

March 12, 2010

Volume 16, Issue 9

For more information on Michigan's gaming industry, please visit www.michigangaming.com

Editor in Chief:

David D. Waddell, Esq.

Phone: 517.507.3859

waddell@rmclegal.com

Senior Gaming Analyst & Editor:

Robert R. Russell, II

Phone: 517.507.3858

russell@rmclegal.com

Reporter

Douglas L. Minke

Phone: 313.221.9380

minke@rmclegal.com

Reporter

Blaine R. DeGracia

Phone: 517.507.3857

degracia@rmclegal.com

Subscription information:

info@michigangaming.com

A publication of

RMC Ventures, LLC

University Place Center
333 Albert Ave, Suite 450
East Lansing, MI 48823
Phone: 517.507.3860
Fax: 517.908.0235
www.rmclegal.com

The **MICHIGAN GAMING** Newsletter



MARCH 9, 2010 MGCB MEETING OVERVIEW

On Tuesday, March 9, 2010, the Michigan Gaming Control Board (“MGCB”) met for the first time since its December 15, 2009 meeting. Ms. Barbara Rom, the MGCB Chair, began by welcoming new Board Member James Plakas, who was appointed by Michigan Governor Jennifer M. Granholm on February 25, 2010. Mr. Plakas’ appointment to the MGCB brings the board total to four members with one seat remaining vacant. It is also of note that the March 9th public meeting was Ms. Rom’s first meeting in the capacity as Chair following her designation by Governor Granholm earlier this year.

During the business portion of the meeting, the MGCB voted to approve four supplier license applications, and renewed 15 supplier license applications. The MGCB also considered a staff recommendation regarding the approval of Dubai World as a required qualifier of MGM Grand Detroit, LLC. Following a brief discussion on whether the financial problems of Dubai World, and its related subsidiaries, could have an adverse impact on its investment in MGM Mirage, the parent company of MGM Grand Detroit, LLC, the Board voted 3-0 to approve its application. Board Member Benjamin Friedman abstained from the vote. Mr. Friedman stated, “[t]he reason I am abstaining, I just got back into town and I really haven’t had a chance to go over this mountain of materials that we had on this. And to vote on it without being prepared I think would be wrong so I’ll just abstain.”

In other licensing matters related to MGM Grand Detroit, the MGCB approved the following persons as new “key persons”:

1. Cory Ian Sanders;
2. Joseph H Sugerman;
3. John M. McManus; and
4. Denis S. Muckelroy.

During the meeting, the MGCB also took up four Acknowledgement of Violations involving Bally Gaming, Inc., Greektown Casino, LLC and Detroit Entertainment, LLC.

Three of the four Acknowledgements involved the inadvertent use of revoked or non-approved EPROMs. MGCB Executive Director Rick Kalm said the following to the Board:

“With these EPROM checks, we’ve been a little more robust as of the last probably five or six months in making sure we check that we believe that’s a very core function of our regulatory duties inside the casino. And its one of the things our lab insists on. They can’t run software that hasn’t been approved and then sealed by the Michigan Gaming Control Board.”

The final matter taken up by the MGCB was consideration of Greektown Casino, LLC’s Wagering Tax Rollback request and a status report on Greektown’s bankruptcy. The MGCB voted 4-0 to approve the rollback following testimony provided by an attorney for the City of Detroit, who indicated that, “in the City’s opinion, Greektown Casino’s enterprise is fully operational meeting one of the two tests under the Act for the rollback. And we also advised Executive Director Kalm that Greektown is in compliance with the development agreement as required by the Act. Therefore, from the City’s point of view, they are in compliance with the two requirements that entitled them to the tax rollback.” It is important to note that, under state law, the Detroit casinos originally paid an 18% wagering tax on gross gaming revenue. However, in mid-2004, the State of Michigan increased the wagering tax from 18% to 24%. Under the 2004 amended state law, casino licensees could apply to the MGCB for a reduction of their tax rate to 19% “after a casino licensee has been fully operational for 30 consecutive days..” Under the amended law, fully operational means “that a certificate of occupancy has been issued to the casino licensee for the operation of a hotel with not fewer than 400 guest rooms...”

The rollback approved by the MGCB was in the amount of \$14,641,231.37, according to Executive Director Rick Kalm’s Report to the MGCB. MGM Grand Detroit and MotorCity Casino previously received certification of their rollbacks in 2007.

The MGCB announced that its next meeting will take place on April 15, 2010 at 9:30 a.m. Please click [here](#) for a full copy of the MGCB’s March 9, 2010 agenda.

MICHIGAN GAMING CONTROL BOARD RELEASES DETROIT CASINO REVENUES FOR FEBRUARY 2010

The Michigan Gaming Control Board (MGCB) released the February, 2010 total adjusted revenue figures for the three Detroit casinos – MGM Grand Detroit Casino, MotorCity Casino, and Greektown Casino. Overall, revenue was down by 1.7 % from the same reporting period last year. Specifically, revenue for Greektown Casinos was up by 8.4%, while revenue for MGM Grand Detroit and MotorCity Casino was down by 1.68% and 8.7% respectively, compared 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
Total	\$96,090,970.60	\$72,435,112.77	\$57,833,178.76

(Continued on page 3)

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
Total	\$226,359,262.13	\$20,648,427.38	\$25,787,320.76

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

As discussed in the article entitled “March 9, 2010 MGCB Meeting Overview,” Greektown Casino received a tax base reduction certification by the MGCB. Previously, the State of Michigan’s share of the wagering tax reflected in the 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.

In addition to the monthly figures, MGCB Executive Director Rick Kalm provided a three month comparison of the total aggregate revenues for all three Detroit casinos since December of 2009.

Kalm stated that Total Aggregate Revenues for all three casinos since December 2009 were up by 2.4 % in comparison to the same period last year. Gaming revenues for MGM Grand Detroit, MotorCity, and Greektown for the three months were \$142 million, \$107 million, and \$86.2 million respectively.

Gaming revenues for the three month period for MGM Grand Detroit and Greektown were up by 1.7 % and 13.8 % respectively, whereas MotorCity was down by 4.5 % in comparison to the same three month period last year. The Detroit market shares for MGM, MotorCity, and Greektown casinos for the three month period were 42 %, 32 %, and 26 %, respectively.

Kalm also reported that for the three month period ending February 2010, gaming taxes for the three Detroit casinos were \$3.07 million in comparison to \$29.6 million for the same period last year.

MICHIGAN SENATE PASSES BILL TO ALLOW TRIBAL CASINO PAYMENTS FOR SCHOLARSHIPS

On Thursday, March 11, 2010, the Michigan Senate voted unanimously to allow school districts which receive money through Class III tribal compacts to use casino funds for college scholarship programs.

Senate Bill 1097 (SB 1097) provides that “[a] school district may establish and administer scholarships for its students or graduates to support their attendance at a postsecondary educational institution from funds the school district receives as a result of a compact entered into between this state and a federally recognized Indian tribe pursuant to the Indian Gaming Regulatory Act.”

The bill has been referred to the House Committee on Appropriations and if approved by the House, would allow public schools with Native American casinos in their districts to establish scholarship funding for

(Continued on page 4)

students and graduates. It would also allow school districts to use the money for operational expenses.

Michigan's Native American casinos are obligated to make the two percent (2%) revenue sharing payments to local governments pursuant to their gaming compacts with the state of Michigan.

SB 1097 is sponsored by Sen. Ron Jelinek (R-Three Oaks). Sen. Mike Nofs (R- Battle Creek) and Sen. Jerry Van Woerkom (R-Muskegon) are co-sponsors of the bill, both of whom have Tribal-run casinos in their districts.

MICHIGAN LOTTERY CLOSES CHARITABLE POKER ROOM

On Wednesday, March 10, 2010, the Michigan Lottery announced the indefinite closure of the Poker Room at Fisher Hall in Flint, Michigan. According to the Michigan Lottery's Charitable Gaming Division, the poker room was closed due to alleged violations related to overcharging charities for services.

The alleged violations were uncovered after complaints were made to the Michigan Lottery's Charitable Gaming Division. After eight months of investigations, the Gaming Division alleges that it found the poker room had been charging charities more than was allowed by Michigan's charitable gaming guidelines. As part of a settlement agreement with the Bureau of State Lottery, Fisher Hall agreed to close the Poker Room as part of an Acknowledgement of Violation. Pursuant to the settlement agreement, Fisher Hall will continue to operate its bingo hall and will be required to pay fines.

The Poker Room at Fisher Hall hosted 140 licensed millionaire parties in 2009. According to the state, it had been in operation since 2004.

MICHIGAN HOUSE PANEL APPROVES INCREASED PURE MICHIGAN FUNDING

On Tuesday, March 9, 2010, a Michigan House committee voted in favor of \$20 million in

funding for Travel Michigan's "Pure Michigan" advertising campaign. The measure must pass the full House and then go to the Senate before taking effect.

The House Committee on Tourism and Recreation voted 7-3 in favor of a new \$2.50 per day car rental tax to help fund the Pure Michigan efforts. The rental tax was rejected by the Senate last week.

Notably, on Wednesday, March 3, 2010, the Michigan Senate passed [Senate Bill \("SB"\) 619](#), a bill providing temporary funding in the amount of \$9.5 Million for the campaign. If Tuesday's measure passes the full House, it is unclear whether there will be support for the rental car tax in the Republican-controlled Senate.

The additional funding authorized by the legislature would allow the "Pure Michigan" campaign to continue radio, television and billboard advertising in nine key regional markets, including Chicago, Cleveland, Columbus, Dayton, Cincinnati, St. Louis, Indianapolis, Milwaukee and southern Ontario, Canada.

Travel Michigan is the state agency that oversees tourism marketing in the current state budget. According to a recent Travel Michigan report, in 2009, the state agency spent approximately \$12.2 Million on tourism promotion, which generated more than \$41 Million in tax revenue to the state.