0.5)	(6.7)	(17.1)
Valuation allowance	(43.2)	(9.6)	(12.9)
Other	(0.6)	2.8	0.4
Benefit for income taxes for continuing operations	(9.3)%	21.5%	5.4%

The permanent items not deductible for income tax purposes resulted primarily from the payment of nondeductible expenses including $0.5 million, $1.1 million and $9.8 million in 2011, 2010 and 2009, respectively, related to our lobbying efforts for gaming in Ohio, as discussed in Notes 3 and 7.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax

13. INCOME TAXES (Continued)

purposes. Significant components of our net deferred taxes related to continuing operations at December 31 were as follows:

	2011	2010
	(in thousands)	
Deferred tax assets:		
Loss and credit carryforwards	$ 24,074	$ 10,881
Impairment losses	4,185	4,060
Deferred expenses	1,759	2,033
Stock-based compensation	821	122
Other	907	666
Accrued liabilities	3,429	841
Interest	77	53
	35,252	18,656
Valuation allowance—federal net operating loss carryforwards, impairment losses and other	(22,269)	(3,455)
Valuation allowance—state net operating loss carryforwards	(2,545)	(1,791)
Deferred tax assets	$ 10,438	$ 13,410
Deferred tax liabilities:		
Tax depreciation in excess of book	$(17,592)	$(16,504)
Basis difference in property and equipment	(1,932)	(2,051)
Prepaid expenses	(1,406)	(1,621)
Deferred expenses	(62)	(54)
Deferred tax liabilities	$(20,992)	$(20,230)

As of December 31, 2011, management determined that the realization of deferred tax assets for U.S. federal and state income tax purposes was not considered more likely than not, due to our prior history of pre-tax losses and uncertainty about the timing of and ability to generate taxable income in the future. As a result, we recorded a full valuation allowance of $24.8 million against our net deferred tax assets, excluding deferred tax liabilities related to indefinite-lived assets. The Company has generated additional deferred tax liabilities related to the tax amortization of certain assets because these assets are indefinite lived and are not amortized for book purposes. Specifically, deferred tax liabilities related to indefinite-lived assets include a deferred tax liability recorded in connection with the tax amortization of our Pennsylvania gaming licenses of approximately $7.0 million, and a deferred tax liability of approximately $2.6 million recorded in connection with amounts depreciated as land improvements for tax purposes but recorded as land for book purposes. The tax amortization in current and future years gives rise to a deferred tax liability which will only reverse upon ultimate sale or book impairment. Due to the uncertain timing of such reversal, the temporary differences associated with indefinite lived intangibles cannot be considered a source of future taxable income for purposes of determining a valuation allowance. This resulted in deferred tax expense of $2.5 million for the year ended December 31, 2011.

13. INCOME TAXES (Continued)

Valuation allowances of $22.3 million and $3.4 million were provided at December 31, 2011 and 2010, respectively for federal deferred tax assets related to net operating loss carryforwards and certain impairment losses for which we were not able to recognize a tax benefit. In addition, valuation allowances of $2.5 million and $1.8 million were provided at December 31 2011 and 2010, respectively, for state deferred tax assets. During 2011 and 2010, the aggregate valuation allowances for deferred tax assets increased by $19.0 million and $0.3 million, respectively. The 2011 and 2010 increases relate primarily to federal and state net operating loss carryforwards and impairment losses that are not considered more likely than not realizable.

For federal income tax purposes, we have approximately $515,000 in alternative minimum tax credit carryforwards, approximately $60.1 million in net operating loss carryforwards, approximately $832,000 in capital loss carryforwards, and approximately $268,000 in other federal credit carryforwards at December 31, 2011. The net operating loss carryforwards begin to expire in 2020 and the capital loss carryforwards begin to expire in 2014. A portion of the net operating loss carryforwards (approximately $3.0 million) is limited as to the amount that can be utilized in each tax year by Section 382 of the Internal Revenue Code. The alternative minimum tax credit can be carried forward indefinitely. We have state net operating loss carryforwards of $35.0 million that begin to expire in 2024. We are no longer subject to federal and state income tax examinations for years before 2004.

14. QUARTERLY DATA (UNAUDITED)

Continuing operations exclude the operating results for Binion's Gambling Hall & Hotel, the Ramada Inn and Speedway Casino, Jackson Harness Raceway and MTR-Harness, Inc.

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(dollars in thousands, except per share amounts)			
2011:				
Revenues	$ 100,724	$ 113,315	$ 118,601	$ 106,541
Less promotional allowances	(2,386)	(2,796)	(2,962)	(2,951)
Net revenues	98,338	110,519	115,639	103,590
Operating expenses	89,180	94,185	105,137	92,012
Operating income(1)	9,158	16,334	10,502	11,578
(Loss) income from continuing operations(2)	(5,133)	2,262	(41,517)	(6,765)
Net (loss) income(3)	$ (5,133)	$ 2,262	$ (41,517)	$ (5,977)
Basic net (loss) income per common share:				
(Loss) income from continuing operations	$ (0.19)	$ 0.08	$ (1.49)	$ (0.24)
Net (loss) income	$ (0.19)	$ 0.08	$ (1.49)	$ (0.21)
Diluted net (loss) income per common share:				
(Loss) income from continuing operations	$ (0.19)	$ 0.08	$ (1.49)	$ (0.24)
Net (loss) income	$ (0.19)	$ 0.08	$ (1.49)	$ (0.21)
Weighted average shares outstanding—basic	27,717,041	27,800,392	27,880,204	27,940,702
Weighted average shares outstanding—diluted	27,717,041	27,869,684	27,880,204	27,940,702

14. QUARTERLY DATA (UNAUDITED) (Continued)

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(dollars in thousands, except per share amounts)			
2010:				
Revenues	$ 101,754	$ 114,136	$ 121,687	$ 97,120
Less promotional allowances	(2,395)	(2,514)	(2,540)	(2,357)
Net revenues	99,359	111,622	119,147	94,763
Operating expenses	90,069	98,744	103,605	84,714
Operating income (loss)(4)	9,290	12,878	15,542	10,049
(Loss) income from continuing operations	(3,137)	(510)	1,474	(2,790)
Net (loss) income	$ (3,280)	$ (517)	$ 1,498	$ (2,817)
Basic net income (loss) per common share:				
(Loss) income from continuing operations	$ (0.11)	$ (0.02)	$ 0.05	$ (0.10)
Net (loss) income	$ (0.12)	$ (0.02)	$ 0.05	$ (0.10)
Diluted net income (loss) per common share:				
(Loss) income from continuing operations	$ (0.11)	$ (0.02)	$ 0.05	$ (0.10)
Net (loss) income	$ (0.12)	$ (0.02)	$ 0.05	$ (0.10)
Weighted average shares outstanding—basic	27,475,260	27,475,260	27,587,760	27,655,526
Weighted average shares outstanding—diluted	27,475,260	27,475,260	27,793,982	27,655,526

(1) Operating income for each of the quarters ended during 2011 includes the following:

- June 30—receipt of payment of $1.8 million relating to lease of mineral rights
- September 30—project-opening costs of $0.2 million related to poker table gaming operations at Presque Isle Downs, which commenced in October; and other regulatory gaming assessment costs of $5.8 million relating to Presque Isle Downs
- December 31—receipt of payment of $0.3 million relating to lease of mineral rights; impairment losses of $0.7 million relating to non-operating real property; and other regulatory gaming assessment costs of $0.1 million relating to Presque Isle Downs

(2) (Loss) income from continuing operations for each of the quarters ended during 2011 includes the following:

- March 31—an income tax valuation allowance of $0.9 million that was provided in excess of the Company's deferred tax benefits
- June 30—an income tax valuation allowance of $0.6 million that was provided in excess of the Company's deferred tax benefits
- September 30—a loss on extinguishment of $34.4 million resulting from the write-offs of deferred financing fees and original issue discount and the payment of tender and redemption fees related to the repurchase of our Senior Secured Notes and Senior Subordinated Notes and termination of our former credit agreement; and an income tax valuation allowance of $1.2 million that was provided in excess of the Company's deferred tax benefits

14. QUARTERLY DATA (UNAUDITED) (Continued)

- December 31—an income tax valuation allowance of $1.2 million that was provided in excess of the Company's deferred tax benefits

(3) Net (loss) income for the quarter ended December 31, 2011 includes $867,000 received as a settlement payment relating to the sale of Binion's

(4) Operating income for each of the quarters ended during 2010 includes the following:

- March 31—project-opening costs of $0.1 million related to table gaming operations at Presque Isle Downs, which commenced on July 8, 2010
- June 30—project-opening costs of $1.0 million related to table gaming operations at Presque Isle Downs, which commenced on July 8, 2010, strategic costs of $0.4 million associated with lobbying and gaming efforts in Ohio
- September 30—project-opening costs of $0.3 million related to table gaming operations at Presque Isle Downs; and other regulatory gaming assessment costs of $0.8 million relating to Presque Isle Downs
- December 31—strategic costs of $0.2 million associated with lobbying and gaming efforts in Ohio

MTR GAMING GROUP, INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B Balance at Beginning of Period	Column C Additions(1)	Column D Deductions(2)	Column E Balance at End of Period
Year ended December 31, 2011:				
Allowance for doubtful accounts receivable	$386,000	$ 33,000	$ 36,000	$383,000
Year ended December 31, 2010:				
Allowance for doubtful accounts receivable	$458,000	$ 49,000	$121,000	$386,000
Year ended December 31, 2009:				
Allowance for doubtful accounts receivable	$125,000	$383,000	$ 50,000	$458,000

(1) Amounts charged to costs and expenses.

(2) Uncollectible accounts written off, net of recoveries.

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MTR
GAMING GROUP, INC.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Steven M. Billick, *Chairman*

Robert A. Blatt

Jeffrey J. Dahl

Richard Delatore

Raymond K. Lee

James V. Stanton

Roger P. Wagner

OFFICERS

Jeffrey J. Dahl
President and Chief Executive Officer

John W. Bittner, Jr.
Executive Vice President and Chief Financial Officer

Joseph L. Billhimer, Jr.
Executive Vice President and Chief Operating Officer

Narciso ("Nick") A. Rodriguez-Cayro
Vice President for Regulatory Affairs, General Counsel and Secretary

Fred A. Buro
Vice President and Chief Marketing Officer

Robert A. Blatt
Vice Chairman and Assistant Secretary

INVESTOR RELATIONS

John W. Bittner, Jr.
Executive Vice President and Chief Financial Officer
MTR Gaming Group, Inc.
State Route 2
Chester, West Virginia 26034

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
2100 One PPG Place
Pittsburgh, Pennsylvania 15222

STOCK REGISTRAR AND TRANSFER AGENT

Continental Stock Transfer
& Trust Company
17 Battery Place South
8th Floor
New York, New York 10004

EXHIBITS AND OTHER INFORMATION

A copy of any exhibits filed with the Company's Annual Report on Form 10-K, or incorporated by reference herein, will be furnished without charge to stockholders upon written request to:

MTR Gaming Group, Inc.
State Route 2
Chester, West Virginia 26034

Additionally, copies of the Company's Annual Report on Form 10-K, other SEC filings, press releases and other documents and information are available on the MTR Gaming website at www.mtrgaming.com—"investor relations"

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MTR
GAMING GROUP, INC.

State Route 2
Chester, West Virginia 26034
304-387-8000
www.mtrgaming.com

MOUNTAINEER CASINO
RACETRACK & RESORT

SCIOTO DOWNS

presque isle
downs & casino

MTR GAMING GROUP, INC.

State Route 2
Chester, West Virginia 26034

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of MTR Gaming Group, Inc. to be held on Wednesday, June 13, 2012, at 12:00 p.m. local time, at the Pittsburgh Marriott North, 100 Cranberry Woods Drive, Cranberry Township, Pennsylvania 16066.

The accompanying Notice of Annual Meeting and Proxy Statement describe the business to be conducted at the meeting. There will be a brief report on the current status of our business.

Whether or not you plan to attend the meeting in person, it is important that your shares be represented and voted. After reading the Notice of Annual Meeting and Proxy Statement, please complete, sign and date your proxy ballot, and return it in the envelope provided.

On behalf of the Officers and Directors of MTR Gaming Group, Inc., I thank you for your interest in the Company and hope that you will be able to attend our Annual Meeting.

For the Board of Directors,

STEVEN M. BILLICK
Chairman of the Board of Directors

April 30, 2012

MTR GAMING GROUP, INC.

State Route 2
Chester, West Virginia 26034

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of MTR Gaming Group, Inc. will be held on Wednesday June 13, 2012 at 12:00 p.m. local time, at the Pittsburgh Marriott North, 100 Cranberry Woods Drive, Cranberry Township, Pa 16066 for the following purposes:

1. to elect seven (7) persons to serve as directors of the Company until their successors are duly elected and qualified;
2. to ratify the selection of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm;
3. an advisory vote to approve named executive officer compensation; and
4. to transact such other business as may properly come before the meeting.

Stockholders entitled to notice and to vote at the meeting will be determined as of the close of business on April, 19, 2012, the record date fixed by the Board of Directors for such purposes.

By order of the Board of Directors

Nick Rodriguez-Cayro, *Secretary*

April 30, 2012

Please sign the enclosed proxy and return it promptly in the enclosed envelope.

If mailed in the United States, *no postage required.*

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on June 13, 2012: The Company's Proxy Statement and Fiscal Year 2011 Annual Report to Stockholders are available at http://www.cstproxy.com/mtrgaming/2012.

MTR GAMING GROUP, INC.

State Route 2
Chester, West Virginia 26034
(304) 387-8000

PROXY STATEMENT

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of MTR Gaming Group, Inc. (the "Company") for use at the Annual Meeting of Stockholders to be held June 13, 2012.

A copy of the Company's annual report with financial statements for the year ended December 31, 2011 is enclosed. This proxy statement and form of proxy are to be first sent to stockholders on or about the date stated on the accompanying Notice of Annual Meeting of Stockholders.

Record Date. Only stockholders of record as of the close of business on April 19, 2012 will be entitled to notice of and to vote at the meeting and any postponement or adjournments thereof. As of April 19, 2012, 27,668,839 shares of common stock of the Company were issued and outstanding. Each share outstanding as of the record date will be entitled to one vote, and stockholders may vote in person or by proxy. Execution of a proxy will not in any way affect a stockholder's right to attend the meeting and vote in person.

Revocation of Proxies. Any stockholder giving a proxy has the right to revoke it at any time before it is exercised by written notice to the Secretary of the Company or by submission of another proxy bearing a later date. In addition, stockholders of record attending the meeting may revoke their proxies at any time before they are exercised.

Quorum. A majority of the shares of common stock entitled to vote at the Annual Meeting, represented in person or by proxy (and in no event less than 33⅓ percent of the outstanding shares of the Company's common stock), will constitute a quorum for the transaction of business at the Annual Meeting. Shares of common stock represented in person or by proxy (including shares which abstain, broker non-votes and shares that are not voted with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum is present at the Annual Meeting.

Required Vote. With respect to Proposal 1 (election of directors), stockholders may vote FOR all or some of the nominees or stockholders may vote WITHHOLD with respect to one or more of the nominees. The affirmative vote of the holders of a majority of the shares represented at the meeting in person or by proxy and entitled to vote thereon is required to elect a director. A vote to WITHHOLD will have the effect of a negative vote.

With respect to Proposal 2 (ratification of Ernst & Young LLP as the Company's independent registered public accounting firm) and Proposal 3 (advisory vote to approve named executive officer compensation), stockholders may vote FOR, AGAINST, or ABSTAIN. Approval of Proposals 2 and 3 requires the affirmative vote of a majority of shares represented at the meeting in person or by proxy and entitled to vote thereon. A vote to ABSTAIN will have the effect of a negative vote.

The Company knows of no other matter to be presented at the meeting. If any other matter should be presented at the meeting upon which a vote properly may be taken, then the persons named as proxies will use their own judgment in voting shares represented by proxies.

Broker Non-Votes. A broker non-vote occurs when a broker or other nominee does not receive voting instructions from the beneficial owner and does not have discretion to direct the voting of the shares.

Brokers have discretionary authority to vote on Proposal 2 (ratification of Ernst & Young LLP as the Company's independent registered public accounting firm), and therefore no broker non-votes are expected in connection with Proposal 2.

Brokers do not have discretionary authority to vote on Proposal 1 (election of directors) or Proposal 3 (advisory vote to approve named executive officer compensation), and therefore there may be broker non-votes with respect to Proposals 1 and 3. Broker non-votes will not affect the outcome of the vote on Proposals 1 and 3 and will not be counted in determining the number of shares necessary for approval of such proposals.

Method and Expenses of Solicitation. The solicitation of proxies will be made primarily by mail. Proxies may also be solicited personally and by telephone or telegraph by regular employees of the Company, without any additional remuneration. The cost of soliciting proxies will be borne by the Company. The Company will also make arrangements with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation material to beneficial owners of stock held of record by such persons, and the Company will reimburse such persons for their reasonable out-of-pocket expenses in forwarding solicitation material.

ITEM 1

ELECTION OF DIRECTORS

The directors of the Company are currently elected annually and hold office until the next annual meeting and until their successors have been elected and have qualified. The Company's Bylaws provide that the number of Directors on the Company's Board of Directors (the "Board") shall be nine. The Board has nominated seven (7) candidates for service, each of whom serves for a term of one year, or until their successors are elected and qualify. Directors elected at this Annual Meeting of Stockholders shall serve until the 2013 annual meeting or until their successors are duly elected and qualified. At this time, the Company does not intend to fill the remaining vacancies on the Board.

At the Annual Meeting of Stockholders to be held on June 13, 2012, directors shall be elected by the affirmative vote of the holders of a majority of the shares represented in person or by proxy at the meeting. Stockholders may not vote their shares cumulatively in the election of directors. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Any stockholder submitting a proxy has the right to withhold authority to vote for an individual nominee to the Board by writing that nominee's name in the space provided on the proxy. Shares represented by all proxies received by the Company and not marked to withhold authority to vote for any individual director or for all directors will be voted FOR the election of all of the nominees named below. If for any reason any nominee is unable to accept the nomination or to serve as a director, an event not currently anticipated, the persons named as proxies reserve the right to exercise their discretionary authority to nominate someone else or to reduce the number of management nominees to such extent as the persons named as proxies may deem advisable.

Nominees for Directors; Executive Officers

Steven M. Billick, Robert A. Blatt, Jeffrey J. Dahl, Richard Delatore, Raymond K. Lee, James V. Stanton, and Roger P. Wagner have been recommended and nominated by the Company's Nominating Committee to serve as directors. Each of the nominees for director currently serves as a director of the Company.

The following table sets forth certain information regarding the directors and executive officers of the Company.

Name	Age	Position and Office Held
Steven M. Billick(3)(5)	55	Chairman of the Board
Robert A. Blatt(1)(2)(6)	71	Vice Chairman of the Board and Assistant Secretary
James V. Stanton(3)(4)(6)	80	Director
Richard Delatore(2)(3)(4)(6) . . .	72	Director
Raymond K. Lee(1)(2)(3)(5) . . .	55	Director
Roger P. Wagner(1)(2)(4)(5) . . .	64	Director
Jeffrey J. Dahl	53	Director, President and Chief Executive Officer
John W. Bittner, Jr.	59	Executive Vice President and Chief Financial Officer
Joseph L. Billhimer, Jr.	48	Executive Vice President and Chief Operating Officer
Narciso A. Rodriguez-Cayro . . .	47	Vice President of Regulatory Affairs, General Counsel, and Secretary
Fred A. Buro	55	Vice President and Chief Marketing Officer

(1) Member of the Finance Committee

(2) Member of the Succession Committee

(3) Member of the Audit Committee

(4) Member of the Nominating Committee

(5) Member of the Compensation Committee

(6) Member of the Compliance Committee

The following briefly describes the business experience and educational background of each nominee for director and details the Board's reasons for selecting each nominee for service on the Board.

Steven M. Billick, 55, has been a director of the Company since October 2008, and was elected Chairman of the Board of Directors on March 12, 2010. Mr. Billick serves as a member of our Compensation and Audit Committees. During the period September 28, 2010 to January 10, 2011, Mr. Billick served as the Company's interim Chief Executive Officer. Mr. Billick did not serve on the Compensation Committee or the Audit Committee during the period of his service as interim Chief Executive Officer. Mr. Billick is presently a managing director with Inglewood Associates, LLC, a turn around consulting firm, a position he has held since 2007. Since 2006, Mr. Billick has been the principal of Edgerton Associates, LLC, a management consulting firm. From 2000 to 2005, Mr. Billick was the executive vice president, chief financial officer and treasurer of Agilisys, Inc., a publicly-traded distributor of computer hardware, software and service products. Mr. Billick also worked with Deloitte & Touche in Cleveland, Ohio from 1977 to 1991. He was a partner with Deloitte & Touche from 1987 to 1991. While at Deloitte & Touche, Mr. Billick provided audit and financial consulting services to a diverse group of clients. Mr. Billick received his Bachelor of Science in Business Administration from John Carroll University in 1977.

The Board selected Mr. Billick to serve as director due to his particular knowledge and experience in a number of areas, including management, accounting, computer systems and finance. Additionally, Mr. Billick has occupied a variety of executive positions at numerous institutions, giving him extensive leadership experience. The diversity of Mr. Billick's particular qualifications and skills strengthens the Board's collective knowledge and capabilities.

Robert A. Blatt, 71, has been a director of the Company since September 1995 and was a Vice President from 1999 until April of 2007, when he became Vice Chairman. Mr. Blatt is Chairman of the Finance Committee and the Succession Committee and a Board representative on the Company's Compliance Committee. He is also Assistant Secretary of the Company. Mr. Blatt is the chief executive officer and managing member of New England National, L.L.C. Since 1979, he has been chairman and majority owner of CRC Group, Inc., and related entities, a developer, owner, and operator of shopping centers and other commercial properties, and, from 1985 until its initial public offering in 2006, a member (seat owner) of the New York Stock Exchange, Inc. Mr. Blatt served as a director of AFP Imaging Corp., a then-publicly traded medical and dental imaging company, from 1995 through 2009. From 1959 through 1991, Mr. Blatt also served as director, officer or principal of a number of public and private enterprises. Mr. Blatt received his Bachelor of Science in Finance from the University of Southern California in 1962 and his Juris Doctor from the University of California at Los Angeles in 1965. He is a member of the State Bar of California.

The Board selected Mr. Blatt to serve as director due to his particular knowledge and experience in a number of areas, including developing, owning and operating commercial properties, serving as a member of the New York Stock Exchange and directing companies. Mr. Blatt has served as member of, or adviser to, the boards of over 30 public and private companies. Together with this experience, Mr. Blatt's qualifications and skills strengthen the Board's collective knowledge and capabilities.

James V. Stanton, 80, has been a director of the Company since 1998 and serves on our Audit and Nominating Committees and as Chairman and Board representative on the Company's Compliance Committee. Since 1995, Mr. Stanton has been a director of Try It Distributing Co., a privately held corporation. Since 1988, Mr. Stanton has had his own law and lobbying firm, Stanton & Associates, in Washington, D.C. From 2006 to 2007, Mr. Stanton served as a director of the Federal Home Loan Bank of Atlanta. From 1971 to 1978, Mr. Stanton represented the 20th Congressional District of Ohio in the United States House of Representatives. While in Congress Mr. Stanton served on the Select Committee on Intelligence, the Government Operations Committee, and the Public Works and Transportation Committee. Mr. Stanton has held a wide variety of public service positions, including service as the youngest City Council President in the history of Cleveland, Ohio and membership on the Board of Regents of the Catholic University of America in Washington, D.C. Mr. Stanton is also former Executive Vice President of Delaware North, a privately held international company which, during Mr. Stanton's tenure, had annual sales of over $1 billion and became the leading pari-mutuel wagering company in the United States, with worldwide operations including horse racing, harness racing, dog racing and Jai-Lai. Delaware North also owned the Boston Garden and the Boston Bruins hockey team. From 1985 to 1994, Mr. Stanton was a principal and co-founder of Western Entertainment Corporation, which pioneered one of the first Native American Gaming operations in the United States, a 90,000 square foot bingo and casino gaming operation located on the San Manuel Indian Reservation in California. Mr. Stanton received his Bachelor of Arts in English from the University of Dayton in 1958 and his Legum Doctor from the Cleveland-Marshall College of Law in 1961.

The Board selected Mr. Stanton to serve as director due to his particular knowledge and experience in a number of areas, including public service, law, government and education. Additionally, Mr. Stanton brings to the Board his experience in the Advanced Management Program at Harvard Business School. Together with his various leadership positions at companies in the gaming industry, Mr. Stanton's qualifications and skills strengthen the Board's collective knowledge and capabilities.

Richard Delatore, 72, has been a director of the Company since 2004. Mr. Delatore serves as a member of our Audit and Succession Committees, Chairman of our Nominating Committee and a Board representative on the Company's Compliance Committee. Mr. Delatore has been a vice president with Schiappa & Company, which is involved in the coal mining and hauling business and located in Wintersville, Ohio, since 2002 and has been a vice president of OHI-RAIL Corporation, a

short line railroad servicing the gas, oil and coal industries in south eastern Ohio, since 2005. Mr. Delatore has also been a coal and timber consultant in Steubenville, Ohio since 1970, and served as a commissioner on the Board of Commissioners in Jefferson County, Ohio from 2000 to 2004. Mr. Delatore owned, bred and raced thoroughbred horses from 1978 to 1992 and was a member of the Ohio State Racing Commission from 1995 to 1999. Mr. Delatore chaired the Medication Committee of the Ohio State Racing Commission in 1999. He was also a member of the Steubenville City School Board of Education from 1993 to 2000 and a member of the Jefferson County Joint Vocational School Board of Education from 1995 to 1998. Mr. Delatore was honored as the "Italian American of the Year" for 2006 by the Upper Ohio/ West Virginia Italian Heritage Festival. Mr. Delatore received his Bachelor of Science in Business Administration from Franciscan University of Steubenville, Ohio in 1970.

The Board selected Mr. Delatore to serve as director due to his particular knowledge and experience in a number of areas, including rail, natural resources and horse racing. Mr. Delatore also brings to the Board regulatory expertise, as well as the experience of directing educational institutions. The diversity of Mr. Delatore's qualifications and skills strengthens the Board's collective knowledge and capabilities.

Raymond K. Lee, 55, has been a director of the Company since October 2008. Mr. Lee serves as Chairman of our Audit Committee and a member of our Finance, Succession, and Compensation Committees. Since 2003, Mr. Lee has been the president and chief executive officer of Country Pure Foods, LLC (CPF), a privately-held corporation headquartered in Akron, Ohio. Prior to 2003, Mr. Lee served as chief operating officer for Roetzel and Andress, a major law firm headquartered in Akron, Ohio as well as interim chief executive officer for Khyber Technologies, a startup technology company. He also served as chief executive officer, chief financial officer and executive vice president of operations for CPF and its predecessors from 1992 to 2001, before rejoining CPF in 2003. Mr. Lee was a tax partner with Deloitte & Touche in Northeast Ohio from 1988 to 1992. He served as a tax manager and senior manager with Deloitte & Touche from 1981 to 1988. While at Deloitte & Touche, Mr. Lee provided business and tax consulting services to a diverse group of clients. Since 2008, he has served on the board of directors of University Hospitals Case Medical Center in Cleveland, Ohio. From 2004 to 2010, Mr. Lee served as a director and chairman of Juice Products Association, a trade association. Mr. Lee received his CPA from the State of Ohio and his Bachelor of Science in Accounting from the University of Akron in 1979.

The Board selected Mr. Lee to serve as director due to his particular knowledge and experience in a number of areas, including business leadership and finance. As Chief Executive Officer of Country Pure Foods, Mr. Lee is responsible for manufacturing operations, sales, marketing, finance and human resources. Together with his financial background at Deloitte & Touche, Mr. Lee's qualifications and skills strengthen the Board's collective knowledge and capabilities.

Roger P. Wagner, 64, has been a director of the Company since May 2010. Mr. Wagner serves as Chairman of the Compensation Committee and member of the Finance, Succession and Nominating Committees. Mr. Wagner has over forty years of experience in the gaming and hotel management industry and is presently a founding partner of House Advantage, LLC, a gaming consulting group that focuses on assisting gaming companies in improving market share and bottom line profits. Most recently, Mr. Wagner served as chief operating officer for Binion Enterprises from 2007 through 2010, assisting legendary Jack Binion in identifying gaming opportunities. Prior to that, Wagner served as chief operating officer of Resorts International Holdings from 2005 to 2007. Mr. Wagner served as president of Horseshoe Gaming Holding Corp. from 2001 until its sale in 2004 and as its senior vice president and chief operating officer from 1998 to 2001. Prior to joining Horseshoe, Mr. Wagner served as president of the development company for Trump Hotels & Casino Resorts from 1996 to 1998, president and chief operating officer of Trump Castle Casino Resort from 1991 to 1996 and president and chief operating officer of Claridge Casino Hotel from 1983 to 1991. Prior to his employment by

Claridge Casino Hotel, he was employed in various capacities by the Edgewater Hotel Casino, Sands Hotel Casino, MGM Grand Casino—Reno, Frontier Hotel Casino and Dunes Hotel Casino. Mr. Wagner graduated from the University of Nevada Las Vegas in 1969.

The Board selected Mr. Wagner to serve as a director due to his particular knowledge and experience gained in over 40 years in the gaming and hospitality industry. Mr. Wagner has vast experience in all aspects of managing gaming and hospitality companies, including sales, marketing, development, finance and human resources. The depth of Mr. Wagner's experience as an executive of multiple gaming companies, managing multiple gaming properties and acting as a consultant to gaming companies strengthens the Board's collective knowledge and capabilities.

Jeffrey J. Dahl, 53, joined the Company as President and Chief Executive Officer in January 2011, and was appointed to the Board to serve as a director in April 2011. Mr. Dahl has 30 years of experience working in the gaming industry and was the founder and principal of Foundation Gaming Group, a consulting and management services firm for the gaming industry. From 2009 to 2010, he was president of SW Gaming, LLC, which managed Harlow's Casino & Resort in Greenville, Mississippi. Prior to founding Foundation Gaming Group, Mr. Dahl was president and chief executive officer of Torguson Gaming Group from 2006 to 2008, as well as president and chief executive officer of Beau Rivage Resorts from 2000 to 2005—both located in Biloxi, Mississippi. At Beau Rivage, he managed the operations of the resort and produced significant increases in operating profits during a five-year period, while having the resort recognized as one of the Top 500 Hotels in the World by *Travel & Leisure* magazine in 2003 and 2004. Mr. Dahl has also held various positions at additional casinos in Biloxi, Gulfport and Bay St. Louis, Mississippi, as well as The Mirage in Las Vegas, Nevada. He received his Bachelor of Science in Business Administration (emphasis in Accounting) from the University of Nevada, Las Vegas.

The Board selected Mr. Dahl to serve as director due to his particular knowledge and experience in a number of areas, including executive management, consulting, operations and business administration. Mr. Dahl's extensive experience in the gaming and resort industries, as well as his other qualifications and skills, strengthen the Board's collective knowledge and capabilities.

Executive Officers

John W. Bittner Jr., 59, was appointed as the Company's Executive Vice President and Chief Financial Officer in November 2010, after serving as interim Chief Financial Officer. Mr. Bittner previously served as Executive Vice President of Finance and Accounting, a position he held from May 2008 to November 2010. Mr. Bittner joined the Company as its Chief Financial Officer in January 2002 and served in that position until May 2008. Prior to joining the Company, Mr. Bittner was a partner at Ernst & Young, LLP from 1987 to 2000 and was with Ernst & Young, LLP from 1975 to 2000. While at Ernst & Young, LLP, Mr. Bittner provided accounting, auditing and business advisory services to privately- and publicly-held organizations in a variety of industries. During 2001, Mr. Bittner was an accounting and financial consultant. Mr. Bittner is a CPA licensed in Pennsylvania. Mr. Bittner received his Bachelor of Science in Accounting from Duquesne University in 1975. Mr. Bittner is a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants.

Joseph L. Billhimer, Jr., 48, joined the Company in April 2011 and currently serves as the Company's Executive Vice President and Chief Operating Officer. Mr. Billhimer served as Senior Vice President for Operations and Development, and concurrently as President and general Manager for the Company's wholly-owned subsidiary, Mountaineer Park, Inc., which operates Mountaineer Casino, Racetrack & Resort through November 2011. Mr. Billhimer has 29 years of experience working in the gaming industry. Prior to joining the Company, he was most recently a principal of Foundation Gaming Group, an advisory and management services firm for the gaming industry which, among other

engagements, managed Harlow's Casino & Resort in Greenville, Mississippi from 2009 to 2010 and marketed its sale to Churchill Downs. Prior to Foundation Gaming Group, Mr. Billhimer served as president of Trilliant Gaming Illinois, LLC, a gaming development company, from 2008 to 2009. From 2003 to 2008, he was president and chief executive officer of Premier Entertainment LLC, the developer and parent of the Hard Rock Hotel & Casino in Biloxi, Mississippi. While at Premier Entertainment, he was named Casino Journal's Casino Executive of the Year in 2007 for his efforts in re-developing the Hard Rock Hotel & Casino after being destroyed by Hurricane Katrina. Before Premier Entertainment, Mr. Billhimer spent three years as president and general manager of Caesars Entertainment's Grand Casino Resort in Gulfport, Mississippi, and prior to that experience, eight years with Pinnacle Entertainment where he was executive vice president and general manager of Casino Magic in Bay St. Louis, Mississippi.

Narciso A. Rodriguez-Cayro, 47, joined the Company in February 2010 and currently serves as the Company's Vice President for Regulatory Affairs, General Counsel and Secretary. Prior to joining the Company, from 2007 to 2010, Mr. Rodriguez-Cayro was a partner with Ruben & Aronson, LP and managed the firm's Pennsylvania operations as well as the firm's Pennsylvania gaming clients. Prior to joining Ruben & Aronson, Mr. Rodriguez-Cayro served as the Pennsylvania Gaming Control Board's first Senior Chief Counsel. Additionally, Mr. Rodriguez-Cayro served as a Chief Counsel within Governor Rendell's Administration. Prior to entering the practice of law, Mr. Rodriguez-Cayro served with local, state and federal law enforcement agencies, including the Pennsylvania Office of Attorney General, Bureau of Narcotics Investigations, from which he retired in 1999. Mr. Rodriguez-Cayro is a member of the American Bar Association, Pennsylvania Bar Association and Dauphin County Bar Association. Mr. Rodriguez-Cayro is a military veteran and a graduate of Indiana University of Pennsylvania and the Duquesne University School of Law, where he served as the Editor-in-Chief of the law school's legal magazine.

Fred A. Buro, 55, joined the Company in February 2009 and currently serves as the Company's Vice President and Chief Marketing Officer. Mr. Buro previously served as President and General Manager of the Company's wholly-owned subsidiary, Presque Isle Downs, Inc., which operates Presque Isle Downs & Casino, located in Erie, Pennsylvania, a position he held from May 2010 to December 2011. In addition, Mr. Buro also served as the Company's Vice President of Marketing from January 2010 to May 2010, and prior to that, as Executive Vice President of Marketing for the Company's wholly-owned subsidiary, Mountaineer Park, Inc., which operates Mountaineer Casino, Racetrack & Resort located in Chester, West Virginia. Mr. Buro has 19 years of experience working in the gaming industry. Prior to joining the Company, he served as a marketing consultant from August 2007 to February 2009, and was employed Columbia Sussex Corporation from March 2004 to August 2007, where he served the capacities of president and chief operating officer of the Tropicana Casino in Atlantic City, New Jersey and chief marketing officer where he was responsible for the marketing operations of ten casinos in the gaming and resorts division. Before Columbia Sussex Corporation, Mr. Buro spent two years with Penn National Gaming, Inc. and served as general manager for Charles Town Races & Slots in Charles Town, West Virginia. He also spent eight years with Trump Hotels and Casinos Resorts where he served in various marketing and development capacities, including president and chief operating officer of Trump Plaza Hotel Casino in Atlantic City, New Jersey.

Corporate Governance

For a director to be considered independent, the director must meet the bright-line independence standards under the listing standards of NASDAQ and the Board must affirmatively determine that the director has no material relationship with us, directly, or as a partner, stockholder or officer of an organization that has a relationship with us. The Board determines director independence based on an analysis of the independence requirements of the NASDAQ listing standards. In addition, the Board will consider all relevant facts and circumstances in making an independence determination. The Board also considers all commercial, industrial, banking, consulting, legal, accounting, charitable, familial or other business relationships any director may have with us. The Board has determined that the following five directors satisfy the independence requirements of NASDAQ: Steven M. Billick, Richard Delatore, Raymond K. Lee, James V. Stanton, and Roger P. Wagner.

The Board held six (6) meetings and acted eighteen (18) times by written consent during the fiscal year ended December 31, 2011. Each current director attended at least 75% of the aggregate number of all meetings of the Board of Directors and committees of which he was a member (from the time of the appointment to such committee) during such year.

Audit Committee

The Audit Committee of the Board of Directors was established by the Board in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, to oversee the Company's corporate accounting and financial reporting processes and audits of its financial statements. Messrs. Billick, Delatore, Lee and Stanton, all of whom are independent directors, make up the Board's Audit Committee. Mr. Lee is Chairman of the Audit Committee. During the fiscal year ended December 31, 2011, the Audit Committee met four (4) times. Mr. Billick resigned from the Audit Committee when he was appointed as the Company's interim Chief Executive Officer and was re-elected as a member of the Audit Committee following the termination of his services as interim Chief Executive Officer. In June 2000, the Board of Directors established a formal Charter for the Audit Committee, which was last amended on May 7, 2010. The Audit Committee Charter is available on our Internet website at www.mtrgaming.com under "Investor Relations—Corporate Governance." Our website and information contained on it or incorporated in it are not intended to be incorporated in this Proxy Statement or our other filings with the Securities and Exchange Commission.

Compensation Committee

Messrs. Billick, Lee and Wagner, all of whom are independent directors, make up the Board's Compensation Committee (and meet the NASDAQ independence requirements with respect to Compensation Committee members). Mr. Wagner serves as Chairman of the Compensation Committee. The Compensation Committee operates under a written charter adopted by our Board of Directors which is available on our Internet website at www.mtrgaming.com under "Investor Relations—Corporate Governance." The Compensation Committee makes recommendations with respect to salaries, bonuses, restricted stock, and deferred compensation for the Company's executive officers as well as the policies underlying the methods by which the Company compensates its executives. During the fiscal year ended December 31, 2011, the Compensation Committee held three (3) meetings and acted one (1) time by written consent. Mr. Billick resigned from the Compensation Committee when he was appointed as the Company's interim Chief Executive Officer and was re-elected as a member of the Compensation Committee following the termination of his services as interim Chief Executive Officer. Except as otherwise delegated by the Board of Directors or the Compensation Committee, the Compensation Committee acts on behalf of the Board with respect to compensation matters. The Compensation Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated Committee members to perform certain of its duties on its behalf, including, to the extent permitted by applicable law, the delegation to a subcommittee of one director

the authority to grant stock options and equity awards. The Compensation Committee reviews the recommendations of the Company's Chief Executive Officer with respect to individual elements of the total compensation of the Company's executive officers (other than the Chief Executive Officer) and key management.

Compensation Policies and Risk Management. It is the responsibility of the Compensation Committee to ensure that the Company's policies and practices related to compensation do not encourage excessive risk-taking behavior. The Company believes that any risks arising from its current compensation policies and practices are not reasonably likely to have a material adverse effect on the Company. As described in the section entitled "*Compensation Discussion and Analysis*" below, the Company is developing future compensation policies with the objective of ensuring that management incentives promote disciplined, sustainable achievement of the Company's long-term goals.

Finance Committee

The Finance Committee monitors the Company's relationships with its lenders and investment bankers and negotiates on behalf of the Company with respect to proposed financing arrangements. Messrs. Blatt, Lee, and Wagner make up the Board's Finance Committee, with Mr. Blatt as Chairman. During the fiscal year ended December 31, 2011, the Finance Committee held two (2) meetings.

Nominating Committee

The Nominating Committee of the Company currently includes independent directors Messrs. Delatore, Stanton and Wagner, with Mr. Delatore as Chairman, and operates under a written charter adopted by our Board of Directors which is available on our Internet website at www.mtrgaming.com under "Investor Relations—Corporate Governance." Our Board of Directors has determined that each of the members of the Nominating Committee is "independent" within the meaning of the general independence standards in the listing standards of The NASDAQ Stock Market, Inc. The Nominating Committee (which was established in June 2004), held two (2) meetings during the fiscal year ended December 31, 2011. The primary purposes and responsibilities of the Nominating Committee are to (1) identify individuals qualified to become directors, consistent with the criteria approved by our Board of Directors set forth in the Nominating Committee Charter, (2) nominate qualified individuals for election to the Board of Directors at the next annual meeting of stockholders, and (3) recommend to our Board of Directors the individual directors to serve on the committees of our Board of Directors.

Director Candidate Recommendations and Nominations by Stockholders. The Nominating Committee's Charter provides that the Nominating Committee will consider director candidate nominations by stockholders. In evaluating nominations received from stockholders, the Nominating Committee will apply the same criteria and follow the same process set forth in the Nominating Committee Charter as it would with its own nominations.

Nominating Committee Process for Identifying and Evaluating Director Candidates. The Nominating Committee identifies and evaluates all director candidates in accordance with the director qualification standards described in the Nominating Committee Charter. In identifying candidates, the Nominating Committee has the authority to engage and terminate any third-party search firm that is used to identify director candidates and has the authority to approve the fees and retention terms of any search firm. The Nominating Committee evaluates any candidate's qualifications to serve as a member of our Board of Directors based on the totality of the merits of the candidate and not based on minimum qualifications or attributes. In evaluating a candidate, the Nominating Committee takes into account the background and expertise of individual Board members as well as the background and expertise of our Board of Directors as a whole. In addition, the Nominating Committee evaluates a candidate's independence and his or her background and expertise in the context of our Board's needs. The

Nominating Committee Charter requires that the Nominating Committee ascertain that each nominee has: (i) demonstrated business and industry experience that is relevant to the Company; (ii) the ability to meet the suitability requirements of all relevant regulatory agencies; (iii) freedom from potential conflicts of interest with the Company and independence from management with respect to independent director nominees; (iv) the ability to represent the interests of stockholders; (v) the ability to demonstrate a reasonable level of financial literacy; (vi) the availability to work with the Company and dedicate sufficient time and energy to his or her board duties; (vii) a recognized reputation for integrity, skill, honesty, leadership abilities and moral values; and (viii) the ability to work constructively with the Company's other directors and management. The Nominating Committee may also take into consideration whether a candidate's background and skills meet any specific needs of the Board that the Nominating Committee has identified and will take into account diversity in professional and personal experience, background, skills, race, gender and other factors of diversity that it considers relevant to the needs of the Board.

Compliance Committee

As a publicly traded corporation registered with and licensed by the West Virginia Lottery Commission, the Pennsylvania Gaming Control Board and the Ohio Lottery Commission, the Company has a Compliance Committee which implements and administers the Company's Compliance Plan. The Committee's duties include investigating key employees, vendors of goods and services, sources of financing, consultants, lobbyists and others who wish to do substantial business with the Company or its subsidiaries and making recommendations to the Company's management concerning suitability. There are currently six (6) members of the Compliance Committee including three (3) members of the Company's Board of Directors (Messrs. Stanton (Chairman), Blatt and Delatore). The Compliance Committee held three (3) meetings in 2011.

Succession Committee

In April 2008, the Board created a Succession Committee to identify potentially qualified individuals to succeed the President and CEO of the Company as may be required, as well as to deal with any other succession issues involving key executives that may arise from time to time. This Committee is comprised of Messrs. Blatt, Delatore, Lee and Wagner, with Mr. Blatt as Chairman. During 2011, the Succession Committee did not meet and will not meet until activated by the Board.

The Company encourages each director to attend the annual meeting of stockholders, although attendance is not required. All directors attended the Company's Annual Meeting of Stockholders in 2011.

Compensation Committee Interlocks and Insider Participation

The current members of the Company's Compensation Committee are Messrs. Wagner, Billick and Lee, each of whom is an independent director. Mr. Billick was our interim Chief Executive Officer during the period between the resignation of our former chief executive officer on September 28, 2010 and the hiring of our new President and Chief Executive Officer, Jeffrey J. Dahl, on January 10, 2011. While he served as interim Chief Executive Officer, Mr. Billick did not serve as a member of the Compensation Committee. Other than Mr. Billick, no member of the Compensation Committee (i) was, during 2011, or had previously been an officer or employee of the Company or its subsidiaries nor (ii) had any direct or indirect material interest in a transaction of the Company or a business relationship with the Company, in each case that would require disclosure under the applicable rules of the SEC. No other interlocking relationship existed between any member of the Compensation Committee or an executive officer of the Company, on the one hand, and any member of the compensation committee (or committee performing equivalent functions, or the full board of directors)

or an executive officer of any other entity, on the other hand, requiring disclosure pursuant to the applicable rules of the SEC.

The Compensation Committee is authorized to review all compensation matters involving directors and executive officers and Committee approval is required for any compensation to be paid to executive officers or directors who are employees of the Company.

Stockholder Communications

Stockholders may communicate with the Board of Directors by sending written correspondence to the Chairman of the Nominating Committee at the following address: MTR Gaming Group, Inc., State Route 2, South, P.O. Box 356, Chester, West Virginia 26034, Attention: Corporate Secretary. The Chairman of the Nominating Committee and his or her duly authorized representatives shall be responsible for collecting and organizing stockholder communications. Absent a conflict of interest, the Corporate Secretary is responsible for evaluating the materiality of each stockholder communication and determining whether further distribution is appropriate, and, if so, whether to (i) the full Board, (ii) one or more Board members and/or (iii) other individuals or entities. Additional procedures to be followed by stockholders of the Company in submitting recommendations to the Nominating Committee are attached as an exhibit to the Nominating Committee's Charter.

Board Leadership Structure and Risk Oversight

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board, since the Board believes it is in the best interests of the Company and its stockholders to make that determination based on the position and direction of the Company and the composition of the Board. At this time, our Chief Executive Officer, although a member of the Board, is not its Chairman. The Company believes this structure facilitates independent oversight of management while fostering effective communication between the Company's management and the Board.

The Company's senior management is responsible for the day-to-day assessment and management of the Company's risks, and our Board of Directors is responsible for oversight of the Company's enterprise risk management in general. The risks facing our Company include risks associated with the Company's financial condition, liquidity, operating performance, ability to meet its debt obligations and regulations applicable to our operations and compliance therewith. The Board's oversight is primarily managed and coordinated through Board Committees. Our Audit Committee oversees the Company's risk management with respect to significant financial and accounting policies as well as the effectiveness of management's processes that monitor and manage key business risks, and the Compliance Committee is responsible for overseeing risks associated with the Company's gaming activities and regulatory compliance. Additionally, the Compensation Committee oversees risks related to compensation policies. The Audit, Compensation and Compliance Committees report their findings to the full Board of Directors. In addition, at its meetings, the Board discusses risks that the Company faces, including those management has highlighted as the most relevant risks to the Company. Furthermore, the Board's oversight of enterprise risk involves assessment of the risk inherent in the Company's long-term strategies reviewed by the Board, as well as other matters brought to the attention of the Board. We believe that the structure and experience of our Board allows our directors to provide effective oversight of risk management. The Board recognizes that it is the Company's and its management's responsibility to identify and attempt to mitigate risks that could cause significant damage to the Company's business or stockholder value.

Report of the Audit Committee

The purpose of the Audit Committee is to oversee the accounting and financial reporting processes of the Company and the financial statements of the Company. The Board of Directors, in its business judgment, has determined that all members of the Committee are "independent," as required by applicable listing standards of NASDAQ and the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. The Audit Committee operates pursuant to an Audit Committee Charter that was last amended on May 7, 2010. As set forth in the Audit Committee Charter, management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements and for the effectiveness of internal control over financial reporting. Management is responsible for maintaining the Company's accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The Company's independent registered public accounting firm is responsible for auditing the Company's financial statements and expressing an opinion as to their conformity with generally accepted accounting principles. In addition, the Company's independent registered public accounting firm will express their opinion on the effectiveness of the Company's internal controls over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes.

As part of its responsibility to monitor and oversee the Company's internal controls over financial reporting, during fiscal year 2011, the Audit Committee received and reviewed periodic reports and updates from the Company's management and the Company's independent registered public accounting firm on the Company's compliance with its obligations relating to documenting and testing its internal controls over financial reporting. The Audit Committee also discussed with management, and the Company's independent registered public accounting firm, management's assessment of the effectiveness of the Company's internal controls over financial reporting, which was included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

In the performance of its oversight function, the Audit Committee has reviewed and discussed the audited financial statements with management and the Company's independent registered public accounting firm. The Audit Committee has also discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended (AICPA, *Professional Standards*, Vol. 1., AU Section 380) as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T. The Audit Committee met with the Company's independent registered public accounting firm, with and without management present, to discuss the results of their examinations. Finally, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by PCAOB Ethics and Independence Rule 3526, Communications with Audit Committees Concerning Independence, as currently in effect, and has discussed with the independent registered public accounting firm that firm's independence.

The members of the Audit Committee are not full-time employees of the Company and are not performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards. Members of the Audit Committee necessarily rely on the information provided to them by management and the independent registered public accounting firm. Accordingly, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with generally accepted accounting standards, that the financial statements are presented in accordance with generally accepted accounting principles or that the Company's independent registered public accounting firm is in fact "independent."

Based upon the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Audit Committee

Charter, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Submitted by the Audit Committee of the Company's Board of Directors,

Raymond K. Lee (Chairman)
Richard Delatore
James V. Stanton
Steven M. Billick

Audit Committee Financial Expert

The Securities and Exchange Commission adopted a rule requiring disclosure concerning the presence of at least one "audit committee financial expert" on audit committees. Our Board of Directors has determined that Mr. Lee qualifies as an "audit committee financial expert" as defined by the Securities and Exchange Commission and that Mr. Lee is independent, as independence for Audit Committee members is defined pursuant to the applicable NASDAQ listing requirements.

Code of Ethics

We have adopted a code of ethics and business conduct applicable to all directors and employees, including the chief executive officer, chief financial officer and principal accounting officer. The code of ethics and business conduct is posted on our website, http://www.mtrgaming.com (accessible through the "Corporate Governance" caption of the Investor Relations page) and a printed copy will be delivered on request by writing to the Corporate Secretary at MTR Gaming Group, Inc., State Route 2, South, P.O. Box 356, Chester, West Virginia 26034, Attention: Corporate Secretary. We intend to satisfy the disclosure requirement regarding certain amendments to, or waivers from, provisions of its code of ethics and business conduct by posting such information on our website.

Stock Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of April 27, 2012, the ownership of the presently issued and outstanding shares of our common stock by persons owning more than 5% of such stock, and the ownership of such stock by our officers and directors, individually and as a group. As of April 27, 2012, there were 27,668,839 shares of common stock outstanding. Unless otherwise indicated, the address for each of the stockholders listed below is c/o MTR Gaming Group, Inc., State Route 2 South, P.O. Box 356, Chester, WV 26034.

Name	Number of Shares	Percentage of Class
Robert A. Blatt(1)	677,395	2.45%
James V. Stanton(2)	155,747	*
Richard Delatore(3)	60,500	*
Raymond K. Lee(4)	104,500	*
Steven M. Billick(5)	64,500	*
Roger P. Wagner(6)	74,500	*
Jeffrey J. Dahl(7)	197,191	*
John W. Bittner, Jr.(8)	156,581	*
Joseph L. Billhimer, Jr(9)	15,500	*
Narciso A. Rodriguez-Cayro(10)	32,732	*
Fred A. Buro(11)	37,387	*
Total officers and directors as a group (11 persons)	1,576,533	5.70%
The Jeffrey P. Jacobs Revocable Trust, Jacobs Entertainment, Inc., Gameco Holdings, Inc., Jacobs Investments, Inc. and Jeffrey P. Jacobs(12)	5,066,433	18.31%
Arbiter Partners, L.P. and Isaac Brothers, LLC(13)	2,064,686	7.46%
Brigade Capital Management, LLC, Brigade Leveraged Capital Structures Fund, Ltd. and Donald E. Morgan, III(14)	2,670,022	9.65%
PAR Capital Management, Inc.(15)	1,901,297	6.87%
Lafitte Capital, LLC, Lafitte Fund 1 LP, Lafitte Capital Partners LP, Lafitte Capital Management LP and Bryant Regan(16)	1,750,339	6.33%

* Indicates less than one percent.

(1) Includes 623,895 shares held by Mr. Blatt, 3,000 shares held by Mr. Blatt's wife and 1,000 shares held in the name of Mr. Blatt's daughter. Mr. Blatt has disclaimed beneficial ownership of the shares held by his wife and daughter. Also includes 49,500 restricted stock units ("RSUs") that are fully vested and non-forfeitable and shall be paid upon the earlier of (i) Mr. Blatt's termination of service and (ii) a change in control of the Company. Mr. Blatt's mailing address is c/o The CRC Group, Larchmont Plaza, 1890 Palmer Avenue, Suite 303, Larchmont, NY 10538.

(2) Includes 106,247 shares held by Mr. Stanton and also includes 49,500 RSUs that are fully vested and non-forfeitable and shall be paid upon the earlier of (i) Mr. Stanton's termination of service and (ii) a change in control of the Company. Mr. Stanton's mailing address is c/o the Company at State Route 2 South, P.O. Box 356, Chester, WV 26034.

(3) Includes 11,000 shares held by Mr. Delatore and also includes 49,500 RSUs that are fully vested and non-forfeitable and shall be paid upon the earlier of (i) Mr. Delatore's termination of service and (ii) a change in control of the Company. Mr. Delatore's mailing address is c/o the Company at State Route 2 South, P.O. Box 356, Chester, West Virginia 26034.

(4) Includes 55,000 shares held by Mr. Lee and also includes 49,500 RSUs that are fully vested and non-forfeitable and shall be paid upon the earlier of (i) Mr. Lee's termination of service and (ii) a

change in control of the Company. Mr. Lee's mailing address is c/o the Company at State Route 2 South, P.O. Box 356, Chester, WV 26034.

(5) Includes 15,000 shares held by Mr. Billick and also includes 49,500 RSUs that are fully vested and non-forfeitable and shall be paid upon the earlier of (i) Mr. Billick's termination of service and (ii) a change in control of the Company. Mr. Billick's mailing address is c/o the Company at State Route 2 South, P.O. Box 356, Chester, WV 26034.

(6) Includes 25,000 shares held by Mr. Wagner and also includes 49,500 RSUs that are fully vested and non-forfeitable and shall be paid upon the earlier of (i) Mr. Wagner's termination of service and (ii) a change in control of the Company. Mr. Wagner's mailing address is c/o the Company at State Route 2 South, P.O. Box 356, Chester, WV 26034.

(7) Includes 60,000 shares held by Mr. Dahl and options to acquire beneficial ownership of 137,191 shares exercisable within 60 days. Excludes options to purchase beneficial ownership of 230,709 shares exercisable upon a date in excess of 60 days from the date of this report (except that such options shall be exercisable immediately if Mr. Dahl is terminated without cause or if he terminates his employment for good reason, as such terms are defined in his employment agreement with the Company and shall be exercisable immediately upon a change in control of the Company, as defined in Mr. Dahl's employment agreement) and excludes 72,700 RSUs that have not vested or are not exercisable within 60 days but shall vest on the date of a change in control, as defined.

(8) Includes 36,567 shares held by Mr. Bittner, 8,333 RSUs that vest within 60 days and options to acquire beneficial ownership of 111,681 shares within 60 days. Excludes options to purchase beneficial ownership of 102,519 shares exercisable upon a date in excess of 60 days from the date of this report (except that such options shall be exercisable immediately if Mr. Bittner is terminated without cause or if he terminates his employment for good reason, as such terms are defined in his employment agreement with the Company and shall be exercisable immediately upon a change in control of the Company, as defined in Mr. Bittner's employment agreement) and excludes 93,068 RSUs that have not vested or are not exercisable within 60 days but shall vest on the date of a change in control, as defined.

(9) Includes 0 shares held by Mr. Billhimer and options to acquire beneficial ownership of 15,500 shares exercisable within 60 days. Excludes options to purchase beneficial ownership of 87,800 exercisable upon a date in excess of 60 days from the date of this report (except that such options shall be exercisable immediately if Mr. Billhimer is terminated without cause or if he terminates his employment for good reason, as such terms are defined in his employment agreement with the Company and shall be exercisable immediately upon a change of control of the Company, as defined in Mr. Billhimer's employment agreement) and excludes 34,500 RSUs that have not vested or are not exercisable within 60 days but shall vest on the date of a change in control, as defined.

(10) Includes 14,153 shares held by Mr. Rodriguez-Cayro and options to acquire beneficial ownership of 18,579 shares exercisable within 60 days. Excludes options to purchase beneficial ownership of 90,321 shares exercisable upon a date in excess of 60 days from the date of this report (except that such options shall be exercisable immediately if Mr. Rodriguez-Cayro is terminated without cause or if he terminates his employment for good reason, as such terms are defined in his employment agreement with the Company and shall be exercisable immediately upon a change in control of the Company, as defined in Mr. Rodriguez-Cayro's employment agreement) and excludes 44,634 RSUs that have not vested or are not exercisable within 60 days but shall vest on the date of a change in control, as defined.

(11) Includes 3,692 shares held by Mr. Buro, 16,667 RSUs that vest within 60 days and options to acquire beneficial ownership of 17,028 shares within 60 days. Excludes options to purchase

beneficial ownership 82,972 shares exercisable upon a date in excess of 60 days from the date of this report (except that such options shall be exercisable immediately if Mr. Buro is terminated without cause or if he terminates his employment for good reason, as such terms are defined in his employment agreement with the Company and shall be exercisable immediately upon a change in control of the Company, as defined in Mr. Buro's employment agreement) and excludes 49,966 RSUs that have not vested or are not exercisable within 60 days but shall vest on the date of a change in control, as defined.

(12) Jacobs Entertainment, Inc. and Gameco Holdings, Inc. are located at 17301 West Colfax Avenue, Suite 250, Golden, Colorado 80401. The address of the Jeffrey P. Jacobs Revocable Trust (and Jeffrey P., the trustee of the trust) is 25425 Center Ridge Road, Cleveland, Ohio 41445, and the address of Jeffrey P. Jacobs is Golden Bear Plaza East Tower, Suite 600, 1170 U.S. Highway One, North Palm Beach, Florida 33408. Information based solely on filings made by Jacobs Entertainment, Inc., Gameco Holdings, Inc., the Jeffrey P. Revocable Trust and Jeffrey P. Jacobs with the SEC.

(13) Arbiter Partners, L.P. is located at 149 Fifth Avenue, 15th Floor, New York, New York 10010. The address of Isaac Brothers, LLC is 75 Prospect Avenue, Larchmont, New York, 10538. Information based solely on filings made by Arbiter Partners, LP and Isaac Brothers, LLC with the SEC.

(14) Brigade Capital Management, LLC and Donald E. Morgan III are located at 717 Fifth Avenue, Suite 1301, New York, NY 10022, and Brigade Leveraged Capital Structures Fund, Ltd. is located c/o Ogier Fiduciary Services (Cayman) Limited, P.O. Box 1234, Queensgate House, South Church Street, George Town, Grand Cayman KY1-1008, Cayman Islands. Information based solely on filings made by Brigade Capital Management, LLC, Brigade Leveraged Capital Structures Fund, Ltd., and Donald E. Morgan, III with the SEC.

(15) PAR Capital Management, Inc. is located at One International Place, Suite 2401, Boston, MA 02110. Information is based solely on filings made by PAR Capital Management with the SEC.

(16) Lafitte Capital, LLC, Lafitte Fund 1 LP, Lafitte Capital Partners LP, Lafitte Capital Management LP, and Bryant Regan are located at 701 Brazos, Suite 310, Austin, TX 78701. Information is based solely on filings made by Lafitte Capital, LLC, Lafitte Fund 1 LP, Lafitte Capital Partners LP, Lafitte Capital Management LP, and Bryant Regan with the SEC.

Section 16(a) Beneficial Ownership Reporting Compliance

Under the provisions of Section 16(a) of the Exchange Act, the Company's executive officers, directors and 10% beneficial stockholders are required to file reports of their transactions in the Company's securities with the Commission. Based solely on a review of the Forms 3 and 4 and amendments thereto furnished to the Company during its most recent fiscal year and Forms 5 and amendments thereto furnished to the Company with respect to its most recent fiscal year, we believe that as of December 31, 2011, all of our executive officers, directors and greater than 10% beneficial stockholders complied with all filing requirements applicable to them during 2011, except for Form 3 and Form 4 filed on January 18, 2011 on behalf of Mr. Dahl to reflect an initial grant of stock options; Form 4's filed on March 28, 2011 on behalf of Messrs. Bittner, Norton (former Chief Operating Officer) and Rodriguez-Cayro to reflect vesting of restricted stock units; Form 4 filed on March 30, 2011 on behalf of Mr. Blatt to reflect sales of common stock; Form 3 filed on June 9, 2011 on behalf of Mr. Billhimer; Form 4 filed on July 29, 2011 on behalf of Mr. Bittner to reflect vesting of restricted stock units; Form 4 filed on November 8, 2011 on behalf of Mr. Billhimer to reflect grant of restricted stock units and stock options and; Form 4 filed on December 7, 2011 on behalf of Mr. Stanton to reflect purchases of common stock.

Director Compensation

During 2011, the Compensation Committee reviewed the compensation structure for the members of the Company's Board of Directors to ensure that the annual retainer stipend and committee fees represent a fair reimbursement for the level of work and responsibility assigned to different members of the board. Based on a study of the Company's peer competitor group, the Compensation Committee established a target compensation level for its Board members that are equal to the median level paid its peers in the gaming industry. In addition, the Compensation Committee compared its recommended compensation practices for our Board members with a recent report published by the National Association of Corporate Directors (NACD). This study of proxy statements indicated that our compensation structure is reasonable and appropriate when compared with the median average board member compensation for similarly sized companies. Additionally, in the Company's quest to ensure that director's interests are aligned with those of the Company's stockholders, approximately half of each director's average annual compensation is now comprised of restricted stock unit grants. Additionally, the Compensation Committee established an annual stock distribution plan for directors made pursuant to an exact formula with such grants to be distributed on a specific date in order to avoid any implication that directors might be making grants to themselves on a discretionary basis. Currently, a director's restricted stock unit awards vest immediately but are not redeemable until the director leaves the Company or is replaced as a result of a change of control.

Effective July 1, 2011, the Company's non-employee directors receive an annual stipend of $36,000 and in 2011 received a grant of 19,500 restricted stock units ("RSUs") under the terms of the 2010 Long Term Incentive Plan. The chairman of the Board will also receive an additional annual stipend of $65,000. Additionally, each Board committee member or Board representative on a Company Committee, except the committee chairman, is entitled to the following annual stipend: Audit Committee: $8,000; Compensation Committee: $4,000; Compliance Committee: $4,000; Finance Committee: $4,000; Nominating Committee: $4,000; Succession Committee (when activated): $4,000. Each Board committee chairman or Board representative serving as Chairman of a Company Committee is entitled to the following annual stipend: Audit Committee: $16,000; Compensation Committee: $8,000; Compliance Committee: $8,000; Finance Committee: $8,000; Nominating Committee: $8,000; Succession Committee (when activated): $8,000. We reimburse Board members for expenses incurred in attending meetings.

The Company has an agreement with Mr. Blatt that commenced in April 2009, that, in addition to his annual director's stipend and fees for board and committee meetings, and annual and special meetings of stockholders, the Company will pay Mr. Blatt $6,000 per month for his services rendered as Assistant Secretary and for office expenses. The Company will make such payments until the earlier of (i) five years or (ii) until such time that Mr. Blatt no longer serves as Secretary or Assistant Secretary. The decision to compensate and reimburse Mr. Blatt for his services was made and approved by the full Board in 2009 as recognition of Mr. Blatt's continuing service and availability as Assistant Secretary. The Board also recognized that Mr. Blatt's historical perspective and knowledge of the Company's operations would be beneficial to our new CEO at that time.

The following table sets forth the compensation of the Company's non-employee directors for services rendered in 2011. Directors who are also employees of the Company do not receive compensation (other than their compensation as employees of the Company) for their services on the Board of Directors. Since Mr. Billick is a named executive officer for 2011, the amounts he received as interim Chief Executive Officer and a director are reported in the Summary Compensation table.

Name	Fees earned or paid in cash ($)	Stock awards ($)(1)	Option awards ($)(2)	Non-equity incentive plan compensation ($)	Change in pension value and nonqualified deferred compensation earnings	All other compensation ($)(3)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Robert A. Blatt	$51,375	$54,015				$72,000	$177,390
Richard Delatore	$56,250	$54,015					$110,265
Raymond K. Lee	$60,125	$54,015					$114,140
James V. Stanton	$53,375	$54,015					$107,390
Roger P. Wagner	$52,375	$54,015					$106,390

(1) Represents the aggregate grant date fair value computed in accordance with FASB TOPIC 718 (see Notes 2 and 12 to the Company's Consolidated Financial Statements in its Annual Report on Form 10-K for the year ending December 31, 2011. Each Board member was awarded 19,500 RSUs on August 5, 2011, pursuant to the terms of the 2010 Long Term Incentive Plan. Each RSU was fully vested upon grant and represents a right to receive one share of the Company's common stock upon the earlier to occur of (i) the person's termination of Board service, and (ii) a change in control of the Company. The non-employee directors did not have any other stock awards outstanding as of December 31, 2011 other than 30,000 RSUs granted to each non-employee director during 2010.

(2) No stock options were awarded to non-employee directors during 2011; the non-employee directors did not have any stock option awards outstanding as of December 31, 2011.

(3) Mr. Blatt received $6,000 per month for services rendered as Assistant Secretary and for office expenses.

Certain Relationships, Related Transactions and Director Independence

Approval of Related Party Transactions

The Company's Code of Ethics and Business Conduct (the "Code") requires that any proposed transaction between the Company and a related party, or in which a related party would have a direct or indirect material interest, be promptly disclosed to the Compliance Committee of the Company. The Compliance Committee is required to disclose such proposed transactions promptly to the Company's Audit Committee.

The Company's Amended and Restated Audit Committee Charter requires the Audit Committee of the Company to review and approve all related party transactions of the Company. Any director having an interest in the transaction is not permitted to vote on such transaction. The Audit Committee will determine whether or not to approve any such transaction on a case-by-case basis and in accordance with the provisions of the Amended and Restated Audit Committee Charter and the Code, including the standards set forth in the Conflicts of Interest Policy contained in the Code. Under the Code, a "related party" is any of the following:

- an executive officer of the Company;
- a director (or director nominee) of the Company;

- an immediate family member of any executive officer or director (or director nominee);
- a beneficial owner of five percent or more of any class of the Company's voting securities;
- an entity in which one of the above described persons has a substantial ownership interest or control of such entity; or
- any other person or entity that would be deemed to be a related person under Item 404 of SEC Regulation S-K or applicable NASDAQ rules and regulations.

For a director to be considered independent, the director must meet the bright-line independence standards under the listing standards of NASDAQ and the Board must affirmatively determine that the director has no material relationship with us, directly, or as a partner, stockholder or officer of an organization that has a relationship with us. The Board determines director independence based on an analysis of the independence requirements of the NASDAQ listing standards. In addition, the Board will consider all relevant facts and circumstances in making an independence determination. The Board also considers all commercial, industrial, banking, consulting, legal, accounting, charitable, familial or other business relationships any director may have with us. The Board has determined that the following five directors satisfy the independence requirements of NASDAQ: Steven M. Billick, Richard Delatore, Raymond K. Lee, James V. Stanton, and Roger P. Wagner.

Executive Compensation

Compensation Discussion and Analysis

This Compensation Discussion and Analysis ("CD&A") describes the material elements of compensation for the following individuals referred to herein as the "named executive officers" or "NEOs" for fiscal year 2011 and also describes the Company's compensation policies, principles and objectives in effect for such fiscal year:

- Steven M. Billick, who served as our interim Chief Executive Officer until January 10, 2011 upon the hiring of our new President and Chief Executive Officer, Jeffrey J. Dahl;
- Jeffrey J. Dahl, who was hired as President and Chief Executive Officer on January 10, 2011;
- John W. Bittner, Jr., who served as our Executive Vice President and Chief Financial Officer;
- Joseph L. Billhimer, Jr. who was hired as Senior Vice President—Operations & Development on April 4, 2011 and promoted to Executive Vice President and Chief Operating Officer on December 1, 2011;
- Narciso A. Rodriguez-Cayro, who served as our Vice President—Regulatory Affairs, General Counsel and Secretary; and
- Fred A. Buro, who served as President and General Manager for the Company's wholly-owned subsidiary Presque Isle Downs until he was promoted to the position of Vice President and Chief Marketing Officer on December 1, 2011.

Overview of Compensation Committee Activities in 2011

The Compensation Committee's (Committee) determinations with respect to executive compensation in 2011 were designed to motivate the executive team of the Company during a critical time. The Company was undergoing a financial restructuring and simultaneously developing a new casino operation at its Scioto Downs racetrack in Columbus, Ohio. The Committee continued to employ the same performance metrics from the previous year which were heavily weighted on achieving performance targets that align management's future compensation opportunities with cash flow and earnings improvements for the stockholders.

With the involvement of and recommendations from our compensation advisor, Aon Hewitt, the Committee conducted an annual review of its entire compensation program for its named executives and determined that our current level of base and incentive compensation for our named executives were adequate, and yet at a reasonable level to retain the executive talent the Company requires without containing any excess or egregious elements. For the current year, the Committee elected to continue with the vesting schedule for all long term incentives currently in place, and adjusted the target bonus for the CEO to be more in-line with market practice. The Committee also reviewed the life insurance, health and disability benefits programs for its senior executives in relationship to our peer competitive group of companies and made modest enhancements to be more appropriate for our executives and more competitive with our peer group.

The Committee worked closely with Aon Hewitt during late 2010 to develop a new performance-based long-term incentive approach in 2011. The 2011 grants reflect the new philosophy of weighting long-term incentive opportunities as 50% stock and 50% cash, with the stock portion comprised of stock options (30%) and restricted stock units (20%) and the cash portion tied solely to the attainment of corporate free cash flow targets.

Management Say-On-Pay Vote

In June 2011, we held a stockholder advisory vote on the compensation of our named executive officers, commonly referred to as a say-on-pay vote. Our stockholders overwhelmingly approved the compensation of our named executive officers, with over 93% of stockholder votes cast in favor of our say-on-pay resolution. As we evaluated our compensation practices and talent needs throughout fiscal 2011, we were mindful of the strong support our stockholders expressed for our philosophy of linking compensation to our operating objectives and the enhancement of stockholder value. As a result, our compensation committee decided to retain our general approach to executive compensation, with an enhanced emphasis on short and long-term incentive compensation that rewards our most senior executives when they deliver value for our stockholders.

Executive Compensation Philosophy and Principles

Overview

Our executive compensation program is designed to attract, motivate and retain critical executive talent, and to motivate behaviors that drive profitable growth and the enhancement of long-term value for our stockholders. Our program includes base salary and performance-based incentives (including both cash and equity opportunities) and is designed to be flexible, market competitive, reward the achievement of difficult but fair performance criteria, and enhance stock ownership at the executive level. Our philosophy is that concise, distinct and attainable goals should be established in order to enable the assessment of performance by the Committee. The Committee is guided by the general principles that compensation should be designed to:

- enhance stockholder value by focusing our executives' efforts on the specific performance metrics that drive enterprise value,
- attract, motivate, and retain highly-qualified executives committed to our long-term success,
- assure that the Company's executives receive fair compensation opportunities relative to their peers at similar companies, and fair actual compensation relative to Company performance, and
- align critical decision making with the Company's business strategy and goal setting.

In support of these principles, the framework of our compensation program is as follows:

Stockholder Alignment

Incentive compensation opportunities are tied to quantifiable performance metrics. To strengthen our management team's alignment with stockholders, executives are encouraged to manage from an owner's perspective.

Competitive Structure and Opportunity

The gaming industry is highly competitive. We believe a solid compensation program should focus primarily on companies with which we compete for business and executive talent, with a secondary eye on the trends for pay opportunities and program designs of similar-sized companies in the broader U.S. market (to the extent we hire executives from outside the gaming industry). Our executive compensation program is designed to reflect both external and internal values. Externally, we want our program to reflect the value of pay opportunities for similar roles in the marketplace. Internally, we want our program to be flexible enough to reflect specific issues at the Company and motivate behaviors that are critical to our long-term success.

Targeted Total Compensation

Overall, total compensation opportunities generally are targeted to the 50th percentile of competitive market values. Actual pay may vary above or below that benchmark depending on performance level achievement in the Company's short-term and long-term incentive programs, and other relevant factors such as the executive's experience level, value to our stockholders, changes in responsibility, future leadership potential, critical skills, individual contributions and performance, economic conditions, and the market demands for similar talent. The Committee assesses all of these critical criteria when making compensation decisions.

Total Compensation Mix

The Company's targeted pay mix (salary vs. performance-based incentive pay) reflects a combination of competitive market conditions and strategic business needs. The degree of performance-based incentive pay ("at risk" compensation) and total compensation opportunities increase with an executive's responsibility level. Competitive pay practices are reviewed annually by the Committee. In 2011, long-term incentive grants were awarded based on a new performance-based program consisting of a mix of stock options, restricted stock units, and long-term performance cash units, increasing the performance orientation of the executive total compensation package.

Role of the Compensation Committee

The Committee's primary role is to discharge the Board of Directors' responsibilities regarding compensation policies relating to the executives of our Company and its subsidiaries. The Committee implements the Company's compensation philosophy and administers the Company's senior executive and director compensation plans and programs, including the processes and decisions made with respect to NEO compensation. The Committee is also responsible for ensuring that the Company's policies and practices relating to compensation do not encourage excessive risk-taking conduct.

Role of the Compensation Consultant

The Committee retained Aon Hewitt for independent executive compensation advisory services, namely, to conduct its annual total compensation study for executive and key manager positions. Aon Hewitt reports directly to the Committee and the Committee directly oversees the fees paid for the services provided. The Committee instructs Aon Hewitt to give advice to the Committee independent

of management and to provide such advice for the benefit of our company and stockholders. With the Committee's approval, Aon Hewitt may work directly with management on executive compensation matters. Aon Hewitt did not perform any other consulting services for the Company in 2011, and Aon Hewitt's services to the Committee in 2011 did not raise any conflicts of interests between the Committee, the Company and management.

Role of Management in Compensation Decisions

The CEO makes recommendations to the Committee concerning the compensation of the other NEOs and other senior management. In addition, the CEO and CFO are involved in setting the business goals that are used as the performance goals for the annual incentive plan, subject to the Committee's approval. The CEO and CFO work closely with the Committee, Aon Hewitt and management to (i) ensure that the Committee is provided with the appropriate information to make its decisions, (ii) propose recommendations for the Committee's consideration and (iii) communicate those decisions to management for implementation. None of the NEOs, however, play a role in determining their own compensation, and are not present at executive sessions in which their pay is discussed.

Peer Companies and Competitive Benchmarking

As previously noted, in 2011, the Committee commissioned Aon Hewitt to conduct its annual total compensation study for executive and key manager positions. The Committee reviews competitive market data annually to gain a comprehensive understanding of market pay practices, and combines that information with the discretion to consider experience, tenure, position, and individual contributions to assist with individual pay decisions (i.e., salary adjustments, target bonus, and long-term incentive grants).

To develop competitive market values for the NEOs, Aon Hewitt utilized both published and private compensation surveys, as well as proxy information for the following seven mid-sized gaming companies (same group as prior year's study):

Ameristar Casinos
Boyd Gaming Company
Churchill Downs
Isle of Capri Casinos
Monarch Casino & Resort
Penn National Gaming
Pinnacle Entertainment

The Committee relied primarily on the Aon Hewitt market data (size-adjusted to reflect pay opportunities according to the Company's size) to make compensation decisions in 2011, targeting total compensation to the 50th percentile of competitive market values.

Elements of Compensation

This table highlights the elements of our executive compensation program. These elements are discussed in more detail in the narrative that follows;

Pay Element	Why We Pay
Base Salary	Provide a fixed level of cash compensation for performing day-to-day responsibilities Provide consistent income security for sustained performance
Annual Incentives	Motivate executives to achieve key business priorities and objectives Reward annual financial and operational performance
Long-Term Incentives	Align management and stockholder interests Focus on critical performance criteria to enhance stockholder value Encourage stock ownership at the executive level Retain key executives
Benefits	Attract and retain executive talent Enhance productivity Provide competitive coverage
Perquisites	Business need Attract and retain executive talent
Retirement Plan	Provides a level of income security for retirement under the Company's generally applicable 401(k) retirement plan
Severance Protection	Termination not related to a change in control: Coverage is designed to retain executive talent by providing the executive with temporary income security in the event of an unexpected termination, under specified circumstances Termination related to a change in control: Coverage is designed to facilitate leadership continuity during a potential or actual change in ownership structure

Base Salary

The Committee determines base salaries using both competitive market data from Aon Hewitt's annual study and a comprehensive assessment of relevant factors such as experience level, value to stockholders, responsibilities, future leadership potential, critical skills, individual contributions and performance, economic conditions, and the market demands for similar talent.

The following table summarizes the Committee's salary decisions for 2011. Mr. Billick received compensation in the amount of $50,000 per month while he was serving as our interim Chief Executive

Officer, which amount was determined based on the Board's assessment of a number of relevant factors, including competitive market data and practices for similar interim situations.

	Salary on 1/1/2011	Merit Adjustment		Promotional Adjustments		Salary on 12/31/2011
		% Increase	Date	% Increase	Date	
J. Dahl	$600,000	5.0%	12/1/2011	—	—	$630,000
J. Bittner	$350,000	—	—	—	—	$350,000
J. Billhimer	$300,000(1)	—	—	13.3%	12/1/2011(3)	$340,000
N. Roriguez-Cayro	$300,000	5.0%	12/1/2011	—	—	$315,000
F. Buro	—(2)	—	—	5.5%	12/1/2011(4)	$290,000

(1) Represents salary on hiring date of April 4, 2011.

(2) Was not an NEO on such date.

(3) Represents adjustment effective with being named Executive Vice President and Chief Operating Officer.

(4) Represents adjustment effective with being named Vice President and Chief Marketing Officer.

Annual Incentives (Bonus Plan)

Consistent with the Committee's primary objective to enhance the performance orientation of the Company's incentive programs, the Committee worked closely with Aon Hewitt to develop and approve a formal annual incentive compensation structure for 2011. Our NEOs have the opportunity to earn annual cash incentives based on the attainment of critical performance criteria. Performance targets are set annually at the start of the fiscal year. In 2011, after considering the recommendations of Aon Hewitt, the Committee established individual target award opportunities (as a percentage of base salary) for the NEOs as follows:

	Target Bonus 1/1/2011	Adjustments		Comments
		New Target	Date	
J. Dahl	50%	60%(3)	12/1/2011	(6)
J. Bittner	40%	—	—	
J. Billhimer	40%(1)	50%(4)	12/1/2011	(6)
N. Roriguez-Cayro	40%	—	—	
F. Buro	—(2)	40%(5)	12/1/2011	(6)

(1) Represents target on hiring date of April 4, 2011.

(2) Was not an NEO on such date.

(3) Market adjustment, based on the results of a comprehensive total compensation study.

(4) Represents adjustment effective with being named Executive Vice President and Chief Operating Officer.

(5) Represents adjustment effective with being named Vice President and Chief Marketing Officer.

(6) Target award prorated for 2011 based upon the period in which the target award percentage and base salary was in effect.

The 2011 annual incentive plan for the NEOs was structured to measure corporate free cash flow (80% of the target award opportunity) and key individual performance objectives (20% of the target award opportunity). Free cash flow was utilized as a metric because the Committee believed that it reflects the results of operations of the Company, the positive and negative impact of capital

expenditures and changes in cash flows from other activities. Individual goals were used because they are the critical drivers of the Company's financial success. The goals are customized to each NEO and provide the Committee with a mechanism to gauge individual performance achievement on metrics within each NEO's direct control.

Corporate free cash flow (80% of the target award opportunity): The corporate free cash flow target for 2011 was $71,255,000. Threshold and stretch performance goals were set at 90% and 120% of targeted free cash flow, respectively. Potential bonus payments were 50% of target bonus for achievement of threshold free cash flow and 200% of target bonus for achievement of stretch free cash flow. If threshold free cash flow was not achieved, then no bonus would be earned for this portion.

Key individual performance criteria (20% of the target award opportunity): The size of the individual performance bonus pool is dependent on the level of corporate free cash flow achievement. 50% of the individual performance pool is funded if 80% of the corporate free cash flow target is achieved. The individual performance pool is fully funded at 90% corporate free cash flow performance, but may not exceed 100% funding (unlike the corporate free cash flow portion which may be funded at 200% of target if stretch performance is achieved). The individual performance measures, approved by the Committee, typically consider and include individual performance measures aimed at improving and sustaining maximum profitability and operational efficiency, and responding proactively to critical industry developments such as the recent Ohio legislative decision. Examples of recent goals for the named-executives officers include EBITDA improvement, obtaining regulatory approval for video lottery terminal gaming at Scioto Downs, refinancing indebtedness, securing funding for gaming initiatives, selling off non-strategic assets, and successfully implementing cost cutting programs.

2011 Results: The Committee evaluated actual free cash flow performance including consideration of certain adjustments such as severance costs and determined that actual free cash flow exceeded targeted goals. The Committee also determined that the name executive officers accomplished performance objectives.

	Corporate Free Cash Flow			Individual Performance			Total
	Weight	Score	Incentive Contribution	Weight	Score	Incentive Contribution	Incentive Earned As a % of Target
J. Dahl	80%	106%	130%	20%	100%	100%	124%
J. Billhimer	80%	106%	130%	20%	100%	100%	124%
J. Bittner	80%	106%	130%	20%	100%	100%	124%
N. Rodriguez-Cayro	80%	106%	130%	20%	100%	100%	124%
F. Buro	80%	106%	130%	20%	100%	100%	130%

As interim Chief Executive Officer, Mr. Billick did not participate in the 2011 annual incentive plan. He was compensated under the non-employee director compensation program.

Long-Term Incentives

The Committee and management worked closely with Aon Hewitt in 2010 and 2011 to enhance the performance orientation of the Company's executive compensation programs. The primary objectives were to design incentive programs for 2011 and the future that (a) support the Company's strategic business plan, (b) enhance the alignment of management behaviors with stockholder value, (c) address important executive retention issues, and (d) provide the compensation tools necessary for the company to attract critical talent.

A new performance-based long-term incentive program was implemented for 2011 and the future. The target award opportunity is 60% of each NEO's base salary. The new program is weighted 50% stock (comprised of stock options and RSUs) and 50% cash (performance plan):

- *Performance plan (50% weight):* The Committee believes it is critical to focus executive behavior on the performance elements that drive stockholder value. Accordingly, the 2011 grants are based on the attainment of a corporate free cash flow target. Participants may earn 50% to 200% of their target opportunity based on achievement levels ranging from 90% to 120% of the free cash flow goal. No award is earned if performance falls below the threshold. The performance period covers one year (2011), with an additional two-year service vesting period for earned amounts. Earned and vested amounts are paid in cash.
- *Stock options (30% weight):* The Committee believes it is important to focus executive behavior on the Company's share price, in direct alignment with our stockholders' interests. With stock options, participants only recognize value to the extent the share price increases and exceeds the exercise price on the date of grant. 2011 grants will vest over three years in equal installments.
- *Restricted stock units (20% weight):* The Committee believes it is important to have a minimum level of retention-base awards. With RSUs, participants are focused on the enhancement of the Company's share price and the value of their grant, since the value of RSUs declines as the Company's share price decreases. 2011 grants of RSUs vest on the third anniversary of the grant date and will be paid in shares of the Company's common stock.

	January 2011 Long-Term Incentive Grants(1)		
	Performance Plan (Target $)	Stock Options (#)	Restricted Stock Units (#)
J. Dahl	$200,000	112,700	37,600
J. Bittner	$116,700	65,700	21,900
J. Billhimer	$100,000(2)	46,500(2)	15,600(2)
N. Rodriguez-Cayro	$100,000	56,300	18,800
F. Buro	$ 91,700	51,600	17,200

(1) Awards granted January 28, 2011

(2) Awards granted May 4, 2011

As interim Chief Executive Officer, Mr. Billick did not participate in the executive long-term incentive program, but did receive equity grants as part of the non-employee director compensation program.

2011 Results: Performance Plan

The corporate free cash flow target for 2011 was $71,255,000. The actual attainment level was $75,532,000 resulting in earned awards equal to 130% of target, subject to an additional two year vesting requirement.

Retirement and Benefit Programs

The NEOs (other than Mr. Billick) were eligible to participate in various benefit plans including, 401(k), health insurance and life insurance plans that are generally available to all employees. The 401(k) plan provides for a company match, which for 2011 was 50% of the first 4% of permitted employee contributions to the plan. Effective January 1, 2012, life insurance is provided at two times salary. In addition, certain of our executive officers, including the NEOs (other than Mr. Billick)

participate in a medical reimbursement plan pursuant to which the Company will reimburse stipulated eligible out of pocket medical expenses incurred by the NEO and eligible dependents that are not covered by our health insurance plan.

Perquisites

It is the Company's intent to continually assess business needs and evolving market practices to ensure that perquisite offerings are competitive and in the best interest of our stockholders. In general, the Company does not provide any perquisites to executives, other than modest auto allowances, and reimbursement for temporary housing and relocation expenses to certain NEOs. For more information on these perquisites, see the footnotes to the Summary Compensation Table.

Severance Protection

Each NEO (other than Mr. Billick) had or has an employment agreement with the Company that provides for severance payments in the event that the NEO's employment is terminated under certain circumstances. See "Potential Payments Upon Termination or Change in Control" for more information on the amounts that each NEO is entitled to it the event that his employment is terminated.

CEO Compensation for 2011

Mr. Dahl was hired as President and Chief Executive Officer effective January 10, 2011. Mr. Billick served as the Company's interim Chief Executive Officer from the beginning of the fiscal year to January 10, 2011. A summary of 2011 compensation items are as follows:

- *Salary:* In January 2011, the Committee established Mr. Dahl's base salary at $600,000. In December 2011, upon review of the relevant factors mentioned in the Base Salary section above, the Committee approved an increase in Mr. Dahl's base salary to $630,000. The Committee approved a payment structure for Mr. Billick of $50,000 per month of service as interim Chief Executive Officer, based on a review of a number of relevant factors including competitive market practices. Mr. Billick was paid a pro-rated amount of $25,000 for his 2011 service under this arrangement.
- *Annual Incentives:* In January 2011, Mr. Dahl's target annual incentive opportunity was established at 50% of base salary. In December 2011, the Committee approved an increase of Mr. Dahl's target incentive opportunity to 60% of base salary. As interim Chief Executive Officer, Mr. Billick was not eligible for an annual bonus or incentive.
- *"Hire-On" Stock Options:* In January 2011, pursuant to the employment agreement, the Company granted to Mr. Dahl nonqualified stock options to purchase a total of 150,000 shares of the Company's common stock (one-third of which vested and become exercisable immediately and the remaining two-thirds of which will vest and become exercisable in equal installments on the first and second anniversaries of the effective date of employment, subject to continued employment.)
- *Long-Term Incentives:* Mr. Dahl's 2011 long-term incentive grant consisted of 112,700 stock options, 37,600 restricted stock units, and $260,000 of performance plan cash awards. As interim Chief Executive Officer, Mr. Billick was not eligible for long-term incentive grants other than those received as a non-employee director.
- *Perquisites:* Mr. Dahl received an auto allowance of $700 per month and $77,361 for relocation expenses. No other perquisites were received in 2011. Mr. Billick did not receive any perquisites.
- *Benefits:* Mr. Dahl participated in various benefit plans including health insurance, life insurance, and other customary benefits. Mr. Billick did not participate in the Company's benefit programs.

Equity Grant Practices

The Committee has adopted a policy with respect to equity awards that contains procedures to prevent stock option backdating or other improper timing issues. Under the policy, the Committee has exclusive authority to grant equity awards to our NEOs and other employees. If an employee joins the Company and has been offered stock-based awards as part of his compensation, approval from the Committee will be sought at the next Committee meeting and the exercise price of any stock options will be the closing price of our common stock on the NASDAQ on the date of the Committee's approval of the award, unless the Company is in a company-imposed black-out period under its insider trading policy. Under the Company's insider trading policy, named executive officers, other employees with access to material non-public information about the Company and directors are always prohibited from engaging in transactions in the Company's securities when in possession of material non-public information and are otherwise restricted from engaging in transactions in the Company's securities during black-out periods. The Committee's policy with respect to equity grants is consistent with the Company's insider trading policy.

Compensation Risk Assessment

It is the responsibility of the Committee to ensure that the Company's policies and practices related to compensation do not encourage excessive risk-taking behavior. The Committee has worked closely with Aon Hewitt to design a performance-based compensation system that supports the Company's objective to align stockholder and management interests, supports the Company's strategic business plan, and mitigates the possibility of executives taking unnecessary or excessive risks that could adversely impact the Company. As part of this process, Aon Hewitt has reviewed our compensation programs to assess if any of our programs or policies would encourage unnecessary risks that could have a material adverse impact on the Company. Based on that independent review, our compensation programs and policies are not reasonably likely to have a material adverse effect on the Company. The following factors mitigate the risk associated with our compensation programs:

- The Board of Directors approves short- and long-term performance objectives for our incentive plans, which we believe are appropriately correlated with stockholder value and use multiple metrics to measure performance;
- The Committee's discretion to amend final payouts of both short- and long-term incentive plans;
- The use of company-wide performance metrics for both the short- and long-term incentive programs ensure that no single executive has complete and direct influence over outcomes, encouraging decision making that is in the best long-term interest of stockholders;
- The use of equity and cash opportunities with vesting periods to foster retention and alignment of our executive's interests with those of our stockholders;
- Capping the potential payouts under both the short- and long-term incentive plans to eliminate the potential for any windfalls; and,
- The use of competitive general and change-in-control severance programs help to ensure that executives continue to work towards the stockholders' best interests in light of potential employment uncertainty.

Tax Deductibility of Our Compensation Programs

Section 162(m) of the Internal Revenue Code generally limits the federal income tax deduction for compensation paid to named executive officers in excess of $1,000,000 for a calendar year, subject to certain exceptions including relating to qualified performance-based compensation. The Committee considers the tax deductibility of compensation paid to the Company's named executive officers, but also believes it is important to preserve flexibility in this regard. As discussed above, the primary objectives of the Company's compensation program are to attract, motivate and retain critical executive

talent, and to motivate behaviors that drive profitable growth and the enhancement of long-term value for our stockholder. Accordingly, the Committee recognizes that there may be instances where compensation paid by the Company may not be tax deductible.

Compensation Committee Report

The Committee has reviewed and discussed with management the Compensation Discussion and Analysis report included herein. Based on their review and discussions with management, the Committee recommended to the Company's full Board of Directors that the Compensation Discussion and Analysis be included in the Company's 2012 proxy statement and incorporated by reference in the Company's Annual Report on Form 10-K, filed March 15, 2012.

Submitted by the Compensation Committee of the Board of Directors,

Roger P. Wagner (Chairman)
Raymond K. Lee
Steven M. Billick

Notwithstanding anything to the contrary herein, the report of the Compensation Committee included in this proxy statement shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such acts.

Summary Compensation Table

The following table sets forth information regarding compensation for the fiscal year ended December 31, 2011, awarded to, earned by or paid to the named executive officers.

Name and principal position	Year	Salary	Bonus	Stock Awards (6)	Option Awards (6)	Non-Equity Incentive Plan Compensation	Change In Pension Value And Nonqualified Deferred Compensation Earnings	All Other Compensation	Total $
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Jeffrey J. Dahl President and Chief Executive Officer	2011	$566,436		$ 87,608	$369,594	$631,042(1)		$ 86,861(2)	$1,741,541
Steven M. Billick(7) Former Interim Chief Executive Officer	2011 2010			$ 54,015 $ 64,200				$134,033(7) $216,063	$ 188,048 $ 280,263
John W. Bittner, Jr. Executive Vice President and Chief Financial Officer	2011 2010 2009	$350,000 $284,665 $270,757	 $30,000	$ 51,027 $183,850	$100,147	$347,727(1) $101,819(1) $ 27,076(1)		$ 8,876(3) $ 31,096 $ 25,162	$ 857,777 $ 601,430 $ 352,995
Joseph L. Billhimer, Jr. Executive Vice President and Chief Operating Officer	2011	$215,308		$ 43,680	$ 85,016	$246,152(1)		$ 72,468(8)	$ 662,624
Robert J. Norton Former Chief Operating Officer	2011 2010 2009	$ 18,123 $308,111 $173,077	 	 $222,500	 	 $161,280(1) $ 70,000(1)		$265,079(4) $ 12,512 $ 37,128	$ 283,202 $ 704,403 $ 280,205
Narciso A. Rodriguez-Cayro Vice President of Regulatory Affairs, General Counsel and Secretary	2011 2010	$300,000 $228,469	 	$ 43,804 $ 44,500	$ 85,818	$285,682(1) $121,818(1)		$ 23,022(5) $ 29,890	$ 638,077 $ 424,678
Fred A. Buro Vice President and Chief Marketing Officer	2011	$275,577		$ 40,076	$ 78,654	$244,081		$ 39,546(9)	$ 677,934

(1) As to 2011, amounts represent incentive compensation earned per terms of employment agreements and annual incentive (bonus plan) but not all paid in 2011.

(2) As to 2011, all other compensation for Mr. Dahl includes $9,367 for auto allowance, $77,361 for relocation expense, and $132 for life insurance premiums.

(3) As to 2011, all other compensation for Mr. Bittner includes $7,200 auto allowance, $1,418(net) for 401(k) contribution match and $258 for life insurance premiums.

(4) As to 2011, all other compensation for Mr. Norton includes $600 for auto allowance, $204(net) for 401(k) contribution match; $170,525 paid pursuant to the terms of the employment agreement following Mr. Norton's termination as of January 21, 2011, and $93,750 representing value of cash awards that pursuant to the terms of Mr. Norton's respective cash award agreement vested immediately as of Mr. Norton's termination date.

(5) As to 2011, all other compensation for Mr. Rodriguez-Cayro includes $9,600 for auto allowance, $13,332 for temporary housing, and $90 for life insurance premiums.

(6) The RSUs and stock option awards represent the aggregate grant date fair value computed in accordance with ASC 718—Compensation—Stock Compensation. The stock options granted in 2011 will vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. The cash-based performance awards relate to the achievement of differing levels of performance (as defined) and are measured by the level of the Company's corporate free cash flow (as defined) over a one-year performance period, which is defined as the calendar year 2011. The performance award levels were achieved for 2011, and the awards earned will vest and become payable at the end of the vesting period, defined as the two calendar year period following the performance period. Cash awards that were granted in conjunction with the RSUs granted in 2010 were not earned as of December 31, 2010, and were not reported therein but are reported as such amounts vest—please refer to the Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table that follows for additional information relating to the cash awards. The RSUs and the cash awards granted during 2010 vest and become non-forfeitable upon each of the first, second and third anniversaries of the date of grant. See Notes 2 and 12 to the Company's Consolidated Financial Statements in its Annual Report on Form 10-K for the year ending December 31, 2011.

(7) As to 2011, Mr. Billick earned $25,000 while serving as interim Chief Executive Officer through January 10, 2011, $106,115 for service as a member of the Board of Directors, 19,500 RSU's in conjunction with a grant of RSU's to non-employee directors and $2,918 for the use of otherwise accrued airline credits. Mr. Billick did not serve on the Compensation Committee or the Audit Committee or collect director fees while serving as interim Chief Executive Officer.

(8) As to 2011 all other compensation for Mr. Billhimer includes $7,120 for auto allowance, $65,282 for temporary housing and relocation expenses and $67 for life insurance premiums.

(9) As to 2011, all other compensation for Mr. Buro includes $7,200 for car allowance, $19,039 for payment of vacation earned but not taken in current period, $13,049 for temporary housing and relocation expenses and $258 for life insurance premiums.

Grant of Plan Based Awards Table

The following table sets forth information regarding the grant of Plan based awards made during 2011 to the NEOs, other than Mr. Norton, who did not receive an award for 2011.

Name	Grant date	Estimated future payouts under non-equity incentive plan awards			Estimated future payouts under equity incentive plan awards			All other stock awards: Number of shares of stock or units (#)	All other option awards: Number of securities underlying options (#)	Exercise or base price of option awards ($/Sh)	Grant date fair value of stock and Option awards(3)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Jeffrey J. Dahl	1/10/2011								150,000(1)	$2.04	$197,805
	1/28/2011(2)	100,000	200,000	400,000							
	1/28/2011(2)							37,600			$ 87,608
	1/28/2011(2)								112,700	$2.32	$171,789
Steven M. Billick	8/12/2011							19,500(4)			$ 54,015
John W. Bittner, Jr.	1/28/2011(2)	58,350	116,700	233,400							
	1/28/2011(2)							21,900			$ 51,027
	1/28/2011(2)								65,700	2.32	$100,147
Joseph L. Billhimer, Jr.	5/4/2011(2)	50,000	100,000	200,000							
	5/4/2011(2)							15,600			$ 43,680
	5/4/2011(2)								46,500	$2.78	$ 85,016
Narciso A. Rodriguez-Cayro	1/28/2011(2)	50,000	100,000	200,000							
	1/28/2011(2)							18,800			$ 43,804
	1/28/2011(2)								56,300	2.32	$ 85,818
Fred A. Buro	1/28/2011(2)	45,850	91,700	183,400							
	1/28/2011(2)							17,200			$ 40,076
	1/28/2011(2)								51,600	$2.32	$ 78,654

(1) Represents nonqualified stock option to purchase shares of the company's common stock granted pursuant to Mr. Dahl's employment agreement. One third of the options vested and became exercisable on the date of grant and two-thirds of which will vest and become exercisable in equal installments on the first and second anniversaries of the employment agreement.

(2) Represents the grant of (i) nonqualified stock options to purchase shares of the company's common stock; (ii) RSUs: and (iii) cash-based performance awards under the 2010 Long-Term Incentive Plan. The stock options vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. Further, all unvested options will fully vest and become exercisable immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change in control of the company. The RSUs vest and become non-forfeitable upon the third anniversary of the date of grant; and all unvested RSUs will vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the company. The cash-based performance awards relate to the achievement of differing levels of performance (as defined) and are measured by the level of the company's corporate free cash flow (as defined) over a one-year performance period, which is defined as the calendar year 2011. The performance award levels were achieved for 2011, and the awards earned will vest and become payable at the end of the vesting period, defined as the two calendar year period following the Performance Period. The earned awards also vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the company.

(3) Represents the fair value of the awards on their respective grant dates. For additional information, refer to Notes 2 and 12 of the Company's financial statements filed with the SEC as part of the Form 10-K for the year ended December 31, 2011. There can be no assurance that these amounts will correspond to the actual value that will be recognized by the Named Executive Officers.

(4) Represents RSUs awards pursuant to the Company's stock incentive plans with respect to Mr. Billick's service as a non-employee director. Each RSU was fully vested upon grant and will be delivered upon the earlier to occur of Mr. Billick's termination of Board service, or a change in control of the Company.

On January 27, 2012, the Committee approved the grant of (i) nonqualified stock options to purchase a total of 321,500 shares of the Company's common stock at a purchase price of $2.44, the NASDAQ average price per share on that date; (ii) a total of 107,100 RSUs with a fair value of $2.44 per unit, the NASDAQ official average price per share on that date; and (iii) cash-based performance awards totaling $577,500 to the named executive officers under the 2010 Plan. The stock options will vest and become exercisable in three equal installments in the amounts of 33% on each of the first and second anniversaries of the date of grant and 34% on the third anniversary of the date of grant. Further, all unvested options will fully vest and become exercisable immediately upon (i) the

termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The weighted average grant date fair value of the 321,500 options was $1.72 per share. The RSUs will vest and become non-forfeitable upon the third anniversary of the date of grant; and all unvested RSUs will vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company. The cash-based performance awards relate to the achievement of differing levels of performance (as defined) and are measured by the level of the Company's Corporate Free Cash Flow (as defined) over a one-year Performance Period, which is defined as the calendar year 2012. The earned awards, if any, will vest and become payable at the end of the vesting period, defined as the two calendar year period following the Performance Period. The earned awards also vest immediately upon (i) the termination of employment by the death or the disability of the applicable employee or (ii) consummation of a change of control of the Company.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

On January 6, 2011, the Company appointed Mr. Jeffrey J. Dahl as President and Chief Executive Officer of the Company and entered into an employment agreement with Mr. Dahl, effective January 10, 2011, for a term of three (3) years, with automatic one-year extensions unless a notice of non-renewal is timely furnished prior to the next applicable extension period. The employment agreement provides for an annual base salary of $600,000 (or such greater amount as may be approved from time to time by the Compensation Committee) and participation in the Company's annual incentive plan as may be in effect from time to time, with a target bonus opportunity of 50% of his base salary (or such other amount as may be determined by the Compensation Committee). Mr. Dahl is also eligible to participate in the Company's Long Term Incentive Program as may be in effect from time to time and is eligible to participate in the Company's employee benefit plans. The employment agreement provides that the Company will grant to Mr. Dahl a nonqualified stock option to purchase a total of 150,000 shares of the Company's common stock, ⅓ of which vested and became exercisable on the date of grant, and ⅔ of which will vest and become exercisable in equal installments on the first and second anniversaries of the effective date of the employment agreement, subject to Mr. Dahl's continued employment with the Company as of each applicable vesting date. The employment agreement provides that the Company will maintain, at the Company's cost, a term life insurance policy with a face value equal to Mr. Dahl's base salary. The employment agreement also provides for four weeks of paid vacation per year and reimbursement of certain expenses. The employment agreement further provides for an up-front cash payment in an amount of $75,000 for expenses incurred or to be incurred by Mr. Dahl in relocating his residence, 50% of which is subject to repayment in the event his employment terminates during the second year of his employment. Mr. Dahl was also entitled to reasonable accommodations at the Company's hotel at its Mountaineer Casino for up to 60 days while he is looking for a permanent residence. Effective as of December 1, 2011, the Company entered into an amendment to Mr. Dahl's employment agreement that provides for an annual base salary of $630,000 and participation in the Company's annual incentive plan with a target bonus opportunity of 60% of his base salary.

On March 30, 2011, the Company appointed Mr. Joseph L. Billhimer as Senior Vice President for Operations and Development for the Company and President and General Manager for Mountaineer Park, Inc., effective as of April 4, 2011, and entered into an employment agreement with Mr. Billhimer for a term of two years, with automatic one-year extensions unless a notice of non-renewal is timely furnished prior to the next applicable extension period. The employment agreement provides for an annual base salary of $300,000 (or such greater amount as may be approved from time to time by the Company's Compensation Committee) and participation in the Company's annual incentive plan as may be in effect from time to time, with a target bonus opportunity of 40% of his base salary (or such other amount as may be determined by the Company's Compensation Committee). Mr. Billhimer is also eligible to participate in the Company's Long Term Incentive Program as may be in effect from time to

time and is eligible to participate in the Company's employee benefit plans. The employment agreement provides that the Company will maintain, at the Company's cost, a term life insurance policy with a face value equal to Mr. Billhimer's base salary. The employment agreement also provides for four weeks of paid vacation per year and reimbursement of certain expenses. The employment agreement further provides for the reimbursement of reasonable and customary relocation expenses and the payment of a housing allowance of $3,000 per month for a total of six months from the date of the execution of the employment agreement. Effective as of December 1, 2011, the Company appointed Mr. Billhimer as Executive Vice President and Chief Operating Officer, the Company entered into an amendment to Mr. Billhimer's employment agreement that provides for an annual salary of $340,000 and participation in the company's annual incentive plan with a target bonus opportunity of 50% of his base salary.

On May 1, 2009, the Company entered into an employment agreement with Robert J. Norton as the Company's Chief Operating Officer. The agreement was for a two-year term with an effective commencement date of June 8, 2009. The agreement provided for an annual base salary of $300,000 with annual 5% cost of living increases and additional compensation of $7,200 for automobile expenses and other benefits and fringe benefits made available to other executives of the Company. Pursuant to the agreement, Mr. Norton was also entitled to periodic cash bonuses of a minimum of 20% of his base compensation with eligibility to earn additional discretionary bonuses at the discretion of the Company's Compensation Committee. In June 2010, the Compensation Committee approved an amendment to Mr. Norton's employment agreement to increase the severance payable in the event of a termination without cause within one year following a change of control to twenty four months' salary (under the prior terms of his agreement, he would have received a severance payment equal to the greater of the entire compensation otherwise payable to him for the remainder of the period of employment, or eighteen month's salary). On January 21, 2011, the Company announced that Mr. Norton was terminated without cause. Based on the provisions in his employment agreement, Mr. Norton was entitled to severance of approximately $134,000 which was paid in monthly installments through May 30, 2011, and incentive compensation of approximately $161,000 which was paid in March 2011. In addition, Mr. Norton's 125,000 RSUs (grant date fair value $222,500) and cash award of $93,750 vested and became non-forfeitable upon his termination.

In connection with Mr. Bittner's appointment as Executive Vice President and Chief Financial Officer of the Company, the Company entered into a new employment agreement with Mr. Bittner, dated November 8, 2010, for a term of two years, with automatic one-year extensions unless notice of non-renewal is timely furnished prior to the next applicable extension period. The new employment agreement reflects an increased compensation package due to Mr. Bittner's promotion and additional responsibilities. The employment agreement provides for an annual base salary of $350,000 (as adjusted from time to time with the approval of the Compensation Committee) and participation in the Company's annual incentive plan as may be in effect from time to time, with a target bonus opportunity of 40% of his base salary (or such other amount as may be determined by the Compensation Committee). Mr. Bittner is also entitled to participate in the Company's Long-Term Incentive Program as may be in effect from time to time and is eligible to participate in the Company's employee benefit plans. The employment agreement provides that the Company will maintain, at the Company's cost, a term life insurance policy with a face value equal to Mr. Bittner's base salary as well as up to $600 per month for automobile expenses. In addition, on November 4, 2010, the Compensation Committee approved the grant of 55,000 RSUs and a cash award of $52,250 to Mr. Bittner, effective on November 8, 2010, the date of Mr. Bittner's appointment as Executive Vice President and Chief Financial Officer of the Company. The RSUs and cash award will generally vest in three equal installments beginning on the first anniversary of the date of grant, subject to Mr. Bittner's continued employment as of the applicable vesting date. Vesting will be accelerated upon consummation of a change of control of the Company, or upon Mr. Bittner's termination of employment by the Company without cause or by Mr. Bittner with good reason.

On December 20, 2010, the Company entered into a new employment agreement with Narciso A. Rodriguez-Cayro pursuant to which he serves as the Company's Vice President for Regulatory Affairs, General Counsel and Secretary. The term of the employment agreement is for the period commencing on December 16, 2010 and ending on February 1, 2013, with automatic one-year extensions unless notice of non-renewal is furnished at least 90 days prior to the expiration date of the then applicable agreement term. The new employment agreement reflects an increased compensation package due to Mr. Rodriguez-Cayro's promotion and increased responsibilities. The employment agreement provides for an annual base salary of $300,000 (as adjusted from time to time with the approval of the Compensation Committee) and participation in the Company's annual incentive plan as may be in effect from time to time, with a target bonus opportunity of 40% of his base salary (or such other amount as may be determined by the Compensation Committee). Mr. Rodriguez-Cayro is also entitled to participate in the Company's Long-Term Incentive Program as may be in effect form time to time and is eligible to participate in the Company's employee benefit plans. The employment agreement provides that the Company will maintain, at the Company's cost, a term life insurance policy with a face value equal to Mr. Rodriguez-Cayro's base salary as well as up to $800 per month for automobile expenses and up to $1,300 per month for temporary housing.

On December 15, 2010, Presque Isle Downs, Inc., a wholly owned subsidiary of the Company, entered into an employment agreement with Fred A. Buro pursuant to which he serves as the President and General Manager of Presque Isle Downs, Inc. The term of the employment agreement is for a period of two years with automatic one-year extensions unless notice of non-renewal is furnished at least 90 days prior to the expiration date of the then applicable agreement term. The employment agreement provides for an annual base salary of $275,000 (or such greater amount as may be approved from time to time by the Company's compensation committee) and participation in the Company's annual incentive plan as may be in effect from time to time, with a target bonus opportunity of 40% of his base salary (or such other amount as may be determined by the Company's Compensation Committee). Mr. Buro is also eligible to participate in the Company's Long Term Incentive Program as may be in effect from time to time and is eligible to participate in the Company's employee benefit plans. The employment agreement provides that the Company will maintain, at the Company's cost, a term life insurance policy with a face value equal to Mr. Buro's base salary. The employment agreement also provides for four weeks of paid vacation per year and reimbursement of certain expenses. Effective December 1, 2011, the Company appointed Mr. Buro as Vice President and Chief Marketing Officer, the Company entered into a first amendment to Mr. Buro's employment agreement that provides for an annual salary of $290,000 and participation in the company's annual incentive plan with a target bonus opportunity of 40% of base salary.

Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information concerning outstanding equity awards for each NEO as of December 31, 2011. Mr. Norton had no outstanding equity awards as of December 31, 2011.

	Option awards					Stock awards			
Name(2)	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: number of securities underlying unexercised unearned options (#)	Option exercise price ($)	Option expiration date	Number of shares or units of stock that have not vested (#)(1)	Market value shares or units of stock that have not vested (#)	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Jeffrey J. Dahl.	50,000	100,000		$ 2.04	1/10/2021				
		112,700		$ 2.32	1/28/2021	37,600	$70,312		
Steven M. Billick . . .						19,500	$36,465		
						30,000	$56,100		
John W. Bittner, Jr. .	25,000			$15.00	12/2/2012				
	25,000			$ 8.00	5/13/2013				
	25,000			$11.30	4/13/2015				
	20,000			$16.27	4/27/2017				
	20,000			$14.79	6/26/2017				
		65,700		$ 2.32	1/28/2021	21,900	$40,953		
						13,334	$24,935		
						16,667	$31,167		
						36,667	$68,567		
Joseph L. Billhimer, Jr.		46,500		$ 2.78	5/4/2021	15,600	$29,172		
Narciso A. Rodriguez- Cayro .		56,300		$ 2.32	1/28/2021	18,800	$35,156		
						16,667	$31,667		
Fred A. Buro		51,600		$ 2.32	1/28/2021	17,200	$32,164		
						33,333	$62,333		

(1) Outstanding 2011 RSUs will vest as follows, subject to the executives continued employment as of the applicable vesting date: As to Mr. Dahl 37,600, Mr. Bittner 21,900, Mr. Rodriguez-Cayro 18,800 and Mr. Buro 17,200 will vest on January 28, 2014. As to Mr. Billhimer, 15,600 the May 4, 2014. Outstanding 2010 RSUs will vest as follows, as to Mr. Bittner 13,334 will vest in equal amounts upon each of, second and third anniversaries of the January 22, 2010, date of grant, 16,667 vest in equal amounts upon each of the second and third anniversaries of the June 9, 2010, date of grant, and 36,667 vest in equal amounts upon each of the second and third anniversaries of the November 8, 2010, date of grant. As to Mr. Rodriguez-Cayro 16,667 vest in equal amounts upon each of the second and third anniversaries of the February 1, 2010, date of grant. As to Mr. Buro 33,333 vest in equal amounts upon each of the second and third anniversaries of the May 17, 2010, date of grant. Vesting will be accelerated upon consummation of a change of control of the Company, or in the cases of Messrs. Dahl, Bittner and Rodriguez-Cayro upon the termination of employment by the Company without cause or by the executive with good reason. For RSUs for Mr. Billick, see footnote (1) on page 18.

Option Exercises and Stock Vested Table

Name	Option awards		Stock awards	
	Number of shares acquired on exercise (#)	Value realized on exercise ($)	Number of shares acquired on vesting (#)	Value realized on vesting ($)
(a)	(b)	(c)	(d)	(e)
John W. Bittner, Jr.			33,332	$ 78,019
Narciso A Rodriguez-Cayro			8,333	$ 22,499
Fred A. Buro			16,667	$ 44,834
Robert J. Norton			125,000	$337,500

Pension Benefits

Name	Plan name	Number of years credited service (#)	Present value of accumulated benefit ($)	Payments during last fiscal year ($)
(a)	(b)	(c)	(d)	(e)
N/A				

Nonqualified Deferred Compensation

Name	Executive contributions in last FY ($)	Registrant contributions in last FY ($)	Aggregate earnings in last FY ($)	Aggregate withdrawals/ distributions ($)	Aggregate balance at last FYE ($)
(a)	(b)	(c)	(d)	(e)	(f)
N/A					

Potential Payments upon Termination or Change in Control

The following describes the severance provisions contained in the employment agreements of our NEOs, as well as our new executives, Messrs. Dahl and Billhimer.

Mr. Jeffrey J. Dahl, John W. Bittner, Jr., Narciso A. Rodriguez-Cayro, Joseph L. Billhimer, and Fred A. Buro. The employment agreements for Messrs. Dahl, Bittner, Rodriguez-Cayro, Billhimer, and Buro provide that in the event of termination of employment for any reason, the executive will receive (i) earned but unpaid base salary and accrued and unused vacation pay, (ii) reimbursement for reasonable business expenses then outstanding, (iii) any bonus earned and approved to be paid with respect to completed fiscal periods that precede the date of termination but have not yet been paid, and (iv) all payments, rights and benefits due as of the date of termination under the terms of the Company's employee and fringe benefit plans and programs in which the executives participated. We refer to these benefits collectively as the "Accrued Rights."

In the event of termination by the Company without "cause" (as defined in each employment agreement)) or, in the cases of Messrs. Dahl, Bittner and Rodriguez-Cayro, the executive resigns with "good reason" (as defined in each employment agreement)), (a) the executives will receive, in addition to the Accrued Rights, (i) continued payment of his base salary for 12 months following the date of termination (the "*Severance Period*"), (ii) a bonus amount, which shall be paid in a lump sum within thirty (30) days of approval by the Compensation Committee, based on the achievement of the applicable performance criteria for the year in which termination occurred, adjusted on a pro rata basis to the number of days the executive was employed in such year, provided he was employed for at least six months during such year and (iii) continued medical coverage under the Company's group health plan for the Severance Period (the benefits in the foregoing clauses (i)—(iii), the "*Severance Payments*")

and (b) in the cases of Messrs. Dahl, Bittner and Rodriguez-Cayro, all of the executive's then-outstanding and otherwise unvested RSUs will immediately vest upon such termination and be paid out in accordance with the terms of thereof. The Severance Payments and, as applicable, accelerated vesting, are subject to the executive officer's execution of a general release of claims against the Company. In addition, the stock options granted to Mr. Dahl pursuant to the terms of his employment agreement provide for accelerated vesting upon any such termination of employment.

In the event of the executive's death, his estate or beneficiaries will be entitled to receive the proceeds of the life insurance policy specified per the terms of his employment agreement or benefit plans as approved by the Compensation Committee. In addition, with respect to Mr. Rodriguez-Cayro, in the event of his death or disability, the Company will continue to pay the cost of his health insurance premiums for a period of one year.

In the event that Messrs. Dahl's, Bittner's, Rodriguez-Cayro's, Billhimer's or Buro's employment terminates upon expiration of the employment agreement (including any renewal thereof) by reason of the Company's provision of a non-renewal notice, then the executive will receive the Accrued Rights and the Severance Payments.

If a "change in control" (as defined in each employment agreement) occurs during the term of the employment agreement and, prior to the first anniversary of the date of consummation of such change in control, Messrs. Dahl's, Bittner's Rodriguez-Cayro's, Billhimer's, or Buro's employment is terminated by the Company without "cause" or by the executive with "good reason", then the named executive officer will receive the Accrued Rights and the Severance Payments, except that (instead of the 12 month period that applies pre-change in control) the severance Period would be 18 months.

Potential Payments upon Termination or Change in Control Table

The following table describes and quantifies certain compensation that would become payable under existing agreements, plans and arrangements, with named executive officers, if employment was terminated on December 31, 2010, given compensation levels as of such date and, if applicable, based on the Company's closing stock price on that date. Although not reflected in the table below, Mr. Billick would have received payment of his RSUs (all of which were fully vested upon grant) upon termination of his service on December 31, 2011, with a total value as of such date of $92,565, based on the closing price of the Company's stock on such date.

Name	Compensation Components	Voluntary	Involuntary With Cause	Involuntary Without Cause /For Good Reason	Failure to Extend Contract	Death	Disability	Change in Control(10)	Change in Control with Termination
Jeffrey J. Dahl	Salary/Bonus	$227,413(1)	$227,413(1)	$857,413(2)	$857,413(2)	$ 227,413(1)	$227,143(1)		$1,172,413(3)
	Other Benefits			$ 14,956(2)	$ 14,956(2)	$ 630,000(4)			$ 14,956(3)
	Options(5)(6)(9)								
	Restricted Stock Units(9)			$ 70,312	$ 70,312	$ 70,312	$ 70,312	$ 70,312	$ 70,312
	Cash Awards(9)					$ 200,000	$200,000	$200,000	$ 200,000
TOTAL		$227,413	$227,413	$942,681	$942,681	$1,757,725	$497,455	$270,312	$1,457,681
John W. Bittner, Jr	Salary/Bonus	$106,400(1)	$106,400(1)	$456,400(2)	$456,400(2)	$ 106,400(1)	$106,400(1)		$ 631,400(3)
	Other Benefits			$ 14,956(2)	$ 14,956(2)	$ 350,000(4)			$ 14,956(3)
	Options(5)(7)(9)								
	Restricted Units(8)(9)			$165,622	$165,622	$ 40,953	$ 40,953	$165,622	$ 165,622
	Cash Awards(8)(9)					$ 116,700	$116,700	$161,533	$ 161,533
TOTAL		$106,400	$106,400	$636,978	$636,978	$ 964,053	$264,053	$327,155	$ 973,511
Joseph L. Billhimer, Jr	Salary	$ 71,190(1)	$ 71,190(1)	$411,190(2)	$411,190(2)	$ 71,190(1)	$ 71,190(1)		$ 581,190(3)
	Other Benefits			$ 17,370(2)	$ 17,370(2)	$ 340,000(4)			$ 17,371(3)
	Options(5)(9)								
	Restricted Units(9)					$ 29,172	29,172	$ 29,172	$ 29,172
	Cash Awards(9)					$ 100,000	$100,000	$100,000	$ 100,000
TOTAL		$ 71,190	$ 71,190	$428,560	$428,560	$ 880,362	$200,362	$129,172	$ 727,733
Narciso A. Rodriguez-Cayro	Salary	$ 91,587(1)	$ 91,587(1)	$406,587(2)	$406,587(2)	$ 91,587(1)	$ 91,587(1)		$ 564,087(3)
	Other Benefits			$ 17,371(2)	$ 17,371(2)	$ 332,731(4)	$ 17,371		$ 17,371(3)
	Options(5)(9)								
	Restricted Units(8)(9)			$ 66,323	$ 66,323	$ 35,156	$ 35,156	$ 66,323	$ 66,323
	Cash Awards(8)(9)					$ 100,000	$100,000	$112,563	$ 112,563
TOTAL		$ 91,587	$ 91,587	$490,281	$490,281	$ 874,114	$244,114	$178,886	$ 760,344
Fred A. Buro	Salary/Bonus	$ 64,611(1)	$ 64,611(1)	$354,611(2)	$354,611(2)	$ 64,611(1)	$ 64,611(1)		$ 499,611(3)
	Other Benefits			$ 14,956(2)	$ 14,956(2)	$ 290,000(4)			$ 14,956(3)
	Options(5)(9)								
	Restricted Stock Units(8)(9)					$ 32,164	$ 32,164	$ 94,499	$ 94,499
	Cash Awards(8)(9)					$ 91,700	$ 91,700	$101,700	$ 101,700
TOTAL		$ 64,611	$ 64,611	$369,567	$369,567	$ 768,475	$188,475	$196,199	$ 710,766

(1) Amount represents (i) earned but unpaid base salary and accrued and unused vacation pay, (ii) any bonus earned and approved to be paid with respect to completed fiscal periods that precede the date of termination but have not yet been paid, and (iii) all payments, rights and benefits due as of the date of termination under the terms of the Company's employee and fringe benefit plans and programs in which the named executive officers participated (the benefits in the foregoing clauses (i)—(iii), the "Accrued Rights".

(2) Amount represents, in addition to the "Accrued Rights", (i) continued payment of base salary for 12 months following the date of termination (the "*Severance Period*"), (ii) a bonus amount, which shall be paid in a lump sum within thirty (30) days of approval by the Compensation Committee, based on the achievement of the applicable performance criteria for the year in which termination occurred, adjusted on a pro rata basis to the number of days the named executive officer was employed in such year, provided he was employed for at least six months during such year and (iii) continued medical coverage under the Company's group health plan for the Severance Period (the benefits in the foregoing clauses (i)—(iii), the "*Severance Payments*") and (b) all of the named executive officer's then-outstanding and otherwise unvested restricted stock units shall immediately vest upon such termination and be paid out in accordance with the terms of thereof.

(3) Amounts represent "Accrued Rights" and "Severance Payments" (with a severance period of 18 months) assuming the named executive officer's employment was terminated by the Company without "cause" or by the named executive officer with "good reason" as of December 31, 2011, and that a "change in control" (as defined in the employment agreements) occurred within one year prior to such termination.

(4) Amount represents, in the event of death, proceeds of a life insurance policy specified per terms of the employment agreement or benefit policy as approved by the Compensation Committee and as to Mr. Rodriguez-Cayro continuation of health care coverage for a period of one year.

(5) Amount would represent in-the-money value of options to purchase common stock based on the closing market price of the Company's common stock on December 31, 2011, of $1.87. However, there were no in-the-money options at December 31, 2011.

(6) In the event of a termination of service for any reason, Mr. Dahl shall forfeit his interest in any portion of the options that have not become vested and exercisable in accordance with terms of the applicable non-qualified stock option award agreement, which portion shall be cancelled and be of no further force or effect.

(7) For options granted prior to 2011 if a NEO's relationship with the Company is terminated (other than as a result of his death or disability), the NEO may exercise the options granted to him, to the extent exercisable on the date of such termination, at any time within three months after termination, but not thereafter and in no event after the date the award would otherwise have expired. However, if such relationship is terminated either (a) for cause (as defined), or (b) without the consent of the Company, such options shall terminate immediately. In addition, in the event the NEO's employment is terminated in connection with a change of control of the Company, then the employee will have the right to exercise the option until the date the award otherwise would have expired. If a NEO dies (a) while he is an employee of the Company, (b) within three months after termination (unless such termination was for cause or without the consent of the Company), or (c) within one year following the termination by reason of his disability, the options granted to him as an employee, may be exercised, to the extent exercisable on the date of

his death, by his legal representative (as defined) at any time within one year after death but not thereafter and in no event after the date the option would otherwise have expired. If the NEO's relationship with the Company has terminated by reason of his disability, the options granted to him as an employee, may be exercised, to the extent exercisable upon the effective date of such termination, at any time within one year after such date, but not thereafter and in no event after the date the option would otherwise have expired.

(8) For restricted stock units ("RSUs") and cash awards granted in 2010 if the NEO's employment is terminated for any reason prior to the lapsing of any restrictions provided in the restricted stock unit and cash award agreement, the unvested restricted stock units and rights to receive cash compensation shall be automatically forfeited except that such unvested RSUs and cash compensation granted therewith shall become fully vested and non-forfeitable upon (i) the occurrence of a change in control, provided that the named executive officer is in service on the date of such change in control, (ii) the Company's termination of the named executive officer's service if such termination is not due to cause, the death of the named executive, or the disability of the named executive, or (iii) the named executive termination of his or her service for good reason.

(9) For 2011 awards issued in conjunction with long-term incentive plan, in the event:

(i) the NEO's service with the Company is terminated by reason of death or disability, all unvested shares covered by stock options held by the NEO shall immediately become fully vested as of the date of termination; all RSUs held by the NEO at the date of termination and still subject to the vesting period shall immediately become fully vested as of the date of termination and; the NEO shall be paid a prorated earned cash award. The prorated earned cash-based performance award shall equal the product of (x) and (y) where (x) is the earned cash-based performance award the NEO would have earned based on actual performance measured as of the end of the performance period and (y) is a fraction, the numerator of which is the number of full calendar months that the cash-based performance, the NEO was employed by the Company during the performance period and the denominator of which is the number of months in the performance period. If the NEO's employment is terminated after the end of the performance period but prior to the end of the vesting period due to death or disability, then the NEO shall immediately be entitled to the earned cash-based performance award.

(ii) the NEO's employment with the Company is terminated for reasons other than death or disability, the shares covered by the stock option not yet vested as of the date of termination shall be forfeited; all RSUs still subject to the vesting period shall be forfeited unless vesting is otherwise provided for in employment agreement and; the NEO shall not be entitled to payment of any cash-based performance award.

(iii) of a change in control prior to the NEO's termination of service, all shares covered by the stock options that have not previously become vested shall immediately vest subject to applicable federal and state securities laws; the vesting period imposed on the RSUs shall immediately lapse, with all such RSUs vesting subject to applicable federal and state securities laws and; during the performance period the cash-based performance, the NEO shall be entitled to a payment equal to the NEO's target award opportunity or after the end of the performance period but prior to the end of the vesting period the NEO shall immediately entitled to the earned award.

(10) "*Change in Control*" shall mean the occurrence of any of the following:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) (the "Act") of beneficial ownership (within the meaning of Rule 13d-3 of the Act) of more than 50% of the (A) then outstanding voting stock of the Company; or (B) the combined voting power of the then outstanding securities of the Company entitled to vote;

(ii) an ownership change in which the stockholders of the Company before such ownership change do not retain, directly or indirectly, at least a majority of the beneficial or legal interest in the voting stock of the Company after such transaction, or in which the Company is not the surviving company;

(iii) the direct or indirect sale or exchange by the beneficial owners (directly or indirectly) of the Company of all or substantially all of the assets of the Company; or

(iv) during any 24-month period, individuals who, as of the beginning of such period, constitute the Board (the "*Incumbent Directors*") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the beginning of such period whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director.

ITEM 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board has selected the firm of Ernst & Young LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012, subject to ratification by the stockholders.

The following table summarizes principal accounting fees and services billed for calendar 2011 and 2010.

	2011	2010
Audit Fees:		
Annual Audit of the Financial Statements (including expenses)	$1,026,418	$1,060,848
Audit-Related Fees:		
Other Attest Engagements and Audit-Specific Matters	192,100	91,613
Total Audit Fees	$1,218,518	$1,152,461
Tax Fees:		
Tax Compliance	$ 76,000	$ 72,160
Other Tax Services	120,591	87,500
Total Tax Fees	$ 196,591	$ 159,660
All Other Fees	$ —	$ —

The Audit Committee's charter provides for the pre-approval of audit and non-audit services performed by the Company's independent registered public accounting firm. Under the charter, the Audit Committee may pre-approve specific services, including fee levels, by the independent registered public accounting firm in a designated category (audit, audit-related, tax services and all other services). The Audit Committee may delegate, in writing, this authority to one or more of its members, provided that the member or members to whom such authority is delegated must report their decisions to the Audit Committee at its next scheduled meeting. All audit, tax and other services provided by Ernst & Young LLP are pre-approved by the Audit Committee.

It is expected that a member of Ernst & Young LLP will be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

ITEM 3

ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, we are providing our stockholders the opportunity to vote to approve, on an advisory, non-binding basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the SEC's rules. This proposal, which is commonly referred to as "say-on-pay," gives stockholders the opportunity, on an advisory basis, to either approve, reject or abstain from voting with respect to such compensation.

Our executive compensation program is designed to enhance stockholder value by focusing on the specific performance metrics that drive enterprise value; attract, motivate and retain highly-qualified executives committed to the Company's long-term success; and provide fair competitive salaries relative to their peers and actual performance. To that end, we provide a program of cash and equity-based awards to promote executive continuity, to align the interests of the Company's executives with those of

our stockholders and to reward executives for superior performance, as measured by both financial and nonfinancial metrics.

We urge stockholders to read the "Compensation Discussion and Analysis" section of this proxy statement beginning on page 19, which describes the Company's executive compensation programs and the decisions made by the Compensation Committee and the Board of Directors with respect to the year ending December 31, 2011.

The Company is asking stockholders to approve the following advisory resolution at the 2012 Annual Meeting:

> RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K in the Company's 2012 proxy statement, including the Compensation Discussion and Analysis, compensation tables and narrative discussion contained therein, is hereby approved.

Because the vote on this proposal is advisory in nature, it will not affect any compensation already paid or awarded to any named executive officer and will not be binding on or overrule any decisions of the Company, the Board of Directors or the Compensation Committee; it will not create or imply any change to the fiduciary duties of, or create or imply any additional duties for, the Company, the Board of Directors or the Compensation Committee; and it will not restrict or limit the ability of stockholders to make proposal for inclusion in proxy materials related to executive compensation. Although non-binding, the Board of Directors and the Compensation Committee will review and consider the voting results in their entirety when making future decisions regarding our executive compensation program.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE ADVISORY VOTE TO APPROVE THE COMPANY'S NAMED EXECUTIVE OFFICER COMPENSATION.

OTHER MATTERS

Stockholder Proposals for Next Meeting

Proposals of stockholders intended for inclusion in the proxy statement for the Annual Meeting of Stockholders to be held in 2013 must be received by the Company's executive offices not later than December 31, 2012. Proponents should submit their proposals by Certified Mail-Return Receipt Requested. Proposals received after that date will be deemed untimely.

In order for a stockholder to present a proposal or other business for consideration by our stockholders at the 2013 Annual Meeting of Stockholders, the Secretary of the Company must receive by not earlier than the close of business on February 13, 2013, nor later than the close of business on March 15, 2013, a written notice containing the information required under the applicable provisions of our By-laws. This notice requirement does not apply to stockholder proposals properly submitted for inclusion in our proxy statements in accordance with the rules of the Securities and Exchange Commission and stockholder nominations of director candidates which must comply with the Nominating Committee Charter described elsewhere in this Proxy Statement.

Any stockholder proposal submitted for consideration at the next year's annual meeting but not submitted for inclusion in the Company's Proxy Statement, including stockholder nominations for or suggestions of candidates for election as directors, that is received by the Company earlier than February 13, 2013, or later than March 15, 2013, will not be considered filed on a timely basis with the Company. For such proposals that are not timely filed, the Company retains the discretion to vote proxies it receives. For such proposals that are timely filed, the Company retains the discretion to vote the proxies it receives provided that (1) the Company includes in its Proxy Statement advice on the

nature of the proposal and how it intends to exercise its voting discretion and (2) the proponent does not issue a proxy statement.

Notice Regarding Abandoned Property Law of New York State

The Company has been informed by its Transfer Agent, Continental Stock Transfer & Trust Company, that New York State now requires the Company's Transfer Agent to report and escheat all shares held by the Company's record stockholders if there has been no written communication received from the stockholder for a period of five years. This regulation pertains specifically to corporate issuers who do not pay dividends and their stockholders with New York, foreign or unknown addresses. The law mandates escheatment of shares even though the certificates are not in the Transfer Agent's possession, and even though the stockholder's address of record is apparently correct.

The Transfer Agent has advised the Company that the law requires the Transfer Agent to search its records as of June 30 each year in order to determine those New York resident stockholders from whom it has had no written communication within the past five years. Written communication would include transfer activity, voted proxies, address changes or other miscellaneous written inquiries. For those stockholders who have not contacted the Transfer Agent in over five years, a first-class letter must be sent notifying them that their shares will be escheated in November if they do not contact the Transfer Agent in writing prior thereto. All written responses will be entered in the Transfer Agent's files, but those who do not respond will have their shares escheated. Stockholders will be able to apply to New York State for the return of their shares.

Accordingly, stockholders that may be subject to New York's Abandoned Property Law should make their inquiries and otherwise communicate, with respect to the Company, in writing. Stockholders should contact their attorneys with any questions they may have regarding this matter.

Information Accompanying this Proxy Statement

The Company's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission on March 15, 2012, accompanies this Proxy Statement and is being furnished to each person solicited in connection with the June 13, 2012 annual meeting of the Company's stockholders.

No Other Business

Management is not aware at this date that any other business matters will come before the meeting. If, however, any other matters should properly come before the meeting, it is the intention of the persons named in the proxy to vote thereon in accordance with their judgment.

April 30, 2012

MTR GAMING GROUP, INC.
Nick Rodriguez-Cayro, Secretary