

STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD

PUBLIC MEETING
Cadillac Place
3062 W. Grand Blvd., Suite L-700
Detroit, Michigan

Tuesday, December 7, 2010
9:30 a.m.

MINUTES

On Tuesday, December 7, 2010, the Michigan Gaming Control Board held a public meeting at the Board office in the Cadillac Place, 3062 W. Grand Boulevard, Suite L-700, Detroit, Michigan.

Present: In attendance were the following Board members:

Ms. Barbara Rom, Chairperson
Judge Benjamin Friedman
Mr. Michael Watza
Judge Kenneth Sanborn
Mr. Jim Plakas

Also attending were:

Richard Kalm
D/Lt. Vicki Johnson
Don McGehee
Diane Brown

Business:

Ms. Rom called the staff briefing of the public meeting to order at 9:39 a.m. There was no preliminary business to discuss.

Ms. Rom stated the first order of business was to approve the minutes from the November 9, 2010, regular public meeting. Ms. Rom noted that all Board members had previously received the minutes and asked if there were any questions or concerns.

It was then moved by Mr. Watza and seconded by Judge Friedman that the minutes of the November 9, 2010, meeting be approved. A voice vote was taken.

Motion carried.

Mr. Kalm reported that since the last Board meeting, Terra Glefke had been promoted to departmental analyst in the Records department, Robin Simpson retired from her position as a regulation officer in the Enforcement Division, and Scott McLeay, Steve Ferrari and Kelly Doran had been hired as regulation officers in the Enforcement Division, leaving 14 authorized positions to fill.

In regard to the Board's budget, Mr. Kalm reported that as of November 30, 2010, total expenditures were \$2,173,5547, which left an unexpended balance of \$23,528,546 in appropriated funding for fiscal year 2011, this included the Horse Racing Budget which was transferred to Gaming and funds for anticipated expenditures to the Attorney General's Office and the Michigan State Police.

Mr. Kalm next reported that the casinos continue to operate 24/7 and for the month of November 2010, the aggregate revenue and taxes for all three Detroit casinos were up 4.8 percent compared to the same month last year. Revenues were down by 2 percent compared to the previous month, October 2010. Revenues for MGM Grand Detroit (MGM) and MotorCity were up by 11 percent to \$47.7 million and 6 percent to \$37.1 million respectively compared to the same month last year. Revenue for Greektown was down by 6.7 percent to 26.5 million. The market shares for MGM Grand Detroit, MotorCity and Greektown for the month of November 2010 were 43 percent, 33 percent and 24 percent, respectively.

For the month ending November 30, 2010, gaming taxes for the three Detroit casinos were \$9.0 million compared to \$9.7 million for the same period last year. It was also noted this was mainly due to the tax rollback credit applied for Greektown Casino.

Mr. Kalm further reported for the three months ending November 30, 2010, the aggregate revenue and taxes for all three Detroit casinos were up by 4.5 percent compared to the same three month period last year. Revenue for MGM Grand Detroit, MotorCity and Greektown Casinos for the three months ending November 30, 2010 was \$141 million, \$109 million and \$84 million, respectively. Revenues for the three months ending November 30, 2010, for MGM and MotorCity were up by 8.7 percent and 4.6 percent, respectively, whereas Greektown was down by 2.0 percent compared to the same three month period last year.

Mr. Kalm further went on to state that the gaming taxes for the three months ending November 30, 2010 for the three Detroit casinos were \$26.24 million compared to \$29.4 million for the same period last year.

In regard to supplier licensing and vendor registration, Mr. Kalm advised the Board that as of November 30, 2010, 1,196 active vendor exemptions were registered and 289 casino supplier companies had been granted exemptions from supplier licensing requirements. As of November 30, 2010, there were a total of 15 active temporary non-gaming licenses and nine active temporary gaming licenses in effect. In addition, there were 118 full annual supplier licenses granted to date remaining in effect.

In regard to employee licensing, Mr. Kalm advised the Board that as of November 30, 2010, the Board's Employee Licensing Section had issued a total of 2,274 occupational

licenses to MGM Grand Detroit Casino employees; 1,721 occupational licenses to MotorCity Casino employees; and 1,684 occupational licenses to Greektown Casino employees. In addition, for the month of November 2010, 1,166 employees of various licensed casino suppliers had been granted occupational licenses. The number of temporary occupational licenses for casino suppliers was 67. To date, the Board has authorized the issuance of 17,672 occupational licenses to casino and supplier license employees; renewed 20,181 occupational licenses; and denied 393 occupational license applications.

Mr. Kalm advised the Board that for the month of November 2010, the required background investigations for 104 pending Level 1 and 2 licenses had been completed and would be considered for approval by the Board at today's meeting and pursuant to Board Resolution No. 2002-02, he had previously approved 150 renewal requests on behalf of the Board.

Mr. Kalm also reported that the Michigan Gaming Control Board has done a makeover of their website to make it more user friendly. The new website has downloadable forms for vendors and suppliers to allow them to submit on line. The color of the website was also changed and Horse Racing had been added to the website.

Next, Mr. Kalm reported on the MSP Board related activity. Since the November 9, 2010 report, there were no staffing changes to report. During the month of November 2010, the MSP Gaming Section investigated 70 criminal complaints and made 21 arrests. Mr. Kalm also noted some of the complaints investigated and 12 of the arrests were made of disassociated persons.

Next, the Board considered for approval the recommendations of the Executive Director and the Licensing Division's staff regarding the 104 Level 1 and 2 occupational license applications.

It was moved by Judge Sanborn and seconded by Mr. Watza that the Board enter an order accepting and adopting the recommendations of the Executive Director and the Licensing Division's staff for the pending 104 Level 1 and 2 occupational license applications. A voice vote was taken.

Motion carried.

Next the Board considered the Executive Director's Reports and Licensing Division's staff recommendations regarding the pending transfer of interest for Voice Data Systems, LLC.

It was moved by Mr. Plakas and seconded by Judge Friedman that the Board enter an order approving the transfer of interest in Voice Data Systems, LLC, d/b/a VDS.

Motion carried.

Next, the Board considered the Executive Director's Reports and Licensing Division's staff recommendations regarding the pending supplier license renewal applications of Data Financial, Inc., Enterprise Caps and Gowns, Inc., Hopbet, Inc., John E. Green Company, Renaissance Man Food Services, LLC, The End Zone Chicken & Ribs, LLC, Unique Linen Services, Inc. and Vision Janitorial & Facility Supply Company, Inc.

Judge Friedman inquired as to why the casinos would be doing business with Renaissance Man Food Services which is located in Atlanta as opposed to doing business with local companies. Mr. Cleland stated the objective of the licensing division is not to tell the casinos who they can do business with, but to investigate the suppliers for eligibility, qualifications and suitability of the applicants. Mr. Thibodeau informed the Board that Renaissance Man uses a local company to supply a portion of the goods sold to the casinos.

There being no further questions from Board members, it was moved by Judge Friedman and seconded by Mr. Watza that the Board enter orders finding and concluding that Data Financial, Inc., Enterprise Caps and Gowns, Inc., Hopbet, Inc., John E. Green Company, Renaissance Man Food Services, LLC, The End Zone Chicken & Ribs, LLC, Unique Linen Services, Inc. and Vision Janitorial & Facility Supply Company, Inc. and their qualifiers are eligible and suitable for licensure under the licensing standards and requirements of the Act and Rules of the Board. And accordingly, grant these requests for a one-year period beginning December 7, 2010. A voice vote was taken.

Motion carried.

Ms. Rom stated the next item on the agenda was the suitability of Ainsworth Game Technology key person, Mr. Michael Bruce Yates.

There being no questions from Board members, it was moved by Mr. Watza and seconded by Judge Sanborn that the Board enter an order finding and concluding that Mr. Michael Bruce Yates is suitable for licensure under the licensing standards and requirements of the Act and Rules of the Board. And accordingly, grant this request. A voice vote was taken.

Motion carried.

Ms. Rom stated the next item on the agenda was the casino license renewal of Detroit Entertainment, LLC d/b/a MotorCity Casino.

Cheryl Scott-Dube addressed the Board on behalf of Detroit Entertainment. Ms. Dube introduced the CEO, Gregg Solomon and the CFO, Bruce Dall who would be better equipped to answer any questions the Board members would have. Mr. Watza expressed concerns regarding suitability due to the CPA report suggesting MotorCity is within six months of default. Mr. Solomon responded by saying that they do not believe they are anywhere near a position that they might default. Mr. Solomon stated "it is absolutely typical and common for public gaming companies to be in a situation where they are dealing with multiple maturity dates for various portions of their financing". Mr. Solomon stated they had started their meetings with their bank in March of 2010 with the

intent to deal with the potential methods by which they could resolve or renew financial obligations. Mr. Solomon told the Board they had submitted their renewal application in April with the expectation of being on the agenda for the August meeting. According to Mr. Solomon, it was their intent to be going out to the public or to the banks, for refinancing immediately after the Deutsche Bank high yield conference, which was the first week of October. Mr. Solomon stated for them to go to the banks without their license being renewed when the other two casinos were renewed put them in a very difficult situation stating their earliest opportunity would be to go out in January. Mr. Solomon remarked that had their license been renewed at the August meeting, they would have gone out in October when the markets were great. While appreciating the issues the Board has to deal with, Mr. Solomon stated "there is a direct result with respect to interest rates when we introduce uncertainty to the market". Mr. Dall addressed the Board to share their most recent quotes on their term B, which in late 2008 and early 2009 were in the 50 and 60 cent range and are now at 100 cents on the dollar. Mr. Dall further went on to say their unsecured bonds are trading at 98 cents. In this regard they believe the market believes they have the ability to refinance their debt today. Mr. Watzka stated he was not questioning MCC's ability to refinance, but was concerned about the timing and asked why they were asking to renew before this was cleaned up. Ms. Dube explained that if they had renewed in August as planned their debt would not have matured until the following year after the next renewal. Mr. Kalm stated to the Board that when the renewal was presented in August, the Board had asked for additional time to review the information based on the assessment of the Board staff and the reporting by MotorCity of a write-off because of a drop in value. Mr. Kalm stated it was the entity value that dropped and there was a correction made by them in their accounting. The Board requested that staff look further into it which resulted in the matter being tabled for a future meeting. Mr. Kalm pointed out the only issue is the timing of the refinancing and as far as the operation goes, there are no issues with the operation, that they have gained revenue for the previous three months and the casino is doing quite well. Mr. Solomon stated to the Board that if he thought there was any possibility they would have any difficulties, he would not have moved his entire family here showing he is very confident in their ability.

Ms. Rom asked Mr. Dall if there is any indication at this point as to how 2010 looks relative to 2009. Mr. Dall replied by saying "in general we finished 2009 at 129 million in cash flow. We expect to be north of 120 million, so it has gone down some..... based on our current plan for marketing and the overall market growth that we're seeing in Detroit, we're comfortable that we've hit bottom and that we're moving up from here." When Ms. Rom asked Mr. Dall if he projects 2011 to be a better year than 2010, Mr. Dall replied "absolutely".

Ms. Rom then proceeded to ask Mr. Weipert from Grant Thornton, if there is a possibility that we would require different financial covenants than the lenders would require. Mr. Weipert stated it would be possible we would want additional covenants and what we have historically done is to try to mirror the covenants that are in their financial documents. And, generally we would have even a little more leniency than the financing sources do. Mr. Weipert stated we try to work with the applicant to piggyback what they are negotiating in the marketplace. Ms. Rom asked MotorCity to coordinate with Mr.

Weipert and Board staff so as to understand what our covenants may require. Mr. Watza went on to say he expects MotorCity to do great in the future.

There being no other comments from the Board, Judge Sanborn made a motion and it was seconded by Judge Friedman that the Board enter an order and notice of renewal of casino license to Detroit Entertainment LLC d/b/a MotorCity Casino, renewing its annual casino license for a new one year period from December 7, 2010 through August 9, 2011. A voice vote was taken.

Motion carried.

Next item on the agenda was the Acknowledgement of Violation by Greektown Casino. Ms. Leonard from the Attorney General's office explained in July of 2010, a woman reported to the Board that her husband had received a promotional mailing from Greektown Casino when he was on the Disassociated Person's List. The mailing included promotional statements inviting him to come to the casino and included coupons for him to use in the casino. This is a violation of the Gaming Act which prohibits casinos from soliciting patronage of people who are on the DPL. Board staff investigated the matter and confirmed there was an error in purging a mailing list and Greektown had sent this mailer to the gentleman as well as 37 other Disassociated Persons. Mr. Stocker addressed the Board along with Eloka Dallah, the compliance officer for Greektown. Mr. Stocker stated there was an error by the individual who was charged with purging the list. As a result, the casino has implemented a new procedure which requires two different individuals, a supervisor and an intake person to both go through the entire list. Mr. Stocker stated Greektown acknowledges the error and agreed to the fine of \$50,000. Mr. Watza asked where that figure came from and if it was statutory. Ms. Leonard explained this figure was not statutorily prescribed and that it is developed in conjunction with reviewing fines issued in other states for similar types of violations. Mr. Watza expressed concern that the amount was "an awful lot of money". Ms. Leonard explained that the Board looks at the gravity of the offense as well and people put themselves on this list agreeing to be criminally prosecuted if they are found on casino premises. Ms. Leonard stated the Board has the authority to issue this sort of fine for each individual that the mailing went out to, which was 37. Mr. Plakas inquired as to the time frame required to settle the matter. Ms. Leonard stated the violation states they have to pay the fine within 60 days.

There being no other questions or comments, it was moved by Mr. Plakas and seconded by Judge Sanborn that the Board issue an order adopting, accepting and incorporating the acknowledgment of violation as the Board's final decision. A voice vote was taken.

Motion carried.

Next, Ms. Rom asked if there were any members of the public who wished to address the Board. There were none.

Ms. Rom announced several of the Board members would be out of town on Tuesday, February 8, 2011 when the next public meeting is to take place. Therefore, it was

decided the February meeting would be rescheduled to February 22, 2011. The Board's March meeting would also be rescheduled to March 22, 2011.

Ms. Rom then stated the Board needed to consider a motion to go into closed session immediately following public comment for the purpose of receiving legal advice and counsel from the Board's attorney regarding pending Board litigation and receiving confidential notification regarding the names of the individuals placed on the Board's Disassociated Persons List since the Board's last public meeting as required by the Act.

Therefore, it was moved by Judge Friedman and seconded by Mr. Plakas that the Board consider a motion to go into closed session immediately following this portion of today's public meeting for the purpose of discussing pending Board litigation with the Board's attorney, discussing background investigations, and receiving confidential notification of persons placed on the Board's Disassociated Persons list since the Board's public meeting on November 9, 2010. A roll call vote was taken.

Ms. Rom	Aye
Judge Friedman	Aye
Mr. Watza	Aye
Judge Sanborn	Aye
Mr. Plakas	Aye

Motion Carried.

After the closed session the public meeting was reconvened and there being no other business, Ms. Rom adjourned the meeting at 10:47 a.m.

Diane Brown, Board Secretary