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The _____ MICHIGAN GAMING _____ Newsletter



IGAMING AND ISPORTS UPDATE WITH MGCB EXECUTIVE DIRECTOR

Last Friday, September 4th, Gambling.com's newsletter included an interview with Michigan Gaming Control Board's Executive Director Rick Kalm, concerning the status of online gaming in Michigan. Bryce Derouin's interview from Gambling.com is include below and a link to the original article can be found [here](#). Please note that in connection with running the below article, Director Kalm provided the following additional comments: "The official name of the law is the Michigan Gaming Control and Revenue Act, which is referred to as the gaming control regulatory act in this story. Regarding the draft internet gaming and sports betting rules, many platform providers and other suppliers as well as up to 15 operators have reviewed and/or commented on the proposed rules. Several operators may go live around the same time, but we don't expect all will do so."

Gambling.com (GDC): What is the latest status with getting online gaming and sports betting active in Michigan?

Richard Kalm: We've been working diligently on the rule package and the rule set, and we think we have a pretty good package of rules. We've sent it out to the 12 federally recognized tribes and the three commercial casinos and we've taken their input in it and made some modifications. From the rules perspective, we've already done the regulatory impact statement, talking about possible revenue it may generate and also what it may cost the state and what the revenue costs are.

We've scheduled a public hearing for Sept. 23. Both sets, on the Lawful Internet Gaming Act and the Lawful Internet Sports Betting, so those rules are getting really close to being done. But rules are one thing, and then we also have the licensing process. Over the last several months, we've taken applications from

operators and also vendors and suppliers, so that process has started and now we have to do background investigations and look at business and business property issues. We're trying to do that simultaneously with the rules, and we haven't done that before, because so many times the rules will dictate, in a lot of cases, what kind of information we need, but we kind of know now what the rules will be so our questions on our licensing application are geared towards that.

Simultaneous to the rule process, we also have the licensing process ongoing. We're trying to get it so that when the rules are effective and we get the OK, we can bring on as many as possible who have been through the licensing process. The statutes require that when the first commercial is ready to go, we can't light up the commercial property until we have at least one tribal property to light up. My guess is that what we're working towards is being able to light up all of them at the same time because that's why we're trying to get the licenses.

So, two issues. Rules are one thing that we're kind of tied to the state's mandate and how they do rules. Then, the licensing process where we're really kind of subject to the information coming from the vendors and suppliers and operators to make sure we have what we need and they understand what to send us. It's all going on simultaneously.

My staff that was idling while we were waiting for casinos to open, we're bringing them all back now because we're all hands-on deck trying to get this done.

GDC: As things stand, what is a realistic launch date for online gaming and sports betting?

Richard Kalm: I've tried to be as realistic as possible. Originally we were planning for the first quarter of '21, just by if the rules process took as much time as it has in the past, and we have to go through the steps: the regulatory impact, public hearing, then the legislature weighs in and the joint committee on administrative rules from both houses weigh in on the rules.

We maximized that and projected out to February. But now, realistically, we won't hit October; I don't think we will. We might have the rules done by the end of October, but we won't have the licensing done. But I think a November launch is possible or early December.

Everyone wants it yesterday, and for obvious reasons because everyone has been hurt by COVID. But if we got this thing off by November, I would be extremely ecstatic because we beat three months what we originally thought it would be.

GDC: Has the coronavirus pandemic played a part in attempting to accelerate the process of getting online gaming active in the state?

Richard Kalm: It did in a lot of ways. One of the biggest issues it helped with is it really forced a working relationship with us and the people we regulate. In other words, when we sent out the rules, I think there was some fear that we're, you know, the Michigan Gaming Control Board, we have one of the stiffest acts in the nation for oversight, but these two new laws allow us a lot of flexibility. They don't follow under the gaming control regulatory act because they're their own separate act, so it gave us a little bit more latitude — not so much on the rules but on licensing. There's been some relaxing of some of the biggest hang-ups we have under the gaming act.

But not only that, there has also been a great spirit of cooperation. In other words, the tribes, who have never been regulated before, weighed in on our rules and have been very cooperative. We learned a lot from them and they learned a lot from us, so that's how we got to a decent rule set so quickly. And the commercial operators are the same way. They're trying to get into this thing and compete, and they have to compete with 12 tribes and 23 sites in the whole state of Michigan.

When I say cooperative, I mean there's been a lot of give and take on the rules, so that's expedited the rule process. We send things out for them to comment on and we have 15 different entities commenting on them, and we reach back out. It's

been a really great dialogue. As negative as COVID was for the revenue side, it has been a positive to ensure that the operators and gaming work really close together to try to make sure the end goal of getting this launched as soon as possible because (the casinos) are all dying with the revenue. All of them are. Decreased capacity, they were closed for several months, and they're really trying to get back to square one. They see online gaming and online sports betting as quicker relief.

GDC: Do you see Michigan experiencing similar profit growth that other states have seen from online gaming, such as New Jersey?

Richard Kalm: Yes, and the reason I say that is New Jersey got a lot of profit, not only from the online portion, but it drove traffic back into the casinos, and the traffic that went back into the casinos — under the compensation programs and food and beverage — as soon as this COVID thing is over with, you'll see an increase in the amenities side in all casinos, I believe, because once you have the app and you're placing bets and you're able to get your points, with free meals and things like that, that'll drive a lot of that traffic back into the casino. That's the goal with all of this, right? So that's the amenity side. Then you'll have the ease of people being able to set up an account and be able to gamble from their PC or their mobile phone. Everybody's trying to capture a new market, which is people of the millennial age that are very well-versed in phones and computers and do everything off an app, so I think we're going to capture new customers and see major increases in revenue.

New Jersey has a similar population as we do, but they also have the city of New York next to them, so they may have a little bit more revenue than we do initially. But everyone is looking to Michigan because no one's ever involved tribes in this anywhere in the nation who have a huge footprint here. We have 10 million people here, have a huge population center, and our bordering states of Indiana and Illinois are online, so we're going to capture that back, also. So I think that you're going to see similar revenue numbers as you saw in New Jersey; I hope, for the state's sake.

GDC: What do you think the long-term impact of online gaming could be in Michigan?

Richard Kalm: I'm not 100 percent sure, and we're watching New Jersey and Pennsylvania who are real new at it, so we're not real sure about the long-term impact. But I think there will be a new market share, just based on how we've seen other online things go. There will be outreach and marketing and businesses are going to grow up out of it, so I think it's certainly going to be good for Michigan. You're seeing other states accelerate their online legislation since the pandemic, also, because they all saw it as the quickest way to get back is to expand gambling opportunities. So it'll change the industry a little bit. Everything was physically-oriented, retail-oriented and amenity-oriented, and now there's going to be competition in the online format to not only drive traffic back to the physical plant via casino, but to capture a new market share out there with a younger crowd that is very phone and internet dependent.

I think the prospects are really good. It will benefit first responders, the school-aid fund, the city of Detroit which will get a little bump in commercial taxes from online. Where it takes us, I'm not 100 percent sure because I'm a physical plant regulator, but I hope it's going to be a very positive impact for the state of Michigan.

MGCB LICENSES TWINSPIRES AS THIRD PARTY FACILITATOR FOR NORTHVILLE DOWNS

The Michigan Gaming Control Board granted a third party facilitator license to Churchill Downs Technology Initiatives Company, allowing for the legal operation of TwinSpires in Michigan. A copy of the MGCB order can be found [here](#). Michigan residents now have two options for advance deposit wagering on horse racing, as the MGCB had previously approved TVG as a licensed Third Party Facilitator. Bettors are able to place wagers on horse races throughout the world on the two

sites or to wager on the outcome of races at Northville Downs. Northville Downs is currently conducting harness racing meets on Friday and Saturday nights through October 10th.

CHANGES TO GUN LAKE TRIBE TRIBAL COUNCIL

The Match-E-Be-Nash-She-Wish Band of Pottawatomis Indians (Gun Lake Tribe) announced changes to the elected governing body of the Tribe. Ed Pigeon, who has served as Vice Chairman for the past 12 years and was first elected as a council member 21 years ago, will be leaving the Tribal Council. Ben Brenner, who has served as Senior Director of Operations for the last three years, will join the Tribal Council in Mr. Pigeon's place. Phyllis Davis, Jeff Martin, and Jodie Palmer are all incumbent Tribal Council members who recently won four-year terms. Ms. Palmer was chosen by the Tribal Council to serve as the new Vice Chairperson.

"I want to recognize and thank Ed Pigeon for his many years of service and dedication to the Tribe," said Chairman Bob Peters. "I welcome Ben and congratulate him, Jeff, Phyllis and Jodie for winning terms on the Tribal Council. We are excited to embark on a new era of leadership that will take our Tribe to new heights."

Mr. Pigeon was involved in many developments during his 21 years on the Tribal Council, including gaming, land acquisition, cultural and language programs, and environmental stewardship efforts.

Mr. Brenner is a community leader currently serving on the Hopkins School Board of Education. He has a degree from Ferris State University and is currently pursuing a law degree at Western Michigan University.

Ms. Davis, Mr. Martin, and Ms. Palmer join Chairman Peters, Nicole Overbeck, and Tomie Williamson as council members. Together, they have overseen many recent achievements, including the conclusion of the casino management contract, successfully defending the casino in a federal lawsuit before the United

States Supreme Court, and an expansion of the casino scheduled to open next year.

A swearing in ceremony was held on September 10 where the new Tribal Council members took an oath of office. The tribal election was held on August 25. Ms. Davis and Ms. Palmer are representatives of the At-Large District, while Mr. Brenner and Mr. Martin are representatives of the Salem District. Each member was elected to a four-year term.

NIGA CHAIRMAN PRESENTS CHAIRMAN'S LEADERSHIP AWARDS AT GRAND TRAVERSE RESORT AND CASINOS' HEROES CUP

Grand Traverse Resort and Casinos held its first annual charity golf tournament, the Heroes Cup, on August 28 and 29 to honor and raise funds for Northern Michigan organizations that support military veterans, first responders, healthcare workers, and other community heroes. This year, \$5,000 in proceeds from the tournament will be donated to the Munson Healthcare COVID-19 Response Fund to support Munson Healthcare hospitals located throughout Northern Michigan.

National Indian Gaming Association (NIGA) Chairman Ernest Stevens attended the Heroes Cup and presented the Chairman's Award for Leadership. This year's honorees were Michael Schrader, CEO of Grand Traverse Resort & Casinos, and Jerry Danforth, former Tribal Chairman of the Oneida Nation, who were recognized for their contributions to the Indian gaming industry.

Mr. Schrader and Mr. Danforth were joined by former award winners in attendance at the Heroes Cup, including Saginaw Chippewa Tribal Council Member Gayle Ruhl, and Grand Traverse Band of Ottawa and Chippewa Indians members Turtle Creek Casino & Hotel General Manager Johnny Barrientoz, Gaming Regulator TJ McClellan, and Tribal Councilor Bob

Kewaygoshkum.

“The concept for the Heroes Cup was born from the legacy of the Bob K Golf Classic which ended last year after celebrating 29 years of golf and charity,” said Mr. Schrader. “Bob Kewaygoshkum (“Bob K”) received a NIGA Chairman’s Leadership Award for his years of dedication and service, and we are honored to continue his good works with the Heroes Cup. We want to thank Bob, along with Ernest L. Stevens, Jr., and all the participants whose contributions have helped raise the funding to be used for emergency medical triage supplies, supplies for emergency rooms, surgical rooms, and other patient-specific supplies and testing sites to help prevent the spread of COVID-19.”

The check for \$5,000 was presented to Kira Walkup, Event Specialist for the Munson Healthcare Foundation by Chairman Stevens, Mr. Schrader, and Mr. Barrientoz.

ILLEGAL GAMBLING OPERATOR PREVIOUSLY SENTENCED IN MACOMB COUNTY NOW PLEADS GUILTY IN GENESEE COUNTY

As previously reported in [Volume 26, Issue 10](#) of the Michigan Gaming Newsletter, David Hoppe was convicted and sentenced earlier this year in connection with an illegal gambling operation, 777 Café, in Macomb County. Mr. Hoppe was sentenced to one year of probation for his 777 Café operation. Now Mr. Hoppe faces sentencing for an illegal gambling operation in Genesee County on October 12.

The Michigan Department of Attorney General and the Michigan Gaming Control Board (MGCB) investigated Spin City, a suspected illegal gambling operation in Flint Township. Charges were filed against Mr. Hoppe in June, to which he pled guilty on August 19 before 67th District Court Chief Judge Mark C. McCabe to one felony count of conducting illegal gambling activities and one felony count of using a computer to commit a felony. Both charges are punishable by up to ten

years in prison. Four other charges were dismissed, including three charges of aiding and abetting an illegal gambling operation and one charge of racketeering by conducting a criminal enterprise.

“Gambling is a highly regulated activity in Michigan, and the MGCB and law enforcement agencies are serious about protecting citizens from illegal operators, who often are tied to organized crime,” said Rick Kalm, MGCB Executive Director. “Communities do not benefit from illegal gambling, but legal gambling supports schools and communities through taxes and revenue-sharing payments.”

In addition to his conviction associated with 777 Café, Mr. Hoppe pled guilty to a misdemeanor charge of maintaining a gaming or gambling place in 2013. Mr. Hoppe agreed that he would not make available to the public any gaming machines not certified as non-gambling devices by either the MGCB or an MGCB-approved test lab as part of his plea agreement. This 2013 plea agreement dismissed a ten-year felony charge, as reported in [Volume 26, Issue 2](#) of the Michigan Gaming Newsletter.

“Illegal gambling only serves to hurt our communities by diverting the taxes and revenue that would otherwise be derived from legal gambling operations and used to support the functions of our state and schools,” said Attorney General Dana Nessel. “Gambling regulations are in place for a reason and those who attempt to sidestep those rules will be held accountable. I am grateful for the opportunity to collaborate with our partners at the Michigan Gaming Control Board in putting a stop to these unlawful actions.”

Sentencing is scheduled for 8:30 a.m. on October 12 before Judge Mark W. Latchana at the Genesee County Circuit Court. Three others were charged in connection with the Spin City operation, who will appear in court in December.

AGA'S RESPONSIBLE GAMING EDUCATION WEEK SEPTEMBER 13- 19

The American Gaming Association's (AGA) Responsible Gaming Education Week (RGEW) begins Sunday, September 13 and runs through Saturday, September 19. RGEW provides an opportunity for industry leaders to showcase their dedication to responsible gaming programs. This week is an opportunity to refresh employee training, promote transparency and gaming literacy to customers, and work with community partners on advancing responsible gaming initiatives.

This year, the AGA is focusing RGEW on Have a Game Plan. Bet Responsibly, the AGA's campaign to educate bettors on responsible sports wagering. The campaign encourages sports bettors to set a budget and stick to it, keep it social, be informed, and play with trusted licensed, regulated operators.

The AGA has provided several resources for organizations interested in participating in RGEW. Some of the resources include a newsletter template, responsible gaming graphics, an employee quiz, and sample tweets. For more information on this year's RGEW and to access the provided resources, visit the AGA's [website](#).