

STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD

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

Wednesday, February 23, 2011
9:30 a.m.

MINUTES

On Wednesday, February 23, 2011, the Michigan Gaming Control Board held a public meeting at the Board office in the Cadillac Place, 3062 W. Grand Boulevard, Suite L-700, Detroit, Michigan.

Present: In attendance were the following Board members:

Ms. Barbara Rom, Chairperson
Mr. Michael Watza
Mr. Robert Anthony
Mr. Jim Plakas (phone)

Also attending were:

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

Business:

Ms. Rom called the staff briefing of the public meeting to order at 10:43 a.m. Ms. Rom welcomed the newest Board member, Robert Anthony, to the Board. There was no other preliminary business to discuss.

Ms. Rom stated the first order of business was to approve the minutes from the December 7, 2010, regular public meeting. Ms. Rom noted that all Board members had previously received the minutes and asked if there were any questions or concerns.

It was then moved by Mr. Watza and seconded by Mr. Anthony that the minutes of the December 7, 2010, meeting be approved. A voice vote was taken.

Motion carried.

Mr. Kalm reported that since the last Board meeting, five people have resigned their positions with the Board and three new employees have been hired, leaving 18 authorized positions to fill. On October 1, 2010, the Board's allowed FTEs went from 114 to 115.

In regard to the Board's budget, Mr. Kalm reported that as of January 31, 2011, total expenditures were \$5,871,263, which left an unexpended balance of \$19,830,837 in appropriated funding for fiscal year 2011. This included the Horse Racing Budget which was transferred to Gaming and funds for anticipated expenditures to the Attorney General's Office and the Michigan State Police.

Mr. Kalm next reported that the casinos continue to operate 24/7 and for the month of December 2010, the aggregate revenue and taxes for all three Detroit casinos were up 2.4 percent compared to the same month last year. Revenues were also up by 0.9 percent compared to the previous month, November 2010. Revenues for MGM Grand Detroit (MGM) and MotorCity were up by 4.2 percent and 11.9 percent, respectively, compared to the same month last year. Revenue for Greektown was down by 12.1 percent. The market shares for MGM Grand Detroit, MotorCity, and Greektown for the month of December 2010 were 43.6 percent, 34.2 percent, and 22.2 percent, respectively.

For the month of December 2010, gaming taxes for the three Detroit casinos were \$9.11 million compared to \$10.03 million for the same period last year.

Mr. Kalm further reported for the quarter ending December 2010, the aggregate revenue for all three Detroit casinos was up by 3.5 percent compared to the same quarter last year. Revenue for MGM, MotorCity, and Greektown Casinos for the three months ending December 2010 was \$143 million, \$112 million, and \$81 million, respectively. Revenues for the quarter ending December 2010 for MGM and MotorCity were up by 6.5 percent and 7.2 percent, respectively, whereas Greektown was down by 5.9 percent compared to the same quarter last year.

Mr. Kalm further went on to state that the gaming taxes for the quarter ending December 2010 for the three Detroit casinos were \$27.3 million compared to \$29.9 million for the same quarter last year.

For the month of January 2011, the aggregate revenue and taxes for all three Detroit casinos were up 3.3 percent compared to the same month last year. Revenues were also up by 2 percent compared to the previous month, December 2010. Revenues for MGM and MotorCity were up by 2.6 percent to \$48.7 million and 7.7 percent to \$38.7 million, respectively compared to the same month last year. Revenue for Greektown was down by 1.31 percent to \$27.72 million. Revenue for the two weeks of the Auto Show were down by 1.5 percent and 5 percent for MGM and Greektown, respectively, whereas MotorCity was up by 10 percent compared to the same two week period from last year.

The market shares for MGM, MotorCity, and Greektown for the month of January 2011 were 42 percent, 34 percent, and 24 percent, respectively. Gaming taxes for January

2011 for the three Detroit casinos were \$9.3 million compared to \$10.1 million for the same period last year.

In regard to supplier licensing and vendor registration, Mr. Kalm advised the Board that as of January 31, 2011, 1,214 active vendor exemptions were registered and 317 casino supplier companies had been granted exemptions from supplier licensing requirements. As of January 31, 2011, there were a total of 16 active temporary non-gaming licenses and nine active temporary gaming licenses in effect. In addition, there were 113 full annual supplier licenses granted to date remaining in effect.

In regard to employee licensing, Mr. Kalm advised the Board that as of January 31, 2011, the Board's Employee Licensing Section had issued a total of 2,300 occupational licenses to MGM employees; 1,760 occupational licenses to MotorCity Casino employees; and 1,740 occupational licenses to Greektown Casino employees. In addition, for the month of January 2011, 1,166 employees of various licensed casino suppliers had been granted occupational licenses. The number of temporary occupational licenses for casino suppliers was 59. To date, the Board has authorized the issuance of 17,902 occupational licenses to casino and supplier license employees; renewed 20,599 occupational licenses; and denied 393 occupational license applications.

Mr. Kalm advised the Board that for the months of December 2010 and January 2011, the required background investigations for 130 pending Level 1 and 2 licenses had been completed and would be considered for approval by the Board at today's meeting and pursuant to Board Resolution No. 2002-02, he had previously approved 162 renewal requests on behalf of the Board.

Next, Mr. Kalm reported on the MSP Board related activity. Since the December 7, 2010, report, there were no staffing changes to report and there are 2 vacant Detective/Specialists positions. During the months of December 2010 and January 2011, the MSP Gaming Section investigated 144 criminal complaints and made 49 arrests. Mr. Kalm also noted 30 of the complaints investigated and 49 of the arrests were made of disassociated persons. Mr. Kalm also noted the MSP Gaming Section conducted a multiple year investigation on several bars in the State of Michigan that MGCB and Liquor Control had been receiving complaints on stating that these bars were conducting illegal slot operations with poker machines. MSP arrested 34 people in that investigation involving 11 bars. There was one major individual who owned the majority of the bars and several arrests were made from ancillary people that assisted him in the operation. ten of the 34 were felony arrests for violation of the Michigan Gaming Control and Regulatory Act, and the other 24 were for a variety of misdemeanors including maintaining a gambling house, allowing machines to be utilized as slot machines paying off bets, and so forth. Since a press release was issued, Mr. Kalm stated that the hope was to have an impact on other bars engaging in the same behavior.

Mr. Kalm explained he is going to approach the Governor's office with the possibility of amending the Act in order to provide for grants to local law enforcement to have local law enforcement and State Police engage in investigations or just deal with investigations when they have complaints such as these. The amount of funding and resources is not sufficient enough at this time to deal with that. Mr. Kalm suggested it might be possible

to redirect some of the fine fund money if the opportunity presented itself. Mr. Kalm plans to talk with the Attorney General's office to allow the Board to competitively grant monies to local law enforcement for overtime funds to fund and enforce the Michigan Gaming and Control Regulatory Act which would be accessible by all law enforcement agencies in the State of Michigan.

Ms. Rom asked about the Vanderbilt casino opened by the Bay Mills Tribe. Mr. Kalm explained that MGCB believes the casino opened up illegally. The Attorney General's office sent a letter to cease and desist. The MGCB received a ruling from the National Indian Gaming Commission stating that it is not under their jurisdiction because it is not Indian land but it is under the jurisdiction of the State. Mr. Kalm sent a letter explaining the Michigan Gaming and Regulatory Act and they are in violation of what they are subject to. The Attorney General has filed suit along with four other tribes in Federal court to get a preliminary injunction to stop the operation. There is a hearing set for March 23, 2011.

Ms. Rom asked if there were any plans to address or investigate the impact on the Detroit casinos of the proliferation of charity gaming. Mr. Kalm stated that MGCB has been looking into that for quite some time and that it is difficult to study unless you interview all the patrons but that the three Detroit casinos have reported a drop in table games play that they attribute directly to the proliferation of charitable gaming. The Lottery commission has issued a moratorium on new licenses. Mr. Kalm suggested one of the ways to possibly regulate it is to license locations instead of licensing the charity only. The Lottery regulates the charitable gaming.

Mr. Watza asked if the Detroit casinos ever engage in charity events of the same type. Mr. Kalm explained the Detroit casinos have charity events from time to time where they'll donate money to a cause, whatever the take is at the table or other determination, but on table games they are highly regulated and taxed. Mr. Watza also asked if there was any way to determine what amount of the Board staff's time is spent on these other issues such as Vanderbilt and charitable gaming. Mr. Kalm stated that the MSP spend an enormous amount of time investigating these cases because they are very time and manpower intensive.

Mr. Watza commented that Greektown's numbers are down and wanted to know if, given their recent history, this was something for concern. Mr. Kalm stated in his opinion the market share moves between casinos so there is no reason to be overly concerned.

Next, the Board considered for approval the recommendations of the Executive Director and the Licensing Division's staff regarding the 130 Level 1 and 2 occupational license applications.

It was moved by Mr. Anthony and seconded by Mr. Watza that the Board enter an order accepting and adopting the recommendations of the Executive Director and the Licensing Division's staff for the pending 130 Level 1 and 2 occupational license applications. A voice vote was taken.

Motion carried.

Next the Board considered the Executive Director's Reports and Licensing Division's staff recommendations regarding the pending transfers of interest for Elektroncek D. D. and MGM Grand Detroit, LLC.

It was moved by Mr. Watza and seconded by Mr. Anthony that the Board enter orders approving the transfers of interest in Elektroncek D. D. and MGM Grand Detroit, LLC.

Motion carried.

Next, the Board considered the Executive Director's Reports and Licensing Division's staff recommendations regarding the supplier license applications of International Market Place, Inc. and the Fontanesi and Kann Company.

It was moved by Mr. Anthony and seconded by Mr. Watza that the board enter orders approving the supplier license applications of International Market Place, Inc. and The Fontanesi and Kann Company.

Motion carried.

Next, the Board considered the Executive Director's Reports and Licensing Division's staff recommendations regarding the pending supplier license renewal applications of GAMA, Inc.; Harper Associates, Inc.; IGT; JCM American Corporation; MacKellar Associates, Inc.; Midwest Game Supply Company; Northern Lakes Seafood and Meats, LLC; Premium Brands of Michigan; The LaSalle Group Incorporated; and Voice Data Systems, LLC.

There being no questions from Board members, it was moved by Mr. Watza and seconded by Mr. Anthony that the Board enter orders finding and concluding that GAMA, Inc.; Harper Associates, Inc.; IGT; JCM American Corporation; MacKellar Associates, Inc.; Midwest Game Supply Company; Northern Lakes Seafood and Meats, LLC; Premium Brands of Michigan; The LaSalle Group Incorporated; and Voice Data Systems, LLC; and their qualifiers are eligible and suitable for licensure under the licensing standards and requirements of the Act and Rules of the Board. And accordingly, grant these requests for a one-year period beginning February 23, 2011. A voice vote was taken.

Motion carried.

The next item on the agenda was regarding the approval of the application for the transfer of interest applications for suitability and qualifying businesses, debt transaction, and related supplier licensing exemption requests for MotorCity Casino. Mr. Gregg Solomon, CEO of Detroit Entertainment, and Mr. Bruce Dall, CFO, addressed the board and thanked the board staff for assistance in getting through the documents that were a part of the process. Mr. Solomon stated that they had two items for the Board; one is the approval of the modified organizational structure, which creates one holding company that will aggregate Mrs. Ilitch's direct ownership in two companies and put that into a holding company. Mr. Solomon stated "It reduces the number of entities in the

organizational structure and just basically streamlines the structure itself. Our modification of our existing secured debt which eliminates the MSF bonds that we have been carrying since 2005, reduces the amount on the revolver, amends and restates our credit facility, and moves our maturity date out to 2017, reduces our interest expense. And we will, through this process, keep the unsecured notes in place with the current August 2013 maturity date.” Mr. Solomon explained that the restructure has the effect of getting rid of two companies that have no function currently.

The second item was Mr. Dall's explanation of the financial transaction, they would be using just under \$5 million of existing cash and creating \$615 million under the new senior secured credit facility. Mr. Dall further went on to explain that what it will do is pay off existing term B of just under \$540 million, repay what is currently drawn on a revolver of 15 million, repay the MSF bonds at \$50 million, pay for transaction fees and pay accrued interest through the date of closing which is to be March 1. Senior secured leverage will be five times and total leverage will be 7.3 times EBITDA. The interest expense goes down 10 million from what is currently being paid annually.

Ms. Rom asked Mr. Dall if he had any idea how much revenue would have to drop for the covenants to be in default. Mr. Dall stated current covenant levels have about a 20-25 percent cushion in them and would have to go down 18-20 percent for them to run into a problem. Mr. Dall stated he did not anticipate that happening. Ms. Rom told Mr. Dall if there comes a time where they would need to renegotiate or seek forbearance, an amendment of those conditions, the Board's decision would be independent of the lenders. Mr. Dall stated he understood that. Mr. Anthony asked about the decision to roll accrued interest into the principal amount of the existing debt or the new debt. Mr. Dall replied by saying they were using \$4.9 million to pay the accrued interest, but most of it is actually coming from cash on their balance sheet. Mr. Anthony asked if there was a representative of Citadel present to explain the relationships between Citadel Securities LLC and the entity that is under investigation or had been subpoenaed by the SEC. Mr. David Waddell addressed the Board as the representative of Citadel Securities. Mr. Waddell explained that they are an investment bank and that as of 9:30 am on Feb. 23, 2011, there had been no formal investigation of any type. Mr. Waddell did explain that there is a hedge fund by the name of Citadel Asset Management as well. Mr. Anthony responded by saying he “mis-stated” himself. Mr. Waddell said there had been routine requests for information but that he was not aware of any investigation with respect to that group. Mr. Waddell also stated it was important to note that the entity involved is Citadel Securities, which is an investment banking arm. Mr. Waddell also commended Mr. Pedersen and Mr. Cleland on the thorough process of vetting that was done.

There being no other questions by the Board, it was moved by Mr. Anthony and seconded by Mr. Watzka that the Board enter an order approving the application for transfer of interest in Detroit Entertainment, LLC, eligibility, suitability, and qualification of certain key persons of Detroit Entertainment, LLC's request to execute amended and restated credit agreement, and related supplier licensing exemptions. A voice vote was taken.

Motion carried.

Ms. Rom stated the next item on the agenda was the eligibility of Michael Edward Duggan to be a key person of Greektown Casino.

Mr. Watzka informed the Board that although he did not think it would be determinative of his ability to vote, his firm and himself represent the DMC where Mr. Duggan is very involved. There not being enough voting board members present, Mr. McGehee suggested tabling the matter to the next meeting where there would be a quorum. Mr. Stocker from Dickinson-Wright approached the podium and requested that the Board have a special meeting to decide on Mr. Duggan being that his approval was crucial to Greektown's Board. Ms. Rom suggested to Mr. McGehee the possibility of contacting Mr. Plakas by telephone and conducting the vote. Mr. McGehee and Mr. Stocker were both in agreement. Ms. Rom requested to have Board staff get in touch with Mr. Plakas to find out if he was able to participate by phone and in the meantime she proceeded with the agenda.

Next, Mr. Frank Cusmano requested the opportunity to address the Board. Mr. Cusmano was appearing on behalf of the Mr. Italo Parise. A petition was brought pursuant to the Administrative Procedures Act. The Michigan Gaming Control Board as the administrative agency has the first right to rule on a complaint. The question presented by Mr. Cusmano was "how wagers fit into the regulatory scheme of the Michigan Gaming Control and Revenue Act. They're only mentioned three times in the Act. And there is a very limited definition of gaming, and there seems to be a major disconnect between the way the courts have ruled and the way the Michigan Gaming Control has ruled on patron complaints." Mr. Cusmano stated that when there is a patron complaint, there is possible action against the casino but that it does not lead to any benefit of the individual patron which causes the patron to turn to the court for relief or remedy because there is no remedy afforded under the Act to a wagerer. Mr. Parise is requesting declaratory relief on a compulsive gambler case, although Mr. Parise has never claimed to be a compulsive gambler. Mr. Parise brought his suit under a statute from 1848, which was renewed and reenacted up through 1961 and uses the term gaming saying all gaming losses are recoverable. Mr. Cusmano stated "the basic issue of whether or not the right to the title to the stake is not explicitly or implicitly in the Act."

For clarification, Ms. Rom asked Mr. Cusmano that although Mr. Parise is not claiming to be a compulsive gambler nor is he on the disassociated person's list, ultimately they are trying to seek recovery of all monies Mr. Parise lost in the casinos. Mr. Cusmano's response was "the ultimate goal would be whatever recovery he's allowed to make under Michigan Law within the statute of limitations," and that was the only basis of any potential for recovery that was asserted on his behalf because Mr. Parise denies he is a compulsive gambler. Mr. Cusmano, on behalf of Mr. Parise, was asking the Board for a Declaratory Ruling. Ms. Rom stated the best thing was to let the Attorney General's Office respond to the inquiry and comments. Don McGehee, Assistant Attorney General, responded saying casino gaming is legal gaming despite the penal code's provisions which talk about illegal gambling. Mr. McGehee stated the Board is not a court of law and has no authority to hear civil cases. Mr. McGehee explained that there are patron dispute provisions in place under the Rules that they can avail themselves to. They

disputed the \$700,000 Mr. Parise gambled away and wanted MotorCity Casino to pay him back under the theory the casino had a duty to prevent him from gambling in the casino because he couldn't control himself. Mr. McGehee further explained it is the Gaming Board's prerogative and discretion whether or not they find any violation under the Gaming Act and open up an investigation with possible disciplinary action if the casino violated any Rules or Laws. Mr. Parise pursued the matter in court and the case was dismissed with the Judge stating that the legislation had already spoken on the issue of commercial casino gaming in Detroit as being legal and not a recognizable theory of law. Mr. McGehee went on to say, "the basic premise here is it's nothing more than a collateral attack on the Board. The court has already spoken, he's had his day in court. And this Board doesn't have any authority to do anything with respect to that." Mr. Watza asked Mr. McGehee if the Board has ever ordered the casinos to provide restitution or somehow address harm caused to a patron when there is a regulation violation. Mr. McGehee answered by telling Mr. Watza that the Board does not represent patrons although it does make sure patrons are treated fairly and investigate any complaints and/or disputes.

There being no other questions from Board members, it was moved by Mr. Watza and seconded by Mr. Anthony that the Board enter an order denying the request for declaratory ruling for reasons stated on the record. A voice vote was taken.

Motion carried.

Next Mr. Plakas was contacted by telephone to participate in the vote regarding the suitability of Michael Duggan as a Key person of Greektown Casino. Mr. Plakas stated he read the materials provided for his review and had no comments.

There being no questions or comments from Board members, Ms. Rom asked Mr. Anthony for a motion which was supported by Mr. Plakas. A voice vote was taken.

Motion carried.

Ms. Rom then stated the Board needed to consider a motion to go into closed session immediately following public comment for the purpose of receiving legal advice and counsel from the Board's attorney regarding pending Board litigation and receiving confidential notification regarding the names of the individuals placed on the Board's Disassociated Persons List since the Board's last public meeting on February 23, 2011, as required by the Act.

Therefore, it was moved by Mr. Watza and seconded by Mr. Anthony that the Board consider a motion to go into closed session immediately following this portion of today's public meeting for the purpose of discussing pending Board litigation with the Board's attorney, discussing background investigations, and receiving confidential notification of persons placed on the Board's Disassociated Persons list since the Board's public meeting on February 23, 2011. A roll call vote was taken.

Ms. Rom	Aye
Mr. Watza	Aye
Mr. Anthony	Aye

Motion Carried.

After the closed session the public meeting was reconvened and there being no other business, Ms. Rom adjourned the meeting at 12:35 p.m.

Diane Brown, Board Secretary