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The MICHIGAN GAMING Newsletter



MICHIGAN GAMING CONTROL BOARD RELEASES DETROIT CASINO REVENUES FOR SEPTEMBER 2016

On October 11, 2016, the Michigan Gaming Control Board (“MGCB” or “Board”) released the September 2016 total adjusted revenue figures for the three Detroit casinos—MGM Grand Detroit Casino, MotorCity Casino and Greektown Casino. Overall, the revenue for the Detroit market rose 4.3% compared to the same reporting period last year.

Month in 2016	Total Adjusted Revenue 2016		
	MGM Grand Detroit	MotorCity Casino	Greektown Casino
	Total Adjusted Revenue	Total Adjusted Revenue	Total Adjusted Revenue
January	\$46,718,389.11	\$37,132,788.69	\$25,215,520.31
February	\$47,193,903.95	\$40,385,060.23	\$28,822,028.76
March	\$51,818,121.13	\$43,700,908.78	\$29,430,087.08
April	\$50,462,057.70	\$42,346,725.48	\$29,548,118.17
May	\$51,903,469.93	\$39,010,274.10	\$27,621,012.43
June	\$47,555,020.17	\$35,895,882.01	\$25,161,438.57
July	\$50,185,322.0	\$40,569,698.06	\$27,707,524.25
August	\$51,333,425.60	\$37,835,364.01	\$26,734,163.06
September	\$48,479,767.93	\$37,034,304.51	\$26,653,491.54
Total	\$445,649,477.58	\$353,911,005.87	\$246,893,384.17

Month in 2016	Total Adjusted Revenue and Taxes 2016		
	All Detroit Casinos		
	Total Adjusted Gross Receipts	Total State Wagering Tax	Total Detroit Wagering Tax
January	\$109,066,698.11	\$8,834,402.55	\$11,888,270.09
February	\$116,400,992.94	\$9,428,480.43	\$12,687,708.23
March	\$124,949,116.98	\$10,120,878.48	\$13,619,453.75
April	\$122,356,901.35	\$9,910,909.01	\$13,336,902.25
May	\$118,534,756.46	\$9,601,315.27	\$12,920,288.45
June	\$108,612,340.75	\$8,797,599.60	\$11,838,745.14
July	\$118,462,544.37	\$9,595,466.09	\$12,912,417.34
August	\$115,902,952.67	\$9,388,139.17	\$12,633,421.84
September	\$112,167,563.98	\$9,085,572.68	\$12,226,264.47
Total	\$1,046,453,867.61	\$84,762,763.28	\$114,063,471.57

Specifically, revenue for MGM Grand Detroit was up 7.2%, MotorCity was up 3.6%, and Greektown was up 0.3% during September 2016 when compared to the same month last year.

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 market shares for MGM Grand Detroit, MotorCity Casino, and Greektown Casino for September 2016 were 43%, 33%, and 24%, respectively.

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.

G2E HIGHLIGHTS INDUSTRY’S RISE IN SPORTS, POLITICS AND ECONOMIC GROWTH

On September 26th, nearly 26,000 gaming professionals gathered for the week in Las Vegas for the Global Gaming Expo (“G2E”) 2016. G2E 2016 was an opportunity for the gaming industry to conduct business, learn and network.

Highlights from this year’s show include:

- Game and product demonstrations from UNLV students and academics in the first-ever Innovation Lab on the expo floor;

- Educational Program tracks that explored current and future trends, such as eSports and the 2016 election; and
- Products and technologies from more than 400 exhibitors, showcasing table games, slots, iGaming and other non-gaming solutions.

In addition, the National Indian Gaming Association (“NIGA”) and the American Gaming Association (“AGA”) shared the stage at G2E for the first time to discuss how unity makes the future of the entire gaming industry stronger.

“We made a very consequential decision, and we’re not uniting for the sake of uniting. We’re uniting because it’s important to our future,” said Ernie Stevens Jr., Chairman of NIGA.

Sports betting was also a major discussion at this year’s show. Former NBA Commissioner David Stern was in attendance to explain the benefits of legalizing sports betting and how it could ultimately protect the integrity of sports.

“You wind up with a proposition that says there is this legal gaming, but there’s also an enormous amount that is wagered. That amount is not regulated, not taxed, and the profits go to unsavory causes, and that’s a good thing to take a look at” Stern said, according to ESPN.

Two leading experts within the UK sports betting world, Dr. David Forrest and Rick Parry, released a report called, *The Key to Sports Integrity in the United States: Legalized, Regulated Sports Betting* that details how the United States must adopt an approach similar to the legal, regulated sports betting in the United Kingdom to ensure an open and transparent market.

Also in the sports betting discussion was the National District Attorneys Association to examine the prosecution of illegal gambling. Importantly, G2E promoted a conversation among law enforcement, a significant partner of the AGA as it relates to sports betting, with other industry stakeholders to discuss combatting illegal gambling.

The *Las Vegas Review Journal* commented that, “Every day of the show, there was a speaker, panel or discussion about introducing race and sports books to the public nationwide. The American Gaming Association is leading that charge, issuing

a 32-page report on legalizing and regulation sports betting in the United States.”

A copy of the report can be found [here](#).

Conversations surrounding sports betting, gaming policies and the industry’s expanding reach allows G2E to remain an important platform for the gaming industry to share its positive story and economic impact nationwide.

MICHIGAN LOTTERY COMMISSION M. SCOTT BOWEN RESIGNING

Michigan Lottery Commissioner, M. Scott Bowen, is stepping down from his current role with the Michigan Lottery, which he’s held since 2008. Governor Rick Snyder plans to accept Bowen’s resignation, effective February 18, 2017.

Under Bowen’s leadership, the Michigan Lottery has provided \$6.8 billion to support public education while garnering \$22.8 billion in sales.

“Serving as the Commissioner of the Michigan Lottery has been a great honor and wonderful opportunity,” Bowen said. “The Lottery’s success during my tenure reflects the hard work and dedication of the Lottery employees and its retailers, who are proud to carry out the agency’s mission of providing funds for public education in our state. The Michigan Lottery consistently ranks as one of the top-performing lotteries in the nation because of their efforts.”

STACEY YOUNG PROMOTED TO VICE PRESIDENT OF SLOT OPERATIONS AT MOTORCITY CASINO HOTEL

On September 26, 2016, MotorCity Casino Hotel announced that Stacey Young was promoted to Vice President of Slot Operations at MotorCity Casino Hotel. The position is responsible for providing strategic direction, operational guidance and financial oversight to the slot operations department.

Mr. Young has been with MotorCity Casino Hotel team since 2003 and has more than 15 years of technical and operational slot experience. His

previous positions include Director of Slot Operations, Technical Shift Manager, and Project Manager.

“Stacey continues to be a valuable member of the slot department, and I am confident that he will be successful in his new role,” said Phil Trofio, Senior Vice President of Casino Operations. “He has the technical and managerial experience to continue our strategy to provide our players with unique and exceptional gaming experiences.”

Mr. Young has a Bachelor of Arts in Business Administration from the University of Phoenix and is currently pursuing a master’s degree in Information Resource Management at Central Michigan University. Notably, he also served in the United States Marine Corps.

REMINDER: MICHIGAN POLITICAL CONTRIBUTION RESTRICTIONS

As the November, 2016 election draws near it is important to remember that those operating in the state’s casino industry should be aware of the strict political contribution guidelines contained in the Michigan Gaming Control and Revenue Act (“Act”) and monitored by the Michigan Gaming Control Board (“MGCB”). Such restrictions are not uncommon in gaming jurisdictions and have been designed to prevent any appearance of conflicts of interest or unscrupulous dealings.

History

As originally drafted, the political contribution restrictions in Section 7b of the Act contained broad language that applied the restrictions on political donations to state, state legislative, and local elective offices to all licensees, key persons, interest holders in licensees, including the spouses and close family members of these individuals. In addition, the Act prohibited contributions made for a period of one year prior to an individual applying for any MGCB operator or supplier licensee.

However, on December 17, 1998, then Michigan Attorney General Frank Kelley issued Attorney General Opinion No. 7002, which concluded that certain sections of the original political contributions restrictions were unconstitutional.

Specifically, the order opined that the restrictions placed upon political contributions made by spouses and close family members, as well as the restrictions on contributions made one-year prior to applying for a license as applied to supplier licensees were unconstitutional (the opinion, however, concluded the one-year retroactive restrictions as applied to casino operator licensees was constitutional). In addition to the 1998 Opinion, two additional Attorney General Opinions (#7086 August 10, 2001 and #7099 January 9, 2002) have been issued which further clarify the application of Section 7b.

Current Restrictions

The current law prohibits casino and supplier licensees from making political contributions to any state or local political candidates or any “holder of any state, legislative, or local elective office.” MCL §432.207b(a)(ii). Importantly, the restrictions apply to those political action, candidate, or independent committees that donate to candidates for state or local offices.

Therefore, as a general rule, if a donation has the possibility of funding a state or local candidate, even if it is through a political action or similar committee, then the Act prohibits the contribution. These restrictions, however, do not apply to candidates for federal elective office. Notably, the restrictions also do not apply to ballot question committees.

The parties covered by Section 7b of the Act are those entities or individuals holding a casino or supplier license issued by the MGCB. This includes individuals holding a 1% or greater ownership interest in a licensee, officers or managerial employees of a licensee, and officers or managerial employees of entities that hold a 1% or greater interest in a casino or supplier licensee.

Political contribution restrictions apply as long as the casino or supplier is licensed by the MGCB and continue for a period of three years following the expiration or termination of the license. In addition, the restrictions apply to any contributions made one-year prior to an individual or entity that is applying for a casino operator license.

Violations of Section 7b can result in a felony punishable by imprisonment for not more than ten

years or a fine not more than \$100,000 or both and/or immediate licensing action by the MGCB, including revocation of a license (Section 18(1) (f)). The MGCB has and continues to strictly enforce these provisions, so it is important for those covered by Section 7b to closely monitor any political contributions to ensure that they are in compliance with section 7b of the Act.

Casino Interest Registration Act

In connection with the Act, the Michigan legislature passed the Casino Interest Registration Act (“CIRA”) in order to assist the state Attorney General, MGCB, and other interested parties in monitoring compliance with the Act’s political contribution restrictions. In accordance with CIRA, all entities or individuals who hold a 1% or greater interest in a casino operator licensee and have not been otherwise exempted from compliance with CIRA must complete a short, one-page registration form and submit the same to the Michigan Bureau of Elections.

The Michigan Bureau of Elections maintains a list of all registrants under CIRA and publishes this list bi-annually. The list contains the names of those entities or individuals who have registered and is used, in part, to cross-check political donor lists for prohibited contributions.

Registration with the bureau must occur within five days of the MGCB granting the entity or individual’s license application, including those applications for a transfer of interest in a casino licensee that results in the entity or individual acquiring more than 1% ownership interest in the casino licensee. Those who fail to register face civil fines and/or misdemeanor criminal penalties.

Those interested in furthering their understanding of the MGCB’s political campaign restrictions, including CIRA’s registration requirements, can refer to the agency’s summary of the applicable laws and regulations located at the following link: http://www.michigan.gov/mgcb/0,1607,7-120-57144_57145-245363--,00.html.

MICHIGAN LOTTERY GIVES POKER PLAYERS CHANCE TO WIN ONLINE GAME CARDS IN OCTOBER

On October 11, 2016, the Michigan Lottery began

a promotional offer to Poker Lotto players that includes a chance to instantly win a \$6 Michigan Lottery Online Game Card.

The \$6 Online Game cards will be printed at random on Poker Lotto tickets purchased at lottery retailers and will include a unique code that players enter into their MichiganLottery.com account.

Online Game Cards can be purchased in store and played online without the need to enter banking or credit card information via the online interface. Online Game Cards were first offered in December 2014 and according to the Michigan Lottery, about 25 percent of online players have used an Online Game Card at least once to fund their account.

For more information or to play online, click [here](#).

MGM GRAND DETROIT TO INTRODUCE PLAYER LOYALTY AND TRANSACTION SMART PHONE APPLICATION

On September 26, 2016, International Game Technology PLC (“IGT”) announced that MGM Resorts is slated to install IGT’s Carless Connect technology, which will provide players with new loyalty card and transaction capabilities through mobile devices. The initial deployment is scheduled for MGM Grand Detroit during the end of 2016. The technology will allow players to use their smart phones in lieu of the physical casino loyalty card.

Instead of inserting a player loyalty card into a card reader, players simply tap their smart phones on the electronic game machine to begin play. The technology also enables cashless gaming and transfers between a player’s digital wallet and gaming machines.

“IGT Cardless Connect technology provides a breakthrough in our ability to connect with our guests. By enabling our carded players to use a smart phone to connect to a game, we’re enhancing entertainment and convenience while ensuring that

players don't have to carry or use a loyalty card to benefit from all that M life has to offer," said Lili Tomovich, MGM Resorts Chief Experience Officer. "We look forward to the test rollout of Cardless Connect technology at MGM Grand Detroit this year."

The Michigan Gaming Newsletter would like to thank Matt Thornburg for his contributions to this Newsletter.