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# The \_\_\_\_\_ MICHIGAN GAMING \_\_\_\_\_ Newsletter



## **MICHIGAN GAMING CONTROL BOARD PUBLIC MEETING OVERVIEW: AUGUST 10, 2010**

The Michigan Gaming Control Board (“Board”) held its public meeting on Tuesday, August 10, 2010. To begin the meeting, Executive Director Rick Kalm presented his monthly Executive Director’s Report to the Board. He noted that as of July 31, 2010, total Board expenditures were \$15,643,228, leaving an unexpended budget balance for the current fiscal year of \$7,397,423.

Mr. Kalm introduced the new employees hired since the Board’s last meeting, including:

1. Kimberly Todd, who has joined the Board’s Licensing and Regulation Division;
2. Roman Worobkevich, who has been hired as an Board Auditor; and
3. Michael Passage and Jack Garrett, who have been hired as Board Regulation Officers.

Following Mr. Kalm’s report, the Board took up the casino license renewal for Greektown Casino and voted unanimously to approve a new one year license. The Board tabled action on the pending renewal license applications for MGM Grand Detroit Casino and MotorCity Casino as the Board is continuing its review of certain financial related documents provided by each applicant. Mr. Kalm noted that both MGM Grand Detroit Casino and MotorCity Casino are in good standing and the additional questions are not of a regulatory matter, rather the Board simply wanted more time to review additional documents.

The Board approved one year supplier license renewals for the following companies:

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1. Baratta Brothers, Inc.;
2. Midwest Game Supply Company;
3. MIG East, LLC;
4. Paltronics, Inc.;
5. VSR Industries, Inc.; and
6. Wrightway Group, LLC.

The final matter that the Board took up was an Acknowledgement of Violation (“AOV”) involving Paltronics Inc. Jason Geissler, Assistant Attorney General, provided the Board with a review of the facts that led to the AOV. He noted that on February 25, 2009 the Board was conducting an Audit at MGM Grand Detroit Casino, when it was discovered that a Paltronics Inc. Machine Interface Card was installed in a progressive slot machine that had not been approved by the Michigan Gaming Laboratory. Mr. Geissler noted that in connection with the AOV, Paltronics Inc. had agreed to monetary sanctions and to: 1) hire a new employee with multi-jurisdictional compliance experience; 2) develop new shipping procedures; 3) hold weekly meetings with the compliance department in order to ensure procedures are followed; and 4) institute training of its employees in order to ensure that all employees understand the importance of shipping only approved software to Michigan.

The next scheduled meeting of the Board is on September 14, 2010 at 9:30 a.m.

## MICHIGAN GAMING CONTROL BOARD RELEASES DETROIT CASINO REVENUES FOR JULY, 2010

The Michigan Gaming Control Board (“MGCB” or “Board”) released the July, 2010 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 up by 3% in July, 2010 from the same reporting period last year. Specifically, revenues for MGM Grand Detroit Casino and MotorCity Casino were up by 5.5% and 5.5% respectively, while revenues for Greektown Casino were down by 3.5% compared to the same month last year.

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
<b>Total</b>	<b>\$818,048,943.64</b>	<b>\$57,195,646.71</b>	<b>\$90,281,496.04</b>

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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
<b>Total</b>	<b>\$343,734,953.11</b>	<b>\$263,657,674.41</b>	<b>\$210,656,316.12</b>

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

On March 9, 2010, Greektown Casino received a tax base reduction certification from the MGCB. For the months of January and February, 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. As of July 31, 2010, the unused amount remaining was \$3,261,596.47.

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%, compared to the same period last year. Gaming revenues for MGM Grand Detroit Casino, MotorCity Casino, and Greektown Casino were \$145 million, \$113 million, and \$87 million respectively.

The market shares for MGM Grand Detroit Casino, MotorCity Casino and Greektown Casino for the month of July, 2010 were 42%, 32% and 26%, respectively.

## **OHIO CASINO DEVELOPMENT UPDATE: PENN BREAKS GROUND; ROCK GAMING PARTNERS WITH HARRAH'S**

Yesterday, August 12, 2010, Penn National Gaming Inc. ("Penn National") broke ground on its proposed Hollywood Casino in Toledo, Ohio. The casino has a tentative opening planned for 2012.

In November of 2009, voters in Ohio passed a constitutional amendment allowing for four casinos to operate within the state, one each in the cities of Cincinnati, Cleveland, Columbus, and Toledo. As part of the constitutional amendment, Penn National Gaming, Inc. and Rock Ventures, LLC ("Rock Ventures") will each control two properties in the state with Penn National controlling the Columbus and Toledo sites and Rock Ventures controlling the Cincinnati and Cleveland sites.

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The \$250 million Toledo casino is being built on the Maumee River, near downtown Toledo. The 290,000 square foot casino will employ an estimated 1,200 people. It will feature 2,000 slot machines, 60 table games and a poker room with 20 tables. Penn National's sister casino will be located in Columbus, Ohio. It does not yet have a date for ground breaking.

Also on Thursday, August 12, 2010, Rock Gaming, LLC, a subsidiary of Rock Ventures, and Las Vegas-based Harrah's Entertainment, Inc. announced a non-binding agreement in principle on key terms for a joint venture to develop and operate downtown casinos in both Cleveland and Cincinnati.

The proposed terms include Harrah's making a minority investment in the Cleveland and Cincinnati casinos as well as serving as the casino manager in both cities. The agreement is planned to be completed during the Fall of 2010. Rock Gaming will retain majority ownership in the proposed partnership.

"After a thorough evaluation, our team is certain that Harrah's top notch and innovative management team is completely aligned with our unwavering commitment to create and deliver projects that embrace and interact with the downtowns they serve," said Rock Gaming's founder Dan Gilbert. "Our partnership will positively impact surrounding business while stimulating new growth in the urban cores of Cleveland and Cincinnati."

The joint venture is estimated to invest more than \$600 million to develop the Cleveland casino and \$400 million to develop the Cincinnati casino.

Gary Loveman, Chairman, CEO and President of Harrah's Entertainment, stated: "We look forward to the opportunity to bring our casino brands, management expertise and Total Rewards customer loyalty program to Ohio. Harrah's shares a common vision with Rock Gaming to develop and manage first-class urban-based casinos that will be a catalyst for economic expansion and job creation in both markets."

The formation of the joint venture is subject to various conditions, including state regulatory approval.

## **AGA NAMES TIM PARROTT TO GAMING HALL OF FAME**

On Thursday, August 12, 2010, the American Gaming Association ("AGA") announced that Tim Parrott, former CEO of Shuffle Master, Inc., will be inducted into the Gaming Hall of Fame this November during the 2010 Global Gaming Expo ("G2E") in Las Vegas, Nevada.

"Tim was a savvy businessman, devoted to the entertainment industry, and he was a driving force behind the development and evolution of gaming throughout his career," said Frank J. Fahrenkopf, Jr., president and CEO of the AGA. "He brought his vibrant and creative energy to so many sectors of our business over the years and was one of the most well-liked and respected executives in the business. The AGA and the rest of the gaming industry look forward to celebrating his life and many accomplishments when we induct him into the Gaming Hall of Fame."

Mr. Parrott worked in the casino gaming industry for over 20 years, establishing himself as chairman and CEO of Boomtown, Inc. from 1988 to 1998. After Boomtown's merger with Pinnacle Entertainment, Inc. in 1998, he served on Pinnacle's board of directors. In 2006, he moved to the gaming equipment manufacturing sector of the industry and became president and CEO of the Americas for Aristocrat Technologies, Inc. After leaving Aristocrat in 2008, he served as the CEO of Shuffle Master, Inc. from 2009 until his death this past May.

Mr. Parrott will be inducted into the Gaming Hall of Fame on Wednesday, November 17, during the State

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of the Industry keynote event at G2E and honored later the same day during the G2E Chairman's Reception at the Mandarin Oriental Las Vegas at CityCenter.

## **ONTARIO TO LAUNCH INTERNET GAMING TO CITIZENS IN 2012**

On Tuesday, August 10, 2010, the Ontario Lottery and Gaming Corporation ("OLG") announced that it will be introducing internet gaming by early 2012.

"Across Canada and around the world, online commerce is part of our everyday lives and OLG is excited to start consultation process for online gaming and growing its marketplace in the future," said OLG Chair, Paul Godfrey. "OLG's internet gaming program will stress responsible gaming while providing an enjoyable experience for Ontario players."

According to the OLG's press release, jurisdictions that currently host internet gaming include British Columbia, the Atlantic Provinces, Netherlands, United Kingdom, France, and Sweden.

It is estimated that citizens of Ontario spend \$400 million per year through unregulated internet gaming providers. According to *CBC News*, the implementation of online gaming could net the province \$100 million or more in profit annually within five years of being set up.

Notably, on July 28, 2010, the U.S. House Financial Services Committee passed H.R. 2267, a bill seeking to allow U.S. citizens to wager online. The proposed legislation would establish a federal regulatory and enforcement framework under which internet gaming operators would obtain licenses authorizing them to accept wagers from individuals in the U.S.

The OLG plans on a thorough consultation and implementation process for the next 18 months. In addition, the OLG plans on implementing a strong online responsible gaming program, offering increased player protections, secure transactions and data privacy.

## **AGEM RELEASES JULY, 2010 INDEX**

On Monday, August 9, 2010, the Association of Gaming Equipment Manufacturers (AGEM) announced that the AGEM Index moved modestly upwards in the middle of the second quarter earnings season. The composite score of 17 global gaming suppliers earned 1.68 points, reaching a value of 90.57 by the end of July, 2010. The Index is based on a 100-point value as of January, 2005.

The Index is computed based on the month-end stock price (adjusted for dividends and splits) of each company and weighted based on approximation of market capitalization. The upturn comes after falling by 12.61 points and 14.69 points in May and June, respectively.

AGEM is an international trade association representing manufactures of electronic gaming devices, systems and components for the gaming industry. AGEM works to further the interest of gaming equipment manufactures throughout the world. The AGEM Index comprises 17 global gaming suppliers throughout the world. A total of 12 suppliers are based in the U.S.