

November 16, 2018

Volume 24, Issue 36

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A publication of
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The _____ MICHIGAN GAMING _____ Newsletter



MICHIGAN GAMING CONTROL BOARD RELEASES DETROIT CASINO REVENUES & WAGERING TAXES FOR OCTOBER 2018

In a [press release](#) dated November 13, 2018, the Michigan Gaming Control Board (“MGCB” or “Board”) released the October 2018 revenue figures for the three Detroit casinos – MGM Grand Detroit Casino, MotorCity Casino and Greektown Casino.

The three Detroit casinos reported \$116 million in aggregate revenue for October 2018, an 2.9% increase from the same month last year. The results were 0.6% above the monthly revenue in September 2018. Through September, the three casinos recorded a 2.4% aggregate revenue increase compared with results for the first ten months of last year.

Please see the linked [State of Michigan official financial report](#).

Revenue increased at MGM by 2.8% to \$49.8 million. MotorCity recorded a revenue increase of 0.5% to \$38.6 million. Greektown revenue increased by 6.6% to \$27.6 million compared with October 2017 results.

The October 2018 market shares for MGM Grand Detroit, MotorCity Casino and Greektown Casino were 43%, 33% and 24% respectively.

During October 2018, the three Detroit casinos paid \$9.4 million in gaming taxes to the State of Michigan, compared with \$9.1 million for the same month last year. The three casinos reported submitting \$14.4 million in wagering taxes and development agreement payments to the City of Detroit in October.

All three casinos are subject to a wagering tax of 19%, with 10.9% of this levy payable to the City of Detroit and 8.1% payable to the State of Michigan.

The figures released by the 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, services providers or vendors; nor 4) other normal business expenses.

PENN NATIONAL GAMING ENTERS INTO AGREEMENT TO ACQUIRE GREEKTOWN CASINO-HOTEL

Per a [press release](#) dated November 14, 2018, Penn National announced that it has entered into a definitive agreement to acquire the operations of Greektown Casino-Hotel in Detroit, Michigan (“Greektown”) for approximately \$300 million in cash.

Timothy J. Wilmott, Penn National’s Chief Executive Officer, stated, “The acquisition of the Greektown Casino-Hotel operations from JACK Entertainment, LLC will further expand Penn National’s already diverse operating base with a facility that is extremely well-positioned in one of the nation’s largest regional gaming markets. At the same time, Greektown and its customers will benefit from becoming part of a larger gaming operator, with access to properties in Las Vegas and across the country. We are pleased to partner again with VICI Properties to structure this transaction in a manner that is immediately accretive to Penn National’s operating results upon closing.”

“Detroit is undergoing an exciting renaissance as a result of billions of dollars of new investments in the city’s residential, commercial, entertainment and cultural center, all of which are driving new residents, businesses, tourists and employment to the downtown area. Greektown is the only casino in the heart of downtown, and we look forward to welcoming patrons from the many nearby attractions, such as Comerica Park, Ford Field, Little Caesars Arena, the city’s theater district, GM’s Renaissance Center and the Cobo Conference Center. We also look forward to working with JACK Entertainment and VICI to

ensure a seamless transition for all of our constituents including customers, employees, vendors, local government and Michigan regulators.”

Opened in 2000, Greektown Casino-Hotel features 100,000 square feet of casino space, approximately 2,700 gaming machines and 60 table games, a poker room, three restaurants, seven fast casual food outlets, four bars and a coffee shop. In addition, the casino boasts a AAA Four Diamond 400-room, luxury high-rise hotel with 14,000 square feet of event and catering space. The property employs approximately 1,700 team members and has partnered with nearly 20 local restaurants to offer fine dining rewards to guests.

Upon closing the Greektown transaction, Penn National’s portfolio of regional gaming facilities will increase to 41 properties in 19 jurisdictions.

The transaction, which is expected to close in mid-2019, is subject to the approval of the Michigan Gaming Control Board and other customary closing conditions.

WEBINAR EXPLAINED THE EXPANDING FRONTIER OF AFFILIATE MARKETING IN THE IGAMING AND ILOTTERY INDUSTRIES

On November 14, a webinar entitled “*The Expanding Frontier: Affiliate Marketing and the Evolution of the American iGaming and iLottery Space*” was put on by Paysafe Group’s Income Access. The Panel included Becky Kingman Gros, COO of Global Gaming Business and iGaming Player; Adam Small, CEO at US Bets; Christopher Capra, former Vice President Online and Internet Marketing at Tropicana Entertainment; Merv Huber Calvo, Director Growth Marketing, Scientific Games; and Michael Daly, General Manager US, Catena Media.

The Michigan Lottery was repeatedly mentioned as being at the forefront of the iLottery industry, and has been active in the use of affiliate marketing to promote its online games. Affiliates play an important role in bringing customers to iGaming or iLottery platforms, often by offering informative content (on games or on current promotions being offered) that keeps the customer coming back to their websites.

Becky Kingman Gros, the COO of Global Gaming Business Magazine and iGaming Player, spoke from the affiliate perspective. She noted that one of the biggest challenges that affiliates face in marketing iGaming operations comes from the restrictions imposed by major social media companies like Bing, Yahoo, Google and Facebook, which bar materials on any form of online gaming. These companies do not have a proper system to vet the various things being offered to allow things that are legal and appropriate.

Ms. Kingman Gros noted that her company initially focused on promotion of casino games with its publications. But recently, this has changed to include Lottery offerings. "We began promoting recently Pennsylvania and Michigan lotteries. Consumers generally are more comfortable with lotteries when it comes to iGaming. There is still a lot of concern out there about whether sites are legal when it comes to online gaming, but having the online aspect for lottery does not really cause concern for the public."

Much of the discussion of existing affiliate marketing for iLottery and iGaming focused on the states of Michigan and New Jersey. The webinar discussed the coming opportunity in Pennsylvania, which will be a highly regulated market similar to New Jersey in terms of licensing for affiliates. The Pennsylvania Gaming Control Board has recently issued forms for affiliates to use to apply for licensing to work with operators separate from the Lottery. The Lottery takes its own approach to due diligence looking into the background of companies seeking to be affiliates.

The panel members observed that the high fees in Pennsylvania could adversely impact on affiliate marketing as the casinos may not have the ability to share the amount of revenue that normally gets directed to affiliates. Additionally, it was noted that the Pennsylvania customers have lower average income levels compared to New Jersey. All in all, Pennsylvania is viewed as a tremendous opportunity with a lot of unique challenges.

Erica Anderson, the Marketing Director of Income Access, who acted as the moderator of the panel discussed the key "take-aways" from the webinar which included the following:

- The opportunities for iLottery and Sports Betting will be great in the future for affiliate marketing.
- There is strong acceptance of the iLottery by consumers which will likely also apply to sports betting as that industry grows.
- Affiliates play a key role in educating consumers in the emerging markets and in the United States.
- Affiliate marketing is one of many consumer marketing channels, and it is important for operators to take a balanced approach in marketing their online offerings. This will likely be different on a state by state basis, as what works is different in each state.
- PASPA's repeal has and will lead to tougher competition for affiliates.
- Having a relevant and detailed tracking system is important for both the operators and the affiliates in order to track what works and what doesn't.

COUNCIL OF LEGISLATORS FROM GAMING STATES ANNOUNCES SPEAKERS FOR WINTER MEETING IN NEW ORLEANS

The National Council of Legislators from Gaming States (NCLGS) has announced the roster of speakers for its Winter Meeting that takes place

January 4-6, 2019 in New Orleans. Registration is open to the public at www.nclgs.org/meetings.html.

"We have attracted many of the most respected and thought-provoking experts from different fields to provide legislators from across the country with different perspectives on the most pressing issues involving legal gambling," said NCLGS Officer Jon Ford, a senator from Indiana. "Everyone with a stake in the future of legalized gambling – in any form – should join dozens of state legislators and attend our New Orleans meeting."

More than 200 attendees, including dozens of state legislators, are expected to attend the three-day NCLGS Winter Meeting. The conference agenda includes:

- Keynote Luncheon Address from former New Jersey Governor Chris Christie, whose arguments before the Supreme Court resulted in overturning the federal prohibition on sports betting.
- Six legislative committee sessions: Casinos, Emerging Forms of Gaming, Lotteries, Pari-Mutuels, Sports Betting/iGaming, and State-Federal Relations.
- Two Master Classes presented by the International Masters of Gaming Law.
- Friday evening welcome reception.
- Saturday afternoon back-of-house tour of Harrah's New Orleans Casino.
- Sunday general session focusing on the relationship between gaming and tourism.

To view the NCLGS Winter Meeting agenda, register, and book hotel rooms at the host hotel at special attendee rates, visit www.nclgs.org/meetings.html.

ASSOCIATION OF GAMING EQUIPMENT MANUFACTURERS (AGEM) ANNOUNCES EIGHT NEW MEMBERS

The Association of Gaming Equipment Manufacturers (AGEM) announced on November

15, that its Board of Directors has approved the membership applications of eight new companies, bringing the trade group comprised of the world's leading gaming suppliers to a total of 166.

The new AGEM members are:

- **Aon**, based in London, with offices in Las Vegas and 120 countries, is a leading global professional services firm providing a broad range of risk, retirement and health solutions.
- **Atlas Gaming**, based in Melbourne, Australia, is a manufacturer of slot machines and games for the global market.
- **Gaming Publishing / G3 Magazine**, based in Burnley, United Kingdom, is a leading news provider for the global gaming industry through its print edition and the G3Newswire online portal.
- **Leadman Electronics USA**, based in Santa Clara, California, delivers high-quality technology products and online logistics management services nationwide.
- **Posiflex Business Machines**, based in Hayward, California, has been a leader in the design and manufacture of point-of-sale and industrial touch terminals and kiosks since 1984.
- **Synergy Blue**, based in Palm Desert, California, is a leading provider of skill-based games and platforms for an emerging class of game players.
- **TACK Electronics**, based in Grand Rapids, Michigan, is a contract manufacturer specializing in high-quality custom harnesses and cable assemblies.
- **Yogonet**, based in Buenos Aires, Argentina, was founded in 2002 and offers a leading business-to-business publication for the gaming industry.

For more information, visit www.AGEM.org.

ILLINOIS STATE RACING BOARD APPROVES HISTORIC RACING

The Illinois State Racing Board recently approved [proposed regulations](#) governing historical horse racing wagering. The electronic games would

display historical horse racing events after a player selects a pari-mutuel wager picking the top three finishers. The regulations prohibit the game from showing a player any information regarding the location, date, names of horses or names or jockeys or drivers participating in the race before making a wager. After the wager is placed, the game would display either the entire or shortened replay of the historical race. The proposed regulations will be subject to public comment and review from the Illinois legislature's rules committee before the Racing Board can give final approval.

The Nebraska Racing Commission has also recently approved the machines. Other states, such as Idaho which recently rejected a ballot initiative seeking to approve the electronic games, have blocked them from being introduced.

Tracks in Michigan have, in the past, sought to get these types of machines without success. Many of the machines have interfaces that resemble slot or video gaming machines.