



2015 ANNUAL REPORT



December 2, 2015

Governor

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Attorney General

Maura Healey

Treasurer

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Chairs of the House and Senate
Committees on Ways & Means

Chairs of the Joint Committee
on Economic Development &
Emerging Technologies

Clerks of the House and Senate

HONORABLE MADAMS AND MESSRS.:

We are pleased to deliver the fourth Annual Report of the Massachusetts Gaming Commission. This report covers the details of our operations as of the end of Fiscal Year 2015 (June 30, 2015), and is submitted in accordance with Section 70 of Chapter 23K.

We issued the Operations Certificate to the Category 2 licensee Penn National Gaming and Plainridge Park Casino opened to the public on June 24th, 2015.

The Category 1 licensees from Region A (Wynn Resorts) and Region B (MGM Resorts) continue to make progress in their design, permitting and construction efforts. On December 31, 2014, MGM received its environmental permit (MEPA certificate), while Wynn received its certificate on August 28, 2015.

We continue to make significant progress towards building the regulatory framework that governs expanded gaming in the Commonwealth. We are committed to moving forward transparently with prudent oversight. We remain eager to discuss with you at your convenience the efforts the Commission is making, the results we are achieving and any other aspect of our operations about which you would like additional information.

Sincerely,
Massachusetts Gaming Commission

MISSION

The mission of the Massachusetts Gaming Commission is to create a fair, transparent, and participatory process for implementing the expanded gaming law passed by the Legislature and signed by the Governor in November 2011. In creating that process, the Commission will strive to ensure that its decision making and regulatory systems engender the confidence of the public and participants, and that they provide the greatest possible economic development benefits and revenues to the people of the Commonwealth, reduce to the maximum extent possible the potentially negative or unintended consequences of the new legislation, and allow an appropriate return on investment for gaming providers that assures the operation of casino resorts of the highest quality.

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LETTER FROM THE CHAIR

The Massachusetts Gaming Commission has been in existence since March 21, 2012, and this report entails the fourth fiscal year of operations in the process of implementing the expanded gaming legislation (Chapter 194 of the Acts of 2011 – An Act Establishing Expanded Gaming in the Commonwealth) enacted by the General Court and signed into law by the Governor November 2011.

The Commission made significant progress towards its mission during FY15. We continue to build both an agency and the regulatory framework to enable this Commission to issue, award, oversee and regulate the gaming licenses that the Gaming Act allows.

DURING FY15 THIS COMMISSION:

1. Issued the Operations Certificate to Penn National at Plainridge Park Casino (PPC).
2. Promulgated twelve sets of regulations that govern many important aspects of gaming operations including: administrative hearings, involuntary exclusion, protection of minors, alcohol control, regulatory monitoring & inspections, computation and remittance of gaming revenues and licensee disclosure and reporting requirements.
3. Issued the first report of a comprehensive and ambitious research agenda to study the social and economic impacts of the introduction of expanded gaming.
4. Continued to oversee the Thoroughbred and Standardbred racing operations in the Commonwealth, and promulgated regulations and two sets of comprehensive amendments to State racing regulations (205 CMR 3.00 and 4.00).
5. Made significant progress in constructing the agency that will oversee the licensing and regulatory framework for the operations of the gaming licensees, including several key hires with significant experience in the related fields.
6. Held 32 public meetings, and an additional 11 statutory hearings. The Commission streams all its public meetings live via MassGaming.com and we continue to receive significant community feedback expressing confidence in the transparency of all Commission activities.
7. Commissioners and other staff continue to attend numerous speaking engagements across the state through the Commission's successful Speakers Bureau program.

We continue to build both an agency and the regulatory framework to enable this Commission to issue, award, oversee and regulate the gaming licenses that the Gaming Act allows.

MAJOR MILESTONES ANTICIPATED FOR FISCAL YEAR 16

The application deadline for the Category 1 License for Region C was September 30, 2015. The sole remaining applicant for this Region's commercial license is Mass Gaming & Entertainment, which is proposing a casino resort in the Brockton Fairgrounds. Given our experience with the timeframes in Regions A and B, we anticipate that evaluation of the technical proposal (RFA-2) would continue through the first quarter of calendar year 2016, and the Commission may decide on whether to award a commercial license on this region. In parallel to this, the Mashpee Wampanoag received a determination of land-in-trust by the Bureau of Indian Affairs on September 18, 2015. In this significant milestone for the tribe the Bureau took land into trust in Mashpee and Taunton, where the Tribe intends to build a casino. Given recent cases in other states, the decision by the Bureau could be challenged in court, which could also mean further delays. We will continue to monitor developments associated with this region to ensure that the Commonwealth and the region derive the anticipated benefits from expanded gaming.

The first full year of operations of Plainridge Park Casino will conclude on June 30, 2016. Gaming revenue for the first quarter of FY16 was \$46 million which resulted in \$22.5 million in revenues to the Commonwealth. Overall, PPC could generate approximately \$66 million to Local Aid, and \$14 million to the Race Horse Development Fund.

We will continue to study and implement responsible gaming measures. The Commission, in partnership with the Massachusetts Council of Compulsive Gambling, staff and run a 16 hour, 7 days/week GameSense Info Center at Plainridge Park Casino, as well as a voluntary self-exclusion program. Further, we will roll out and evaluate the effects and uptake of a voluntary play management system, in which patrons will be presented with the choice to set a budget for their play, and be reminded of those limits as their play progresses. Both the GameSense program and play management system are unique in the United States.

Harness Racing will continue at Plainridge Racecourse and increase to the statutory 115 days for calendar year 2016.

We continue to evaluate the feasibility of Thoroughbred Racing given available monies for purses, and two racing applications received on October 1, 2015.

We will continue to work to maximize the economic benefits from a casino. We convene and connect licensees to the Commonwealth's workforce and small business resources including career centers, community colleges and supplier diversity offices. We formed an "Access and Opportunity Committee" to bring together stakeholders to focus on local and diverse hiring and contracting, and report, monitor and analyze diversity and affirmative action plans, efforts and results by each licensee.

We will continue to make significant administrative progress in the implementation and staffing of additional functions. Such functions include:

- A Licensing Unit to license and register casino and slots parlor employees and vendors
- A Gaming Technology Unit for the implementation of testing protocols & procedures to ensure the machines and games on the gaming floor are operating as intended
- Promulgation of regulations that govern operations and functions at the gaming establishments



KEY PROVISIONS OF THE GAMING ACT

Chapter 194 of the Acts of 2011 (“The Gaming Act”) includes significant features to ensure public confidence and a robust gaming industry that generates economic development while providing mitigation measures to protect potentially vulnerable groups.

A STRONG, INDEPENDENT REGULATORY FRAMEWORK

- Five full-time commissioners appointed by the three constitutional officers
- Rigorous standards for suitability and licensure of companies, vendors and employees
- On-site presence of gaming agents and state police
- Detailed regulations and strict oversight to ensure integrity of the operations and fairness of the games

A ROBUST AND FUNDED RESEARCH MANDATE

The gaming law enshrines the role of research in enhancing responsible gaming and mitigating the negative consequences of expanded gaming in Massachusetts. The Act directs the Commission to:

- Understand the social and economic effects of expanded gambling including conducting a baseline study and subsequent studies of all relevant critical, social and economic variables
- Rigorous standards for suitability and licensure of companies, vendors and employees
- Obtain scientific information relative to the neuroscience, psychology, sociology, epidemiology and etiology of gambling
- Make annual, scientifically-based recommendations for policy to the Legislature

STRONG LOCAL CONTROL

- Host Communities vote on the host community agreement negotiated between the applicant and the local executive
- Surrounding Communities have a process for addressing mitigation concerns (that must also be funded and addressed by the applicants)
- Reimbursement to communities for mitigation costs

POLICIES TO MAXIMIZE THE BENEFITS TO THE COMMONWEALTH

- A competitive and transparent process for license solicitation, evaluation and award of up to 3 Category 1 licenses and one Category 2 License to maximize capital investment
- Clear directives and specific criteria to realize economic benefits to support local, small and diverse businesses, employ the unemployed and underemployed, while protecting vulnerable groups and other Commonwealth assets including the Lottery and Impacted Live Entertainment Venues

AGENCY DIVISIONS

INVESTIGATIONS & ENFORCEMENT BUREAU AND DIVISION OF LICENSING

The Investigations and Enforcement Bureau (IEB) at the Commission includes 1) the Investigations Division, which includes Massachusetts State Police (MSP) staff and a financial investigations team; and 2) the Enforcement Division, which is comprised of Commission Gaming Agents. The Bureau is statutorily charged with protecting the public interest and ensuring the integrity of Massachusetts gaming operations. The Director of the IEB also oversees the Division of Licensing, which administers the licensing and registration functions on behalf of the Commission for employees of and vendors to the Gaming Establishments.

The licensing regulations (205 CMR 134.00) define thresholds, standards and procedures for licensure, registration, and ultimately determination for licensure. Applicants have the right to request a hearing in the event an application is denied.

The IEB conducts probity investigations to determine suitability for licensure and registration for all Gaming Establishment employees and vendors.

There are three levels of employee licensure; Key Gaming Employee - Executive, Key Gaming Employee - Standard, and Gaming Employee. All three levels of licensure require a background check before employment may commence at a Gaming Establishment. All other employees not classified by regulation as either Key Gaming or Gaming Employees must register as a Gaming Service Employees. Background checks for those employees may commence after employment begins. The depth of background check is commensurate with the level of licensure/registration.

To date the IEB and the Division of Licensing have received and processed over 1,000 applications for individual licensure or registration and nearly 600 applications for business entity licensure or registration.

In FY15, the IEB developed and completed the investigatory protocol for individual and entity license and registration applications and completed all of the required licensing and investigatory work to allow for the on-time opening of the Plainridge Park Casino in Plainville, MA. The IEB also completed the required background investigations for internal MGC hires and MGC consultants and vendors.

In FY15 the IEB also updated the suitability investigation for the one remaining applicant for the Region C casino license, Mass Gaming & Entertainment (MGE). MGE was previously found suitable by the Commission in their bid for a slots license in 2013.

In FY15, the IEB also stood up its Enforcement Division in anticipation of the opening of the first Gaming Establishment in Massachusetts. The Division hired 8 Gaming Agents, 4 Supervising Gaming Agents, and 1 Senior Supervising Agents from a pool of 365 candidates. The Division conducted 5 weeks of training for the Gaming Agents, as well as the State Police, Alcoholic Beverages Control Commission, Plainville Police Officers, and Members of the Attorney General's Office. Leading up to the casino opening staff reviewed and approved 52 Internal Control submissions and 12 electronic game submissions. The Division inspected and approved 1500 gaming positions, the casino floor layout including count rooms, cage areas, surveillance rooms, computer rooms, and casino floor plan prints.

On June 21st the Gaming Agents commenced 24/7 coverage of Plainridge Park Casino (PPC). From June 22nd through June 24, 2015 the team reviewed PPC's test day operations giving them permission to commence full time casino operations on June 25, 2015.

OFFICE OF THE OMBUDSMAN

The Office of the Ombudsman is responsible for coordinating and communicating interactions among the Commission and stakeholders (State Agencies, Applicants, Licensees, Host and Surrounding Communities, and all other stakeholders and interested parties). The Ombudsman reviews requests for mitigation dollars and makes recommendations to the Commission on the disbursements from the Community Mitigation Fund. This fund receives monies from the licensing fees and the taxes on gross gaming revenues and is designed to address adverse unanticipated impacts that may result from the construction and operations of casinos.

The Commission's regulations also govern certain interactions between applicants and Communities, including petitions from Communities for involuntary disbursements from applicants and licensees. The Ombudsman's office oversees these activities and makes recommendations to the Commission about instances when the parties do not reach agreements.

The Ombudsman further coordinates and supports legislatively mandated Advisory Committees and sub-committees.

The Ombudsman reviews requests for mitigation dollars and makes recommendations to the Commission on the disbursements from the Community Mitigation Fund.

GAMING POLICY ADVISORY COMMITTEE

Chapter 23K established the Gaming Policy Advisory Committee (GPAC). A major function of the GPAC is to advise the Commission in the development of an annual research agenda. The results of the studies conducted form the basis for policy recommendations to the legislature.

This Gaming Policy Advisory Committee is comprised of:

- Dennis DiZoglio, chair of the Gaming Policy Advisory Committee
- Steve Crosby, chair of the Massachusetts Gaming Commission
- Senator Jennifer Flanagan, designated by the Senate
- Senator Richard Ross, appointed by the Senate Minority Leader
- Representative Ann Margaret Ferrante, designated by the House
- Representative Angelo L. D'Emilia, appointed by the House Minority Leader
- Thomas Land, designated by the Commissioner of Public Health
- Brian Lang, a representative of organized labor appointed by the Governor

Statutorily the GPAC includes 7 more members: 3 members from the gaming licensees, 3 members from host and surrounding communities, and 1 member of a federally recognized Indian tribe. The Gaming Act further established "local community mitigation advisory committees" LCMAC (one per region or license awarded). The LCMAC is set up to provide advice to the Commission on uses of the community mitigation fund. The most logical representatives to fill these positions would consist of municipal employees.

However, members of the committee, pursuant to Ethics Commission interpretation, are deemed to be special state employees. As such they may not participate in a matter on behalf of the commission that impacts their municipality or participate in a matter before their municipality that would be before the Commission. This makes it difficult to staff this committee as required by statute. The Commission is reviewing ways to fill these committee slots.

INFORMATION TECHNOLOGY DIVISION

The Information Technology Division (ITD) supports both internal and external business processes of the Commission and provides infrastructure, connectivity, hardware, software, as well as data management & security for the integrity and efficiency of the Commission's operations and its oversight of licensees.

The Gaming Technology Unit (GTU) is responsible for planning, organizing, managing, and implementing the regulations, policies, procedures and testing needed to ensure the integrity of electronic gaming devices (EGDs) and associated software and equipment. The GTU oversees the issuance of certifications and permits for the use of EGDs in Massachusetts. The Unit is also responsible for the evaluation, inspection, and investigation of electronic gaming devices and associated equipment, and the oversight of all EGD assets in the jurisdiction.

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During FY15 the Commission decided to implement a "Central Monitoring System" (CMS), for the oversight, reconciliation, inventory and control of all activity of the Electronic Gaming Devices (slots) at the casinos. The implementation of this system is operational as of November 2015. This system enables the Commission to maintain a strict accounting and control of gaming revenues and corresponding taxes due to the Commonwealth in a highly efficient manner.



RESEARCH & RESPONSIBLE GAMING

The Gaming Act established a Public Health Trust Fund, which will be used to support social service and public health programs dedicated to addressing problem gambling and related issues. When fully funded, the Public Health Trust Fund will direct \$15 to \$20 million annually to gaming research and problem gambling prevention and treatment programs. This will make Massachusetts the state in the U.S. that dedicates the most resources to this specific area.

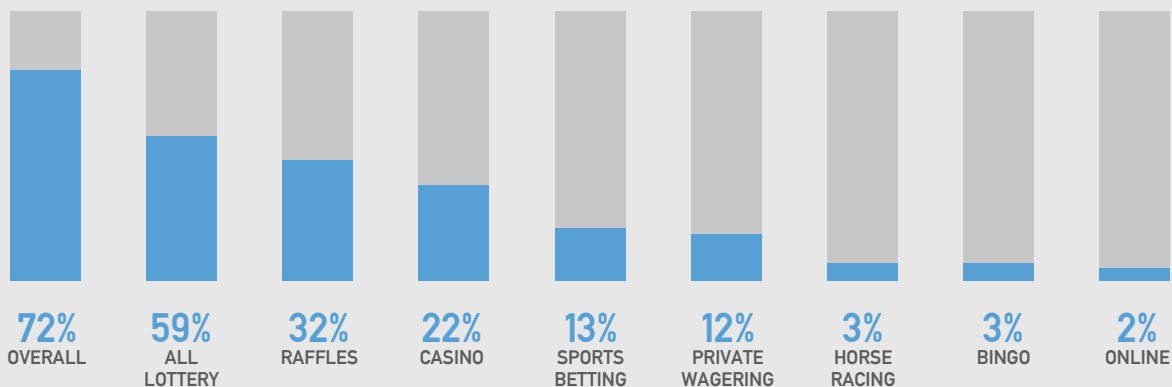
The Commission and the Executive Office of Health and Human Services set an annual budget for expenditures from the Public Health Trust Fund, which includes funding for the annual research agenda.

SOCIAL AND ECONOMIC IMPACTS OF GAMBLING IN MASSACHUSETTS

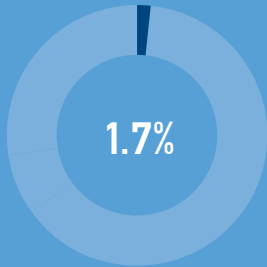
In 2013, the Commission engaged a team at the University of Massachusetts Amherst to conduct a comprehensive, multi-year study of the “**Social and Economic Impacts of Gambling in Massachusetts**” (SEIGMA) to understand the impacts of expanded gaming in the State. The study established baselines for all social and economic variables that may be affected by expanded gaming. The research team will collect, analyze and report each year to identify the actual impacts, which will provide key information to policy makers.

On May 28, 2015, the SEIGMA team published its first report “*Gambling and Problem Gambling in Massachusetts: Results of a Baseline Population Survey*,” which is the largest element of its Social and Health impacts analysis. The survey took place between September and May of 2014, and had a sample size of 9,578 respondents.

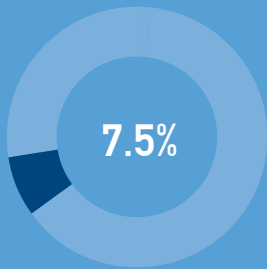
GAMBLING PARTICIPATION BY ADULTS IN MASSACHUSETTS OVER THE LAST YEAR, BY ACTIVITY.



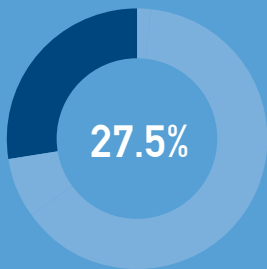
PROBLEM GAMBLING PREVALENCE IN MASSACHUSETTS



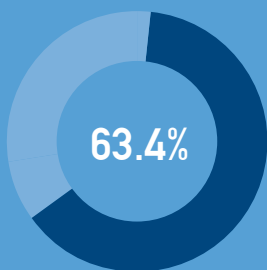
PROBLEM GAMBLER



AT-RISK GAMBLER



NON GAMBLER



RECREATIONAL GAMBLER

KEY FINDINGS

- While a quarter of the population in Massachusetts does not gamble, close to 40% gamble yearly, 20% gamble monthly, and 15% gamble weekly
- 22% of Massachusetts adults report visiting casinos to gamble. 65% of people who do so visit casinos in Connecticut
- Men are 3 times more likely to have a gambling problem than women
- Individuals with only a high school diploma are twice as likely to have a gambling problem than individuals with a college degree

In other findings, the researchers found that awareness of problem gambling prevention initiatives in Massachusetts is low given the high level of gambling participation, with only 41% reporting some level of awareness of media campaigns, while only 12.7% reporting some level of awareness of non-media programs.

On the economic front, a key member of the SEIGMA team is the UMass Donahue Institute, a group of economic and public policy experts, who are analyzing the economic and fiscal impacts of gambling expansion in the Commonwealth. The team has developed a matrix of economic and fiscal measures (employment, income, state revenues, property values, gaming licensee data, etc.) that will be tracked over time. All associated data and related methods will eventually be available to the public.

ADDITIONAL ACTIVITIES OF THE SEIGMA GROUP INCLUDE:

- Analysis of problem gambling helpline data and problem gambling services to develop problem gambling strategic plan
- A baseline economic profile for each of the Host Communities (Everett, Plainville and Springfield)
- A study of casino-related crime in Plainville and Surrounding Communities
- A series of web applications that allow the public and other users to interact with the project's data on a community-by-community basis

MASSACHUSETTS GAMBLING IMPACT COHORT

The UMass team is also conducting a longitudinal cohort study known as the Massachusetts Gambling Impact Cohort (MAGIC). This project will provide information about the course of problem gambling and incidence rates in Massachusetts. The study will also yield important information leading to treatment and prevention initiatives that might be tailored to the needs of the people of the Commonwealth.

Furthermore, this addition to the research agenda will establish the raw number of new problem gamblers each year (necessary for resource allocation) and seek to identify deterministic factors in the development of and remission from problem gambling.

To date, two waves of baseline data have been collected from a cohort of 3,100 adult residents of Massachusetts.

RESPONSIBLE GAMING INITIATIVES

The Gaming Act included important policy directives in the area of Responsible Gaming. Led by the Director of Research and Responsible Gaming, the Commission has designed and implemented several highly innovative responsible gaming initiatives:

1. VOLUNTARY SELF-EXCLUSION PROGRAM

As required by statute, the Voluntary Self-Exclusion [VSE] program is available to assist patrons who recognize they have experienced a loss of control over their gambling and wish to invoke external controls. This program allows participants to voluntarily exclude themselves from all Massachusetts gaming venues for six months, one year, three years, five years or a lifetime.

- Participants enroll at either the GameSense Info Center in the Plainridge Park Casino, the Massachusetts Council on Compulsive Gambling, or the Massachusetts Gaming Commission
- After the expiration of the selected duration of exclusion, participants may request their name be removed from the list and participate in an educational exit session
- There are currently 57 participants in the Voluntary Self-Exclusion program

While VSE is standard in most jurisdictions, the Commission and the Massachusetts Council on Problem Gaming are pioneering an effort to get multiple states to collaborate in a regional VSE program.

2. GAMESENSE INFO CENTERS

In its effort to promote responsible gaming practices, the Commission launched the responsible gaming brand "GameSense". It includes outreach methods which provide judgment-free gambling education to help patrons make informed, responsible decisions about when to gamble, when to stop, and how much to spend.

The GameSense Info Center at Plainridge Park Casino is the hub of responsible gaming efforts. Each casino in Massachusetts will have a GameSense Info Center.

- All Info Centers will be strategically located to provide patrons with an opportunity to obtain a wealth of information on gambling, odds, gambling myths, etc
- Information is provided in a variety of ways including interactive Kiosks, brochures, and demonstrations by GameSense Advisors
- GameSense Advisors are on site 16 hours a day, and are the first line of engagement for patrons seeking entertainment, insight and connection to community resources

Massachusetts is the only jurisdiction in the United States to have responsible gaming personnel on the casino floor.

3. PLAY MANAGEMENT SYSTEM

In January 2015, the Commission adopted a Play Management system that includes budget-setting tools on a test basis at Plainridge Park Casino. Play Management allows patrons to commit or budget to an amount to spend prior to a gambling session. It is intended to help players make decisions about gambling, allow them to monitor and understand their playing behavior in real time, and support their decisions.

With the collaboration of Penn National Gaming and Scientific Games, Plainridge Park Casino patrons will have access to this tool in January 2016. Patrons will be able to sign-up for Play Management at any Electronic Gaming Machine in the casino, at a GameSense Kiosk or at a GameSense Info Center.

No other jurisdiction in the US has such a Play Management system.

The Commission contracted the services of the Division of Addiction at the Cambridge Health Alliance, an affiliate of the Harvard School of Public Health, to evaluate the effects and efficacy of the three key responsible gaming initiatives.



Play It Smart

CASINO PROPERTIES & PROJECT SUMMARIES

MGM SPRINGFIELD

MGM Springfield Casino is a Category 1 licensee for Region B in Springfield, MA. The facility will be located on approximately 14 acres in downtown Springfield in the congregation of parcels generally bound by Main, State, Union and E. Columbus streets.

Conditional Award of the License	June 2014
Projected Opening Date	September 2018
Gaming Space	126,262 square feet
Total Gross Area	759,157 square feet
Total Investment Amount	\$950 Million
Slots	3,000 slots / 1,414 Gaming Positions
Table Games	100
Other Amenities	4-star hotel (250 rooms) 8 outlets for Food & Beverage, 26,000 sf of retail space, bowling alley, cinema and 54 residential units
Parking	3,375 covered on site
Total Employment	2,000 permanent jobs (projected)
Tax on Gross Gaming Revenues	25%



PLAINRIDGE PARK CASINO

Plainridge Park Casino is the Category 2 licensee in Plainville, MA. The facility also hosts the Standardbred live racing and simulcasting operations.

Conditional Award of the License	February 2014
Opening Date	June 24, 2015
Gaming Space	43,800 square feet
Total Investment Amount	\$250 million
Slots	1,250 slots / 1,414 Gaming Positions
Table Games	N/A
Other Amenities	2 Full Service Restaurants (Flutie's Sports Pub and Slack's Oyster House & Grill) 3 food court-style eateries (B-Good, The Bean and Slice) Live Entertainment (Revolution 1776 Lounge) Additional racing concessions/outlets
Parking	3,736 underground on site, 800 offsite
Total Employment	503 employees as follows: 35 Key Gaming Employees, 190 Gaming Employees and 278 Service Employees
Tax on Gross Gaming Revenues	49%



WYNN EVERETT

Wynn Everett Casino is a Category 1 licensee for Region A in Everett, MA. The facility will sit on the currently contaminated site on the banks of the Mystic River at the site of the former Monsanto plant.

Conditional Award of the License	September 2014
Projected Opening Date	Fourth Quarter 2018
Gaming Space	190,461 square feet
Total Investment Amount	\$1.7 billion
Slots	2,574 Slot Machines
Table Games	141 gaming tables, 91 poker tables
Other Amenities	5-star hotel (629 rooms), 77,250 square feet retail space, 10 outlets of Food & Beverage, multipurpose venue, spa/gym, convention space, outdoor space, indoor garden, indoor pool
Parking	3,736 underground on site, 800 offsite
Total Employment	4,000 permanent jobs (projected)
Tax on Gross Gaming Revenues	25%





RACING OPERATIONS

The Gaming Commission is also responsible for the operational and fiscal oversight of the Standardbred and Thoroughbred racing operations and pari-mutuel facilities in the Commonwealth (under M.G.L. c 128A & 128C).

FY15 marked the first year that the Race Horse Development Fund had monies available to supplement purses, and the first year that the Commission approved disbursements for the prescribed purposes. See Appendix 1 for an illustration of available funds and expenditures against it.

LIVE RACING AND SIMULCASTING AT LICENSED FACILITIES

STANDARDBRED RACING

On November 6, 2014, the Commission approved the live racing application for Penn National at **Plainridge Racecourse to conduct 105 days of harness live racing during calendar year 2015**. Although the construction of the slots parlor continued during the first half of this year, the requirement embedded in c. 23K to increase the number of races is projected to be met by the licensee.

Live harness racing was conducted from April 15 through November 30, 2015. For the meet, the Racing Division issued 1,004 occupational licenses at Plainridge.

As part of the gaming license awarded to Penn National at Plainridge Park Casino, PPC also upgraded the racing facilities on site, including the racing area and the regulatory and barn areas.

THOROUGHBRED RACING

For calendar year 2015, live Thoroughbred racing was conducted at Suffolk Downs for a total of 3 days. For the meet, the Racing Division issued approximately 1,000 occupational licenses.



SIMULCASTING

Simulcasting is conducted year-round on seven licenses at the following facilities:

- Plainridge Racecourse
- Raynham Park
- Suffolk Downs, including: Twin Spires, TVG, Xpressbets, Wonderland

For 2015, total pari-mutuel handle in the Commonwealth was \$191,262,109.

During FY15, the Racing Division continued efforts to enhance the safety and welfare of racing participants, as well as monitor and regulate the racing operations in the Commonwealth. Key activities included:

- Use of updated technology to enhance safety and regulation of all racing participants
- Accreditation of key Racing Division personnel
- Cutting edge updates to racing regulations

RACING IN MASSACHUSETTS GOING FORWARD

On October 1, 2015, the Commission received 3 racing applications (from 2 operators) to conduct Thoroughbred racing. One racing application from Suffolk Downs would conduct 6 days of racing, while two applications from the Brockton Agricultural Society would conduct 15 days each of racing for a total of 30 days. It is anticipated that both applications would require monies from the Race Horse Development Fund to supplement purses, and other expenditures.

We will continue to evaluate the feasibility of Thoroughbred racing in the Commonwealth in the coming months.

The current statutes that govern live racing and simulcasting in the Commonwealth (c. 128A and 128C) expire on June 30, 2016. As part of the Gaming Act, the Commission was tasked with providing recommendations to the Legislature on needed modifications. These recommendations were submitted on April 2013, in a report that includes a draft proposed new c. 128D.

AGENCY FINANCES

The Commission's Division of Administration and Finance (A&F), led by the CFAO, is responsible for the strict oversight of the revenues at the casino and the collection of taxes due to the Commonwealth from those operations. The taxes and assessments on gross gaming revenues for the licensee currently operating (Plainridge Park Casino) is 49%.

The Division is also in charge of completing all financial transactions and coordinating with other functional areas to complete all administrative functions. The Division is responsible for accounting, budgeting, payroll, HR, and classification and compensation functions within the MGC structure.

FY15 FINANCIAL RESULTS

The MGC approved an initial FY15 budget of \$24.55M from the Gaming Control Fund. In order to meet the projected spending, the MGC required an assessment of \$20.78M to licensees.

The final expenditures for FY15 were \$20.52M, approximately \$4M less than anticipated. Revenues for FY15 were \$27.14M, which were \$2.58M above initial projections and \$6.16M above expenditures. Of the \$6.16M in surplus FY15 revenues, \$2.69M was rolled to FY16 and is attributed to timing of receipt of slot fees that were scheduled for FY16 revenue, an additional \$594.6K was also rolled to FY16 as it is restricted revenue for Phase 1 applicants and grants, and the remaining \$3.32M will be credited to licensees. Throughout the course of FY15, MGC decreased the assessment on licensees from \$20.78M to \$20.33M. With the addition of the \$3.32M, the final assessment on licensees will be \$17M. The MGC also transferred \$17.5M to the Community Mitigation Fund, fully repaying the \$2.8M it borrowed to close out FY14. Below is a summary of spending and revenue for the Gaming Control Fund. Additional detail can be found in Appendix 1.

FISCAL YEAR	APPROPRIATION	FUND	EXPENSES (\$)	REVENUE (\$)	BALANCE FORWARD (\$)
2015	10500001	Mass. Gaming Commission	20,525,166.87	27,141,763.73	6,616,596.86
2015	10500002	MGC - Racing Stabilization Trust	1,490,152.71	1,549,788.18	59,635.47
2015	10500003	MGC Mass Racing Development and Oversight Trust	3,149,404.15	3,968,409.97	819,005.82
2015	10500012	MGC Plainridge Racecourse Promotional Trust	117,600.00	180,424.19	62,824.19
2015	10500013	MGC Plainridge Racecourse Capital Improvement Trust	14,020.00	271,958.13	257,938.13
2015	10500021	MGC Sterling Suffolk Promotional Trust	216,879.12	245,953.25	29,074.13
2015	10500022	MGC Sterling Suffolk Capital Improvement Trust	602,825.41	720,564.52	117,737.11
2015	10500025	MGC Investments Escrow	-	-	-
2015	10500140	MGC Payments to Cities/Towns for Local Share Racing Tax Revenue	704,773.16	-	-
			26,820,821.42	34,078,861.97	7,962,813.71



WORKFORCE, SUPPLIER & DIVERSITY DEVELOPMENT

Led by the Director of Workforce, Supplier and Diversity Development, the Commission established processes and systems to ensure business & workforce development and diversity during construction and operations, including requirements to:

- Set diversity hiring goals and submit strategic plans for the inclusion of minorities, women and veterans in the workforce and during construction
- Support workforce development programs (i.e., strategic partnerships with community colleges) and develop affirmative action plans for the training and hiring of underemployed and unemployed
- Coordinate with and present to stakeholders and representatives of resources from across the Commonwealth to strategize and support the hiring of Massachusetts residents and contracting with local diverse small businesses
- Regularly report progress towards diversity goals

ACCESS & OPPORTUNITY COMMITTEE

We closely monitor the activities and efforts of licensees regarding vendor and workforce diversity, as well as local purchasing and other commitments to host and surrounding communities. We have convened an “Access and Opportunity Committee” to supplement these efforts as well as keep licensees accountable for the goals they have set for workforce and supplier diversity. The monthly AOC meetings include community groups, unions, the Commission, the licensees and their contractors. The AOC meetings are open to the public, and alternate between Springfield and the Boston area.

We perform proactive outreach and communication to engage diverse stakeholders regarding issues and community concerns as well as potential impact. This effort has offered a voice to individuals and community coalitions that include women, minorities and ethnic communities and veterans. These groups participated in the review of casino licensee affirmative action plans; employee and vendor licensing regulations, construction monitoring regulations, as well as recommendations to the Legislature regarding Statute Change-Eliminating the Automatic Disqualifiers (CORI) for Gaming Service Employees.

VENDOR ADVISORY GROUP

The Commission’s Vendor Advisory Group brings together 10 state agencies and more than a dozen economic development organizations to coordinate support and communicate opportunities to small businesses, provide information to casino licensees throughout the Commonwealth. The group includes the Massachusetts Department of Veterans Services, Massachusetts Office of Supplier Diversity, Center for Women in Enterprise, Greater New England Minority Supplier Development Council and the Massachusetts Growth Capital Corporation.

WORKFORCE DEVELOPMENT

MGC established workforce development programs through strong partnerships and strategic collaborations to maximize economic development and job creation including workshops to front-line staff of the regional career centers. The state's community colleges have entered into an agreement to establish a partnership that is focused on the creation and implementation of a statewide workforce training program known as the Massachusetts Casino Careers Training Institute.

We anticipate that over 30,000 individuals will need to be considered for employment in order to fill the 10,000 needed permanent positions projected statewide. In order to effectively respond to this workforce scale up challenge, the Massachusetts Casino Careers Training Institute and the Commission will continue to work with state agencies, Workforce Investment Boards/Regional Employment Boards (WIB/REB) and a collaboration of workforce system stakeholders including the one-stop career centers, community based organizations, organized labor, and other public and private educational entities.

RESULTS ON DIVERSITY HIRING & CONTRACTING

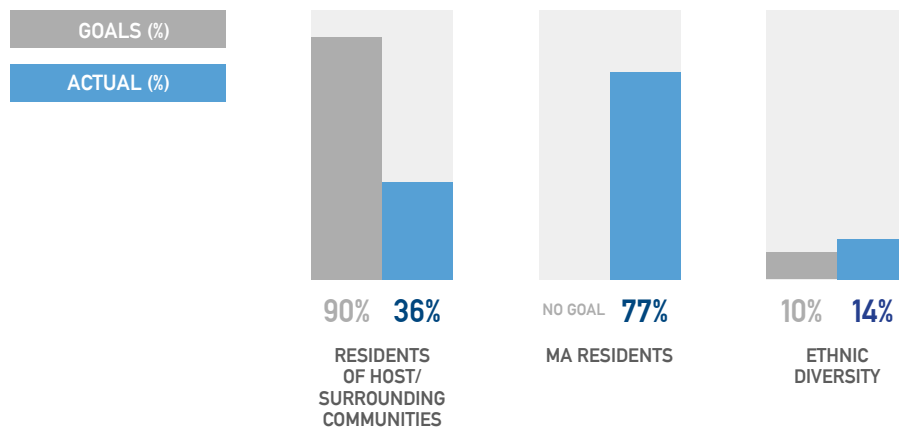
The Commission works collaboratively with multiple stakeholders to ensure the gaming industry in Massachusetts is inclusive and provides opportunities that reflect the diversity of the Commonwealth.

This process resulted in strong diversity numbers for the Category 2 slot licensee Penn National Gaming and their contractor Turner Construction. At the conclusion of their construction, Penn National and its contractor Turner Construction awarded a total of **\$97.5 Million in direct construction contracts**. The contractor reports that as of June 30, 2015 \$30.8 Million (32%) of the contracts have gone to minority, women and veteran owned businesses. \$7.8 Million (10%) of total contracts was awarded to MBEs, \$9.5 Million (13%) of total contracts to WBEs, and \$7.7 Million (9%) to VBEs. The Category 2 Licensee surpassed their diversity goals which were 4% MBE, 7% WBE and 3% VBE.

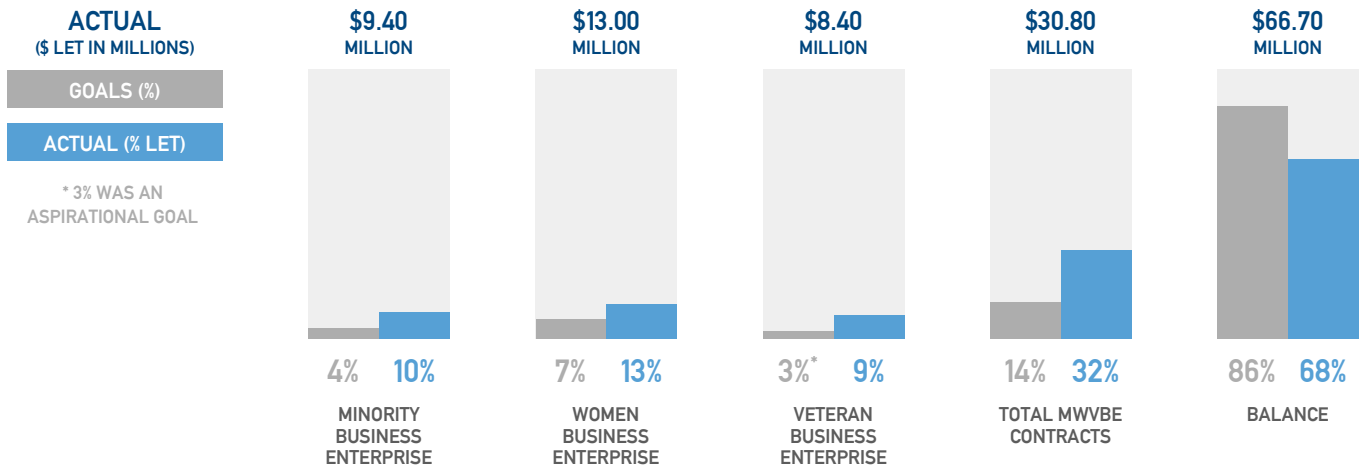
See charts below:

PENN NATIONAL GAMING WORKFORCE DIVERSITY - OPERATIONS

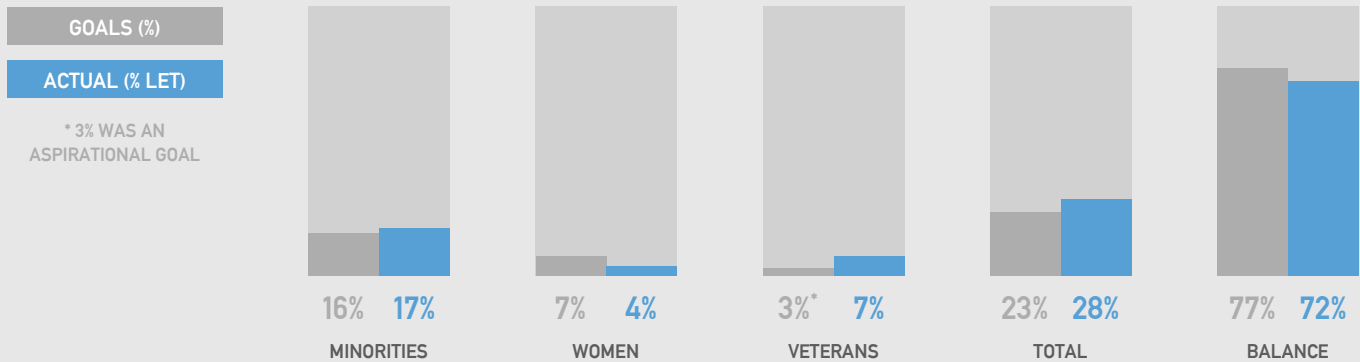
AS OF JUNE 11, 2015



PENN NATIONAL GAMING VENDOR DIVERSITY - CONSTRUCTION



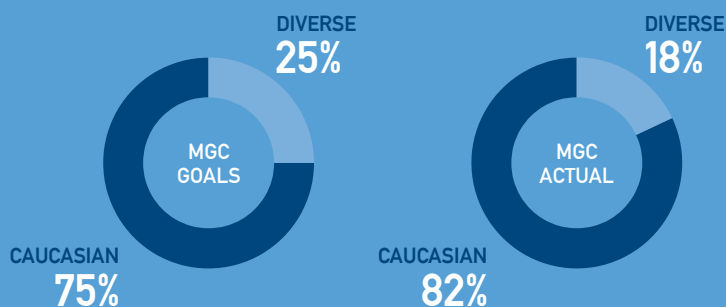
PENN NATIONAL GAMING WORKFORCE DIVERSITY - CONSTRUCTION



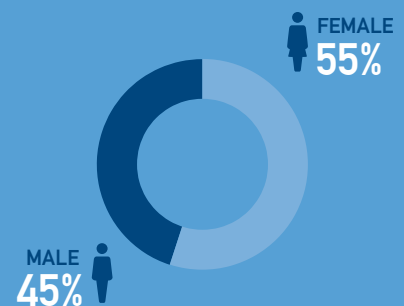
AGENCY WORKFORCE DIVERSITY

THE CHART BELOW DEPICTS THE DIVERSITY AND FEMALE/MALE RATIOS OF THE COMMISSION AS OF THE END OF FY15.

DIVERSITY REPRESENTATION (MGC)



GENDER ACTUAL (MGC)



LITIGATION MATTERS

The City of Boston brought an eight count suit against the Massachusetts Gaming Commission and its commissioners (collectively the "MGC") on January 5, 2015, alleging that the licensing process that resulted in the award of the Category 1 gaming License in Region A to Wynn MA, LLC ("Wynn") was unlawful and corrupt and that the issued license should be annulled, the regulations surrounding arbitration of surrounding community status should be deemed invalid and, in the event that Wynn's license is upheld, Boston should be deemed a "host community" under the Gaming Act.

In light of the lengthy pleadings (totaling over 3,800 pages), the MGC moved for a protective order to prevent any discovery prior to resolution of a Motion to Dismiss. A stay of the requested discovery was extended through September 22, 2015, when a Motion to Dismiss hearing was scheduled.

On September 22, 2015, Judge Sanders, in the Suffolk Superior Court - Business Litigation Session, heard oral argument on the MGC's motions to dismiss concerning the claims asserted by the City of Boston, and, in other actions, the City of Revere, Mohegan Sun, the International Brotherhood of Electrical Workers 103 ("IBEW") and the City of Somerville.

On December 3, 2015, Judge Sanders issued a written decision, dismissing the lawsuits brought by the City of Boston, the City of Revere and the IBEW, in their entirety. Judge Sanders wrote that the Gaming Commission had acted properly in their decision of the Wynn casino license and "The undisputed facts show that the commission did not violate either the Gaming Act or its regulations." Judge Sanders allowed a claim by Mohegan Sun for certiorari review to continue.

On September 25, 2015, the City of Somerville filed a complaint against Wynn and the MGC seeking further MEPA review and challenging Wynn's MEPA determination. The City of Boston filed a similar complaint solely against Wynn on September 28, 2015. That complaint has not yet named the MGC as a defendant. Those cases are pending.

APPENDIX I - DETAILED FY15 FINANCIALS

REVENUES	INITIAL PROJECTIONS (\$)	FINAL REVENUE COLLECTION (\$)	VARIANCE (\$)	EXPLANATION
10500001				
AA Regular Employee Compensation	5,117,381	4,200,998	(976,382)	
BB Regular Employee Related Expenses	78,400	44,604	(33,796)	Did not spend full amount for end of year employee submissions
CC Special Employees	131,413	107,411	(24,002)	
DD Pension & Insurance Related Expenses	1,402,233	1,218,441	(183,792)	Rate corresponding to payroll savings
EE Administrative Expenses	489,743	1,730,215	1,240,472	Indirect costs of \$1,278,731.29
FF Programmatic Facility Operational Supplies	-	4,011	4,011	
GG Energy Costs and Space Rental	633,158	515,681	(117,477)	
HH Consultant SVCS (To Depts)	5,679,861	4,752,975	(926,886)	Did not spend all of OPM for Penn facility
JJ Operational Services	2,894,067	1,833,863	(1,060,204)	Did not spend all of Legal and MSP costs (OT and straight time)
KK Equipment Purchase	151,500	205,414	43,914	
LL Equipment Lease - Maintain/Repair	33,458	35,885	2,427	
MM Purchased Client/Program SVCS	35,000	-	(35,000)	
NN Infrastructure	-	10,315	10,315	
PP State Aid /Pol Sub	3,841,814	2,601,877	(1,239,937)	Underspending UMass contracts
TT Operating Transfer for AGO Acct 0810-1204	-	364,073	364,073	Captured on revenue side and OSC did it through expense side
UU IT Non-Payroll Expenses	3,816,811	2,317,136	(1,499,675)	
ISA to DPH, AGO & EOHSS	181,717	582,270	400,553	
Grand Total	24,556,555	20,525,167	(4,031,388)	

REVENUES	INITIAL PROJECTIONS (\$)	FINAL REVENUE COLLECTION (\$)	VARIANCE (\$)	EXPLANATION
Gaming Control Fund Beginning Balance	14,000,000.00	14,705,873.43	705,873.43	
Phase 1 Collections (restricted)	-	141,296.99	141,296.99	
City town returned grant collection		50,794.49	50,794.49	
City town refund of returned grants		(50,794.49)	(50,794.49)	
Phase 1 Refunds	-	-	-	
Phase 2 Category 1 Collections (restricted)	-	1,269,450.55	1,269,450.55	
Region C Phase 1 Investigation Collections	400,000.00	512,288.15	112,288.15	Need to move \$30,4K from Phase I Collections here. MGE and KG Urban make up the \$433.7K
Region C Phase 2 Category 1 Collections	800,000.00	-	(800,000.00)	
Grant Collections (restricted)	700,000.00	532,084.82	(167,915.18)	City of Brockton
Region A slot Machine Fee	1,482,904.47	1,550,843.12	67,938.65	
Region B slot Machine Fee	1,800,000.00	1,800,000.00	-	
Slots Parlor Slot Machine Fee	750,000.00	750,000.00	-	
Gaming Employee License Fees (GEL)	82,500.00	45,900.00	(36,600.00)	
Key Gaming Executive (GKE)	197,500.00	8,100.00	(189,400.00)	
Key Gaming Employee (GKS)	-	6,000.00	6,000.00	
Non-Gaming Vendor (NGV)	12,000.00	40,200.00	28,200.00	
Vendor Gaming Primary (VGP)	900,000.00	195,000.00	(705,000.00)	
Vendor Gaming Secondary (VGS)	150,000.00	30,000.00	(120,000.00)	
Gaming Service Employee License (SER)	75.00	750.00	675.00	
Subcontractor ID Initial License (SUB)	200.00	-	(200.00)	
Temporary License Initial License (TEM)	100.00	-	(100.00)	
Veterans Initial License (VET)	100.00	-	(100.00)	
Transfer of Licensing Fees to CMF	(17,500,000.00)	(17,500,000.00)	-	
Assessment Regions A, B and Slot Parlor	20,781,175.00	20,332,091.73	(449,083.27)	
Transfer to General Fund for AGO acct [0814-1204]		-	-	See Comment Above in TT
FY16 Region A and Cat 2 slots Fees Received in FY15		2,695,200.00	2,695,200.00	Wynn and Penn paid FY16 slots fee in FY15
Misc	-	26,684.94	26,684.94	
Grand Total	24,556,554.47	27,141,763.73	2,585,209.26	
		6,616,596.86		



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