

STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD

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

Monday, August 15, 2011
9:30 a.m.

MINUTES

On Monday, August 15, 2011, 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. Robert Anthony
Mr. Michael Watza

Also attending were:

Richard Kalm
Garth Burnside
Don McGehee
Diane Brown

Business:

Ms. Rom called the staff briefing of the public meeting to order at 9:30 a.m. There was no preliminary business to discuss.

Ms. Rom stated the first order of business was to approve the minutes from the June 14, 2011, 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. Anthony and seconded by Judge Friedman that the minutes of the June 14, 2011, meeting be approved. A voice vote was taken.

Motion carried.

Mr. Kalm reported since the last Board meeting, there have been three new hires; Erica Hussey was hired as a Financial Analyst in the Enterprise Licensing Section, and Justin

Cornell and Joshua Pelton were hired as Auditors in the Indian Gaming Section. Administration Manager Larry Smith and Regulation Officer Ken Kuehnel retired, and Kristen Keye a Departmental Technician in Employee Licensing resigned her position. Jeremy Parise has been promoted to a Regulation Officer in the Licensing and Investigation Section. Latonya Morgan has been reassigned to the Employee Licensing Section. There have been nine regulation officers previously assigned to work in the Enforcement Section who have been reassigned and will now be working in the Licensing Investigations and Regulatory Investigations Support Section at Cadillac Place. There are currently 98 employees working and 22 vacant positions.

In regard to the Board's budget, Mr. Kalm reported as of July 31, 2011, total expenditures were \$17,096,183.37, which left an unexpended balance of \$8,605,916.63 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 revenues for June and July 2011. For the month of June 2011, the aggregate revenue for all three Detroit casinos was up 3.2 percent compared to the same month last year. However, revenue was down by 5.6 percent compared to May 2011. Revenue for MGM Grand Detroit (MGM), MotorCity, and Greektown was up by 2.8 percent to \$47.5 million, .8 percent to \$36.8 million and 7.1 percent to \$28.9 million, respectively, compared to the same month last year. The market shares for MGM, MotorCity, and Greektown for the month of June 2011 were 42 percent, 32 percent, and 26 percent, respectively.

For the month ending June 30, 2011, gaming taxes for the three Detroit casinos were \$9.2 million compared to \$6.7 million for the same period last year. It was also noted the gaming taxes were lower in 2010 due to the rollback of a reduced tax rate for Greektown in March 2010, which created a tax credit that was utilized through September 2010.

Mr. Kalm further reported for the second quarter ending June 30, 2011, the aggregate revenue for all three Detroit casinos was up 3.8 percent compared to the same period last year. Revenue for the quarter ending June 30, 2011, for MGM, MotorCity and Greektown was up by 4.3 percent to \$151 million, 4.4 percent to \$117 million, and 2.2 percent to \$91 million, respectively, compared to the same period last year. Mr. Kalm stated gaming taxes for the second quarter ending June 2011 were \$29.1 million compared to \$20.8 million for the same period last year as a result of last year's credit on the rollback.

For the month ending July 31, 2011, aggregate revenue for all three casinos for July was up by 1.1 percent compared to the same period last year. However, revenue was down by 6.0 percent. Revenue for MGM and Motorcity was up by 1.1 percent to \$51.0 million and 6.2 percent to \$40.1 million respectively; while Greektown was down 5.2 percent to \$29.1 million compared to the same month last year. Mr. Kalm reported market shares for MGM, Motorcity, and Greektown were 43, 33, and 24 percent respectively. Gaming taxes for the month of July 2011 were \$9.7 million compared to \$7.1

Mr. Kalm further reported for the three months ending July 31, 2011, the aggregate revenue for all three Detroit casinos was up 2.3 percent compared to the same period last year. Revenue for the three months ending July 31, 2011, for MGM, MotorCity and Greektown was up by 2.9 percent, 2.7 percent, and .8 percent respectively, compared to the same period last year. Mr. Kalm stated gaming taxes for the three months ending July 2011, were \$28.61 million compared to \$20.9 million for the same period last year as a result of last year's credit on the rollback.

In regard to supplier licensing and vendor registration, Mr. Kalm advised the Board as of July 31, 2011; 1,152 active vendor exemptions were registered and 355 casino supplier companies had been granted exemptions from supplier licensing requirements. As of July 31, 2011, there were a total of 16 active temporary non-gaming licenses and 6 active temporary gaming licenses in effect. In addition, there were 113 annual supplier licenses granted to date and in effect.

In regard to employee licensing, Mr. Kalm advised the Board as of July 31, 2011, the Board's Employee Licensing Section issued a total of 2,276 occupational licenses to MGM employees, 1,834 occupational licenses to MotorCity employees, and 1,722 occupational licenses to Greektown employees. In addition, for the months of June and July 2011; 1,205 employees of various licensed casino suppliers had been granted occupational licenses.

Mr. Kalm advised the Board for the months of June and July, the required background investigations for 152 pending Level 1 and 2 licenses had been completed and would be considered for approval by the Board at this meeting and pursuant to Board Resolution No. 2002-02, he previously approved 325 renewal requests, and 78 Level 3 requests on behalf of the Board.

Mr. Kalm reported on the MSP Board related activity. Since the June 2011 meeting, there are three D/Sgt. and three D/Specialist positions vacant. Significant MSP activity included 21 arrests of disassociated persons. In addition, Mr. Kalm reported on June 23, 2011 MSP troopers conducted an investigation and surveillance of money laundering suspects in the casinos which resulted in a traffic stop and the seizure and forfeiture of \$39,500. Also, on July 6, 2011, troopers conducted an investigation and surveillance of money laundering suspects, a subsequent stop was made and a forfeiture of \$29,300 was seized. Mr. Kalm went on to report, in June and July, MSP conducted a joint criminal and regulatory investigation with the Gaming Control Board of an offsite establishment which was committing criminal regulatory violations. This was done in conjunction of the Michigan Liquor Control Commission, Michigan Charitable Gaming Division, and the State Lottery Commission. This investigation is continuing. MSP is also doing an investigation of dealer/player collusion, which was self-reported by the casino. Mr. Kalm stated he wanted to be able to give the Board a picture of the activity of MSP without a lot of detail in order assure the Board they have been very busy and robust in carrying out their duties to assist MGCB.

Ms. Rom questioned the number of counterfeit currency incidents (38) which was documented on the MSP report submitted to the Board. She wanted to know if this amount was typical or more than usual. Mr. Kalm answered by saying this might be the

peak amount for two months since there was no July meeting, but the amount includes counterfeit \$20 bills which the casino will report. Mr. Kalm also noted if they can develop a suspect, MSP would open a criminal case. He stated typically the amount of counterfeit currency reported is approximately 12 per month.

Next Mr. Kalm informed the Board Inspector Garth Burnside would be leaving Gaming and transferred to a new position in Special Operations. A certificate of appreciation was presented to Inspector Burnside.

Next, the Board considered for approval the recommendations of the Executive Director and the Licensing Division's staff regarding the 152 Level 1 and 2 occupational license applications.

It was moved by Judge Friedman and seconded by Mr. Watza the Board enter an order accepting and adopting the recommendations of the Executive Director and the Licensing Division's staff for the pending 152 Level 1 and 2 occupational license applications. A voice vote was taken.

Motion carried.

Next, the Board considered the Executive Director's Report and Licensing Division's staff recommendation regarding the pending transfers of interest for Baratta Brothers and TCS John Huxley America, Inc.

It was moved by Mr. Watza and seconded by Judge Friedman the Board enter an order approving the transfers of interest in Baratta Brothers and TCS John Huxley America, Inc. 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 supplier license renewal applications of Absolute Imaging Professionals, Inc., Aristocrat Technologies, Inc., Cumins Allison Corp., Edward Don & Company, Gaming Partners International USA, Inc., Guideline Mechanical, Inc., Perfect Cleaners of Detroit, Inc., Premier Services Group LLC, Service Central, Inc., Shuffle Master, Inc., Socios Holdings, Inc., TCS John Huxley America, Inc., The Right Productions, Inc., W.H. Canon, Inc., and Wiltec Technologies.

There being no questions from Board members, it was moved by Mr. Anthony and seconded by Mr. Watza the Board enter orders finding and concluding Absolute Imaging Professionals, Inc., Aristocrat Technologies, Inc., Cumins Allison Corp., Edward Don & Company, Gaming Partners International USA, Inc., Guideline Mechanical, Inc., Perfect Cleaners of Detroit, Inc., Premier Services Group LLC, Service Central, Inc., Shuffle Master, Inc., Socios Holdings, Inc., TCS John Huxley America, Inc., The Right Productions, Inc., W.H. Canon, Inc., and Wiltec Technologies, 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 August 15, 2011. A voice vote was taken.

Motion carried.

Ms. Rom stated the next item on the agenda was the pending casino license renewal of MGM Grand Detroit, Inc.

Mr. Jeff Stuckey from Dickinson Wright appeared on behalf of MGM. There being no questions from Board members, it was moved by Judge Friedman and seconded by Mr. Anthony, the Board enter an order and notice of annual renewal for casino license MGM Grand Detroit, LLC. A voice vote was taken.

Motion carried.

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

Mr. Gregg Solomon, COO, appeared on behalf of Motorcity. Mr. Anthony requested Mr. Solomon send the conclusion of their audit report showing everything was resolved and that there was no impact on reported revenues or tax revenues. There being no other questions from Board members, it was moved by Mr. Watza and seconded by Mr. Anthony, the Board enter an order and notice of annual renewal for casino license Detroit Entertainment, LLC. A voice vote was taken.

Motion carried.

Ms. Rom stated the next item on the agenda was the pending casino license renewal of Greektown Casino.

Mr. Robert Stocker from Dickinson Wright appeared on behalf of Greektown Casino. Mr. Anthony made the same request for Greektown's audit reports. There being no other questions from Board members, it was moved by Mr. Anthony and seconded by Judge Friedman, the Board enter an order and notice of annual renewal for casino license Greektown Casino, LLC. A voice vote was taken.

Motion carried.

Ms. Rom stated the next item on the agenda was the suitability of MGM key person, Mr. Steven Joseph Zanella.

There being no questions from Board members regarding Mr. Zanella's suitability, it was moved by Judge Friedman and seconded by Mr. Watza the Board enter an order finding and concluding Mr. Steven Joseph Zanella is suitable for licensure under the licensing standards and requirements of the Act and Rules of the Board. And accordingly, grant the request.

A voice vote was taken.

Motion carried.

Ms. Rom stated the next item on the agenda was the suitability of Greektown Casino key person, Mr. Michael Anthony Puggi.

There being no questions from Board members regarding Mr. Puggi's suitability, it was moved by Mr. Watza and seconded by Mr. Anthony, the Board enter an order finding and concluding Mr. Michael Anthony Puggi is suitable for licensure under the licensing standards and requirements of the Act and Rules of the Board. And accordingly, grant the request.

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. Mr. Fred Pieper the Paulding County, Ohio, Commissioner addressed the board asking for projected figures for budgeting purposes. Mr. Pieper stated on June 14, 2011, he sent a request under FOIA for information on the three Detroit casinos. MGCB responded on June 30, 2011 denying his request. Mr. Pieper then appealed the denial which was received by MGCB on August 11, 2011. Mr. Kalm explained when MGCB receives FOIA requests they are referred to the Attorney General's office for advice on which information can be released. Mr. Kalm informed Mr. Pieper the information he was requesting is available on the MGCB website or from the American Gaming Association. Mr. Kalm told Mr. Pieper that as a State Agency, the MGCB would give him the information it is able to provide but would have to limit the size and scope of the information requested. Mr. Kalm told Mr. Pieper he would speak to him personally after the public meeting and informed him his appeal is being considered. Mr. Kalm also stated some of the information Mr. Pieper was requesting might be proprietary. Ms. Rom asked Mr. Pieper about the tax rate for the Ohio casinos and he stated the Ohio casinos would be taxed at 33 percent of gross revenue and of that 33 percent, 5 percent goes to the host city and the county gets 51percent of the 33 percent.

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. Ms. Rom also stated that the Board's next regular public meeting was scheduled for October 11, 2011 at 9:30 a.m.

Therefore, it was moved by Mr. Anthony and seconded by Mr. Watza the Board consider a motion to go into closed session immediately following the first portion of the 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 August 15, 2011. A roll call vote was taken.

Ms. Rom	Aye
Judge Friedman	Aye

Mr. Anthony
Mr. Watza

Aye
Aye

Motion Carried.

After the closed session the public meeting was reconvened and there being no other business, Ms. Rom adjourned the meeting at 10:58 a.m.

Diane Brown, Board Secretary