

Indiana Department

of

Gaming Research

Annual

Gaming Research

Report

December 2003

Joseph R. Koenig, Executive Director



Indiana Department of Gaming Research

Joseph R. Koenig, Executive Director

The Honorable Joseph E. Kernan
Governor of the State of Indiana
Statehouse, Room 206
Indianapolis, IN 46206

Dear Governor Kernan:

I am pleased to present the 2003 Annual Gaming Research Report, the first submitted by the Indiana Department of Gaming Research.

Using base data and research of legalized gaming activities, we have created this report to provide relevant information regarding trends and the economic and social impact of policy decisions which affect gambling in Indiana. The department will continue to focus its energy and resources on conducting unbiased research of all aspects of gaming in Indiana.

The department looks forward to continuing to provide useful information and analysis to you and the legislative council. It is our hope that the data and analysis from the Department of Gaming Research will prove beneficial to Indiana as it addresses issues related to gaming in the future.

I am grateful to have the opportunity to serve you and the people of Indiana.

Respectfully submitted,

Joseph R. Koenig
Executive Director

INDIANA DEPARTMENT OF GAMING RESEARCH

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I. THE INDIANA DEPARTMENT OF GAMING RESEARCH

The Indiana Department of Gaming Research was created in the special session of the 2002 Indiana General Assembly. The enabling legislation for the department is found in the Indiana Code at 4-33-18. Duties of the department include research and analysis of data and public policy issues relating to all aspects of gaming in Indiana for the enhancement of:

- the Indiana lottery
- pari-mutuel horse racing
- charity gaming
- riverboat casino gambling

Governor Frank O'Bannon appointed Joseph R. Koenig as the Executive Director effective January 1, 2003. Mr. Koenig subsequently named Vicky L. Loveless as Deputy Director. A. Charlene Sullivan, Associate Professor of Management at Purdue University Krannert Graduate School of Management, assists the department as it conducts research and provides analysis.

The Indiana Department of Gaming Research conducts analysis of all aspects of the gaming industry - from financial trends to socio-economic costs and benefits, gathering data from various sources, including the Indiana Gaming Commission, the Indiana Horse Racing Commission, the Hoosier Lottery and the Indiana Department of Revenue.

II. GAMING IN INDIANA – DESCRIPTION AND ACTIVITY

Adjusted Gross Receipts (AGR) is used throughout this report as a measure of gaming activity. AGR refers to the amount patrons bet less the amount paid out to patrons. The “win”, a term often used interchangeably with the “AGR”, does not include adjustment such as the chip and token float which are included when calculating the AGR. The amount of wagering tax the state receives from riverboat casinos is based on the AGR. The term is used in this manner for each form of gaming, except charity, so that a comparable metric can be presented for the various forms of gaming in Indiana. It is also important to note that there can be slight variations in numbers depending on rounding differences and also the use of various types of sources, such as monthly/yearly reports or individual/aggregate data.

Riverboat, lottery and charity gaming data reported are on a state fiscal year (FY) basis, except for the sections entitled “Annual Activity Measures for Indiana Riverboats and their Parent Companies” and “The Financial Impact of Dockside on Indiana Riverboats”, which report data using the calendar year (CY). Horse racing data also is reported on a CY basis.

A. Individual Riverboats (FY03):

There are currently 10 riverboats operating in Indiana. The first riverboat to open was Casino Aztar in December of 1995. The Indiana Gaming Commission is the regulatory agency that provides oversight to the riverboats. Its website can be found at:
www.in.gov/gaming/

See Table A for a listing of each of the 10 riverboats, including descriptive information.

TABLE A: Summary Information of Indiana's Individual Riverboats*

Riverboat	Location: City	Parent Company	Start Date	Casino Square Footage (b)	# EGD's** (a)	# Tables (a)	# Positions (Assume 6 Positions per Table)	Hotel # Rooms (b), (c)
Argosy	Lawrenceburg	Argosy	12/13/1996	74,300	2298	95	2868	300
Belterra	Belterra	Pinnacle Entertainment	10/27/2000	38,000	1554	41	1800	308
Blue Chip	Michigan City	Boyd's	8/22/1997	37,000	1671	50	1971	188
Caesars	Elizabeth	Park Place Entertainment	11/20/1998	90,000	2346	141	3192	503 (c)
Casino Aztar	Evansville	Aztar	12/8/1995	38,360	1351	47	1633	250
Grand Victoria	Rising Sun	H. Group Holding, Inc. (Hyatt Int'l Corp.)	10/4/1996	40,000	1420	39	1654	200
Harrah's	East Chicago	Harrah's	4/18/1997	53,000	1983	65	2373	293
Horseshoe	Hammond	Horseshoe	6/29/1996	42,500	1687	47	1969	na
Majestic Star	Gary	Majestic Star LLC	6/11/1996	42,000	1551	50	1851	na
Trump	Gary	Trump Hotels and Casino Resorts, Inc.	6/11/1996	37,000	1740	45	2010	300
State Totals				492,160	17,601	620	21,321	2,342

(a) FY 2003 Indiana Gaming Commission Annual Report

(b) Bear Stearns, North American Gaming Almanac, 2002-2003

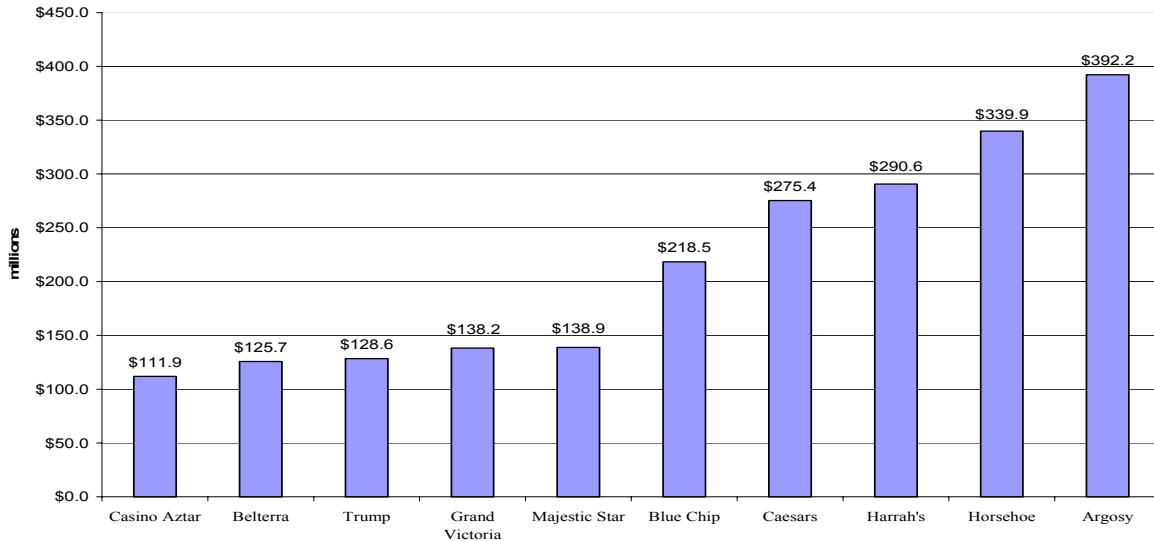
(c) Caesars website

*The numbers may not reflect the MOST current figures.

**EGD's (Electronic Gaming Devices), which include slot machines

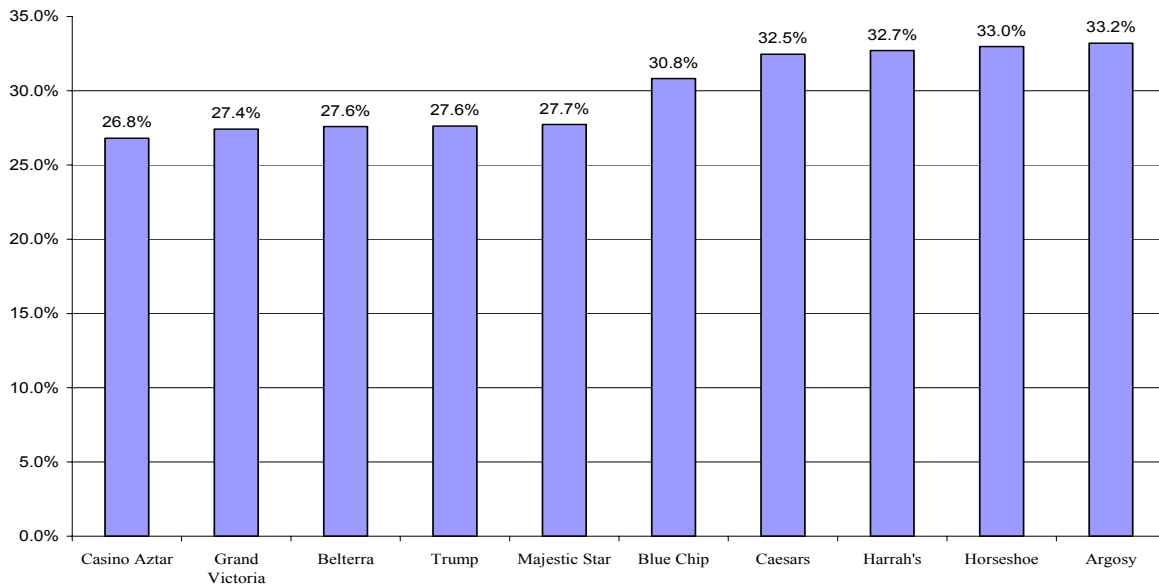
The following charts provide information on the AGR, Admissions Tax and Wagering Tax and Win per Patron for the individual riverboats in Indiana. The original data came from revenue reports from the Indiana Gaming Commission. Following these charts is a section describing annual activity measures of the Indiana riverboats compared to their parent companies.

AGR for Individual IN Riverboats FY03



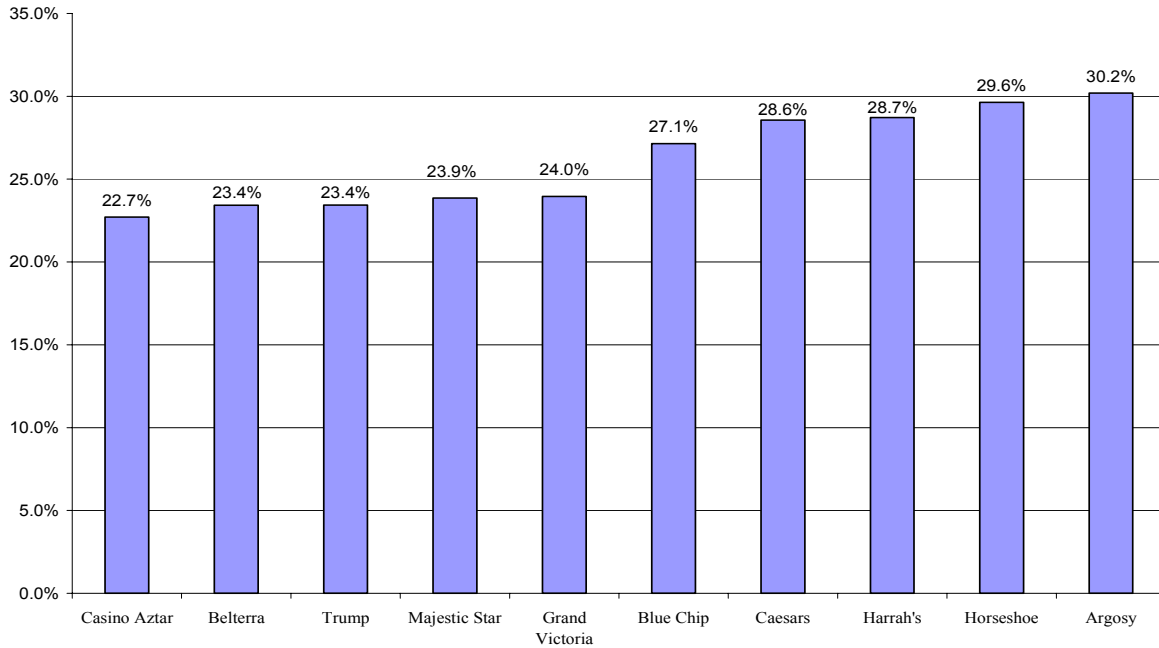
The range in FY03 annual AGR for the riverboats in Indiana is from about \$111.9m at Casino Aztar to 392.2m at Argosy.

Average Tax Rate for Individual IN Riverboats FY03
includes Admissions Tax and Wagering Tax



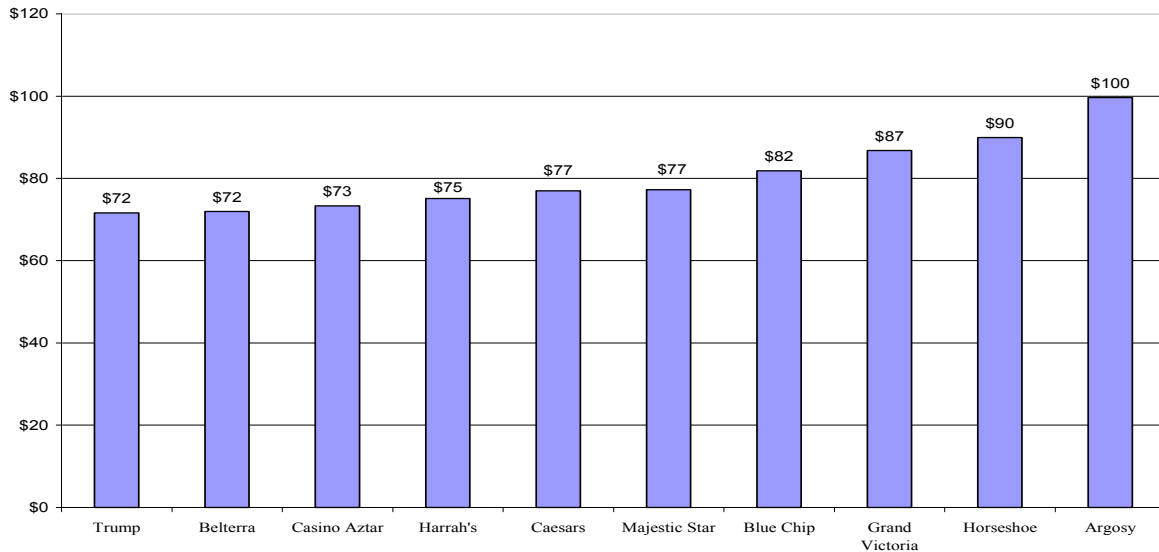
The average total state riverboat gaming tax rate (including admissions tax and wagering tax) paid in FY03 ranged from 26.8% for Casino Aztar to 33.2% for Argosy. The average rate for all boats was 31.05%.

Average Wagering Tax Rate for Individual IN Riverboats FY03



The wagering tax rates paid on AGR by each of the riverboats in FY03 were based on a graduated tax schedule. The boats that reached the 35% tax rate (the highest rate) during FY03 were Argosy (reached 12/22/02), Horseshoe (reached 1/11/03), Harrah's (reached 2/13/03), Caesars (reached 2/18/03) and Blue Chip (reached 4/9/03). All boats reached the 30% level of the graduated tax schedule in FY03. The average wagering tax rate for all boats was 27.4%. During the years before dockside began, the boats paid a flat 20% rate in wagering taxes.

Win per Admission for Individual IN Riverboats FY03



The chart above shows the average amount of win by the riverboats per admission. This could also be referred to as the average amount lost by patrons per patron visit. It ranges from \$72 at Trump to \$100 at Argosy. The average win per patron for all the boats in the state in FY03 was \$89.08.

Annual (CY) Activity Measures for Indiana Riverboats and their Parent Companies

(all figures, except percent, in millions of dollars)

The following data are from Jefferies & Company, Inc. and the Securities and Exchange Commission, except for Grand Victoria, where the parent information is from Hoovers.com and the boat information is from the IN Gaming Commission.

Boyd Gaming			
	<u>2001</u>	<u>2002</u>	<u>2003*</u>
Net Revenue	\$ 1,102.3	\$ 1,228.9	\$1,264.9
EBITDA	\$ 245.4	\$ 301.3	\$ 302.8
Total Capital (Debt plus Equity)	1,499.5	1,632.6	1,514.1
Blue Chip-Michigan City			
Net Revenue	\$ 188.4	\$ 211.9	\$ 227.6
EBITDA	\$ 78.9	\$ 92.2	\$ 87.3
Indiana Revenue and Cash Flow as a Percent of Parent Company Revenue and Cash Flow			
Revenue	17.09%	17.24%	17.99%
EBITDA	32.15%	30.60%	28.83%
*Estimated through year-end			

Boyd Gaming is a publicly traded gaming company that owns and operates 12 casino facilities. Seven of those properties are in Las Vegas. The Blue Chip facility in Michigan City generated almost 17.5 percent of total revenue produced by the company in the last three years and an average of 30.5 percent of EBITDA (earnings before interest, taxes and depreciation) generated by the consolidated company.

Park Place Entertainment			
	<u>2001</u>	<u>2002</u>	<u>2003*</u>
Net Revenue	\$ 4,652	\$ 4,631	\$ 3,550
EBITDA	\$ 943	\$ 1,024	\$ 829
Total Capital (Debt plus Equity)	9,068	7,542	7,769
Caesars Indiana-Elizabeth			
Net Revenue	\$ 201	\$ 277	\$ 276
EBITDA	58.8	77.1	NA
Indiana Revenue and Cash Flow as a Percent of Parent Company Revenue and Cash Flow			
Revenue	4.3%	5.98%	7.7%
EBITDA	6.2	7.53	NA
*Nine months through September			

Park Place Entertainment is the largest casino/hotel operator with 27 properties and more than 2 million square feet of casino space. The Caesars Indiana facility is the largest in Indiana with 3,192 gaming positions. The revenues and before tax operating cash flow of Caesars Indiana represents less than 8 percent of the total for the parent company.

Harrah's Entertainment			
	<u>2001</u>	<u>2002</u>	<u>2003*</u>
Net Revenue	\$ 4,274.8	\$ 4,136.4	\$4,371.2
EBITDA	\$ 936.8	\$ 1,113.8	\$ 829.3
Total Capital (Debt plus Equity)	5,233.5	5,234.0	5,267.8
Harrah's-East Chicago			
Net Revenue	292.5	315.2	320
EBITDA	64.1	70.5	NA
Indiana Revenue and Cash Flow as a Percent of Parent Company Revenue and Cash Flow			
Revenue	6.8%	7.6%	9.76
EBITDA	6.8%	6.3%	NA
*Nine months through September			

Harrah's Entertainment operates 26 casinos in 13 states with about 1.5 million square feet of casino space. Harrah's East Chicago is the second largest in Indiana in terms of casino space and ranks third in Indiana in terms of Adjusted Gross Receipts. The East Chicago facility generates less than 10 percent of the parent company's annual revenues and cash flow.

Trump Hotel and Casino Resorts, Inc.			
	<u>2001</u>	<u>2002</u>	<u>2003*</u>
Net Revenue	\$ 1,490.2	\$ 1,229.1	\$ 894.7
EBITDA	\$ 195.3	\$ 208.8	\$ 205.6
Total Capital (Debt plus Equity)	1,971.1	1,990.2	1,858.7
Trump-Gary			
Net Revenue	132.7	136.8	94.6
EBITDA	25.5	32.7	NA
Indiana Revenue and Cash Flow as a Percent of Parent Company Revenue and Cash Flow			
Revenue	8.9%	11.1%	10.6%
EBITDA	13.1%	15.7%	10.2%
*Nine months through September			

Trump Hotel and Casino Resorts, Inc. owns and/or manages five casino/hotel properties with three of those properties located in Atlantic City, NJ. The Trump hotel/casino in Gary is one of two casinos there and its revenues and cash flow represent about 10 percent of the total for the parent company.

Pinnacle Entertainment			
	<u>2001</u>	<u>2002</u>	<u>2003*</u>
Net Revenue	\$ 528.6	\$ 514.0	\$ 405.7
EBITDA	\$ (5.7)	\$ 28.4	\$ 63.4
Total Capital (Debt plus Equity)	\$ 813.0	\$ 739.5	\$ 848.8
Belterra Casino Resort-Belterra			
Net Revenue	123	122.1	100.6
EBITDA	-11.0	15.7	16.9
Indiana Revenue and Cash Flow as a Percent of Parent Company Revenue and Cash Flow			
Revenue	23.3%	23.7%	24.8%
EBITDA	NA	55.3%	26.6%
*Nine months through September			

Pinnacle Entertainment owns and operates five gaming properties in the United States and two in Argentina. The Belterra Casino Resort in Indiana (near Vevay in Switzerland county) was the last gaming facility to be licensed in the state. In the nine month period ending September 2003, the Belterra facility generated almost 25 percent of the parent company's total revenue and cash flow.

Argosy Gaming			
	<u>2001</u>	<u>2002</u>	<u>2003*</u>
Net Revenue	\$ 781.8	\$ 936.8	\$ 958.7
EBITDA	\$ 254.1	\$ 278.5	\$ 258.0
Total Capital (Debt plus Equity)	1,172.8	1,132.3	1,165.7
Argosy-Lawrenceburg			
Net Revenue	\$ 354.2	\$ 380.1	\$ 411.3
EBITDA	\$ 132.2	\$ 130.0	\$ 132.1
Indiana Revenue and Cash Flow as a Percent of Parent Company Revenue and Cash Flow			
Revenue	45.31%	40.57%	42.9%
EBITDA	52.03%	46.68%	51.2%
*Estimated through year-end			

Argosy Gaming Company owns and operates six riverboat casinos in the central United States. The Lawrenceburg facility is the second largest in the state in terms of gaming space and generates the highest amount of annual AGR. The Lawrenceburg facility generates more than 40 percent of the parent company's revenue and more than 50 percent of annual operating cash flow.

Aztar Corporation			
	<u>2001</u>	<u>2002</u>	<u>2003*</u>
Net Revenue	\$ 849.5	\$ 834.3	\$ 825.3
EBITDA	\$ 196.5	\$ 201.2	\$ 201.2
Total Capital (Debt plus Equity)	912.5	1,039.5	1,135.6
Aztar-Evansville			
Net Revenue	\$ 106.0	\$ 116.3	\$ 124.9
EBITDA	\$ 27.8	\$ 30.4	\$ 35.3
Indiana Revenue and Cash Flow as a Percent of Parent Company Revenue and Cash Flow			
Revenue	12.5%	13.9%	15.1%
EBITDA	14.15%	15.11%	17.5%
*Estimated through year-end			

Aztar Corporation operates casino hotels in Atlantic City and Las Vegas and two riverboat casinos. The Aztar-Evansville facility was the first to open in Indiana and is the smallest in Indiana in terms of gaming positions. The Evansville facility generates about 14 percent of the parent company's annual revenue and about 15 percent of annual cash flow.

Horseshoe Gaming Holding Corp.			
	<u>2001</u>	<u>2002</u>	<u>2003*</u>
Net Revenue	\$ 933.2	\$ 812.6	\$ 626.0
EBITDA	\$ 383.0	\$ 185.8	\$ 133.2
Total Capital (Debt plus Equity)		786.3	809.5
Horseshoe-Hammond			
Net Revenue	\$ 267.6	\$ 309.1	\$ 254.9
EBITDA	\$ 51.7	\$ 63.7	NA
Indiana Revenue and Cash Flow as a Percent of Parent Company Revenue and Cash Flow			
Revenue	28.6%	38.0%	40.7%
EBITDA	13.50%	34.30%	NA
*Nine months through September			

Horseshoe Gaming Holding Corp. is a privately-owned gaming company that owns and operates three riverboat casinos located in Louisiana, Mississippi and Indiana. The Horseshoe Hammond facility is the largest of the Lake Michigan boats when ranked in terms of Adjusted Gross Receipts. The Hammond facility generates about 40 percent of the parent's total revenues and 30 percent of its operating cash flow.

Majestic Star Casino			
	<u>2001</u>	<u>2002</u>	<u>2003 *</u>
Net Revenue	\$ 130.3	\$ 296.7	\$ 234.9
EBITDA	\$ 26.0	\$ 57.1	\$ 39.5
Majestic Star-Gary			
Net Revenue	\$ 130.3	\$ 136.1	\$ 105.3
EBITDA	\$ 26.0	\$ 26.4	\$ 17.0
Indiana Revenue and Cash Flow as a Percent of Parent Company Revenue and Cash Flow			
Revenue	100.0%	45.9%	44.8%
EBITDA	100.0%	46.2%	43.0%
*Nine months through September			

Majestic Star Casino is owned by Majestic Star LLC, a privately-owned casino operator. Following the acquisition of several casinos operated under the Fitzgerald title in 2001 by Majestic Star LLC, the Gary facility produced about 45 percent of the parent company's annual revenue and operating cash flow.

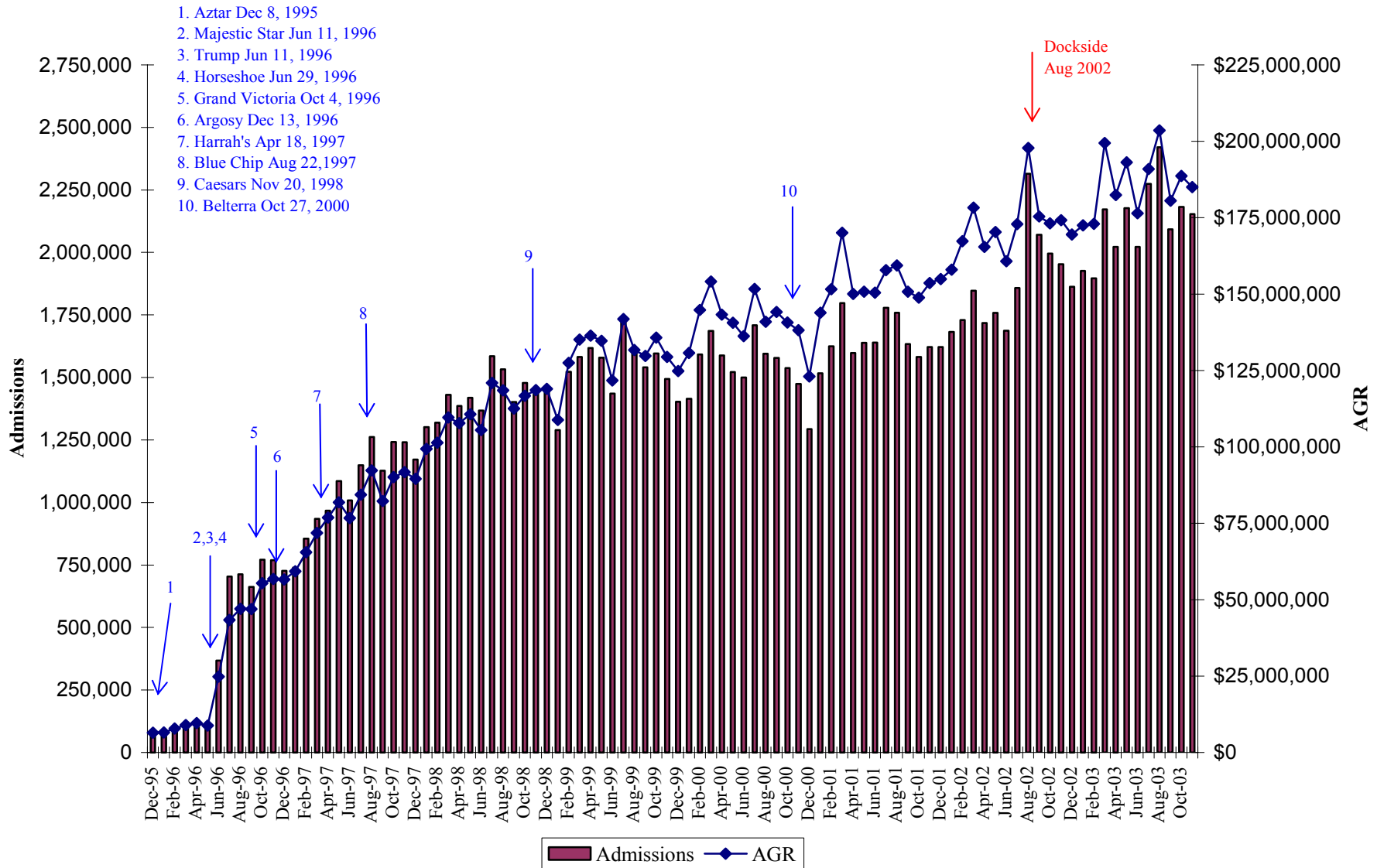
H. Group Holding			
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Net Revenue	\$ 2,000.0	\$ 2,047.0	NA
EBITDA	NA	NA	NA
Grand Victoria-Rising Sun			
Net Revenue	\$ 146.2	\$ 151.0	NA
EBITDA	NA	NA	NA
Indiana Revenue and Cash Flow as a Percent of Parent Company Revenue and Cash Flow			
Revenue	7.31%	7.38%	NA
EBITDA	NA	NA	NA

H. Group Holding is a private holding company whose primary business is the operation, ownership, and management of Hyatt Hotels of North America. The company owns and operates riverboat casinos in Indiana and Illinois. The Rising Sun facility generates about 7 percent of total annual revenues reported by the parent company.

B. Aggregate Riverboat Activity and Taxes Paid

The following section provides financial information on the aggregate riverboat activity as opposed to the individual boats' activities in the previous section. Admissions are compared to AGR from December 1995 when the first riverboat began operations (Casino Aztar) through November 2003. Historical charts showing AGR growth and Win per Patron are presented. Information about EGD (Electronic Gaming Device) and table win is also presented. Aggregate tax information is then presented using graphs and charts. Following that information is a report on "The Financial Impact of Dockside on Indiana Riverboats".

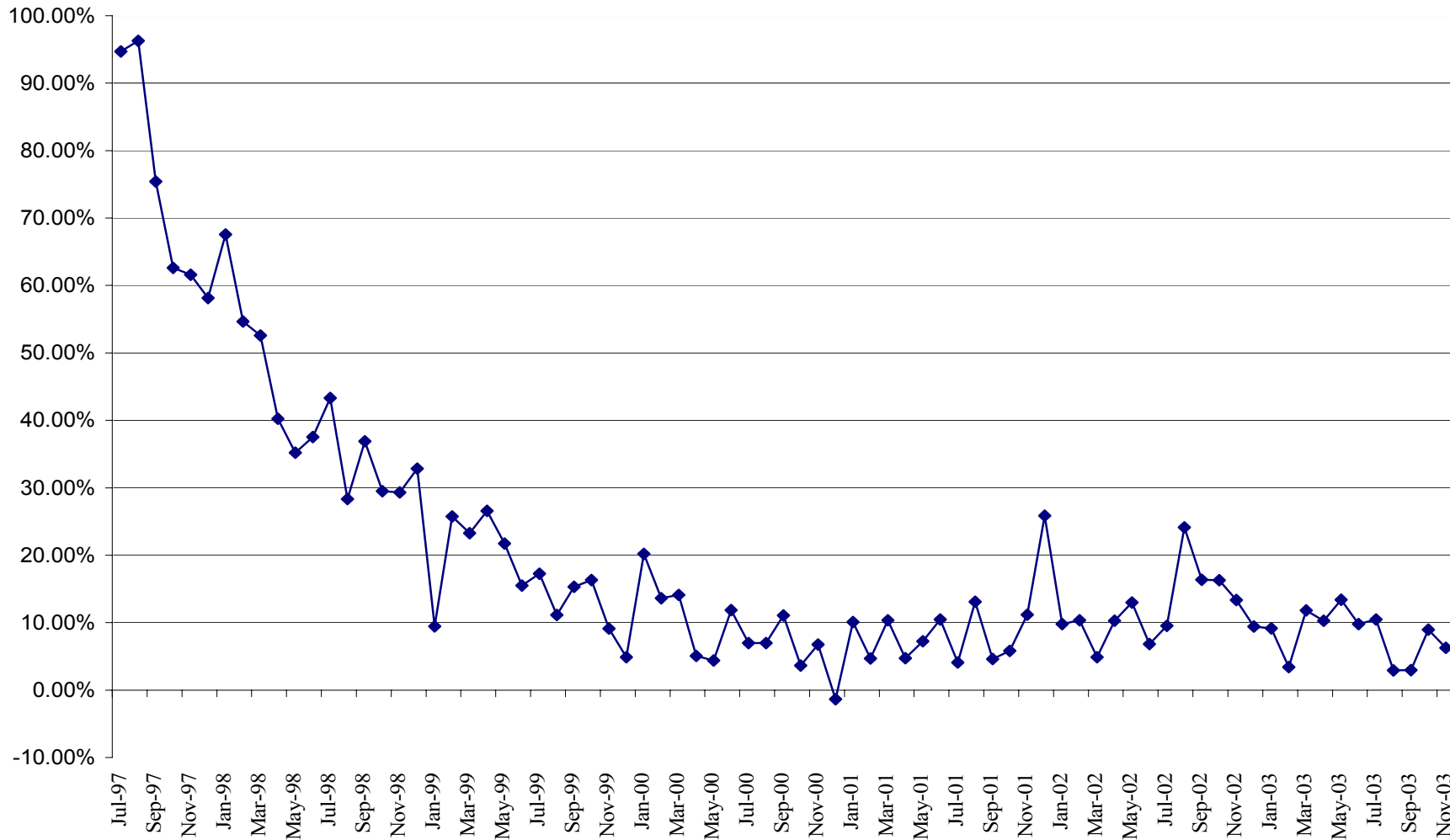
History of Riverboat Admissions vs AGR in Indiana



This chart shows the monthly aggregate data from the riverboats for admissions and AGR from Dec95 to Nov03. Refer to the upper left of the chart for a list of each of the riverboats and their respective start dates. The numbers 1-10 refer to the corresponding blue arrows, which indicate the month the riverboat began operations.

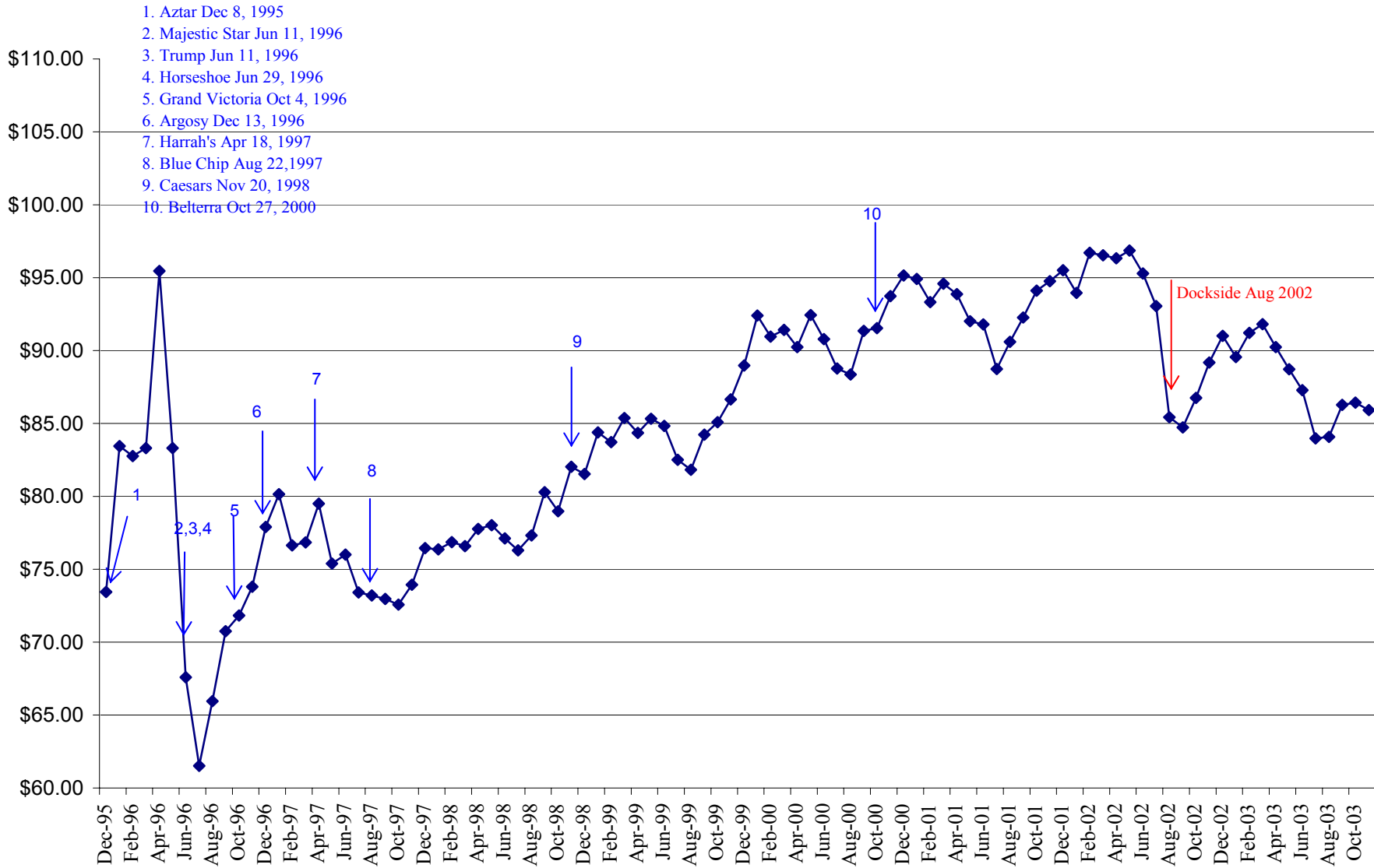
Riverboats began dockside gaming in Aug02 (see labeled red arrow). There appears to be some seasonality, as admissions tend to increase around the months of March and July and decrease in the December months.

Year Over Year Growth in IN Riverboat AGR



The year over year growth by month in the riverboats' AGR is shown here. The percentage graphed above each month's date listed along the bottom of the graph is referring to the percentage of growth in the listed month compared to the same month of the previous year, i.e., the AGR in July97 grew by 95% compared to July96; the AGR in Nov03 grew 6.24% over that of Nov02. The initial high growth (which actually goes over 800% if we showed data from earlier months) is due to the addition of new riverboats. The fact that the growth curve has gone down is normal as businesses mature. What is important to note is that growth is consistently on the positive side (except at only one point). It appears that AGR growth has leveled off around the 10% level after the ten licenses became operational.

IN Riverboat Monthly Average Win per Patron



The Win per Patron, which is the amount of money the riverboats retained on average from each admission, during each month from Dec95 to Nov03 is graphed. Admissions are consistently counted using turnstile numbers, so the impact of the change in the process for counting admissions when flexible boarding (or dockside) began is removed. As in other charts, the numbered list in the upper left refers to the blue numbered arrows to show when each riverboat began operations. With the transition to dockside, Win per Patron declined somewhat to a post-dockside average of \$89.08 in FY03 versus \$94.30 in FY02.

Riverboat Taxes

The state of Indiana receives revenue from the riverboats through taxes on the AGR and on admissions. Indiana riverboats are required to pay a wagering tax to the state. Since the first riverboat in December 1995, this wagering tax was 20% of the AGR until July 2002. For the month July 2002, the wagering tax rate was 22.5% (and remains the wagering tax rate for boats not implementing flexible scheduling / dockside). The term AGR as used throughout this report refers to the amount patrons bet, less the amount paid out to patrons.

On July 1, 2002, the riverboats were allowed to request flexible scheduling to remain dockside instead of cruising on the waters. If they choose flexible scheduling (remaining dockside), they are required to pay wagering taxes based on their AGR using a graduated scale. All boats implemented flexible scheduling by August 5, 2002. The graduated wagering tax structure is listed in Table B below.

TABLE B: Summary of Current Wagering and Admissions Taxes

<p>Graduated Wagering Tax Structure</p> <p>15% of AGR from the first \$25,000,000</p> <p>20% of AGR from \$25,000,000.01 to \$50,000,000</p> <p>25% of AGR from \$50,000,000.01 to \$75,000,000</p> <p>30% of AGR from \$75,000,000.01 to \$150,000,000</p> <p>35% of AGR in excess of \$150,000,000</p> <p>Admissions Tax</p> <p>Each riverboat pays \$3.00 to the state for each person admitted.</p>

Indiana riverboats are also required to pay a \$3.00 admissions tax to the state for each admission. Before flexible scheduling was adopted by the riverboats, they were required to pay \$3.00 per person per excursion, as the boats would cruise for two hours and if a person remained on the boat, the riverboat had to pay another \$3.00 admissions tax for that person. Also see Table C below to see how the riverboat admissions tax is distributed by the state.

TABLE C: Distribution of Indiana Riverboat \$3 Admissions Tax

Recipient	Amount in Dollars	Percent of Distribution
City	\$1.00	33.33%
County	\$1.00	33.33%
CCVB*	\$0.10	3.33%
State Fair Commission	\$0.15	5.00%
DMHA	\$0.10	3.33%
IN Horse Racing Commission	\$0.65	21.67%

CCVB - County Convention and Visitors Bureau or promotion fund for the county in which the riverboat is docked.

DMHA - Division of Mental Health and Addiction, a division of the State of Indiana Family and Social Services Administration (The division is required to allocate a minimum of 25% of the funds derived from the admissions tax to the prevention and treatment of compulsive gambling).

*The Lake County CCVB receives \$.09 of the admissions tax and the Northwest Indiana Law Enforcement Training Center receives \$.01 of the admissions tax from the four Lake County boats.

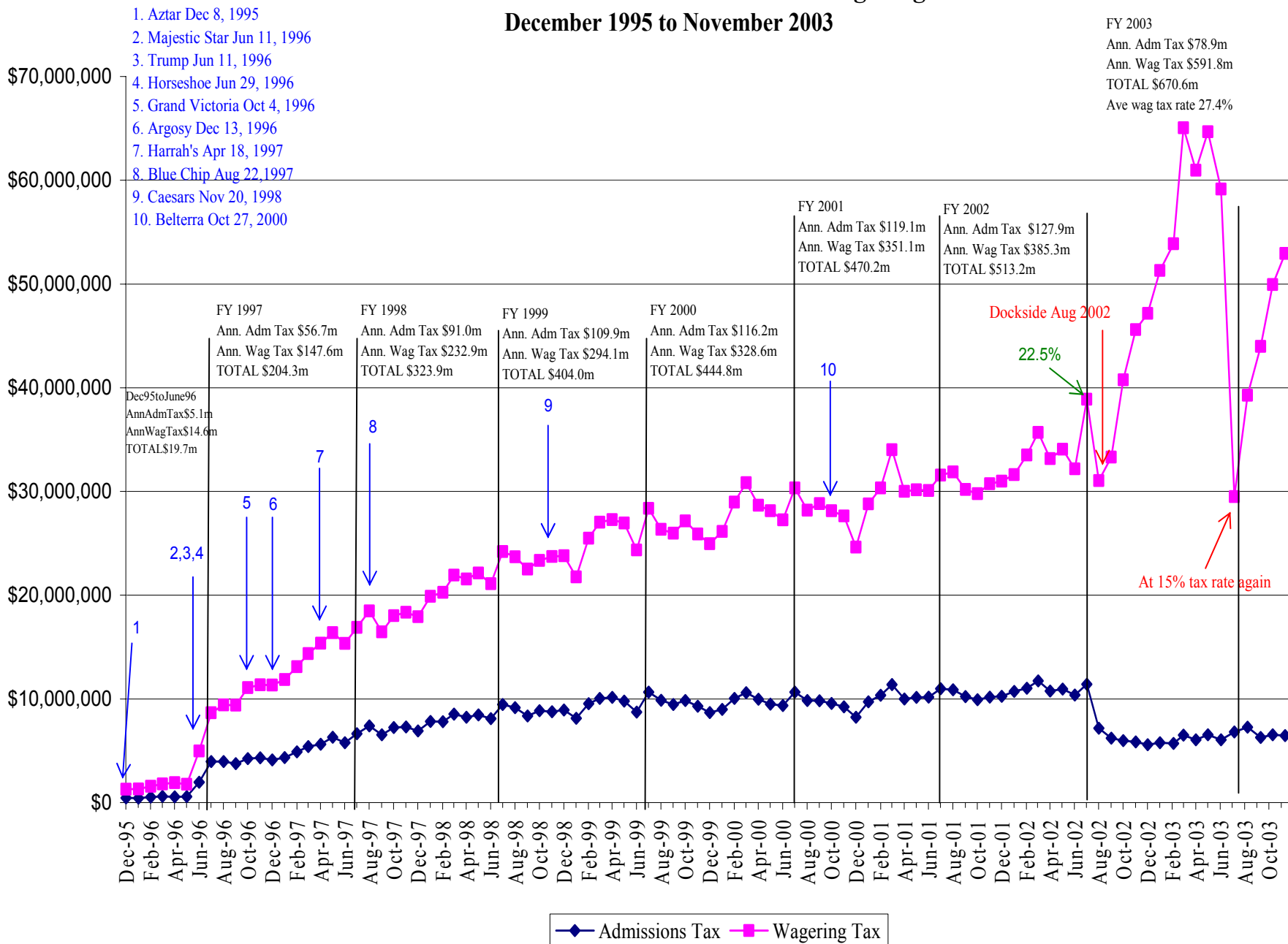
There had been a continuous increase in admissions tax from December 1995 to August 2002 when admissions tax decreased (even though the turnstile count or admissions increased) at the time dockside began. The decrease is a reflection of the change in the method of counting admissions. As mentioned in the previous paragraph, pre-dockside, one patron could be counted several times in a day as an admission if he stayed over multiple cruises. Post-dockside, a patron is permitted to remain on the riverboat for as long as the patron chooses, but is counted only once for purposes of admissions tax.

The next page shows a graph of the Indiana Riverboat Admissions Tax and Wagering Tax from December 1995 to November 2003. The annual tax is provided for each fiscal year. Also noted are the dates of the openings of each of the ten riverboats in Indiana.

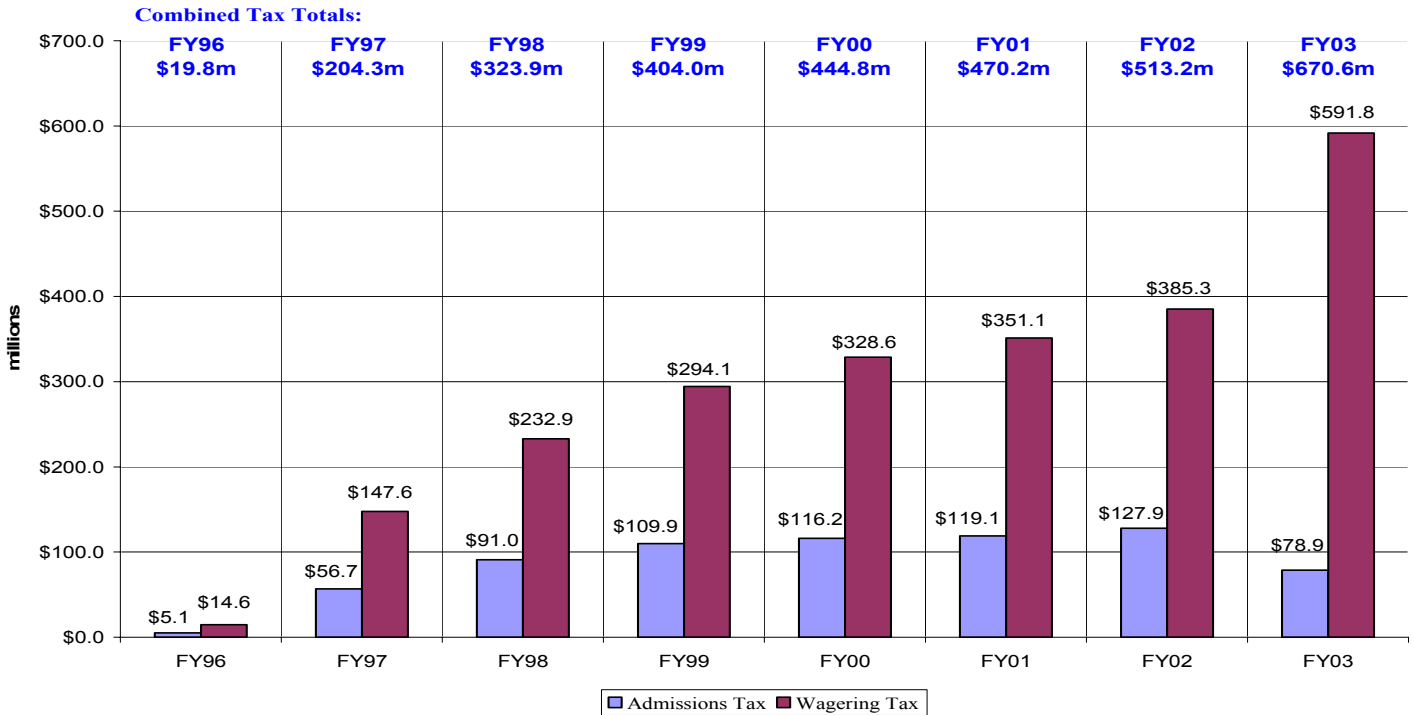
The relatively dramatic monthly changes in wagering tax between August 2002 and July 2003 are due to the implementation of the graduated wagering tax schedule. The schedule ranged from 15% to 35% over FY03 (July 2002 to June 2003) and resumed the 15% rate in July 2003.

Indiana Riverboat Admissions Tax and Wagering Tax

December 1995 to November 2003

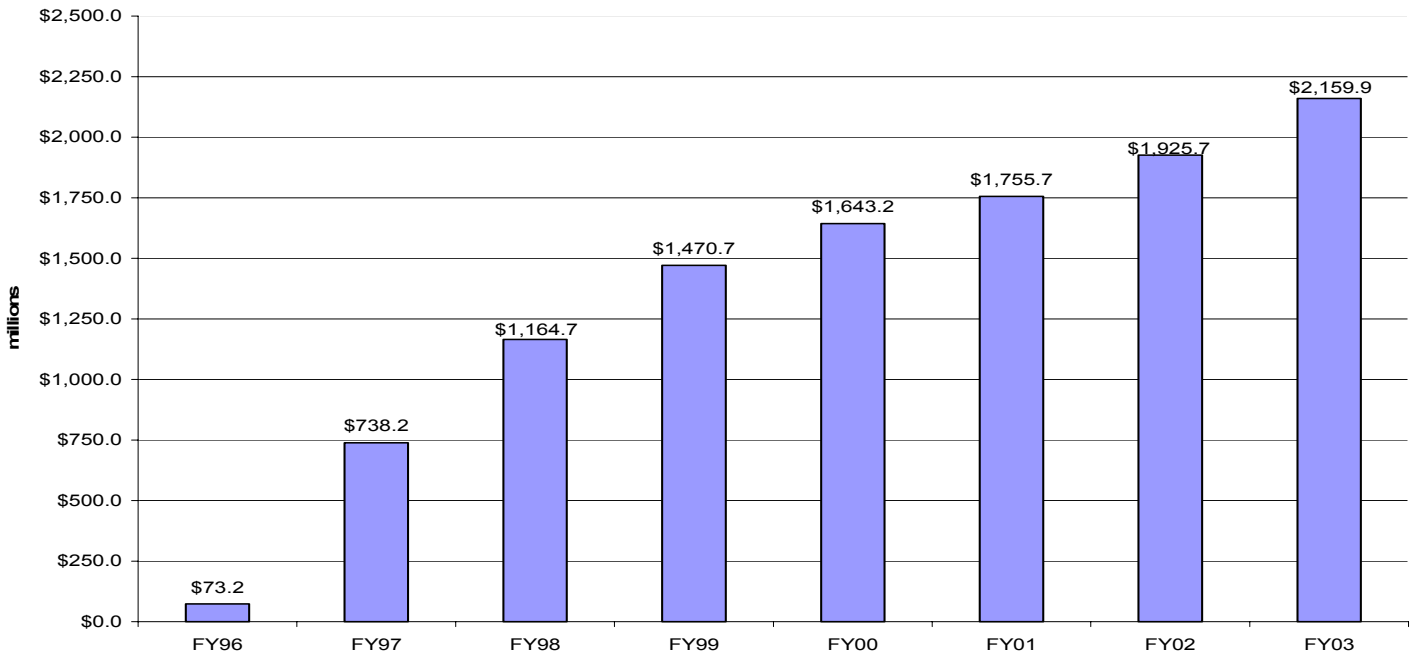


IN Riverboats Admissions Tax and Wagering Tax by Year



See the chart above to observe the actual trend through fiscal years for admissions and wagering taxes. Wagering taxes have continuously increased by years. So has admissions tax, until the drop in FY03 due to the change in the method of counting admissions post-dockside. The post-dockside implementation of the graduated tax schedule contributed to the sharp increase in wagering tax of 54% in FY03.

Aggregate AGR for IN Riverboats



The chart above shows the aggregate AGR for the riverboats since they began operations. AGR has increased at a compound average annual rate of about 19 percent since 1997.

EGD (Electronic Gaming Device) and Table Win on Indiana Riverboats

A significant issue has been the relative contribution of EGD's (Electronic Gaming Devices) and table games in calculating the win. EGD's include (but are not limited to) slot machines, VLT's (Video Lottery Terminals), video poker and pull-tab machines. The term "EGD" is a common term of reference used in the gaming industry and by regulatory authorities including the Indiana Gaming Commission.

In FY03 the total win for EGD's was \$1,771,107,465 and the total win for table games was \$386,981,392. EGD's made up 82% of the win and table games made up 18%.

Tables D-G on the following page show "win" for EGD's, tables, table positions and total positions for each of the 10 Indiana riverboats.

FY03 Average Annual and Daily Win for EGD's, Tables, Table Positions and Total Positions

TABLE D	# EGD's as of 6/30/03	Total EGD Win for each boat FY03	Average Win per EGD FY03	Average Daily Win per EGD (position) FY03
Horseshoe	1,687	\$267,984,781	\$158,853	\$435
Argosy	2,298	\$317,361,185	\$138,103	\$378
Harrah's	1,983	\$237,032,820	\$119,532	\$327
Blue Chip	1,671	\$187,358,828	\$112,124	\$307
Caesars	2,346	\$212,517,716	\$90,587	\$248
Grand Victoria	1,420	\$121,583,730	\$85,622	\$235
Majestic Star	1,551	\$116,724,902	\$75,258	\$206
Casino Aztar	1,351	\$93,849,398	\$69,467	\$190
Belterra	1,554	\$106,223,908	\$68,355	\$187
Trump	1,740	\$110,470,197	\$63,489	\$174
TOTALS:	17,601	\$1,771,107,465	\$100,625	\$276

Table D lists the Indiana riverboats in order of highest “Average Daily Win per EGD” to lowest. The range is from \$435 at Horseshoe to \$174 at Trump. The average for the totals from the riverboats is \$276.

TABLE E	# Tables as of 6/30/03	Total Table Win for each boat FY03	Average Win per Table FY03	Average Daily Win per Table FY03
Horseshoe	47	\$71,565,091	\$1,522,662	\$4,172
Harrah's	65	\$52,901,166	\$813,864	\$2,230
Argosy	95	\$74,629,592	\$785,575	\$2,152
Blue Chip	50	\$30,895,780	\$617,916	\$1,693
Belterra	41	\$19,517,399	\$476,034	\$1,304
Caesars	141	\$62,416,589	\$442,671	\$1,213
Majestic Star	50	\$21,970,273	\$439,405	\$1,204
Grand Victoria	39	\$16,378,021	\$419,949	\$1,151
Trump	45	\$18,374,471	\$408,322	\$1,119
Casino Aztar	47	\$18,333,010	\$390,064	\$1,069
TOTALS:	620	\$386,981,392	\$624,164	\$1,710

Table E lists the Indiana riverboats in order of highest “Average Daily Win per Table” to lowest. The range is from \$4,172 at Horseshoe to \$1,069 at Casino Aztar. The average for the totals from the riverboats is \$1,710.

TABLE F	# Table Positions--(Assume 6 each) as of 6/30/03	Total Table Win for each boat FY03	Average Table Position Win FY03	Average Daily Win per Table Position FY03
Horseshoe	282	\$71,565,091	\$253,777	\$695
Harrah's	390	\$52,901,166	\$135,644	\$372
Argosy	570	\$74,629,592	\$130,929	\$359
Blue Chip	300	\$30,895,780	\$102,986	\$282
Belterra	246	\$19,517,399	\$79,339	\$217
Caesars	846	\$62,416,589	\$73,778	\$202
Majestic Star	300	\$21,970,273	\$73,234	\$201
Grand Victoria	234	\$16,378,021	\$69,992	\$192
Trump	270	\$18,374,471	\$68,054	\$186
Casino Aztar	282	\$18,333,010	\$65,011	\$178
TOTALS:	3,720	\$386,981,392	\$104,027	\$285

Table F lists the Indiana riverboats in order of highest “Average Daily Win per Table Position” to lowest. This is assuming that each table has six positions. The range is from \$695 at Horseshoe to \$178 at Casino Aztar. The average for the totals from the riverboats is \$285.

TABLE G	EGD+ Table Total # Positions as of 6/30/03	Total EGD+ Table Win per boat	Average Win per Position FY03	Average Daily Win per Position FY03
Horseshoe	1,969	\$339,549,872	\$172,448	\$472
Argosy	2,868	\$391,990,777	\$136,677	\$374
Harrah's	2,373	\$289,933,986	\$122,180	\$335
Blue Chip	1,971	\$218,254,608	\$110,733	\$303
Caesars	3,192	\$274,934,305	\$86,132	\$236
Grand Victoria	1,654	\$137,961,751	\$83,411	\$229
Majestic Star	1,851	\$138,695,175	\$74,930	\$205
Belterra	1,800	\$125,741,307	\$69,856	\$191
Casino Aztar	1,633	\$112,182,408	\$68,697	\$188
Trump	2,010	\$128,844,668	\$64,102	\$176
TOTALS:	21,321	\$2,158,088,857	\$101,219	\$277

Table G lists the Indiana riverboats in order of highest “Average Daily Win per Position” (EGD + Table) to lowest. The range is from \$472 at Horseshoe to \$176 at Trump. The average for the totals from the riverboats is \$277.

THE FINANCIAL IMPACT OF DOCKSIDE ON INDIANA RIVERBOATS

by A. C. Sullivan

This section summarizes a study of the financial impact of dockside gaming on the ten riverboats operating in Indiana. The period analyzed is the calendar year ending December 2002. Thus, the impact of dockside on the financial performance of the boats is measured after only six months of operation with more liberalized boarding procedures.

In August 2002, the riverboats in Indiana were enabled to operate from dockside. In exchange for more liberal boarding procedures, boats agreed to be taxed according to a graduated tax schedule. The schedule provided for a state tax rate on adjusted gross gaming revenues is 15 percent on gaming revenues up to \$25 million and increases to 35 percent on revenues above \$150 million. This schedule replaced a flat tax of 20 percent and was retroactive to July 1, 2002. The tax is to be calculated on fiscal year activity versus calendar year. Five of the ten boats in Indiana generated gaming revenues above \$75 million from July to December 2002 and thus experienced an increase in the average percentage of taxes paid on gaming revenue to the state. The other five boats experienced a decline in average gaming tax rate paid to the state for the year. All boats experienced a decline in admission taxes due to a change in the way cruises were counted for purposes of determining the assessment of admissions fees. Post dockside, a \$3 admission fee was paid per patron, regardless of how long they stayed on a boat.

Overall Effects – Calendar Year 2002

Adjusted Gaming Revenue. In 2002, the 10 riverboats operating in Indiana saw aggregate adjusted gross gaming revenue increase by 11.9 percent over the prior year. Through June 2002, before the implementation of dockside, gaming revenue was higher relative to the prior year by 9.25 percent. In the second half of the year, gaming revenue was higher by 14.51 percent relative to the same period in the prior year. Given the graduated wager tax schedule that became effective with dockside gaming in August 2002, wager tax collected at the state level increased by 18.6 percent for the year for a total increase of \$68.4 million.

Adjusted Gaming Revenue

	2001		2002	% Change
January-June	\$ 916,274,138	\$	1,000,858,470	9.23%
July-December	\$ 925,567,695	\$	1,060,787,727	14.61%
Total	\$ 1,841,841,833	\$	2,061,646,727	11.90%
State Wager Tax	\$ 368,502,071	\$	436,933,851	18.60%

Admissions. The Indiana riverboats are currently required to pay a \$3 admissions tax for every patron who boards a boat. Before the introduction of dockside gaming, the boats were assessed a \$3 fee for every cruise a given patron took. On average, patrons coming on a boat before dockside stayed for 2.09 sessions (2001 data). Thus, for every patron (turnstile count) the riverboats had to pay \$6.26 in admissions tax.

Post dockside, patrons were able to come onto a boat and stay as long as they wanted and only one admission tax of \$3 per patron was assessed. The decline in admissions numbers in 2002 reflect the fact that after dockside, multiple cruises were no longer recorded. As a result, the riverboats realized a 13.2 percent reduction in admission taxes paid in 2002 relative to the prior year for a total decline of \$16 million.

Admissions

	2001		2002	% Change
Turnstile	19,813,114		22,476,864	13.4%
Multiple Cruise	21,560,046		13,447,915	-37.6%
Total Admission	41,373,160		35,924,779	-13.2%
Admission Taxes	\$ 124,119,480	\$	107,774,337	-13.2%

WIN Per Patron. A statistic that combines the impact of admissions and adjusted gross revenue is WIN per admission. Given the change in the way admissions were recorded after dockside, a WIN per turnstile for the riverboats in 2001 and 2002 was calculated to quantify the overall impact of the shift to dockside.

WIN per Patron

	2001	2002
WIN	\$ 1,841,841,833	\$ 2,061,646,197
Turnstile	19,813,114	22,476,864
WIN/Patron	\$ 92.96	\$ 91.72

The combination of the two statistics indicates that average win per patron declined by \$1.24 with the introduction of dockside gaming. This result was not experienced by all the riverboats in Indiana. The year over year change in WIN per patron was positive for three boats, all located on Lake Michigan (Horseshoe, Majestic Star and Trump). The WIN per patron in 2002 ranged from \$112.26 for Argosy to \$72.46 for the Trump boat.

Economic Performance. The implementation of dockside gaming had a positive economic effect on the riverboats in Indiana and on the state. In 2002, adjusted gaming revenue increased at a compound annual rate of 10.6 percent over the prior year. Average total gaming taxes, including local incentive taxes based on adjusted gaming revenue, increased from 30.7 percent in 2001 to 31.1 percent of annual gaming revenue.

The book value of the total assets invested in the Indiana riverboat industry in 2002 was \$2.33 billion. The introduction of dockside provided an opportunity to get greater use of the assets as most of the boats had not been operating at full capacity. In 2002, a measure of the efficiency of the asset investment, stated as the ratio of gaming revenue to total assets, increased to 96.8 percent, up from 91.7 percent in 2001.

The operating performance of the riverboats is summarized in the measure EBITDA relative to adjusted gaming revenues. EBITDA or earnings before interest, income taxes, and depreciation expense as a percent of gaming revenue increased to 25.6 percent in 2002, up from 23.0 percent in 2001. This was a substantial improvement in operating performance and translates into an improvement in return on assets from 21.09 percent to 24.78 percent in 2002, due to the combined improvement in asset utilization and operating performance. This translates into an absolute dollar improvement in cash flow return on the riverboat asset investment of \$85.99 million for the year.

Total operating cash flow at 25.6 percent of gaming revenue was equal to \$527.78 million. From that amount, interest, debt principal repayment, capital expenditures and federal income taxes are paid. The balance provides a return to equity investors. An estimate of the return to the aggregate equity investors owning the Indiana boats is presented here, based on actual interest expense, capital expenditures, debt repayment and an estimate of federal income taxes paid.

2002 Industry EBITDA	\$	527,781,426
Less Interest Expense		100,346,000
Less Capital Expenditures		89,861,000
Less Debt Repayment		50,100,000
Equals Free Cash Flow Before Tax	\$	287,474,426
Less Federal Income Tax (35%)		<u>53,936,199</u>
Equals Cash Flow to Equity Holders	\$	233,538,227

On an aggregate equity base of \$1.013 billion invested in the Indiana boats, this represents an after-tax return on equity of 18.22 percent for 2002. This estimate indicates that in aggregate the Indiana operations produced a satisfactory return to investors even though in aggregate, their tax burden increased with the introduction of flexible boarding. This result is desirable in the development of tax policies that support economic development.

C. Pari-Mutuel Horse Racing

The first horse track to open in Indiana was Hoosier Park in Anderson. Its opening was September 1994. Indiana Downs' (Shelby County) opening was December 2002. Both tracks have Thoroughbred and Standardbred racing. Hoosier Park had 50 Standardbred race dates and 70 Thoroughbred race dates in calendar year (CY) 2003. Indiana Downs had 100 Standardbred race dates and 30 Thoroughbred race dates in CY2003. Both tracks offer full-card simulcast wagering.

Each track also operates off-track betting facilities (OTB's). The locations of the Hoosier Park OTB's (also known as "Trackside Indiana") are:

- Indianapolis
- Fort Wayne
- Merrillville

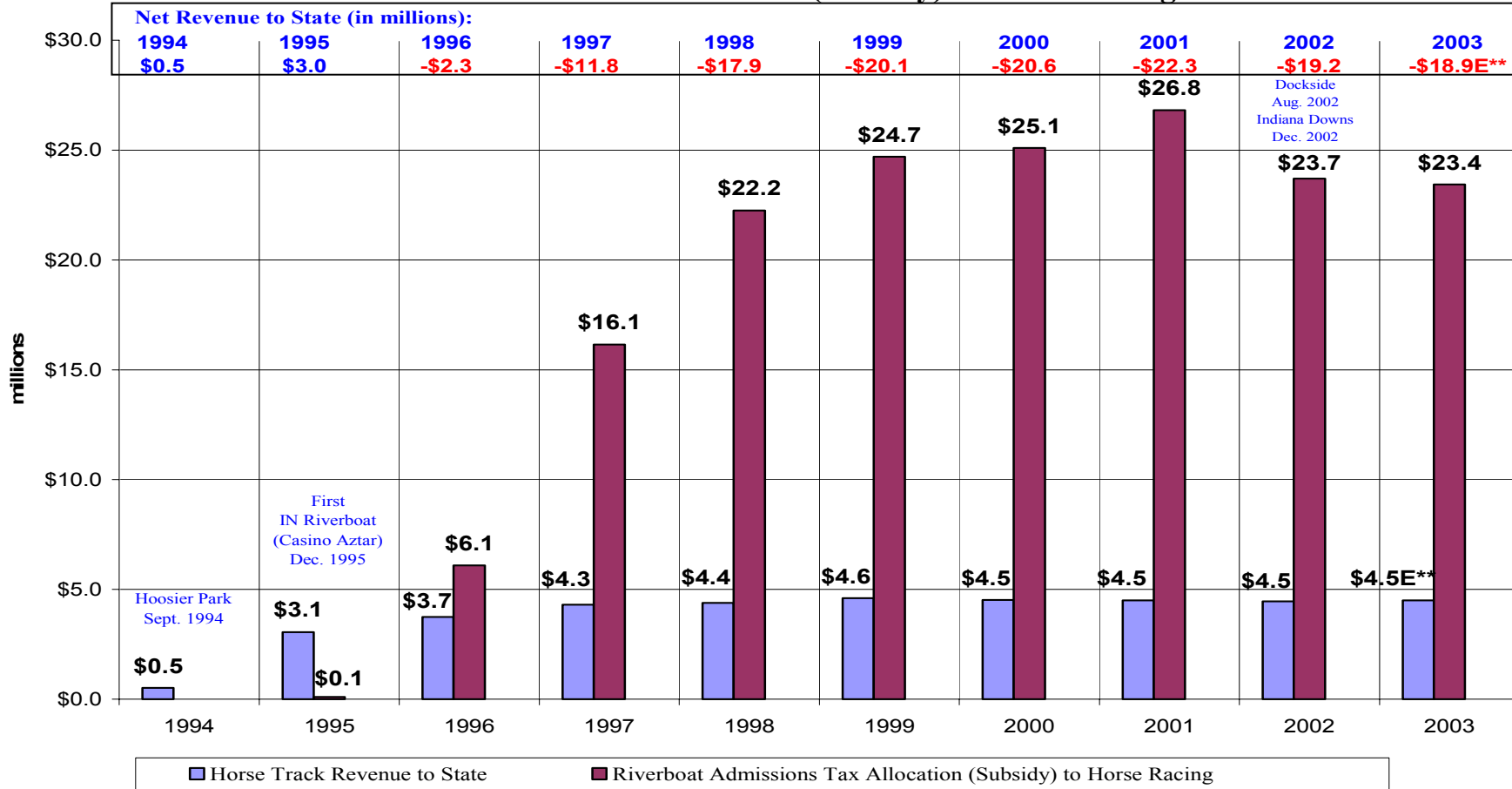
Indiana Downs maintains a facility in Evansville and has received approval to open a second OTB in Clarksville.

The Indiana Horse Racing Commission oversees the horse track activities. Its website is: www.in.gov/ihrc/

Fiscal year information was unavailable for this report for the horse tracks as the Indiana Horse Racing Commissions reports are on a calendar year (CY) basis and monthly data was unavailable to convert to a fiscal year (FY). Again, AGR (Adjusted Gross Receipts) refers to the amount patrons bet, less the winnings paid out to patrons.

A portion of Hoosier Park's and Indiana Downs' funding comes from the admissions tax paid by Indiana riverboats as was shown in Table C previously. 65 cents of each \$3 of the riverboats' admissions tax is distributed through the Indiana Horse Racing Commission to the tracks, purses and breed development. In CY01 and the previous years a portion of the tax was also devoted to promotions. The total per CY of this riverboat revenue allocation to horse racing is shown on the next chart.

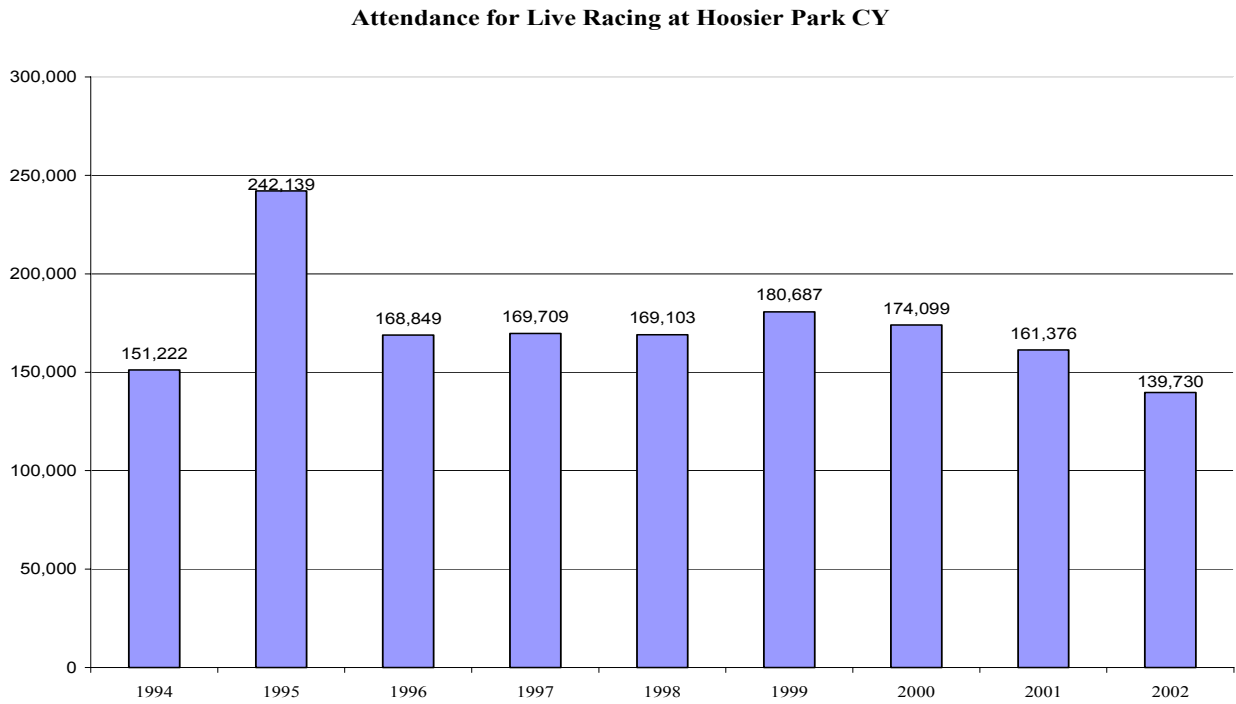
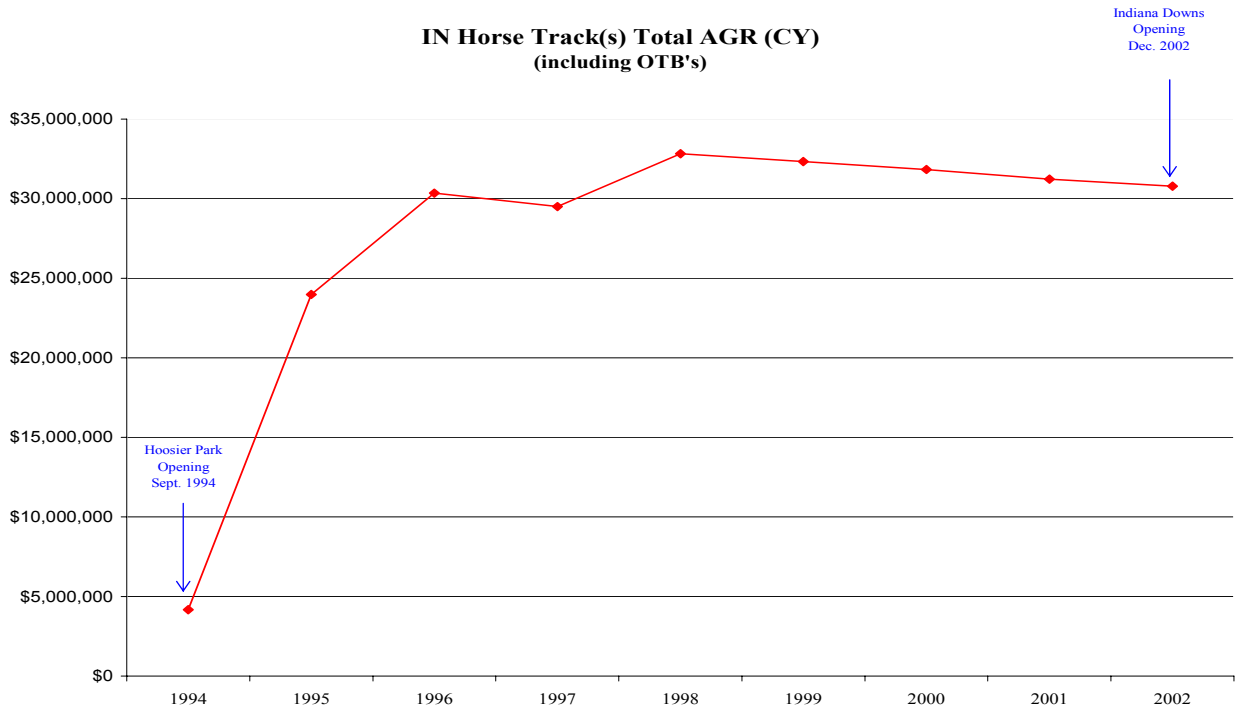
Horse Track Revenue to State* & Riverboat Admissions Tax Allocation (Subsidy) to Horse Racing CY



*Track revenue to the state includes pari-mutuel tax, track reimbursement for officials, admission tax, fines and civil penalties paid, and track permit and license fees.

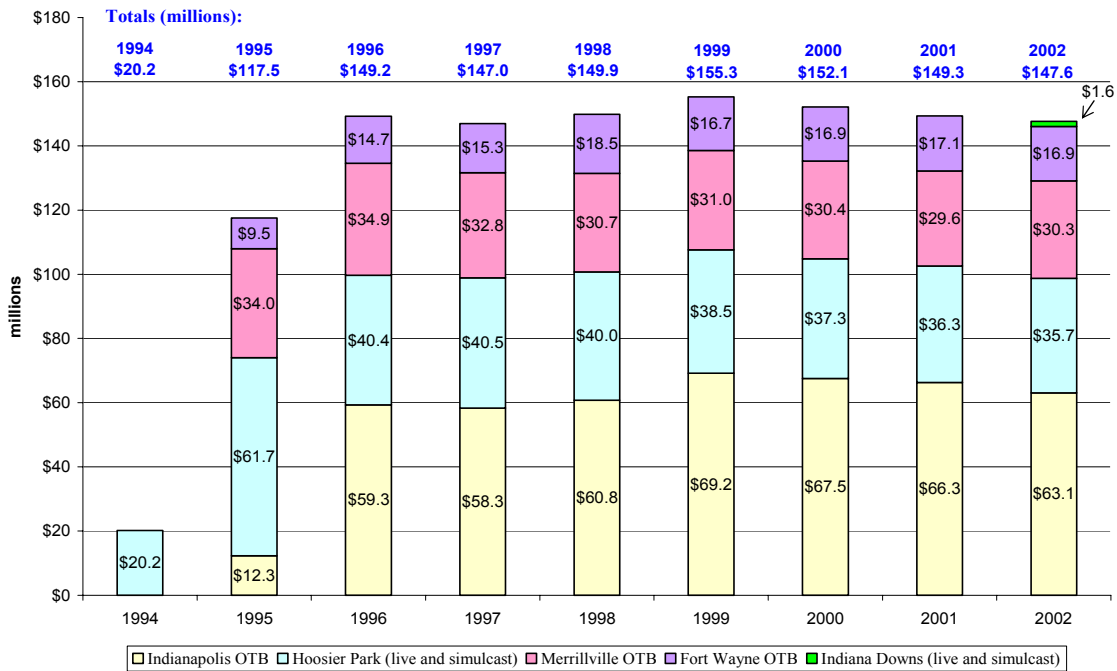
**Estimated CY03

Note: The Riverboat Admissions Tax Allocation (Subsidy) to Horse Racing includes a supplemental distribution for the state fiscal year from the Treasurer of State equal to the distribution for the base year (FY02). The FY02 (base year) distribution was \$27.2 million.



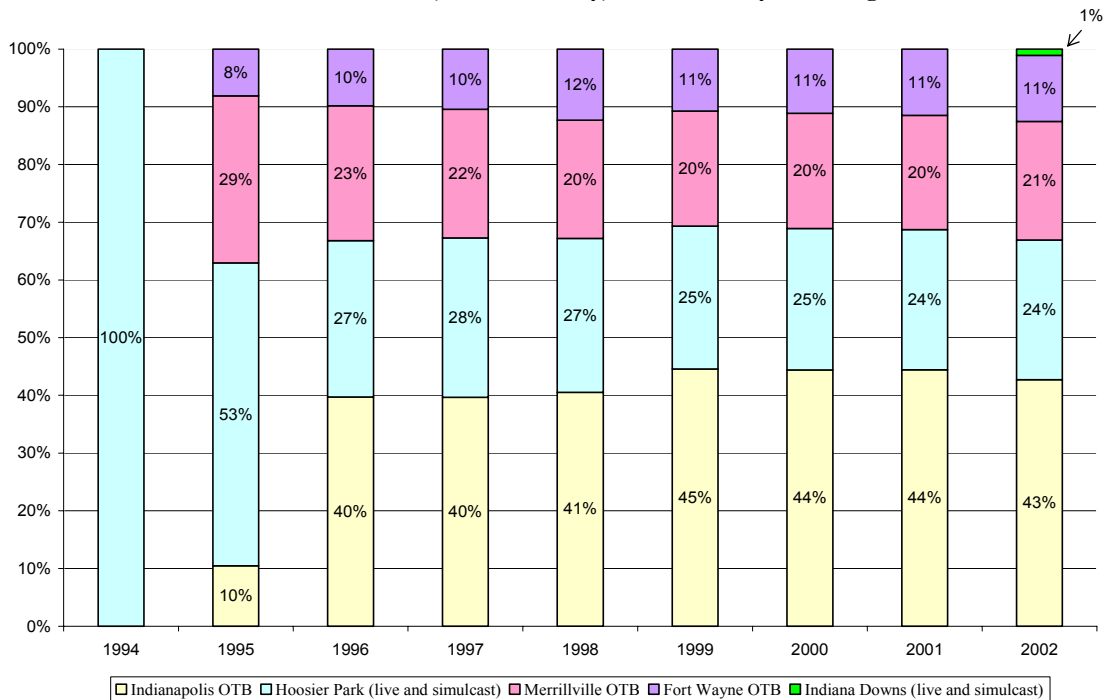
Indiana Downs opened in December 2002 and attendance information for that month was not available for this report.

Horse Track and OTB (Satellite Facility) CY Handles



These two charts show the distribution of the horse racing handle at the two horse track locations (Hoosier Park in Anderson and Indiana Downs in Shelby County) and the OTB's (satellite facilities) owned and operated by Hoosier Park and located in Indianapolis, Merrillville, and Fort Wayne. Indiana Downs opened as a track for racing and simulcasting in December 2002 and opened an OTB in Evansville in 2003.

Horse Track and OTB (Satellite Facility) CY Handles by Percentage



D. Lottery

Lottery ticket sales began on October 13, 1989. The lottery's television show, the Hoosier Millionaire, debuted on October 28, 1989. The Lottery Commission is the regulatory body. Its website is: www.in.gov/hoosierlottery/yes.html

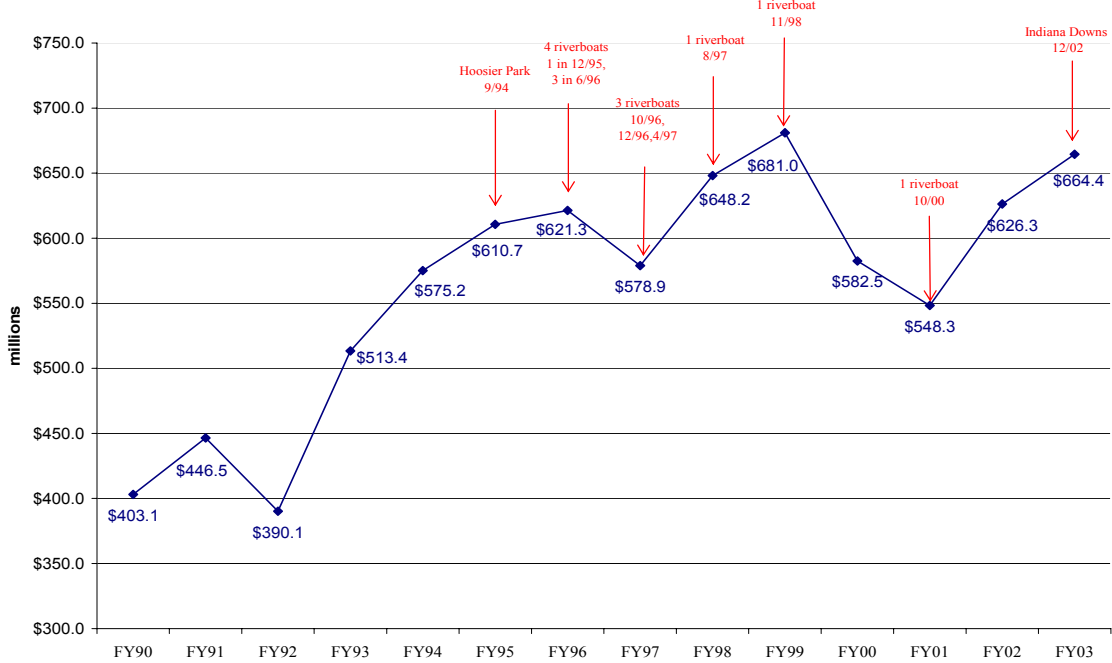
The lottery revenues consist of ticket sales and are distributed as shown in Table H. One of the state funds receiving money from the lottery is the Build Indiana fund. How lottery profits are spent is determined by the Indiana General Assembly. They have been used toward the state teachers', police and firefighters' retirement funds, as well as toward lowering license plate taxes.

TABLE H: Lottery Revenue Distribution*

Out of each dollar of revenue the following amounts go to:	
2¢	Advertising and Promotions
2¢	Salaries, Administrative Expenses and Net Other Income/Expense
10¢	Retailers and Suppliers
30¢	Profits/Benefits to State
56¢	Payouts/Prizes to Players

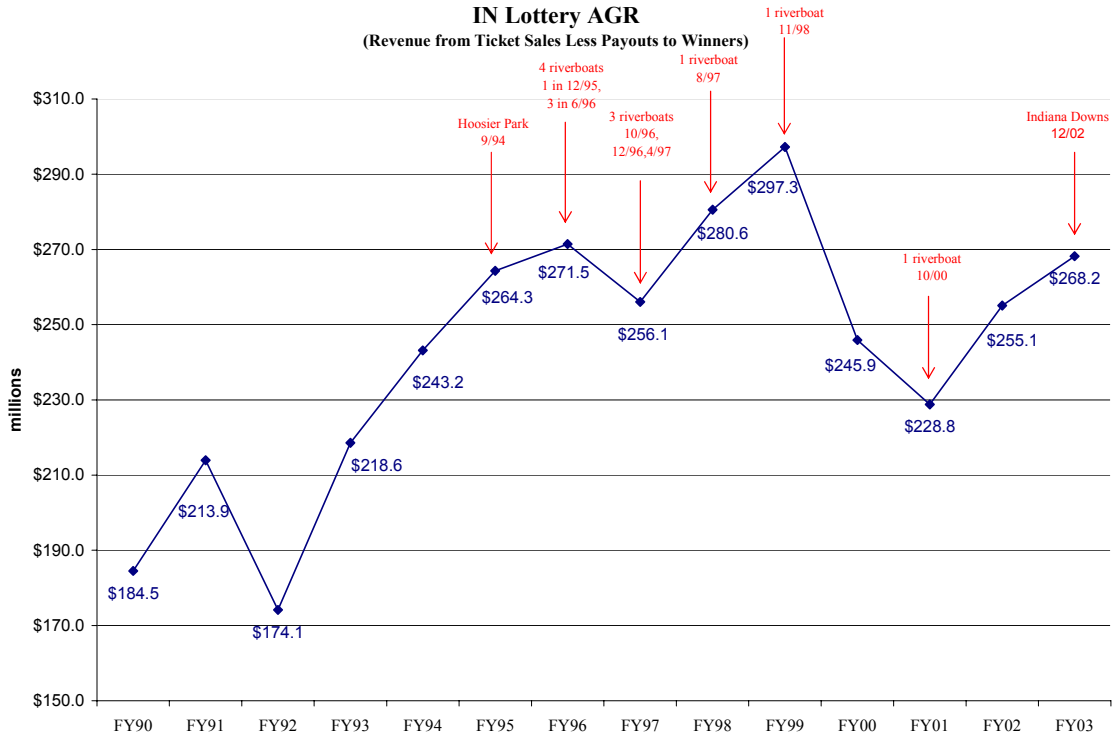
*From Hoosier Lottery Annual Report FY02

IN Lottery Revenue (Ticket Sales)



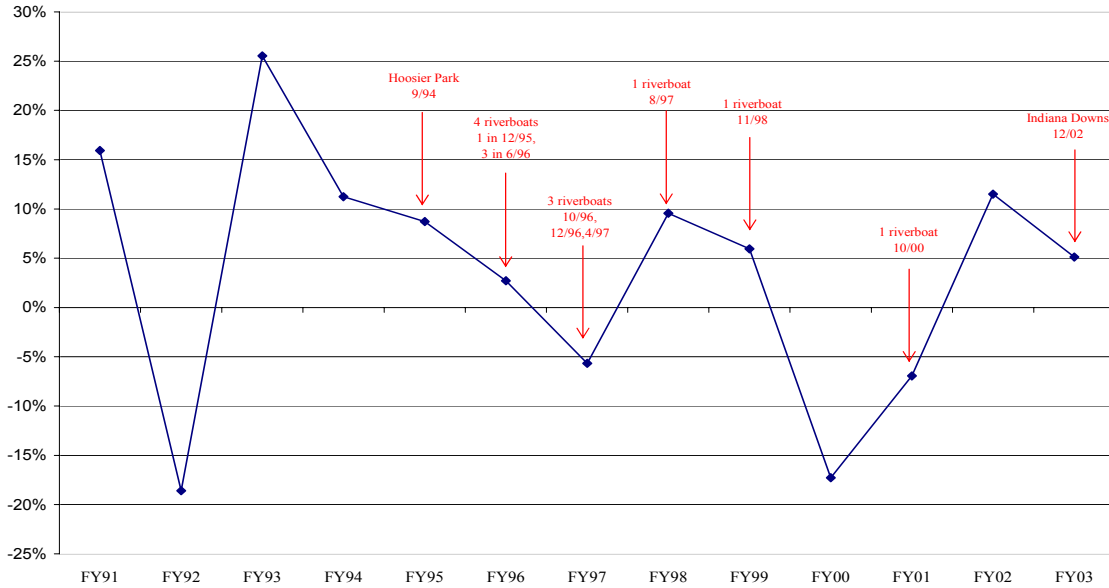
Opening dates of horse tracks and riverboats are noted with red arrows on the above graph. These numbers refer to all revenue received from ticket sales.

IN Lottery AGR (Revenue from Ticket Sales Less Payouts to Winners)



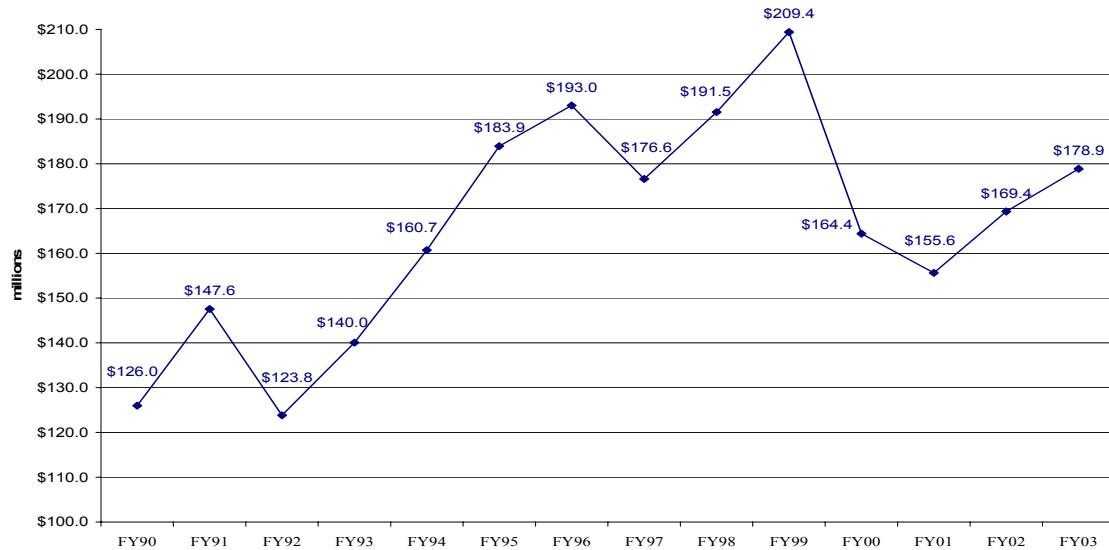
Opening dates of horse tracks and riverboats are noted with red arrows on the above graph.

Year Over Year Growth of IN Lottery AGR



The above chart depicts the growth rate of the total AGR on a FY to FY comparison basis. Opening dates of horse tracks and riverboats are noted with red arrows on the above graph.

IN Lottery: Distributions to the State Treasurer*

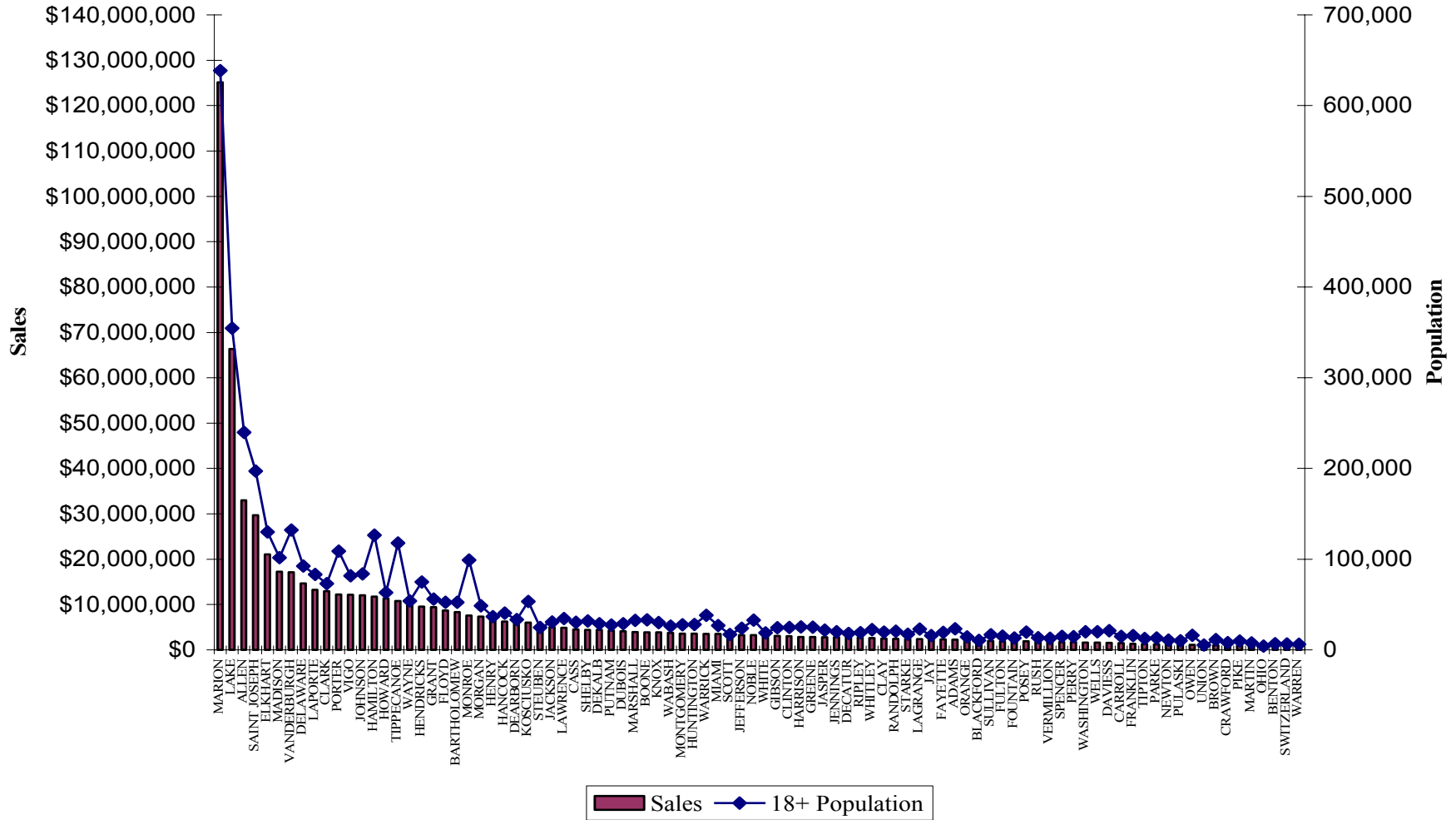


The above graph depicts distributions to the State Treasurer for FY90 (the Hoosier Lottery commenced operations in October 1989) through FY03.

*FY distribution to State Treasurer includes the distribution in July of each year for the Indiana Lottery FY quarter ending June 30; a slight variation therefore occurs between Indiana Lottery FY totals and "Distribution to State Treasurer" FY totals.

IN Lottery Sales & Population* by County FY03

*Does not include population under 18 years of age

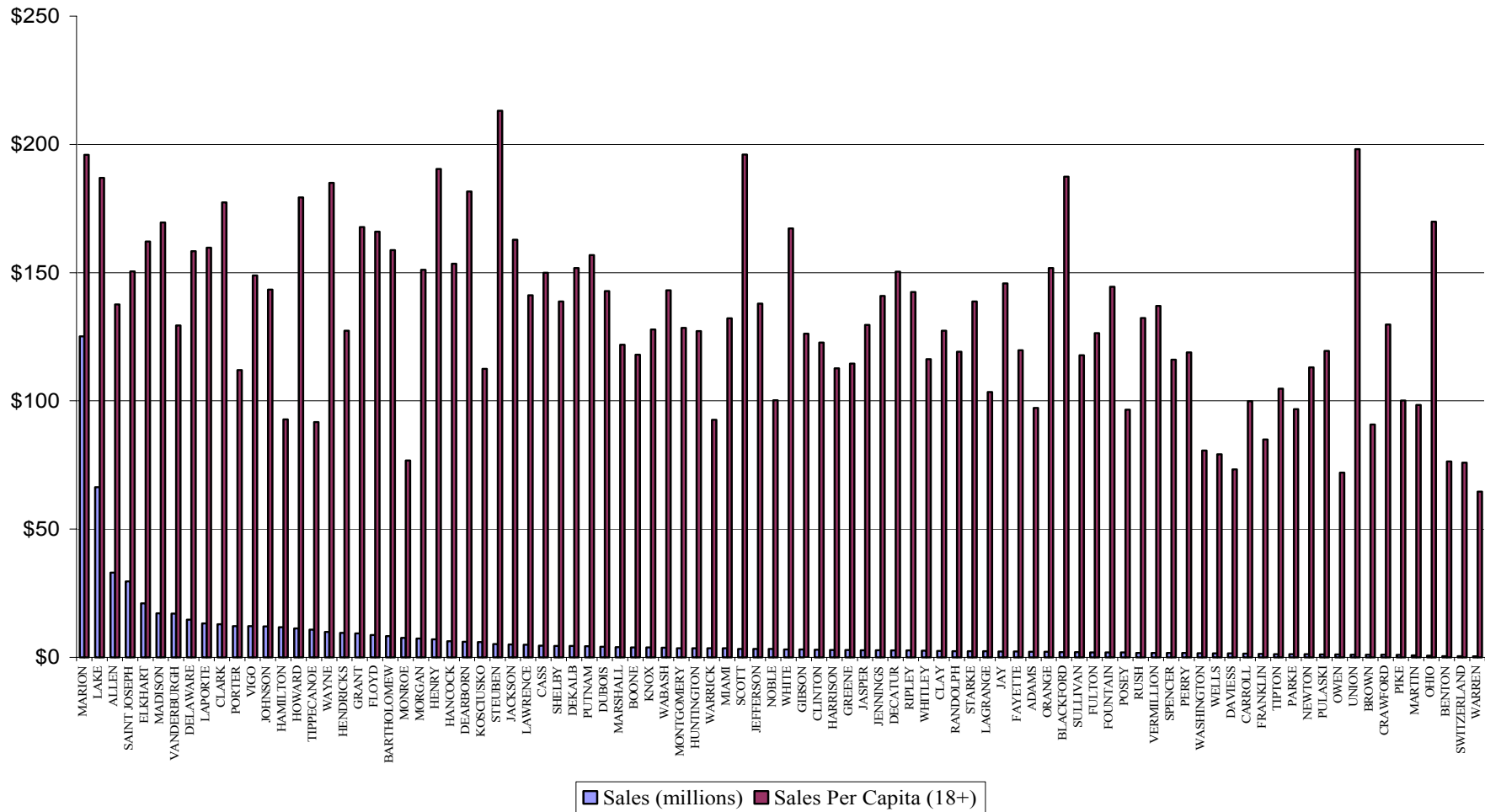


This graph shows that lottery sales by county tend to decline as population by county declines.

Chart based on information provided by the Indiana Lottery Commission and the 2000 US Census

IN Lottery Sales & Sales Per Capita* by County FY03

*Does not include population under 18 years of age



Note that sales are in millions, whereas sales per capita are based on the dollar amount listed. This graph shows that sales per capita do not tend to be related to the lottery sales in each county. As the counties with the highest lottery sales are listed from left to right, the highest sales per capita numbers do not follow the same downward trend.

Chart based on information provided by the Indiana Lottery Commission and the 2000 US Census

The following two tables show the individual county information (as shown in the previous graphs) for only the top 15 and lowest 15 counties in lottery sales and sales per capita (18+). Following these charts are two Indiana maps color-coded to show the locations of these counties.

TABLE I: Total Lottery Sales by County FY03

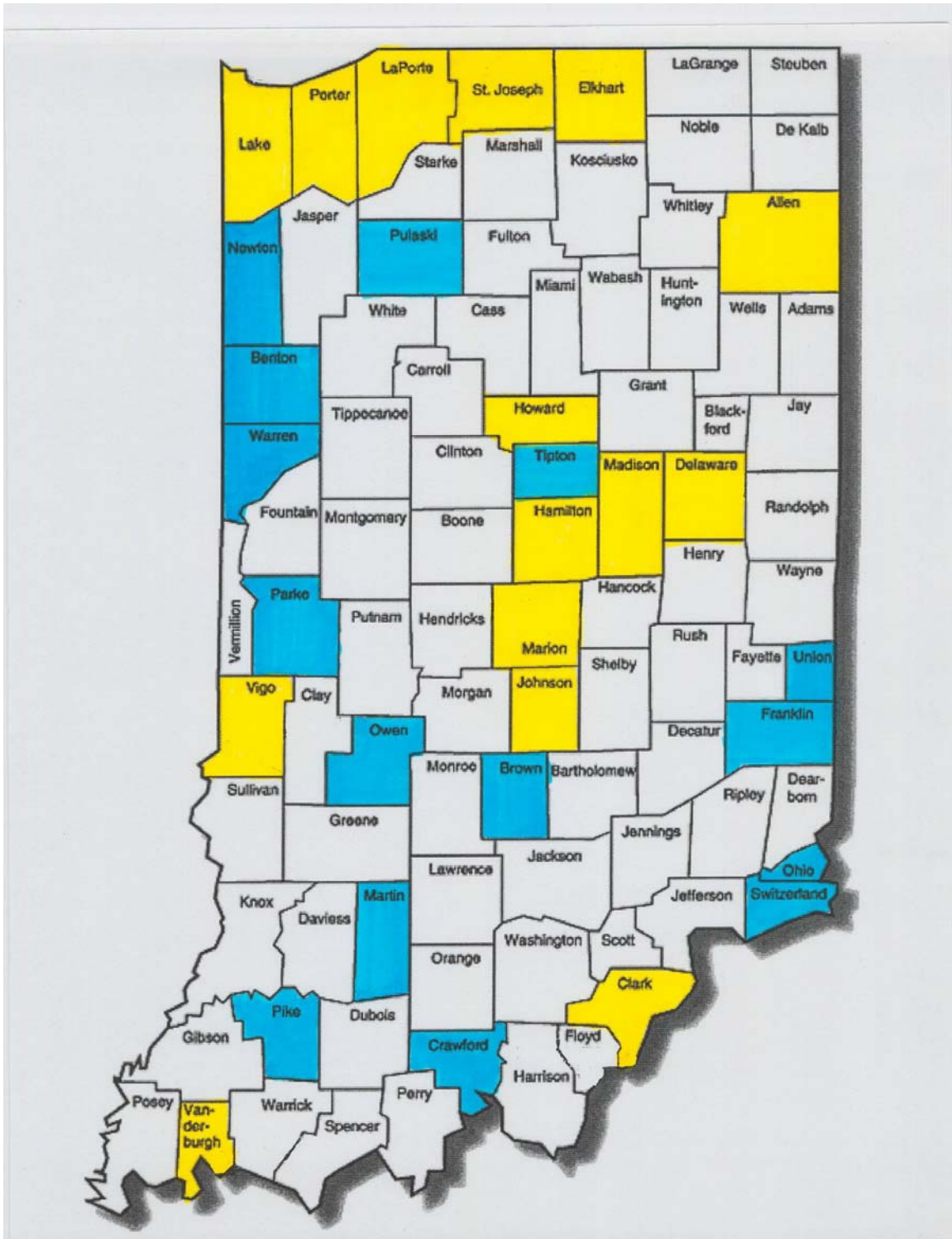
Range: \$402,253 to \$125,131,295		Average (mean): \$7,265,744	
15 Counties with Highest Sales	Sales	15 Counties with Lowest Sales	Sales
MARION	\$125,131,295	WARREN	\$402,253
LAKE	\$66,324,579	SWITZERLAND	\$507,072
ALLEN	\$33,012,397	BENTON	\$518,771
SAINT JOSEPH	\$29,681,624	OHIO	\$717,879
ELKHART	\$21,081,099	MARTIN	\$763,059
MADISON	\$17,226,670	PIKE	\$978,023
VANDEBURGH	\$17,103,474	CRAWFORD	\$1,037,296
DELAWARE	\$14,652,423	BROWN	\$1,041,456
LAPORTE	\$13,271,534	UNION	\$1,059,080
CLARK	\$12,968,091	OWEN	\$1,152,413
PORTER	\$12,207,690	PULASKI	\$1,200,262
VIGO	\$12,151,521	NEWTON	\$1,211,655
JOHNSON	\$12,023,454	PARKE	\$1,269,602
HAMILTON	\$11,733,868	TIPTON	\$1,302,017
HOWARD	\$11,334,653	FRANKLIN	\$1,353,573

TABLE J: Lottery Sales Per Capita (18yrs+) by County FY03

Range: \$65 to \$213			Average (mean): \$132		
15 Counties with Highest Sales per Capita (18+):	Sales	Sales per Capita (18+)	15 Counties with Lowest Sales per Capita (18+):	Sales	Sales per Capita (18+)
STEUBEN	\$5,261,731	\$213	WARREN	\$402,253	\$65
UNION	\$1,059,080	\$198	OWEN	\$1,152,413	\$72
SCOTT	\$3,318,243	\$196	DAVISS	\$1,552,749	\$73
MARION	\$125,131,295	\$196	SWITZERLAND	\$507,072	\$76
HENRY	\$7,004,177	\$190	BENTON	\$518,771	\$76
BLACKFORD	\$1,984,017	\$187	MONROE	\$7,587,758	\$77
LAKE	\$66,324,579	\$187	WELLS	\$1,588,436	\$79
WAYNE	\$9,969,035	\$185	WASHINGTON	\$1,612,397	\$81
DEARBORN	\$6,062,944	\$182	FRANKLIN	\$1,353,573	\$85
HOWARD	\$11,334,653	\$179	BROWN	\$1,041,456	\$91
CLARK	\$12,968,091	\$177	TIPPECANOE	\$10,807,801	\$92
OHIO	\$717,879	\$170	WARRICK	\$3,547,851	\$93
MADISON	\$17,226,670	\$170	HAMILTON	\$11,733,868	\$93
GRANT	\$9,401,535	\$168	POSEY	\$1,898,660	\$97
WHITE	\$3,135,387	\$167	PARKE	\$1,269,602	\$97

LOTTERY SALES BY COUNTY FY03

Yellow = 15 highest
Blue = 15 lowest



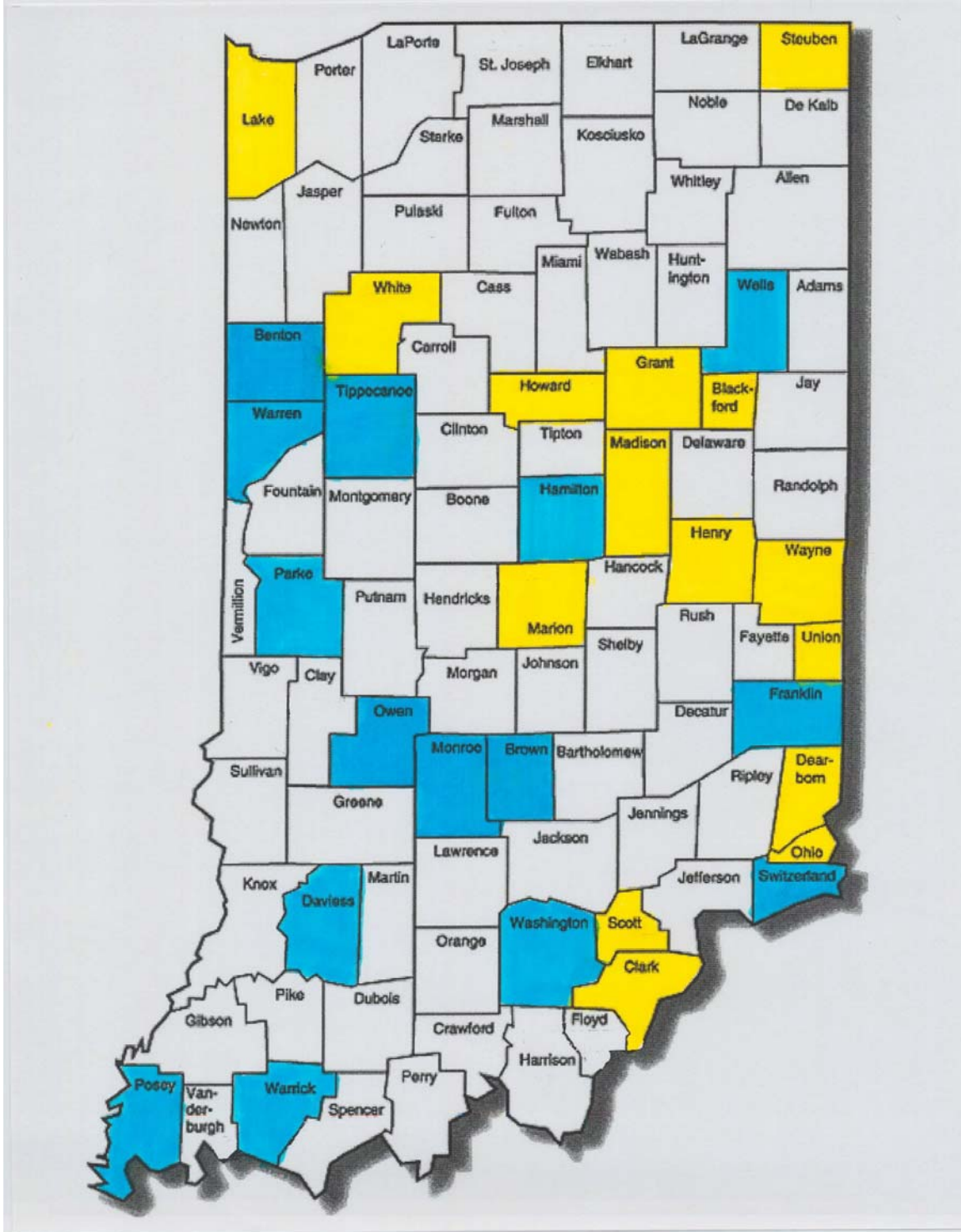
Based on data from the Indiana Lottery Commission and the 2000 US Census

LOTTERY SALES PER CAPITA BY COUNTY FY03

(Using population of those 18 years and older)

Yellow = 15 highest

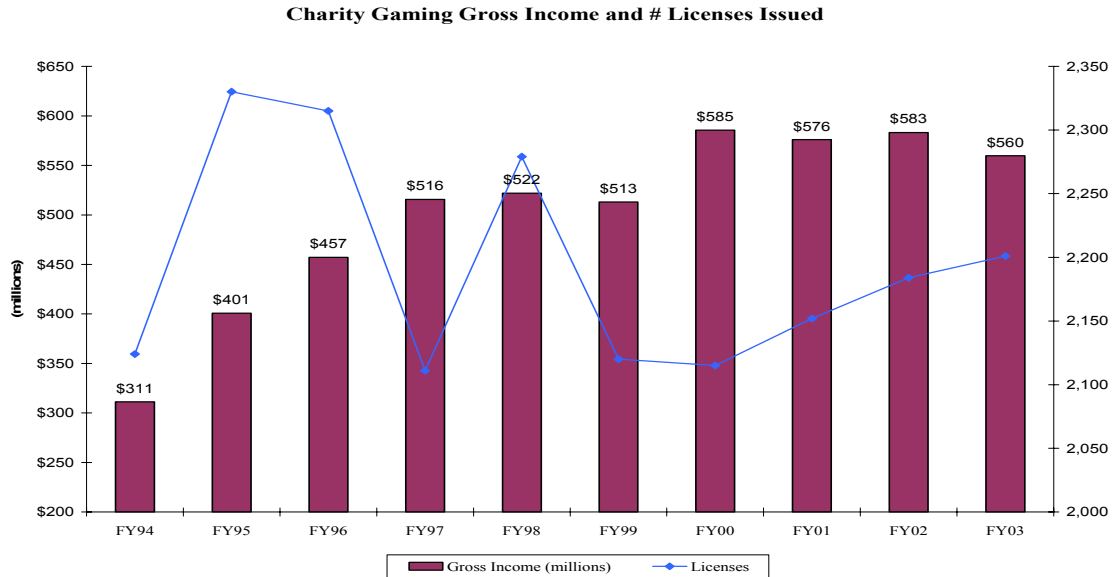
Blue = 15 lowest



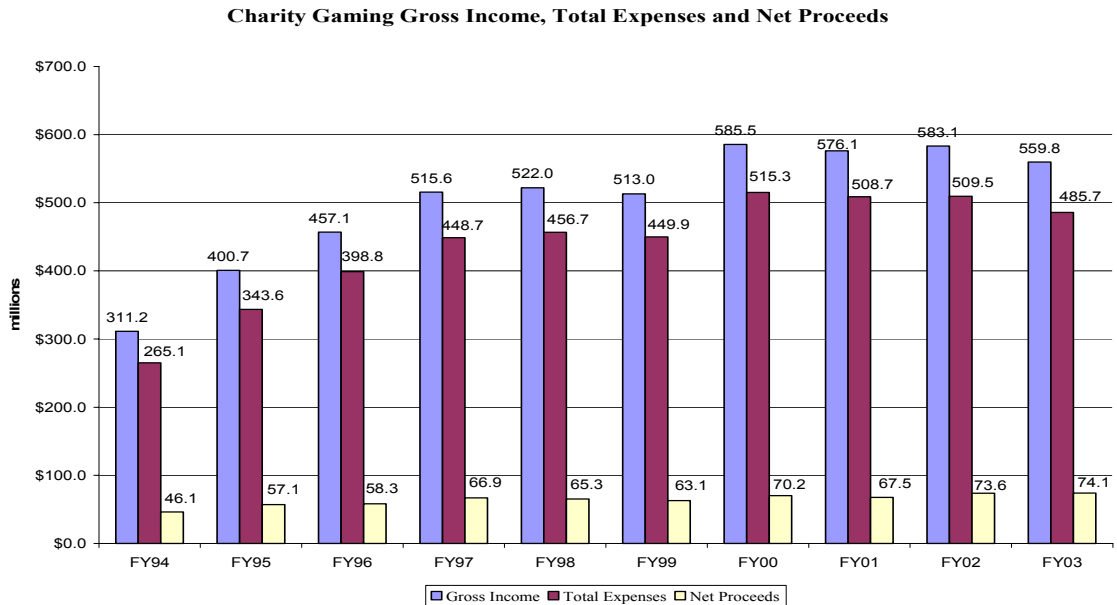
Based on data from the Indiana Lottery Commission and the 2000 US Census

E. Charity Gaming

The Indiana Department of Revenue was charged with regulating charity gaming in June 1992. An organization must be a qualified not-for-profit organization and be licensed in order to legally conduct charity gaming events.



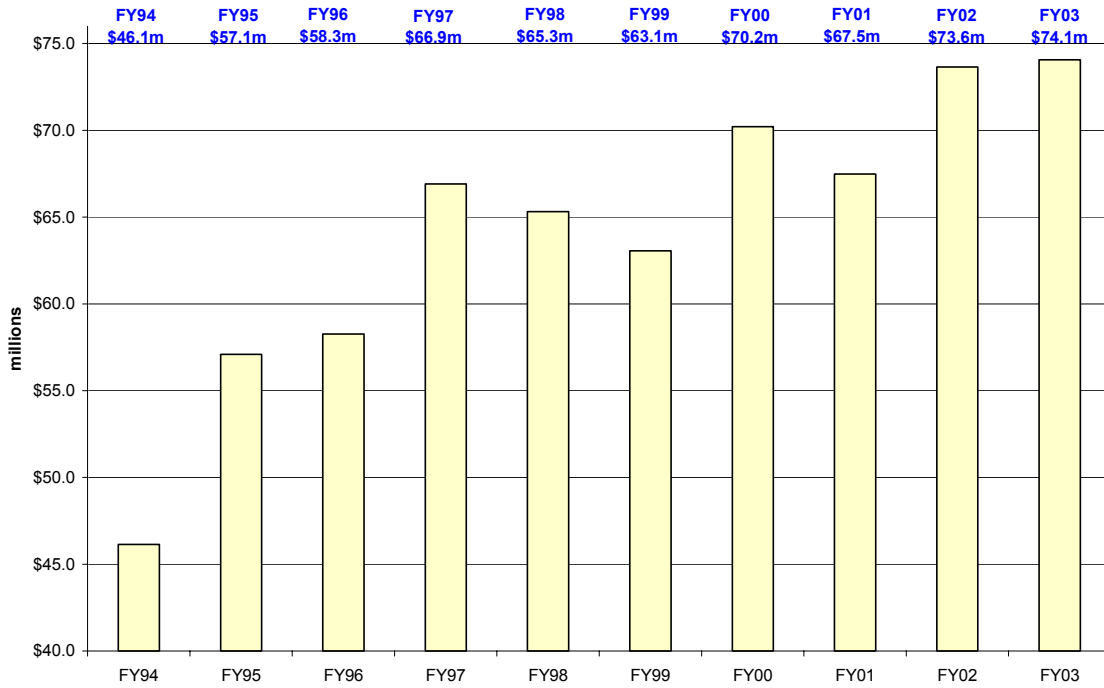
Gross Income refers primarily to income received from all charity gaming types and concessions. Charity gross income decreased \$23,372,039 from FY02 to FY03 even though the number of licenses increased from 2,184 in FY02 to 2,201 in FY03.



Gross Income, compared to Total Expenses (which include such items as prizes/payouts, supplies, rent, advertising and concessions) and Net Proceeds (available for charitable purposes). In FY94, Net Proceeds was referred to by the Indiana Department of Revenue as “profit”.

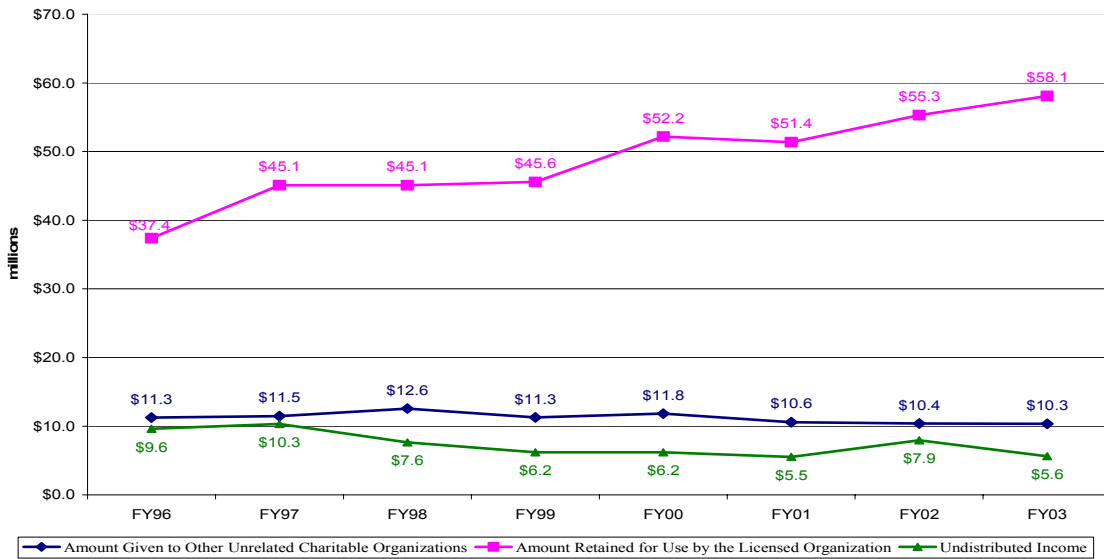
$$\text{Gross Income} - \text{Total Expenses} = \text{Net Proceeds}$$

Charity Gaming Net Proceeds



Net Proceeds, which are available for charitable purposes, refer to the Gross Income less the Total Expenses.

Charity Gaming Distributed and Undistributed Income (Breakdown of Net Proceeds)

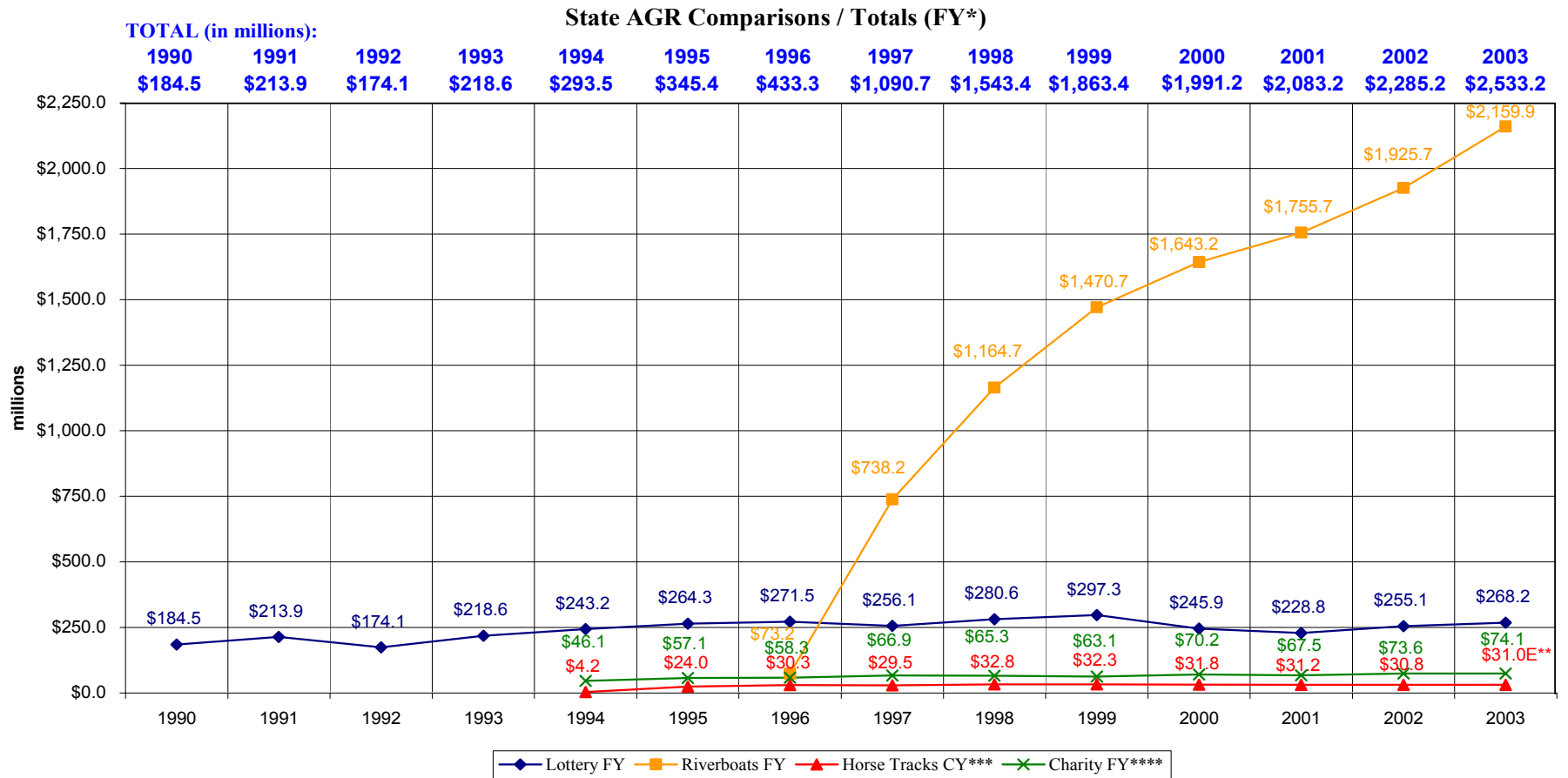


This graph shows the amount of money distributed to unrelated charitable organizations and the amount retained by the licensed charitable organization. These amounts together are referred to as “Distributed Income”. The graph also shows the total “Undistributed Income”. This is also referred to as charity gaming surplus revenue.

The Indiana Department of Revenue is required to remit a portion of charity gaming “Undistributed Income” to the Build Indiana Fund. License fees, excise taxes and penalties generate this revenue. Since FY97, \$31,330,000 has been deposited into the Build Indiana Fund.

F. Comprehensive Graphs

As noted in the introductory section on “Gaming in Indiana”, Adjusted Gross Receipts (AGR) is used as a measure of gaming activity. AGR refers to the amount patrons bet less the amount paid out to patrons. This could also be referred to as the loss by patrons per year. (See notes below chart for further information on Horse Track and Charity AGR calculations).



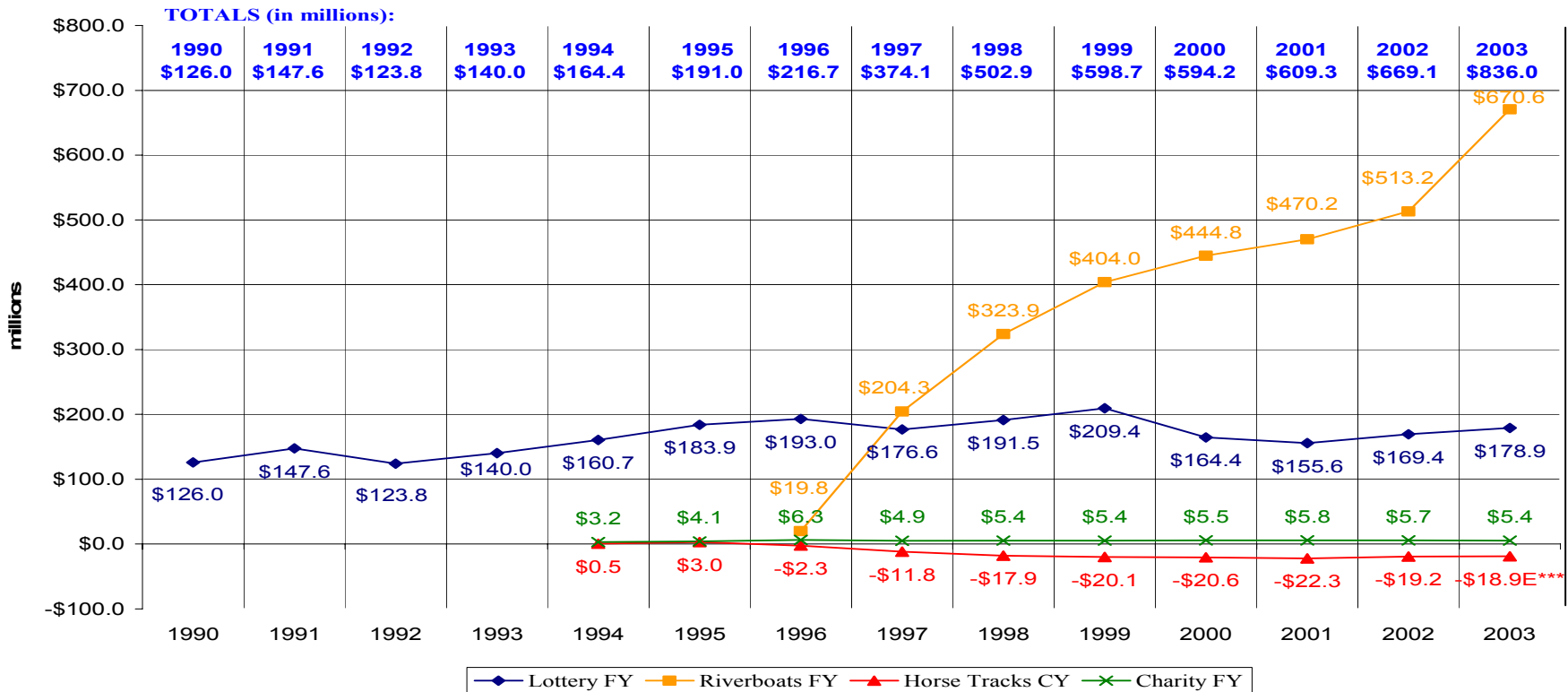
*Horse tracks are on CY.

**\$31.0m is estimated as the horse track AGR for CY03.

***Riverboat subsidy is included in horse track AGR.

****Charity AGR is based on charity gaming net proceeds.

Net State Gaming Tax Revenue* (FY**)



*Riverboat Admissions Tax Allocation (subsidy) to horse racing included.

**Horse Tracks are on calendar year.

*** \$4.5m is estimated as the horse track revenue to state for CY03.

Lottery: Includes amount paid to State Treasurer

Riverboats: Includes admissions tax + wagering tax

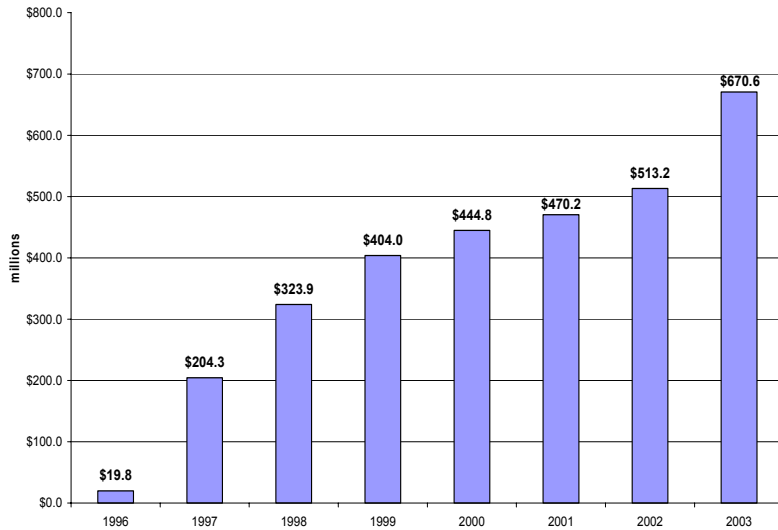
Horse Racing: Compilation of horse track revenue (includes pari-mutuel tax + track reimbursement for officials + admission tax + fines and civil penalties paid + track permit and license fees) paid to the state and the riverboat admission tax allocation (subsidy) paid by the state to horse racing

Charity: Includes charity organization license fees + manufacturers' license fees + distributors' license fees + manufacturers' and distributors' gaming card excise tax and penalties

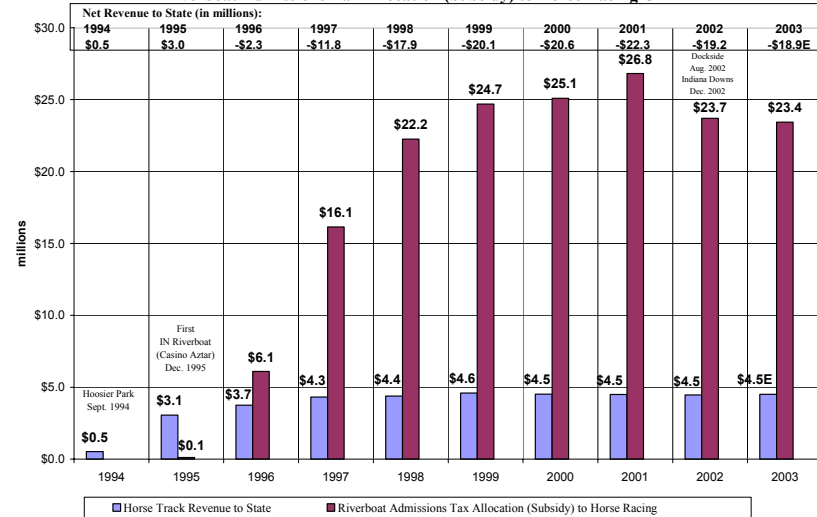
The four charts on page 41 depict the net state tax gaming revenue for each of the four categories of legalized gaming in Indiana.

Net State Gaming Tax Revenue by Type of Gaming:

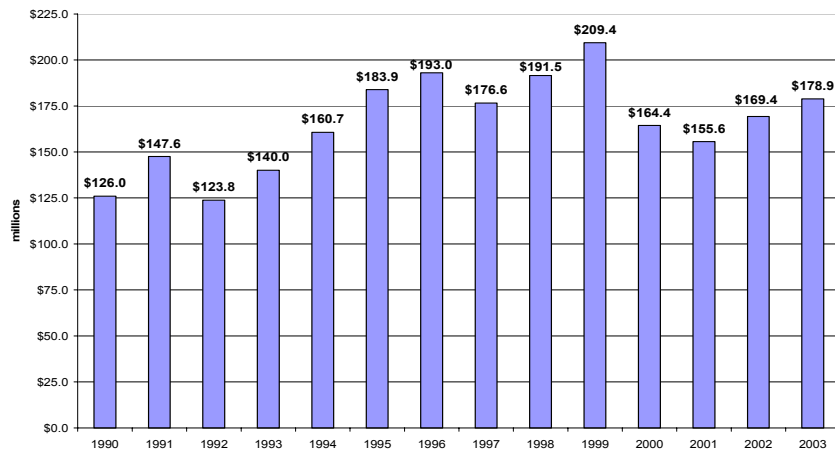
Riverboats Revenue to State FY



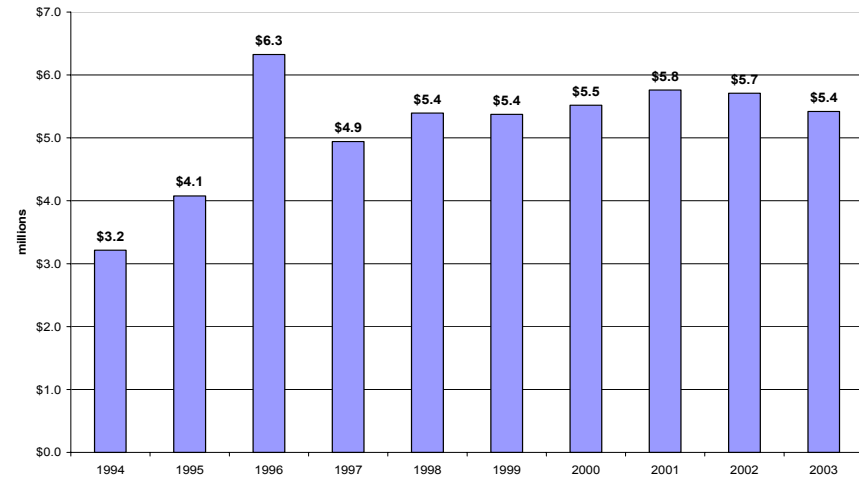
Horse Track Revenue to State & Riverboat Admissions Tax Allocation (Subsidy) to Horse Racing CY



Lottery Revenue to State FY



Charity Revenue to State FY



For additional details on chart data, see notes at bottom of page 40.

III. PARTICIPATION RATES / SOCIAL IMPACT

Harrah’s Survey 2003 provides a listing of the participation rates for casino gambling in all of the states except Alaska and Hawaii. It is based on the 2000 US Census report of population of those 21 years old and above within those states. The following table lists the casino participation rates for Indiana and its four contiguous states, along with the states with the lowest and highest rates.

TABLE K

	2002 Casino Participation Rates	2000 US Census Population (21+)	
Indiana and contiguous states	Kentucky	17.6%	2,867,257
	Ohio	19.7%	7,977,101
	Indiana	22.6%	4,221,426
	Illinois	30.0%	8,634,455
	Michigan	35.2%	6,914,135
Lowest rate	West Virginia	5.6%	1,326,880
Highest rate	Nevada	43.7%	1,411,378

A “pathological” or “compulsive” (terms often used interchangeably) gambler can be defined as someone who meets the DSM-IV (Diagnostic Statistical Manual, 4th Edition, American Psychiatric Association) criteria for Pathological Gambling (Diagnostic code 312.31).

Nationally, a frequently used estimate for the number of pathological or compulsive gamblers (recognized as a psychiatric disorder in 1980) is 1.6 percent of all adults. This was reported in the National Gambling Impact Study Commission (NGISC) Report, 1999, based on a study done by Howard Shaffer in 1997 (Shaffer, H. et al, Harvard University, 1997, Estimating the Prevalence of Disordered Gambling Behavior in the United and Canada: A Meta-Analysis).

A pathological gambling rate of 1.6 percent among Indiana adults would total 67,542 residents who now have or have had a pathological gambling problem at some point in their lives.

Studies in Mississippi and Louisiana, as reported by the NGISC, found that the adult pathological lifetime gambling rate ranged as high as 7 percent.

Another category involves people who are at risk of becoming pathological or compulsive gamblers. “At-risk” gamblers (“at-risk” of becoming “problem” gamblers) may also gamble recreationally throughout their lives without any negative consequences. The NGISC estimated that over 15 percent of Americans were “at-risk” gamblers.

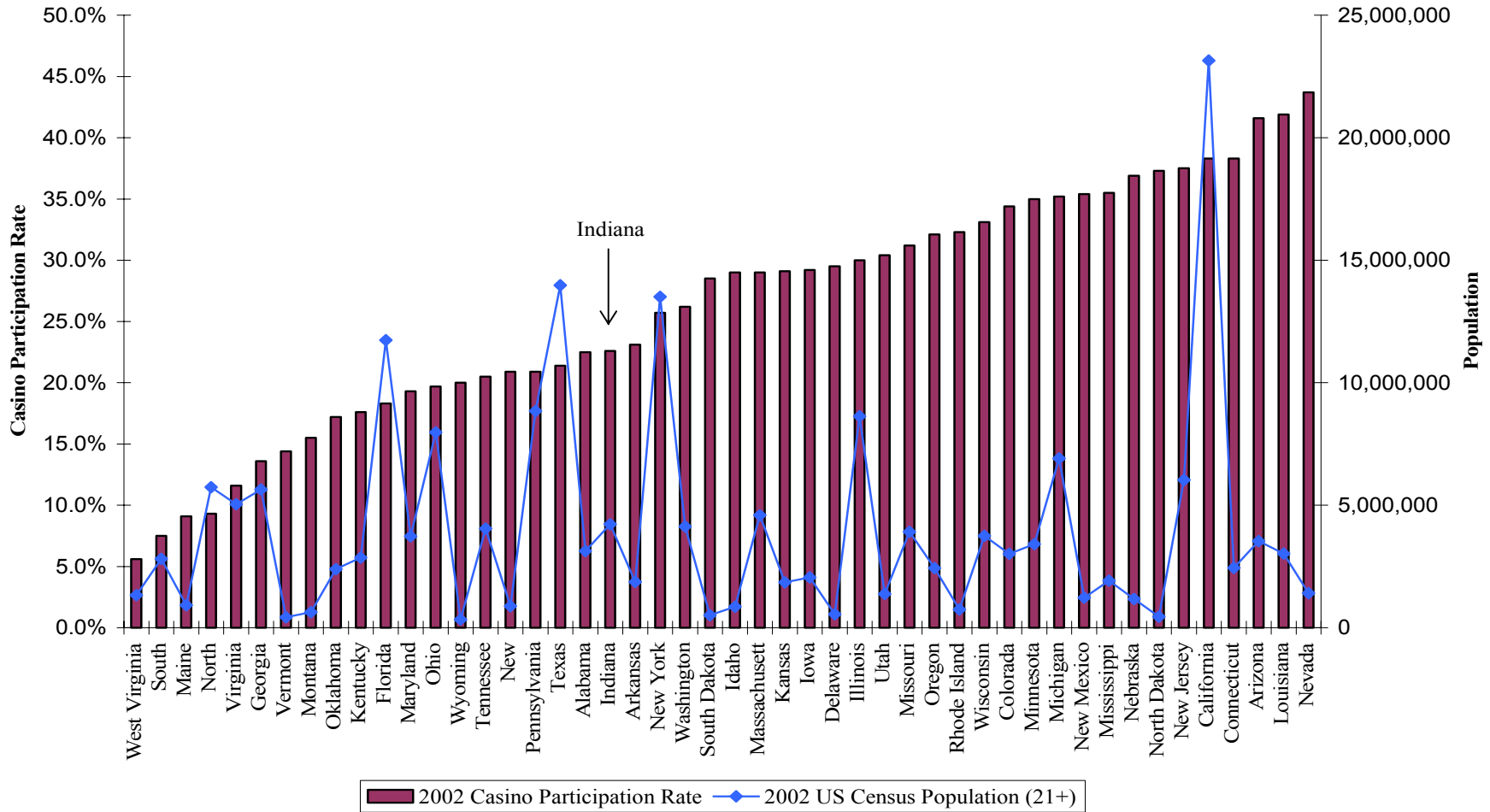
A recent study by the Kentucky Legislative Research Commission found that more than 50 percent of Kentucky adults had gambled in the last year. The participation rate broke down as follows:

- 76 percent – Kentucky Lottery
- 40 percent – charitable gaming
- 29 percent – horse racing
- 27 percent – casinos

The Indiana Gambling Referral Line (contracted to Bensinger, DuPont & Associates) reported 3,543 calls in FY 2003.

Casino Participation Rate & Population* by State

*Does not include population under 21 years of age



Graph is based on information from Harrah's Survey 2003, which includes US Census data.

IV. INTERNET GAMBLING – Trends / Developments

1. According to Christiansen Capital Advisors LLC, gross gambling revenues in the US increased by 5.27 percent between 2001 and 2002, to a total of \$68.7 billion. Riverboat gambling revenues increased by 4.77 percent, lotteries increased by 5.85 percent and pari-mutuel gambling at horse tracks increased by 3.08 percent. Internet gambling increased by 33.37 percent in the same period to reach a total of \$4 billion in 2002. This total is expected to grow to \$6.4 billion by 2003.
2. In 2000, 39 percent of the US population was considered part of the e-commerce marketplace, according to a survey conducted by GTech Corporation. These members of the population had made or intended to make purchases using the Internet. Slightly more than one-third of the e-commerce marketplace had played a multi-player game over the Internet. Sixty-four percent of these persons were in the 18-34 age category.
3. A study of Internet gambling among Ontario adults in 2000 found that 5.3 percent of adults surveyed had gambled on the Internet at least once in the last 12 months (Ialomiteanu, A. & Adlaf, E. 2001. Internet gambling among Ontario adults. *eGambling*, 5).
4. In a study of the inappropriate use of the Internet while at work, a survey of Human Resource managers for US employers indicated that sixty percent reported that they had disciplined employees for inappropriate use of the Internet while at work and 30 percent reported that they had terminated the employment of people for such behavior. About 3 percent of managers reported that employee gambling on the Internet while at work had resulted in reprimands or discipline over the past year. About 2 percent reported that gambling on line while at work had resulted in a termination in the last year. The study was undertaken by the Center for Internet Studies in 2000
5. A study of Internet gambling completed by the Christiansen Capital Advisors LLC in 2001 predicted that the number of Internet gamblers will grow from four

million in 1999 to 15 million in 2004 and that US players will represent 34 percent of the total.

6. Interactive gambling has already migrated to wireless application protocol according to Christiansen Capital Advisors, LLC. The online casino industry was the largest entertainment advertiser on the Internet in 2001.
7. As reported by the Wall Street Journal (August 22, 2003), web casinos number at about 1,800 sites in 2003. Internet gambling sites are most commonly based outside the US but an estimated 40% of online gamblers are US citizens.