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The MICHIGAN GAMING Newsletter



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

The Michigan Gaming Control Board (“MGCB” or “Board”) has released the August, 2013 total adjusted revenue figures for the three Detroit casinos – MGM Grand Detroit Casino, MotorCity Casino and Greektown Casino.

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
May	\$48,326,080.76	\$39,604,092.95	\$28,589,982.46
June	\$41,794,972.38	\$35,431,762.38	\$26,630,622.16
July	\$51,507,665.66	\$34,639,218.50	\$26,177,226.98
August	\$47,374,526.35	\$38,690,225.53	\$26,833,700.14
Total	\$383,834,578.02	\$307,238,919.34	\$226,799,279.65

Overall, for the month of August, revenue for the Detroit Market was down 3.5% from the same reporting period last year. Specifically, revenue for MotorCity Casino was up by 1.5%, while revenues for MGM Grand Detroit

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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
May	\$116,520,156.17	\$9,438,132.65	\$12,700,697.02
June	\$103,857,356.92	\$8,412,445.91	\$11,320,451.90
July	\$112,324,111.14	\$9,098,253.00	\$12,243,328.11
August	\$112,898,452.02	\$9,144,774.61	\$12,305,931.27
Total	\$917,872,777.01	\$74,347,694.94	\$100,048,132.69

Casino and Greektown Casino were down 4.8%, and 7.7%, respectively, in August, 2013 in comparison to the same month last year.

The market shares for MGM Grand Detroit, MotorCity Casino, and Greektown Casino for August, 2013 were 42%, 34%, and 24%, respectively.

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 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.

COURT ALLOWS IMPLEMENTATION OF MOST MGCB UPDATES WITH REGARD TO CHARITABLE GAMING REQUIREMENTS

In an important decision determining the scope of discretion of the Executive Director of the Michigan Gaming Control Board (“MGCB”) over the licensing and permitting of charitable “millionaire party” operations, the Ingham County Circuit Court ruled that most (7 out of 8 requirements) of some recently issued regulatory guidance to licensees will be allowed to take effect. Although most of the recently announced guidelines were affirmed as being within the discretion of the MGCB, the Court did indicate that a formal Administrative Rule change would be required for the MGCB to require such charitable gaming operations to close at midnight and thus indicated that it would enter a partial preliminary injunction on this point. The case is still pending, and thus there will be further proceedings in the coming months.

As background, on July 29th, MGCB Executive Director Richard Kalm issued regulatory “updates” to the

charitable gaming operational standards setting forth several requirements for such operations to meet in order for them to be licensed and permitted to operate (under the exercise of discretion by the MGCB Executive Director).

On August 22, at the request of 19 charitable organizations, Ingham County Circuit Judge Clinton Canady III issued an ex parte temporary restraining order and order to show cause restraining the implementation of the updates temporarily and scheduling a show cause hearing for September 5th. The charities asserted that the announcement of the “updates” constituted a form of improper rulemaking under the Administrative Procedures Act. Notably, on August 29, 2013, MGCB Executive Director Kalm issued a letter rescinding the July 29th letter, and indicating that it was not intended to be any form of rulemaking activity. The letter stated:

Unfortunately, some have misconstrued the purpose of the letter as an attempt to rule make. The letter provided updates that were advisory and interpretative of specific areas of needed enforcement concerning the regulation and licensing of millionaire party gaming. These measures are necessary to protect the charities and the integrity of gaming and have their basis in my existing authority under the Bingo Act and rules. Accordingly, I will continue to regulate millionaire party gaming consistent with that authority.

Although an Order has not yet been entered, at the September 5th show cause hearing, the Court refused to enter a preliminary injunction with respect to most of the guidance announced by the Executive Director. The Court indicated that it would enter a preliminary injunction with regard to the proposed closing time change that the Executive Director had outlined (requiring such events to conclude at midnight instead of 2:00 a.m.). Importantly, however, it did not enter a preliminary injunction with regard to any of the other [updates](#) that were issued on July 29th. Thus, the MGCB will be permitted to move forward with these interpretations unless or until further court or legislative action. Among other things, the new requirements will cap the number of charities at each site at three, limit the number of chips in play at a table to 15,000 and prohibit the use of poker

chips as tips for dealers and others. The Executive Director plans to begin enforcing the new requirements once the Court has issued a written order supporting his rulings in the case.

Notably, as reported in last week’s [Michigan Gaming Newsletter HB 4960](#) was introduced on Sept 4th seeking to make major changes to the Bingo Act that are supported by the Michigan Charitable Gaming Association.

SIXTH CIRCUIT ISSUES RULING IN MICHIGAN CHARITABLE GAMING CASE

On Friday, September 6, 2013, the United States Court of Appeals for the Sixth Circuit issued its Opinion in *Top Flight Entertainment, Ltd. v. Schuette, et al.*, which both affirmed and overturned certain portions of an initial ruling by the United States District Court for the Eastern District of Michigan. The case involves allegations that charities were denied Millionaire Party licenses solely on the basis that the location where the events would be held, a topless bar, had recently challenged a separate Michigan law regulating the advertising of “sexually oriented businesses.”

The initial complaint filed in the Eastern District was dismissed in favor of the Defendants, which included state officials from the Attorney General, State Lottery, Michigan Gaming Control Board, and State Police. In its ruling, the Court held that the Plaintiffs, the owner of a topless bar and a charitable gaming supplier, did not have standing to bring the suit as they were not the entities actually receiving the charitable gaming licenses, which are issued directly to the charities seeking to hold each Millionaire Party event.

On appeal, the Sixth Circuit Court affirmed parts of the decision and partially overturned the court’s ruling. The Sixth Circuit Court held that the location had no property interests to millionaire party licensed events to be held there, and their “argument that they ‘accrued approved location/lessor status’” as a protected entitlement is contradicted by Michigan law and Plaintiffs’ own complaint, as discretionary benefits are not

constitutionally protected entitlements.” In a concurring opinion, Circuit Judge Damon Keith stated:

It is undisputed that there is no state law that gives anyone in the public a right to gambling. Millionaire-Party licenses are completely discretionary. If the commissioner chooses to issue a license for a Millionaire Party, that license is given to a charity—not the venue where the event will be held. There is no license to lease space for a millionaire party. There is no process for approving a would be lessor.

Although the Court found that there was no protected property interest, it overturned the decision of the lower court which found that the plaintiffs had no standing to bring the suit.

“Plaintiffs have constitutional standing to bring suit. They allege an injury (the loss of future millionaire-party leasing contracts) that is a result of Defendant’s alleged policy of issuing blanket denials to all organizations wishing to conduct a millionaire party at Plaintiff’s business.”

As the Sixth Circuit found standing on this basis, and was utilizing a legal standard which obligated it to assume that all allegations in the complaint were factually true (for the limited purpose of deciding whether the case should be dismissed) it ruled that the case be remanded to the Eastern District Court to proceed on the merits of the case.

It is important to note, however, that the dismissal of the Attorney General and Lottery Commissioner in their individual capacities was fully affirmed by the Sixth Circuit.

ALLEGED OPERATORS OF GAMBLING OPERATION ENTER GUILTY PLEAS

On Tuesday, September 10, 2013, Michigan Attorney General Bill Schuette announced that guilty and no contest pleas had been entered into by a married couple facing charges related to an alleged illegal sports wagering operation in the Wayne County Circuit Court.

The couple, Mr. John Zurich and Ellen Jane Zurich, allegedly ran a sports wagering operation out of a print shop owned by them through betting cards printed at the shop from December of 2002 through May of 2012. After a tip regarding this activity was received, the Westland Police Department and the Michigan Gaming Control Board (“MGCB”) initiated an investigation.

The investigation concluded that Mr. Zurich used his print shop to print betting cards and distribute them for the purposes of conducting sports wagering activity, which is prohibited under state and federal law. Ms. Zurich allegedly had knowledge of her husband’s activity and assisted in manipulating the income received to make it appear as legitimate income on tax filings.

Mr. Zurich has plead guilty to one count of Conducting Criminal Enterprises (Racketeering) and no contest to one count of Failure to File/False Taxes. Ms. Zurich has plead no contest to one count of Failure to File/False Taxes.

In a press release on the matter, Mr. Schuette stated “I would like to thank the Westland Police Department and the Michigan Gaming Control Board for their efforts in this important investigation...This investigation was spread over a seven month period and involved several law enforcement partners. These type of investigations often lead us to suspects tied to the criminal underground.”

A sentencing hearing has been scheduled in the Wayne County Circuit Court for both defendants on November 5, 2013.

G2E 2013 CONFERENCE TO OFFER TOP-TIER SPEAKERS AND UNMATCHED EDUCATIONAL CONTENT FOR GAMING PROFESSIONALS

This year’s conference sessions at Global Gaming Expo 2013 (“G2E”) are slated to feature a wide range of high-quality speakers and sessions that seek to provide gaming professionals with important industry knowledge. The G2E

2013 conference will be held September 24-26 at the Sands Expo and Convention Center in Las Vegas, with G2E's more specialized and intensive conference sessions taking place on Sunday, September 22nd and Monday, September 23rd.

"The gaming industry is fast-paced, and gaming professionals must be prepared to navigate this competitive and constantly changing environment," said Courtney Muller, senior vice president at Reed Exhibitions co-host of G2E along with the American Gaming Association. "The conference at G2E 2013 will offer the world's largest and most comprehensive education for the gaming industry, providing attendees with the knowledge, insights, guidance and tools they need to stay ahead of the game."

On Thursday, Sept. 26 at 10:15 a.m., Mr. Robert Tercek, a digital media expert, will deliver the G2E conference keynote address, titled "What Every Gaming Executive Needs to Know about The Cloud, The Crowd, Big Data and Mobile." The keynote address will take place in Titian Room 2202. Mr. Tercek has expertise in television, telecommunications and software, and he plans to illustrate how his clients in the mass media industry are taking urgent steps to reinvent themselves as a new, personalized media experience optimal for smartphones and tablets—and how the same dynamics will reinvent the casino. Mr. Tercek's keynote presentation will be followed by three forward-looking talks from the perspectives of gaming technology, hospitality and operations.

The G2E 2013 conference also will feature 14 tracks and more than 100 sessions led by gaming industry leaders and seasoned experts from around the world. Additionally, G2E 2013 is offering conference attendees further opportunities to increase their professional knowledge with seven specialized events on Monday, September 23rd. The events are listed below.

iGaming Congress: This one-day conference will address the potential impact of Internet gambling legalization in the U.S., and advise the gaming market on how to react to the changing face of the industry and take advantage of new opportunities.

G2E 101—NEW!: This all-new intensive program offers management-level casino

executives the opportunity to cross-train and learn more about other areas of the gaming business. G2E 101 sessions will explain the duties, responsibilities and basics of specific departments within a casino property and how they work in synergy with the overall operation.

G2E Advanced Gaming Institute: Created in partnership with the International Gaming Institute at the University of Nevada, Las Vegas, the Institute offers attendees the opportunity to learn important fundamentals from respected professors of higher education and is specifically designed for those who have entered the gaming industry without a formal education in casino operations.

Security & Surveillance Institute: Produced with ASIS International, the Security & Surveillance Institute is designed to address the growing demand for access to the latest information on major incidents within casino properties and leading-edge information on surveillance techniques.

Social Media Boot Camp: Produced with Masterminds, the Social Media Boot Camp is designed to help attendees focus their efforts and align their social media strategies to meet real business objectives, learning how to keep the big picture in mind while still keeping track of the details.

International Association of Gaming Advisors (IAGA): The IAGA program offers targeted content for attorneys, financial experts, casino executives and regulators. Programmed and led by the most experienced advisors in the gaming industry, IAGA sessions explore social gaming regulation, challenges for regulators in competitive markets, compliance and innovation, non-licensed gaming activity and the public's role in gaming expansion.

National Center for Responsible Gaming (NCRG): G2E is proud to team up with the NCRG once again this year to offer NCRG at G2E conference sessions, which will bring together G2E attendees with attendees from the NCRG Conference on Gambling and Addiction to learn more about current gambling disorders research and best practices in responsible gaming. The 14th annual NCRG Conference on Gambling and

Addiction will take place Sept. 22-24 at The Sands Expo and Convention Center at the Venetian Las Vegas.

For more information or to register for G2E 2013, visit www.globalgamingexpo.com.