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The _____ MICHIGAN GAMING _____ Newsletter



MICHIGAN LOTTERY AND MGCB TESTIFY BEFORE HOUSE APPROPRIATIONS SUBCOMMITTEE

On Wednesday, February 16, 2011, the Michigan House of Representatives Appropriations Subcommittee on General Government met to hear testimony from several governmental agencies and departments including the Bureau of State Lottery and the Michigan Gaming Control Board.

The subcommittee members included committee Chair Rep. Earl Poleski (R-Jackson), Rep. Ellen Lipton (D-Huntington Woods), Rep. Fred Durhal (D-Detroit), Rep. Matt Lori (R-Constantine), Rep. Eileen Kowall (D-White Lake), and Rep. Anthony Forlini (D-Harrison Township). All members were present for the subcommittee hearing.

Tom Weber, Chief Deputy Commissioner of the Michigan State Lottery, testified before the subcommittee on behalf of the Michigan State Lottery. He outlined the duties and accomplishments of the state lottery commission and stated that, like other businesses adversely affected by the economy, the lottery is "not recession proof but things are beginning to turn around" in regard to state lottery profits. He reported that for FY 2010 the state lottery generated \$2.37 billion, up slightly from FY 2009, and projected \$2.375 billion in revenue for FY 2011. In addition, he stated a projected estimate of \$730 million to be given to the state school aid fund in 2011.

Commissioner Weber stated several factors contributing to the decline of lottery sales profits, including a reduction in the amount of individual disposable income as well as the payout of exceptionally large Daily 3 and Daily 4 jackpots last year. When questioned by subcommittee member Rep.

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Forlini (D-Harrison Township) regarding the amount of money in prizes that had gone unclaimed in 2010, Commissioner Weber stated that it was collectively around 2 %.

Rick Kalm, Executive Director of the Michigan Gaming Control Board (MGCB) also testified before the subcommittee regarding the functions and duties of the MGCB. After highlighting the mission of the MGCB, Mr. Kalm outlined the oversight duties that the MGCB performs throughout the year and the new programs that have recently been implemented to ensure the viability of the commercial and tribal casino industries in Michigan. Mr. Kalm noted the following duties/functions of the MGCB:

- 24/7 overview of Detroit's commercial casinos
- Licensing
- Oversight of Michigan's Indian gaming compacts
- Horse racing industry enforcement
- Michigan State police illegal gambling hotline
- Problem gambling
- Self-exclusion lists

In addition, Mr. Kalm stated that there were currently approximately 11,000 active licensees that are currently being overseen by the MGCB and that the MGCB collectively currently employs around 125 people.

He also noted that in 2011, the MGCB implemented a program for those who have violated their self exclusion listings to get treatment though county-paid mental health for problem gambling. He noted that this service was paid for by funds already allocated to the county for problem gambling.

Rep. Durhal (D-Detroit) questioned Mr. Kalm regarding the controversial Bay Mills casino that opened in Vanderbilt, Michigan and its status. Mr. Kalm replied that this casino was a 'non-compact' casino that has been deemed illegal by several regulatory bodies and the Michigan Attorney General. He stated that the MGCB is currently monitoring the developments closely and in conjunction with the Attorney General.

To view future House Appropriations committee meetings details, please visit: <http://www.house.mi.gov/PublicCommitteeSchedule/CommitteeDisplay.aspx>.

GOV. SNYDER APPOINTS ROBERT L. ANTHONY TO THE MGCB

On Wednesday, February 16, 2011, the Michigan Gaming Control Board (MGCB) announced that Michigan Governor Rick Snyder has appointed Mr. Robert L. Anthony to the MGCB.

Mr. Anthony is a retired senior risk and quality partner with Pricewaterhouse Coopers LLP. He succeeds Judge Kenneth Sanborn, whose term expired December 21, 2010. Mr. Anthony's term is set to expire on December 21, 2014.

During his career, Mr. Anthony worked closely with client audit committees and senior management on matters that included entity-wide risk analysis and risk management. He also served as a member of Pricewaterhouse Coopers Global Audit Policy Board. He is a graduate from the University of Michigan where he received his B.A. and M.B.A.

MGCB RELEASES MONTHLY MEETING AGENDA FOR FEB. 23

Today, February 18, 2011, the Michigan Gaming Control Board ("MGCB") released its Regular Public Meeting Agenda for Wednesday, February 23, 2011.

The agenda includes the following items:

- Consider the Licensing Division Staff's Recommendations Regarding Level 1 and Level 2 Occupational License Applications
- Consider the Executive Director's Reports and Licensing Division's Staff Recommendations Regarding Transfers of Interest for

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1. Elektroncek D.D.
2. MGM Grand Detroit, LLC

- Consider the Executive Director's Reports and Licensing Division's Staff Recommendations Regarding the Pending Supplier License Applications of

1. International Market Place, Inc., d/b/a Fishbones Rhythm Kitchen Café; and International Banquet & Conference Center, Board File No. SL000141-11-001
2. The Fontanesi and Kann Company, Board File No. SL004613-11-001

- Consider the Executive Director's Reports and Licensing Division's Staff Recommendations Regarding the Pending Supplier License Renewal Requests of

1. GAMA, Inc., d/b/a Astoria Pastry Shop, Board File No. SL001340-11-001
2. Harper Associates Detroit, Inc., Board File No. SL004075-11-001
3. IGT, Board File No. SL000002-11-001
4. JCM American Corporation, d/b/a JCM Global, Board File No. SL000279-11-001
5. MacKellar Associates, Inc., d/b/a MacKellar Incentive Marketing, Board File No. SL000177-11-001
6. Midwest Game Supply Company, Board File No. SL000167-11-001
7. Northern Lakes Seafood & Meats, LLC, Board File No. SL002903-11-001
8. Premium Brands of Michigan LLC, Board File No. SL004133-11-001
9. The LaSalle Group Incorporated, Board File No. SL000057-11-001
10. Voice Data Systems, LLC, d/b/a VDS, Board File No. SL004343-11-001

- Consider the Executive Director Report and Licensing Division Staff's Recommendation To Approve Application For Transfer of Interests, Applications For Suitability of Qualifying Businesses, Debt Transaction and Related Supplier-Licensing Exemption Requests For Detroit Entertainment, LLC.

- Consider the Executive Director's Report and Licensing Division Staff's Recommendation

Regarding the Suitability of Required Key Person of Greektown Casino.

1. Michael Edward Duggan, Board File No. GTC-11-001

- Consider the Executive Director's Report and Licensing Division Staff's Recommendation Regarding the Denial of Request for Declaratory Ruling for

1. Italo Parise

The MGCB meeting will take place at the Detroit Office Hearing Room, located at Cadillac Place, 3062 W. Grand Blvd., Suite L-700, Detroit, Michigan at 9:30 A.M. on February 23.

FLINT-AREA BAR OWNER PLEADS GUILTY TO ILLEGAL GAMBLING OPERATION

On Wednesday, February 16, 2011, Michigan Attorney General Bill Schuette announced that Craig Hatch pleaded guilty to a 5-year felony for operating a total of ten illegal casinos and will pay a \$100,000 fine. The conviction is part of ongoing efforts by the Michigan State Police, the Michigan Gaming Control Board (MGCB) and the Attorney General's office to thwart illegal gambling operations. To date, 35 defendants have been charged for their roles in the illegal gambling operation.

According to the press release, Mr. Hatch operated illegal poker machines from March, 2006 to November, 2007. The Michigan State Police investigation revealed that Mr. Hatch paid cash winnings to patrons while also taking measure to evade authorities.

Mr. Hatch's bars and other establishments prosecuted for illegal gambling represent hundreds of thousands of dollars in lost tax revenue to the State of Michigan," state Col. Kriste Kebbey Etue, director of the Michigan State Police. "This case has been a long time in the making and would not have come to fruition without the cooperative

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participation of state, county, local and federal law enforcement to shut down this illegal operation.”

“Allowing bar owners to conduct illegal gambling that is unregulated and relies upon machines designed to maximize profits to a few individuals feeds organized crime and undermines legal gaming establishments statewide,” said Rick Kalm, director of the Michigan Gaming Control Board. “Michigan citizens should beware, not only do the odds heavily favor the distributors and bar owners, but the public has no recourse when ripped off, since the activity is illegal.”

Michigan’s Penal Code and the Michigan Gaming Control and Revenue Act strictly prohibit unregulated gambling.

In October of 2009 the Michigan Gaming Control Board, announced the implementation of the new program that united the MGCB, Michigan State Police, Michigan Liquor Control Commission, and the Michigan Lottery in the fight to end illegal and unregulated gambling in the state.

The MGCB implemented an anonymous tip line for those individuals concerned with potential illegal gaming. If you or somebody you know is concerned about potential illegal gambling, you may contact the anonymous tip line at 1-888-314-2681 to report illegal gambling activities, submit tips electronically via email to:

MiGamblingTip@michigan.gov, or visit the MGCB website at: <http://www.michigan.gov/mgcb/0,1607,7-120-55652---,00.html>. The MGCB places much emphasis on the confidentiality of tipsters.

GLOBAL GAMING EXPO 2010 SEES INCREASED ATTENDANCE

On Tuesday, February 15, 2011, the American Gaming Association (AGA) and Reed Exhibitions announced that Global Gaming Expo (G2E) 2010 had a 4% increase in attendance, attracting 15,744 professionals to its exhibit hall and conference this past November. The G2E 2010 overall attendance, which includes everyone who attended the event including exhibitors, also saw growth, increasing to nearly 25,000.

According to the AGA, the 4 % increase of

attendance figures over 2009 also generated the highest satisfaction ratings in five years. In addition, G2E’s new key buyer VIP program showed a 17 % increase in attendance for the most senior-level buyers and decision makers.

“As evidenced by ever-increasing interest in our event, G2E continues to lead the way as the largest most successful trade show and conference for gambling professionals,” said Courtney Muller, senior vice president at Reed Exhibitions. “The numbers, especially the success of the key buyer VIP program, show we are achieving our primary goal – to provide gaming professionals with valuable tools, knowledge, and business opportunities they need to be successful in the global gaming industry. We are excited to continue to prove this one-of-a-kind experience at our 2011 event as well.”

G2E 2011 will be held from October 4-6 and shift from the Las Vegas Convention Center to the Sands Expo and Convention Center.

To date, more than 248 companies have registered for over 218,000 square feet of exhibit hall space at G2E 2011. This includes more than 40 international exhibitions. These numbers are ahead of the 2010 event at this time last year.

For more information on G2E 2011, or to register for group or early bird discounts, visit the website at: www.globalgamingexpo.com.

G2E 2010 Session Recordings

To persons who may be interested or who may have missed out on last year’s conference, the G2E 2010 conference and panel session recordings have been updated and are available online. The G2E recordings archives features over 250 session recordings from G2E 2010, G2E Asia 2010, G2E 2009, and G2E Webinars.

For more information about registering for the G2E online library or for complimentary access to the G2E 2009 recordings, please visit: <http://www.prolibraries.com/g2e/>.

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NEW LEGISLATION SEEKS TO INCREASE TOURISM FUNDING

On Wednesday, February 15, 2011, new legislation was introduced in the Michigan Senate that would allocate a portion of the state's income tax to a restricted fund for use by Travel Michigan for promotion of the state's tourism industry. Travel Michigan is the division of the Michigan Economic Development Corporation responsible for the Pure Michigan advertising campaign.

Senate Bill 0143, if enacted, would add Travel Michigan to the list of allocations and distributions of the state's income tax. The following represents the income tax distributions contained in the new legislation:

- 15% to local units of government through revenue sharing provisions;
- 60% to the state school aid fund; and,
- 25% to Travel Michigan for the sole use of tourism marketing and promotion.

Currently, the Pure Michigan campaign does not have a fixed method of state funding and relies on general funding through the Michigan Strategic Fund or support funding bills for its yearly budget. Since December of 2010, two bills, House Bill 4817 and Senate Bill 0110, have either been passed or introduced in an effort to increase the amount of funding for the Pure Michigan campaign. The current funding for the 2010-2011 advertising campaign is \$15.4 million but could increase to \$25.4 million if Senate Bill 0110, which would divert \$10 million from the 21st Century Jobs Fund to Pure Michigan, is passed into law.