

December 7, 2018

Volume 24, Issue 38

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A publication of
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The _____ MICHIGAN GAMING _____ Newsletter



MICHIGAN HOUSE OF REPRESENTATIVES PASSES BILL AMENDING GAMING ACT: BILL ADVANCES TO SENATE FOR CONSIDERATION

The Michigan Legislature continues to move through the final days of the 2018 Session, which currently has sessions scheduled through December 20th. While leadership in the House and Senate, which are controlled by the Republican party, continue to debate hot pressure issues, include campaign finance enforcement, minimum wage and paid sick leave, the House advanced a bill that would make several modernization changes to the Gaming Control Act. The Gaming Control Act was adopted by voters in 1996 and authorized up to three casino in Detroit and established a regulatory framework for the industry. It has not been significantly updated to keep up with changes in the industry's evolution in over 20 years. The bill now moves to the Senate for review. Persons interested and reviewing the full bill can obtain a copy at:

[https://www.legislature.mi.gov/\(S\(032bdrbbdhq10abnv3xu32e1\)\)/mileg.aspx?page=getObject&objectName=2018-HB-5881](https://www.legislature.mi.gov/(S(032bdrbbdhq10abnv3xu32e1))/mileg.aspx?page=getObject&objectName=2018-HB-5881)

Below is a summary of certain proposed changes to the Gaming Act:

1. Increases the disclosure level for applications from 1% owner to greater than 5% owner (pg. 3, Section 2 (e) definition);
2. Changes the definition of an "occupational license" by adding a requirement that the services must occur "in a casino or a casino enterprise" and must "directly impacts the integrity of gaming"; (pg. 9, Section 2 (dd))
3. Deletes "realty, construction, maintenance, junket enterprises, security businesses, manufactures, distributors, persons who service gaming devices or equipment, garbage haulers, maintenance companies, food purveyors and construction companies" from the definition of supplier (pg. 10, Section 2(ff));
4. Expressly permits the MGCB to enter into agreement with other

jurisdictions to offer multijurisdictional games if the games are only in the U.S. (pg. 23, Sec 4a(1)(u));

5. Modifies the FOIA provisions to: (a) eliminate the waiver of otherwise nonpublic info if presented during a public hearing; (b) permit any information to be designated as confidential by the applicant, licensee or board; (c) exempt any employment or travel schedule, vehicle info or other info that might endanger casino employees or investigators; and (d) exempt business holdings, criminal info, license revocation, bankruptcy, delinquent taxes, public official owners/creditors, and loan information for applicants (Pgs. 24-25, Section 4(c)(1)(a) and (d) and 4c(2)(c) through (i));
6. Modifies the criminal history bar to the previous 10 years for felony and 5 years for misdemeanors involving dishonesty for supplier license applicants (pgs. 55-56, Section 6(4)(a) and (b));
7. Modifies the criminal history bar to the previous 10 years for felony and 5 years for misdemeanors involving dishonesty for occupational license applicants (pgs. 71-72, Section (8)(3)(c) and (d));
8. Eliminates the bar to occupational licensing if the applicant owns more than a 10% ownership interest in a casino licensee (pg. 74, Section 8)(6)(i));

Separately, the amendment addresses the following issues:

1. Permits gaming control board members to receive \$1000 per meeting beginning 1/1/23 and the chair \$1250 per meeting (pg. 11, Section 4 (4));
2. Reduces the time period from 3 years to 1 year prior that a board appointee or MGCB employee can't have worked for a casino (pg. 13, Section 4(10));
3. Reduces the time period from 4 years to 2 years after that a board appointee or MGCB employee is banned from working for a casino (pg. 14, Section 4(12));
4. Deletes the explicit authority for the board to discipline a casino license for violation of the Michigan liquor control act (pg. 23, Section 4a

(1)(o)(i));

5. Allows for people to buy food and drinks for MGCB employees if they submit an annual report if total amounts exceed \$500 annually (pg. 35, Section 4d(11) and (12));
6. Modifies criminal history bar to previous 10 years for felony and 5 years for misdemeanors involving dishonesty for casino license applicants (pgs. 47-48, Section 7a)(4)(a) and (b));
7. Eliminates the requirement that any horse racetrack shall allow wagering on simulcast horse races "only at the licensee's casino" (pg. 83, Section 12(9));

The Michigan Legislature continues to work through other related gaming issues including horse racing, advanced deposit wagering, charitable gaming, internet gaming, sports wagering and fantasy sports.

NATIONAL SPORTS WAGERING UPDATE

Two new states entered the sports wagering marketplace in November: Pennsylvania and Rhode Island. Pennsylvania's Hollywood Casino at Penn National Race Course accepted the first sports wager in Pennsylvania in mid-November. Five other casinos in Pennsylvania have applied to offer sports wagering and will soon follow Hollywood Casino. Pennsylvania has legalized on-line sports wagering, although no casino has rolled out its product yet. The expected launch is in early 2019. Rhode Island quickly followed Pennsylvania into the marketplace, with the Twin River Casino accepting the first sports wager in Rhode Island on November 26, 2018. Rhode Island does not permit online sports wagering and its current law limits the number of locations for sports wagering to two.

Looking forward to further expansion, Michigan's House has passed both online gambling and sports wagering bills. With a limited number of days remaining before the expiration of the session year, it remains to be seen if Michigan will get legalization passed before a new governor

takes office in January.

New York Assemblyman J. Gary Pretlow recently announced that he will introduce a bill in 2019 to authorize sports wagering in the state of New York. Looking to the south, Arkansas approved a constitutional amendment in November that includes sports betting. The licensing at four locations will be overseen by the Arkansas Racing Commission and it must begin accepting applications no later than June 1, 2019. There are several other states that may move forward with legislation authorizing sports wagering once 2019 begins with new legislative sessions.

While many states have already legalized sports wagering and several more are quickly moving towards doing so, it appears that Congress may not be willing to cede all regulatory authority to the states. Senator Orrin Hatch introduced a bill earlier this week that would provide for federal oversight of sports wagering. The draft legislation would require any state that wants to authorize sports wagering to apply for permission to the U.S. Attorney General when implementing new laws and regulations. The bill does allow betting on college sports, but bars any betting on other amateur sports such as high school athletics. The bill would also require any operator to utilize official league data from the major sports leagues through 2022. Other features include modifying the Wire Act to allow for sports betting information to flow across state lines, permitting interstate sports wagering compacts to be entered into by states and tribes (although still subject to Attorney General approval), and shifting the .25% existing excise tax to be placed in a “wagering trust fund” for appropriations for sports betting matters. Senator Hatch’s bill is the first attempt to maintain federal regulatory oversight and if Congress does pass a bill, there likely will be significant changes as discussions among the different interest groups develop.

The American Gaming Association has been critical of federal regulation of sports wagering. Chris Cylke, Vice President of Government Relations for the AGA recently stated: ““Since the Supreme Court’s ruling in May, the American Gaming Association has consistently

maintained that federal legislation regarding sports betting is not necessary. That underlying position remains unchanged. At the same time, we remain committed to maintaining an open and constructive dialogue with policymakers considering sports betting legislation at any level of government.”

There has also been recent activity regarding the issue of sports integrity and monitoring of the wagering to prevent fraud in wagering activity. In late November, several operators, including MGM Resorts, Caesars Entertainment, William Hill and others created the Sports Wagering Integrity Monitoring Association (“SWIMA”) and appointed former New Jersey Assistant Attorney General and Deputy Director of the NJ Division of Gaming Enforcement George Rover as the organization’s Chief Integrity Officer. SWIMA stated its two primary goals are to provide a safe and secure betting environment for consumers and to protect the integrity of sports betting and its related activity, identify bad actors and discourage activities that profit from unfair betting markets. The AGA praised the formation of the association; “The formation of the Sports Wagering Integrity Monitoring Association (SWIMA) serves as another important milestone toward realizing the benefits of a legal, regulated sports betting market in the United States, which provides robust consumer protection, increased transparency and additional tax revenues for state and local governments,” said Sara Slane, AGA’s senior vice president of public affairs. “Today’s announcement comes at a critical time as dozens of states and sovereign tribal nations are poised to pursue legal sports betting in 2019. Moving forward, SWIMA will provide an important hub for all stakeholders to work together, further demonstrating the industry’s commitment to upholding integrity across all facets of a legal, regulated sports betting market.”

UPDATE ON EFFORTS TO BRING HORSE RACING BACK TO SPORTS CREEK

AmRace & Sports, LLC is continuing its efforts to

reopen Sports Creek Raceway in 2019 as a thoroughbred racetrack. The Michigan Gaming Control Board issued an [order](#) granting the company permission to pursue the effort, but placed several conditions on the company. The company has until December 28th to produce some of the information, but also had a deadline of December 1 to show proof that it has a contractual right (lease, contract or agreement) to use the track. The company did not meet the December 1 deadline, but it appears that the effort to bring racing back to the track is still under way. The Order provides, in relevant part, as follows:

The 2019 Race Meeting License and Simulcast Permit are conditioned upon the applicant meeting all of the following conditions: a) Produce on or before December 1, 2018, a lease, contract, or agreement to use the track located at 4290 Morrish Road, Swartz Creek, Michigan. Said track must also be licensed by the Executive Director. b) Produce on or before December 28, 2018, a fire inspection report of the grandstand at the track. c) Produce on or before December 28, 2018, additional information about the security measures and emergency preparedness plan that will be implemented at the track. d) Produce on or before December 28, 2018, the executed written contract with a certified horsemen's organization for the 2019 race meeting. e) Ensure all persons working in a restricted area of the grandstand are licensed prior to December 28, 2018. f) Produce on or before December 28, 2018, a fully executed written contract with a totalizator company for the 2019 race meeting. g) Produce on or before December 28, 2018, export and import simulcast wagering agreements for the 2019 race

meeting. h) Produce on or before December 28, 2018, proof of an interest-bearing account for all funds due to the horsemen's purse pools. Such proof must include the bank name, address, and account number. Failure to meet the conditions set forth above may result in disciplinary action including a fine, suspension, and/or revocation of the Race Meeting License and Simulcast Permit.

According to the MLive article, AmRace principal Nelson Clemmens said his company remains committed to the Sports Creek project, but closing a deal to purchase the property has taken longer than expected. "We're still looking to be on the same path. We are committed," Clemmens said. "Some things just take longer than expected." Typically, if a licensee fails to meet conditions outlined by the regulatory agency, it will lead to a compliance conference where the licensee is given the opportunity to state its case to the agency and explain why the condition was not met. The agency can then respond by determining whether there has been noncompliance, and, if so, whether a fine, suspension and/or revocation of the license is appropriate.

THE KEWEENAW BAY INDIAN COMMUNITY ANNOUNCES ITS RECENT GAMING DISTRIBUTIONS

Since 1993 the Keweenaw Bay Indian Community has been making bi-annual payments from gaming proceeds of its casinos to local units of government and to the State of Michigan. These payments are 2% and 8% respectively and are derived from the net win from all Class III electronic games of chance commonly known as slot machines.

The two-percent (2%) payments are made each May and November. Local units of Government may make requests throughout the year. To receive an award the entity must first make a

request in writing.

For the period of April 1, 2018 through September 30, 2018, the total to be distributed to local units of government in Baraga County, which was derived from the Ojibwa Casino Resort-Baraga, was \$131,871.99. This included payments to Baraga County, Baraga area schools and other Township and Village entities. Payments were also distributed to L'Anse area schools, Township and village.

During the same period, distributions totaling \$164,460.06 were made to local units of government in Marquette County that were derived from the Ojibwa Casino-Marquette.

Eight percent (8%) payments are made to the Michigan Economic Development Corporation. The November 2018 distribution for the Ojibwa Casino Resort-Baraga totaled \$527,487.97 and \$657,840.29 for the Ojibwa Casino-Marquette.

The next cycle of awards will be made in May 2019. Local units of government within Baraga or Marquette Counties may apply. Written requests received before March 31, 2019 will be considered.

MILLIONAIRE PARTIES CONTINUE TO BE POPULAR FORM OF CASINO STYLE GAMING IN MICHIGAN

Millionaire parties, which are a form of Michigan charitable gaming that are subject to oversight by the Michigan Gaming Control Board ("MGCB"), continue to be a popular form of gaming in the state of Michigan. According to the MGCB website, which includes a [Millionaire Party finder link](#), tonight and tomorrow night alone there will be 75 different Millionaire Parties held by charities throughout the state. A "Millionaire Party" is "a charitable gaming event where wagers are placed on games of chance customarily associated with a gambling casino and participants use imitation money or chips".

According to the MGCB, it may issue a qualified charity up to four millionaire party licenses in a

calendar year. Each charity's license may authorize each license for up to four consecutive days. The MGCB approves the hours of the game as part of the process, but a millionaire party may not begin before 8 a.m. or continue past 2 a.m. Chip sales for such a party are limited to \$15,000 per day.

Last year, in 2017, there were 8714 event days for such parties, with a total of 2,387 licenses being granted to charitable organizations.

Charities said in a survey back in April of this year that the MGCB does a great job with licensing services for casino-style gaming fundraisers. The 27-question survey found 87 percent of customers are satisfied with MGCB services. PricewaterhouseCoopers conducted the survey for the agency and told the board these are impressive results for a government agency.

"MGCB employees continue to work well with charities, and we're extremely pleased with the survey results, which show charities think highly of us," said Richard Kalm, executive director, MGCB.

The survey measured multiple points of customer contact, including telephone, email and personal interactions with licensing staff and with regulation officers who visit events and conduct post-event audits. The survey was sent to charities that held casino-style charitable gaming events last year.

"We heard a lot of doom and gloom about the future of charitable poker after the MGCB introduced new rules and began enforcing the Bingo Act, which authorizes charitable gaming," Kalm said in a press release issued in connection with the survey results. "We realized charities were asked to do things they hadn't done previously. This prompted us to work hard on customer service, helping charities through the process from applying for a license to managing the event."

MGCB PUBLIC MEETING SCHEDULED FOR TUESDAY, DECEMBER 18, 2018

The Michigan Gaming Control Board will hold a regular public meeting on Tuesday, December 18, 2018. The meeting will begin at 9:30 a.m. with the staff briefing, followed immediately by the regular agenda items. Please [click here for the meeting agenda](#).

The meeting is open to the public and questions, comments and suggestions from the public, regarding Board business and the licensing, regulation and conduct of casino gaming in Detroit under the Act, are welcomed and encouraged during the public comment portion of the meeting.

The meeting will be located at the MGCB Detroit office, Cadillac Place, 3062 West Grand Blvd., Suite L-700, Detroit. The Cadillac Place is in Detroit's New Center Area near the John Lodge Freeway (M-10), between Second Avenue and Cass Avenue. The Fisher Building and the Albert Kahn Building are nearby landmarks.