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The MICHIGAN GAMING Newsletter



MICHIGAN GAMING CONTROL BOARD RELEASES DETROIT CASINO REVENUES FOR NOVEMBER 2015

The Michigan Gaming Control Board (“MGCB” or “Board”) released the November, 2015 total adjusted revenue figures for the three Detroit casinos—MGM Grand Detroit Casino, MotorCity Casino and Greektown Casino. Overall, the revenue for the Detroit market was up 1.8% compared to the same reporting period last year. Year-to-date aggregate revenue for the three Detroit casinos was up by 3 percent through November compared to the first eleven months of 2014.

Month in 2015	Total Adjusted Revenue 2015		
	MGM Grand Detroit	MotorCity Casino	Greektown Casino
	Total Adjusted Revenue	Total Adjusted Revenue	Total Adjusted Revenue
January	\$46,227,016.63	\$38,061,452.27	\$26,733,375.86
February	\$47,523,251.14	\$39,023,483.79	\$27,875,609.34
March	\$49,824,133.92	\$43,432,911.12	\$30,646,861.38
April	\$51,849,138.07	\$40,532,401.92	\$28,167,335.92
May	\$51,747,439.96	\$39,825,609.22	\$28,242,004.16
June	\$47,328,471.77	\$37,006,364.49	\$25,595,355.54
July	\$48,731,187.77	\$38,735,882.74	\$27,306,479.48
August	\$43,554,725.44	\$37,075,822.19	\$26,823,834.55
September	\$45,237,115.01	\$35,736,055.07	\$26,582,832.25
October	\$47,477,189.34	\$37,769,745.48	\$27,592,315.54
November	\$46,712,513.10	\$36,239,634.08	\$25,727,516.66
Total	\$526,212,182.15	\$423,439,362.37	\$301,293,520.68

Month in 2015	Total Adjusted Revenue and Taxes 2015		
	All Detroit Casinos		
	Total Adjusted Gross Receipts	Total State Wagering Tax	Total Detroit Wagering Tax
January	\$111,021,844.76	\$8,992,769.43	\$12,101,381.08
February	\$114,422,344.27	\$9,268,209.89	\$12,472,035.53
March	\$123,903,906.42	\$10,036,216.42	\$13,505,525.80
April	\$120,548,875.91	\$9,764,458.95	\$13,139,827.47
May	\$119,815,053.34	\$9,705,019.32	\$13,059,840.81
June	\$109,930,191.80	\$8,904,345.54	\$11,982,390.91
July	\$114,773,549.99	\$9,296,657.55	\$12,510,316.95
August	\$107,454,382.18	\$8,703,804.96	\$11,712,527.66
September	\$107,556,002.33	\$8,712,036.19	\$11,508,492.25
October	\$112,839,250.36	\$9,139,979.28	\$12,299,478.29
November	\$108,679,663.84	\$8,803,052.77	\$11,846,083.36
Total	\$1,250,945,065.20	\$101,326,550.28	\$136,353,012.11

Specifically, revenue for MGM Grand Detroit was up by 7.3% while revenue for MotorCity Casino and Greektown Casino was down 1.6% and 2.5%, respectively during November, 2015 when compared to the same month last year.

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

The market shares for MGM Grand Detroit, MotorCity Casino, and Greektown Casino for August 2015 were 43%, 33%, and 24%, respectively.

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; and 4) other normal business expenses.

DETROIT CASINOS AND UNION REACH TENTATIVE DEAL

On Sunday, December 6, 2015, MGM Grand Detroit, MotorCity Casino, and Greektown Casino reached a tentative deal with the Detroit Casino Council for a new contract covering Detroit's casino employees. Casino employees must now decide whether to ratify the agreement, which is scheduled for a vote on Sunday, December 13, 2015 from 7:00 am to 8:00 pm.

The Detroit Casino Council is a group representing workers in labor unions including members of UAW Local 7777, Unite Here Local 24, Teamsters Local 372, the Michigan Regional Council of Carpenters and Millwrights Local 687, and the International Union of Operating Engineers Local 324.

According to Unite Here Local 24, the tentative contract includes:

- Maintaining HAP/Blue Cross health plans with no additional premium costs
- \$4,250 Lump Sum Bonus signing bonus for full-time employees
- Wage Increases – Year 4: 2% or .30¢. Year 5: 3% or .45¢
- One (1) additional sick/personal day for part-timers, after five years of employment (Currently 2 days after two years)
- Improvements to part-timers scheduling and seniority issues
- Continued protections on sub-contracting

MGM Grand, in a statement posted on their website, said: "After extended negotiations, the Detroit Casino Council and the three Detroit casinos have reached tentative agreement on a contract settlement that works for all parties."

The negotiations involve over 6,000 employees at the three Detroit commercial casinos, and if passed, the agreement will remain in place for five years.

SENATE PASSES CHARITY GAMING LEGISLATION

On Wednesday, December 9, 2015, the Michigan Senate approved legislation that would amend the Traxler-McCaule-Law-Bowman Bingo Act ("Bingo Act") an act that governs charity gaming activity in the state.

[Senate Bill 0187](#) ("SB 0187) introduced by Sen. Rick Jones (R-Grand Ledge), and [House Bill 4293](#) ("HB 4293"), introduced by Rep. Tom Barrett (R-Eaton County) are companion bills that seek to overhaul the Bingo Act's provisions regulating

charitable millionaire parties held within the state. SB 0187 was received in the House on December 9, and has been referred to the House Committee on Regulatory Reform.

Notably, in June of this year, the Michigan Court of Appeals granted a motion by the Michigan Gaming Control Board ("MGCB") to give immediate effect to new charity gaming regulations. The court previously decided to overturn an injunction preventing the rules from going into effect.

The MGCB and its Executive Director began enforcing the new regulations in May of 2014, but the Court of Claims placed an injunction on further enforcement of the new rules in August of 2014 after the rules were challenged on procedural grounds by the Michigan Charitable Gaming Association. On appeal, the Court of Appeals held that the rules were properly instituted and overturned the injunction on May 28, 2015.

On July 9, 2015, an appeal of the Appeal's Court ruling to the Michigan Supreme Court was filed by the Michigan Charitable Gaming Association. The case remains before the Supreme Court.

For more information on HB 4293 and SB 0187, please visit the Michigan Legislature's website here: <http://www.legislature.mi.gov/>. More information on millionaire party regulations and related legal challenges is available on the MGCB's website, here: <http://www.michigan.gov/mgcb/>.

GOVERNOR SNYDER MAKES REAPPOINTMENTS TO THE MGCB

On December 3, 2015, Governor Rick Snyder announced the reappointments of Patrick McQueen, of Bloomfield Hills, and Andrew Palms, of Chelsea, to the Michigan Gaming Control Board.

The five-member board oversees licensing and regulations for commercial casinos in Detroit.

"I am confident that both Andrew and Patrick will continue to ensure the integrity of Michigan's gaming industry," Gov. Snyder said.

Mr. McQueen is managing director of McQueen Financial Advisors in Royal Oak. Previously, he served as senior vice president of Manufacturers Bank, now Comerica, and was in other leadership positions within Michigan's financial industry. He earned a bachelor's degree from the University of Michigan-Dearborn and a master's in business administration from Michigan State University.

Mr. Palms is the executive director of ITS Communications Systems and Data Centers at the University of Michigan where he is responsible for providing voice, data and video systems for all departments on campus.

Mr. McQueen and Mr. Palms will serve four-year terms expiring Dec. 31, 2019. Their appointments are subject to the advice and consent of the Senate.

MICHIGAN LOTTERY LAUNCHES NEW MOBILE GAME

On Monday, December 7, Pollard Banknote Limited ("Pollard") announced the launch of a new Michigan Lottery interactive game, *Power Bingo*.

According to Pollard, "the new app has a refreshed look and game play that rivals the design standards of the most popular mobile Bingo apps. The Power Bingo app is the company's latest interactive and technology-enabled 'Space Between' product that adds an interactive component to support instant tickets at retail."

Pollard provides the Michigan Lottery with its iLottery platform, which launched in 2014. The iLottery platform allows Michigan residents to buy and play lottery games on their mobile devices and personal computers.

The games include Keno and traditional lottery scratch off-tickets with prices ranging from \$0.50 to \$20.00.

U.S. HOUSE HOLDS HEARING ON INTERNET GAMING LEGISLATION

On Wednesday, December 9, 2015, the House

Committee on Oversight and Government Reform held a hearing to review issues related to the Restoration of America's Wire Act, H.R. 707 ("RAWA"), federal legislation that seeks to amend the Wire Act and to clarify that the federal law covers all forms of internet gambling. The hearing was titled "A Casino in every Smartphone – Law Enforcement Implications," and featured testimony from law enforcement, public attorneys, and state representatives.

In September of 2011, the Department of Justice published a memorandum in response to questions received from the New York and Illinois state lotteries seeking guidance as to whether federal law prohibited in-state online ticket sales that utilized out-of-state transaction processors. The law in question, the Wire Act, had language that, under a conservative reading, could be interpreted to prohibit any gaming transaction that occurred over a wire that crosses state lines, even if only on a temporary basis and even when that data both originated and ended within the state. The 2011 memorandum concluded that the Wire Act only applied to communications related to a "sporting event or contest." The change in interpretation (allowing for intra-state lottery transactions online) has since resulted in several states, including Michigan, establishing online lottery sales, as well as New Jersey, Nevada, and Delaware authorizing intrastate online gaming activity.

RAWA seeks to reverse the 2011 interpretation and policy change by amending the Wire Act to clarify that its provisions apply to all wagering communications, not just sports-related wagering, as the law was originally interpreted. As a result, the law, if adopted, would effectively prohibit online lottery sales and gaming activity.

Wednesday's hearing was chaired by the bill's sponsor, Rep. Chaffetz (R-UT), and included the testimony of four witnesses followed by commentary from several Committee and House members. The witnesses included Joseph S. Campbell, Assistant Director, Criminal Investigative Division of the FBI; Alan M. Wilson, South Carolina Attorney General; Donald W. Kleine, Douglas County (Nebraska) Attorney; and Mark Lipparelli, Nevada State Senator.

Much of the discussion centered around the 10th

Amendment, states' rights, and the role, if any, that the federal government should play in regulating gambling activity. While Rep. Chaffetz characterized RAWA as a states' rights bill, many of his colleagues appeared to disagree. Rep. Thomas Massie (R-KY) stated that existing state laws should govern gaming activity and provide a basis by which states may continue to limit gaming activity according their independent policies towards gaming. He and other representatives expressed concern that RAWA would be an improper extension of federal power and serve as precedent for future federal usurpation of policy areas traditionally reserved for the states. These concerns were echoed by the majority of Committee members who participated in the discussion, including Rep. Mick Mulvaney (R-SC), who questioned his Attorney General, Mr. Wilson, on how a federal bill that would ban online gaming be construed as advancing states' rights. In his response, Mr. Wilson stated that if online casinos were operated in a jurisdiction that permitted the activity, citizens from states where the activity is banned would inevitably find ways to access the sites. Mr. Wilson and Mr. Kleine maintained these concerns despite testimony from Mr. Lipparelli and numerous statements from committee members affirming the success of geolocation software in current online gaming jurisdictions.

Of the seventeen House and Committee members who participated in the discussions, only Rep. Chaffetz, Rep. Mark Walker (R-NC) and Rep. Gary Palmer (R-AL) appeared to be in support of RAWA. The other representatives indicated that the goal of protecting states that wish to ban or restrict online gambling could be better achieved through the use of geolocation and other technologies that verify the identity and location of players, and that RAWA may be an impermissible extension of federal oversight.

For more information on RAWA, including video from the hearing, please visit the House Committee on Oversight and Government Reform website: <https://oversight.house.gov/hearing/a-casino-in-every-smartphone-law-enforcement-implications/>.

AMERICAN GAMING ASSOCIATION RELEASES AML GUIDE

On Wednesday, December 9, 2015, the American Gaming Association (“AGA”) announced updates to its “[Best Practices for Anti-Money Laundering Compliance](#),” a guide for Bank Secrecy Act and financial compliance for the gaming industry. The guide was originally published in December of 2014.

AGA President and CEO, Geoff Freeman, stated that “[o]ur industry’s commitment to a culture of compliance is stronger than ever, and our updated Best Practices ensure that casinos of all sizes are protecting themselves and America’s national security. We will continue to bolster these Best Practices, adapt to evolving threats and incorporate guidance from FinCEN and other regulators who share our goal of preventing illicit activity from occurring at gaming properties.”

As noted in Volume 21, Issue 38 of *The Michigan Gaming Newsletter* (available [here](#)), FinCEN has reported a significant increase in casino filings between March 1, 2012 and December 31, 2014. There have also been enforcement actions taken against gaming operators over the past two years, including imposing remedial compliance framework and audits, civil monetary penalties, and individual employee penalties. The AGA has worked to make anti-money laundering, bank secrecy act, and other financial regulatory compliance a key part of the industry’s efforts to remain at the forefront of compliant business practices.

The Best Practices guide contains information on risk assessment, employee training, proper filing procedures, audit requirements, and other considerations necessary for gaming operators to remain in compliance with various financial laws and regulations. It incorporates recent guidance and suggestions from the US Treasury Department and FinCEN tailored to the unique issues faced by the gaming industry, such as how to balance patron privacy concerns with financial disclosure and filing requirements.

For more information on the guide, please visit the American Gaming Association’s website at: <https://www.americangaming.org/>