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*Editor in Chief:*

**David D. Waddell,**

Phone: 517.507.3859

[Waddell@rmclegal.com](mailto:Waddell@rmclegal.com)

*Senior Gaming Analyst  
& Editor:*

**Robert R. Russell, II**

Phone: 517.507.3858

[Russell@rmclegal.com](mailto:Russell@rmclegal.com)

*Reporter & Subscription  
Coordinator:*

**Lauren Jacobs**

Phone: 517.507.3857

[Jacobs@rmclegal.com](mailto:Jacobs@rmclegal.com)

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**RMC Ventures, LLC**

University Place Center  
333 Albert Ave, Suite 450  
East Lansing, MI 48823  
Phone: 517.507-3860  
Fax: 517.908.0235

# The MICHIGAN GAMING Newsletter



## WELCOME BACK

*Spring 2007 Brings Many Changes*

**W**elcome to the new look and format of *The Michigan Gaming Newsletter*. This issue marks the first publication of the newsletter by RMC Ventures, LLC. Through an agreement with Regulatory Management Counselors, P.C.(RMC), RMC Ventures is working with two of the original creators and publishers of the newsletter, Attorney David Waddell and Gaming Analyst Robert Russell, to ensure a continuation of the quality of the publication. Experienced *Michigan Gaming Newsletter* Reporter Lauren Jacobs and Attorney Doug Minke are also part of the newsletter team.

Combining the talents of a diverse group of professionals, Regulatory Management Counselors, P.C. (RMC) was formed as a new specialized law firm. With decades of combined legal and consulting expertise, RMC proactively assists clients in managing regulatory issues to maximize profits and avoid costly legal problems. This is done by providing legal, governmental relations, management consulting, and issue monitoring services to clients who work in heavily regulated industries, such as the gaming industry.

RMC also closely tracks the gaming industry in the state of Michigan, nationally and internationally, and keeps a comprehensive historic library of developments. The RMC team is the only law firm in the state of Michigan that has attended every meeting of the Michigan Gaming Control Board since the Board's inception in 1996. Because of this, RMC has a firm grasp of all precedents that have been set and established by the Board over the years.

The RMC team also plays a vital role in the most important industry educational event and trade show, the Global Gaming Expo, and has been active in providing management training to members of the industry.

Please visit the RMC Web site at [www.rmclegal.com](http://www.rmclegal.com) for more information.

## GOVERNOR SIGNS COMPACT WITH GUN LAKE TRIBE

Last Friday, Governor Granholm and D.K. Sprague, the Tribal Chairman of the Match-E-Be-Nash-She-Wish Band of Pottawatomi Indian Tribe, known as the Gun Lake Tribe, announced they had signed a historic Class III gaming compact to authorize casino gaming at the Tribe's proposed site in Wayland Township, just south of Grand Rapids.

Governor Granholm sent copies of the signed compact to both House Speaker Andy Dillon, and Senate Majority Leader Mike Bishop urging the legislature to concur with the decision to enter into the compact by adopting a resolution. The governor cited several reasons she believes demonstrate that the compact is in the best interest of the public.

"The Gun Lake Tribe has won a decisive victory in the federal courts, and it appears that placement of the tribe's Michigan land into federal trust is imminent," Granholm said. "Once the tribe's land goes into trust, the tribe will almost certainly have the right under federal law to open a commercial gaming facility - with or without a compact with the state. Given these circumstances, it is in the best interest of the state to enter into a gaming compact with the tribe to ensure that the state has both some say in the operation of the facility and an opportunity to share in its revenues."

In December 2002, each house of the Michigan Legislature passed a resolution endorsing a proposed gaming compact with the Gun Lake Tribe; that proposed 2002 compact was substantially identical to the compacts previously entered into with four other tribes in 1998. Before leaving office, former Governor John Engler declined to sign the compact, but strongly recommended that a compact be approved by Granholm. Granholm has held off in entering into a compact because the Tribe had not yet placed land in trust for the proposed facility. Under existing case law, the state is not under any obligation to enter into tribal compact negotiations until land is in trust.

In her letter to the two legislative leaders, Granholm noted that she believed it was "prudent to wait until the Gun Lake Tribe was much closer

to having its lands in trust." She went on to say that the time has now arrived.

"Gun Lake has won a decisive victory in the federal courts and trust status for its land now appears to be imminent—more a matter of weeks or months rather than years away," Granholm stated.

Tribal Chairman D.K. Sprague said the following:

"I applaud Governor Granholm for signing the compact, and respectfully request that the Michigan Legislature take the final step to put us on equal footing with all other federally recognized tribes in Michigan."

The compact is considerably different from the 2002 compact, and also different from the 1994 and 1998 compacts with eleven other tribes. The Gun Lake Tribe will share between 8 and twelve percent of slot machine revenues with the state on a sliding scale based on the amount of revenue generated in exchange for some limited exclusivity of its gaming operation in nine counties. The compact also provides for a two percent revenue share with local governments.

Significantly, the compact is for a twenty-year period. There had been some speculation that new compacts the Governor entered into would be for a shorter period of time.

The Tribe agreed to a high level of regulatory compliance, including a requirement that its Class III gaming equipment will meet the technical equipment standards of the state of Michigan or the NIGC, whichever is more restrictive. This could result in the Michigan gaming lab being quite a bit busier.

Pursuant to a decision issued by the Michigan Supreme Court in 2004, the Legislature can currently approve a compact by the adoption of a resolution, which requires a simple majority of the members of the legislative body present when the matter is considered.

*Next: Detroit Market Update*

## DETROIT MARKET UPDATE

The Detroit commercial casinos experienced a 6.1 percent increase in total gaming revenue in calendar year 2006 over 2005 figures. The three operators took in \$1.303 billion for the year, up from \$1.229 billion in 2005. The increase comes as MGM Grand Detroit Casino, MotorCity Casino and Greektown Casino are in the process of collectively investing more than \$1.2 billion on the construction of their permanent casino projects.

The revenues posted by the Detroit casinos came while they are located in temporary facilities limited to 75,000 square feet of gaming floor space. The figures released by the Michigan Gaming Control Board are the gross receipts less winnings paid to wagerers. The figures do not include: 1) the 12.1 percent state share of the wagering tax; 2) the 11.9 percent City of Detroit portion of the wagering tax; 3) any fees or other relevant city, state or federal taxes; 4) wages and benefits paid to casino employees; and 5) payments to suppliers, service providers or vendors.

| Month in 2006 | Total Adjusted Revenue 2006 |                         |                         |
|---------------|-----------------------------|-------------------------|-------------------------|
|               | MGM Grand Detroit           | MotorCity Casino        | Greektown Casino        |
| January       | \$38,774,811.05             | \$37,755,047.98         | \$27,814,929.85         |
| February      | \$41,160,376.69             | \$37,979,163.22         | \$29,971,114.97         |
| March         | \$41,491,719.32             | \$40,939,645.43         | \$32,215,130.56         |
| April         | \$41,504,985.21             | \$36,824,790.82         | \$27,632,204.50         |
| May           | \$39,218,226.27             | \$38,143,626.11         | \$29,958,489.80         |
| June          | \$40,735,940.50             | \$38,415,572.47         | \$27,069,221.57         |
| July          | \$40,447,175.20             | \$40,668,778.66         | \$28,956,884.11         |
| August        | \$41,516,202.18             | \$38,906,972.15         | \$28,247,544.08         |
| September     | \$41,646,712.95             | \$38,893,739.65         | \$29,297,276.67         |
| October       | \$39,650,357.26             | \$37,334,441.41         | \$25,895,109.77         |
| November      | \$40,747,283.03             | \$39,775,896.44         | \$27,759,222.50         |
| December      | \$42,742,177.98             | \$43,015,436.69         | \$30,196,616.22         |
| <b>Total</b>  | <b>\$489,635,967.64</b>     | <b>\$468,653,111.03</b> | <b>\$345,013,744.60</b> |

The three Detroit casinos' 2006 Total Adjusted Gross Receipts totaled \$1,303,302,823.27. The total 2006 wagering tax paid to the state of Michigan was \$158 million, and the City of Detroit was paid \$155 million.

### January 2007 4.8% Up Over January 2005

This year has started out on a positive note for the Detroit market. However, Detroit casino public relations officials have stated in media reports that the increases in January 2007 over 2006 were the result of increased promotions and advertising.

Below is a second chart summarizing the January 2007 gaming revenues for the three Detroit casinos:

| Month in 2007 | Total Adjusted Revenue 2007 |                  |                  |
|---------------|-----------------------------|------------------|------------------|
|               | MGM Grand Detroit           | MotorCity Casino | Greektown Casino |
| January       | \$40,503,320.38             | \$40,452,401.96  | \$28,439,733.74  |

## **MGM GRAND DETROIT LAUNCHES WEB SITE TO SEEK JOB APPLICANTS**

*More than 1,000 new jobs to be filled*

Last Wednesday, MGM Grand Detroit announced it has opened a Web site where individuals can apply for jobs at its new hotel and permanent casino which is scheduled to open later this year. By visiting <http://www.mgm1job.com>, individuals will be able to search jobs, submit their application, and schedule a job interview through the online process. MGM Grand Detroit indicated in a press release that it intends to hire over 1,000 new people.

Billboards advertising the employment opportunities and the online address are already up throughout the Detroit area today as part of the company's recruitment effort to find the best possible employees, said Vice President of Human Resources Debbie Thomas.

"We're looking for people who are enthusiastic, committed to excellence and who take pride in their work," Thomas said. "They should be flexible to work days, evenings, weekends and holidays and be seeking a gratifying career. The number one requirement is a great personality and a desire to provide excellent customer service."

Thomas said the casino will be hiring people for both salaried and hourly positions in a variety of job classifications including administration, environmental services, finance, food and beverage, hotel operations, human resources, marketing, security, table games, valet and wardrobe. She said MGM Grand Detroit will open a new staffing center in late March in downtown Detroit where job interviews and job training will take place.

## **FIRST DETROIT PERMANENT CASINO ESTIMATED TO BE COMPLETED BY SEPTEMBER**

In a presentation to the Senate Appropriations Committee late last month relating to the 2008 budget, MGCB Acting Executive Director Tom Barker and Financial Services Manager Bob Simon provided the committee with estimates of the

completion dates and costs involved for each of Detroit's three new permanent casinos.

The MGCB estimates that MotorCity Casino will be the first to complete its new facility, with an projected completion date of September 2007, at an estimated cost of \$275 million. MGM Grand Detroit is scheduled for completion in December 2007, at an estimated cost of \$765 million, while Greektown Casino is slated for completion in October 2008 at an estimated cost of \$185 million.

"Companies involved in the construction process for the Detroit casinos need to be aware of the various ongoing compliance requirements for licensed vendors and suppliers," said Gaming Attorney Dave Waddell of Regulatory Management Counselors, P.C. (RMC). The MGCB has levied some very sizeable fines on companies that have not shown a sensitivity to the ongoing requirements.

Robert Russell, a management consultant with RMC, said "many licensed suppliers are surprised by the numerous ongoing reporting requirements that must be met to remain in compliance. It is important for companies that get into this market to make sure they set up sound management systems to assure no violations occur."

Barker also provided the committee with a detailed overview of the MGCB and its mission, and explained the functions of the various divisions.

## **MICHIGAN LOTTERY PLANS FURTHER GROWTH**

In late February, Lottery Commissioner Gary Peters, together with the Lottery Chief Financial Officer, Margie Reh, gave a detailed presentation to the Senate Appropriations Committee. They informed the committee that lottery revenues had increased by 38 percent over the last four years, despite increased competition from the casinos. The revenue increase amounted to a \$141-million growth in contributions to the state School Aid Fund.

Peters noted that the introduction of Club Games (Club Keno and Pull Tabs), offered in bars and restaurants, and the bureau-sponsored Players Club have helped boost revenue.

*Continued on next page.*

### *Michigan Lottery Continued.*

Committee Chair John PappaGeorge asked Peters about the recent rumors circulating regarding a possible sale of the lottery. Peters said that the rumors have circulated, in part, because two nearby states, Indiana and Illinois, have solicited offers. However, Peters suggested this would be a very complex transaction – a type that has never occurred in the United States.

During the presentation, Peters also asked for an increase in funding to hire two more sales representatives. He suggested that the addition of two more full time employees would enable the bureau to generate an additional \$15 million in revenue. When asked about the impact of a 5-10 percent budget cut, Peters said it would have a severe impact on revenue as a result in the decline in service representatives who help promote and sell the lottery. He explained that an effective sales force is critical to sustain and increase revenue, and that the Bureau's sales representatives truly take a hands-on approach with retailers to ensure that sales are maximized. Peters also suggested that the bureau is seeking to further increase revenue by offering Club Games in various fraternal clubs and organizations, such as the VFW and other civic groups. He noted that for these new ventures, he would need additional sales support.

After Powers completed his presentation, the committee heard a presentation from two budget analysts, who are forecasting a severe decline in funds available to the equine industry. The analysts explained that the reason for the decline will be the loss of revenue once the Detroit permanent casinos open. A temporary tax increase imposed on the Detroit casinos in 2004, will be omitted once the new facilities are opened. For 2008, analysts project a reduction of \$3.9 million as a result of the loss of the tax revenue.

## **MICHIGAN HORSE RACING ASKS FOR FUNDING**

In early March, the Senate Appropriations Committee on Agriculture listened to a presentation from the Office of Racing Commissioner (ORC). Deputy Racing Commissioner Gary Post made the presentation, since Racing Commissioner Christine White was on vacation.

Post discussed the problems that the industry faces in remaining competitive without the state allowing slots, VLTs, telephone, or Internet wagering on races, and noted that several other states have had a high degree of success in revitalizing the horse racing industry by embracing and allowing such new technologies. A prime focus of his presentation was on the planned closing of Great Lakes Downs, Michigan's only thoroughbred horse track located in Muskegon, Michigan. Powers noted that the racing commissioner has been working very hard to find a replacement licensee so that the track will remain open in 2008.