

January 19 , 2018

Volume 24, Issue 3

For more information on Michigan's gaming industry, please visit www.michigangaming.com

Editor in Chief

David D. Waddell, Esq.
Phone: 517.507.3859
waddell@rmclegal.com

*Senior Gaming Analyst
& Editor*

Robert R. Russell, II
Phone: 517.507.3858
russell@rmclegal.com

Reporter and Associate Editor

J.J. Burchman, Esq.
Phone: 517.999.5414
burchman@rmclegal.com

Distribution Coordinator

Julie Williams
Phone: 517.507.3861
jwilliams@rmclegal.com

Subscription information:
info@michigangaming.com

A publication of
RMC Ventures, LLC

Asher Court
321 W. Lake Lansing Rd.
East Lansing, MI 48823
Phone: 517.507.3860
Fax: 517.908.0235
www.rmclegal.com

The _____ MICHIGAN GAMING _____ Newsletter



FOUR WINDS SOUTH BEND OPENS

On January 16, 2018, Four Winds South Bend, the first tribal casino in the state of Indiana, opened and held a ribbon cutting ceremony. The new Class II casino was opened by the Pokagon Band of Potawatomi Indians and boasts 175,000 square feet and 1,800 games, four restaurants, as well as other amenities.

The efficiency with which this entire project progressed was impressive; construction began barely over a year ago. When asked about it, Four Winds Casino COO Frank Freedman had this to say:

“We broke ground in December of 2016, and in 13 short months this went from a piece of property that needed a lot of work just to get it ready to build upon, to what you see here today.”

The Pokagon Band owns and operates three additional Four Winds casinos, all in southwest Michigan, with its flagship operation located in New Buffalo. Between the four casinos, the tribe offers 384,000 square feet of gaming space. Four Winds South Bend is a Native American casino that is authorized under the Indian Gaming Regulatory Act and is permitted to offer Class II gaming only, which can include bingo and bingo-based electronic games of chance that differ from traditional slot machines.

The casino is located right off the U.S. 31 bypass. Its location is very accessible to the entire the metro region, with a population of nearly 322,000 within the approximate 970 square mile South Bend – Mishawaka Metropolitan Area. The casino has entered a local municipal agreement in which it will share 2 percent of its gaming revenue with the city of South Bend (guarantying a \$2 million minimum annual contribution). The Tribe held a 300-guest ribbon cutting event on Wednesday of this week and has begun operations and is now open to the public.

CHANGING SPORTS WAGERING LANDSCAPE CALLS FOR A THOUGHTFUL APPROACH TO LEGISLATION

As Michigan's Legislature considers authorizing sports wagering the national landscape continues to evolve.

Last January, Rep. Robert Kosowski (D) introduced House Bill 4060 which seeks to amend the Michigan Gaming and Revenue Act to specifically authorize sports wagering. In February, Rep. Kosowski introduced a second bill expanding the sports wagering provisions to include sports betting agents via House Bill 4261. As the Michigan legislature considers the Bill, the issue has also been a hot topic on the national stage.

As reported in issue Volume 23 Issue 39 of the Michigan Gaming Newsletter (<http://www.michigangaming.com/publications/newsletter-archive/234-newsletters/volume-23/issue-39/924-supreme-court-hears-arguments-in-sports-wagering-case->) New Jersey has challenged the constitutionality of the federal Professional and Amateur Sports Protection Act of 1982 ("PASPA"). Oral arguments were heard in the case in early December, and the Supreme Court is expected to issue a decision by the end of June of this year. PASPA has effectively prohibited most states from enacting legislation that permits sports wagering (with limited exceptions for the state of Nevada). New Jersey has argued that this violates the 10th amendment to the United States Constitution, which states that any powers not expressly delegated to the federal government by the Constitution are reserved for the states. One possible outcome of the New Jersey case is that each state may become free to decide its own policy (and pass its own laws) about sports wagering.

The issue of sports wagering has garnered national attention. In January, the National Council of Legislators from Gaming States ("NCLGS") held its winter meeting. Nine members of the Michigan Legislature (including the Bill sponsor Robert Kosowski, Rep. Brandt

Iden, and State Senator Michael Kowall) attended. A key topic of discussion was sports wagering, where a panel discussion occurred addressing all the ramifications. The meeting came at a critical time, as many different states are currently working towards enacting legislation.

On a parallel path, the American Gaming Association ("AGA") has played a key role in educating policy makers on the unique aspects of the business of sports wagering, and the need for a thoughtful approach to any legislation enacted to assure that it provides for a practical model that will help eliminate the proliferation of illegal operations. The AGA is a key supporter of the American Sports Betting Coalition ("ASBC") which maintains a website <http://www.sportsbettinginamerica.com/> chock full of relevant information for those focused on the topic.

One key issue of focus is the appropriate level of taxation for sports books. Sports books have a very low profit margin by design conceptually. For example, if a sports book has equal wagers on both sides of a line, the sports book receives a very low percentage of the overall transaction. Worse yet, if the sports book has more wagers on one side of a bet, it can end up in a losing situation. In any event, typically, the margins on sports wagering are very small and, out of this revenue, all the overhead costs and labors costs to the operator need to be paid.

A recent example of the AGA's advocacy is in the state of Indiana, where a bill was introduced to authorize sports wagering that included a provision that would impose, in essence, a 20 percent fee or tax (after winnings are paid out) which would go to sports leagues.

Chief Executive Officer Geoff Freeman made the following comment regarding the legislation:

"While we applaud Representative Morrison's efforts to bring legal, transparent sports betting to Indiana, handing sports leagues 20 percent of what's left over after winnings are paid out, undercuts its economic viability. Doing so will ensure the illegal market continues to thrive in the state, and gut the tax revenues available to fund essential public services. We believe Indiana taxpayers deserve better.

“We encourage Indiana to reject this short-sighted, misinformed idea, which simply replaces a failed federal prohibition with bad state policy. Our goal is to eliminate the illegal market, protect consumers and strengthen the integrity of the game. We invite all stakeholders to join us in working together in a thoughtful and transparent fashion.”

As Michigan grapples with these issues, it is worth noting that in addition to Indiana, many other nearby states are also working toward authorization.

In Iowa, Republican gubernatorial candidate Ron Corbett is pushing for legislation. This week he released online poll results to the [Lynch Times Bureau](#) which show that 70 percent of Iowans support legalization of sports betting.

In West Virginia there are now two bills pending (S-106 and H 2751) which attempt to authorize sports betting regardless of the federal ban expressly citing PASPA’s unconstitutionality. The bills propose a two percent tax on handle, and authorize the state lottery to oversee the regulation of sports betting at the state’s casinos.

In Kentucky, Senator Julian Carroll has introduced SB 22 to authorize sports wagering. The bill gives regulatory oversight to the Kentucky Horse Racing Commission, and seeks to impose a 20 percent rate of taxation.

Additionally, in New York, a legislative hearing is expected to take place on January 24th to take up whether sports betting should be offered at racinos and Off-Track Betting facilities in the state. Notably, New York has already passed a state law legalizing sports wagering at the commercial casinos in the event that the federal law ban is overturned.

And in Pennsylvania, a bill passed last year already authorizes sports wagering if the federal ban is overturned or lifted. The Pennsylvania law has a ridiculously high rate of taxation (given the low margins that sports books have) that likely will prevent any meaningful action until further legislative changes occur.

All of these rapidly occurring developments suggest the need to be fully informed on the

impact of sports wagering legislative provisions and tax rates. Thus, the resources that the AGA and the ASBC have made available, and conferences such as the recent NCLGS conference, clearly are playing an important role in educating policy makers and making sure that any legislation passed is done right with a realistic approach to the unique topic.

MICHIGAN LOTTERY ENTERS IN TO AFFILIATE MARKETING PROGRAM WITH INCOME ACCESS

The Michigan Lottery has launched an affiliate program with Income Access, the marketing technology service provider to the Isle of Man based company Paysafe according to a press release issued by the company. The affiliate program is the first of its kind for a US lottery, and will be powered through Income Access’ tracking and analytics platform.

Paysafe is known as an online payment processor. According to numerous news reports, an acquisition of the company by private equity firms was recently approved. According to a report in MarketWatch dated August 4th, 2017 “the acquisition of Paysafe will give [the private equity firms] significant exposure to the online gambling and gaming sectors. A big part of the company’s business is its digital-wallet technology, which allows users to make bets online without tapping money from their bank accounts.”

In 2014, Michigan Lottery expanded its traditional sales to online game offerings including both draw and instant win games. With monthly iLottery net gaming revenue figures currently at approximately \$7 million, Michigan Lottery is the fastest growing iLottery program of its kind in the US.

The new Income Access platform features what the company claims is state-of-the-art ad targeting capabilities based on geo-location and other criteria.

Under the affiliate marketing program, through a combination of dedicated affiliate manager support, an in-house creative team charged with maintaining a consistent flow of new and custom assets, and strong player incentives, affiliates are provided with key resources to successfully promote the brand. One such example is a 50% bonus credit on first time deposits up to \$100 free, which would reward a \$200 purchase with a \$100 bonus. According to Income Access, the affiliate program will cap at 20% revenue share, based on 20+ player acquisitions per month.

Amanda Perkins, Digital Marketing & Analytics Manager at Michigan Lottery, said: "Michigan Lottery is the most successful online lottery program in the United States and growth potential is significant with only about 8% of eligible players in Michigan registered to play online. We have partnered with Income Access to launch our affiliate program given the company's excellent reputation in the affiliate marketing space. We expect this affiliate program to open a new pathway to acquiring players and play a key role in the Lottery's overall player acquisition strategy."

Lorenzo Pellegrino, CEO of Income Access and Digital Wallets at Paysafe, said: "Michigan Lottery is an important partnership as we look to extend our influence in the iLottery vertical beyond Europe. The brand's stature and long history of success provide a unique opening for affiliates looking to broaden their player base."

MOTORCITY CASINO AWARDS BIGGEST BAD BEAT JACKPOT IN US HISTORY

According to a press release dated January 17, Detroit's MotorCity Casino Hotel has announced awarding the largest bad beat jackpot in US history. A record breaking \$1.68 million was split between the six players sitting at the winning Texas Hold'em table.

The jackpot winners are identified only by their first names. Scott had the losing hand with four 3's and took home the biggest share of the

jackpot at \$427,452.52. He was beaten by Kenneth who had four queens. Kenneth won \$213,712.76. The other four lucky players at the table won \$106,856.28 each for just being seated at the table at the time of the winning hand.

How do you win a bad beat jackpot at MotorCity Casino?

In a Texas Hold 'em poker game, if a player hits any four of a kind and is beaten by another player's four of a kind, they hit the bad beat jackpot. Both players must have pocket pairs. The four of a kind must only be beaten by another four of a kind. A straight flush only wins a much smaller bad beat jackpot.

What do winners receive?

The player with the losing hand involved in a "bad beat" receives 40 percent of the jackpot. The player with the winning hand receives 20 percent, and the remaining players at the table, up to eight of them, split the remaining 40 percent.

"There are winners every day on the floor, but it's not every day that a jackpot that big hits," said Phil Trofibio, Senior Vice President of MotorCity Casino Operations. "Congratulations to all the players at the table."

MICHIGAN LOTTERY LAUNCHES NEW WEBSITE AND THEN GOES BACK TO OLD SITE

The Michigan Lottery posted a new website on Wednesday, but shortly thereafter replaced it with the prior site. According to Jeff Holyfield of the Michigan Lottery who was quoted in an article in yesterday's Crain's Detroit Business, users experienced slowdowns after the change-over from the old site. "We were getting calls, emails ... from players saying the website wasn't responding well," he said.

The Michigan Lottery sent an email message to customers Wednesday afternoon:

“Early today we launched a new website. Unfortunately, the new website did not meet your expectations or ours. While we work to provide you with a new site that meets your expectations, we have gone back to the previous version of our site for you to use. We apologize for the inconvenience that this has caused, and appreciate your patience while we work to bring you a website that you deserve.”

According to the Crain’s article, the Michigan Lottery is shifting from the contractor that previously ran its site, HelloWorld, to Interaction Gaming LLC for its new site.

When it ultimately is launched, the updated site concept will be mobile-first, because Michigan Lottery is seeing a growing number of users logging on from their smartphones and other mobile devices, Holyfield told Crain’s. It’s simpler with improved functionality, he added.