

STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD

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

Tuesday, August 13, 2013
9:30 a.m.

MINUTES

On Tuesday, August 13, 2013, the Michigan Gaming Control Board held a public meeting at the Board office in the Cadillac Place, 3062 W. Grand Boulevard, Suite L-700, Detroit, Michigan.

Present: In attendance were the following Board members:

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

Also attending was:

Richard Kalm, Executive Director
Ann McCaffery, D/F/Lt. MSP
Donald McGehee, Assistant Attorney General
Diane Brown, Board Secretary

Absent: None

Business:

Mr. Anthony called the public meeting to order at 9:34 a.m. It was noted for the record, all members were present. There was no preliminary business for discussion.

Mr. Anthony stated the first order of business was to approve the minutes from the Board's last regular public meeting held June 11, 2013. Mr. Anthony noted all Board members had previously received copies of the minutes and asked if there were any questions, concerns, or corrections.

There being none, Mr. Watza made a motion which was supported by Mr. McQueen that the Board accept and approve the minutes of the June 11, 2013. A voice vote was taken.

Motion carried.

Mr. Kalm reported since the last Board meeting Adam Dick, Brian Jatczak, Kim Elvington, and Paul Flaherty left their employment with the Board. Logan Mitseff was hired as a departmental technician in the Enterprise Licensing section. There are currently 118 employees working and 24 vacant positions. The full Board roster includes the Millionaire Party enforcement and regulation group.

In regard to the Board's budget, Mr. Kalm reported as of July 31, 2013, total expenditures were \$20,906,675, which left an unexpended balance of \$12,990,425 in appropriated funding for fiscal year 2013; this includes the Millionaire Party oversight and Horse Racing budgets, which were transferred to Gaming, and funds for anticipated expenditures to the Attorney General's Office and the Michigan State Police.

Mr. Kalm next reported aggregate revenue for the month ending June 30, 2013, was down 6.9% compared to June 2012. Revenue was down 10.9% compared to May 2013. The aggregate revenue for the three Detroit casinos was down 5.3% compared to the same period last year. Revenue for MGM, MotorCity, and Greektown was down 11.7% to \$41.8 million, 4.0% to \$35.4 million, and 2.3% to \$26.2 million, respectively, when compared with June 2012.

The market shares for MGM, MotorCity, and Greektown for June 2013 were 40%, 34%, and 26%, respectively.

For the month ending June 2013, gaming taxes for the three Detroit casinos were \$8.4 million compared to \$9.0 million for the same period in 2012.

Mr. Kalm next reported aggregate revenue for the month ending July 31, 2013, was up 0.3% compared to July 2012. Revenue was also up 8.2% compared to June 2013. The aggregate revenue for the three Detroit casinos was down 4.6% compared to the same period last year. Revenue for MGM was up 5.5% to \$51.5 million, whereas MotorCity and Greektown were down 1% to \$34.6 million and 7.2% to \$26.2 million, respectively, when compared with July 2012.

The market shares for MGM, MotorCity, and Greektown for July 2013 were 46%, 31%, and 23%, respectively.

For the month ending July 2013, gaming taxes for the three Detroit casinos were the same at \$9.1 million for the same period in 2012.

For the three-month period ending July 31, 2013, aggregate revenue was down 2.7% compared to the same period last year. Gaming revenue for MGM, MotorCity, and Greektown for the three months ending July 31, 2013, was \$141.6 million, \$109.7 million, and \$81.4 million, respectively.

Revenue for the three months ending July 31, 2013, for MGM and Greektown was down 4.2% and 4.4%, respectively, whereas MotorCity was up 0.8% compared to the same period last year. Gaming taxes for the three Detroit casinos for the three months ending July 31, 2013 were \$26.9 million.

In regard to supplier licensing and vendor registration, Mr. Kalm advised the Board as of July 31, 2013, 1,132 active vendor exemptions were registered. Vendors with exemptions are

authorized to conduct business with the three Detroit casinos without having to go through the full licensure requirement. As of July 31, 2013, 399 casino supplier companies were granted exemptions from supplier licensing requirements. As of July 31, 2013, there were a total of seven active temporary nongaming-related and two active temporary gaming-related supplier licenses in effect. In addition there are 127 annual supplier licenses in effect.

In regard to employee licensing, Mr. Kalm advised the Board as of July 31, 2013, the Board's Employee Licensing Section issued a total of 2,159 occupational licenses to MGM employees, 1,736 occupational licenses to MotorCity employees, and 1,493 occupational licenses to Greektown employees. In addition, through the month of July 2013, 1,582 employees of various licensed casino suppliers have been granted occupational licenses. Mr. Kalm went on to state the number of temporary licenses for casino and supplier employees is currently 73.

Mr. Kalm advised the Board for the months of June and July 2013 the required background investigations for 163 pending Level 1 and 2 licenses had been completed and would be considered for approval by the Board at this meeting and pursuant to Board Resolution No. 2002-02. Mr. Kalm stated he previously approved 395 renewal requests and 73 Level 3 requests on behalf of the Board.

Mr. Kalm reported on Michigan State Police (MSP) Board-related activity. Since the last public meeting D/F/Lt. Ann McCaffery has become the new commander of the MSP Gaming Section. One detective lieutenant position, two detective sergeant positions, and eight detective specialist positions remain vacant.

Mr. Kalm informed the Board of several noted MSP activities for the months of June and July, which were not available in the public forum but for board information only.

At the conclusion of his report, Mr. Kalm informed the Board Members of the death of former Board Member, Judge Michael Stacey, who passed away on June 12, 2013. Judge Stacey had been a member of the board for 10 years, being appointed by Governor Engler in 1996.

Next, the Board considered for approval the recommendations of the Executive Director and the Licensing & Regulation Division's staff regarding the 163 Level 1 and 2 occupational license applications.

There being no questions from Board members, it was moved by Mr. Beagen and supported by Mr. Watza that the Board enter an Order accepting and adopting the recommendations of the Executive Director and the Licensing & Regulation Division's staff for the pending 163 Level 1 and 2 occupational license applications. A voice vote was taken. Mr. Anthony abstained from voting on the 19 applicants from the Price Waterhouse Coopers firm.

Motion carried.

The next agenda item was the consideration for approval of the Transfer of Interest for Premier Services Group LLC. There being no questions from Board members, a motion was made by Mr. Palms and supported by Mr. Watza that the Board approve the Transfer. A voice vote was taken.

Motion carried.

Next on the agenda was the pending supplier license application request of Traffic Agency Michigan, LLC d/b/a Traffic Agency.

There being no questions from Board members, it was moved by Mr. Watza and seconded by Mr. Palms that the Board enter an Order finding and concluding Traffic Agency and its qualifiers are eligible and suitable for licensure and, accordingly, grant the request. A voice vote was taken.

Motion carried.

Next agenda item was consideration of the pending supplier license renewal applications of Absolute Imaging Professionals, Inc. d/b/a Absolute Images; Baratta Brothers, Inc. d/b/a Fairway Packing Company, Inc.; Clatter, Inc.; Gold Star Equipment, Inc. d/b/a Goldstar Products; Halifax Security, Inc. d/b/a North American Video; NRT Technology Corp.; PCT Security, LLC; Perfect Cleaners of Detroit, Inc.; Rhiannon Creations, Inc. d/b/a Body Bliss; Service Central, Inc.; The Fontanesi and Kann Company; The United States Playing Card Company; Unique Linen Services, Inc.; and Wolverine Mail, Packaging & Warehouse, Inc. d/b/a Wolverine Solutions Group.

There being no questions from Board Members a motion was made by Mr. McQueen and supported by Mr. Beagen that the Board enter Orders finding and concluding the above-listed suppliers and their qualifiers are eligible and suitable for licensure and, accordingly, grant the requests for a new one-year period. A voice vote was taken.

Motion carried.

Next on the agenda was the request to consider the casino license renewal for MGM Grand Detroit. However, Mr. Anthony informed the Board he wished to address the Acknowledgement of Violation (AOV) for MGM prior to considering the casino license renewal. Mr. Anthony asked Mr. McGehee to summarize the issue resulting in the AOV. Mr. McGehee informed the Board the AOV was a result of a procurement violation. The violation was for the purchase of a Ford pickup truck from Bob Maxey Ford for approximately \$47,000. MGM violated their own internal controls under Gaming Board Rules in not getting three bids and in not following the procurement procedures. The bids were taken after the fact. The fine was \$5,000. Mr. Dumond, Vice President and CFO for MGM Detroit, explained that from time to time they have employees who don't follow the proper procedures and they are continuing to train them to ensure compliance.

There being no questions from Board Members, a motion was made by Mr. Beagen and supported by Mr. Palms to accept the proposed AOV for MGM Detroit. A voice vote was taken.

Motion carried.

Next Mr. Anthony stated the Board would consider the Executive Director's report and Licensing & Regulation Division's recommendation regarding the pending casino license renewal for MGM Grand Detroit. Mr. Anthony asked the MGM representative to approach the podium for questions. Steve Zanella, President and COO, stepped forward. Mr. Anthony asked Mr. Zanella about an article appearing in *The Wall Street Journal* (WSJ) on Monday,

August 12, 2013, regarding MGM and investigative reports being undertaken by other states regarding certain issues which MGCB had already issued AOVs. Mr. Anthony asked if there was an update or any new information which might have triggered the article. Mr. Peter Ellsworth from the law firm Dickinson Wright stepped forward and explained the article surrounded an issue which arose in 2011. It was Mr. Ellsworth's opinion the WSJ had just heard about the situation and that is what prompted the article. Mr. Watza asked if there was any new information circulating that Mr. Ellsworth was aware of which was not in the WSJ. Mr. Ellsworth stated, "I'm not aware of anything, no". There being no other questions from Board Members, a motion was made by Mr. Palms and supported by Mr. McQueen that the Board approve the renewal of the casino license for MGM Grand Detroit. A voice vote was taken. There were four aye votes however; Mr. Watza voted no.

Motion carried.

The next agenda item was the consideration of the casino license renewal for Detroit Entertainment, LLC d/b/a MotorCity Casino. Mr. Anthony asked a representative from MotorCity to approach the podium for questions from Board Members. Mr. Gregg Solomon, President and CEO, stepped forward. The Board, did not have any questions for Mr. Solomon; therefore, a motion was moved by Mr. Watza and supported by Mr. McQueen that the Board approve the casino license renewal for Detroit Entertainment, LLC d/b/a MotorCity Casino. A voice vote was taken.

Motion carried.

The approval of the casino license renewal for Greektown Casino (GTC) was the next agenda item; however, the Board requested to have Greektown representatives update the Board with regard to Greektown's refinancing situation. Mr. Michael Puggi, President and CEO, and Mr. Matt Cullen informed the Board that GTC has a meeting scheduled with board staff to bring board staff up to date on their refinancing. GTC is continuously monitoring the market in order to put together the best deal possible. Mr. Puggi stated they plan to put together a deal that will allow them to close in January 2014. Mr. Anthony encouraged Mr. Puggi and Mr. Cullen to keep the lines of communication open with the Board staff. Mr. Anthony also requested they be prepared at the next meeting, to present a report around what changes in procedures have been put in place regarding GTC's compliance requests from Board staff.

There being no other questions from Board Members, a motion was made by Mr. McQueen and supported by Mr. Watza that the Board approve the renewal of the casino license for Greektown Casino, LLC. A voice vote was taken.

Motion carried.

There were no requests for public comment.

Mr. Anthony then announced the Board would entertain a motion to go into closed session. A motion was made by Mr. Beagen and supported by Mr. Watza. A roll call vote was taken.

Motion carried.

Mr. Anthony then stated the Board's next regular public meeting is scheduled for Tuesday, September 10, 2013, at 9:30 a.m.

After the closed session Mr. Anthony asked for a motion to approve the closed session minutes from the June 11, 2013 meeting. Mr. Watza made a motion and Mr. Palms supported it. A voice vote was taken.

Motion carried.

Next Mr. Anthony asked for a motion to adjourn the public meeting. It was moved by Mr. Watza and supported by Mr. Beagen to adjourn the meeting. A voice vote was taken.

Motion carried.

Meeting adjourned at 11:00 a.m.

Diane Brown, Board Secretary