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The _____ MICHIGAN GAMING _____ Newsletter



DAILY FANTASY SPORTS LEGISLATION UPDATE

Several jurisdictions have considered how best to authorize or regulate daily fantasy sports, with several state officers introducing legislation or other policy measures regarding these operations. Some jurisdictions, such as the state of New York, have sought to challenge daily fantasy operations through legal actions, while others, such as Massachusetts, have introduced regulations under consumer protection laws in an attempt to provide a regulatory framework for the activity.

Below is an overview of daily fantasy sports oversight measures being considered in Michigan and other key jurisdictions.

Michigan

On September 9, 2015, [Senate Bill 459](#) ("SB 459") was introduced in the Michigan Senate, legislation that, if passed, would clarify that certain fantasy sports games that meet federal legal standards are exempt from the state's general Penal Code restrictions on unauthorized wagering. The bill, however, remains in the Senate Committee on the Judiciary and has not progressed since it was first introduced.

In addition, at the January 12, 2016 Michigan Gaming Control Board ("MGCB") public meeting, Chairman Robert Anthony requested that MGCB staff complete a review of the current status of the daily fantasy sports industry. Executive Director Richard Kalm has responded to the request by stating that staff will complete a report to be presented at either the March or May MGCB meeting. Chairman Anthony noted that he is interested in gaining a better understanding of the state of the industry, its impact on the state, as well as the role that the MGCB may play with respect to the emerging industry. Director Kalm has also stated that the

report would include information on the potential effects that daily fantasy sports operations may have on the Detroit and tribal casinos.

Virginia

On March 7, 2016, Virginia Governor Terry McAuliffe signed into law the [Fantasy Contests Act \(“Act”\)](#), which is considered the country’s first law that explicitly authorizes and regulates daily fantasy sports. The law establishes basic consumer protection requirements and delegates oversight of the activity to the Virginia Department of Agriculture and Consumer Services (“Department”).

Under the Act, fantasy sports operators are required to be registered by the Department on an annual basis, which includes an initial \$50,000 registration application fee. Applicants must meet basic suitability requirements and provide evidence that the applicant maintains certain internal policies to protect the integrity of contests. These include prohibitions on employee or family member participation, ensuring player information is kept confidential, prohibiting those under 18 from participating, maintaining self-exclusion programs, publishing the number of entries into contests, and other similar internal controls.

Indiana

On Friday, March 4, 2016, the Indiana legislature became the second state, behind Virginia, to advance legislation that would provide a regulatory framework for the industry. On March 3, 2016, the Indiana House passed [Senate Bill 339 \(“SB 339”\)](#) 82-12, with the Senate approving the amended legislation 34-10 on March 4, 2016. The legislation now goes before Indiana Governor Mike Pence for consideration. If he does not act on the legislation, it will automatically become law without his signature.

The Indiana Legislative Service Agency assembled a detailed summary as to the legislation and noted the following highlights:

SB 339 provides that a paid fantasy sports game does not constitute gaming for any purpose, but that the contests would be regulated by the Indiana Gaming Commission. It provides that paid fantasy

sports games may be conducted through an Internet web site maintained and operated by a game operator or on the premises of certain licensed facilities under a contract between the game operator and the owner of the licensed facility. The bill provides for the regulation of paid fantasy sports games by the Paid Fantasy Sports Division of the Indiana Gaming Commission (“Division”). It provides that the Division has certain powers and duties for purposes of administering, regulating, and enforcing paid fantasy sports. The legislation provides that an individual must be at least 18 years of age to participate in a paid fantasy sports game. Any prize awarded in a paid fantasy sports game must be made known before the paid fantasy sports game begins. It also requires a game operator to implement certain procedures concerning: (1) preventing certain individuals from competing in paid fantasy sports games; (2) verifying that a game participant is at least 18 years of age; (3) allowing individuals to restrict themselves from entering paid fantasy sports games; and (4) disclosing the number of paid fantasy sports games a single game participant may enter.

Nevada

On March 7, 2016, the Nevada Gaming Policy Committee (“Committee”) held a public meeting to discuss various matters relating to interactive and daily fantasy sports activities. The Committee convened as a result of an Executive Order issued by Governor Brian Sandoval on January 15, 2016.

The Committee heard testimony from a number of interested parties, including the American Gaming Association, the Association of Gaming Equipment Manufacturers, and the Nevada Resort Association. Legal and policy professionals also provided commentary related to the legal status of daily fantasy sports in the state and the potential market for contests as the industry develops. Executives from Draft Kings, Fan Duel, and William Hill US were also present to discuss current and future options for daily fantasy games in the state.

Notably, on October 16, 2015, the Nevada Attorney General issued an opinion concluding that daily fantasy sports contests constituted sports

wagering under Nevada law and, therefore, operators would be required to obtain approvals as a sports book in order to properly operate in the state.

Information from the Committee meeting, including copies of public comments, is available here: <http://gaming.nv.gov/index.aspx?page=43>

New Jersey

On March 7, 2016, legislation was introduced in the New Jersey Senate that, if passed, would authorize and regulate daily fantasy sports contests in the state. [Senate Bill 1927 \(“SB 1927”\)](#) seeks to allow the New Jersey Department of Law and Public Safety to issue permits to qualified daily fantasy sports operators offering games within the state. Each operator would be subject to an annual registration fee of 9.25% of gross revenue.

Daily fantasy contests would be required to rely on the performance of athletes in real-world contests, to disclose all prizes prior to the contest start, allow the use of advanced deposit or mobile wagering accounts, be limited to those 18 years of age or older, and a range of other conditions. Similar to proposals in other jurisdictions, operator employees and their family members would be prohibited from participating in contests and self-exclusion policies must be put into place.

MICHIGAN LOTTERY EXTENDS CONTRACT WITH IGT

On March 7, 2016, the Michigan Lottery (“Lottery”) announced that it had entered into a four-year extension of its current services agreement with IGT Global Solutions Corporation, a subsidiary of International Gaming Technology PLC (“IGT”).

The Lottery has worked with IGT since 1998, with IGT providing Lottery terminals, communications networks, field services, support services, maintenance, and other services. The company maintains an in-state data center in Lansing, as well as a backup center in Austin, Texas. The extension will run through January 19, 2021.

The extension includes provisions for IGT to provide the Lottery with additional self-service Lottery vending machines and upgrades to its internal control systems. IGT will also provide software for mobile and web-based applications that will allow players to redeem lottery tickets over their personal devices.

MICHIGAN GAMING CONTROL BOARD ANNOUNCES SENTENCING, RESTITUTION IN CHARITY GAMING CASE

On Tuesday, March 8, 2016, the Michigan Gaming Control Board (“MGCB”) announced in a press release that an individual had been sentenced to provide approximately \$33,000 in restitution to the Kearsley School District for funds illegally diverted from charity gaming contests.

“We are pleased the Kearsley schools will receive restitution for money raised at events advertised as fundraisers for the schools...The Michigan Gaming Control Board works to ensure charities receive a fair share of the funds raised through charitable poker to help their causes and to identify and pursue those who put personal gain ahead of charity,” stated MGCB Executive Director Richard Kalm.

The MGCB worked with the Michigan Attorney General’s office to investigate charitable gaming events between July 2012 and October 2013 that involved a school official conducting charitable gaming events without the district’s knowledge. According to a MGCB press release, charitable gaming licenses were obtained using forged signatures and personal information without the knowledge of school officials, with the perpetrator using a portion of the proceeds for personal use.

The MGCB issued new regulations for charitable millionaire party events in early 2015 in an attempt to prevent abuses and provide additional oversight of charity gaming. The regulations, however, raised concerns from some charitable gaming operators that their businesses would be unable to compete under the new requirements.

The dispute resulted in legislation being introduced in March 2015 that seeks to rollback several of the new requirements, increase the amount of funds able to be wagered in a single event, and reduce the number of charity officials required to be on-site during events. [Senate Bill 187](#) was passed in the Senate on December 9, 2015 with a 34-4 vote and is currently before the House Committee on Regulatory Reform. [House Bill 4293](#), which is tie-barred to Senate Bill 187 and has the same content, has not yet been voted on but is also before the House Committee on Regulatory Reform.

ROCK GAMING ANNOUNCES NEW NAME AND BRAND

On February 23, 2016, Rock Gaming LLC (“Rock”) announced that its Greektown casino location would be renamed JACK Detroit Casino-Hotel Greektown. The name change is a result of Rock’s rebranding of its casino locations in connection with its acquisition of ownership interests in many of its properties from Caesars Entertainment Corporation.

Rock Gaming LLC has been renamed JACK Entertainment LLC, and each of the company’s gaming properties have been renamed with the JACK brand. In addition to its Greektown property, the company operates three gaming locations in Ohio that have been renamed as part of the new brand. The company expects to complete the name transition by the end of 2016.

“JACK is the future of entertainment,” said JACK Entertainment CEO Matt Cullen in a press release on the matter. “Our new brand represents our company’s progressive spirit, our pursuit of excellence and our desire to deliver our guests with unexpected, delightful experiences every day.”

Rock acquired Greektown Casino-Hotel in April of 2013 through its subsidiary Athens Acquisition LLC from a collection of institutional investors that had acquired the casino after its 2008 bankruptcy. Rock originally operated its three Ohio properties under a partnership with Caesars Entertainment Corporation, but announced last year that it had acquired 100% ownership and

would assume day-to-day operational control of these properties.

UNLV ANNOUNCES LAUNCH OF INTERNATIONAL CENTER FOR GAMING REGULATION

On March 4, 2016, the University of Nevada – Las Vegas (“UNLV”) announced the launch of the International Center for Gaming Regulation (“Center”), a body dedicated to research in the fields of gaming regulation and policy.

The Center is a partnership between UNLV’s International Gaming Institute and the William S. Boyd School of Law. It has been sponsored by a number of public and private parties, including the Association of Gaming Equipment Manufacturers and Gaming Laboratories International, and received a \$500,000 annual allocation from the Nevada Governor’s office and State Legislature. The Center will offer educational services and research in the fields of gaming policy and law, licensing and registration, regulatory compliance, corporate governance, enforcement, and best practices.

Andre Wilsenach, a former gaming regulator and policy expert from South Africa, will lead the Center as its Executive Director. Mr. Wilsenach led the Aldernay Gambling Control Commission for 14 years prior to his appointment to the Center’s leadership.

“There are emerging markets in Asia, Latin America, Eastern Europe, and elsewhere that will all need guidance in operating and functioning according to the highest regulatory standards....I am looking forward to applying my experience and knowledge of regulating both land-based and online gaming sectors in promoting best practices across the world,” stated Mr. Wilsenach in a press release on the matter.

More information on the Center is available at its website at: <https://www.unlv.edu/icgr>