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# The \_\_\_\_\_ MICHIGAN GAMING \_\_\_\_\_ Newsletter



## MICHIGAN GAMING CONTROL BOARD RELEASES DETROIT CASINO REVENUES & WAGERING TAXES FOR APRIL 2018

In a [press release](#) dated May 7, 2018, the Michigan Gaming Control Board ("MGCB" or "Board") released the April 2018 revenue figures for the three Detroit casinos – MGM Grand Detroit Casino, MotorCity Casino and Greektown Casino.

The three Detroit casinos reported \$124 million in aggregate revenue for April 2018, a 2.5 % increase from the same month last year. The results were 10.5 % below the monthly revenue record of \$138.6 million set in March 2018.

Please see the linked [State of Michigan official financial report](#).

Revenue increased at MGM by 3.2 % to \$51.2 million. MotorCity recorded a revenue increase of 3.7 % to \$43.7 million. Greektown revenue decreased by 0.5 % to \$29.1 million compared with April 2017 results.

The April 2018 market shares for MGM Grand Detroit, MotorCity Casino and Greektown Casino were 41%, 35% and 24% respectively.

During April 2018, the three Detroit casinos paid \$10 million in gaming taxes to the State of Michigan, compared with \$9.8 million for the same month last year. The three casinos reported submitting \$14.8 million in wagering taxes and development agreement payments to the City of Detroit in April.

All three casinos are subject to a wagering tax of 19%, with 10.9% of this levy payable to the City of Detroit and 8.1% payable to the State of Michigan. 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; nor 4) other normal business expenses.

## **INTERNET GAMING BILL CONTINUES TO PROGRESS**

With the summer break rapidly approaching, Representative Brandt Iden, a Republican representing District 61, continues to seek support for his Internet Gaming Bill, HB 4926. There are only 15 legislative sessions (and 3 tentative sessions) left before the summer break in June. The legislature returns to session during mid September.

HB 4926 was initially introduced on September 12, 2017, with a hearing on December 13, 2017 at which the Committee on Regulatory Reform adopted a version H-3 with a recommendation to pass the legislation. Since then, there have been numerous meetings with interested stakeholders in the attempt to craft an amended version that could win the necessary support for passage.

The most recent version, H-4, attempts to address the various interests of the state Native American and Detroit casinos. Unlike prior versions, H-4 restricts possible tribal licensees to those who conduct Class III gaming (casino-style games such as slot machines and table games) and contains more specifics regarding the process for possible new and amended compacts with the State of Michigan to permit the activity.

As drafted, the bill also removes the previous requirement that a person placing the wager be physically present in the State of Michigan. Finally, the proposed revised bill also explicitly states that the bill does not apply to fantasy sports. The revised bill retains the existing taxation structure of the previous versions, assessing an 8% tax on gross gaming revenue on all internet gaming license holders.

In an interview with the Michigan Gaming Newsletter Representative Iden stated: "The issue

is centered around education. Gaming issues are complex, and we continue to work with colleagues to educate them surrounding the issues." He went on to note: "Currently, people are playing online casino games that are not regulated. HB 4926 is an attempt to regulate the games that people are already playing. It is not an expansion of gaming. We will continue working with interested parties, including the Detroit casinos and the Michigan Tribes, in attempting to address their concerns."

In complimentary legislation of the House Regulatory Reform Committee, of which Representative Iden is the chairperson, will be holding a hearing next Wednesday, May 16 at 10:30 AM. On the agenda are HB 4742, a bill to amend the Michigan penal code to provide an exception for fantasy sports and HB 4743, a bill to regulate and tax fantasy sports contests.

## **FinCEN ASSESSES CIVIL PENALTY FOR BSA VIOLATIONS**

On May 3, 2018, the Financial Crimes Enforcement Network (FinCEN) assessed a civil monetary penalty against a California card room (Artichoke Joe's Casino or "AJC") in the amount of \$8 Million, with \$3 Million suspended pending compliance with certain "undertakings" agreed to by the card room. The AJC card room operates in San Bruno, California and has 38 tables. FinCEN found that the AJC willfully violated BSA program and reporting requirements from October 2009 through November 2017 by failing to implement an effective Anti-Money Laundering Program and failing to detect and adequately report suspicious transactions in a timely manner. With regard to suspicious activity reporting, FinCEN noted that AJC filed 12 Suspicious Activity Reports from 2010 to 2011, but that they all contained inadequate narratives that were essential to ensuring that the reports would prove useful to law enforcement. FinCEN also found that AJC failed to conduct adequate independent testing. AJC conducted independent testing in 2011, after

execution of search warrants by state and federal officials but had not previously done so (13 years after FinCEN established the program requirement for casinos and card rooms).

FinCEN stated in the order assessing the penalty that it imposes a civil fine of \$25,000 for each willful violation of AML program requirements, noting that a separate violation occurs for each day that the violation continues. FinCEN also considered AJC's financial condition and ability to pay, and the size and sophistication of the operation – noting that it is one of the larger facilities in California. FinCEN further considered AJC's awareness of loan sharking activities occurring on premise, as well as AJC's culture of compliance. FinCEN factored in AJC's remedial measures and considered other precedent of penalties against casinos and card clubs in the gaming industry.

Notably, AJC consented to the assessment, and agreed to hire a qualified independent consultant (both to advise on a going forward basis and to do a detailed look-back review), a compliance officer to ensure day to day compliance, and to adopt and implement an effective AML program.

## **THE POKAGON FUND AWARDS 19 SCHOLARSHIPS FOR 2018-2019 ACADEMIC YEAR**

The Pokagon Band of Potawatomi Tribe announced on April 20, that The Pokagon Fund awarded just under \$100,000 to 19 Harbor Country residents to attend the post-secondary institution of their choice for the 2018-2019 school year.

Of total recipients in 2018, six are adults who have been awarded a total of \$30,000. The Adult Students in Scholastic Transition (ASIST) program was launched in 2012 by the Fund. Financial awards may be used for professional certificate programs, licensure, two and four-year undergraduate degrees, and graduate school.

Traditional high school scholarships represented the remaining \$69,000 of distributed awards. Although most high school students will be attending Michigan-based institutions, some will be traveling to other states including Florida and Ohio.

“Given the current student loan debt within the United States at \$1.4 trillion, we hope our scholarships will lessen the financial burden on our local families,” stated Pokagon Band member Andy Jackson, who also serves on The Pokagon Fund Scholarship Committee. “Not only has college tuition increased over the past decade, but state funding for higher education has decreased dramatically over the same period and families are hard-pressed to absorb the increasing cost,” Jackson added.

In the past 7 years, The Pokagon Fund has granted a total of just under \$700,000 in scholarship funds to support Harbor County residents. The scholarships are based on academic merit and financial need.

The Pokagon Band's support of The Pokagon Fund extends the Tribe's outreach to benefit communities surrounding Pokagon Band trust land and the New Buffalo area, including financial support for governments, charities, nonprofit and non-governmental organizations. For more information on the Pokagon Fund, please visit its [website](#).