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The MICHIGAN GAMING Newsletter



MICHIGAN GAMING CONTROL BOARD RELEASES DETROIT CASINO REVENUES FOR APRIL, 2013

The Michigan Gaming Control Board (“MGCB” or “Board”) released the April, 2013 total adjusted revenue figures for the three Detroit casinos – MGM Grand Detroit Casino, MotorCity Casino and Greektown Casino. Overall, revenue for the Detroit Market was down 2.7% in April, 2013 from the same reporting period last year. Specifically, revenue for MGM Grand Detroit Casino and Greektown Casino was down by 6.0%, and 1.8%, respectively, while revenue for MotorCity Casino was up 1.0% in April, 2013 in comparison to the same month last year.

Month in 2013	Total Adjusted Revenue 2013		
	MGM Grand Detroit	MotorCity Casino	Greektown Casino
	Total Adjusted Revenue	Total Adjusted Revenue	Total Adjusted Revenue
January	\$45,053,237.92	\$35,104,651.68	\$26,014,038.75
February	\$46,465,030.58	\$38,280,263.88	\$26,554,877.16
March	\$54,317,934.38	\$45,753,508.81	\$34,689,130.33
April	\$48,995,129.99	\$39,735,195.61	\$31,309,701.67
Total	\$194,831,332.87	\$158,873,619.98	\$118,567,747.91

All three casinos 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.

The market shares for MGM Grand Detroit, MotorCity Casino, and Greektown Casino for April 2013 were 41%, 33%, and 26% respectfully.

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Month in 2013	Total Adjusted Revenue and Taxes 2013		
	All Detroit Casinos		
	Total Adjusted Gross Receipts	Total State Wagering Tax	Total Detroit Wagering Tax
January	\$106,171,928.35	\$8,599,926.20	\$11,572,740.19
February	\$111,300,171.62	\$9,015,313.90	\$12,131,718.71
March	\$134,760,573.52	\$10,915,606.46	\$14,688,902.51
April	\$120,040,027.27	\$9,723,242.21	\$13,084,362.97
Total	\$472,272,700.76	\$38,254,088.76	\$51,477,724.38

The figures released by the Michigan Gaming Control Board are the gross receipts less winnings paid to wagerers. The figures do not include: 1) any fees or other relevant city, state or federal taxes; 2) wages and benefits paid to casino employees; 3) payments to suppliers, service providers or vendors; and 4) other normal business expenses.

2013 COMPLIANCE SERIES: MICHIGAN TRANSFER OF INTEREST OVERVIEW

In addition to its traditional coverage of developments in the state’s gaming industry, The Michigan Gaming Newsletter is proud to announce its second annual Summer Compliance Series. From May until the end of August, The Michigan Gaming Newsletter will be publishing a regular column in order to provide readers with a basic understanding of Michigan gaming regulatory structures and considerations. The following is a general discussion of the state’s compliance requirements and should not be considered legal advice.

As part of the continued reporting and monitoring requirements for casino operators and suppliers licensed by the Michigan Gaming Control Board (“MGCB”), licensees are required to receive MGCB approval prior to entering into a transaction that would result in a transfer of ownership in the licensee. These requirements are contained in Part 5 of the MGCB Administrative Rules (“Rules”) and are detailed in Board Resolution 2001-05 (“Resolution 2001-05”). Transfer of interest approvals are required in a number of circumstances, including when a licensee issues new company stock, repurchases existing stock, allows stockholders to transfer stock among each other, or any other transaction resulting in a change of ownership percentage among its stockholders.

When contemplating a transfer of interest, it is important to keep in mind that a transfer of interest must receive approval by the MGCB prior to the actual transfer. Though all transfers require prior approval, those meeting the thresholds set forth below must receive formal approval by Board order.

For publicly-traded licensees, the transfer of interest provisions requiring Board approval apply to those transfers that result in a party acquiring more than 5% ownership interest in the licensee. For privately held companies, the threshold for requiring prior transfer approval is set at 1% of the ownership interest in the licensee. Also, if the acquiring party is considered an “institutional investor” (generally, a financial institution that holds the interest for investment purposes only and meets the requirements of Section 6c of the Michigan Gaming Control and Revenue Act and related Rule provisions), then transfer approval is subject to Part 5 of the Rules and Resolution 2001-02.

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For those parties that exceed the thresholds above, the MGCB will conduct a review of the interest holder and must find that the holder meets the relevant qualification and licensing standards contained in the Act and the Rules. Depending on the type and amount of interest sought, the acquiring party may be required to complete and file the appropriate licensing applications with the MGCB and receive MGCB approval prior to completing the transfer of interest (i.e., completion of the business disclosure or personal disclosure form).

For transfers of interest of less than 1% of the total ownership percentage in the licensee, Resolution 2001-05 delegates the authority for approval to the Executive Director and, therefore, formal approval by the Board is not required. Furthermore, qualification and suitability approvals are not required for these transfers, though the Executive Director may determine on a case-by-case basis that qualification and/or suitability may be required for certain parties to the transaction.

Those interested in learning more on the transfer of interest provisions for casino or supplier licensees can visit the MGCB's website at the following [link](#). The website provides additional detail on the transfer of interest process, as well as the appropriate forms to use when applying for a transfer of interest.

U.S. SPORTS WAGERING EXPANSION UPDATE

On April 29, 2013, New Jersey Governor Chris Christie, as well as the President of the New Jersey Senate, the Speaker of the New Jersey General Assembly, the Director of the New Jersey Division of Gaming Enforcement, the Executive Director of the New Jersey Racing Commission, and the New Jersey Thoroughbred Horseman's Association, filed respective Appellate Briefs with the U.S. Third Circuit Court of Appeals challenging, among other things, a lower court's decision upholding the constitutionality of the Professional and Amateur Sports Protection Act ("PASPA"), the federal law which prohibits the expansion of sports wagering outside of the licensed Nevada sports books and certain limited

lottery games and sports pools previously authorized in Oregon, Delaware and Montana. The underlying lawsuit, filed by the NCAA and the professional sports leagues (the NFL, NBA, NHL and Major League Baseball), challenged a sports wagering law recently enacted by the New Jersey legislature and sought an injunction that would prohibit the Atlantic City Casinos and New Jersey horse race tracks from offering sports wagering. The U.S. District Court for the District of New Jersey agreed with the position of the NCAA and the professional sports leagues and issued an Opinion and Order granting their Motion for Summary Judgment and Request for Permanent Injunction on February 28, 2013. Governor Christie and the other appellant parties are appealing this decision.

Notably, on May 6, 2013, the states of West Virginia, Georgia, Kansas and Virginia filed an amicus brief in support of this appeal.

The NCAA and the professional sports leagues are required to file their Appellee Briefs on or before next Thursday, May 23, 2013. The matter is expected to be heard by the Court in late-June.

In addition to the current legal action analyzing the constitutionality of PASPA, in February, two separate bills that seek to amend that law were introduced in Congress. House Resolution ("HR") 625, which seeks to allow any state that enacts a sports lottery, sweepstakes or other wagering scheme during a four year period (running from January 1, 2013 through January 1, 2017) to be exempt from PASPA, and HR 626, which seeks to exclude only the State of New Jersey from PASPA's sports wagering prohibition, were initially referred to the House Judiciary Committee. On April 8, 2013, both bills were referred to the House Subcommittee on Crime, Terrorism, Homeland Security and Investigations. These current bills mirror proposals that were introduced during the last Congressional session, though neither prior bill (HR 3797 and HR 3809) was able to make it out of the House Judiciary Committee.

AGA PUBLISHES ANNUAL STATE OF THE STATES REPORT

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This week, the American Gaming Association (“AGA”) published its the *2013 State of the States*, the organization’s annual report on the gaming industry. The publication, now in its fourteenth year, provides vital statistics on the gaming industry, including a state-by-state breakdown of gaming revenue, employment, and other metrics.

In his President’s Message, AGA President and CEO Frank Fahrenkopf, Jr. states that “the commercial casino industry is back. 2012 marks three consecutive years of increasing growth rates for gross gaming revenue. In fact, revenue figures were the second-highest in history, which is excellent news for all of those involved in the U.S. gaming industry.”

The report notes that the Detroit market is the fourth largest casino market in the country, generating \$1.417 billion in revenue in 2012. Detroit casinos also employed 7,972 people, increasing its employment levels by 9.2% over the prior year, paying a combined \$366.53 million in employee wages, tips, and benefits. Wagering tax revenue in Michigan totaled \$319.75 million for 2012.

The nationwide commercial casino market also showed strong numbers, with total consumer spending at commercial casinos increasing by 4.8% over last year for a total of \$37.34 billion, bolstered by a growing national economy and gaming expansion efforts in several states. 34% of the U.S. population aged 21 or over visited a casino at least once last year to engage in gambling, eat at restaurants, attend a live entertainment event, shop, or take advantage of the various other non-gaming amenities at casino properties. In addition, overall views on gaming remained high, increasing slightly over last year. Overall, 85% of the population viewed gambling as acceptable to themselves or for others, an increase of 4 percentage points from 2012.

For more information, or to read the full *2013 State of the States* report, please visit the AGA’s website at <http://www.americangaming.org/>.

MIDWEST GAMING SUMMIT TO BE

HELD JUNE 3-4

The inaugural Midwest Gaming Summit conference will be held on June 3-4, 2013 at the Westin O’Hare in Rosemont, Illinois. It is one of BNP Media Gaming Group’s six gaming tradeshow scheduled for this year and focuses on casino markets in Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin.

The conference seeks to offer a comprehensive, in-depth view of the opportunities and challenges associated with significant gaming expansion in jurisdictions across the Midwest.

The Midwest Gaming Summit will start with an opening night reception on Monday, June 3, followed by a full day of conference sessions, and two keynote presentations; an opening keynote by David Patent, President and Chief Operating Officer, Rush Street Gaming, and a luncheon speech by Louis I. Lang, Illinois State Representative and Deputy Majority Leader (D-Skokie). Session topics include:

- Regional Round-up: The Casino Operators View
- Midwest Gaming by the Numbers
- The Illinois Video Gaming Market
- The Midwest Gaming Marketing Challenge
- The Politics of Gaming in the Midwest

"As states look to gaming for new sources of revenue, jurisdictions across the Midwest are facing the same basic question: What forms of legislation and regulation are most likely to produce optimal results for all industry stakeholders?" said Randy Green, Group Publisher, BNP Media Gaming Group, the Summit's presenter. "The Midwest Gaming Summit will offer attendees answers to that question from a variety of perspectives, as well as offer a premiere networking environment for gaming professionals in the region."

Notable speakers for the event include:

- Bob Barrows, CFO, Casino Queen Inc.
- Brian Decorah, Assistant General Manager, FireKeepers Casino Hotel

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- Wes Ehrecke, President & CEO, Iowa Gaming Association
- Daniel L. Nita, Regional President and General Manager, Caesars Entertainment
- Dennis Farrell, Senior Casino Debt Analyst, Wells Fargo Securities
- John Kempf, Managing Director, RBC Capital Markets
- Brian T. McGill, Managing Director, Casino Gaming & Lodging, Janney Montgomery Scott
- Matt Sodl, Managing Director, Innovation Capital
- David A. George, President, Bell Gaming
- Michael Pappas, Operating Partner, Fair Share Amusement Company
- Don Pesceone, Senior Vice President of Sales, Incredible Technologies
- Chad Germann, Principal, Red Circle Agency
- Chris Kern, Vice President and General Manager, Mountaineer Casino, Racetrack and Resort
- Joe Schatz, Regional Vice President of Marketing, Caesars Entertainment
- Suzanne Trout, Chief Marketing Officer, Rush Street Gaming
- Robert Russell, Gaming Analyst, Regulatory Management Counselors, P.C.
- Mike Smith, President and CEO, Casino Association of Indiana
- Tom Swoik, Executive Director, Illinois Casino Gaming Association
- Michael Winter, Executive Director, Missouri Gaming Association

For a full list of speakers, as well as full details on how to register and every other aspect of the event, see www.midwestgamingsummit.com.

22 CANDIDATES FILE PETITIONS TO RUN FOR DETROIT MAYOR

Tuesday, May 14, 2013 marked the filing deadline for candidates vying to run for Detroit Mayor. In total, 22 candidates filed petitions to be included on the August 6 primary election ballot. Current Detroit Mayor Dave Bing also announced Tuesday that he will not be seeking reelection.

Notable candidates include former Detroit Medical Center CEO Mike Duggan and Wayne County

Sheriff Benny Napoleon.

In addition, 80 total candidates have filed petitions for Detroit City Council seats.

For a full list of Detroit mayoral and city council candidates, please visit: http://www.detroitmi.gov/Portals/0/docs/elections/Candidate_List/2013%20Unofficial%20Municipal%20Candidates%20List.pdf.