

May 6, 2022

Volume 28, Issue 13

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

Editor in Chief

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

Senior Gaming Analyst & Editor

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

Associate Editor

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

Associate Editor

Randy G. Gross, Esq.
Phone: 517.999.5416
rgross@rmclegal.com

News Reporter & Digital Content Editor

Jack B. Chaben
jchaben@rmclegal.com

Production Coordinator

Christina M. Morris
cmorris@rmclegal.com

Subscription information:
info@michigangaming.com

A publication of
RMC Ventures, LLC

The _____ MICHIGAN GAMING _____ Newsletter



MGCB Offers Fantasy Contest Licensing Applications

On Monday of this week, the Michigan Gaming Control Board added fantasy contest operator and management company license applications to its [website](#).

- [MGCB fantasy contest applications FINAL 2022-5-2.docx](#)

“Licensing is a key step in fulfilling the requirements established by Michigan’s Fantasy Contests Consumer Protection Act,” said Henry Williams, MGCB executive director. “I urge operators to file soon for licensing so current operators can continue to participate and new ones can join them once rules have been approved by the Michigan Legislature.”

The agency may issue two types of licenses. An operator license is needed to conduct or offer fantasy contests for play, and a management company licensee handles the day-to-day fantasy contest operations for an operator. Forms and related information can be found on the agency website’s Internet Gaming and Fantasy Contests [section](#).

The initial operator’s license fee is \$10,000, and the annual license renewal fee is \$5,000. In its draft rules, the MGCB proposes a \$5,000 management company initial licensing fee and a \$5,000 annual renewal fee. The MGCB may assess the operators or companies investigative costs if they exceed the initial license or renewal fee.

Michigan law requires submission of commercially reasonable procedures and internal controls to protect the public and ensure integrity of contests, which the MGCB must approve. Key personnel also must be qualified by the MGCB.

Fantasy contest licenses may be issued to operators and their management companies, including those currently offering fantasy contests in the state. The commercial casinos and the federally recognized tribes operating Class III casinos do not require a license to conduct fantasy contests, but they must meet all other requirements of the Fantasy Contests Consumer Protection Act and associated rules.

[Current operators](#), who met the definition of a fantasy contest operator in Michigan on May 1, 2018, are required by law to apply for a license by July 1, 2022, in order to continue offering fantasy contests in Michigan.

Michigan law defines a fantasy contest as a simulated game or contest with an entry fee that meets certain conditions. A fantasy contest may not be offered:

- At a kiosk or machine physically located in a retail business, bar, restaurant or other commercial establishment
- At a place of public accommodation
- At a facility owned, operated or occupied by a private club, association or similar membership-based organization

State law sets limits on the composition of fantasy contest teams and defines what a fantasy contest involves plus other requirements and prohibitions. More details can be found in Section 432.502 of the [Fantasy Contests Consumer Protection Act](#). The MGCB's proposed fantasy contest draft rules are proceeding through the state's [administrative rulemaking process](#) following a public comment period that concluded with a public hearing in January 2022. The rules were submitted April 27 to the Michigan Legislature for review. [Draft rules](#) are available on the agency's website.

Michigan taxes monthly fantasy contest adjusted revenues at 8.4 percent. Adjusted revenues are the amount equal to the total of all players' entry fees minus the total of all sums paid out as prizes

or awards to all fantasy contest players multiplied by the in-state percentage. The in-state percentage is equal to the total entry fees of in-state participants divided by the total entry fees collected from all participants of a fantasy contest.

Fantasy contest taxes are paid into the Fantasy Contest Fund. The fund provides the MGCB its costs of regulating and enforcing fantasy contests. The State School Aid Fund receives the money remaining after the MGCB's expenditures.

State of Michigan Raids Seize 100 Gambling Devices

State of Michigan investigators seized 100 gambling devices, \$29,204 in suspected gambling profits and 62 gift cards of varying denominations from two alleged Flint area storefront casinos in raids conducted Wednesday, April 27. Search warrants were executed at The State Road Spot, 723 South State Road, Davison, and The Bristol Spot, 1374 East Bristol Road, Burton. The raids followed a joint investigation by the Michigan Department of Attorney General and Michigan Gaming Control Board.

"Illegal gambling machine operations bring unwanted crime to communities across Michigan and deprive school districts of gaming tax revenue from the state to support education," said Henry Williams, MGCB executive director. "The MGCB works to educate citizens and businesses about illegal gambling and to support state and local officials' efforts to remove machines used illegally."

At The Burton Spot, 35 machines — 12 full-size standalone gaming machines and 23 gaming computer towers — were seized. At The State Road Spot, 65 machines — 11 standalone gaming machines and 54 gaming computer towers — were seized.

The MGCB launched an investigation with the Department of Attorney General after receiving a

tip about the Burton location, which led to the discovery of the affiliated Davison operation.

The MGCB publishes a [fact sheet](#) about Michigan law and a separate fact sheet on [unregulated machines](#) used for illegal gambling. Michigan citizens are encouraged to report any suspicious or illegal gambling by calling the MGCB's 24-hour anonymous tip line, 888-314-2682.

The state's efforts to combat alleged illegal gambling comes at a time when the gaming industry is calling for greater enforcement in this area. In mid-April, the American Gaming Association (AGA) sent a [letter](#) to the United States Department of Justice asking for action on illegal gambling.

"While the challenge of illegal gambling is not new, the brazen and coordinated manner in which it occurs—both online and in communities—has elevated this problem to a level that requires significant federal attention," AGA President and CEO Bill Miller wrote. "We urge the Department to make it a priority to act... to protect American consumers, crack down on illegal operators, and enforce federal regulations."

The AGA letter urges the Department of Justice to address illegal gambling by:

- Continuing to educate consumers on legal gaming options and the dangers associated with illegal operations.
- Investigating and indicting the largest offshore operations that openly violate federal and state laws.
- Clarifying that "skill-based" machine manufactures must comply with Johnson Act registration requirements and anti-money laundering standards and pursuing aggressive enforcement actions against those entities that do not fully comply.

"Illegal operators have been put on notice: their days as a scourge on our nation are numbered," added Miller. "These bad actors prey on

vulnerable customers, offer no consumer protections, do not ensure integrity or fair play, and generate no economic benefit for states or tribal nations."

Northville Downs Reschedules Saturday's Live Racing to Allow Focus on the Kentucky Derby

Northville Downs requested, and the MGCB approved, moving live racing from Saturday May 7th to Thursday May 5th this week. Northville Downs will be open for simulcasting and will be accepting wagers on races at Churchill Downs on Derby Day. The Michigan Harness Horsemen's Association supported the request. Similarly, the track also submitted a request to change its race date from Saturday, May 21, 2022, to Thursday, May 19, 2022 in an effort to maximize the ability to run a successful live race date with the increased business done during the Preakness Stakes. This request has also been granted by the Michigan Gaming Control Board and the track will have live racing on Thursday and Friday of that week instead of Friday and Saturday.

DraftKings Inc. Completes Acquisition of Golden Nugget Online Gaming, Inc.

Yesterday, DraftKings Inc. (Nasdaq: DKNQ) announced the completion of its acquisition of Golden Nugget Online Gaming, Inc. ("Golden Nugget Online Gaming" or "GNOG") (the "GNOG Acquisition").

According to a [press release](#) issued in connection with the acquisition, "the GNOG Acquisition will, among other things, allow DraftKings to leverage Golden Nugget's established brand to broaden its reach into new customer segments and enhance the combined company's iGaming product offerings through DraftKings' vertically-integrated tech stack and Golden Nugget Online Gaming's

unique capabilities – including Live Dealer. The GNOG Acquisition does not include brick and mortar Golden Nugget casinos, which will continue to be owned by Fertitta Entertainment.”

“Acquiring Golden Nugget Online Gaming gives us synergies across our business,” said Jason Robins, Chairman and CEO of DraftKings. “We anticipate that this acquisition will provide meaningful revenue uplift by utilizing our data-driven marketing capabilities and a dual brand iGaming strategy, gross margin improvement opportunities, and cost savings across external marketing and SG&A. I am proud to welcome the Golden Nugget Online Gaming team to the DraftKings family.”

“This will be an alliance unlike any other in the digital sports, entertainment and online gaming industry,” said Tilman Fertitta, Chairman and CEO of Golden Nugget Online Gaming. “Now that the acquisition is completed, I look forward to what the future will bring for our combined company and am confident this relationship will be a huge success.”

In Michigan, Draftkings and Golden Nugget Online Gaming both serve as online platform providers to two different tribal operators for both sports betting and online gaming. Draftkings provides these services to Bay Mills Resort and Casino, and Golden Nugget works with the Ojibwa Casino & the Keweenaw Bay Indian Community.

Four Winds Casino Executive Recognized in 40 Under 40 Class

The South Bend Regional Chamber recently announced the recipients of the 2022 Michiana “Forty under 40” class. The program recognizes young adults, professionals, executives and leaders, under the age of 40, achieving outstanding professional success while also engaging in his or her community through charitable and civic involvement. Raquel Buari, Vice President of Compliance at Four Winds Casino, leads the list of recipients of the award.

An attorney who oversees compliance related matters for Four Winds Casino, Ms. Buari has also been very active in the community.

She serves as a member of the Board of Directors of the National Council on Problem Gambling, as a Board member for the Indiana Council on Problem Gambling, and as a Board member for the Michigan Association on Problem Gambling. Additionally, she serves on the boards of the South Bend Civic Theatre and the Memorial Hospital of South Bend.

A 10-person committee of business professionals from the Michiana region scored and selected this year’s class based on a nomination process. This year saw 172 nominations received. In its 16th year, this program is an annual collaborative effort between the South Bend Regional Chamber, YPN South Bend as well as other partners and chambers in the Michiana region.

Honorees will be treated to a photo shoot with their families, friends, colleagues or nominators. In addition, a Recognition Video is being produced by the Chamber and will become available on Friday June 24. The South Bend Tribune will have a special Michiana Forty under 40 issue in their June 26 edition. An alumni reunion reception, sponsored by Jordan Lexus of Mishawaka, celebrating the 2022 class and the past 15 years of the program, is slated for late summer.

The full list of 2022 recipients can be found [here](#).