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The

MICHIGAN GAMING

Newsletter



GLOBAL GAMING EXPO 2015 RE-CAP

Last week, the Global Gaming Expo ("G2E"), the gaming industry's largest trade show and conference, was held in Las Vegas. The show was well attended by industry members from across the globe and included demonstrations of cutting-edge technology, discussions regarding current industry topics, and allowed for networking between numerous industry participants. For those who were unable to attend, below is a summary of popular topics reviewed at G2E last week.

Fantasy and Sports Gaming

The current explosion of daily fantasy sports operations has resulted in increased attention from the traditional gambling industry as well as media outlets, legislators, and other interested parties. G2E included several panel discussions and seminar events focused on fantasy sports operations which reviewed the current market demographics, issues of legality and regulation, and opportunities for traditional gambling outlets seeking to expand into the market.

Fantasy sports operators have maintained that their product is not gambling largely relying on the language of the Unlawful Internet Gambling Enforcement Act, which carves out fantasy sports from its scope, and the level of skill necessary to be successful within fantasy sports contests. Some members of the traditional sports wagering industry, however, generally disagree with the distinctions drawn between fantasy and traditional sports wagering. Mr. Joseph Asher, CEO of Willian Hill US, noted during a panel discussion on the topic that there is a need for regulation of fantasy sports to protect consumers and other operators from potentially unscrupulous operators in the field. While the fantasy operators are generally wary of any governmental regulation, Mr. Seth Young, COO of Star Fantasy Leagues, stated that educating regulators on the details of fantasy sports operations may allow for a tailored regulatory structure that both properly regulates

and promotes the growth of the fantasy sports industry. This position has been reinforced by developments this week regarding issues with prominent daily fantasy sports operators.

Other related discussions focused on New Jersey's recent attempt to allow sports gambling and the related litigation. Experts discussed the possibility of New Jersey being granted a re-hearing of its recent unsuccessful litigation seeking to legalize its sports wagering policies, noting that the case could open the doors for wider sports wagering opportunities in the industry both in New Jersey and other states.

eSports

eSports, in which individuals or teams compete against each other in popular video games, was a topic that received attention as a potentially large market for gambling expansion. The show's final keynote featured Rahul Sood, CEO and co-founder of UNIKRN, a website that permits wagering on eSports events. Mr. Sood expressed his enthusiasm for the market's growth, noting that several major investors have shown interest in the field and that current numbers show a very large, very engaged user base. Currently, the eSports wagering market is approximately as large as the NHL wagering market and growth predictions indicate that total wagering may eclipse wagering on NFL events within the next few years.

According to an Eilers Research report on the eSports market, "eSports betting has remained under the radar due to low visibility into the financial performance of the product and a mainstream blind spot regarding the very existence of such activity. Both forces are starting to subside, revealing a space where we estimate fans will wager over a quarter of a billion dollars on the outcome of eSports events in 2015 – a number that will exceed \$23bn by 2020."

Skill-based Games

With Nevada's recent passage of Senate Bill 9 and the ongoing effort to craft regulations in the area, skill-based gaming was a popular topic of discussion at G2E. Both Nevada and New Jersey have authorized casinos to provide skill or semi-skill based games on the casino floor, but few games have been placed into operation. Mr. Eric Meyerhoffer, CEO of Gamblit games, expressed confidence that game manufacturers and casino

operators will adapt to changing market demographics and patron preferences by introducing innovative skill-based products onto the gaming floor. Those in the regulatory field, such Mr. David Rebuck of the New Jersey Division of Gaming Enforcement and Mr. Chad Kornett, Director of Technical Compliance for GLI, recognized and expressed an interest in making sure that skill-based gaming regulations are consistent across jurisdictions to promote innovation from game developers.

For more information on G2E, including speaker bios and videos of keynote events, please visit the G2E website at: [Global Gaming Expo](#).

REGULATORY REFORM COMMITTEE HEARING ON HORSE RACING, SPORTS WAGERING

On Wednesday, October 14, 2015, the Michigan House Committee on Regulatory Reform will hold a public hearing to hear testimony related to legislation regarding sports wagering and horse racing. The legislation, House Bills 4669 and 4670, seek to authorize the Detroit casinos to offer sports gambling and horse race wagering, respectively.

[House Bill 4669](#) would amend the Michigan Gaming Control and Revenue Act ("Gaming Act") to authorize commercial casinos to accept wagers on sporting events, as well as direct the Michigan Gaming Control Board ("MGCB") to promulgate rules governing the activity. Notably, the bill indicates that, if passed, the legislation would be subject to both a statewide and local vote requirement before becoming effective.

[House Bill 4670](#) also seeks to amend the Gaming Act to allow the Detroit casinos to offer simulcast wagering on horse races. The MGCB would also be directed to promulgate rules for such wagering activity. As with HB 4669, this legislation also indicates that both a statewide and local vote would need to grant approval before the legislation is effective.

Both bills were introduced by Representative Robert Kosowski (D-Westland) on June 2, 2015

and have been with the Committee on Regulatory Reform since their introduction.

The hearing will be held in Room 519 of the House Office Building in Lansing at 12:00pm. For more information and the full hearing schedule, please visit the Michigan Legislature's website, here: [Michigan Legislature](#).

MACKINAW CITY HOLDS HEARING ON PROPOSED CASINO DEVELOPMENT

On Thursday, October 8, 2015, the Village of Mackinaw City held a public hearing on the Little Traverse Bay Bands of Odawa Indians' ("Tribe") proposed casino development in the municipality.

In September of 2003, the Mackinaw City Village Council voted against a similar development by a 6-1 margin. Since then, there have been a number of public hearings and regarding a tribal casino development, including an April 2013 hearing in Mackinaw City regarding a proposed 550 slot machine development in Emmet County.

Thursday's hearing covered the Tribe's proposed development at the former Thunderfalls Water Park in the Mackinaw City. According to a Tribal Resolution entered in June 2015, the Tribe has allocated \$3.32 million to implement a five-year strategic plan to establish a 64 machine establishment and to partially fund the expansion. The project would begin in 2016 and has the possibility to expand with an additional 136 machines in 2018, followed by another potential expansion of 200 machines in 2020, for a total of 400 machines.

The Tribe currently operates the Odawa Casino Resort in Petoskey. Under the Tribe's Tribal-State Gaming Compact, the Tribe may build a second facility on land holdings in Emmet or Charlevoix Counties. The second facility, however, must first receive the approval of the local unit of government affected by the development.