Eight-Year
License Renewal:
Argosy Casino & Hotel

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Argosy has had a positive fiscal impact on Dearborn County and Lawrenceburg. Added riverboat tax revenue is much more than added costs. The changes brought about by tax restructuring—flexible boarding, lower admissions counts, graduated wagering tax rates, limits and floors on riverboat tax revenue—are not big enough to change this positive fiscal impact. Property tax reassessment increased assessed values and reduced tax rates. Dearborn County did not complete its reassessment in time to issue 2003 tax bills, so it resorted to provisional billing. Tax payments in 2003 were based on those in 2002. Once Argosy's 2003 tax bill is calculated, this payment will be adjusted.

The total eight-year economic impact of the spending of local gaming-related tax and incentives payment from Argosy's opening through 2004 exceed $279 million. Specifically, the expenditures of local gaming-related taxes and incentive payments made by the city of Lawrenceburg and Dearborn County have generated an estimated $279,438,378 in economic impact, $77,740,534 in employee compensation, and 4,319 new jobs (full-time equivalents). While the short-term economic contributions of the spending of gaming-related taxes and incentives are important, the long-term contributions to the quality of life from investments by the city of Lawrenceburg and Dearborn County in capital equipment, new construction, landscaping, and infrastructure improvements, as well as programs and scholarships, should benefit residents and increase the economic competitiveness of local businesses.

Community Impacts

Argosy is perceived as a good corporate citizen, spending over $19 million in the area and attracting new visitors to the community. Additionally, Argosy has impacted the Lawrenceburg area through over one million dollars in sponsorships and contributions to local area organizations.

Center staff conducted focus groups in Lawrenceburg with community leaders including representatives of law enforcement, local business leaders and social services providers. While there were some differences among the groups, which are described below, overall the results were positive. Argosy has been a good corporate citizen. Casino employees are also good corporate citizens who help with United Fund and cleanup projects.

The increased revenue has allowed construction of new public facilities, helped to pave roads, repair bridges, replace flood gates and balance their budget. It has also led to improved educational opportunities including many student books fees paid for, new computers, and scholarships. The increased visibility/awareness of the area has lead to increased tourism. Also, more people live and stay in the community because of the jobs available and downtown development and new residents are moving into the community because of better quality of life.

While in general most comments were positive and all agreed that the positives outweighed the negatives, there were some negatives mentioned. These include the higher cost of living, including increase in prices of basic needs and housing which has led to displacement of the poor; increased traffic on US-50 which has led to increased number of car accidents; and an increase in criminal activity such as public intoxication, DUIs, petty theft, child neglect, drug traffic, firearms, and prostitution, leading to an increase in court case load. There is also a perception that there is plenty of revenue in the city/county. There was concern raised about taxing the boats out of business and also about the state keeping more of the riverboat revenue from the local governments

Employment

Argosy has provided new employment opportunities for local residents. Argosy had 2,112 employees as of July 31, 2004, and has paid $554 million in wages since opening. In August, the Center surveyed Argosy employees and found that for many employees the employment opportunity at the riverboat provided an increased sense of economic security. For example, 32 percent of the survey respondents were unemployed prior to beginning work at Argosy; and over half of those that were employed reported receiving a raise upon beginning work at Argosy. The average length of employment was 4 years and 6 months, and 105 employees felt secure enough to move from rental housing to homeownership. While most employees reported job-related training, fewer employees reported tuition reimbursement opportunities or paying for their own training.

Business Climate Impacts

Overall, growth in the number of jobs and number of establishments accelerated directly following the commencement of gaming in Dearborn County. Wages were consistent with the aggregate of non-riverboat trends. Eleven industries met the criteria for analysis and showed considerable observed change in employment, number establishments, or wages near the time gaming commenced. Those industries were spread across eight sectors. Casual relationship between gaming commencement and other industry change is beyond the scope of this report. This study, however, provides an understanding of what the business climate is in a county that receives large investments and much attention as a result of gaming in the community. Industries that placed positively on the positive growth score were Accommodations, Motor Vehicle and Parts Dealers; Building Material and Garden Equipment and Supplies Dealers; Heavy and Civil Engineering Construction; Justice, Public Order, and Safety Activities; Ambulatory Health Care Services; Gasoline Stations; and Machinery Manufacturing.

Current Financial Position and Future Plans

The Argosy Casino Lawrenceburg is one of the most productive gaming facilities in Indiana and has had that distinction from very early in its history. The state of Indiana has benefited greatly as has the county and community of Lawrenceburg from the success achieved by Argosy to date. There are no managerial or financially-based reasons to do anything other than renew the Argosy license.

Introduction

On June 30, 1995, the Commission issued a Certificate of Suitability for a Riverboat Owner's License for a riverboat to be docked in Lawrenceburg, Indiana. Argosy Casino & Hotel (Argosy) opened on December 13, 1996. The Riverboat Gambling Act, effective July 1, 1993, specifies that a licensed owner, after their license is renewed at year five, shall undergo a complete investigation every three years to determine that the licensed owner remains in compliance.

The Commission asked the Center for Urban Policy and the Environment (Center) of Indiana University's School of Public and Environmental Affairs to assist the Commission in performing economic impact, fiscal impact, financial, management, and other analyses to assist the Commission in renewing the riverboat casino licenses. The Center prepared annual evaluation reports for Argosy's first four years of operation as well as a report that analyzed Argosy's first five-years of operation. These reports are available on the Indiana Gaming Commission's website (www.in.gov/gaming/reports/).

This report contains an analysis of Argosy's first eight years of operation. Because this analysis must be completed before the completion of Argosy's eighth year of operations, for year eight, data are shown through July 31, 2004.

Economic and Fiscal Activity

The following sections examine the changes brought about by tax restructuring—flexible boarding, lower admissions counts, graduated wagering tax rates, and limits and floors on riverboat tax revenue. They also provide detail regarding the compliance of Argosy's voluntary and mandatory contributions and provide a preliminary analysis to identify and quantify the immediate economic benefits enjoyed by Lawrenceburg and Dearborn County as a result of the investment of the voluntary and tax contribution of Argosy.

Tax Restructuring and Riverboat Tax Payments to Local Governments

The Indiana General Assembly passed tax restructuring in its June 2002 special session. Restructuring made a number of dramatic changes in state and local taxation.[1] This section of the report will look at the effect of these changes on the tax revenues collected from the Argosy riverboat by Dearborn County, the city of Lawrenceburg, and the Lawrenceburg Community School Corporation.

Admissions Tax

Tax restructuring left admissions tax rates unchanged for Dearborn County and Lawrenceburg. Before and after restructuring, the county and the city received one dollar for each riverboat admission.

However, restructuring allowed the riverboats to adopt flexible boarding. Prior to this, riverboats were required to cruise, or operate as if they cruised. The casino's doors were closed to entrants for the length of the cruise, whether or not the boat left the dock. With flexible boarding, the riverboat is allowed to remain dockside with its doors open. Patrons may enter at any time they wish. This increased convenience was expected to increase attendance and wagering, and it appears to have done so.

By the first week of August 2002, all of Indiana's riverboats had applied for and been granted permission to use flexible boarding. Argosy began flexible boarding on August 1, 2002.

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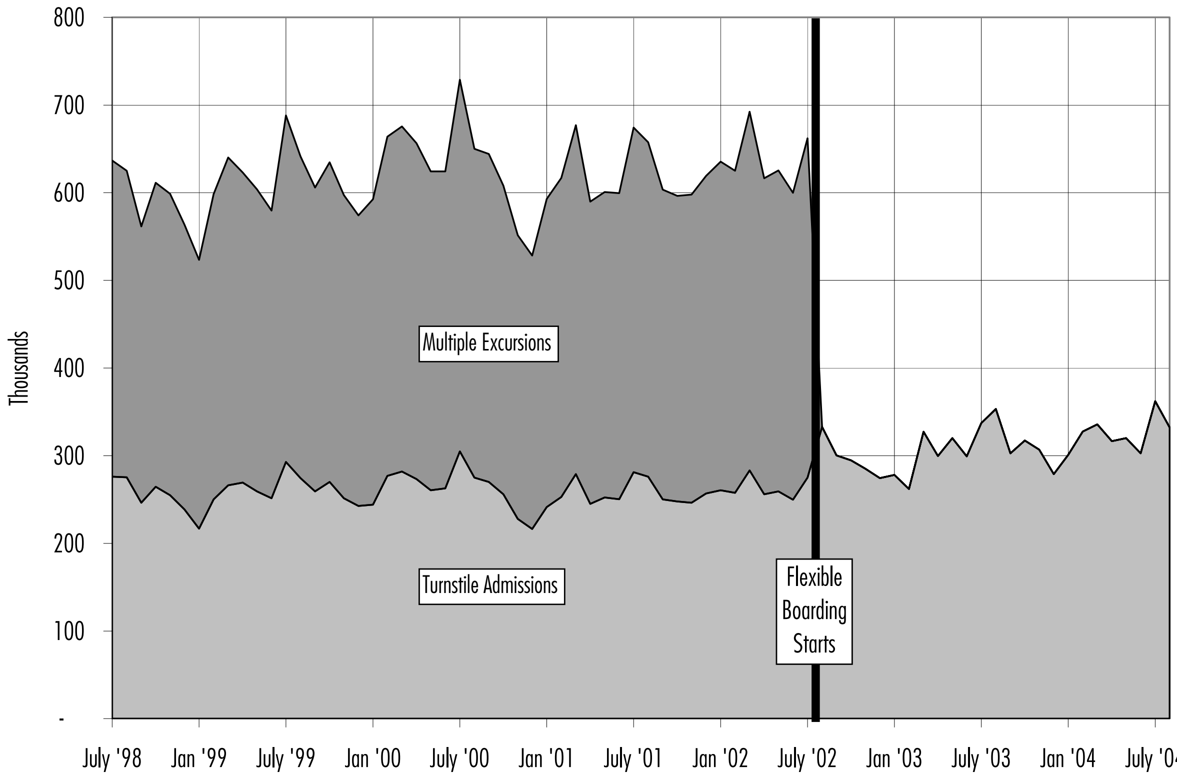
[1] It increased the sales tax and the cigarette tax; it reformed the corporate income taxes; it revised the local property tax controls; it delivered hundreds of millions of dollars in additional property tax relief; and it raised hundreds of millions of dollars to help fill in Indiana's state budget gap.

In addition, tax restructuring made several changes that affected the taxation of riverboat admissions, wagering receipts and property. It allowed riverboats to adopt flexible boarding, also known as dockside gaming, rather than requiring two-hour excursions throughout the day; it adopted new, higher graduated tax rates for the wagering tax; it capped the revenue that host cities and towns could receive from the wagering tax, at the amount received during the state's fiscal year 2001-02; it put a floor on the revenue that host cities, towns and counties could receive from the admissions tax, at the amount received during the state's fiscal year 2001-02; it designated the first $33 million in wagering taxes collected in each state fiscal year for distribution to non-riverboat counties, cities and towns; and, it effectively committed Indiana to market value property tax assessment, which affected the tax rates applied to the assessed value of riverboat property.

Prior to flexible boarding, all the patrons of each cruise were counted as new admissions, even if the patron simply remained on the boat for more than one cruise. Flexible boarding ended this practice. This meant that the number of admissions, as counted, declined with the advent of flexible boarding, even as the number of patrons increased. Figure 1 shows monthly admissions for the Argosy riverboat, July 1998 through August 2004.

Figure 1: Turnstile and Multiple Excursion Admissions, July 1998-August 2004



Turnstile admissions show the actual number of patrons entering the riverboat. Multiple excursions are the added count of these patrons as extra admissions because they took more than one cruise. In August 2002 multiple excursion admissions disappear. The number of turnstile admissions increased, from a monthly average of 259,771 from July 1998 through July 2002, to a monthly average of 310,705 through July 2004, a 20 percent increase. But the total number of counted admissions (including multiple excursions) dropped from a monthly average of 619,049, a 50 percent decline.

Flexible boarding, which appears to have increased admissions, as expected, would have cost Dearborn County and the city of Lawrenceburg 50 percent of their admissions tax revenue, had the old tax structure remained unchanged. Perhaps in response to this difficulty, the General Assembly fixed the amount of admissions tax revenue to be distributed to riverboat cities and counties at the (state) fiscal year 2001-02 amount.[2]

The State Treasurer certified base year revenue for Dearborn County and Lawrenceburg City at $7,448,449, the amount collected during the state fiscal year 2002 (July 2001 to June 2002). This amount was distributed to the county and city in fiscal 2003 and 2004. In fiscal 2003 collections fell short of the base year amount, so the state added about $5 million from the property tax replacement fund.

Wagering Tax

Tax restructuring allowed riverboats to adopt flexible boarding, which was expected to increase wagering revenue. However, riverboats that adopted flexible boarding (as they all did) would pay wagering taxes under a new set of graduated tax rates.

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[2] Indiana Code 4-33-12-6 reads (in part)

> (h) . . . The treasurer of state shall determine the total amount of money paid by the treasurer of state to an entity subject to this subsection during the state fiscal year 2002. The amount determined under this subsection is the base year revenue. . . . The treasurer of state shall certify the base year revenue determined under this subsection to each entity subject to this subsection.
>
> (j) For state fiscal years beginning after June 30, 2002, the total amount of money distributed to an entity under this section during a state fiscal year may not exceed the entity's base year revenue as determined under subsection (h). . . . If the treasurer of state determines that the total amount of money distributed to an entity under this section during a state fiscal year is less than the entity's base year revenue, the treasurer of state shall make a supplemental distribution to the entity under IC 4-33-13-5(g).
>
> And IC 4-33-13-5(g) reads (in part)
>
> Before September 15 of 2003 and each year thereafter, the treasurer of state shall determine the total amount of money distributed to an entity . . . during the preceding state fiscal year. If the treasurer of state determines that the total amount of money distributed to an entity . . . during the preceding state fiscal year was less than the entity's base year revenue. . . , the treasurer of state shall make a supplemental distribution to the entity from taxes collected under this chapter and deposited into the property tax replacement fund. The amount of the supplemental distribution is equal to the difference between the entity's base year revenue. . . and the total amount of money distributed to the entity during the preceding state fiscal year under IC 4-33-12-6.

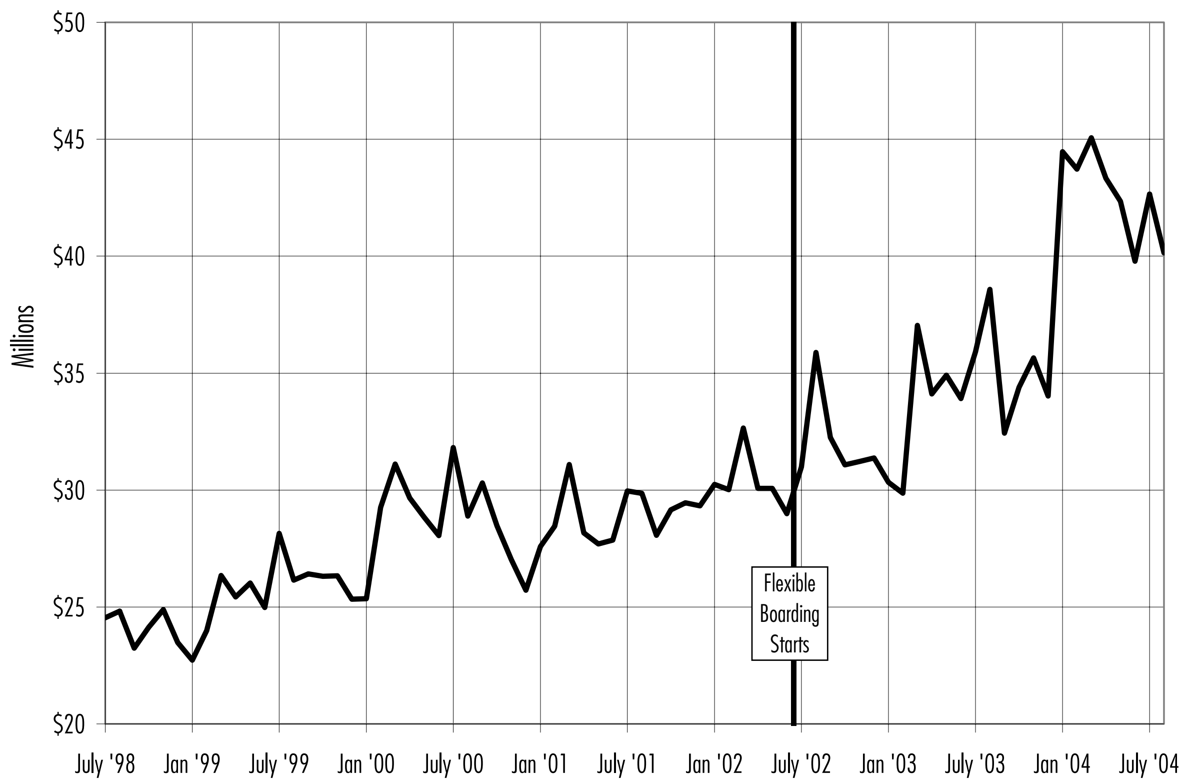
Prior to restructuring the wagering tax rate was a flat 20 percent of adjusted gross receipts (AGR). After restructuring, the rates were set for flexible boarding riverboats as shown in Table 1. The initial rate is 15 percent, less than the old flat rate, but this applies only to the first $25 million. A 20 percent rate applies to AGR from $25 to $50 million. Above $50 million, rates higher than the pre-restructuring 20 percent flat rate apply. In fiscal 2003-04 Argosy began paying the 25 percent rate August 12, 2003, just six weeks into the state fiscal year. Clearly, the new graduated tax rates represent an increase in wagering taxes for Indiana's riverboats.

Table 1: Graduated Wagering Tax Rates

From AGR Amount	To AGR Amount	Tax Rate
$0	$25 million	15%
$25 million	$50 million	20%
$50 million	$75 million	25%
$75 million	$150 million	30%
$150 million	And above	35%

Flexible boarding was expected to increase adjusted gross receipts, and it appears to have done so for the Argosy riverboat. Figure 2 shows the estimated monthly AGR for the period July 1998 through August 2004. Argosy has seen an upward trend in receipts throughout its existence, but receipts appear to have accelerated after flexible boarding was introduced. The trend increase prior to flexible boarding was $137,000 per month. Since flexible boarding the trend increase has been $516,000 per month.

Figure 2: Estimated Adjusted Gross Receipts, July 1998-August 2004



Lawrenceburg receives a share of wagering tax revenue. Counties do not receive such revenue. Prior to restructuring, Lawrenceburg received one-quarter of the wagering taxes collected under the flat 20 percent rate. This share was unchanged by tax restructuring.

However, two features were added to the distribution of wagering taxes to local governments which reduce the amount of revenue that Lawrenceburg realizes from the wagering tax.

One, the legislature designated the first $33 million from statewide wagering taxes to be distributed to non-riverboat counties, cities, and towns.[3]

Lawrenceburg will receive 25 percent of wagering tax revenue, after the $33 million has been collected in July and August. Argosy collects about 20 percent of statewide wagering taxes, so its share of the $33 million is about $6,600,000.

Two, the legislature fixed a maximum amount that a city can receive from wagering taxes, at the amount received during the state fiscal year 2001-02.[4]

The State Treasurer certified base year revenue for Lawrenceburg City at $17,686,963. Lawrenceburg's wagering tax collections reached this amount by the end of February 2004. The revenue that would have gone to Lawrenceburg in March through June without this limit was instead deposited in the state's property tax replacement fund, an amount equal to approximately $14.5 million.

Fiscal Impacts

Fiscal impact analysis attempts to determine how a change in policy has affected the revenues and expenditures of a government. How has tax restructuring affected the budgets of Dearborn County and Lawrenceburg?

We compare three scenarios. First, suppose the policies in effect in 2002 had continued. Suppose there was no flexible boarding, no graduated wagering tax, and no limits or floors on admissions and wagering tax revenue. Riverboats would continue to cruise, with taxable admissions equal to turnstile plus multiple excursion admissions. The wagering tax would remain at a flat 20 percent of adjusted gross receipts. Call this the "Old" scenario.

Second, suppose that flexible boarding and the graduated wagering tax had been adopted without the limits or floors on admissions and wagering tax revenues. Call this the "No-Limits" scenario.

Third, consider what was actually adopted, flexible boarding, turnstile admissions, a graduated wagering tax, a floor on admissions tax revenue, and a limit on wagering tax revenue. Call this the "Actual" scenario.

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[3] The collection of the $33 million starts with the beginning of the state fiscal year in July. Indiana Code 4-33-13-5 (a) reads (in part):

> (1) The first thirty-three million dollars ($33,000,000) of tax revenues collected under this chapter shall be set aside for revenue sharing under subsection (e).
>
> (2) Subject to subsection (c), twenty-five percent (25%) of the remaining tax revenue remitted by each licensed owner shall be paid:
>
> > (A) to the city that is designated as the home dock of the riverboat from which the tax revenue was collected. . . .

Subsection (e) referred to in part (1) describes how the revenue is to be divided up among non-riverboat counties, cities and towns.

[4] Subsection (c) referred to in (2) above reads (in part):

. . . The treasurer of state shall determine the total amount of money paid by the treasurer of state to the city or county during the state fiscal year 2002. The amount determined is the base year revenue for the city or county. The treasurer of state shall certify the base year revenue determined under this subsection to the city or county. The total amount of money distributed to a city or county under this section during a state fiscal year may not exceed the entity's base year revenue.

The key to the pre-restructuring scenario are the assumptions about what would have happened to admissions and adjusted gross receipts. Flexible boarding apparently increased both, but would either of these tax bases have increased had flexible boarding not been adopted?

Argosy adjusted gross receipts trended upward during the whole period from mid-1998 to the adoption of flexible boarding in August 2002 (see Figure 2). Receipts averaged $24.5 million per month in the first twelve months of this period; $29.9 million per month in the last twelve months. The upward trend is estimated at $136,600 per month or $1,639,000 per year. Total admissions, on the other hand, showed no upward trend, varying between 520,000 and 730,000 throughout the period.

Tables 2, 3, and 4 show the revenue estimates for the three scenarios for Dearborn County and Lawrenceburg.

Table 4 shows the total riverboat tax revenues received by each unit under each scenario. Dearborn County does as well under the Actual scenario as under the Old scenario. This result depends entirely on the assumption that total admissions was not trending upward before flexible boarding. If total admissions had been increasing without flexible boarding, then the county would have realized increases in admissions tax revenue, rather than the fixed distribution of the Actual scenario. The Actual scenario has the advantage of greater certainty—with any variations in admissions taxes offset by the state's supplemental distribution—which probably makes it preferred over the Old scenario without increasing admissions. But flexible boarding is a fact, and without the multiple excursion admissions, Dearborn County would have suffered an enormous loss of revenue.

Table 2: Admissions Tax

		Old	No Limits	Actual
	Taxable Admissions	7,448,449	3,548,330	3,548,330
Dearborn	Tax Revenue	$7,448,449	$3,548,330	$3,548,330
	Supplemental Distribution	-	-	$3,900,119
	Total Revenue	$7,448,449	$3,548,330	$7,448,449
Lawrenceburg	Tax Revenue	$7,448,449	$3,548,330	$3,548,330
	Supplemental Distribution	-	-	$3,900,119
	Total Revenue	$7,448,449	$3,548,330	$7,448,449

Table 3: Wagering Tax

		Old	No Limits	Actual
Lawrenceburg	AGR	$361,137,259	$469,714,367	$469,714,367
	Tax Revenue	$18,056,863	$32,230,065	$32,230,065
	Less: Amount Over Limit	0	0	$14,543,102
	Total Revenue	$18,056,863	$32,230,065	$17,686,963

Table 4: Admissions and Wagering Tax Combined

		Old	No Limits	Actual
Dearborn	Total Revenue	$7,448,449	$3,548,330	$7,448,449
Lawrenceburg	Total Revenue	$25,505,312	$35,778,395	$25,135,412

Lawrenceburg receives by far the most revenue under the No Limits scenario, and the Actual scenario delivers the smallest revenue of the three. Lawrenceburg receives the same admissions tax revenue as Dearborn County, so the county analysis also applies to the city. The Old scenario delivers the same revenue as the Actual scenario to Lawrenceburg because of the assumed stability in total admissions. Wagering tax receipts under the Old scenario are much greater than under the Actual scenario. This is because of the strong upward trend in adjusted gross receipts that existed prior to flexible boarding. Tax receipts would have grown in the two years since 2002, had they not been fixed at their base year 2002 level.

Actual revenue is significantly less than the revenue that would be received under the No Limits scenario. Like Dearborn, Lawrenceburg would suffer large losses in admissions tax revenue if flexible boarding were adopted without the state's revenue floor. The benefit of flexible boarding, however, is in the added AGR, and the state's limit on wagering tax receipts costs Lawrenceburg almost $18 million dollars a year. This would more than offset the loss of admissions tax revenue.

A formal analysis of costs was not conducted, but increased attendance might add to city and county costs, through added traffic control requirements, for example. On the other hand, the end of cruises may spread traffic more evenly throughout the day, replacing big increases in traffic every two hours. The effect of flexible boarding on costs is unclear, but is likely to be small.

Previous analyses have shown that Indiana's riverboat taxes are quite generous for the counties and cities hosting riverboats, a fact that tax restructuring has not changed. Riverboats have a positive fiscal impact for host counties and cities. The move to flexible boarding had the potential to make riverboats much less generous for counties, and much more generous for cities. The state avoided both possibilities by fixing future revenues at their 2002 levels. Tax restructuring effectively reserved the revenue benefits of added wagering taxes for the state, and for non-riverboat counties, cities, and towns.

Property Tax

In December 1998, the Indiana Supreme Court found Indiana's real property tax assessment system to be unconstitutional. Indiana had been assessing real property—land and buildings—for tax purposes using a unique system based on construction costs and depreciation by age. The court found that this system lacked a sufficient relationship to property wealth and was not based on objectively verifiable data.

While the court did not decide explicitly that Indiana must use a market value system, assessment rule changes made by the June 2002 tax restructuring effectively made Indiana a market value state. To lessen the resulting tax shift to homeowners, the legislature increased homeowner deductions, and increased the amount of state funds devoted to property tax relief. The funds were derived from the increases in the sales tax, cigarette tax, and the higher graduated riverboat wagering tax. Most of the added tax relief was delivered through a higher property tax replacement credit (PTRC) rate.

In Dearborn County gross assessed values increased 84 percent, and taxable assessed values (after deductions) rose 62 percent. Tax rates fell an average of 32.5 percent from 2002 to 2003. The total revenue realized from the property tax increased 9.5 percent, though a higher share came from state PTRC payments, paid out of state funds and replacing property taxes dollar for dollar.

How a particular taxpayer fares under reassessment depends on how much the taxpayer's property's assessed value increases, how much the tax rate falls, and for how much property tax relief the taxpayer's property is eligible. It appears that reassessment increased the taxable assessed values of older homes, rental property, and farm land more, while the assessed values of newer homes, and commercial, industrial and utility property increased less. In general, property taxes shifted from businesses to homeowners and farmers.

Table 5: Estimated Argosy Property Tax Payments by Unit, 2002 and 2003

	2002 Rate	2003 Rate	2002 Share	2003 Share	2002 Paid ($)	2003 Paid ($)
State	0.0033	0.0033	0.1%	0.1%	1,597	2,103
Dearborn County	0.5869	0.4054	14.1%	12.8%	284,070	258,397
Lawrenceburg Township	0.0530	0.0332	1.3%	1.0%	25,653	21,161
Lawrenceburg City	1.4153	1.2937	33.9%	40.9%	685,030	824,589
Lawrenceburg Schools	1.9824	1.3490	47.5%	42.6%	959,517	859,837
Lawrenceburg Library	0.1188	0.0754	2.8%	2.4%	57,501	48,059
Dearborn Solid Waste	0.0103	0.0066	0.2%	0.2%	4,985	4,207
Total	4.1700	3.1666	100.0%	100.0%	2,018,354	2,018,354

Given all this change, it might be surprising that the Argosy property tax payment in 2002 and the payment in 2003 were identical, at $2,018,354. This was no accident. Like many Indiana counties, Dearborn County did not complete its reassessment in time to issue tax bills in 2003. With no assessed values upon which to calculate rates or individual tax bills, the county resorted to "provisional billing." This was an option made available by the General Assembly for the 2002-03 reassessment. Counties with incomplete reassessments were permitted to send tax bills based on 2002 tax bills. Adjustments would be made once the actual 2003 bills were calculated. Taxpayers that overpaid would have excess payments refunded, or subtracted from subsequent bills.

Table 5 shows the estimated property tax payments by Argosy to the jurisdictions in which most of its property are located. (There is a small amount of Argosy property in the town of Greendale, not shown here.) In each year more than 95 percent of property tax payments go to Dearborn County, Lawrenceburg City or the Lawrenceburg School Corporation. Lawrenceburg City received a greater share in 2003. This occurred because Lawrenceburg saw both a smaller increase in assessed value than the other two units, and increased its levy substantially more. Its tax rate fell less than did the county or school rates, so a larger share of the district's tax dollars went to the city.

The results in this table should not be misinterpreted. First, the total revenues received by all these jurisdictions increased. Reassessment caused a shift in tax burdens, but did not affect the total revenues collected by jurisdictions. Where Argosy is paying a smaller share of those revenues, other taxpayers are paying more.

Second, once Argosy's 2003 tax bill is calculated, the payment shown here will be adjusted. Taxpayers who were overcharged will see refunds or smaller bills in 2004. Taxpayers who were undercharged will make added payments. Reassessment generally shifted taxes away from businesses. It is more likely than not that Argosy's final 2003 tax bill will be smaller than that shown here. Whether this turns out to be true, and by how much, remains to be seen.

Incentive Payments

The largest impact of Argosy in the Lawrenceburg area (outside of taxes) has been through incentive payments. These payments are the result of agreements that were made with Lawrenceburg as part of the application process. In its Certificate of Suitability, Argosy agreed to provide incentive payments, as detailed below.

Incentive Payment Certificate Compliance

As Table 6 illustrates, Argosy has provided over $206 million in incentive payments since inception, with the majority falling in the first five-years of operation. The economic impact of these contributions to the Dearborn County economy is discussed in the section below. It should be noted that the city of Lawrenceburg has agreed to a reduction of the local incentive payments in an agreement signed in early July 2004. The agreement includes an incentive payment credit for the expansion or redesign of the Argosy property through a reduction in local incentive payments of up to $5 million per year for a period of 10 years. The credit would be available after Argosy generates a minimum of $30 million in incentive revenue (Development Agreement Revenue) for the city each year, provided Argosy re-invests at least the amount of the tax credit in improvements to its property. This reduction will be reflected in the 2004 incentive payments that will be payable in January 2005.

Table 6: Schedule and Description of Incentive Payments

Incentive	Promised Amount	Recipient	Amount Paid Through 7/31/04	Status
Utilities-Riverboat				
Water System	$25,000	City of Lawrenceburg	$25,000	Completed Year 1
Wastewater System	$200,000	City of Lawrenceburg	$200,000	Completed Year 1
Electrical	$1,000,000	City of Lawrenceburg	$1,000,000	Completed Year 1
Utilities-City system				
Water System	$1, 475,000	City of Lawrenceburg	$1, 475,000	Completed Year 1
Wastewater System	$10,309,000	City of Lawrenceburg	$10,309,000	Completed Year 1
Electrical	$750,000	City of Lawrenceburg	$750,000	Completed Year 1
Fire and Emergency Vehicles	$1,150,000	City of Lawrenceburg	$1,150,000	Completed Year 1
Improvements to U.S. 50/I-275	$7,024,000	City of Lawrenceburg	$500,000	Completed Year 1
Environmental Studies	$50,000	City of Lawrenceburg	$500,000	Completed Year 1
Infrastructure Improvements	$5,000,000	City of Lawrenceburg	$5,000,000	Completed Year 2
Infrastructure Improvements	$2,000,000	City of Lawrenceburg	$1,950,000	Completed Year 2
Unrestricted Grants	$12,000,000	City of Lawrenceburg	$11,600,000	Completed Year 1
Greater of $6 million or a percentage of AGR reduced by $60,000/yr.*	0 to 150 = 5% 150 to 200 = 6% 200 to 250 = 9% 250 to 300 = 12% 300+ = 14%	City of Lawrenceburg	1997: $5,857,879 1998: $6,384,472 1999: $16,670,735 2000: $22,083,256 2001: $27,134,549 2002: $27,475,617 2003: $31,267,998 2004: $34,009,324 Total: $170,838,830	Ongoing
U.S. 50 Improvements	Not in Certificate	Indiana Department of Transportation, Greendale Utilities	$3,899,000	Completed Year 1
TOTAL			$206,496,830	

*Because Argosy's annual incentive payment is calculated using the annual AGR, the amount due for a particular year is actually paid in late January of the following year.

Tax Revenue Collected

As Table 7 illustrates, Argosy has paid over $503 million in direct taxes to the state of Indiana since it opened.

Table 7: State Direct Taxes

Category	FY1996-03	FY 2004	Total
Gaming Tax (State Share)	$339,724,045	$117,833,296	$457,557,341
Admission Tax (State Share)	$42,068,799	($3,496,901)	38,571,898
Sales and Use Tax	$5,935,488	$1,350,079	$7,285,567
Total	$387,728,332	$11,568,474	$503,414,806

*Total tax collected minus city and county share. State share of admission taxes appear negative because the state returns more of the admission tax than it collects to maintain Rising Sun and Ohio County at the 2002 level of admission tax.

In addition, as Table 8 shows, Argosy as paid almost $216 million in direct taxes (gaming, admission, and property taxes) to the local area (city and county) since it opened.

Table 8: Local Direct Taxes

Category	FY1996-03	FY 2004	Total
Gaming Tax (City Share)	$94,611,941	$17,686,963	$112,298,904
Admission Tax (County Share)	$39,059,942	$7,448,449	46,508,391
Admission Tax (City Share)	$39,059,942	$7,448,449	$46,508,391
Property Tax	$8,241,241	$2,018,359	$10,259,600
Total	$180,973,066	$34,602,220	$215,575,286

Economic Impact of the Spending of Gaming-Related Local Taxes and Incentive Payments

As part of the five-year evaluation, the Center estimated the economic impact of local gaming-related taxes and incentive revenue spent by local governments and community foundations. As part of the eight-year evaluation, we continue to analyze the economic impact of the expenditure of gaming-related taxes and negotiated incentives by local governments and foundations. While we present the total eight-year economic impact of expenditures of gaming-related tax and incentive payments, the primary focus of the analysis is to describe the new economic impact resulting from the spending of local tax and incentive payments that has occurred since the five-year report. This analysis is based on expenditures of $109,755,257 made by the city of Lawrenceburg and expenditures of $26,418,000 made by Dearborn County.

Lawrenceburg expenditures cover the period between January 1, 2002 and August 2004, the analysis does not include $7,500,000 paid to the Lawrenceburg Bond Bank and $17,411,500 invested in certificates of deposit. The Bond Bank payment represents loan repayments for money already spent and the certificates of deposit represent an investment rather than a direct expenditure and as such have no immediate short term economic impact.

Dearborn County expenditures are estimates based on the annual distribution formula provided by Dearborn County. As a result the Dearborn County expenditure estimates include expected expenditures From January 1, 2002 through the end of 2004. Excluded from the economic impact analysis are Dearborn County's expenditure of $3,358,000 of contingency and investment revenue as well as $4.5 million of revenue shared with other local governments.

The total eight-year economic impact of the spending of local gaming-related tax and incentives payment from Argosy's opening On December 13, 1886, through 2004 exceed $279 million. Specifically, the expenditures of local gaming-related taxes and incentive payments made by the city of Lawrenceburg and Dearborn County have generated an estimated:

- $279,438,378 in economic impact,
- $77,740,534 in employee compensation, and
- 4,319 new jobs (full-time equivalents).

The estimated economic impact of expenditures of local gaming-related taxes and incentive payments since the five-year report (covering the years 2002-2004) is:

- $149,800,858 in economic impact,
- $43,720,628 in employee compensation, and
- 2,098 new jobs (full-time equivalents).

Economic Impact of the Expenditure of Gaming-Related Local Taxes and Incentive Payments 2002-2004

The expenditure by local governments and foundations of the gaming-related taxes and incentive payments make two important contributions to the local economy. The first contribution is the immediate economic impact of the expenditures as they work their way through the local economy. These benefits can be estimated through the use of an input/output model, and are important for the short term stimulus they add to the local economy. The second or long-term contribution of these investments is in the contribution they make to the fundamental competitiveness of the local economy. These longer term contributions can begin to be understood by looking at job creation and wage trends in the local economy.

Direct Economic Impact 2002 – 2004

Direct economic impact represents economic activity (as well as employment and wages) occurring at firms that directly contract to provide services funded by gaming-related revenue as well as firms (likely not-for-profits) that receive grants directly funded by gaming-related revenue. Specifically this analysis is based on $109,755,257 of gaming-related tax and incentive revenue spent by the city of Lawrenceburg and Dearborn County primarily on construction, capital equipment and programs that provide local services. The spending of the over $109 million in tax and incentive revenue generated:

- $31,970,807 in employee compensation
- 1,538 new jobs (full-time equivalents).

Indirect and Induced Economic Impact 2002 – 2004

As the spending of the over $109 million in tax and incentive payments works its way through the local economy (Dearborn, Ohio, Ripley, and Switzerland counties), it generates additional economic benefits for the community. For example, one of the new jobs may be an employee of a firm providing some of the infrastructure improvement attributable to tax and incentive revenue paid by Argosy and spent by the city of Lawrenceburg. As the worker and perhaps his or her family eat at local restaurants, shop in local stores, purchase a new automobile, and make home improvements, those expenditures and all other local expenditures generate additional economic activity. Similarly, the firm providing the infrastructure improvements needs to purchase materials, supplies, and perhaps equipment. As with the employee, when purchased locally, the firm's expenditures produce additional economic benefits. These benefits are known as the indirect benefits. Then as the firms and workers who indirectly benefit from the expenditure of tax and incentive spending by the city of Lawrenceburg or Dearborn County spend their money, it generates additional economic activity. This round of economic activity is known as the induced benefits.

The indirect and induced economic impact of the spending of gaming-related local tax and incentive payments made by the Argosy is estimated to have generated an additional:

- $40,045,599 in indirect economic activity
- $11,749,821 in indirect employee compensation
- 560 indirect new jobs (full-time equivalents).

An Expenditure Category Analysis of Economic Impact

Differing forms of investment have different rates of economic return. This holds true in the stock market and it is also true for public investments. This section of the report will describe the total spending in each investment category and compare return on investment category by share of indirect benefit, wages generated by public investment, and jobs relative to direct expenditures. The two largest categories of investment were over $54 million of construction expenditures or nearly 50 percent of all investment made by the city of Lawrenceburg and Dearborn County and infrastructure with over $32 million or nearly 30 percent of total investment.

Figure 3 displays the total investment and investment share for each type of gaming-related expenditure. The city of Lawrenceburg's and Dearborn County's expenditures between 2002 and 2004 can be aggregated into the following categories:

- Capital Equipment
- Infrastructure
- Landscaping
- New Construction
- Rehabilitation and Repair of Existing Structures
- Program Operations.

Figure 3: Estimated Expenditure by Type of Public Investment

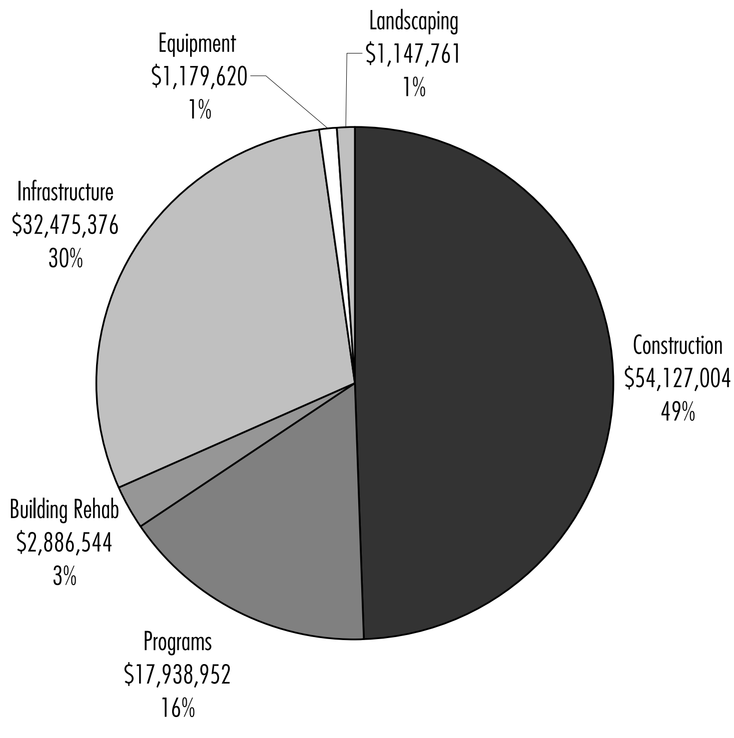
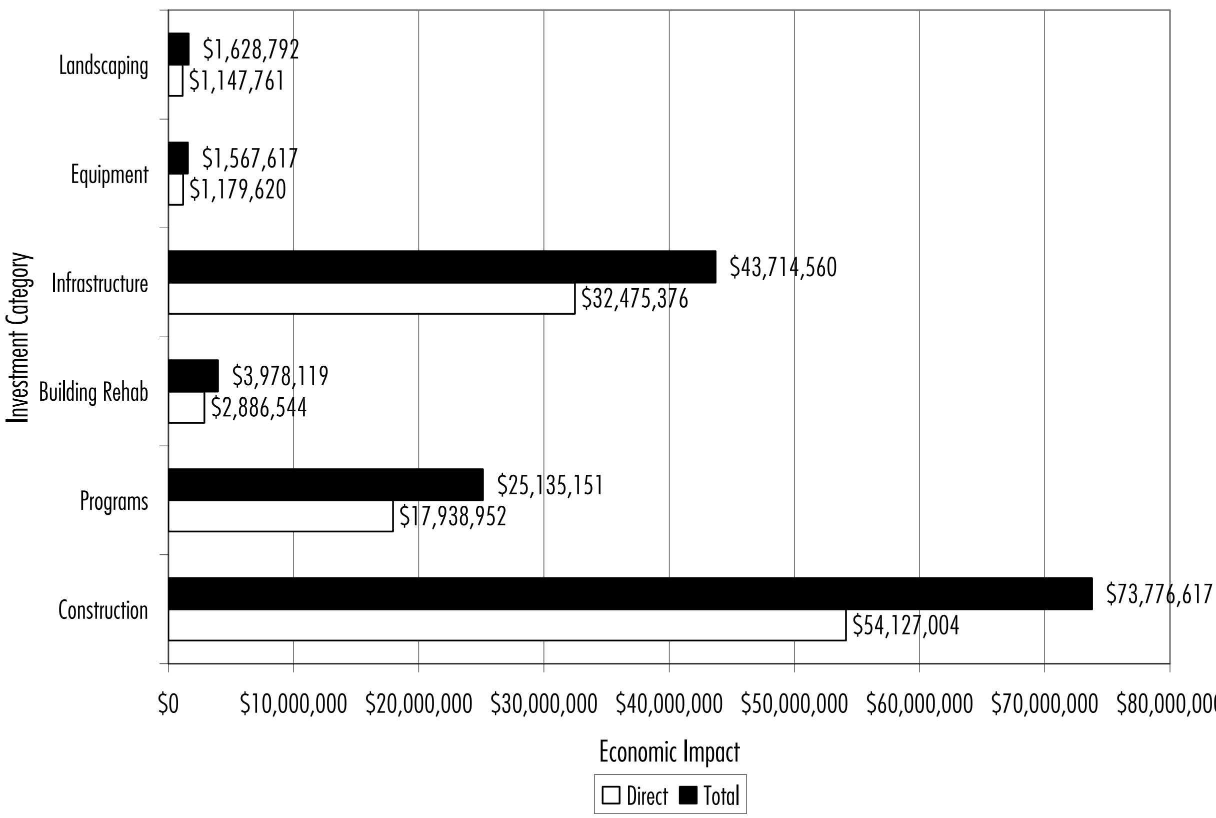


Figure 4 displays the direct and total economic activity estimated to be generated by each category of public expenditure.

Figure 4: Direct and Total Economic Activity by Type of Public Investment

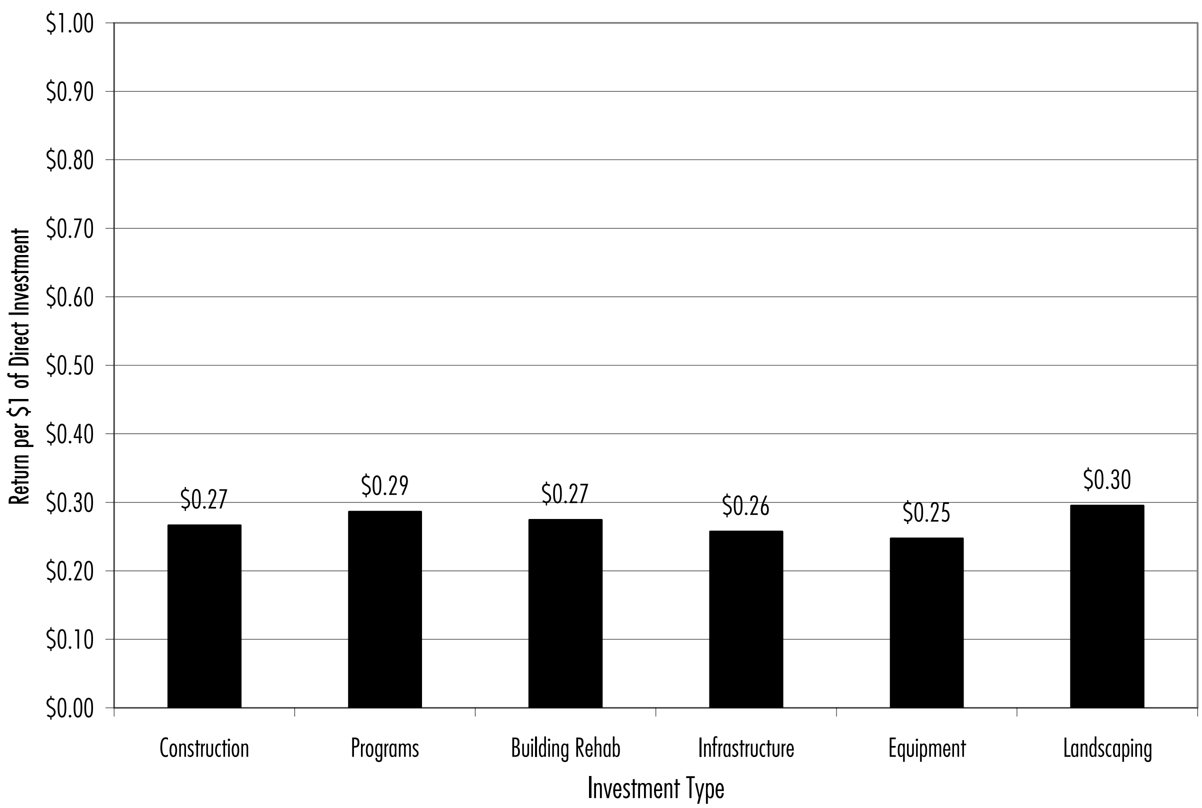


Indirect Impact as a Share of Total Impact

As in the stock market, different investments made by the city of Lawrenceburg and Dearborn County will have different rates of return (as measured by share of indirect impact) within the four-county study area. Figure 5 displays indirect and induced impact as a share of total impact in each category. The share of indirect impact will vary because different types of expenditures engender different local spending behaviors.

Additionally while the indirect share of total economic impact within the four-county area is lower than for many of the other Indiana casinos, this should not be interpreted as evidence of poor performance or poor investment patterns on the part of the city of Lawrenceburg or Dearborn County rather it is a function of the relatively small amount of local economic capacity within the four-county study area that is available to capture the indirect and induced economic activity. While the immediate rate of return is highest for Landscaping (30 cents of indirect impact per $1 of public investment) and Program Operations (29 cents of indirect impact per $1 of public investment), many studies indicated that the long-term benefits of public investments in infrastructure, facility construction, and capital equipment investment include higher wages, more jobs, and increased property value.

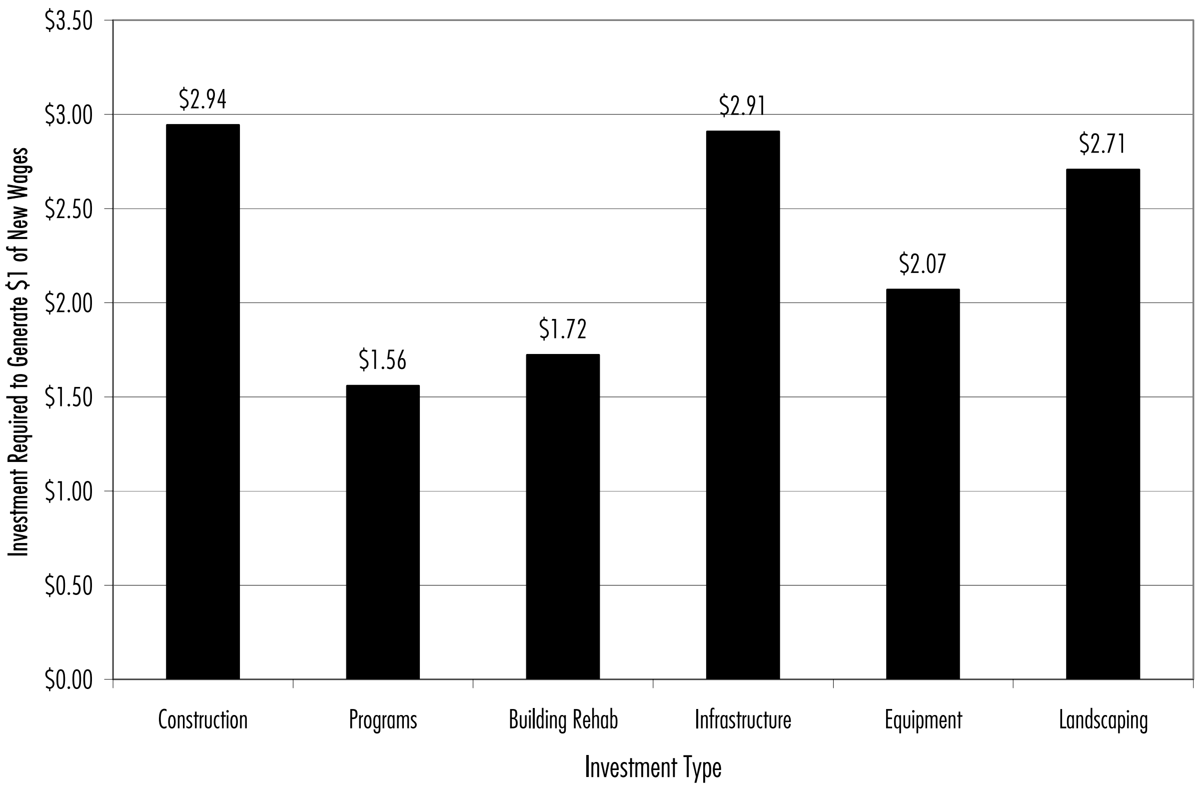
Figure 5: Indirect and Induced Impact as a Share of Total Impact (Direct, Indirect, and Induced) by Category



Direct Expenditures and New Wages

Figure 6 displays the amount of direct expenditures required to produce $1 of new direct and indirect local wages. This amount varies because wages vary by type of industry and as a result of industry sectors having differing wage versus material and capital equipment expenditure rates. In the four-county study area, program expenditures are the most efficient in generating new wages, with only $1.56 of direct investment required to generate $1 of direct and indirect wages. Infrastructure, construction, and landscaping investments, which typically have a higher share of material and equipment expenditures, each require nearly $3 in direct expenditures to generate $1 of new wages.

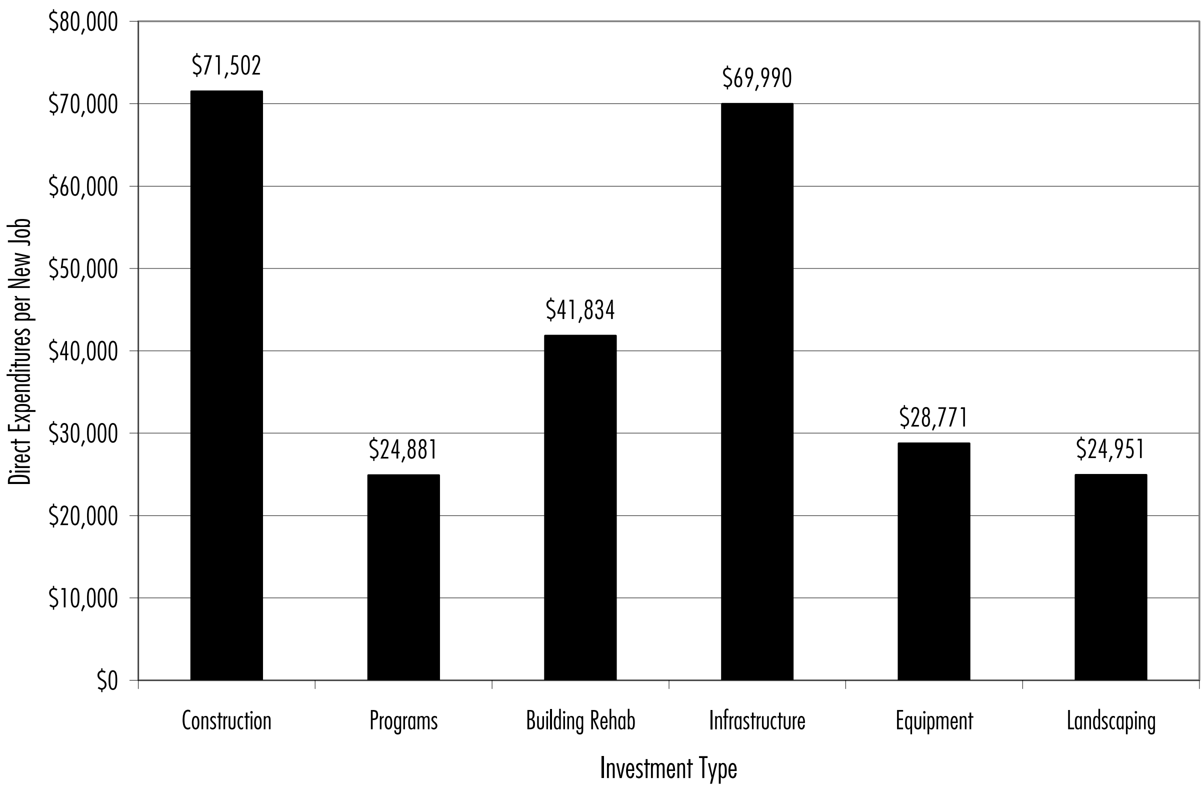
Figure 6: Direct Expenditures per $1 of New Employee Compensation



Direct Expenditures and New Jobs

Figure 7 displays the amount of direct expenditures by investment type required to produce a new (either direct or indirect) job in the four-county local economy. Much of the variance is attributable to the varying degree of labor intensity by economic sector. It is important to understand that while it only requires $24,880 of direct expenditures to create a new job associated with programmatic investment as compared to over $71,000 to create a job associated with infrastructure investment, the average wage for a landscaping job, directly attributed to programmatic investment, is $15,394 while the average wage for a construction job directly related to construction investment is $25,953.

Figure 7: Direct Expenditures per New Job Created



Community Impacts

Local Spending and Contributions

Argosy has spent money locally for both capital and operating expenses as well as through sponsorships and contributions. As Table 9 illustrates, since opening, Argosy has spent over $19 million locally (in Dearborn, Franklin, Ohio, Ripley, and Switzerland counties). Additionally, Argosy has impacted the Lawrenceburg area through $1.2 million in sponsorships and contributions to local area organizations. This figure excludes any contributions that were part of the local development agreement, which are discussed under Incentive Payments.

Table 9: Local Spending, Sponsorships, and Contributions

	1996-00	2001	2002	2003	Total
Local Spending	$11,825,135	$2,113,482	$3,044,438	$2,340,000	$19,323,055
Sponsorships/Contributions	$382,446	$309,541	$250,657	$221,000	$1,163,644

Community Input

Another way to determine impact in the local community is to listen to the views of members of the local community. Center staff conducted three focus groups in Lawrenceburg with:

- Community leaders including representatives of law enforcement,
- Local business leaders (retail, restaurant, hotel, convention from both Rising Sun and Lawrenceburg), and
- Social services providers (from or serving Rising Sun and/or Lawrenceburg).

The questions asked were broad to allow the participants to raise issues of importance to them and covered positive and negative impacts, strengths and weaknesses, and opportunities and threats. While there were some differences among the groups, which are described below, overall the following themes resonated with all three groups:

- Argosy has been a good corporate citizen- up-front and kept promises. Casino employees are good corporate citizens—help with United Fund, cleanup projects.
- Increased revenue
  - Dearborn County couldn't balance the budget without it.
  - Were able to cope with delayed property tax payments; without the riverboat money, they would have had to lay off workers
  - Paved county roads, maintenance of county roads, bridge repair, replaced flood gates
  - Haven't had to raise utility rates since 1982
  - New construction of public facilities such as the firehouse and pool
- Improved educational opportunities and tools
  - Foundations helped kids go abroad
  - Many student book fees are paid for
  - New computers
  - Some schools got new football and band equipment

- Scholarship money
- Ivy Tech debt paid off, able to enhance their programs

- Economic Development
  - Increased visibility/awareness of the area which leads to increased tourism
  - More people live and stay in the community because of the jobs available and downtown development and new residents are moving into the community because better quality of life-cheaper living, improved educational systems
  - More restaurants and shopping locally so people can stay in their community and draw others into the community
  - Poverty decreased in relation to total population
  - Opportunity for economic development and to make investments in the future
  - Small business loans
  - Funds set aside for future opportunities
- Overall better quality of life
- Increased revenue for Community Foundations which leads to more discretionary funding for local agencies and hopefully long-lasting effects
- More collaborative efforts for strategic planning and more community involvement, especially town meetings, etc.
- Able to help towns in the outlying communities through grants, low-interest loans, and revenue sharing
- Increased property values
- Increased awareness of social problems and the available resources to deal with them.

While in general most comments were positive and all agreed that the positives outweighed the negatives, there were some negatives mentioned:

- Higher cost of living including increase in prices of basic needs and housing
- Displacement of the poor
  - Less affordable housing for the poor due to increase in property values and influx of people
  - Eviction actions when landlords want to increase rates, which also increases court cases.
- Traffic on US-50
- Increased number of car accidents, which require fire department, EMS, and police response
- Increase in criminal activity
  - Public intoxication, DUIs, petty theft, child neglect, drug traffic, firearms, etc.
  - "Massage parlors" popping up, hotel owners complain of prostitution
  - Motorcycle gangs
  - Some due to the increased number of people, some from the type of people drawn to casinos
  - Usually repeat offenders, not new criminals
- Effects are all over the county and outlying communities have few, if any, police in their area because they're all on or near the boat. This could be a problem for business protection, etc.
- Increase in court case load
  - Takes longer to get cases heard and if they can't pay bond, stay in longer, which is a greater cost to taxpayers
  - More jury trials—more likely to be out-of-towners

- More criminals asking for a public defender
- Increase in need for foreign language interpretation (more languages, more often), which costs money and makes cases take longer. Many cases that need an interpreter are from the boat.

- Reliance on gaming revenue
- Paving all the county roads could become detriment due to long-term maintenance costs
- Some inter-city and inter-county rivalries, especially for money
- There is an assumption (by the State and other funders) that because they have gaming revenue, they can and should be self-sufficient
- Need more social service agencies because more people are asking for help
- It is possible to tax the boats right out of the state
- The state is threatening to take more money, which will leave the community without the means to pay for negative effects

Other Issues

According to Argosy, 47 lawsuits have been filed against them since 1996; 27 patrons (primarily slip and fall), and 20 by employees. According to the Lawrenceburg Police Department Argosy-related arrests for public intoxication, DUI, and minor theft, as well as traffic accidents in the area have increased slightly each year through 2003. Lawrenceburg has added two police officers since the boat opened to deal with the increased caseload. In addition, according to the Dearborn Superior Court, they have had a 100 percent increase in caseload since 1995, with yearly inmates also nearly doubling and requests for public defenders also on the rise. They indicated that part of this increase could be attributed to the methadone clinic located in Dearborn County which serves mostly people from out of the area. They also indicated that there seems to be an increase in national gangs moving into Dearborn County, which, while not directly attributable to the casino, could be seen as a result of the increased visibility of the community as well as the availability of gambling brought by the casino.

Argosy has made efforts to minimize negative impacts. It has created and distributed a brochure on compulsive gambling that included local, regional, and national help numbers. Argosy presents mandatory training seminars to employees on compulsive gambling as well as a program on underage gambling, Project 21, a program developed by Harrah's Casinos. Argosy's Community Affairs Coordinator serves on the board of directors of the Indiana Council on Problem Gambling and Argosy is a special corporate member of the Kentucky Council on Problem Gambling. Argosy also has a permanent self-exclusion program for individuals who wish to be banned from the facility. Any attempts by these individuals to enter the casino can result in their arrest for trespassing. The self-banned patron is excluded from all future mailings. A total of 263 people have entered Argosy's self-exclusion program since 1996, with the majority of those (195) in 2003 and 2004.

As Table 9 indicates, in an effort to prevent underage gambling, Argosy has verified 922,732 identifications and turned away 13,000 patrons since it opened.

Table 9: Argosy's Efforts to Prevent Underage Gambling

	1996-00	2001	2002	2003	2004 through 7/31	Total
Number of I.D.s verified	408,099	138,342	150,339	148,027	77,925	922,732
Number of patrons turned away (under 21 or no ID)	6,697	1,898	1,712	1,942	751	13,000

Employment

Argosy did not identify specific hiring goals for women, minorities, or local residents in its application. As of July 31, 2004, 53 percent of Argosy employees were women, 8 percent were minorities, and 39 percent were from Dearborn County with an additional 13 percent from surrounding counties (Franklin, Ohio, Ripley, and Switzerland).

As Table 10 indicates, as of July 31, 2004, Argosy had employment of 2,112 persons in both the casino and hotel, right at their eight-year average of 2,218. For 2003, salaries and wages were $87.8 million, including tips to dealers (but not to bar and wait staff), and since opening, Argosy has paid $554 million in wages, tips, and benefits.

Table 10: Employment and Wages

Category	1996-2000	2001	2002	2003	As of 7/31/04	Average/Total
Total Employment	2,144	2,367	2,306	2,165	2,112	2,218
Wages, tips and benefits	$246,815,947	$83,016,421	$84,731,793	$87,820,074	$51,764,944	$554,149,179
Average wages, tips and benefits per employee	$28,780	$35,072	$36,744	$40,563	$42,017	$33,312

Argosy Workforce: A Survey of Employees

To assist in the eight-year license evaluation of Argosy Casino the Center in August 2004 conducted a survey of current Argosy employees. Previously, in fall of 2001, the Center conducted a survey of Argosy employees for the five-year licensure hearing. The survey and accompanying analysis are intended to help the Gaming Commission determine the impact of Argosy on the local workforce. Responses to the current survey will be compared to those from the previous survey, when applicable. The analysis is divided into four topic areas:

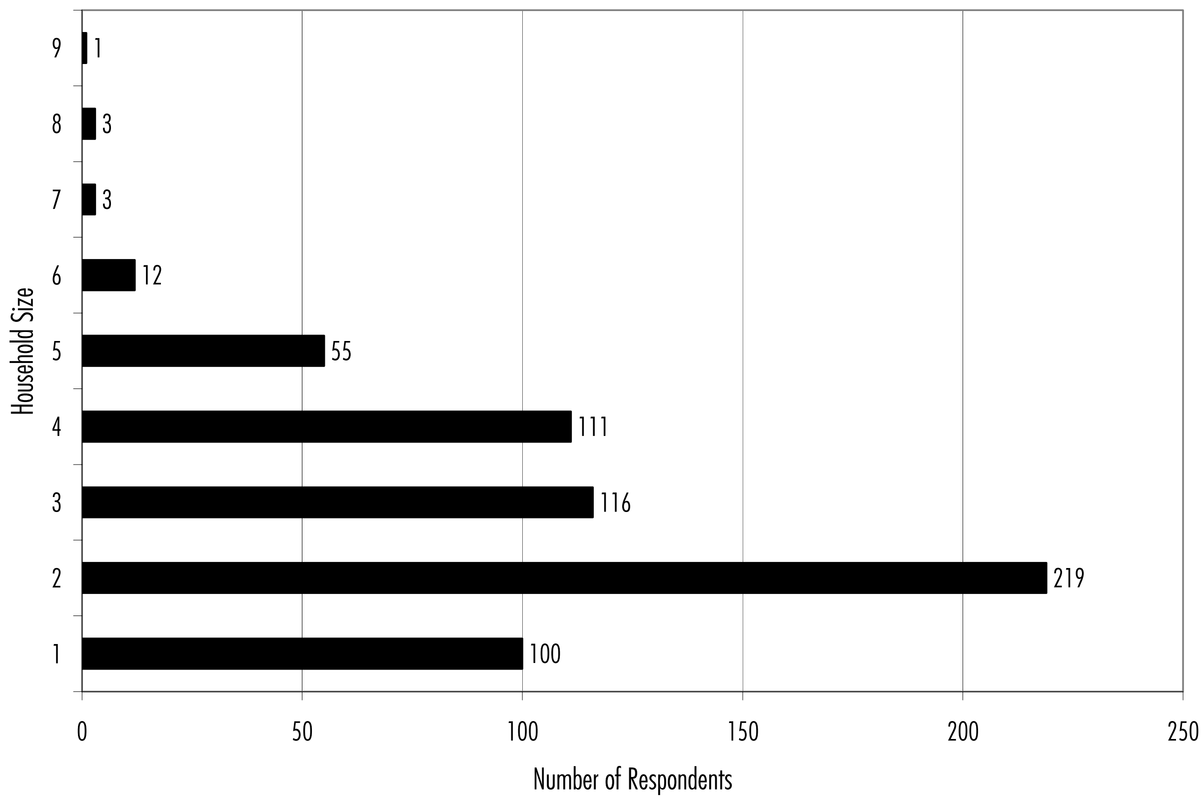
1. A brief description of the respondents and their history
2. The respondents' employment history prior to beginning work at Argosy
3. The initial experience of the respondents' upon beginning work at Argosy
4. The respondents' current situation

An Overview of the Respondents

There were 634 total respondents to the survey, but none of the individual survey questions had 634 responses. For example, 614 individuals responded to the question concerning gender and of those who responded 282 or 46 percent were male and 332 or 54 percent were female. The average reported age of the respondents was 43 years and 3 months, the oldest respondent was 83 and the youngest was 17.

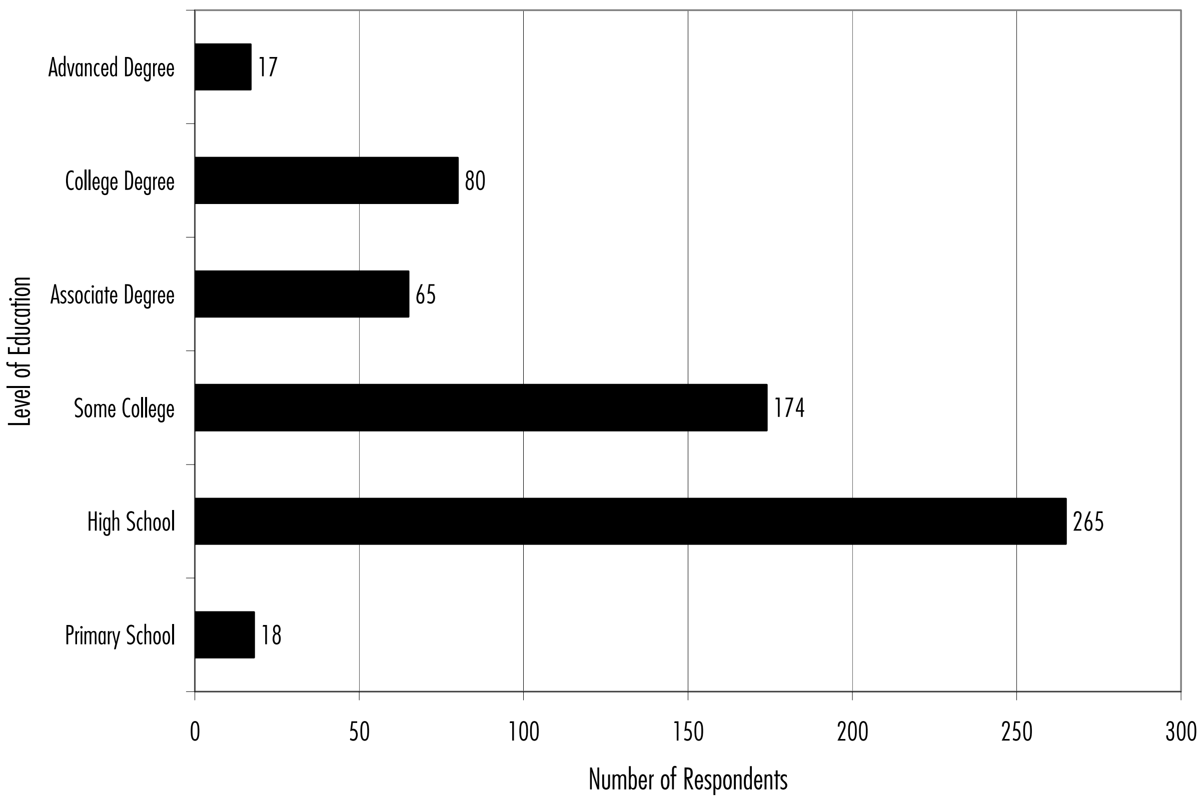
The most common number of individuals in the respondents' households was 2 (35 percent). An additional 36 percent of the respondents indicated that they belonged to either a 3 or 4 person household which likely indicates the presence of children. Figure 8 displays the total number households according to size.

Figure 8: Total Number of Individuals in Household



Nearly 82 percent of the respondents reported earning a high school diploma, some college, or an Associates degree as their highest level of education. An additional 16 percent reported receiving a college degree or an advanced degree. Slightly less than three percent had not completed high school. Figure 9 summarizes the educational achievement of all respondents.

Figure 9: Highest Level of Education



Employment History Prior to Beginning Work at Argosy

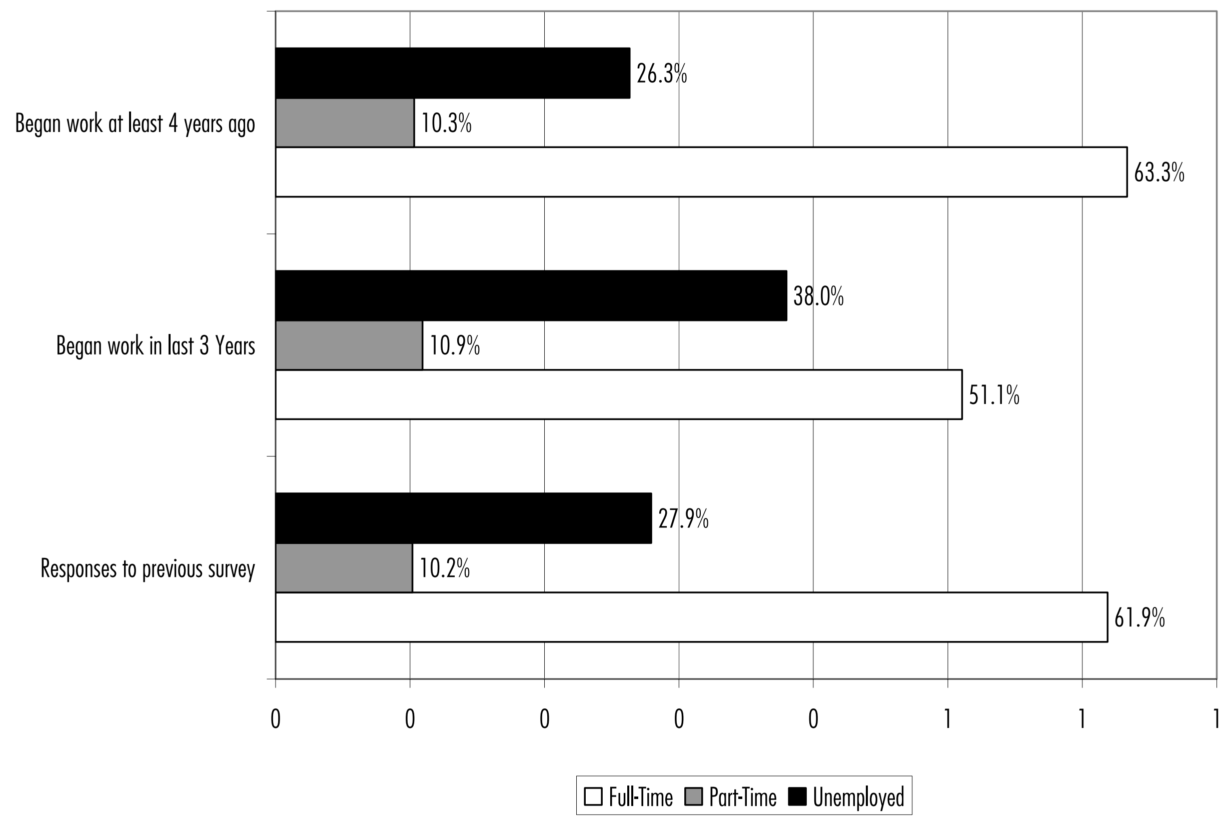
Based on responses to the current survey, the majority of respondents were employed in full-time jobs prior to beginning work at Argosy. Nearly 32 percent of the respondents were unemployed prior to beginning work at Argosy (Table 11).

Table 11: Employment Status Prior to Beginning Work at Argosy

Employed full-time prior to beginning work at Argosy	57 percent
Employed part-time prior to beginning work at Argosy	11 percent
Unemployed prior to beginning work at Argosy	32 percent

Figure 10 compares the responses from the current survey to responses from the five-year licensure hearing evaluation survey. Responses to the current survey are separated into employees who began work since the five-year survey and evaluation (those who began work in the last three years) and those who were working at the time of the last survey and evaluation (began work at least four years ago). The responses suggest that in the last three years there has been an over 10 percent increase in the share of previously unemployed beginning work at Argosy.

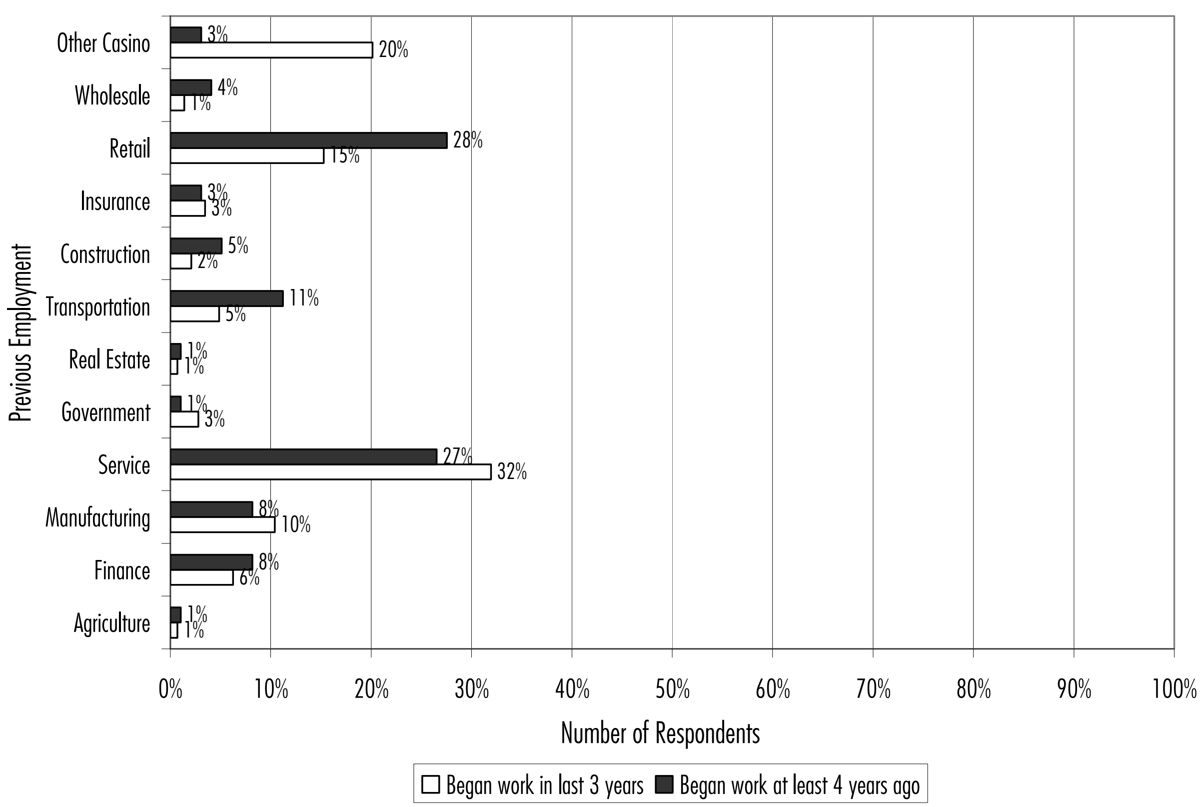
Figure 10: Employment Status Prior to Beginning Work at Argosy



Based on all responses to the current (eight-year) survey, the majority of the respondents who identified a specific type of previous work were employed in either the service sector (26.6 percent of all responses), retail sector (19 percent), or were previously employed at a different casino (22 percent) prior to beginning work at Argosy. Previous employment at a different casino is a new employment category added to the Argosy and Grand Victoria surveys (and all future eight-year surveys) as a result of an increasingly large share of other responses linked to previous casino employment.

When comparing the results of those that have worked at Argosy for four or more years to those that began work in the last three years.[5] Figure 11 shows that service and retail sector jobs were the most common areas of previous employment for those who have been working at Argosy for at least 4 years. In the last three years being previously employed at a different casino has become the second most common response, trailing only the service sector. For those who began work at Argosy in the last three years, the retail sector has fallen to the third most common area of previous employment.

Figure 11: Sector of Employment Prior to Beginning Work at Argosy



[5] As a result of the new category comparisons to the previous five-year survey are no longer possible, however by breaking the current eight-year survey responses into the categories began work less than three years ago and four or more years the analysis can observe difference in those who were working at Argosy prior to the five-year survey and those that began work after the five-year survey.

Beginning Work at Argosy

As shown in Figure 12, of the specified reasons for beginning work at Argosy, more money has consistently been the leading response. For those that have begun work in the last three years, the share of respondents citing more money as the primary reason for beginning work is lower than for those who began work at least four years ago, while the share of respondents suggesting that advancement opportunities, location closer to home, and other reasons is higher. The most commonly cited other reasons were the desire to change jobs and uncertainty in the status of the respondent's previous job.

Figure 12: Reason for Beginning Work at Argosy

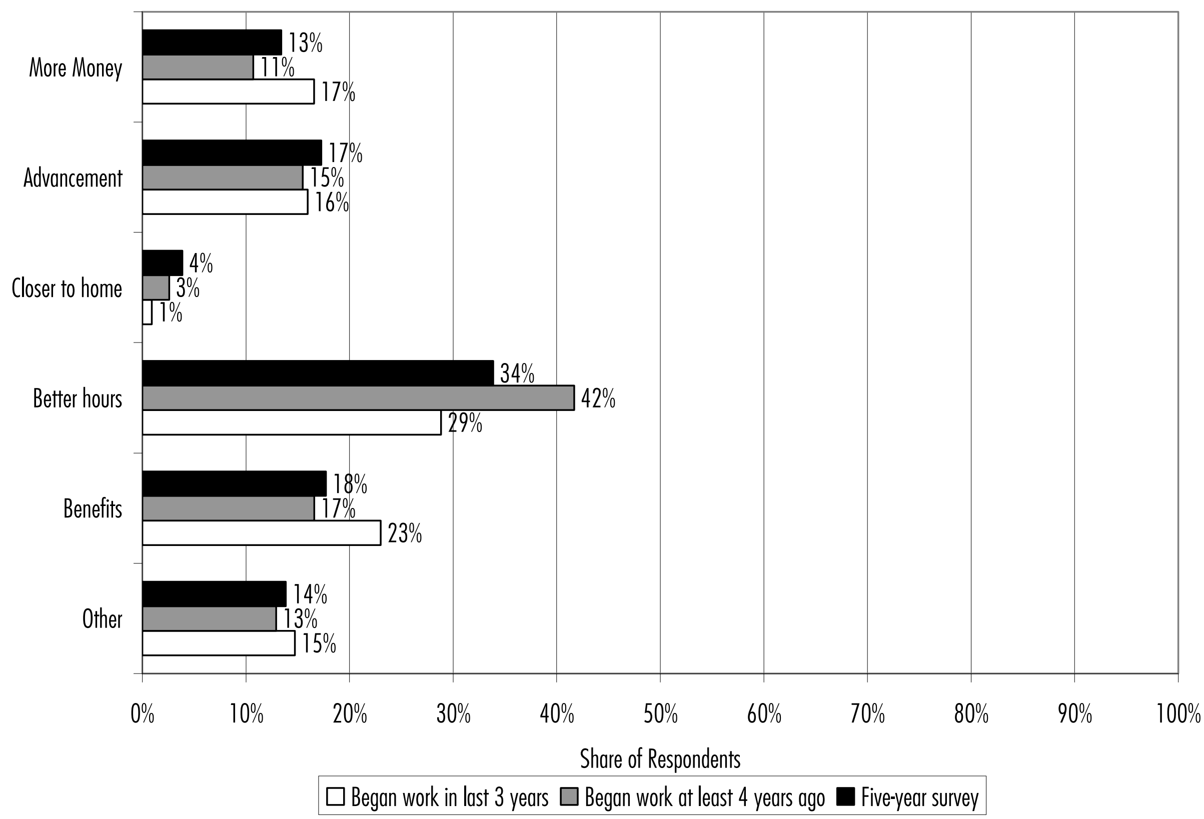
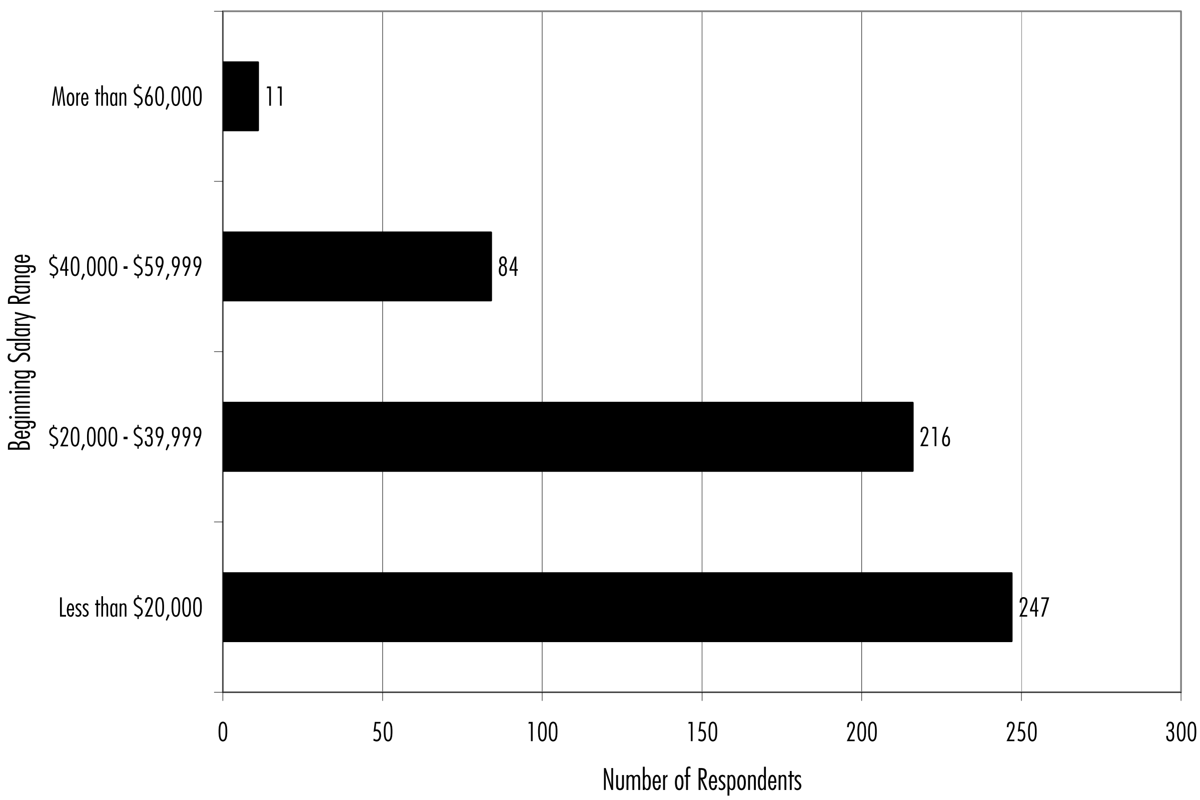


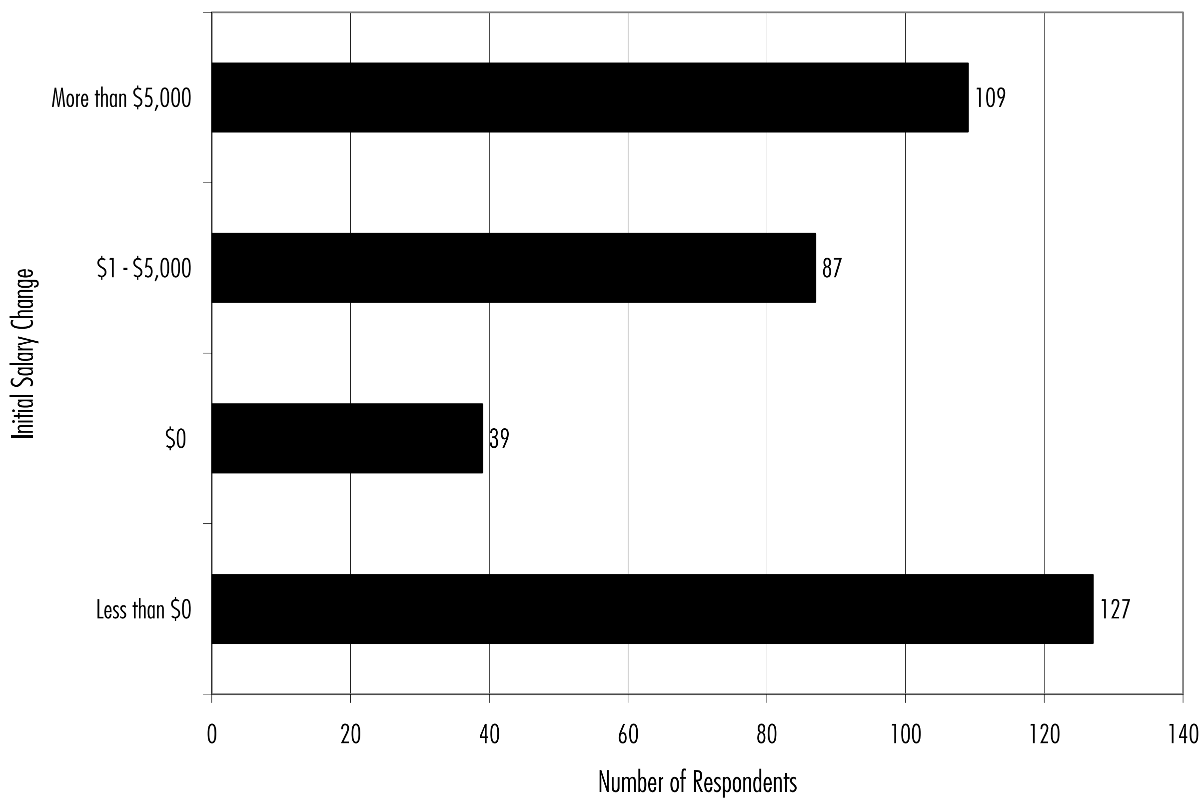
Figure 13 displays the starting wage for the 558 employees that work full time and reported a starting annual income. Two hundred forty-seven or 44 percent reported a beginning annual income at Argosy of less than $20,000 and an additional 39 percent reported a beginning annual income of between $20,000 and $39,999. The average annual income upon beginning work at Argosy was $28,142 and the median was $22,000.

Figure 13: Beginning Wage at Argosy



Slightly over 54 percent of the 362 respondents reporting a prior annual wage and a beginning wage at Argosy received a raise upon beginning their new job. Eighty-seven respondents received a raise of $5,000 or less and 109 received a raise of more than $5,000. One hundred twenty-seven employees reported experiencing a decline in annual pay upon beginning work at Argosy. The average increase for all employees reporting both previous and starting wages was $1,682 and the median increase was $1,150 (Figure 14).

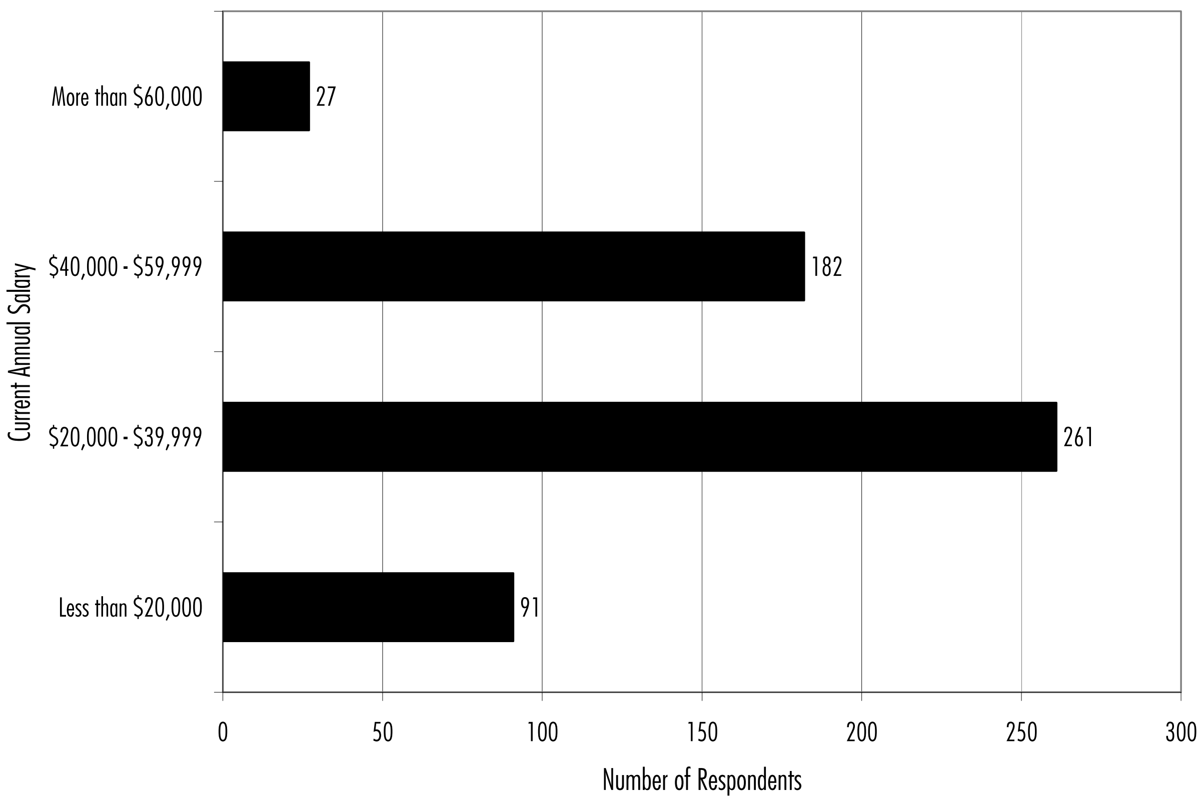
Figure 14: Change in Annual Wage upon Beginning Work at Argosy



Current Annual Wages

The average annual income of the 561 Argosy employees responding to this question was $33,983 and the median was $28,000. As shown in Figure 15, 91 or 16 percent of those responding earn less than $20,000 per year. Seventy-nine percent of those responding earn between $20,000 and $59,999. In 2002, the Bureau of Economic Analysis reported that the per capita income in the four-county study area[6] ranged from a high of $28,436 in Dearborn County to a low of $20,435 in Switzerland County.

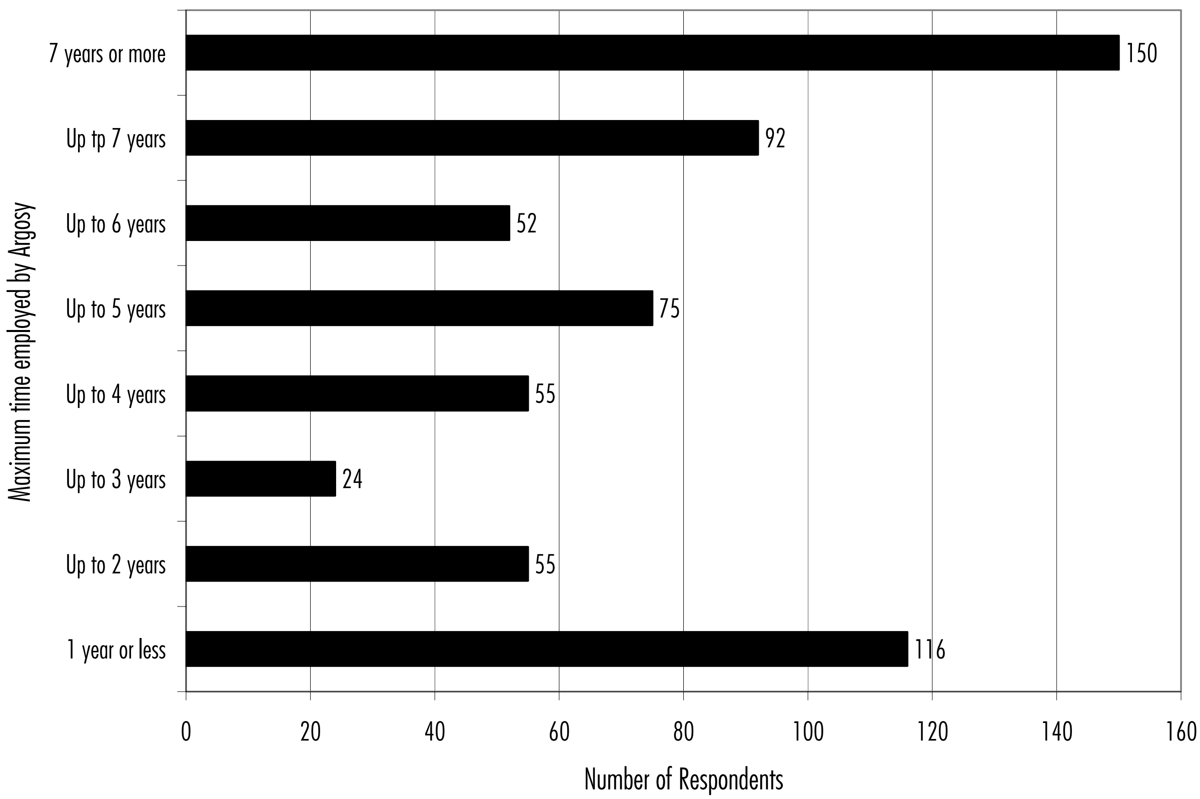
Figure 15: Current Annual Wages of Argosy Employees



[6] The four-county study area consists of Dearborn, Ohio, Ripley, and Switzerland counties.

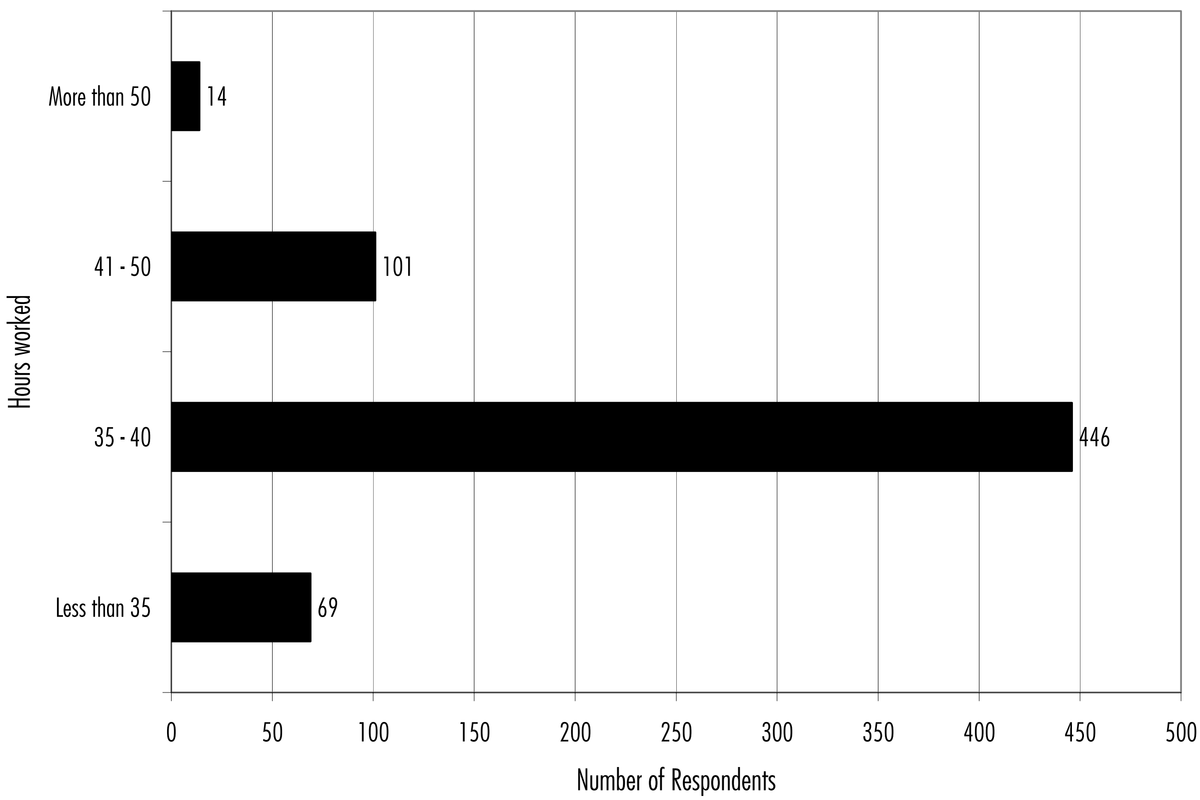
The average length of employment at Argosy for the 619 employees responding to this question was 4 years and 6 months and the median was 4 years. Figure 16 displays the number of employees and years worked. Approximately 39 percent of those responding have worked at Argosy for 7 or more years and slightly less than 28 percent have worked at Argosy for less than 2 years.

Figure 16: Years Worked at Argosy



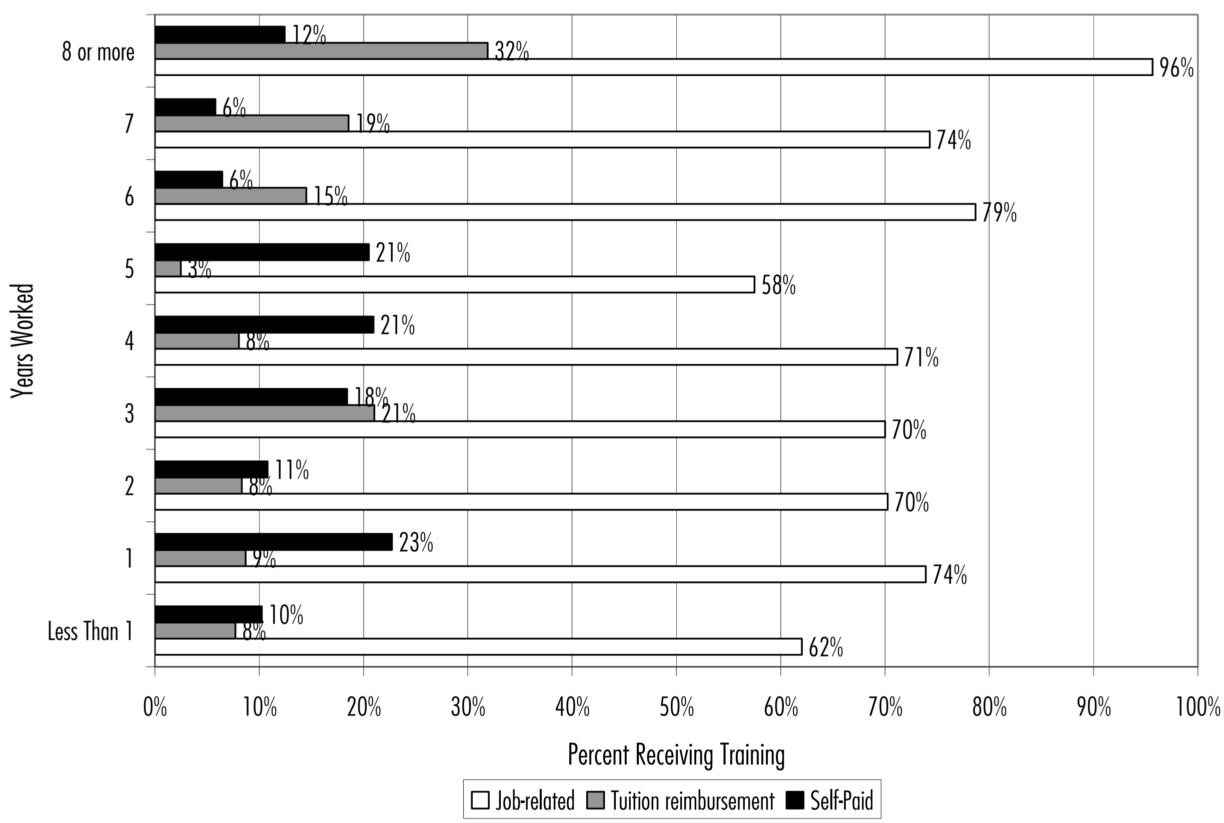
As shown in Figure 17, only 69 respondents or 11 percent report working less than 35 hours per week. Eighty-nine percent report working 35 or more hours.

Figure 17: Number of Hours Worked per Week at Argosy



Training and re-training are important components of building an economically competitive workforce. As shown in Figure 18 many more Argosy employees are receiving job-related training than receive either tuition reimbursement or choose to pay for additional skill-building opportunities on their own. In fact, two more Argosy employees paid for their educational opportunity than received tuition reimbursement from Argosy.

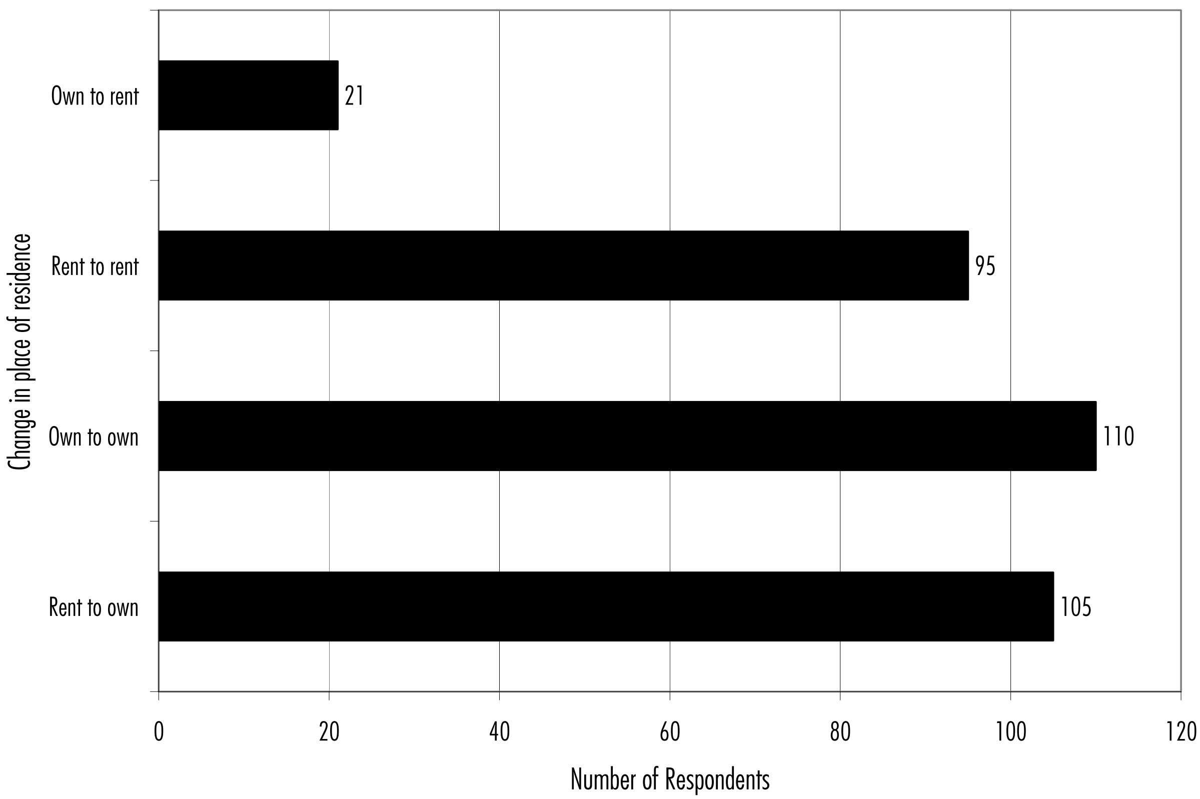
Figure 18: Training and Education Opportunities for Argosy Employees



As might be expected the likelihood of receiving job-related training from Argosy increased as the number of years worked increased. For example, the percent of those reporting in-house job-related training increased from 62 percent of those that have worked at Argosy for less than 1 year to 96 percent of those who have worked for Argosy for 8 or more years. Similarly, the share of those reporting receiving tuition reimbursements from Argosy generally increased as the number of years worked increased. While less than 8 percent of those working at Argosy less than 1 year reporting receiving tuition reimbursement, 32 percent of those that have worked at Argosy for 8 or more years reported receiving the tuition reimbursement benefit. The share of those reporting self-paying for general education experienced spikes of over 20 percent for those that worked one year but less than two and for those that worked between 4 and 6 years. The average share for all respondents, regardless of the length of employment, was 12.5 percent.

Of the 331 respondents reporting a change in place of residence since beginning work at Argosy, 105 or nearly 32 percent reported moving from rental status to home ownership (Figure 19). One hundred ten respondents reported moving from one home to another. Three hundred ninety respondents reporting purchasing a car, van, or truck and 174 reported completing a home remodeling effort.

Figure 19: Changes in Housing Status since Beginning Work at Argosy



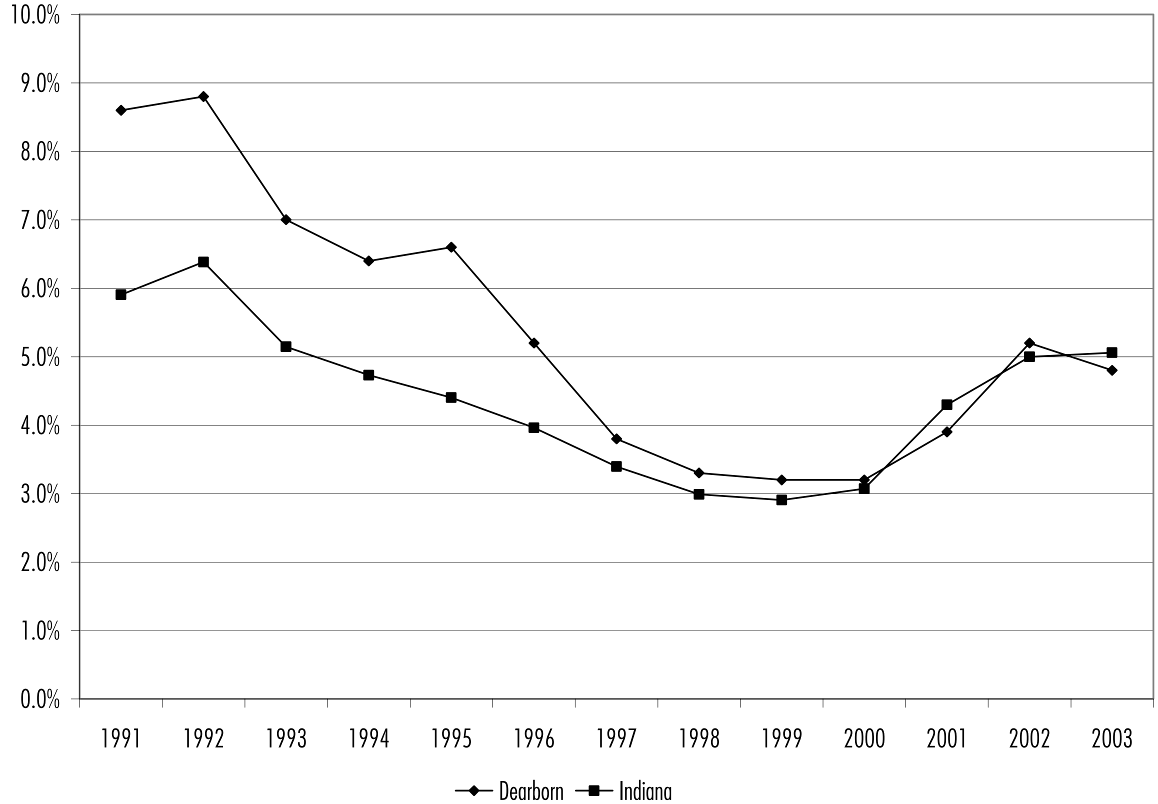
Business Climate Impacts

Advocates of legalizing Indiana riverboats argued that riverboats would contribute to local economies of stressed areas through newly created job opportunities and promises for increased wages. Advocates also contended that private local business establishments would benefit through increased consumption of goods and services from the influx of casino patrons and employees. Others argued that riverboats would have detrimental effects through cannibalization of existing business establishments. That is, opponents argued that riverboats with attached hotels and restaurants would provide a substitute for local consumption within local riverboat communities. As riverboats provide relatively higher paying jobs, some existing local establishments may not be able to compete for labor.

A study released by the Indiana Gambling Impact Study Commission in 1999 found that all Indiana riverboat counties were suffering from lower than normal economic conditions prior to riverboats beginning operations. Following the introduction of riverboats in these counties, the overall employment, wages and number of firms generally were higher or comparable to statewide trends. As Figure 20 illustrates, the unemployment rate in Dearborn County has been consistently higher than the statewide trend, except for 2001 and 2003, when it was slightly below. This analysis expands upon the 1999 Indiana Gambling Impact Study Commission report, focusing on county level employment, wage, and number of establishments by industry using a special aggregation of ES202 data provided by the Indiana Business Research Center.[7]

[7] The ES-202 program produces a comprehensive tabulation of employment and wage information for workers covered by state unemployment insurance laws. Publicly available files include data on the number of establishments, monthly employment, and quarterly wages, by industry, at the three-digit level North American Industry Classification System, by county, by ownership sector, for the entire United States.

Figure 20: Unemployment Rates for Dearborn County and Indiana, 1991-2003



This section complements the economic impact study in this evaluation. The economic benefits measured in that section show direct and total investment of dollars from tax revenues and incentive payments. This section adds a broader perspective of industry change to the discussion. This section identifies industries that have experienced observable changes soon after the commencement of gaming in Dearborn County. It also shows the total change in employment, number of establishments, and wage change near the riverboat. It is simply a descriptive analysis focused on industry change before and after the commencement of gaming operations. It does not attempt to provide a causal relationship between the establishment of Argosy and the change in other industries operating in Dearborn County.

Data Used for Industry Analysis

The United States Bureau of Labor Statistics (BLS) divides the employment and earnings into industries. Since 2000, the North American Industry Classification System (NAICS) has been the coding structure. The NAICS coding structure allows for hierarchical aggregation based on a six-digit system. All industries can be aggregated to the sector level (two-digit level). There are 21 sectors for which industries are assigned. These sectors can be grouped further into two production categories: Goods Producing and Service Producing. While the coding system allows for six-digit desegregation, the three-digit industry level is the most detailed level of analysis that will be performed in this report. That is the level just below the sector aggregation. For the purposes of this report, the three-digit level will be referred to as the industry level. The data used for this report in years prior to 2001 are a special tabulation provided by the

Indiana Business Research Center. These data were recoded from the former Standard Industrial Classification (SIC) coding scheme used during those years. The use of these data is limited, but it is the only source that is available for the trend analyses prepared in this section of the report.

Changes in Total Jobs, Establishments, and Wages

Figures 21, 22, and 23 compare trends in total number of jobs, total number of establishments, and average wage per employee between Dearborn County and the aggregate of non-riverboat counties for the 13-year period beginning in 1991 and ending in 2003. These data reflect third quarter figures. The trend lines take 1991 as the base year and compare each of the following years to those levels. Thus, 1991 as the base year is set to 100, and the subsequent years can be read as annual percentage changes from the base year, much like the consumer price index. The focus on the analysis is on whether or not there are observable changes that occurred after gaming commenced in Dearborn County and whether or not those changes are divergent from trends during the same time period in the aggregate of non-riverboat counties.

After the commencement of gaming in 1996, jobs grew rapidly and continued to grow through 2003. The number of jobs in 2003 was nearly 60 percent higher in 2003 than in 1991. That growth was much higher than the 14 percent growth during the same time period in the aggregate of non-riverboat counties. The difference between job changes in Dearborn County and the aggregate of non-riverboat counties began directly after the commencement of gaming in the area.

Figure 21: Comparison of Trends in Total Jobs

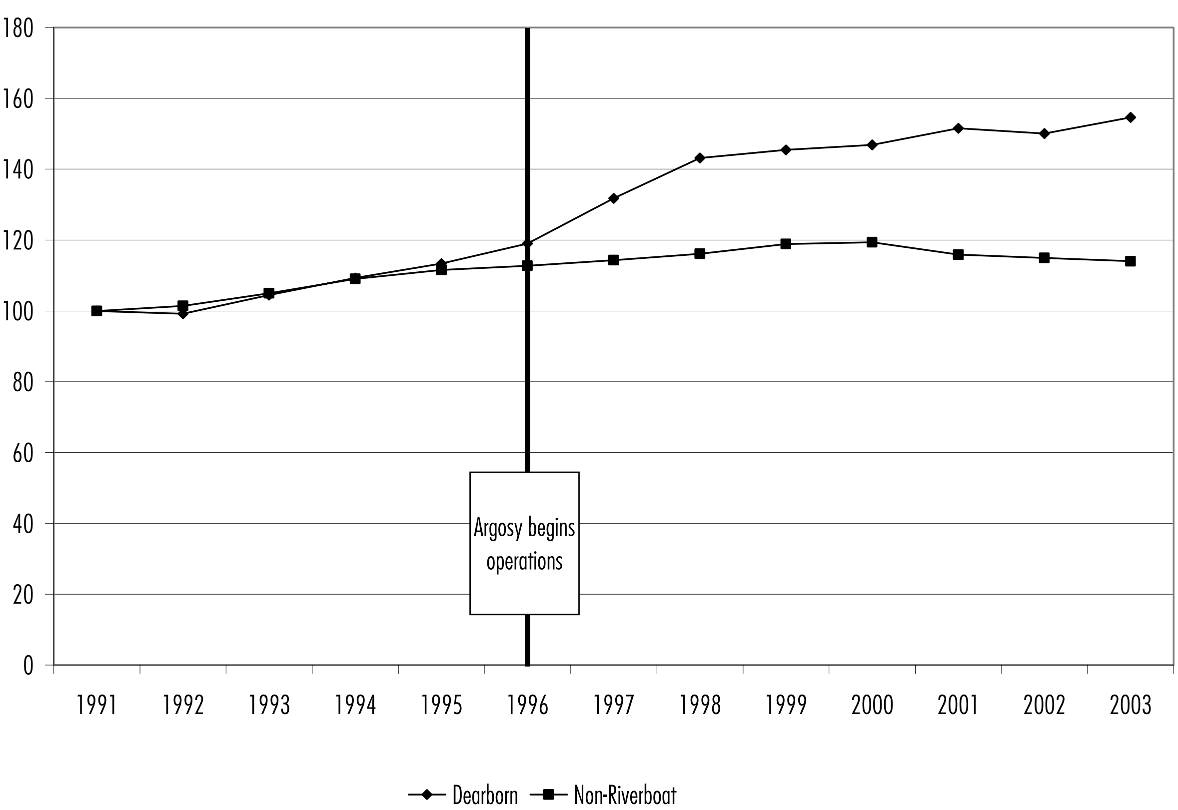


Figure 22 shows that the total number of establishments in Dearborn County was 31 percent greater in 2003 than in 1991. However, that number is over 2.5 times greater than the percent increase in the number of establishments reported in the aggregate of non-riverboat counties over the same time period. The divergence of the Dearborn County trend from the aggregate non-riverboat county trend began prior to the opening of a riverboat in the area.

Figure 22: Comparison of Trends in Total Number of Establishments

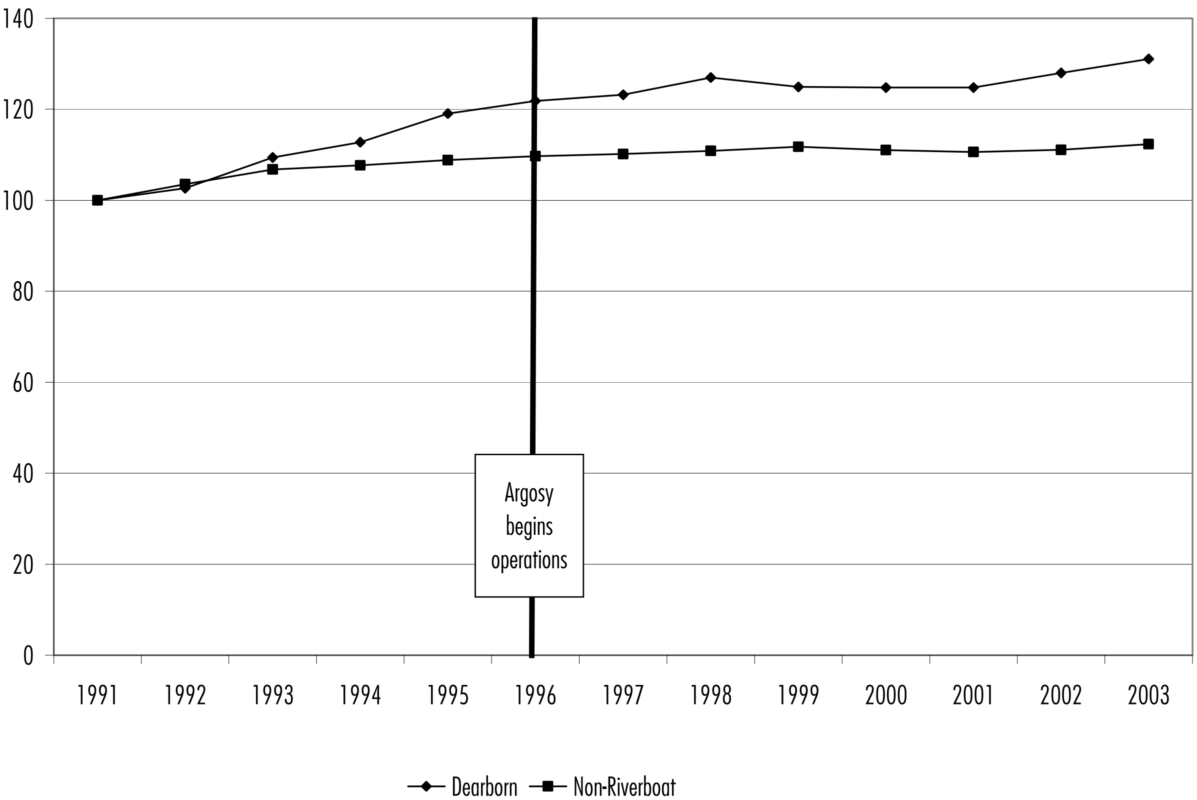
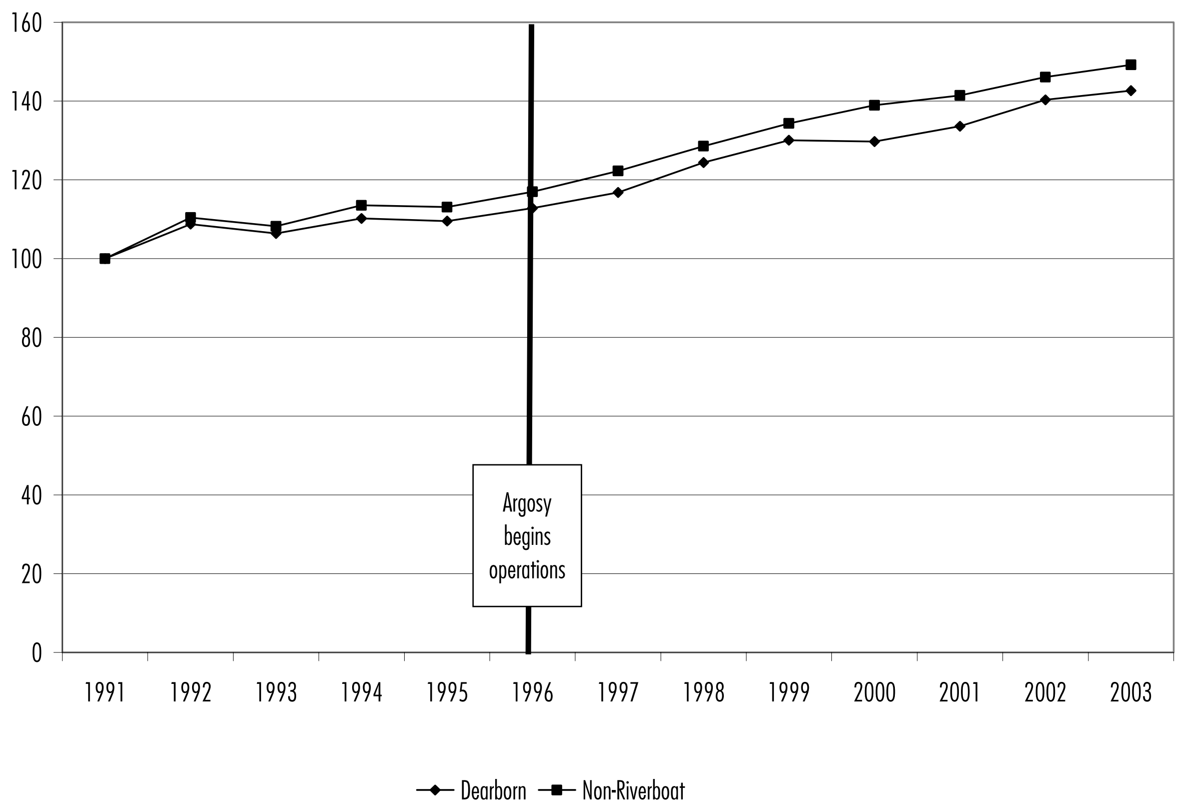


Figure 23 does not indicate observable divergence of Dearborn County wages and the aggregate of non-riverboat county wages. The average wage increased fairly consistently each year in Dearborn County during the 13-year period. That same consistent increase in wage occurred in the aggregate of non-riverboat counties.

Figure 23: Comparison of Trends in Average Wage



Inter-Industry Business Climate Change

This section of the analysis provides a perspective of the business climate at the major industry level. This perspective offers insight into whether or not specific industries within previously outlined sectors have experienced substantial changes in number of jobs, number of establishments, and average wage per job after the commencement of gaming.

While more insightful, analyzing the data at the industry level is also much more complex. Most of the complexity exists because of data suppression. The ES202 data are suppressed if an industry has less than three firms or if one firm accounts for over 80 percent of industry employment. Data are suppressed to protect the privacy of individual firms. Even when all data are disclosed, some industries are too small and volatile to recognize any consistent trends. As a result of these complexities, specific industries had to meet two criteria before being included in the analysis:

- Criterion 1: Data for specific industries are disclosed in at least two of the years between 1996 and 2001. To be included in the aggregate of non-riverboat county comparison, data for a specific industry within a given county are disclosed for every year between 1991 and 2001.
- Criterion 2: In addition to criterion 1, the number of jobs or establishments within specific industries account for at least 0.5 percent of the total for the county in at least one of the years between 1991 and 2001.

After meeting these criteria, the analysis began with a comparison of change in industry employment from 1991 to 1996 (before the riverboat) and , 1996 to 2001 (change after gaming). Based on the change during these time periods, a comparability index was constructed. The comparability index is equal to the percentage change in employment in Dearborn County from one time period to the next time period minus the percentage change during the same time periods in the non-riverboat counties. This index measures whether or not an industry in Dearborn County experienced comparable employment trends following the operation of Argosy in Lawrenceburg. If an industry had an index score less than -5 or greater than 5 between 1996 and 2001, it was examined further. Further examination of those industries focused on whether or not each showed observable change before and after 1996. Again, the focus of this analysis is on trends that show observable divergence from the aggregate non-riverboat comparison before and after the commencement of gaming activities. It is not a study of causal relationships of riverboat gaming.

Industries in Dearborn County Experiencing Considerable Change

Eleven other industries were found to have observable changes in 1996 that were not comparable to trends in the aggregate of non-riverboat counties.[8] Table 12 identifies those industries. It also indicates the sector in which each industry is categorized and the absolute change in employment, number of establishments, and average wage from 1996 to 2001. The industries that experienced divergent trends were spread across eight different sectors. Three of those industries experienced a negative change in employment and four industries lost establishments. The construction of buildings industry experienced the biggest loss in jobs and establishments after gaming commenced. The next largest loss in jobs among the identified industries was within transit and ground passenger transportation. Heavy and Civil Engineering Construction , Motor Vehicle and Parts Dealers, Gasoline Stations, and Ambulatory Health Care Services all experience relatively high growth after gaming in the area.

[8] See Appendix I for description of each industry

Table 12: Identified Industries and Summary of Changes

	Employment Change	Establishment Change	Wage Change 1996-2001	
			Weekly Average	Annual Average
Construction Sector				
Construction of Buildings	-188	-25	131	7,336
Heavy and Civil Engineering Construction	46	2	143	8,008
Manufacturing Sector				
Fabricated Metal Product Manufacturing	-1	-1	113	6,328
Machinery Manufacturing	-6	1	207	11,592
Wholesale Trade Sector				
Motor Vehicle and Parts Dealers	52	4	100	5,600
Building Material and Garden Equipment and Supplies Dealers	16	0	65	3,640
Retail Trade Sector				
Gasoline Stations	67	2	31	1,736
Transportation and Warehousing Sector				
Transit and Ground Passenger Transportation	-36	-3	16	896
Health Care and Social Services Sector				
Ambulatory Health Care Services	75	9	234	13,104
Accommodation and Food Services Sector				
Accommodation	4	-1	104	5,824
Public Administration Sector				
Justice, Public Order, and Safety Activities	8	1	145	8,120

Table 13 indicates the changes in employment in more detail for the selected industries. The first column after the industry name shows the actual employment in 2001. The next two columns show what employment in 2001 would be for each of the industries if: (1) each industry followed the same trend after 1996 as experienced from 1991 to 1996 and (2) each industry followed the same trend between 1996 and 2001 as did the aggregate of non-riverboat counties. The last two columns show the difference between the actual employment and the employment under the other scenarios, respectively. If the numbers in the last two columns are positive, then Dearborn County is better off than it would be under either of the other scenarios. If the same numbers are negative, then that industry is worse off.

Table 13: Actual Employment in Dearborn County 2001 Relative to Other Trends

		Total Employment if Change in Employment Was Equal to:		Difference Between Actual and:	
	Actual	1991-1996 Trend in Dearborn County	Trend in Aggregate Non-Riverboat Counties 1996-2001	1991-1996 Trend	Non-Riverboat Trend
Construction of Buildings	191	604	392	-413	-201
Transit and Ground Passenger Transportation	58	177	90	-119	-32
Fabricated Metal Product Manufacturing	215	297	214	-82	1
Accommodation	56	100	52	-44	4
Machinery Manufacturing	131	138	124	-7	7
Justice, Public Order, and Safety Activities	16	8	9	8	7
Building Material and Garden Equipment and Supplies Dealers	100	71	83	29	17
Heavy and Civil Engineering Construction	111	92	69	19	42
Ambulatory Health Care Services	382	458	337	-76	45
Gasoline Stations	218	152	149	66	69
Motor Vehicle and Parts Dealers	306	315	237	-9	69

As shown, Ambulatory Health Care Services was the largest employer of the identified industries in 2001. Construction of Buildings experienced the largest absolute difference between actual employment and what employment would have been under the other two scenarios. If the Construction and Buildings industry had grown at the same rate between 1996 and 2001 as it did between 1991 and 1996 (604 jobs), it would have grown to be six times greater than actual employment (191) and doubled the number of jobs if it had experienced in the same trend as the aggregate of non-riverboat counties (392 jobs).

Five of the selected industries that performed worse than if trends had been the same as from 1991 to 1996 in Dearborn County, still performed better than the aggregate of non-riverboat counties. Those industries include: Fabricated Metal Product Manufacturing; Accommodation; Machinery Manufacturing; Ambulatory Health Care Services; and Motor Vehicle and Parts Dealers.

Four industries performed better than under either scenario. Gasoline Stations experienced the greatest growth relative to those scenarios. The other industries include, Justice, Public Order, and Safety

Activities; Building Material and Garden Equipment and Supplies Dealers; and Heavy and Civil Engineering Construction.

Table 14 compares the number of establishments for the selected industries. Seven of the 11 selected industries had fewer firms in 2001 than if change had occurred at the same pace as between 1991 and 1996. Four industries had fewer establishments than if they had changed at the same rate as the aggregate of non-riverboat communities. The Construction of Buildings industry faired the worst relative to the other two scenarios. Other industries that slowed relative to both other scenarios include: Transit and Ground Passenger Transportation; Accommodation; and Fabricated Metal Product Manufacturing. The industries that have more establishments than if they had performed like the aggregate of non-riverboat counties include: Ambulatory Health Care Services; Motor Vehicle and Parts Dealers; Gasoline Stations; Heavy and Civil Engineering Construction; Machinery Manufacturing; Building Material and Garden Equipment and Supplies Dealers; and Justice, Public Order, and Safety Activities.

Table 14: Actual Number of Establishments in Dearborn County 2001 Relative to Other Trends

		Total Number of Establishments if Change in Employment Was Equal to:		Difference Between Actual and:	
	Actual	1991-1996 Trend in Dearborn County	Trend in Aggregate Non-Riverboat Counties 1996-2001	1991-1996 Trend	Non-Riverboat Trend
Construction of Buildings	39	85	61	-46	-22
Transit and Ground Passenger Transportation	4	16	7	-12	-3
Accommodation	5	7	6	-2	-1
Fabricated Metal Product Manufacturing	15	21	16	-6	-1
Justice, Public Order, and Safety Activities	3	4	2	-1	1
Building Material and Garden Equipment and Supplies Dealers	14	18	13	-4	1
Machinery Manufacturing	6	5	5	1	1
Heavy and Civil Engineering Construction	10	13	8	-3	2
Gasoline Stations	18	12	15	6	3
Motor Vehicle and Parts Dealers	22	19	18	3	4
Ambulatory Health Care Services	52	50	44	2	8

Table 15 compares the average wage per job for the selected industries. Motor Vehicle and Parts Dealers; Fabricated Metal Product Manufacturing; and Heavy and Civil Engineering Construction were the only identified industries that paid less on average than if the growth in wage per job had continued at the same rate as between 1991 and 1996. Five of the 11 industries did not keep pace with wages of the aggregate of non-riverboat counties. Four of the identified industries experienced greater actual average wage increases than if they had experienced the same change under either of the other scenarios. Those industries include: Construction of Buildings; Accommodation; Machinery Manufacturing, and Ambulatory Health Care Services.

Table 15: Actual Wage in Dearborn County 2001 Relative to Other Trends

		Total Wage if Change in Employment Was Equal to:		Difference Between Actual and:	
	Actual	1991-1996 Trend in Dearborn County	Trend in Aggregate Non-Riverboat Counties 1996-2001	1991-1996 Trend	Non-Riverboat Trend
Justice, Public Order, and Safety Activities	$40,640	$29,319	$42,805	$11,321	-$2,165
Motor Vehicle and Parts Dealers	$33,543	$36,705	$35,042	-$3,162	-$1,498
Transit and Ground Passenger Transportation	$7,534	$5,243	$8,187	$2,291	-$653
Building Material and Garden Equipment and Supplies Dealers	$22,004	$19,994	$22,521	$2,010	-$517
Gasoline Stations	$11,481	$9,376	$11,517	$2,105	-$36
Construction of Buildings	$28,744	$25,514	$28,394	$3,230	$350
Fabricated Metal Product Manufacturing	$37,012	$37,150	$36,190	-$137	$822
Heavy and Civil Engineering Construction	$35,515	$46,984	$33,646	-$11,469	$1,869
Accommodation	$12,110	$8,807	$8,254	$3,303	$3,856
Machinery Manufacturing	$39,596	$34,111	$32,940	$5,485	$6,657
Ambulatory Health Care Services	$39,580	$31,283	$32,363	$8,297	$7,217

Summary of Business Impacts

Overall, growth in the number of jobs and number of establishments accelerated directly following the commencement of gaming in Dearborn County. Wages were consistent with the aggregate of non-riverboat trends. Eleven industries met the criteria for analysis and showed considerable observed change in employment, number of establishments, or wages near the time gaming commenced. Those industries were spread across eight sectors. Casual relationship between gaming commencement and other industry change is beyond the scope of this report. This study, however, provides an understanding of what the business climate is in a county that receives fairly large investments and much attention as a result of gaming in the community.

Table 16 provides a summary of change in selected industries, which exhibited considerable change around the same time as the commencement of gaming. Specifically, the table shows whether or not an industry had positive change after the commencement of gaming relative to the change in only Dearborn County five years prior (Dearborn), relative to only the aggregate of non-riverboat counties (non-riverboat), relative to both the change in the county five years prior and the change five years after in the non-riverboat counties (both), or positive change relative to neither of the two scenarios (neither). The bottom section of the table shows the count by employment, establishment, and wage. The table also scores each industry. The score is the sum of the three indicators based on the following conditions: Dearborn (1 point), Non-riverboat (1 point), both (2 points), and neither (-2 points).

Table 16: Summary of Relative Change by Selected Industries

Industry	Jobs	Establishment	Wage	Score
Transit and Ground Passenger Transportation	Neither	Neither	Dearborn	-3
Construction of Buildings	Neither	Neither	Both	-2
Fabricated Metal Product Manufacturing	Non-Riverboat	Neither	Non-Riverboat	0
Accommodation	Non-Riverboat	Neither	Both	1
Motor Vehicle and Parts Dealers	Non-Riverboat	Both	Neither	1
Building Material and Garden Equipment and Supplies Dealers	Both	Non-Riverboat	Dearborn	4
Heavy and Civil Engineering Construction	Both	Non-Riverboat	Non-Riverboat	4
Justice, Public Order, and Safety Activities	Both	Non-Riverboat	Dearborn	4
Ambulatory Health Care Services	Non-Riverboat	Both	Both	5
Gasoline Stations	Both	Both	Dearborn	5
Machinery Manufacturing	Non-Riverboat	Both	Both	5
Both	4	4	4	
Dearborn	0	0	4	
Non-Riverboat	5	3	2	
Neither	2	4	1	

Only two of the selected industries' jobs grew at a slower rate after the beginning of gaming operations and slower than the non-riverboat trend for the same time period (Neither in table above). Four industries performed better than both before gaming operations in the county began and the non-riverboat trend. Only one of the selected industry's wages per job grew faster than they would have in the scenarios (trend in Dearborn County before gaming and trend of non-riverboat gaming).

Industries that placed positively on the positive growth score were Accommodation; Motor Vehicle and Parts Dealers; Building Material and Garden Equipment and Supplies Dealers; Heavy and Civil Engineering Construction; Justice, Public Order, and Safety Activities; Ambulatory Health Care Services; Gasoline Stations; and Machinery Manufacturing. Two of the industries received negative placing under the scoring system. The industries that received negative competitive scores were Construction of Buildings and Transit and Ground Passenger Transportation.

Current Financial Position and Future Plans

Argosy Gaming Company has applied for the renewal of its gaming license in Indiana. This report provides the Indiana Gaming Commission with an assessment of the financial strength of the parent company, Argosy Gaming Company, and also an assessment of the forecasted operating plans for the next three years of its wholly owned subsidiary, the Indiana Gaming Company, LP.

In June 1995, the Indiana Gaming Commission issued a Certificate of Suitability for a Riverboat Owner's License to the Indiana Gaming Company, LP, for a riverboat to be docked in Lawrenceburg, Indiana. The Argosy Casino opened in December 1996 with a temporary facility. A permanent pavilion was opened in December 1997 and the 300-room hotel was opened in May 1998. The riverboat operation was originally owned by Indiana Gaming Company, LP, in which Argosy Gaming Co. was the majority partner with a 57.5 percent stake. Argosy purchased the interest of the minority partners in 2001 for a total price of $365 million. Argosy now owns 100 percent of the Lawrenceburg property and has invested $521 million in capital in the operation.

Argosy Gaming Company: Description and Strategy

Argosy Gaming Company, a publicly traded corporation, provides casino-style gaming and related entertainment. The company owns and operates six riverboat casinos located in five states in the Central United States. In total, Argosy properties have 276,500 square feet of gaming space with a total of 8,938 gaming positions.

Argosy describes itself as a "locals" casino company and has developed characteristics in its properties which appeal to the repeat customers: friendly service, sand afe facilities with state of the art gaming products. Its customers generally live within a one-hour drive of the casinos and visit its casinos three times per year, according to Argosy. Slot play provides 85 percent of total revenue.

Looking at slot operations, Argosy is on track to convert all of its slot machines to cashless technology by the end of 2004. Its employee incentive programs emphasize safety, an entrepreneurial spirit, and cross-functional training. Financial performance excellence is a key element in its strategy. Argosy's long-term strategy requires a strong balance sheet, which provides the financial flexibility needed to pursue future business opportunities.

Argosy's corporate objective is to produce and acquire properties with above average growth prospects. In 2003, the parent company's goals were to "improve competitive position, increase gaming revenue and enhance profitability" of each of its properties. It regularly upgrades and renovates its properties and in 2003 it made maintenance capital investments of $30 million in its properties and invested $150 million in new facilities in Kansas City (Riverside) and Joliet, Illinois. Some descriptive statistics for its various properties are provided in Table 17.

Table 17: Growth in Casino Revenue, 2001-2003

Property	Capital Investment* (millions of $)	Revenue Growth	2003 EBITDA (millions of $)	EBITDA Growth
Lawrenceburg	$521	8.90%	$125.4	-4.40%
Alton	66	-5.5%	23.0	-44.00%
Riverside	194	-1.3%	20.0	-18.70%
Baton Rouge	166	1.8%	15.0	1.40%
Sioux City	41	6.8%	12.0	25.00%
Joliet	518	51.0%	52.0	71.00%
Overall	$1,506	11.0%	$ 224.5	-2.17%

*Reflects property, plant, and equipment gross value.

In the 12-month period ending December 2003, total casino revenues increased for the company by 2.7 percent while EBITDA declined by 12.8 percent. In the last two years (2001-2003), revenue increased by 11 percent while EBITDA declined by 2.17 percent. Argosy attributes the decline in EBITDA to higher state gaming taxes in Indiana and Illinois and increased competition in Illinois with the initiation of dockside gaming in Indiana.

Argosy claims to be a "leading owner and operator of casinos." Based on operations in 2003, Argosy properties produced an average WIN per day per gaming position of $294. This compares to an average of $278 for all riverboats in Indiana in fiscal year 2003. Detail on the reported average WIN in Argosy facilities in each market is provided in Table 18.

Table 18: Average WIN in Argosy Facilities, 2003

Market	2003 Revenue (millions)	Win Per Day Per Position
Lawrenceburg	$415	$404
Alton	$105	$242
Riverside	$93	$127
Baton Rouge	$82	$216
Sioux City	$41	$199
Joliet	$224	$464

Argosy indicates that the Lawrenceburg facility is one of the largest revenue-producing riverboats in the United States. That property represents 27 percent of total gaming space owned by Argosy and produced 55 percent of adjusted EBITDA in the 12-month period ending in December 2003.

Financial Performance History of Argosy Gaming

In 2003, Argosy reported total assets of $1.4 billion and long-term debt of $870 million. It generated revenue in 2003 of $959 million with EBITDA (before management fee) of $225 million. At September 2004, the company had a total Enterprise Value, which is the Market Value of Equity plus the Book Value of Debt, of $1.88 billion for an Enterprise Value to EBITDA multiple of 8.23 times and a Long Term Debt to EBITDA multiple of 3.8 times. Argosy Gaming's current leverage and value are in line with industry averages.

In general, gaming stocks have outperformed the stock market in the last three years and Argosy's stock performance has been exceptional, as it has increased the size of its operations. In Figure 24, Argosy's (AGY) stock performance is plotted against that for Harrah's (HET). Harrah's is a company with annual revenues and cash flows that are more than four times as large as Argosy's. In the last 12 months through September 2004, Harrah's achieved annual revenue growth of 4.5 percent vs. 2.4 percent for Argosy. Going forward, Argosy is expected to achieve an average annual growth rate in earnings of 10 percent versus 12 percent for Harrah's.

Figure 24: Comparison of Stock Price for Argosy (AGY), Harrah's (HET) and the Stock Market (GSPC), Latest 12 Months

Large gaming companies tend to have heavily levered balance sheets. In the Table 19, a summary of the leverage measures of three large gaming companies owning licenses in Indiana is provided: Harrah's, Argosy, and Boyd. The figures for Argosy indicate that the business is as levered as the other two gaming companies and produces a comparable level of cash flow relative to revenues. Argosy has no properties in Las Vegas or Atlantic City, two markets that are experiencing major expansion in gaming facilities. Rather Argosy has focused on secondary gaming markets where the major threats to profitability have been changing state gaming tax schedules and possible expansion of gaming.

Table 19: Argosy's Twelve Months Ending September 2004

	Harrah's	Argosy	Boyd
Revenue	$4.42B	$993M	$1.29B
EBITDA	1.05B	229M	287B
Long-Term Debt	3.67B	870M	1.27B
Total Assets	6.5B	1.4B	2.08B
Interest Expense	234M	75.8M	74.5M
Market Capital	5.8B	1.1B	2.36B
Ratios			
Revenue/Assets	0.68	0.71	0.62
EBITDA/Revenue	23.75%	23.06%	22.25%
EBITDA/Interest	4.49	3.02	3.85
LTD/EBITDA	3.5	3.8	4.43

Argosy Casino Lawrenceburg

The Lawrenceburg property has been extraordinarily successful and is considered one of the largest revenue-producing riverboats in the United States. Table 20 provides a summary of the historical performance of Argosy Casino Lawrenceburg.

Table 20: Argosy Casino Lawrenceburg ($ thousands)

	2000	2001	2002	2003
Net Revenue	$367,700	$354,237	$380,115	$415,194
EBITDA	133,000	132,201	130,027	125,400
Total Assets	246,352	233,399	219,647	221,820
Equity	165,856	179,556	161,397	156,623
Ratios				
Revenue/Assets	1.49	1.52	1.73	1.87
EBITDA/Revenue	0.36	0.37	0.34	0.30
LTD/EBITDA	NA	NA	NA	NA

This summary of the financial performance supports the claim that the Lawrenceburg facility has experienced steady growth and that its asset base was increasingly productive, with revenue to total assets of 1.49 times in 2000 increasing to 1.87 by 2003. The facility generated an EBITDA to Revenue margin of about 37 percent in 2001 but this measure declined in 2002 and 2003 with the increase in gaming taxes associated with the initiation of dockside gaming. The parent company has long-term debt outstanding

that is guaranteed by all six of its properties. Consequently, the parent does not report any long-term debt obligations specifically associated with the Lawrenceburg property.
Relative to two of its competitors in Indiana (See Table 21), the Lawrenceburg facility has consistently enjoyed a higher level of annual revenue relative to its investment in assets and a higher cash flow profit margin on revenue. The high level of gaming revenue produced by the Lawrenceburg facility causes it to pay gaming taxes at a higher average rate than its nearest competitor. In 2003, Argosy Lawrenceburg paid state and local wagering and admissions taxes equal to 34.87 percent of net revenue compared to 30.99 percent for Grand Victoria.

Table 21: Argosy Lawrenceburg Performance versus Other Riverboats

	2001	2002	2003
Casino Aztar Evansville			
Revenue ($ Millions)	$106.10	$116.30	$126.10
Revenue/Total Assets	1.03	1.11	1.14
EBITDA/Revenue %	26.3	26	28.4
Long-Term Debt/EBITDA	2.36	1.51	0.91
Argosy Lawrenceburg			
Revenue ($ Millions)	$354.20	$380.10	$415.20
Revenue/Total Assets	1.59	1.73	1.87
EBITDA/Revenue %	37	34.2	30.2
Long-Term Debt/EBITDA	NA	NA	NA
Grand Victoria			
Revenue ($ Millions)	$136.80	$135.90	$135.90
Revenue/Total Assets	1.11	1.19	1.26
EBITDA/Revenue %	25.07	28.5	22.3
Long-Term Debt/EBITDA	1.89	1.59	2.4

A comparative summary of the characteristic of Argosy's Lawrenceburg gaming operation relative to those of Aztar and Grand Victoria (Table 22) indicates that Argosy has a different operating plan which contributes to its success: it enjoys higher average daily WIN per gaming position and WIN per admission relative to its competitors. The most important difference is in the number of admissions per gaming position, where Argosy has a 50 percent advantage. This advantage is likely a reflection of the Argosy's location, as well as the effectiveness of Argosy's marketing and customer services programs.

Table 22: Characteristics of Gaming Operation

	Gaming positions	Average WIN per Position per Day	Average WIN per Admission	Annual Admission per Position
Argosy	2,868	$400	$100	1,432
Aztar	1,633	192	73	960
Grand Victoria	1,654	230	87	964

Operating Plan 2004-2006

Argosy's management provided pro forma figures for the next three year of operation. These are summarized in Table 23. The proforma statements indicate that a major capital expansion is planned for the Lawrenceburg facility with net total assets growing by $92.7 million in the period. Total revenue is projected to grow by 26 percent from the level achieved in 2003.

Table 23: Proforma for Argosy Casino Lawrenceburg

	2004	2005	2006
	(000s of dollars)		
Revenue	$446,788	$473,008	$523,333
EBITDA	132,033	145,374	158,646
Total Assets	223,635	256,958	316,293
Interest Bearing Debt	NA	NA	NA
Equity	160,873	192,712	245,028
Ratios			
Revenue/Assets	1.99	1.84	1.65
EBITDA/Revenue	0.295	0.307	0.303
LTD/EBITDA	NA	NA	NA
EBITDA/Assets	0.59	0.566	0.50

With these plans the Lawrenceburg property remains very profitable, measured in terms of cash flow return on revenue. An examination of the return on asset (EBITDA/Asset) shows a slight decline, given the expansion of the asset base. Through 2006, Argosy plans to achieve an average annual growth rate in revenues at the Lawrenceburg facility of about eight percent. This is double the average rate of growth in revenue realized in the last three years.

In Table 24, analysis of the actual (2002-2003) and anticipated (2004-2006) free cash flow from the Lawrenceburg facility is provided. Argosy, the parent, will take distributions from its wholly owned subsidiaries to pay interest and repay debt or provide a distribution to shareholders. It is evident that the operating plan for the next three years will generate adequate cash flow to make capital expenditures, repay debt and provide attractive distribution of capital to its parent.

Table 24: Free Cash Flow from Lawrenceburg Casino

	2002	2003	2004	2005	2006
	($ Thousands)				
Casino Revenue	$380,115	$415,194	$446,788	$473,008	$523,333
EBITDA	130,027	125,355	132,033	145,374	158,646
Depreciation	13,153	12,668	13,700	14,677	18,665
Less management Fee	16,254	15,670	16,504	17,547	21,170
Profit Before Tax	100,620	97,017	101,829	113,150	118,811
Tax at 40%	40,248	38,807	40,732	45,260	47,524
Profit After Tax	60,372	58,210	61,097	67,890	71,287
Plus Depreciation	13,153	12,668	13,700	14,677	18,665
Less Capital Expenditures	7,947	12,501	11,017	48,000	78,000
Free Cash Flow to Parent	65,578	58,377	63,780	34,567	11,952

Summary of Financial Position

The Argosy Casino Lawrenceburg is one of the most productive gaming facilities in Indiana and has had that distinction from very early in its history. The state of Indiana has benefited greatly as has the county and community of Lawrenceburg from the success achieved by Argosy to date. There is no managerial or financially-based reasons to do anything other than renew the Argosy license.

Appendix I: Description of SIC Codes

Standard Industrial Classification (SIC) descriptions were taken from http://www.census.gov/epcd/ec97brdg/

20 Food and Kindred Products
This major group includes establishments manufacturing or processing foods and beverages for human consumption, and certain related products, such as manufactured ice, chewing gum, vegetable and animal fats and oils, and prepared feeds for animals and fowls. Products described as dietetic are classified in the same manner as non-dietetic products (e.g., as candy, canned fruits, cookies).

27 Printing, Publishing, and Allied Industries
This major group includes establishments engaged in printing by one or more common processes, such as letterpress; lithography (including offset), gravure, or screen; and those establishments which perform services for the printing trade, such as bookbinding and plate-making. This major group also includes establishments engaged in publishing newspapers, books, and periodicals, regardless of whether or not they do their own printing.

30 Rubber and Miscellaneous Plastics Products
This major group includes establishments manufacturing products, not elsewhere classified, from plastics resins and from natural, synthetic, or reclaimed rubber, gutta percha, balata, or gutta siak. Numerous products made from these materials are included in other major groups, such as boats in major group 37, and toys, buckles, and buttons in major group 39. This group includes establishments primarily manufacturing tires, but establishments primarily recapping and re-treading automobile tires are classified in Services, industry 7534. Establishments primarily engaged in manufacturing synthetic rubber and synthetic plastics resins are classified in industry group 282.

32 Stone, Clay, Glass, and Concrete Products
This major group includes establishments engaged in manufacturing flat glass and other glass products, cement, structural clay products, pottery, concrete and gypsum products, cut stone, abrasive and asbestos products, and other products from materials taken principally from the earth in the form of stone, clay, and sand. When separate reports are available for mines and quarries operated by manufacturing establishments classified in this major group, the mining and quarrying activities are classified in Division B, Mining. When separate reports are not available, the mining and quarrying activities, other than those of industry 3295, are classified herein with the manufacturing operations.

If separate reports are not available for crushing, grinding, and other preparation activities of industry 3295, these establishments are classified in Division B, Mining.

35 Industrial and Commercial Machinery and Computer Equipment
This major group includes establishments engaged in manufacturing industrial and commercial machinery and equipment and computers. Included are the manufacture of engines and turbines; farm and garden machinery; construction, mining, and oil field machinery; elevators and conveying equipment; hoists, cranes, monorails, and industrial trucks and tractors; metalworking machinery; special industry machinery; general industrial machinery; computer and peripheral equipment and office machinery; and refrigeration and service industry machinery. Machines powered by built-in or detachable motors ordinarily are included in this major group, with the exception of electrical household appliances. Power-driven hand tools are included in this major group, whether electric or otherwise driven. Establishments primarily

engaged in manufacturing electrical equipment are classified in major group 36, and those manufacturing hand tools, except powered, are classified in major group 34.

Electric, Gas, and Sanitary Services (SIC Major Group 49)
This major group includes establishments primarily engaged in the generation, transmission, and/or distribution of electricity or gas or steam. Such establishments may be combinations of any of the above three services and also include other types of services, such as transportation, communications, and refrigeration. Water and irrigation systems, and sanitary systems engaged in the collection and disposal of garbage, sewage, and other wastes by means of destroying or processing materials are also included. If one service of a combination system does not constitute 95 percent or more of revenues, the establishment should be classified as a combination in Industry Group 493, with the subgroup being determined by the major service supplied.

Nondurable Goods (SIC Major Group F51)
This major group includes establishments primarily engaged in the wholesale distribution of paper and paper products (SIC Industry Group 511);drugs, drug proprietaries, and druggists' sundries (SIC Industry Group 512);apparel, piece goods, and notions (SIC Industry Group 513); groceries and related products (SIC Industry Group 514); farm-product raw materials (SIC Industry Group 515); chemicals and allied products (SIC Industry Group 516);petroleum and petroleum products (SIC Industry Group 517); beer, wine, and distilled alcoholic beverages (SIC Industry Group 518); and miscellaneous nondurable goods (SIC Industry Group 519).

Building Materials, Hardware, Garden Supply, and Mobile Home Dealers (SIC Major Group 52)
This major group includes retail establishments primarily engaged in selling lumber and other building materials; paint, glass, and wallpaper; hardware; nursery stock; lawn and garden supplies; and manufactured (mobile) homes. It includes lumber and other building materials dealers and paint, glass, and wallpaper stores selling to the general public, even if sales to contractors account for a larger proportion of total sales; these establishments are known as retail in the trade. Establishments primarily selling these products but not selling to the general public are classified in wholesale trade.

General Merchandise Stores (SIC Major Group 53)
This major group includes retail stores which sell a number of lines of merchandise, such as dry goods, apparel and accessories, furniture and home furnishings, small wares, hardware, and food. The stores included in this group are known as department stores, variety stores, general merchandise stores, catalog showrooms, warehouse clubs, and general stores. Establishments primarily engaged in selling used general merchandise are classified in SIC

593, and those selling general merchandise by mail, vending machine, or direct selling are classified in SIC 596.

Food Stores (SIC Major Group 54)
This major group includes retail stores primarily engaged in selling food for home preparation and consumption. Establishments primarily engaged in selling prepared foods and drinks for consumption on the premises are classified in major group 58, and stores primarily engaged in selling packaged beers and liquors are classified in SIC 5921.

Depository Institutions (SIC Major Group 60)
This major group includes institutions that are engaged in deposit banking or closely related functions, including fiduciary activities.

Insurance Carriers (SIC Major Group 63)
This major group includes carriers of insurance of all types, including reinsurance. Agents and brokers dealing in insurance and organizations rendering services to insurance carriers or to policy holders are classified in Major Group 64.

Hotels, Rooming Houses, Camps, and Other Lodging Places (SIC Major Group 70)
This group includes establishments engaged in providing lodging, or lodging and meals, and camping facilities. Hotels which provide accommodations for permanent residents (e.g., apartment hotels) and residential mobile home parks are classified in Real Estate, Major Group65.

Personal Services (SIC Major Group 72)
This group includes establishments primarily engaged in providing services generally to individuals, such as barber and beauty shops, dry-cleaning plants, laundries, and photographic studios. For establishments classified in Industry Group 721, collecting and distributing units (branch outlets, pickup stations, terminals, or depots) owned and operated by a firm which does its own laundry work are not classified as separate establishments. Data for these units are merged with data for the plant where the work is done.

Miscellaneous Repair Services (SIC Major Group 76)
This group includes establishments primarily engaged in miscellaneous repair services, not elsewhere classified. Repair departments of retail dealers or manufacturers are not included unless operated as separate establishments and reported as such. This group does not include some repair services of which the more important are: repair to structures (classified in Construction); garment and shoe repair (classified in Major Group 72); automotive repair services (classified in Major Group 75); electronic computer and computer peripheral equipment repair services (classified in Industry 7378); ship and boat repair (classified in Manufacturing); and railroad repair (classified in Manufacturing).

Motion Pictures (SIC Major Group 78)
This group includes establishments producing and distributing motion pictures, exhibiting motion pictures in commercially operated theaters, and furnishing services to the motion picture industry. The term "motion pictures" includes similar productions for television or other media using film, tape, or other means.

Amusement and Recreational Services, except Motion Pictures and Museums (SIC Major Group 79)
This group includes establishments primarily engaged in providing amusement, recreation, or entertainment services, not elsewhere classified. Gambling businesses, where legal, are also included in this Major Group; however, combined gambling and lodging facilities with 25 guestrooms or more are classified in Industry

7011. Establishments primarily engaged in operating museums, art galleries, arboreta, and botanical and zoological gardens are classified in Major Group 84.

Health Services (SIC Major Group 80)

This group includes establishments primarily engaged in furnishing medical, surgical, and other health services to persons. Associations or groups, such as Health Maintenance Organizations (HMO's), primarily engaged in providing medical or other health services to members are included, but those which only provide insurance covering hospitalization or medical costs are classified in Insurance, Major Group 63. Hospices providing medical services are also included in this Major Group and are classified according to the primary service provided. Healthcare facilities were primarily coded based on self-designation. Where multiple levels of care were indicated but were not apparently separate operations, the facility was generally classified based on the highest level of care provided. Veterinarians are classified in Agriculture, Industry Group 074.