



Indian Gaming Section Annual Report to the Executive Director



Calendar Year 2010

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Michigan Gaming Control Board
101 East Hillsdale Street
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Submitted April 15, 2011

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This document is also available online at
www.michigan.gov/mgcb

April 15, 2010

Mr. Rick Kalm
Executive Director

On behalf of the Michigan Gaming Control Board, Indian Gaming Section, I am pleased to submit to you the Indian Gaming Section Annual Report in accordance with the Indian Gaming Section's policies and procedures for the period of January 1, 2010 through December 31, 2010.

This report to the Executive Director is submitted not only to comply with the Indian Gaming Section's reporting requirements, but also to provide you with a summary of the significant activities and operations for the period under review.

During the period from January 1, 2010 through December 31, 2010, the Indian Gaming Section continued to address the recommendations of the Auditor General's 2006 Report and leadership's expressed direction to update and improve the activities of the Indian Gaming Section. In 2010, the section placed a great emphasis on conducting efficient and effective audits and inspections of the tribal casino sites. In fulfilling our duties and responsibilities, we have continued to receive invaluable assistance from the Michigan Attorney General's office and the Office of the Governor's Legal Counsel for Native American Affairs.

As always, we strive to increase positive communications with each of the tribes and encouraged tribal voluntary compliance with the compacts. I am very pleased to report our section's accomplishments and progress in accordance with the Tribal-State Compacts.

Sincerely,

A handwritten signature in black ink that reads "Eric Bush". The signature is written in a cursive, slightly slanted style.

Eric T. Bush
Administrative Manager



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MICHIGAN GAMING CONTROL BOARD ORGANIZATION CHART





Michigan Indian Gaming Overview

Based on analysis of 2010 two percent payments to local units of state governments, Indian gaming in Michigan is at least a \$1.3 billion industry. The increase in the past several years has been due to the opening of two new tribal casino developments. These new developments have increased competition at a time in which the Michigan economy has been struggling. These events impact gamblers and affect the spending of their discretionary dollars.

2011 will likely see the long awaited opening of the Match-E-Be-Nash-She-Wish Band (Gun Lake) casino in Wayland, Michigan and a potential opening of a second Pokagon Band of Potawatomi Indians facility. Given the market area that these casinos are to be located, they are anticipated to generate a solid revenue stream that should enhance Michigan Indian gaming revenue totals.



Michigan Indian Gaming Regulatory Framework

The federal government passed the Indian Gaming Regulatory Act of 1988 (IGRA), which authorizes Indian tribes to operate casino gaming on Indian tribal lands. The justification for the passage of IGRA was that it would create economic development and self-sufficiency on Indian tribal lands, meet tribal requests for authorized casino gaming, and ensure that state governments would be involved in oversight of Class III gaming operations. Before a Tribal-State Gaming Compact becomes effective, IGRA requires the Office of the Secretary, United States Department of the Interior, to approve the compact and publish its approval in the Federal Register.

The State of Michigan has entered into Tribal-State Gaming Compacts (written agreements between tribal governments and the state) with twelve Native American tribes (eleven with operating casino). These eleven compacts have produced 20 tribal casinos located throughout the state. *Please see the map of Tribal Casinos in Michigan in 2010 and listing of Michigan Tribes with Compacts and Number of Slot Machines located at the end of this report.* The Compacts provide that the regulation of Indian casino gaming is the responsibility of the tribe. Michigan recognized the tribes as individual sovereign nations and, therefore, has no regulatory authority. Although the State of Michigan does not regulate Indian casino gaming, the state does have an oversight authority over compliance with the Tribal-State Gaming Compacts' provisions.

The Indian Gaming Oversight program was originally established within the Office of Racing Commissioner, Department of Agriculture. On November 21, 2002, the governor of Michigan officially designated and authorized the executive director of the Michigan Gaming Control Board, and his designees, agents, and employees, as the State of Michigan's representative to conduct the state's authorized inspections of Class III gaming facilities and records, pursuant to and in accordance with provisions of the various Tribal-State Compacts for the conduct of Class III gaming on Indian lands in Michigan. This oversight authority includes conducting financial and compliance audits and inspections 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.

Cooperation between the state and the tribe is imperative in protecting both the state and tribes' interest and ensuring public confidence in the integrity of tribal gaming in the state.



Indian Gaming Section Mission, Personnel, Source of Funding, Total Expenditures

The Indian Gaming Section was created within the Michigan Gaming Control Board to provide oversight of Class III gaming operations as required in the Tribal-State Compacts. The Indian Gaming Section consists of four staff auditors, an audit manager, and a secretarial support staff. The Indian Gaming Section reports to the Deputy Director of Horse Racing, Audit, and Gaming Technology. *Please see Michigan Gaming Control Board Organization Chart -2010 on page 1.*

The Tribal-State Compacts outline that the tribes 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.

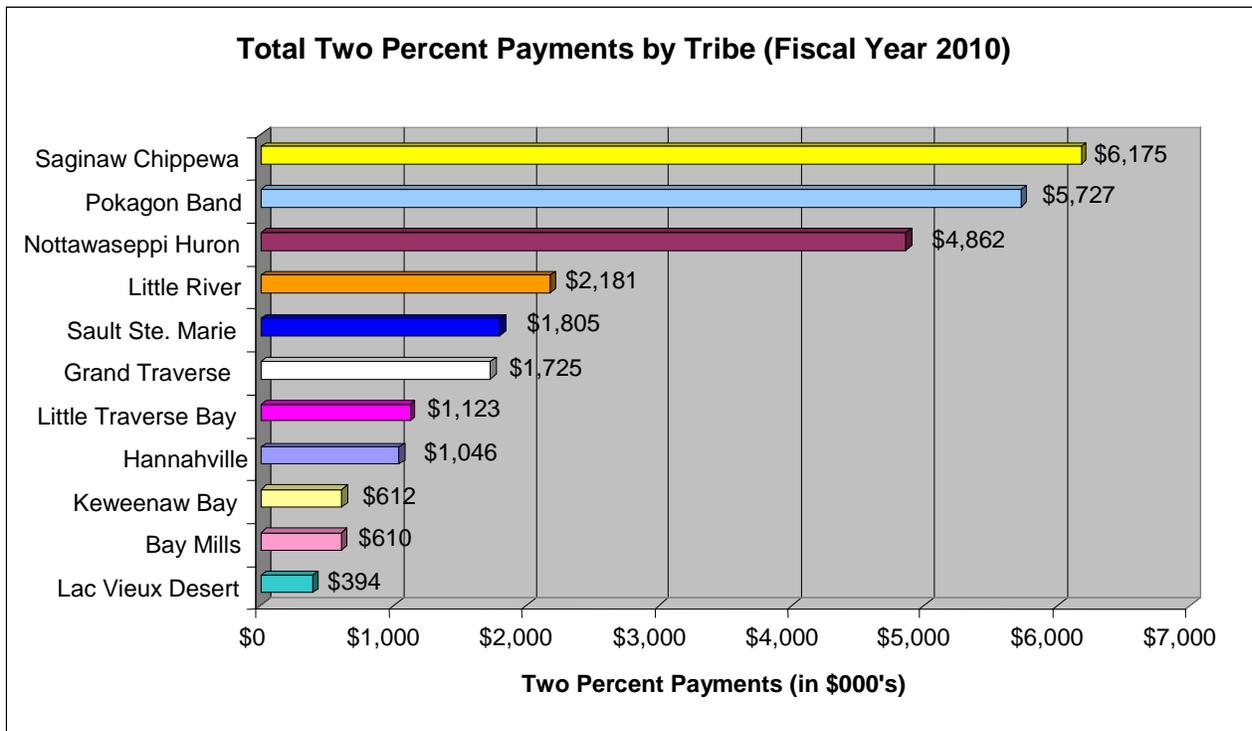
Subject to certain exclusivity provisions, the Tribal-State Compacts and related consent agreements stipulate that a percentage of annual net win, derived from all Class III electronic games of chance, is to be paid to the Michigan Strategic Fund (MSF) or Michigan Economic Development Corporation (MEDC).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

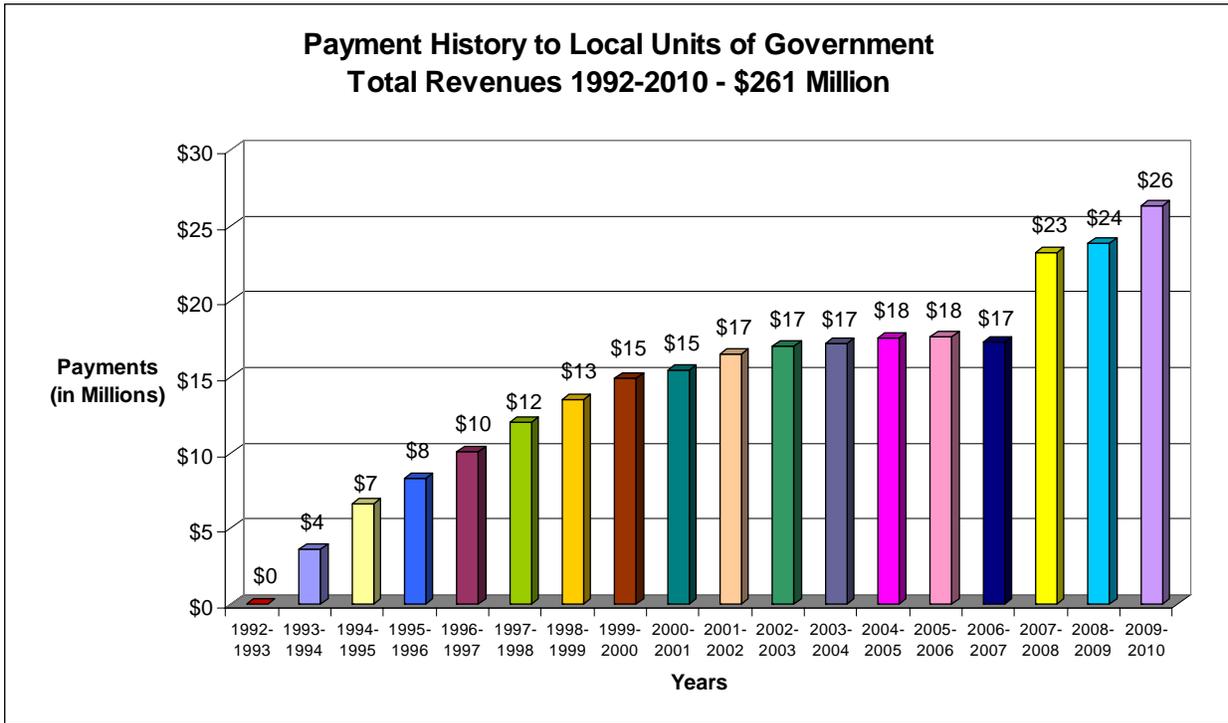
Funds received, from tribes and the MEDC, for the Indian Gaming Section's oversight activities are placed into the Native American Casino Fund. During calendar year 2010, the fund recorded revenues of \$408.8 thousand and expenditures of \$439.4 thousand.

Indian Gaming Section Oversight Accomplishments

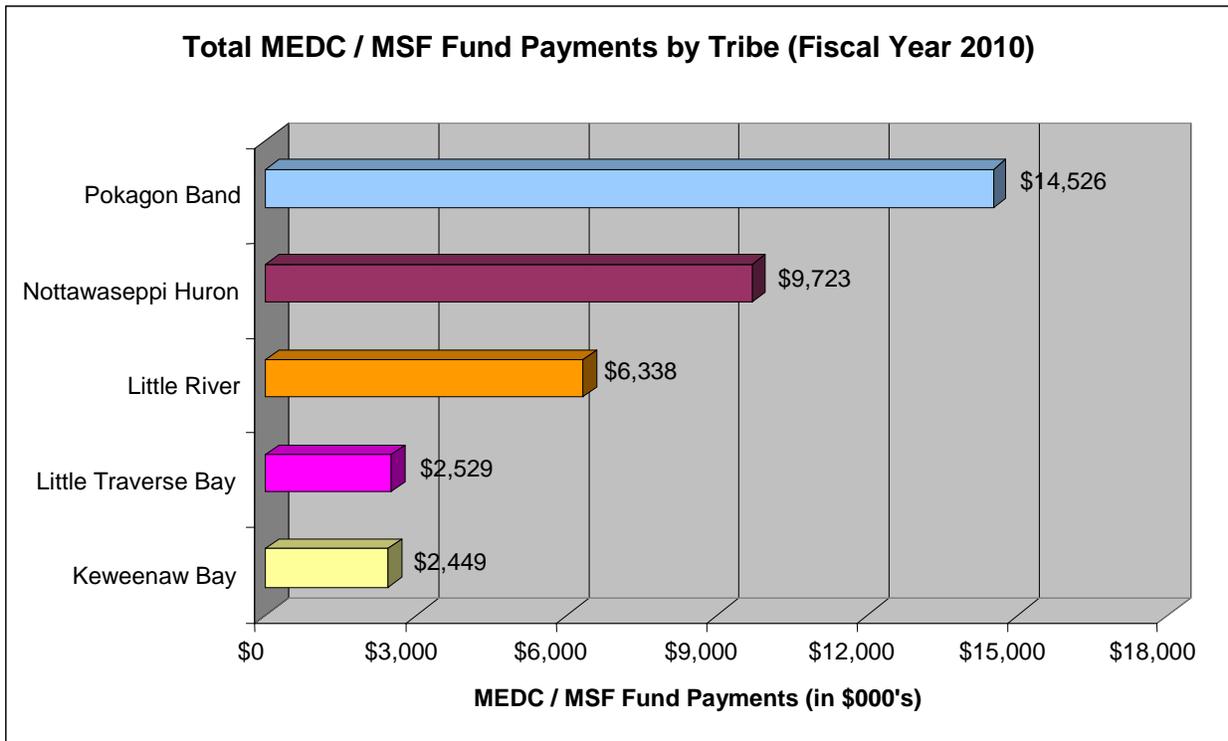
Financial Audits

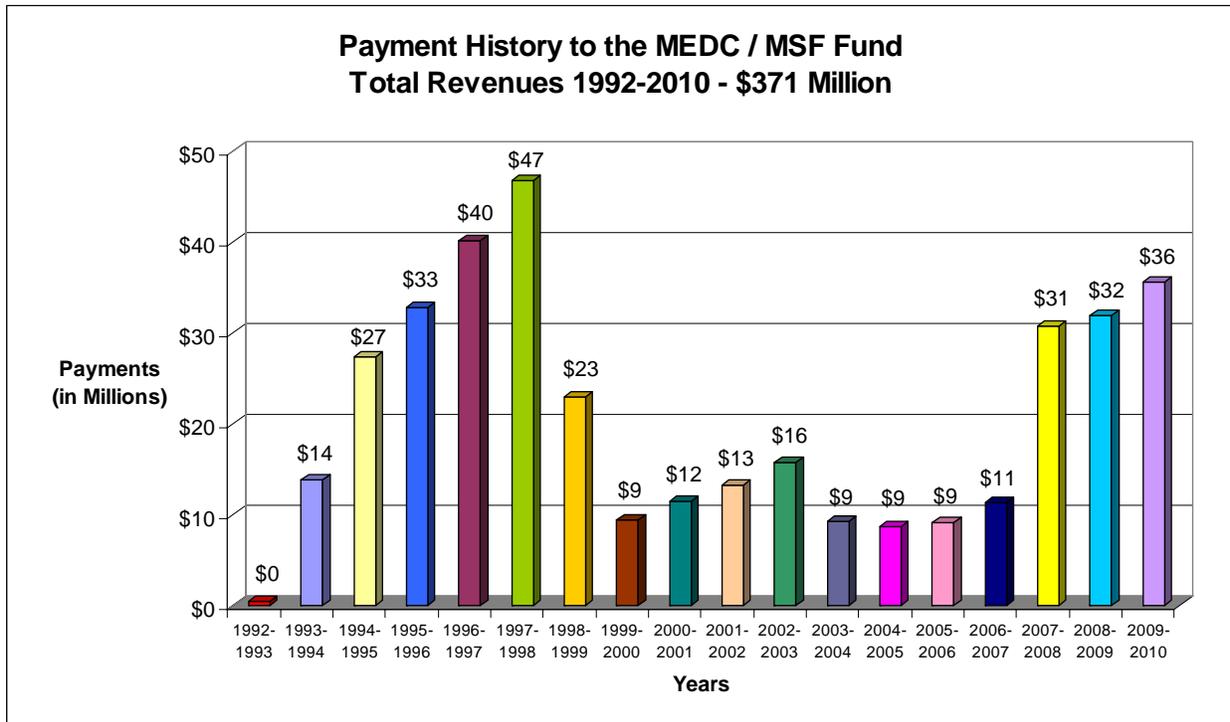
Under provisions of the Tribal-State Class III Gaming Compacts and related Consent Judgments, all Tribes are required to remit two percent of their net win to local units of state government or local revenue sharing boards. For reporting period 2010, Tribes collectively remitted \$26.2 million to local units of state government/local revenue sharing boards in two percent payments. *Please see the following charts for 2010 payments by Tribe and yearly totals.*





In addition, the Tribal-State Compacts and Consent Judgments require some Tribes, based on exclusivity provisions, to remit payments to the Michigan Economic Development Corporation (MEDC) or the Michigan Strategic Fund (MSF). For reporting period 2010, Tribes remitted \$35.6 million in payments to the Michigan Economic Development Corporation or Michigan Strategic Fund. *Please see the following charts for 2010 payments by Tribe and yearly totals.*





The Indian Gaming Section performs financial audits to ensure that the net win totals are fairly stated, in all material respects, and related payments to local units of state government/local revenue sharing boards and the Michigan Economic Development Corporation/Michigan Strategic Fund are properly remitted in accordance with the relevant Tribal-State Gaming Compact and related Consent Judgment.

In calendar year 2010, the Indian Gaming Section presented final audit reports to eight (8) Tribes covering thirteen (13) fiscal years listed as follows:

Tribe	Fiscal Year
Bay Mills Indian Community	2008
Bay Mills Indian Community	2009
Hannahville Indian Community	2009
KBIC	2008
KBIC	2009
Lac Vieux	2008
Lac Vieux	2009
Little River Band	2008
Little River Band	2009
Little Traverse	2008
Nottawaseppi Huron	2009
Sault Ste. Marie Tribe	2007
Sault Ste. Marie Tribe	2008

Compliance Audits/Inspections

In addition, the Tribal-State Gaming Compacts contain several provisions that require compliance oversight. These sections include authorized class III games, regulation of class III gaming, employee benefits, Bank Secrecy Act, providers of class III gaming equipment and supplies, notice to patrons, and regulation of the sale of alcoholic beverages.

The Indian Gaming Section presented final compliance audit reports on the extent of compliance with various sections of the Tribal-State Gaming Compacts to eight (8) Tribes in calendar year 2010 which included the Bay Mills Indian Community, Grand Traverse Band, Keweenaw Bay Indian Community, Lac Vieux Desert Band, Little River Band, Little Traverse Bay Band, Nottawaseppi Huron Band, and Sault Ste. Marie Tribe.

The Indian Gaming Section with the assistance of the Licensing Division has obtained access to Accurint and MiCJIN to perform criminal history reviews of Tribal casino employees for those Tribes that have been unwilling to provide sufficient background investigation records generated from their licensing processes. This has greatly enhanced the Indian Gaming Section's ability to test compliance of the Tribal-State Gaming Compact background licensing provisions.

Additional Accomplishments

Although the Indian Gaming Section has relatively minimal resources, we are able to cite these additional accomplishments for calendar year 2010:

- Performed an analysis of the Vanderbilt Parcel compliance with the terms of the Tribal-State Gaming Compact and coordinated efforts with the Attorney General's office.
- Obtained payments to local units of state government/local revenue sharing boards and payments to the Michigan Economic Development Corporation/Michigan Strategic Funds and updated the MGCB website.
- Reviewed and updated MGCB website to reflect current information.
- Revised Indian gaming policies and procedures and submitted for approval.
- Prepared and submitted an annual report to the Michigan Economic Development Corporation.
- Discussed the calculation of net win for promotional freeplay credits with several Tribes.
- Researched the Little River Compact Amendments and proposed Muskegon area location.
- Researched Tribal-State Gaming Compact topics related to worker's compensation, unemployment insurance, Title 31, and management contracts.



Tribal Casino Expansion

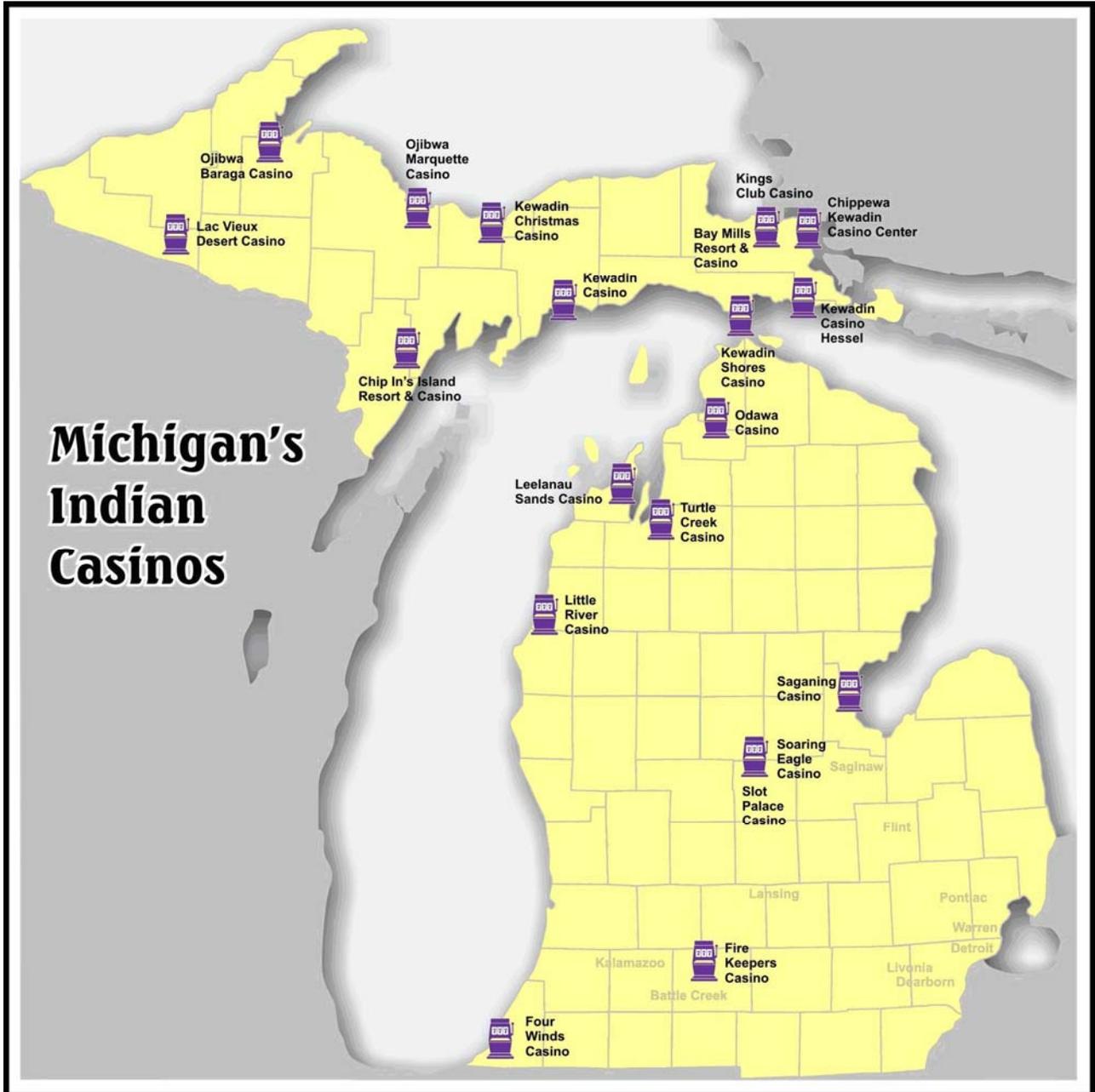
Gun Lake Casino

The Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians (Gun Lake Tribe) is expected to open the Gun Lake Casino in February of 2011. The casino, which will feature 1,400 slot machines, 28 table games, a 300-seat restaurant, a food court, a casino bar, and an entertainment lounge as part of its first phase of development, will be located on tribal reservation land in Wayland, Michigan.

Hartford Casino

The Pokagon Band of Potawatomi Indians, owner of the Four Winds Casino Resort in New Buffalo, Michigan has announced plans to open a satellite casino in Hartford Township, Michigan in August 2011. As required under the terms of the 2008 amendment to the Tribe's Class III Gaming Compact, the Hartford Township Board of Trustees approved consent resolutions authorizing the construction of the satellite facility within its boundaries. The casino is expected to include 500 slot machines, 9 table games, a bar, and a restaurant. It is anticipated to employ approximately 300 people.

Tribal Casinos in Michigan



Number of Slot Machines at Michigan Indian Casinos

MICHIGAN CASINO INFORMATION			
LOCATIONS	TRIBAL CASINOS	Compact Year	No. of Slot Machines
2	Bay Mills Indian Community	1993	
	Kings Club Casino - Brimley, MI		300
	Bay Mills Resort & Casino - Brimley, MI		695
1	Hannahville Tribe	1993	
	Chip-In's Island Resort & Casino - Harris, MI		1000
5	Sault Ste. Marie Tribe of Chippewa Indians	1993	
	Kewadin Casino - Christmas, MI		245
	Kewadin Casino - Hessel, MI		50
	Kewadin Casino - Manistique, MI		275
	Kewadin Casino - Sault Ste. Marie, MI		700
	Kewadin Casino - St. Ignace, MI		820
1	Lac Vieux Desert Band	1993	
	Lac Vieux Desert Resort Casino - Lac Vieux Desert Band		749
2	Grand Traverse Band of Ottawa & Chippewa Indians	1993	
	Leelanau Sands Casino - Suttons Bay, MI		482
	Turtle Creek Casino - Williamsburg, MI		1331
2	Keweenaw Bay Indian Community	1993	
	Ojibwa Casino - Baraga, MI		331
	Ojibwa Casino - Marquette, MI		309
3	Saginaw Chippewa Indian Community	1993	
	Soaring Eagle Casino & Resort - Mt. Pleasant, MI		
	Soaring Eagle Casino Slot Palace - Mt. Pleasant, MI		4400
	Saganing Casino Slot Palace - Standish, MI		800
1	Little River Band - Manistee, MI	1998	
	Little River Casino		1500
1	Little Traverse Bay Band of Odawa Indians	1998	
	Odawa Casino & Hotel - Petoskey, MI		1500
1	Pokagon Band of Potawatomi	1998	
	Four Winds Casino, New Buffalo, MI		3022
1	Nottawaseppi Huron Potawatomi	1998	
	FireKeepers Casino, Battle Creek, MI		2680
?	Gun Lake Tribe (Expect to have 1400 slots) Opening 2/2011	2007	
	Gun Lake Tribe Casino, Wayland, MI		0
TOTAL SLOT MACHINES IN TRIBAL CASINOS			21,189
20	TOTAL TRIBAL CASINOS IN MICHIGAN		