

**STATE OF MICHIGAN
THE MICHIGAN GAMING CONTROL BOARD**

Resolution No. 2017-02

A Board Resolution Regarding Vendor Exemptions and Waivers from Supplier-Licensing Requirements Pursuant to Rule 432.1322(4) and Rule 432.1223 and Delegation of Authority to the Executive Director to Grant Vendor Exemptions and Waivers:

The Michigan Gaming Control Board (Board) is empowered by the Michigan Gaming Control and Revenue Act, MCL 432.201 et seq., (Act) to promulgate rules as may be necessary to implement, administer, and enforce the Act. The Board has adopted and promulgated administrative rules (Rules) regarding licensing persons providing goods and services to casinos licensed under the Act and Rules.

Rule 432.1322(1) prohibits a person from supplying goods or services to a casino licensee on a regular and continuing basis unless that person holds a supplier license. Rule 432.1322(3) provides that a person shall be deemed to be providing goods or services to a casino licensee on a “regular and continuing basis” whenever the total dollar amount of the nongaming-related business transactions with one licensee will be equal to or greater than \$200,000 or equal to or greater than \$400,000 with two or more licensees, in a twelve-month period.

Rule 432.1322(4) provides that the Board may exempt any person or field of commerce from the supplier-licensing requirements of its administrative rules if the Board determines that specific criteria are met. Prospective providers of goods and services have asked for or inquired about exemption from the supplier-licensing requirements under Rule 432.1322(4), and it is necessary to articulate certain circumstances under which a provision of Rule 432.1322(4) generally applies to a person requesting exemption from the supplier-licensing requirements.

MCL 432.204(8) provides for the Executive Director to perform any and all duties that the Board shall assign to him or her. Rule 432.1214 delegates to the Executive Director all power and authority to act in the name of the Board with respect to all reasonable, necessary, and appropriate actions to administer and carry out the administrative and executive functions of the Board. Additionally, Rule 432.1214(j) provides that the Executive Director has the power to “[g]rant requests and waivers, answer inquiries, issue interpretations, and otherwise take any action that is reasonably requested by applicants, licensees, and holders of certificates of suitability in furtherance of, and consistent with, the efficient administration and enforcement of the provisions of the act and these rules, as determined to be necessary or appropriate by the executive director.”

It is necessary and appropriate for purposes of administrative efficiency for the Board to expressly delegate its power and authority to the Executive Director to waive the supplier-licensing requirements in certain circumstances described herein and to exempt persons providing goods or services to a casino licensee from the supplier-licensing requirements where the persons meet the criteria for exemption set forth in Rule 432.1322(4) and this resolution.

IT IS RESOLVED that the provisions of Rule 432.1322(4) generally apply to people described below and that the Executive Director may grant exemptions from the supplier-licensing requirements to nongaming-related suppliers described in each of the following sections.

I. Rule 432.1322(4)(a): The person or field is an agency of state, local, or federal government.

The Board automatically exempts governmental agencies and the United States Postal Service to the extent that the entity provides services related to its governmental function to a casino licensee.

II. Rule 432.1322(4)(b): The person or field is regulated by another regulatory agency in Michigan.

1. The Board automatically exempts:
 - a. Public utilities regulated by the Michigan Public Service Commission to the extent that they provide regulated utility-related services to a casino licensee; and
 - b. Michigan public institutions of higher education to the extent that they provide education-related services to a casino licensee.
2. The Executive Director may grant an exemption on this basis if the applicant is:
 - a. A medical corporation, partnership, sole proprietorship, or other business entity authorized to transact business in Michigan, to the extent that the applicant provides medical-related services to a casino licensee.
 - b. An insurance company licensed or authorized to transact business in Michigan by the Michigan Department of Insurance and Financial Services (or its successor agency) to the extent that it provides insurance-related services to a casino licensee.

III. Rule 432.1322(4)(c): The person or field will provide goods or services of insubstantial or insignificant amounts or quantities.

1. The Board automatically exempts a person providing no more than \$50,000 worth of nongaming-related goods or services to each casino licensee in any rolling twelve-month period.
2. The Executive Director may grant an exemption on this basis if, in any rolling twelve-month period:

- a. The applicant is providing more than \$50,000 worth of nongaming-related goods or services to any casino licensee; and
- b. The applicant provides less than \$400,000 worth of nongaming-related goods and services to each casino licensee.

The applicant must certify in its application that, in the reasonable exercise of commercial business judgment, the applicant believes it will not exceed the \$400,000 threshold described in this section.

If circumstances change and it appears that the person will provide a casino licensee with nongaming-related goods or services in excess of \$400,000 in the rolling twelve-month period, the person must apply for an exemption in a different category or a supplier's license. A person must have a temporary supplier's license, a supplier's license, or an exemption in a different category before exceeding the \$400,000 threshold.

3. The Executive Director may also grant an exemption on this basis to a person providing goods or services to a casino licensee as part of the distribution of complimentary goods or services to casino patrons by that person, a person associated with the casino, or the casino itself. For purposes of this resolution, "complimentary goods or services" are considered to be amenities provided to casino patrons to reward their patronage or to provide goodwill, and the process for the distribution of these amenities will be known as the casino's "Comp Program." An exemption granted on this basis is subject to the following conditions:
 - a. The person must not accept comp cards or coupons, or their equivalent, as payment for alcohol or convert comp cards or coupons, or their equivalent, to cash or its equivalent;
 - b. the person must not charge a casino licensee for any portion of a comp card or coupon, or their equivalent, that is unused by the casino patron to whom it was distributed;
 - c. the person must permit Board inspection of its accounting records and business premises;
 - d. the person must properly account for all transactions in which it provides goods or services for a casino licensee's Comp Program and must retain itemized records documenting each good or service provided to casino patrons in exchange for comp cards or coupons, or their equivalent;
 - e. the person must not exceed the \$400,000 threshold described in paragraph (III)(2) above.

An exemption on this basis is available only to providers that make their services available to all licensed casinos on a non-exclusive basis under similar or reasonably comparable terms and conditions. A person must have a temporary supplier's license, a supplier's license, or an exemption in a different category before exceeding the thresholds described in paragraph (III)(2).

IV. Rule 432.1322(4)(d): Licensing of the person or field is not deemed necessary to protect the public interest or accomplish the policies and purposes of the Act.

- A. The Executive Director may grant an exemption on this basis if the applicant is:
1. A publicly traded domestic corporation under the regulation of the United States Securities and Exchange Commission, or a wholly owned subsidiary of such a corporation, whose annual overall gross revenues from doing business with casino licensees constitute less than 5% of the publicly traded corporation's annual gross revenues.

The Executive Director may also grant an exemption on this basis to a publicly traded foreign corporation, or its wholly owned subsidiary, if the Executive Director determines that the applicant is bound by regulations substantially similar to those imposed by the Securities and Exchange Commission and that the applicant's annual overall gross revenues from doing business with casino licensees constitute less than 5% of its annual gross revenues.

2. A person who is engaging in a one-time transaction with a single casino and is not supplying goods or services on a regular and continuing basis, regardless of the amount of the transaction. An exemption in this category will be effective for only the transaction for which it is requested.
3. A professional entertainer, sports figure, or other celebrity engaged by a licensed casino to appear at a casino-sponsored special entertainment or promotional event, or an agent or subcontractor of a professional entertainer, sports figure, or celebrity who does not otherwise provide services to casino licensees on a regular and continuing basis. This exemption is not available to promoters or agents who provide their services to a casino licensee on a regular and continuing basis.
4. A person who provides facilities, promotion, or advertising to a casino licensee and is one of the following:
 - a. a media outlet (defined as a newspaper, a magazine, an outdoor advertising business, a radio or television outlet, or any internet-based form of those entities) that derives less than 5% of the person's annual overall gross revenues from advertising by casino licensees.
 - b. a provider of a facility or a host or sponsor of an event that presents advertising on behalf of or promotes a casino licensee, including but not

limited to theatres, ballrooms, halls, arenas, parks, stadiums, golf courses, and other entertainment, recreational, and sports facilities located in the State of Michigan.

- c. a provider of a facility that provides entertainment, recreational, or hospitality services to a casino licensee and is a theatre, ballroom, hall, arena, park, stadium, golf course, or special-event venue located in the State of Michigan.
5. A Michigan or federally chartered depository financial institution to the extent that it provides financial-related services to a casino licensee. This provision does not extend to providing services related to a debt transaction.
 6. A person or entity that provides professional legal services to a casino licensee.
 7. A Construction Subcontractor, who provides:
 - a. more than \$50,000 but less than \$500,000 worth of Construction services to fulfill a Construction Contract for a casino licensee in any rolling twelve-month period. An exemption granted for this monetary range will be known as a “Subcontractor 1” exemption.
 - b. between \$500,000 and \$2 million worth of Construction services to fulfill a Construction Contract for a casino licensee in any rolling twelve-month period. An exemption granted for this monetary range will be known as a “Subcontractor 2” exemption.

The applicant must certify in its application that, in the reasonable exercise of commercial business judgment, the applicant believes it will not exceed the applicable threshold described in this section.

The following definitions apply in this resolution:

“Building” means a roofed and walled structure providing a facility or shelter for use or occupancy.

“Construction” means the formation, renovation, conversion, or demolition of one or more buildings, parking garages, or surface parking lots, to the extent that the project completion cost exceeds \$2 million.

“Construction Contract” means a written agreement for Construction.

“General Contractor” means a casino licensee fulfilling this role for its own Construction project or a supplier licensee who enters into a contract with a casino licensee for the completion of a Construction project and is primarily responsible for purchasing materials, hiring and paying subcontractors, and coordinating and overseeing the work.

“Construction Subcontractor” means a person who enters into a contract to provide Construction Materials or perform services involved in a Construction Contract.

“Construction Materials” means products used in Construction, such as lumber, drywall, concrete, flooring, insulation, plumbing materials, and roofing materials. Construction Materials do not include furnishings such as chairs and tables.

B. The Board automatically grants an exemption on this basis to:

1. A person who provides Construction Materials to a General Contractor or Construction Subcontractor for use in satisfying a Construction Contract. If, in addition to providing Construction Materials, the person performs Construction services involved in a Construction Contract, the person is not entitled to this automatic exemption.
2. A person who provides goods or services to a casino licensee as a result of the licensee's employee(s) engaging in business travel, including transportation, lodging, food, and fuel providers.
3. A person who provides employee training or professional development to casino licensees.
4. A person who provides conferences, seminars, publications, or memberships that will directly contribute to the work performance or professional development of the casino licensee's employees.
5. A person who provides freight-forwarding services to a casino licensee if the person transports property for compensation in the ordinary course of its business.

IT IS FURTHER RESOLVED:

1. A person is ineligible for an exemption from the supplier-licensing requirements if that person owes fees to the Board or Board-related fees to the Michigan Department of Treasury.
2. Persons who request or obtain an exemption from the supplier-licensing requirements under this resolution must submit any application that the Board requires and provide whatever additional information may be requested by the Board or the Executive Director to assure compliance with the purposes of the Act and Rules.
3. All persons receiving exemptions from the supplier-licensing requirements under this resolution, except those who are automatically exempt, will be issued a vendor number. A casino licensee cannot obtain goods or services from anyone who is subject to the supplier-licensing requirements unless (1) the person is automatically exempt, (2) the person has an exemption, or (3) the person has a temporary supplier's license or supplier's license. It is the duty of the licensed casinos to verify that they are obtaining goods or services only from persons who have complied with the Act, Rules, and this resolution.

4. A casino licensee that obtains goods or services from a person exempt under Category III (insubstantial or insignificant amounts or quantities) may not obtain goods or services costing more than the dollar limit applicable to the exemption until the person has applied for an exemption in a different category or a supplier's license.
5. An exemption that is based on the type of good or service provided permits the exempt person to provide only the goods or services encompassed by that exemption.
6. The Executive Director may grant an exemption from the supplier-licensing requirements on a basis other than that relied upon in a person's exemption application if the Executive Director determines that another basis for granting exemption applies and is more specifically tailored to the type of goods or services the person intends to provide to casino licensees, based on the circumstances described in the person's application and other information that the Executive Director receives from the applicant.
7. Each casino licensee must submit a report each month providing historical transaction information for each exempt person with which the casino conducts business. Each report must provide this information as prescribed by the Executive Director and must specifically identify (a) the persons automatically exempt under Category III that have provided the casino licensee with more than \$45,000 worth of goods or services in a rolling twelve-month period and (b) the persons exempted by the Board or Executive Director under Category III that have provided the casino licensee with more than \$350,000 worth of goods or services in a rolling twelve-month period. A casino licensee must submit its monthly report before the 15th day of the following month.
8. All persons who currently have an exemption from the supplier-licensing requirements will automatically be granted an exemption from the supplier-licensing requirements under this resolution.
9. Each applicant for an exemption from the supplier-licensing requirements must include a \$200 application fee with its application to cover the cost of the background check authorized by MCL 432.204a(1)(s).
10. An exemption granted under this resolution will be effective for one year from the date of issuance, or until a final decision is made on a renewal application filed at least 30 days before the date that the existing exemption will expire. Each applicant for renewal of an exemption from the supplier-licensing requirements must include a \$100 application fee with the renewal application to cover the cost of an updated background investigation.
11. An exemption granted under this resolution will only be in effect so long as all of the requirements for its issuance continue to be met. An exemption from the

supplier-licensing requirements is not a license and is merely a conditional waiver of the supplier-licensing requirements of the Rules. In the event that the necessary conditions for exemption from the supplier-licensing requirements are no longer being met, the Executive Director may summarily suspend the exemption and inactivate that person's vendor number. The Executive Director may also summarily suspend the exemption if it appears that the public health, safety, or welfare requires emergency action. Actions or omissions that will require emergency action include, but are not limited to, the following:

- a. termination of the person's contractual or business relationship with the casino licensee(s) or the person's subcontractor relationship;
- b. making material misrepresentations to the Board;
- c. failing to timely disclose information upon request of the Board or Executive Director;
- d. failing to comply with Board resolutions or applicable provisions of the Act or Rules;
- e. discovery of evidence that demonstrates that licensing of the person is necessary to protect the public interest or accomplish the policies and purposes of the Act.

If the circumstances that caused the summary suspension are corrected or ameliorated to the satisfaction of the Executive Director, he or she may reinstate the exemption from the supplier-licensing requirements.

12. A person who has had an exemption summarily suspended may request a hearing. The hearing will be scheduled to commence promptly after the date that the Board receives the request for hearing. To the extent not addressed herein, a hearing on the summary suspension of an exemption will proceed as provided for in Part 11 of the Rules. The hearing will be presided over by the Executive Director or a hearing officer designated by the Executive Director or assigned by the Michigan Office of Administrative Hearings and Rules (or its successor agency). A written recommendation based upon the record from the hearing will be filed promptly after the conclusion of the hearing, and a copy will be served on Board Staff and the petitioner at least two weeks before the recommendation is considered by the Board at a public meeting. Board Staff and the petitioner may submit objections to the recommendation. At any point after a hearing is requested, the Executive Director may grant stays or other interim relief as may be appropriate under the circumstances. Denial of the requested stay or other interim relief may be appealed and will be heard at the next scheduled Board meeting.
13. The limitation in Rule 432.1325(2) that temporary supplier licenses are not valid for more than 90 days is waived until further notice from the Board for both gaming and non-gaming suppliers.
14. The Executive Director is delegated and authorized to exercise all power and authority of the Board to decide requests for exemption from the supplier-

licensing requirements of the Rules as provided for in this resolution, the Act, and Rules 432.1223 and 432.1322(4), upon the Executive Director's determination that the requirements and criteria for such exemption, as set forth in the Rules and this resolution, are established.

15. A person or entity requesting an exemption must complete an application (unless an automatic exemption applies) and provide any information requested by the Board. The Executive Director must report all requests for exemptions to the Board at the first regularly scheduled public meeting that follows receipt of the request.
16. A person or entity requesting an exemption from the supplier-licensing requirements must certify that the person making the request has read this resolution and accepts and acknowledges that all exemptions granted under this resolution are conditioned upon that person's acceptance of, and consent to, the conditions, requirements, and procedures described in this resolution.
17. The Executive Director must issue a written notice to grant or deny a request for an exemption from the supplier-licensing requirements and must provide a copy of the notice to the person requesting the exemption.
18. The Board may reverse the decision of the Executive Director to grant or deny an exemption on its own motion.
19. A person whose request for an exemption from the supplier-licensing requirements is denied by the Executive Director may petition the Board for review as provided for in Part 7 of the Rules.
20. In all hearings provided for in this resolution, the petitioner shall carry the burden to show by clear and convincing evidence that the petitioner has met the requirements for an exemption.
21. Board Staff will be prepared to accept applications for exemptions from the supplier-licensing requirements under this resolution on June 1, 2017.
22. Exemptions granted under this resolution do not affect the requirement of Rule 432.1331 that all individuals doing work for an exempt person who performs work in a restricted area of a casino or in the gaming area of a casino shall hold an occupational license of the level required for the individual's position.
23. Board Resolution Nos. 1998-07, 1998-09, 2003-07, 2005-03, 2006-01, 2008-04, 2009-01 and 2012-01, 2015-01, and Executive Director Order No. 1998-01 are collectively rescinded and superseded by this resolution.