

November 18, 2008

Volume 14, Issue 37

For more information on Michigan's gaming industry, please visit www.michigangaming.com

Editor in Chief:

David D. Waddell, Esq.

Phone: 517.507.3859

waddell@rmclegal.com

Senior Gaming Analyst

& Editor:

Robert R. Russell, II

Phone: 517.507.3858

russell@rmclegal.com

Reporter

Douglas L. Minke

Phone: 313.221.9380

minke@rmclegal.com

Reporter

Blaine R. DeGracia

Phone: 517.507.3857

degracia@rmclegal.com

Subscription information:

info@michigangaming.com

A publication of

RMC Ventures, LLC

University Place Center
333 Albert Ave, Suite 450
East Lansing, MI 48823
Phone: 517.507.3860
Fax: 517.908.0235
www.rmclegal.com

The MICHIGAN GAMING Newsletter



2008 GLOBAL GAMING EXPO OPENS IN LAS VEGAS, NEVADA

The 2008 Global Gaming Expo (G2E) opened yesterday at the Las Vegas Convention Center in Las, Vegas, Nevada with the G2E Training and Development Institute and the G2E Leadership Academy, two educational programs focusing on issues facing the gaming industry. The trade show portion of the conference opened today with a ribbon-cutting ceremony, and features more than 750 exhibitors showcasing gaming-related products and services in 335,000 square feet of gaming space. Exhibitors at G2E 2008 include companies from 28 foreign countries, and 65 companies which will be debuting new products at the show.

G2E 2008 is expected to draw more than 30,000 gaming industry professionals to Las Vegas and will include more than 150 conference sessions featuring more than 450 expert speakers addressing various topics in the gaming industry. G2E 2008 will run through Thursday, November 20.

NATIVE AMERICAN LAND INTO TRUST IS HOT TOPIC AT G2E

The G2E Training & Development Institute included a panel entitled "Land into Trust: The Next Generation of Tribal State Compacts." The focus of the panel discussion was the new land in trust regulations that were issued by the federal government earlier this year together with guidance

(Continued on page 2)

that has been made by the Bureau of Indian Affairs. The panelists included Jason Hanselman, an attorney with the Lansing office of Dykema, Kevin Quigley, an attorney from Minnesota, Paula Hart, Acting Director, Office of Indian Gaming for the Bureau of Indian Affairs and attorney Scott Crowell of the Corwell Law Office.

Paula Hart discussed the new regulations for allowing off reservation gaming. Prior to 2005, the review process involved an examination that the gaming which was going to be conducted had to be legal forms of gaming, rather than a focus on the status of the land involved. She noted that the reason for this is that prior compacts required the land be properly placed into trust before gaming could occur. She also noted, as a result of new approaches taken by states toward compacts, the BIA had to change procedures. She noted that since 1988, there have only been three off reservation gaming approvals. Despite this fact, she noted that many local communities have great fear that there will be a vast expansion of gaming that occurs with off reservation expansion. This has led to federal government officials giving greater scrutiny to the issues involved. Internally, the government officials developed a checklist to help the regional directors to review the initial applications filed by tribes. The BIA was asked to convert this checklist into regulation form. The new "Section 20" regulations took effect on August 25th, 2008. Since then, the BIA has been sued by three tribes regarding the new regulations and are currently in litigation. However, she does not anticipate the regulations changing with a new administration, although she noted that some of the informal guidance issued by the BIA might be reviewed and reconsidered.

Jason Hanselman discussed the new two part test that is applicable to off reservation casinos from a private practice perspective. The new Section 20 regulations codified what has been done for over 20 years. From a practical perspective, it is no longer necessary to make the compacts first. Now, he observed, it is more compartmentalized. The two parts involve the Secretary checking with other tribes and the local community to make sure it will not be detrimental. Thereafter, it goes to the Governor for approval within the state involved. He noted that the reason that there have only been three off reservation gaming approvals

from, a seemingly historic perspective, is due to an outgrowth of the imposition of a "distance from the reservation standard" from the federal government. Guidance that was issued indicates that the gaming facility should be a "commutable distance" from the reservation to avoid being detrimental to the community. He said that there was no factual analysis with regard to the imposition of this commutable distance standard, or its impact on the tribe and the local communities. He noted that simultaneous with this guidance, there were 22 denial letters issued, with ten of them relying on the commutable distance issue as the basis for denial. Mr. Hanselman noted that the timetable for the approval of an off reservation facility has gone from an estimated three year process, to over five years, increasing risk and uncertainty which will ultimately lead to difficulties for tribes making efforts to move these projects forward.

CASINO COMPLIANCE: THE IMPORTANCE OF REGULAR AUDITS

On Monday, November 17, 2008, the Global Gaming Expo's Training and Development Institute presented a panel discussion entitled "Doing It Right: Compliance and Regulation." The panel was moderated by Patricia Becker, the Executive Director of the International Gaming Institute, William F. Harrah College of Hotel Administration – UNLV. Panelists included Valerie Jundt, Manager of the Unclaimed Property Services Group of Deloitte and Touche LLP, John Donnelly, a lawyer with the firm of Levine, Staller, Sklar, Chan, Brown & Donnelly, P.A., and David Waddell, managing partner and President of Regulatory Management Counselors, P.C.

The panel discussion began with Ms. Valerie Jundt presenting an overview of the various state laws governing "unclaimed property", when such unclaimed property must be turned over to the various state governments, and the potential liability that companies face for failing to comply with these laws. Ms. Jundt noted that Nevada has decided to begin auditing certain casinos to ensure

(Continued on page 3)

compliance with the unclaimed property laws. She noted that unclaimed casino winnings and front-end money deposits, among other things, must be turned over to state governments if they remain unclaimed for a period of time (as such periods differ among the States). Mr. Jundt concluded her presentation by noting that gaming enterprises should set up internal control procedures to guard against potential liability for failing to comply with these “escheat” laws and conduct due diligence to ensure that all unclaimed property that must be turned over to the various state governments is reported and transferred.

Mr. John Donnelly then addressed the audience, focusing on the goal of protecting the assets of a company by developing and maintaining audit and regulatory compliance programs. Such compliance is necessary for everything from Sarbanes-Oxley audit requirements to developing and maintaining anti-discrimination policies and Family and Medical Leave Act compliance programs. Mr. Donnelly shared his experience of both prosecuting and defending compliance-related lawsuits, and provided tips to avoiding these problems, including: 1) having the company put written policies in place, 2) developing a complaint structure so that employees or third parties can report violations to company management, 3) the importance of employee training, and 4) monitoring the system to ensure it is effective.

Mr. David Waddell spoke to his experience in developing and maintaining gaming-related audit and compliance programs. According to Mr. Waddell, the relationship a gaming enterprise develops with its regulators is extremely important, as gaming regulation serves as a unique public/private partnership that ensures the integrity of the industry. According to Mr. Waddell, a gaming operator is charged with running its casino enterprise, competing in the commercial market and self-policing its actions. On the other side, the state regulatory role is to provide oversight and protect the public interest and confidence in the gaming industry. In concluding his presentation, Mr. Waddell shared his thoughts on the importance of a casino reviewing its policies annually in order to ensure compliance with gaming regulations.

SLOT MACHINE EVOLUTION: NEW TECHNOLOGY STANDARDS DISCUSSED AT G2E

Monday, November 17th, the Global Gaming Expo’s Training and Development Institute officially kicked off at 8 a.m. with a discussion focused on the future protocol standards that will support the electronic gaming device technology of the 21st century. The program entitled “The Next Protocol Phase: Moving from SAS to G2S and S2S” was moderated by Bruce Rowe, SVP, Business Development, Bally’s Technology, and included panelists: Walt Eisele, VP, Advanced Systems Development, Bally’s Technology; Randy Hedrick, SVP, IGT Labs, IGT; David Nehra, VP and CIO, MotorCity Casino Hotel; Paul Tjoumakaris, SVP, Seminole Tribe of Florida; and Ethan Tower, Protocol Director, Gaming Standards Association.

Mr. Rowe presented a detailed overview on the various standards that electronic gaming devices (“slots”) currently utilize in their operation, and then discussed the direction the industry is moving with protocol standards being developed by the membership of the Gaming Standards Association. During a two hour discussion, he emphasized that the Gaming Standards Association members can not “do it alone,” and encouraged regulators, suppliers, and operators to actively participate in the creation of the future protocols, as “industry wide” involvement is required in order to ensure that standards adopted for electronic gaming devices address operational and regulatory issues.

From a casino operations standpoint, Mr. Rowe advocated that the industry’s slot operations and I.T. departments will need to begin to work more closely together as the G2S and S2S protocols will allow for system gaming to occur in widespread fashion at casinos across the United States. Mr. Rowe reminded the audience that work towards developing and testing robust downloadable gaming protocol standards began 10 years ago, and thus hundreds of thousands of hours have already gone into getting the discussion to its current level, but cautioned that it

(Continued on page 4)

will likely take another 7-9 years before a widespread number of casinos have fully integrated systems. Mr. Rowe noted that the industry has experienced numerous changes in technology and each migration took time to take hold and evolve. He stated that in the 1980s it took 9 years for currency acceptors to be standard in the industry, and although Ticket In Ticket Out matured in a shorter period of time, it was still a 4-5 year transition. Therefore, he and the panelists cautioned the industry from “panicking as being late to the game” as there are numerous steps that are needed before downloadable gaming will be a mandate for every casino.

David Nehra, VP and CIO, MotorCity Casino, stated that each casino operation, whether small or large, should have a “technology road map” or “migration strategy” in order to be prepared to make the adjustment from the current casino floor, with separate stand alone slot machines, to a networked casino floor. Mr. Nehra noted that each casino should start by adding a qualified I.T. director and seeking consultation from an industry consultant that can help develop a strategy that is designed for the unique requirements of each operation. He cautioned that there are no “off the shelf” products that can address the realities of the future of downloadable gaming.

Mr. Nehra provided several examples as to how MotorCity Casino in Detroit, Michigan has installed a foundation of wiring and network switches that is allowing MotorCity to obtain certain benefits from a system gaming experience now, while also positioning it for the future. He noted that currently at MotorCity Casino a hotel guest is able to use her/his player club rewards card to also make purchases, and access his/her hotel room with only 1 card.

As it relates to the various labor issues that need to be addressed in connection with the introduction of downloadable gaming, Mr. Rowe and Mr. Nehra both noted that cooperation between the slot, I.T. and marketing departments is paramount for a successful integration into the world of downloadable gaming. As the importance of the computer systems that support the slot machine inventory increase, there will be a need for additional specialized technological knowledge in order to ensure that a gaming floor

is properly supported. Consequently it was suggested that as slot and I.T. departments become more integrated, and as technology is introduced to the gaming environment, clear delegation of authority and responsibility be established.

The panelists also noted that casino operators should begin to establish a working dialogue with their respective gaming regulators now. They noted that downloadable gaming will create a number of issues for regulators to address, and thus encouraged establishing a working relationship in order to ensure that as the evolution process continues both the industry and the regulators are growing in tandem.

Mr. Rowe concluded the discussion by going through a detailed list of the potential customer service and gaming functionality that will be achievable once protocols are adopted and downloadable gaming become standard in the industry. These included offering special promotions to targeted players, live streaming of video to gaming devices, along with dynamic revenue management.

The Gaming Standards Association has numerous resources looking at the various downloadable protocols, and its website is a very good resource for persons interesting in getting engaged in the discussion that is going to drive the future of the industry: www.gamingstandards.com.