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The MICHIGAN GAMING Newsletter



CASINO MARKETING CONFERENCE HIGHLIGHTS PLAYER RELATIONSHIP STRATEGIES

By David Schugar

This article is written by Mr. David Schugar, principal member of RMC Gaming Management, for The Michigan Gaming Newsletter. Mr. Schugar has worked in the gaming industry for over 30 years, including executive management positions with Sahara Gaming, Mandalay Bay Group, and the Majestic Star Casino. He is also the founder and president of Equity Gaming, LLC, an intellectual property company that develops innovative new games and player loyalty programs.

This week, I was privileged to attend the eighth annual Casino Marketing Conference at Planet Hollywood in Las Vegas. The conference events, including educational seminars, awards for marketing excellence in the gaming industry, and ample networking events, featured a variety of knowledgeable and notable industry personalities and provided attendees with an enlightening look into the world of casino marketing.

The conference was well attended and featured attendees and speakers from a range of commercial and Native American properties. I spoke with Dennis Conrad, president of Raving Consulting Company and a key organizer of the conference, who stated that "not only was I proud to see the conference bounce back so strongly from 2010, but I was also glad to see the presentations rise to meet the challenges of a perplexing economy, and the focused networking take on a true sense of seeking shared solutions."

The breadth of speakers and seminar topics provided attendees with marketing strategies and advice applicable to properties of all types and sizes. I was, however, surprised to see that some of the major operators

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were not in attendance as the week's events featured some truly innovative and exciting new marketing approaches.

As a developer of the Equity Plus™ player loyalty program, I was especially intrigued by the attention to player development and retention. These included discussions noting the importance of recognizing and effectively using “hunters,” casino hosts that find and develop new players, and “huggers,” hosts that attend to the wants and needs of individual players.

Steve Browne, of Raving Consulting, a co-sponsor of the conference, highlighted the importance of identifying the roles and functions of a growth-focused Player Development team. Current strategies, as Mr. Browne noted, focus too heavily on player service activities like issuing comps or responding to the individual needs of the player. While these items are important, being casino sales advocates of your property and growing its unique brand should be the focus of your player development team if you are seeking to grow revenues and not merely maintain status quo.

There were also discussions of the future of the casino gaming space and how it will affect a property's marketing strategy. One of the most interesting projections came from John Acres, an industry veteran and revolutionary developer of player tracking techniques, which envisioned slot machines that resembled iPads more than traditional cabinets on boxes and a more comfortable casino floor. These spaces will contain club chairs, gaming tablets, and game themes that feature rigorously regulated, open protocols to meet the public's demand for dynamic entertainment and enjoyment. Mr. Acres' ideas are based on the observation that the public is increasingly focused on new technological offerings and that this will be reflected in tomorrow's casino properties.

The conference also featured awards ceremonies for exceptional contributions to the casino marketing industry. Tuesday's events included the presentation of the Casino Marketing Lifetime Achievement Award to Victor Rocha, owner and editor of Pechanga.net, one of the industry's leading information sources for tribal gaming and public policy news. Mr. Rocha gave a touching speech noting the importance of strong family

relationship and his passion and loyalty to the Pechanga Tribe.

“It is a true honor and surprise to have been selected to receive a Lifetime Achievement Award for the work I have done over the years as a spokesperson for the Native American and commercial gaming industries, Mr. Rocha told *The Michigan Gaming Newsletter*. “To be in the presence of such influential people in the industry as a result of my hard work and dedication to Pechanga.net is humbling to say the least. Since 1998, the readership and popularity of the website has grown enormously and I am excited to see how the industry grows over the next few years as online gaming takes shape across the globe. As always, it is my hope that Pechanga.net continues to be a valuable educational resource to those in Indian country as well as those in the commercial gaming industry to stay up-to-date on gaming-related matters.”

In addition, the conference featured the presentation of the Romero Awards on Wednesday. The awards, recognizing effective casino marketing strategies, have experienced exceptional growth over the past years, growing from 146 entrants to 151 entrants over the past year.

Overall, I was impressed with the range and depth of the Casino Marketing Conference events and look forward to next year's offerings. My past management and operations experience has provided me with a humble appreciation of the intricacies of marketing and player loyalty, a sometimes overlooked asset for any casino gaming property.

Persons interested in learning more about the Casino Marketing Conference website at <http://www.casinomarketingconf.com/>.

For more information on Mr. Schugar or RMC Gaming Management, please visit www.rmcmgm.com.

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NEW LIVE RACING DATES APPROVED AT MT. PLEASANT MEADOWS

On Wednesday, July 20, 2011 Rick Kalm, the Executive Director of the Michigan Gaming Control Board and Racing Commissioner issued an Order approving the change of live racing dates that have been awarded to Mt. Pleasant Meadows. The Order authorizes mixed breed live races which may also now include thoroughbred racing. The following is a list of approved dates :

- Sunday July 24 and 31
- Sunday August 14 (County Fair no racing 6th, 7th or 13th)
- Saturday August 20 and Sunday August 21
- Saturday August 27 and Sunday August 28
- Saturday Sept. 3, Sunday Sept. 4 and Monday Sept. 5
- Saturday Sept. 10, Sunday Sept. 11
- Saturday Sept. 17, Sunday Sept. 18
- Saturday Sept. 24, Sunday Sept. 25
- Saturday Oct. 1, Sunday Oct. 2
- Saturday Oct. 8, Sunday Oct. 9
- Saturday Oct. 15, Sunday 16
- Friday Oct. 21, Saturday Oct. 22 and Sunday October 23
- Friday Oct. 28, Saturday Oct. 29 and Sunday October 30

The request for the changes in live racing date was supported by the Great Lakes Quarterhorse Association and the Michigan Horsemen's Benevolent Protection Association, which are the certified horsemen's organizations involved. The efforts to bring thoroughbred racing to Mt. Pleasant Meadows had been delayed while purse pool distribution issues were worked out between the two horsemen's organizations and the Michigan Gaming Control Board.

OHIO HORSE RACING AND CASINO UPDATE

On Friday, July 15, 2011, Ohio Governor John Kasich signed a piece of legislation that would allow horse racing tracks in Ohio to operate video lottery terminals ("VLTs") and to relocate without local voter approval for the next two

years. In addition, the legislation makes key changes to laws governing future casino gaming in the state, including changes to licensing criteria and taxation.

Horse Racing Provisions

The legislation, House Bill 277, was signed into law on Friday and contains provisions negotiated between Kasich and the casino operators since his inauguration early this year. It also authorizes the Ohio State Racing Commission ("OSRC") to receive applications from track permit holders to operate VLTs at licensed track facilities. In addition, the law allows for racing permit holders to transfer track locations after a review and approval by the OSRC. These provisions are summarized in detail below:

Video Lottery Terminal Authorization: The new law authorizes the OSRC to receive applications for racing permit holders to become a video lottery sales agent, a designation that would allow for the operation of VLTs at licensed horse racing facilities. In addition, any permit holder that is authorized to operate VLTs and that intends to transfer its track location may operate a temporary facility housing VLTs until the new track location is fully operational. Revenue from VLTs will be subject to a 33.5% wagering tax, the same rate as applied to commercial casinos in the state.

Track Location Transfer Provisions: The new law allows for racing permit holders to submit proposals for transferring their current track location to new location. The proposals must include explanations of how the new location would create economic benefits for the state. The procedures for applying for a transfer will be in effect for a period of two years.

The former law regarding transfers required a voter petition to be passed in the counties and townships where the racing will be conducted prior to approval of the transfer. Although not explicitly stated, it appears that the new law supersedes the petition requirements for the two year period when the new transfer provisions are in effect. The OSRC is also authorized under the new law to promulgate rules and procedures for putting the VLT and transfer provisions into

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effect.

Penn National, the developer of two of Ohio's four future casinos, owns two horse racing tracks in the state and has been pushing for the legalization of VLTs at race tracks. The company has stated its intent to utilize the new law's transfer procedures to move Beulah Park, now near Columbus, to outside of Dayton, and to move Raceway Park, now in Toledo, to the Youngstown area. All of Ohio's seven horse racing tracks have been reported as stating that they intend to apply for the proper licenses to operate VLTs at their tracks.

Commercial Casino Provisions

For casino developers, the bill makes several key changes to the initial laws governing casino gambling in the state. These changes were, in part, the product of negotiations between Governor Kasich and casino developers regarding the taxation and fees associated with the new properties. The following is a list of amendments and changes to the initial law that affect casino developers and operators:

Licensing Disclosure Threshold: The initial law required all publically-owned casino operators, management companies, and holding companies to disclose the identity of individuals holding 5% or more interest in the company. Private companies were required to disclose the identity of any individual holding 3% or more interest in the company. The new law will require disclosure of the identities of those individuals holding 5% or more interest in the company regardless of whether the company is public or private.

Operational License Renewal Fees and Term – The new law clarifies that licenses must be renewed for a term of three years. It also authorizes the Ohio Casino Control Commission (“OCCC”) to assess reasonable renewal fees in order to cover investigative and administrative costs in processing license renewal applications.

Temporary Casino Facilities – The new law allows for a casino to open in phases that utilize different ancillary structures to house temporary facilities until the entire project has been completed. These locations include nongaming amenities, property owned or leased by the casino, or other areas where the casino has legal access or rights of way.

The new law also removes the former temporary location provisions regarding operators' credit towards development costs and OCCC approval for noncontiguous temporary locations.

Central System – Under the original law, the OCCC was authorized to require operators to be a part of a central system if the OCCC deemed the system necessary. The new law prohibits the establishment of such a system unless the casino operator is not in compliance with Ohio gambling law, the operator is given written notice from the OCCC with at least 30 days to cure any violation, and the operator is afforded an administrative hearing by the OCCC.

Casino Operator Settlement Fund – The new law establishes a settlement fund that will maintain any money paid by operators in excess of licenses or fees established by the OCCC. These funds will be used for local economic development and job creation efforts.

Promotional Gaming Credits – The bill clarifies that promotional game credits are allowed but are subject to the oversight of the OCCC. Also, for taxation purposes, gross casino revenue does not include the promotional gaming credits.

Casino Taxation Calculation – Under the former law, the state's commercial activity tax was applied to all wagers placed at the casino. This required operators to pay taxes on all money wagered at the casino, as opposed to the gross revenue generated from wagering activity. The new law applies the tax on gross casino revenues. The amendment was a major negotiating point between Governor Kasich and the future developers during the past months. The current commercial activity tax rate is 0.26% of gross receipts. The wagering tax rate will remain at 33.5%.

Because of the disputes between Governor Kasich and casino developers regarding legislative changes enacted above, the development schedules for each of the four casinos have been changed from their initial projections. Currently, Rock Gaming's Cleveland casino is scheduled to open first, in March of 2012. Penn National has stated that it will open its Toledo and Columbus casinos in April and November, respectively. Rock

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Gaming's Cincinnati casino is scheduled to be the final casino to open in February of 2013.

GREEKTOWN SUPERHOLDINGS ANNOUNCES LAND DEAL WITH COUNTY

On Monday, July 18, 2011, Greektown Superholdings, Inc., operators of Greektown Casino-Hotel, announced that it has completed a land transaction with Wayne County, in which it acquired a 1.1 acre parcel of land for a possible parking expansion project. In addition, Greektown Superholdings, Inc. sold a 7.2 acre parcel to the county that is currently used as a municipal parking lot. Details of the cash consideration of the deal were not released.

“We are thrilled that this opportunity arose,” stated Michael Puggi, Chief Executive Officer of Greektown Casino-Hotel. “It provides us with a key parcel, right across the street from Greektown Casino, which will be ideal for a parking facility. We are also pleased that the parcel we sold to the County, which was not critical to the Casino, will fulfill a critical County need.” Any plans for the newly acquired parcel of land are subject to obtaining the required financing and state and local approvals.

AGA ANNOUNCES 2011 GAMING HALL OF FAME INDUCTEES

On Monday, July 18, 2011, the American Gaming Association (AGA) announced its selection for this year's inductees for the 23rd annual Gaming Hall of Fame Charity Dinner and Induction Ceremony. The event will be held on November 1st at the Venetian Resort-Hotel-Casino in Las Vegas and will benefit the National Center for Responsible Gaming (NCRG).

This year's awards go to Sheldon G. Adelson, chairman of the board and CEO of Las Vegas Sands Corp.; Blue Man Group; and Charlie Palmer, a world-renowned chef with restaurants at numerous gaming properties across Nevada.

“To its credit, the gaming industry is constantly

innovating to provide a richer experience for our customers, and it is visionaries like Sheldon, Charlie and the Blue Man Group that continue to drive the industry forward,” said Frank J. Fahrenkopf, Jr., president and CEO of the American Gaming Association. “Their contributions are truly one-of-a-kind, and we are thrilled to add them to the illustrious roster of legends in the Gaming Hall of Fame.”

The AGA states that induction into the Gaming hall of Fame is the highest honor that can be awarded in by the gaming-entertainment industry. Since 1989, more than 70 people have been inducted in the Gaming Hall of Fame as a result of their significant contributions to the gaming industry.

For more information about the AGA, please visit: www.americangaming.org