

**Estimates of the Fiscal Impacts from Out-of-State Casino Competition
and Movement of Casino Licenses in Indiana**

**Report to the Gaming Study Committee
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SUMMARY OF ESTIMATES

Estimated Revenue Loss (in millions) From Gaming Competition in Surrounding States.

Gaming Policy Change	Impact	Southwest Indiana Casinos	Southeast Indiana Casinos	Central Indiana Casinos	Northern Indiana Casinos
Kentucky Racinos	Low	41.6	90.1	-	-
	High	52.3	111.5	-	-
Ohio Racinos	Low	-	73.2	3.1	-
	High	-	93.9	3.3	-
Ohio Casinos	Low	-	73.2	9.7	-
	High	-	93.9	9.7	-
Michigan Tribal Casino Expansion	Low	-	-	-	13.3
	High	-	-	-	14.7

Notes:

- (1) Southwest Indiana impacts pertain to Casino Aztar in Evansville and Horseshoe-Southern Indiana near Elizabeth in Harrison County.
- (2) Southeast Indiana impacts pertain to Belterra Casino near Markland, Grand Victoria Casino in Rising Sun, and Hollywood Casino in Lawrenceburg.
- (3) Central Indiana impacts pertain entirely to Hoosier Park in Anderson.
- (4) Northern Indiana Impacts pertain entirely to Blue Chip Casino in Michigan City.

Estimated Net Revenue Impact (in millions) From Fort Wayne Casino.

	Low	High
Net Additional Wagering Tax	19.4	26.0
Net Additional Admission Tax	3.6	4.4
Total	23.0	30.4

Estimated Net Revenue Impact (in millions) From Gary Casino Relocation.

	Low	High
Net Additional Wagering Tax	11.0	11.0
Net Additional Admission Tax	0.0	0.0
Total	11.0	11.0

STUDY OBJECTIVES

This study estimates the loss of gaming tax revenue from gaming facilities at horse race tracks and other locations in Ohio and Kentucky, new or expanded Native American casino facilities in Michigan, and relocation of existing casino licenses in Indiana. The specific scenarios we estimate are:

- (1) The opening of gaming facilities at the following horse racetracks in Kentucky: Turfway Park near Cincinnati, Keeneland Racecourse and/or the Red Mile racetrack in Lexington, Churchill Downs in Louisville, and Ellis Park near Evansville.
- (2) The opening of gaming facilities at the following horse racetracks in Ohio: River Downs in Cincinnati, Lebanon Raceway located between Dayton and Cincinnati, Beulah Park and Scioto Downs in Columbus, and Raceway Park in Toledo.
- (3) The opening of casinos in Ohio at central city locations in Cincinnati, Columbus, and Toledo.
- (4) The opening of tribal casino facilities in Southwestern Michigan near Battle Creek, Grand Rapids, and Van Buren County and Cass County near Michigan City.
- (5) The movement of one of the Gary riverboat casino licenses from Buffington Harbor to a land-based location near the intersection of I-80/94 and I-65.
- (6) Movement of the remaining Gary casino license to a land-based location in Fort Wayne.

METHODOLOGY

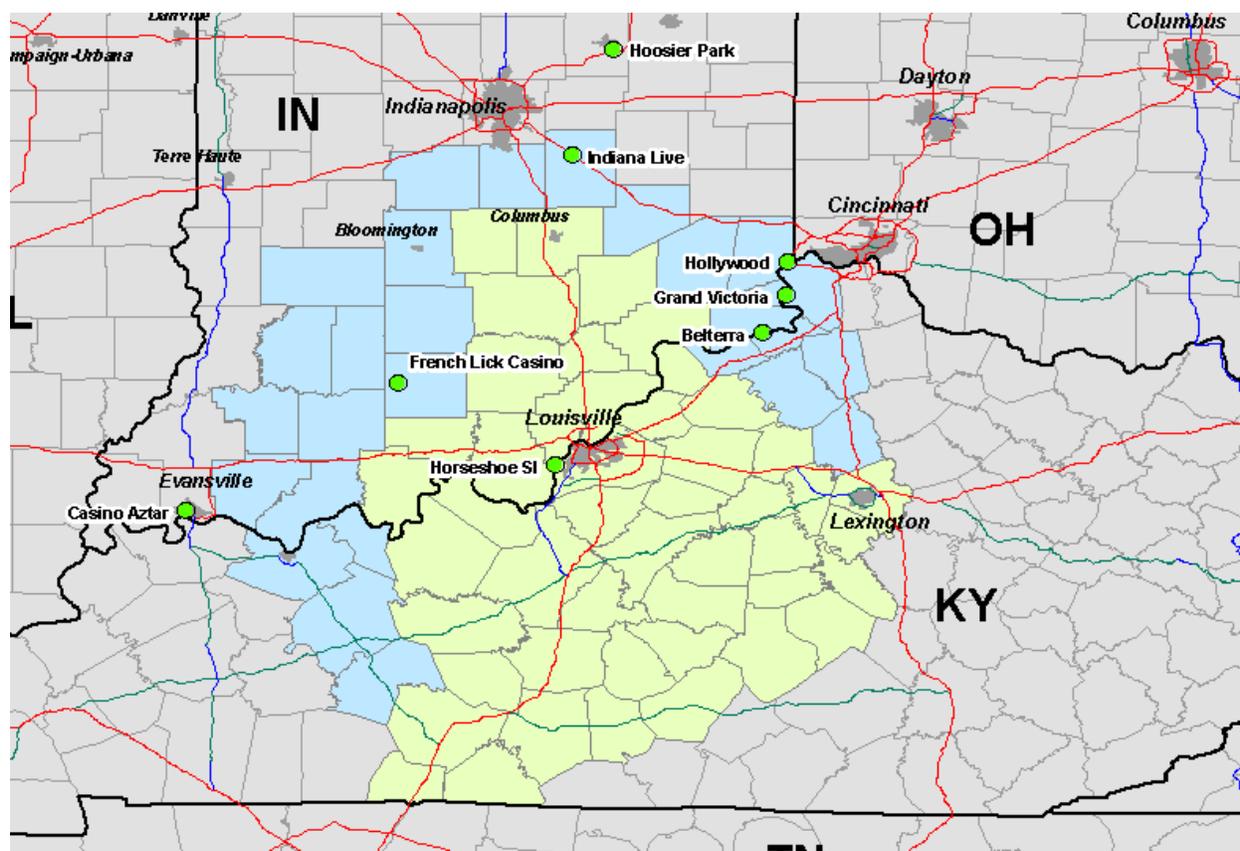
For this study, the market area of a casino is estimated based on the premise that if all other factors determining casino visitation are held constant gamblers will tend to visit the casino that is most conveniently located in terms of travel distance and time to the casino. Consequently, the potential impact of inserting a new casino into the market area of an existing casino depends on the location of the new casino in relation to both the existing casino and the adult population within the existing casino's market. If the new casino is more accessible to a

large percentage of gamblers within the existing market, it has the potential to displace an equally large percentage of visitation and spending by gamblers at the existing casino.

The market estimates in this study assume that 60% to 70% of a casino's patrons reside within 50 miles of that casino, with the balance of the patrons coming from areas within 50 to 100 miles of the casino. The assumptions about the scope of casino markets and the distribution of the patrons within a casino's market area are based on industry operating data, published surveys estimating the distance traveled by gamblers to casinos, and published estimates of the relationship between annual casino visits or annual spending at casinos by gamblers and travel distance by the gambler to the casino.

The initial market area estimated for a casino comprises the counties having a geographic center that is located within 100 miles of that casino. The combined area displayed in blue and green in Map 1 on the next page comprises the counties that fall within 100 miles of the Horseshoe Casino in Harrison County. Nevertheless, the proximity of the casinos in Indiana generally requires that the initial 100-mile market areas are truncated. For instance, Casino Aztar in Evansville is roughly 110 miles west of Horseshoe Casino, the French Lick Casino is about 60 miles north of Horseshoe Casino, and Belterra Casino is about 90 miles east of Horseshoe Casino. As a result, there is considerable overlap of the initial 100-mile market areas for these four casinos. To truncate the initial market area of a casino, counties are excluded if they are closer and more accessible to another casino. However, the decision to exclude a county from a market area based on distance alone may be overridden if the more distant casino appears to be more accessible in terms of highway locations. The truncated market area estimated for Horseshoe Casino in Harrison County is portrayed in Map 1 in green.

Map 1: Estimated Horseshoe Casino Initial and Truncated (Baseline) Market Areas.



The truncated market area represents the *baseline market area* for a casino in determining the potential market loss that may occur if a new casino is inserted into the baseline market. The baseline market is divided into two areas: (1) the casino's primary market area comprising counties within 50 miles of the casino; and (2) the remaining market areas that are between 50 miles and 100 miles from the casino. It is assumed that 60% to 70% of the actual admissions reported for a casino come from the adult population within the casino's estimated 50-mile market, with the balance coming from the remaining estimated market area outside of 50 miles.¹

The number of gamblers visiting a casino from the counties within its 50-mile market is assumed to be distributed the same as the adult population within those counties. The same assumption applies for the distribution of gamblers in counties outside of a casino's 50-mile market. For these estimates, we assume that the FY 2009 admissions count from a riverboat casino is generated within the casino's baseline market and is distributed within that market on the market and population basis described above. We check to ensure that the population within

¹ Admissions to the Hoosier Park and Indiana Live racinos are estimated based on the FY 2009 win posted at those facilities and the FY 2009 win per patron on electronic gaming devices at the riverboat casinos.

the estimated market area will support the number of admissions being reported by the riverboat casino. This check is based on published survey estimates of gambling participation rates in the adult population and average annual visitation by gamblers. A 30% participation rate resulting in six casino visits per year on average is assumed for this check. In every case, the adult population in the baseline market area supports the actual admissions levels at the casino or casinos in question.

Consequently, the potential impact of inserting a new casino into the baseline market area of an existing casino depends on the location of the new casino in relation to both the existing casino and the largest shares of adult population within the baseline market. The potential revenue impact from new casinos in adjacent states is estimated based on reductions in admissions that could potentially occur due to competition from the new casinos. The reductions in admissions depend on the accessibility of the new casinos to the adult population in the baseline market and assumed displacement rates. We assume 25% to 35% displacement where the new casino competes within the existing casino's 50-mile market and 60% to 80% where the new casino competes in areas outside the existing casino's 50-mile market. These displacement rates are based on estimates of displacement by casino start-ups and expansions in Indiana. This methodology results directly in the estimated reduction in casino visits by gamblers and an estimate of the impact on revenue from the Riverboat Admission Tax. To estimate the impact on revenue from the Riverboat Wagering Tax, the FY 2009 win per patron at the riverboat casino is used to generate the reduction in the casino's win which is then multiplied by the casino's marginal tax rate to estimate the revenue impact.

FISCAL IMPACT ESTIMATES

SOUTHWEST INDIANA

The southwest region of the state contains three casino gaming facilities – Casino Aztar in Evansville, Horseshoe-Southern Indiana (SI) in Harrison County, and the French Lick Casino. In FY 2009, the three casinos in southwest Indiana generated 21.5% of the total admission tax and 16.9% of the total wagering tax paid by the state's casino gaming facilities. The FY 2009 performance by these three casinos is summarized in Table 2 below.

Table 2: FY 2009 Performance of Southwest Indiana Casinos.

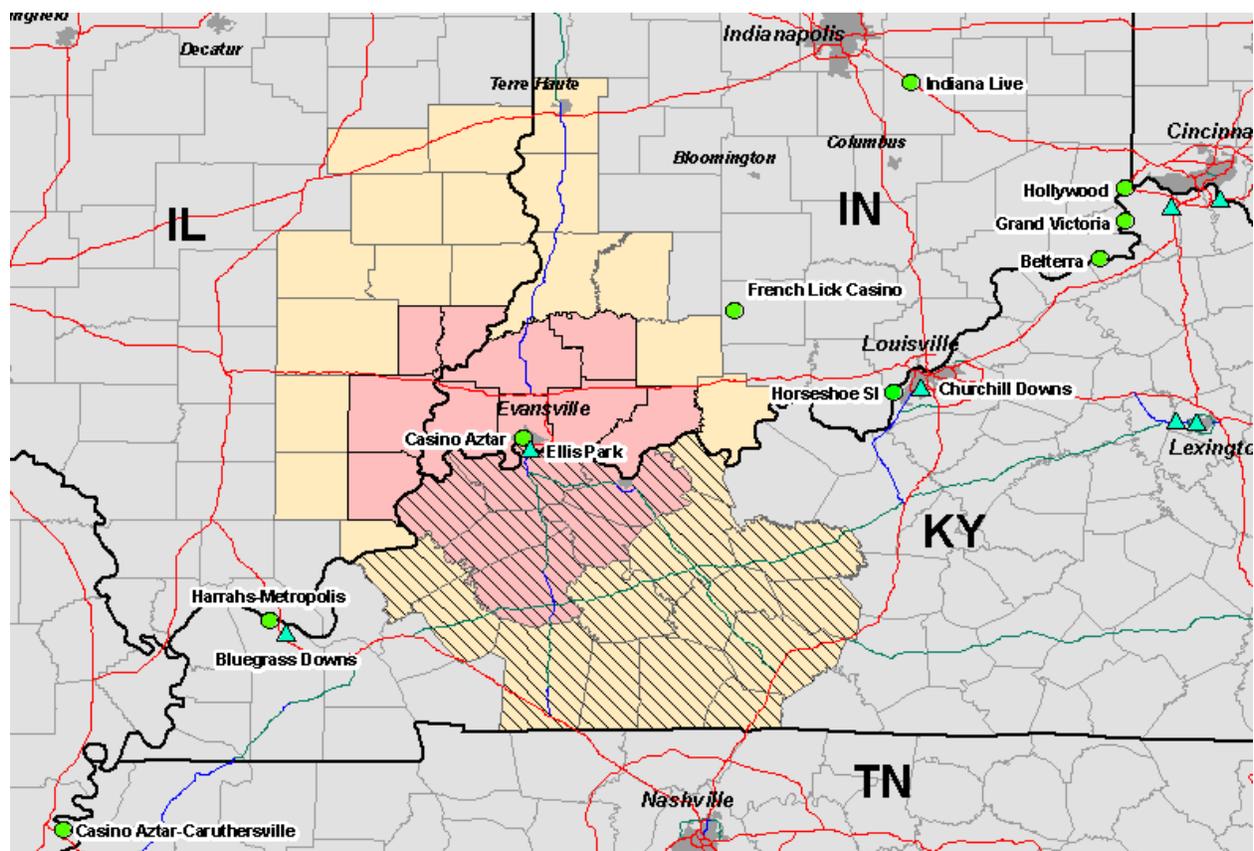
Casino	Win	Admissions*	Wagering Tax	Admission Tax
Casino Aztar	\$115,273,602	1,305,902	\$27,100,743	\$3,917,706
French Lick Casino	\$89,549,019	1,167,720	\$19,390,156	\$4,670,880
Horseshoe-S. Indiana	\$302,876,206	2,801,438	\$91,208,373	\$8,404,314
Total	\$507,698,827	5,275,060	\$137,699,272	\$16,992,900
Percent of State Total	18.1%	17.0%	17.0%	21.5%

*The admissions percent of state total is based on reported admissions to the riverboat casinos and estimated admissions to the racinos.

It is estimated that gaming tax revenue from Casino Aztar and Horseshoe-SI could be significantly reduced if gaming facilities are established at existing horse racetracks in Kentucky. Due to its interior location, gaming tax revenue from the French Lick Casino is not expected to be displaced in a significant way by gaming facilities in Kentucky.

Impact of Potential Ellis Park Gaming Facility on Casino Aztar: Ellis Park is located on the northern side of the Ohio River about six miles south of Casino Aztar. In Map 2 below, the rose-colored counties comprise the estimated 50-mile market area for Casino Aztar, with the yellow-colored counties comprising the remainder of Casino Aztar's estimated market area. The estimated market area comprises counties in Illinois, Indiana, and Kentucky, with the adult population in the estimated market area distributed as follows: 42% in Indiana; 43% in Kentucky; and 15% in Illinois. It is estimated that a gaming facility at Ellis Park would be marginally closer and more accessible to about 38% of the adult population in Casino Aztar's estimated 50-mile market area and about 47% of the adult population in its market area outside of 50 miles. The cross-hatched region in Map 2 shows the estimated Casino Aztar market area where an Ellis Park gaming facility could present significant competition. Based on the assumed displacement rates, it is estimated that the competing facility could potentially reduce admissions at Casino Aztar by 17% to 21% annually. This reduction in admissions is estimated to reduce admission tax revenue by \$0.7 M to \$0.8 M and wagering tax revenue by \$5.9 M to \$7.1 M. The estimated impact could increase significantly to the extent that a gaming facility at Ellis Park is able to displace business in other parts of Casino Aztar's estimated market area, including Evansville and areas north of Evansville.

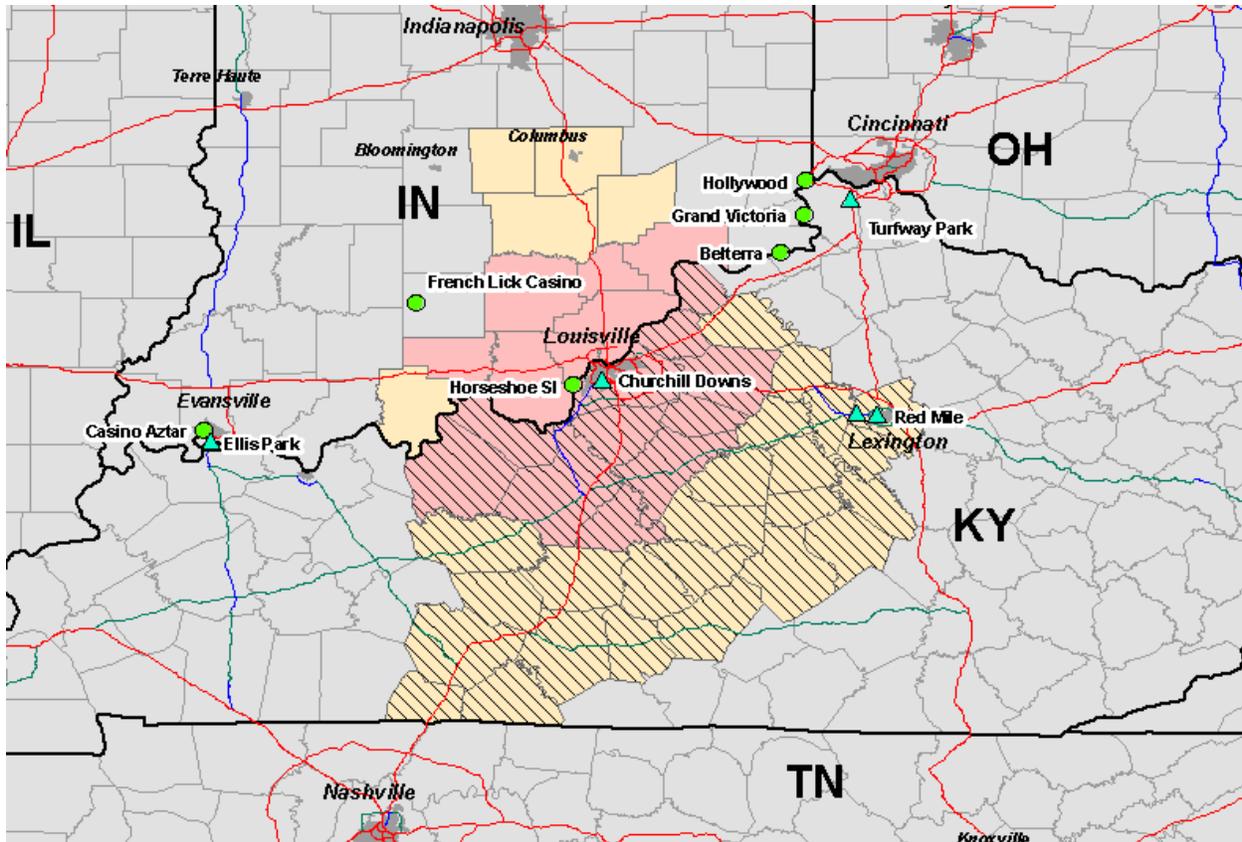
Map 2: Estimated Impact of Potential Ellis Park Gaming Facility.



Impact of Potential Churchill Downs/Lexington Area Gaming Facilities on Horseshoe-Southern Indiana: Churchill Downs is located south of downtown Louisville and is about a 20-mile drive from Horseshoe-Southern Indiana in Harrison County. Lexington, Kentucky, where Keeneland Racecourse and the Red Mile racetrack are located, is approximately 85 miles southeast of Louisville. In Map 3 below, the rose-colored counties comprise the estimated 50-mile market area for Horseshoe-Southern Indiana, with the yellow-colored counties comprising the remainder of Horseshoe's estimated market area. The estimated market area comprises counties in Indiana and Kentucky, with the adult population in the estimated market area distributed as follows: 20% in Indiana and 80% in Kentucky. Louisville and Jefferson County, Kentucky, comprise the predominant part of Horseshoe's estimated 50-mile market, containing about 56% of the adult population. Lexington-Fayette County, Kentucky, comprises almost 25% of the adult population in the estimated market area outside of 50 miles from Horseshoe. Consequently, gaming facilities at Churchill Downs and the Lexington area racetracks would be closer and more accessible to about 80% of the adult population in Horseshoe's estimated market area. The cross-hatched region in Map 3 shows the estimated Horseshoe-Southern

Indiana market area where gaming facilities at Churchill Downs and the Lexington racetracks could present significant competition. Based on the assumed displacement rates, it is estimated that these competing facilities could potentially reduce admissions at Horseshoe-Southern Indiana by 31% to 39% annually. This reduction in admissions is estimated to reduce admission tax revenue by \$2.6 M to \$3.3 M and wagering tax revenue by \$32.4 M to \$41.1 M.

Map 3: Estimated Impact of Potential Churchill Downs and Lexington Gaming Facilities.



SOUTHEAST INDIANA

The southeast region of the state contains three casino gaming facilities – Belterra Casino near Markland, Grand Victoria Casino in Rising Sun, and Hollywood Casino in Lawrenceburg. Belterra is the furthest west of the three casinos, located approximately 25 miles from Hollywood Casino, which is the eastern-most of the three casinos. In terms of driving distance Belterra is 55 miles from Cincinnati, Ohio, 100 miles from Dayton, Ohio, 160 miles from Columbus, Ohio, and 90 miles from Lexington, Kentucky. Consequently, if gaming facilities were located in or near these cities, they could significantly reduce gaming tax revenue from the three casinos in southeast Indiana.

In FY 2009, the three casinos in southeast Indiana generated 26.0% of the total admission tax and 23.9% of the total wagering tax paid by the state's casino gaming facilities. The FY 2009 performance by these three casinos is summarized in Table 3 below.

Table 3: FY 2009 Performance of Southeast Indiana Casinos.

Casino	Win	Admissions*	Wagering Tax	Admission Tax
Belterra	\$156,980,465	1,836,432	\$40,009,755	\$5,509,296
Grand Victoria	\$118,136,165	1,557,412	\$27,902,651	\$4,672,236
Hollywood	\$405,384,540	3,442,541	\$126,750,178	\$10,327,623
Total	\$680,501,170	6,836,385	\$194,662,584	\$20,509,155
Percent of State Total	24.3%	22.1%	24.0%	26.0%

*The admissions percent of state total is based on reported admissions to the riverboat casinos and estimated admissions to the racinos.

It is estimated that gaming tax revenue from the three casinos in southeast Indiana could be significantly reduced if gaming facilities are established at existing horse racetracks in Kentucky or Ohio, or casinos are established in Cincinnati, Ohio, and Columbus, Ohio.

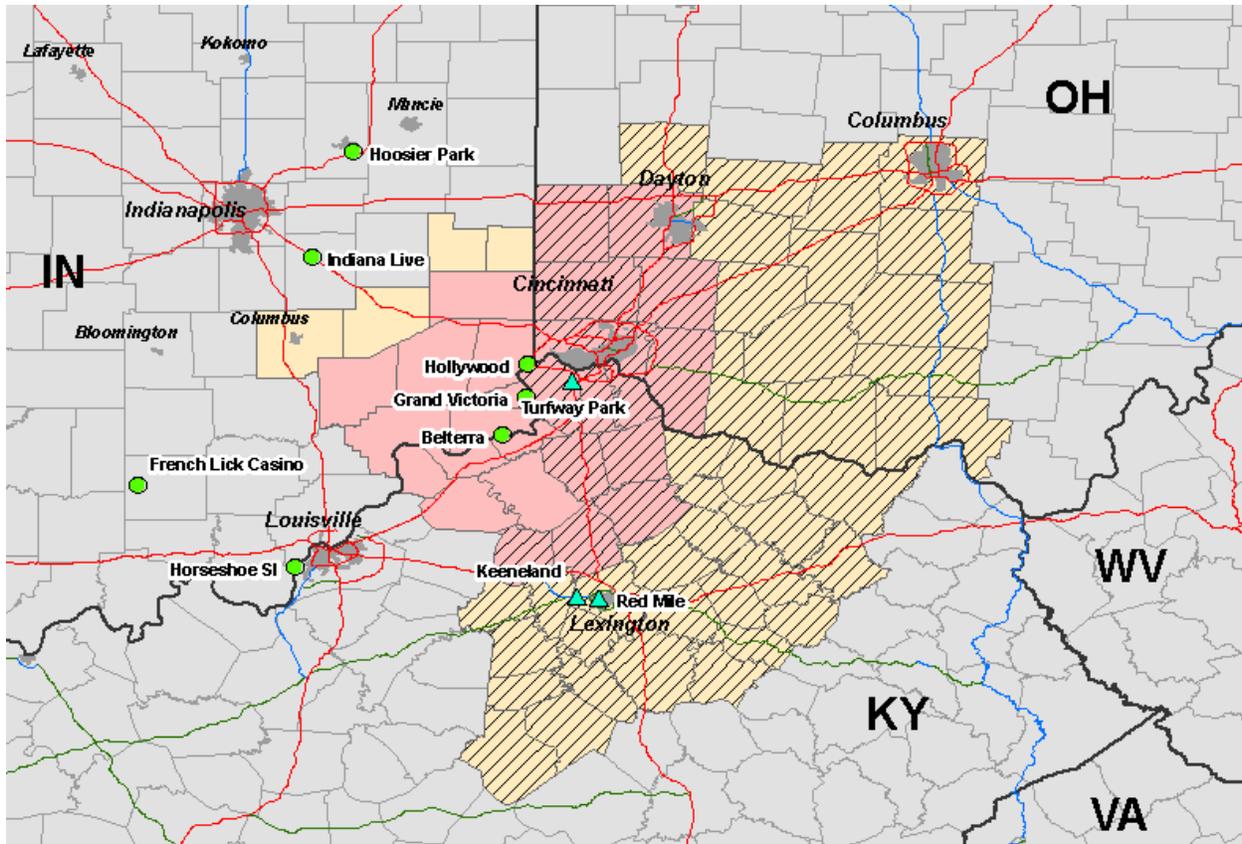
Impact of Potential Turfway/Lexington-Area Gaming Facilities on SE Indiana Casinos:

Turfway Park in Florence, Kentucky, is located about 15 miles south of downtown Cincinnati. Lexington, Kentucky, where Keeneland Racecourse and the Red Mile racetrack are located, is approximately 90 miles south of Cincinnati. In Map 4 below, the rose-colored counties comprise the estimated 50-mile market area for the three southeast Indiana casinos, with the yellow-colored counties comprising the remaining market area.

The estimated market area comprises counties in Indiana, Kentucky, and Ohio, with the adult population in the estimated market area distributed as follows: 6% in Indiana; 23% in Kentucky; and 71% in Ohio. The Cincinnati and Dayton areas, including areas in northern Kentucky, contain approximately 70% of the adult population in the estimated 50-mile market for the southeastern Indiana casinos. Lexington-Fayette County, Kentucky, and Columbus, Ohio, comprise about 50% of the adult population in the estimated market area outside of 50 miles from the southeastern Indiana casinos. Consequently, gaming facilities at Turfway Park and the Lexington-area racetracks generally would be closer and more accessible to these areas. The cross-hatched region in Map 4 shows the estimated market for the southeastern Indiana casinos where gaming facilities at Turfway Park and the Lexington racetracks could present significant competition. Based on the assumed displacement rates, it is estimated that these competing facilities could potentially reduce admissions at the southeastern Indiana casinos by

37% to 45% annually. This reduction in admissions is estimated to reduce admission tax revenue by \$7.5 M to \$9.3 M and wagering tax revenue by \$82.6 M to \$102.2 M.

Map 4: Estimated Impact of Potential Turfway Park and Lexington Gaming Facilities.

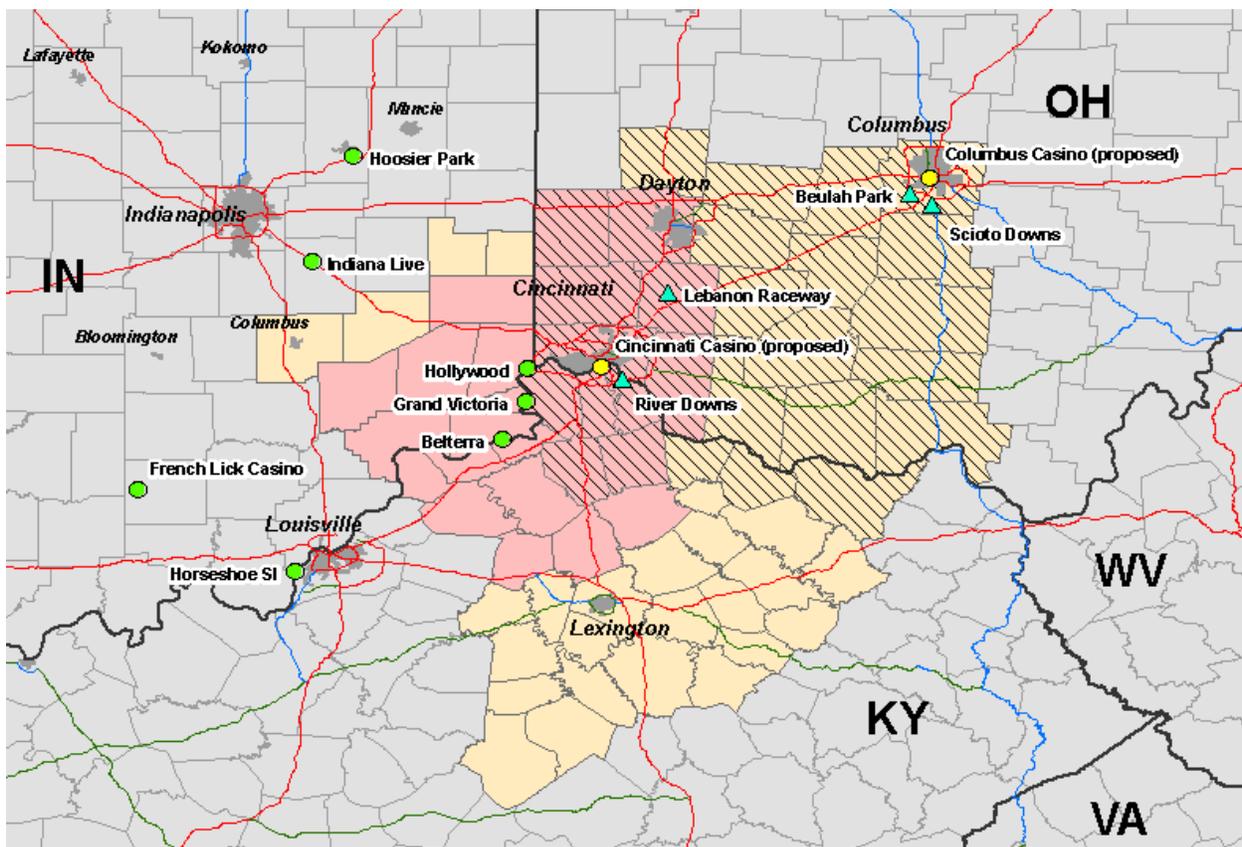


Impact of Cincinnati, Dayton, and Columbus Gaming Facilities on SE Indiana Casinos: River Downs is on the east side of Cincinnati, Ohio, and Lebanon Raceway is about 30 miles north of Cincinnati at about the halfway point between Cincinnati and Dayton, Ohio. Two horse racetracks (Beulah Park and Scioto Downs) are located in Columbus. The proposed locations for casinos in Cincinnati and Columbus are central city locations. In Map 5 below, the rose-colored counties comprise the estimated 50-mile market area for the three southeast Indiana casinos, with the yellow-colored counties comprising the remaining market area.

The estimated market area comprises counties in Indiana, Kentucky, and Ohio, with the adult population in the estimated market area distributed as follows: 6% in Indiana; 23% in Kentucky; and 71% in Ohio. The Cincinnati and Dayton areas, including areas in northern Kentucky, contain approximately 70% of the adult population in the estimated 50-mile market for the southeastern Indiana casinos. Columbus, Ohio, comprises about 40% of the adult

population in the estimated market area outside of 50 miles from the southeastern Indiana casinos. Consequently, gaming facilities at the Ohio locations outlined above generally would be closer and more accessible to these areas. The cross-hatched region in Map 5 shows the estimated market for the southeastern Indiana casinos where the Ohio gaming facilities could present significant competition. It is assumed that the Ohio locations would not significantly penetrate the market area around Lexington-Fayette County, Kentucky. Based on the assumed displacement rates, it is estimated that these competing facilities could potentially reduce admissions at the southeastern Indiana casinos by 30% to 38% annually. This reduction in admissions is estimated to reduce admission tax revenue by \$6.1 M to \$7.8 M and wagering tax revenue by \$67.1 M to \$86.1 M.

Map 5: Estimated Impact of Potential Cincinnati, Dayton, and Columbus Gaming Facilities.



CENTRAL INDIANA

Central Indiana contains the state's two racetrack slot machine facilities, or racinos. Indiana Live is located at Indiana Downs in Shelbyville about 27 miles southeast of Indianapolis and about 88 miles northwest of Cincinnati. Hoosier Park Racing and Casino is located in Anderson about 43 miles northeast of Indianapolis and about 88 miles south of Fort Wayne. The estimated market areas of both facilities cover mostly interior areas of the state, with Hoosier Park potentially having more market area across the border in Ohio. It is estimated that gaming tax revenue primarily from Hoosier Park could be reduced if gaming facilities were located near Dayton, Ohio, or Toledo, Ohio.

In FY 2009, the Indiana Live and Hoosier Park generated 15.6% of the total wagering tax paid by the state's casino gaming facilities. The FY 2009 performance by these three casinos is summarized in Table 4 below.

Table 4: FY 2009 Performance of Central Indiana Casinos.

Casino	Win	Admissions*	Wagering Tax	Admission Tax
Hoosier Park	\$202,201,775	2,632,712	\$63,853,676	N/A
Indiana Live	\$188,827,529	2,458,576	\$59,234,615	N/A
Total	\$391,029,304	5,091,288	\$123,088,291	N/A
Percent of State Total	14.0%	16.4%	15.2%	N/A

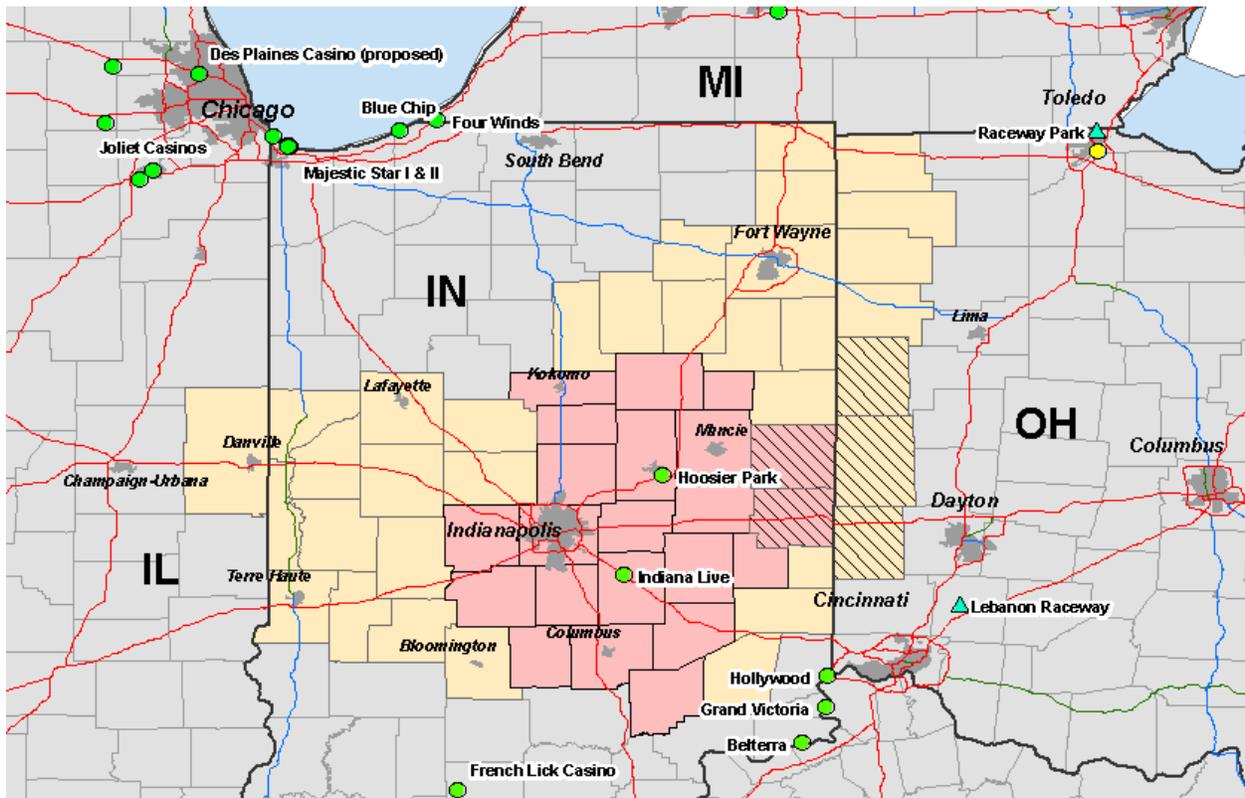
*Admissions totals for Hoosier Park and Indiana Live are estimates based on the actual win generated at each facility and an assumed win per patron equal to \$76.80 (the average for EGDs at the riverboat casinos). The admissions percent of state total is based on reported admissions to the riverboat casinos and these estimates for the racinos.

It is estimated that gaming tax revenue from Hoosier Park could be significantly reduced if a gaming facility is established in Toledo, Ohio, and to a lesser extent if a gaming facility is established in Dayton, Ohio. Due to its location relative to the estimated market areas of Hoosier Park and the casinos in southeast Indiana, it is estimated that Indiana Live's market area is overwhelmingly within interior areas of the state. Consequently, gaming tax revenue from Indiana Live is not expected to be displaced in a significant way by gaming facilities in Ohio.

Impact of Dayton Gaming Facility on Central Indiana Casinos: Lebanon Raceway is about 30 miles north of Cincinnati at about the halfway point between Cincinnati and Dayton. In Map 6 below, the rose-colored counties comprise the estimated 50-mile market areas for Indiana Live and Hoosier Park, with the yellow-colored counties comprising the remaining

market areas for the two facilities. It is estimated that a Dayton-area gaming facility may have only a small impact on the Indiana Live market. More likely, it could potentially affect border-area counties that are estimated to be part of Hoosier Park's market area. The cross-hatched region in Map 6 shows the estimated market for Hoosier Park where a Dayton-area gaming facility could present significant competition. The areas contain about 5.5% of the adult population in Hoosier Park's estimated 50-mile market and almost 14% of the estimated market outside of 50 miles. Based on the assumed displacement rates, it is estimated that a Dayton-area gaming facility could potentially reduce patrons at Hoosier Park by about 4% to 5% annually. This reduction in patrons is estimated to reduce wagering tax revenue by \$3.1 M to \$3.3 M.

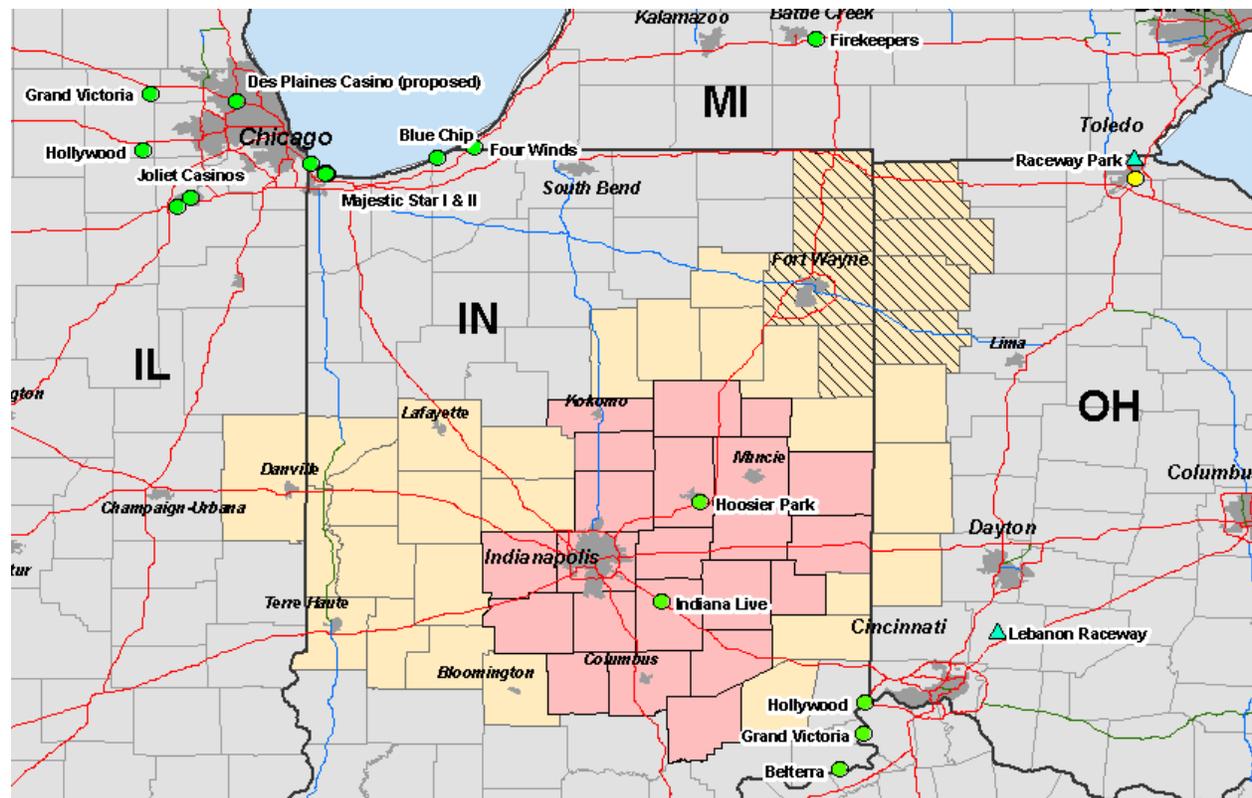
Map 6: Estimated Impact of Potential Dayton Gaming Facility.



Impact of Toledo Gaming Facility on Central Indiana Casinos: Toledo could be the location of a central city casino or a gaming facility located at Raceway Park. Taking the shortest driving route, Toledo is about a 120-mile drive from Fort Wayne and almost 190 miles from Anderson. This means that a Toledo gaming facility potentially would impact only the northern-most counties in Hoosier Park's estimated market. However, this could include Fort

Wayne and Allen County. In Map 7 below, the rose-colored counties comprise the estimated 50-mile market areas for Indiana Live and Hoosier Park, with the yellow-colored counties comprising the remaining market areas for the two facilities. This is shown by the cross-hatched region in Map 7. These counties contain about 58% of the adult population in Hoosier Park's estimated market area outside of 50 miles. Again, a Toledo facility would not have an impact within Hoosier Park's estimated 50-mile market. Based on the assumed displacement rates, it is estimated that a Toledo gaming facility could potentially reduce patrons at Hoosier Park by about 14% annually. This reduction in patrons is estimated to reduce wagering tax revenue by about \$9.7 M.

Map 7: Estimated Impact of Potential Toledo Gaming Facility.



BLUE CHIP/NORTHEAST INDIANA

Blue Chip Casino is located in Michigan City about 30 miles east of Gary and over 100 miles from Fort Wayne. Blue Chip probably draws a small segment of its customer base from the Chicago area and Lake County, Indiana. However, based on the travel distance from the Chicago area and the supply of casinos there and in Lake County, it is estimated that the preponderance of Blue Chip's customers come from Porter County, LaPorte County, and areas

to the east in Michigan and Indiana. Blue Chip operates about 1,950 electronic gaming devices (EGDs) and 50-55 table games. In FY 2009, Blue Chip generated 9.2% of the total admissions tax and 6.1% of the total wagering tax paid in the state. The FY 2009 performance by Blue Chip is summarized in Table 5 below.

Table 5: FY 2009 Performance of Blue Chip Casino.

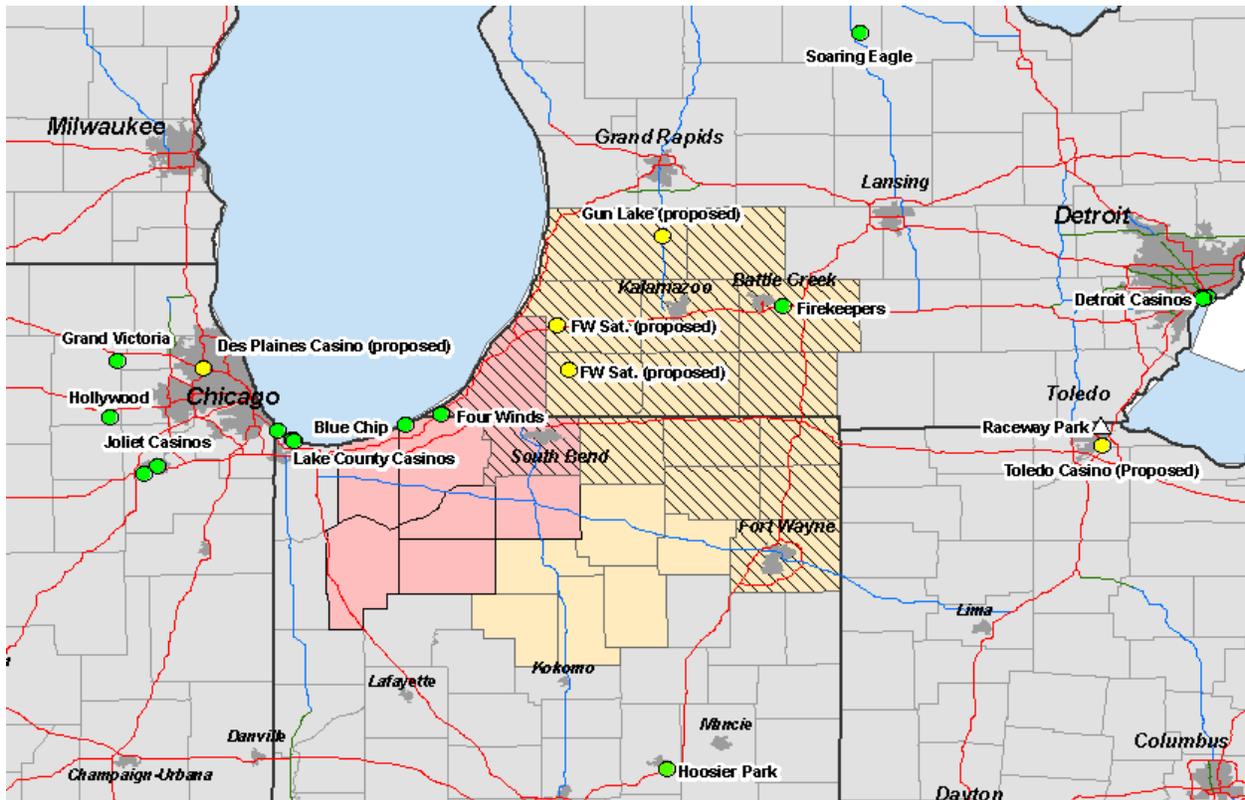
Casino	Win	Admissions*	Wagering Tax	Admission Tax
Blue Chip	\$186,075,228	2,414,384	\$50,170,573	\$7,243,152
Total	\$186,075,228	2,414,384	\$50,170,573	\$7,243,152
Percent of State Total	6.6%	7.8%	6.2%	9.2%

*The admissions percent of state total is based on reported admissions to the riverboat casinos and estimated admissions to the racinos.

Impact of Additional Native American Casinos in Michigan on Blue Chip: Blue Chip competes directly with Four Winds Casino in New Buffalo, Michigan. Four Winds is a Native American casino that opened in August 2007, and is located only about 10 miles from Blue Chip. Four Winds operates about 3,000 EGDs and 100 table games, about 50% more than the totals operated by Blue Chip. It's estimated that Four Winds has displaced roughly 30% of the win Blue Chip generated prior to Four Winds opening.

In addition to Four Winds, one new Native American casino has opened in southwest Michigan, and three others are either in the planning or construction stages. Firekeepers Casino, located about 100 miles from Blue Chip near Battle Creek, Michigan, opened in September. Firekeepers operates 2,680 EGDs and 78 table games. Construction of the Gun Lake Casino started in September. This casino is located about 35 miles north of Kalamazoo, Michigan (about 120 miles from Blue Chip). Gun Lake is scheduled to open in 2010, and is expected to have 1,200 EGDs and 36 table games. Thus, once Gun Lake opens in 2010, this region of Indiana and Michigan will have almost 9,000 EGDs. In addition, Four Winds is planning to build two smaller casinos in Cass County and Van Buren County, Michigan, within roughly 50 miles of Blue Chip. In Map 8 below, the rose-colored counties comprise the estimated 50-mile market areas for Blue Chip Casino, with the yellow-colored counties comprising the casino's remaining market areas.

Map 8: Estimated Impact of New and Proposed Native American Casinos in Michigan.



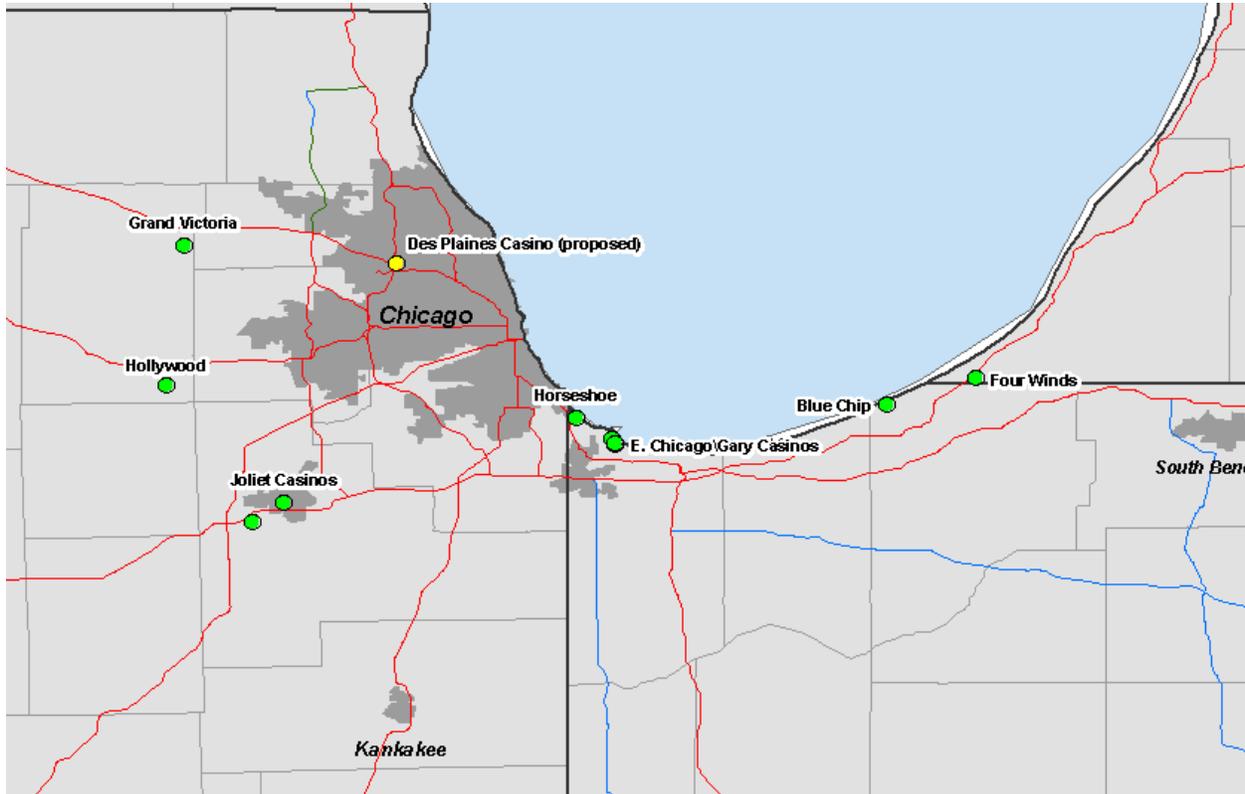
The cross-hatched region in Map 8 shows the estimated market for Blue Chip in which Firekeepers Casino, Gun Lake Casino, and the Four Winds Satellite Casinos could present additional competition. The areas contain about 20% of the adult population in Blue Chip's estimated 50-mile market and about 64% of the adult population in the estimated market outside of 50 miles. Based on the assumed displacement rates, it is estimated that these new Native American casinos could potentially reduce patrons at Blue Chip by another 18% to 20%. This reduction in admissions is estimated to reduce admission tax revenue by \$1.3 M to \$1.5 M and wagering tax revenue by \$12.0 to \$13.2 M.

LAKE COUNTY CASINOS

Lake County contains four casino gaming facilities – Horseshoe Casino in Hammond, Ameristar Casino in East Chicago, and Majestic Star I and II in Gary. These facilities compete directly with four casinos in the Chicagoland area – Harrah's Casino and Empress Casino in Joliet, Hollywood Casino in Aurora, and Grand Victoria Casino in Elgin. In addition, a new casino is being planned in Des Plaines. Construction on this casino is to begin in March 2010,

with completion planned for mid-2011. Map 9 shows the locations of the Chicagoland casinos relative to the Lake County casinos.

Map 9: Lake County and Chicagoland Casinos.



In FY 2009, the four casinos in Lake County generated 43.3% of the total admissions tax and 37.6% of the total wagering tax paid by the state's casino gaming facilities. The FY 2009 performance by these four casinos is summarized in Table 6 below.

Table 6: FY 2009 Performance of Lake County Casinos.

Casino	Win	Admissions*	Wagering Tax	Admission Tax
Ameristar	\$289,739,288	3,271,922	\$86,328,464	\$9,815,766
Horseshoe-Hammond	\$525,937,424	5,265,945	\$169,558,651	\$15,797,835
Majestic Star I	\$119,870,564	1,420,844	\$28,496,495	\$4,262,532
Majestic Star II	\$98,474,750	1,420,844	\$22,118,181	\$4,262,532
Total	\$1,034,022,026	\$11,379,555	\$306,501,791	\$34,138,665
Percent of State Total	36.9%	36.7%	37.7%	43.3%

*The admissions percent of state total is based on reported admissions to the riverboat casinos and estimated admissions to the racinos.

At this time there are no scenarios involving the Chicagoland casinos that would appear to result in any significant competitive impact on the Lake County casinos. This conclusion is based on the following reasons:

- (1) The casino proposed for Des Plaines, Illinois, is located west of Chicago with a drive distance of 40 to 50 miles from Horseshoe-Hammond, its nearest Lake County competitor.
- (2) Illinois continues to impose a position limit of 1,200 gaming positions per casino. It's likely that the limit impedes investment in improved and larger gaming facilities and revenue generation.
- (3) While the admissions and wagering tax increases enacted from 2002 to 2005 have been rolled back to a large extent, Illinois maintains a wagering tax topping out at 50% on annual win exceeding \$200 M.
- (4) Illinois implemented a statewide smoking ban for public places at the beginning of 2008. The smoking ban includes the state's casinos. Research by Garrett and Pakko (2009) suggests that the smoking ban has led to an average decline in attendance at Illinois' casinos equal 9.1% and an average decline in win generated at the casinos equal to 20.4%. The study also finds almost no evidence that the smoking ban increased attendance or win at competing casinos in Indiana.

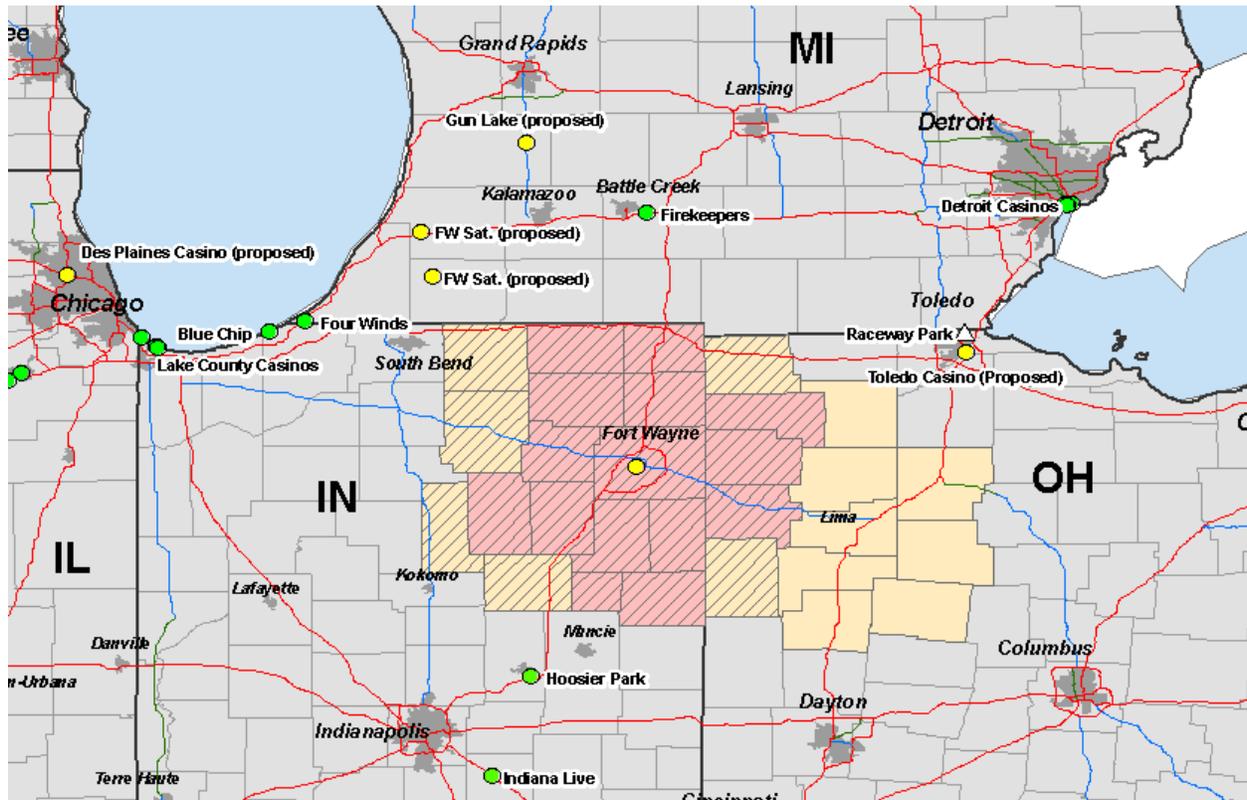
It's unknown the extent to which the Native American casinos in southwest Michigan are capturing, or will capture, market share from the Lake County casinos. No impact from Four Winds Casino on the Lake County casinos has been discerned to this point from the available operating data.

ESTIMATED IMPACTS OF LICENSE RELOCATIONS IN INDIANA

Impact of Locating a Casino in Fort Wayne: The market area estimated for a casino gaming facility in Fort Wayne is described in Map 10 below. The rose-colored counties comprise the estimated 50-mile market area for a Fort Wayne casino, with the yellow-colored counties comprising the casino's remaining market areas. This market area contains an adult population of approximately 1.2 M. The market area outside of 50 miles is truncated to the north by Firekeepers casino, to the south by Hoosier Park casino, and to the east by Blue Chip casino and Four Winds casino. The cross-hatched area represents counties that are estimated to

comprise parts of Blue Chip's and Hoosier Park's current market areas. Consequently, it is estimated a casino located in Fort Wayne could potentially displace significant levels of business at these existing casinos.

Map 10: Estimated Fort Wayne Casino Market Area.



It is estimated that a casino operating in this market area could potentially generate \$140 M to \$170 M in win. This estimate assumes that: (1) the gaming participation rate in the adult population is between 25% and 30%; (2) the average casino patron in the market makes 5 to 6 trips to the casino per year; and (3) win per patron at the casino will be about \$93. This estimate is also checked based on the relative performance of casinos located in various metropolitan statistical areas (MSAs), including Evansville, Indiana, and Louisville, Kentucky. It is also estimated that the win potentially displaced from Blue Chip casino could range from \$23.8 M to \$28.9 M, with the displaced win from Hoosier Park potentially ranging from \$32.2 M to \$39.1 M. Given the estimated displacement, Table 7 below reports the net additional win and net additional gaming taxes estimated for a Fort Wayne casino.

Table 7: Estimated Revenue Generated by Casino in Fort Wayne.

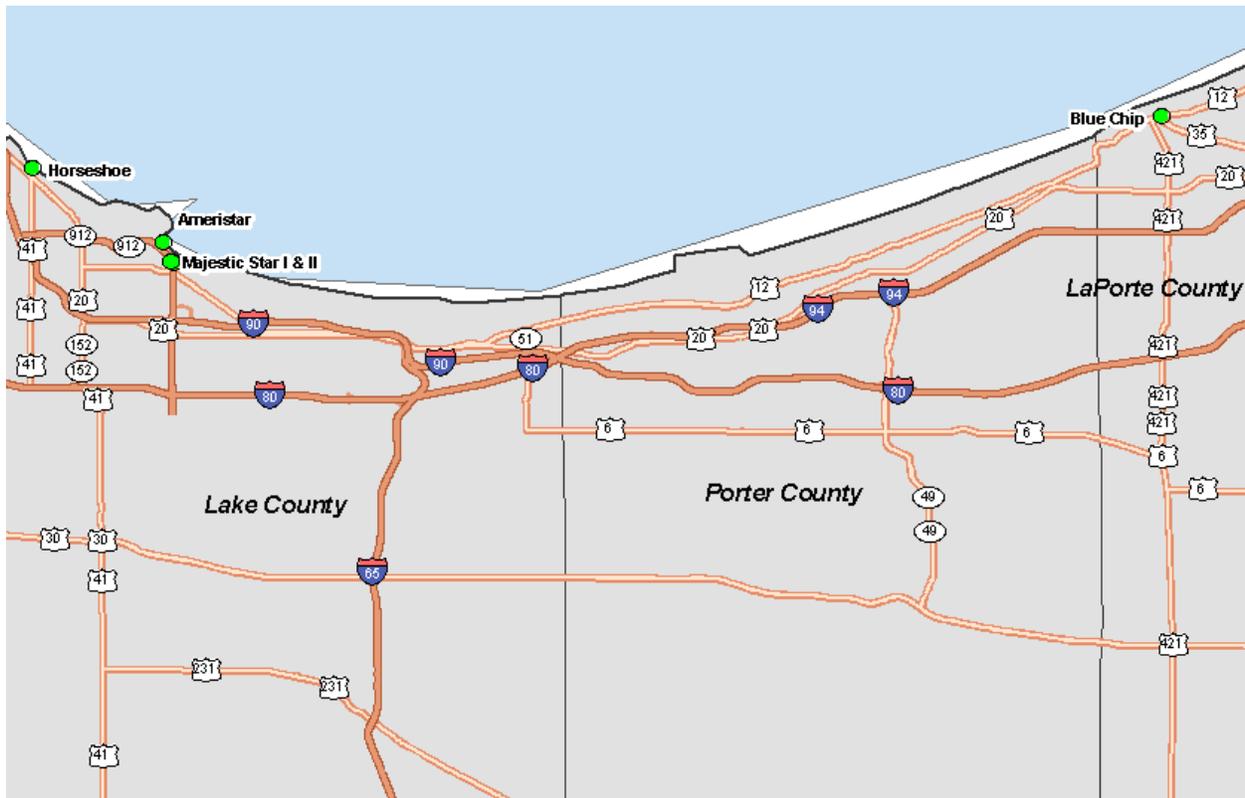
	Low	High
Total Win	140,000,000	170,000,000
Win Displaced from Blue Chip	(23,800,000)	(28,900,000)
Win Displaced from Hoosier Park	(32,200,000)	(39,100,000)
Net Additional Win	84,000,000	102,000,000
Net Additional Wagering Tax	19,399,911	26,044,911
Net Additional Admission Tax	3,591,393	4,360,977

A gaming facility in Toledo, Ohio, could potentially compete in many of the eastern counties in the estimated market area of a Fort Wayne casino. Based on analysis of the population in these areas, it is estimated that the win from a Fort Wayne casino would decline by 17% to 18% if a Toledo gaming facility opened. This impact on the win is estimated to reduce the tax revenue impact of a Fort Wayne casino by 25% to 26%.

Impact of Locating a Land-Based Casino on I-80/94 in Gary: Currently, Majestic Star, LLC is the owner of licenses for two riverboat casinos docked on Lake Michigan at Buffington Harbor in Gary. The Buffington Harbor site is located about 11 miles north of I-80/94 and is accessible from U.S. Highway 12 near Cline Avenue (Indiana 912). This location is shown in Map 11 below with the locations of Ameristar Casino in East Chicago, Horseshoe Casino in Hammond, and Blue Chip Casino in Michigan City.

Ameristar is docked on Lake Michigan at a location roughly two miles to the west of Buffington Harbor off of Cline Avenue (Indiana 912). Horseshoe Casino in Hammond is also docked on Lake Michigan and is approximately a 12-mile drive northwest from Buffington Harbor. Blue Chip's location is between 35 and 40 miles driving distance east of Buffington Harbor.

Map 11: Lake County Casinos/Blue Chip Casino Locations.



Relocating one of the Buffington Harbor riverboat casino licenses to a location on I-80/1-94 near the intersection with I-65 could potentially result in increased wagering tax yields from the license but could also displace business at nearby competitors.

It is estimated that the new casino could generate a higher wagering tax yield than the two Buffington Harbor casinos. This assumes that the remaining casino at Buffington Harbor is shut down and all patrons who would otherwise go to the Buffington Harbor casinos would go to the new location. Consequently, a higher marginal wagering tax rate would be paid on the combined win yield at the new facility. The higher wagering tax yield also is estimated to result as the new facility displaces business at two existing casinos: (1) Ameristar, due to the new facility's location on a potential major access point for customers coming from the southeast to Ameristar; and (2) Blue Chip, due to the facility's location on a potential major access point for customers going from the Chicago area to Blue Chip. The admission tax yield at the new facility also could be higher due to the displacement of business at these two competing casinos. Table 8 below summarizes the displacement effects assuming 10% to 12% displacement from Ameristar and 3% to 5% displacement from Blue Chip. The estimated displacement rates are based on displacement effects observed for Indiana casinos due to new casino locations or

casino expansions nearby, including the observed impact of the Horseshoe-Hammond expansion on Ameristar, Majestic Star I, and Majestic Star II.

Table 8: Estimated Displacement Effects from Relocated Gary Casino.

	Low	High
Patrons Displaced from Blue Chip	72,432	120,719
Patrons Displaced from Ameristar	327,192	392,631
Win Displaced from Blue Chip	\$5,585,210	\$9,308,684
Win Displaced from Ameristar	\$28,950,990	\$34,741,188

Table 9 below summarizes the net additional wagering and admission tax that could potentially be generated by the relocated casino after subtracting any revenue yield attributable to displaced patrons and win.

Table 9: Estimated Net Additional Gaming Tax from Re-located Gary Casino.

	Low	High
Additional Wagering Tax	\$23,051,055	\$26,380,840
Wagering Tax Displaced from Blue Chip	(\$1,954,824)	(\$3,258,039)
Wagering Tax Displaced from Ameristar	(\$10,132,846)	(\$12,159,416)
Net Additional Wagering Tax	\$10,963,385	\$10,963,385
Additional Admissions Tax	\$1,198,871	\$1,540,050
Admissions Tax Displaced from Blue Chip	(\$217,295)	(\$362,158)
Admissions Tax Displaced from Ameristar	(\$981,577)	(\$1,177,892)
Net Additional Admission Tax	\$0	\$0