



Michigan Gaming Control Board

Annual Report to the Governor



Calendar Year 2007

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Calendar Year 2007

Michigan Gaming Control Board
1500 Abbot Road, Suite 400
East Lansing, MI 48823

Submitted April 15, 2008
pursuant to the
Michigan Gaming Control & Revenue Act, as amended
(Public Act 69 of 1997)

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



STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD
EAST LANSING

JENNIFER GRANHOLM
GOVERNOR

RICHARD S. KALM
EXECUTIVE DIRECTOR

April 15, 2008

Honorable Jennifer Granholm
Governor of Michigan

LETTER FROM THE CHAIRMAN



On behalf of the Michigan Gaming Control Board (“MGCB”), it is my distinct pleasure to submit to you the Board’s annual report for calendar year 2007, in accordance with Section 15(1) of the *Michigan Gaming Control and Revenue Act*, as amended, Public Act 69 of 1997 (“Act”). This Annual Report is submitted to provide you with a summary of the Board’s significant activities and operations in 2007, and to update you on the status of commercial casino gaming in the city of Detroit under the Act.

During 2007, the four appointed members of the Board faithfully carried out our charge under the Act by carefully adhering to the Act’s guidelines and requirements. In fulfilling our duties and responsibilities, the Board continued to receive invaluable assistance from the Michigan State Police and the Office of the Attorney General.

As you examine this Annual Report, it is important to note the continued growth of the profits and wagering taxes generated by the Detroit casinos. The state tax revenues in 2007 exceeded \$160 million in wagering taxes.

In May, Rick Kalm, our new Executive Director, was confirmed and immediately assumed control of the day-to-day operations of the Board. His positive leadership style is reflected in tackling necessary administrative changes and a commitment to the comprehensive licensing and regulation of the Detroit casinos.

The Board will continue to track the expansion of the three permanent Detroit casinos to ensure the MGCB provides the proper licensing and regulation to accomplish our mission and ensure safe and honest gaming for the people of Michigan. The casinos are slated to be in their permanent facilities during 2008 and all will be completed by early 2009.

The Board was not without challenges in 2007. In October, the Board was required to vote on a Board order calling for the non-disciplinary temporary suspension of the operation of all three casinos due to threat of potential legislative budget action. Fortunately, a closure of the casinos was avoided.

In August, we honored the retirement of Patty James, the executive assistant to the executive director. She departed the MGCB after 10 years of invaluable service and is sorely missed.

The Detroit casinos are set to begin opening their permanent facilities right after the first of the year. The transition to their new facilities with construction and build-outs has not hampered their growth in revenues -- all three casinos collectively posted gains and generated gaming revenues of \$1.33 billion. The casinos collectively contributed over \$160 million in wagering taxes to the state of Michigan.

With the important challenges the Board resolved this year, the Board members displayed their talents and expert judgment while providing an invaluable public service and professionalism to not only the Detroit metro area, but also the entire state of Michigan. The casino gaming industry continues to grow in Michigan and the Board remains vigilant and committed to provide a fair and honest gaming environment.

Sincerely,



Damian Kassab
Chairman



FROM THE EXECUTIVE DIRECTOR



In 2007, during a period of construction and relocation to the permanent casino sites, the Michigan Gaming Control Board (“MGCB”) carried out its mission to regulate and license the three Detroit casinos. There were 6,311 licensed casino employees and 1,651 supplier and vendor licensed employees that the MGCB ensured were suitable to have contact with the three Detroit casinos.

The MGCB continues to confront new challenges. One of those challenges involves moving the Licensing and Enforcement Divisions to the Cadillac Place office in Detroit. In 2008, the MGCB will implement changes and improvements to ensure that Michigan continues to stay at the top of the list of well-administered gaming control boards or commissions in the United States. 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. My deepest appreciation also goes to the staff of the MGCB, who guarantee that our mission of fair and honest gaming is accomplished 24/7. The MGCB will continue to effectively and efficiently manage casino gaming and to meet the challenges of the gaming industry in Michigan.

Thank you for your interest in Michigan gaming. If you should need additional information or assistance, please contact us.

A handwritten signature in black ink, appearing to read 'Rick Kalm', written in a cursive style.

Rick 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*. 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 (referred to as the "Act"). 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 and agents of the Board, license applicants, licensees, and others involved in gaming to prevent conflicts of interest





Michigan Gaming Control Board

The Michigan Gaming Control Board Board Members - 2007

Mr. Damian Kassab, Chairman



Mr. DAMIAN KASSAB (reappointed by Governor Granholm to a term which expires on December 31, 2008). Mr. Kassab has served as the chairman of Warren Bank since 1997. Previously, Mr. Kassab formed an investment bank, Seger Financial, Inc. Mr. Kassab is a graduate of the University of Michigan, and has a law degree from the University of Colorado. Mr. Kassab resides in Rochester.

Hon. 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 is appointed for a term expiring December 31, 2007. He succeeds the Honorable Roman S. Gribbs whose term has expired.

Mr. Donald Robinson



Mr. DONALD ROBINSON Mr. Robinson of Detroit, president of Donald L. Robinson & Associates consulting firm. The Governor reappointed Mr. Robinson for a term expiring December 31, 2008. He was initially appointed to fill the vacancy of the late Judge Geraldine Bledsoe Ford.

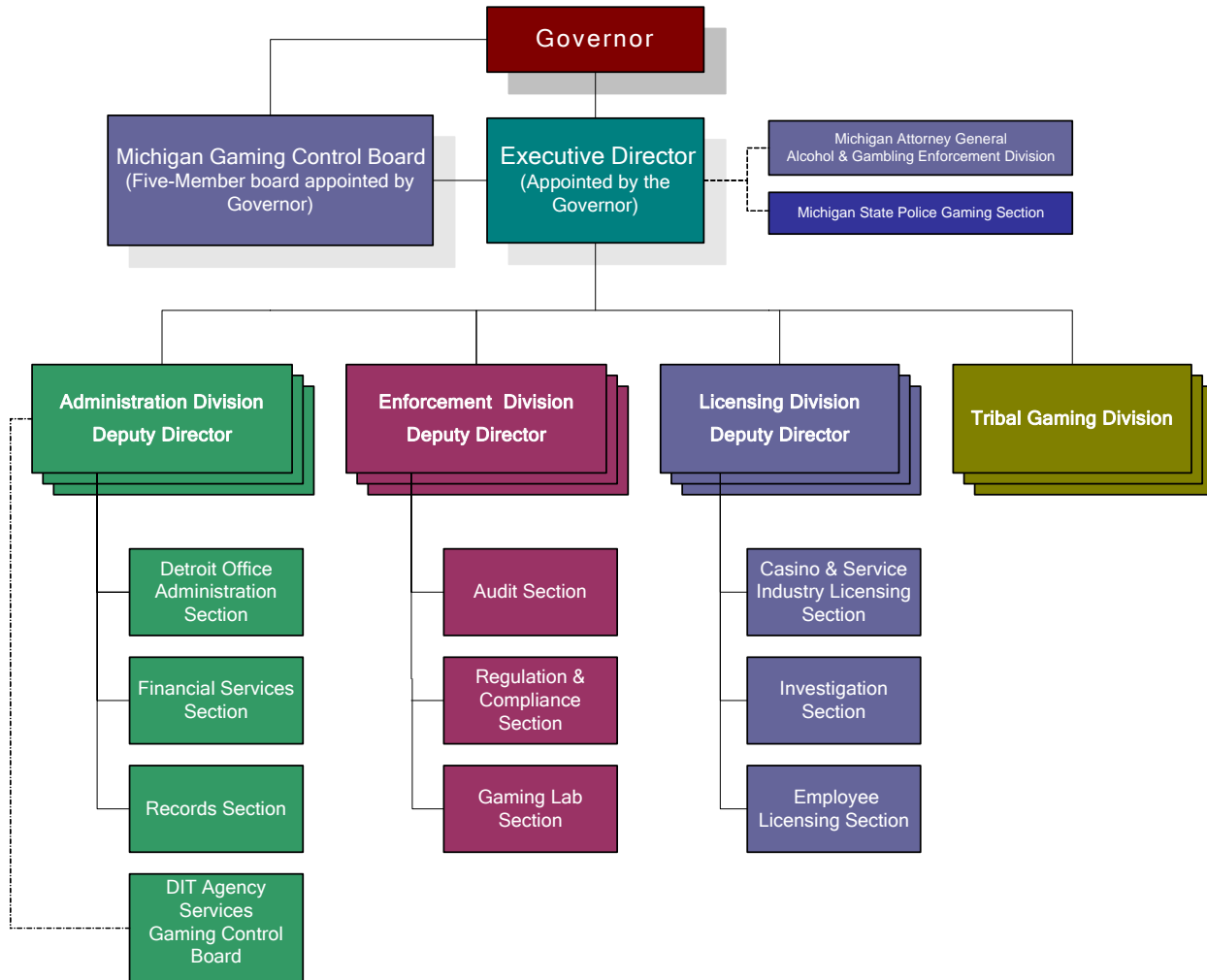
Ms. Barbara Rom



Ms. BARBARA ROM Ms. Rom of Bloomfield Hills, partner of Pepper Hamilton, LLP law firm in Detroit. Ms. Rom is appointed for a term expiring December 31, 2007. She succeeds Ritchie T. Davis whose term has expired.



Organizational Chart





Michigan Gaming Control Board

MGCB Staff as of December 31, 2007

Executive Director Mr. Rick Kalm
 Executive Assistant Ms. Patty James

Administration Division

Deputy Director Mr. Tom Barker
 Executive Assistant..... Ms. Laurie Lander
 Accountant..... Ms. Peggy Murphy
 Administrative Manager Mr. Eric Bush
 Financial Manager Mr. Robert Simon
 Budget Assistant..... Ms. Andrea Sanchez
 Departmental Analyst..... Ms. Tammy Colling
 Detroit Office Administrator..... Mr. Larry Smith
 Detroit Office Secretaries:
 Ms. Kristine Dyer Ms. Natalie Dirasian Ms. Cheryl Taylor
 Ms. Simona R. Green Ms. "Stina" Lyles
 Document & Records Analyst..... Mr. Thomas Wilson
 Document & Records Supervisor Ms. Karen Finch
 Document & Records Technicians..... Mr. Adam Downs
 Ms. Sophia Sanders
 Ms. Julie Martin
 Ms. Terri Miller
 Ms. Latasha Wilkins-O'Neal
 Departmental Analyst..... Ms. Sandra Johnson
 Information Systems Analysts Ms. Linda Crockett
 Mr. Robert Hughes
 Mr. Ken Scroi
 Ms. Jane Rademacher
 Information Systems Program Manager Mr. Greg Campbell
 Database Administrator..... Vacant
 Information Systems Programmer Mr. Joe Welz
 Native American Gaming Oversight Lead Auditor Mr. David Hicks
 Native American Gaming Oversight Staff Auditor Mr. Richard Sheaffer
 Network Administrator Mr. Philip DuLong
 Procurement Analyst Ms. Marina Kotsifis
 Receptionist..... Ms. Geralyn Fedewa
 Receptionist..... Ms. Penny Ducat
 Records Section Manager Mr. Dan Ostrom
 Regulation Officer..... Mr. Pat Devlin

Enforcement Division

Deputy Director Mr. John Page
 Executive Assistant Ms. Kara Kabia
 Casino Audit Section Manager Ms. Theresa Willis
 Casino Compliance Section Managers..... Mr. Michael Maher
 Casino Compliance Section Manager Mr. Brian McCafferty
 Casino Compliance Section Manager Mr. Joshua Travis Jr.
 Gaming Lab Manager Mr. Chris Adams
 Information Systems Auditor..... Mr. Rajesh Dharia

Casino Auditors:

| | | |
|-----------------------|---------------------|-----------------|
| Mr. James Day | Mr. Cedric Knott | Mr. Jason Wiard |
| Ms. Alice Jacob | Ms. Ardrenna Lenton | Vacant |
| Mr. Stratford Johnson | Mr. Abdul Mutahr | Vacant |
| | Ms. Elizabeth Orr | |

Gaming Lab:

| | |
|----------------------------------|---------------------|
| Equipment Technician..... | Mr. Aaron Pongracz |
| Gaming Laboratory Auditor | Vacant |
| Gaming Laboratory Engineers..... | Mr. Jim Bridgewater |
| | Mr. Nader Jadallah |
| | Vacant |

Gaming Laboratory Secretary Ms. Beverly Kimbrough

Regulation Officers:

| | | |
|---------------------|-----------------------|--------------------|
| Ms. Deandra Abrou | Ms. Laura McDonald | Mr. Gregory Taylor |
| Mr. Tom Bucia | Mr. Michael McDonald | Mr. Scott Thomas |
| Ms. Melanie Carroll | Ms. Gretchen Mink | Mr. John Trafelet |
| Mr. Paul Flaherty | Ms. LaTonya Morgan | Mr. Doug Zavorski |
| Ms. Stacey Johnson | Mr. Greg Nagel | Vacant |
| Ms. Kristina Judge | Mr. Tom Novak | Vacant |
| Mr. Jason Maue | Mr. Randell Schnotala | Vacant |
| Mr. Preston McBride | Ms. Robin Simpson | |

Licensing Division

| | | |
|--|------------------------|--------------------|
| Deputy Director | Vacant | |
| Executive Assistant..... | Ms. Pam Trakul | |
| Casino & Service Industry Licensing Section Manager..... | Ms. Carol Flores | |
| Employee Licensing Section Manager | Mr. Nick Alagna | |
| Investigation Section Manager..... | Mr. Rae Jim Burnett | |
| Departmental Technicians: | | |
| Ms. Charlotte Davidson | Ms. Sharon Henderson | Ms. Melissa Peters |
| Mr. Craig Goerge | Ms. Marcia Dunning | Ms. Robyne McCray |
| Financial Analyst | Ms. Sara Botke | |
| | Ms. Joanne Chamberlain | |
| | Vacant | |
| | Mr. Ron Warmbier | |
| Licensing Section Secretary | Ms. Melody Duwe | |

Regulation Officers:

| | | |
|-----------------------|--------------------|---------------------|
| Mr. Charles Benson | Mr. Greg Kilbourn | Mr. Gary Peterson |
| Mr. Robert Braner Jr. | Mr. Warren Lamb | Mr. Dale Thibodeau |
| Ms. Celesta Clarkson | Ms. Margie McNutt | Mr. Gary Washington |
| Mr. Joseph Hanley | Mr. Mark O'Farrell | Mr. Henry Williams |
| Mr. Gary Hough | Mr. Rick Percy | Vacant |



Michigan Gaming Control Board

Michigan Attorney General, Alcohol and Gambling Enforcement Division

| | |
|---|---------------------------|
| Assistant Attorney General in Charge..... | Mr. John M. "Jack" Cahill |
| Division Head Secretary | Ms. Randalyn Jegla |
| First Assistant Attorney General | Mr. Don McGehee |
| Assistant Attorneys General | Ms. Rhondi Keller |
| | Ms. Melinda Leonard |
| | Mr. Michael Lockman |
| | Ms. Jessica Weiler |
| | Ms. Bethany Scheib |
| Legal Secretaries..... | Ms. Scheryl Brooks |
| | Ms. Karyn Howd |



Michigan Department of State Police, Gaming Section

| | |
|------------------------|-------------------|
| Inspector | Ellis Stafford |
| Secretary: | Ms. Latanya Davis |

| | |
|---|-------------------|
| Detective First Lieutenant | Vicki Johnson |
| Administrative Sergeant..... | Andrae Washington |
| Secretary: | Ms. Joy Bradley |

Special Operations Unit

| | |
|---------------------------|--------------|
| Detective Lieutenant..... | John Lessnau |
| Detective Sergeant..... | Allan Reed |

Detective Specialists:

| | |
|----------------|---------------------|
| William Dawson | Theresa Maylone |
| Stephen Ford | Jennifer Schlaufman |
| Frank Little | |

Casino Operation Unit

| | |
|----------------------------|-------------|
| Detective Lieutenants..... | Pam Benzing |
|----------------------------|-------------|

Detective Sergeants:

| | | |
|---------------|---------------|-------------|
| Robin Coppens | Frank McCrary | Marva Moore |
|---------------|---------------|-------------|

Detective Specialists:

| | | |
|------------------------------|-------------------|-----------------|
| Steven Arendt | Tonda Hill | Clarence Vincet |
| Mark Castillo | John Keating | Tracey Walton |
| Bradley Cox (Military Leave) | Larissa LaMay | Brad Washburn |
| Emerson Cox | Margie Richardson | Art Williams |
| Aric Dowling | Scott Singleton | |
| Darrin Grandison | Debra Stone | |



Activities of the Board

In calendar year 2007, the five-member Board was comprised of the following gubernatorial appointees:

- **Mr. Damian Kassab** was reappointed by Governor Granholm to a term that expires on December 31, 2008. Mr. Kassab serves as chairman.
- **Hon. Benjamin Friedman** was appointed by Governor Granholm for a term expiring December 31, 2007. He succeeds The Honorable Roman S. Gibbs whose term expired.
- **Mr. Donald Robinson** was reappointed by Governor Granholm for a term expiring December 31, 2008.
- **Ms. Barbara Rom** was appointed for a term expiring December 31, 2007 by Governor Granholm. She succeeds Ritchie T. Davis whose term has expired.

BOARD MEETINGS

From its inception, the Board has encouraged public input regarding its 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 eleven public meetings in 2007. At its 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 the Cadillac Place, 3062 West Grand Boulevard, Suite L-700, on the following dates:

| | |
|---------------------|------------------------------|
| January 2007* | August 14, 2007** |
| February 13, 2007** | September 21, 2007** |
| March 13, 2007** | September 27, 2007 (Special) |
| April 10, 2007** | October 22, 2007** |
| May 8, 2007** | November 19, 2007** |
| June 12, 2007** | December 11, 2007** |
| July 2007* | |

* No Meeting

**After public meeting, Board adjourned to Closed Session

The Board adjourned to Closed Session after ten of the eleven 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). The Board called two special meetings. There was no Closed Session after the two special meetings. 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 two resolutions in calendar year 2007:

Resolution No. 2007-01 (Adopted 05/08/2007) - A Board Resolution Acknowledging The Contributions and Accomplishments of Board Member Judge Michael Stacey And Commending Him For Distinguished and Honorable Service to the Michigan Gaming Control Board.

Resolution No. 2007-02 (Adopted 08/14/2007) - A Board Resolution Acknowledging the Contributions and Accomplishments of Executive Assistant Patty James.





Notable Board Accomplishments

ADMINISTRATION DIVISION

The Administration Division successfully obtained approval in 2007 from the Office of the State Budget to increase the Board's employment target to its full staffing level of 106. The Michigan Gaming Control Board (MGCB) was able to hire staff to fill 12 vacancies. The MGCB still has not reached full staffing of 106.

Information Technology Section

In 2007, the Novell and the Oracle & LiveLink servers uptime was 99.77 percent. With clustering on the Novell servers, the servers are always available even with one of them being offline. Much of the downtime was due to system maintenance.

Our major accomplishments in 2007 dealt with infrastructure projects. IT dealt with transitioning MGCB offices from temporary casino sites to permanent sites.

- Updated our MGM and MotorCity office sites that included designing and installing of equipment.
- Updated new offices with faster and cheaper data connections and converted to the State Telephone System.
- Setup a temporary licensing facility for MGM at its Woodbridge office location.
- Updated the server backup computer equipment and installed a new UPS system.
- A teleconferencing system was installed in the East Lansing office to allow real-time transmission of board meetings.
- Installed in the MGCB offices several new systems including compliance overtime tracking, the scan log project, and updates to the DocRelease and Indexing system.

Information Technology staff assigned to the MGCB added the new agency-wide firewall and implemented PC updates, which included the Attorney General's Office of Alcohol & Gambling Enforcement Division. The final upgrades to the Identix system and the Compliance System were implemented. In addition, conversions were completed in the GMAN network and to color document scanners.

Intranet

The final version of the MGCB Intranet was put into operation. The information network provides immediate access to necessary operational information and events throughout the three divisions of the agency.

Records Section

The Records Section processed 403 Freedom of Information Act requests. New color scanning equipment and protocols were implemented while 363,727 pages were posted to the agency document management system. Agency document retention schedules were updated to enable immediate disposal of paper-based records upon verification that quality images were posted to the electronic document management system. In addition, the section provided updated e-mail retention training to all Board employees.

- Scanned 21,068 batches containing 409,263 pages of application related documents.
- Scanned Indian Gaming records and audited over 150 boxes of assorted documents.
- Processed batches of 2,086 new applications and 3,647 renewal applications.
- Filed 2,150 compliance records.

Detroit Office

The Detroit Administration Section coordinated the complete teardown and build-out of the 3,600 square foot MGCB Greektown casino office, the build-out of the new 4,900 square foot MGCB MGM casino office and the new 4,000 square foot MGCB MotorCity casino office. In addition, the administration section set up the temporary MGCB MGM casino office on Woodbridge Street to facilitate employee interviews and licensing for new casino employees.

The administration section accommodated eight administrative hearings and 10 monthly Board meetings.

Disassociated Persons Program

In 2007, the Board approved 262 applications from individuals requesting inclusion on the Disassociated Persons List Program ("DPL"). Since its inception in 2000, the Board has placed 1,800 individuals on the self-exclusion list. Recording of the DPL applicant interviews on DVD was incorporated into the application process. In addition, all DPL hardcopy files were scanned and converted to electronic documents in the Livelink software system.

ENFORCEMENT DIVISION

Audit Section

The Audit Section hired one additional auditor during the last quarter of 2007. We anticipate full staff prior to the end of the 2nd quarter.

During 2007, the section completed the following:

- Completed fieldwork for nine of the 12 planned audits. Three of the 2007, audits were deferred, to current year, due to audit section resource shortages.
- The section has met the agency performance goal for the review of casino daily tax returns and are in the process of completing review and analysis of the monthly and quarterly financial records as required for submission by the casino licensees.

Gaming Laboratory Section

The Gaming Laboratory continues to play a critical role in the mission of the MGCB by testing and analyzing all gaming devices and equipment, reviewing all 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.

The Gaming Laboratory researched State Law and found that the unredeemed ticket vouchers used at the casino properties should be subject to the Unclaimed Property Act. Accordingly, all revenues associated with these unredeemed vouchers will be forwarded to the Michigan Department of Treasury. Revenues to the state are expected to top \$500,000 annually as all properties now offer ticket vouchers and none use tokens.

During 2007, the section completed the following:

- Resolved 2,984 gaming device submissions, assignments, tests, and reports.
- Processed 159 casino internal control change requests.
- Recommended rule changes and waivers to eliminate the requirement of older technology, saving licensees time and money without sacrificing the integrity of the games or the accuracy of revenue reporting.
- Streamlined several processes eliminating unnecessary paperwork and redundant efforts including table game approvals, gaming device shipping notifications, and other notifications not required by rule.
- Received acknowledgment from a Detroit casino regarding multiple internal control violations surrounding complex financial matters leading to a fine and board ordered external audit.
- Redesigned field verification program and provided training to further enforcement efforts designed to assure that only MGCB approved gaming equipment is used in this jurisdiction.

Regulation & Compliance Section

This section continues to carry out the 24/7 monitoring of the casinos' responsibilities to ensure gaming integrity.

During 2007, the section completed the following:

- Investigated and resolved 68 patron disputes regarding the conduct of gambling at a Detroit casino.
- Reviewed and approved 21 new rules for games at a Detroit casino.
- Administered 78 Surveillance Alteration request investigations regarding the addition, deletion, or modification of the surveillance coverage at a Detroit casino. Additionally, the section reviewed and approved the transition from an analog to a digital surveillance system at two casinos.
- Coordinated and cooperated in 20 inter/intra-agency investigations involving the Michigan State Police, Michigan Liquor Control Commission, local police department, amongst others which involved a casino, supplier, or occupational licensee.

- Investigated 30 Manufacturer Notifications regarding the revocation or withdrawal of software or hardware that was defective, malfunctioned, or otherwise had a detrimental impact on the conduct of gambling operations at a Detroit casino.
- Electronically tested slot machines at the Detroit casinos to verify the gaming software is approved and adequate to ensure compliance with the Act and rules or the integrity of the game.
- Conducted electronic testing on 10 slot machines with jackpots of \$100,000 or more. Inspection of the EGD, including the EPROM, and other data to ascertain the validity of the jackpot to ensure the EGD was not compromised and that a fair and honest gaming standard is maintained.
- Supervised the destruction of \$43,278,904 in gaming chips and \$204,822 in tokens at a Detroit casino.
- Noncompliance with the *Michigan Gaming Control & Revenue Act* and *Administrative Rules* was identified by the Regulation and Compliance staff:
 - Formal disciplinary proceedings were initiated on 10 occasions that required the Department of Attorney General to file Complaints against casino, supplier, and/or occupational licensees. The disciplinary action ranged in fines from one \$100 fine to three \$30,000 fines. Penalties included revocation, one one-day suspension, and one Warning Letter. Three actions are pending.
 - Informal actions were initiated on five occasions that resulted in three warnings and two referrals to the Licensing Division of the Board.
- Finalized a formal disciplinary proceeding that required the Department of Attorney General to file a Complaint against a casino. The proceeding included the Regulation & Compliance, Audit, and Lab sections of the Board. The Final Decision and Order was a \$750,000 fine and remedial conditions.
- Administered and approved the expansions and new construction at the Detroit casinos.

LICENSING DIVISION

The Employee Licensing Section

The three Detroit casinos and related suppliers employ approximately 8,000 personnel in positions that require an occupational license. Employee Licensing Section (ELS) has successfully investigated and licensed over 98 percent of those employees. The remaining employees were issued temporary licenses pending completion of a background investigation.

During 2007, the section completed the following:

- Accepted 2,792 applications for occupational licenses.
- Completed 2,751 occupational license application background investigations.
- Completed 2,481 occupational license renewal investigations.

The average number of days from receipt of occupational license application to license grant recommendation to the Board or Executive Director during 2007 were:

- Level 1 application - 20 days
- Level 2 applications - 12 days
- Level 3 applications - 8 days

In October 2007, ELS relocated personnel from MGCB Offices in Cadillac Place to the new MGM Casino. This move has enabled ELS to be more accessible for casino employees. ELS personnel will also be relocated to the newly renovated MotorCity Casino in the spring of 2008. ELS personnel have been assigned to the Greektown Casino since June 2005. Moving ELS personnel into the casino has increased the efficiency and effectiveness of the ELS employees by better serving the casino employee applicants.

Investigation Section

In 2007, there were 113 investigations assigned and 100 were completed. There were an additional 12 vendor investigations completed. These numbers included construction, individual qualifiers, casino renewals, and supplier license investigations.

Casino and Services Industry Section

The Casino and Services Industry (CSI) Section closely monitored the supplier activity of each Detroit casino as it relates to the construction of the permanent casinos. MGM Casino and MotorCity Casino have completed their permanent facilities and are in the close-out stages of construction. Greektown casino's permanent facility is scheduled for completion in July 2008, with their entertainment complex completion date scheduled for sometime in 2009.

The CSI Section also conducted the following activities in 2007:

- Resolved licensing issues and completed its review of 51 incoming supplier license applications.
- Renewed the three Detroit casino licenses.
- Issued 73 supplier licenses.
- Issued 50 temporary supplier licenses.
- Recommended approval of 37 Transfers of Interest applications.
- Processed 26 supplier license exemptions.
- Processed 12 withdrawals from the licensing process.
- Issued 1,121 vendor exemptions.
- Denied three vendor exemptions.



Minors and Compulsive Gambling

ANNUAL UNDERAGE AND COMPULSIVE GAMBLING 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 2007.

Casino Licensees' Reported Contacts with Minors on Licensed Casino Premises During Calendar Year 2007

| | MGM Grand 1/1/07 - 12/31/07 | MotorCity 1/1/07 - 12/31/07 | Greektown 1/1/07 - 12/31/07 |
|---|--------------------------------|--------------------------------|--------------------------------|
| 1. The number of minors who were denied entry into the casino. | 685 | 4861 | 792 |
| 2. The number of minors who were physically escorted from the casino premises. | 13 | 1 | 10 |
| 3. The number of minors who were detected participating in gambling games other than slot machines. | 1 | 1 | 2 |
| 4. The number of minors who were detected using slot machines. | 4 | 0 | 2 |
| 5. The number of minors who were taken into custody by a law enforcement agency on the casino premises. | 13 | 1 | 9 |
| 6. The number of minors who were detected illegally consuming alcohol on the casino premises. | 0 | 0 | 2 |



Board Revenues and Expenditures

STATE SERVICES FEE FUND

Section 12a of the Act, MCL 432.212a, 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 \$30,009,776 for calendar year 2007 and \$29,429,638 for fiscal year 2007.

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 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 cover 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 renewal 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 \$2,642,570 for calendar year 2007 and \$2,606,264 for fiscal year 2007.

BOARD STATEMENT OF REVENUES AND EXPENDITURES

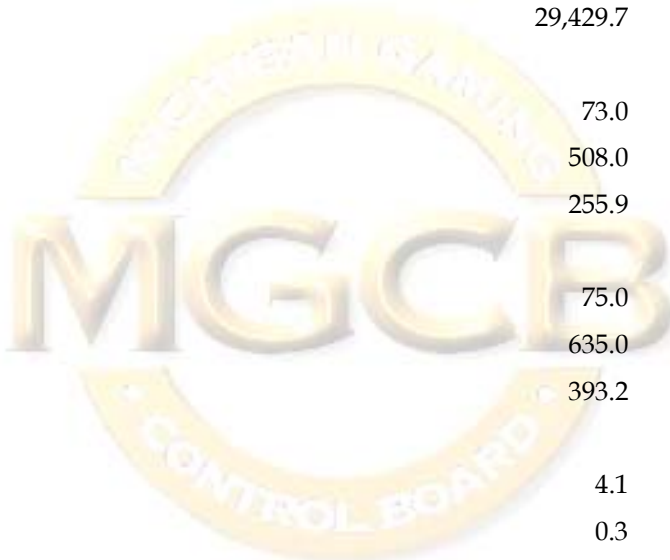
Section 15(1) of the Act, MCL 432.215(1), requires that the Board's Annual Report include an account of the Board's financial position and the results of operations under the Act, for the period covered by the report. While the Board, like other state agencies, operates on a fiscal year (October 1 - 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 under the Act, the following financial statement reports the Board's revenues and expenditures for both calendar year and fiscal year 2007.



Statement of Revenues and Expenditures
(In Thousands)

REVENUES

| State Casino Gaming Fund | <u>Fiscal Year 2007</u> | <u>Calendar Year 2007</u> |
|------------------------------------|-------------------------|---------------------------|
| Casino and supplier fines | \$ 87.9 | \$ 37.9 |
| Other | 0.0 | 0.0 |
| | | |
| State Services Fee Fund | | |
| Annual assessments | 29,429.7 | 30,009.8 |
| Application fees: | | |
| Casinos | 73.0 | 73.0 |
| Suppliers | 508.0 | 510.2 |
| Occupational | 255.9 | 269.3 |
| License fees: | | |
| Casinos | 75.0 | 75.0 |
| Suppliers | 635.0 | 720.0 |
| Occupational | 393.2 | 432.9 |
| Other fees: | | |
| Badge replacement fees | 4.1 | 4.7 |
| Other | 0.3 | 0.1 |
| | | |
| Native American Casino Fund | | |
| Oversight fees | 294.5 | 172.8 |
| Other | 57.1 | 57.1 |
| | | |
| Lab Fund | | |
| Testing fees | 555.0 | 500.5 |
| Total Revenues | 32,368.7 | 32,863.3 |



EXPENDITURES**State Services Fee Fund**

| | | |
|---------------------------|----------|----------|
| Board | 6.0 | 5.9 |
| Administration | 14,829.1 | 14,768.4 |
| Background investigations | 837.0 | 818.2 |
| Information technology | 1,248.1 | 1,249.5 |

| | | |
|------------------------------------|-------|-------|
| Native American Casino Fund | 349.3 | 344.5 |
|------------------------------------|-------|-------|

| | | |
|-----------------|-------|-------|
| Lab Fund | 551.3 | 535.3 |
|-----------------|-------|-------|

| | | |
|---------------------------|-----------------|-----------------|
| Total Expenditures | 17,820.8 | 17,721.8 |
|---------------------------|-----------------|-----------------|

OTHER FINANCING SOURCES (USES)

| | | |
|------------------------------------|------|------|
| Transfers from other funds: | 18.9 | 18.9 |
|------------------------------------|------|------|

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

| | | |
|--|-----------|-----------|
| Department of Community Health | (2,000.0) | (2,000.0) |
| Michigan Office of the Auditor General | (926.9) | (1,390.4) |
| Department of Treasury | (120.0) | (120.0) |
| Department of Agriculture | (8,167.8) | (8,167.8) |
| Department of Civil Service | (69.7) | (69.7) |
| Human Resources Optimization | (5.6) | (5.6) |
| Michigan State Police | (8,500.0) | (8,500.0) |

| | | |
|------------------------------------|-------|-------|
| Native American Casino Fund | (2.3) | (2.3) |
|------------------------------------|-------|-------|

| | | |
|-----------------|-------|-------|
| Lab Fund | (3.7) | (3.5) |
|-----------------|-------|-------|

| | | |
|---|-------------------|-------------------|
| Total Other Financing Sources (Uses) | (19,777.1) | (20,240.4) |
|---|-------------------|-------------------|

Excess of Revenues and Other Sources over

| | | |
|--|------------------|------------------|
| (under) Expenditures and Other uses | (5,229.2) | (5,098.9) |
|--|------------------|------------------|

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.



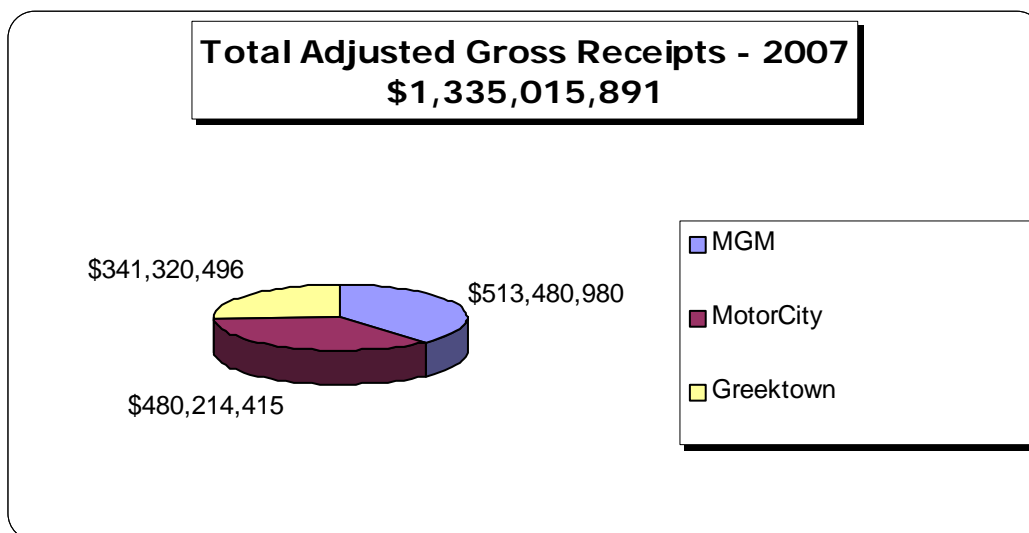
Casino Revenues and State Wagering Taxes

STATE CASINO WAGERING TAX

Section 12 of the Act, MCL 432.212, imposes an 8.1 percent 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 percent 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 increased by 4 percent to 12.1 percent. Of the additional 4 percent, 3.5 percent is deposited in the State’s General Fund and .5 percent is deposited in the Michigan Agriculture Equine Industry Development Fund. Effective October 2, 2007, the MGM Casino was no longer required to pay the additional 4 percent wagering tax due to the opening of their permanent casino and hotel.

In calendar year 2007, the combined 8.1 percent State Wagering Taxes paid by the three Detroit casino licensees and deposited in the School Aid Fund totaled \$108,136,287. The combined 3.5 percent State Wagering Taxes deposited in the General Fund totaled \$41,530,903. The combined .5 percent State Wagering Taxes deposited in the Michigan Agriculture Equine Industry Development Fund totaled \$5,932,986 for the same period.

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 2007:



Casino Revenues & Wagering Taxes 2007

| Calendar Year 2007 | | | | | | | | |
|--------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------------|-----------------------------------|
| | MGM GRAND DETROIT | | MOTORCITY CASINO | | GREEKTOWN CASINO | | All Detroit Casinos | |
| Month | Total Adjusted Revenue | State Wagering Tax (12.10%) | Total Adjusted Revenue | State Wagering Tax (12.10%) | Total Adjusted Revenue | State Wagering Tax (12.10%) | Total Adjusted Gross Receipts | Total State Wagering Tax (12.10%) |
| January | \$40,503,320.38 | \$4,900,901.77 | \$40,452,401.96 | \$4,894,740.64 | \$28,439,733.74 | \$3,441,207.78 | \$109,395,456.08 | \$13,236,850.19 |
| February | \$36,771,280.82 | \$4,449,324.98 | \$39,208,228.16 | \$4,744,195.61 | \$28,998,669.02 | \$3,508,838.95 | \$104,978,178.00 | \$12,702,359.54 |
| March | \$47,402,120.22 | \$5,735,656.55 | \$42,894,972.21 | \$5,190,291.64 | \$33,427,503.33 | \$4,044,727.90 | \$123,724,595.76 | \$14,970,676.09 |
| April | \$41,040,958.48 | \$4,965,955.98 | \$39,345,925.30 | \$4,760,856.96 | \$30,060,692.80 | \$3,637,343.83 | \$110,447,576.58 | \$13,364,156.77 |
| May | \$41,417,910.37 | \$5,011,567.15 | \$36,787,442.36 | \$4,451,280.53 | \$27,394,026.36 | \$3,314,677.19 | \$105,599,379.09 | \$12,777,524.87 |
| June | \$38,562,158.58 | \$4,666,021.19 | \$42,333,206.56 | \$5,122,317.99 | \$28,490,060.73 | \$3,447,297.35 | \$109,365,425.87 | \$13,235,636.53 |
| July | \$41,334,381.05 | \$5,001,460.11 | \$42,676,452.96 | \$5,163,850.81 | \$29,281,394.59 | \$3,543,048.75 | \$113,292,228.60 | \$13,708,359.66 |
| August | \$42,750,887.02 | \$5,172,857.33 | \$41,091,884.90 | \$4,972,118.07 | \$27,795,698.55 | \$3,363,279.52 | \$111,638,470.47 | \$13,508,254.93 |
| September | \$35,279,291.62 | \$4,268,794.29 | \$39,884,824.57 | \$4,826,063.77 | \$26,308,063.80 | \$3,183,275.72 | \$101,472,179.99 | \$12,278,133.78 |
| October | \$54,888,849.43 | \$6,641,550.78 | \$37,709,923.79 | \$4,562,900.78 | \$25,633,602.69 | \$3,101,665.93 | \$118,232,375.91 | \$14,306,117.49 |
| November | \$46,783,708.09 | \$5,660,828.68 | \$38,306,560.95 | \$4,635,093.87 | \$28,115,302.02 | \$3,401,951.54 | \$113,205,571.06 | \$13,697,874.10 |
| December | \$46,746,114.32 | \$4,262,812.18 | \$39,522,591.73 | \$4,782,233.60 | \$27,375,747.95 | \$3,312,465.50 | \$113,644,454.00 | \$12,357,511.28 |
| Total | \$513,480,980.38 | \$60,737,730.97 | \$480,214,415.45 | \$58,105,944.27 | \$341,320,495.58 | \$41,299,779.97 | \$1,335,015,891.41 | \$160,143,455.21 |

