



# Annual Report to the Governor



**Calendar Year 2010**

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Calendar Year 2010

Michigan Gaming Control Board  
101 East Hillsdale Street  
Lansing, MI 48933

Submitted April 15, 2011  
Pursuant to the  
*Michigan Gaming Control & Revenue Act*, as amended  
(Public Act 69 of 1997)

*Please direct inquiries to*  
Eric T. Bush, (517) 241-0136

*This document is also available online at*  
[www.michigan.gov/mgcb](http://www.michigan.gov/mgcb)



STATE OF MICHIGAN  
MICHIGAN GAMING CONTROL BOARD  
LANSING

RICK SNYDER  
GOVERNOR

RICHARD S. KALM  
EXECUTIVE DIRECTOR

April 15, 2011

Honorable Rick Snyder  
Governor of Michigan

**AN OPEN LETTER TO GOVERNOR RICK SNYDER AND THE MICHIGAN  
LEGISLATURE:**



On behalf of the Michigan Gaming Control Board ("Board"), I am pleased to present the Annual Report to the Governor for calendar year 2010, pursuant to Section 15(1) of the *Michigan Gaming Control and Revenue Act*, as amended, Public Act 69 of 1997, MCL 432.201 ("the Act"). This Annual Report is submitted not only to comply with the statutory reporting requirements under the Act, but to provide you with a summary of the Board's significant activities and operations. The Annual Report includes an updated progress report on the implementation, licensure, and regulation of authorized commercial casino gaming in the City of Detroit.

Sincerely,

/s/

Barbara Rom  
Chairperson

## FROM THE EXECUTIVE DIRECTOR

The Michigan Gaming Control Board (MGCB) had several notable events occur in 2010. We are committed to focusing on the important responsibilities of regulating commercial casino gaming and horse racing to ensure proper compliance with the gaming laws of the State while maintaining our favorable reputation in the industry. It is the vision of the five member Board and the Board staff to maintain and ensure the integrity of casino gaming. My staff and I share the Board's vision with our oversight of Indian Gaming and Horse Racing. I, along with my staff, continually strive to balance regulation while maintaining a cooperative approach to vendors, suppliers, tracks and casinos. The Michigan Gaming Control Board's success is attributed to a dedicated staff, which is shaping the agency's future as we go through transition and transformation.

This year has been challenging for the MGCB's management and staff. In January, the three Detroit commercial casinos enjoyed their highest grossing quarter since inception, which resulted in increased tax revenue, benefiting the School Aid Fund and the City of Detroit.

Governor Granholm issued Executive Order 2009-45 authorizing all of the authority, powers, duties, and functions of the Office of Racing Commissioner to the Executive Director of the Michigan Gaming Control Board.

In June, The MGCB staff recommended Board approval of the transfer of ownership of Greektown Casino (GTC) from the Sault Ste. Marie Tribe of Chippewa Indians to the new owners after a two year period in bankruptcy.

The Board authorized a tax rollback to GTC in the month of March 2010. GTC had previously been paying 12.1% in State taxes and 11.9% in Detroit City taxes. With the tax rollback, those amounts were reduced to 8.1% and 9.9% respectively.

On November 3, 2010, the Bay Mills Indian Community opened the doors to a new gaming facility. This facility was not on Tribal land and, therefore, was deemed to be open illegally. The Tribal-State Class III Gaming Compact between the State of Michigan and the Bay Mills Indian Community requires that gaming may only be conducted on Indian lands. In December 2010, our office presented the Bay Mills Indian Community with a notice to cease and desist. The Attorney General's office requested and received an injunctive order through Federal Court, which resulted in the closing of the operation.

The MGCB has re-affirmed our working relationships with our partner agencies; Detroit Police Department and The Michigan State Police as well as the commercial casinos' security directors. Bi-monthly meetings are conducted in order to keep communication between all agencies open and allow for the sharing of information and resources.

The final phase of MGCB's office renovations in Cadillac Place were completed in early 2010. Detroit physical office changes were initiated in 2009, and continued into early 2010, with the moving of the State Police Section and several of the licensing and regulation areas. The MGCB had previously been leasing space in East Lansing from private individuals. By moving our offices to a space owned by the State in Cadillac Place, we were able to centralize our location while being closer to the casinos and race tracks which we oversee and regulate. This move allowed us to operate more efficiently, lease existing space within a State building, and at the same time save money for the State.

Addressing the needs and regulation requirements of casino gaming and racing is an ongoing process at MGCB. We reinvent ourselves as we see breakthroughs in gaming technology and economic conditions that impact gaming throughout Michigan. I reaffirm my commitment to ensure the highest standards of the gaming industry.

I must express my appreciation to the Governor, the Legislature, our partner agencies and other public officials for their cooperation and service. Please take a moment to see our partner agencies' accomplishments and contributions in Appendix 1 (Michigan Attorney General, Alcohol & Gambling Enforcement Division), and Appendix 2 (Michigan State Police, Gaming Section).

My sincere appreciation goes to the Board and Board staff who assure our mission of fair and honest gaming to protect the interests of the citizens of Michigan is accomplished every day. The MGCB will continue to successfully and competently regulate casino gaming and horse racing to meet the challenges of the gaming and horse racing industry in Michigan.

If you should need additional information or assistance, please contact us.

Sincerely,

/s/

Richard S. Kalm  
Executive Director



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## Mission Statement

*"The Michigan Gaming Control Board shall ensure the conduct of fair and honest gaming to protect the interests of the citizens of the State of Michigan."*

### Introduction

In November 1996, Michigan voters approved Proposal E, authorizing the development of up to three licensed commercial casinos in Detroit. Proposal E subsequently took effect as law on December 5, 1996, as the *Michigan Gaming Control & Revenue Act* (referred to as the "Act"). The voter-initiated Act established the Michigan Gaming Control Board (referred to as the "Board" or "MGCB") as a Type I agency within the Michigan Department of Treasury, exclusively responsible for licensing and regulating the three authorized Detroit casinos. In July 1997, the voter-initiated Act was substantially amended by the Michigan Legislature's enactment of Public Act 69 of 1997. The amended Act provided for more stringent licensing criteria, substantially strengthened the licensing and regulatory authority of the Board, and provided for a system for collection of wagering taxes and fees for the City of Detroit and the State of Michigan.

The Board is comprised of five Michigan residents appointed by the Governor, with the advice and consent of the Senate. One member is designated by the Governor as the chairperson. Under the Act, no more than three members may belong to the same political party. The Michigan Legislature vested the Board with certain powers and duties specified in the Act, and such other powers necessary and proper to fully and effectively implement, administer, and enforce the provisions of the Act relating to the licensing and regulation of authorized private commercial casino gaming in the City of Detroit.



## Summary of the Michigan Gaming Control & Revenue Act

### Michigan Gaming Control & Revenue Act, as amended (Public Act 69 of 1997):

- Authorizes up to three licensed casinos in the City of Detroit (MGM Casino was licensed in July 1999; MotorCity Casino was licensed in December 1999; Greektown Casino was licensed in November 2000).
- Creates the Michigan Gaming Control Board (a Type I agency within the Michigan Department of Treasury) and vests the Board with exclusive authority to license, regulate, and control casino gaming in the three authorized Detroit casinos.
- Authorizes the Board to promulgate necessary administrative rules to properly implement, administer, and enforce the amended Act.
- Provides for the licensing, regulation, and control of casino gaming operations, manufacturers and distributors of gaming equipment and other casino suppliers, and casino and supplier employees.
- Establishes standards and procedures for the issuance of casino licenses, casino supplier licenses, and occupational licenses, and the approval of gambling games and gaming equipment and devices.
- Authorizes civil and criminal penalties for violation of the Act.
- Authorizes and imposes certain state and city wagering taxes on casinos and various fees on casino, supplier, and occupational licensees.
- Requires the deposit of state casino wagering tax revenues in the state school aid fund for K-12 public education in Michigan.
- Authorizes the City of Detroit to levy and collect wagering taxes and municipal services fees to defray the cost of hosting casinos and provide funding for police training and public safety programs, local economic development programs, youth development programs, capital improvements, local tax relief, and other programs to improve the quality of life in the City of Detroit.
- Creates the state services fee fund to provide funding for the operations of the Board to license, regulate, and control casino gaming, and for the state's compulsive gambling prevention program and other casino-related programs.

- Requires annual Board registration of local labor organizations that represent casino gaming employees.
- Requires certain safeguards by casino licensees to prevent compulsive and underage gambling.
- Prohibits political contributions by certain persons with interests in casino and supplier license applicants and licensees to state and local political candidates and certain committees.
- Establishes certain requirements and safeguards for members, employees, agents of the Board, license applicants, licensees, and others involved in gaming to prevent conflicts of interest.





## The Michigan Gaming Control Board Board Members

### Ms. Barbara Rom, Chair



**Ms. BARBARA ROM**

Ms. Rom of Bloomfield Hills, partner of Pepper Hamilton, LLP law firm in Detroit. Ms. Rom was reappointed for a term expiring December 31, 2011. She succeeds Ritchie T. Davis whose term has expired.

### Honorable Benjamin Friedman



**Hon. BENJAMIN FRIEDMAN**

Honorable Benjamin Friedman of Huntington Woods, partner of Friedman & Lichterman, P.C. law firm and previous 45B District Court judge was reappointed for a term expiring December 31, 2011. He succeeds the Honorable Roman S. Gibbs whose term has expired.

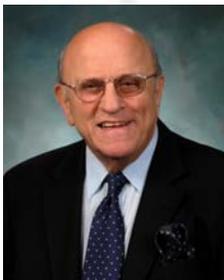
### Mr. Michael Watza



**Mr. MICHAEL WATZA**

Mr. Watza of Northville, partner of Kitch, Drutchas, Wagner, Valitutti and Sherbrook, is appointed for a term expiring December 31, 2012. He succeeds the Honorable Michael Stacy whose term has expired.

### Mr. Jim Plakas



**Mr. Jim Plakas**

Mr. Plakas has been appointed by Governor Jennifer Granholm to the Michigan Gaming Control Board. He succeeds Mr. Damian Kassab, who resigned in December of 2009. Jim Plakas' term will expire on December 31, 2012.

## Honorable Kenneth Sanborn

No Photo  
Available

### Honorable Kenneth Sanborn

Honorable Kenneth Sanborn has been appointed by Governor Jennifer Granholm to the Michigan Gaming Control Board. He succeeds Mr. Donald Robinson, whose term has expired. Judge Kenneth Sanborn's term will expire on December 31, 2010.





# Michigan Gaming Control Board

## Organizational Chart





# Michigan Gaming Control Board Staff

|  |                |
|--|----------------|
| Executive Director.....                                      | 1              |
| Executive Assistant .....                                    | 1              |
| <br>   |                |
| <u>Division of Administration</u>                            |                |
| Deputy Director .....  | 1              |
| Accountant (Treasury) .....                                  | 1              |
| Departmental Manager.....                                    | 1              |
| Financial Manager .....                                      | 1              |
| Financial Analyst .....                                      | Vacant         |
| Departmental Analyst.....                                    | 1              |
| Detroit Office Administrator.....                            | 1              |
| Detroit Office Secretaries .....                             | 1 (+1 Vacant)  |
| Document & Records Analyst.....                              | 1              |
| Document & Records Supervisor .....                          | Vacant         |
| Document & Records Technicians .....                         | 4              |
| Disassociated Persons Analyst .....                          | 1              |
| Human Resource Liaison .....                                 | 1              |
| Information Systems Specialists (DTMB).....                  | 2              |
| Information Systems Analysts (DTMB).....                     | 1 (+1 vacant)  |
| Information Systems Technician (DTMB).....                   | 1              |
| Information Systems Program Manager (DTMB).....              | 1              |
| Database Administrator (DTMB) .....                          | 1              |
| Network Administrator (DTMB).....                            | 1              |
| Procurement Analyst .....                                    | 1              |
| Records Section Manager .....                                | 1              |
| <br>   |                |
| <u>Division of Horse Racing, Audit and Gaming Technology</u> |                |
| Deputy Director .....  | 1              |
| Executive Assistant .....                                    | Vacant         |
| Administrative Manager .....                                 | 1              |
| Casino Historical Audit Unit Manager.....                    | 1              |
| Casino Daily Operations Manager.....                         | 1              |
| Gaming Lab Manager .....                                     | 1              |
| Casino Auditors .....  | 11 (+2 Vacant) |
| Departmental Analysts .....                                  | 1 (+1 Vacant)  |
| Departmental Technician .....                                | Vacant         |
| Equipment Technician .....                                   | 1              |
| Gaming Laboratory Auditor .....                              | Vacant         |
| Gaming Laboratory Engineers.....                             | 3              |
| Gaming Laboratory Secretary .....                            | 1              |
| Horse Racing Section Manager.....                            | 1              |
| Indian Gaming Section Audit Manager .....                    | 1              |
| Indian Gaming Auditors .....                                 | 4 (+1 Vacant)  |
| Information Systems Auditor .....                            | 1              |
| Pari-Mutuel Coordinator .....                                | 1              |
| Regulatory Investigations Support Manager.....               | Vacant         |
| Secretary.....   | Vacant         |

|   |                |
|---|----------------|
| <u>Division of Licensing and Regulation</u> |                |
| Deputy Director .....                       | 1              |
| Executive Assistant.....                    | 1              |
| Enforcement Section Managers .....          | 3              |
| Enterprise Licensing Section Manager .....  | 1              |
| Employee Licensing Section Manager .....    | 1              |
| Investigations Section Manager.....         | 1              |
| Employee Licensing Section Supervisor.....  | 1              |
| Casino Secretaries.....                     | 3              |
| Departmental Technicians.....               | 8              |
| Financial Analysts .....                    | 5              |
| Regulation Officers.....                    | 31 (+6 Vacant) |

## Michigan Attorney General, Alcohol & Gambling Enforcement Division

### Alcohol & Gambling Enforcement \*

|  |   |
|--|---|
| Division Chief.....                    | 1 |
| Division Head Secretary .....          | 1 |
| First Assistant Attorney General ..... | 1 |
| Section Head.....                      | 2 |
| Assistant Attorneys General.....       | 7 |
| Legal Secretaries.....                 | 4 |

\*Funded by the MGCB, Bureau of State Lottery and Liquor Control Commission.

### Treasury & Gaming Section (Criminal Prosecutions) \*\*

|                                  |   |
|----------------------------------|---|
| Section Head.....                | 1 |
| Assistant Attorneys General..... | 4 |
| Legal Secretaries.....           | 2 |

\*\*Funded by the MGCB and Treasury.

## Michigan State Police, Gaming Section

|                                  |   |
|----------------------------------|---|
| Inspector .....                  | 1 |
| Secretary.....                   | 1 |
| Detective First Lieutenant ..... | 1 |
| Administrative Sergeant.....     | 1 |
| Secretary.....                   | 1 |

### Special Operations Unit

|                             |               |
|-----------------------------|---------------|
| Detective Lieutenant .....  | 1             |
| Detective Sergeant .....    | 1             |
| Detective Specialists ..... | 4 (+1 Vacant) |

### Casino Operation Unit

|                             |                |
|-----------------------------|----------------|
| Detective Lieutenant .....  | 1              |
| Detective Sergeants .....   | 3              |
| Detective Specialists ..... | 16 (+1 Vacant) |



## Activities of the Board

In calendar year 2010, the five-member Board was comprised of the following gubernatorial appointees:

- **Ms. Barbara Rom** was reappointed by Governor Granholm for a term expiring December 31, 2011.
- **Hon. Benjamin Friedman** was reappointed by Governor Granholm for a term expiring December 31, 2011.
- **Mr. Michael Watza** was appointed by Governor Granholm for a term expiring December 31, 2012.
- **Mr. Jim Plakas** was appointed by Governor Granholm for a term expiring December 31, 2012.
- **Honorable Kenneth Sanborn** was appointed by Governor Granholm for a term expiring December 31, 2010.

### BOARD MEETINGS

From inception, the Board has encouraged public input regarding policies, procedures, and activities related to licensing and regulating the three authorized Detroit casinos. To conduct Board business, inform, and receive input from the public, the Board held ten public meetings in 2010. At public meetings, the Board not only conducted its official business, but also provided the public and news media with opportunities to ask questions and offer comment regarding casino gaming issues and the Board’s relevant policies, procedures, and activities. The Board met at the Detroit Office located at Cadillac Place, 3062 West Grand Boulevard, Suite L-700, on the following dates:

|                  |                      |
|------------------|----------------------|
| January 2010*    | July 2010*           |
| February 2010*   | August 10, 2010**    |
| March 9, 2010**  | September 14, 2010** |
| April 15, 2010** | October 12, 2010**   |
| May 11, 2010**   | November 9, 2010**   |
| June 8, 2010**   | December 7, 2010**   |
| June 28, 2010    |                      |

\* No Meeting

\*\*After public meeting, Board adjourned to Closed Session

The Board adjourned to Closed Session after most of the public meetings, to review confidential materials that were part of casino license applications and applications for placement on the Board's Disassociated Persons List, and thus protected from public review and disclosure under Sections 4c and 25 of the *Michigan Gaming Control & Revenue Act*, as amended, Public Act 69 of 1997, MCL 432.204c and MCL 432.225(4)(c). Closed Sessions are not open to the public, nor are minutes of such sessions available to the public, under Michigan's Open Meetings Act, as amended, Public Act 267 of 1976. All Board meetings, whether open or closed, are held in accordance with Michigan's Open Meetings Act.

## **BOARD RESOLUTIONS**

The Board adopted one resolution in calendar year 2010:

**Resolution No. 2010-1** (Adopted 05/11/2010)- A Board Resolution Acknowledging The Contributions and Accomplishments of Board Member Damian S. Kassab and Commending Him for Distinguished and Honorable Service to the Michigan Gaming Control Board.





## Notable Board Accomplishments

### INTRODUCTION

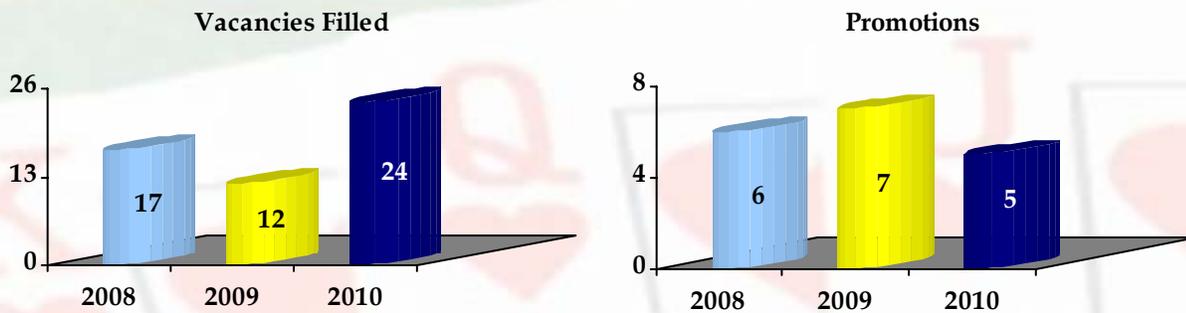
The Michigan Gaming Control Board consists of five members. All five Board members and the Executive Director are appointed by the Governor. They are assisted in their mission of regulating the three commercial casinos in Detroit by other state agencies. The mission of the Board is to ensure the conduct of fair and honest gaming to protect the interests of the citizens of the State of Michigan. There are 120 budgeted staff positions assigned to the Board performing this mission. The headquarters for the Board is located at the State offices at Cadillac Place in Detroit. The following is a summary of yearly activity for 2010.

These activities are funded by an assessment on each of the three Detroit casinos.

### ADMINISTRATION DIVISION

#### Administration

In 2010, the MGCB was able to hire staff to fill 15 vacancies and promote 5 existing staff members, while losing 24 staff members. The MGCB has not reached full staffing of 120.



Pursuant to Executive Orders 2009-45 and 2009-54 relative to the transfer of the Office of the Racing Commissioner to the MGCB, all racing staff, records, and equipment were relocated to the MGCB's Lansing office located in the Lottery Building.

The procedures for the Exclusion of Persons were established this year to formalize whether a person meets any of the criteria for exclusion under the Rules. A panel will be convened to determine whether a person's conduct or reputation is such that his or her presence within the casino gambling facilities would compromise the honesty and

integrity of the gambling operation, interfere with the orderly conduct of the gambling operation, or undermine public confidence.

### **Financial Services Section**

Employee travel reimbursements were converted to the State's new on-line time and expense reimbursement program. Prior to this conversion, travel reimbursement vouchers were manually prepared by the traveler. Financial Services staff completed training sessions for MGCB employees in order to make this conversion successful.

The Office of the Racing Commissioner budget was incorporated into MGCB's budget. Per Executive Order 2009-45 the Office of the Racing Commissioner and the position of Racing Commissioner were abolished and those functions were transferred to the Executive Director of the MGCB. All powers, duties, and functions of regulating racing were placed with the Executive Director effective January 17, 2010. Board members of the MGCB have no authority or role in regulating racing. Prior to Executive Order 2009-45, the Office of Racing Commissioner was a type-1 agency under the Michigan Department of Agriculture. Executive Order 2009-54 maintains the authority, powers, duties, and functions under Section 20 of the Horse Racing Law of 1995, PA 279, MCL 431.320 (Equine Development Fund) within the Michigan Department of Agriculture effective March 15, 2010. These Executive Orders gave regulatory authority of racing to the Executive Director, but the funding of this function is still retained by the Michigan Department of Agriculture through the Equine Development Fund under §20 of the Act.

### **Department of Technology, Management, and Budget (DTMB)**

The MGCB website was redesigned to include more information, easier navigation, and on-line forms.

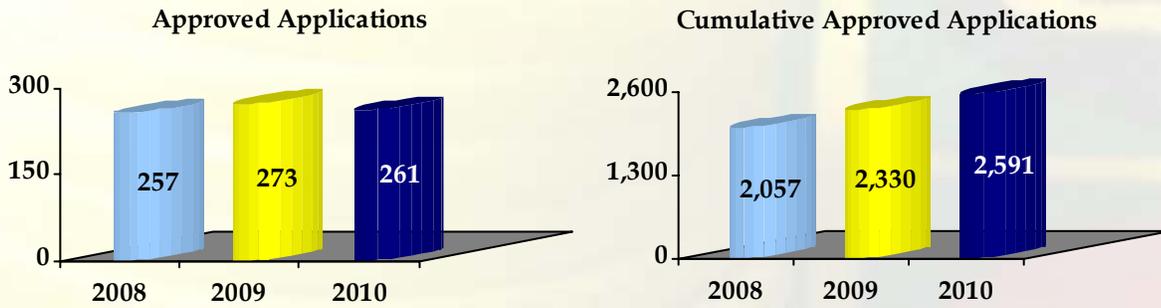
An electronic document repository was set up in LiveLink for the Horse Racing Section that will allow for the electronic storage and retrieval of horse racing documents.

A Livelink restructure project reorganized MGCB's 850,000 electronic documents from a division-based structure to a licensed entity-based structure. The project included developing new folder structures for each licensed entity type, transferring the electronic documents from the old structure to the new structure, major updates to two in-house applications used in the electronic document creation process, and minor updates to multiple other in-house applications.

### **Detroit Administration Section**

In 2010, the Board approved 261 applications from individuals requesting inclusion on the Disassociated Persons List (DPL). Since its inception in 2000, the Board has placed a total of 2,591 people on this self-exclusion list as of December 31, 2010.

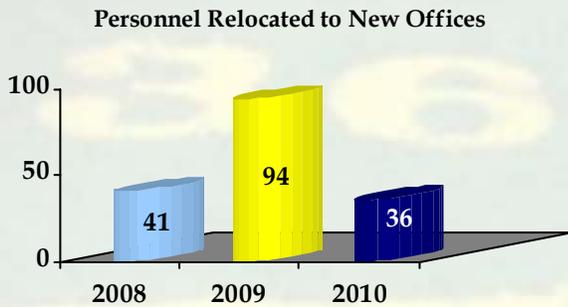
The Detroit Administration Section processed the following DPLs in 2008, 2009, and 2010:



The board hearing room bench, witness stand, and court reporter's area were renovated to comply with the Americans with Disabilities Act (ADA) specifications.

New enclosed offices and cubicles, along with redesigned floor plans, were completed for the MGCB's offices located in the Cadillac Place Annex Building.

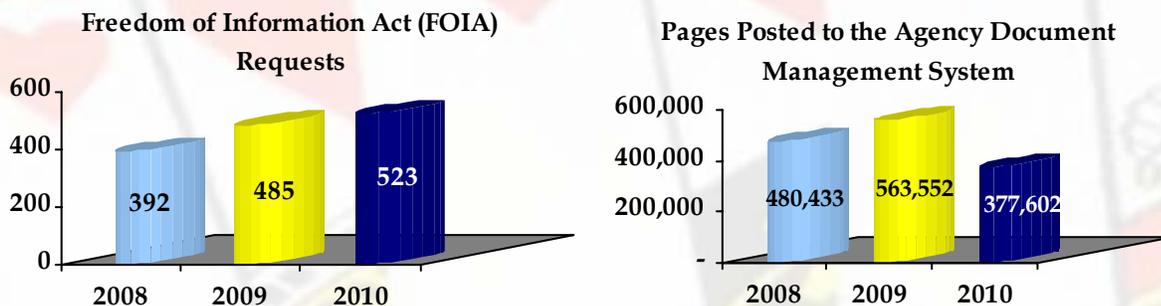
The Administration Section completed the following office relocations and build-outs in 2008, 2009, and 2010:



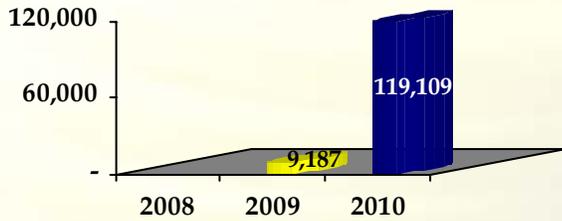
In 2008, the project to relocate MGCB's East Lansing Office to the Cadillac Place in Detroit and the Lottery Building in Lansing began and was completed in 2010.

## Records Section

The Records Section processed the following in 2008, 2009, and 2010:

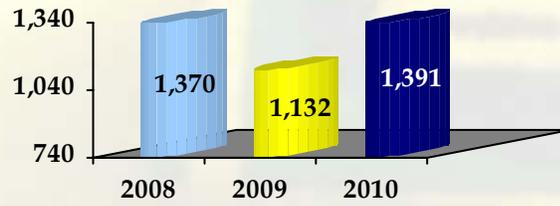


**Audit Documents Processed**

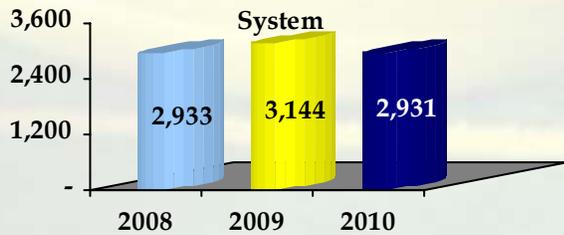


\* Procedures implemented in 2009 to add audit documents to the scanning process

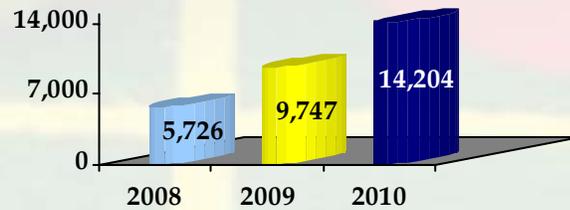
**New Applications Added to the Agency Document Management System**



**Renewal Applications Added to the Agency Document Management System**



**Enforcement Documents Processed**



## **HORSE RACING, AUDIT & GAMING TECHNOLOGY DIVISION**

### **Audit Section**

To be more efficient and focused during audits, the Audit Section has been divided into two sections: Historical Audit and Casino Operations.

The Historical Audit Section has completed fieldwork for all twelve of the 2010 compliance audits. Final audit reports have been issued for nine of the twelve. The remaining three reports will be issued during the first quarter 2011, meeting the yearly performance goal for timely issuance of final reports.

The Casino Operations Audit Section has completed the review of 1,095 daily tax returns and 36 monthly tax returns to provide reasonable assurance the reporting of \$1.38 billion in gaming revenue to the State of Michigan was free of material misstatement. Furthermore, it was assured the proper payments of \$99 million in state wagering taxes were paid and received. The Section also completed the review of monthly credit reports and quarterly reports for 2010. (Note: December Credit Reports and fourth quarter reports are still in the process of being submitted by the licensee, which will then be reviewed by staff). Monthly and quarterly financial information, as required for submission by the licensee, is being reviewed and analyzed accordingly.

## **Gaming Lab Section**

The Gaming Lab continues to play a critical role in the mission of the MGCB by testing and analyzing all gaming devices and equipment, reviewing casino requested internal control changes, and assisting in investigations to help ensure the integrity of casino games and accurate reporting of gaming revenue in Michigan.

During 2010, the Section:

- Resolved 2,019 gaming device submissions, modifications, and tests;
- Processed 240 casino internal control change requests, assignments, and reports;
- Continued to develop procedures and training tools on new methods of performing field verification designed to save MGCB and the casino licensees' time;
- Continued to assist Michigan State Police, State Treasury Department, Michigan Liquor Control Commission, and local law enforcement as needed; and
- Continued to assist special joint task force designed to better understand, coordinate, and control unlicensed gaming operations as needed.

## **Indian Gaming Section**

The Indian Gaming Section is responsible for the oversight of Tribal-State Gaming Compacts between the State of Michigan and twelve federally recognized tribes in the State of Michigan.

The Indian Gaming Section presented final net win audit reports to eight tribes covering thirteen fiscal years and performed fieldwork and write-up on an additional four tribes. These audits include verifying the net win as well as payments made to local revenue sharing Boards or local units of state government and payments to the Michigan Economic Development Corporation (MEDC), pursuant to the terms of Tribal-State Class III Gaming Compacts and related Consent Judgments.

The Indian Gaming Section presented final compliance audit reports on the extent of compliance with various sections of the Tribal-State Class III Gaming Compacts to eight tribes and performed fieldwork and write-up on an additional four tribes. Compliance audits examine a wide range of topics, including: authorized games, proper signage and notice to patrons, employee background investigations, gaming supplier licensing, management contracts, Bank Secrecy Act, employee benefits, gaming equipment technical standards, and alcoholic beverage regulation.

Based on 2009 totals, tribes paid \$23.8 million in two percent payments to local units of state governments and \$31.9 million to MEDC. Tribes have paid over \$234 million to local units of state government and over \$335 million to the MEDC in the period of 1992 through 2009. Tribal casinos operate an estimated 21,493 slot machines at 20 locations and generate approximately \$1.25 billion yearly in slot machine revenue.

It is anticipated that during 2011 the Gun Lake Casino will be opening in Wayland, Michigan, featuring over 1,450 slot machines and 28 table games. The U.S. Department of the Interior approved the Gun Lake Tribe's compact in 2009.

**Horse Racing Section**

The Horse Racing staff was successfully integrated from the Department of Agriculture into the MGCB with secured fixed funding for oversight of horse racing for 2011.

With the massive loss of racing staff due to early retirements, the current personnel structure is being analyzed, along with meetings with the industry, to determine efficiencies within the section. All policies are under review and revised to incorporate new procedures reflecting the restructuring of the section. Additionally, a new Racing Manager was hired.

**Summary of Horse Racing Revenue:**

January 1, 2010 through December 31, 2010

|                                      |                    |
|--------------------------------------|--------------------|
| Pari-Mutuel Simulcast Wagering Taxes | \$5,651,872        |
| Occupational License Fees            | 78,346             |
| Outs                                 | 424,148            |
| Racing Fines                         | 23,655             |
| Track Licenses                       | 3,400              |
| <b>Total Horse Racing Revenue</b>    | <b>\$6,181,421</b> |

**State Tax Summary**

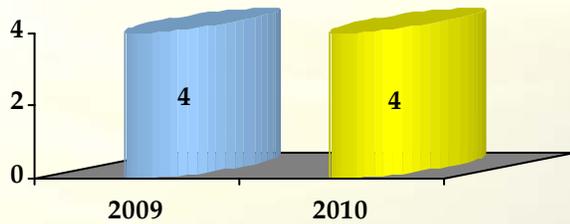
|                                       |                    |
|---------------------------------------|--------------------|
| Thoroughbred<br>Pinnacle Race Course  | \$503,981          |
| Mixed Breed<br>Mount Pleasant Meadows | \$69,262           |
| Harness<br>Hazel Park Harness Raceway | \$2,536,597        |
| Northville Downs                      | 1,131,759          |
| Northville Racing Corporation         | 669,197            |
| Sports Creek Raceway                  | 741,076            |
| <b>Harness Totals</b>                 | <b>\$5,078,629</b> |
| <b>TOTAL STATE TAX</b>                | <b>\$5,651,872</b> |

**Licensees and Licenses**

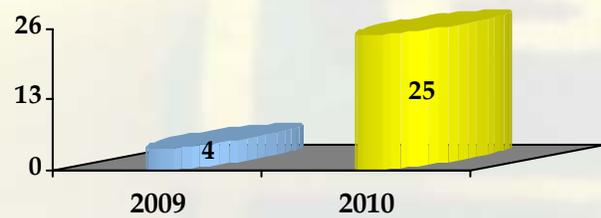
During 2010, there were 3,738 individuals licensed who held a total of 4,756 licenses. Some licensees hold more than one license.

## Regulatory Investigations Support Section

Possible Money Laundering



Request for Assistance



### MGCB Tip Line

The anonymous illegal gambling tip hotline and e-mail continues to provide regulatory and law enforcement agencies information on unauthorized/illegal gaming in the State of Michigan. Staffed by a lead regulation officer and one departmental technician from the MGCB, the initiative unites the efforts of the MGCB, Michigan State Police, Michigan Liquor Control Commission, Michigan Department of Treasury, the Office of the Attorney General, and the Michigan Lottery.

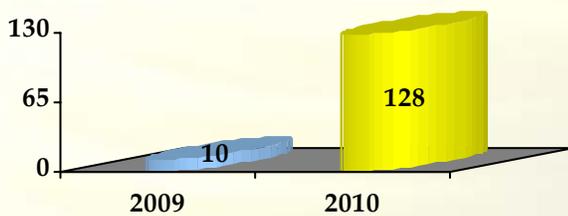
The illegal gambling tip hot line and e-mail address are currently published on the MGCB website, partner websites, and in various areas at each of the three Detroit casinos. The MGCB has also increased awareness of the anonymous illegal gambling tip hotline and e-mail by posting placards in high traffic areas of the horse racing tracks.

In the first full year of implementation, the anonymous tip line received 128 illegal gaming related tips which were forwarded to partner agencies for investigation. During the months of October 2010, November 2010, and December 2010, the amount of tips received increased by 64%.

The following tips were received in 2009 and 2010:

|                   | 2009      | 2010       |
|-------------------|-----------|------------|
| 50/50 Raffle      |           | 7          |
| Bingo             |           | 4          |
| Book Making       |           | 1          |
| Casino Related    |           | 10         |
| Charitable Gaming |           | 14         |
| Horse Racing      |           | 13         |
| Illegal Gambling  | 1         | 21         |
| Illegal Machines  | 6         | 31         |
| Lottery           |           | 2          |
| Poker             |           | 5          |
| Theft/Fraud       | 1         | 4          |
| Other             | 2         | 16         |
| <b>TOTAL</b>      | <b>10</b> | <b>128</b> |

Tip Line



## **LICENSING & REGULATION DIVISION**

### **Enterprise Licensing Section**

The Enterprise Licensing Section filled one financial analyst position and one departmental technician position in 2010.

The Licensing Division continues to license the three Detroit casinos, their employees, and suppliers.

In 2010, MGCB Resolution 2009-01 was implemented which increased the threshold of licensure for both suppliers and vendors. The threshold for Supplier Licensing was increased from \$200,000 to \$300,000. This reduced the number of companies requiring full licensure by approximately one-third. The current number of suppliers licensed is 137. Those companies no longer requiring full licensure would save \$5,000 each year on the license fee and additional investigative fees.

The threshold for Vendor Exemptions was increased from \$600 to \$5,000 which allowed for more vendors doing insignificant amounts of business to qualify for automatic exemptions. A recertification process for Vendor Exemptions was developed to provide for updated information from vendors and clean-up vendors who have remained active with their exemption but no longer perform work. This is the first time the MGCB recertified and removed inactive exemptions since inception of the agency. Going forward vendors will be renewed on an annual basis. A total of 3,296 vendor recertification forms were sent out asking holders of vendor exemptions to update their business information. The process spread over a quarterly basis throughout the year resulting in 1,006 vendors deciding to recertify.

The Enterprise Licensing Section streamlined the cost of investigations of suppliers to a standardized amount based on the number of persons in the business being investigated. This was determined based on the average costs of investigations. Smaller businesses should see benefit to this streamlining as they normally have far fewer individuals to investigate.

A flowchart was developed for the determination of licensure type. The flowchart can be found on the MGCB website to assist applicants in determining what level of licensure is required based on the Act, Rules, and Board Resolutions.

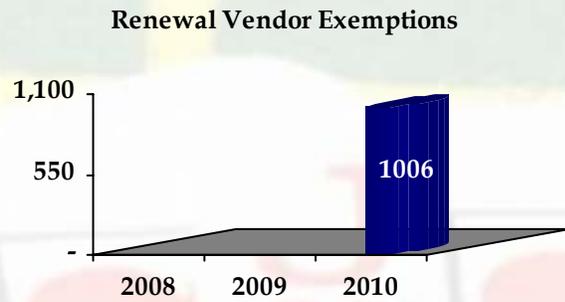
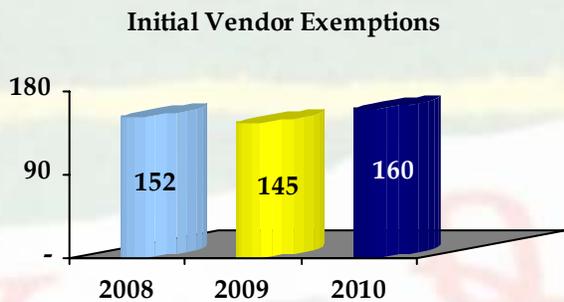
The Licensing & Regulation Division changed its policy which established a Board procedure governing the annual renewal of supplier license investigations. The initial and every fourth year investigations will consist of a full background check, an on-site review of documents, and interviews of all owners and key persons. In contrast, the investigations for the three years in between will eliminate the need for an on-site review of documents and personal interviews. The policy change saves the applicant costs on expenses associated with the renewal of their license and will allow the Board to conduct renewal investigations in a more efficient and cost savings manner.

The Board implemented a policy pertaining to temporary suppliers who have requested withdrawal of their supplier license. The procedure expedites the process and allows the Executive Director to approve the withdrawal in a more timely manner without having to wait until a scheduled Board meeting. The implementation of the procedure has helped the Division streamline its operations.

The section also performed a thorough review of the change in ownership of Greektown Casino-Hotel and presented their recommendation for approval to the Board on June 28, 2010. This approval allowed the casino to exit the jurisdiction of the United States Bankruptcy Court after two years.

**Investigations Section**

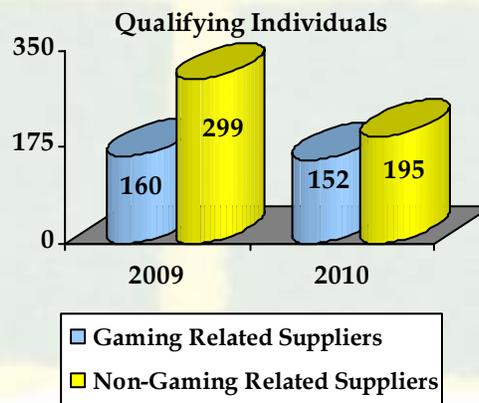
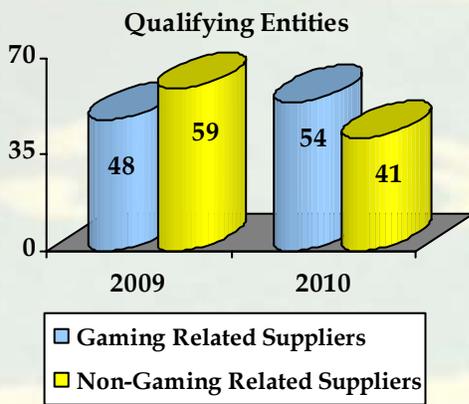
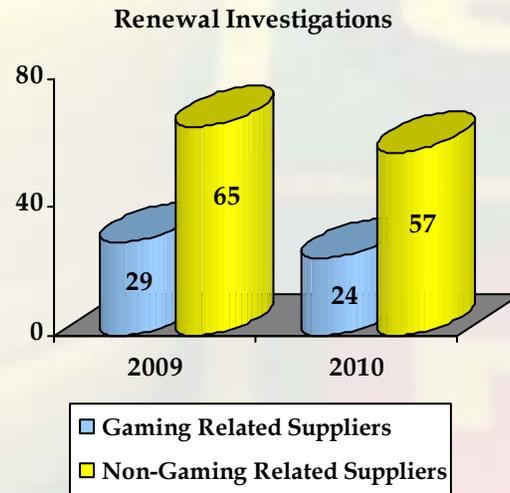
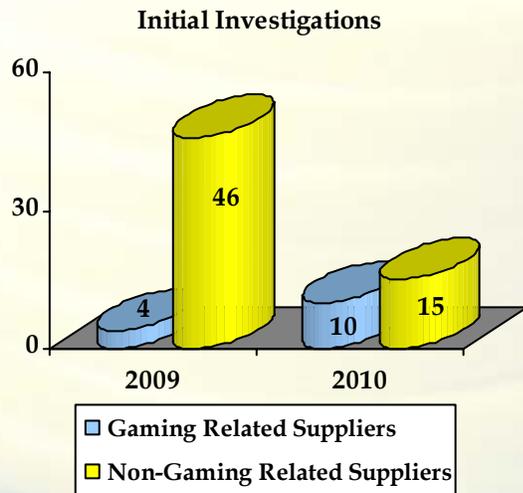
The following applications for exemptions were received and completed in 2008, 2009, and 2010:



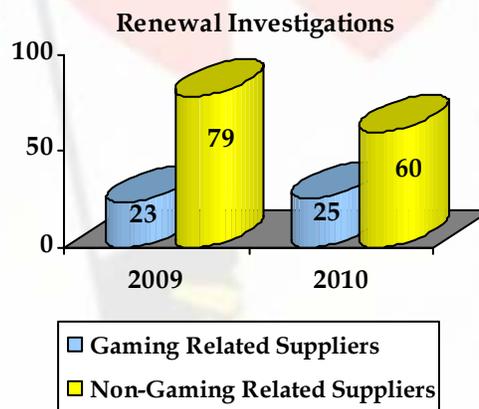
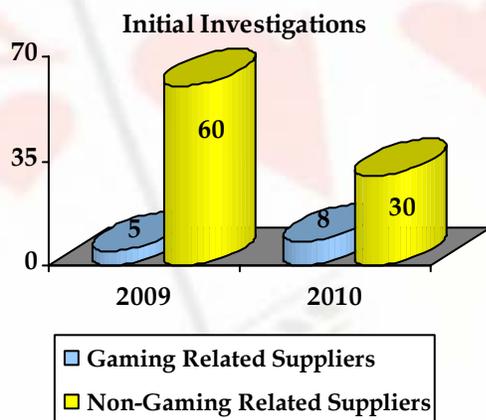
\* Renewal of Vendor Exemptions began in 2010

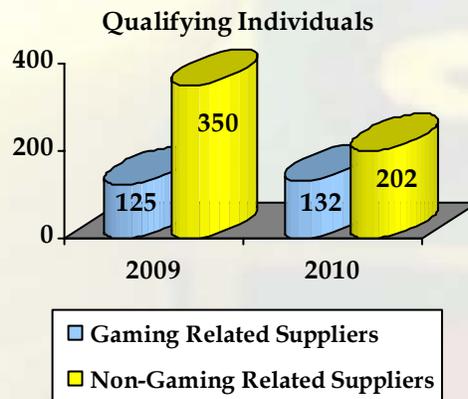
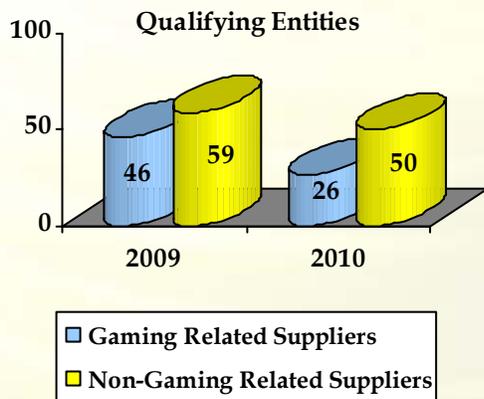


The following investigations were received and investigated in 2009 and 2010 (information is not available for 2008):



In 2009 and 2010, the Investigation Section investigated and closed the following supplier investigations (information is not available for 2008):



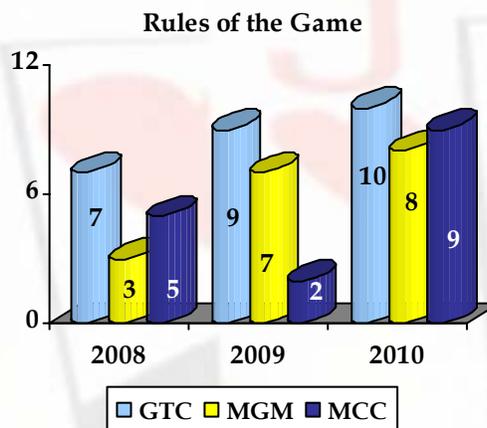
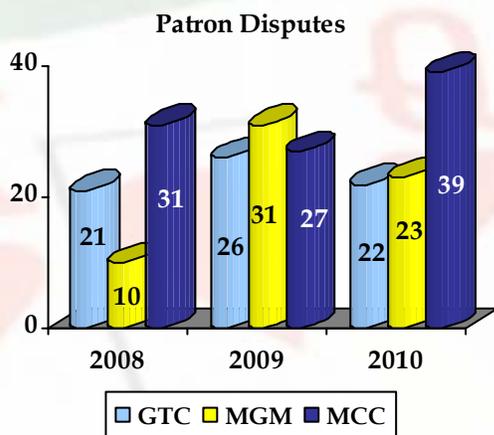


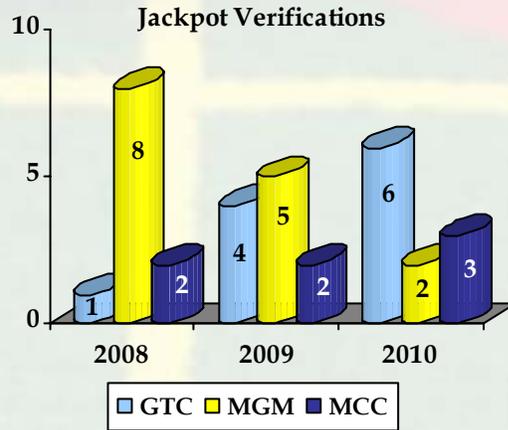
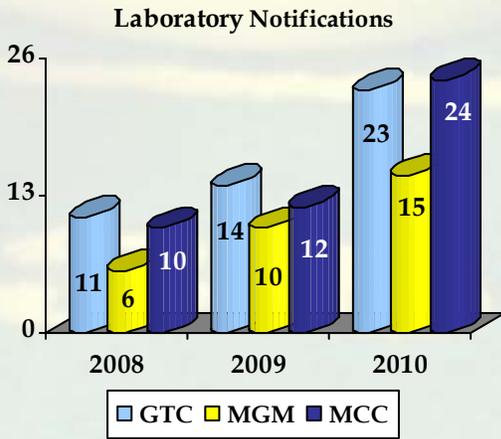
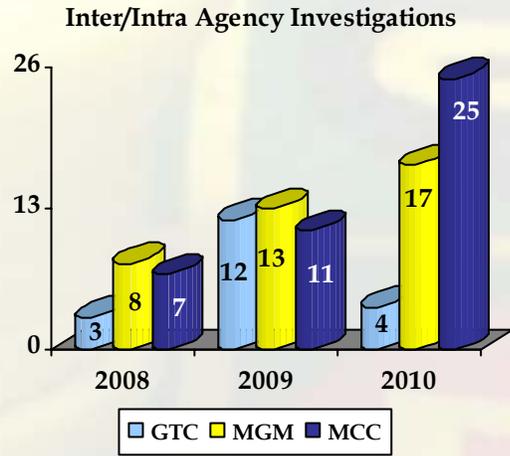
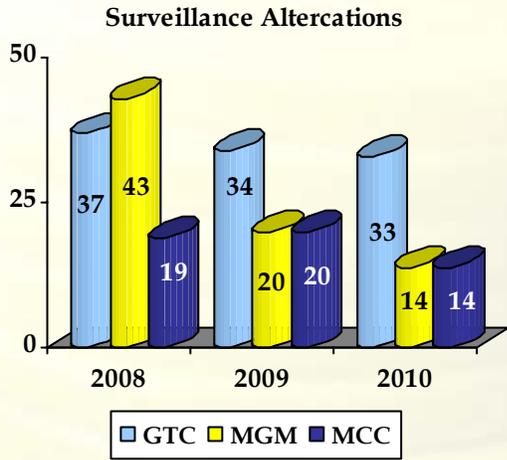
## Enforcement Section

The Enforcement Section continues to carry out the 7 days a week, 24 hours a day, monitoring of the casinos' responsibilities to ensure gaming integrity. Regulation officers are located in the three Detroit casinos and are authorized by the Michigan Gaming Control and Revenue Act to investigate alleged violations of the Act, Rules, and System of Internal Controls to ensure all casino facilities, activities, and games are in compliance.

The Monitoring Inspection Review Team (MRT) was established this year to formalize the ongoing review process to ensure inspections conducted by the Enforcement Section effectively monitor casino operations for adherence to the Act, Rules, and System of Internal Controls.

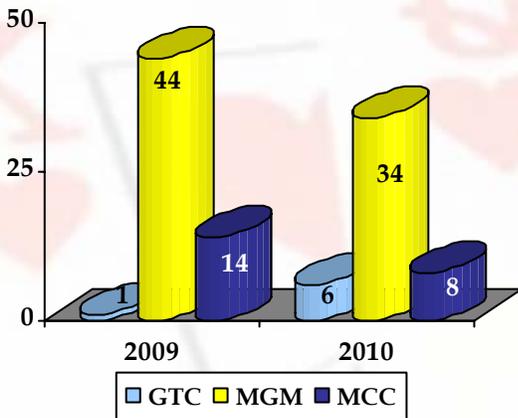
The Enforcement Section performed the following investigations in 2008, 2009, and 2010:



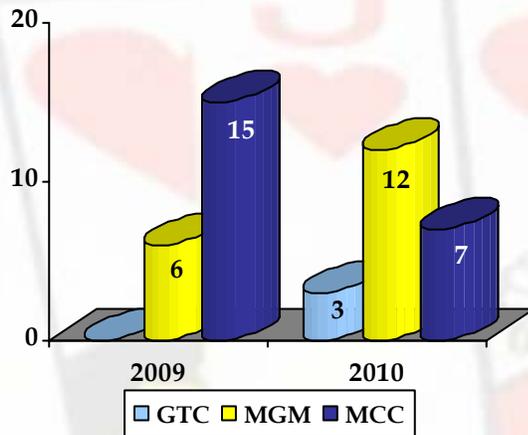


Casino investigations received and closed in 2009 and 2010 (information not available for 2008):

### Qualifying Individuals Investigated



### Qualifying Entities Investigated



## *Violations Issued/ Fines Imposed*

### Greektown Casino-Hotel, LLC

The Board approved an Acknowledgement of Violation (AOV) of Greektown Casino-Hotel, LLC, and the casino was fined \$50,000 for sending promotional mailings and coupons offering Bonus Play/ Bonus Bet to persons on the list of disassociated persons.

The MGCB/Greektown Enforcement section staff conducted an unannounced financial count of all cage and cage departments to verify the reporting and accountability of cash and cash equivalents at Greektown Casino-Hotel.

### MGM Grand Detroit, LLC

The Board approved an AOV of MGM Grand Detroit for using software which was not approved and was fined \$50,000.

MGM Grand Detroit placed \$34,464 in front money for patron return or escheat to the state as a result of an improper payout at a table game.

The MGCB/MGM Enforcement section staff conducted an unannounced financial count of all cage and cage departments to verify the reporting and accountability of cash and cash equivalents at MGM Casino.

George Corchis was appointed President and COO (MGM Grand Detroit LLC) and President and COO - Regional Operations (MGM Resorts International Operations, Inc.). Steve Zanella was appointed to the position of General Manager of MGM Grand Detroit, LLC.

### Detroit Entertainment, LLC d/b/a MotorCity Casino Hotel

The Board approved an AOV of Casino Licensee MotorCity Casino Hotel for using revoked software and they were fined \$30,000.

The MGCB/MCC Enforcement section staff conducted an unannounced financial count of all cage and cage departments to verify the reporting and accountability of cash and cash equivalents at MotorCity Casino-Hotel.

### Supplier Fines

The Board approved an AOV of Supplier Licensee Bally Gaming Inc. for providing Indiana jurisdiction EPROMs to Greektown Casino-Hotel which were not approved for use in Michigan. The supplier was fined \$50,000 and also incurred the costs of the MGCB audit of the supplier's operations relative to the processing and shipping of orders.

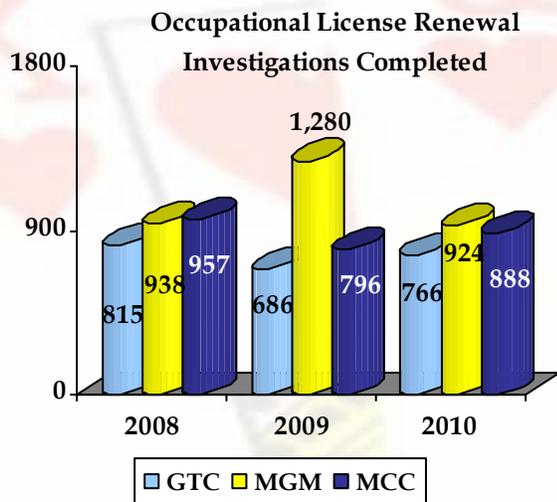
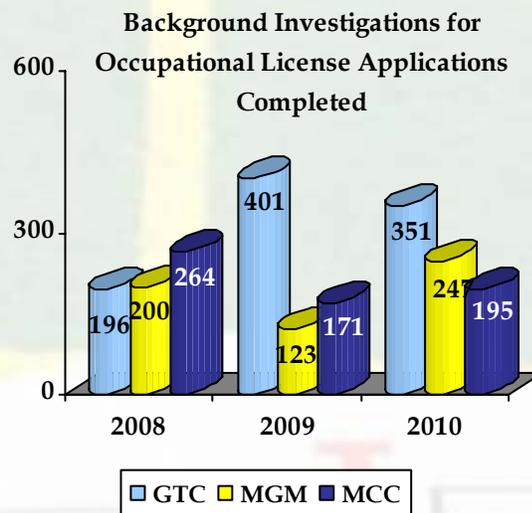
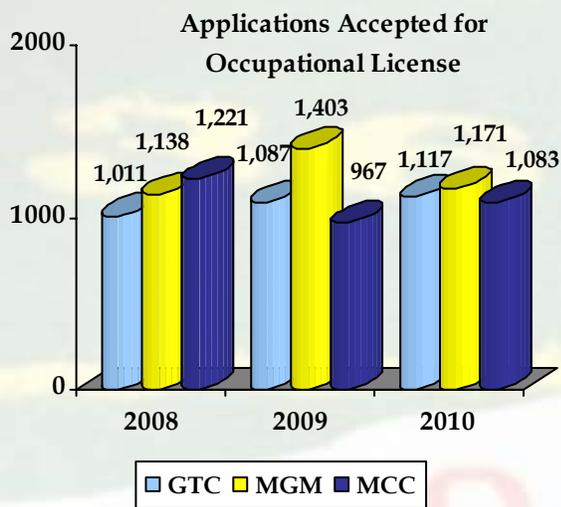
The Board approved an AOV of supplier Bally Gaming Inc. for using software which was not approved and Bally Gaming Inc. was fined \$50,000.

The Board approved an AOV of supplier Paltronics Inc., for providing software to MGM Grand Detroit which was not approved. This supplier was fined \$30,000.

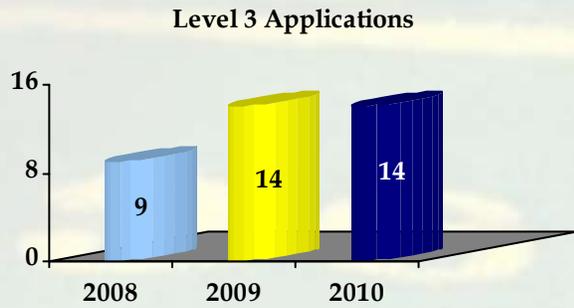
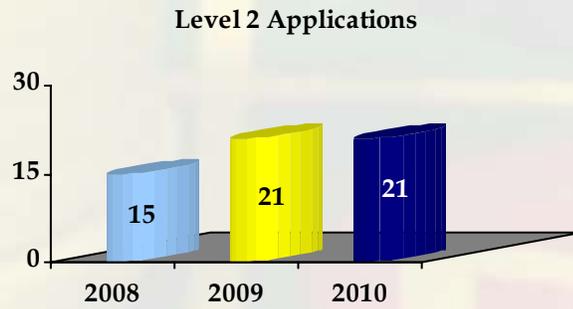
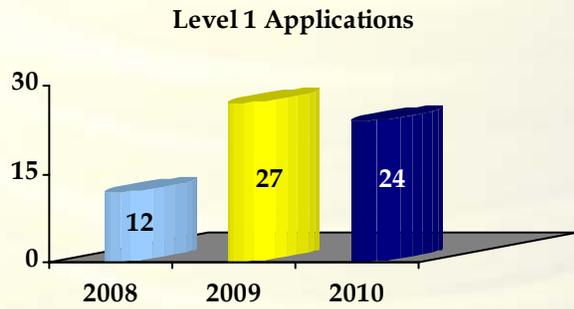
### Employee Licensing Section

The Detroit casinos and related suppliers employ approximately 6,800 personnel in positions requiring an occupational license. The Employee Licensing Section has successfully investigated and licensed over 99 percent of those employees. The remaining employees were issued temporary licenses pending completion of a background investigation. In addition, the Employee Licensing Section has also completed 2,931 renewal investigations.

The Employee Licensing Section also saw the retirement of one regulation officer and the employee licensing manager during 2010. Even with the transition of employees, the remaining staff has been able to maintain the work flow of the unit without sacrificing quality over quantity.



The average number of days from receipt of an occupational license application to license grant recommendation to the Board or Executive Director during 2008, 2009, and 2010 was:





## Minors and Compulsive Gambling

### ANNUAL UNDERAGE AND COMPULSIVE GAMING STUDIES

Section 15(2) of the Act, MCL 432.215(2) requires that each casino licensee conduct an annual study on minors and compulsive gaming. Section 15(1) of the Act further requires that the Board include certain information regarding minors on casino premises, which each licensee must compile as part of their annual study. Following is a summary chart of the required information compiled and reported by each of the three Detroit casino licensees in their respective annual studies on minors and compulsive gaming for calendar year 2010.

**Casino Licensees' Reported Contacts with Minors  
on Licensed Casino Premises  
During Calendar Year 2010**

|   | MGM Grand | MotorCity | Greektown |
|---|-----------|-----------|-----------|
| 1. The number of minors who were denied entry into the casino.  | 3,821     | 6,353     | 977       |
| 2. The number of minors who were physically escorted from the casino premises.                          | 916       | 4         | 11        |
| 3. The number of minors who were detected participating in gambling games other than slot machines.     | 5         | 3         | 4         |
| 4. The number of minors who were detected using slot machines.  | 2         | 0         | 2         |
| 5. The number of minors who were taken into custody by a law enforcement agency on the casino premises. | 19        | 0         | 8         |
| 6. The number of minors who were detected illegally consuming alcohol on the casino premises.           | 4         | 0         | 1         |



## **Board Revenues and Expenditures**

### **STATE SERVICES FEE FUND**

Section 432.212a of Public Act 69 of 1997 provides that all casino-related regulatory and enforcement costs, compulsive gambling programs, and other casino-related programs, activities, and services conducted by the Board, the Michigan Department of State Police, the Michigan Department of Attorney General, the Michigan Department of Community Health, and other state agencies shall be paid from annual fees assessed on the three Detroit casino licensees. Under the Act, each casino licensee is required to pay an annual assessment fee on or before the date on which the licensee first began operating its casino and each year, thereafter, on that date. The amount of each licensee's annual assessment is equal to 1/3 of \$25,000,000 adjusted annually by multiplying the previous year's assessment by the Detroit consumer price index, as defined and reported by the United States Department of Labor, Bureau of Labor Statistics. Based on this formula, each of the three Detroit casino licensees were assessed and paid a total of \$31,065,085 for calendar year 2010 and \$31,189,543 for fiscal year 2010.

From the annual assessment fees paid each year by the licensees, \$2,000,000 must be deposited in the state's Compulsive Gaming Prevention Fund. Up to \$1,040,000 may be distributed annually to the Domestic Violence and Treatment Board administered by the Department of Human Services. The remaining \$960,000 is to be used exclusively for the treatment, prevention, education, training, research, and evaluation of compulsive gamblers and their families, as determined by the director of the Michigan Department of Community Health.

### **APPLICATION AND LICENSE FEES, FINES AND COSTS**

The Board is authorized by the Act to collect various license application fees to fund the Board's cost of conducting required background investigations of applicants for casino, supplier, and occupational licenses. After an applicant is determined eligible and suitable for licensure, the Act authorizes the Board to assess and collect license fees for both the initial issuance and subsequent renewals of casino, supplier, and occupational licenses. In addition to application and license fees, the Act authorizes the Board to order reimbursement of investigative costs and to impose fines as disciplinary actions to penalize violators of the Act or administrative rules of the Board. The Board collected application and license fees and other authorized fees, fines, and reimbursement of costs totaling \$2,649,231 for calendar year 2010 and \$2,645,466 for fiscal year 2010.

## **NATIVE AMERICAN CASINO FUND**

The Indian Gaming Oversight program was originally established within the Office of Racing Commissioner, Department of Agriculture. The Governor of Michigan officially designated and authorized the Executive Director of the MGCB, and his designees, agents and employees, as the State of Michigan's representative to conduct the state's authorized inspections of tribal Class III gaming facilities and records, pursuant to and in accordance with the provisions of the various Tribal-State Compacts for the conduct of Tribal Class III gaming on Indian lands in Michigan. Oversight responsibilities include conducting financial and compliance audits of the Tribal Casinos operations to determine the extent of compliance with the Tribal-State Gaming Compacts and related Consent Judgments. Board members of the MGCB have no oversight role or authority over the Tribal-State Gaming Compacts. Within each of these compacts, it is outlined that the Tribe shall make annual payments to the State to be applied towards the costs incurred for carrying out functions authorized by the terms of the compacts.

Subject to certain exclusivity provisions, the Tribal-State Compacts and related consent agreements stipulate that a percentage of annual net win, derived from all Class III electronic games of chance, is to be paid to the Michigan Strategic Fund (MSF) or Michigan Economic Development Corporation (MEDC). The MEDC provides funding to the Board for oversight related to these payments.

## **LAB FUND**

Rule 432.1842 of Public Act of 69 of 1997 provides that all gaming devices and equipment distributed to a casino licensee must be approved by the board prior to being placed on the gaming floor of the Detroit Casinos. It further provides that the manufacturer or distributor of the equipment is required to pay the cost of testing. The lab has an established fee schedule for payments of various testing which is designed to cover the costs associated with testing.

## **EQUINE DEVELOPMENT FUND (HORSE RACING)**

Per Executive Order 2009-45 the Office of the Racing Commissioner and the position of Racing Commissioner were abolished and those functions were transferred to the Executive Director of the MGCB. All powers, duties, and functions of regulating live horse racing were placed with the Executive Director effective January 17, 2010. Board members of the MGCB have no authority or role in regulating live horse racing. Prior to Executive Order 2009-45, the Office of Racing Commissioner was a type-1 agency under the Michigan Department of Agriculture. Executive Order 2009-54 maintains the authority, powers, duties, and functions under Section 20 of the Horse Racing Law of 1995, PA 279, MCL 431.320 (Equine Development Fund) within the Michigan Department of Agriculture effective March 15, 2010. These Executive Orders gave regulatory authority of racing to the Executive Director, but the funding of this function is still retained by the Michigan Department of Agriculture through the Equine Development Fund under §20 of the Act.

## BOARD STATEMENT OF REVENUES AND EXPENDITURES

Section 432.215(1) of Public Act 69 of 1997 requires that the Board's Annual Report include an account of the Board's financial position and the results of operations under the Act, for the period covered by the report. While the Board, like other state agencies, operates on a fiscal year (October 1 - September 30) basis, the Act requires that the Board's Annual Report be based on the calendar year. To give a more comprehensive account of the Board's financial position and the results of operations, the following financial statement reports the Board's revenues and expenditures for both calendar year and fiscal year 2010.



## **Statement of Revenues and Expenditures**

**(In Thousands)**

### **REVENUES**

|                                    | <u>Fiscal Year 2010</u> | <u>Calendar Year 2010</u> |
|------------------------------------|-------------------------|---------------------------|
| <b>State Casino Gaming Fund</b>    |                         |                           |
| Casino and supplier fines          | \$ 203.0                | \$ 198.0                  |
| <b>State Services Fee Fund</b>     |                         |                           |
| Annual assessments                 | 31,189.5                | 31,065.1                  |
| Application fees:                  |                         |                           |
| Casinos                            | 144.1                   | 144.1                     |
| Suppliers                          | 314.5                   | 276.2                     |
| Occupational                       | 124.4                   | 133.0                     |
| Vendors                            | 46.0                    | 42.4                      |
| License fees:                      |                         |                           |
| Casinos                            | 75.0                    | 75.0                      |
| Suppliers                          | 590.0                   | 565.0                     |
| Occupational                       | 413.8                   | 393.4                     |
| Vendors                            | 0.0                     | 2.2                       |
| Other fees:                        |                         |                           |
| Badge replacement fees             | 3.6                     | 3.6                       |
| Other                              | 6.1                     | 6.0                       |
| <b>Native American Casino Fund</b> |                         |                           |
| Oversight fees                     | 490.2                   | 408.8                     |
| <b>Lab Fund</b>                    |                         |                           |
| Testing fees                       | 725.0                   | 810.3                     |
| <b>Equine Development Fund</b>     | 36.2                    | 36.2                      |
| <b>Industry Support Funds</b>      | 5.4                     | 5.4                       |
| <b>Total Revenues</b>              | <b>\$ 34,366.8</b>      | <b>\$ 34,164.7</b>        |

**EXPENDITURES**

|                                    | <u>Fiscal Year 2010</u> | <u>Calendar Year 2010</u> |
|------------------------------------|-------------------------|---------------------------|
| <b>State Services Fee Fund</b>     |                         |                           |
| Board                              | \$ (8.8)                | \$ (15.7)                 |
| Administration                     | (16,797.2)              | (15,893.2)                |
| Background investigations          | (629.0)                 | (605.4)                   |
| Information technology             | (1,353.6)               | (1,362.8)                 |
| <b>Native American Casino Fund</b> | (437.0)                 | (439.4)                   |
| <b>Lab Fund</b>                    | (718.7)                 | (818.0)                   |
| <b>Equine Development Fund</b>     | (1,947.7)               | (2,286.7)                 |
| <b>Industry Support Funds</b>      | (5.4)                   | (5.4)                     |
| <b>Total Expenditures</b>          | <b>\$ (21,897.4)</b>    | <b>\$ (21,426.6)</b>      |

**OTHER FINANCING SOURCES (USES)****Transfers from other funds:**

|                           |            |            |
|---------------------------|------------|------------|
| Department of Agriculture | \$ 1,913.0 | \$ 1,913.0 |
|---------------------------|------------|------------|

**Transfers to other funds:****State Services Fee Fund**

|  |            |            |
|--|------------|------------|
| Department of Community Health         | (960.0)    | (960.0)    |
| Department of Human Services           | (1,040.0)  | (1,040.0)  |
| Michigan Office of the Auditor General | (947.3)    | (947.3)    |
| Department of Treasury                 | (208.2)    | (208.2)    |
| Michigan State Police                  | (11,783.1) | (11,783.1) |
| Department of Agriculture              | (135.6)    | (135.6)    |
| Department of Civil Service            | (152.6)    | (152.6)    |
| General Fund                           | (1,600.0)  | (1,600.0)  |

|   |                      |                      |
|---|----------------------|----------------------|
| <b>Total Other Financing Sources (Uses)</b> | <b>\$ (14,913.8)</b> | <b>\$ (14,913.8)</b> |
|---|----------------------|----------------------|

**Excess of Revenues and Other Sources over**

|  |                     |                     |
|--|---------------------|---------------------|
| <b>(under) Expenditures and Other Uses</b> | <b>\$ (2,444.4)</b> | <b>\$ (2,175.7)</b> |
|--|---------------------|---------------------|

**Footnotes:**

1. Approval for calendar year presentation was received from the Department of Management and Budget, Office of Financial Management.
2. Governmental fund types are accounted for using the modified accrual basis of accounting.
3. The Equine Development Fund presented in the expenditures above are Horse Racing expenditures which are funded by the Department of Agriculture's Equine Development Fund.



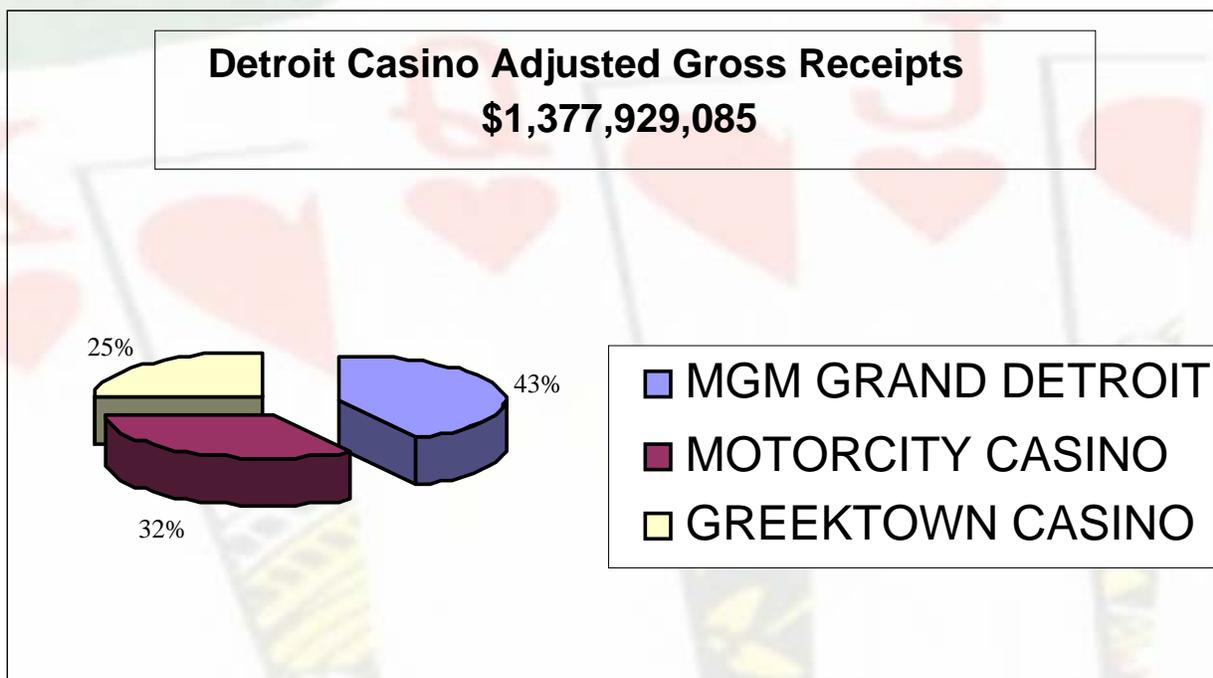
## Casino Revenues and State Wagering Taxes

### STATE CASINO WAGERING TAX

Section 432.212 of Public Act 69 of 1997 imposed an 8.1% State Wagering Tax on the adjusted gross receipts received by each Detroit casino licensee from casino gaming authorized by the Act. The Act defines “adjusted gross receipts” as being the licensee’s gross gaming receipts less winnings paid to wagerers. The 8.1% is deposited in the State’s School Aid Fund to provide additional funds for K-12 public classroom education. Public Act No. 306 of 2004 amended the original Act. Effective September 1, 2004, the State Wagering Tax was temporarily increased by 4% to 12.1%. Of the additional 4%, 3.5% is deposited in the State’s General Fund and .5% is deposited in the Michigan Agriculture Equine Industry Development Fund. The MGM and Motor City Casinos are no longer required to pay the additional 4% wagering tax due to the opening of their permanent casinos and hotels. On March 9, 2010, the Board certified that the Greektown Casino met the requirements of Public Act 306 of 2004 and is entitled to a tax adjustment retroactive to February 15, 2009.

In calendar year 2010, the combined 8.1% State Wagering Taxes paid by the three Detroit casino licensees and deposited in the School Aid Fund totaled \$99,284,352. This amount includes a credit which was created with the retroactive tax adjustment for the Greektown Casino.

The following is a monthly and annual summary of the adjusted gross receipts and State Wagering Tax payments for the three Detroit casino licensees for calendar year 2010:



## CALENDAR YEAR ADJUSTED GROSS RECEIPTS AND STATE WAGERING TAXES DETAIL

| Month        | Calendar Year 2010      |                            |                         |                            |                         |                                  | All Detroit Casinos           |                          |
|--------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------------|-------------------------------|--------------------------|
|              | MGM GRAND DETROIT       |                            | MOTORCITY CASINO        |                            | GREEKTOWN CASINO        |                                  | Total Adjusted Gross Receipts | Total State Wagering Tax |
|              | Total Adjusted Revenue  | State Wagering Tax (8.10%) | Total Adjusted Revenue  | State Wagering Tax (8.10%) | Total Adjusted Revenue  | State Wagering Tax (12.10%)&(8.1 |                               |                          |
| January      | \$47,468,319.04         | \$3,844,933.84             | \$35,923,997.65         | \$2,909,843.81             | \$28,023,801.65         | \$3,390,880.00                   | \$111,416,118.34              | \$10,145,657.65          |
| February     | \$48,622,651.56         | \$3,938,434.78             | \$36,511,115.12         | \$2,957,400.32             | \$29,809,377.11         | \$3,606,934.63                   | \$114,943,143.79              | \$10,502,769.73          |
| March        | \$52,548,328.50         | \$4,256,414.61             | \$41,234,840.59         | \$3,340,022.09             | \$33,481,265.74         | \$999,029.25                     | \$127,264,434.83              | \$8,595,465.95           |
| April        | \$49,605,147.69         | \$4,018,016.96             | \$37,322,007.23         | \$3,023,082.59             | \$31,981,892.16         | \$0.00                           | \$118,909,147.08              | \$7,041,099.55           |
| May          | \$48,836,322.62         | \$3,955,742.13             | \$38,386,776.02         | \$3,109,328.86             | \$29,688,544.04         | \$0.00                           | \$116,911,642.68              | \$7,065,070.99           |
| June         | \$46,220,269.94         | \$3,743,841.87             | \$36,543,168.85         | \$2,959,996.68             | \$27,038,009.97         | \$0.00                           | \$109,801,448.76              | \$6,703,838.54           |
| July         | \$50,433,913.76         | \$4,085,147.01             | \$37,735,768.95         | \$3,056,597.28             | \$30,633,325.45         | \$0.00                           | \$118,803,008.16              | \$7,141,744.30           |
| August       | \$48,046,645.76         | \$3,891,778.31             | \$35,046,365.19         | \$2,838,755.58             | \$29,880,927.00         | \$0.00                           | \$112,973,937.95              | \$6,730,533.89           |
| September    | \$46,489,288.77         | \$3,765,632.39             | \$34,773,828.64         | \$2,816,680.12             | \$28,108,806.75         | \$1,435,581.94                   | \$109,371,924.16              | \$8,017,894.45           |
| October      | \$46,787,049.23         | \$3,789,750.99             | \$37,317,981.25         | \$3,022,756.48             | \$29,542,351.88         | \$2,392,930.50                   | \$113,647,382.36              | \$9,205,437.97           |
| November     | \$47,749,511.54         | \$3,867,710.43             | \$37,135,412.99         | \$3,007,968.45             | \$26,536,782.71         | \$2,149,479.40                   | \$111,421,707.24              | \$9,025,158.29           |
| December     | \$49,079,987.69         | \$3,975,479.00             | \$38,477,750.92         | \$3,116,697.82             | \$24,907,450.98         | \$2,017,503.53                   | \$112,465,189.59              | \$9,109,680.36           |
| <b>Total</b> | <b>\$581,887,436.10</b> | <b>\$47,132,882.32</b>     | <b>\$446,409,013.40</b> | <b>\$36,159,130.09</b>     | <b>\$349,632,635.44</b> | <b>\$15,992,339.25</b>           | <b>\$1,377,929,084.94</b>     | <b>\$99,284,351.66</b>   |





## Appendix 1 - Michigan Attorney General, Alcohol & Gambling Enforcement Division

### INTRODUCTION

The Alcohol and Gambling Enforcement Division of the Department of Attorney General serves several state agencies and navigates diverse areas of law. Included in the division's collection of clients are the MGCBC, the Executive Director of the Michigan Gaming Control Board in executing responsibilities previously held by the Office of Racing Commissioner, the Bureau of State Lottery (including its Charitable Gaming Division), the Michigan Liquor Control Commission, various units of the Michigan State Police and the Department of Treasury, and the Michigan Sheriffs' Coordinating and Training Council.

The Alcohol and Gambling Enforcement Division advises and represents the MGCBC and Board staff on matters pertaining to casino gambling authorized under the Act and rules and wagering on the results of horse racing under the provisions of the Horse Racing Law of 1995. These efforts often involve providing legal guidance during in-depth regulatory investigations, such as licensing background investigations and investigations concerning statute or rule violations by casino, supplier, occupational, or racing licensees. The division also represents the State's interests in Board licensing and enforcement actions before the Board and in all levels of state and federal court. The Attorney General represents the Board and its employees when sued in state and federal courts.

The division also provides the Board with extensive general counsel services. These services include, among other things, serving as counsel to the Board during its public meetings, providing training and education for the Board staff, and providing written advice on complex legal questions. The division frequently assists by examining statutory provisions not yet construed by the courts and by analyzing transactional matters that require the Board approval. The division has helped the Board staff navigate several multi-million dollar financing transactions and complex ownership transfers to ensure compliance with the Act and rules.

### SUMMARY OF ACTIVITY

In 2010, the division handled over 1,575 legal matters, including casino violation complaints, investigations, and giving verbal and written legal advice.

Among the division's significant contributions to protecting the State's gambling-related interests in 2010 are:

- Preserving the Board's jurisdiction throughout the reorganization of Greektown Casino in Chapter 11 bankruptcy;
- Determining the applicability of Board regulations to the transactions contemplated in the final plan of reorganization in that case and guiding the Board through the resulting transfer of ownership and financing transaction;
- Successfully defending the gambling proliferation limitations in Art IV, §41 of Michigan's Constitution before the Sixth Circuit Court of Appeals;
- Successfully prosecuting businesses engaged in illegal gambling; successfully defending application of the strict liability standard to drug prohibitions in horse racing; and
- Promoting the regulatory authority of the Charitable Gaming Division of the Bureau of State Lottery and Michigan's charities by penalizing a poker hall for overcharging licensed charities.

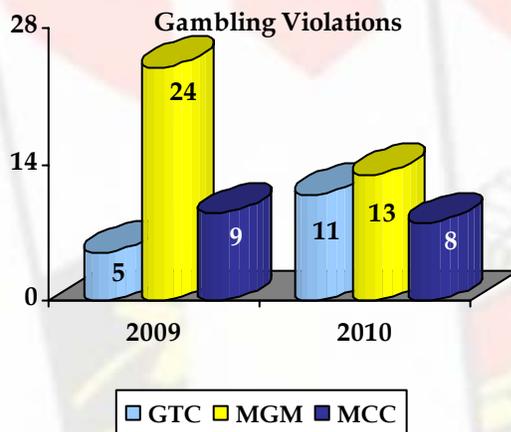
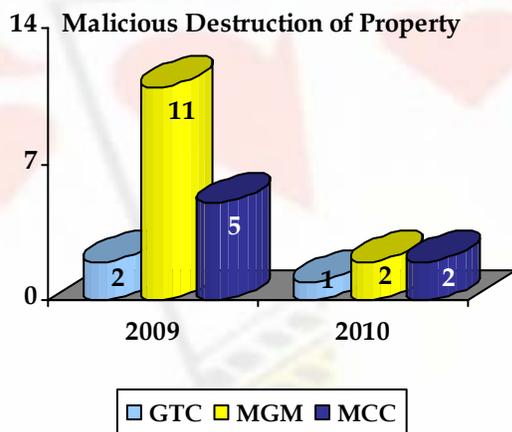
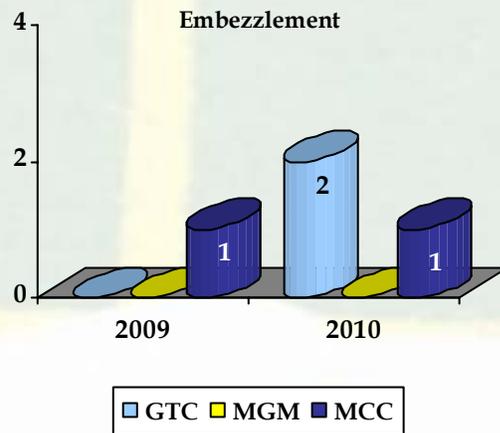
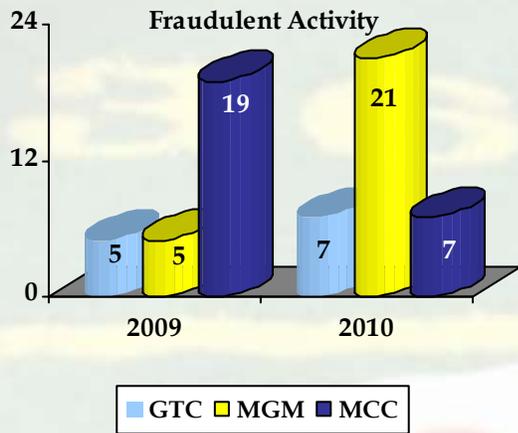
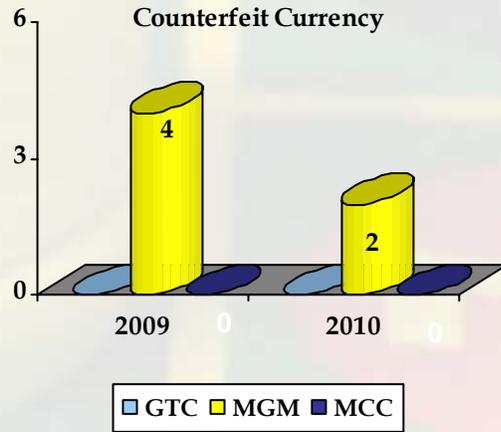
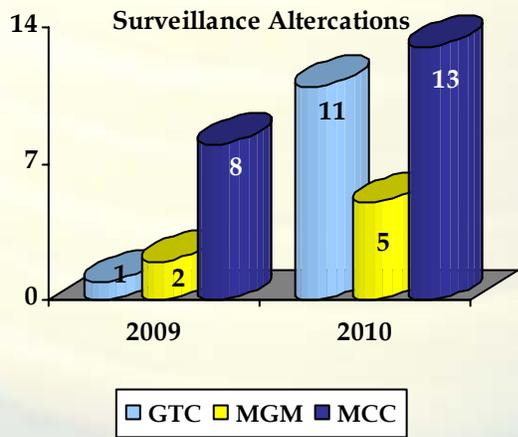
The division also continues to assist and coordinate the gambling enforcement task force. This inter-agency task force was created by the Executive Director to address illegal forms of gambling in the State. Members of this group include the Gaming Control Board, Liquor Control Commission, Department of Attorney General, Michigan State Police, Department of Treasury, and the Bureau of State Lottery. The member agencies seek to work together to encourage education and reporting. For example, the group continues to educate local police about the need to enforce the State's gambling laws, and the group encourages citizens to report illegal gambling to the Illegal Gambling Tip Line.

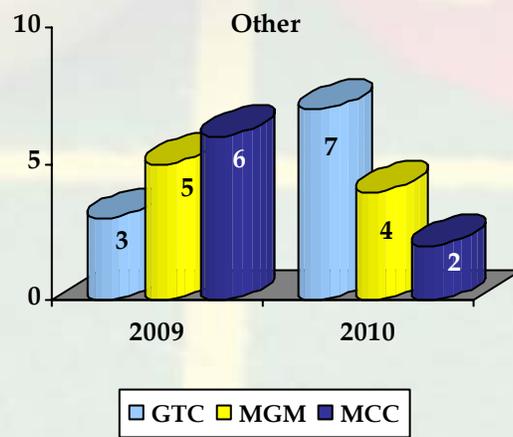
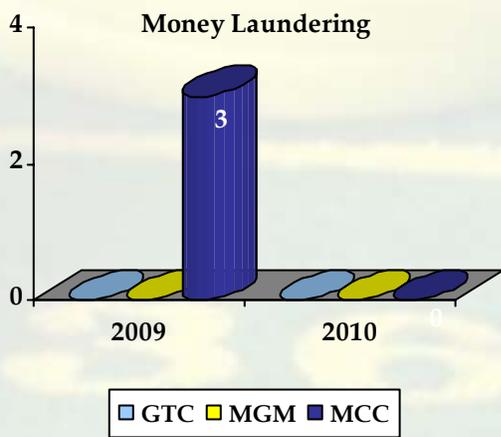
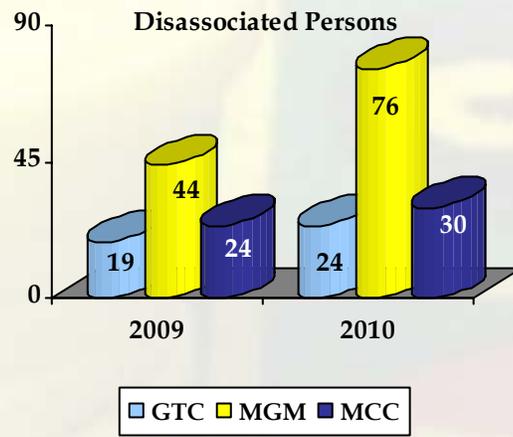
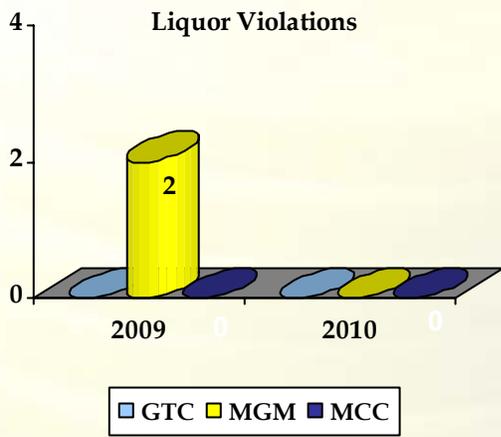
### **TREASURY & GAMING SECTION (CRIMINAL PROSECUTIONS)**

The Department of Attorney General, through its Criminal Division - Treasury & Gaming Section, issued 295 charging warrants, with a successful conviction rate just short of 100%. The number of cases in 2010 increased 48% over the 2009 caseload. Generally these crimes involved cheating, dealer/patron collusion, counterfeiting, larceny, utter and publishing false checks and financial transaction devices, and illegal gambling. The section charged an additional 19 illegal gambling cases in 2010, and obtained numerous convictions for illegal gambling under the Gaming Control and Revenue Act. One felony conviction imposed a \$100,000.00 fine, the largest such criminal fine. This unit worked closely with the Michigan State Police, Gaming Unit.

The section, working with the Gaming Control Board, MSP, and the Department of Community Health designed and instituted a Problem Gamblers Diversion pilot program. Previously problem gamblers that recognized their issue designated themselves to be excluded from regulated casinos. If they re-entered a regulated casino they were arrested and prosecuted for trespass. The program instead diverts first-time offenders to a treatment program, which if successfully completed, allows a problem gambler to avoid prosecution. The program has twin goals: get gambling addicts the help needed and reduce related costs imposed on the courts, MSP, and the Attorney General's office.

The following are the total criminal charges issued at each of the three Detroit Casinos for 2009 and 2010:







## Appendix 2 – Michigan State Police – Gaming Section

### INTRODUCTION

Since its inception, the MSP Gaming Section has undergone several transformations. In 1997, the sole function of the Gaming Section was to conduct the complex, in-depth background investigations relative to the ownership of the three Detroit casinos. An Enforcement Unit was added to the Gaming Section in 1999 to fulfill a law enforcement role inside the casinos. In 2001, the Investigative Unit of the Gaming Section was eliminated with that function being completed by regulation agents of the MGCB. MSP Gaming Section's primary role now shifted to law enforcement, both criminal and regulatory, while continuing to provide limited background investigation assistance to the Board's licensing division. As the MGCB expanded, roles were further refined. Regulatory enforcement is provided for by MGCB regulation agents with assistance, upon request, from the Gaming Section. This has allowed the Gaming Section to focus its attention on the more traditional role of criminal law enforcement. In 2006, the Gaming Section established the Special Operations Team (SpOT) to respond to developing crime trends, particularly illegal gambling outside of the casinos and money laundering inside the casinos.

### SUMMARY OF ACTIVITY

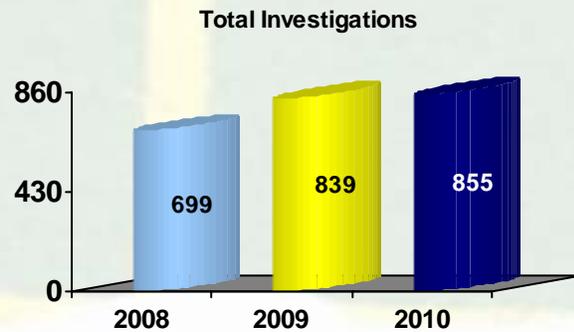
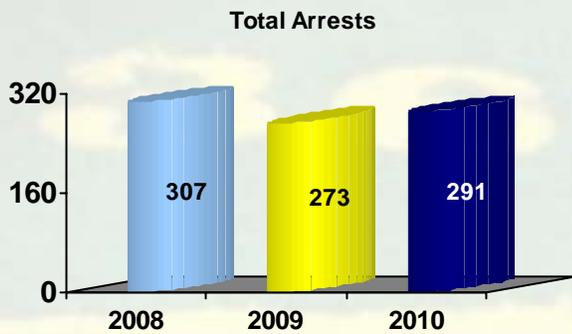
Operating from the Cadillac Place Building at 3062 W. Grand Boulevard, Suite I-750, in the City of Detroit, Gaming Section personnel rotate their patrols between the three Detroit casinos.

During 2010, the Gaming Section made 291 arrests including felony arrests for cheating at gaming, fraudulent activities, larceny, and conspiracy and misdemeanor arrests for underage gambling, minor in possession of alcohol, and trespass by disassociated persons. Additionally, fugitive arrests were made satisfying 27 fugitive warrants.

In all, the Gaming Section conducted 855 criminal complaint investigations during 2010. The largest numbers of investigations were of counterfeit currency, trespassing by disassociated persons, and gambling violations. MSP Gaming Section responded to 197 complaints of patrons in possession of counterfeit money seizing \$12,625 in counterfeit currency. Additionally, the three casinos identified another \$8,141 in counterfeit currency within their cash cages. The total amount of counterfeit currency turned over to the U.S. Secret Service from the casinos during 2010 was \$20,766.

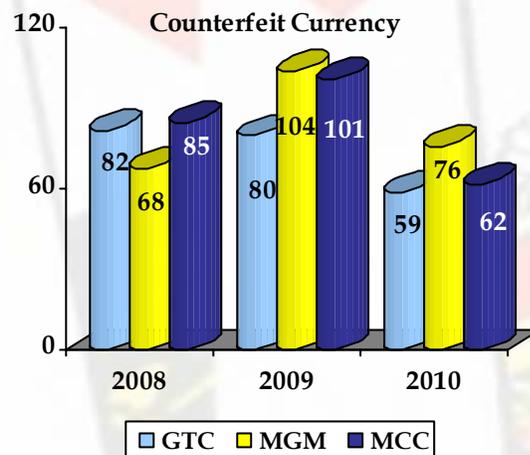
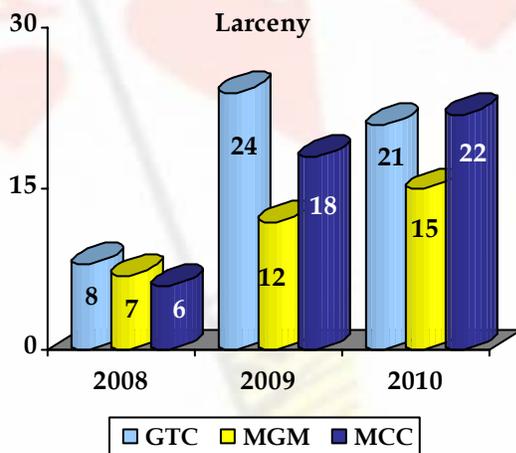
A program offered by the MGCB allows problem gamblers to “disassociate” themselves from the Detroit casinos and their affiliates. The Disassociated Persons List (DPL) currently consists of 2,591 individuals. Disassociated persons are excluded from frequenting the casinos for life. Violating the exclusion is a misdemeanor offense and not only subjects the disassociated person to arrest, but also to forfeiture of all gambling “winnings” in their possession. This money is then turned over to the Michigan Department of Community Health, Compulsive Gambling Prevention Fund. During 2010, MSP Gaming Section conducted 141 investigations of disassociated persons. Gambling proceeds in the amount of \$52,976.65 were seized, forfeited, and turned over to the Michigan Department of Community Health, Compulsive Gambling Prevention Fund.

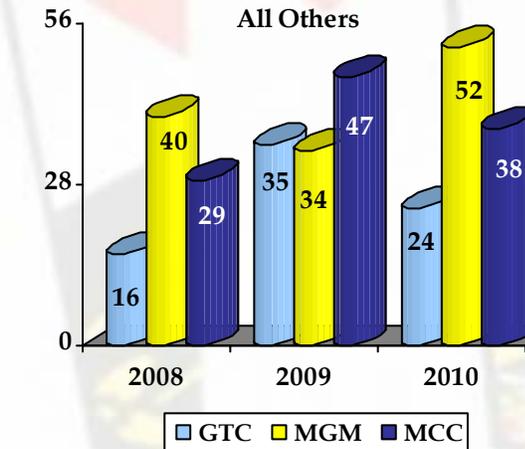
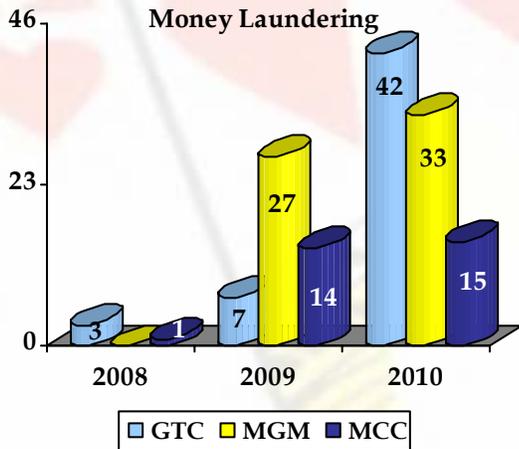
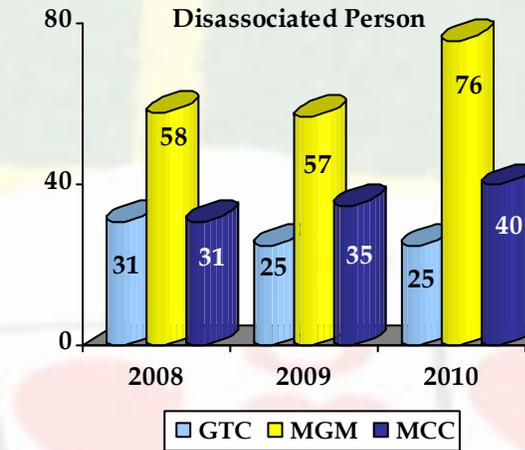
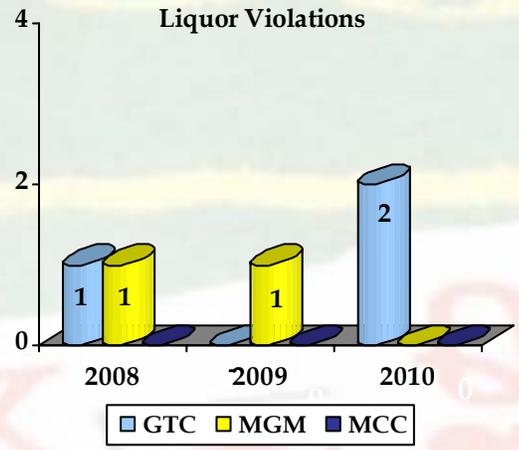
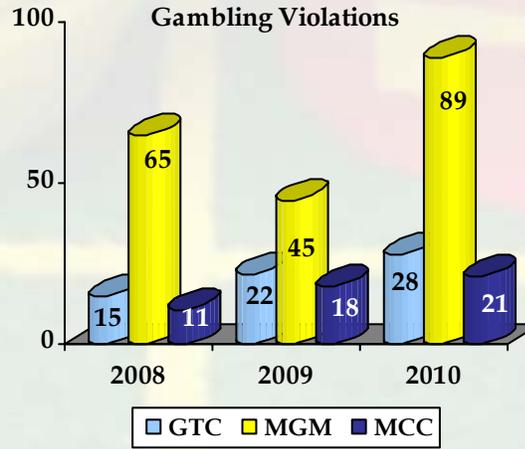
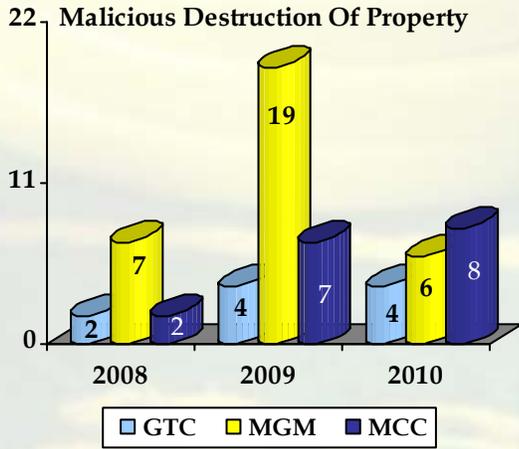
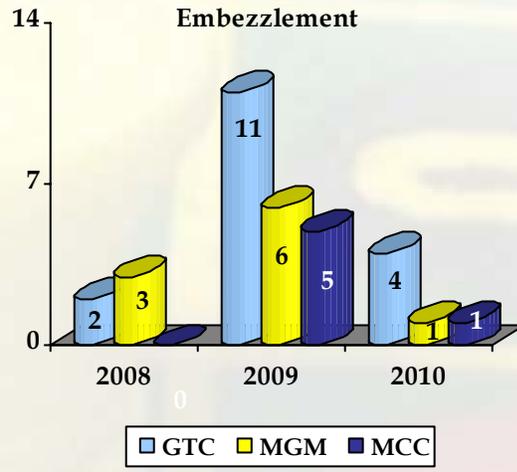
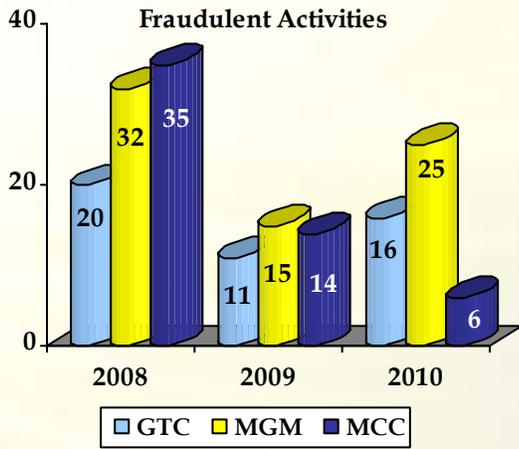
The Michigan Department of State Police and the MGCB, in conjunction with the City of Detroit Fire Department, are responsible for emergency management training at the casinos and are required to annually train licensed casino security and surveillance personnel in critical incident management. The training is designed to prepare casino surveillance and security personnel in the proper procedures to follow in the event of a fire, robbery attempt, bomb threat, WMD incident, medical emergency, or other major emergency. Each of the three casinos participated in a table top exercise earlier this year.

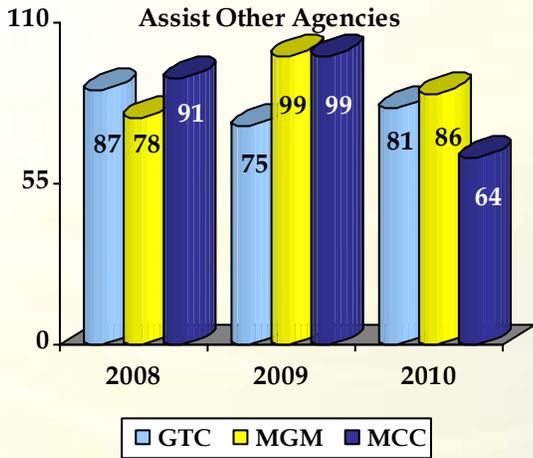


### COMPLAINTS INITIATED - CASINO OPERATIONS

In 2010, MSP Gaming Section Casino Operations initiated 811 complaint investigations. The following is a breakdown of the complaints at each casino for 2008, 2009, and 2010:

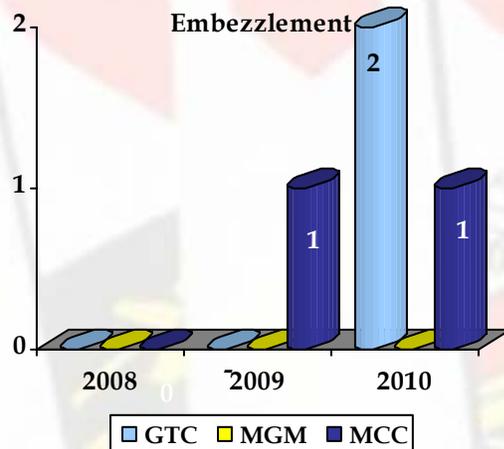
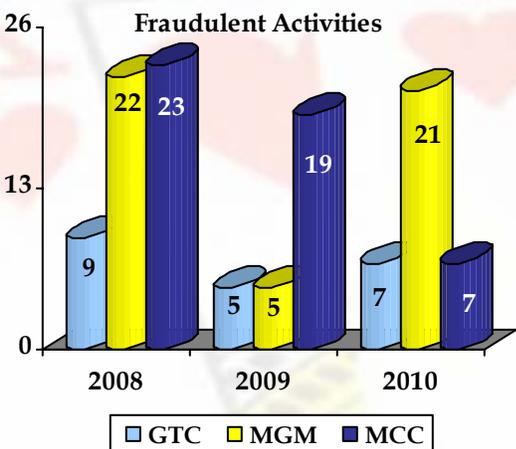
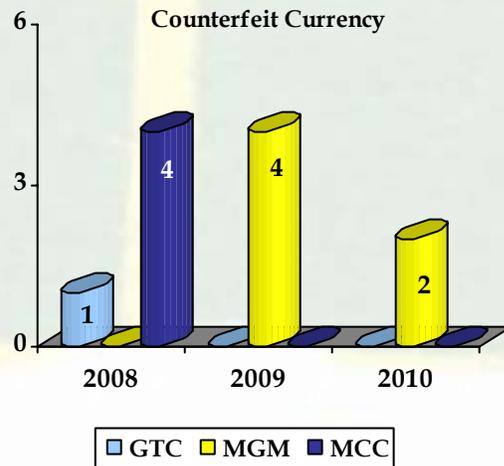
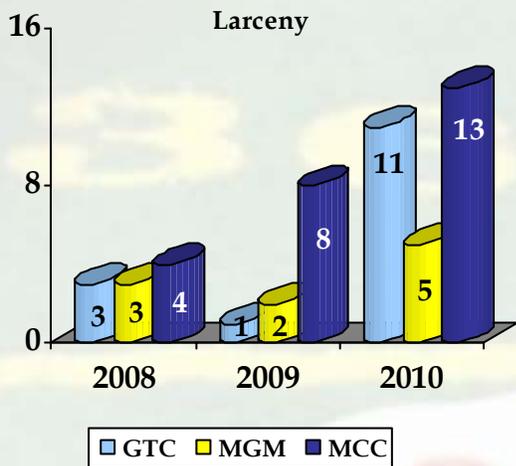


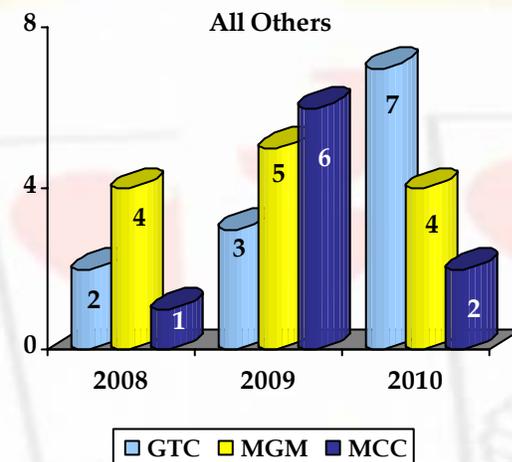
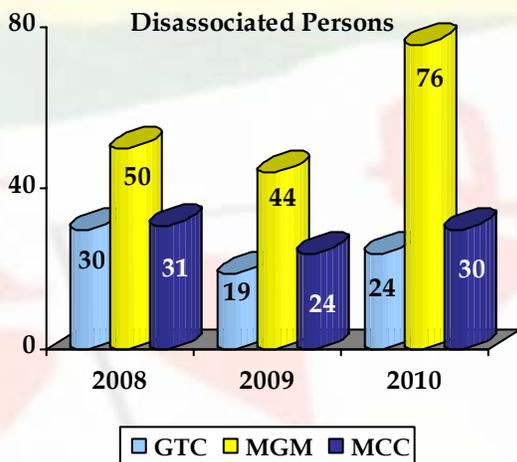
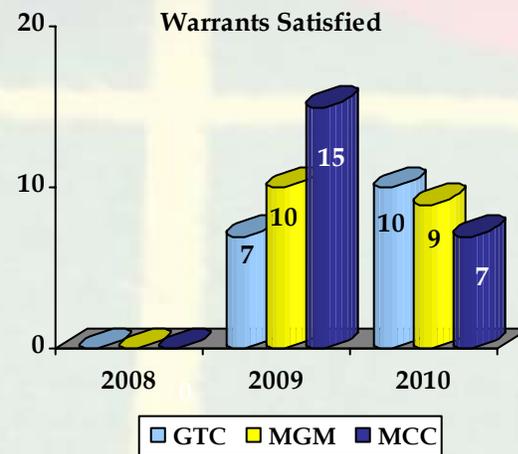
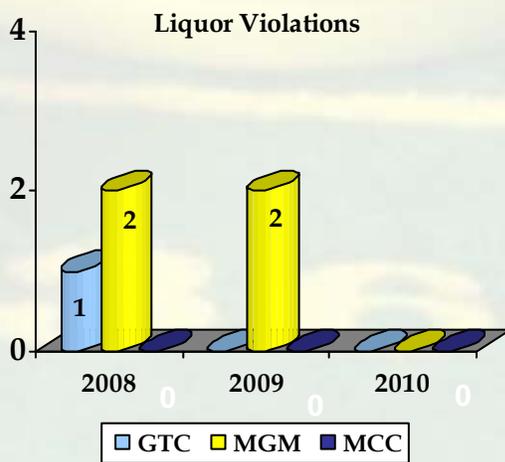
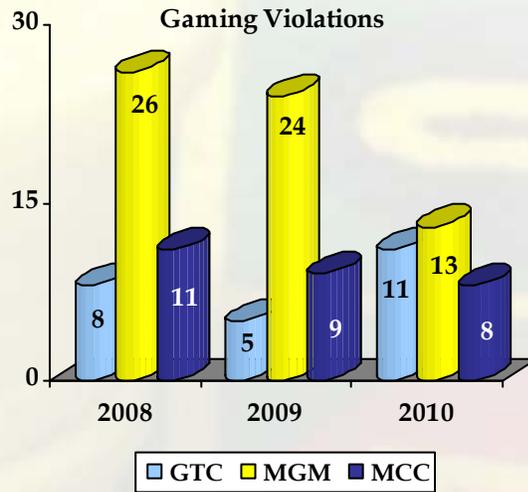
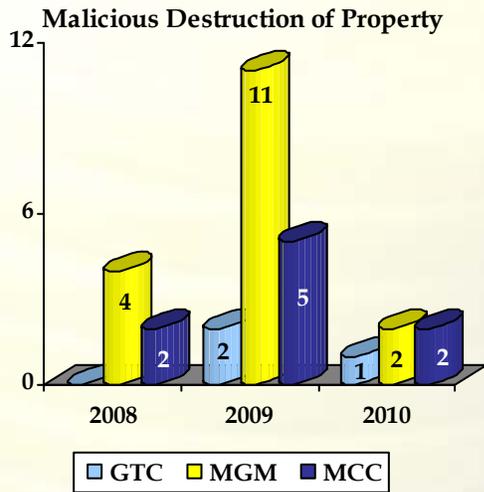




## ARRESTS - CASINO OPERATIONS

In 2010, Gaming Section's Casino Operations personnel arrested 258 individuals, resulting in 275 charges. The following is a breakdown of the charges by casino for 2008, 2009, and 2010:



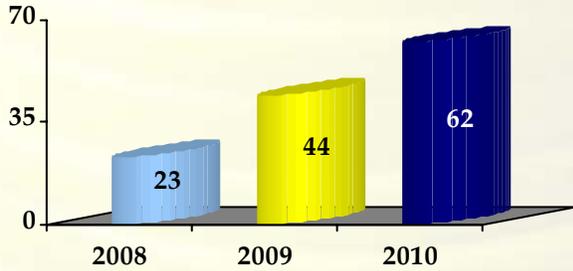


## SPECIAL OPERATIONS

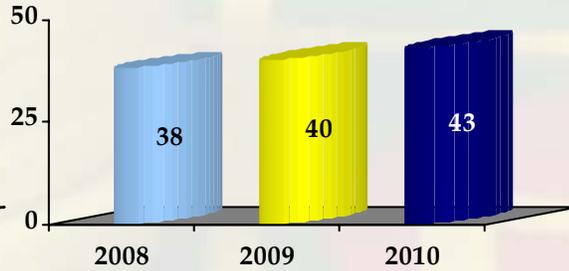
The Special Operations Team (SpOT) assists Casino Operations personnel with complex investigations stemming from activity within the three Detroit casinos as well as investigating complaints of illegal gambling outside the casinos.

SpOT often works in conjunction with the Michigan Liquor Control Commission and the Michigan Bureau of State Lottery in the investigation of illegal gambling which often occurs in licensed liquor establishments which are also authorized lottery sites. 2010 SpOT activity is summarized below, including a comparison with 2008, 2009, and 2010:

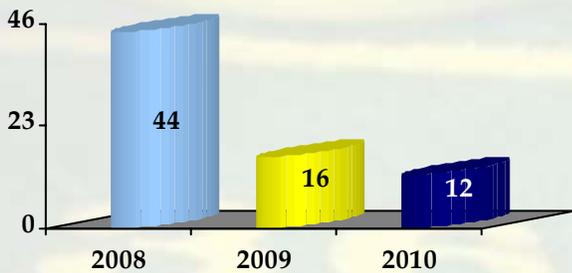
**Surveillances Operations**



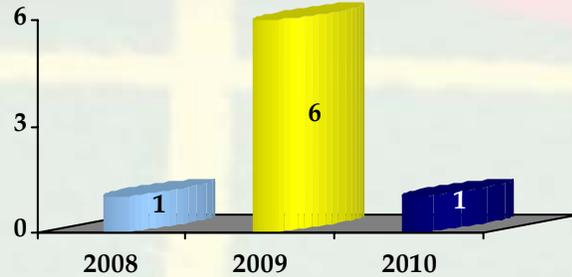
**Complaints Investigated**



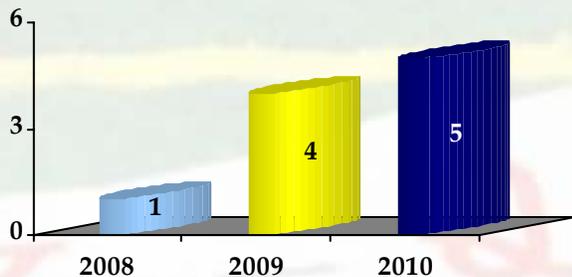
**Tips In**



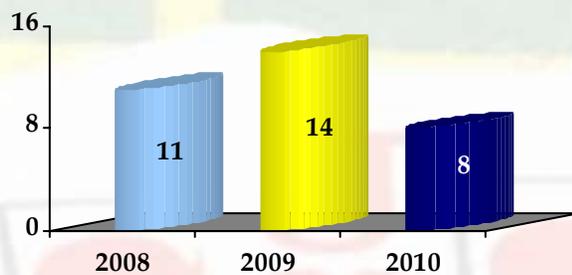
**Tips Out**



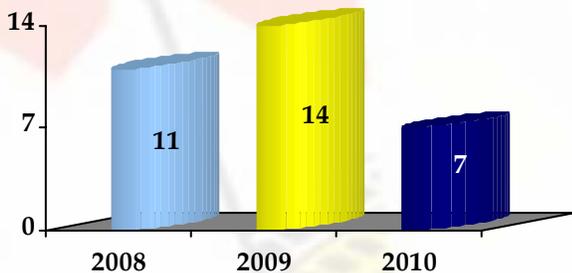
**Trash Pulls**



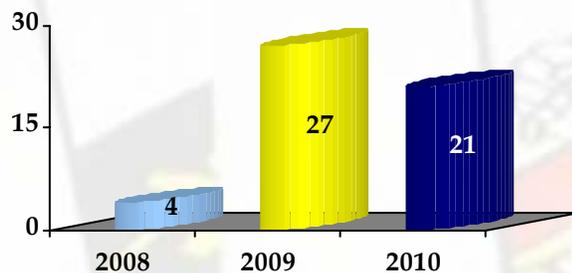
**Search Warrants**



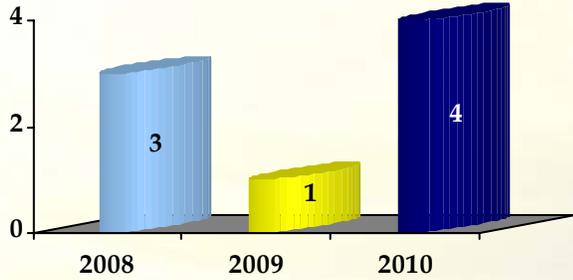
**Investigative Subpoenas**



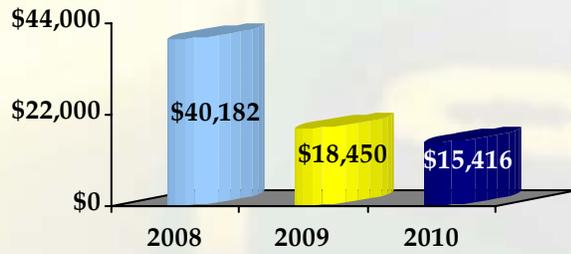
**Felony Arrests**



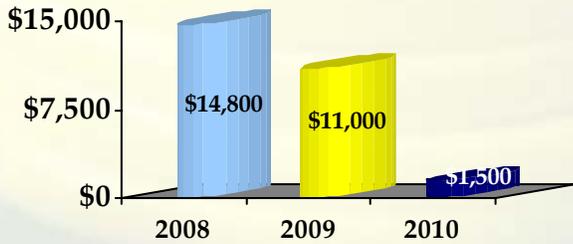
Fugitives



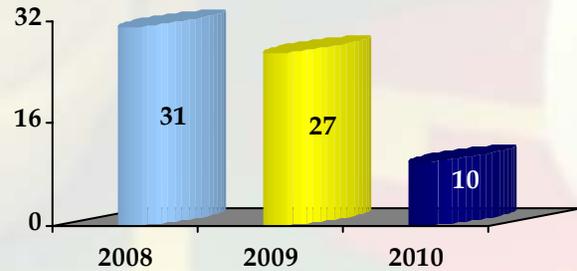
Forfeitures - Money



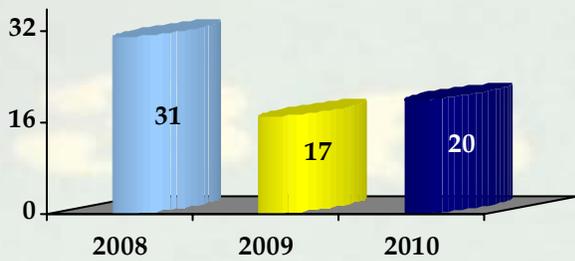
Forfeitures - Other



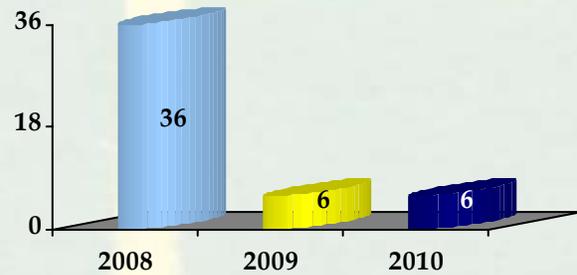
Illegal Devices Seized



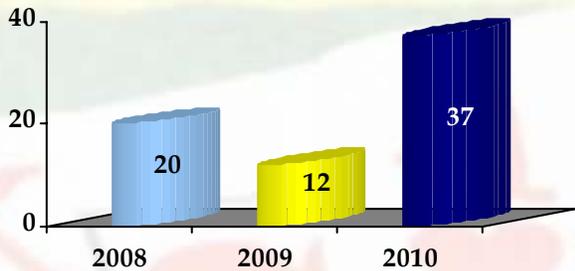
Assists to Other Agencies



LCC Violations



Warrants Requested



### CASES OF INTEREST

Gaming Section personnel arrested a bank robbery suspect at MotorCity Casino Hotel. The arrest stemmed from an attempted robbery of Greektown Casino-Hotel. The suspect told Greektown Casino-Hotel's cashier if she ever wanted to see her grandchildren again to give him all her \$100s, \$50s, and \$20s. The cashier slammed her cash drawer shut, ran from the cage window, and hit the panic button. Troopers identified the suspect from surveillance video and compiled a photo line-up. Greektown Casino-Hotel's cashier was not able to identify the suspect. However, three days later there was a robbery of the First Independence Bank located in the Greektown business district. Although this robbery was being investigated by Detroit Police

Department, bank personnel identified the suspect from the photo line-up prepared by Troopers for the attempted casino robbery. The suspect was located playing roulette at MotorCity Casino Hotel and was taken into custody without incident. A search of his hotel room resulted in the recovery of \$2,500. Troopers contact the FBI and by sharing information it was determined the suspect had also robbed several banks in the downriver Detroit area.

Gaming Section - Casino Operations personnel arrested a subject for uttering and publishing two counterfeit \$100 bills at the MGM Grand Detroit. Detectives obtained a search warrant for the suspect's vehicle. Located in the vehicle were an additional 60 counterfeit \$100 bills and 150 cartons of cigarettes with counterfeit tobacco tax stamps. Gaming Section - Special Operations Team and MSP's Tobacco Tax Team conducted an Administrative Inspection at the party store/gas station owned by the suspect. Additional cigarettes with counterfeit stamps and un-invoiced cigars were seized from the store.

Gaming Section - Special Operations Team assisted the New Jersey State Police on a fraud complaint. The suspect had contacted a Sunoco gas station on the New Jersey Turnpike posing as a Corporate Executive for Sunoco. The suspect instructed an employee to put \$400 on two separate Green Dot money cards. One of the cards was used in a transaction at Greektown Casino-Hotel. Our detectives reviewed surveillance video, identified a suspect, and retrieved the receipt with a thumb print from the casino. The suspect was positively identified by the thumb print and found to be a member of a multi-state fraud ring being investigated by the United States Secret Service. The New Jersey case and suspect were turned over to the Detroit Field Office of the Secret Service for federal prosecution.

After a three-month investigation that included 52 interviews, hours of surveillance video review, three photo line-ups, three confessions, and recovery of fraudulently obtained property from suspects' residence and a local pawn shop, Gaming Section personnel arrested three individuals. The three suspects were responsible for fraudulently accessing customers' "comp" accounts to purchase electronics and other property from the casino gift shop. Charges are pending authorization by Attorney General staff.

In November 2007, in a raid on illegal gambling, 19 search warrants were executed at bars in Genesee County and at the offices of the owner of several of those bars. An eight-month investigation by the Gaming Section Special Operations Team led up to the raid which consisted of 82 officers from state, county, and local law enforcement agencies. The search warrants netted 61 video poker and slot machines and \$58,310.41 in cash. Requests for 55 felony arrest warrants were submitted to the Attorney General's Office. In October 2010, the Attorney General's Office authorized a ten-count felony warrant for the final suspect, the owner of nine of the illegal gambling establishments raided in 2007. The suspect has been arrested and arraigned.

An unidentified caller attempted to extort "a substantial reward" from both MotorCity Casino Hotel and Greektown Casino-Hotel. The unknown male contacted the casino shift manager and stated he could walk into the casino on any given day and turn \$300

into \$2,000 within fifteen minutes due to a “flaw” he had discovered in the casino’s systems. The suspect demanded a reward in exchange for revealing the flaw to casino personnel and threatened to take advantage of the flaw if the casino failed to contact him. Special Operations Team members were able to develop a suspect through the phone number displayed on Caller ID. The suspect advised during a subsequent interview the flaw had nothing to do with what the casino was doing. It is something he found he could do on table games. Pursuant to discussion with the Attorney General’s office, no charges were sought.

A series of “snatch and grabs” occurred at the casinos in 2010. In four separate incidents, a total of \$33,170 in chips were stolen from various table games. The latest incident occurred at Greektown Casino-Hotel. After stealing the cheques, the suspect left the casino via an emergency exit and fled in a waiting vehicle parked outside the emergency exit doors. The suspect was caught on video and identified as the same suspect responsible for thefts of chips from the tables at MotorCity Casino Hotel and MGM Grand Detroit.

MSP Gaming Section Troopers and MGCB Regulation Officers conducted an undercover operation in response to an increase in thefts of TITOs (Tickets-In Tickets-Out) from casino patrons. The cooperative effort resulted in the arrest of six individuals. Felony warrant requests were authorized by the Attorney General’s Office.

A departmental member, while on duty, had her purse stolen from her departmental vehicle while fueling the vehicle at a Detroit gas station. Her hand-held radio, badge, money, and other personal items were stolen. Members of the Gaming Section’s Special Operations Team conducted surveillance in the area securing video of the vehicle involved. SpOT detectives worked in conjunction with DPD. Several suspects were identified, confessions obtained, and eleven suspects were arrested. The investigation cleared up more than two dozen vehicle larcenies.



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