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The _____ MICHIGAN GAMING _____ Newsletter



MICHIGAN LEGISLATIVE UPDATE

Since the 2013-2014 legislative session began in January 2013, the legislative proposals introduced related to changes in the Michigan gaming landscape and regulatory environment surrounding the casino gaming industry have been very limited. Several pieces of legislation have been introduced that would affect the state lottery and these are outlined below.

[SB 0339](#) / [SB 0384](#) – These two Senate Bills, which are tie-barred, would require individual lottery winners to use the winning funds to reimburse state agencies for benefits received from the state in the past.

Senate Bill 0339 was introduced on May 1, 2013 by Senator John Moolenaar (R-Midland) would require lottery winners of prizes of \$600.00 or more to reimburse funds received pursuant to the Social Welfare Act for all assistance received over the past ten years. The bill would cap the total reimbursement for previously received benefits at 50% of the lottery prizes won. If passed, the program would be jointly monitored by the state Department of Human Services and Bureau of State Lottery. Senate Bill 0339 was referred to the Senate Committee on Families, Seniors and Human Services on May 1, 2013.

Senate Bill 0384 was introduced on May 23, 2013, also by Senator Moolenaar and is tie-barred with Senate Bill 0339. This legislation, if passed, would amend the McCauley-Traxler-Law-Bowan-McNeely Lottery Act ("Lottery Act") to align the language with Senate Bill 0339. It would create a new section within the statute to require the Bureau of State Lottery to check with the Department of Human Services regarding any benefit payments over the past ten years prior to awarding any prizes. The legislation would also require the Bureau of State Lottery to adhere to the same confidentiality restrictions placed on the Department of Human

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Services regarding this information. On May 23, 2013, the bill was referred to the Senate Committee on Families, Seniors and Human Services.

Because Senate Bill 0384 is tie-barred with Senate Bill 0339, it would not become effective unless Senate Bill 0339 is also passed into law.

[SB 0294](#) – Senate Bill 0294 was introduced on April 10, 2013 by Senator Rick Jones (R-Grand Ledge) would amend the Lottery Act to add a provision stating “[t]he [Lottery] commissioner shall not allow tickets or shares in the state lottery to be sold over the Internet.” On April 10, 2013, the bill was referred to the Senate Committee on Regulatory Reform.

Notably, on January 8, 2013, the Bureau of State Lottery issued a Request for Proposal (“RFP”) seeking a partner to develop, according to its website, “digital distribution channels such as web and mobile, also known as iLottery.” The agency accepted proposals through March 26, 2013 and, according to the RFP Schedule, is currently reviewing these proposals. The award for any contract is currently scheduled for June 14, 2013, with implementation of the first phase of the project tentatively scheduled for February 18, 2014.

Importantly, Governor Rick Snyder has stated his support for an iLottery system and, on February 7, 2013, recommended in his budget proposal that a total of \$3.3 million be allocated to the Bureau of State Lottery to “launch iLottery where current existing lottery games will be offered through modern digital channels of web, mobile application or tablets to help increase revenues to the School Aid Fund.”

[HB 4361](#) – House Bill 4361 was introduced on March 5, 2013 by Representative Roger Victory (R-Hudsonville) and would provide penalties for Michigan lottery sales agent licensees that exchange lottery tickets for food assistance program benefits. If passed, those holding a lottery license that participate in such conduct would be subject to a 60-day license suspension and repeat offenders would be subject to license revocation.

On April 25, 2013, House Bill 4361 passed the house with a vote of 107-1 and was later referred

to the Senate Committee on Regulatory Reform. On May 21, 2013, the bill was referred favorably out of committee to the Senate Committee of the Whole with a recommendation for immediate effect.

DAN GILBERT AND MATT CULLEN JOIN GREEKTOWN CASINO BOARD OF DIRECTORS

In a filing made with the Securities and Exchange Commission on May 21, 2013, Greektown Superholdings, Inc. (“Greektown”), the ultimate parent company of Greektown Casino, announced that Dan Gilbert and Matt Cullen have been appointed to serve on the company’s Board of Directors in connection with the purchase of a controlling interest in Greektown by Athens Acquisition, LLC. Mr. Gilbert will serve as Chairman of the Board, while Mr. Cullen will serve as Vice Chairman.

The appointment of Mr. Gilbert and Mr. Cullen to the Greektown Board of Directors follows the resignations of James Barrett, John Bitove, and Yvette Landau from the Board, which were effective as of May 17, 2013.

SUMMER COMPLIANCE SERIES: POLITICAL CONTRIBUTION RESTRICTIONS

In addition to its traditional coverage of developments in the state’s gaming industry, The Michigan Gaming Newsletter is proud to announce its Summer Compliance Series. Throughout the summer, The Michigan Gaming Newsletter will be publishing a regular column in order to provide readers with a basic understanding of Michigan gaming regulatory structures and considerations. The following is a general discussion of the state’s compliance requirements and should not be considered legal advice.

In November, Michigan voters will have the opportunity to vote on a number of state and local political offices, including the mayoral race

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in the City of Detroit. As political groups are increasing fund raising activities in advance of the election, it is important for those holding a license issued by the Michigan Gaming Control Board (“MGCB”) to review and observe the state’s political contribution restrictions.

Though the state has maintained restrictions on political donations since the inception of the Michigan Gaming Control and Revenue Act (“Act”), these provisions have evolved over time.

History

As originally drafted, the political contribution restrictions in Section 7b of the Act contained broad language that applied the restrictions on political donations to state, state legislative, and local elective offices to all licensees, key persons, interest holders in licensees, including the spouses and close family members of these individuals. In addition, the Act prohibited contributions made for a period of one year prior to an individual applying for any MGCB operator or supplier licensee.

However, on December 17, 1998, then Michigan attorney general Frank Kelley issued Attorney General Opinion No. 7002, which concluded that certain sections of the original political contributions restrictions were unconstitutional. Specifically, the order opined that the restrictions placed on political contributions made by spouses and close family members, as well as the restrictions on contributions made one-year prior to applying for a license as applied to supplier licensees were unconstitutional (the opinion, however, concluded the one-year retroactive restrictions as applied to casino operator licensees constitutional). In addition to the 1998 Opinion, two additional Attorney General Opinions (#7086 August 10, 2001 and #7099 January 9, 2002) have been issued which further clarify the application of Section 7b.

Current Restrictions

The current law prohibits casino and supplier licensees from making political contributions to any state or local political candidates or any “holder of any state, legislative, or local elective office.” MCL §432.207b(a)(ii). In addition, the restrictions apply to those political action,

candidate, or independent committees that donate to candidates for state or local offices.

Therefore, as a general rule, if a donation has the possibility of funding a state or local candidate, even if it is through a political action or similar committee, then the Act prohibits the contribution. These restrictions, however, do not apply to candidates for federal elective office. Notably, the restrictions also do not apply to ballot question committees.

The parties covered by Section 7b of the Act are those entities or individuals holding a casino or supplier license issued by the MGCB. This includes individuals holding a 1% or greater ownership interest in a licensee, officers or managerial employees of a licensee, and officers or managerial employees of entities that hold a 1% or greater interest in a casino or supplier licensee.

Political contribution restrictions apply as long as the casino or supplier is licensed by the MGCB and for a period of three years following the expiration or termination of the license. In addition, the restrictions apply to any contributions made one-year prior to an individual or entity that is applying for a casino operator license.

Violations of Section 7b can result in a felony punishable by imprisonment for not more than ten years or a fine not more than \$100,000 or both and/or immediate licensing action by the MGCB, including revocation of a license (Section 18(1) (f)). The MGCB has and continues to strictly enforce these provisions, so it is important for those covered by Section 7b to closely monitor any political contributions to ensure that they are in compliance with section 7b of the Act.

Casino Interest Registration Act

In connection with the Act, the Michigan legislature passed the Casino Interest Registration Act (“CIRA”) in order to assist the state attorney general, MGCB, and other interested parties in monitoring compliance with the Act’s political contribution restrictions. In accordance with CIRA, all entities or individuals who hold a 1% or greater interest in a casino operator licensee and have not been otherwise exempted from compliance with CIRA must complete a short, one

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-page registration form and submit the same to the Michigan Bureau of Elections.

The Michigan Bureau of Elections maintains a list of all registrants under CIRA and publishes this list bi-annually. The list contains the names of those entities or individuals who have registered and is used, in part, to cross-check political donor lists for prohibited contributions.

Registration with the bureau must occur within five days of the MGCB granting the entity or individual's license application, including those applications for a transfer of interest in a casino licensee that results in the entity or individual acquiring more than 1% ownership interest in the casino licensee. Those who fail to register face civil fines and/or misdemeanor criminal penalties.

Those interested in furthering their understanding of the MGCB's political campaign restrictions, including CIRA's registration requirements, can refer to the agency's summary of the applicable laws and regulations located at the following link:

http://www.michigan.gov/mgcb/0,1607,7-120-57144_57145-245363--,00.html

SOARING EAGLE CASINO ANNOUNCES NEW CEO

On May 17, 2013, the Saginaw Chippewa Indian Tribe (Tribe) announced that Wendy Reeve has been appointed as the new CEO for Soaring Eagle Casino & Resort and Saganing Eagles Landing Casino.

Ms. Reeve was born and raised in London, England, and has more than 30 years working in the gaming industry. For the past eleven years, Ms. Reeve has worked at the Sycuan Casino located in San Diego, California. Her experience also includes opening casinos in Aruba, Guatemala and Panama.

"I am excited to be part of the Saginaw Chippewa Management Team. I feel like my path here has prepared me for the challenges and successes that lay ahead, and I am blessed to have found such a warm, friendly and welcoming community," stated Ms. Reeve.

Ms. Reeve replaces former Chief Executive Officer, Andy Asselin. Mr. Asselin had been with the Soaring Eagle Casino for six years. Mr. Bob VanWert served as Interim CEO of Soaring Eagle Casino & Resort as well as Saganing Eagles Landing Casino while the Tribal Council and human resources department sought out an appropriate candidate to fill the vacancy.

OHIO BILL EFFECTIVELY BANNING INTERNET CAFES HEADS TO GOVERNOR FOR SIGNATURE

On Wednesday, the Ohio Senate passed Substitute House Bill 7 (HB 7), a measure that effectively bans internet cafes in the state of Ohio, by a vote of 27-6. As HB 7 was previously passed by the Ohio House of Representatives on March 13, 2013, the bill now heads to the desk of Governor John Kasich for signature. The Governor's Office has indicated that he intends to sign the bill.

Though HB 7 does not provide for an outright ban of internet cafes, it does make it a crime to participate in the conduct of a sweepstakes with the use of a "sweepstakes terminal device" which awards a prize with a value in excess of \$10.00, thus effectively removing the economic benefit to operating an internet café parlor. HB 7 does provide that those who wish to continue to conduct sweepstakes with the use of "sweepstakes terminal devices" obtain a certificate of registration from the Ohio Attorney General's Office and, among other things, submit to monthly reporting requirements. HB 7 will become effective 90 days after it is signed by Governor Kasich.

The enrolled version of HB 7 can be read by clicking here: http://www.legislature.state.oh.us/bills.cfm?ID=130_HB_7

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GLOBAL GAMING WOMEN SCHOLARSHIP APPLICATIONS DUE JUNE 8

On April 12, 2013, the American Gaming Association's (AGA) Global Gaming Women (GGW) announced the launch of the GGW Education Fund, a new scholarship program aimed at providing education opportunities for women in the gaming industry. The GGW fund is currently offering the University of Nevada, Las Vegas's (UNLV) International Gaming Institute (IGI) Continuing Education Scholarship, which has the goal of advancing women in the industry through continuing education. **Applications for the scholarship are due June 8, 2013.**

“GGW is committed to helping women in gaming advance their careers, so we are pleased to be offering this one-of-a-kind opportunity with UNLV and IGI,” said Virginia McDowell, president and CEO of Isle of Capri Casinos, Inc. and GGW co-chair. “I strongly encourage any women who want to expand their knowledge or impact on our industry to apply today.”

Award recipients will be selected by the GGW scholarship committee and notified on or before July 9.

For more information, including details on applicant requirements, fees covered by the scholarship and available course listings, or to download and submit an application, please visit: <http://www.globalgamingwomen.org/education/scholarships>