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The MICHIGAN GAMING Newsletter



MICHIGAN GAMING CONTROL BOARD PUBLIC MEETING OVERVIEW

On Tuesday, September 14, 2010 the Michigan Gaming Control Board (“MGCB” or “Board”) held its monthly public meeting. The meeting began with Board Chairperson Barbara Rom introducing the newly appointed Board Member Kenneth Sanborn. Thereafter, Mr. Executive Director, Rick Kalm, presented his Executive Director’s Report to the Board. Mr. Kalm noted that Henry Williams has been promoted to Employee Licensing Division Manager. Mr. Williams will oversee all Occupational Licensing for casino operators and suppliers. Mr. Kalm also noted that Karen Finch has been promoted to Records Manager.

During the business portion of the meeting, the Board voted to renew MGM Grand Detroit Casinos’ operator license. The Board also approved Jamal Majed Bin Thenyieh as a key person of Dubai World, which is a qualified entity of casino licensee, MGM Grand Detroit Casino.

The Board also approved Mr. Freman Hendrix as a key person of Greektown Casino. Mr. Hendrix’s qualification was required as he is a member of the Board of Directors of the newly reorganized Greektown Casino.

The Board’s next public meeting is scheduled for Tuesday, October 12, 2010.

MICHIGAN GAMING CONTROL BOARD RELEASES DETROIT CASINO REVENUES FOR AUGUST, 2010

The Michigan Gaming Control Board (“MGCB” or “Board”) released the August, 2010 total adjusted revenue figures for the three Detroit

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casinos – MGM Grand Detroit Casino, MotorCity Casino, and Greektown Casino. Overall, revenue for the Detroit Market was up by 1.1% in August, 2010 from the same reporting period last year. Specifically, revenue for MGM Grand Detroit Casino was up by 8.8%, while revenues for MotorCity Casino Hotel and Greektown Casino-Hotel were down by 5.1% and 2.4% respectively in comparison to the same month last year.

Month in 2010	Total Adjusted Revenue 2010		
	MGM Grand Detroit	MotorCity Casino	Greektown Casino
	Total Adjusted Revenue	Total Adjusted Revenue	Total Adjusted Revenue
January	\$47,468,319.04	\$35,923,997.65	\$28,023,801.67
February	\$48,622,651.56	\$36,511,115.12	\$29,809,377.11
March	\$52,548,328.50	\$41,234,840.59	\$33,481,265.74
April	\$49,605,147.69	\$37,322,007.23	\$31,981,992.16
May	\$48,836,322.62	\$38,386,776.02	\$29,688,544.04
June	\$46,220,269.94	\$36,543,168.85	\$27,038,009.97
July	\$50,433,913.76	\$37,735,768.95	\$30,633,325.45
August	\$48,046,645.76	\$35,046,635.19	\$29,880,927.00
Total	\$391,781,598.87	\$298,704,039.60	\$240,537,243.12

Month in 2010	Total Adjusted Revenue 2010		
	All Detroit Casinos		
	Total Adjusted Gross Receipts	Total State Wagering Tax	Total Detroit Wagering Tax
January	\$111,416,118.36	\$10,145,657.65	\$13,258,518.09
February	\$114,943,143.79	\$10,502,769.73	\$12,528,802.67
March	\$127,264,434.83	\$8,595,465.95	\$13,871,823.40
April	\$118,909,147.08	\$7,041,099.55	\$12,961,097.03
May	\$116,911,642.68	\$7,065,070.99	\$12,743,369.05
June	\$109,801,448.76	\$6,703,838.54	\$11,968,357.91
July	\$118,803,008.16	\$7,141,744.30	\$12,949,527.89
August	\$112,973,937.95	\$6,730,533.89	\$12,314,159.24
Total	\$931,022,881.59	\$63,926,180.60	\$102,595,655.27

The figures above do not include: 1) wages and benefits paid to casino employees; and 2) payments to suppliers, service providers or vendors.

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On March 9, 2010, Greektown Casino received a tax base reduction certification from the MGCB. For the months of January and February, 2010, the State of Michigan's share for the wagering tax reflected in the Greektown Casino numbers released by the MGCB was 12.1% and the City of Detroit's share was 11.9% for a total tax of 24%. This 24% tax historically applied to all three Detroit casinos. As a result of all three casino facilities being deemed "fully operational," they are subject to a wagering tax of 19% , with 10.9% of this levy to go to the City of Detroit, and 8.1% to be paid to the State of Michigan. Greektown Casino's tax rollback was retroactive to February, 2009, and thus the casino will receive ongoing tax credits to offset prior payments. According to a report presented at the September 14, 2010 MGCB Public Meeting, as of September 10, 2010, the tax rollback credit has been depleted.

In addition to the monthly figures, MGCB Executive Director Rick Kalm provided a three-month comparison of the total aggregate revenues for all operating casinos in comparison to the same reporting period last year. Specifically, aggregate revenues for Detroit's commercial casinos were up 1.5%, compared to the same period last year. Gaming revenues for MGM Grand Detroit Casino, MotorCity Casino, and Greektown Casino were \$145 million, \$109 million, and \$88 million respectively.

The market shares for MGM Grand Detroit Casino, MotorCity Casino and Greektown Casino for the month of August, 2010 were 43%, 31% and 26%, respectively.

MICHIGAN HORSE RACING INDUSTRY UPDATE

On Friday, September 10, 2010, the Michigan Gaming Control Board ("MGCB") received payment needed for weekend thoroughbred races to be held at Pinnacle Race Course. The MGCB had notified the horse racing industry that it needed over \$57,000 in funding for track officials and that, if not paid by noon on Friday, September 10, 2010, an order to not race would be issued.

The Michigan Horseman's Benevolent and Protective Association ("MHBPA") filed an emergency motion to stay the proposed shutdown order so that live racing events at Pinnacle Race Course could be held. The motion was filed in the Wayne County Circuit Court late Thursday, September 9. The court denied the motion and thereafter the MHBPA made payment to the MGCB so that three of the five weekend races could be held.

MGCB Executive Director Rick Kalm told *The Michigan Gaming Newsletter* "we did not want to issue the order and were able to avoid that. Hopefully we will be able to resolve these issues in the future as we try to be up front ... we simply do not have the authority to spend money we don't already have."

The MGCB has indicated that each race day costs the agency an average of \$7,042 to properly staff and regulate the Pinnacle Race Course track.

Since 1992, the state's horse racing industry has seen a steady decrease in the number of racing dates per year, down from 918 dates in 1992 to 217 in 2010. In addition, total wagering revenues have dropped 55% and total tax revenue from wagering has dropped 70% in the same time period.

Pinnacle Race Course is located in Huron Township and is currently the only venue for thoroughbred horse racing in the state. The state has a total of five horse racing facilities that offer pari-mutual wagering on thoroughbred, mixed breed, and harness racing.

OHIO CASINO UPDATE

On Friday, September 10, 2010, Ohio House Bill 519 (“Act”) became effective. The Act creates the Ohio Casino Control Commission, puts forth laws regarding casino gaming and operations, and creates the Joint Committee on Gaming and Wagering. The legislation was signed into law on June 10, 2010, but did not become effective until last Friday, September 10, 2010.

The Act is consistent with a state constitutional amendment passed last year that legalizes casino gaming in the state. Although the state of Ohio had previously failed four times to amend Ohio’s constitution to allow for casino gaming, Ohio voters approved Issue 3 by a 53 percent vote on Tuesday, November 3, 2009, allowing four casinos to be built, one each in Cleveland, Cincinnati, Franklin County, and Toledo.

The Act creates the Ohio Casino Control Commission which will consist of seven members appointed by Governor Ted Strickland. Governor Strickland has yet to choose members of the commission, but a multitude of individuals have announced their interest in the positions, including Cuyahoga County Commissioner Peter Lawson and state Democratic Party Chairman Stuart Garson. The commission must include at least one accountant, one lawyer, one person with law enforcement experience, and at least one member from each of the four counties where the casinos will be located. Each member will be paid \$60,000 per year for their services.

A licensing scheme is included in the legislation that covers casino operators, key employees, holding companies, gaming-related vendors, and casino employees. In addition to applicable state and local taxes, the casinos will pay a 33% tax on gross casino revenues. The law requires that each casino contribute at least \$250 million in initial investment, as well as a \$1.5 million licensing application fee followed by a \$50 million licensing fee once issued.

The Act also creates the Joint Committee on Gaming and Wagering in the state legislature that will review all possible legislative amendments affecting casino gambling. The committee will also prepare annual reports to the General Assembly and Governor regarding the Act and any proposed changes.

Dan Gilbert, owner of the Cleveland Cavaliers and Quicken Loans, heads Rock Gaming, LLC, which will be majority owner of the Cincinnati and Cleveland casinos. In August, Rock Gaming announced that it will partner with Harrah’s Entertainment, Inc. and that Harrah’s will operate the two casinos. It is expected that Harrah’s will have a minority ownership interest in the two properties.

Penn National Gaming will operate the Toledo and Columbus-area casinos. On September 8, Penn National announced that Bally Technologies was awarded a contract to provide slot management and marketing technology to the two properties. Both Penn National and Rock Gaming hope to open permanent gaming facilities in all four cities by the end of 2012.

A link is provided to the full text of the bill as passed and signed: http://www.legislature.state.oh.us/BillText128/128_HB_519_EN_N.html.

Regulatory Management Counselors, P.C. would like to thank Emily Steinberg for her contributions to this Newsletter.