

STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD

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

Tuesday, January 22, 2013
9:30 a.m.

MINUTES

On Tuesday, January 22, 2013, 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:

Mr. Robert Anthony, Chairperson
Mr. Patrick McQueen
Mr. Michael Watza
Mr. Andrew Palms
Mr. Dennis Beagen

Also attending were:

Richard Kalm, Executive Director
Mary Kapp, MSP Lieutenant
Donald McGehee, Assistant Attorney General
Diane Brown, Board Secretary

Business:

Mr. Anthony called the public meeting to order at 9:30 a.m. Mr. Anthony announced there is a new member appointed to the Board, Mr. Dennis Beagen, and Mr. Michael Watza has been reappointed for another four-year term. There was no other preliminary business for discussion.

Mr. Anthony stated the first order of business was to approve the minutes from the Board's last regular public meeting held December 12, 2012. Mr. Anthony noted all Board members had previously received copies of the minutes and asked if there were any questions or concerns or corrections.

There being no questions, concerns, or corrections, Mr. McQueen made a motion which was seconded by Mr. Watza that the Board accept and approve the minutes of the December 12, 2012. A voice vote was taken.

Motion carried.

Mr. Kalm reported since the last Board meeting Michael Angus and Joseph Charogoff have left their positions with the Board. Terra Birsen was hired as a Departmental Technician and Steven O'Brien was hired as a Financial Analyst in the Enterprise Licensing Section of the Licensing & Regulation Division. There are currently 122 employees working and 17 vacant positions. Mr. Kalm stated the full Board roster included the millionaire party enforcement and regulation group.

In regard to the Board's budget, Mr. Kalm reported as of December 31, 2012, total expenditures were \$4,916,320, which left an unexpended balance of \$27,666,580 in appropriated funding for fiscal year 2013; this includes the Millionaire Party and Horse Racing Budgets, which were transferred to Gaming, and funds for anticipated expenditures to the Attorney General's Office and the Michigan State Police.

Mr. Kalm next reported aggregate revenue for the month ended December 31, 2012, was down 4.4% compared to December 2011. Revenue was up 4.8% compared to November 2012. The total revenue for MGM, MotorCity, and Greektown was down 3.1% to \$50.7 million, .5% to \$40.2 million, and 11.9% to \$27.3 million, respectively, when compared to December 2011.

The market shares for MGM, MotorCity, and Greektown for December 2012 were 43%, 34%, and 23%, respectively.

For the month ending December 31, 2012, gaming taxes for the three Detroit casinos were \$9.6 million compared to \$10 million for the same period in 2011.

Aggregate revenue for all three Detroit casinos for the quarter ending December 31, 2012, was down 3.5% compared to the same period last year. Gaming revenue for MGM, MotorCity, and Greektown for the quarter ended December 2012 was \$145.9 million, \$114.7 million, and \$81.4 million, respectively.

Revenue for the quarter ending December 2012 for MGM, MotorCity, and Greektown was down 2.5%, .9%, and 8.4%, respectively, compared to the same period last year.

For the quarter ending December 2012 gaming taxes for the three Detroit casinos were \$27.7 million compared to \$28.7 million for the same period last year.

Casino operations for the year 2012 were as follows: aggregate revenue for the three Detroit casinos was down .5% to \$1.4 billion compared to the year 2011. Total revenue from slots was \$1.2 billion, 84.4%, and from table games \$222 million, 15.6%. Revenue for MGM was up .9% to \$604.9 million; whereas MotorCity and Greektown were down 2.6% to \$459.8 million and .2% to \$352.1 million, respectively, when compared to 2011. For the year ended December 31, 2012, gaming taxes for the three Detroit casinos, which were taxes paid to the state, were \$114.8 million compared to \$115.4 million for the year 2011. The market shares for MGM, MotorCity, and Greektown for the year 2012 were 43%, 32%, and 25%, respectively.

In regard to supplier licensing and vendor registration, Mr. Kalm advised the Board as of December 31, 2012, 1,076 active vendor exemptions were registered. Vendors with exemptions are authorized to conduct business with the three Detroit casinos without having

to go through the full licensure requirement. As of December 31, 2012, 422 casino supplier companies were granted exemptions from supplier licensing requirements. As of December 31, 2012, there were a total of eight active temporary nongaming-related supplier licenses in effect. In addition there are 126 annual supplier licenses in effect.

In regard to employee licensing, Mr. Kalm advised the Board as of December 31, 2012, the Board's Employee Licensing Section issued a total of 2,161 occupational licenses to MGM employees, 1,779 occupational licenses to MotorCity employees, and 1,467 occupational licenses to Greektown employees. In addition, through the month of December 2012, 1,505 employees of various licensed casino suppliers have been granted occupational licenses. Mr. Kalm went on to state the number of temporary licenses for casino and supplier employees is currently 34.

Mr. Kalm advised the Board for the month of December 2012 the required background investigations for 58 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 116 renewal requests and 27 Level 3 requests on behalf of the Board.

Mr. Kalm reported on Michigan State Police (MSP) Board-related activity. One detective lieutenant position, two detective sergeant positions, and ten detective specialist positions remain vacant.

Significant MSP activity included the investigation of 63 original complaints and 18 arrests. Mr. Kalm also noted four additional arrests were made from warrants authorized from previous investigations. There were a total of 22 arrest counts. Mr. Kalm further explained the MSP, MGCB, and the AG's office served several warrants on three internet sweepstakes cafés in Monroe and Washtenaw Counties where it is believed illegal gambling was taking place. The United States Attorney's Office and the Secret Service also assisted. As a result of the search warrants, bank accounts were seized or frozen in Ohio and Michigan. Also seized were 84 machines and computers used for illegal gambling and approximately \$66,000 in cash. Mr. Kalm noted that although these events do not have a direct impact on the Board, they do impact Board staff and MSP's time.

Mr. Kalm informed the Board the Attorney General's office has been focusing on the cyber café issue. Assistance from MSP and MGCB has been requested. Currently the Attorney General's office and the Michigan State Police have served 19 cease and desist orders and executed the previously mentioned search warrants of the sweepstakes cafés throughout Michigan. So far 46 of these businesses have been closed. Efforts are continuing to close the remaining illegal gambling operations.

Next, the Board considered for approval the recommendations of the Executive Director and the Licensing & Regulation Division's staff regarding the 58 Level 1 and 2 occupational license applications.

There being no questions from Board members, it was moved by Mr. Watza and seconded by Mr. Palms that the Board enter an Order accepting and adopting the recommendations of the Executive Director and the Licensing & Regulation Division's staff for the pending 58 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 & Regulation Division's staff recommendation regarding the pending Transfer of Interest for Allied-Eagle Supply Company LLC.

There being no questions from Board members, it was moved by Mr. Palms and supported by Mr. Watza that the Board enter an Order approving the Transfer of Interest. A voice vote was taken.

Motion carried.

Next, the Board considered the Executive Director's Report and Licensing & Regulation Division's staff recommendation regarding the pending supplier license applications of CP Procurement Services, Inc. and Turner-Brooks, Inc.

There being no questions from Board members, it was moved by Mr. Beagen and seconded by Mr. Palms that the Board enter orders finding and concluding CP Procurement Services, Inc. and Turner-Brooks, Inc. are eligible and suitable for licensure under the licensing standards and requirements of the Act and Rules of the Board, and accordingly, grant their supplier license applications. A voice vote was taken.

Motion carried.

The next item on the agenda was the pending supplier license renewals of Black Ties Staffing, LLC; China Town Market, d/b/a Dai Lai Grocery; Heldon Shoe Company d/b/a Red Wing Shoes; Midwest Game Supply Company; MIG East, LLC; Motor City Electric Co. SMS Staffing Solutions, Inc.; The End Zone Chicken & Ribs, LLC; and The Right Productions, Inc.

There being no questions from Board members, it was moved by Mr. McQueen and seconded by Mr. Palms that the Board enter Orders finding and concluding the above-listed suppliers 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 the requests for a new one-year period. Mr. Watza stated Motor City Electric is a client of his firm and recused himself from voting on that aspect of the motion. A voice vote was taken.

Motion carried.

Next item was the consideration of the Licensing Division's recommendation regarding the suitability of Norman H. Pessin as a key person of American Gaming and Electronics, Inc.

There being no questions from Board members, it was moved by Mr. Watza and supported by Mr. McQueen that the Board approve and submit an Order finding Norman H. Pessin suitable as a key person of American Gaming and Electronics, Inc. A voice vote was taken.

Motion carried.

Mr. Anthony then stated the next item on the agenda related to Greektown Superholdings, Inc. and its related entities with respect to a debt transaction and other related matters. Mr. Anthony asked Mr. Kalm to advise the MGCB Board (Board) of his understanding of the

requests. Mr. Kalm explained Item F (Request for Debt Transaction) and Item G (Shareholder Rights Agreement) are connected and Greektown has asked for both items to be removed from the agenda at the present time.

Mr. Kalm stated there is concern of possible potential impact of the rights agreement on the debt transaction. Mr. Kalm also stated there is a question as to whether the rights agreement and related minority protection agreement have any impact on the institutional waiver status previously granted to many of the funds who are the owners of Greektown. **It was also noted by Mr. Kalm, Board staff does not have a clear understanding of the rights plan.** Mr. Kalm stated he supported the removal of both items from the agenda since Board staff is not prepared to give a recommendation to the Board. Mr. Kalm then asked Mr. Puggi, the CEO of Greektown, to give the Board a clearer picture, from his standpoint, on how quickly GTC can get requested information to Board staff.

Mr. Puggi approached the podium to address the Board at Mr. Anthony's request. Mr. Puggi thanked the Board and acknowledged the regular February meeting was moved up to January to accommodate a request by Greektown, but due to recent developments Greektown would like to take a step back and request the two items on the agenda be taken off until Greektown management and the Board have the ability to vet through everything. Mr. Anthony asked Mr. Puggi if they have had discussions with their lender regarding the change in control and the shareholder rights plan. Mr. Puggi informed Mr. Anthony and the Board they view the rights plan as being "separate and distinct" from the financing. Mr. Puggi stated Greektown has a letter from the lender stating the same. Mr. Puggi further explained that a special committee (committee) of the Greektown board has been put in place to deal specifically with the acquisition element that was recently announced regarding Rock Gaming acquiring shares in Greektown Casino. The committee and the Greektown board (GTC board) will determine if there is a remedy to accommodate an acquiring party with a financial agreement and once the process is complete they could turn it over to MGCB staff and talk about the refinance package approval. Mr. Puggi expects the process to take 10 days to two weeks. Mr. Puggi agreed when Mr. Anthony stated it is his understanding the lenders have concluded the rights plan does not diminish the value of their collateral. Mr. Brett Yunker from Bank of America also affirmed this. Mr. Anthony asked if the committee is around the potential acquisition of a majority interest in the company and not around the "poison pill." Mr. Puggi answered by saying the committee is also in charge of the rights plan regarding the impact on an acquiring individual. The members of the special committee are Darryl Burkes, John Bitove, and Soohyung Kim and are all deemed to be independent board members. Mr. Anthony emphasized his concern for how the activities around the decision to enact the shareholder rights plan proceeded. Mr. Anthony made the statement, "...there's an understanding, I think, from the people of the State of Michigan that this Board will hold the licensees to the appropriate high standards with respect to corporate governance. And that we expect those institutions to comply with the laws and regulations of the State of Michigan." Mr. Anthony stated his understanding is Mr. Stocker submitted a letter to the Board which was dated January 11, 2013, wherein he was asking for consideration of a proposed shareholder rights plan, but there is a press release issued by Greektown indicating the company had already adopted a shareholder rights plan. Mr. Puggi explained the rights plan was approved on December 30, 2012, pending Gaming Board approval. Mr. Anthony questioned Mr. Puggi as to why the Gaming Board was not consulted prior to enactment. Mr. Puggi stated and assured the Board although he is not a member of the GTC board, he contends that approving it at GTC board level, pending Gaming Board approval, would

suffice as no action can be taken in regard to the rights plan until it is approved by the MGCB. There is an aspect in the rights plan that Greektown and the GTC board contend is under the purview for the Michigan Gaming Control Board regarding the dividend aspect and the Board Order of June 2010 and how its language translates. Mr. Anthony asked Mr. Puggi if it is clear in his mind that Board approval is required of the rights plan. Mr. Puggi stated, "As it relates to the dividend aspect, yes." Mr. Anthony stated the Board has asked the Attorney General's office to look at this. Mr. Anthony believes the plan itself should have required Board approval. In the press release Mr. Puggi indicated GTC believes payments of the rights dividend is in the best interest of the minority shareholders. Mr. Puggi affirmed this, however, he stated the dividend is not a cash payment; it is an opportunity to acquire shares. Further, it does not have impact on the capital structure. The shares are attached to the capital stock and cannot be traded separately, and therefore, do not cause any financial impairment to the company. Mr. Anthony stated that at this particular point he is unsure if he agrees that this does not impact the capital structure and the value of the company. These issues will be pursued by Board staff. Mr. Anthony referenced a letter received from legal representatives of one of the shareholder groups. This letter stated the group of shareholders does not necessarily agree the action of the GTC board is in accordance with Delaware or Michigan law. Mr. Anthony stated that from his standpoint, in terms of legality, these items have to be resolved before he would be prepared to pass the issue of the rights plan.

Mr. Watza also had questions for Mr. Puggi. Mr. Watza asked who presented the rights plan to the GTC board. Mr. Puggi answered "Dechert." The vote on the rights plan was six to two with the dissenting members being Jay Barrett and Yvette Landau. Mr. Watza asked Mr. Puggi what his understanding was of how the rights plan affects the shareholders and board members. Mr. Puggi stated it is his understanding the rights plan creates a forum by taking an acquiring party and putting them in a position to negotiate with the GTC board to come to a fair and equitable resolution for all shareholders, and does not play one shareholder against another with regard to whatever transaction occurs. Mr. Watza asked Mr. Puggi if he would agree the rights plan, as it is presented, tends to protect the current GTC board and management from other entities acquiring shares. Mr. Puggi stated it is possible, but the intention of the GTC board was to act upon fiduciary responsibility by making sure the minority shareholders were not disadvantaged by an acquiring party. When asked what minority shareholders expressed concern about the acquisition Mr. Puggi answered "Standard General." Mr. Watza asked if Standard General was the entity that presented the plan and Mr. Puggi stated he could not recall specifically who initiated the idea of the rights plan. Neither Mr. Puggi nor any of his people in attendance for the meeting were able to recall who made the motion regarding the plan. Mr. Watza suggested Mr. Puggi provide this information to the Board. Mr. Watza asked Mr. Puggi if he would agree this type of rights plan tends to reduce the impact of the free market on the share prices. Mr. Puggi stated it could be viewed that way but his comments reflect the intentions of the GTC board as he knows them to be.

Mr. Watza then asked Mr. Kalm if the Board staff advised Greektown before they passed the rights plan that the Board would want to review and approve it before it was passed. Mr. Kalm stated Board staff did provide Greektown with information which stated Board staff did not agree with the assertion by GTC that prior approval was not required, and needed more time to give them a legal answer. According to Mr. Puggi, that was received by Greektown on January 11, 2013. Mr. Kalm stated on December 27, 2012, there was conversation between Greektown, Assistant Attorney General Melinda Leonard, and Deputy Director Fred Cleland during which the Board Order from June 2010 was re-read with regard to the area of the Order stating distributions of dividends cannot occur unless there is prior written approval from the Gaming Board. Assistant Attorney General Donald McGehee interjected, "That was any distribution whatsoever. Not just dividends, any distribution." Mr. Kalm stated he believed Greektown did not agree with that, hence the reason for the letter of January 11, 2013, where after a legal analysis was done by the Attorney General staff, Mr. Kalm was able to respond directly and explain the written answer to what occurred on December 27, 2012. The request by Greektown to have the items removed from the Board's

January agenda was made January 17, 2013. Mr. Kalm believed the Board should have an opportunity to gather information on whether either of the items could pass and/or be removed from the agenda. With the short notice of only five days, Mr. Kalm made the decision to leave the items on the agenda.

Mr. McQueen asked Mr. Puggi if their board had a legal opinion dealing with the propriety of the rights plan and if the Board could have the benefit of it. Mr. Stocker answered Mr. McQueen by stating Dechert designed the rights plan in consultation with Delaware counsel and advised the rights plan is an appropriate plan and complies with Delaware law.

Greektown Board member, Darryl Burkes addressed the Board to clarify discussion around the rights plan. He stated the GTC board instructed management to consult with MGCB staff on whether or not a rights plan could be implemented under Michigan law. Assuming this was done, GTC board took action and there was no disagreement for them to move forward. He also stated the rights plan was discussed prior to the Rock Gaming proposal being presented to the Greektown board. Mr. Burkes reiterated the purpose of the special committee is to review the content of the proposal from Rock Gaming and evaluate shareholders' alternatives. The committee will try to maximize shareholder value. Mr. Burkes first learned at this public meeting that Greektown management had a discussion with Gaming staff with regard to the rights plan and whether it needed Board approval. Mr. Burkes stated the GTC board was not aware the MGCB was challenging whether the rights plan could be implemented without Board approval. Mr. Burkes further went on to say "... and if that was true, we would not have approved it subject to Gaming Control approval." Mr. Watza asked Mr. Burkes what his understanding of the rights plan materializing was and what fiduciary duty thought was triggered to suppress the effort to buy shares on the open market. Mr. Burkes stated the GTC board was informed there was a potential buyer wanting to purchase some shares and they wanted to protect the interests of all shareholders prior to the purchase. The rights plan looks at attempting to measure the amount of stock one person would be able to buy without taking control and devaluing the stock for other shareholders without their consent. Mr. Watza asked if any shareholders felt they were being pressured or coerced by the purchaser. Mr. Burkes stated they had not, to which Mr. Watza then asked, "Who needed to be protected, and from what, and why?" Mr. Burkes informed Mr. Watza that if a person took control of the company they could devalue the share of minority holders by merging the company and eliminating share value.

Mr. Anthony asked Mr. Puggi if an 8-K was filed with the SEC with respect to the rights plan. Mr. Puggi answered affirmatively. Mr. Burkes told Mr. Anthony the GTC board is considering withdrawing the plan, hence the request to have it removed from the agenda to allow the GTC board to do due diligence around it and decide what the next steps would be.

Mr. Anthony then brought the discussion to a close by stating he wanted to make it clear the Board was prepared to present a motion, which he suspected to have support, that GTC, "Is absolutely required to seek the Board approval," regarding the rights plan. Mr. McGehee stated for a point of record that Mr. Puggi indicated the plan has no affect until such time as the Gaming Board has approved it "prospectively." Mr. Puggi agreed with Mr. McGehee and stated this was in a written response as well. Mr. Anthony asked Mr. Puggi if he would like a formal motion and Mr. Puggi stated he did not think this was necessary.

Mr. Watza added he did not want the Gaming Board to be used by the Greektown board or elements of the board to assist in an effort to impact the marketplace. Further Mr. Watza stated he did not know of any reason why the Board would authorize a "poison pill" as opposed to allowing the market forces to occur. Mr. Watza stated he could not think of any good reason for this effort but could think of some "selfish reasons and inappropriate reasons." Mr. McGehee also added, for the record, the Board staff in conjunction with the Attorney General's office would be investigating violations under Michigan and Delaware laws with respect to suitability issues under the purview of

the Board.

Mr. Watzka then made a motion to table both of the items, the debt transaction and the rights plan, at this time. A voice vote was taken.

Motion carried.

Next, Mr. Anthony asked if there were any members of the public who wished to address the Board. Mr. Anthony had one request which was from Jason Hanselman. Mr. Hanselman informed Mr. Anthony he was withdrawing his request.

There being no other requests, Mr. Anthony then stated the Board would consider a motion to go into closed session immediately following the public portion of the meeting 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 December 12, 2012, last public meeting, as required by the Act.

Mr. Anthony then stated the Board's next regular public meeting is scheduled for Tuesday, March 12, 2013, at 9:30 a.m.

Mr. Anthony asked for a motion to adjourn the meeting. Mr. McQueen moved the meeting be adjourned and Mr. Watzka supported the motion. A voice vote was taken.

Motion carried.

After the closed session, the public meeting resumed for the purpose of approving the minutes from the Board's last closed session which occurred on October 23, 2012. Due to four Board members not being present for the December meeting, no closed session was held. Mr. Watzka made a motion to approve the closed session minutes which was supported by Mr. McQueen. A voice vote was taken.

Motion carried.

Mr. Watzka then moved to adjourn the public meeting. The motion was supported by Mr. McQueen. A voice vote was taken.

Motion carried.

Meeting adjourned at 11:03 a.m.

Diane Brown, Board Secretary