



MASSACHUSETTS GAMING COMMISSION MEETING

January 8, 2015

10:30 a.m.

Boston Convention and Exhibition Center

415 Summer Street, Room 107B

Boston, MA



Massachusetts Gaming Commission

101 Federal Street, 23rd Floor, Boston, Massachusetts 02110 | TEL 617.979.8400 | FAX 617.725.0258 | www.massgaming.com



NOTICE OF MEETING and AGENDA

January 8, 2015

Pursuant to the Massachusetts Open Meeting Law, G.L. c. 30A, §§ 18-25, notice is hereby given of a meeting of the Massachusetts Gaming Commission. The meeting will take place:

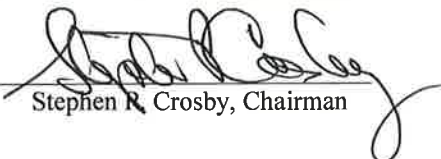
Thursday, January 8, 2015
10:30 a.m.
Boston Convention and Exhibition Center
415 Summer Street, Room 107B
Boston, MA

PUBLIC MEETING - #142

1. Call to order
2. Approval of Minutes
 - a. December 18, 2014
3. Administration – Rick Day, Executive Director
 - a. General Update
 - b. Central Management System Preferred RFR Response and Follow-up – D. Lennon, CFAO and J. Glennon, CIO - **VOTE**
 - c. Gambling Lab Organizational Status – Update – J. Glennon, CIO
4. Investigations and Enforcement Bureau – Karen Wells, Director
 - a. Region C Update
 - b. Key Employees Temporary License Request – D. Acosta, Director of Licensing - **VOTE**
5. Research and Responsible Gaming – Mark Vander Linden, Director
 - a. Play Management RGF Policy – Final Draft
 - b. ATM Location Update
6. Other business – reserved for matters the Chair did not reasonably anticipate at the time of posting.

I certify that on this date, this Notice was posted as “Gaming Commission Meeting” at www.massgaming.com and emailed to: regs@sec.state.ma.us, melissa.andrade@state.ma.us.

1/5/15
(date)


Stephen R. Crosby, Chairman

Date Posted to Website: January 6, 2015 at 10:30 a.m.



Massachusetts Gaming Commission



Meeting Minutes

Date/Time: December 18, 2014 – 10:38 a.m.

Place: Boston Convention and Exhibition Center
415 Summer Street, Room 102B
Boston, Massachusetts

Present: Chairman Stephen P. Crosby
Commissioner Gayle Cameron
Commissioner James F. McHugh
Commissioner Bruce Stebbins
Commissioner Enrique Zuniga

Call to Order

See transcript page 2

10:30 a.m. Chairman Crosby called to order the 141st Commission Meeting.

Approval of the Minutes

See transcript page 2

10:30 a.m. *Commissioner McHugh moved for the approval of the December 4, 2014 minutes. Motion seconded by Commissioner Stebbins. Motion passed unanimously.*

Administration

See transcript pages 3-106

10:31 a.m. Director Day presented the Commission with an administrative update.

10:32 a.m. CFAO Derek Lennon, CIO John Glennon, Deputy Director of Licensing Kathy Barch, Deputy Director of Investigations and Enforcement Bureau Bruce Band, Financial Investigator Vanessa Orso, and Matt Cedor and Jackie Mancini from GTECH presented an update on the Central Management proposal.

12:23 p.m. Commission recessed for lunch.

1:33 p.m. Meeting resumed.

Other Business Not Reasonably Anticipated

Transcript pages 106-121

1:33 p.m. Upon a request from the New England Horsemen Benevolent and Protective Association, the Chair allowed the New England Horsemen Benevolent and Protective Association to address the Commission regarding requests related to simulcasting and the transfer the one day license granted to the New England Horsemen Benevolent and Protective Association.

Ombudsman Report

Transcript pages 121-140

1:52 p.m. Ombudsman Ziemba presented an update on the Gaming Policy Advisory Committee meetings.

2:10 p.m. *Commissioner Stebbins moved the Commission to approve the set-aside figure of \$100,000 for each of the communities contained in the proposals for their reserve. Motion seconded by Commissioner Zuniga. Motion passed four-to-one with Commissioner McHugh dissenting.*

Legal Division

See transcript pages 140-158

2:13 p.m. General Counsel Blue presented a delegation of authority to Commissioner Cameron to act on certain racing track matters during the period when there are no judges and stewards seated.

2:17 p.m. *Commissioner Zuniga moved the Commission delegates the authority to Commissioner Cameron to handle certain racing matters as discussed. Motion seconded by Commissioner McHugh. Motion passed unanimously with Commissioner Cameron abstaining.*

2:18 p.m. General Counsel Blue presented on the Section 61 findings for the Plainridge facility.

2:20 p.m. *Commissioner Zuniga moved that the Commission authorize staff to file the Springfield Gaming and Redevelopment Section 61 findings with MEPA for publication. Motion seconded by Commissioner Stebbins. Motion passed unanimously.*

2:21 p.m. Attorney Holmes presented the Small Business Impact Statements for filing for 205 CMR 14, 134, 138 and 149

- 2:22 p.m. *Commissioner Stebbins moved that the Commission approve the Small Business Impact Statements as provided in the packet for the corresponding regulations. Motion seconded by Commissioner McHugh. Motion passed unanimously.*
- 2:22 p.m. Deputy General Counsel Grossman asked the Commission to approve the submission of a request for a ruling to the Department of Revenue seeking clarification of a letter they issued previously discussing a tax withholding issue.
- 2:32 p.m. *Commissioner Stebbins moved that the Commission give Chairman Crosby the authority to sign the appropriate letter to the Department of Revenue as drafted by the staff. Motion seconded by Commissioner Cameron. Motion passed unanimously.*

Investigations and Enforcement Bureau

See transcript pages 159-184

- 2:33 p.m. Director Wells presented the qualifier report for Anton Nicodemus with MGM Resorts International.
- 2:36 p.m. *Commissioner Cameron moved that the Commission approve Mr. Anton Nicodemus for licensure as an MGM employee. Motion seconded by Commissioner Stebbins. Motion passed unanimously.*
- 2:37 p.m. CFO Lennon and Deputy General Counsel Grossman presented draft regulations on financial and tax reporting requirements.
- 2:55 p.m. Director Wells, and Frank Chesky, Vice President and General Counsel of Sportech, presented a petition by Penn National Gaming to grant the company Sportech a temporary gaming vendor primary license.
- 3:00 p.m. *Commissioner Cameron moved that the Commission authorize the Licensing Division to issue a temporary license to Sportech once the appropriate paperwork is in place and deemed complete by the Licensing Division. Motion seconded by Commissioner Zuniga. Motion passed unanimously.*
- 3:02 p.m. Commission took a short recess.
- 3:15 p.m. Meeting resumed.

Research and Problem Gaming

See transcript pages 184- 236

- 3:15 p.m. Director Vander Linden, Lance George of Penn National, and Marlene Warner from the Mass. Council on Compulsive Gambling presented a proposal for the Massachusetts Gaming Commission to adopt GameSense
- 3:51 p.m. *Commissioner Stebbins moved that the Commission enter into the license agreement presented by the British Columbia Lottery Corporation, subject to review by the legal department, for the purposes of using their GameSense marketing campaign. Motion seconded by Commissioner Zuniga. Motion passed unanimously.*
- 3:52 p.m. *Commissioner Stebbins moved that the Commission staff take the necessary steps to procure services of a marketing company to further develop the GameSense brand strategy and implement such a plan in Massachusetts. Motion seconded by Commissioner Cameron. Motion passed unanimously.*
- 3:53 p.m. Director Vander Linden presented a recommendation for play management.
- 4:14 p.m. Commissioner Zuniga moved the Commission approve the recommendations for the 2015 annual research agenda as outlined in the packet. Motion seconded by Commissioner McHugh. Motion passed unanimously.
- 4:15 p.m. Motion made by Commissioner Cameron adjourn the meeting. Motion seconded by Commissioner McHugh. Motion passed unanimously.
- 4:15 p.m. Meeting adjourned

List of Documents and Other Items Used

1. Massachusetts Gaming Commission December 18, 2014 Notice of Meeting and Agenda.
2. Massachusetts Gaming Commission December 4, 2014 Meeting Minutes.
3. Massachusetts Gaming Commission presentation on Central Management/Monitoring System (CMS)
4. Massachusetts Gaming Commission 2015 Community Mitigation Fund Guidelines and Application
5. Massachusetts Gaming Commission December 18, 2014 Memorandum Regarding Delegation of Authority to Commissioner Cameron to handle racing matters
6. Massachusetts Gaming Commission December 18, 2014 Memorandum regarding Section 61 findings- Springfield Gaming and Redevelopment, LLC.
7. Massachusetts Gaming Commission Small Business Impact Statements for 205 CMR 138.00, 149.00, 14.00, 134.00.
8. Massachusetts Gaming Commission December 15, 2014 IEB Qualifier Report of Applicant Blue Tarp/MGM for Qualifier Anton David Nicodemus
9. 205 CMR 139.01 through 139.12; 205 CMR 138.13 through 138.14 Draft Regulations

10. 205 CMR 140.02 through 140.05 Draft Regulations.
11. Proposal for Massachusetts Gaming Commission to adopt GameSense
12. Massachusetts Gaming Commission December 18, 2014 Memorandum regarding Play Management recommendation
13. Massachusetts Gaming Commission December 18, 2014 Memorandum regarding recommendation for the Annual Gaming Research Agenda.

/s/ Catherine Blue
Catherine Blue
Assistant Secretary

DRAFT

No Documents



CMS Procurement Management Team

Central Management System (CMS)-
a digital regulatory operating model

CENTRAL MONITORING SYSTEM



THE STATE OF NEW JERSEY
DEPARTMENT OF LAW & PUBLIC SAFETY



Update on collaborative initiative with
New Jersey
Division of Gaming Enforcement –
Technical Services Bureau

CENTRAL MONITORING SYSTEM

Follow up - Financial Analysis – Return on Investment



		Salary Per			
FTE	Non Central Monitoring Staff	Year	Cost Per Year	Fringe @ 28.86	Total Cost
8	Auditors	65,000	520,000	150,072	670,072
1	Central Office Staff	75,000	75,000	21,645	96,645
4	IT Technical Staff	70,000	280,000	80,808	360,808
16	Gaming Agents- Penn National	65,000	1,040,000	300,144	1,340,144
16	Gaming Agents- MGM	65,000	1,040,000	300,144	1,340,144
16	Gaming Agents - Wynn	65,000	1,040,000	300,144	1,340,144
16	Gaming Agents -TBD	65,000	1,040,000	300,144	1,340,144
77	Total Salaries without CMS	470,000	5,035,000	1,453,101	6,488,101

		Salary Per			
FTE	Central Monitoring Staff	Year	Cost Per Year	Fringe @ 28.86	Total Cost
1	Auditors	65,000	65,000	18,759	83,759
1	Central Office Staff	75,000	75,000	21,645	96,645
2	IT Technical Staff	70,000	140,000	40,404	180,404
10	Gaming Agents- Penn National	65,000	650,000	187,590	837,590
10	Gaming Agents- MGM	65,000	650,000	187,590	837,590
10	Gaming Agents - Wynn	65,000	650,000	187,590	837,590
10	Gaming Agents -TBD	65,000	650,000	187,590	837,590
44	Total Salaries with CMS	470,000	2,880,000	831,168	3,711,168

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	10 Year
167,518	167,518	335,036	670,072	670,072	670,072	670,072	670,072	670,072	670,072	5,360,576
96,645	96,645	96,645	96,645	96,645	96,645	96,645	96,645	96,645	96,645	966,450
360,808	360,808	360,808	360,808	360,808	360,808	360,808	360,808	360,808	360,808	3,608,080
335,036	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	12,396,332
-	-	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	10,721,152
-	-	-	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	9,381,008
-	-	-	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	1,340,144	9,381,008
960,007	1,965,115	3,472,777	6,488,101	6,488,101	6,488,101	6,488,101	6,488,101	6,488,101	6,488,101	51,814,606

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	10 Year
83,759	83,759	83,759	83,759	83,759	83,759	83,759	83,759	83,759	83,759	837,590
96,645	96,645	96,645	96,645	96,645	96,645	96,645	96,645	96,645	96,645	966,450
110,404	110,404	110,404	110,404	110,404	110,404	110,404	110,404	110,404	110,404	1,104,040
209,398	837,590	837,590	837,590	837,590	837,590	837,590	837,590	837,590	837,590	7,747,708
-	-	837,590	837,590	837,590	837,590	837,590	837,590	837,590	837,590	6,700,720
-	-	-	837,590	837,590	837,590	837,590	837,590	837,590	837,590	5,863,130
-	-	-	837,590	837,590	837,590	837,590	837,590	837,590	837,590	5,863,130
500,206	1,128,398	1,965,988	3,641,168	3,641,168	3,641,168	3,641,168	3,641,168	3,641,168	3,641,168	29,082,768

Annual Payroll Savings with system 2,776,933 Savings 459,802 836,717 1,506,789 2,846,933 2,846,933 2,846,933 2,846,933 2,846,933 2,846,933 22,731,839

0.2886

FTE	Cost Per Year	Fringe @ 28.86	Total Cost
16 Gaming Agents	1,040,000	300,144	1,340,144
48 Gaming Agents	3,120,000	900,432	4,020,432
64 Gaming Agents	4,160,000	1,200,576	5,360,576
10 Gaming Agents	650,000	187,590	837,590
30 Gaming Agents	1,950,000	562,770	2,512,770
40 Gaming Agents	2,600,000	750,360	3,350,360
FTE	Cost Per Year	Fringe @ 28.86	Total Cost
2 Auditors	130,000	37,518	167,518
4 Auditors	260,000	75,036	335,036
6 Auditors	390,000	112,554	502,554
8 Auditors	520,000	150,072	670,072



PENN NATIONAL
GAMING, INC.

January 6, 2015

Mr. John Glennon
Chief Information Officer
Massachusetts Gaming Commission
101 Federal Street, 23rd Floor
Boston, MA 02110

Dear John:

We appreciate you setting up last Monday's conference call to discuss central server issues. During that call, you discussed the possibility of the Massachusetts Gaming Commission (MGC) adopting a system similar to the internet gaming monitoring system (iGaming System) currently in use in New Jersey as a more cost effective replacement of the central server system (presumably GTECH) currently being contemplated. You indicated that the adoption of the iGaming System would likely not be feasible by the time we open, so an interim system would have to be in place until the New Jersey system could be adopted.

As you know, Penn National has consistently maintained that the use of a central server system to monitor the gaming operations in Massachusetts poses large up-front and ongoing expenses that are not worth the limited benefits that such a system provides (see our May 22, 2014 letter, attached for your convenience). The employment of a reliable central server system itself poses no significant issues for Penn other than its upfront and ongoing operational costs, which, pursuant to M.G.L 2 23K § 56, must be reimbursed by assessments against each Massachusetts Licensee.

We understand however, that the MGC remains committed to employing a central monitoring system. As you discussed, the presumably less expensive New Jersey option would likely not be ready for several years, so an existing central server system would have to be employed in the interim. Since the initial central server would have high upfront costs and the modified New Jersey system would require significant development costs, we would advise caution in going through any significant expense in trying to adapt the New Jersey system for Massachusetts. We are concerned that replacing the initial system with the new system may, in the end, be more expensive than just staying with the initial central server.

We also have other concerns with the New Jersey iGaming System. As far as central monitoring systems go, GTECH is an established, proven systems provider in worldwide regulated gaming, while the home grown New Jersey iGaming System is new to this space. Penn National has successfully worked with GTECH in Pennsylvania, Maryland and Kansas and has not experienced any significant compatibility or reliability problems associated with the GTECH

systems in these jurisdictions. We note that the current New Jersey iGaming System is designed for network monitoring and authentication of approved software for internet based gaming while GTECH is designed primarily for revenue auditing and slot machine compliance in brick and mortar gaming facilities. These are two very different system missions and we question the ability of the New Jersey iGaming system to be successfully, and cost effectively, modified to meet the central monitoring expectations of the MGC. It could take years of development and result in material costs to both the state and licensee without a guarantee of a successful implementation. We have designed our Plainville casino to accommodate the GTECH requirements. Impacts to performance of the properties are known with GTECH and unknown with the iGaming System. Finally, functioning versions of the GTECH system are currently available for testing which would not be the case with the New Jersey iGaming System.

We applaud the Commission's effort to consider the New Jersey system as a potentially more cost effective way to meet its slot machine control and monitoring goals; however, as outlined above, we are not convinced that adapting the New Jersey iGaming system to this task is the best way to accomplish these goals. We do encourage the MGC to continue to evaluate its slot machine control and monitoring needs and, given the significant additional costs that would be incurred in switching central server providers, to consider allowing Plainridge Park to open without a central server in place until such time as a more cost effective alternative can be thoughtfully developed without the pressure of a looming opening deadline. If that cannot be done, once Plainridge Park Casino is up and running, we encourage the MGC to perform continuous reviews of their use of the central system employed to ensure that the annual payroll savings to MGC identified in the GTECH central monitoring presentation are realized. That payroll savings was listed as up to \$2.7 million a year. We also encourage the Commission to continue to evaluate the use, functionality and ongoing cost of the central monitoring system to determine if better or more cost effective alternatives exist or if the continued use of a central monitoring system is really necessary at all. As a final note, we want to emphasize that any central server decision, or consideration of alternatives, should be carefully evaluated so that it would not result in a delay to our planned June opening.

If you have any questions or would like to discuss further, feel free to contact me at 610-401-2946.

Sincerely,



Jim Baldacci

Deputy Chief Compliance Officer

cc: Lance George



PENN NATIONAL
GAMING, INC.



May 22, 2014

John R. Glennon
Chief Information Officer
Massachusetts Gaming Commission
84 State Street 10th Floor
Boston, MA 02109

Re: Central Server Issues

Mr. Glennon,

This week several representatives of Penn National Gaming, Inc. (“Penn”) had the opportunity to speak with Executive Director Day regarding several regulatory matters including the use of a Central Server by the Massachusetts Gaming Commission (“MGC”). Mr. Day suggested that I contact you directly regarding our concerns about utilizing a central server. Several casino jurisdictions have opted to require that all casinos operating in their state connect all individual slot machines to a central server that is owned, operated and overseen by the state or a vendor selected by the state (typically SciGames or G-Tech). States that adopted a central server model typically did so in order to conform to the enabling vehicle for gaming in that state (constitutional mandate and/or existing gambling or lottery laws). The reality, supported by Penn’s experience in a number of jurisdictions, is that a central server does not enhance regulatory control and oversight of a casino in contrast to what can be achieved in a non-central server environment. This conclusion is further supported by the fact that the “traditional” gaming markets (Las Vegas and Atlantic City) operate as models of integrity and regulatory stability without the expense or drawbacks of a central system. Our first hand experience strongly suggests that there are material drawbacks to a central server system. Set forth below is an explanation as to why a central server has been utilized in certain jurisdictions and the resulting pitfalls and drawbacks:

1. With the exception of Pennsylvania, the states with central servers are states with “video lottery terminals (VLTS)” and not “slot machines”. In many of these states, gaming could only be expanded as an extension of the lottery, which already operated through its own central server. Accordingly, lottery regulations required a central server for VLTs. As for Pennsylvania, there was no constitutional amendment authorizing casino gaming and slot machines were legalized outside of the lottery framework. That being the case, we believe that the central server was implemented to mirror the lottery model in order to reduce challenges to the new legislation.

2. Massachusetts Category 1 and Category 2 licensees operate over a wide geographic area. Experience dictates that all computer systems occasionally break down. In a

central server environment, if the central server fails, the state runs the risk of bringing down the casino floor at all licensees at once. Losing casino revenue from all casinos in the state at once, even for a few hours, can have a material and adverse impact on casino revenue and, in turn, on local and state tax receipts. In contrast, an individual server environment, problems at one casino are isolated and cannot affect the operation of another, such that system problems are contained and damage is minimized.

3. Reconciliation between the central server and the property controlled casino management system is time consuming, creates the need for additional state and operator personnel and provides little or no added value. It does not obviate the need for gaming commission personnel to be at the casino property, as Pennsylvania discovered after its implementation. Whether in a central server or property controlled casino management environment, all data is derived from the same source: the set of meters associated with each game. In a central server environment, time is required to reconcile detail between property and state data with little or no ultimate impact to revenue recognition.

4. The cost of a central server is generally in excess of several million dollars and over \$200,000 annually for continued maintenance and support. These costs must be carried by the licensees pursuant to M.G.L. c 23K, § 56. Further, M.G.L. c. 23K, § 57 (which is funded through section § 56) establishes the Massachusetts Gaming Control Fund, the financing mechanism for the MGC's operational activities. c. 23k, § 57 states that all available monies in the fund that are unexpended at the end of each fiscal year shall be available for expenditure in the subsequent fiscal year. Funds not spent on costs associated with maintenance and support could be better put to use for the Commission's operational needs, rather than supporting a central server system that provides no additional regulatory value or game integrity.

5. Most gaming jurisdictions, including the major gaming jurisdictions, do not operate in a central server environment and we are unaware of these states having any greater problems with revenue collections, game integrity and regulatory oversight than those states that do. The central system is not any safer. The data obtained by the central server is the same data that is sent by a casino's slot machines to its property controlled casino management system.

6. Such property controlled casino management systems are manufactured by major publicly traded gaming suppliers licensed all over the world and they are built to be fair, accurate, and with redundant functionality to prevent fraud and ensure that they are accurately recording casino activity. All such systems must be approved by the applicable state or private gaming laboratory before they are placed on the gaming floor and meet their respective requirements and testing. These reliable property controlled casino management systems combined with robust written (and auditable) procedures and internal controls in place for all elements of slot monitoring, including accounting, security, surveillance, cage, drop/count and slot operations, to ensure the integrity of each individual game and the casino floor as a whole. These controls are also regularly audited by internal, external and state auditors and are further subject to Sarbanes Oxley control and IT processes. Further, there is also a separation of functions among departments, which further bolsters game integrity.

7. All of these safeguards are spelled out in written internal controls and procedure manuals. Internal control requirements can be set forth in the gaming law (New Jersey for

example) and then detailed in the regulations promulgated under the gaming law. Set forth below are just a few of the areas which would be governed by internal controls and regulation:

a. The “drop” of actual cash and tickets received is highly controlled through security escorts, controlled drop keys, constant surveillance monitoring, and separation of duties for drop personnel. Certain procedures require the presence of state gaming commission personnel.

b. There are secure count room procedures including controlled access, heavy surveillance coverage, separation of duties for count personnel, requirements to wear pocket-less jump suits and other controls.

c. Ongoing reconciliation is performed by accounting of actual funds counted by the count team to actual funds expected based on casino management system reports. Significant discrepancies are investigated.

d. Onsite state gaming commission personnel have read only real time access to the casino management system and can run system generated reports. Regulators also can and frequently do have casino accounting departments run reports for them.

e. Multiple audit layers ensure the accuracy and integrity of slot machines. Accounting (Revenue Audit) performs a daily review and reconciliation of gaming revenue. Following the initial review, Internal Audit conducts periodic examinations of the review and reconciliation process. A third party CPA firm performs periodic reviews and M.G.L. c. 23K, § 65 requires at least an annual state gaming commission audit of the accounts, programs, activities and functions of all gaming licensees.

f. Standard slot protection procedures are in place such as: open door signals to surveillance, the requirement to swipe employee card before entering a slot, the requirement to complete a machine entry access log (MEAL) any time personnel enter a slot, strict control of sensitive slot keys, separation of duties for jackpot payoffs including security presence and surveillance notification, and the cash for the jackpot itself has to be generated by cage personnel or a tightly controlled jackpot kiosk.

8. Currently Mississippi, Nevada, New Jersey, Illinois, Indiana, Iowa, Missouri, Ohio (Ohio Casino Control Commission) and Michigan do not operate in a central server environment. All of these states have strong regulatory frameworks in place to ensure proper accounting of casino revenue and the maintenance of game integrity. At no time, despite the fact that the acts and the regulations with respect to gaming in all of those jurisdictions are continuously updated and revised, has there been an effort to require a central monitoring system, nor has the lack of one been criticized.

9. In fact, the contrary has been true. The Meadows casino in Pennsylvania (a central server state) was previously fined based on several incidents in which a few patrons of The Meadows allegedly conspired to manipulate a slot machine. The patrons received false jackpots totaling \$400,000. The scheme was detected by on-site personnel of the Pennsylvania Gaming Control Board observing the patrons, not by the central server.

10. Instead of a central state operated server, Indiana and certain other jurisdictions require a property controlled casino management system they refer to as a “central server” for each property. Although all casinos currently utilize such a property controlled casino management system, Massachusetts could actually explicitly “require” it, to further ensure that there will always be that additional reconciliation mechanism.

11. One of the selling points of a central server environment is the ability of state personnel to remotely shut down individual slot machines from the state’s central location. The state, however, can achieve the identical control and result with a property controlled casino management system by simply ordering the operator (on penalty of fines or other sanctions) to shut down any machine. Furthermore, even without a central server, state regulators will have ongoing, real time, 24 hour access to each operator’s casino central management system at each property, whenever they want such access.

12. Category 1 and 2 licensees can be “up and running” more quickly without the technical complexity of two systems (the operator’s casino management system and the state’s central server system). This is critical in light of the state’s revenue generation goals.

In summary, requiring a central server imposes a significant unnecessary cost on the licensee, greater risk of a statewide casino shutdown, and unnecessary back of house reconciliation activity without enhancing either regulatory control or the integrity of the casino floor. The central system does not make the gaming environment any “safer.” Legislation, regulation, internal controls and a casino’s property controlled casino management system currently provide, without the additional cost of a central server, safeguards that are at least, if not more, effective than a central system to protect the integrity of gaming in both major and smaller gaming jurisdictions across the United States.

Regards,



Frank T. Donaghue
Penn National Gaming, Inc.

CC: Rick Day, Executive Director Massachusetts
Gaming Commission



January 7, 2015

VIA EMAIL: john.r.glennon@state.ma.us

Mr. John R. Glennon
Chief Information Officer
Massachusetts Gaming Commission
101 Federal Street, 23rd Floor
Boston, MA 02110

Re: Proposed Central Management System

Dear John:

Thank you for taking the time this afternoon along with Derek Lennon to discuss the status of the proposed central management system with me and our IT team.

As we discussed on our call, MGM Springfield remains opposed to a Central Management System (CMS), as we have consistently stated in the past, and as has been consistently stated by our fellow licensees, Penn National Gaming and Wynn Resorts. Our continuing opposition is based on a number of factors:

- a) the significant upfront costs for this system;
- b) the value of the additional functionality that the system would provide to staff given that cost;
- c) the integrity of our confidential player information which we believe is compromised virtue of linkage to such a system; and
- d) the operational restrictions placed on operators as a result of implementation of such a system

Based upon the documentation that you have provided in support of the GTECH proposal, CMS is expected to cost the Commission, and therefore the licensees, approximately \$26.3 million to implement. The business case you have provided for that expenditure states that the automation associated with that system (versus a traditional "manual" system as all of your licensees are advocating) will result in an expected recapture of \$101,231 in Gross Gaming Revenue per year or a .4% return on investment (.1% to the Commission based on the associated gaming tax). The stronger financial case staff's presentation attempts to make is on the gaming agent employee side, with annual projected savings of \$2.7 million, or a 10% return on investment based related to reduced employee count. Nevertheless, given the uncertainty of the upfront costs and speculative cost savings in the Commission's modeling for CMS, we do not believe that a CMS mandate is justified or a prudent use of industry capital. After all, other than the \$25,000 in estimated annual gaming tax revenue based on the CMS, the cost savings Commission staff hopes to achieve is for the benefit of the licensees since all costs of the Commission (whether upfront capital or future Commission employees) has been borne by the licensees.

Mr. John R. Glennon

Page 2 of 3

We believe the Commission should give pause to a proposal that is opposed by the very entities that it purports to benefit.

While I hope the Commission considers voting to forego a CMS altogether, at a minimum, I must raise several concerns based on our discussion this morning, and intervening events since the CMS was originally discussed and conceived by your office. 205 CMR 143.16 (Communications Protocols) which was deliberated upon in May provides for at least two concepts that we believe must be revisited in light on the GTECH proposal and other events.

First, section 143.16 provides for a January 1, 2017 “grandfather date” for compliance with the mandatory slot specifications of G2S if a CMS is approved. As you mentioned in our call today, that grandfather clause now gives Penn National the exclusive benefit of that exception since the intervening No on 3 referendum will prevent both MGM and Wynn Resorts from meeting that opening deadline. We believe that exception provides Penn National with an unfair advantage as to slot machine game variety as among us three operators as not all slot machines meet that mandatory specification. Further, in our discussion today, you advised that Penn National’s “grandfathering” will extend beyond January 1, 2017 since it will have opened prior to that date. We do not read CMR 143.16(e)(2) to provide for a perpetual exemption beyond that date and request an understanding of the basis for your statement.

Second, and arguably more important to the Commission and the Commonwealth, is the impact approval of a CMS will have on MGM and Wynn Resorts’ competitiveness with the slot programs of neighboring gaming jurisdictions. Because not all slot machines can meet the G2S mandatory specification set forth in section 143.16, tomorrow’s potential approval of a CMS will result in MGM and Wynn Resorts, who do not benefit from the Penn National grandfathering, to be less competitive to neighboring gaming jurisdictions, whose operators will be free to offer all varieties of slot machine games. This is particularly problematic for MGM Resorts based upon its proximity to the Connecticut tribal facilities that have no such restriction. It is not clear from your presentation that staff has considered that issue or performed a loss of gaming revenue analysis that might impact its business case.

Third, and I think this concern was raised by the Association of Gaming Equipment Manufacturers (AGEM) previously, the imposition of a single slot machine specification such as G2S provides an inordinate benefit to the manufacturer of that specification, in this case, IGT. Moreover, since the passage of 205 CMR 143 in May, IGT has been acquired by GTECH so if this proposal is approved tomorrow, the Commonwealth will be granting one company the exclusive right to monitor its exclusive slot system. Perhaps a case can be made for that decision but it is not clear from your presentation materials that there has been a thorough discussion with the Commission and the licensees of the implications of such an arrangement -- whether it’s GTECH or any other single vendor. When I raised concerns in our call this afternoon about the GTECH/IGT relationship in the context of protecting confidential player information to be provided to the CMS provider, which incidentally the mandatory G2S compliance will require, you advised that

Mr. John R. Glennon
Page 3 of 3

GTECH and IGT had provided you assurances that the monitoring divisions of its business and its slot system division would be isolated from one another to ensure that would not occur. While we appreciate that you raised that concern in your individual work sessions with GTECH, again it is not clear that there has been a sufficient discussion with the licensees or with the Commission over that potential conflict.

Finally, the proposed mandatory G2S slot system results in an exclusive server based exchange (SBX) slot floor, which based on our call is what you, the staff, finds compelling based on some of the functionality and access such a system would provide you. We similarly believe that the SBX has great promise which is why MGM was one of the first major gaming resort operators to install that system at one of our luxury Las Vegas properties in the last five years. While we believe that such a system holds great potential for the future, it is a new system that the industry is continuing to improve over time. Accordingly, in our call, our IT team advised you that we intended to open MGM Springfield with a hybrid floor, i.e., the traditional SAS slot machines that is not server dependent (and provides greater game selection) as well as SBX slot machines. It was then that you responded that Penn National, through their grandfathering provision, would be the only operator that would have the right to a hybrid floor and that by virtue of the Commission's approval of the CMS, MGM and Wynn would be limited to an SBX slot floor, notwithstanding the relative infancy of that technology.

For all of the above reasons, we request that the Commission consider abandoning the CMS proposal at this time, or at a minimum, hold a technical session with all interested parties in one room (staff, operators, potential vendors, including GTECH) to discuss these issues collectively and transparently outside of the unilateral presentation process and piecemeal bilateral discussions that have occurred to date. This is a complex and significant investment that the Commonwealth and its operators will have to live with for years to come. The Commission has a strong record of taking the necessary time to get its policies and decisions right. We hope the same approach can be applied to the CMS issue.

Sincerely,

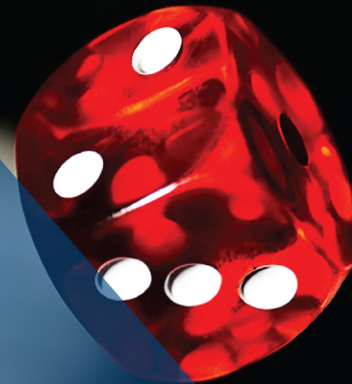


Michael C. Mathis
President



MGC Gaming Technology Laboratory – Status Update

January 8th Commission Meeting



MGC GAMING TECHNOLOGY LABORATORY STATUS UPDATE

- Introductions

Stephanie Maddocks – President – Power Strategies

Frank Neborsky – Principle and Vice President – Power Strategies

Travis Foley | Executive Vice President, Operations - BMM Testlabs

Patrick Moore – Senior Director, Gaming Laboratories International

Ali Ghanavati – Gaming Business Development – Gaming Laboratories International

- Gaming Technology Laboratory Manager – Hiring Process Update
- Short Term Approach - Plainridge / Penn National Gaming
- Permanent Business Processes and Procedures



No Documents



TO: Members of the Massachusetts Gaming Commission

FROM: Mark Vander Linden, Director of Research and Responsible Gambling

DATE: January 8, 2015

RE: Play Management Recommendations

A key element of the Massachusetts Gaming Commission (MGC) Responsible Gaming Framework is *Strategy 2: Support Informed Player Choice*, which identifies measures to support players' efforts to responsibly manage their gambling. *Section 2.2, Play information and Management Systems*, describes specific tools to implement this strategy, including the ability for players to set limits on the money and time spent gambling.

On December 4, 2014 the MGC voted to adopt a play management system that includes limit setting tools on a test basis for the Category 2 licensee. The Commission members requested several revisions to the specific recommendations given by Mark Vander Linden, Director of Research and Responsible Gaming. These revisions are incorporated into the play management system requirements that follow:

- 1) Play management tools will allow patrons to pre-commit to an amount spent per gaming session/day, and/or month.
- 2) Play management tools are mandatory on all electronic gaming machines deployed by the Category 2 licensee during the test period.
- 3) Play management tools are voluntary for players to use.
- 4) The use of play management tools are incentivized at enrollment.
- 5) Play management tools provide pop-up reminders on the screen of the electronic gaming machine as the player reaches 60%, 90% and 100% of the limit.
- 6) Play management tools are integrated as a feature of the licensees' player reward or loyalty card system.
- 7) The Category 2 licensees work closely with the MGC to develop marketing strategies to maximize uptake and use of play management tools.
- 8) Patrons must actively opt-in to enroll in the play management program.
- 9) Patrons can **enroll** their limits from multiple locations including:
 - a. All electronic gaming machines;
 - b. On-site Responsible Gaming Information Centers;
 - c. Self-service kiosks, and;
 - d. Player reward portal of the company website



Massachusetts Gaming Commission

- 10) Patrons can **change** their limits from multiple locations including:
 - a. Customer service stations;
 - b. On-site Responsible Gaming Information Centers;
 - c. Self-service kiosks, and;
 - d. Player reward portal of the company website.
- 11) Patrons who decline to use the play management tool to set limits will periodically receive invitations to participate.
- 12) Limit-setting tools are coordinated with other features of the play management system such as:
 - a. Cost of play messaging;
 - b. Monthly statements of gaming activity as required in Chapter 23K Section 29;
 - c. A brief problem gambling self-assessment tool;
 - d. Tips on responsible gaming;
 - e. Educational quizzes, and;
 - f. Information on how to access assistance.
- 13) When a player reaches the pre-set limits, the following steps reinforce the limit:
 - a. The session is interrupted and the player informed that the limit has been reached. The player must actively acknowledge a message to continue gambling.
 - b. If the player continues to play in excess of the limit, the session is interrupted with an informative message at limit intervals of 150%, 200%, 250%, etc. The player would have to actively acknowledge each message to continue gambling.
- 14) Play management tools are operator-based for each licensee.
- 15) Play management tools will be evaluated to determine the effectiveness and benefit through a project approved by the Commission. Specific system requirements may change based on findings of the evaluation.





MEMORANDUM

TO: Merrily Gerrish, DOB General Counsel
Greg Short, DOB Deputy General Counsel
FROM: Todd Grossman, MGC Deputy General Counsel
RE: ATMs at a gaming establishment
DATE: August 8, 2014

This memorandum addresses where, if anywhere, within a gaming establishment an automated teller machine (“ATM”) may be located. Resolution of the present issue will likely require a statutory interpretation by the Division of Banks (“DOB”). G.L. c.167B, §3 provides that “[n]o electronic branch shall be located upon premises where there occurs legalized gambling, other than a state lottery.”¹ To understand the restriction we must look to the definition of the term ‘electronic branch’ which is defined by G.L. c.167B, §1, in pertinent part, as “an electronic device, other than a telephone operated by a consumer, through which a consumer may initiate an electronic fund transfer. Such term includes, but is not limited to automated teller machines and cash dispensing machines. Such term does not include a teller machine or similar device located on the premises of and operated solely by an employee of a financial institution or a point-of-sale terminal as hereinafter defined.” For purposes of this memorandum, it is assumed that the ATMs used in gaming establishments would be classified by DOB as electronic branches.² When viewed in isolation, one could read §3 to outright prohibit ATMs from being located at a gaming establishment. This read, however, is complicated by a contradictory provision contained in G.L. c.23K. Chapter 23K was, of course, enacted subsequent to chapter 167B.

ATMs are specifically referenced in G.L. c.23K. Instead of prohibiting their use at gaming establishments though, their utility is simply limited. The statute provides, in pertinent part, “[t]he commission shall, in consultation with the department of transitional assistance, the department of labor and workforce development, the department of housing

¹ DOB has also promulgated a companion regulation designed to clarify parts of the statute. The regulation provides that “[n]o electronic branch, *including a non-bank electronic branch*, shall be located *in or* upon premises where there occurs legalized gambling other than a state lottery.” 209 CMR 31.03(3). The italicized language reflects enhanced language from that contained in G.L. c.167B, §3.

² To be considered an ‘electronic branch’ an ‘electronic fund transfer’ must be initiated by a consumer. The term ‘electronic fund transfer’ is defined by G.L. c. 167B §1, in pertinent part, as “any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic branch telephone instrument, or computer or magnetic tape or point-of-sale terminal so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller machine transactions, direct deposits or withdrawals of funds, and transfers initiated by telephone.”



Massachusetts Gaming Commission

and community development or the applicable administering agency, establish by regulation procedures and standards to prohibit a gaming establishment or any person acting on behalf of a gaming establishment from: [] (ii) from operating on its premises any credit card or automated teller machine that would allow a patron to obtain cash from a government-issued electronic benefits transfer card” G.L. c.23K, §27(f). In sum, this section of chapter 23K presumptively allows ATMs to be operated on the premises of a gaming establishment provided that they do not accept government issued EBT cards. When read in conjunction with G.L. c.167B, §3 a conflict emerges. The law relative to navigating such conflicts is, however, well settled.

Since G.L. c.23K, §27(f) was enacted subsequent to G.L. c.167B, §3, the first question is whether the subsequent provision effectively operates as a repeal the first. “Where the repealing effect of a statute is doubtful, the statute is strictly construed to effectuate its consistent operation with previous legislation. As a starting point for our analysis we assume, as we must, that the Legislature was aware of the existing statutes in enacting the [] legislation, and that if possible a statute is to be interpreted in harmony with prior enactments to give rise to a consistent body of law. Additionally, where two or more statutes relate to the same subject matter, they should be construed together so as to constitute a harmonious whole consistent with the legislative purpose.” Plourde v. Police Dept. of Lawrence, 85 Mass.App.Ct. 178, 185 (2014). “We are obliged to give ambiguous, imprecise, or faultily drafted statutes ‘a reasonable construction,’ with the primary goal of construing the statute to carry out the legislative intent.” Id. at 185-186.

“We start with the proposition that when construing two or more statutes together, we are loath to find that a prior statute has been superseded in whole or in part in the absence of express words to that effect or of clear implication. The cases disfavor invoking the doctrine of implied repeal in the absence of express statutory directive. That two statutes covering the same subject matter overlap in the sense that they both prohibit the same act does not, without more, make them conflicting. However, in the absence of some rational basis for reconciliation, the general statute must yield to the specific statute.” Comm. v. Katsirubis, 45 Mass.App.Ct. 132, 135 (1998). “If a general statute and a specific statute cannot be reconciled, the general statute must yield to the specific statute. This is particularly true where, as here, the specific statute was enacted after the general statute.” Pereira v. New England LNG Co., Inc., 364 Mass. 109, 118 (1973).

Accordingly, where there is no express language repealing the subject language in G.L. c.167B, and there is a workable interpretation, we must read the two conflicting provisions in harmony with one another so as to give rise to a consistent body of law. Further, where the subject provision contained G.L. c.167B is general in nature it must yield to the more specific and conflicting provision contained in G.L. c.23K which was subsequently enacted.

The clearest way to effectuate these principles is to read “premises where there occurs legalized gambling” to refer to the ‘gaming area,’ not the ‘gaming establishment.’ The term ‘gaming area’ is defined by G.L. c.23K, §2 to mean “the portion of the premises of a gaming establishment in which or on which gaming is conducted.” The term ‘gaming establishment’ is defined by G.L. c.23K, §2 to mean “the premises approved under a gaming license which includes a gaming area and any other nongaming structure related to the gaming area and may include, but shall not be limited to, hotels, restaurants or other amenities.” The gaming area, then, is the only premises where there occurs legalized gambling. Legalized gambling does not occur in or upon the vast majority of the premises of the gaming establishment outside of the gaming area.³ To adopt a reading of G.L. c.167B, §3 that would construe the phrase “premises where there occurs legalized gambling” as referring to the ‘gaming establishment’ as a whole and not just the ‘gaming area,’ would be to render superfluous the applicable provision of G.L. c.23K, §27(f) thus creating an inharmonious body of law inconsistent with the clear legislative purpose.

If the DOB were to adopt this reasoning, a question would remain as to precisely where within a gaming establishment an ATM could be located. As part of the Commission’s commitment to address problem gambling issues it is in the process of completing a *Responsible Gaming Framework* which is designed to lay out approaches to address various problem gambling and responsible gaming related issues. The *Framework* includes the following language: “ATM services shall not be located within 15 feet of gaming areas.” Though this has not been formally adopted, and would have to be promulgated by regulation to be made effective, this type of restriction may help clarify precisely where an ATM could be located within a gaming establishment.

³ These other areas within the gaming establishment, but outside the gaming area, will include such places as a hotel, restaurants, retail establishments, spas, and parking areas.

138.47 Automated Teller Machines (ATM)

- (1) Use and operation of an Automated Teller Machine (“ATM”) or electronic branch, as defined by G.L. c.167B, §1, is governed by M.G.L. c.167B and 209 CMR.
- (2) No ATM or electronic branch, as defined by G.L. c.167B, §1, shall be located closer than 15 feet from the gaming area in a gaming establishment.