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For more information on Michigan's gaming industry, please visit [www.michigangaming.com](http://www.michigangaming.com)

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



## **GLOBAL GAMING EXPO 2010: PART I**

### **10TH ANNUAL GLOBAL GAMING EXPO OPENS AT LAS VEGAS CONVENTION CENTER**

The 10<sup>th</sup> Global Gaming Expo (“G2E”) opened today at the Las Vegas Convention Center in Las Vegas, Nevada. The G2E is the gaming industry’s leading trade show and conference event. Organizers expect more than 26,000 gaming industry professionals to attend the conference this year. G2E 2010 includes a 250,000 square-foot show floor with more than 520 exhibitors from the United States and 25 foreign countries showcasing the latest products and services for the gaming industry. The G2E show floor includes four educational pavilions featuring new industry trends in the areas of iGaming, Casino Design, Security & Surveillance, and Technology.

In addition to the conference show floor, G2E will have more than 130 conference panel sessions discussing gaming issues that will feature more than 435 industry experts, including a number of experts from the Michigan gaming industry. Prior to today’s opening of the conference, a number of educational panel sessions were also held yesterday as part of the G2E Leadership Academy, the G2E Advanced Gaming Institute, the Security & Surveillance Institute, and the iGaming Congress at G2E.

Throughout the conference, G2E 2010 will also feature four keynote addresses. On Tuesday, November 16, 2010, Geoff Colvin, the senior editor-at-large of *Fortune* will discuss current economic issues impacting the commercial casino industry, as well as the results of the recent midterm elections. On Wednesday, November 17, 2010, a State of the Industry Keynote will honor four “Gaming Legends”, including Burton M. Cohen, director, MGM Resorts International; Frank Fahrenkopf Jr., president and CEO, American Gaming Association; Chuck Mathewson, former chairman, International Game Technology; and Steven P. Perskie, J.S.C. (ret.), former chair of the New Jersey Casino Control

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Commission. The State of the Industry Keynote will be followed by an address by Gary Loveman, chairman, president and CEO of Harrah's Entertainment, Inc., discussing the importance of addressing false and misleading claims about gambling. Finally, on Thursday, November 19<sup>th</sup>, there will be a "Tribal Crossfire" keynote address in which Native American gaming leaders will discuss the unique issues facing the tribal gaming industry.

Further information regarding G2E 2010 can be found at [www.globalgamingexpo.com](http://www.globalgamingexpo.com)

## EXPERT PANEL DISCUSSES STATUS OF INTERNET GAMBLING

On Monday, November 15, 2010, a panel of gaming industry experts discussed recent developments in the field of internet gambling and what these developments could mean for the future of internet wagering in the United States. The panel discussion, titled "Internet Gambling: Here & Now", was moderated by Frank Fahrenkopf, Jr., president and CEO of the American Gaming Association, and included Mark Balestra, director of BolaVerde Media Group; Anthony Cabot, an attorney with the law firm of Lewis & Rocca, LLP; Michael Caselli, editor of *iGaming Business*; Steve Rittvo, chairman of The Innovation Group of Companies; and Sue Schneider, founder of eGaming Brokerage.

Mr. Rittvo began the discussion by sharing some of the results from his firm's study of the U.S. internet gambling market. According to Mr. Rittvo, approximately 7% of the American population participate in internet gambling. The age range of this group was more concentrated among young people (i.e. individuals in their 20s and 30s). Furthermore, Mr. Rittvo's study showed that internet gamblers tend to gamble more frequently than those persons who gamble at land-based casinos, though the internet gambler plays with a smaller financial budget per visit.

Mr. Caselli observed that the established internet gaming market is very competitive and that a successful operator will need more than just a major casino-related brand name to compete against established on-line companies. Mr. Balestra pointed out that he believes the market will continue to expand in Europe and has massive expansion potential in Asia. He also expressed the opinion that the legal U.S. internet gaming market is likely to

open up in the future.

Ms. Schneider spoke to the "responsible gaming" concerns that have been voiced against the on-line industry, stating that numerous other jurisdictions have been able to take advantage of available technology that can handle concerns regarding money laundering, geo-location and problem/underage gambling. Despite the technology that is available to address these concerns, Ms. Schneider acknowledged that there remains an amount of moral objection to the expansion of on-line wagering in the U.S.

Mr. Cabot discussed the momentum toward internet gaming in the U.S., noting that on-line horse race wagering is already legal, and that a number of states are moving toward taking their intrastate lottery operations on-line. He did mention, however, that he did not believe that sports wagering would spread outside of Nevada, or be allowed under federal regulation, in the near future.

Ms. Schneider voiced her opinion that one of the problems that has plagued the legalization of on-line wagering in the U.S. is a fragmentation of the advocacy groups related to the issue, with each group only focusing on their specific need instead of a focused approach that could benefit the entire on-line industry.

To conclude the panel discussion, Mr. Rittvo opined that, once internet gambling is legal in the U.S., the existing domestic casino operating companies will likely have to acquire individuals and companies from the already successful European internet gaming market to gain the expertise necessary to get up and running.

## INDUSTRY EXPERTS MEET TO DISCUSS COMPLIANCE ISSUES FACING SUPPLIERS

On Tuesday, November 16, 2010, a panel of industry experts discussed some of the unique compliance and regulatory issues facing manufacturers and suppliers to the gaming industry. The panel discussion, entitled "Vendor Ventures: Compliance Issues for Manufacturers and Distributors," was moderated by Patricia Becker, Executive Director for the International Gaming

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Institute and the William F. Harrah College of Hotel Administration at the University of Nevada at Las Vegas.

Panel member Lynn Dayton, International Compliance Director for International Game Technology, stressed that one of the company's overall goals is to keep their U.S. gaming licenses intact. As such, all IGT offices, even those located in foreign countries and in jurisdictions that may have less restrictive licensing standards, must operate at a level sufficient to conform to the licensing standards of the major U.S. commercial jurisdictions (i.e. Nevada, New Jersey, etc.). Ms. Dayton also stressed that success in maintaining an international compliance program requires ongoing training of employees, and finding a way to handle issues related to language barriers, cultural differences and local privacy concerns that arise in establishing the suitability of foreign contractors and business partners. Ms. Dayton emphasized the importance of ensuring the legality of gaming operations in a foreign jurisdiction before selling product there. According to Ms. Dayton, this can be accomplished by ensuring there are no U.S. federal sanctions against the targeted jurisdiction, reviewing the applicable laws and regulations, gaining an understanding of the local regulatory structure, and obtaining a legal opinion from indigenous counsel that the gaming operations are indeed legal.

Marc Comella, Vice President of Regulatory Compliance at Bally Technologies, Inc., explained that his company seeks to create a culture of compliance based on the principle of "compliance before commerce." Mr. Comella emphasized that a company's compliance program must be supported by senior management and must be important to the entire company, not just the compliance department. Mr. Comella also stated that technology can play a large role in supporting the compliance policy and making it more efficient. Mr. Comella pointed out that there are tremendous costs, in time and money, to ensure compliance across multiple jurisdictions. As a company that holds nearly 400 licenses, Bally Technologies utilized 36 full-time employees and spent \$19.5 million on compliance-related expenses during the 2010 fiscal year. Moving forward, Mr. Comella noted that things like on-line compliance filings, uniform gaming standards and shipping rules, and cooperation and licensing reciprocity across jurisdictions would aid gaming suppliers in the development of more efficient compliance programs.

Robert Russell, senior gaming analyst at Regulatory Management Counselors, P.C., discussed the regulatory challenges that face suppliers who hold licenses in multiple jurisdictions, including the licensing and product testing costs in each jurisdiction and the need to educate employees on the differing compliance laws that vary greatly across jurisdictions. Mr. Russell stressed the importance of forming close working relationships with regulators, while also recognizing and appreciating each agency's directive to enforce strict statutory guidelines in a complicated political culture. Mr. Russell stated that focusing on the commonalities between the gaming industry and its regulators can lead to the development of standardized licensing applications, the centralization of key components to the investigation process, and universal technology, notification and disclosure requirements across jurisdictions.

Mr. Russell closed his comments by setting forth a five-year plan to move toward a modern compliance approach for more efficient multi-jurisdictional licensing systems. Mr. Russell's plan includes the formation of a joint committee to advance regulator understanding of the issues facing industry suppliers, the development of a standardized list of key licensing regulations for jurisdictions, the connection of industry and regulator associations to work on these issues together, and the continued discussion of these issues in published articles and at industry conferences.