

EXHIBIT E

Video Lottery Gaming Regulations, Bulletins, Operation Procedures and Minimum Internal Control Standards

NEW YORK STATE DIVISION OF THE LOTTERY

NEW YORK CODES, RULES AND REGULATIONS

PART 2836

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**NEW YORK LOTTERY
NEW YORK CODE OF RULES AND REGULATIONS
PART 2836
VIDEO LOTTERY GAMING**

2836-1 GENERAL PROVISIONS, CONSTRUCTION AND APPLICATION OF RULES

2836-1.1 Authority; purpose.

- (a) The rules and regulations governing video lottery gaming are issued under and pursuant to the authority of Part C, Chapter 383 of the Laws of 2001 as amended by Chapter 85 of the Laws of New York 2002, as amended.
- (b) The purpose of this part is to set forth the manner in which the division shall operate video lottery gaming.
- (c) This part pertains to video lottery gaming and is supplementary to those rules and regulations of general applicability promulgated by the division.

2836-1.2 Definitions.

Unless the context indicates otherwise, the following definitions are applicable throughout this Part.

- (a) Accounting department means a department established in the video lottery gaming agent's approved system of organization in accordance with these regulations.
- (b) Advertising or advertisement means any information, notice or communication by a video lottery gaming agent to the public concerning the video lottery gaming-related business of such agent through broadcasting, exterior signage, mail, publication, or any other means of dissemination. All advertising or advertisement(s) shall be specifically set forth and itemized in a marketing plan approved by the division as provided by these regulations.
- (c) Affiliate means a parent company or subordinate business entity of the video lottery gaming agent.
- (d) Agent compensation means the commission set forth in the act.
- (e) Applicant means any person applying for a video lottery gaming license required by this part.
- (f) Application means the video lottery gaming license application.
- (g) Assets means those fixtures, furniture, equipment, cash and other items owned and maintained by a video lottery gaming agent in connection with the operation of a video lottery gaming facility and or related amenity.

- (h) Authorized instrument means a cash equivalent, a video lottery gaming agent check, a video lottery gaming agent affiliate check, an annuity jackpot trust check or a replacement check.
- (i) Background investigation means the security, fitness and background investigation to be conducted of an applicant by the division and its representative for the purpose of determining suitability for licensure.
- (j) Banking institution means any “depository institution” as defined in 12 U.S.C. Section 461(b).
- (k) Bill acceptor means a device that accepts and reads currency or other approved items of value in order to accurately register player credits at a video lottery terminal.
- (l) Books and records means any book, record or document pertaining to, prepared in or generated by the operation of a video lottery gaming agent, including, but not limited to: all forms, reports, accounting records, ledgers, subsidiary records, computer generated data, internal audit records, correspondence and personnel records. This definition shall apply without regard to the medium through which the record is generated or maintained; for example, paper, magnetic media, encoded disk or other division-approved medium. All books and records are considered a public record as that term is used in the state penal law and shall also be construed to mean a business record under such, unless exempt from disclosure pursuant to applicable federal or state law.
- (m) Business day means a calendar day other than Saturday, Sunday, or any day on which the division’s main offices are closed because of Federal, State or local holiday, inclement weather, or like circumstance.
- (n) Business entity means a corporation, partnership, limited liability company, sole proprietorship, or other business form recognized by any state.
- (o) Business plan means a document containing information regarding video lottery gaming agent facility operations as may be required by the division.
- (p) Cage cashiers means the cashiers performing any of the functions in the cashiers’ cage as set forth in these regulations.
- (q) Cage supervisor means any person designated as such and appropriately licensed as required by the video lottery gaming agent’s jobs compendium which allows that person to supervise personnel and functions within the cashiers’ cage.
- (r) Capital and maintenance expenditures means expense items related to the video lottery gaming facility incurred in

connection with furniture, fixtures, equipment and facilities, and capitalized costs. Such term shall include: acquisition; replacement; repairs; refurbishment; renovation; improvements; maintenance, including public area housekeeping, and labor.

(s) Cash means currency.

(t) Cash equivalent means

(1) Certified check, cashiers' check, treasurer's check, recognized traveler's check or recognized money order that:

(i) Is made payable to the video lottery gaming agent where presented, a holding company of the video lottery gaming agent, "bearer" or "cash";

(ii) Is dated, but not postdated; and

(iii) Does not contain any endorsement;

(2) Certified check, cashier's check, treasurer's check or recognized money order that:

(i) Is made payable to the presenting player;

(ii) Is endorsed in blank by the presenting player;

(iii) Is dated but not postdated; and

(iv) Does not contain any endorsement other than that of the presenting player.

(u) Central site means a location where the central video lottery communications control systems is located.

(v) Central system means central video lottery communications control system.

(w) Central system provider means a licensed vendor with whom the division has contracted for the purpose of providing and maintaining a central system and the related management facilities with respect to the operation of video lottery terminals.

(x) Central video lottery communications control system means the hardware, software and network components which link and support video lottery terminals to a central site.

(y) Certification or certificate of operations means authorization by the division to commence operation in accordance with its inspection and approval process of video lottery terminals, central system and related video lottery gaming software at a particular video lottery gaming facility.

- (z) Chief financial officer means the senior executive of the video lottery gaming agent with overall responsibility for its internal and accounting controls.
- (aa) Chief operating officer means the senior executive of the video lottery gaming agent exercising the overall management or authority over all video lottery gaming operations at a video lottery gaming facility.
- (bb) Commission means the vendor fee set forth in the act as a percentage of net terminal income paid to a video lottery gaming agent as compensation for operating the video lottery gaming facility.
- (cc) Compensation means direct or indirect payment for services performed including, but not limited to, salary, wages, bonuses, deferred payments, overtime and chattels.
- (dd) Complimentary service or complimentary item means a service or cash or non-cash item provided directly or indirectly by the video lottery gaming agent pursuant to a marketing plan approved by the division at no cost or at a reduced price to a player. Complimentary services or items are subject to the reimbursement rate provided by these regulations and guidance issued by the division from time to time.
- (ee) Construction contractor means any contractor or sub-contractor which is employed by a video lottery gaming agent to construct or assist in the construction of any portion of a video lottery gaming facility prior to the issuance of a certificate of operation by the division or employed after such issuance for more than thirty days, in accordance with these regulations. A contractor or sub-contractor employed by a video lottery gaming agent for less than thirty days shall be authorized as a temporary service provider as defined in subdivision (vvvvv) of this section.
- (ff) Controller means the person who is responsible to supervise the accounting department of a video lottery gaming agent and who shall report to an officer as approved by the division.
- (gg) Count means the total currency or cash equivalent counted for a video lottery terminal, per day, or other period specified by the video lottery gaming agent.
- (hh) Count room means a room where cash is received and counted.
- (ii) Coupon is a non-cash item provided to a player as a complimentary or promotion item and can be used to play a video lottery terminal. All coupons are issued pursuant to the division's policy and procedure and must be described in an approved marketing plan.

- (jj) Currency means coin or paper money issued by the United States.
- (kk) Currency compartment means a compartment that maintains a separate lock with a separate key from the main cabinet area of the video lottery terminal and stores and secures the drop box.
- (ll) Department of State means the New York Department of State.
- (mm) Department of Taxation and Finance means the New York State Department of Taxation and Finance.
- (nn) Direct mail means a program set forth in a marketing plan approved by the division which informs player(s) and potential player(s), through direct contact, or promotions, of events and offerings at the video lottery gaming facility in an effort to increase player visitation to such facility and the usage of video lottery terminals.
- (oo) Drop means the total amount of the currency or cash equivalents removed from video lottery terminals.
- (pp) Drop box means a secure container in which shall be deposited all cash and vouchers inserted into the bill acceptor of a video lottery terminal.
- (qq) Electronic funds transfer, or "EFT", means the transfer of currency by a banking institution by electronic means.
- (rr) Eligible venue means a location at which the division is authorized by the act to license the operation of video lottery gaming.
- (ss) Entertainment costs means those costs identified in a marketing plan approved by the division and incurred by the video lottery gaming agent for entertainers, performers and events which are intended to increase player visitation to the video lottery gaming facility and the usage of the video lottery terminals.
- (tt) Equivalent provisions means lines of credit, parent company guarantees, or other arrangements approved in writing by the division through which funds can be accessed on a timely and as needed basis.
- (uu) Financial institution means any banking institution or investment bank authorized to do business in the state.
- (vv) Financial stability means the ability of a video lottery gaming agent or vendor to meet its financial obligations.
- (ww) Financial statement means any of the following:
 - (1) Balance sheet;
 - (2) Income statement;
 - (3) Profit and loss statement;
 - (4) Statement of cash flow;

(5) Sources and uses of funds statement.

- (xx) Gaming day means any calendar day during which video lottery gaming occurs at any licensed video lottery gaming facility.
- (yy) Gross sales means the total sales from video lottery terminals.
- (zz) Group sales means a program established by a video lottery gaming agent and described in a marketing plan approved by the division and which provides incentives for groups, organizations, clubs and similar entities to increase player visitation to the video lottery gaming facility and the usage of video lottery terminals.
- (aaa) Hold means the relationship of credits played to credits won for video lottery terminals.
- (bbb) Holding company means a company whose sole function is to own and control other companies.
- (ccc) Imprest basis means the basis on which cashiers' cage funds are replenished from time to time in exactly the amount of the net of expenditures made from the funds and amounts received.
- (ddd) Incompatible function means a function, for accounting control purposes, that places any person or department in a position to both perpetrate and conceal errors or irregularities in the normal course of his or her duties. For example, anyone recording transactions and having access to assets ordinarily is in a position to perpetrate errors or irregularities.
- (eee) Independent certified public accountant means a professional accountant licensed within the State suitably qualified and sufficiently independent to act as auditor of the video lottery gaming operations.
- (fff) Independent gaming test laboratory means a laboratory, selected by the division, which shall be used by vendors of the division to ensure the central system, site controllers, terminals and associated equipment used in the conduct of video lottery gaming operate in the manner set forth by these regulations.
- (ggg) Internal audit means employees of the video lottery gaming agent who perform an audit function of a video lottery gaming facility operation who are independent of the video lottery gaming facility department subject to such audit. Internal audit activities shall be conducted in a manner that permits objective evaluation of areas examined and the results of internal audits are to be communicated to management.
- (hhh) Internal control system means internal procedures, administration, and accounting controls designed by the video lottery gaming agent for the purpose of exercising control over the video lottery gaming facility operation and its

assets.

- (iii) Jackpot means the greatest amount of prize value to be awarded to a player for a given game.
- (jjj) Jackpot payout means a total payout or the portion of a jackpot paid by video lottery gaming agent personnel.
- (kkk) Intentionally omitted.
- (lll) Key employee means a person required to obtain a video lottery gaming key employee license, including any natural person who will be employed by a video lottery gaming agent in a position that includes any responsibility or authority to develop or administer policy or long-range plans or to make discretionary decisions regarding video lottery gaming facility operations, regardless of job title, and who is not a principal of such agent.
- (mmm) License means the authorization granted by the division which permits an applicant to engage in video lottery gaming or video lottery gaming related activities.
- (nnn) License application means the instrument by which an applicant requests licensing for participation in video lottery gaming or video lottery gaming related activities.
- (ooo) Licensee means any person authorized by the division to participate in video lottery gaming or video lottery gaming related activities.
- (ppp) Main bank means the video lottery gaming agent's department that is responsible for at least all of the following:
 - (1) Providing working funds to all operational departments;
 - (2) Maintaining custody of all inventory;
 - (3) Cashiers;
 - (4) Main bank vault or vaults;
 - (5) Any other structure that houses representatives of value for which the main bank is accountable.
- (qqq) Manufacturer means a firm engaged by the division to supply video lottery terminals as designated by the division.
- (rrr) Material debt means a debt, whether in a single transaction or cumulative transactions during any twelve (12) month period, that may have a significant affect on the financial stability of a video lottery gaming agent, in the

following amounts:

(1) \$5,000,000.00 or more for a video lottery agent with 4,000 terminals or more; or (2) \$2,000,000.00 or more for a video lottery agent with between 1,500 and 3,999 terminals; or (3) \$1,000,000.00 or more for a video lottery agent with less than 1,500 terminals.

(sss) Marketing allowance means that percentage of net terminal income permitted by the act to be retained by the video lottery gaming agent to be used for the marketing, promotion and associated costs of its video lottery gaming operations, consistent with the customary manner of marketing and promoting comparable operations in the industry, subject to the overall supervision of the division.

(ttt) Marketing allowance account means the account established by each video lottery gaming agent for the deposit by the division of the applicable marketing allowance.

(uuu) Marketing plan means the plan prepared by the video lottery gaming agent and submitted to the division for approval pursuant to these regulations which marketing plan describes the marketing and promotional activities for the video lottery gaming facility to be undertaken by the video lottery gaming agent.

(vvv) Meter means an electronic (soft) or mechanical (hard) apparatus in a video lottery terminal used to register events or occurrences.

(www) Natural person means any individual person.

(xxx) Net proceeds means credits played less credits won, less the video lottery gaming agent's commission.

(yyy) Net terminal income means the total amount of credits played less the total credits won.

(zzz) Net win means net terminal income.

(aaaa) Non-gaming employee means a licensed video lottery gaming employee who is not directly involved in video lottery gaming and does not serve a gaming function, including but not limited to, an employee involved in food and beverage, housekeeping, valet or facility maintenance services.

(bbbb) On a daily basis means something which occurs or is performed each gaming day.

(cccc) Operating expenses means the total cost of all selling, plus general and administrative expenses. These costs include, but are not limited to: operating supplies, labor costs, licensing fees, retail and entertainment costs, marketing, advertising, security and surveillance equipment upgrade costs, property operations, utility, and

maintenance costs.

- (dddd) Parent company means a corporation that owns at least ninety (90%) percent of the outstanding shares of another corporation.
- (eeee) Player means a natural person who inserts currency, a voucher, or other item of value into the video lottery terminal to purchase video lottery gaming tickets.
- (ffff) Player rewards club means a program established by a video lottery gaming agent as described in a marketing plan approved by the division whereby player(s) can receive or accumulate points based on either (a) credits played at a video lottery terminal equated to a monetary value, or (b) purchases made at a video lottery gaming facility to the extent permissible under the program established by the video lottery gaming agent and approved by the division,; such points can then be redeemed for merchandise, entries into drawings, discounts on food and beverage and other complimentary items offered by the video lottery gaming agent.
- (gggg) Premises means the building and grounds occupied by a video lottery gaming facility which include that agent's video lottery gaming facility and related amenities. In addition to the video lottery gaming facility, "premises" includes facilities where food and drink are served, as well as those areas not normally open to the public, such as areas where records related to video lottery gaming operations are kept. "Premises" shall not include the racetrack or such areas where such video lottery gaming operations or facilities do not take place or exist, such as racetrack areas or fairgrounds which are wholly unrelated to video lottery gaming operations. The boundaries of the premises will be delineated on the floor plan, required by these regulations as part of the video lottery gaming agent's business plan. Areas which are not open to the public shall be deemed restricted areas.
- (hhhh) Primary and secondary jackpots means promotional prize pools offered at certain video lottery terminals that can be won in addition to the primary prize.
- (iiii) Principal of a video lottery gaming agent means:
- (1) Each of its officers and directors;
 - (2) Each of its principal management employees, including any chief executive officer, chief financial officer, chief operating officer, or general manager, including those employees acting in these capacities, director of security, and director of surveillance;

- (3) Each of its partners if a partnership or members if a limited liability company;
 - (4) If a corporation, each of its shareholders who own or control more than ten (10) percent of the shares of the corporation if all warrants and/or options held by that shareholder were exercised; shareholders who are members of the same family will be considered as one shareholder for purposes of this section;
 - (5) If a limited liability company, each of its members;
 - (6) Each person other than a banking institution, investment broker, or mortgage broker licensed in this state who has provided more than ten (10) percent of the total financing of the video lottery gaming enterprise. The actual person or persons in control of the principal financing entity shall be required to be licensed;
 - (7) Notwithstanding the foregoing, non-salaried members of boards of directors or their operational equivalent of non-profit or not-for-profit organizations and public benefit corporations may be excluded from certain portions of the licensing requirements set forth in these regulations at the discretion of the division. For purposes of this section only, “salary” shall mean monetary compensation for services rendered in excess of a total of \$5,000 annually; and
 - (8) Any person or other entity to exert decision making control, financial or otherwise, over the video lottery gaming agent including any such person in a parent or holding company of such agent.
- (jjjj) Prize means any credits won or value awarded as a result of the purchase and playing of a video lottery game.
- (kkkk) Promotion means an event, invitation, or offering, including coupons, designed to showcase a specific feature, product or amenity of the video lottery gaming facility as described in a marketing plan approved by the division in an effort to encourage and increase player visitation to the video lottery gaming facility and usage of the video lottery terminals.
- (llll) Public area means the areas in the video lottery gaming facility that are open to the public in accordance with the video lottery gaming agent’s system of internal controls.
- (mmmm) Rebate means cash or other item of value provided to a player, vendor or other third party by the video lottery gaming agent and which is strictly prohibited by these regulations. Rebate does not include complimentary services or complimentary items.

- (nnnn) Replacement reserves means funds set aside that are restricted for the replacement of wear and tear items throughout the video lottery gaming facility.
- (oooo) Restricted areas means areas of the video lottery gaming agent's premises which are not open to the public, including, but not limited to: the cashiers' cage, the count room, the surveillance room, the specific areas designated for the possession and maintenance of video lottery gaming equipment that support the conduct of video lottery gaming in the video lottery gaming facility, any additional area that the video lottery gaming agent designates as restricted in its internal controls, and any other area specifically designated by the division as restricted.
- (pppp) Security department member means any person employed by the video lottery gaming agent to provide physical security at a video lottery gaming facility.
- (qqqq) Sensitive keys means keys that either the video lottery gaming facility supervisor or the division consider sensitive to the video lottery gaming operation and therefore require strict control over custody and issuance, in accordance with the video lottery gaming agent's system of internal controls and these regulations.
- (rrrr) Shift means the regular, daily work period of a group of employees administering and supervising the operation of the video lottery gaming facility, working in relay with another such succeeding or preceding group of employees at specific times.
- (ssss) Site controller means computer equipment located at a video lottery gaming facility used to link a number of video lottery terminals to the central system.
- (tttt) State means the State of New York.
- (uuuu) Subcontractor means any person who contracts with a licensed entity to provide good or services in furtherance of video lottery gaming.
- (vvvv) Temporary badges mean an identification badge issued by a video lottery gaming agent to a temporary service provider.
- (wwww) Temporary service provider means a vendor, its agents, servants and employees engaged by a video lottery gaming agent to perform temporary services at a video lottery gaming facility for no more than thirty (30) days in any twelve (12) month period.

- (xxxx) Terminal identification number means a unique number assigned to identify a single video lottery terminal in a video lottery gaming facility.
- (yyyy) Terminal light means the light located conspicuously on the uppermost surface of a video lottery terminal.
- (zzzz) Theoretical win means the intended hold percentage or win of an individual video lottery terminal as computed by reference to its payout schedule.
- (aaaaa) Theoretical win worksheet means a worksheet provided by a manufacturer for video lottery terminals which indicate the theoretical percentages that the video lottery terminal(s) should hold based on expected levels of credits played. The worksheet also indicates the number credits that may be played, the payout schedule and other information descriptive of the particular type of video lottery terminal required by the division.
- (bbbbb) United States means the United States of America.
- (ccccc) Vendor means any person or business entity who contracts or subcontracts with the division or a video lottery gaming agent or other provider to supply goods or services related directly or indirectly to video lottery gaming.
- (dddd) Vendee means any person or business entity who contracts with a video lottery gaming agent to take away goods or services from a video lottery facility.
- (eeee) Video lottery game means any lottery game played on a video lottery terminal which consists of multiple players competing for a chance to win a randomly drawn prize.
- (ffff) Video lottery gaming agent means a person who has been licensed by the division to operate a video lottery gaming facility pursuant to the Act.
- (ggggg) Video lottery gaming agent check means a check which is drawn by the video lottery gaming agent upon their account at a banking institution and made payable to a person in payment of their voucher.
- (hhhhh) Video lottery gaming bankroll means unrestricted cash maintained in the video lottery gaming premises, or in cash and cash equivalent bank accounts, that is readily available to meet prize payment obligations.
- (iiii) Video lottery gaming count team means the personnel that perform the count of the video lottery terminal drop.
- (jjjj) Video lottery gaming employee means a person required to hold a video lottery gaming employee license, including any person who will be employed by a video lottery gaming agent in any position and who is

not a principal of a video lottery gaming agent or a video lottery gaming key employee.

(kkkkk) Video lottery gaming facility means the physical area and amenities where licensed video lottery gaming and related activities are conducted.

(lllll) Video lottery gaming facility department means the department of the video lottery gaming agent responsible for the operation of video lottery gaming.

(mmmmm) Video lottery gaming facility manager means a person who has the ultimate responsibility to manage, direct, or administer the conduct of the video lottery gaming conducted within a video lottery gaming agent's facility.

(nnnnn) Video lottery gaming facility operation means the operation of a video lottery gaming facility including, but not limited to, video lottery gaming, the purveying of food, beverages, retail goods and services, and transportation.

(ooooo) Video lottery gaming floor means the area of the video lottery gaming facility where video lottery gaming is conducted.

(ppppp) Video lottery gaming supervisor means a person employed in the operation of a video lottery gaming facility in a supervisory capacity or empowered to make discretionary decisions to conduct video lottery gaming operations and perform certain functions, including but not limited to, video lottery gaming facility shift manager, the Assistant Gaming Facility Manager and the Gaming Facility Manager.

(qqqqq) Video lottery gaming surveillance room means a room or rooms at the video lottery gaming facility operated and staffed by video lottery gaming agent's employees for monitoring and recording video lottery gaming operations. Entrance to such room shall not be adjacent to, or visible from, any public area.

(rrrrr) Video lottery gaming system means a system that consists of video lottery terminals, connected to a central system which permit players to purchase video lottery gaming tickets.

(sssss) Video lottery gaming ticket means an electronic instrument produced by a video lottery terminal or video lottery gaming system that represents the outcome of a particular video lottery game.

(ttttt) Video lottery terminal (may be referred to as "VLT") means a video display terminal in which currency or credits are deposited and a selection is made by the player in order to purchase video lottery gaming tickets. A terminal shall be considered a video lottery terminal notwithstanding the use of an electronic credit system making the deposit of bills unnecessary.

(uuuuu) Voucher means an instrument of value generated by a video lottery terminal representing a monetary amount and/or play value owed to a customer at a specific video lottery terminal based on video lottery gaming winnings and/or amounts not wagered.

(vvvvv) Wager means an item that is a division approved representative of value utilized to purchase a video lottery gaming ticket at a video lottery terminal.

2836-1.3 Construction and Amendments.

- (a) These regulations shall be liberally construed in accordance with generally accepted principles of statutory construction, including those set forth in the State General Construction Law to permit the division to effectively carry out its respective statutory functions.
- (b) Nothing contained in these regulations shall be so construed as to conflict with any provision of the act or the law.
- (c) In special cases and for good cause shown, the division may permit deviations from these regulations. To request relief from these regulations, written application should be submitted to the director, setting forth the name, address and telephone number of the requester, the license number, if applicable, the details of the request, including citation to the regulation in question, and the basis for a claim of good cause. Under no circumstances shall the request be granted if the director determines that granting the request would adversely impact the health, safety, or welfare of the public, or that it would undermine the integrity of or public confidence in video lottery gaming.
- (d) These regulations may be amended by the division from time to time in accordance with the provisions of the New York State Administrative Procedure Act.
- (e) Whenever any provision of these regulations requires that an act or event occur on a specified day or date, and such day or date falls upon a Saturday, Sunday or legal holiday, such provision shall be construed to refer to the next business day immediately succeeding such day or date.
- (f) This part is intended to regulate the operation of video lottery gaming by the division and to be

supplementary to all other regulations promulgated by the division for the operation of its games. To the extent there is a conflict between this Part and other regulations promulgated by the division, this Part shall prevail.

2836-1.4 Words and terms; tense and number.

In construing the provisions of these regulations, except when otherwise plainly declared or clearly apparent from the context:

- (a) Words in the present tense shall include the future tense.
- (b) Words in the singular shall include the plural and the plural shall include the singular.

2836-1.5 Severability and preemption.

- (a) If any clause, sentence, section, subsection, paragraph, subparagraph, chapter or other portion of these regulations or the application thereof to any person or circumstance shall be held to be invalid, such holding shall not affect, impair or invalidate the remainder of these regulations or the application of such portion held invalid to any other person or circumstances, but shall be confined in its operation to the clause, sentence, section, subsection, paragraph, subparagraph, chapter or other portion thereof directly involved in such holding or to the person or circumstance therein involved.
- (b) Notwithstanding the provisions of any other law to the contrary, no local government unit of this State may enact or enforce any ordinance or resolution conflicting with any provision of the law or of these regulations or with any policy of this State expressed or implied herein, whether by exclusion or inclusion. The division shall have exclusive jurisdiction over all matters delegated to it or within the scope of its powers under the provisions of the law and these regulations.

2836-1.6 Practice where regulations do not govern.

In any matter not governed by these regulations, the division shall exercise its discretion so as to carry out the purposes of the act.

2836-1.7 Applicability of regulations to non-corporate entities.

For purposes of these regulations, non-corporate entities shall, to the extent possible, comply with all relevant requirements applicable to corporate entities.

2836-1.8 Powers reserved.

All powers not specifically defined in this Part are reserved to the division under the laws creating the division and specifying its powers and duties.

2836-2 INFORMATION AND FILINGS

2836-2.1 Communications; notices.

- (a) Except as otherwise provided by these regulations, all papers, process or correspondence relating to the division should be addressed to or served upon the division at its principal office.
- (b) All such papers, process or correspondence shall be deemed to have been received or served when delivered to the principal office of the division.
- (c) Except as otherwise specifically provided by the act or these regulations, notices from the division will be sent to an applicant or licensee by either ordinary mail or certified mail to the address shown in the most recent application or change of address notice received from such person. Notices shall be deemed to have been served upon their deposit, postage prepaid, in the United States mail, and the time specified in any such notice shall commence to run from that date.
- (d) Any applicant or licensee who desires to have notices mailed to an address other than that specified in the application shall file with the division a specific request for that purpose, and notices will, in such case, be sent to the applicant or licensee at such address.
- (e) An applicant or licensee will be addressed under the name and style designated in the application, and separate notices will not be sent to individuals named in such application unless a specific request for that

purpose is filed with the division. In the absence of such a specific request, a notice addressed under the name or style designated in the application shall be deemed to be notice to all individuals named in such application. Applicants and licensees shall immediately notify the division of any change of address, and shall expressly request that all notices be sent to the new address.

- (f) Whenever possible, except as otherwise provided in these regulations, all written communication and documentation submitted to the division shall be by electronic delivery.

2836-2.2 Retention, storage and destruction of books, records and documents by video gaming agents.

- (a) All original books and records pertaining to the video lottery gaming agent's operations shall be:
 - (1) Prepared and maintained in a complete, accurate and legible form;
 - (2) Retained on the site of the video lottery gaming facility or at another secure location approved in accordance with subsection (d) of this part;
 - (3) Retained for the time period specified in subsection (c) of this part;
 - (4) Held available for inspection by the division and its designee during normal business hours;
 - (5) Organized and indexed in such a manner so as to provide immediate accessibility to the division.
- (b) All original books, records and documents shall be retained by any video lottery gaming agent in accordance with policies issued by the division from time to time. Notwithstanding such policies, the following original books, records and documents shall be retained indefinitely unless destruction is requested by a video lottery gaming agent and approved by the division in writing:
 - (1) Corporate records;
 - (2) Records of corporate investigations and due diligence procedures;
 - (3) Current video lottery gaming employee personnel files; and
 - (4) A record of any original book, record or document destroyed, identifying the particular book, record or document, the period of retention and the date of destruction.

(c) An off-site storage facility for the books, records and documents required to be retained by a video gaming agent pursuant to this part may be approved by the division upon receipt of a written request from a video gaming agent. Such request shall include, without limitation, the following information:

- (1) A detailed description of the proposed off-site facility, including security and fire safety systems, and;
- (2) The procedures pursuant to which the division will be able to gain access to the original books, records and documents retained at the off-site facility.

A video lottery gaming agent may request division approval of an electronic or other suitable media system for the copying and storage of original books, records and documents. The use of such multi-media systems by a video gaming agent shall be pursuant to policies issued by the division from time to time.

(d) (1) Notwithstanding any policy, statute, rule or regulation to the contrary, video lottery gaming agent shall notify the division in writing at least fifteen (15) days prior to the scheduled destruction of any original book, record or document. Any such notice of destruction shall list each type of book, record and document scheduled for destruction, including a description sufficient to identify the books, records and documents included; the retention period; and the date of destruction.

(2) The division may object to the destruction of any original book, record or document by notifying the video lottery gaming agent in writing within fifteen (15) days of the receipt of any notice of destruction issued by the division by a video lottery gaming agent. Upon receipt of an objection to any notice of destruction, such original book, record or document may thereafter be destroyed by the video lottery gaming agent only upon the consent of the division, The destruction of any book, record or document by a video gaming agent without the consent of the division shall be a violation of these regulations and will be treated as the destruction of a public record under the Penal Law.

- (3) The video lottery gaming agent may utilize the services of a division-approved disposal company for the destruction of any books, records or documents. Any cash complimentary coupons to be destroyed by a disposal company shall first be canceled with a void stamp, hole punch or similar device, or must contain a clearly marked expiration date which has expired, prior to turning possession of such coupons over to the disposal company.
- (e) Nothing herein shall be construed as relieving a video lottery gaming agent from meeting any obligation to prepare or maintain any book, record or document required by any other Federal, state or local governmental body, authority or agency.

2836-3 GENERAL PROVISIONS REGARDING LICENSING AND REGISTRATION

2836-3.1 General.

- (a) Every applicant and licensee shall produce such information, documentation and assurances as may be required by the division to establish, by clear and convincing evidence, his or her suitability for licensure in accordance with these regulations. The refusal by any applicant or licensee to comply with a request by the division for any such information, documentation or assurances shall be a basis for denial, revocation or disqualification of the applicant or licensee.
- (b) Each licensee under these regulations shall have a continuing obligation, as set forth in these regulations:
- (1) to ensure that such information, documentation and assurances submitted to the division is current; and;
 - (2) to ensure that such information, documentation and assurances, in light of the circumstances in which they were made and submitted, shall not be misleading. Each licensee shall submit such additional information, documentation and assurances as may be necessary to meet such obligations.
- (c) (1) It shall be the affirmative duty of all licensed personnel to report:

- (i) violations of law and any instances of non-compliance with these regulations; or
- (ii) regulatory or criminal violations by such licensees in any jurisdiction outside the state in which they are licensed, to the division and its authorized representative. Licensed entities agree that they shall not apply any sanction, penalty, or job termination against any employee in retaliation for that employee's reporting of violation(s) or cooperation with the division or its authorized representative in any investigation or other proceeding.

(2) If it is determined after investigation that any licensed entity or person has violated these regulations, the division will impose the appropriate remedy including, but not limited to, any of the following:

- (i) Permit the reinstatement of the employee to a former position;
- (ii) Suspension and/or revocation of the license of the entity or person(s).

2836-3.2 Identification.

- (a) Every natural person applying for a license pursuant to these regulations shall establish his or her identity to the satisfaction of the division pursuant to the requirements of the license application.
- (b) Any natural person may request that the division change the name designated on his or her application or license by establishing appropriate identity information as required by the division including, without limitation, a certificate of marriage, a certified copy of a divorce decree or other appropriate court order.

2836-3.3 Fingerprinting.

- (a) Each applicant or licensee, including each of the video lottery gaming agent, video lottery gaming agent principals, vendor and vendor principals, vendee and vendee principals, if applicable, and key and other employees, shall, at the time of application and upon renewal, be fingerprinted under the supervision of the division or a duly authorized representative approved by the division. The division may, for good cause shown, permit an applicant or licensee to alternatively submit sets of classifiable fingerprints on

fingerprint impression cards provided by the division.

- (b) Nothing in this section shall relieve a person who submits fingerprint sets pursuant to subsection (a) of this part above from the continuing duty to disclose any criminal arrests as required by these regulations.
- (c) Each video lottery gaming agent shall remit to the division the actual costs of reviewing and fingerprinting such agent's principals, employees and vendors, if applicable.

2836-3.4 Photographing.

Each applicant or licensee shall submit with their license application a color photograph in the format required by the license application and which was taken within six (6) months of the date the application is submitted to the division.

2836-3.5 Handwriting exemplars.

Each applicant or licensee shall supply handwriting exemplar(s) in the form and manner required by the license application.

2836-3.6 Minimum employee age.

No natural person under the age of eighteen (18) years shall be eligible to receive a license from the division as a video lottery gaming key employee, video lottery gaming employee or principal of a vendor or be authorized as a temporary service provider.

2836-3.7 Eligibility to work in the United States.

No natural person shall be employed as a video lottery gaming agent unless such person is a citizen of the United States or is otherwise eligible to work in the United States.

2836-3.8 False and misleading information.

The division may deny a license to any applicant who:

- (1) supplies information to the division which is untrue or misleading as to a material fact; or

(2) fails to submit any statement or information which would make any statement made in the application, in light of the circumstances in which they were made, not misleading.

2836-3.9 Filing.

No application for a license shall be deemed filed with the division under these regulations until:

- (a) All papers presented conform to all requirements relating to format, signature, oath or affirmation, attorney certification (if required) and copies;
- (b) All appropriate application, registration, business disclosure and personal history disclosure forms have been properly completed and presented;
- (c) All required consents, waivers, fingerprint impressions, photographs and handwriting exemplars have been properly presented;
- (d) All other information, documentation, assurances and other materials required or requested at that preliminary stage pertaining to qualifications have been properly presented; and
- (e) All required fees have been properly paid and all required surety has been properly furnished.

2836-3.10 Processing.

The division will process only complete applications. The division will notify the video lottery gaming agent's human resource department when an application has been accepted as complete. The processing of any application shall not constitute the division's concurrence that the requirements of the act and these regulations have been satisfied.

2836-3.11 Amendment.

It shall be the continuing duty of each applicant or licensee to promptly file with the division a written amendment to the application explaining any new or changed facts or circumstances whenever any material or significant new or changed facts or circumstances occur with respect to any matter set forth in the application or other papers relating thereto. Any applicant or licensee may be permitted by the division to file any other

amendment to his or her application at any time prior to final action thereon by the division. The failure of an applicant or licensee to comply with this part shall be grounds for rejection of the application or for suspension or revocation of a license.

2836-3.12 Issuance of a license.

- (a) The division shall notify the applicant or the human resource department of the video lottery gaming agent in writing when a license is granted.
- (b) No applicant shall commence a licensed activity prior to the issuance of a license.
- (c) The division, may issue a temporary license to an applicant pending completion of an initial application review process. Any such temporary license may be issued only if the applicant:
 - (1) has filed a complete application with the division;
 - (2) the completed application, on its face, discloses no grounds from which it may be immediately ascertained by the division that there are reasonable grounds to deny the application; and
 - (3) the division receives and reviews an acceptable fingerprint report from the New York State Division of Criminal Justice Services and Federal Bureau of Investigation.

2836-3.13 Withdrawal.

- (a) Prior to a final action by the division on an application, regardless of whether a temporary license has been issued, any applicant may withdraw an application filed with the division by filing a written notice of such withdrawal. Upon the receipt of such notice, the division will cease processing such application, but shall retain such application and materials in accordance with applicable law.
- (b) The division may refrain from processing any application submitted by any applicant which has previously withdrawn an application for a period of one (1) year from the date of such withdrawal.
- (c) No fee or other payment relating to any application shall become refundable by reason of withdrawal of the application unless otherwise determined by the division for good cause shown.

2836-3.14 Denial of a video lottery gaming license.

- (a) To the extent permitted by law, the division may deny a video lottery gaming license to an applicant who has been convicted of:
 - (1) A felony offense, as defined in penal law section 10.00(5), or an equivalent offense committed in another jurisdiction;
 - (2) A misdemeanor related to gambling, gaming, bribery, fraud, or any other offense prejudicial to public confidence in the state lottery;
- (b) The division may deny a video lottery gaming license to an applicant who has otherwise been determined to be a person whose prior activities, criminal record, if any, or reputation, habits and associations pose a threat to the effective regulation of video lottery gaming in this state; or if the granting of such license to the applicant would create, or enhance, the chances of unfair or illegal practices, methods, and activities in the conduct of the video lottery gaming under the act; or if such applicant has failed to provide any information reasonably required by the division to investigate the applicant for a license or to reveal any fact material to such application, or has furnished any information which is untrue or misleading in connection with such application, or fails to submit such information which, if submitted, would make the statements in any application, in light of the circumstances in which they were made, not misleading.
- (c) The division may deny a video lottery gaming license to an applicant who fails to provide such information, documentation and assurances required by the act or these regulations, or as requested by the division, or who fails to reveal any fact material to suitability, or who supplies information that is untrue or misleading as to a material fact pertaining to licensing suitability criteria;
- (d) The division may deny a video lottery gaming license to an applicant who fails after due inquiry to demonstrate financial stability or who is obligated for past-due support which is owed to persons or

entities entitled to enforce an order of support with respect to persons receiving services pursuant to Title 6-A of Article 3 of the state Social Services Law or any final order, decree or judgment in a matrimonial action or family court proceeding, or any foreign support order, decree or judgment which is registered pursuant to Section 37-A of the Domestic Relations Law, which requires the payment of alimony, maintenance, support or child support.

- (e) The division may deny a video lottery gaming license to an applicant upon determination that the applicant has engaged in fraud, deceit, misrepresentation or conduct prejudicial to public confidence in the state lottery;
- (f) Notwithstanding the provisions of this section, an applicant who has been convicted of any criminal offense may receive a video lottery gaming license at the discretion of the division. In determining whether the applicant may receive such license, the division shall consider the following factors:
 - (1) The nature and duties of the position or type of license for which the applicant has applied;
 - (2) The nature and seriousness of the offense or conduct;
 - (3) The circumstances under which the offense or conduct occurred;
 - (4) The date of the offense or conduct;
 - (5) The age of the applicant when the offense or conduct was committed;
 - (6) Whether the offense or conduct was an isolated or repeated incident;
 - (7) Any evidence of rehabilitation, including good conduct in prison or in the community, counseling or psychiatric treatment received, acquisition of additional academic or vocational schooling, successful participation in correctional work-release programs, or the recommendation of persons who have or have had the applicant under their supervision.

2836-3.15 Restriction on application and employment after denial or revocation.

- (a) Any natural person whose application for a license is denied, suspended or revoked by reason of a

failure to satisfy the affirmative qualification criteria required by these regulations, or due to a finding by the division that such person is disqualified, or both, may not re-apply for such license for a period of three (3) years from the date of denial or revocation unless otherwise provided by these regulations.

Notwithstanding the foregoing:

- (1) If the denial or revocation was based upon conviction of a disqualifying offense and reapplication is to be evaluated under petition, reapplication is permitted only after the lapse of ten (10) years from the date of conviction;
 - (2) If the denial or revocation was based on acts constituting a disqualifying offense pursuant to these regulations and reapplication is to be evaluated under petition, reapplication is permitted after the lapse of ten (10) years from the date of the conduct in question; and
 - (3) If the division approves an agreement resolving an application for or a complaint seeking the revocation of a license which results in denial or revocation but permits reapplication or employment by a video lottery gaming agent after a stated period of less than three (3) years, eligibility for reapplication or employment shall be governed by the terms of the agreement and not by the provisions of these regulations.
- (b) Any natural person whose license was denied, suspended or revoked by the division on the basis of any of the statutory or regulatory provisions in subsection (1) through (4) of this part (b) below, may reapply for a license upon satisfaction of the relevant requirements specified below. If the denial, suspension or revocation is based upon two (2) or more of such regulatory provisions, the division shall permit reapplication only upon compliance with the requirements of this subsection as to each such provision. Any person seeking to reapply pursuant to this subsection shall file a certified petition stating with particularity how the specified requirements have been satisfied.
- (1) Failure to demonstrate financial stability: Reapplication is permitted upon achieving financial

stability.

- (2) Failure to satisfy the age requirement: Reapplication is permitted upon attaining the requisite age or upon a division finding that such age will be attained before the processing of said reapplication has been completed.
 - (3) Pending charges for a disqualifying offense: Reapplication is permitted upon disposition of the pending charges provided the charges do not result in conviction of a disqualifying offense.
 - (4) Any statutory or regulatory provision which is subsequently repealed or modified: Reapplication is permitted upon a showing that the subsequent repeal or modification of the statutory or regulatory provision obviates the grounds for denial or revocation and justifies the conclusion that the prior decision should no longer bar reapplication.
- (c) Except as otherwise set forth in these regulations, any person whose application has been denied or whose license has been revoked may reapply upon submission of sufficient evidence demonstrating that the factual circumstances upon which the denial was based have been cured to the satisfaction of the division.
- (d) Except as otherwise set forth in these regulations, any person whose license has been revoked may reapply upon submission within ninety (90) days of the date of revocation of sufficient evidence demonstrating that the factual circumstances upon which the denial was based have been cured.

2836-3.16 Petition for early reapplication.

- (a) Any natural person who is barred by these rules from reapplication for at least three (3) years may petition the division for permission to reapply at an earlier date by filing a petition with the division at any time after one (1) year has elapsed from the date of denial or revocation or at such earlier date as the division may order. Any such petition shall state the type of credential sought, include a copy of the original application and the denial or revocation letter, the reasons for such denial and/or revocation, the

reasons the applicant believes warrant reconsideration by the division, and any other information the applicant deems relevant.

(b) The division may grant a petition for early reapplication if it finds that the facts and circumstances presented would be reasonably likely to result in licensure, registration, qualification or approval if considered in the context of a plenary hearing. Factors to be considered by the division may include, where appropriate, evidence which would support:

- (1) A finding of rehabilitation; or
- (2) A waiver of disqualification.

2836-3.17 Assignability.

No license issued pursuant to these regulations is assignable by the licensee to any other person.

2836-3.18 Temporary service providers; badging.

- (a) The video lottery gaming agent may issue temporary badges to any natural person performing temporary services at a video lottery gaming facility.
- (b) Temporary badges shall: (1) remain the property of the video lottery gaming agent; (2) be distributed to the temporary service provider upon daily arrival at the video lottery gaming facility; and (3) be returned daily by such temporary service provider to such agent at the close of the temporary service provider's work shift.
- (c) Any licensed entity needing to contract for or employ temporary personnel shall provide to the division a completed Temporary Service Provider Identification Number Request Form, no later than twenty-four (24) hours prior to arrival of the temporary service provider at the facility. The failure to file such request form shall be a violation of the entity's license, the act and these regulations.
- (d) The video lottery gaming agent may issue visitor badges to persons performing services for a period not greater than one business day provided that such visitor is escorted by a licensed employee at all times.

If such visitor requires access to restricted areas, the visitor must be accompanied by a licensed key employee, unless otherwise approved by the division.

2836-3.19 Application to change video lottery gaming license.

A video lottery gaming licensee may apply to change the status of his or her current license by filing an application in a form prescribed by the division.

2836-3.20 Restriction on employment of a former surveillance department employee.

No former video lottery gaming agent surveillance department employee shall accept employment in another capacity for the video lottery gaming agent within the same video lottery gaming facility in which such surveillance department employee was previously employed or within any other video lottery gaming facility whose surveillance department is under the operational control of the same person who controlled the surveillance department in which the surveillance department employee had been previously employed, unless one (1) year has passed since the former surveillance department employee worked in the surveillance department.

2836-4 VIDEO LOTTERY GAMING AGENTS

2836-4.1 Entities permitted to obtain a video lottery gaming agent license.

Unless otherwise permitted by law, only racetracks authorized by Article 34 of the Tax Law to operate a video lottery gaming facility may apply for and obtain a video lottery gaming agent license.

2836-4.2 Video lottery gaming agent and principal application and disclosure form.

(a) Each owner of a video lottery gaming facility is required to be licensed by the division as a video lottery gaming agent. A video lottery gaming agent application and disclosure form shall be filed with the division for each of the following:

- (1) The video lottery gaming agent license applicant; and
- (2) Each parent company or holding company of the applicant.

- (b) Each person who is a principal of a video lottery gaming agent or the operator of a video lottery gaming facility on behalf of such an agent is required to be licensed by the division. A video lottery gaming agent principal application and disclosure form shall be filed with the division for each of the following:
- (1) each person required to be licensed as a principal of the applicant; and
 - (2) each person required to be licensed as a principal of a parent or holding company of such agent; and
 - (3) Where the video lottery gaming agent principal is other than a natural person, each person(s) exercising control as principals over the video lottery gaming agent principal applicant.
- (c) In addition to the information submitted on or required by the application or disclosure form, any applicant for a video lottery gaming agent or principal license shall submit the following additional documents, which shall be dated, signed and notarized by either the president, chief executive officer, member(s), any general partner(s), sole proprietor(s) or other authorized person:
- (1) A Statement of Truth;
 - (2) Release Authorizations as requested by the division directing all courts, probation departments, selective service boards, employers, educational institutions, financial and other institutions and all governmental agencies to release any and all information pertaining to the applicant as requested by the division; and
 - (3) An acknowledgment of receipt of notice regarding confidentiality, consent to search and non-refundability of filing fees, with a waiver of liability as to the state and its instrumentalities and agents, including the division, for any damages resulting to the video lottery gaming agents, its principals, servants, agents and employees, from any disclosure or publication of information acquired during the license or investigation process.
 - (4) Such other and further information and documentation as may be required by the division to

establish compliance with all relevant facilities requirements of the division including, without limitation, the following:

- (i) A certified copy of the applicant's license to engage in pari-mutual wagering activities issued by the New York State Racing and Wagering Board;
- (ii) A certified copy of the local law authorizing the applicant's participation in video lottery gaming, if applicable;
- (iii) A certified copy of the certificate of occupancy or a certificate of compliance issued by the appropriate governmental body demonstrating that the facility to be licensed is in compliance with all State and local fire and safety codes;
- (iv) Certified payroll records showing that all workers engaged or to be engaged in the construction, reconstruction, development, rehabilitation or maintenance of any area utilized or to be utilized for video lottery gaming have been paid prevailing wages in accordance with Articles 8 and 9 of the state Labor Law and regulations promulgated by the state Department of Labor to the extent provided in such articles;
- (v) A description of the proposed video lottery gaming facility site, including site plans, total acreage, total square footage, frontages and elevation;
- (vi) Certificates of insurance to comply with Section 2836-4.9;
- (vii) The construction program for the video gaming facility, including estimated construction time and anticipated date of opening; the status of all required governmental and regulatory approvals and any conditions thereto, including, but not limited to, the results of any review pursuant to the New York State Environmental Quality Review Act and all necessary demolition and construction permits; the project budget; and the architect, general contractor, construction manager and primary subcontractors, environmental consultant and interior designer and proof of

- insurance of all phases of the construction process;
- (viii) Certified copies of any agreement(s) with the organization authorized to represent its horsemen;
- and;
- (ix) Any other information or documentation which the division may deem material to the licensing of the applicant, or of any person required to be licensed pursuant to the regulations of the division.

2836-4.3 General information requirements.

- (a) No video lottery gaming agent license shall be issued or renewed by the division unless the applicant, and each person required to be licensed as part of the application, provides all information, documentation and assurances required to establish its qualifications pursuant to these regulations.
- (b) A video lottery gaming agent license may be issued subject to such conditions, restrictions, limitations or covenants as the division, in its discretion, deems necessary.
- (c) Each video lottery gaming agent shall prohibit the possession, use or control of gambling paraphernalia used in the conduct or operation of unlawful gambling in the video lottery gaming facility.

2836-4.4 Duration of license and license conditions.

Any video lottery gaming agent license issued by the division, shall be valid for the effective period of the act, unless such license is suspended or revoked by the division pursuant to these regulations or by reason of the video lottery gaming agent's failure to continue to own and/or operate the video lottery gaming facility.

2836-4.5 Bonding of video lottery gaming agents.

- (a) The division shall require a bond or other surety agreement, including but not limited to a letter of credit, issued by a surety company or banking institution authorized to transact business in the state and approved by the State Insurance Department or Banking Department as to solvency and responsibility, from any licensed video lottery gaming agent in such amount as the division may determine, so as to

avoid monetary loss to the state because of the video lottery gaming agent's activities or those of a third party. Such bond or other surety agreement shall at a minimum cover sixty-five (65%) percent of the total of five (5) days of estimated average daily net win per the respective video lottery gaming facility. The figure for estimated net win will be established by the division for each video lottery gaming facility and may be adjusted from time to time thereafter by the division. The bond or other surety agreement shall name as beneficiaries the division and the state.

- (b) The division may seek additional surety or guarantee of financial security consistent with the purposes of these regulations or video lottery gaming law, as may be deemed appropriate.
- (c) The failure of the video lottery gaming agent to post such bond or surety agreement in the amount required by the division shall be deemed a violation of such video gaming agent's license.

2836-4.6 Indemnification and hold harmless.

As a condition to the issuance and acceptance of any video gaming agent license, each video lottery gaming agent shall agree, by separate agreement or otherwise, to:

- (1) indemnify and hold harmless the state, the division and any of its employees from any and all damages, claims for damages or suits that may arise or occur directly or indirectly as a result of any operation carried on, under and pursuant to said video lottery gaming agent license;
- (2) Release the state, the division and any of its employees from any and all claims, damages and/or rights of action which shall accrue to the video lottery gaming agent or any of its employees that may arise or occur directly or indirectly as a result of any operation carried on, under or pursuant to said license; and
- (3) At his or her own expense, shall defend any and all suits against the state which may be brought by third parties as a result of any operation carried on pursuant to or in accordance with the terms of such license.

2836-4.7 Relationship.

- (a) Each video lottery gaming agent shall be considered an independent contractor and not an agent, servant or employee of the division or the state. Notwithstanding such status, each video gaming agent is a holder in trust of state moneys for the benefit of the state and until such moneys are deposited pursuant to video gaming procedures issued by the division, such moneys shall be considered held “in trust” for the benefit of the state and the division. With respect to all state moneys, the video lottery gaming agent irrevocably pledges, assigns and grants the division and the state a security interest in and control over all such moneys and any and all deposit accounts which such moneys may be deposited, including, without limitation, all interest, dividends, cash, instruments and other property held therein. Without limiting any of the foregoing, the video lottery gaming agent, as a condition to its license and operation certificate, will consent to any action which the state and/or the division deems necessary to perfect the security interest described above.
- (b) Every employee of a video lottery gaming agent shall be employees of such video lottery gaming agent and not of the division or the state.

2836-4.8 Gaming Facility Insurance Requirements.

- (a) Prior to the commencement of video gaming operations, the video gaming agent shall file with the division, Certificates of Insurance evidencing compliance with all requirements contained in these regulations. Such certificates shall be of form and substance acceptable to the division.
- (b) Acceptance and/or approval by the division does not and shall not be construed to relieve the video gaming agent of any obligations, responsibilities or liabilities under these regulations.
- (c) All insurance required by these regulations shall be obtained at the sole cost and expense of the video gaming agent with insurance carriers acceptable to the division; shall be primary and non-contributing to

any insurance or self insurance maintained by the division; shall be endorsed to provide written notice be given to the division at least thirty (30) days prior to the cancellation, non-renewal, or material alteration of such policies, and shall name The People of the State of New York, its officers, agents, and employees as additional insured. The additional insured requirement does not apply to Workers' Compensation or Disability coverage.

- (d) The video gaming agent shall be solely responsible for the payment of all deductibles and self-insured retentions to which such policies are subject. Deductibles and self-insured retentions must be approved by the division. Such approval shall not be unreasonably withheld.
- (e) Each insurance carrier must be rated at least "A-" Class "VII" in the most recently published Best's Insurance Report. If, during the term of the policy, a carrier's rating falls below "A-" Class "VII", the insurance must be replaced no later than the renewal date of the policy with an insurer acceptable to the division and rated at least "A-" Class "VII" in the most recently published Best's Insurance Report.
- (f) The video gaming agent shall cause all insurance to be in full force and effect as of the commencement date of video gaming operations and to remain in full force and effect throughout the license term. The video gaming agent shall not take any action, or omit to take any action that would suspend or invalidate any of the required coverages during the period of time such coverages are required to be in effect.
- (g) Not less than thirty (30) days prior to the expiration date or renewal date, the video gaming agent shall supply the division updated replacement Certificates of Insurance, and amendatory endorsements.
- (h) The video gaming agent shall obtain and maintain in full force and effect, the following insurance with limits not less than those described below, or as required by law, whichever is greater (limits may be provided through a combination of primary and umbrella/excess policies):
 - (i) Commercial General Liability Insurance with a limit of not less than \$5,000,000 each occurrence. Such insurance shall cover liability arising from premises operations, independent

contractors, broad form property damage, personal & advertising injury, cross liability coverage, liability assumed in a contract (including the tort liability of another assumed in a contract) and explosion, collapse & underground coverage. If such insurance contains an aggregate limit, it shall apply separately on a per location basis.

- (ii) Workers' Compensation, Employers Liability, and Disability Benefits as required by New York State.
- (iii) Commercial Business Automobile Liability Insurance with a limit of not less than \$1,000,000 each accident. Such insurance shall cover liability arising out of any automobile accident including owned and leased automobiles.

- (i) The video gaming agent shall cause to be included in each of its policies insuring against loss, damage or destruction by fire or other insured casualty, a waiver of the insurer's right of subrogation against the division, or, if such waiver is unobtainable, (i) an express agreement that such policy shall not be invalidated if the video gaming agent waives or has waived before the casualty, the right of recovery against the division or (ii) any other form of permission for the release of the division.

2836-5 FINANCIAL STABILITY OF VIDEO LOTTERY GAMING AGENTS

2836-5.1 Financial stability criteria.

- (a) Each video lottery gaming agent, and each of its principals, shall establish and maintain during the pendency of its video gaming agent license its financial stability to the satisfaction of division. The division may consider any relevant evidence of financial stability. A video lottery gaming agent shall be considered to be financially stable if it establishes by clear and convincing evidence that it meets each of the following standards:
 - (1) Each video lottery gaming agent must assure the financial integrity of video lottery gaming

operations by the maintenance of a video lottery gaming bankroll, or equivalent provision(s), adequate to pay prizes to video lottery gaming patrons when due. A video lottery gaming agent shall be found to have established this standard if it maintains, on a daily basis, a video lottery gaming bankroll, or equivalent provisions, in an amount at least equal to the facility's immediate cash requirement exposure for player prizes. Prior to receiving a certificate of operation for the video lottery gaming facility, each video lottery gaming agent must submit to the division a calculation of their video lottery gaming bankroll to be maintained at the commencement of each gaming day. Such calculation shall be based upon prize valuation levels. The bankroll will be reviewed by the division, and shall guarantee that the vault funding by weekday is at least equal to two hundred (200%) percent of the projected average daily prize claims at the video lottery gaming facility. Each video lottery gaming agent must continually review and evaluate daily bankroll requirements and notify the division in writing if it requests to change the amount of the minimum bankroll. Such notification must be provided to the division at least ten (10) days prior to the implementation of the new funding level. Maintenance of a minimum bankroll is subject to audit or review by the division. Failure to maintain adequate funding levels consistent with this requirement will be a violation of the video lottery gaming agent's license.

- (2) Each video lottery gaming agent must be able to pay, as and when due, all local, state and federal taxes, including the tax on gross revenues imposed by the video lottery gaming law, and any costs associated with the licensing process.
- (3) Video lottery gaming agents must maintain the video lottery gaming facilities and related amenities in good repair. Each video lottery gaming agent shall submit annually to the division for review, any changes or updates to capital reinvestment plan for the video lottery gaming facility together with the then effective capital reinvestment plan. The division shall review such

changes and updates to insure that each video lottery gaming agent is investing portions of the agent commission and marketing allowance permitted by the act in the facilities infrastructure as is necessary to support viable and successful video lottery gaming in this state. Each capital reinvestment plan submitted shall be in such form as required by the division and shall discuss the improvements made to the facility since the submission of the last reinvestment plan. Video lottery gaming agents must budget for repair and replacement reserves to maintain the facilities unless otherwise prohibited by law. The division reserves the right to require agents to create and fund replacement reserves at such amounts determined by the division consistent with the requirements of the act.

- (4) Each video lottery gaming agent must be able to pay, exchange, refinance or extend debts, including long-term and short-term principal and interest and capital lease obligations, which will mature or otherwise come due and payable during the license term, or to otherwise manage such debts and any default with respect to such debts. Each video lottery gaming agent shall advise the division of its plans to meet this standard with respect to any material debt(s) coming due and payable within twelve (12) months after the end of the license term.
 - (5) No video lottery gaming agent shall consummate a material debt transaction without the prior written approval of the division.
 - (6) No video lottery gaming agent shall guarantee the debt of any person or business entity, whether by co-signature or otherwise, or assume the debt of any person or business entity; or enter into any agreement to place any encumbrance on of its' video lottery gaming facility to secure the debts of such video gaming agent, any person or business entity, without the prior written approval of the division.
- (b) In reviewing any transaction in connection with the financial stability of the video lottery gaming agent

or any of its principals, the division shall consider whether the transaction deprives the agent or person of financial stability, taking into account the current or projected financial condition of the video lottery gaming agent and its affiliate, and the potential impact of any default on the agent or person.

- (c) Any subsequent use of the proceeds of a financial transaction previously approved by the division pursuant to these regulations, including subsequent drawings under previously approved transactions, shall not require further division approval unless such use is inconsistent with the use approved by the division.
- (d) The division may restrict or prohibit the transfer of cash to, or the assumption of liabilities on behalf of, an affiliate of the video gaming agent if, in the judgment of the division, such transfer or assumption would deprive the video lottery gaming agent of financial stability.

2836-5.2 Financial stability reporting requirements.

Each video lottery gaming agent and its principals shall be required to maintain accurate and complete accounting records pertaining to video lottery gaming operations at the video lottery facility or such location approved in writing by the division. Such records shall be maintained in accordance with generally accepted accounting principles. In connection with such records, each video lottery gaming agent shall report to the division the following:

- (1) On the fiscal year basis of the video lottery gaming agent, the video lottery gaming agent shall submit audited financial statements in accordance with these regulations within 120 days of such fiscal year end;
- (2) Video lottery gaming agents will submit standard financial reports required by these regulations; and
- (3) Such other information as the division shall deem necessary for a showing of financial stability for a particular video lottery gaming agent including, without limitation, quarterly submissions of financial information.

2836-5.3 Failure to demonstrate financial stability.

In the event a video lottery gaming agent, or any licensee under these regulations, fails to demonstrate financial stability as required by these regulations to the satisfaction of the division, the division may take such action as is necessary to fulfill the purposes of the act and to protect the public interest, including, but not limited to: issuing conditional or temporary licenses, approvals or determinations; establishing an appropriate cure period; imposing reporting requirements in excess of those otherwise mandated by these regulations; placing such restrictions on the transfer of cash or the assumption of liabilities as is necessary to insure future compliance with the financial stability standards; requiring the maintenance of reasonable reserves or the establishment of dedicated or trust accounts to insure future compliance with the financial stability standards; requiring a special audit, with such audit plan to be approved by the division and conducted by an independent accounting firm at the expense of the video lottery gaming agent; charging interest as provided in these regulations on any outstanding amount of sales due the division; suspending, revoking or denying licensure; or such other action as the division determines appropriate in accordance with these regulations.

2836-6 VIDEO LOTTERY GAMING KEY EMPLOYEE AND EMPLOYEE LICENSING

2836-6.1 Persons required to obtain a video lottery gaming key employee license.

Any natural person who will be employed by a video lottery gaming agent in a position that includes any responsibility or authority to develop or administer policy or long-range plans or to make discretionary decisions regarding video lottery gaming facility operations, regardless of job title, and who is not a principal of such agent, shall be required to hold, prior to being involved in any video lottery gaming licensed activities, a current and valid video lottery gaming key employee license issued by the division or shall have filed a request for a temporary license under section 2836-3.12.

2836-6.2 Persons required to obtain a video lottery gaming employee license.

- (a) Any natural person who will be employed by a video lottery gaming agent in any position and who is not a principal of a video lottery gaming agent or a video lottery gaming key employee, shall be required to hold, prior to the commencement of such employment, a current and valid video lottery gaming employee license issued by the division.
- (b) Any person who holds a current and valid video lottery gaming key employee license may perform the duties and responsibilities of any position that requires a video lottery gaming employee license.
- (c) Any person who is employed solely in the pari-mutuel racing business shall not be required to obtain a video lottery gaming employee license, unless such person enters video lottery gaming restricted areas in the course of his or her employment.

2836-6.3 Video lottery gaming key employee and video lottery gaming employee applications and disclosure forms.

- (a) The video lottery gaming key employee and video lottery gaming employee applications, personal history disclosure forms or principal disclosure forms shall be in a format prescribed by the division.
- (b) In addition to any information requested in the application, each applicant for a video lottery key employee and video lottery gaming employee license shall provide the division:
 - (1) The name, address, occupation and phone number of each person(s) who can attest to the applicant's character and reputation;
 - (2) A signed, dated and notarized certification of truth; and
 - (3) A signed, dated and notarized release authorization(s) which shall direct all courts, probation departments, selective service boards, employers, educational institutions, financial and other institutions and all governmental agencies to release any and all information pertaining to the applicant

as requested by the division.

2836-6.4 Standard for issuance of video lottery gaming key employee and video lottery gaming employee licenses.

- (a) Each applicant for a video lottery gaming key employee and video lottery gaming employee license must produce such information, documentation and assurances as requested by the division concerning the following qualification criteria:
- (1) Such information, documentation, releases and assurances as may be required to establish by clear and convincing evidence the financial stability, integrity and responsibility of the applicant, including but not limited to, bank references, business and personal income and disbursements schedules, tax returns and other reports filed with governmental agencies, and business and personal accounting and check records and ledgers. In addition, each applicant shall, in writing, authorize the examination of all bank accounts and records as may be deemed necessary.
 - (2) Such information, documentation, releases and assurances as may be required to establish by clear and convincing evidence the applicant's good character, honesty and integrity. Such information shall include, without limitation, data pertaining to family, habits, character, reputation, criminal and arrest record, business activities, financial affairs, and business, professional and personal associates, covering at least the ten (10) year period immediately preceding the filing of the application. Each applicant shall notify the division of any civil judgments obtained against such applicant pertaining to antitrust or security regulation laws of the federal government, of this state or of any other state, jurisdiction, province or country.
 - (3) Upon request of the division, the potential employee shall produce letters of reference from law enforcement agencies having jurisdiction in the applicant's place of residence and principal place of business, which letters of reference shall indicate that such law enforcement agencies do not have

any pertinent information concerning the applicant, or if such law enforcement agency does have information pertaining to the applicant, shall specify what that information is.

- (4) If the applicant has been associated with gaming operations in any capacity in any jurisdiction which permits such activity, the applicant, when requested by the division, shall produce letters of reference from the gaming enforcement or control agency for such jurisdiction. Such letters of reference shall specify, without limitation, the experience of such gaming enforcement or control agency with the applicant, the applicant's associates, the applicant's participation in the gaming operations of such jurisdiction, and, to the extent permitted by applicable law, any enforcement action by such gaming enforcement or control agency against the applicant. The applicant shall separately authorize the division or its authorized representative to communicate with and examine appropriate files of any such gaming enforcement or control agency in any such jurisdiction.

2836-6.5 Duration of license, effective date.

Any video lottery gaming key employee or employee license shall be issued by the division and shall remain in force until suspended, revoked or terminated by the division in accordance with the provisions set forth in this part. Upon reasonable notice to existing licensees, the director may require renewal of licenses, establish probation, or set other conditions upon the license. A license fee may be established and required at the discretion of the director.

2836-7 [RESERVED]

2836-8 VIDEO LOTTERY GAMING VENDOR LICENSING

2836-8.1 Persons required to obtain a video lottery gaming vendor license.

- (a) Any vendor who offers goods or services, as defined in this part, which directly relate to a video lottery gaming activity at any video lottery gaming facility, including, without limitation, those who intend to manufacture, sell, distribute, maintain and repair video lottery gaming terminals and related equipment,

or who intend to provide management services, or who intend to provide a central system for the operation of video lottery gaming within the state, together with such vendor's principal(s) and key employee(s), shall be required to be licensed in accordance with the provisions of these regulations prior to providing any such goods or services to the division or any video lottery gaming agent or at a video lottery gaming facility.

- (b) In addition to any vendor required to be licensed by this part, the division may require a license for any person or business entity, other than a banking or financial institution who has provided more than ten (10) percent of the total financing of the video lottery gaming enterprise, if the issuance of such license would be consistent with this part and consistent with the protection of video lottery gaming in the state.
- (c) The division may conduct background investigation(s) on any person or business entity performing services or providing goods for or at the video lottery gaming facility at anytime after the issuance of a temporary license to the video lottery gaming agent pursuant to these regulations. The video lottery gaming agent shall cooperate and cause such person(s) or business entities to cooperate in any such investigation(s). The failure of the video lottery gaming agent or such person(s) or business entities to cooperate with any division investigation shall be a violation of any license issued to the video lottery gaming agent, the act and these regulations.

2836-8.2 Standards for issuance of a video lottery gaming vendor license.

- (a) In order to be qualified to receive a video lottery gaming vendor license, each vendor and their principals and key employees, must qualify under the standards established by these regulations for the issuance of a video lottery gaming agent license. Licensure of any vendor may be denied to any applicant disqualified in accordance with the criteria established for qualification of a video lottery gaming agent; provided that no video lottery gaming vendor license shall be issued until proof of valid business registration with the Department of State and the Department of Taxation and Finance is

submitted to the division.

- (b) A vendor licensed pursuant to these regulations shall require proof from all of its subcontractors they hold valid business registration with the Department of State and the Department of Taxation and Finance.
- (c) Notwithstanding any other section of these regulations, as a condition of any video lottery gaming vendor license, each video lottery gaming vendor shall comply with the requirements of the state Labor Law and the regulations promulgated hereunder, if applicable, to facilitate the training of persons in the repair and reconditioning of video lottery terminals.

2836-8.3 Vendor license application and disclosure form.

Each applicant for a video lottery gaming vendor license will be required to submit a vendor license application in such form prescribed by the division.

2836-9 PERSONNEL ASSIGNED TO THE OPERATION OF VIDEO LOTTERY GAMING FACILITIES

2836-9.1 Assigned personnel.

- (a) The video lottery gaming agent shall be required to employ the personnel herein described in the operation of the video lottery gaming facility regardless of the position titles assigned to such personnel by such agent in the jobs compendium submitted to the division. Functions described in this part shall be performed only by persons holding the appropriate license required by the video lottery gaming agent's jobs compendium to perform such functions, or by persons holding the appropriate license required by such compendium to supervise persons performing such functions.
- (b) Each video lottery gaming agent shall at all times maintain a level of staffing that ensures the proper operation and effective supervision of all video lottery gaming in such agent's video lottery gaming facility.

- (c) The video lottery gaming agent shall be required to employ a video lottery gaming facility manager. The video lottery gaming facility manager shall be the executive assigned the responsibility and authority for the supervision and management of the overall operation of the video lottery gaming agent's gaming facility department including, without limitation, the hiring and terminating of all video lottery gaming facility personnel.
- (d) In the absence of the video lottery gaming facility manager, the video lottery gaming facility shall have an assistant video lottery gaming facility manager who is employed within the video lottery gaming facility department and shall be designated by the video lottery gaming agent as the person responsible for the overall operation of the video lottery gaming facility department and such person shall have the authority of a video lottery gaming facility manager.
- (e) Subject to prior division approval, in lieu of an assistant video lottery gaming facility manager, the video lottery gaming facility manager may designate any licensed video lottery gaming key employee as a "manager on duty" except that the director of surveillance and the director of security for the video lottery gaming facility are each prohibited from being so designated.

2836-9.2 Jobs compendium submission.

- (a) The video lottery gaming agent shall prepare and maintain a jobs compendium consistent with the requirements of this section detailing job descriptions and lines of authority for all personnel engaged in the operation of the video lottery gaming facility. Unless otherwise directed by the division, a jobs compendium shall be submitted for approval at least sixty (60) days prior to the projected date of the commencement of video lottery gaming operations. Upon receipt, the division shall review the jobs compendium and shall determine whether the job descriptions and tables of organization contained therein conform to the standards of this part. If the division finds insufficiencies, the division shall, in writing, specify the same to the video lottery gaming agent which shall make appropriate alterations.

When the division determines the submission to be adequate with respect to these standards, it shall notify the video lottery gaming agent of such in writing. The video lottery gaming agent shall not commence gaming operations unless and until its jobs compendium is approved in writing by the division.

(b) Each jobs compendium submitted by a video lottery gaming agent shall include the following sections, in the order listed:

(1) An alphabetical table of contents, listing the position, title, job code and type of license (i.e., principal, key, etc.) for each job description included in subsection (b)(3) of this part below, and the page number on which the corresponding job description may be found;

(2) An organization chart for each department and division, including all positions regardless of whether the positions require an occupational license, and illustrating, by position title, direct and indirect lines of authority within the department or division. Each page of a table of organization shall specify the following:

(i) The date of its submission;

(ii) The date of the previously submitted table of organization which it supersedes if any; and

(iii) A unique title or other identifying designation for that table of organization.

(1) A description of each employee position which accurately corresponds to the position title as listed in the table of organization and in the alphabetical table of contents. Each position description shall be contained on a separate page, organized by departments or divisions, and shall include, at a minimum, the following:

(i) Position title and corresponding department;

(ii) Salary range;

(iii) Job duties and responsibilities;

- (iv) Detailed descriptions of experience or educational requirements;
 - (v) Projected number of employees in the position;
 - (vi) The date of submission of each employee position job description and the date of any prior job description it supersedes;
 - (vii) The date of submission and page number of each table of organization on which the employee position title is included; and
 - (viii) The type of license (i.e., principal, key, etc.).
- (b) Except as otherwise provided in subsection (d) of this part below, any amendment to a previously submitted jobs compendium, including any amendment to a table of organization, may be implemented by the video lottery gaming agent without the prior approval of the division, provided that:
- (1) The amendment is immediately recorded in the jobs compendium maintained by the video lottery gaming agent on its premises; and
 - (2) The amendment is submitted to the division by the end of the business day on the date of implementation, including at a minimum, the following:
 - (i) A detailed cover letter listing by department each position title to which modifications have been made, a brief summary of each change, instructions regarding any changes in page numbers and the date of implementation; and
 - (ii) The proposed changes to the information required by subsection (b) above, including the corresponding job descriptions and tables of organization, contained on pages which may be used to substitute for those sections of the jobs compendium previously in writing by the division.
 - (3) The video lottery gaming agent shall not be required to file amendments to job descriptions for positions which do not require an employee license. Non-licensed positions subsequently determined or required to be licensed shall be treated as an amendment pursuant to subsection (c) of this part above.

- (4) Except as otherwise required by these regulations, the video lottery gaming agent shall submit a complete and up-to-date jobs compendium in accordance with subsection (a) of this part above to the division eighteen (18) months after commencement of gaming and every two (2) years thereafter, unless otherwise directed by the division.
- (5) The video lottery gaming agent (or applicant) shall maintain on its premises a complete, updated copy of its jobs compendium which shall be made available for review upon the request of the division.
- (6) Whenever required by these regulations, the video lottery gaming agent shall file three (3) copies of a jobs compendium and three (3) copies of an amendment to a jobs compendium with the division. Each copy shall be in a format prescribed in writing by the division, including a cover indicating the date of the submission and the label “Jobs Compendium Submission” or “Jobs Compendium Amendment” as appropriate.
- (7) The video lottery gaming agent shall submit to the division a list of employees who have received annual compensation of \$100,000.00 or more, including salary, bonuses, incentives, profit sharing or any other compensation as indicated on the employees’ annual Internal Revenue Service Form W-2. Such list shall be submitted to the division by March 31 for the preceding calendar year and shall include the following for each employee listed:
- (i) The name of the employee;
 - (ii) The employee license number;
 - (iii) The position of the employee and the corresponding job code for such position;
 - (iv) The total amount of compensation received by the employee; and
 - (v) Each form of compensation received, such as salary, bonuses, incentives or profit sharing, and the amount thereof.

(8) No provision of this section shall be construed so as to limit the video lottery gaming agent's discretion to utilize a particular job title for any position in its jobs compendium.

2836-10 INTERNAL CONTROLS GOVERNING THE OPERATION OF VIDEO LOTTERY GAMING.

2836-10.1 Video lottery gaming agent's organization.

- (a) Each video lottery gaming agent shall organize their video lottery gaming operation in such a manner that all financial records are separate and distinct from all financial records relative to their other business operations.
- (b) Each video lottery gaming agent's system of internal controls shall include tables of organization. Each video lottery gaming agent shall, except as otherwise provided in this section, tailor its organizational structure to meet the needs or policies of its particular management philosophy. The proposed organizational structure of each video lottery gaming agent shall be approved in writing by the division in the absence of a conflict between the organizational structure and the criteria listed below, which criteria are designed to maintain the integrity of video lottery gaming operations. Each video lottery gaming agent's tables of organization shall provide for:
 - (1) A system of personnel and chain of command which permits management and supervisory personnel to be held accountable for actions or omissions within their areas of responsibility;
 - (2) The segregation of incompatible functions so that no employee is in a position both to commit an error or to perpetrate a fraud and to conceal the error or fraud in the normal course of his or her duties;
 - (3) Primary and secondary supervisory positions which permit the authorization or supervision of necessary transactions at all relevant times; and

(4) Areas of responsibility which are not so extensive as to be impractical for one person to monitor.

(c) In addition to satisfying the requirements of (b) above, each video lottery gaming agent's system of internal controls shall include, at a minimum, the following departments and supervisory positions. Each of the departments and supervisors required or authorized by this section (a "mandatory" department or supervisor) shall cooperate with, yet perform independently of, all other mandatory departments and supervisors of the video lottery gaming agent. Notwithstanding the foregoing, a department or supervisor of a video lottery gaming agent that is not required or authorized by this section may operate under or in conjunction with a mandatory department or supervisor unless the division subsequently disapproves such operation as being inconsistent with the standards in (b) above. Mandatory departments and supervisory positions are as follows:

(1) The director of surveillance shall supervise the surveillance department. The director of surveillance shall report to the facility manager of the video lottery gaming facility, the chief operating officer, or another officer as determined by the agent and approved by the division and be free to make reports directly to the video lottery gaming agent's principals, members and board of directors. The surveillance department shall be responsible for, without limitation, the following:

- (i) The clandestine surveillance of the operation and conduct of the video lottery gaming and bill acceptors;
- (ii) The clandestine surveillance of the operation of the cashiers' cage and satellite cages;
- (iii) The audio-video recording of activities in the count rooms;
- (iv) The detection of cheating, theft, embezzlement, and other illegal activities in the video lottery gaming facility, count rooms, and cashiers' cages;
- (v) The detection of the presence in the video lottery gaming facility of any person who is excluded or ejected;

- (vi) The video recording of illegal and unusual activities monitored;
 - (vii) Providing mandatory immediate notification to appropriate supervisors and the division and its designee upon detecting, and also upon commencing video or audio recording of, any person who is engaging in or attempting to engage in, or who is reasonably suspected of cheating, theft, embezzlement, or other illegal activities;
 - (viii) Providing mandatory immediate notification to appropriate supervisors and the division and its designee upon detecting, and also upon commencing video or audio recording of, any person who is excluded or ejected;
 - (ix) Pursuant to and in addition to (vii) and (viii) above, a daily report of these events shall be transmitted to the division or its designee.
- (2) A video lottery games department supervised by a person referred to herein as a video lottery gaming manager. The video lottery games department shall be responsible for the operation of the video lottery gaming facility, including the conduct of all authorized games and bill acceptors in the facility.
- (3) A security department is supervised by a person referred to herein as a director of security. The security department shall be responsible for the overall security of the video lottery gaming facility including, without limitation, the following:
- (i) The physical safety of patrons in the video lottery gaming facility;
 - (ii) The physical safety of personnel employed at the video lottery gaming facility;
 - (iii) The physical safeguarding of assets transported to and from the video lottery gaming facility and cashiers' cage departments;
 - (iv) The protection of the patrons' and the video lottery gaming facility's property from illegal activity;

(v) The detainment of each individual as to whom there is probable cause to believe that he or she has engaged in or is engaging in conduct that violates the Act or these regulations inclusive, for the purpose of notifying appropriate law enforcement authorities;

(vi) The control and maintenance of a system for the issuance of temporary employee license credentials and vendor access credentials;

(vii) The recordation and immediate notification to appropriate supervisors and the division and its designee of any and all unusual occurrences within the video lottery gaming facility for which the assignment of a security department employee is made. Each incident, without regard to materiality, shall be assigned a sequential number and, at a minimum, the following information shall be recorded in an electronic file which prohibits or tracks any changes or in indelible ink in a bound, laboratory-type notebook from which pages cannot be removed and each side of each page of which is sequentially numbered:

(A) The assignment number;

(B) The date;

(C) The time;

(D) The nature of the incident;

(E) The name of the person involved in the incident, and if applicable, their employee license number;

(F) The name and employee license number of the security department employee assigned; and

(G) The identification of any person who is removed, excluded or ejected.

(4) A video lottery gaming accounting department supervised by a person referred to herein as a controller.

The controller shall be responsible for all video lottery gaming facility accounting control functions including, without limitation, the preparation and control of records and data, the control of stored data,

the control of unused forms, the accounting for and comparison of operational data and forms, and the control and supervision of the cashiers' cage, any satellite cages and the count room.

- (5) The video lottery gaming agents are required to submit to the division a written plan stating the manner in which they will ensure compliance with the division's internal control guidelines and those internal control procedures submitted by the agent to the division. This plan may include the creation of an internal audit department or the hiring of a qualified provider of internal audit services (e.g. a certified public accounting firm or other consulting firm) or a combination of these measures. This plan should be approved in writing by the division prior to start up and any changes in the plan should be submitted to the division for approval.
- (6) The count room shall each be supervised by a video lottery gaming key employee, who shall be responsible for the supervision of the count.
- (7) A video lottery gaming agent that operates video lottery gaming in more than one room of the video lottery gaming facility may be required to maintain a separate cashiers' cage in each room. Each cashiers' cage shall be supervised by a video lottery gaming key employee referred to herein as a cage supervisor. The cage supervisor shall directly report to the controller or to another supervisor as approved by the division and shall be responsible for the control and supervision of cage cashiers, clerks and the cage functions. If a video lottery gaming agent elects to operate one (1) or more satellite cages, each satellite cage shall be supervised by a video lottery gaming key employee in accordance with a supervisory structure approved in writing by the division and consistent with these regulations.
- (d) The video lottery gaming agent's personnel shall be trained in all internal control and accounting practices and procedures relevant to each employee's individual function. Special instructional programs shall be developed by the video lottery gaming agent in addition to any on-the-job instruction sufficient to enable all

members of the departments required by this section to be thoroughly conversant and knowledgeable with the appropriate and required manner of performing of all transactions relating to their functions.

- (e) Notwithstanding any other provision of the division's regulations to the contrary, a video lottery gaming agent may designate and assign more than one person to serve jointly as the manager of a department so long as each person assigned has been licensed as a key employee and such assignment does not undermine the purpose of the internal control procedures. Each person serving as a joint manager of a department shall be individually and jointly accountable and responsible for the operations of that department.
- (f) Each department required or authorized by this section shall be supervised at all times by at least one video lottery gaming key employee; provided, however, that the division may, upon request by a video lottery gaming agent, exempt the internal audit department or the MIS department from this requirement.
- (g) The surveillance department shall be separate from all other departments of the video lottery gaming facility. To protect the confidentiality of surveillance system capabilities, access and admittance to the surveillance areas shall be limited to surveillance department personnel, the general manager of the facility, and any other person approved by the division.
- (h) In the event of a vacancy in the chief operating officer position or in any department supervisor position required by this section:
 - (1) The video lottery gaming agent shall notify the division thereof no later than five (5) days from the date of vacancy. Such notice shall be in writing and shall indicate, without limitation, the following information:
 - (i) The title of the vacant position;
 - (ii) The date on which the position became vacant; and
 - (iii) The date on which it is anticipated that the vacancy will be filled on a permanent basis.

- (2) The video lottery gaming agent shall designate a person to assume the duties and responsibilities of the vacant position no later than thirty (30) days from the date of vacancy. Such person may assume the duties and responsibilities of the vacant position on a temporary basis, provided that:
- (i) Such person does not function as the department supervisor for any department required by this section;
 - (ii) Such person's areas of responsibility will not be so extensive as to be impractical for one person to monitor;
 - (iii) Such person is appropriately and adequately licensed; and
 - (iv) Such position shall be filled on a permanent basis within 120 days of the original date of vacancy.
- (3) Within five (5) days of filling any vacancy above, the video lottery gaming agent shall notify the division thereof. Such notice shall be in writing and shall indicate, without limitation, the following:
- (i) The position;
 - (ii) The name of the person designated;
 - (iii) The date that the vacancy was filled; and
 - (iv) An indication of whether the position has been filled on a temporary or permanent basis.

2836-10.2 Purpose, format, submission and amendment of the video lottery gaming agent's system of internal control.

- (a) The video lottery gaming agent shall design a system of internal control procedures which shall conform to the guidelines established by the division.
- (b) The procedures of the system of internal control will be designed to ensure that:
- (1) That assets of the video lottery gaming agent and division are safeguarded;
 - (2) That the financial records of the video lottery gaming agent are accurate and reliable;
 - (3) That the transactions of the video lottery gaming agent's operation are performed only as authorized

by the Act and these regulations;

- (4) That accountability for assets is maintained in accordance with generally accepted accounting principles;
- (5) That only authorized personnel have access to assets;
- (6) That recorded accountability for assets is compared with actual assets at reasonable intervals and appropriate action is taken with respect to any discrepancies;
- (7) That employee and management functions, duties, and responsibilities are appropriately segregated and performed in accordance with sound practices by competent, qualified, licensed personnel and that no employee of the video lottery gaming agent is in a position to perpetuate and conceal errors or irregularities in the normal course of the employee's duties;
- (8) That gaming is conducted with integrity and in accordance with the Act and these regulations; and
- (9) That the video lottery gaming agent complies with all Federal, State, and local tax laws, codes, and reporting requirements.

(c) Each video lottery gaming agent shall submit to the division a description of its system of internal procedures and administrative and accounting controls in accordance with these regulations. Such submission shall be made to the division at least forty-five (45) days prior to the expected date of commencement of video lottery gaming activities unless otherwise decided by the division. The video lottery gaming agent shall be solely responsible for the design of the internal control system and for maintaining all its provisions and requirements in day to day operations. The video lottery gaming agent shall not commence gaming operations unless and until the submitted internal control system is approved by the division.

(d) The division shall review each submission and shall determine whether it conforms to the requirements of the Act, these regulations and the guidelines established by the division. If the division finds any

insufficiency, it shall specify such insufficiency in writing to the video lottery gaming agent, which shall make timely and appropriate revisions and provide same to the division. When the division completes its review of the final submission and finds no insufficiencies, it shall so notify the video lottery gaming agent in writing. The division reserves the right to direct the video lottery gaming agent to revise its internal control procedures at any time if it determines that an internal control weakness exists.

(e) The video lottery gaming agent shall submit to the division for review and approval any changes to its approved internal control system not less than sixty (60) days before the changes are to become effective, unless otherwise permitted in writing by the division.

(f) If an event occurs at the video lottery gaming facility which would not allow for a sixty (60) day review by the division as set forth above, an emergency shall be deemed to exist. In such event, the video lottery gaming agent shall be permitted to make an emergency amendment to the approved internal control system as follows:

(1) In the event of an emergency, the video lottery gaming agent may amend an internal control procedure.

(2) The video lottery gaming agent shall submit a description of the emergency amendment of the internal control procedures and the circumstances necessitating the emergency amendment to the division within five (5) business days of the adoption of the emergency amendment.

(3) When the circumstances necessitating the emergency amendment to the internal control procedures abate, the video lottery gaming agent shall resume compliance with the internal control procedures.

(g) Each applicant for a video lottery gaming agent license shall prepare a description of its internal employee licensing procedures. Unless otherwise directed by the division, the employee licensing procedures shall be completed at least sixty (60) days prior to the projected date of issuance of a certificate of operation and shall be made available to the division upon request. Each such submission shall be prepared and

maintained in a format provided by the division; shall contain a narrative and, where appropriate, diagrammatic representations of the internal control system to be utilized by the applicant, and shall address, without limitation, the following employee licensing requirements:

- (1) Procedures used to prepare and maintain a jobs compendium;
- (2) Procedures used to process and submit applications for video lottery gaming agent employee licenses;
- (3) Procedures used to prepare and submit petitions for temporary employee licenses.

(h) The video lottery gaming agent shall establish procedures to be approved by the division for the issuance, distribution and control of temporary and permanent identification and access badges to each such identified employee who is to be permitted, during the normal course of performing his or her duties or during emergencies, access to one or more restricted areas.

- (1) Badges shall be serially numbered, shall include a photograph of the employee, the employees first name, designation of position and access code as published by the division. No person shall have access to any non-public area of a video lottery gaming facility without having an authorized and valid identification badge prominently displayed. The division will prescribe the design, color(s), wording and lettering of the identification badge in accordance with job title of the employee. The badge shall be of sufficient size to be readily visible by surveillance monitoring.
- (2) Such identification badge shall remain the property of the division and must be surrendered by the licensed gaming employee upon the demand by any authorized representative of the video lottery gaming agent or the division or its designee where such employee has been suspended, discharged or has terminated his or her employment. The name of each badge recipient, the employment position, badge number and assigned code shall be forwarded to the division by the video lottery gaming agent no later than five (5) business days following the last date of employment.

- (3) No video lottery gaming agent shall permit any person to have access to any restricted area in its video lottery gaming facility unless such access is permitted in accordance with the video lottery gaming agent's internal controls and these regulations. No video lottery gaming agent shall permit any person to have access to any area restricted only to division employees as designated by the division.
- (4) Each video lottery gaming agent may deny or limit access to any public areas in order to preserve the policies of the Act and these regulations, including, but not limited to, the following:
- (i) Employees of video lottery gaming agents;
 - (ii) Unruly or disruptive patrons;
 - (iii) Underage persons; and
 - (iv) Any person who has voluntarily excluded themselves pursuant to the exclusion policy of the video lottery gaming agent.
- (5) Nothing in this section shall limit the authority of the division or its duly authorized representative from obtaining immediate, unfettered access to restricted areas during the performance of their respective duties and responsibilities in accordance with the Act and these regulations.
- (6) The division and its designees shall have unfettered and complete access to badge system records including, but not limited to, name of each badge recipient, the employment position, badge number and assigned code. This listing shall be provided to the division or its designees upon commencement of the operation of the video lottery gaming facility and updated pursuant to paragraph (c) of this section.

2836-10.3 Obligation to terminate, suspend or refuse employment; form of notice.

- (a) Each video lottery gaming agent shall terminate or suspend the video lottery gaming employment of any employee whose license has been denied, revoked or suspended by the division.

- (b) The division shall notify each video lottery gaming agent of the name of each person whose license, registration or application has been revoked, suspended or denied by the division concurrent with such revocation, suspension or denial.
- (c) Each video lottery gaming agent required to terminate or suspend the video lottery gaming employment of any person shall do so within twenty-four (24) hours of receipt of the notice from the division described in this part.

2836-10.4 Employee reporting and record keeping requirements.

Each video lottery gaming agent shall maintain a complete, accurate and current record of each employee in a form required by the division and each video lottery gaming agent shall file such active and terminated employee reports with the division by electronic data transfer monthly as prescribed by the division.

2836-11 FINANCIAL CONTROLS FOR VIDEO LOTTERY GAMING AGENTS

2836-11.1 Annual audit and other related reports.

- (a) Each video lottery gaming agent, unless specifically exempted by the division in writing, shall, at its own expense, cause its annual financial statements to be audited in accordance with generally accepted auditing standards by an independent certified public accountant licensed to practice in the state.
- (b) The annual financial statements shall be prepared on a comparative basis for the video lottery gaming agent's current and prior standard financial year, and shall present financial position and results of operations in conformity with generally accepted accounting principles.
- (c) The financial statements required by this section shall include a footnote reconciling and explaining any differences between the financial statements included in the video lottery gaming agent's annual report and the audited financial statements. Such footnote shall, at a minimum, disclose the effect of such adjustments on:

- (1) Revenues from the video lottery gaming facility;
- (2) Revenues net of complimentary services;
- (3) Total costs and expenses;
- (4) Income before extraordinary items; and
- (5) The net result of revenues less expenses.

(d) Two copies of the audited financial statements, together with the report thereon of the video lottery gaming agent's independent certified public accountant, shall be filed with the division not later than one hundred twenty (120) days following the end of the video lottery gaming agent's fiscal year.

(e) In addition to its audited financial statements, the video lottery gaming agent shall submit a copy of the management letter prepared by the independent certified public accountant that lists any internal control or operational weaknesses noted during the financial statement audit and recommendations for improvement. The video lottery gaming agent shall prepare a response to the issues outlined in the management letter that describes any corrective actions taken or planned to be taken and include a copy of this response with its submission to the division as required in subsection (d) of this part above.

(f) In addition to the management letter, the division may require the video lottery gaming agent to engage an independent certified public accountant approved by the division to perform an additional review of internal controls and/or specified expenditures that conform to specifications prescribed by the division. The division shall notify the video lottery gaming agent of the type of report required, the scope of such report, and the frequency with which it should be performed. This review shall be performed at the expense of the video lottery gaming agent unless otherwise determined by the division. The video lottery gaming agent shall respond to recommendations in the report noting any corrective actions taken or planned to be taken. The video lottery gaming agent shall submit two copies of this report including the required response to the division within ninety (90) days following the end of the period covered by the report, unless otherwise

instructed by the division.

- (g) If the video lottery gaming agent or any of its affiliates is publicly held, the video lottery gaming agent or the affiliate shall submit one (1) copy to the division of any report, including, but not limited to, forms S-1, 8-K, 10-Q, 10-K, proxy or information statements and all registration statements, required to be filed by such licensee or affiliates with the Securities and Exchange Commission or other domestic or foreign securities regulatory agency, at the time of filing with such commission or agency.
- (h) If an independent certified public accountant who was previously engaged as the principal accountant to audit the video lottery gaming agent's financial statements resigns or is dismissed as the video lottery gaming agent's principal accountant, or another independent certified public accountant is engaged as principal accountant, the video lottery gaming agent shall file a report with the division within ten (10) days following the end of the month in which such event occurs, setting forth the following:
- (1) The date of such resignation, dismissal or engagement;
 - (2) Whether in connection with the audits of the two most recent years preceding such resignation, dismissal, or engagement there were any disagreements with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of the former accountant would have caused him to make reference in connection with his or her report to the subject matter of disagreement, including a description of each such disagreement. The disagreements to be reported shall include those resolved and those not resolved;
 - (3) Whether the principal accountant's report on the financial statements for any of the past two (2) years contained an adverse opinion or disclaimer of opinion or was qualified. The nature of such adverse opinion, disclaimer of opinion, or qualification shall be described;
 - (4) The video lottery gaming agent shall request the former accountant to furnish to the video lottery

gaming agent a letter addressed to the division stating whether that accountant agrees with the statements made by the video lottery gaming agent in response to subsection (h) of this part. Such letter shall be filed with the division as an exhibit to the report required by subsection (h) of this part.

- (i) The division has the authority to conduct or have conducted an audit or review of any of the video lottery gaming agent's financial controls and records.
- (j) In those circumstances where the video lottery gaming agent is not currently an active operator of a video lottery gaming facility, or portion thereof, the division may by written authorization either revise or eliminate the standard reports to be filed by the video lottery gaming agent.

2836-11.2 Submission of standard financial and statistical reports.

- (a) Each video lottery gaming agent, unless specifically exempted by the division, shall file quarterly reports of financial, statistical, and informational data. The division shall prescribe a set of standard reporting forms and instructions to be used by each video lottery gaming agent in filing such reports.
- (b) Each report required to be submitted to the division by this part shall be received or postmarked not later than the required filing date unless specific approval for an extension is granted in writing to the video lottery gaming agent by the division. Requests for such extension must be submitted to the division in writing prior to the required filing date. Quarterly reports shall be due not later than forty-five (45) days following the end of the last month of any quarter.
- (c) In the event of a video lottery gaming agent license termination, change in business entity, or material change in ownership, the division may at its discretion require the filing of an interim report, as of the date of occurrence of the event.
- (d) Copies of all financial statements and statistical reports required to be filed with the division shall be furnished by the video lottery gaming agent.

2836-11.3 Format and structure of accounting records.

- (a) The video lottery gaming agent shall maintain complete, accurate, legible and permanent records of all transactions pertaining to its revenues, expenses, assets, liabilities, and equity in conformance with generally accepted accounting principles. The failure of the video lottery gaming agent to maintain records according to such principles shall be a violation of these regulations.
- (b) The accounting records maintained by the video lottery gaming agent shall be maintained using a double entry system of accounting with transactions recorded on the accrual basis and supported by detailed subsidiary records. Such subsidiary records shall include, at a minimum, all of the following:
- (1) Detailed general ledger accounts identifying all revenue, expenses, assets, liabilities, and equity for the video lottery gaming agent;
 - (2) A record of all investments, advances, loans, and accounts receivable balances due the video lottery gaming agent;
 - (3) A record of all loans and other accounts payable by the video lottery gaming agent;
 - (4) A record of all accounts receivable written off as uncollectible by the video lottery gaming agent;
 - (5) Journal entries prepared by the video lottery gaming agent;
 - (6) Records that identify video lottery terminal drop and video lottery terminal win for each video lottery terminal and records accumulated for each video lottery terminal by shift or by another accounting period pre-approved in writing by the division;
 - (7) Records supporting the accumulation of the costs for complimentary services and items including records required to fully comply with all the federal financial record-keeping requirements enumerated in 31 CFR Part 103;
 - (8) Records required by a video lottery gaming agent's system of internal control;
 - (9) Work papers supporting the daily reconciliation of cash accountability;

(10)Records supporting the utilization of any expenses funded by the marketing allowance;

(11)Other records that the division has required in writing to be maintained.

(c) Notwithstanding any of these regulations to the contrary, all accounting records shall be kept for a period of not less than seven (7) years from their respective dates.

2836-12 REQUIREMENTS FOR DOING BUSINESS WITH CONSTRUCTION CONTRACTORS

2836-12.1 Conduct of business with construction contractors; agent responsibilities.

No video lottery gaming agent may commence business with a construction contractor for the provision of construction services except pursuant to this part if:

- (a) The construction contractor has a contract (or expects to transact business) with a video lottery gaming agent that exceeds \$250,000 in any twelve (12) month period; or
- (b) The construction contractor has contracts with more than one video lottery gaming agent that combined exceed \$500,000 in any twelve (12) month period.

2836-12.2 Construction Contractor Identification Number.

- (a) It shall be the responsibility of each video lottery gaming agent to ensure that all construction contractors with which it seeks to conduct business has first obtained from the division a construction contractor identification number by submitting an application for such number on a form prescribed by the division.
- (b) The division shall maintain the name and business address of each construction contractor receiving an identification number pursuant to this part. During normal business hours, a licensed employee shall escort a construction contractor on the gaming floor.
- (c) Notwithstanding any other provision of these regulations, no video lottery gaming agent shall enter into an agreement with any person or business entity who:

- (1) Has been denied a construction contractor registration and identification number;
- (2) Has failed to comply with the appropriate filing requirements for a construction contractor;
- (3) Has been temporarily prohibited from doing business with any video lottery gaming agent.

2836-12.3 Prohibited construction contractor list.

- (a) The division shall maintain a prohibited construction contractor list containing those person(s) or business entities with whom video lottery gaming agents are prohibited from doing business in accordance with these regulations. Such list shall be made available to video lottery gaming agents by the division on a regular basis.
- (b) No person or business entity shall be removed from the prohibited construction contractor list except as follows:
 - (1) By order of the division;
 - (2) Upon expiration of the applicable period of restriction; or
 - (3) For a person who is placed on the prohibited construction contractor list for failure to comply with all applicable filing requirements, upon compliance therewith or after a period of three (3) years from the date of prohibition unless the division determines that such contractor should remain on such list to protect the public interest.

2836-12.4 Filing construction contractor information with the division.

- (a) Each construction contractor which does business with a video lottery gaming agent shall complete and file a registration statement with the division.
- (b) Each video lottery gaming agent shall submit to the division on a quarterly basis a list of all construction

contractors with whom it transacts business. Such agent shall update such list submitted to the division immediately upon entering into any agreement with a construction contractor to conduct such business.

(c) The division may review the transaction documents between the video lottery gaming agent and any construction contractor to determine the following:

- (1) The reasonableness of the terms of the transaction, including the terms of compensation;
- (2) The qualifications of the persons involved in and associated with the transaction in accordance with the standards of these regulations.

(d) If the division disapproves of a transaction between the video lottery gaming agent and any construction contractor or any person associated therewith, the division may direct the video lottery gaming agent to terminate such transaction or may direct such agent to pursue any remedy or combination of remedies as the division may require. If such disapproved transaction is not thereafter promptly terminated, such failure shall be a violation of such agent's license and the division may pursue such remedy or combination of remedies against a video lottery gaming agent provided for in these regulations.

(e) The division reserves the right to require any construction contractor to apply for a construction contractor identification number, regardless of whether the monetary threshold set forth in this part has been met, if it is deemed necessary by the division in order to protect the public interest, or to accomplish the policies and purposes of the act or these regulations.

(f) Construction contractors may be required to pay a registration fee as determined by the division.

2836-13 FEES

2836-13.1 Fee policy for video lottery gaming.

The division shall impose a fingerprint processing fee upon any applicant as required by these regulations.

2836-14 VIDEO LOTTERY GAMING REVENUES

2836-14.1 Identification of financial institution.

- (a) Prior to the commencement of the operation of any video lottery gaming facility, the video lottery gaming agent shall submit to the division for approval the name and location of a financial institution authorized to do business in the state together with:
- (1) The account number for the account designated by the video lottery gaming agent for the deposit of video lottery gaming revenues;
 - (2) The account number for the account designated by the video lottery gaming agent for the deposit by the division of the daily marketing allowance for such video lottery gaming facility; and
 - (3) The financial institution's routing information for collection and distribution of video lottery gaming revenue.
- (b) The financial institution shall be a bank or trust company, as defined by the state banking law, which is authorized to do business in the state and which maintains an office for the transaction of business within the state. The video lottery gaming agent shall authorize such bank or trust company to transfer revenue to the division or its duly authorized representative in a manner consistent with these regulations.
- (c) The accounts designated by the video lottery gaming agent pursuant to this part shall be used exclusively for either:
- (1) The deposit and distribution of the daily video lottery gaming revenue; or
 - (2) The deposit and distribution of the daily marketing allowance.
- The video lottery gaming agent shall not commingle other funds into said accounts.
- (d) Each video lottery gaming agent shall provide the division thirty (30) days advance notice of any proposed account changes in order to insure the uninterrupted distribution of video lottery gaming revenue to the division.

2836-14.2 Deposit of video lottery gaming revenues by agents.

- (a) Each video lottery gaming agent shall be required to deposit daily into the dedicated bank account for video lottery gaming revenue the net proceeds from video lottery gaming for the previous day as determined by the video lottery gaming central system and related reports. Any withholdings for federal, state, and local income taxes, or public assistance and child support intercepts, shall be included in the daily deposit. The division shall remit such withholdings when received to the appropriate governmental agencies.
- (b) The net proceeds of video lottery gaming required to be remitted daily to the division by this part shall be remitted through an Electronic Funds Transfer (EFT) from the dedicated bank account for video lottery gaming revenue provided by the video lottery gaming agent. The division may utilize the EFT to adjust certain administrative expenses, video gaming agent marketing allowance, prize payments or net machine income, as determined by the division. To the extent that such daily EFT cannot be achieved due to the unavailability of bank services, the remission shall be made on the first day thereafter that such services are available. Failure to comply with this procedure for EFT may result in the immediate suspension of video lottery gaming at the video lottery gaming facility.
- (c) The division is not responsible for the loss or theft of money prior to its distribution to the division.
- (d) Any prize that has not been paid out within a time period specified by the division shall be remitted to the division.

2836-14.3 Deposit of marketing allowance by the division.

The division, upon receipt of the net proceeds of video lottery gaming pursuant to this part for any gaming day, shall deposit, or cause the deposit of the applicable marketing allowance for such video lottery gaming facility to the account established for such purpose by each video lottery gaming agent. Withdrawals from such account by the video lottery gaming agent shall be made only in accordance with the provisions of these regulations.

2836-14.4 Duty to notify of accounting discrepancies.

- (a) Each video lottery gaming agent shall be responsible for resolving accounting discrepancies between actual monies collected and the amounts reported by the central system.
- (b) Each video lottery gaming agent shall report to the division the date, amount, and cause of any accounting discrepancy resulting from a daily count of receipts. Where the cause of the accounting discrepancy is due to erroneous central computer system reporting, the division shall conduct an investigation to determine the proper accounting for daily receipts and report the findings of such investigation to the video lottery gaming agent.
- (c) Discrepancies shall mean differences between actual money collected and the amount shown on the invoice report provided by the division.
- (d) The division is not responsible for resolving net terminal income discrepancies.

2836-14.5 Delinquent accounts.

The division may charge debt service in the amount of one and one-half (1½) percent monthly (eighteen (18%) percent per annum) on any monies due to the division from video lottery gaming agents whose accounts are delinquent over thirty (30) days.

2836-15 SUSPENSIONS AND REVOCATIONS

2836-15.1 Suspension and revocation of a license issued pursuant to the video lottery gaming law.

- (a) Acceptance of a video lottery gaming license or renewal thereof by a licensee constitutes an agreement on the part of the licensee to be bound by these regulations and the policies and procedures of the division. It is the affirmative responsibility of all licensees to keep informed of the content of all such regulations, policies and procedures and amendments thereto. Any licensee, other than a natural person, may be held accountable for the violations of its principals or key employees. The division may suspend or revoke any license issued by the division for any violation of these regulations.

(b) At the discretion of the division, a license issued under these regulations may be subjected to suspension or revocation, or its renewal rejected for any of the following reasons, or any combination thereof:

- (1) Any violation of any provision of such license, the act or these regulations;
- (2) Failure to comply with instructions of the division concerning a licensed activity;
- (3) Conviction of any:
 - (i) Felony offense, as such term as defined in state Penal Law Section 10.00(5), or an equivalent offense committed in another jurisdiction;
 - (ii) A misdemeanor related to gambling, gaming, bribery, fraud, or any other offense prejudicial to public confidence in the state lottery;
- (4) Failure to file any returns or reports or to keep records or to pay any fee or submit revenue as may be required;
- (5) Fraud, deceit, misrepresentation or conduct prejudicial to public confidence in the division;
- (6) Failure to furnish a surety or other bond in such amount as may be required by the division;
- (7) A material change since issuance of the license with respect to any matter required to be considered by the division;
- (8) Violation of the provisions of the Act and/or these regulations;
- (9) Whenever the director finds that the licensee's experience, character, and general fitness are such that participation in video lottery gaming is inconsistent with the public interest or convenience or for any other reason within the discretion of the director;
- (10) The failure to notify the division, in writing, within a reasonable time of any arrest for a misdemeanor or a felony, indictment, or service of a summons, or conviction for any felony whether within or without the state, or within or without the United States, occurring during the term of the license or the renewal thereof.

- (c) Prior to commencing a disciplinary proceeding, each licensee shall have the opportunity to correct and/or explain the issue raised by the division.
- (d) Upon suspension or revocation of any license issued pursuant to these regulations, other than a video lottery gaming agent license, the licensee shall surrender such license and any badging for the video lottery gaming facility to the division. Such licensee shall be banned from entering the video lottery gaming facility for a period of one (1) year or until the license is reinstated, whichever first occurs.
- (e) Upon termination of a video lottery gaming agent's license for any reason, the video lottery gaming agent shall:
 - (1) Go to its bank on a date designated by the division for the purpose of rendering a final video lottery gaming accounting of any accounts established by these regulations;
 - (2) Surrender of the video lottery gaming agent's license and other material provided by the division.(3) Upon failure of any video lottery gaming agent to settle accounts on or before the designated date, the division may exercise such enforcement powers as may be provided for by law. The video lottery gaming agent will provide unrestricted entry onto its premises for the purpose of the removal of all video lottery gaming equipment and incidentals.

2836-15.2 Continuation of video lottery gaming in event of termination of video lottery gaming agent license.

By reason of the substantial investment of state revenue in each video lottery gaming facility, in the event of a termination of the video lottery gaming agent's license, the division or its designee may take possession and control of such video lottery gaming facilities and amenities to insure the uninterrupted operation of the video lottery gaming facility until such time as a successor to such video lottery gaming agent is approved by the division. During any such period of operation by the division or its designee, the agent compensation shall be retained by the division for the benefit of the fund.

2836-15.3 Initiation of disciplinary proceedings.

- (a) Except as otherwise provided by the act or these regulations, at any time during the review and investigation of a complaint or alleged violation of the act or these regulations, the division may initiate disciplinary proceedings:
- (1) to suspend or revoke any license or certificate issued pursuant to the act; or
 - (2) to otherwise sanction the agent or licensee for violations of the act or these regulations.
- (b) Disciplinary proceedings commenced by the division shall be initiated by sending a notice by first class mail to the last known mailing address of the licensee. Such notice, without limitation, shall set forth a list of the grounds for the proposed disciplinary action; the time and place for a hearing before the division concerning the proposed disciplinary action; and a statement of the disciplinary action sought to be imposed against such licensee. Such notice shall be mailed to the licensee not less than thirty (30) days prior to the scheduled hearing date.

2836-15.4 Summary suspension.

- (a) Where the division has reasonable grounds to believe that any licensee has been guilty of a deliberate, willful or a grossly negligent violation of any of the provisions of the act or these regulations, including, without limitation, the failure to pay when due the moneys due and owing to the division pursuant to the act or these regulations, or that the licensee has been charged with a felony under the laws of the state or in another state, or that due to other violations of law by the licensee or its patrons, emergency action is required in order to protect the public health, safety, or welfare of the public, and where the division incorporates such findings in an order, the division may summarily suspend the license and the licensee without prior notice pending disciplinary proceedings pursuant to these regulations.
- (b) The summary suspension of a license without notice pending a public hearing shall be for a period not to exceed thirty (30) days except that a licensee may waive the thirty (30) day hearing requirement in writing

no later than five (5) business days prior to the scheduled hearing. In no event, however, shall the requested continuance be granted unless the licensee requesting the continuance has complied with the order of summary suspension by surrendering their license to the division.

- (c) The division shall deliver a notice of summary suspension by registered mail to the licensee who has been suspended. The notice shall contain such information as the division determines necessary to provide the licensee with notice of the summary suspension and the reason(s) therefore, including, without limitation, stating when the suspension will begin and end.
- (d) The division shall serve upon the summarily suspended licensee a formal notice initiating disciplinary proceedings and a notice of hearing within five (5) days after receipt by the licensee of the notice of summary suspension

2836-15.5 Penalties imposed by division prior to reissuance of license.

The division may require a person or business entity who is subjected to disciplinary proceedings, or who formerly held a license pursuant to these regulations, to meet certain conditions before reissuing a license to that person or business entity, including but not limited to the following:

- (1) Restitution of money;
- (2) Restitution of property;
- (3) Suspension or revocation of the payment to the video lottery gaming agent of any portion of the video lottery gaming marketing allowance;
- (4) Making periodic reports to the division as required.

Any or all of the conditions imposed by the division pursuant to this part may be imposed jointly and/or severally.

2836-15.6 Costs.

- (a) In addition to the condition imposed by the division upon the licensee, the licensee shall pay, pursuant to an

order issued by the division or the division's authorized representative, the costs incurred by the division in making the determination to discipline, suspend or revoke, including, without limitation, the costs of the division's vendors and contractors engaged for such purpose.

(b) Costs may include, but are not limited to: witness fees and per diem; expert witness fees; duplication costs; court reporter, transcription, and other costs incurred in administering or preserving any record; extraordinary staffing costs of the division; legal fees; expenses incurred in commencing, accommodating, or conducting the hearing; investigative costs; exhibit costs; and any other judicially or statutorily recognized cost, whether incurred prior or subsequent to the conclusion of the investigation of the matter.

(c) Unless otherwise ordered as set forth in sub-section (a) of this part, costs must be paid to the ordered recipient on or before the thirtieth (30th) day from the date of the order awarding the costs, unless stayed by the division or a court of competent jurisdiction. Failure to pay and tender such costs as ordered shall constitute grounds for sanction, including further fine, suspension and revocation of any license or other affirmative approval.

2836-15.7 Disciplinary hearings.

Any disciplinary hearing commenced pursuant to these regulations shall be conducted substantially in accordance with the provisions of 21 NYCRR Part 2800-7. In the event of a conflict between that part and these regulations, these regulations shall control.

2836-15.8 Final action by division.

After notice and hearing, in the event the division finds insufficient evidence to support the violations claimed, the division may find the licensee not guilty of any of the grounds alleged for disciplinary action; in which event the disciplinary proceedings shall be terminated. The division may, however, find the licensee guilty by a preponderance of the evidence of some or all of the grounds alleged for disciplinary action; in which event the division may:

- (1) revoke the license; and/or
- (2) suspend the license for a period of time not to exceed six (6) months; and/or
- (3) issue a public or private letter of reprimand to be placed in the file of the licensee.

This section does not prevent the division from compromising or settling at any time a formal hearing. Written findings of fact, conclusions of law, and an order must be entered before any decision of the division shall be considered final.

2836-16 CONTINUING OBLIGATIONS OF VIDEO LOTTERY GAMING AGENTS

2836-16.1 Notification of anticipated or actual changes in directors, officers or equivalent licensees of video lottery gaming agents and holding companies.

Each video lottery gaming agent or managing agent shall immediately notify the division, in writing, as soon as is practicable, of the proposed appointment, appointment, proposed nomination, nomination, election, intended resignation, resignation, incapacitation or death of any member of, or partner in, its board of directors, partnership or limited liability company, as applicable, or of any officer or other person required to be licensed as a principal or key employee under these regulations. The division shall undertake any review of the license necessitated by the change.

2836-16.2 Notification concerning certain new principals of publicly traded holding companies.

- (a) A video lottery gaming agent shall immediately notify the division in writing if the video lottery gaming agent becomes aware that, with regard to any publicly traded or private holding company of the video lottery gaming agent or managing agent, any person has acquired:
- (1) Five (5) percent or more of any class of equity securities;
 - (2) The ability to control the holding company; or
 - (3) The ability to elect one or more directors of the holding company.

- (b) If any publicly traded holding company of a video lottery gaming agent either files or is served with any Schedule 13D, Schedule 13G or Section 13F filing under the Securities Exchange Act of 1934, copies of any such filing shall be immediately submitted to the division by the video lottery gaming agent or the publicly traded holding company.
- (c) The division shall undertake any review of the license necessitated by the change.

2836-16.3 Notification of financial transactions.

- (a) Each video lottery gaming agent and/or the managing agent of the video lottery gaming facility shall immediately notify the division, in writing, as soon as it becomes aware that it intends to enter into a financial transaction bearing any relation to its video lottery gaming facility, including, without limitation, if such financial transaction may result in any new financial backers, investors, mortgagees, bondholders, or holders of indentures, notes, or other evidences of indebtedness who may be subject to licensing. Such notice shall be addressed to the division in accordance with these regulations.
- (b) Prior to closing on any such financial transaction, the video lottery gaming agent shall provide a summary of the terms of such transaction; copies of all relevant documents for such transaction; such financial statements as requested by the division; together with any such other and further information that the division may request. In addition to the foregoing, the video lottery gaming agent shall cause the financial institution or lender to consent to a non-disturbance agreement with the division which will insure the uninterrupted operation of the video lottery gaming facility in the event of any default under the terms and provisions of such financial transaction.
- (c) The division shall undertake any review of the license necessitated by the financial change.

2836-16.4 Issuance or transfer of interests; approval.

No person shall issue or transfer any security or ownership interest in a video lottery gaming agent or managing agent, or any non-publicly traded subsidiary or holding company thereof, without the express, prior written approval of the division. The division shall not grant any such approval without considering the provisions of licensing.

2836-16.5 Subsidiaries.

- (a) Each video lottery gaming agent or holding company thereof shall report immediately, in writing, to the division the formation or dissolution of, or any transfer of a non-publicly traded interest in, any subsidiary of the video lottery gaming agent or any subsidiary of any holding company of the video lottery gaming agent which bears any relationship to the video lottery gaming facility.
- (b) Each video lottery gaming agent shall file with the division such documents for each subsidiary of the video lottery gaming agent as may be requested by the division.
- (c) The division shall undertake any review of the license necessitated by the financial change.

2836-16.6 Minutes of meetings of boards and committees.

Each video lottery gaming agent licensee or applicant thereof shall file with the division copies of the minutes of all meetings of its board of directors, members or partnership executive committee, as applicable, and of all committee meetings including, without limitation, the audit committee, within seven (7) days of their formal adoption.

2836-16.7 Records regarding ownership.

- (a) In addition to other records and information required by these regulations, each video lottery gaming agent and/or the managing agent for the video lottery gaming facility shall maintain and keep current the following records regarding the equity structure and owners:

(1) If a corporation:

- (i) A certified copy of articles of incorporation and any amendments thereto;
- (ii) A copy of by-laws and amendments thereto;
- (iii) An incumbency list of officers and directors;
- (iv) Minutes of all meetings of stockholders and directors;
- (v) A current list of all stockholders and stockholders of affiliates, including their names and the names of beneficial owners of shares held in street or other name where any beneficial owner has a beneficial interest in two (2) percent or more of the outstanding shares of any class, addresses, and the number of shares held by each and the date acquired;
- (vi) A complete record of all transfers of stock;
- (vii) A record of amounts paid to the corporation for issuance of stock and other capital contributions and dates thereof;
- (viii) A record, by stockholder, of all dividends distributed by the corporation; and
- (ix) A record of all salaries, wages, and other remuneration (including prerequisites), direct and indirect, paid during the calendar or fiscal year, by the corporation, to all officers, directors, and stockholders with an ownership interest at any time during the calendar or fiscal year, equal to or greater than five (5) percent of the outstanding capital stock of any class of stock.

(2) If a partnership:

- (i) A schedule showing the amounts and dates of capital contributions, the names and addresses of the contributors, and percentage of interest in net assets, profits, and losses held by each;
- (ii) A record of the withdrawal of partnership funds or assets;
- (iii) A record of salaries, wages, and other remuneration (including prerequisites), direct and indirect, paid to each partner during the calendar or fiscal year; and

(iv) A copy of the partnership agreement and certificate of limited partnership, if applicable.

(3) If a sole proprietorship:

(i) A schedule showing the name and address of the proprietor and the amount and date of his or her original investment;

(ii) A record of dates and amounts of subsequent additions to the original investment and withdrawals therefrom; and

(iii) A record of salaries, wages, and other remuneration (including prerequisites), direct or indirect, paid to the proprietor during the calendar or fiscal year.

(4) If a limited liability company:

(i) A certified copy of the articles of organization;

(ii) A certified copy of the member agreement;

(iii) A certified record of all current members;

(iv) an incumbency list for all officers; and

(v) minutes of all meetings of members.

(b) All records regarding ownership shall be located on the premises of the video lottery gaming facility, unless a specific exemption is allowed to the video lottery gaming agent by the division.

(c) Each video lottery gaming agent or applicant shall, upon request by the division, provide a list of all record holders of any or all classes of publicly traded securities issued by any holding company or by any other affiliated entity which is required to qualify as a financial source.

2836-16.8 Continuing obligation to notify division of violations and criminal activities.

Each licensee under these regulations shall have the continuing obligation to report to the division any regulatory or criminal violation that becomes known to them with respect to any aspect of video lottery gaming

in this state or their gaming activities in any other jurisdiction. The failure of any licensee to report any such regulatory or criminal violation to the division shall be a violation of such license, the act and these regulations.

2836-16.9 Sale of other lottery games.

Each video lottery gaming agent will offer for sale to the public and any player at the video lottery gaming facility all lottery games offered for sale by the division, and will provide to the division adequate and appropriate space for such sales as approved by the division.

2836-17 VIDEO LOTTERY GAMING AGENT OPERATION CERTIFICATE

2836-17.1 General.

In addition to any requirements of the act and these regulations, by reason of the substantial investment of state revenue in each video lottery gaming facility, each video lottery gaming agent agrees upon acceptance of its license and operation certificate that for so long as the video lottery gaming facility is in operation, either by such agent, the division or the divisions' designee, the division shall have unfettered access to the video lottery gaming facility to assure such facilities' uninterrupted operation.

2836-17.2 Standards for issuance.

- (a) Each video lottery gaming agent, and/or its managing agent, responsible for the operation of a video lottery gaming facility shall obtain an operation certificate from the division prior to conducting video lottery gaming in such facility and prior to opening such video lottery gaming facility to the public. The operation certificate may be amended from time to time as required.
- (b) To obtain an operation certificate, each video lottery gaming agent shall establish to the satisfaction of the division that:
 - (1) The video lottery gaming facility complies in all respects with the applicable requirements of the act and these regulations;

- (2) The video lottery gaming licensee has implemented necessary internal control procedures for the safe and efficient operation of the video lottery gaming facility;
 - (3) The video lottery gaming agent and each of its principals has complied with the licensing provisions of these regulations;
 - (4) The division has been provided proof that all employees are licensed for the performance of their respective responsibilities;
 - (5) The video lottery gaming facility is prepared in all respects to receive and entertain the public;
 - (6) The facility of the video lottery gaming agent has met or exceeded state and local fire and safety standards; and
 - (7) The video lottery gaming agent has provided certified payroll records establishing to the satisfaction of the division that it has complied with the requirements of the act, if applicable.
- (c) Each operation certificate granted by the division to a video lottery gaming agent shall include, at a minimum, an itemized list of the authorized video lottery terminals, by identification number, that are permitted in the video lottery gaming facility; and a list of those areas specifically designated as restricted areas.
- (d) As a condition to receiving such operation certificate, each video lottery gaming agent and/or its managing agent shall enter into such agreements with the division as the division deems necessary to protect the uninterrupted access and operation of the video lottery gaming facility.

2836-17.3 Video Lottery Gaming Facility.

- (a) In addition to any other requirements required by the act or these regulations, in order to receive an operation certificate from the division, the applicant for a video lottery gaming agent license must satisfy the division that the proposed facility will have adequate support facilities as required by these regulations, as well as superior consumer amenities and conveniences comparable to other similar facilities in the industry

that will encourage repeated player attendance.

- (b) All video lottery gaming facilities shall provide sufficient alternate power sources to permit continued operation of the facility in case of the failure of primary power supplies.
- (c) In the event the video lottery gaming agent proposes to conduct video lottery gaming, or to house an amenity thereto, in a temporary structure, and in addition to any other requirements required by these regulations for the division to issue an operation certificate for such structure, the video lottery gaming agent must demonstrate to the satisfaction of the division that conducting video lottery gaming, or housing such an amenity, in the proposed temporary structure will be to the economic benefit to the video lottery gaming facility.
- (d) Each video lottery gaming facility shall include separate offices of sufficient size for use by the division and otherwise built in accordance with specifications provided by the division.
- (e) The division shall not approve the construction or alteration of any facility or building devoted to the operation or housing of video lottery gaming until the person or entity selected to operate such video lottery gaming shall have submitted to the division a statement of the location of the proposed facility or building, together with a plan of such racetrack, and plans of all existing buildings, seating stands and other structures on the grounds of such racetrack, in such form as the division may prescribe, and such plans shall have been approved by the division. The division, at the expense of the applicant, may order such engineering examination thereof as the division may deem necessary. Such construction or alteration may be made only with the approval of the division and after examination and inspection of the plans thereof and the issuance of a permit therefore by the division.

2836-17.4 Parking.

Each video lottery gaming agent shall submit to the division for review and approval a plan for parking at the video gaming facility which provides sufficient parking, in accordance with applicable state and federal laws,

rules and regulations.

2836-17.5 Video lottery gaming floor and any restricted areas.

- (a) Prior to the issuance of or an amendment to an operation certificate and the commencement of video lottery gaming, each video lottery gaming agent shall obtain division approval for the physical floor plans of its video lottery gaming floor including any restricted areas, which floor plans shall be consistent with standards established by the division. Without limitation, such floor plans shall illustrate proper surveillance coverage of all the mandatory activities. Any deficiency in surveillance coverage shall be rectified by the video lottery gaming agent prior to issuance of a certificate.
- (b) Each physical video lottery gaming facility floor plan shall be drawn to one-eighth (1/8) inch scale or such other scale approved in writing by the division, shall be certified by an architect or other suitable professional licensed to practice in New York and shall depict, at a minimum, the location of the following:
- (1) Vault and main bank;
 - (2) Cashier's cage and its component offices and areas;
 - (3) Window at the cashiers' cage, noting its window number;
 - (4) Count room(s);
 - (5) Delivery station;
 - (6) Video lottery gaming self-redemption kiosk(s);
 - (7) Coin redemption kiosk(s);
 - (8) Automated teller machine(s);
 - (9) Bill breakers;
 - (10) Allocated space for the sale of other division products;
 - (11) The precise space allotted for each video lottery terminal, site controller and associated equipment. The initial floor plan shall contain, at the minimum, the following information for each terminal:

- (i) Type of video lottery terminal, e.g. upright or slant top
 - (ii) The location of a player stool, if any;
- (12) Each satellite cage and its component offices and areas;
- (13) Each other room or area that is accessible directly from the video lottery gaming floor;
- (14) Each other area or room as designated by the division; and
- (15) Points of access to the horse racing track portion of the racing facility.
- (c) The division shall determine placement of video lottery terminal manufacturers, games, and game denominations within the physical floor plan provided by the video lottery gaming agent and shall manage subsequent revisions, in conjunction with the video lottery gaming agent, to the placement of video lottery terminal manufacturers, games and game denominations.
- (d) The division reserves the right to continually manage, revise, modify and upgrade the product mix plan, games, themes, play styles, denominations, and other related aspects of the video lottery terminals in order to optimize the overall marketability and terminal performance of video lottery gaming.

2836-17.6 Movement of video lottery gaming terminals.

- (a) Whenever a video lottery gaming agent proposes that video lottery terminals be moved within a video lottery gaming facility, the video lottery gaming agent shall first:
- (1) Obtain any amendment to its operation certificate required by the division; and
 - (2) Provide the division and the appropriate video lottery gaming vendor with written notice at least five days (5) prior to the scheduled movement. Under no circumstances shall terminals be moved until the division has approved the relocation plans.
- (b) Each written request submitted to the division pursuant to this part shall be authored by the video lottery gaming agent's employee directly responsible for video lottery terminal(s) or his/her designee and shall include:

- (1) A computer generated inventory listing each video lottery terminal, its present location and its proposed location.
 - (2) The date of request.
 - (3) The proposed date of relocation or removal.
 - (4) A written certification that all State safety and egress codes are adhered to.
 - (5) A written certification from the surveillance director or his/her designee that adequate closed circuit television coverage of each video lottery terminal is present.
- (c) The number of each type of authorized game included in the video lottery gaming agent's operation certificate or any approved amendments thereto shall be amended, upon the filing of an updated video lottery terminal master list, to conform to the correct number of each type of authorized game that is specified in the applicable list.

2836-17.7 Removal of video lottery gaming equipment.

- (a) When a video lottery terminal is temporarily removed from the video lottery gaming floor, video lottery terminal drop contents shall be protected in accordance with the approved internal control system to preclude the misappropriation of stored funds.
- (b) When a video lottery terminal is permanently removed from the video lottery gaming floor, the video lottery terminal drop contents shall be counted and recorded by at least two (2) employees, one of whom shall be a video lottery gaming count room employee, with appropriate documentation being routed to the accounting department for proper recording and accounting.
- (c) Prior to the removal of a video lottery terminal from the video lottery gaming facility, prior written approval shall be obtained from the division. Documentation providing the following shall be included for each removed video lottery terminal:
 - (1) Manufacturer;
 - (2) Serial number of video lottery terminal;
 - (3) Video lottery terminal identification number.

2836-17.8 Operation certificate; effective date; duration.

- (a) Upon satisfaction of the requirements set forth in this part, the division shall establish the effective date of each operation certificate and authorize the video lottery gaming agent to commence operation of the video lottery gaming facility.
- (b) Subject to the division's authority to revoke, suspend, limit or otherwise alter an operation certificate in accordance with the terms of the act and these regulations, each such certificate, once issued, shall remain in full force and effect indefinitely under such terms and conditions as the division may impose, and shall not be altered, modified or amended except in accordance with the act and these regulations.
- (c) The continued effectiveness of each operation certificate shall be a prerequisite for the video lottery gaming facility to which it applies to remain open to the public for the operation of video lottery gaming.
- (d) Each video lottery gaming agent to which an operation certificate is issued shall operate its video lottery gaming facility strictly in accordance with the terms of its original operation certificate and the approved floor plans submitted in support thereof, and shall not change any of the items to which the operation certificate applies except in accordance with the act and these regulations and after obtaining any required amendments to its operation certificate.

2836-17.9 Operation certificate; amendment to conform to approved changes.

- (a) Each video lottery gaming agent shall serve on the division, in a manner and in a format prescribed by the division, an application to amend its operation certificate whenever the video lottery gaming agent proposes a physical change to the video lottery gaming facility or a restricted area that requires division approval in order for its original operation certificate or any approved amendments thereto to continue in force and effect. The application for an amended certificate shall include, without limitation, the following:
 - (1) A revised video lottery gaming facility floor plan or restricted area reflecting the proposed change,

which revised floor plan shall be submitted in a format approved in writing by the division and filed therewith; and

(2) A statement from an architect or other suitable professional licensed to practice in New York certifying that the proposed change as presented will be in compliance with state building code and these regulations.

(b) The division shall review the proposed change set forth in the application for an amended certificate or any amendments thereto for compliance with the act and these regulations and shall issue a determination and, if approved, notice to proceed, within a reasonable time after receipt of the application to amend.

(c) The video lottery gaming agent submitting an application to amend its operation certificate pursuant to subsection (a) of this part shall notify the division in writing within five (5) days of final completion of any proposed change. A floor plan that depicts the actual changes made shall accompany the notice and be filed with the division. Each such floor plan shall depict the change and shall include updates, based on the actual changes made, for each item required to be included in the application pursuant to (a) above and described in the notice; provided, however, that a floor plan of the entire video lottery gaming facility that depicts all changes proposed in the application and any amendment thereto shall accompany the notice of final completion.

(d) Promptly after the filing of a notice pursuant to subsection (c) of this part, the division shall inspect the physical changes actually made to the video lottery gaming facility to ensure that those changes conform to the floor plan accompanying the notice and the description previously submitted to the division, as modified by any properly filed amendments thereto. Following such inspection, the division shall notify the video lottery gaming agent in writing as to which physical change is approved and which is rejected, whereupon:

(1) The video lottery gaming agent, in the event any change is rejected, shall either:

- (i) Correct any rejected change to conform with the floor plan accompanying the notice and the description previously submitted to the division, as modified by any properly filed amendments thereto, which correction shall be completed and inspected pursuant to this section;
- (ii) Submit for approval, pursuant to (a) above, a new application for the proposed change; or
- (iii) Take such other action as the division may direct to ensure that the currently approved floor plan accurately depicts the physical layout of the video lottery gaming facility, including any restricted areas.

(2) The operation certificate shall be amended to conform to each inspected and approved physical change.

2836-18 COLLECTION, DISTRIBUTION AND AUTHORIZED USE OF MARKETING ALLOWANCE

2836-18.1 Video lottery gaming agent receipt of marketing allowance.

- (a) In accordance with the act, there shall be made available to each video lottery gaming agent from the daily video lottery gaming revenue generated at each video lottery gaming facility a marketing allowance to be used by each video lottery gaming agent for the reimbursement of marketing, promotion and associated costs incurred by the video lottery gaming agent for its video lottery gaming operations and pari-mutuel horse racing operations pursuant to an approved marketing plan pursuant to this part, as long as such costs associated with pari-mutuel horse racing operations simultaneously encourage increased attendance at such agent's video lottery gaming facilities.
- (b) All such marketing, promotion and associated costs incurred by any video lottery gaming agent shall be:
 - (1) Consistent with the customary manner of marketing and promoting comparable operations in other states and as described in an approved marketing plan; and
 - (2) Subject to the overall supervision of the division.
- (c) Each video lottery gaming agent shall establish a marketing allowance account for the deposit of the marketing allowance as required by these regulations.

- (d) Withdrawals from the marketing allowance account established by each video lottery gaming agent shall be permitted to reimburse the video lottery gaming agent for those expenses identified in a marketing plan approved annually by the division pursuant to this part.
- (e) Any withdrawal from the marketing allowance account by a video lottery gaming agent that is not approved by the division or identified in a marketing plan approved by the division shall be a violation of the video lottery gaming agent's license, the act and these regulations.
- (f) Nothing in these regulations shall prevent a video lottery gaming agent from incurring marketing, promotional and associated costs in excess of the marketing allowance, provided that this excess is identified in the marketing plan.
- (g) Marketing allowance funds shall be made available to each video lottery gaming agent via a reduction to the daily remittance proceeds due to the division. The daily remittance report on the central system shall include such reduction. It shall be the responsibility of the video lottery gaming agent to deposit the marketing allowance daily into an account dedicated and restricted to reimbursement of marketing, promotion, and associated costs of the video lottery gaming facility.

2836-18.2 Marketing and promotion plan.

- (a) Each video lottery gaming agent shall prepare annually a marketing and promotion plan (the "marketing plan") for the video lottery gaming facility. Each annual marketing plan shall be submitted to the division for review and approval as described in this part. An annual marketing plan shall include a summary of projected net machine income, projected marketing allowance, and projected expenditures by category, in a standard worksheet format prescribed by the division. The marketing plan worksheet shall include budgeted marketing expenditures by month and in total for each standard category. Such worksheet shall be reviewed by the division as part of the overall plan approval.

- (b) The failure to submit any marketing plan when due to the division shall be a violation of the video lottery gaming agent's license, the act and these regulations.
- (c) Each annual marketing plan must:
- (1) Be prepared in accordance with the format prescribed by the division;
 - (2) Fully describe, in a narrative form, subject to the approval of the division, the marketing and promotional activities which the video lottery gaming agent proposes for their video lottery gaming facility for the subsequent twelve (12) month period commencing on the first day of January of any calendar year. Such description must include the overall strategy of how the marketing allowance will be used for marketing, promotional and associated costs consistent with the customary manner of marketing and promoting comparable operations in the video lottery gaming entertainment industry in other states, and which are expected to be implemented at such video lottery gaming facility on a monthly, quarterly and annual basis, the target market for such marketing and promotion, and the anticipated effect (return on investment) of the marketing, promotional and associated costs described; any and all media buys advertising the video lottery gaming facility, whether directly or indirectly; and an itemization of the projected budget for all marketing and promotional expenses on a monthly, quarterly and annual basis.
- (d) Each annual marketing plan must be submitted to the division for review and approval not earlier than one hundred twenty (120) days and not later than ninety (90) days prior to the first day of January of any calendar year.
- (e) The division shall review the annual marketing plan upon receipt and provide objections, questions or comments, if any, to the video lottery gaming agent within forty-five (45) days.

- (f) If the marketing plan is approved by the division without comment, then the video lottery gaming agent may proceed with the marketing plan's implementation commencing on the first day of January of any calendar year.
- (g) In the event the division objects or comments on the marketing plan, or any portion thereof, such objection, comment or question shall be delivered to the video lottery gaming agent in writing together with a disapproval notice of the submitted marketing plan in whole or in part.
- (h) Not later than fifteen (15) days from the receipt by the video lottery gaming agent of a marketing plan disapproval notice from the division, or such longer time as the division and the video lottery gaming agent may agree in writing, the video lottery gaming agent shall address the division's objections or comments and submit an amended marketing plan to the division for review. Upon submission of the amended marketing plan to the division, a new forty-five (45) day time period for division review will commence as described by this part.
- (i) In the event the annual marketing plan is not approved by the commencement date of the marketing plan as agreed to by the division for any year, the division may, but shall not be required to, enter into an interim marketing plan agreement with the video lottery gaming agent for a period not to exceed ninety (90) days from such commencement date. Such interim marketing plan shall be in such form as approved by the division and govern the expenditure from the marketing allowance account during such ninety (90) day period for marketing, promotion and associated costs approved in such interim marketing plan. In the event the division does not approve an interim marketing plan, or in the event an interim marketing plan expires, the video lottery gaming agent shall not be entitled to reimbursement from the marketing allowance account until a marketing plan is approved by the division.
- (j) During any fiscal quarter covered by a marketing plan, the video lottery gaming agent may submit proposed adjustments, including an adjusted marketing plan worksheet and supporting documentation, to the

marketing plan to the division for review and approval. The division shall have fifteen (15) days from the receipt of any proposed adjustment(s) to the marketing plan to review, approve or disapprove such adjustments in writing.

(1) In the event the proposed adjustments to the marketing plan are approved by the division, written approval shall be sent to the video lottery gaming agent and the marketing plan shall be deemed amended accordingly.

(2) In the event such adjustments are disapproved by the division, such disapproval, and the reason(s) therefore, shall be sent to the video lottery gaming agent in writing.

2836-18.3 Establishment of the marketing allowance account.

(a) Each video lottery gaming agent shall establish a marketing allowance account with a financial institution in accordance with these regulations. Marketing allowance funds shall be deposited daily to the marketing allowance account but in no event more than five (5) business days after the accrual of such allowance.

(b) By establishing the marketing allowance account, each video lottery gaming agent irrevocably pledges, assigns and grants the division a security interest in and control over the marketing allowance account (as a deposit account) and all funds held or to be held therein, including, without limitation, all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed, and all replacements, substitutions and proceeds of any of the foregoing. To perfect its interest in the marketing allowance account, the division may file such uniform commercial code financing statements and renewals thereof as necessary in the appropriate filing office(s).

(c) The division is not responsible for the loss or theft of any money in the marketing allowance account.

(d) In the event the marketing allowance account contains a balance remaining at the end of any twelve (12) month marketing plan period, and any such balance is not approved to be used for reimbursement of marketing and promotion costs as identified in a marketing plan approved by the division for the

immediately succeeding period, such balance shall be carried forward into the succeeding year and included in the marketing plan for that year.

- (e) A video lottery gaming agent may submit a request for reimbursement of qualified marketing expenses by updating the marketing plan worksheet and submitting it to the division for review and approval.
- (f) The video lottery gaming agent shall arrange for monthly financial institution statements to be provided to by the video lottery gaming agent's financial institution directly to the division.

2836-18.4 Marketing and promotion plan implementation.

- (a) The division or its representative may, at its discretion, review the books and records of the video gaming agent, to determine additional needs for assurance regarding utilization and reimbursement of the marketing allowance. Each video gaming agent shall maintain sufficient documentation and a clear audit trail to support the reimbursement of any and all marketing allowances.
- (b) Any reimbursement of a marketing allowance, as determined by audit to be a non-qualified marketing expense, shall be immediately returned to the marketing allowance account by the video gaming agent and interim updates to the marketing plan shall incorporate expenditure of the additional allowance.
- (c) After a marketing plan is approved by the division, the video lottery gaming agent will be permitted to receive reimbursements from the marketing allowance account of such sums equal to the marketing and promotional expenses incurred by such agent in accordance with the approved marketing allowance plan as expenses are accrued in accordance with generally accepted accounting principles. Reimbursements shall be made in accordance with a schedule approved by the division.
- (d) The video lottery gaming agent shall cause its financial institution to agree that withdrawals shall be permitted from the marketing allowance account only pursuant to a division approved disbursement request. Any withdrawal from the marketing allowance account not in accordance with this provision shall be a violation of the video lottery gaming agent's license, the act and these regulations.

- (e) Each video lottery gaming agent shall submit, or cause to be submitted, monthly a completed marketing plan worksheet documenting or describing the marketing plan implementation by such agent to the division by electronic methods. Such monthly worksheet shall be in such form and be submitted in accordance with a schedule approved by the division.
- (f) The failure of the video lottery gaming agent to submit any monthly worksheet required by this part shall be a violation of such agent's license, the act and these regulations.
- (g) Each monthly worksheet shall contain cross references by date, amount and account codes to the relevant disbursement from the marketing allowance account so that such documentation and or other information can be reconciled with the approved marketing plan.
- (h) (1) The division shall review each scheduled or required report submitted by the video lottery gaming agent and audit the same against the approved marketing plan. Exceptions, discrepancies or questionable spending identified by the division must be explained by the video lottery gaming agent in a timely manner to the satisfaction of the division, but in no event later than thirty (30) days from the date of the division's initial inquiry. The failure of the video lottery gaming agent to adequately respond to any inquiry of the division shall be a violation of these regulations and may result in division actions to include, without limitation, those described in paragraph (j)(1) of this part.
- (2) The video lottery gaming agent shall prepare each report in a professional manner detailing the marketing expenses for which it is seeking reimbursement to ensure that only qualified marketing expenses have been included in such reimbursement request. Qualified marketing expenses are defined in section 2836-18.5 of this part and in guidance documents as may be issued by the division. Should the division determine that the video lottery gaming agent has submitted expenses that do not qualify for reimbursement appropriate penalties may be applied.

- (i) The monthly marketing allowance expense report shall, without limitation, summarize the expenditure made from the marketing allowance account and provide details and supporting documentation as determined by the division in evidence of the expenditures from such marketing allowance account.
- (j) In the event an expenditure or discrepancy raised by the division cannot be adequately explained by the video lottery gaming agent, or in the event any violation of these regulations remains uncured for a period of one through thirty (30) days, the division, in addition to any other remedy permitted by these regulations, may take any or all of the following actions:
 - (1) require the video lottery gaming agent to reimburse the marketing allowance account an amount equal to the discrepancy;
 - (2) reimburse the division for the cost of the division's expenses related to researching and investigating such expenditure or draw against the marketing allowance account.
- (m) Within forty-five (45) days of the end of each quarter for an applicable marketing plan, in the event the monthly marketing expense reports are deemed insufficient at the sole discretion of the division, the division may require a video lottery gaming agent to provide the following information:
 - (1) a full and complete reconciliation of the previous quarter's marketing, promotion and associated costs incurred; and
 - (2) an accounting for the cash spending related to the marketing allowance withdrawn from the marketing allowance account.
- (n) Annually each video lottery gaming agent shall provide to the division a report by an independent auditor of the content of the final annual statement of marketing expenses in a type and format prescribed by the division.
- (o) Each video lottery gaming agent shall maintain sufficient documentation to support the reimbursement of any and all of its marketing allowance expenses.

2836-18.5 Permitted marketing and promotion expenses.

(a) The following qualified marketing expenses incurred by a video lottery gaming agent pursuant to an approved marketing plan under these regulations shall be reimbursable from the marketing allowance account:

- (1) Advertising;
- (2) Complimentary services;
- (3) Promotions;
- (4) Group sales;
- (5) Direct mail expenditures;
- (6) Player's club expenses, except as otherwise provided in Section 2836-18.9;
- (7) Entertainment costs;
- (8) Personal Service Costs for the number and type of positions authorized by the division as allowable;
- (9) Such other marketing expenses for which advance approval is specifically requested in writing and subsequently approved by the division or otherwise described in official guidance released by the division from time to time and subject to audit by the division.

(b) Nothing in the act or these regulations will be construed as preventing the division to cap allowable marketing, promotion and associated costs in any category of the permitted uses of the marketing allowance.

(c) To the extent that the division believes that marketing allowance expenditures are inconsistent with the purpose and intent of the marketing allowance or marketing plan, the division may issue a cease and desist notice to the video lottery gaming agent in addition to withholding future reimbursements from the marketing allowance account.

- (d) Upon receipt of any such cease and desist order issued by the division, the video lottery gaming agent will immediately cease the identified action.
- (e) Provided that the video lottery gaming agent has complied with any cease and desist order issued by the division, the video lottery gaming agent may request a hearing on said action pursuant to these regulations.

2836-18.6 Advertising.

(a) Advertising generally.

1. The content or concept of all advertising and any advertisement shall be provided as prescribed by the division.
2. A video lottery gaming agent shall be responsible for all advertising and advertisements that are made by its agents or representatives, regardless of whether the video lottery gaming agent participated directly in its development, preparation, placement or dissemination.
3. Issuance of a video lottery gaming agent license pursuant to these regulations permits conducting video lottery gaming in a manner approved by the division. Use of any name, logo or design owned by the division or the video lottery gaming machine manufacturers without a valid license may constitute a violation of federal and state copyright and trademark laws. Permitted use of the logo by a licensee must be in compliance with approved guidelines.

(b) Criteria governing advertising.

1. Approved advertising criteria shall be published from time to time by the division.
2. The following practices shall be prohibited with respect to all advertisements:
 - i. The use or statement of any information, representation, or description which contrasts or compares video lottery gaming agents or facilities with regard to total payout.
 - ii. The failure to maintain any offer for the advertised period of availability or in a quantity sufficient to meet reasonably anticipated demand. Should anticipated demand be exceeded, items of equal or

greater value may be substituted on notice to the division.

2836-18.7 Complimentary services and items.

(a) Distribution of complimentary services.

1. Neither the video lottery gaming agent nor any third party affiliate or non-affiliate shall offer or provide any complimentary service, item, cash or other item of value to any person except as set forth in the video lottery gaming agent's marketing plan as approved by the division and as provided for in these regulations.
2. The video lottery gaming agent shall establish and maintain a system of internal controls, to be approved by the division, for the authorization and issuance of all complimentary services and items, including cash and non-cash items. Such system of internal controls shall include, without limitation, the procedures by which the video lottery gaming agent may delegate to its employees the authority to approve the issuance of complimentary services and items, the controls in place to ensure complimentary services and items are utilized by those individual's offered such services and items, and the procedures by which conditions or limits placed upon such authority are established and modified, including limits based on relationships between the authorizer and recipient, the relationship between the video lottery gaming facility, the video lottery gaming agent or its principals with the recipient, and shall further include effective provisions for audit purposes.
3. For purposes of determining the level of dollar value of complimentary service to be deemed an acceptable use by the video lottery gaming agent from the marketing allowance account:
 - i. All complimentary services or items, whether or not offered or provided to players in the normal course of the video lottery gaming agent's business, shall be allowable costs under the marketing plan of the video lottery gaming agent at amounts based upon reimbursement rates established by the division;

- ii. A complimentary service or item provided directly or indirectly to a player on behalf of the video lottery gaming agent by a third party not affiliated with the video lottery gaming agent, shall be recorded at an amount based upon the actual cost to the video lottery gaming agent of having the third party provide such service or item;
4. The video lottery gaming operation shall record both the dollar amount of, and the number of persons provided with, each category of complimentary services or items. The complimentary services shall, at a minimum, be separated into categories for rooms, food, beverage, travel, free-play and other services.
5. Any complimentary service or item, including a complimentary cash or non-cash item, which is issued to a player as part of a complimentary incentive program shall be subject to the requirements of this part and the approved marketing plan. The video lottery gaming agent shall record, on a daily basis, the name of each person provided with a complimentary service(s) or item(s), the category or type of service(s) or item(s) provided, the value (as calculated in accordance with this part or as determined by the division) of the service(s) or item(s) provided to such person, and the signature, title or position and occupational license number of the person authorizing the issuance of such service(s) or item(s). Upon the division's request, a copy of this record shall be immediately submitted to the division. This provision shall not apply to complimentary items of nominal value (e.g. a portion of coffee or soda provided to a player while on the gaming floor) that are offered to all patrons of the video gaming facility without regard to level of play.
6. Notwithstanding any inconsistent provision of this section, the video lottery gaming agent shall not permit any video lottery gaming agent employee to authorize the issuance of a complimentary cash or non-cash item with a value of \$1,000 or more unless the employee is licensed as a key employee

and the authorization is co-signed by a second key employee of equal rank as identified in the approved jobs compendium.

7. If the video lottery gaming agent provides complimentary cash or non-cash item(s) worth \$1,000 or more to a player or his or her guests within any five (5) day period, the video lottery gaming facility shall record the profit-based reason why such items were provided and maintain such records available for inspection by the division upon request.
8. The video lottery gaming agent shall submit to the division a report listing each player who has received \$1,000.00 or more in complimentary cash or non-cash item(s) within any five (5) day period ending during the preceding month. Such report shall be filed by the last business day of the following month and shall include the total amount of complimentary cash or non-cash items provided to each person.
9. Notwithstanding any inconsistent provision of this section, no video lottery gaming agent shall permit any employee to authorize the issuance of a complimentary cash or non-cash item(s) with a value of \$5,000 or more unless the video lottery gaming employee is licensed and functioning as the facility manager or assistant facility manager and the authorization is co-signed by a second employee who is functioning as the controller of the video lottery gaming agent.
10. If a video lottery gaming agent provides complimentary cash or non-cash item(s) worth \$5,000 or more to a player or his or her guests within any five (5) day period, the video lottery gaming agent shall record the profit-based reason why such items were provided and maintain such records available for inspection by the division upon request.
11. In instances where complimentary service(s) or item(s) have been issued by or on behalf of the video lottery gaming agent, the video lottery gaming agent is responsible to comply with all federal, state and local tax reporting and withholding laws and rules for all complimentary service(s) or item(s).

12. No video lottery gaming agent shall offer or provide, either directly or indirectly, any complimentary cash or non-cash item to any player or his or her guests except in accordance with the approved video lottery gaming agent marketing plan and these regulations.
13. All complimentary cash or non-cash item(s) shall be disbursed directly to the player after receipt of appropriate documentation or in any other manner approved in writing by the division in a video lottery gaming agent's internal control submission.

(b) Alternative reporting procedures; accessible complimentary goods or services database.

1. A video lottery gaming agent which records all information concerning complimentary services or items as required above in a computer database which is accessible by the division from remote locations and conforms to standards established and approved in writing by the division pursuant to this section may be exempt from filing the monthly marketing plan reports required by this part.
2. The structure and accessibility of the complimentary goods or services database shall be subject to review and approval by the division and such submission shall include, without limitation, the following:
 - i. A complete description of the computer hardware, file formats and software products to be used;
 - ii. The hours of the day and the days of the week, if any, that the database will be inaccessible on a routine basis due to system maintenance or other technical reasons;
 - iii. The procedures by which the division will be able to read and copy data files, both current and stored; and
 - iv. Security procedures for database access and secondary data dissemination.

2836-18.8 Promotions.

- (a) Each video lottery gaming agent shall include in the marketing plan a description of each anticipated promotion, the cost of such promotion, the benefit for holding such promotion, the timing of such promotion, and any other information helpful to the division in considering the approval of such promotion.
- (b) The actual and necessary costs of each promotion shall be reimbursed from the marketing allowance account as approved by the division.
- (c) The video lottery gaming agent shall submit such boards, proposed images to the division as required for any advertising material for any promotion as set forth in guidance documents issued by the division.
- (d) The division may require competitive bidding at particular dollar levels of purchasing for any promotion.

2836-18.9 Player rewards club.

- (a) Each video lottery gaming agent licensed by the division shall prior to start-up engage the services of a video lottery gaming vendor to provide such facility with a player rewards club system or the agent may provide such system.
- (b) Any player rewards club system established pursuant to a marketing plan shall be open to any member of the public who is playing the authorized video lottery game at which the complimentary service is being offered. In addition, any system shall require the video lottery gaming agent to establish and maintain a system of detailed internal control procedures controlling the player rewards club program, prior to its implementation, which procedures shall be maintained by a designated department approved by the division; provided, however, that if complimentary goods or services will be issued based upon the occurrence of an event that may occur in the normal conduct of a video lottery game, the video lottery gaming agent shall submit for division approval, in writing, a description of the internal control procedure governing the issuance of a complimentary, at least ten (10) days prior to the commencement of the

program. Such approval shall be deemed to have been granted if it is not denied, in writing, within the ten (10) day period, and, provided, that such internal control procedures shall address, at a minimum:

- (i) The period of time that the program will be offered. However, nothing herein shall prohibit the video lottery gaming agent from offering a program for an indefinite period of time, subject to termination upon twenty-four (24) hours notice, in writing, to the division;
- (ii) The video lottery game at which the complimentary good(s) or service(s) will be issued;
- (iii) The internal control procedures for determining how the winners of the complimentary good(s) or service(s) shall be determined;
- (iv) A description of the type and value of complimentary good(s) or service(s) that will be issued; and
- (v) The procedures by which the video lottery gaming agent will pay cash or complimentary good(s) or service(s) or deliver non-cash item(s).

(c) Each video lottery gaming agent shall provide unrestricted access to all information collected by the player rewards club system to the division and its authorized representatives.

2836-18.10 Non-permitted marketing and promotion expenses.

The following expenses incurred by a video lottery gaming agent shall not be reimbursable from the marketing allowance account under any circumstance:

- (a) Payroll expenses incurred in the ordinary course of operating the video lottery gaming facility that are not marketing related;
- (b) General office equipment and services, such as telephone, office supplies, photocopying, subscriptions, travel and other dues that are not marketing related;
- (c) Except as otherwise permitted by the Act, the actual cost of any management fee paid by the video lottery gaming agent to any vendor engaged to operate the video lottery gaming facility on a daily basis;
- (d) Expenses that are ultimately borne by licensed video lottery terminal vendors;

(e) Rebates of cash to any vendor, vendee or other third party.

2836-18.11 Competitive bids.

The actual monthly cost of any marketing or promotion expense shall be permitted to be reimbursed from the marketing allowance account as set forth in the approved marketing plan provided that, if applicable, the video lottery gaming agent shall competitively bid any marketing or promotion expense or program in excess of \$50,000 and demonstrate to the division's satisfaction that the cost for such vendor is the lowest available proposal that satisfied the technical requirements of the bid or demonstrated to the division's satisfaction that costs in excess of those of the lowest bidder are outweighed by the benefits of the chosen bidder. Certain sole source and professional services may be excluded from the competitive bid requirements. Any firm or company exempt from competitive bidding must be at arm's length from the facility.

2836-19 UNDERAGE GAMING; ALCOHOLIC BEVERAGES; FIREARMS; RESPONSIBLE GAMING; UNDESIRABLE PERSONS

2836-19.1 Underage gaming violations.

- (a) No video lottery gaming agent, representative, licensed employee or contractor thereof, shall allow, permit or suffer any person under the age of eighteen (18) years ("underage person") to:
 - (1) Participate as a player at any game in a video lottery gaming facility;
 - (2) Receive any complimentary service(s) or item(s) as a result of, or in anticipation of, his or her gaming activity.
 - (3) Loiter or remain on the gaming floor longer than reasonably necessary for a legitimate non-gaming purpose or to reach a destination that is not on the gaming floor.
- (b) To insure compliance with this section, each video lottery gaming agent shall post appropriate security personnel at the entrances to the video lottery gaming facility.
- (c) Each violation of any of the provisions of (a) above as to a single underage person shall be considered a

separate and distinct violation subject to the penalties that may be imposed by the division as set forth in these regulations.

- (d) Each employee and representative of a video lottery gaming agent shall have an affirmative obligation to ensure that no underage person engages in any of the activities listed in sub-section (a) of this part above. In addition to any penalty which may be imposed by the division against the video lottery gaming agent, each employee or representative of a video lottery gaming agent who violates any provision of this section may be held jointly or severally liable for any such violation.
- (e) The prohibition against underage gaming shall be prominently displayed by the video lottery gaming agent at the video lottery gaming facility, including on each video lottery terminal.

2836-19.2 Underage gaming violations - affirmative defenses.

- (a) No video lottery gaming agent, representative, or employee thereof shall be liable for any underage gaming violation if such person can establish to a fair preponderance of the evidence at a hearing held pursuant to these regulations an affirmative defense in a manner set forth below.
- (b) For purposes of establishing an affirmative defense to an underage gaming violation, the video lottery gaming agent, representative or employee thereof must show that it verified the underage patron's identification and such identification indicated that the underage patron was of lawful age. Additionally, the underage patron must have produced one of the following:
 - (1) A photographic driver's license issued by the laws of a state or other government which appears on its face to be valid for such person in all respects; or
 - (2) A photographic identification card or a similar card issued pursuant to the laws of a state or the federal government which appears on its face to be valid for such person in all respects.

2836-19.3 Alcoholic Beverages.

Nothing in these regulations prohibits the service of alcoholic beverages at a video lottery gaming facility pursuant to a license issued by the state liquor authority.

2836-19.4 Firearms.

No person, including security department personnel, shall possess, or be permitted to possess any firearm within any video lottery gaming facility without the prior express written consent of both the video lottery gaming agent and the division, including its duly authorized representative, except for duly authorized personnel of each and law enforcement officials required to enter the video lottery gaming facility as part of their official duties. The video lottery gaming agent shall post in a conspicuous location at every entrance to the video lottery gaming facility, a sign stating: “No Person Shall Possess Any Firearm Within This Facility.”

2836-19.5 Undesirable or excluded persons.

- (a) Any person whether a licensee, participant or patron who is deemed or whose conduct is deemed detrimental to the best interest of video lottery gaming or who is deemed an undesirable person may be expelled from the video lottery gaming facility. In this regard the video lottery gaming agent, on its own initiative, or upon request of the division or its representatives, shall take immediate steps by whatever means are reasonably required to expel such person(s). Acts deemed undesirable shall consist of, but not be limited by, the following:
- (1) Bookmaking or other illegal gambling activities;
 - (2) Touting;
 - (3) Creating or continuing a public disturbance;
 - (4) Disorderly conduct;
 - (5) Associating with undesirables;
 - (6) Failure to appear when directed to do so by any official of the division in furtherance of an

investigation or hearing and to testify under oath concerning any facts within his or her knowledge and produce any books, records, written matter or other evidence within his or her possession or control relevant to such matter.

- (b) Nothing contained in this section shall diminish the right of any video lottery gaming agent to exclude any person as a patron or otherwise without reason, provided such exclusion is not based upon age (except for persons under the age of 18), race, creed, color, national origin, sexual orientation, military status, sex, disability, predisposing genetic characteristics or marital status.
- (c) Excluded persons shall immediately be provided with a notice of exclusion. A report, which shall include a copy of the exclusion notice and a photograph of the excluded subject, in a format approved by the division or its designee, will be retained at the video lottery gaming facility for the period of exclusion and a copy shall be provided within twenty-four (24) hours of exclusion to the division or its designee.

2836-19.6 Responsible gaming and self-exclusion.

- (a) Each video lottery gaming agent shall establish a responsible gaming program pursuant to guidelines established by the division within ninety (90) days of the commencement of operations at the video lottery gaming facility, which plan shall comply with these regulations.
- (b) Announcements encouraging responsible play shall be displayed by the video lottery gaming agent in all video lottery gaming areas as well as the reception and cashier areas.
- (c) Responsible gaming information shall be prominently displayed by the video lottery gaming agent at the video lottery gaming facility, and problem gambling information shall be posted on each video lottery gaming agent's website and on each video lottery terminal.
- (d) The video lottery gaming agent's responsible gaming plan will provide for employee training for responsible gaming.

(e) Any person may voluntarily exclude himself or herself from the video lottery gaming facility for a period of either one (1), three (3), or five (5) years, under penalty of trespass upon violation, by submitting a written request to the video lottery gaming agent in accordance with this section.

(1) Such request may be submitted in person at the offices of the video lottery gaming agent. Any person requesting exclusion in person shall present valid identification credentials containing the person's signature and either a photograph or a general description of that person.

(2) Such request may also be submitted by mail addressed to the chief operating officer of the video lottery gaming agent. Any request for exclusion which is submitted by mail shall be signed before a notary public or other person empowered by law to take oaths and shall contain a certificate of acknowledgment by such notary public or other person attesting to the identity of the person making the request.

(f) A request for exclusion shall be in a form prescribed by the division, which shall include the following:

(1) The name of the person requesting exclusion;

(2) The address of the person's residence;

(3) The person's date of birth;

(4) The period for which the person is requesting exclusion;

(5) The signature of the person requesting exclusion, indicating acknowledgment of the following statement: "I certify that the information which I have provided above is true and accurate. I am aware that my signature below authorizes the video lottery gaming agent to authorize my exclusion from the video lottery gaming facility until the expiration of the exclusionary period I have requested. I understand that if found within the video lottery gaming facility after having been voluntarily excluded, I will be subject to arrest for criminal trespass if I refuse to be escorted from the facility. Further, I authorize the video lottery gaming agent to send a copy of my request to each video lottery gaming

facility located within New York State.”;

(6) If the request for exclusion is made in person:

- (i) The type of identification credentials examined containing the person’s signature, and whether said credentials included a photograph or general description of the person; and
- (ii) The signature and occupational license number of a video lottery gaming employee authorized to accept such request, indicating that any physical description or photograph of the person appears to agree with his or her actual appearance.

(7) If the request for exclusion is made by mail, a certificate of acknowledgment executed by a notary public or other person empowered by law to take oaths attesting to the identity of the person who is making the request for exclusion.

(g) Should the excluded person be found within the video lottery gaming facility by the division, surveillance, security, video lottery gaming facility department or any employee of the video lottery gaming agent, and the patron has refused to be escorted from the facility, then a law enforcement agency shall be immediately notified and requested to effectuate an arrest of the excluded patron for criminal trespass. Employees of the video lottery gaming agent and the division or its duly authorized representative shall be empowered to swear the complaint against the excluded person.

(h) The video lottery gaming agent shall maintain an updated master list of all persons who have requested exclusion pursuant to this part, and shall notify the division in writing of any additions to, or deletions from, the list.

(1) The video lottery gaming agent shall exclude any listed person, effective immediately, upon receipt of notice that such person’s name has been added to the list.

(2) An updated master list of persons who have requested exclusion shall be maintained by the

surveillance, security and video lottery gaming facility departments of the video lottery gaming agent.

- (3) The video lottery gaming agent shall note any exclusion pursuant to this section in a file for the person requesting exclusion, including the following:
- (i) A copy of any applicable video lottery gaming agent notice of the exclusion; and
 - (ii) The date, time, signature and employee license number of the video lottery gaming agent representative making the exclusion entry in that file.
- (4) Copies of all such materials required to be maintained in the file shall be forwarded to the division quarterly.
- (i) The video lottery gaming agent shall not divulge any name on the master list of excluded persons, other than to authorized surveillance, security or video lottery gaming department employees or other video lottery gaming personnel whose duties and functions require access to such information, and the division or its duly authorized representatives.
- (j) Neither these regulations nor any of the rights, duties, or obligations established hereunder, shall create any cause of action, right of action, claim, or other right whatsoever in favor of any person against the state, the division, any video lottery gaming agent or any of its representatives or employees. Each person applying for placement on the List of Excluded Persons shall execute a full and complete Waiver/Release on a form provided by the division releasing the state, the division, any video lottery gaming agent or any of its representatives or employees from any liability associated with the acts relating to this provision.
- (k) Notwithstanding the foregoing, if the video lottery gaming agent has in place a plan or system of voluntary self-exclusion in satisfaction of regulations promulgated by the New York State Racing and Wagering Board, then said plan or system shall satisfy the requirements of this section.

2836-20 CONDUCT AND OPERATION OF VIDEO LOTTERY GAMING

2836-20.1 General definitions, qualifications, restrictions, validations and regulations applying to video lottery gaming.

- (a) Within a time period specified by the division following the issuance of a winning voucher to a player by a video lottery terminal, the player may redeem his or her voucher at the video lottery gaming facility where the winning voucher was issued; thereafter the winning voucher may be redeemed only at a customer service center operated by the division.
- (b) All prizes evidenced by a voucher must be claimed within one (1) year of the issuance of a voucher.
- (c) Voucher responsibility:
 - (1) Vouchers are bearer instruments.
 - (2) Neither the division nor the video lottery gaming agent shall be liable for payment of:
 - (i) Lost or stolen vouchers;
 - (ii) Vouchers claimed by a player in error for a lower prize;
 - (iii) Vouchers that are not intact;
 - (iv) Vouchers that are mutilated, altered, reconstituted, counterfeit in whole or in part, or tampered with in any manner, or mis-cut; or
 - (v) Vouchers that have not been issued in an authorized manner, or are mis-registered, defective, or printed or produced in error.
- (d) To be valid, a voucher must pass all additional confidential and security validation tests of the division.
- (e) Any voucher which does not conform to the requirements of this section shall be considered null and void.
- (f) No video lottery gaming ticket shall be sold to or purchased by, and no video lottery gaming prize shall be paid to, any of the following persons:
 - (1) Any officer or employee of the division; or

- (2) Any principal or key employee, except as may be permitted by the division for good cause shown; or
- (3) Any video lottery gaming or non-gaming employee at the video lottery gaming facility that employs such person and at any other video lottery gaming facility controlled by that agent; or
- (4) Any licensee, registrant, contractor, subcontractor, or consultant, or officer or employee of a contractor, subcontractor, licensee, registrant or consultant, if such person is directly involved in the operation of video lottery gaming, the operation or observation of video lottery gaming or drawings, or the processing of video lottery gaming prize claims or payments; or
- (5) Any person subject to a contract with the division if such contract contains a provision prohibiting such person from purchasing a video lottery gaming ticket or receiving a video lottery gaming prize; or
- (6) Any spouse, child, brother, sister or parent residing as a member of the same household in the principal place of abode of any of the foregoing persons. This section shall not be deemed to prohibit the sale of a video lottery gaming ticket or the payment of a video lottery gaming prize to an officer or employee of the division or a video lottery gaming agent or to a contractor, subcontractor, or consultant or to an officer or employee of a contractor, subcontractor, or consultant if such sale or prize payment is not for the individual benefit of such person and is made in connection with an official investigation, audit, or other activity authorized by the director.
- (7) The restrictions of this subdivision shall not apply to an employee of a video lottery gaming agent that is not licensed by the division.
- (8) Nothing in this section shall prohibit a video lottery gaming agent from establishing a policy that is stricter than the standards described in this subdivision.
- (g) The director may at any time, in his or her sole discretion, announce a termination date for any game, subsequently recommence any game, or extend termination or closing dates for any game. When a game

is terminated, no further video lottery gaming tickets shall be sold.

- (h) In purchasing a video lottery gaming ticket, the video lottery gaming player agrees to comply with and abide by all laws, these regulations, policies and procedures, and final decisions of the division, as well as procedures established by the director for the conduct of any game.
- (i) No video lottery gaming agent may extend credit or financial assistance to permit the purchase of video lottery gaming tickets.

2836-20.2 Display of rules of play.

- (a) Each video lottery gaming terminal vendor shall be responsible for displaying the rules of play for a video lottery terminal on the face or screen of the video lottery terminal or be capable of such display at the player's option through use of an easily-accessible "help" screen.
- (b) The rules of play for a particular video lottery terminal game shall be evaluated and approved by the division. The division may reject the rules if it is determined that the rules are incomplete, conflicting, confusing, or misleading.
- (c) The rules of play for a particular video lottery terminal game shall not be altered without prior approval of the division.
- (d) Stickers or other removable devices shall not be placed on the face of the video lottery terminal unless their placement is approved in writing or required by the division.

2836-20.3 Credit redemption.

- (a) Available credits may be collected through the printing of a voucher from the video lottery terminal by the player pressing the appropriate button at any time other than when:
 - (1) A game is being played;
 - (2) The terminal is in audit mode;
 - (3) Any door is open;

- (4) The terminal is in test mode;
 - (5) A meter incrementation is in progress, unless the entire amount is recorded on the meters when the collect button is pressed; or
 - (6) There is an error condition.
- (b) When any prize won at a video lottery terminal exceeds the threshold for reportable lottery winnings established by the Internal Revenue Service, the video lottery terminal shall print a voucher which shall only be redeemable at an attended validation terminal. The attendant at such validation terminal shall obtain personal identifying information from the prize winner for tax reporting purposes.
- (c) When any prize won at a video lottery terminal exceeds \$2,000, or such other amount determined and published by the division, the video lottery terminal shall enter a lock up state and an attendant shall be called to verify, initiate and witness the printing of the voucher and shall document same.

2836-20.4 Validation of vouchers.

Validation and payment by voucher as a method of credit redemption shall be permissible only by a division approved device that is linked to the central system that permits validation of such voucher. Validation approval or related information shall be generated by the central system in order to validate tickets. Vouchers may be validated only at locations approved in writing by the division.

- (a) A prize form shall be filed in the name of a single legal entity as claimant, either one (1) individual or one (1) organization. Multiple payees are not permitted, except as may be authorized pursuant to subsection (c) of this part below.
- (b) If a claim is erroneously entered with multiple claimants, the claimants shall designate one of them as the individual recipient of the prize, or, if they fail to designate an individual recipient, the division may designate any one of the claimants as the sole recipient. In either case, the claim shall then be considered as if it were originally entered in the name of the designated individual and payment of any prizes won

shall be made to that single individual.

- (c) Under exceptional circumstances, payment may be made to multiple payees at the discretion of the division.

2836-20.5 Discharge of State liability upon payment.

The State and its agents, officers, employees, the division and the director and its agents, officers and employees and video lottery gaming agents and their agents, officers, employees shall all be discharged of any and all liability upon payment of a prize.

2836-20.6 Testing and certification of video lottery gaming systems.

The central system, video lottery terminals and associated equipment used in the conduct of video lottery gaming, or a prototype thereof, shall be tested and approved as the division shall require.

2836-20.7 Maintenance, repair and servicing of video lottery terminals.

- (a) The video lottery gaming vendor shall not alter the operation of any approved video lottery terminal or associated equipment and shall ensure that each video lottery terminal and associated equipment is maintained in proper working condition.
- (b) Only the following persons may service or repair a video lottery terminal or associated equipment:
 - (1) A duly licensed video lottery gaming vendor;
 - (2) A licensed employee of a video lottery gaming vendor;
 - (3) A licensed technician certified by a video lottery gaming vendor; or
 - (4) A licensed employee of a video lottery gaming agent who may be assigned to clean the exterior of the video lottery terminal, to reload printer paper and ink, and to clear bill acceptor jams.
- (c) It shall be the ongoing duty of each video lottery gaming vendor to maintain and provide an inventory of spare parts to assure the timely repair and continued, approved operation and play of video lottery terminals. Each video lottery gaming vendor shall provide to the division, if requested, appropriate

technical assistance and training in the service and repair of its video lottery terminals and associated equipment so as to ensure the continued, approved operation and play of those video lottery terminals.

- (d) Each video lottery gaming vendor shall immediately notify the division of any recurring video lottery terminal malfunction or other problem experienced with approved video lottery terminals.
- (e) Each video lottery gaming vendor must maintain a certification program for the purpose of training and certifying technicians to service and repair video lottery terminals manufactured by such vendor. Upon request, such vendor shall provide evidence of such program to the division, including a full description of the program, models of video lottery terminals for which training is provided, criteria for certification, information concerning instructor qualifications, and copies of training materials and tests. Any program deemed insufficient by the division shall be modified upon request.
- (f) Each video lottery gaming vendor shall ensure that its technicians have received sufficient and appropriate training in the service and repair of each of its approved video lottery terminal models before any video lottery terminal may be placed in operation in the video lottery gaming facility.
- (g) Each video lottery gaming vendor that certifies other persons as technicians shall ensure that such technicians have received sufficient and appropriate training in the service and repair of the approved video lottery terminals to be operated by the video lottery gaming agents, or to be distributed by a licensed video lottery gaming vendor employing the technician. Such training shall meet the requirements of subsection (e) of this part above.
- (h) Upon request of the division, a certified technician, or a video lottery gaming vendor employing the technician, shall provide proof satisfactory to the division of the technician's certification, in accordance with subsection (e) of this part above.
- (i) The video lottery gaming vendor shall ensure that all service and repairs on its video lottery terminals, including the installation or repair of component parts such as bill acceptors, monitoring systems, or

other parts that may alter the current or subsequent operation of a video lottery terminal, are made correctly and in compliance with these standards and any additional division requirements.

- (j) Except for certified technicians, as defined herein, no employee of the video lottery gaming agent or any other person may perform service on or repair any video lottery terminal or associated equipment other than incidental maintenance repairs which cannot affect any of the video lottery terminals major systems or require that the person performing the service or making the repair access any internal space within a video lottery terminal or any of its associated equipment.
- (k) The exterior door keys shall be issued, on a per shift basis, only to personnel qualified under subsection (b) of this part above to maintain the terminals. When exterior door keys are not in use, they shall be maintained in a locked box designed for the purpose of securing the keys, access to which shall be controlled and maintained by the department identified in the approved internal control system.
- (l) Each video lottery gaming vendor shall maintain a written maintenance log inside the main cabinet access area of each video lottery terminal. Every person who gains entry into any internal space of a video lottery terminal for performing physical maintenance or repair must sign the maintenance log, record their employee license, indicate the date and time of entry and list all areas inspected, repaired or serviced. Such vendor(s) shall retain the maintenance log for a period of five (5) years and shall make the maintenance log immediately available to the division upon request.

2836-20.8 Inventory Storage.

Each video lottery gaming agent shall allow each video lottery gaming vendor access to a secure area for the inventory storage of terminal parts. Inventory and replacement parts may be maintained off premises within the state at an approved location. The location of this secured area is subject to the approval of the division.

2836-20.9 Hours of Operation.

The hours of operation of video lottery gaming at all licensed video lottery gaming facility locations shall be

sixteen (16) hours in a twenty-four (24) hour period, unless otherwise approved by the division in writing after a sixty (60) day written application is made by the video gaming agent. In no event shall video lottery gaming be conducted between the hours of 2:00 a.m. to 8:00 a.m. Public access to the video lottery gaming floor must be restricted at all times video lottery gaming is not in operation. The failure of the video lottery gaming agent to comply with the hours of operation set forth in this part shall be a violation of these regulations.

2836-21 VIDEO LOTTERY TERMINAL COMPONENT STANDARDS

2836-21.1 Terminal identification requirements.

- (a) Each video lottery terminal machine shall have a permanent metal identification number which shall be mounted in a manner that does not permit its removal without leaving evidence of tampering. Such identification number shall be permanently affixed to the machine by its manufacturer in a location on the exterior of the cabinet approved in writing by the division. In addition to the identification number, the tag mounted to the video lottery terminal machine shall contain the following information:
- (1) The manufacturer;
 - (2) A unique serial number;
 - (3) The video lottery terminal model number; and
 - (4) The date of manufacture.
- (b) The video lottery gaming agent shall affix a label approved by the division to the video lottery terminal that permits identification by surveillance of terminal location and terminal number.

2836-21.2 Video lottery terminal drop boxes.

- (a) The video lottery terminal drop boxes shall be secured by a lock on the main door to the video lottery terminal, a lock on the currency compartment door, and a lock on the drop box, located in the currency compartment. Each lock shall be keyed differently from the other. The keys to the main door lock shall

be maintained and controlled by a video lottery gaming agent employee. The key to the lock securing the currency compartment area, which key shall be different from the keys securing the contents of the drop box, shall be maintained and controlled by the video lottery gaming agent security department. Access to the key for the lock to the currency compartment area shall be gained only by a supervisor in that department.

- (b) Each drop box shall have an affixed or adhered clear visible label containing letters, numbers or a barcode corresponding to the location of the video lottery terminal to which it is attached, except that emergency drop boxes may be maintained without such marking, provided the word “emergency” is affixed or adhered thereon and, when put into use, are temporarily marked with the location of the video lottery terminal.

2836-21.3 Voucher standards.

- (a) Vouchers shall provide the following information regarding each voucher printed which can be obtained from the video lottery terminal, an interface board, the central system, or another means approved in writing by the division:
 - (1) Value of credits in local monetary units in numerical form;
 - (2) Time of day the video lottery gaming ticket was printed;
 - (3) Date, in any recognized format, indicating the day, month, and year;
 - (4) Unique validation number, and/or barcode; and
 - (5) Video lottery gaming agent location.
- (b) A division approved system shall be used to validate the voucher, and the video lottery gaming ticket information recorded by the central system shall be retained for at least as long as the voucher is valid at that location, or as otherwise required by the division.

2836-22 SHIPMENT; POSSESSION LIMITATIONS

2836-22.1 Transportation of video lottery terminals into, within and out-of-State.

- (a) Prior to the transport or movement of any video lottery terminal from one authorized location to another authorized location within, or out of, the state, a video lottery gaming vendor or other person causing such video lottery terminal to be transported or moved shall first notify the division in writing using the division approved shipment form.
- (b) No delivery of video lottery terminals or equipment shall be made to a video lottery gaming agent facility unless and until that facility has been issued a license to engage in video lottery gaming.

2836-22.2 Possession of video lottery terminals.

- (a) Except as otherwise provided in these regulations or specifically authorized in the law, no person shall possess within this state any video lottery terminal, associated video lottery gaming equipment or similar device.
- (b) The following persons and any employee or agent acting on their behalf may, subject to any terms and conditions imposed by the division, possess video lottery terminals in this state for the purposes provided herein, provided that the video lottery terminals are kept only in such locations as may be specifically approved in writing by the division and that any terminals located outside of a licensed video lottery gaming facility not be used for gambling activity:
 - (1) An applicant for or holder of:
 - (i) A video lottery gaming agent license, for the purpose of maintaining for use or actually using such video lottery terminal in the operation of a licensed video lottery gaming facility;
 - (ii) A gaming vendor license, for the purpose of manufacturing, distributing, repairing or servicing video lottery terminals;
 - (2) A common carrier, for the purpose of transporting such video lottery terminal;
 - (3) An employee or agent of the division, for the purpose of fulfilling official duties or responsibilities;
 - (4) An educational institution operating pursuant to the state education law and/or pursuant to the state labor

law for the purpose of training technicians in the service and repair of video lottery gaming equipment;
or

- (5) Any other person the division may approve after finding that possession of video lottery terminals by such person in this state is necessary and appropriate to fulfill the goals and objectives of the act and these regulations.

2836-23 SURVEILLANCE AND SECURITY

2836-23.1 Closed circuit television system; surveillance department control; surveillance department restrictions.

- (a) Each video lottery gaming agent shall install and/or permit the installation of in its video lottery gaming facility a closed circuit television (CCTV) system according to specifications approved and issued by the division, and shall provide unfettered access to the system or its signal by the division. Separate secure space, with adequate heating, ventilation, air-conditioning and lighting shall be provided by the video lottery gaming agent to house necessary surveillance consoles and other monitoring equipment as well as related staff. Each video lottery gaming agent, and each member of its surveillance department, shall timely comply with all requests from the division.
- (b) Entrances to the closed circuit television monitoring rooms shall not be visible from the public areas of a video lottery gaming facility.
- (c) For a facility equipped with a camera console, the security department shall only be permitted to view the feed from cameras in food and beverage areas or other areas located outside a building in which the gaming floor is located. Notwithstanding the foregoing, the security department may have access to a limited view of the gaming floor if such view is approved in writing by the division's internal audit unit.
- (d) Each video lottery gaming agent shall have a surveillance department manager and a security department manager on duty at the video lottery gaming facility at all times.

2836-23.2 Emergency procedures.

Before a video lottery gaming agent has operated a video lottery gaming facility for ninety (90) days, the video lottery gaming agent shall submit to the division, the State law enforcement agency, local police department, and the local fire department, an emergency action plan for the response to, and management of, fire and medical emergencies and natural disasters in all areas of the video lottery gaming facility and related enterprises. Such plan shall include procedures for notification of the State law enforcement agency, local police department, the local fire department or emergency medical personnel, or both, and procedures for expedited and unimpeded access of the personnel into all areas of the video lottery gaming facility or related enterprise in the event of a fire, medical, or other emergency. Such plan shall also include an inspection schedule allowing the New York Department of State, State law enforcement agency, local police department and local fire department personnel to inspect all areas of the video lottery gaming facility and related enterprises for compliance with applicable fire and emergency laws, codes and ordinances.

2836-23.3 Credit; banking services at the video lottery gaming facility.

- (a) The video lottery gaming agent may place a duly authorized automated teller machine (ATM) within a video lottery gaming facility at a location approved by the division; however, such ATM shall not be positioned within the video lottery gaming floor.
- (b) A video lottery gaming agent may offer check cashing services or provide cash to a player in exchange for a valid charge or cash advance against a recognized credit card account or recognized debit card account only if the agent has developed internal control procedures detailing the conditions and circumstances under which such practice will be allowed, and has provided copies of such internal control procedures to the division no later than thirty (30) days prior to the offering of cashing services.
- (c) Nothing in these regulations shall prohibit the sale of dining and other non-gaming patron amenities through the use of a commercially available credit, debit or charge card, nor shall a video lottery gaming

agent be prohibited from entering into a contract with a person licensed under the state banking law to cash checks or otherwise provide banking services within the state.

2836-23.4 Cashiers' cage, satellite cages; standards.

- (a) Each video lottery gaming facility shall have on or immediately adjacent to the gaming floor a physical structure known as a cashiers' cage ("cage") to house the cashiers and to serve as the central location in the video lottery gaming facility for the following:
 - (1) The custody of the cage inventory comprising currency and forms, documents, and records normally associated with the operation of a cage;
 - (2) The receipt, distribution, and redemption of vouchers in conformity with these regulations; and
 - (3) Such other functions normally associated with the operation of a cashier's cage.
- (b) The cage shall be designed and constructed to provide maximum security for the materials housed therein and the activities performed therein. Such design and construction shall be, at a minimum, as effective as the following:
 - (1) Manually triggered silent alarm systems for the cage, its ancillary office space and any related video lottery gaming facility vault, which systems shall be connected directly to the monitoring rooms of the closed circuit television system and the video lottery gaming security department office;
 - (2) Double door entry and exit system that will not permit a person to pass through the second door until the first door is securely locked; and
 - (i) The first door of the double door entry and exit system adjacent to the video lottery gaming floor shall be controlled. The second door of the double door entry and exit system shall be controlled;
 - (ii) The double door entry and exit system shall have closed circuit television coverage which shall be monitored during all hours of operation by the video lottery gaming surveillance department;
 - (iii) Any entrance to the cage that is not a double door entry and exit system shall be an alarmed

emergency exit door only.

- (3) The video lottery gaming shall identify in its internal control procedures which department will be responsible for controlling these points of access and shall include procedures for managing the security of these points of access.
- (c) Each video lottery gaming facility may also have one or more “satellite cages” separate and apart from the cashiers’ cage, but adjacent to areas of video lottery gaming operation, established to maximize security, efficient operations, or player convenience and comfort and designed and constructed in accordance with these regulations. Subject to division approval, a satellite cage may perform any or all of the functions of the cashiers’ cage. The functions which are conducted in a satellite cage shall be subject to the applicable accounting controls set forth in these regulations.
- (d) Each video lottery gaming agent shall file with the division the names of all persons having control of the entrance to the cage, any satellite cages, and vaults, as well as all persons able to operate alarm systems for the cage, any satellite cages and vaults.
- (e) Whenever the division or the internal controls of a video lottery gaming agent require or authorize documents to be transported from the cashiers’ cage to a satellite cage or from a satellite cage to the cashiers’ cage or another satellite cage, the video lottery gaming agent shall, unless the division or internal control provides otherwise, transport the documents through the use of a video lottery gaming security department representative.
- (f) Notwithstanding any other provision of the regulations to the contrary, any video lottery gaming agent that operates two or more video lottery gaming areas within the facility that are physically connected in a manner deemed appropriate by the division may, with the prior written approval of the division, operate a single cashiers’ cage in one of those video lottery gaming areas to serve as the central location for the functions set forth in (a) above for all of the video lottery gaming areas; provided, however, that

the video lottery gaming agent shall be required to operate such satellite cages in each video lottery gaming area as the division may deem necessary.

2836-23.5 Accounting controls for the cashiers cage, satellite cages.

- (a) The assets for which the general cashiers are responsible shall be maintained on an imprest basis. The imprest balance of each general cashier's bank will be identical and such balance will be the same at the end of the shift as it at the beginning of the next shift.
- (b) At the opening of every shift, in addition to the imprest funds normally maintained by the general cashiers, the video lottery gaming agent shall have on hand in the cage or readily available thereto, a reserve cash bankroll in a minimum amount approved in writing by the division.
- (c) The cashier's cage and any satellite cage shall be physically segregated by personnel and function as follows:
 - (1) General cashiers shall operate with individual imprest inventories of cash and such cashiers functions shall include, but are not limited to, the following:
 - (i) Receive cash, vouchers, cash equivalents, complimentary gifts;
 - (ii) Receive reserve cash cashiers documentation with signatures thereon, required to be prepared for the effective segregation of functions in the cashiers' cage;
 - (iii) Prepare forms for the completion of payments for video lottery gaming prizes;
 - (2) Reserve cash (main bank) cashiers functions shall include, but are not limited to, the following:
 - (i) Receive cash, vouchers, and cash equivalents from general cashiers in exchange for cash;
 - (ii) Receive cash from the count room;
 - (iii) Prepare the overall cage reconciliation and accounting records;
 - (iv) Prepare the daily bank deposit for cash;
 - (v) Receive from general cashiers, documentation with signatures thereon, required to be prepared

for the effective segregation of functions in the cashiers' cage;

(vi) Be responsible for the reserve cash bankroll;

(vii) Receive unsecured currency from accounting department representatives;

(d) Signatures and employee license numbers of those attesting to the accuracy of the information contained on the Cashiers' Count Sheet shall be, at a minimum, of the following cashiers after preparation of the Cashiers' Count Sheet:

(1) The general cashiers assigned to the incoming and outgoing shifts; and

(2) The reserve cash cashiers assigned to the incoming and outgoing shifts;

(e) At the end of each gaming day, at a minimum, a copy of the Cashiers' Count Sheets and related documentation shall be forwarded to the accounting department for agreement of opening and closing inventories, agreement of amounts thereon to other forms, records, and documents required by these regulations.

2836-23.6 Count room; characteristics.

(a) The video lottery gaming facility shall have, adjacent to the cashiers' cage a room, an area to be known as the "count room," specifically designated, designed and used exclusively for counting unverified cash.

(b) The count room shall be designed and constructed to provide maximum security for the materials housed therein and for the activities conducted therein. The video lottery gaming agent shall design and construct a count room with, at a minimum, the following security measures:

(1) A metal door or door of other construction approved by the division installed on each entrance and exit;

(2) Each entrance and exit door shall be equipped with:

- (i) Two (2) separately keyed locks; and
 - (ii) An alarm device, approved in writing by the division, which audibly signals the surveillance department and the security department whenever a door to the count room is opened;
- (3) Each lock required by subsection (b)(2)(i) of this part above shall be controlled by a key which is different from:
- (i) The key to the other lock on that door;
 - (ii) The keys to the locks securing the contents of each drop box;
- (4) The key to one of the locks required by subsection (b)(2)(i) of this part above shall be maintained and controlled by the security department in a secure area within the security department, access to which may be gained only by a security department supervisor, and the key to the other lock shall be maintained and controlled by the video lottery gaming department; and
- (5) The security department shall establish an internal control procedure approved in writing by the division regarding the signing-out of all keys removed from the security department.
- (c) Located within the count room shall be:
- (1) A table constructed of clear glass or similarly clear material used for the emptying, counting, and recording of the contents of drop boxes which shall be known as the “count table”;
 - (2) Closed circuit television cameras and microphone wired to the surveillance department capable of, but not limited to, the following:
 - (i) Effective and detailed audio-video and/or digital monitoring and recording of the entire count process; and
 - (ii) Effective, detailed video or digital monitoring and recording of the interior of the count room, including storage cabinets or trolleys used to store bill acceptor drop boxes; and
 - (iii) No disposal containers or such shall be allowed at any time in the room.

2836-23.7 Drop boxes, transportation to and from video lottery terminals; storage.

- (a) Each video lottery gaming agent shall place on file with the division a schedule setting forth the specific times at which the drop boxes will be brought to or removed from the bill acceptors in video lottery terminals. Each video lottery gaming agent shall also maintain and make available to the division upon request, the names and employee license numbers of all employees participating in the transportation of such drop boxes. If the division requires that a division representative be present for transportation of drop boxes, no drop box shall be brought to or removed from any video lottery terminal or removed from any bill acceptor at other than the time specified in such schedule except with the express written approval of the division. Notwithstanding the foregoing, the video lottery gaming agent may develop and utilize a plan for removing the drop boxes from the terminals under exigent circumstances. If a video lottery gaming agent alters procedures for removing drop boxes due to unforeseen exigent circumstances, the video lottery gaming agent must timely notify the division of the reasons for the change in procedures and the details of how the drop boxes were removed.
- (b) Except as otherwise provided in (b)(3) below, all drop boxes removed from video lottery terminals shall be transported directly to and secured in the count room by at least one (1) video lottery gaming security department member.
- (1) Upon its removal from a video lottery terminal, a drop box shall be immediately placed in an enclosed trolley which is secured by two (2) separately keyed locks. The key to one lock shall be maintained and controlled by a video lottery gaming department member. The key to the second lock shall be maintained and controlled by the video lottery gaming security department in a secure location. Access to the video lottery gaming security department's key shall be limited to supervisors in that department and shall be controlled, at a minimum, by a sign-out and sign-in procedure approved in writing by the division. The video lottery gaming security department key shall be returned to its secure location

immediately upon the completion of the collection and transportation of the drop boxes.

- (2) Prior to the movement of any trolley containing drop boxes from the video lottery gaming floor, a video lottery gaming supervisor shall verify in writing that the number of drop boxes being removed from the gaming area equals the number of drop boxes that have been loaded on the trolley, and that the lock controlled by the video lottery gaming security department has been activated. If a trolley is being transported from the gaming floor to the count room, a video lottery gaming supervisor shall also verify that the gaming department lock on the trolley has been activated.
 - (3) A drop box being replaced by an emergency drop box shall be transported directly to and secured in the count room by at least one video lottery gaming security department member and one video lottery gaming supervisor, and the use of a trolley shall not be required.
- (c) Except as provided in (d) below, all drop boxes not attached to a video lottery terminal, including emergency drop boxes which are not actively in use, shall be stored in the count room or other secure area outside the count room approved in writing by the division, in an enclosed storage cabinet or trolley and secured in such cabinet or trolley by a separately keyed, double locking system. The key to one lock shall be maintained and controlled by the video lottery gaming security department and the key to the second lock shall be maintained and controlled by a video lottery gaming department employee. Access to the video lottery gaming security department's key shall be limited to a supervisor of that department.
- (d) Notwithstanding (c) above, the supervisor of the video lottery gaming security department may, immediately prior to the commencement of the count process, issue the key to the storage cabinet or trolley to a count room supervisor for the purpose of gaining access to the drop boxes to be counted. Any key removed from the video lottery gaming security department shall be returned immediately following the conclusion of the count of the drop boxes and the return of any empty emergency drop boxes to their respective storage cabinet or trolley. The video lottery gaming security department shall

establish a sign-out and sign-in procedure approved in writing by the division for all such keys removed.

Each video lottery gaming agent which permits the video lottery gaming security department key to be issued to a count room supervisor shall submit for review and written approval internal control procedures governing the control over the key when the count team takes a break.

2836-23.8 Opening, counting and recording of drop box contents.

- (a) The contents of the drop boxes shall be counted and recorded in the count room in conformity with this section unless the division has expressly approved in writing an alternative plan submitted by the video lottery gaming agent. Under no circumstances shall the video lottery gaming agent conduct counting and recording of the drop box contents in a manner which does not comply with the one set forth in these regulations or one that has been expressly approved in writing by the division.
- (b) The video lottery gaming agent shall place on file with the division the specific times during which the drop boxes are to be removed from video lottery terminals and the specific times during which the contents of the drop boxes are to be counted and recorded. Drop boxes shall be removed from video lottery terminals and be counted and recorded with sufficient frequency to allow daily electronic funds transfers of all money owed to the division and the state, including tax and other withholdings, as applicable.
- (c) The opening, counting, and recording of the contents of drop boxes shall be performed in the presence of a count room supervisor. To gain entrance to the count room, an employee shall present a video lottery gaming credential with photograph.
- (d) All persons present in the count room during the counting process shall wear a full-length short-sleeve (mid-forearm), one-piece pocketless outer garment with openings only for the arms, feet, and neck, unless another type of garment is approved in writing by the Division.
- (e) No person present shall:
 - (1) Carry a pocketbook or other container unless it is transparent; or

(2) Remove his or her hands from or return them to a position on or above the count table unless both the backs and palms of his or her hands are first held straight out and exposed to the view of other members of the count team and the closed circuit television camera.

(f) Immediately prior to the commencement of the count:

(1) The doors to the count room shall be securely locked;

(2) A count team member shall notify a person assigned to the surveillance department closed circuit television monitoring room that the count is about to begin, after which such person shall make an audio-video and/or digital recording, with the time and date inserted thereon, of the entire counting process, which recording shall be retained by the surveillance department for at least twenty-one (21) days from the date of recordation unless otherwise directed in writing by the division; and

(3) The count room supervisor or his or her supervisor shall record, in writing, the name and employee license number of each person who shall participate in the counting process and whether each such individual is scheduled to:

(i) Be present in the count room during the entire counting process;

(ii) Enter the count room during the counting process; or

(iii) Leave the count room prior to the conclusion of the counting process.

(g) No person shall be permitted to enter or leave the count room during the counting process, except in an emergency, unless his or her name is on the written notice required by subsection (f)(3) of this part above.

(1) If the video lottery gaming agent permits a member of the count team to enter or leave the count room during the counting process, any employee remaining in the count room shall be required to display his or her hands in accordance with subsection (e) of this part above and to step away from the count table until the count team member has entered or left the count room.

(2) The counting and recording process shall be discontinued whenever less than three (3) count team

members are present in the count room.

- (3) Once the counting process has been started, the count room supervisor shall be required to notify the surveillance department closed circuit television monitoring room whenever a count room door will be opened, prior to the opening of such door.

(h) Procedures and requirements for conducting the count shall be as follows:

- (1) As each drop box is placed on the count table, one count team member shall orally announce, in a volume of voice to be heard by all persons present and to be recorded by the audio-video and/or digital recording device, the game, video lottery terminal number, and shift marked thereon for drop boxes;
- (2) In full view of the closed circuit television cameras located in the count room, the contents of each drop box shall be emptied on the count table and either manually counted separately on the count table or counted on a currency counting machine and is located in a conspicuous location on, near or adjacent to the count table;
- (3) Immediately after the contents of a drop box are emptied onto the count table, the inside of the drop box shall be held up to the full view of a closed circuit television camera and shall be shown to a second employee to assure that all contents of the drop box have been removed. The drop box shall then be locked and placed in the storage area for drop boxes approved in writing by the division;
- (4) The contents of each drop box shall be segregated by a count team member into separate stacks on the count table by each denomination of currency by type, record or document, except that the division may permit the utilization of a machine to sort currency automatically by denomination;
- (5) Each denomination of currency shall be counted separately by one count team member who shall place individual bills of the same denomination on the count table in full view of a closed circuit television camera, after which the currency shall be counted by a second count team member who shall be unaware of the result of the original count and who, after completing this second count, shall confirm the

accuracy of the total, either orally or in writing, with that reached by the first count team member, except that the division may permit the video lottery gaming agent to perform aggregate counts by denomination of all currency collected in substitution of the second count by drop box, if the division is satisfied that the original counts are being performed automatically by a machine that counts and automatically records the amount of currency, and that the accuracy of the machine has been suitably tested and proven. The division may permit the utilization of currency counting machines if prior to the start of the first use of the counting machine each gaming day, except for subsection (h)(5)(i) and (ii) of this part below, the count room supervisor shall:

- (i) Verify that the counting machine has a zero balance on its terminal unit display panel and has a receipt printed which denotes “-0- cash on hand” and “-0- notes in machine,” or some other means to indicate that the machine has been cleared of all currency;
- (ii) Visually check the counting machine to be sure there are no bills remaining in the various compartments of the machine;
- (iii) Supervise a count team member who shall randomly select a drop box and place the entire contents of that drop box into the first counting machine, which shall count the currency by denomination and produce a print out of the total amount of currency by denomination. Any soiled or off-sorted bills shall be re-fed into the machine and manual adjustments shall be made to the total. The total as recorded on the counting machine and any adjustments made thereto shall not be revealed to anyone until the final verification process is completed;
- (iv) Supervise a second count team member, independent of the team member performing the initial count by machine, who shall manually count and summarize the currency from each drop box counted in accordance with subsection (h)(5)(iii) of this part above. This total shall be posted and maintained separately from the total posted in subsection (h)(5)(iii) of this part above, and shall not

be revealed to anyone until the final verification process is completed;

(v) Supervise the second count team member's passing of the currency to a count team member, who shall be unaware of the results of the manual count. The count team member shall count the contents of that drop box counted in subsection (h)(5)(iii) of this part above using a second counting machine. Such machine shall produce a printout of the total amount of currency contained in the drop box. Any soiled or off-sorted bills shall be re-fed into the machine and manual adjustments shall be made to the total. The total as recorded on the counting machine and any adjustments thereto shall not be revealed to anyone until the final verification process is completed;

(vi) Following the completion of the test procedures, compare the totals from the test receipts of both counting machines, as computed in subsection (h)(5)(iii) and (h)(5)(v) of this part above, to the manual total computed in subsection (h)(5)(iv) of this part above. If the three totals compared above are in agreement, the count room supervisor shall sign and date and record his or her employee license number on his or her test receipts and forward them to the accounting department at the end of the count process;

(vii) If the three totals do not agree, appropriate repairs shall be made to the counting machine and the procedures in subsection (h)(5)(i) through (h)(5)(vi) of this part above shall be repeated until all totals are in agreement. The counting machine shall not be used until these totals are in agreement.

(6) As the contents of each drop box are counted, a count team member shall manually record or cause a computer system to record, in a manner approved in writing by the division, the following information on the master game report or other supporting documentation by video lottery terminal identification number:

(i) The amount of each denomination of currency counted;

(ii) The amount of all denominations of currency counted;

(iii)The gaming date of the items being recorded and the date the Master Gaming Report is being prepared or generated.

- (7) After the contents of each drop box are counted and recorded, a member of the count team shall manually record or cause the computer to record on the master game report, by game, the total amount of currency together with such additional information as may be required on the master game report by the division or the video lottery gaming agent.
- (8) Notwithstanding any inconsistent requirements above, if the video lottery gaming agent's system of internal controls provides for the count team functions to be comprised only of counting and recording currency, the video lottery gaming agent's accounting department employees shall perform all other counting, recording and comparing duties required by this section.
- (9) After preparation of the master game report, the count team members performing the banking functions and the count room supervisor shall sign and record their employee license number on the reports attesting to the accuracy of the information recorded thereon. All other count team members shall either sign and record their employee license number on the master game report or such other document as approved in writing by the division as evidence of their participation in the counting of the drop boxes. Any person who, in accordance with subsection (f) of this part above, is scheduled to leave the count room prior to the completion of the entire count process, shall also sign and record his or her employee license number and shall record the time that he or she exited the count room. Any person who enters or leaves the count room due to an emergency shall sign and record their name, employee license number, and time of the entry or exit on the master game report, or such other document as approved in writing by the division, except that, if the person exiting the count room is unable to sign the document due to the nature of the emergency, the count room supervisor shall record the person's name, employee license number, the time of exit and a notation describing the emergency on the document.

(i) After the contents of all drop boxes have been counted:

(1) All cash shall be presented in the count room by a count team member to a main bank cashier or cage supervisor who, prior to having access to the information recorded on the master game report and in the presence of a count team member shall recount, either manually or mechanically, the cash presented and attest by signature and employee license number on the master game report the amounts of cash counted, after which the employee shall sign the report evidencing his or her presence during the count and the fact that both the cashier or cage supervisor and the count team have agreed on the total amounts of cash counted. The video lottery gaming agent may, if approved in writing by the division, present the main bank cashier or cage supervisor with the cash obtained from the count of the drop boxes either:

(i) At the same time, in which event the cash shall be presented immediately after both counts have been concluded; provided, however, that the video lottery gaming agent shall set forth in its system of internal controls the procedures for segregating and securing the cash from the first count that is concluded until presented to the main bank cashier or cage supervisor after the conclusion of the second count; or

(ii) Separately, in which event the cash from each count shall be presented immediately after the conclusion of the count; provided, however, that if the cash from the first count that is concluded is presented while the second count is in progress:

(a) There shall be no cash in the count room removed from an opened box that has not already been counted at least once; and;

(b) All count room employees shall be required to step away from the count table until the presentation is completed and the cash and promotional coupons from the first count are removed from the count room.

(2) The master game report, after signing, shall be transported directly to the accounting department and

shall not be available to any cashiers' cage personnel.

- (j) In addition to the procedures for conducting the count by the count team set forth under paragraphs (h)(4), (5) and (6) above, and the procedures for conducting the recount by a main bank cashier or cage supervisor set forth under paragraph (i)(1) above, in the event of a variance attributable to intermixed denominations of cash, an adjustment shall be made to the master game report reflecting the amount and source (identified to a video lottery terminal) of such variance.
- (k) The originals and copies of the master game report shall, on a daily basis, in the accounting department be:
 - (1) Compared for agreement with each other, on a test basis if the originals are received from the count room, by persons with no recording responsibilities and, if applicable, to triplicates or stored data;
 - (2) Reviewed for the appropriate number and propriety of signatures on a test basis;
 - (3) Accounted for by series numbers, if applicable;
 - (4) Tested for proper calculation, summarization, and recording;
 - (5) Subsequently recorded; and
 - (6) Maintained and controlled by the accounting department as a permanent accounting record.

2836-23.9 Delivery station specifications.

- (a) The video lottery gaming agent shall provide a secure structure for all of the following purposes:
 - (1) armored car cash deliveries;
 - (2) armored car cash pickups; and
 - (3) the delivery and pickup of other valuables as may be needed from time to time.
- (b) The structure shall be designated the "secured delivery station" and shall be covertly surveilled and monitored during all hours of operation. One-on-one continuous surveillance shall be conducted when deliveries and pickups are made.
- (c) A secured delivery station shall comply with all the following provisions:

- (1) Be located out of the general view of patrons, non-surveillance employees, and non-security employees;
 - (2) Have a garage door that is electronically controlled from the Surveillance Room; and
 - (3) Have a secure room between the secured delivery station and the gaming facility. The room shall have secure doors with bulletproof glass that are programmed so that both doors cannot be open at the same time, and neither door can open unless the garage door to the secured delivery station is closed and secured.
 - (4) Have color cameras and monitors which are in compliance with the specifications for surveillance equipment in these regulations which survey and monitor activities in all of the following areas:
 - (i) The secured delivery station;
 - (ii) The secured room immediately adjacent to the secured delivery station;
 - (iii)The area outside the garage door to the secured delivery station; and
 - (iv)The area inside the gaming facility.
- (d) Surveillance personnel shall advise security officers and other video lottery gaming agent personnel in advance of deliveries and pick-ups so the officers and personnel can provide foot escorts to and from secured areas within the video lottery gaming facility. Delivery personnel who are not duly licensed and authorized video lottery gaming agent employees shall not be allowed to enter the secured areas, or restricted areas of the video lottery gaming facility without an escort.

2836-24 COLLECTION, DISTRIBUTION AND AUTHORIZED USE OF CAPITAL AWARDS

2836-24.1 Video lottery gaming agent receipt of capital awards.

- (a) In accordance with the act, there shall be made available to each video lottery gaming agent from the daily video lottery gaming revenue generated at each video lottery gaming facility a capital award to be used exclusively for capital project investments to improve the facilities of the vendor track which

promote or encourage increased attendance at the video lottery gaming facility, including, but not limited to, hotels, other lodging facilities, entertainment facilities, retail facilities, dining facilities, events arenas, parking garages and other improvements that enhance the facility amenities; provided that such capital investments shall be approved by the division, in consultation with the racing and wagering board, and that such agent demonstrates that such capital expenditures will increase patronage at such agent's facilities and increase the amount of revenue generated to support state education programs.

- (b) Except as provided in the act, each agent shall be required to co-invest an amount of capital expenditure equal to its cumulative vendor's capital awards. The amount of any vendor's capital award that is not used during any one (1) year period may be carried over into subsequent years ending before April 1, 2013. In the event that a vendor track's capital expenditures, approved by the division prior to April 1, 2013 and completed prior to April 1, 2015, exceed the vendor track's cumulative capital award during the five year period ending April 1, 2013, the vendor track shall continue to receive the annual capital award after April 1, 2013 until such approved capital expenditures are paid to the vendor track subject to any required co-investment.
- (c) Any agent which has received a vendor's capital award, choosing to divest the capital improvement toward which the award was supplied, prior to reaching the forty year straightline depreciation value of the improvement, shall reimburse the state in amounts equal to the total of any such awards.
- (d) Any capital award not approved for a capital expenditure at a video lottery gaming facility by April 1, 2013 shall be deposited in the state lottery fund for education aid.
- (e) All such capital improvement and expenditures shall be subject to the overall supervision of the division.

2836-24.2 Deposit of capital awards.

- (a) The division shall make available to each video gaming agent, through the daily remittance process, the appropriate capital award. Each agent shall be responsible to deposit the capital award daily to a segregated account restricted for the collection and authorized use of such funds.
- (b) Each agent receiving capital award funds shall provide monthly bank statements for the segregated capital awards account to the division for independent verification of capital award deposits and reimbursement withdrawals from the account.
- (c) The division is not responsible for the loss or theft of any money in any account to which capital award funds are deposited.

2836-24.3 Capital improvement plan.

- (a) Each agent eligible for capital award funds shall prepare a capital improvement plan for the video lottery gaming facility. The capital improvement plan shall provide sufficient detail to describe anticipated capital projects for which the agent will seek reimbursement from the capital award. Such capital improvement plan shall be submitted electronically to the division for review, and may be amended by the agent from time to time as planned capital projects are modified.
- (b) Each capital improvement plan, without limitation, shall briefly describe, in narrative form, the capital improvement projects the video gaming facility plans to commence during the five (5) year period ending April 1, 2013, which are to be completed prior to April 1, 2015.
- (c) Capital improvements plans shall be due to the division on a date prescribed by the division. The failure to submit any capital improvement plan when due to the division shall be a violation of the agent's license, the act and these regulations.

2836-24.4 Capital improvement plan implementation and award reimbursement.

- (a) Prior to the commencement of each capital award improvement project, the agent shall submit to the division a request for project approval in a standard format as prescribed by the division. Such request shall:
- (1) Describe the overall capital project, including the reasons for implementing the project, the estimated total project cost, and the estimated start and completion date for the project; and
 - (2) Describe, how the capital project will increase attendance at the video gaming facility and increase the amount of revenue generated in support of education aid;
- (b) Payment from capital award funds shall only be approved by the division for capital project construction or improvements commenced on or after April 1, 2008, or the portion of a project completed after April 1, 2008 for projects, or phases of projects, commenced before April 1, 2008.
- (c) Not later than fifteen (15) days from receipt of a capital project request for approval, the division shall review the request, in consultation with the Racing & Wagering Board, and provide its approval or denial of the project. Each project shall qualify as an approved use of the capital award if it meets the following guidelines:
- (1) The capital project includes the addition of tangible, permanent assets in the form of land, buildings, or equipment; or the project includes the restoration of such existing assets.
 - (2) Project assets purchased or restored, are to be used in the operation of video gaming and are expected to have a useful life of two (2) years or more, providing a reasonable benefit throughout the assets useful life.
 - (3) The capital expenditure is of significant value, consistent with standard accounting policies for the recording of capital assets.

- (4) The capital project will increase patronage at the video gaming facility and increase the amount of revenue generated to support education aid.
- (5) The capital project will be completed prior to April 1, 2015.
- (d) Approval of the capital project by the division shall entitle the agent to subsequent reimbursement from the capital award for associated costs of the approved project, for which the agent obtains substantiation that the costs are reasonable within the industry for the size and scope of the project. Competitive bidding shall be required for all single component project costs in excess of \$50,000, provided however that certain sole source and professional services, such as architectural and engineering services and construction manager services where the construction manager does not perform construction work themselves, may be excluded from the competitive bid requirements. Any firm exempt from competitive bidding must be at arm's length from the facility.
- (e) In the event the division does not approve the capital project request, the agent shall be so notified in writing and any costs incurred for the project shall be the sole responsibility of the video gaming facility and shall not be reimbursable from the capital award.
- (f) Upon receiving the division's approval of a capital project, the agent may at any time submit requests for reimbursement of costs associated with the approved project. Such request shall be submitted in writing to the division and shall be accompanied by supporting documentation in the form of invoices and cancelled checks, or other documents as may be required to show proof of payment for capital expenditures associated with the approved project. Upon receiving the division's approval of a reimbursement request, the agent shall be authorized to withdraw the approved funds from the segregated capital award account.
- (g) The division or its representative may, at its discretion, review the books and records of the agent, to determine additional needs for assurance regarding utilization of the capital award. Each agent shall

maintain sufficient documentation and a clear audit trail to support the reimbursement of any and all capital awards.

- (h) The failure of the agent to submit any report required by this part shall be a violation of such agent's license, the act and these regulations. In addition to any other remedy available to the division pursuant to these regulations, any failure of the agent to submit any report as required by this part shall permit the division to withhold the capital award until such time as such report is submitted and approved. The division may release such capital award with such continuing restrictions as the division determines to be appropriate pursuant to these regulations.
- (i) Exceptions, discrepancies, or questionable spending identified by the division must be explained by the agent in a timely manner to the satisfaction of the division, but in no event later than thirty (30) days from the date of the division's inquiry. A failure by the video lottery gaming agent to adequately respond to any inquiry of the division shall be a violation of these regulations.
- (j) The agent shall prepare each report in a professional manner detailing the use of capital awards. Appropriate penalties may be applied if the division determines that the agent has submitted expenses that do not qualify as a capital expense.
- (k) In the event an expenditure or discrepancy raised by the division cannot be adequately explained by the agent, or in the event any violation of these regulations remains uncured for a period of up to thirty (30) days, the division, in addition to any other remedy permitted by these regulations, may take any or all of the following actions:
 - (1) withhold the capital award or any portion thereof, in which event no further payment shall be permitted until such violation is cured;
 - (2) deny the cost and deduct the amount thereof from the balance of any next succeeding capital award;
 - (3) require the agent to reimburse the division for the capital award in an amount equal to the discrepancy;

- (4) reimburse the division for the cost of the division's expenses related to researching and investigating such expenditure.
- (l) In the event any expense reports are deemed insufficient at the sole discretion of the division, the division may require an agent to provide the following information:
- (1) a full and complete reconciliation of the capital improvement expenses and associated costs incurred; and
 - (2) an accounting for the cash spending related to the capital improvement funds.
- (m) Each agent shall maintain sufficient documentation to support the reimbursement of any and all of its capital improvement expenses.



New York Video Gaming Entertainment Bulletin



BULLETIN NO: 2004-E-0001

DATE EFFECTIVE: June 25, 2004

LOTTERY UNIT RESPONSIBLE FOR THIS ISSUE: Executive

DATE ISSUED: June 25, 2004

LICENSED ENTITIES AFFECTED: All

RELATED ISSUANCES: None

SUBJECT: Establishment of Video Gaming Entertainment Bulletins

The purpose of this Video Gaming Entertainment (VGE) Bulletin is to establish a means to communicate official policies, procedures and other information necessary for the Lottery Division to administer video gaming in the State of New York. This and all future bulletins will be sent to the attention of the Chief Operating Officer/General Manager of all video gaming entertainment facilities, vendors, contractors and other licensed entities. In accordance with the New York Code of Rules and Regulations, all information communicated through these bulletins is based on the authority of the Lottery Director to effectively implement procedures and administer VGE in the State.

All licensed entities should maintain at their disposal an up to date and comprehensive compilation of all issued Video Gaming Entertainment Bulletins. Once issued, these bulletins remain in effect until rescinded or superceded. The Chief Operating Officers/General Managers of all licensed entities are responsible to ensure that all relevant information contained in each VGE Bulletin is fully disseminated within their respective organizations. The Chief Operating Officer/General Manager is also responsible to ensure that any training or guidance necessary to carry out the requirements promulgated in these bulletins is given to employees within their organizations.

Future VGE bulletins will cover specific issues in such areas as operations, financial management and reporting, internal controls and other general and administrative considerations. Questions concerning any individual bulletins should be directed to the Lottery Official who heads the responsible Lottery organizational unit or Bureau identified in the box above. To receive a formal written answer to any questions you may have about an issue covered by specific bulletin you should address your question to:

Video Gaming Entertainment Director
NYS Division of the Lottery
P.O. Box 7500
One Broadway Center
Schenectady, New York 12301



New York Video Gaming Entertainment Bulletin



BULLETIN NO: 2004-VGE-0004

DATE EFFECTIVE: November 10, 2004

LOTTERY UNIT RESPONSIBLE FOR THIS ISSUE: Video Gaming Unit

DATE ISSUED: November 10, 2004

LICENSED ENTITIES AFFECTED:
Video Gaming Machine Manufacturers

RELATED ISSUANCES: None

SUBJECT: Video Gaming Machine Theme Submission Procedure

Purpose:

To establish a formal process to request and approve Video Gaming Machine (VGM) Theme Submissions.

Procedure:

GAME THEME GUIDELINES:

1. Game themes shall not possess overt sexual, racial, or excessive violent overtones.
2. Game themes shall not present themes that appeal to children.
3. Game themes must display the rules of play accurately and shall not be incomplete, conflicting, confusing, or misleading.
4. Game themes shall not use the following words in the theme, help screens, or rules of the game:
 - o Casino
 - o Racino
 - o Slot
 - o Gamble or Gambling
5. Game themes shall not in any way jeopardize the credibility and integrity of the New York Lottery and or the New York Video Gaming Entertainment program.

Responsibility:

Machine Manufacturer Complete a Game Theme Submission Form and submit hard copy to the Video Gaming Assistant Product Manager at One Broadway Center, Schenectady, NY 12301.

Note: All information must be provided in detail with the submission. Incomplete submissions will not be accepted. Any and all graphic representations must be included with the submission. Graphic representations include all glass; all help screens and screens that appear prior to beginning a session, during play. Screens that illustrate paytables must be included, as well as, all bonus round screen shots and all graphics that may appear on the game.

Video Gaming Assistant Product Manager Review the request. Sign and date the form and distribute to the following for approval: Video Gaming Product Manager, Video Gaming Program Director, Director of Marketing and Sales, New York Lottery Counsel, New York Lottery Director.

Coordinate with the submitting manufacturer if additional information is required. All submissions will be addressed by the Lottery within 3 business days unless otherwise notified by the NY Lottery.

Vendors may submit to GLI, at their own risk, prior to Lottery approval. Games will not be allowed to be installed at a Video Gaming Facility until the Lottery has approved in writing.

Distribution: Requester, Video Gaming Program Director, Video Gaming Product Manager, Video Gaming Operations Coordinator, GLI.

Note: If a request is not approved the Video Gaming Assistant Product Manager shall determine if a resolution can be achieved and return the request to the machine manufacturer for resubmission.

New York Video Gaming Entertainment Game Submission Form

Manufacturer:

Projected Release from GLI: (m/d/yy)

GAME INFORMATION

Game Name: Type of Game: Reels/Lines Keno Poker Other

Bonus Round: Yes No

If other, please explain:

Description of Game/Bonus Round:

Denomination: ("X" all that apply)

\$0.01	\$0.02	\$0.03	\$0.05	\$0.10	\$0.20	\$0.25	\$0.50	\$1.00	\$2.00	\$5.00	\$10.00	\$25.00	Other

WAGER INFORMATION ("X" all that apply):

		Lines (if Reels/Lines)										Hits (if Keno)									
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Credits	1																				
	2																				
	3																				
	4																				
	5																				
	6																				
	7																				
	8																				
	9																				
	10																				
	11																				
	12																				
	13																				
	14																				
	15																				
	16																				
	17																				
	18																				
	19																				
	20																				

Poker Wager: ("X" all that apply)

Credits																				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	

Other Wager:
(Please explain)

Submit complete package to: Video Gaming Assistant Product Manager
New York Lottery
One Broadway Center
Schenectady, NY 12301

Registration/Trademark and legal text requirements

ATTACHMENTS

1. Game Screens
2. Bonus Round Screens
3. Help Screens Screens
4. Images of Top, Belly, and Side Glass
5. Graphical Images/Symbols used on the Game and Bonus Round
6. Paytables (if not on the Glass)
7. New York Lottery PAR Sheet
8. Animations and Sound Files on CD

MANUFACTURER

	Signature	Date
Manufacturer Representative:	_____	_____

NYL APPROVALS

	Signature	Date
1. VG Assistant Product Manager:	_____	_____
2. VG Product Manager:	_____	_____
3. VG Program Director:	_____	_____
4. Director of Marketing & Sales:	_____	_____
5. NYL Counsel	_____	_____
6. NYL Director:	_____	_____



New York Video Gaming Entertainment Bulletin



BULLETIN NO: 2004-VGE-0005

DATE EFFECTIVE: November 17, 2004

LOTTERY UNIT RESPONSIBLE FOR THIS ISSUE: Video Gaming Unit

DATE ISSUED: November 17, 2004

LICENSED ENTITIES AFFECTED:
Video Gaming Entertainment Facilities,
Video Gaming Machine Manufacturers,
Central System Provider

RELATED ISSUANCES: None

SUBJECT: Video Gaming Entertainment Promotional Approval Procedure

Purpose: To identify facility/manufacturer responsibilities in the development of Video Gaming Entertainment (VGE) promotions and to establish responsibilities associated with the Promotion Approval procedure.

Procedure:

- | | |
|---------------------------------------|--|
| Video Gaming Facility/Manufacturer | Submit completed promotion approval form to the Lottery Video Gaming Representative (VGR) for completeness and necessary information. |
| Lottery Video Gaming Representative | Reviews the form for completeness. Sign and date the form and save in the designated network storage drive and provide electronic notification to Lottery VGE Assistant Product Manager. |
| Lottery VGE Assistant Product Manager | Reviews the form for coupon requirements. Maintain a log of all pending promotions and provide a copy to the Advertising Coordinator for financial reporting.

Sign and date the form and forward to the Advertising Director or Designee. |
| Advertising Director or Designee | Reviews the form, rules of the promotion and associated material (i.e. graphic content, radio script, billboards, etc.) that it is acceptable and maintains the integrity and credibility of the New York Lottery.

Sign and date the form and provide a copy to the requester, Lottery Video Gaming Representative, and VGE Assistant Product Manager.

If coupons are needed, submit to Lottery VGE Product Manager prior to final approval. |

Lottery VGE Product Manager	Reviews PAF to ensure promotion parameters are supported by the Central System. Initials PAF and returns to the Lottery VGE Assistant Product Manager.
Lottery VGE Assistant Product Manager	<p>Obtain completed PAF with necessary signoffs. Initiate coupon creation process:</p> <ul style="list-style-type: none">A. Access MGAM promotion manager program.B. Submit required coupon file on MGAM management terminal.C. Copy the output file, containing GUID (global unique identifier) numbers. D. Copy the file to CD. This output file will be used by the designated ticket manufacturer to print promotional coupons.E. Notify facility/manufacturer/ticket printer that the CD containing coupon output file has been sent to the appropriate party (i.e. ticket manufacturer).F. Log date of CD shipment including carrier, destination, contact person and verification of CD receipt. <p>Notify Lottery VGE Program Director, Lottery VGE Product Manager, Lottery VGE Advertising Director Designee and Lottery VGE Representative that coupon process has been completed.</p>



NEW YORK LOTTERY VIDEO GAMING ENTERTAINMENT PROMOTION APPROVAL FORM

Coordinator/Manager:	VGE Facility:	Date:	PAF # (NYL Use Only)
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Promotion Funding: VGE Facility Only Manufacturer Promo Budget Other, please explain:

Name of Promotion: _____

PROMOTION DESCRIPTION:

COUPON DEFINITIONS:

Start Date: Start Time: Define other parameters if applicable (e.g. certain theme, denom, etc.):

End Date: End Time:

Manufacturer(s):	Denomination(s) of Coupons:				
<input type="checkbox"/> Bally	<input type="checkbox"/> IGT	1.	2.	3.	4.
<input type="checkbox"/> SDG	<input type="checkbox"/> Spielo	1.	2.	3.	4.
	Quantity of Coupons:	5.	6.	5.	6.

TOTAL COST (Attach budget for coupons, printing, etc.): _____

APPROVALS:	Print Name	Signature	Date
Authorized VGM Manufacturer: <small>(if funded by Annual Manufacturer Promotion Budget)</small>	_____	_____	_____
Authorized Gaming Facility Manager:	_____	_____	_____
On-Site NYL Video Gaming Rep:	_____	_____	_____
Lottery Advertising Director/Designee:	_____	_____	_____



Lottery Bulletin # 6

Notice of Personnel Report Changes

Effective date: November 17, 2004

Revised March 04, 2010

Each Video Gaming Facility is required to submit a Monthly personnel report pursuant to Lottery Regulations (2836-10.4 page 61). This notice is to clarify and modify how that report should be submitted to the Lottery Division effective immediately. The report should be broken down into three separate and distinct Excel files as follows:

- Active Licensed Employees (Unlicensed personnel should not appear on the report)
- Licensed Employees Terminated During This Reporting Period
- Licensed Employees Terminated During Previous Reporting Periods

All three of the above reports should be kept up to date by both Human Resources and Security. They should also show the date each report was compiled and the following fields, each in its own *separate* column:

- Employee License No.
- Social Security Number (Use social security number format within excel i.e. number-special)
- Last Name (Do not combine Last Name with First Name or Middle Initial)
- First Name
- Middle Initial
- Date of Birth (use format mm/dd/yyyy)
- St. Address One
- St Address Two
- City
- State
- Zip
- Complete Jobs Compendium Title (Exactly as it appears in Jobs Compendium, Do not abbreviate)
- Job Code # (Exactly as it appears in the jobs compendium)
- Initial Hire Date (mm/dd/yyyy)
- Position (See the attached listing. This is not a title.)
- Gaming Code (See the attached listing)

- Access Code (This is a CODE and should not be described in a sentence format.)
- Effective Date of Termination
- Eligible for Rehire (This field should be a yes or no field. Anytime a no is inserted there should be a notice of termination for cause)
- Category of Employee (e.g. full time, part time, seasonal etc.) *

Do not blank out any information for terminated employees.

*Note this information should be summarized showing the total number of employees in each category at the end of the report.

The above reports should be sent to the following e-mail addresses at Lottery Headquarters

Jeffrey Allen, Licensing Director (jallen@lottery.state.ny.us)
John McNulty, Principal Internal Auditor (jmcnulty@lottery.state.ny.us)
vgeprocessing@lottery.state.ny.us
VideoGamingLicensing@lottery.state.ny.us

Notice of Terminations for Cause

The section of the regulations shown above also has the following requirement “Each video lottery gaming agent shall provide mandatory notification, consistent with Part 2836-10.4 within 24 hours of termination of an employee for cause related to suspected, attempted, or actual criminal offenses or any other activity compromising to the integrity of video lottery gaming.” To fulfill this section of the regulations this information should be forwarded by e-mail to each Lottery representative designated below:

Jim Nielsen, Video Lottery Game Director JNielsen@lottery.state.ny.us
Gardner Gurney, Director of Operations GGurney@lottery.state.ny.us
John McNulty, Principal Internal Auditor jmcnulty@lottery.state.ny.us
Jeffrey Allen, Licensing Director jallen@lottery.state.ny.us
vgeprocessing@lottery.state.ny.us

CODES
PRINCIPAL & KEY EMPLOYEES
(Levels 1 & 2)

<u>Level</u>	<u>Position</u>	<u>Code</u>	<u>Description</u>
1	Owner	<u>51</u>	
1	Investor	52	
1	Stockholder	53	
1	Board of Director	54	Specify
1	Officer	55	Specify
1	Partner	56	
1	Key Employee	57	Director of Dept.
1	Other	58	Specify
1	Trustee	59	
1	Member	60	

CODES
NON-KEY EMPLOYEES
(Levels 3 & 4)

<u>Level</u>	<u>Position</u>	<u>Code</u>	<u>Description</u>
3	Floor Attendant	<u>1</u>	
3	Technician	<u>2</u>	
3	Surveillance	<u>6</u>	
3	Security	<u>7</u>	
3	Drop Crew	<u>9</u>	
3	Count Room Attendant	<u>1</u>	
3	Drop Count Team	<u>14</u>	
3	Cashier	<u>4</u>	
4	Food & Beverage	<u>3</u>	F&B Key Emp. are occas. 3
4	Greeter/Host	<u>5</u>	
4	Valet	<u>8</u>	
4	Facility Maint	<u>10</u>	
3-4	Other	<u>11</u>	Specified on comment Line
4	Housekeeping	<u>13</u>	
4	Temp Service Prov.	<u>99</u>	Service dates on comment line, no fingerprints, no perm license We "create" ID# ,they remain "1" Status

STATUS CODES

- 1 Received- Application received, but not approved
- 2 Temporary license- Key Employees prior to investigation
- 3 Permanent License- All Gaming & Service -Key only after investigation
- 4 Denied Application-Denied application; Keep document in file cabinet*
- 5 Revoked-Revoked employee; keep document in file cabinet*
- 6 Promotion/Demotion-Employees promoted or Demoted; Change Level & position; add info to "comment" line in PF2
- 7 Inactive- Employee is inactive; no longer working
- 8 Error-record created with or in error
- 9 Seasonal-On leave/returning-Keep employee active for arrest notification
- 10 Re-hire



New York Video Gaming Entertainment Revised Bulletin



BULLETIN NO: 2005-IA-0007

DATE EFFECTIVE: July 8, 2005

**LOTTERY UNIT RESPONSIBLE FOR THIS
ISSUE:** Internal Audit

DATE ISSUED: July 8, 2005

LICENSED ENTITIES AFFECTED: All

RELATED ISSUANCES:
Supersedes Bulletin No: 2004-IA-0002

SUBJECT: Technicians Inserting Money and Vouchers into Video Gaming Machines

Purpose:

To give guidance to video gaming vendors, technicians and Video Gaming Entertainment (VGE) facilities on the practice of inserting money or vouchers into video gaming machines for testing purposes.

Policy:

Lottery regulations prohibit all licensed employees of licensed video gaming vendors, and Video Gaming Entertainment facilities, and their employees from playing video lottery games. When it is necessary for technicians to insert vouchers or cash into video gaming machines for testing purposes (such as to test bill validators, printers, or metering devices), the Lottery Division authorizes licensed video gaming machine technicians to do so subject to the following limitations:

- Prior to any testing being conducted, the licensed technician or other licensed personnel must coordinate with the gaming facility for security and surveillance coverage, floor supervisor, and the Lottery on-site Video Gaming Representative (VGR). Licensed Technicians or other licensed personnel may insert cash into a video gaming machine for the purpose of generating a test voucher that can be used in any other gaming machine at the facility it was generated.
- To cash gaming vouchers generated by testing, the licensed technician or other licensed personnel must complete the Test Voucher Redemption Request (see attached) and coordinate with the Lottery on-site VGR. The VGE facility should not cash gaming test vouchers except under the authorization and observation of the Lottery VGR.

If any licensed person plays a video gaming machine in violation of lottery regulations and this policy and a prize voucher is generated that prize voucher shall be null and void. It shall be the affirmative duty of the Video Gaming Entertainment facility or vendor to notify the lottery of all such occurrences.



TEST VOUCHER
REDEMPTION REQUEST

Facility: _____

Date: _____

_____, _____ is requesting redemption
Print Name Representative of

of the attached voucher for \$ _____ which was generated during testing.

Licensed Technician's Signature

Date



NEW YORK LOTTERY VIDEO GAMING **BULLETIN**



BULLETIN NO: 2006-IA-0010

DATE ISSUED: September 6, 2006

**LOTTERY UNIT RESPONSIBLE FOR
THIS BULLETIN:** Internal Audit

DATE EFFECTIVE:
September 6, 2006

LICENSED ENTITIES AFFECTED: All Gaming Facilities

SUBJECT:
Notice of Voucher Retention Period Change

RELATED ISSUANCES: N/A

Effective immediately the Lottery is reducing the retention period for video gaming vouchers that are collected from drop boxes from 45 days to 7 days. After seven days these vouchers may be destroyed immediately and no destruction request form is required. The retention period for all other gaming vouchers remains unchanged.

Questions concerning this change can be addressed to audit@lottery.state.ny.us



Lottery Bulletin # 11

Capital Improvement Projects (Capital Award)

Effective date: October 1, 2008

- Revised: December 1, 2008 To clarify the 40 year divestiture clause and require a fixed asset listing be submitted with all reimbursement requests.
- Revised: February 23, 2009 To clarify the recording of interest earned on the capital award account balance.
-

TO: All Video Gaming Facility General Managers & Finance Officers

In accordance with recent revisions to Tax Law Section 1612, a capital award is made available to certain video gaming facilities for capital improvement projects that promote or encourage increased attendance at the video gaming facility, including but not limited to, lodging facilities, entertainment facilities, retail facilities, dining facilities, event arenas, parking garages, and other improvements that enhance the facility amenities, provided that such capital expenditures will increase patronage at the video gaming facility and increase the amount of revenue generated to support education aid. This bulletin establishes guidelines for the development of capital improvement plans and outlines the process to be followed in order to seek reimbursement from the capital award for approved project costs.

5 Year Capital Improvement Plan

Each gaming facility eligible for capital award funds is required to submit a Capital Improvement Plan that lists the anticipated projects the facility plans to undertake during the 5 year period from April 1, 2008 through April 1, 2013 to be completed by April 1, 2015, for which you will seek reimbursement from the capital award funds. This plan is due to the Lottery by December 5, 2008 and should include only a listing of the project names, a very brief description of the project, estimated completion timelines, and an estimated total project cost where available. Please submit this plan to Jim Nielsen, Video Game Director.

The Capital Improvement Plan is intended to provide the Lottery with an idea of the concepts and projects that are under consideration at your facility. Submission of the plan is not a request for approval of the gaming facility's projects. The plan may be amended, and re-filed with the Lottery at any time during the 5 year period as the nature and timing of projects change.

*New York Lottery, One Broadway Center, P.O. Box 7500, Schenectady, NY 12301-7500
(518) 388-3300
www.nylottery.org*

When New Yorkers Play Responsibly, We All Win.

Collection and Deposit of Capital Award Funds

Pursuant to section 2836-24.2 of the video gaming regulations, each gaming facility that qualifies for capital awards is required to open a segregated bank account, restricted for the deposit and withdrawal of capital award funds. Once this account is opened, please send written notification to Karen Junick identifying the account name, account number, and bank routing number; and instruct the financial institution to forward a monthly bank statement to:

NYS Division of the Lottery
Attn: Karen Junick, Senior Auditor
One Broadway Center P.O. Box 7500
Schenectady, NY 12301-7500
or
(email to: kjunick@lottery.state.ny.us)

Capital award funds accumulated by the Lottery for the gaming days of April 1st through October 13th, 2008 will be wired into the new account on Friday, October 17th, 2008. The MGAM Daily Remittance report will be revised, effective with the gaming day of Tuesday, October 14th, 2008 to allow for the retention of capital award funds by the gaming facility. A new line will be added to the report listing the amount of the capital award, which will be subtracted from the final amount due to the Lottery each day. Gaming facilities are required to deposit the capital award on a daily basis to the restricted bank account.

Interest income earned on the cash balance maintained in the capital award account shall accrue as additional capital award funds within the account. The interest income, net of any bank service charges on the account, shall become part of the capital award account balance available to the facility for reimbursement of approved capital projects.

Capital Project Approval Requests

Per section 2836-24.4 of the video gaming regulations, gaming facilities are required to seek Lottery and Racing & Wagering Board approval of each individual capital project to be funded by the capital award. This approval process will provide prior assurance that a project qualifies for reimbursement. To request project approval, the facility must complete and submit a standard Request for Approval form (Attachment A), which should include a detailed overview of the capital project, a disclosure of all funding sources received for the project, and a narrative explaining the impact of the project on attendance and revenue at the gaming facility. Incremental revenue estimates should be provided to show that the capital project cost is reasonable in relation to the expected increase in revenues. One copy of the project description should be submitted to the Lottery with the signed request form and a second copy should be forwarded to the Racing & Wagering Board. Project descriptions should be sent to:

NYS Division of the Lottery
Attn: Jim Nielsen, Video Game Director
One Broadway Center P.O. Box 7500
Schenectady, NY 12301-7500
(or via email to: jnielsen@lottery.state.ny.us)

NYS Racing & Wagering Board
Attn: Tom Casaregola
One Broadway Center
Schenectady, NY 12301
(or via email to: tcasaregola@racing.state.ny.us)

The Lottery will consult with the Racing & Wagering Board to review project requests in a timely fashion, not to exceed 15 business days, and provide written notice of approval or denial within that timeframe.

If a capital project requires SEQR review, construction permitting, or other engineering examinations and the facility would like this work to be performed by the NYS Office of General Services (OGS) instead of the local officials, the facility must submit a written request to Jim Nielsen, Video Game Director agreeing to cover the costs of any work performed by OGS, and the Lottery will initiate a project request with OGS on behalf of the facility. Since OGS may not contract directly with video gaming facilities, all costs for OGS services will be billed to the Lottery. The Lottery will provide invoice copies to the gaming facility in order to collect a refund of the invoice payment from the facility.

Capital Award Reimbursement Requests

After receiving project approval, a gaming facility may at any time submit requests for reimbursement of paid project expenses in a manner consistent with section 2836-24.4 of the video gaming regulations. Each request must be submitted in writing to the Lottery Finance unit and should clearly indicate the total reimbursement request amount, adjusted by 50% for those facilities subject to co-investment by Tax Law Section 1612. The request must be accompanied by a summary page which itemizes all project costs for which the facility is requesting reimbursement, to include:

- Identification of the vendor/contractor to whom the payment was made
- A description of the cost
- The date of payment to the vendor/contractor
- The payment amount
- The check number, or a bank reference number for EFT payments

If payment was made to a construction manager for further payment to a general contractor, you must also itemize on the summary page which general contractors were paid by the construction manager and identify the purpose and amount of those payments.

Your submission should also include copies of invoices, cancelled checks, EFT wire confirmations, and competitive bids or other support to show that costs are reasonable within the industry for the scope and size of the project (where required by regulation).

Tax Law Section 1612 contains a provision that any gaming facility “which has received a capital award, choosing to divest the capital improvement toward which the award was supplied, prior to reaching the 40 year straight-line depreciation value of the improvement, shall reimburse the State in amounts equal to the total of any such awards.” However, the Lottery recognizes that the depreciable life of many capital improvements will be less than 40 years and therefore expects the gaming facility to reimburse the State in full for any divestiture of a capital improvement prior to the full depreciation of the capital improvement in accordance with generally accepted accounting principles. For example, if a capital improvement is estimated to have a useful life of 10 years for depreciation purposes, the State will expect reimbursement of the entire capital award if the capital improvement is divested anytime within those 10 years.

To account for all capital assets reimbursed through the capital award, each request for reimbursement must include a cumulative Fixed Asset Listing, to include an itemized listing of:

- Project Name
- Capital Asset Description
- Asset Cost
- Asset Location
- Asset Depreciation Basis (in years)
- Depreciation Start Date (when the asset was placed in operation)
- Depreciation End Date

Requests for reimbursement of capital project expenses should be sent to:

NYS Division of the Lottery
Attn: Bob Willi, Associate Auditor
One Broadway Center, P.O. Box 7500
Schenectady, NY 12301-7500
or
(email: bwilli@lottery.state.ny.us)

Financing costs associated with a capital project (e.g. – loan interest, loan commitment fees, recording fees, and legal fees) are reimbursable from the capital award to the extent it can be shown that they directly relate to the capital project cost. Interest costs shall only be reimbursable if paid to an external lender for financing of an approved capital project. Inter-company interest paid by a licensed video lottery facility operator to an affiliated company will not qualify for capital award reimbursement unless the affiliated company itself obtains external financing for the capital project in an amount at least equal to the principal cost basis for the interest payments, in which case the capital award reimbursement for the interest charged to the licensed video lottery facility operator shall not exceed the interest paid by the affiliated company to the external lender. All such interest reimbursement is subject to any co-investment provisions required by Tax Law Section 1612.

A copy of the loan agreement and financing amortization schedule must be provided to the Lottery upon submission of a reimbursement request for financing costs.

The Lottery Finance office will review reimbursement requests to ensure that the submission is complete and all required support has been provided. Once the request has been approved, the facility will be advised in writing that the requested funds may be withdrawn from the segregated capital award account. If the requested amount exceeds the funds available in the account, reimbursements will be allowed based on a mutually agreed schedule of monthly transfers.

Any questions related to this bulletin should be directed to Bob Willi of the Lottery Finance office at (518) 388-1218 or bwilli@lottery.state.ny.us.

VIDEO GAMING CAPITAL AWARD PROJECT

REQUEST FOR APPROVAL

Video Gaming Facility: _____

Capital Project Name: _____

I am requesting approval of the above capital improvement project from the New York Lottery, in consultation with the NYS Racing & Wagering Board, to ensure that this project qualifies for future reimbursement from the Capital Award as made available by Tax Law Section 1612. In compliance with video gaming rules and regulations section 2836-24, I have attached the required documentation in support of the project, to include:

Section 1 – Capital Project Overview

- a) A complete description of the overall capital project, including any architectural drawings if applicable.
- b) A narrative explaining the reasons for implementing the project.
- c) The estimated total project cost, including disclosure of any other anticipated source of funding to be received for this project.
- d) The estimated project timeline, including the start and completion dates.

Section 2 – Capital Project Impact

- a) A narrative explaining how the capital project will increase patronage at the video gaming facility.
- b) A narrative explaining how the capital project will increase the amount of revenue generated in support of education aid.

A copy of this complete request is submitted for approval to the New York Lottery Video Game Director.

Video Gaming Facility Certification:

I certify that this gaming facility has received no other source of external funding for this project, or has adequately disclosed such reimbursement in this request. If approved, I understand that the facility will be reimbursed from the Capital Award as these funds become available, and that such reimbursement shall only be made after the gaming facility has provided the Lottery with proof of payment for goods and services related to this project, and provided justification acceptable to the Lottery as to the reasonableness of those project costs. I also understand that any costs incurred for this project shall be the sole responsibility of the video gaming facility until Lottery approval has been received.

Authorized Facility Official

Date

Lottery Approval:

This capital project has been reviewed for compliance with Tax Law Section 1612 and section 2836-24 of the NY video gaming regulations, and qualifies in all respects for reimbursement from the capital award.

Approved

Denied (attach explanation)

Video Game Director

Date



Lottery Bulletin # 12

Progressive Game Accounting

Effective date: November 13, 2008

TO: All Video Gaming Facility General Managers, VGM Directors, & Finance Officers, and all VGM Vendors

This bulletin establishes guidance for video gaming facilities and the VGM manufacturers in accounting for Local Progressive and Wide Area Progressive (WAP) games and also serves notice that effective November 13, 2008, the seed amount for WAP jackpots will be shared by all facilities in direct relation to their contributions to the jackpot.

Prior to November 13, 2008, the facility which had the jackpot winner was responsible for the entire WAP seed amount, but at the request and consensus of all video gaming facilities we are now migrating to a shared seed arrangement in which all participants are responsible for a portion of the seed. The seed allocation will be based on the percentage of each facility's progressive contributions to the jackpot - if one facility accounts for 50% of the contributions, they will pay 50% of the seed. Under the shared seed, accounting for the daily contributions and jackpot payouts (excluding the seed) will remain as they currently exist for WAP prizes but additional financial adjustments will be made to the Daily Remittance report to transfer seed funds from all non-jackpot winning facilities to the facility with the jackpot winner when the WAP jackpot is won.

General Progressive Accounting

Financial reports on the MGAM system currently track all progressive game play. The "Progressive Contributions and JP Wins" report details daily progressive play on each VGM. As with other games, the credits played reflect all wagers on progressive games and credits won reflect all prizes paid, including the value of progressive jackpot seeds. As contributions are accumulated, the financial reports on the MGAM system will reduce net win daily to reflect that the progressive contributions are not part of revenue (net win) and instead represent a progressive liability due to players.

*New York Lottery, One Broadway Center, P.O. Box 7500, Schenectady, NY 12301-7500
(518) 388-3300
www.nylottery.org*

When New Yorkers Play Responsibly, We All Win.

When a progressive jackpot is won, the entire prize including the seed and all contributions will be reflected as a prize paid in the “credits won” for that day. Since those jackpot credits won have the effect of reducing net win by the full jackpot prize amount, an additional adjustment is made that day to increase the net win at the jackpot winning facility by the amount of any facility contributions to that particular jackpot. If this offset adjustment were not made on the day of the jackpot win, the net win would be understated at the jackpot winning facility. (see the attached Daily Remittance report examples which show the progressive contribution and jackpot win adjustments made to net win)

These daily adjustments allow report users to reduce net win and book progressive liability on a daily basis without reading VGM meters on the floor. They also serve to stabilize net win over the period of the game – if no reductions were made to net win during the buildup of the jackpot, net win would be overstated each day until the jackpot was won, at which time the large jackpot prize would substantially reduce the winning facility’s hold.

Outstanding progressive liability can be reconciled on a daily basis to the “Progressive Jackpot History Report” which is available on the MGAM system for Local and WAP progressives.

Local Progressives

Local Progressive jackpots are played on more than one VGM, linked within a single video gaming facility. The gaming facility retains all progressive contributions and books progressive liability until the jackpot is won, at which time the initial seed and accumulated contributions are paid to the winner. Net win is adjusted daily for contributions and jackpot wins in accordance with the General Progressive Accounting provisions outlined above.

Wide Area Progressives (WAP)

WAP jackpots are played on more than one VGM, linked in two or more video gaming facilities. Net win is adjusted daily for contributions and jackpot wins in accordance with the General Progressive Accounting provisions outlined above, but the Lottery serves as the central banker for all WAP contributions. To accomplish this, the Lottery collects WAP contributions on a daily basis from participating facilities through additional adjustments processed on the Daily Remittance report after the calculation of the net win. (see the attached Daily Remittance report examples which show the WAP progressive contributions added to the facility transfer amount at the bottom of the report; \$288.41 at Yonkers and \$78.77 at Saratoga)

When there is a WAP jackpot winner, the prize amount, net of the seed value, is transferred to the facility with the winner so they will have the cash to pay the prize. (see the attached Daily Remittance report for Yonkers showing a credit of \$42,292.80) This amount represents the full amount of WAP contributions above the seed amount collected from all facilities. Through November 12, 2008 the facility with the winning jackpot claim was responsible for paying the entire amount of the seed.

Effective with the gaming day of Thursday, November 13, 2008, a shared seed model will be implemented. To accomplish this, a new report will be made available on the MGAM system to track WAP contributions received from each facility. (see the attached “WAP Shared Seed Report”) When the WAP jackpot is won, this report will identify each facility’s contributions and calculate each facility’s pro-rata share of the jackpot seed. This amount is identified on the attached report as “Seed Allocation”.

For each non-jackpot winning facility, the seed allocation represents the portion of the jackpot seed they are responsible for paying. The highlighted adjustment at the bottom of the attached Daily Remittance for Saratoga shows the Lottery’s collection of Saratoga’s share of the seed at \$5,963.89. Since this collection represents Saratoga’s payment of a prize, a corresponding decrease is made to their net win. (see the highlighted reduction for the same amount to Saratoga’s net win on the attached Daily Remittance)

The WAP jackpot winning facility will receive a credit adjustment for the total amount of seed money collected from the other participating facilities. Since this credit represents a portion of the jackpot prize that is being paid by other facilities, a corresponding increase is made to the jackpot winning facility’s net win (see the highlighted lines of the attached Daily Remittance for Yonkers showing the adjustments of \$29,878.04). The increase to net win is necessary in this example because the entire \$50,000 seed is included in Yonkers “Credits Won” but their share of the seed was only \$20,121.96 as shown on the WAP Shared Seed report.

WAP Jackpot Payment Options

When a WAP jackpot is won, the facility has the option to pay the jackpot winner the entire net prize amount after applicable withholdings for taxes and setoffs, or the facility may make a minimum cash payment of \$10,000 pending receipt of the outstanding progressive contributions and seed from the Lottery. Per the normal daily remittance process, there is a 2 business day lag between a jackpot win and the settlement of funds between the Lottery and the gaming facility, therefore if a facility elects to make a partial payment to the claimant at the time of the jackpot voucher redemption, the claimant should be notified that the remainder of the jackpot, after applicable tax and setoff withholdings, will be made available 3 business days from the date of the win.

Each video gaming facility should update your internal procedures and controls, where necessary, to document compliance with the video gaming regulations and the provisions of this bulletin. Any questions related to this bulletin should be directed to the Lottery Finance unit at (518) 388-1218 or to the Lottery Video Gaming unit at (518) 388-1266.



Daily Remittance to NYS Lottery Empire City at Yonkers Raceway

Gaming Day:
EOD Range: 9/19/2007 2:38:37AM to 9/20/2007 2:56:20AM

Credits Played	\$10,880,820.58	
Credits Won (-)	\$10,050,311.31	
Net Win before Progressive Adjustments		\$830,509.27
Local Progressive Contributions (-)	(\$43,823.06)	
Local Progressive JP Wins, Net of Seed (+)	\$49,092.47	
WAP Progressive Contributions (-)	(\$288.41)	
WAP Progressive JP Wins, Net of Seed (+)	\$42,292.80	
WAP Shared Seed Allocation (+/-)	\$29,878.04	
Total Progressive Adjustments		<u>\$77,151.84</u>
Net Win after Progressive Adjustments		\$907,661.11
Agent Commission (-)		(\$235,991.89)
Marketing Allowance (-)		\$0.00
Capital Award (-)		\$-
Net Win Due to Lottery		<u>\$671,669.22</u>
<i>Remittance Adjustments</i>		
Federal Tax Withheld	\$36,201.57	
State Tax Withheld	\$9,919.24	
NYC Tax Withheld	\$3,866.75	
Yonkers Tax Withheld	\$0.00	
Child Support Withheld	\$0.00	
Public Assistance Withheld	\$852.13	
Total Withholdings (+)		<u>\$50,839.69</u>
Outstanding Vouchers (+)		\$2,198.40
Manufacturer Coupons (-)		\$0.00
Lottery Coupons (-)		\$0.00
Lapsed Prize Reimbursement (-)		\$0.00
Hand Pay Reimbursements (-)		\$0.00
Fingerprint Fees (+)		\$0.00
WAP Progressive Contribution (+)		\$288.41
WAP Progressive Jackpot Win (-)		(\$42,292.80)
WAP Shared Seed Allocation (+/-)		<u>(\$29,878.04)</u>
Other Adjustments		<u>\$0.00</u>
Net Proceeds Due to Lottery		<u>\$652,824.88</u>



Daily Remittance to NYS Lottery
Saratoga Gaming and Raceway

Gaming Day: EOD Range: 9/19/2007 2:34:02AM to 9/20/2007 3:09:43AM

Credits Played	\$4,209,646.84	
Credits Won (-)	(\$3,835,339.56)	
Net Win before Progressive Adjustments		\$374,307.28
Local Progressive Contributions (-)	(\$11,116.69)	
Local Progressive JP Wins, Net of Seed (+)	\$10,699.17	
WAP Progressive Contributions (-)	(\$78.77)	
WAP Progressive JP Wins, Net of Seed (+)	\$0.00	
WAP Shared Seed Allocation (+/-)	(\$5,963.89)	
Total Progressive Adjustments		(\$6,460.18)
Net Win after Progressive Adjustments		\$367,847.10
Agent Commission (-)		(\$106,675.66)
Marketing Allowance (-)		\$0.00
Capital Award (-)		\$-
Net Win Due to Lottery		\$261,171.44
<i>Remittance Adjustments</i>		
Federal Tax Withheld	\$3,500.00	
State Tax Withheld	\$959.00	
NYC Tax Withheld	\$0.00	
Yonkers Tax Withheld	\$0.00	
Child Support Withheld	\$482.00	
Public Assistance Withheld	\$0.00	
Total Withholdings (+)		\$4,941.00
Outstanding Vouchers (+)		\$195.10
Manufacturer Coupons (-)		\$0.00
Lottery Coupons (-)		\$0.00
Lapsed Prize Reimbursement (-)		\$0.00
Hand Pay Reimbursements (-)		\$0.00
Fingerprint Fees (+)		\$0.00
WAP Progressive Contribution (+)		\$78.77
WAP Progressive Jackpot Win (-)		\$0.00
WAP Shared Seed Allocation (+/-)		\$5,963.89
Other Adjustments		\$0.00
Net Proceeds Due to Lottery		\$272,350.20



MGAM SYSTEMS, INC.
A SUBSIDIARY OF MULTIMEDIA GAMES, INC

WAP Shared Seed Report

Pool ID	Site	Seed Allocation	ProgContrib	Jackpot Amount	Percent of Contribution	Net Win Adjustment
JACKPOTS WON						
100	WAP Game: S00575C	Seed Amount: \$50,000.00	Winning Site: YONKERS	Manufacturer: Bally	Date/Time: 9/19/07 11:18:04 pm	
	BATAVIA	\$1,820.95	\$1,540.26		3.64%	(\$1,820.95)
	BUFFALO	\$3,126.56	\$2,644.62		6.25%	(\$3,126.56)
	FINGER LAKES	\$4,773.28	\$4,037.51		9.55%	(\$4,773.28)
	MONTICELLO	\$5,904.56	\$4,994.41		11.81%	(\$5,904.56)
	SARATOGA	\$5,963.89	\$5,044.59		11.93%	(\$5,963.89)
	TIOGA	\$6,050.44	\$5,117.80		12.10%	(\$6,050.44)
	VERNON DOWNS	\$2,238.36	\$1,893.33		4.48%	(\$2,238.36)
	YONKERS	\$20,121.96	\$17,020.28		40.24%	\$29,878.04
		\$50,000.00	\$42,292.80	\$92,292.80	100.00%	\$0.00

Subtotal: Count of Jackpots - 1

\$50,000.00

\$42,292.80

\$92,292.80

\$0.00

INTERNAL USE ONLY



Lottery Bulletin # 13

Video Lottery Facility Surveillance System Standards

Effective date: December 8, 2008

Revised December 29, 2008

TO: All Video Gaming Facility General Managers & Surveillance Directors

In order to facilitate the opening of the Video lottery facilities, the New York Lottery provided the surveillance systems in use at the eight current facilities. Since much of the equipment is nearing the end of the initial five year life span, we are providing the following information and requirements relative to ownership, service, upgrades, modifications and replacements. Should anything in this document be found to conflict with lottery Rules and Regulations, the Regulations shall govern.

1. The Lottery will continue to hold title to and pay the service contracts for the period ending five years from each facility opening. Effective on the dates listed below, title for the equipment and ongoing maintenance costs will pass to the facilities.

Facility	Opening	Title Transfer
Saratoga	01/28/04	03/01/09
Finger Lakes	02/18/04	06/01/09
Fairgrounds	03/17/04	06/01/09
Monticello	06/30/04	10/01/09
Batavia	05/18/05	06/01/10
Tioga	07/04/06	10/01/11
Vernon	10/26/06	01/01/12
Yonkers	10/11/06	03/01/12

2. The Lottery will pay for system upgrades prior to the transfer of title only in the event that the current system fails to meet our required specifications based on the number of video games initially installed.
3. The facilities are responsible for modifications required due to changes to the gaming floor and any back of house changes.
4. In the event a system for which title has transferred to the facility must be replaced as a result of limited functionality or poor reliability, the facility must absorb the costs. If at any time a new facility opens, an existing facility is expanded or a new space is occupied at an existing facility,

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www.nylottery.org

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the operator will be required to provide the surveillance system according to Lottery specifications.

5. The surveillance system may be regularly serviced by a certified or licensed technician to maintain the quality of the system. Facilities shall employ an in house technician or contract with a third party for maintenance & service of the equipment. The technician and Surveillance Director must assure that the Lottery is copied on all work orders, including relocation or re-pointing cameras. Contractors or technicians providing service must be certified or licensed.

Below are current requirements for the surveillance systems. These should be considered minimum requirements, and may be amended by the Lottery in the future. All standards must be adhered to, and operations are subject to audit by Lottery staff. However, in the event that a system transferred to a facility fails to meet one or more requirements at the time of transfer, the facility will not be required to correct the deficiency until the specific equipment is replaced.

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VIDEO LOTTERY TERMINAL (VLT) SURVEILLANCE SYSTEM PLAN

I. OBJECTIVE

This specification is for the purpose of defining a digital video and audio recording, playback and archiving system for the Video Lottery Gaming Agent (VLGA) facilities in New York.

II. SURVEILLANCE REQUIREMENTS

- 1) Surveillance employees shall have no other duties within the facility.
- 2) The Surveillance system is monitored and operated from the Surveillance room.
- 3) Entrance to the Surveillance room is by an electronically controlled proximity card access system. The entrance to the room shall not be visible to the general public.
- 4) Access to the Surveillance room is restricted to Surveillance and Lottery staff. Entry by any other individuals must be approved by onsite Lottery staff or the Surveillance Director, and must be recorded in an access log.
- 5) The Surveillance room shall have total override capability over all satellite Surveillance equipment.
- 6) In the event of a power loss, the Surveillance system is connected to a back-up power source / UPS that provides uninterrupted power to all elements of the system, enabling Surveillance personnel to observe and record in all areas. The UPS must provide power to maintain the system in operating condition long enough to allow the second power source to begin operating if primary power fails.
- 7) The Surveillance system shall include synchronized date and time generators which display date and time of recorded events on recordings. The displayed date and time should not significantly obstruct the recorded view.
- 8) Each camera required by the Surveillance standards shall be installed in a manner that will prevent it from being readily obstructed, tampered with or disabled by patrons or employees. All cameras will be housed in a smoked (outside only) or clear dome, one-way mirror or similar material that conceals the camera and does not allow for determination of the field of view of the camera.
- 9) The output from each camera required by the Surveillance standards shall be capable of being displayed on a video monitor via a hardware or software Matrix Switcher and saved to a recorder system.
- 10) The Surveillance system will include a sufficient number of monitors (not less than 34) and recorders to simultaneously display and record multiple gaming floor and count room activities. The Surveillance system shall have the capability to record the views of all cameras simultaneously. All monitor outputs of the Matrix Switcher utilized for display capability will record at not less than 352 x 240 resolution at 30 fps with not less than seven (7) days video retention.
- 11) Repair and/or replacement of any malfunctioning Surveillance system equipment required by the Surveillance standards shall be initiated within seventy-two (72) hours after the malfunction is identified.
- 12) The surveillance system, including the media storage system, must be configured so that a failure of a recorder or component will not result in the complete loss of the data. The system must also include a failure notification plan that provides an audible or visual notification of failure on a system recording device on the system. Back up options are as follow:

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- A. One or more fail over recorders mounted and tied in for DVR system.
 - B. One or more spare recorder and server drive for each setup configuration ready for immediate replacement purposes.
 - C. One (1) spare recorder on property for immediate replacement purposes for DVR if no fail over.
 - D. A RAID configuration.
- 13) In order to guarantee the covert surveillance of the gaming floor, the Security Department should not be able to view video feed from the gaming floor or secured Back of House areas without authorization from the Surveillance Director for each occurrence. When authorized, this video should only be provided via recorded CD or DVD.
- 14) The Security Director's office may house one complete surveillance operator station that includes access to live feeds for back of house, access control points, designated money routes, hallways leading to / from cash handling area and exterior cameras. When required, recorded video should only be provided via CD or DVD.

III. ARCHIVAL SYSTEM - FOR DIGITAL IMAGES RETENTION AND STORAGE

The surveillance system shall include an archival system for extended video storage that may include, but is not limited to, networked RAID storage or networked DAT Juke-Box technology. The functionality, flexibility and expansion capability of the digital recording and archival retention system must be described by the VLGA to include;

- 1) Calculations for image file size by camera type (Fixed or Point Tilt Zoom)
- 2) Calculations for overall storage capacity for system quoted
- 3) Percentage of excess storage is not less than 110% of the expected capacity
- 4) Preventative maintenance schedule for technology chosen

IV. REQUIRED COVERAGE

- 1) Video Lottery Terminals (VLTs)

The surveillance system must provide the capability to monitor and record all Video Lottery Terminal gaming activity with sufficient clarity to permit positive identification of all those interacting with VLTs.

- a) Each VLT shall be monitored and recorded by at least one camera. Cameras should also be placed so as to permit viewing of activity (play, drop, etc.) on the games and along the banks.
- b) All cameras dedicated to the gaming floor shall be recorded at a minimum of 7.5 fps for no less than 7 days.

- 2) Cashiers Cage And Vault

The surveillance system must provide the capability to monitor and record a general overview of activities occurring in each cage, main bank, vault or ticket redemption center with sufficient clarity to identify patrons and employees at the counter area, cash drawers, vaults, safes, coin and currency counting machines.

- a) The cage windows shall be monitored by dedicated cameras viewing the exterior of the cage with sufficient clarity to identify persons at a cage window.

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- b) Each cage window in which vouchers, jackpots or credits are redeemed must include dedicated coverage that provides a view with sufficient clarity to identify currency value, denomination and exchanges occurring between the cashier and guest.
- c) Hold-up or panic buttons shall be located at all cage cashier windows, monitored by surveillance and/or the Director of Security.
- d) All cash control areas shall be recorded at a rate no less than 15 fps with 21 days retention. Where audio is recorded, it shall be synchronized to corresponding cameras.

3) Count Rooms

The surveillance system must provide the capability to monitor and record all areas within the soft count room including doors, currency counters, vaults, safes, and general work surfaces, whenever funds or persons are present or stored during the drop and count process. Any area where uncounted coin or currency is stored must be monitored by dedicated coverage. In addition, the soft count process must be monitored by dedicated coverage.

- a) The surveillance system shall monitor and record both audio and video in all areas where coin or currency may be stored or counted.
- b) Coverage of the currency counting machines and currency sorting machines must be sufficiently clear to view the currency input, output and rejection areas.
- c) All cameras required by this standard are to be recorded at a high record rate of 2SIF at 15 to 30 fps for no less than twenty one (21) days. Where audio is recorded, it shall be synchronized to corresponding cameras.

4) Main Bank

The surveillance system must provide the capability to monitor and record all areas within the main bank including doors, currency counters, vaults, safes, and general work surfaces, whenever funds or persons are present or stored.

- a) The surveillance system shall monitor and record in all areas where coin or currency may be stored or counted.
- b) Coverage of the currency counting machines and currency sorting machines must be sufficiently clear to view the currency input, output and rejection areas.
- c) All cameras required by this standard are to be recorded at a high record rate of 2SIF at 15 to 30 fps for no less than twenty one (21) days. Where audio is recorded, it shall be synchronized to corresponding cameras.

5) Security Holding Area

- a) If the facility has a Security holding area in which persons may be detained by Security personnel, the Surveillance system must include the capability to monitor and record the room. If included, a notice must be posted in the Security holding area advising all persons that the area is under video and /or audio Surveillance. When a person is detained in the Security holding area, the detention and any questioning is to be recorded.
- b) This camera shall be recorded on DVR technology at 7.5 fps and retained for twenty one (21) days. All audio shall be synchronized if multiple cameras are utilized.

6) Movement Of Funds

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- a) The surveillance system must provide the capability to monitor and record the movement of VGM related cash, vouchers, drop boxes and drop carts. All casino entrance and exit doors, stairs and loading and unloading areas shall also provide the capability to be monitored and recorded if they are utilized for the movement of VGM currency, drop boxes or drop carts.
 - b) General coverage shall be recorded at a rate no less than 7.5 fps and retained for 7 days. Higher minimum standards prevail for cashier cage, main bank, vault and soft count rooms.
- 7) Facility Entrance And Exits
The entrance and exit areas of the gaming facility must be monitored by dedicated coverage with sufficient clarity to identify persons in the areas.
- a) Entrance and exit areas, for the purpose of this standard, include any emergency exits with direct access to the gaming floor.
 - b) General coverage shall be recorded at a rate of no less than 7.5 fps and retained for 7 days.
- 8) Overall Views
The surveillance system must provide the capability to monitor and record the back of house and gaming floor with sufficient clarity to permit identification of guests, employees, patrons, and vendors. For the purpose of this requirement, back of house may include but is not limited to:
- a) Entrance and exit areas with direct access to the gaming floor,
 - b) Emergency exits with direct access to the gaming floor,
 - c) Employee entrances,
 - d) Player tracking/customer service terminals on the gaming floor,
 - e) Retail/F&B registers for non-gaming,
 - f) Parking, valet and exterior building areas,
 - g) Luggage handling and storage,
 - h) Hallways leading to and from cash handling areas,
 - i) Back of house hallways,
 - j) Access controlled doors.

V. IMAGE RETENTION

- 1) All recording of coverage provided by the dedicated cameras required by the Surveillance standards is retained for a minimum of seven (7) days, except for recording of the Count Room and detentions and questioning by Security personnel, which are retained for a minimum of twenty one (21) days.
- 2) Surveillance activity is logged to indicate the camera location/number, day and time recorded.
- 3) Recorded images identified as evidence are retained for a minimum of seven (7) years in the format in which it was originally recorded and retained. This would include all known criminal and civil matters. Use of CD or DVD media archiving is acceptable.
- 4) A duplicate copy of recorded images for any recorded event will be provided to the Lottery upon request.
- 5) Copies of surveillance video shall not be released to outside parties without authorization of the Lottery's Director of Video Gaming. Video footage released will be documented on a release log that shall be made immediately available to the Lottery upon request.

VI. EQUIPMENT CAPACITY

- 1) All cameras must be controlled by a Video Switch Matrix to facilitate viewing live video from any

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console, the main monitor cluster and networked recorder.

- 2) At a minimum, outdoor PTZ cameras shall be of high resolution color with B/W night option. Requirements include 18x or better zoom, 470 lines resolution or greater, over 75 preset points and 280+ degrees pan.
- 3) At a minimum, indoor PTZ cameras shall be of high resolution color. Requirements include 16x or better zoom, over 32 preset points and 280+ degrees pan.
- 4) At a minimum, fixed field of view cameras shall be of high resolution color with housing to conceal the camera from public view and provide 470 lines resolution or greater.
- 5) Fixed field of view B/W IR sensitive low light cameras with housing to conceal camera from public view, 450 lines resolution or greater and IR illuminators sufficient to provide viewable image of the designated area as a back-up overview for Count Rooms and Interior of Cage.
- 6) The primary surveillance monitor wall cluster configuration shall be approved by the Lottery.
- 7) The image printers for the system shall be capable of printing a clear, still copy using a minimum of four colors on photo-quality paper. The surveillance system will include the capability to produce a still copy of the images depicted on a record or live image. Still images must be provided to Lottery upon request.

VII. SURVEILLANCE OPERATOR STATIONS

- 1) The surveillance room will include a minimum of 2 surveillance operator stations for the first 500 cameras and one additional operator station for every 500 cameras thereafter, equipped with the necessary hardware and software to view live and recorded video from all camera devices without restriction. Reviewing software will include full system audit capabilities made available to the Surveillance Director and the Lottery. The surveillance operator stations will hold full override capability over satellite stations.
- 2) The office space designed for the Security Director will include one complete surveillance operator station equipped with the necessary hardware and software to view live video from selected camera devices. If the Security Director elects not to have a surveillance console, then the Surveillance Department must assume responsibility for monitoring all non-gaming areas and activity.
- 3) The security operator station will, at minimum, include access to cameras for back of house, access control points, designated money routes, hallways leading to and from cash handling areas and exterior cameras.
- 4) The office space designed for Lottery will include one complete surveillance operator station equipped with the necessary hardware and software to view live and recorded video from all camera devices without restriction. The Lottery operator station will have "administrator" rights accessible by authorized Lottery users. The Lottery will have over-ride designations of all switching for camera operations with masking (undetected live use) capability. Reviewing software will include full system audit capabilities made available to the Surveillance Director and Lottery.

VIII. ACCESS CONTROL REQUIREMENTS

The VLGA will provide an access control system with an alarm interface to the recording and retention system.

- 1) System Components
The surveillance access control system will include the following components;
 - a) Access control proximity devices.
 - b) Access controlled doors with electronic locks (magnetic or strike) which report door status.

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- c) Full audit function.
 - d) Electronic key control cabinets viewable by CCTV.
 - e) Integration with the building life safety system.
 - f) Three PC's shall be provided to administer the access control system and be capable of integration to the recording system. The workstations are to include all necessary hardware and software to operate a complete security badging system.
 - i) The Surveillance Office is to house one PC
 - ii) The Security management office is to house one PC
 - iii) The Lottery office is to house one PC
- 2) Design
- An electrical access control system shall be enacted upon;
- a) Doors leading into the surveillance and Lottery offices,
 - b) Rooms that maintain components of the surveillance or access control systems,
 - c) All doors into cash handling or counting rooms to include the cage, count room, man traps and cash storage areas,
 - d) All doors leading from the VLT gaming floor to the back of house.
 - e) Doors leading into VLT equipment storage or technical repair workshops.
 - f) Doors leading to Video Central System equipment and network rooms.

IX. DIGITAL VIDEO RECORDER REQUIREMENTS

- 1) Features
- For the purpose of this document the term "recorder" means – a mass storage device that provides the capability to record, playback and store video and audit inputs at acceptable minimum standards. Recorders may include but are not limited to DVRs, NVRs or RAID storage devices.
- a) The digital recording system shall operate over a local area network (LAN).
 - b) Audio and video recording shall be continuous and uninterrupted for every camera and monitor on the surveillance network.
 - c) All recorded video shall be stored on hard drives or external storage devices.
 - d) Recorders must be capable of storage and playback of images at a minimum of 7.5 fps to 30 fps.
 - e) Recorders shall have the capability to automatically restart after an electric failure or operational error without having to change any settings.
 - f) Recorders and switches shall have full duplex operation.
 - g) A secure means of digital authentication or watermarking, including corresponding codex.
 - h) The system shall have the capacity to maintain all recorded video for the minimum standards described in this document before overwriting the oldest recordings.
 - i) The recorders shall provide live and instantaneous playback at any viewing station connected to the network without impeding the recording process of any video input or influencing the operation of any other viewing station.
 - j) The recorders shall provide full remote addressing via IP address.
 - k) The recorders shall provide quality of the recorded video of at least 40dB PSNR quality compared to the original video and shall support NTSC formatted video.
 - l) The recorders shall have FCC, CE, UL certifications.

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2) Client Software

Viewing stations shall consist of a PC with a minimum of a P4 2.4 GHz processor speed with 512 MB ram, video card and speaker. Client software shall operate on a Windows XP comparable or greater server operating system and meet the following minimum qualifications;

- a) Shall provide for various configurations of video display from at least 4 cameras located on multiple recorders in live and playback mode.
- b) High level integration with matrix switchers and matrix keyboards
- c) Investigation and video archive search tool.
- d) Playback at multiple viewing speeds in both normal and reverse motion and looping synchronized playback of at least four recorded feeds.
- e) Shall permit saving of files to a CD, DVD or HD DVD and allow for playback on any standard DVD with video watermarking and database file encryption that provides digital authentication and tamper-proof security of recorded files.
- f) Full system audit function to allow administrator review of operator actions.
- g) Multi-level user access rights.
- h) Digital zoom capabilities in the pause or playback mode.

3) Authentication Software

The authentication software shall provide for frame-by-frame analysis of the video stream or other means to verify that it is original and unaltered.

X. LOTTERY AUTHORIZATION

- 1) The Lottery also requires the ability to review and approve plans for all camera placement changes and or new installations affecting the gaming floor prior to orders being placed for equipment. In addition all changes to surveillance are to be clearly documented by providing snapshots of the proposed surveillance area in comparison to the current.
- 2) The NYS Lottery Surveillance, Code and Fire Safety Coordinator and the facility Surveillance Director will maintain system software and password control in order to assure that the system is not compromised.
- 3) These are ongoing requirements and do not end with title transfer of the equipment to the facilities.

XI. WAIVERS

Upon written request from a VLGA, the Director of the Lottery, or his designee, may, for just cause, waive any minimum requirement in this document, provided that the Director finds that all of the following conditions exist:

- 1) The requirement requested to be waived is not imposed by statute or another provision of law.
- 2) Enforcing the requirement would impose an undue hardship on the VLGA requesting the waiver.
- 3) Significant protection of public safety can be afforded through another means.

Each request for a waiver shall be documented by the NY Lottery and will include an indication of the disposition of the request and a brief explanation of the reasons for granting or denying the waiver.



Lottery Bulletin # 14

Inventory Control/Distribution of Video Gaming Machine Locks

Effective date: April 24, 2009

TO: Video Gaming Machine Manufacturers

This bulletin assigns the responsibility for video gaming machine (VGM) locks to the video gaming machine manufacturers (Bally Technologies, IGT, Spielo) for inventory control/distribution as needed to authorized locations to ensure video gaming machines are secure once operational.

To secure the VGMs once operational, NY gaming facilities have on-site security and surveillance. Additionally, MGAM management terminal provides alerts when VGMs are entered/accessed by unauthorized users. The video gaming machine manufacturers' procedures for inventory lock control supplement these measures and are attached(see attachments 3, 4 & 5).

The New York Lottery will provide a listing of authorized personnel (see Attachment 1) from video gaming machine manufactures to VSR Industries (the lock manufacturer) so that machine manufacturers may order/purchase their own locks without the Lottery's approval.

If the machine manufacturer's authorized personnel changes, the machine manufacturer will submit an updated copy of their VGM lock inventory controls indicating their change in authorized personnel. The Lottery will update our procedure and provide to VSR to update their records.

Upon receiving an order for locks, VSR will verify that the purchaser is an authorized video gaming vendor of the NY Lottery and will process the order and ship the locks to one of the authorized locations (see Attachment 2) as requested by the video gaming machine manufacturers. If the video gaming machine manufacturer is requesting that locks be sent to an unauthorized location, VSR will deny the request. The video gaming machine manufacturer must work with the Lottery to resolve this or resubmit the request with an authorized location.

Note: If the machine manufacturer has a business/storage facility nearby a newly licensed gaming facility, they may request that location be temporarily added to the list of authorized locations to enable manufacturers to install locks and secure their devices prior to installation at a new gaming facility.

Defective locks will be disposed of by the machine manufacturers in a secure manner.

Any questions related to this bulletin should be directed to Karen Carl of the Lottery Video Gaming Unit at (518) 388-1210 or kcarl@lottery.state.ny.us

Machine Manufacturers' Listing of Authorized Personnel

Bally Technologies

Mike Nickolich

Robin Garcia

Susan Dano

Spiel

Jeffrey Hecht

Jeffrey Lewis

Paul Wypach

IGT

Steve Baker

Rich Harvey

Matt Jessen

Lisa Anzalone

Authorized Video Gaming Machine Manufacturers' Locations

Bally Technologies

Bally Technologies
37 Elkay Drive
Suite 63, 65
Chester, NY 10918

IGT

IGT Reno
9295 Prototype Drive
Reno, NV 89521

IGT Rhode Island
315 Commerce Park Rd
Suite 1
North Kingstown, RI 02852

IGT Amherst
6020 North Bailey Ave Suite 8,
Amherst, NY, 14226

IGT LVPDC Parts L100-Receipts
6355 South Buffalo Drive
Las Vegas, NV 89113

SPIELO

Spielo
37 Center Street
Batavia, NY 14020

Spielo Manufacturing
328 Urquhart Avenue
Moncton, New Brunswick
Canada E1H 2R6

Authorized NY Gaming Facility Locations

Batavia Downs Gaming
Empire City @ Yonkers Raceway
Finger Lakes Gaming & Racetracks
Fairgrounds Gaming & Raceway
Monticello Gaming & Raceway
Saratoga Gaming & Raceway
Tioga Downs Gaming
Vernon Downs Gaming



NYL VGM Lock Inventory Controls

The purpose of this document is to lay out parameters for properly controlling our NYL VGM lock inventory.

Authorized personnel for lock ordering:

1. Michael Nickolich
2. Robin Garcia
3. Susan Dano

Authorized personnel for lock delivery:

1. Michael Nickolich
2. Robin Garcia
3. Susan Dano
4. Allan Golembieski
5. Ron Chrestler
6. Crystal James
7. Frank Kiszka
8. FedEx/ UPS with tracking information

Authorized Locations to receive & store locks:

1. Batavia Downs
2. Fairgrounds Gaming and Raceway
3. Finger Lakes Gaming and Raceway
4. Monticello Raceway
5. Saratoga Gaming
6. Tioga Downs
7. Vernon Downs
8. Yonkers Raceway
9. Chester Office

Inventory/ Storage procedure:

1. Due to the sensitive nature of the inventory, the locks will be secured within a locked storage cabinet in Susan Dano's office.
2. All Locks will be labeled with the track name, lock type & part number.
3. Quarterly reports will be distributed to individuals listed above showing inventory adjustments.
4. Inventory Control Sheets will be completed for all locks moving in and out of inventory.
5. Defective locks will be disposed of in a secure manner.

Release Procedure for locks:

1. Track Managers will submit an order form for the locks needed to secure games.
2. Susan Dano will pull from inventory and sign out the aforementioned locks.
 - a. If not in stock, Michael Nickolich must approve ordering from VSR.
3. The locks will be signed for by the delivering employee and count verified.
4. The locks will then be delivered to the track where they will be signed for again and count verified.
 - a. Inventory Control Sheets will be faxed/ scanned to (845) 572-7010 or sdano@ballytech.com for proper record keeping in Chester.
5. In the event we have an emergency order, we will ship UPS overnight to site and tracking will be logged for tracing purposes.



Video Gaming Machine Lock Release Form

(Please sign upon receipt and scan to Susan Dano at sdano@ballytech.com)

FACILITY: _____ DATE: _____

VENDOR: _____

The VGM locks identified below will be used to:

<u>Lock Application</u>	<u>Lock Application Code</u>	<u>Qty. Released</u>	<u>Qty. Returned</u>
Main/Belly/Service Door 5/8"	_____	_____	_____
Main/Belly/Service Door 7/8"	_____	_____	_____
Logic CPU	_____	_____	_____
Flash Card	_____	_____	_____
Bill Validator	_____	_____	_____
Cash Box	_____	_____	_____
Base Cabinet	_____	_____	_____

Released By:

Bally Lock Controller Signature

Received By:

VGM Manufacturer Rep (Print Name)

VGM Manufacturer Rep (Signature)

Verified By:

PROPRIETARY & CONFIDENTIAL: This document may not be copied, disclosed or used in whole or in part without the consent of IGT.				
Subject: IGT Machine Lock Request Process, New York Lottery Specific				Document Number: CS288
Change Control Number:	Supersedes:	Revision: A	Effective Date: TBD	Page 1 of 2

1.0 PURPOSE**1.1**

- It is the policy of the Casino Services Department to address machine locks in a consistent and secure manner following the basic guidelines as approved by the New York Lottery. To provide a list of authorized persons to request locks from VSR, authorized storage / ship to locations and define basic inventory controls. This process applies to all Video Gaming machine locks related to the New York Lottery.

2.0 APPLICABLE DOCUMENTS

N/A

3.0 DEFINITIONS

- **VGM:** Video Gaming Machine.
- **Machine Lock:** Main Door, Belly Door, BV Door, Cash Box, and Logic Tray locks

4.0 EQUIPMENT/MATERIALS

N/A

5.0 PROCEDURE**5.1 Inventory Controls**

- As locks are received from VSR they will be entered into the SAP inventory system, all movements from receipt, storage, local distribution and replacement are traced using SAP. Locks stored for the NYL jurisdiction will be at a minimum secured in a locking hard mounted metal box, to include a local inventory and consumption details. Locks will only be stored locally in the authorized locations as shown below. Defective locks will be destroyed and disposed of by IGT as needed.

5.2 List of authorized machine lock requestors

- Steve Baker, Buyer/Planner
- Rich Harvey, Manager-Electronics-Electro-Mechanical
- Matt Jessen, CSNY Area Supervisor
- Lisa Anzalone, CSNY Area Supervisor

5.3 List of authorized machine lock ship to and storage locations

- IGT Reno
9295 Prototype Drive
Reno, NV 89511
- IGT Rhode Island
315 Commerce Park Road
North Kingstown, RI 08252

*This is an electronically controlled and issued document.
Hard copy printouts must be verified against the electronic revision prior to use.*

PROPRIETARY & CONFIDENTIAL: This document may not be copied, disclosed or used in whole or in part without the consent of IGT.				
Subject: IGT Machine Lock Request Process, New York Lottery Specific				Document Number: CS288
Change Control Number:	Supersedes:	Revision: A	Effective Date: TBD	Page 2 of 2

- IGT Amherst
6020 Bailey Ave Suite 8
Amherst, NY 14336
- IGT LVPDC Parts L100-Receipts
6355South Buffalo Drive
Las Vegas, NV 89113
- IGT Support @ Batavia Downs Casino
8315 Park Rd
Batavia, NY 14020
- IGT Support @ Yonkers Gaming & Racing
810 Yonkers Avenue
Yonkers, NY 10704
- IGT Support @ Finger Lakes Gaming and Racetrack
5857 Route 96
Farmington, NY 14425
- IGT Support @ Saratoga Gaming and Raceway
342 Jefferson St.
Saratoga Springs, NY 12866
- IGT Support @ Tioga Downs Casino
2384 W.River Road
Nichols, NY 13812
- IGT Support @ Vernon Downs Casino
4229 Stuhlman Road
Vernon, NY 13476
- IGT Support @ Monticello Raceway
204 State Rte 17B
Monticello, NY 12701
- IGT Support @ Fairgrounds Gaming & Raceway
5600 McKinley Parkway
Hamburg, NY 14075

***This is an electronically controlled and issued document.
Hard copy printouts must be verified against the electronic revision prior to use.***

12/29/2008



Spielo VLT Lock Procedures

All VLT locks will be distributed, inventoried and controlled according to the following procedures:

Locks will be delivered from the NY Lottery or the lock manufacturer to the Spielo USA Operations Center located in Batavia, NY. Upon arrival the locks will be inventoried, labeled and stored in a locked filing cabinet. The Field Service Manager and Materials Supervisor will be the only personnel with a key to access to the locks in storage. A log will be maintained to track all incoming and outgoing locks. This log will be stored with the locks in the locked filing cabinet. Damaged locks returned from gaming facilities will also be stored and tracked in the same manner until they can be destroyed in a manner acceptable to Spielo USA and the NY Lottery. One possibility is returning the defective locks to the manufacturer for destruction. For game installations involving large quantities of machines that are required to be locked/secured prior to arrival at the gaming facility, the lock manufacturer will ship locks directly to Spielo Manufacturing in Moncton, New Brunswick for installation.

Lock requests for gaming facilities will be made from the Senior Technician level and must be approved by the Field Service Supervisor. Locks will be shipped to the Field Service Supervisor to be delivered to the gaming facilities on site secure cage. All locks will be inventoried, labeled and stored within the secure cage. Locks being replaced due to damage will be tagged as such and swapped out on a one for one basis. An entry will be made in the facility lock log to track the exchange. This log will be utilized to maintain an accurate inventory of all Spielo issued locks at each gaming facility. All locks received, shipped, utilized for incoming VLT's, removed from old VLT's or swapped for damaged locks will be accurately tracked in this log. Five spare locks of each type utilized at each gaming facility will be kept in a secure location in the cage at each facility. Damaged locks will be stored in the same manner until they can be swapped out with replacements from the Batavia Operations Center. Only Spielo Technicians and Spielo Supervisors will be authorized to have possession of, remove or install VLT locks at any gaming facility.



DRAFT

Lottery Bulletin # 16

Unauthorized Removal of Video Gaming Machine Keys From NY Gaming Facilities

Effective date: March 8, 2010

TO: New York Video Gaming Facilities and Video Gaming Machine Manufacturers

This bulletin establishes a policy for addressing unauthorized removal of Video Gaming Machine (VGM) keys from licensed New York Video Gaming facilities. Any time VGM keys are removed from the gaming facility, a Security Incident report must be filed, with a copy to the Lottery's Director of Video Gaming.

- The first time an employee of the gaming facility or video gaming machine manufacturer leaves the facility with VGM keys, he or she may be suspended without pay from Video Lottery Gaming (VLG) related employment for up to one week.
- A second offense may result in significant disciplinary actions for the employee up to VLG license revocation. Second or subsequent offenses or any repeated offenses may also result in significant disciplinary actions up to VLG license revocation for such employee's supervisor, manager or VLG Agent.

The New York Lottery will determine if a key code change is needed based on the results of the investigation and the recommendation of the gaming facility or VGM manufacturer.

If an employee mistakenly leaves machine keys in his or her locker/secured vendor cage, upon return to the facility, the employee must be accompanied by security staff while retrieving the keys to confirm the keys had not been removed from the facility.

To help minimize incidents in which an employee fails to return his or her VGM keys before leaving the facility, the Lottery is recommending that all gaming facilities institute procedures to increase key control. One option is to require that every employee authorized to use VGM keys

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must exchange his or her personal keys (car, house, etc.) for the VGM keys. As an alternative, the facility may purchase RFID chips to attach to all key rings and sensors that can be placed at doorways utilized by staff to sound an alarm if a key ring is removed from the facility. If the gaming facility can demonstrate that these alternatives are not workable or cause hardship, a written request for a waiver may be submitted to the Lottery's Director of Video Gaming.



December 28, 2007

To All Video Gaming Facilities:

This notice is to inform you of immediate revisions to the marketing allowance requirements of the video gaming regulations. As you are aware, section 2836.18 was added to the regulations following amended video gaming legislation in April 2005, which authorized a marketing allowance for each video gaming facility for the marketing, promotion, and associated costs of the facility.

A Lottery review of the regulatory requirements concluded that there are several areas where the program can be administered more efficiently while maintaining the legislative objective to maximize revenue generated for education. Therefore, the Lottery is implementing the following changes in the regulatory requirements, effective as of January 1st, 2008. Formal amendments will follow in the coming weeks, but video gaming facilities are expected to immediately follow the new requirements described below.

18.1 Video lottery gaming agent receipt of marketing allowance

- Effective Jan 1st, 2008, marketing allowance funds will be made available to each video gaming agent via a reduction to the daily remittance proceeds due to the Lottery. The Daily Remittance report on the MGAM system will be revised to include this reduction effective with the gaming day of Jan 1st. It shall be the responsibility of the video gaming agent to deposit the marketing allowance daily into an account dedicated and restricted for reimbursement of marketing, promotion, and associated costs of the video gaming facility.
- Marketing allowance balances accrued through the gaming day of Dec 31st, 2007 shall be reimbursable to the video gaming agent under the current procedures as described by Lottery Bulletins 2006-MKT-008 and 2006-MKT-009.

18.2 Marketing and promotion plan

- Video gaming agents are still required to submit an annual marketing plan for Lottery approval in accordance with the requirements and timeframes established by the current regulation. Beginning with calendar year 2008, annual marketing plans must include a summary of projected net machine income, projected marketing allowance, and projected expenditures by category, in a standard worksheet format prescribed by the Lottery. A copy of the standard format is included in the "Marketing Plan Budget" tab of the attached Excel worksheet.

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- The marketing plan budget worksheet must include budgeted marketing expenditures by month and in total for each standard category. The worksheet will be reviewed by the Lottery as part of the overall plan approval.
- If a video gaming agent makes interim changes to the marketing plan budget during the calendar year, the “Marketing Plan Budget” tab should be updated accordingly and the worksheet should be submitted to the Lottery marketing office for approval, accompanied by supporting documentation for the updated budget.

18.3 Establishment of the marketing allowance account

- A new marketing allowance account must be established and controlled by each video gaming agent, who will deposit marketing allowance funds daily to the account whenever possible, provided that in no instance shall marketing allowance funds be deposited more than 5 business days after the accrual of such allowance.
- Throughout the implementation of the plan year, a video gaming agent will be allowed to submit requests for reimbursement of qualified marketing expenses by updating the “Actual Marketing Expenses” tab of the attached worksheet and submitting it to the Lottery for approval. This worksheet will serve as the basic documentation for requesting monthly reimbursement from the allowance account. It will also provide the analytical tool required by Lottery marketing staff to review reimbursed expenditures against plan budgets, and monitor the effect of the expenditures on actual gaming revenues.
- Any withdrawals from the marketing allowance account for reimbursement of qualified marketing expenses may only be made by a video gaming agent pursuant to an approval received from the Lottery marketing office, following the Lottery’s review of the qualified marketing expenses as noted on monthly updates to the marketing plan worksheet submitted by the video gaming agent. Monthly updates to the marketing plan worksheet must be submitted to the Lottery marketing office (attn: June Bonilla & Colleen Glynn) and to the Lottery finance office (attn: Karen Cushman & Bob Willi).
- Monthly bank statements for the marketing allowance account must be provided by the video gaming agent’s financial institution directly to the Lottery finance office (attn: Karen Cushman) for verification of deposits and approved withdrawals.

18.4 Marketing and promotion plan implementation

- After a marketing plan is approved by the Lottery and qualified marketing expenses have been incurred, the video gaming agent shall be permitted to request reimbursements from the marketing allowance account as the expenses are accrued in accordance with generally accepted accounting principles.

- Effective with the implementation of marketing plans beginning on or after Jan 1st, 2008, Lottery bulletins 2006-MKT-008 and 2006-MKT-009 are repealed. Marketing approval forms (MAF) are no longer required prior to implementation of marketing and promotion programs, and Marketing Allowance Reimbursement Requests (MARR) will not be required for reimbursement requests. The Lottery's approval of the overall marketing plan and periodic review of plan expenditures, as submitted by the video gaming agent on monthly updates to the marketing plan worksheet, shall constitute Lottery's supervision of the marketing program.
- Effective with the implementation of marketing plans beginning on or after Jan 1st, 2008, video gaming agents are no longer required to forward documentation for advertising expenses associated with the marketing allowance account to the Lottery audit unit.
- Lottery marketing staff will continue to provide ongoing marketing support and conduct regular reviews on the effectiveness of the video gaming agents use of the marketing allowance.
- The Lottery will require the video gaming agent to have their independent auditor opine each year on the content of the final annual statement of marketing expenses submitted to the Lottery as pertains to the reimbursement of marketing allowance. The Lottery will provide additional guidance on the type of opinion that will be required from the independent auditor at a later date.
- The Lottery or its independent representative may, at its discretion, review the books and records of the video gaming agent, to address additional needs for assurance regarding utilization and reimbursement of the marketing allowance. Video gaming agents shall maintain sufficient documentation and a clear audit trail to support the reimbursement of any and all marketing allowance.
- Any reimbursement of marketing allowance, as determined by audit to be a non-qualified marketing expense, shall be immediately returned to the marketing allowance account by the video gaming agent and interim updates to the marketing plan shall incorporate expenditure of the additional allowance.

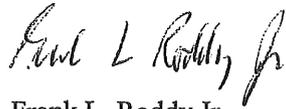
18.5 Permitted marketing and promotion expenses

- Marketing allowances shall only be reimbursable to video gaming agents for qualified marketing expenses as authorized by regulation. A revised list of qualified marketing expenses will be promulgated in revised regulations and is included in the "Qualified Marketing Expenses" tab of the attached worksheet.

Understandably, the short notice and immediate implementation of these revisions will require some time for video gaming agents to adapt to the new regulations and put revised procedures and controls into place. However, we are implementing the new revisions effective Jan 1st, 2008, in consideration of the fact that each video gaming agent prepares marketing plans and financial statements on a calendar year basis.

Some latitude will be conceded in the month of January to allow video gaming agents to revise marketing plans to include the new standard marketing plan worksheet, or open new marketing allowance accounts and put procedures into place to fund and draw down the account, and generally comply with the revised requirements. If you have any questions or comments on these changes, please feel free to contact me at (518) 388-3354.

Sincerely,

A handwritten signature in black ink that reads "Frank L. Roddy Jr." with a stylized flourish at the end.

Frank L. Roddy Jr
Director of Financial Administration

QUALIFIED MARKETING EXPENSES

ADVERTISING

Agency fees
 Production (itemized by 'TV', 'Radio', 'Print', 'Out of Home', and 'Other')
 Media (itemized by 'TV', 'Radio', 'Print', 'Out of Home', and 'Other')
 Internet (itemized by 'Website Production', 'Hosting and Maintenance', 'Email Blasts' & 'Other')
 Interior Signage - includes all promotional signage
 Public Relations – includes press release distributions and associated fees paid to contractors
 Special Events – includes event sponsorships, trade shows, etc.
 Marketing Research – includes focus groups, phone surveys, direct mail, incentives, comment cards, etc.

DIRECT MAIL

Entertainment Mailers (itemized by 'Production & Printing', 'Postage', and 'Offer Redemption')
 Promotion Mailers (itemized by 'Production & Printing', 'Postage', and 'Offer Redemption')
 Player Development Mailers (itemized by 'Production & Printing', 'Postage', and 'Offer Redemption')

PLAYER DEVELOPMENT

Player Club System Costs - includes hardware, software, maintenance, & training
 Player Club Supplies - includes card stock, boca tickets, brochures, uniforms, decorations, bungees, etc.
 Complimentary Services (itemized by 'Free Beverages' and 'Valet Parking')
 Discretionary Complimentary Services (itemized by 'Food & Beverage', 'Free Play', and 'Merchandise & Other')
 Point Redemptions (itemized by 'Food and Beverage', 'Free Play', 'Merchandise & Other', 'Cash', and 'Unredeemed Point Accruals')
 VIP Parties
 VIP Incentives

PROMOTIONS

Grand Prize Drawings - includes merchandise & cash associated with grand prize drawings
 Merchandise - includes novelty giveaways & smaller prizes
 Free Play - includes net cost after reimbursement, if promotion was sponsored by Lottery or vendors
 Cash Prizes - not associated with grand prize drawings
 Special Events
 Special Event Offsets – reduction for fees paid by patrons or sponsors
 General Supplies - includes scratch off production, coupon printing, cash cube, equipment rental, etc.

ENTERTAINMENT/EVENTS

Talent – includes bands/performers, talent hospitality, agency fees and consulting services, etc.
 Event Production – includes sound, light, staging, equipment maintenance, support, equipment rental, etc.
 Event Production Offsets - reduction for fees paid by patrons or sponsors

GROUP SALES

Incentives
 Bus Program – includes production, postage, printing, etc. (excluding offer redemption costs)
 Bus Program Offer Redemption
 Group Sales Program – includes production, postage, printing, etc. (excluding offer redemption costs)
 Group Sales Program Offer Redemption

PERSONAL SERVICE COSTS

Salaries - authorized marketing positions who perform job duties as stated in the jobs compendium (see list of authorized positions below)
 Payroll Taxes - includes FICA, unemployment, and workers comp
 Health Insurance Benefits - net of employee contributions
 Pension Benefits - net of employee contributions
 Other Employee Benefits - e.g. life insurance, dental, vision, and other benefits not shown above (net of employee contributions)

MARKETING SUPPORT

Dues - includes professional organization subscriptions associated with video gaming marketing
 Travel - associated with video gaming marketing

Training - associated with video gaming marketing
 Equipment Rental - associated with video gaming marketing

AUTHORIZED POSITIONS FOR REIMBURSEMENT FROM MARKETING ALLOWANCE

Advertising Coordinator	Marketing Secretary
Advertising Manager	Marketing Specialist
Assistant Promotions Booth Manager	Marketing Support Staff
Customer Service Manager	Player Rewards Manager
Database / Promotions Manager	Player Rewards Staff
Database Analyst	Player Tracking Clerk
Database Marketing Analyst	Players Club Manager
Direct Marketing Coordinator	Players Club Representative
Director of Entertainment and Special Events	Players Club Supervisor
Director of Marketing	Players Development Coordinator
Director of Payers Club & Guest Services	Players Extras Representative
Director of Player Development	Players Extras Supervisor
Director of Players Club/ Guest Relations	Players Reward Manager
Director of Sales	Players Reward Staff
Event Planning Coordinator	Players Reward Supervisor
Event Sales Coordinator	PR/ Media Assistant
Event Sales Manager	Promotional Marketing Specialist
Executive Administrative Assistant - Marketing	Promotions Booth Lead Representative
Gaming Host	Promotions Booth Manager
Graphic Designer	Promotions Booth Representative
Group Sales Coordinator	Promotions Booth Supervisor
Group Sales Manager	Promotions Manager
Group Sales Staff	Publicity & Public Relations
Lead Players Club Representative	Senior Dir. Of Gaming & Marketing
Manager of Public Relations	Special Events / Promotions Manager
Marketing Analyst	Special Events Coordinator
Marketing Compliance Accountant	Staff Photographer
Marketing Compliance Manager	Telemarketing Agent
Marketing Consultant	VGM Operations & Player Dev. Assistant Manager
Marketing Coordinator	VGM Operations & Player Dev. Manager
Marketing Database Manager	VGM Operations & Player Dev. Supervisor
Marketing Director	VGM Supervisor-Host
Marketing Finance Manager	Vice President of Gaming and Marketing
Marketing Manager	Vice President of Sales and Marketing
Marketing Office Coordinator	VP of Marketing & Sales

- Any marketing positions involved in marketing of the pari-mutuel racing operation where the employees primary duties simultaneously encourage increased attendance at the video gaming facility. In your annual marketing plan, please identify the racing positions and how they will impact attendance at the video gaming facility.

New York State Lottery Procedure	Code: 7.508	Page 1 of 4
Subject: Video Gaming Entertainment Coupon Production & Usage - Facility		
Approved By:	Date:	

Purpose: To identify vendor / facility responsibilities in the development of Video Gaming Entertainment (VGE) promotions and to establish responsibilities associated with coupon production and usage.

Organizational Responsibility: Marketing and Sales

Coupons Retained and Issued by a VGE Facility

Upon approval by the New York Lottery, a VGE facility will be allowed a specified quantity of coupons to be printed in denominations as needed. VGE facilities will be responsible for the cost of printing, storage, and distribution of coupons. As coupons are redeemed, the value will reduce the facility's commission on a dollar for dollar basis. Refer to Attachment A for additional information regarding promotional coupon creation, usage and control.

Responsibility:

VGE Facility
Coordinator /
Manager

Action:

Complete the VGE Coupon / promotion approval form requesting the required number of coupons by denomination. Non-specific usage coupons such as those used for bus trips or comps should be ordered in quantities to maintain sufficient on hand inventory. These coupons can be requested in varying denominations and quantities on one form. Promotional coupons with defined parameters such as specific dates and times of usage must be requested individually on separate promotional approval forms.

Determine and enter the "approval needed" date. This date must be at least two weeks from the date the form is submitted to allow the Lottery sufficient time for review and to request necessary electronic file production from MGAM.

The facility coordinator / manager must also determine the "coupons needed" date to ensure the proper lead time is given between the approval date and coupons needed date for printing, delivery, and Lottery operational requirements to activate coupons.

Determine the total costs associated with the printing of coupons and or promotion. When necessary attach a detailed budget to the form.

Check the funding responsibility box as applicable. Positive identification of those responsible for costs associated with promotions is required as part or all of the cost may be applied to annual promotional spending required from each VGE machine vendor. The vendor(s) or facility responsible for the value of coupons redeemed will also be assigned during the approval process.

Sign and date the approval form and if necessary, obtain vendor sign off if a shared cost promotion is requested.

Related Issuances:
Coordination:

Revised:

Date Issued:

New York State Lottery Procedure	Code: 7.508	Page 2 of 4
Subject: Video Gaming Entertainment Coupon Production & Usage - Facility		
Approved By:	Date:	

Submit the form to the Lottery On-site Marketing Specialist.

Lottery On-site
Marketing Specialist

Verify the form is complete and that any necessary support is attached.

Determine if the promotions requested are feasible and offer positive sales potential. When a specific promotion is requested determine the proper machines by vendor, theme, denomination or other specified attributes are available to support the promotion.

Open a promotional coupon file on the MGAM system, enter the required attributes for the promotional coupons to schedule creation by MGAM of a global unique identifier number (GUID) file. Assign a promotional approval form (PAF) number. Record the number on the VGE - PAF form. (The MGAM management terminal has a facility to allow the Lottery Marketing Specialist to request a coupon file with parameters as defined by a promotion.)

Sign and submit the form to the Lottery VGE Product Manager.

Lottery VGE
Product Manager/designee

Review the form for completeness. Open a record of the PAF in the promotion control database and submit the form to the authorized MGAM manager for review.

MGAM Manager

Review the PAF form and file opened on the MGAM management terminal for proper completion and determine feasibility within the central system.

If promotional parameters are supported by the central system, sign the form and return to the Lottery VGE Product Manager. Notify the VGE Product Manager of any technical issues that hinder a promotion as requested.

Lottery VGE
Product Manager

Review and sign form and submit to the Director of Advertising.

Director of Advertising/designee

Approve / Disapprove coupon – promotion request.

Disapproved:
Return to On-site Marketing Specialist for distribution with explanation for disapproval.

Approved:
Submit signed copy of PAF to On-site Marketing Specialist for distribution.

Lottery On-site
Marketing Specialist

Copy and distribute approved / disapproved request form to facility coordinator, MGAM manager, and VGE Product Manager.

Related Issuances:
Coordination:

Revised:

Date Issued:

New York State Lottery Procedure	Code: 7.508	Page 3 of 4
Subject: Video Gaming Entertainment Coupon Production & Usage - Facility		
Approved By:	Date:	

MGAM Manager Prepare an electronic file of all GUID's and bar codes to be used by coupon print contractor. (MGAM will also provide printer specifications for GUID number / bar code location. Specified language and expiration date to be printed on the back of coupons will also be provided.)

Deliver the file to the Lottery On-site Marketing Specialist.

Lottery On-site Marketing Specialist

Deliver file and specification sheet to facility designee.

VGE Facility

Contract a qualified printer to create the coupons using the tape and specifications provided. (Subject to approval, on – premise printing may be allowed to create promotional coupons utilizing a printer linked to the MGAM system.)

Take delivery of the coupons and log the quantity range of numbers received.

Request from Lottery VGE Product Manager activation of a specified range of coupons.

Lottery VGE Product Manager

Notify MGAM of the range of coupons to be activated. The notification process must be completed through e mail with a copy of the email notifications and completion of activation notifications by MGAM retained by the Lottery VGE Product Manager.

Notify VGE facility of activation completion.

NOTE: Coupon stock will not read at any VGE machine until activated. In the event stock is stolen or lost, the facility must notify the Lottery and the State Police immediately regardless of the active status of the coupon stock. The Lottery will notify MGAM to flag the stock as lost or stolen to prevent usage. Failure to notify the Lottery of any coupons that are activated and subsequently stolen or lost then played on a VGE machine will result in a charge to the VGE facility for the value of the credits played.

VGE Facility

Upon usage, log recipient, date, time, and purpose of all coupons usage in accordance with the New York Lottery Video Lottery Gaming rules and regulations. (Sufficient documentation and logging requirements will vary depending on the type of promotion, recipient and value of coupons.) Coupon log books will be periodically reviewed by the Lottery.

Coupon usage assigned to a VGE facility will be applied to the facility's daily remittance due to the Lottery. The total value of coupon redemptions will be shown as a line item. Specific usage of coupons will be available to the facility through the MGAM management terminal.

Lottery VGE Product Manager

Monitor coupon usage as reported on the MGAM management terminal.

Related Issuances:
Coordination:

Revised:

Date Issued:

New York State Lottery Procedure	Code: 7.508	Page 4 of 4
Subject: Video Gaming Entertainment Coupon Production & Usage - Facility		
Approved By:	Date:	

Record the usage of coupons within the Lottery database by PAF number for analysis of coupon usage and effectiveness of promotions.

Track all costs associated with machine provider promotions as well as the coupon redemption values. All costs are to be tallied by provider per facility. The costs of promotions are to be reported to the Director of Advertising on a quarterly basis.

When promotions requiring coupons have been completed, prepare a close out report stating the conditions of the promotion, noting any exceptions and assessing the promotions performance. Maintain this report within the specific promotion file.

Related Issuances:
Coordination:

Revised:

Date Issued:

New York State Lottery Procedure	Code: 7.509	Page 1 of 4
Subject: Video Gaming Entertainment Coupon Production & Usage - VGE Game Manufacturer		
Approved By:	Date:	

Purpose: To identify vendor / facility responsibilities in the development of Video Gaming Entertainment (VGE) promotions and to establish responsibilities associated with coupon production and usage.

Organizational Responsibility: Marketing and Sales

Coupons Issued by a VGE Game Manufacturer

Upon approval by the New York Lottery, a VGE Game Manufacturer will be allowed to produce coupons with various specification such as denomination , time of use, and game theme as needed to conduct a promotion. The VGE manufacturer will be responsible for the cost of printing, storage, and distribution of coupons. As coupons are redeemed, the value will reduce a game manufacturer’s weekly fee on a dollar for dollar basis. Refer to Attachment A for additional information regarding promotional coupon creation, usage and control.

Responsibility:

Action:

VGE Machine Vendor

Define the promotion specifics and expected benefits and obtain approval from the VGE facility coordinator / manager to conduct promotion.

Complete the VGE Coupon / promotion approval form requesting approval for a promotion.

When applicable request the number of coupons required. Define the parameters of the promotional coupons such as specific dates, times, vendors, themes or denominations.

Determine and enter the “approval needed” date. This date must be at least two weeks from the date the form is submitted to allow the Lottery sufficient time for review and to request necessary electronic file production from MGAM.

The requestor must also determine the “coupons needed” date to ensure the proper lead time is given between the approval date and coupons needed date for printing, delivery, and Lottery operational requirements to activate coupons.

Determine the total costs associated with the printing of coupons and or promotion. When necessary attach a detailed budget to the form.

Check the funding responsibility box as applicable. Positive identification of those responsible for costs associated with promotions is required as part or all of the cost may be applied to annual promotional spending required from each VGE machine provider. The vendor(s) or facility responsible for the value of coupons redeemed will also be assigned during the approval process.

Sign and date the approval form. Submit the form to the VGE facility coordinator / manager.

Related Issuances:
Coordination:

Revised:

Date Issued:

New York State Lottery Procedure	Code: 7.509	Page 2 of 4
Subject: Video Gaming Entertainment Coupon Production & Usage - VGE Game Manufacturer		
Approved By:		Date:

VGE Facility Coordinator / Manager	Sign and date the approval form and submit to the Lottery On site Marketing Specialist.
Lottery On-site Marketing Specialist	<p>Verify the form is complete and that any necessary support is attached.</p> <p>Determine if the promotions requested are feasible and offer positive sales potential. When a specific promotion is requested determine the proper machines by vendor, theme, denomination or other specified attribute are available to support the promotion.</p> <p>Open a promotional coupon file on the MGAM system, enter the required attributes for the promotional coupons to schedule creation by MGAM of a global unique identifier number (GUID) file. Assign a promotional approval form (PAF) number. Record the number on the VGE - PAF form. (The MGAM management terminal has a facility to allow the Lottery Marketing Specialist to request a coupon file with parameters as defined by a promotion.)</p> <p>Sign and submit the form to the Lottery VGE Product Manager.</p>
Lottery VGE Product Manager/Designee	Review the form for completeness. Open a record of the PAF in the promotion control database and submit the form to the authorized MGAM manager for review.
MGAM Manager	<p>Review the PAF form and file opened on the MGAM management terminal for proper completion and determine feasibility within the central system.</p> <p>If promotional parameters are supported by the central system, sign the form and return to the Lottery VGE Product Manager.</p>
Lottery VGE Product Manager	Review and sign form and submit to the Director of Advertising.
Director of Advertising/Designee	<p>Approve / Disapprove coupon – promotion request.</p> <p>Disapproved: Return to On-site Marketing Specialist for distribution with explanation for disapproval.</p> <p>Approved: Submit signed copy of PAF to On-site Marketing Specialist for distribution.</p>
Lottery On-site Marketing Specialist	Copy and distribute approved / disapproved request form to facility coordinator, VGE Machine Provider, MGAM manager, and VGE Product Manager.

Related Issuances:
Coordination:

Revised:

Date Issued:

New York State Lottery Procedure	Code: 7.509	Page 3 of 4
Subject: Video Gaming Entertainment Coupon Production & Usage - VGE Game Manufacturer		
Approved By:		Date:

MGAM Manager Prepare an electronic file of all GUID's and bar codes to be used by coupon print contractor. (MGAM will also provide printer specifications for GUID number / bar code location. Specified language and expiration date to be printed on the back of coupons will also be provided.)

Deliver the file to the Lottery On-site Marketing Specialist.

Lottery On-site Marketing Specialist Deliver file and specification sheet to VGE machine provider designee and VGE facility coordinator / manager.

VGE Machine Provider Contract a qualified printer to create the coupons using the tape and specifications provided. (Subject to approval, on – premise printing may be allowed to create promotional coupons utilizing a printer linked to the MGAM system.)

Take delivery of the coupons.

Request from Lottery VGE Product Manager activation of coupons.

Lottery VGE Product Manager Notify MGAM to activated coupons. The notification process must be completed through e mail with a copy of the email notifications and completion of activation notifications by MGAM retained by the Lottery VGE Product Manager.

Notify VGE machine provider of activation completion.

NOTE: Coupon stock will not read at any VGE machine until activated. In the event stock is stolen or lost, the VGE machine provider must notify the Lottery and State Police immediately regardless of the active status of the coupons. The Lottery will notify MGAM to flag the stock as lost or stolen to prevent usage. Failure to notify the Lottery of any coupons that are activated and subsequently stolen or lost then played on a VGE machine will result in a charge to the VGE machine provider for the value of the credits played.

Coupon usage assigned to a VGE machine provider will be deducted from the provider's weekly fee. The total value of coupon redemptions will be shown as a line item. Specific usage of coupons will be available to the provider through the MGAM management terminal.

Lottery VGE Product Manager Monitor coupon usage as reported on the MGAM management terminal.

Record the usage of coupons within the Lottery database by PAF number for analysis of coupon usage and effectiveness of promotions.

Track all costs associated with machine provider promotions as well as the coupon redemption values. All costs are to be tallied by provider per facility. The costs of promotions are to be reported to the Director of Advertising on a quarterly basis. As coupons will have defined expiration dates coinciding with

Related Issuances:
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Approved By:		Date:

the promotion, close out procedures will not be necessary in regard to the return and tracking of unused coupons.

When promotions requiring coupons have been completed, prepare a close out report stating the conditions of the promotion, noting any exceptions and assessing the promotions performance. Maintain this report within the specific promotion file.

Related Issuances:
Coordination:

Revised:

Date Issued:

NEW YORK VIDEO GAMING ENTERTAINMENT

Promotional Coupon Creation, Usage and Control

Each Video Gaming Entertainment (VGE) facility and/or VGE game manufacturer under the direction of the VGE facility may require a stock of promotional coupons in various denominations to be used for distribution as incentives for bus patrons, player's club rewards, tournaments, specific game machine play incentives and various other facility promotions. These coupons may also be used as needed for comps to individuals.

It is expected that the minimum denomination of promotional coupons will be \$5 and increase in increments of \$5 thereafter depending on the promotional needs of the VGE facility. It should be noted that maximum dollar value of coupons accepted by a single VGE machine is \$599 at any one time.

Who initiates requests for promotional coupons at a VGE facility?

All promotional coupons to be used at a VGE facility must be approved by the New York Lottery. A VGE facility will be responsible for all promotional coupons approved for use by the facility and/or use of video game manufacturer promotional coupons within the facility. All requests for promotional coupons should be initiated through either the VGE facility management or the New York Lottery Video Gaming Entertainment on site Marketing Specialist with the forms provided (see sample attached). If a video game manufacturer wishes to create promotional coupons for use only with its machines, the request must come through the specific VGE facility to ensure coordination of promotional efforts between the VGE facility and the video game manufacturers.

The Promotional Approval Form (PAF) requires that the goal of the promotion, intended usage of the promotional coupons, feasibility of the promotion and specific parameters for the coupons such as dates, times, specific facility, specific machines and funding for the promotion be indicated for approval prior to the start of the promotion. The required approval sign offs are indicated on the form.

It is critical to detail the source of funding on the PAF so that all parties involved in the promotion understand their financial responsibility once the promotion has been approved and entered into the MGAM system. Funding sources include: the VGE annual promotion budget funded by the video game manufacturers and administered by the New York Lottery; the VGE facility's marketing budget separate from the VGE annual promotion budget; the video game manufacturer marketing budget separate from the annual VGE promotion budget. If a portion of the funding comes from two different sources, the amount allocated to each source should be indicated on the form.

How does a VGE facility request and obtain coupons?

As noted above, VGE facilities will be required to submit a PAF form detailing all the elements of the promotion to the New York Lottery to request coupons. The Lottery will review the request and ask MGAM to assess the feasibility of the promotion execution on the main system. It is anticipated that the PAF approval process from initiation at the VGE facility/video game manufacturer to notification of PAF approval by the Lottery will take approximately two weeks. This schedule does not include time for coupon, direct mail or any other form of production as well as distribution to the players.

Consequently, when a VGE facility or video game manufacturer request coupons, the entity requesting should take into consideration all the elements required to complete the entire schedule through expiration of the coupons.

If approved, the Lottery will notify the VGE facility and VGE game manufacturer, if necessary, and will contact Multimedia Games (MGAM) to produce an electronic file of global unique identifier numbers (guid's) necessary to print coupons validatable on the New York Lottery VGE system. The file will consist of randomly generated numbers and associated bar codes that will correspond to a validation file resident on the MGAM system. The validation file will be marked off as each unique coupon guid is redeemed preventing double redemption of coupons.

The file will be written to a medium as required by a printer to produce paper coupons readable by New York Lottery VGE machines. The VGE facility requesting the coupons will be required to contract with a printer to have the coupons produced. The facility will also be responsible for any cost associated with the storage, production and distribution of coupons.

How may promotional coupons be used at a VGE facility?

A VGE facility may issue activated coupons at will or direct a VGE game manufacturer to use activated coupons within the context of the rules and regulations in accordance with the legislative statutes as well as the PAF guidelines. A facility and/or the video game manufacturer must also log the usage of coupons as defined by the rules and regulations. These logs are to be periodically delivered to the New York Lottery Video Gaming Entertainment management group for reconciliation and review of proper use.

All VGE facilities must submit for review, procedures detailing the internal controls to be followed for the storage, distribution, and reconciliation of all coupons issued to a facility. The procedures must detail the personnel authorized to request, issue and handle coupons.

Who will be responsible to warehouse coupons and will all coupons be live?

All coupons are to be shipped to the VGE facility for storage. Coupons will not be valid until activated in order to reduce exposure to theft or misuse. A VGE facility will be required to notify the Lottery of all coupons received once printed and delivered and request the activation of a specified range of coupons. A sufficient amount of active coupons should be kept on hand to ensure no shortages during weekends, nights, and holidays. The remaining coupons will be coded by the central system as warehoused, inactive coupons available to a facility for future use.

In the event active or inactive stock is lost, stolen or misplaced, the Lottery must be notified in writing regarding the specific details of the missing coupons to establish a paper record and to flag and deactivate the specific coupons. Coupons not deactivated will be the responsibility of the VGE facility if redeemed.

How is the value of coupons redeemed treated by the central system?

All coupons redeemed will be charged on a dollar for dollar basis to the entity funding or sponsoring the promotion, i.e. the VGE facility or the video gaming manufacturer. In the simplest terms, coupons are treated just like cash. As the coupon credits are played, the VGE facility, video game manufacturers and central system provider will earn the contractual commissions and fees on the resulting net machine win as if cash were played.

In the case of VGE facility coupons, the total dollar value of coupons redeemed will be added to the issuing facility's daily remittance due to the Lottery (see attached system report example).

In the case of the video game manufacturers, the total dollar value of coupons redeemed will be deducted from the manufacturer's weekly fee and the same dollar value will be deducted from the daily remittance to be received from the VGE facility where the coupons were played.

How does the central system process coupons?

Promotional coupons are defined as vouchers acceptable to a VGE machine with a specific denomination value, expiration date, specific facility usage and any other parameter such "good for use only at a specific game manufacturer machine or selected promotional machines." Any difference from one promotional coupon to another in terms of any of these parameters, with certain exceptions related to denominations (see below) will affect how the player may use the promotional coupons.

In the event two coupons with different parameters, e.g. expiration dates, are presented to a single VGE machine at the same time, the first coupon presented will be accepted by the VGE machine. The second one will be rejected by the VGE machine *until the credits from the first one are completely used*. Once the credits from the first coupon are used,

the second coupon can be presented and will be accepted by the VGE machine. This parameter applies to any number of coupons with different conditions presented simultaneously to a VGE machine.

The only major exception is if the parameters, including promotion sponsor, are identical for two different coupons but the denominations are for either the same or different amounts. Under this situation both coupons will be accepted at the same time by a single VGE machine.

It is important that the VGE facility and on-site video gaming manufacturer staffs be prepared to explain this requirement for use of coupons to players - as the need arises.

As coupons are read into a VGE machine the value will be converted to credits and be available for play. Coupon credits play before any cash credits. Any credits won as a result of coupon play will be valid for cash, however, coupons and coupon values shown on any voucher will not be redeemable for cash at any time. In addition, any restrictions placed on a coupon will remain with the coupon credits. For example, if a \$5 coupon is issued with an expiration date, read into a VGE machine for credits of which \$3 is played and then cashed out, the resulting voucher showing \$2 in coupon value will continue to carry the expiration date on the \$2 coupon value.

How does a VGE facility track coupon inventory, activation and usage at their facility?

Each VGE facility will have access to MGAM management terminal reports that will summarize coupon activity. The management terminal may be used to verify the parameters of individual promotions, i.e. time of day coupons may be used, promotion expiration date, which machines the coupons are accepted in, etc. MGAM reports will also be available to track coupon inventory in warehoused, stolen, or activated status for reconciliation of coupon stock on hand. Reporting will also track coupon redemption rates for individual promotions or for the facility as a whole.

New York State Lottery Procedure	Code 20.1	Page 1 of 2
Subject: Video Lottery Gaming Machine Product Mix Change Orders		
Approved by:	Date:	

PURPOSE: To establish a formal process to request and approve Video Lottery Gaming Machine (VGM) change orders. The procedure also establishes a notification process of pending changes.

ORGANIZATIONAL RESPONSIBILITY: Video Lottery Gaming

RESPONSIBILITY:

Machine Manufacturer

Determine and discuss product mix changes with Video Lottery Gaming Agent designee responsible for gaming floor changes.

Upon agreement with change, complete a VGM Product Mix change order request form (attachment 1) by indicating the date; gaming facility; requestor; type of change; and request form attachment (attachment 1 page 2) current product mix information and proposed product mix information as well as bank and location and serial number if needed.

Indicate the specific date the change is to be made in the 'date of change' field. Indicate the estimated starting and ending times to complete the change. Proposed work times are required to allow for coordination of gaming floor activities.

Indicate if a glass change or game software install to the central system will be required by checking the appropriate box. If glass must be replaced including changing a jackpot or denom sticker yes must be checked.

Sign, date and e-mail the form with attachments to the Video Lottery Gaming Agent, Multimedia Games, the Video Lottery Gaming Product Manager and Video Lottery Gaming Assistant Product Manager for review/approval.

If a change involves the movement or enrollment of a device, the machine manufacturer must identify in their e-mail submission that MGAM's support is required for this change and request that MGAM reply to all recipients of the e-mail confirming or declining their support for this change. It is the machine manufacturer's responsibility to follow up with MGAM if no reply is received regarding movement or enrollment of a device.

Note: Change requests received after 5 PM Wednesday will not allow for enough lead time for coordination and approvals and therefore may not be eligible for review and final determination until the following week.

Video Lottery Gaming Agent

Reply to machine manufacturer's e-mail confirming they accept the game change(s) proposed.

Multimedia Games

If applicable, reply to machine manufacturer's e-mail confirming or declining their support for change(s) proposed.

Related Issuances:
Coordination:

Subject: Video Gaming Machine Product Mix Change Orders

Video Lottery Gaming Assistant Product Manager or designee	<p>Create a log entry upon receipt of a product mix change order request. Review the request and if approved sign the form.</p> <p>Verify the change will be to an approved game loaded on the central system.</p> <p>If approved submit form to the Video Lottery Gaming Product Manager.</p>
Video Lottery Gaming Product Manager or Designee	<p>Review the change order request.</p> <p>If approved sign, date and return the form to the Video Lottery Gaming Assistant Product Manager.</p> <p>If disapproved, sign on "NY Lottery review" line and clearly write DENIED REQUEST near signature. Note reasons for disapproval and return to the Video Lottery Gaming Assistant Product Manager.</p>
Video Lottery Gaming Assistant Product Manager	<p>If approved, submit form to the Video Lottery Gaming Operations Coordinator for distribution and coordination of the change. Enter significant dates and approval/disapproval in log.</p>
Video Lottery Gaming Operations Coordinator	<p>Communicate approved changes to appropriate Video Lottery Gaming agent personnel.</p>
Machine Manufacturer	<p>Complete the change to each device as scheduled.</p> <p>Update and coordinate with the MGAM system to register the appropriate game.</p> <p>Notify the Video Lottery Gaming Product Manager and Video Lottery Gaming Assistant Product Manager when the change is complete.</p> <p>Note: If a change can not be completed as scheduled, notify the Video Lottery Gaming Assistant Product Manager of the incomplete change request. If the change can be completed within 48 hours of the original approval a subsequent change order may not be required. The Video Lottery Gaming Assistant Product Manager will be responsible to determine if and when a change order is required.</p>
Video Lottery Gaming Assistant Product Manager or Designee	<p>Upon completion of changes, update the floor layout file with the current machine information. Complete and close the log entry.</p>

New York State Lottery Procedure	Code 20.2 Page 1 of 1
Subject: Video Gaming Machine Software Upgrade Request Procedure	
Approved by:	Date:

PURPOSE: To establish a formal process to request and approve Video Gaming Machine (VGM) change orders. The procedure also establishes a notification process of pending changes.

ORGANIZATIONAL RESPONSIBILITY: Video Gaming Unit

RESPONSIBILITY:

Machine Manufacturer Complete a VGM Software Upgrade Request Form by indicating the device name, bank ID number, game theme, GLI approval number, and the proposed installation date, start time and finish time. This form must be used when upgrading VGM software, validator firmware, and printer software.

Submit XADF & Binary files if necessary.

Sign and date the form and e-mail to the lottery staff specified on the form.

Note: Change requests received after 5PM Wednesday will not be eligible for review until the following week.

Video Gaming Assistant Product Mgr. Review the request and coordinate if any shipping, XADF and Binary submissions requests have been received if required.

Sign and date the form and submit to the Video Gaming Operations Coordinator for sign-off and distribution.

Video Gaming Operations Coordinator Coordinate with the Video Gaming Facility for actual installation versus the proposed installation date/time. If installation varies from proposed date, note the actual date/time on the form and notify the manufacturer.

Distribute approval to: Video Gaming Facility, MGAM, Requester, Video Gaming Representative onsite, Video Gaming Product Manager, Video Gaming Assistant Product Manager, and Video Gaming Program Director.

Notes:

If a request is disapproved, the Video Gaming Assistant Product Manager is to determine if a resolution can be achieved and return to the machine manufacturer for resubmission.

Related Issuances:
Coordination:

NEW YORK VIDEO GAMING MACHINE SOFTWARE UPGRADE REQUEST FORM

Change requests received after 5PM Wednesday will not be eligible for review until the following week.

FORM REFERENCE # _____

(Lottery Assigned)

Manufacturer to complete all sections within outlined area

FACILITY : Batavia Downs Casino

MANUFACTURER: Spielo

	Device Name (Required)	Bank ID	Game Theme	GLI Approval #	Installation:		
					Date	Start Time	Finish Time
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							

Reason for request:

Description of change:

Manufacturer Representative: _____
(Name)

Date: _____

NY Lottery Review/Approval: _____
(Signature)

Date: _____

NY Lottery Distribution: _____
(Signature)

Date: _____

Installation dates and times are considered proposed until approved by New York Lottery.

Distribution after final approvals: Video Gaming Facility, MGAM, Requester, Video Gaming Representative onsite, Video Gaming Product Manager, Video Gaming Assistant Product Manager, Video Gaming Program Director

Submit e-mail form and attachments to Attn: Pat Tsuei (ctsuei@lottery.state.ny.us) and Karen Carl (kcarl@lottery.state.ny.us).

New York State Lottery Procedure	Code 20.3 Supercedes 7.903 dated 7/20/04	Page 1 of 1
Subject: Video Gaming Machine Theme Submission Procedure--REVISED		
Approved by:	Date:	

PURPOSE: To establish a formal process to request and approve Video Gaming Machine (VGM) Theme Submissions.

ORGANIZATIONAL RESPONSIBILITY: Video Gaming Unit

GAME THEME GUIDELINES:

1. Game themes shall not possess overt sexual, racial, or excessive violent overtones.
2. Game themes shall not present themes that appeal to children.
3. Game themes must display the rules of play accurately and shall not be incomplete, conflicting, confusing, or misleading.
4. Game themes shall not use the following words in the theme, help screens, or rules of the game:
 - o Casino
 - o Racino
 - o Slot
 - o Gamble or Gambling
5. Game themes shall not in any way jeopardize the credibility and integrity of the New York Lottery and or the New York Video Gaming Entertainment program.

RESPONSIBILITY:

Machine Manufacturer Complete a Game Theme Submission Form and submit hard copy to the Video Gaming Assistant Product Manager at One Broadway Center, Schenectady, NY 12301.

Note: All information must be provided in detail with the submission. Incomplete submissions will not be accepted. Any and all graphic representations must be included with the submission. Graphic representations include all glass; all help screens and screens that appear prior to beginning a session, during play. Screens that illustrate paytables must be included, as well as, all bonus round screen shots and all graphics that may appear on the game.

Video Gaming Assistant Product Manager Review the request. Sign and date the form and distribute to the following for approval: Video Gaming Product Manager, Video Gaming Program Director, New York Lottery Counsel, New York Lottery Director.

Coordinate with the submitting manufacturer if additional information is required. All submissions will be addressed by the Lottery within 3 business days unless otherwise notified by the New York Lottery.

Vendors may submit to GLI, at their own risk, prior to Lottery approval. Games will not be allowed to be installed at a Video Gaming Facility until the Lottery has approved in writing.

Distribution: Requester, Video Gaming Program Director, Video Gaming Product Manager, Video Gaming Operations Coordinator, GLI.

Note: If a request is not approved the Video Gaming Assistant Product Manager shall determine if a resolution can be achieved and return the request to the machine manufacturer for resubmission.

Related Issuances:
Coordination:

Revised:

Date Issued:

New York Video Gaming Entertainment Game Submission Form

Manufacturer:

Projected Release from GLI: (m/d/yy)

GAME INFORMATION

Game Name:

Type of Game: Reels/Lines Keno

Bonus Round: Yes No

Poker Other

If other, please explain:

Denomination:	\$0.01	\$0.02	\$0.03	\$0.05	\$0.10	\$0.20	\$0.25	\$0.50	\$1.00	\$2.00	\$5.00	\$10.00	\$25.00	Other
("X" all that apply)														

WAGER INFORMATION

Reels/Lines Wager Matrix ("X" all that apply):

KENO Wager Matrix ("X" all that apply):

		Lines																			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Credits	1																				
	2																				
	3																				
	4																				
	5																				
	6																				
	7																				
	8																				
	9																				
	10																				
	11																				
	12																				
	13																				
	14																				
	15																				
	16																				
	17																				
	18																				
	19																				
	20																				

		Hits												
		1	2	3	4	5	6	7	8	9	10			
Credits	1													
	2													
	3													
	4													
	5													
	6													
	7													
	8													
	9													
	10													

		Credits																			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Poker Wager:																					
("X" all that apply)																					

Other Wager:
(Please explain)

Submit complete package to: Video Gaming Assistant Product Manager
New York Lottery
One Broadway Center
Schenectady, NY 12301

Theme Description

Game Play Description (Please explain how the game is played including how to reach the Bonus Round)

Bonus Round Play Description

Registration/Trademark and legal text requirements

ATTACHMENTS

1. Storyboard of Game/Bonus Rounds
2. Help Screen(s)
3. Images of Glass (Top/Belly/Side)
4. Paytables
5. Par Sheets
6. Graphical images of all symbols used for this Game/Bonus Round
7. Animations on CD
8. Sound Files on CD

MANUFACTURER

	Signature	Date
Manufacturer Representative:	_____	_____

NYL APPROVALS

	Signature	Date
New York Lottery:	_____	_____

New York Lottery Video Gaming PAR Sheet Requirements

Game Level Information

<u>Game Name</u>	<u>Reels</u>	<u>Lines</u>
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Denom Level Information

<u>Denom</u>	Maximum Credits Per <u>Spin</u>	Overall <u>Payback %</u>	Highest Payout <u>Possible in Credits</u>
<i>Example</i>			
\$0.01			
\$0.02			
\$0.05			
\$0.10			
\$0.25			
\$0.50			
\$1.00			

Credits Played Information

Credits Played Per <u>Spin</u>	Lines <u>Played</u>	Credits Per <u>Line</u>	Percentage of <u>Hit Frequency</u>	<u>Payback %</u>	<u># of Tickets Per Pool</u>
<i>Example</i>					
1	1	1			
3	3	1			
5	5	1			
7	7	1			
9	9	1			
18	9	2			
27	9	3			
36	9	4			
45	9	5			

New York State Lottery Procedure	Code 20.4 Supercedes 20.4 dated 11/10/04	Page 1 of 2
Subject: Video Gaming Promotional Approval Procedure		
Approved by:	Date:	

PURPOSE: To identify facility/manufacture responsibilities in the development of Video Gaming (VG) promotions involving operational functions such as tournaments, coupons or central system/device attention. The procedure is intended to establish responsibilities associated with the Promotion Approval procedure and provide a mechanism to monitor contractual vendor marketing spending.

ORGANIZATIONAL RESPONSIBILITY: Video Gaming Unit

RESPONSIBILITY:

- | | |
|--------------------------------------|---|
| Video Gaming Facility/Manufacturer | <p>Submit completed promotion approval form (PAF) via email to Lottery VG Marketing at MAF@lottery.state.ny.us. (NOTE: All PAF's must be cc:ed via email to Amy Wnuk, awnuk@lottery.state.ny.us).</p> <p>Note: If coupons are required, a Promotional Ticket Imaging Order form must be submitted via email to the selected coupon printer before CD, containing coupon output file, will be created and sent to the designated vendor for coupon creation. The party responsible for the purchase of the coupons must submit the form.</p> |
| Lottery VG Marketing Rep | <p>Review the PAF for completeness including: verifying required signatures from facility and vendor is included and the rules of the promotion and associated material (i.e. graphic content, radio script, billboards, etc.) are acceptable and maintain the integrity and credibility of the New York Lottery. Save in the designated network storage drive.</p> <p>Send approval notification via email to the Video Gaming Facility/Manufacturer and Lottery VG Assistant Product Manager after discussions with Lottery VG Assistant Product Manager that operational requirements are satisfied.</p> |
| Lottery VG Assistant Product Manager | <p>Print out completed PAF with necessary signoffs and maintain a log of all pending vendor sponsored promotions and maintain budget detail for promotional closeout.</p> <p>Review the PAF for coupon or tournament requirements.</p> <p>If coupons are required:
Initiate coupon creation process:</p> <ol style="list-style-type: none"> A. Access MGAM promotion manager program. B. Submit required coupon file on MGAM management terminal. C. Copy the output file, containing GUID (global unique identifier) numbers. D. Copy the file to CD. This output file will be used by the designated ticket manufacturer to print promotional coupons. E. Notify facility/manufacture/ticket printer that the CD containing coupon output file has been sent to the appropriate party (i.e. ticket manufacturer). F. Log date of CD shipment including carrier, destination, contact person and verification of CD receipt. G. Notify Lottery VG Program Director, Lottery VG Product Manager, Lottery VG Marketing Rep, Video Gaming Facility/Manufacturer that coupon process has been completed. <p>If a tournament is requested, MGAM must be notified (at least 10 business days before date of tournament)</p> <ol style="list-style-type: none"> A. Forward PAF details to MGAM Service Desk with dates/times details. B. Coordinate dates/times details with MGAM and secure approval. C. Send formal notification, via email to Video Gaming Facility Security, Surveillance, New York State Police, Video Gaming Facility/Manufacturer, MGAM Service Desk with dates/times of tournament at least 24 hours prior to tournament date. |

Related Issuances:
Coordination:

Revised:

Date Issued:

Subject: Video Gaming Promotional Approval Procedure

File completed PAF for promotion closeout verification/documentation.

Note: At promotion conclusion, vendor must submit final spending for promotion. Lottery VG Assistant Product Manager will maintain promotion closeouts. On a quarterly basis, a spreadsheet containing all promotions, including pending budgeted and closed-out promotions, to all vendors for review to ensure all initiatives have been accounted for on the spreadsheet.



NEW YORK LOTTERY VIDEO GAMING ENTERTAINMENT PROMOTION APPROVAL FORM

Coordinator/Manager:	VGE Facility:	Date:	PAF # (NYL Use Only)
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Promotion Funding: VGE Facility Only Manufacturer Promo Budget Other, please explain:

Name of Promotion:

PROMOTION DESCRIPTION:

COUPON DEFINITIONS:

Start Date: Start Time: Define other parameters if applicable (e.g. certain theme, denom, etc.):

End Date: End Time:

Manufacturer(s): Denomination(s) of Coupons:

<input type="checkbox"/> Bally	<input type="checkbox"/> IGT	1.	2.	3.	4.	5.	6.
<input type="checkbox"/> SDG	<input type="checkbox"/> Spielo	Quantity of Coupons:					
		1.	2.	3.	4.	5.	6.

TOTAL COST (Attach budget for coupons, printing, etc.): _____

APPROVALS:	Print Name	Signature	Date
Authorized VGM Manufacturer: <small>(if funded by Annual Manufacturer Promotion Budget)</small>	_____	_____	_____
Authorized Gaming Facility Manager:	_____	_____	_____
On-Site NYL Video Gaming Rep:	_____	_____	_____
Lottery Advertising Director/Designee:	_____	_____	_____

New York Lottery Video Gaming Procedure	Code 20.5
Subject: Gaming Facility Request for Reimbursement and Vendor Payment Procedure	Date: 6/14/05
Approved by:	

PURPOSE: To establish a procedure for the Gaming Facilities to submit requests for reimbursement with Vendor participation for New York Video Gaming Entertainment review.

ORGANIZATIONAL RESPONSIBILITY: New York Video Gaming Entertainment (NYVGE) Operations

PROCEDURE: In the event that the Gaming Facility Management reimburses a customer due to a possible Video Gaming Machine (VGM) malfunction NYVGE Operations (Lottery Video Gaming Operations) will determine if there is adequate documentation in the request for reimbursement before the Manufacturer in question receives the request. The following procedure indicates the steps to complete a VGM Review Form and submit the request for reimbursement to Lottery Video Gaming Operations and the manufacturer:

- 1) If a malfunction is observed on a VGM the authorized facility personnel must request the presence of the Manufacturer Technician and review available documentation, such as: machine reaction, game history, voucher printing status, session history from MGAM, digital photos of VGM screens and Surveillance video. Copies of the session history and photos must be included with the VGM Review form.
- 2) Diagnostic testing on the machine must be performed by the Technician in an attempt to reverse the loss to the customer.
- 3) If reimbursement is to be made to the customer via a “hand pay”, without redemption of a voucher, the authorized facility personnel must complete the VGM Review Form with the customer’s signature acknowledging the reimbursement and the Technician’s signature verifying that he/she *observed* the facts recorded. The Technician’s signature does not authorize the settlement of any dispute.
- 4) Copies of all requests for reimbursement should be provided to the facility accounting department and the on site Lottery Video Gaming Representative (VGR) by the authorized personnel completing the form within five days of the incident. These requests are then logged and tracked by both the facility accounting department and the Lottery VGR using the pre-printed reference number on the VGM Review Form.

Related Issuances:
Coordination:

Revised:

Date Issued:

New York Lottery Video Gaming Procedure	Code 20.5
Subject: Gaming Facility Request for Reimbursement and Vendor Payment Procedure	Date: 6/14/05
Approved by:	

- 5) If the appropriate signatures and documentation are included the VGR will send the request to Lottery Video Gaming Operations at One Broadway Center, P.O. Box 7500, Schenectady, NY 12301-7500. If necessary signatures and documentation are missing the VGR will return the request to the facility indicating that supporting information is needed.
- 6) Lottery Video Gaming Operations will then process the completed request and submit it to the manufacturer for review. The authorized manufacturer representative submits, in writing to Lottery Video Gaming Operations, their approval or denial of the reimbursement amount for each case and the facility reference number within fourteen business days of receiving the request.
- 7) Lottery Video Gaming Operations communicates the approval or denial to the on site VGR who updates their log and notifies the facility accounting department. If the request is approved by the manufacturer the VGR communicates that the Lottery Finance Department will be following up with the facility accounting department regarding reimbursement to the facility through the daily remittance process.
- 8) On a monthly basis, the Lottery Finance Department reviews the VGR's request for reimbursement logs for each facility and determines the amount of reimbursement due to the facility for the preceding month.
- 9) Lottery Finance contacts the accounting department of the gaming facility and the manufacturer, in writing, to provide the processing date and the amount of the approved hand pay reimbursements for that month. This communication will also identify the case numbers for which the facility is receiving reimbursement.
- 10) On the processing date, Lottery Finance will provide a credit to the facility on the Daily Remittance to NYS Lottery report, which is available on the management terminal. This credit will decrease the amount "Due to Lottery" from the facility. A corresponding debit will be charged through the Weekly Remittance Calculation.

This procedure will provide a course of action for the Facilities and Vendors to follow when a request for reimbursement is initiated by a facility.

Related Issuances:
Coordination:

Revised:

Date Issued:

Revision to step #3: If a machine malfunction causes a customer dispute that results in a facility payment to the customer for an amount more than the printed value of the voucher produced from the session play in question, authorized facility personnel may request appropriate reimbursement by completing the VGM Review Form with the customer's signature acknowledging receipt of same reimbursement and the Technician's signature verifying that he/she *observed* the facts recorded. The Technician's signature does not authorize the settlement of any dispute.

Reference # _____

VGM Review Form

Date: _____ VGM Serial #: _____ Denom: _____
 Facility Name: _____ VGM Location: _____ Asset #: _____
 Vendor: _____ Game Type: _____

Information Only <input type="checkbox"/>
Reimbursement <input type="checkbox"/>

Record the amount in dispute: \$ _____ Credits: _____

VGM, MGAM and Gaming Facility Activity

Cash or Voucher In: _____ Wager Amount: _____ Gaming Facility Paid Customer: _____
 VGM History: _____ MGAM Session: _____ Payment Type: Cash, Check (#): _____

Indicate the candle operation

Normal Tilt Tilt/Door Opened Door Open

Record any tilt codes that are showing:

Describe dispute and record if the dispute was settled or further action was to be taken:

	Name	Signature	License #	Date
Floor Supervisor:	_____	_____	_____	_____
Technician:	_____	_____	_____	_____
Floor Attendant:	_____	_____	_____	_____
Cage Signature	_____	_____	_____	_____

Customer Information:

_____ (NAME) _____ (ADDRESS) _____ (PHONE NUMBER)

_____ (SIGNATURE) I certify that I have received reimbursement for the above claim.

Obtain copies of the following and include with VGM Review Form when submitting to Lottery:

- Hand Pay Receipt MGAM Session History
- Digital Photos of VGM Screen and Game History Surveillance Video of Incident (Only if case cannot be resolved by above documentation)

* Please note: A technician's signature does *not* authorize reimbursement to the patron.

White: Lottery

Yellow: Audit

Pink: VGM Ops

New York Lottery Video Gaming Procedure	Code 20.5-A
Subject: Video Gaming Communication Procedure for Facility Shutdown	Date: 7/16/07
Approved by:	

PURPOSE: To establish a communication procedure that will provide the necessary New York Lottery staff with information pertaining to a video gaming facility experiencing an issue that may affect its operation and/or result in closure.

ORGANIZATIONAL RESPONSIBILITY: Video Gaming Unit

PROCEDURE: In the event a video gaming facility experiences an issue that may affect its operation, such as an extended loss of power, severe weather conditions, lack of water pressure, loss of cooling to surveillance or MGAM site controller room or other circumstances that limit or prohibit the gaming facility from operating properly, the General Manager of the facility, or his/her authorized designee, must call the New York Lottery Video Gaming Director. The General Manager or designee must provide a detailed explanation of the status of the video gaming facility and the attempt(s) made to manage the issue(s). The Video Gaming Director will review the matter and communicate the situation/issue, via email, to designated New York Lottery staff as defined below. Should the General Manager request to close the video gaming facility, the Video Gaming Director will determine if the situation will require the close and follow up with a determination to the General Manager.

If the Video Gaming Director is not available, the General Manager will contact the next appropriate staff member in the order listed below:

- 1) Video Gaming Product Manager
- 2) Deputy Director, Operations and Administration
- 3) Director of Financial Administration

If it is determined that the video gaming facility should be closed, the Video Gaming Director will notify the following individuals via email: the Deputy Director; Operations and Administration; General Counsel; Communication Director; Director of Financial Administration; Video Gaming Product Manager; New York State Police; Video Gaming Unit; facility General Manager or designee; the central system provider; video gaming machine manufacturers; or other parties as directed and will copy the New York Lottery Director of same.

Once a determination to close is made, the video gaming facility may begin its procedures for closing.

If the video gaming facility can be reopened within the available hours of operation on the same gaming day, the General Manager or designee shall contact the Video Gaming Director to discuss and determine the best time to reopen. The Video Gaming Director shall provide email notification to the central system operator and the list of individuals above.

If it is determined that the video gaming facility cannot be reopened within the available hours of operation on the same gaming day, then it shall be opened on the next gaming day at the New York Lottery approved opening time unless otherwise determined by the New York Lottery.

Related Issuances:
Coordination:

New York State Lottery Procedure	Code 20.6 Page 1 of 1
Subject: Video Lottery Gaming Machine Manufacturer Software Installation (NOC)	
Approved by:	Date: 1/31/06

PURPOSE: To establish a formal process to receive, verify and authorize Video Lottery Gaming machine manufacturer game software installation to the Multimedia Games (MGAM) network operation center (NOC). The software addressed by this procedure consists of the software components required to install a game on the central system specifically the attribute definition files (xadf's) and associated game personality software (binary code) and the Lottery definition files (xldf's) which are used to create ticket pools.

ORGANIZATIONAL RESPONSIBILITY: Video Lottery Gaming

RESPONSIBILITY:

Machine Manufacturer	<p>Develop software necessary to operate video gaming devices authorized for play at New York Lottery Video Gaming facilities. The software will consist of xadf's and the associated binary code necessary to operate specific themes installed on gaming devices. Software development will also consists of the xldf's used to by the central system generate ticket pools.</p> <p>The software must be submitted to Gaming Laboratories Incorporated (GLI) to be certified. GLI will provide an official approval / certification letter containing a checksum value for all tested software to the Video Gaming Unit of the New York Lottery.</p> <p>All software to be loaded onto the MGAM system must be written to a CD, labeled and sent to the New York Lottery Video Gaming Product Manager.</p>
Video Lottery Gaming Product Manager or Designee	<p>Review the certification letter for any issues related to the submission or software currently installed.</p> <p>Using certification software obtained from GLI "checksum" the CD submitted by the machine manufacturer. Verify the checksum produced by the software on the CD agrees with the checksum shown on the certification letter.</p> <p>If the checksums do not agree contact GLI and the machine manufacturer to resolve the issue.</p> <p>Complete the software submission form (Attachment 1), sign and date the form. Hand carry the CD and software submission form to the MGAM New York network operation center. This form serves as Lottery authorization to load certified software to the live system.</p>
MGAM Operator	<p>Install software to the MGAM system as authorized. Sign and date the form once completed.</p>
Video Lottery Gaming Product Manager or Designee	<p>Upon completion of load return CD and submission form to the Video Lottery Gaming Unit and secure within the Video Gaming Product Manager's office.</p>

Related Issuances:
Coordination:

New York Video Lottery Gaming Software Submission Form

Vendor Name: _____
 Address: _____

Primary Contact Name: _____	Alternate Contact Name: _____
Phone Number: _____	Phone Number: _____
Email Address: _____	Email Address: _____

Description of CD: _____

Check One: XLDF XADF & Binary

Version #: _____ Check One: New Update

Version # _____

Identify obsolete versions that must be deleted: _____

Is software for production or test

Explanation of why update is required: _____

Special Instruction (if needed): _____

Game Theme: _____ GLI Approval Date: _____ Certification code on GLI Letter: _____ Serial No of CD: _____ Facility: _____ Date to be loaded: _____ Time to be loaded: _____	Files on CD to be Loaded _____ _____
---	---

Lottery Use: _____	
Date Received by Lottery _____	Signed (Lottery) _____
Date Checksum verified on Lottery PC _____	Signed (Lottery) _____
Date Returned from MGAM _____	Signed (Lottery) _____
Date Checksum verified on System _____	Signed (Lottery) _____

MGAM Use	Remedy HD#: _____
Date Submitted to MGAM _____	Signed (MGAM) _____
Date / Time Loaded by MGAM _____	Signed (MGAM) _____



New York Video Gaming XLDF/XADF File Submission Instructions



Overview

This specification defines the rules for submitting VGM XLDF and XADF files.

Scope

- This specification applies to MGAM Systems, Inc. and all VGM Vendors.

Effectivity

- This specification is effective immediately. There is no expiration date.

Change Management

- Proposed changes to this specification must be submitted to the New York Lottery for review and approval before being implemented.

Definitions of Terms

- **Central System** – The MGAM Systems, Inc. Network Operations Center located at One Broadway Center 3rd Floor, Schenectady, NY.
- **CD** – Compact Disc.
- **XADF CD** – A CD loaded with XADF files.
- **XADF Files** – XADF files are game image definition files. They are used in conjunction with Video Gaming Machine (VGM) software images, also known as “games,” “blobs,” or “binaries,” to verify the integrity of the software running on the VGMs. XADF files are provided by VGM vendors and installed into the Central System by MGAM Systems, Inc.
- **XLDF CD** – A CD loaded with XLDF files.
- **XLDF Files** – XLDF files, also known as “game templates,” are used to generate ticket pools for use in the New York Lottery Video Gaming System by MGAM Systems, Inc. They are provided by VGM vendors and installed into the Central System by MGAM Systems, Inc.
- **VGM** – Video Gaming Machine.

Submitting XLDF and XADF Files to the New York Lottery

The New York Lottery will only accept XLDF and XADF file submissions that comply with all of the following requirements:

1. VGM Vendors must submit a completed *VGM Software Change Form* with their XLDF and XADF CDs. This form is described in the *VGM Software Change Form Requirements* section later in this specification.
2. VGM Vendors must submit all XLDF and XADF files on CD only.
3. VGM Vendors must label XLDF and XADF CDs according to the *Formatting CD Labels* section later in this specification.
4. VGM Vendors must comply with all specifications listed in the *Formatting XLDF CDs* section later in this specification.
5. VGM Vendors must comply with all specifications listed in the *Formatting XADF CDs* section later in this specification.
6. VGM Vendors must obtain GLI approval to install any new or updated XLDF and XADF files before they are submitted to the New York Lottery. GLI approval letter(s) must be included with all XLDF and XADF CDs submitted to the New York Lottery.
7. VGM Vendors must submit XLDF and XADF CDs directly to the New York Lottery. Approved CDs will be forward to MGAM Systems, Inc. for installation.
8. VGM Vendors must provide XLDF files and XADF files on separate CDs. CDs containing mixed XLDF and XADF files will not be accepted.
9. VGM Vendors must store only one game title (theme) on each CD.
10. MGAM Systems, Inc. will install all approved XLDF and XADF CDs received from the New York Lottery at the time and date specified by the VGM Vendors and approved by the New York Lottery.
11. MGAM Systems, Inc. will notify the VGM Vendor(s) immediately upon discovery of any verified or suspected problems with their XLDF and XADF files. MGAM Systems, Inc. will simultaneously notify the New York Lottery of any verified or suspected problems discovered upon loading VGM Vendors' XLDF and XADF files.
12. MGAM Systems, Inc. will load XLDF or XADF files only from their Primary Network Operations Center or their Backup Network Operations Center.

Formatting XLDF CDs

1. Only GLI-approved XLDF files will be loaded on the CD. There must be no superfluous files on the CD.
2. Only XLDF files which correspond to the game title listed on the CD label will be loaded on the CD.
3. All XLDF files must be stored in a folder (the “game folder”) that corresponds to the game title listed on the CD label.
4. The game folder must be located directly on the root of the CD, not embedded in any subfolders.
5. All payout levels, lines, credits, and so on must be stored in the same game folder. A sample game folder is shown in Figure 1.

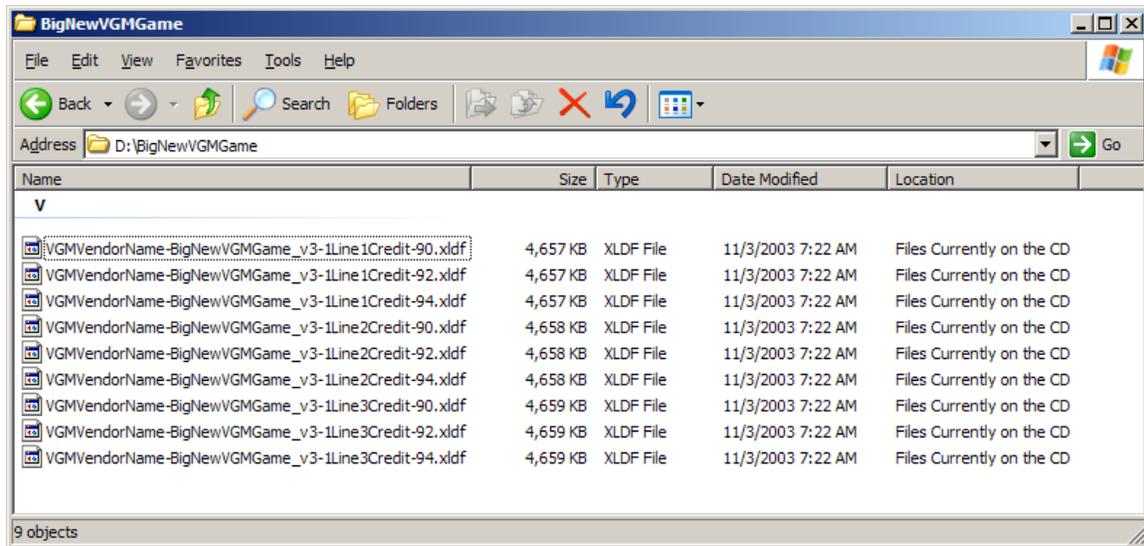


Figure 1: Sample XLDF CD Layout.

6. All XLDF files must be uncompressed and ready for installation directly from the CD. Do not use Windows XP, Zip, tar, or any other file compression utility.
7. All XLDF files must conform exactly to the following naming convention and example:
 - a. Vendor name;
 - b. Game title;
 - c. Template version;
 - d. Line, credits, and percentage; and
 - e. the .xldf file extension.

Example:

BigVGMVendor-BigNewGame-v301-15Line10Credit90.xldf

Formatting XADF CDs

1. Only GLI-approved XADF files and related binary files will be loaded on the CD. There must be no superfluous files on the CD.
2. Only XADF files which correspond to the game title listed on the CD label will be loaded on the CD.
3. All XADF files must be stored in a folder (the “game folder”) that corresponds to the game title listed on the CD label.
4. The game folder must be located directly on the root of the CD. A sample game folder is shown in Figure 2.

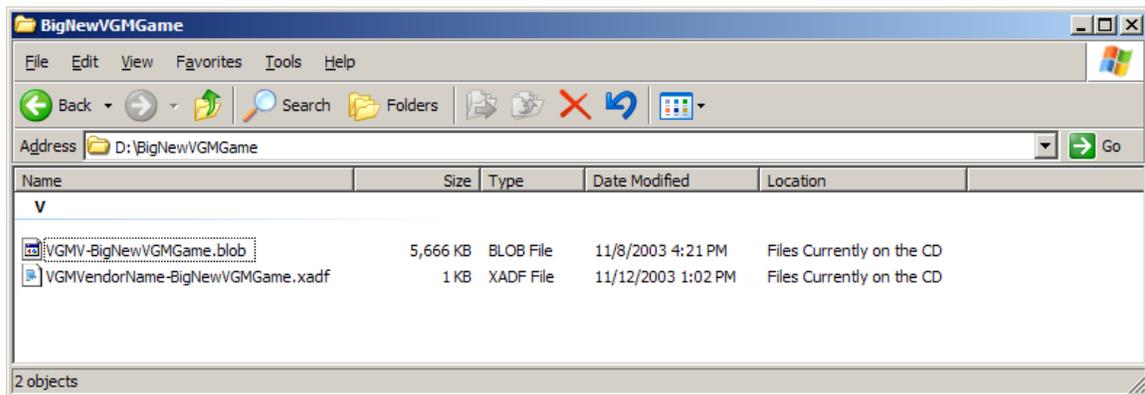


Figure 2: Sample XADF CD Layout.

5. All XADF files must be uncompressed and ready for loading directly from the CD. Do not use Windows XP, Zip, tar, or any other file compression utility.
6. All XADF files must conform exactly to the following naming convention and example:
 - a. Vendor name;
 - b. Game title;
 - c. Version; and
 - d. the .xadf file extension.

Example:

BigVGMVendor-BigNewGame-v301.xadf

Formatting CD Labels

All XLDF and XADF CDs must be labeled with all of the following information, as shown in the sample layout in Figure 3. VGM Vendors must use **Avery Label Number 5824** or equal to create this layout. An Avery formatting template with this layout is available from the MGAM Systems, Inc. Data Center Manager (518-881-1111).

1. VGM Vendor Name
2. VGM Vendor Phone Number
3. Game Title
4. Game Version Number
5. GLI Approval Date
6. Expected Installation Date
7. VGM Vendor's CD serial number
8. GLI Approval Code
9. File Type: XLDF / XADF [select one]
10. Game Type: New Game / Update [select one]
11. File Status: Production Game¹ / Test Game [select one]

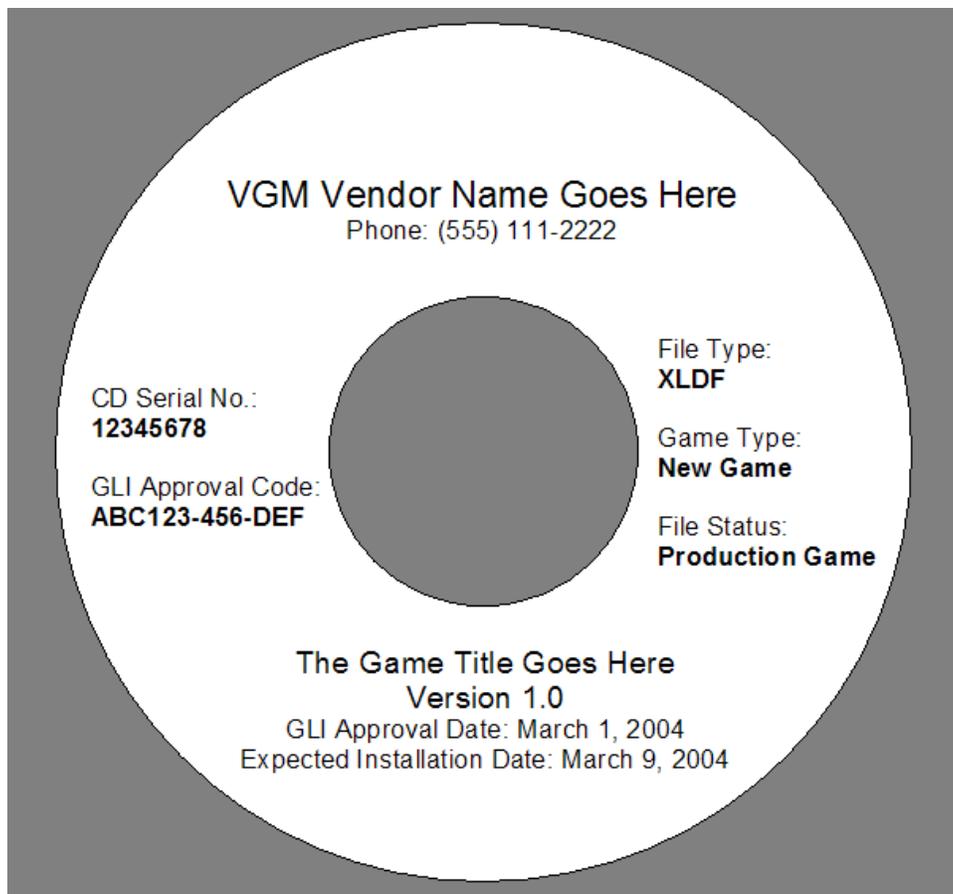


Figure 3: Sample XLDF CD Label using Avery Template 5824.

¹ Production games are installed on the Production System.

VGM Software Change Form Requirements

The New York Lottery requires the following information to be submitted along with all XLDF and XADF CDs:

1. VGM vendor name;
2. VGM vendor address;
3. VGM vendor primary contact name;
4. VGM vendor primary contact phone number;
5. VGM vendor primary contact e-mail address;
6. VGM vendor alternate contact name;
7. VGM vendor alternate contact phone number; and
8. VGM vendor alternate contact e-mail address.

For each CD submitted to the New York Lottery, VGM Vendors must include:

1. Full game name;
2. Game version number;
3. GLI approval date;
4. GLI approval code;
5. Expected installation date;
6. CD serial number;
7. Indication that the CD contains XLDF or XADF files;
8. Indication that the game title is “New” or an “Update;”
 - a. Game updates must include a complete list of all obsolete files (previous versions) which must be deleted from the Central System.
 - b. Detailed explanation of why this update is required, including a full description of the problems that this update will correct.
9. Indication that the game title is for “Production” or “Test” use; and
10. Notes (optional).

Revision History

Author	Version	Date	Changes
Daniel Navarra	0.01	2/20/2004	First draft.
Daniel Navarra	0.02	2/24/2004	Second draft incorporating revisions from the NY Lottery.
Daniel Navarra	0.03	2/26/2004	Third draft updated submission form, CD layout, and CD label details.
Daniel Navarra	1.00	2/27/2004	First version submitted to New York Lottery for review.
Randall Lex (NYL)	1.01	2/28/2004	General edits by Randall Lex (Lottery); first approved version.
Daniel Navarra	1.02	3/1/2004	Revised definition of "XADF Files" per GLI's advice and approved by Lottery (Tim Iacabucci).

Minimum Internal Control Standards for Video Lottery Gaming Agents

April 15, 2008

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**Marketing section has been added between financial reporting and
internal audit.**

I. INTRODUCTION

This report has been generated for the purpose of assisting Video Lottery Gaming (VLG) Agents in evaluating their current control environments with respect to the operation of Video Lottery Terminals (VLT). The procedures in this report are suggested by the New York Lottery (the Lottery), and can be relied upon for general guidance in the implementation of new internal control procedures to Video Lottery Gaming facilities. When building an internal control procedure plan, VLG Agents must take into consideration the Rules & Regulations issued by the Lottery. The controls shown are only examples and may not be sufficient to meet compliance with the Rules & Regulations. The VLG Agents should use the controls shown as a minimum standard. The internal controls are outlined according to the following categories of operations:

- Cash Receipts and Disbursements
- Security and Surveillance
- Controller Physical Security
- VLT Machine Maintenance
- Financial Reporting and Reconciliation
- Internal Audit/Monitoring Activities
- Marketing and Advertising

II. CASH RECEIPTS AND DISBURSEMENTS

This section of the report addresses alternatives for internal controls to be utilized for cash receipt and disbursement functions. Specific controls addressed in this section pertain to VLT payouts, VLG cashier cage accountability, count room characteristics, currency acceptor drops, count team characteristics, cash and voucher count procedures, and access to cage and vault areas.

Control Category

Cash Receipts and Disbursements

Control Sub-Category

VLT Payout

Control Objective

- To ensure that the individual cashing the redemption voucher provides identification and certification of their tax identification number.
- To ensure compliance with NYS and Federal tax law including IRS reporting requirements.
- To ensure appropriate tax documentation is maintained.

Risk

- The individual cashing the redemption voucher represents them self as someone else or provides an inaccurate tax identification number.
- Tax reporting information is not maintained.
- New York State and/or Federal Tax laws are not adhered to.

Controls

- When the prize exceeds the threshold for reportable lottery winnings established by the IRS and New York State, the VLT prints a redemption voucher that is only redeemable at an attended validation terminal.
- When a prize exceeds \$10,000 the VLT should enter a lock up state and an attendant should be called to verify, initiate, and witness the printing of the redemption voucher.
- The attendant should obtain and personally record identifying information from the prizewinner for IRS and New York State tax reporting purposes.
- When the prize exceeds the threshold established for tax withholding from lottery winnings established by the IRS and the State of New York, the attendant should obtain additional information from the prizewinner for tax withholding purposes.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Cash Receipts and Disbursements	VLT Payout	1. To ensure that the individual cashing the redemption voucher provides identification and certification of their tax identification number. 2. To ensure compliance with NYS and Federal tax law including IRS reporting requirements. 3. To ensure appropriate tax documentation is maintained.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Cash Receipts and Disbursements

Control Sub-Category

VLG Cashiers Cage Accountability

Control Objective

- To accurately account for all assets maintained by cashiers and ensure a system of controls for accountability of cash.

Risk

- Cash and other assets are not being properly safeguarded.

Controls

- A separate VLG cashier cage facility should be maintained for VLG activity only.
- At the close of each shift the outgoing cashier assigned to each cage should count down their bank and prepare a count sheet listing the actual funds located in the bank, accountability total, and a variance.
- At a minimum, count sheets are a two part form, which should include the following:
 - Date, time stamp, and shift;
 - Location of cage;
 - Amount of each type of denomination of funds, including paperwork and vouchers, comprising the total bank;
 - Actual count total (closing inventory);
 - Accountability total (opening inventory);
 - Amount over or short; and
 - Signature of the outgoing cashier and incoming/verifying cashier.
- The count process should be performed in the presence of the incoming cashier or another cashier or employee, as determined appropriate.
- When the entire count is completed, all persons performing or verifying the count should sign the count sheet attesting to the accuracy of the recorded information and time stamp all copies of the count sheet.
- Overages and shortages should be documented as a variance and should be investigated by appropriate personnel.

- Vouchers should be forwarded and separately stored by the video lottery gaming department.
- The vault supervisor should load the trolley cart with the number of registers needed for incoming cashiers going on duty in the cash cage area and lock the trolley.
- The vault supervisor should proceed to the cash cage area with a member of security.
- The vault supervisor should recount, manually or mechanically, the cash presented from the cage cashier, without knowledge of the final count from the count sheets. The vault supervisor should attest by signature and employee identification number on the count sheet, the amount of cash counted.
- When the count of the registers is complete, the vault supervisor should give the incoming cashier (if applicable) a full register with cash.
- The vault supervisor should then load the counted registers into the trolley and lock it.
- The vault supervisor and the member of security should transport the counted registers from the cashier cage into the vault.
- The vault supervisor and the security personnel member should unlock the trolley and the vault supervisor should remove the cash registers.
- The vault supervisor should record on the vault assets log the required information as noted in the Security and Surveillance section.
- After removal of all the counted registers from the trolley into the vault, the vault supervisor should lock the vault.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Cash Receipts and Disbursements	VLG Cashiers Cage Accountability	1. To accurately account for all assets maintained by cashiers and ensure a system of controls for accountability of cash.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Cash Receipts and Disbursements

Control Sub-Category

Currency Acceptor Drop

Control Objective

- To ensure timely and secure replacement, collection and surveillance of currency acceptor drop boxes.

Risk

- Cash and other assets are not being properly safeguarded.
- Funds are not being adequately removed and transported limiting control over cash.
- Opportunity of sales revenue has been lost because of VLT downtime.

Controls

- A schedule of times that the full currency acceptor drop boxes will be removed should be filed with the New York Lottery.
 - Removal of full currency acceptor drop boxes should occur at least once a day.
 - Conducted at no time other than the time specified in such schedule except for the following:
 - A VLT's currency acceptor drop box that has become full before its scheduled removal time should be removed upon special authorization.
 - A VLT that requires extended repair to be performed before its scheduled repair date should be removed upon special authorization.
- The drop team should notify surveillance prior to the beginning of the currency acceptor drop procedures.
- The currency acceptor drop box collection process should be video recorded and monitored by surveillance.
- The currency acceptor drop team should at a minimum consist of:
 - One video lottery gaming department member;
 - One security member, observing the removal process; and
 - One video lottery gaming count room supervisor.

- A log should be maintained in the count rooms for all ingress and egress activities and should contain the required information as noted in the Security and Surveillance section.
- The empty currency acceptor drop boxes, from the count room, should be transported to the gaming floor in a locked storage cart by the video lottery gaming department member and the security escort.
- The empty currency acceptor drop boxes are then placed on the floor in front of the VLT that corresponds to the number printed on the currency acceptor drop box.
- The removal process of full currency acceptor drop boxes should be conducted in the following way:
 - A member of the drop team should sign out the terminal currency compartment key from security on the log as noted in Security and Surveillance section.
 - After removal from the VLT, the currency acceptor drop box should be immediately placed in the trolley.
 - The trolley should be controlled by two locks, the video lottery gaming department in control of one key and the security department in control of the other.
 - Before movement of the full currency acceptor drop boxes, the count room supervisor should approve in writing:
 - The number of drop boxes removed from the gaming area equals the number loaded in the trolley; and
 - The currency acceptor drop boxes have been securely locked in the trolley.
 - The trolley cart, with full currency acceptor drop boxes, should be attended by a security representative at all times during the drop process.
- The empty currency acceptor drop boxes are then re-inserted into the corresponding VLT's so play can commence.
- Security personnel should be present to observe the drop procedures and the currency acceptor drop boxes from the time they are removed from the VLT, until they are secured in the count room or vault.
- The drop team should notify the count room supervisor that the full currency acceptor drop boxes are loaded and ready to be dropped off in the count room. Following notification the drop team should proceed to the count room to drop off the full currency acceptor drop boxes.
- The count room supervisor should access the count room using an electronic card key swipe, followed by an approval swipe of the count room supervisor within 30 seconds.
- The count room supervisor should authorize the video lottery gaming member to open the lock on the trolley and the count room supervisor should then verify the following:

- The number of full currency acceptor drop boxes in the trolley equal the number of empty currency acceptor drop boxes taken from the count room previously.
 - The empty currency acceptor drop box terminal numbers taken from the count room match the full currency acceptor drop box terminal numbers received for each drop box.
-
- Under circumstances where a currency acceptor drop box has been removed with special authorization and stored in the vault, the count room supervisor should instruct the drop team to go to the vault to pick up and transport those currency acceptor drop boxes being stored there temporarily.
 - The procedures above should be utilized for the retention and retention of any currency acceptor drop boxes being stored in the vault.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Cash Receipts and Disbursements	Currency acceptor Drop	1. Cash and other assets are not being properly safeguarded. 2. Funds are not being adequately removed and transported limiting control over cash. 3. Opportunity of sales revenue has been lost because of VLT downtime.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Cash Receipts and Disbursements

Control Sub-Category

Count Room Characteristics

Control Objective

- To ensure the VLG facility count room is free from obstructions and equipped to detect security breeches that would impede the accurate counting and safeguarding of cash and vouchers.

Risk

- The miscounting or theft of cash and redemption vouchers because the count room does not provide a safe and secure environment.

Controls

- A VLG facility count room should be maintained and used only for VLG activities.
- The count room should contain an access log with the required information as noted in the Security & Surveillance section.
- The count room should be located in the non-public area of the video lottery gaming facility, and should consist of only the following:
 - A metal door installed on each entrance and exit equipped with:
 - Electronic card key system sanctioned by the Lottery;
 - An alarm device signaling to the surveillance department and the security;
 - A table constructed of clear glass or similarly clear material used for the emptying, counting, and recording of the contents of drop boxes.
 - Closed circuit television cameras and microphone wired to the surveillance department providing:
 - Detailed audio-video monitoring and recording of the entire count process; and
 - Detailed video monitoring and recording of the interior of the count room.
 - All vents and duct grating in the count room should be secured by a metal grate.
- Facility security should maintain the electronic card key system as noted in the Security and Surveillance section.
- The count room should be free of the following:

- Disposal containers;
- Windows on the outside walls of the count room; and
- Storage of non-related supplies and equipment, with the exception of empty currency acceptor drop boxes and paper voucher stock.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Cash Receipts and Disbursements	Count Room Characteristics	1. To ensure the VLG facility count room is free from obstructions and equipped to detect security breeches that would impede the accurate counting and safeguarding of cash and vouchers.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Cash Receipts and Disbursements

Control Sub-Category

Count Team Characteristics

Control Objective

- To ensure the cash count is carried out by a properly trained and authorized count team.

Risk

- The count team does not follow proper procedures and requirements, jeopardizing the control of cash.

Controls

- The count team should consist of a minimum of three persons and should conform to the following:
 - Rotated in such a way that each count team is not consistently the same group of employees;
 - Entrance to the count room should be by standardized badge access with a photograph;
 - A full-length, one-piece pocket-less garment with openings only for the arms, feet, and neck should be worn;
 - Accessories such as pocketbooks should not be permitted; and
 - Movement of hands from or to the count table should only be allowed if the backs and palms of team member's hands are first held straight out and exposed to the view of other members of the count team and the closed circuit television camera.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Cash Receipts and Disbursements	Count Team Characteristics	1. To ensure the cash count is carried out by a properly trained and authorized count team.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Cash Receipts and Disbursements

Control Sub-Category

Cash and Voucher Count

Control Objective

- To ensure the opening, counting and recording of all cash and vouchers residing within all currency acceptor drop boxes in a timely and controlled manner.
- To ensure cash and vouchers are safeguarded and accurately reported.

Risk

- Cash and vouchers are not safeguarded from loss or misappropriation and are inaccurately counted and/or reported.

Controls

- The opening, counting, and recording of the contents of currency acceptor drop boxes should be performed in the presence of a count room supervisor.
- Immediately prior to the commencement of the count, the doors to the count room should be securely locked.
- The count room supervisor records in writing all of the employee names and license numbers of each person participating in the counting process and whether the employee should:
 - Be present in the count room during the entire counting process;
 - Enter the count room during the counting process; and
 - Leave the count room prior to the conclusion of the counting process.
- If an employee enters or exits the count room during the counting process the remaining members of the count room should:
 - Display hands in accordance with standards (see count team characteristics); and
 - Step away from the count table until the count team member has entered or left the count room.
- The counting process should be discontinued whenever less than three count team members are present in the count room.

- Any person who is scheduled to leave the count room prior to the completion of the entire count process should sign and record their employee identification number and should record the time of their exit of the count room on the count room log.
- Any person who enters or exits the count room due to an emergency should sign and record their name, employee identification number, and time of the entry or exit on the count room log.
 - If the emergency prohibits the member of the count team to sign and record their name, the count room supervisor should record the person's name, employee identification number, the time of exit, and description of the emergency.
- Currency acceptor drop boxes should be counted in vendor specific order.
- As each drop box is placed on the count table, one count team member should orally announce the video lottery gaming terminal number and shift (date and time) in a loud enough voice for count personnel and audio surveillance to hear.
- Contents of each drop box should be emptied on the count table with bills and vouchers separated and counted using one of the following methods:
 - Manually counted separately on the count table; or
 - Automated count using a currency counting machine and a voucher bar code reader both of which have been approved in writing by the New York Lottery and are located in a conspicuous location on, near or adjacent to the count table.
- Immediately after the contents of a drop box are emptied onto the count table, the inside of the drop box should be held up to the full view of a closed circuit television camera and verified to a second the count room supervisor.
- The drop box should then be locked and placed in the storage area for drop boxes.
- During the count, a count team member should manually record the following information on the count sheet by video lottery gaming terminal number:
 - The video lottery gaming terminal number of the currency acceptor drop box;
 - The amount of each denomination of currency counted;
 - The amount of all denominations of currency counted;
 - The dollar amount of all vouchers counted; and
 - The gaming date of the items being recorded and the date the count sheet is being prepared or generated.
- Following the count of each VLT, a count team member should manually record the following information on the Master Activity Report by video lottery gaming terminal number:
 - The video lottery gaming terminal number;
 - The amount of all denominations of cash counted;
 - The dollar amount of all vouchers counted;

- The total dollar amount of vouchers and cash counted; and
- Whether there was a disagreement of totals reported from the count to the central processor data.

Manual Cash and Voucher Count

- The following procedures should take place if a currency counting machine is not being utilized:
 - A first count team member should begin the count, separating out each denomination of cash and vouchers in full view of a closed circuit television camera.
 - The count team member should begin the count and may be assisted by the use of an adding machine with a register tape for the addition of cash and vouchers.
 - The first count by a member of the count team should be recorded on a count sheet and given to the count room supervisor without any other count team member knowing the count total.
 - A second count team member, unaware of the result of the original count, should count again each denomination of currency and all vouchers and should record the count total on a count sheet different from the one used by the first count team member.

Machine Cash and Voucher Count

- The following procedures should be carried out by the count room supervisor and count team if a currency counting machine and/or voucher bar code reader machine are being utilized:
 - The Count Room Supervisor should verify that the machine has a zero balance on its terminal unit display panel and has a receipt printed which denotes “-0-cash/vouchers on hand” and indicate that the machine has been cleared;
 - The Count Room Supervisor should visually check the machine to be sure there are no bills/vouchers remaining in the various compartments of the machine;
- The following procedures should be completed twice, each time by a different member of the count team:

Cash Count

- A count team member should begin feeding each denomination of currency from the count table separately to the currency counting machine.
- Any soiled or off-sorted bills should be re-fed into the machine; if bills are not readable by the machine then manual adjustments should be made to the total.

- The total as recorded on the counting machine for currency and any adjustments should be recorded on a count sheet and not revealed to anyone.

Voucher Count

- A count team member should begin by scanning each voucher from the count table separately using the voucher bar code reader.
- Any vouchers that are unreadable by the bar code reader should be manually typed into the machine or made as an adjustment to the total at the end of the voucher count.
- The total as recorded on the voucher bar code reader for vouchers and any adjustments made should be recorded on the count sheet and the amounts totaled for the VLT. The count sheet should be given to the count room supervisor.

Following the Manual or Machine Cash Count

- Following the completion of the above procedures, the supervisor should compare the totals from the two count sheets to assure equivalency. If the totals do not agree, the procedures above should be repeated until all totals are in agreement.
- When the totals compared from the count sheets are in agreement for all cash and vouchers, the count room supervisor should call the gaming or finance department to determine if the count is in agreement with the central processor data.
- If the totals compared do not agree, then the following procedures should be followed:
 - The count of cash and vouchers should be repeated using the same procedures listed above.
 - If the totals from the recount are not equal to the previous totals, then the counting procedures above must be utilized until two successive counts yield the same total amount.
 - When the totals from the recount are equal the count room supervisor should call the gaming or finance department again and report the totals and verify that the totals either agree or that a difference between the count of cash and vouchers and the central processor data exists.
- The members of the count team and the count room supervisor should sign the count sheets agreeing to the totals reported.
- The total count of cash, vouchers and total cash and vouchers from the count sheets and an indication of whether a difference exists should be recorded on the Master Activity Report.
- The procedures above should be repeated for each currency acceptor drop box in vendor specific order.

- Cash going to the vault should be separately stored in bank bags.
- Vouchers should be separately stored and accounted for by vendor and forwarded to the video lottery gaming department.
- The video lottery gaming department should store vouchers for a period of 30 days, after which the vouchers will be destroyed.
- After all the cash from the currency acceptor drop boxes have been counted, two count team members should present the cash from the count room to the vault supervisor in the count room.
- The vault supervisor should recount manually or mechanically the cash presented, without knowledge of the final count from the Master Activity Report. The vault supervisor should attest by signature and employee identification number on the Master Activity Report, the amount of cash counted.
- The two count team members should sign the Master Activity Report evidencing their presence during the count and the fact that both the vault supervisor and the count team have agreed on the total amount of cash counted.
- The vault supervisor with the count team should then load the full bank bags into the trolley and lock it.
- The vault supervisor and a member of security personnel should transport the full bank bags from the count room into the vault.
- The vault supervisor and the security personnel member should unlock the trolley and the vault supervisor should remove the bank bags.
- The vault supervisor should record on the vault assets log the required information as noted in the Security and Surveillance section.
- After removal of all the full bank bags from the trolley into the vault, the vault supervisor should lock the vault.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Cash Receipts and Disbursements	Cash Count	1. To ensure the opening, counting and recording of all cash and vouchers residing within all currency acceptor drop boxes in a timely and controlled manner. 2. To ensure cash and vouchers are safeguarded and accurately reported.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Cash Receipts and Disbursements

Control Sub-Category

Access to Cage Areas

Control Objective

- To secure and limit access to all cage areas to authorized persons.

Risk

- Unauthorized access to the cage area endangering cash and vouchers to loss.

Controls

- All personnel allowed access to the cage areas with a security escort should be as follows:
 - New York Lottery Agents, with identification;
 - VLG Agent Chief Executive Officer;
 - VLG Agent Accounting Department personnel;
 - VLG Agent Internal and External Audit Department personnel;
 - VLG Agent MIS personnel;
 - VLG Agent Cashiering personnel; and
 - Other VLG Agent Management authorized personnel.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Cash Receipts and Disbursements	Access to Cage Areas	1. To secure and limit access to all cage areas to authorized persons.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Cash Receipts and Disbursements

Control Sub-Category

Access to Vault Areas

Control Objective

- To secure and limit access to all vault areas to authorized persons.

Risk

- Unauthorized access to the vault area endangering VLG Agent assets.

Controls

- Access to the vault without a security escort is limited to the following list of employees, except as noted:
 - VLG Agent cashiering supervisory personnel;
 - VLG Agent cashiers should only have access if they have been assigned to this area for their normal shift.
 - VLG Agent cashiers temporarily assigned by cashiering supervisory personnel
 - All others should only be allowed access with a security escort.
- All transactions should be completed through the vault windows unless it is of such a large volume that it must be done inside the vault.
- Transactions performed inside the vault should be done with a security escort and surveillance should be notified.
- All employees entering and exiting the vault should sign a vault access log with the required information as noted in the Security and Surveillance section.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Cash Receipts and Disbursements	Access to Vault Areas	1. To secure and limit access to all vault areas to authorized persons.			Internal control assessment and identified weakness(es) (if applicable)

III. SECURITY AND SURVEILLANCE

This section of the report addresses alternatives for internal controls to be utilized for security and surveillance functions. Specific controls addressed in this section pertain to general security and surveillance, surveillance reporting requirements, inspection of equipment and testing procedures, disc maintenance and release, preparation of forms and reports, employee badge identification, key control, log creation and maintenance and emergency provisions.

Control Category

Security and Surveillance

Control Sub-Category

General Security and Surveillance

Control Objective

- To ensure proper security and surveillance measures have been established throughout VLG facilities to monitor the safety, accuracy and integrity of VLG operations.

Risk

- Inappropriate activities are not timely detected and/or prevented that result in damage to property, customers and lost revenue and assets.

Controls

- Each VLG facility should install or allow the installation of a closed circuit television system with the following requirements and capabilities:
 - The system should be installed in fixed positions.
 - The system should have matrix control with pan, tilt, and zoom capabilities.
 - The system should be hidden from public and non-surveillance personnel view.
 - The system should be capable of viewing a variety of areas including, but not limited to:
 - The gaming conducted at the VLT's;
 - The count processes conducted in the count rooms;
 - The vault;
 - The movement of cash and vouchers, residing in currency acceptor drop boxes, within the facility and all areas of transit;
 - Cashier cages; and
 - The entrances and exits to the facility, count rooms and vaults.
- Security and surveillance personnel should be adequately trained to proficiently use equipment and prepare for any inappropriate activities that may occur.
- Shift schedules should include at least one supervisory member of management personnel.
- Periodic rounds should be made by security staff to visually observe activity and create a physical presence.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Security and Surveillance	General Security and Surveillance	1. To ensure proper security and surveillance measures have been established throughout VLG facilities to monitor the safety, accuracy and integrity of VLG operations.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Security and Surveillance

Control Sub-Category

Surveillance Reporting Requirements

Control Objective

- To ensure security and surveillance matters are reported to the proper level of management.

Risk

- Security and surveillance matters occur and have not been properly addressed resulting in the integrity of operations being compromised, including lost revenue and assets.

Controls

- The Director of Surveillance should report to the CEO.
- The Director of Surveillance should have the explicit authority to report directly to the Board of Directors on matters concerning surveillance.
- The Director of Surveillance should be provided with the names, addresses, and telephone numbers of members of the Board of Directors for contact purposes.
- The Director of Surveillance should have adequate relative training and/or experience.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Security and Surveillance	Surveillance Reporting Requirements	1. To ensure security and surveillance matters are reported to the proper level of management.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Security and Surveillance

Control Sub-Category

Inspection of Equipment and Testing Procedures

Control Objective

- To ensure that surveillance equipment is in good working condition.

Risk

- Timely monitoring of activities cannot be completed.

Controls

- A standard periodic checklist should be developed and utilized to ensure testing is done timely and routinely.
- Every camera at the VLG facility under Lottery control is periodically called to a monitor and checked for proper receipt of video signal and camera functionality.
- Every monitor at the VLG facility under Lottery control is periodically checked to be sure the video signal is being properly received and that all monitors attached to the switching system have camera switching capabilities.
- Digital Video Recorders (DVR) are tested for proper operation by completing playbacks to check that the video signal is being recorded and the time and date is being inserted onto the recording.
- All Quad units are checked to be sure that four camera inputs are being split on the screen properly.
- The video printer is tested to ensure still picture recordings can be obtained.
- Tests completed should be documented in a log and initialed by a supervisor and marked as passing.
- Failed tests should be recorded on an incident report. Incident reports should be numbered and then followed up on and resolved.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Security and Surveillance	Inspection of Equipment and Testing Procedures	1. To ensure that surveillance equipment is in good working condition.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Security and Surveillance

Control Sub-Category

Disc Maintenance and Release

Control Objective

- To ensure recordings of VLG facility operations are maintained and available for use when needed to support security and VLG activities.

Risk

- Follow-up action related to inappropriate authorities could not be handled or prevented.

Controls

- All recordings should be retained online for at least 7 days, except as noted below, and should be listed on the Daily Shift Report by surveillance personnel with the date, times and employee identification number of the person monitoring the events.
 - Digital recordings should be maintained near line for 30 days when a person is detained by security personnel in the security holding room.
- Original recordings should be released to the New York Lottery or its designee upon demand.
- Any recording of illegal and/or suspected illegal activities should, upon completion, be provided on an acceptable media (e.g. CD, DVD) and sealed with the following information:
 - Date;
 - Time; and
 - Name of the surveillance agent sealing disc media on the seal.
- The recording should be placed in a separate, secure area and notification given to the authorities.
- The release of recordings should be documented in a log, with the required information as noted in the Security and Surveillance section, and conducted in a manner that does not allow other departments or inappropriate personnel access to the recordings.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Security and Surveillance	Tape Maintenance and Release	1. To ensure recordings of VLG facility operations are maintained and available for use when needed to support security and VLG activities.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Security and Surveillance

Control Sub-Category

Preparation of Forms, Daily Shift Reports and Incident Reports

Control Objective

- To ensure adequate documentation and reporting of security and surveillance activities to management.

Risk

- Incidents are unreported resulting in inadequate follow-up and continuance of inappropriate activities.

Controls

- The forms, reports and logs that should be maintained by surveillance personnel include:
 - A Surveillance Access Log Form that records all persons entering and exiting the surveillance rooms.
 - A Surveillance Incident Report that records information pertinent to incidents observed by the surveillance department.
 - Surveillance Incident Reports should be sequentially numbered and logged.
 - Each Incident Report should be assigned its own unique number by the Director of Surveillance.
 - The log should reflect the following information for each Incident Report:
 - Date of report;
 - Brief description of the incident;
 - Department involved, if applicable;
 - Employee or patron name involved in incident; and
 - Employee identification number of the Surveillance employee that authored the Incident Report.
 - Logs and Incident Reports should be filed sequentially and chronologically, and maintained for a minimum of 30 days.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Security and Surveillance	Preparation of Forms, Daily Shift Reports and Incident Reports	1. To ensure adequate documentation and reporting of security and surveillance activities to management.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Security and Surveillance

Control Sub-Category

Employee Badge Identification

Control Objective

- To ensure employees and temporary visitors are properly identified to allow authorized activity within the VLG facility.

Risk

- Unauthorized access and activity that results in damage or misappropriation of VLG Agent assets.

Controls

- Facility security will maintain the card key system.
- Electronic card key system maintenance should be done by individuals having no cash receipt responsibilities.
- Electronic card keys will be uniquely assigned to authorized individuals needing access.
- Employee access privileges should be approved by the video lottery gaming department.
- An employee access list should be maintained for all VLG personnel documenting VLG employee badge privileges containing the following information:
 - Name of employee;
 - Employee identification number;
 - Job description; and
 - Privilege areas assigned to the employee badge.
- The employee access list should be updated for any changes in access privileges for an employee.
- An employee who arrives for work without his/her employee identification badge and all visitors should be required to report to the Security Department.

- The security officer on duty should confirm that the employee does in fact work for the VLG facility and was previously issued an employee identification badge or is an authorized visitor.
- A VLG facility official should sign for all authorized visitors.
- Once confirmed, the security officer should issue a temporary badge to the employee or authorized visitor, and the issuance of the badge should be recorded in a facility identification access log with the required information as noted in the Security and Surveillance section.
- A fee should be charged for lost employee badges needing to be replaced.
- VLG facility management should authorize the issuance of a new badge prior to the start of the employee's next shift or at the earliest possible date.
- Electronic card key access should be monitored for appropriate access to VLG facilities. Access logs should be reviewed and followed up on for inappropriate access
- All instances of non-compliance should be documented and forwarded to VLG Agent management, and as deemed necessary, to New York Lottery management.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Security and Surveillance	Employee Badge Identification	1. To ensure employees and temporary visitors are properly identified to allow authorized activity within the VLG facility.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Security and Surveillance

Control Sub-Category

Key Control

Control Objective

- To ensure proper accountability and access to VLG facilities and terminals through control of hard keys.

Risk

- Inappropriate access to VLG facilities and terminals resulting in inappropriate activities and misappropriation of VLG Assets.

Controls

- A key control list should be developed by security to identify those keys that are sensitive to VLG operations and should contain the following:
 - Name of sensitive key;
 - Location of sensitive key;
 - Custodian of sensitive key;
 - Quantity of sensitive key;
 - Job titles authorized to sign out sensitive key and if applicable, escort requirements and specific limitations; and
 - Custodian of duplicate keys.
- The security department should retain the completed key usage logs.
- Security should review the completed key usage logs for the following:
 - Date;
 - Time of key sign out;
 - Key number and purpose;
 - Signature of issuer;
 - Time of key sign in;
 - Returned by signature; and
 - Received by signature.
- All instances of non-compliance should be documented and forwarded to VLG Agent management, and as deemed necessary, to New York Lottery management.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Security and Surveillance	Key Control	1. To ensure proper accountability and access to VLG facilities and terminals through control of hard keys.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Security and Surveillance

Control Sub-Category

Log Creation and Maintenance

Control Objective

- To ensure the proper documenting of all VLG facility operations required for accounting and safeguarding of VLG Agent assets.

Risk

- VLG operations are not documented and assets are not safeguarded from loss or misappropriation.

Controls

- An access log should be maintained for all VLG Agent ingress and egress activities in the vault, count room, and controller room and should contain, at a minimum the following:
 - Name;
 - Signature;
 - Date;
 - Time of entry and exit; and
 - Reason for entry.

- A key usage log should be maintained for all VLG Agent key use on the VLT machines, trolley carts and other hard key specific items and areas, and should contain at a minimum:
 - Name;
 - Signature of user;
 - Date;
 - Time of sign out and return;
 - Reason for key sign out; and
 - Signature of security employee receiving the returned key.

- An asset log should be maintained for all VLG Agent removal and addition of assets in the vault room, count room and cashier cages and should contain, at a minimum the following:
 - Name;
 - Signature;
 - Date;
 - Time of withdrawal / deposit;

- Amount of withdrawal / deposit;
 - Location assets will be transported to (if applicable); and
 - Brief description of why assets are being withdrawn / deposited.
- A facility identification access log should be maintained for all issuances of identification to permanent employees and temporary visitors, and should contain, at a minimum the following:
- Employee/Visitor's name;
 - Position and department that employee/visitor works for;
 - Employee's occupational license number (not applicable for visitors);
 - Temporary badge number;
 - Name of Security Officer issuing the temporary badge;
 - Name of approving VLG facility official signature (for visitors only);
 - Date/time out;
 - Date/time in; and
 - A description of why a temporary badge was issued or denied.
- All logs should be forwarded to the security department to be held for 30 days.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Security and Surveillance	Log Creation and Maintenance	1. To ensure the proper documenting of all VLG facility operations required for accounting and safeguarding of VLG Agent assets.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Security and Surveillance

Control Sub-Category

Emergency Provisions

Control Objective

- To ensure the security of VLG facility assets in the event of an emergency threatening continuance of VLG operation.

Risk

- VLG facility assets are not secured and safeguarded during an emergency resulting in lost or damaged assets.

Controls

- The VLG facility should have an alternative power source on hand that could be used in the event of a power failure for a minimum running time of 60 minutes.
- For emergencies causing VLG facility power failure only, the following procedures should apply:
 - The VLG facility alternative power source should be activated.
 - The VLG department supervisor should alert the proper authorities.
 - A VLG attendant should notify through PA or similar system that all VLG players need to end their sessions and amounts may be redeemed at cashier cages.
 - After all VLT's sessions have been terminated, the VLG attendant should notify the players in the facility that they should evacuate immediately.
 - VLG attendants should assist in the evacuation process.
 - Once all players have ended their sessions and have evacuated the facility the following procedures should apply:
 - The currency acceptor drop boxes should be removed in accordance with the currency acceptor drop procedures noted in the Cash Receipts and Disbursement section.
 - The cashiers should close down their banks and transportation of their banks to the vault should be in accordance with the Cashiers Cage Accountability procedures in the Cash Receipts and Disbursements section with the following exception:
 - The cash cage supervisor should observe each cashier's bank closing instead of the incoming cashier.

- All amounts from the drop procedure should be counted and transported to the vault in accordance with the Cash and Voucher Count procedures as noted in the Cash Receipts and Disbursements section.
- For emergencies causing VLG immediate dangers to the VLG facility including but not limited to the VLG gaming area, count room, controller room and vault, the following procedures should apply:
 - The VLG alternative power source should be activated (if needed).
 - The VLG department supervisor should alert the proper authorities.
 - A VLG attendant should notify, through PA or similar system, that all non-VLG personnel have to evacuate the building immediately.
 - VLG security, when conditions apply, should commence lock down of each area until safer conditions exist to carry out normal operating procedures.
 - VLG personnel should then evacuate the building and VLG security should lock all entrances.
- The VLG facility should comply with the following agency regulations when preparing for emergency situations:
 - New York State Building Codes;
 - New York State Fire Codes; and
 - Occupational Health and Safety Administration.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Security and Surveillance	Emergency Provisions	1. To ensure the security of all VLG facility assets in the event of an emergency threatening VLG operation continuance.			Internal control assessment and identified weakness(es) (if applicable)

IV. CONTROLLER PHYSICAL SECURITY

This section of the report addresses alternatives for internal controls to be utilized for controller physical security. Specific controls addressed in this section pertain to VLG Agent Controller Room Security.

Control Category

Controller Physical Security

Control Sub-Category

Controller Room Security

Control Objective

- To ensure the VLG Agent controller room is secure and accessed only by authorized personnel.

Risk

- Unauthorized access to the controller resulting in physical damages, unauthorized access to data, or lost revenues / assets.

Controls

- The controller room should be a separate room from the count room, vault and cashier cages located in the VLG facility.
- The controller room should be managed by MGAM (system vendor) personnel only.
- The controller room should be equipped with an electronic card key reader to provide authorized and recorded access.
- The controller room should only be accessed by the following authorized personnel with electronic card keys:
 - MGAM personnel; and
 - VLG Agent security.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Controller Physical Security	Controller Room Security	1. To ensure the VLG Agent controller room is secure and accessed only by authorized personnel.			Internal control assessment and identified weakness(es) (if applicable)

V. VLT MACHINE MAINTENANCE

This section of the report addresses alternatives for internal controls to be utilized for VLT machine maintenance. Specific controls addressed in this section pertain to VLT device entry and repair and maintenance.

Control Category

VLT Machine Maintenance

Control Sub-Category

VLT Device Entry

Control Objective

- To ensure access to the inside of a VLT by employees and others is appropriate and properly authorized.

Risk

- VLT's may be damaged or altered resulting in lost revenue or assets.

Controls

- Each time the inside of a VLT gaming device is accessed, an entry on the Machine Repair Report should be completed.
- The Machine Repair Report should include the following:
 - The VLT machine number and location;
 - The date, time, and shift of entry;
 - The reason for entry; and
 - The identification number of the employee accessing the inside of the electronic gaming device.
- Machine Repair Reports should be maintained inside each VLT.
- Completed Machine Repair Reports should be maintained on file by the video lottery gaming department.
- All maintenance / repair work on a VLT should be under supervision of the video lottery gaming supervisor or department member for the duration of the maintenance / repair.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
VLT Machine Maintenance	VLT Device Entry	1. To ensure access to the inside of a VLT by employees and others is appropriate and properly authorized.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

VLT Machine Maintenance

Control Sub-Category

Repair and Maintenance to Currency Acceptor

Control Objective

- To ensure that VLT's are properly maintained and repaired and currency acceptor drop boxes are accounted for and secure.

Risk

- Maintenance of a VLT could result in unauthorized removal of a currency acceptor drop box and misappropriation of cash and vouchers.

Controls

- When the removal of the currency acceptor drop box is necessary in order to perform a repair by a VLT technician or maintenance by a VLG attendant, the VLG supervisor, in the presence of a security representative, obtains the currency compartment keys from security.
- Any customer playing the VLT should be requested to temporarily stop playing the affected terminal and to step back from the device so that the repair or maintenance procedures can be performed.
- The VLG supervisor, in the presence of the security representative, should open the currency acceptor door and remove the currency acceptor drop box.
- After the repair by a VLT technician or maintenance by a VLG attendant, the VLT and the currency acceptor should be returned to play as soon as the currency acceptor drop box is re-inserted and secure, and the compartment door is closed and locked.
- The VLG supervisor and the security representative should then return the keys to security.
- VLT technicians should not be servicing VLT's unless the problem is beyond the scope of the VLG department personnel.
- When the paper stock for vouchers of a VLT needs replenishment, the VLG attendant with a security escort should retrieve and sign for the needed amount of paper stock from the count room supervisor.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
VLT Machine Maintenance	Repair and Maintenance to Currency Acceptors	1. To ensure that VLT's are properly maintained and repaired and currency acceptor drop boxes are accounted for and secure.			Internal control assessment and identified weakness(es) (if applicable)

VI. FINANCIAL REPORTING AND RECONCILIATION

This section of the report addresses alternatives for internal controls to the financial reporting and reconciliation functions of the accounting department. Specific controls addressed in this section pertain to financial accounting, forms, records and documents, signature records, standard financial and statistical records, and reconciliation.

Control Category

Financial Reporting and Reconciliation

Control Sub-Category

Financial Accounting

Control Objective

- To ensure that a proper accounting system is in place to accurately record all VLG financial transactions.

Risk

- The accounting system in place does not provide for the accurate financial reporting of the VLG activities.

Controls

- General accounting records should be maintained on a double entry system of accounting with transactions recorded on the accrual basis.
- All accounting transactions should be recorded and presented in accordance with generally accepted accounting principles.
- The VLG Agent should use a prescribed, uniform chart of accounts specified by the New York Lottery, and should contain the minimum level of detail to be maintained for each accounting classification by the VLG Agent.
- Detailed supporting, subsidiary records of all VLG accounting transactions should be maintained and include the following information:
 - Records identifying revenues, expenses, assets, liabilities, and equity;
 - Records of all investments, advances, loans and receivable balances due;
 - Records of all loans and other amounts payable;
 - Journal entries prepared by the VLG Agents and the independent accountant;
 - Tax work papers used in the preparation of any State or Federal tax return; and
 - Records required to fully comply with the New York Lottery’s Financial Reporting requirements.

- The standardized Master Activity Report, forwarded on a daily basis to the accounting department, should be:
 - Compared to count sheets as received by the count room and bank deposits statements for agreement, on a test basis by persons with no cash and voucher handling responsibilities;
 - Reviewed for the appropriate number and propriety of signatures on a test basis;
 - Tested for proper calculation, summarization, and recording;
 - Reconciled to the amount received by the vault supervisor; and
 - Recorded, maintained and controlled by the accounting department as a permanent accounting record.
- Any other records that the New York Lottery requires to be maintained.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Financial Reporting and Reconciliation	Financial Accounting	1. To ensure that a proper accounting system is in place to accurately record all VLG financial transactions.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Financial Reporting and Reconciliation

Control Sub-Category

Forms, Records and Documents

Control Objective

- To ensure that that forms, records and documents used in VLG operations are not tampered with.
- To ensure the security of unused accounting pre-numbered forms.

Risk

- Forms, records and documents are not properly prepared and are tampered with.
- Accounting forms are not properly stored and lead to fraudulent activity.

Controls

- All forms, records and documents required by VLG operations and the New York Lottery are to be prepared in ink or some other permanent form.
- All forms, records, and documents requiring a signature, should at the minimum contain:
 - Signer’s first initial and last name; and
 - Employee identification number.
- In the event a form has to be voided, the original and all copies should be marked “VOID” and accompanied by the following information:
 - Signature of the employee voiding the form, with identification number;
 - Signature of an employee approving the void, with identification number; and
 - An explanation of why it was voided.
- Blank pre-numbered forms should be secured in a locked storage area with the key being maintained and controlled by representatives of the accounting department.
- The receipt and issuance of pre-numbered forms should be done by an accounting representative through the use of perpetual inventory records.
- All receipts or issuances should be documented with the following information:

- Type of form;
- Date;
- Quantity received or issued; and
- Initials of person receiving the forms.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Financial Reporting and Reconciliation	Forms, Records and Documents	<p>1. To ensure that that forms, records and documents used in VLG operations are not tampered with.</p> <p>2. To ensure the security of unused accounting pre-numbered forms.</p>			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Financial Reporting and Reconciliation

Control Sub-Category

Signature Records

Control Objective

- To ensure accurate personnel information is up to date and monitored for gaming related employees.

Risk

- Information is inaccurate and documentation becomes ineffective, lacking appropriate signatures.

Controls

- The accounting department should maintain dated Signature Control Cards for each gaming related employee who is required to sign VLG documents.
- The Signature Control Card should contain the following information:
 - Hire date;
 - Employee name;
 - Department;
 - Position;
 - Employee ID number;
 - New York Lottery identification number;
 - Specimen initials;
 - Specimen signature (minimum of first initial and last name); and
 - VLG Agent authorization responsibilities.
- All signature cards should be filed alphabetically by last name, and maintained within the accounting department.
- These records should be updated by a representative of accounting on a quarterly basis, at a minimum, to reflect changes in personnel (i.e. promotions, transfers, terminations, etc.).
- When changes are made to cards, the date the change became effective should be recorded on the signature cards.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Financial Reporting and Reconciliation	Signature Records	1. To ensure accurate personnel information is up to date and monitored for gaming related employees.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Financial Reporting and Reconciliation

Control Sub-Category

Standard Financial and Statistical Records

Control Objective

- To ensure proper statistical and financial records are filed as required by the New York Lottery.

Risk

- Financial data is not made available for monitoring VLG activity.

Controls

- The VLG Agent should file monthly reports of financial, statistical and informational data as required by the New York Lottery.
- Monthly reports should be filed by the 25th day following the end of a month.
- The VLG Agent should use the standard reporting forms and instructions as prescribed by the New York Lottery.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Financial Reporting and Reconciliation	Standard Financial and Statistical Records	1. To ensure proper statistical and financial records are filed as required by the New York Lottery.			Internal control assessment and identified weakness(es) (if applicable)

Control Category

Financial Reporting and Reconciliation

Control Sub-Category

Reconciliation

Control Objective

- To agree VLG activity as recorded in the VLG Agent records to the activity recorded in the New York Lottery central system.

Risk

- Amounts due to the New York Lottery cannot be substantiated.

Controls

- VLG Agent accounting records should be compared to the computer monitoring system (New York Lottery VLG central processing system) amounts by VLT and vendor on a daily basis.
- Error resolution procedures should be defined and completed timely. Any variance should be investigated and brought to the attention of VLG Agent management, and as necessary, the New York Lottery.
- Supervisory review of reconciliations completed should be performed and documented in a timely manner. Daily VLG Agent reports in total should be reconciled to daily bank deposit and vault records, and to weekly reports.
- Weekly reports should reconcile to monthly financial statements.
- Daily, weekly and/or monthly amounts should be reconciled to periodic reports filed with the New York Lottery, as required.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Financial Reporting and Reconciliation	Reconciliation	1. To agree VLG activity as recorded in the VLG Agent records to the activity recorder in the New York Lottery control system.			Internal control assessment and identified weakness(es) (if applicable)

VII. INTERNAL AUDIT/MONITORING ACTIVITIES

This section of the report addresses alternatives for internal audit/monitoring activities that should be utilized to ensure that controls set forth by the New York Lottery and the various VLG Agents are adhered to.

Control Category

Internal Audit / Monitoring Activities

Control Sub-Category

Internal Audit Work Performed

Control Objective

- To ensure that various controls across all VLG Agent departments are being implemented with objectives and procedures consistently.

Risk

- VLG Agent controls are not adhered to resulting in non-compliance causing lost revenue and assets.

Controls

- Whenever possible, the observations should be unannounced and not performed at a consistent time of day in the month.
- To ensure compliance with the system of internal control, internal audit procedures should be conducted on a semi-annual basis and at a minimum should include observation and review of the following transactions:

VLT Gaming Devices

- Observe and review hand payout procedures;
- Observe and review VLT drop procedures;
- Observe and review count procedures and subsequent transfer of funds;
- Trace source documents to summarized documentation and reconcile to restricted copies;
- Compare test counts to the computer monitoring system and investigate significant differences; and
- Test electronic gaming device case/cabinet access.

Cashiering

- Reconcile change in cash cage;
- Observe and review the countdown procedures and verify documented count;
- Reconcile summary sheets to physical instruments on a sample basis; and
- Observe and review cage accountability to the general ledger.

Accounting

- Verify daily, weekly and monthly reconciliation procedures are completed.

Security and Surveillance

- Verify monitoring activities are completed.
 - Verify proper badge electronic card key / hard key controls; and
 - Verify physical controls are in place and functioning.
- All audits should be properly documented in a report and timely reported to VLG Agent management.
 - Significant weaknesses should be reported to New York Lottery management with a plan of corrective action.

The following is a tool to be utilized by Video Lottery Gaming Agents to document and test the internal controls that they have put in place to meet each objective and mitigate risk.

<u>Control Category</u>	<u>Sub-Category</u>	<u>Control Objective</u>	<u>Actual Controls in Place</u>	<u>Test of Controls</u>	<u>Action / Follow up</u>
Internal Audit / Monitoring Activities	Internal Audit Work Performed	1. To ensure that various controls across all VLG Agent departments are being implemented with objectives and procedures consistently.			Internal control assessment and identified weakness(es) (if applicable)

**Addendum:
Minimum Internal Control Standards for
Video Lottery Gaming Agents**

October 20, 2008

Control Category:

(Rev 10/20/2008)

Promotional Drawings for Cash and Prizes

Sub-Category:

Player Club Promotional Drawings

Control Objective:

To ensure that drawings for promotional prizes are:

- (a) conducted in a random, fair and honest manner
- (b) and are performed in accordance with Lottery regulations, contest rules and contest internal control procedures.

Risk:

A promotional prize may be awarded in violation of law, contest rules and Lottery regulations.

A promotional drawing may be conducted in an improper manner or a manner inconsistent with the rules of the promotion.

Controls

- Prior to conducting any promotion the video lottery gaming facility will publish the rules of the promotion. These should be submitted to the Lottery Marketing Unit and the Lottery on-site representative or supervisor at least two weeks before the start date of the promotion.
- The video lottery gaming facility will prepare detailed written internal control procedures describing how the promotional drawing will be conducted and how winners are selected. These should be submitted to the Lottery on-site representative or supervisor at least two weeks prior to the start date of the promotion.
- All promotions should be designed with sufficient controls to prevent fraud or abuse by staff and or patrons participating in the promotion.
- **It should be clearly stated in the rules for the promotion that employees of the video gaming facilities and their relatives who live in the same household are not eligible to win. In this respect, the rules for promotional drawings should be consistent with the regulations governing play on video gaming machines.**

- Drawings conducted using player club software to randomly select semi-finalists, finalists and winners must have an adequate audit trail to determine that the selected individual qualified in all respects with the parameters of the promotion as stated in the rules and control procedures.
- For Player Club drawings based on the amount of credits played and where a paper entry is inserted into a bin or other container to be used to pick a winner or series of winners, the paper entry should establish a clear audit trail back to the player's account by use of serial number, date/time stamp or other code that can be used to validate that the player qualified to win under the rules of the promotion.
- **For any drawing with a prize valued at \$100 or greater the procedures should ensure that the drawing is conducted under the observation of a member of management (who has a key license) not associated with the Player's Club (or Player Development). As an alternative the video lottery gaming facility may designate another person who is not a key employee to perform this function by obtaining the written approval of the Supervising Lottery Representative assigned to the video lottery gaming facility.**
- For any drawing with a prize valued at \$1000 or greater the procedures should ensure that the drawing is conducted under the observation of an internal auditor (or other person designated to perform that function) and a member of management (who has a key license) not associated with the Player's Club.
- All parties performing or observing the drawing should be thoroughly knowledgeable and proficient with the methodology (including software and drawing parameters), internal control procedure and rules used to conduct the drawing.
- At the end of the drawing the name and address of the winners should be documented and each person performing or observing the drawing should sign off on a certification identifying the winners and attesting to the propriety and integrity of the drawing.
- **At the time the prize is awarded, the winner must sign an attestation disclosing whether or not he or she is related to any person he or she knows to be employed by the video lottery gaming facility.**
- Video lottery gaming facilities must have appropriate internal policy and procedures governing the proper execution of promotional giveaways. The policy should emphasize that promotional drawings must be executed using the highest standards of integrity to protect the reputation of the video gaming facility.

**Minimum Internal Control Standards for
Video Lottery Gaming Agents
Draft 2009-10 Revisions**

Pg. 5 Sub-Category

Counterfeit Currency

Control suggested

- When a suspected counterfeit bill is received from a patron at the cage, the cashier should immediately notify the Cage Supervisor. The bill should be handled as little as possible and sealed in a plastic bag. The local police department should be notified and the counterfeit bill should be turned over to responding officers.
- If the local police are unable or fail to respond, the VLG Agent should forward the counterfeit bill to the Secret Service
- The cashier should issue a detailed receipt to the patron acknowledging that the suspected counterfeit bill was taken by the facility as potential evidence. The receipt will permit the bill to be returned to the patron if the Secret Service later determines that the bill was not counterfeit.
- If the bill is surrendered to local police, the name of the receiving officer should be notated for records. Normally, the police will follow up with the Secret Service.
- A record of the denomination and serial number of all counterfeit bills intercepted by the VLG Agent should be made and a copy of the record should be submitted to Lottery onsite representative on a weekly basis.

Currently in place

When a counterfeit bill is detected by a cage staff member, a Cage Supervisor is immediately notified. Once the Cage Supervisor has determined that the bill is a counterfeit he/she notifies Security Supervisor on duty. If the bill is part of the Cage inventory it is documented on a Paid Out form once it is turned over to Security. Paid Out is then documented on the Main Bank Reconciliation for the day as "Counterfeit Bill". If the bill belongs to a waiting guest, all documentation is done by Security. Counterfeit bills are turned over to local police department on a regular basis.

Comments regarding proposed change

Having the Cage Supervisor handle a counterfeit situation from start to finish would definitely hamper Cage operations: Taking statements from a guest as to where, when and how they obtained the bill is a lengthy process, guest could also become hostile at the fact that the bill will not be returned to them. Security personnel are much better trained and equipped to deal with these situations. Detaining a guest to wait for local authorities may also be problem as this could take quite some time, in turn, this will interrupt the guest's play time and sour their experience even more. Continuing to handle counterfeit

situations in the manner in which we are currently handling them is both quick, secure and in accordance with recommendations given to us by our local police department.

Pg. 6 Control Sub-Category

Video Lottery Terminal (VLT) Payout

Control suggested

- Upon redemption of any Limited Voucher, the cashier should obtain and personally record identifying information from the prize winner for IRS and New York State tax and setoff reporting purposes. If the patron is a citizen of the United States, form W-9 must be completed to record the claimants Taxpayer Identification Number. Should the patron fail to provide a valid Tax Identification Number, back-up withholding must be applied to the winnings. If the patron is a Non-resident Alien, form W-8 should be completed for back-up withholding of taxes. The video lottery validation system will withhold the appropriate taxes based upon the resident status of the claimant that is entered into the validation terminal.

Currently in place

Guest unable to provide a social security number are entered in the MGAM system as No-resident Aliens and 99-999-99 is entered in the SS field. This is as per current Lottery regulations.

Comments regarding proposed change

W-8 form can be kept on hand and completed by Non-resident Aliens. No affect to operations

Control suggested

- Any prize funds withheld by the gaming facility for taxes, child support, or public assistance will be turned over to the Lottery on a daily basis for payment to the appropriate federal and state agencies. The Lottery shall be responsible for all quarterly and annual reporting of gambling winnings required by these agencies

Currently in place

This is not handled by the Cage at this time

Comments regarding proposed change

Since the MGAM daily report identifies the exact amount withheld for these items Lottery deposit (if not already) could be adjusted to reflect withholding amount

Everything else discussed in this section is already being done by this facility.

Pg. 8 Control Sub-Category

VLG Cashiers Cage Accountability

Control suggested

- A separate VLG cashier cage facility should be maintained for VLG and traditional lottery activity only.

Currently in place

Functions performed at the Main Cage include: Voucher redemption, Traditional lottery sales and redemption including Claim Center activity, check cashing and cash advance services.

Comments regarding proposed change

Limiting the Main Cage (only cage) to only VLG and traditional lottery transactions will only result in guests being inconvenienced when they need check cashing and cash advance services from Globalpayments. Additional staff and locations would be needed to accommodate guests needing check cashing and cash advance services during busy periods as the GSC would not be able to handle both coats and the additional volume of Global services that would normally be provided at the Main Cage.

Control suggested

- At the close of each shift the outgoing cashier assigned to each cage should count down their bank and prepare a count sheet listing the actual funds located in the bank, any variance, and accountability total.
- At a minimum, count sheets are a two part form, which should include the following:
 - Date, time stamp, and shift;
 - Location of cage;
 - Amount of each type of denomination of funds, including paperwork and vouchers, comprising the total bank;
 - Actual count total (closing inventory);
 - Accountability total (opening inventory);
 - Amount over or short; (filled in by main banker) and
 - Signature of the outgoing cashier.

Currently in place

Outgoing cashiers are required to complete a 2 part form (“Widow Closing Balance Sheet”) documenting all funds being returned to the vault inventory. The 2 part form includes all above information listed with the exception of “shift”. Also though we do not use a “time stamp” we do document the time the window is closed. The “over/short” amount is determined once the cashier has completed the count and therefore the variance amount is immediately documented at the bottom of the balance sheet.

Comments regarding proposed change

Balance sheets would have to be revised to include “shift”. Since the Balance sheets include the time the cashier closes, adding “shift” seems unnecessary as the time also determines the shift worked. In order to have balance sheets with a “time stamp” a time stamp would have to be purchased. These units run about \$400.00.

Since the Cage Supervisor on duty holds a Mini Bank, we do not always have a Main Banker on site and therefore having them complete the “over or short” section of the balance sheet would involve us having a Main Banker on duty at all times during hours of operations. Having a Main Banker on duty at all time would result in extra payroll costs as we would need additional staff. I fail to see how adding these 2 items would further safeguard company assets.

Control suggested

- The count process should be performed by the incoming cashier or another cashier or employee, as determined appropriate.
- When the entire count is completed, all persons performing or verifying the count should sign the count sheet attesting to the accuracy of the recorded information and time stamp all copies of the count sheet.

Currently in place

All of the above is being done with the exception of “time stamp”

Comments regarding proposed change

A time stamp would have to be purchased. These units run about \$400.00

Control suggested

- Overages and shortages should be documented as a variance and should be investigated by appropriate personnel.
- Vouchers should be forwarded to audit or gaming and securely stored until destroyed.

Currently in place

Vouchers are placed in empty voucher boxes, sealed and left on the other side of the employee window. Revenue Verification collects them on a monthly basis

Comments regarding proposed change

This would not affect the Cage

Control suggested

- The vault supervisor should recount, manually or mechanically, the cash presented from the cage cashier, without knowledge of the final count from the count sheets. The vault supervisor should attest by signature and employee identification number on the count sheet, the amount of cash counted.

Currently in place

We do not have a “vault supervisor” in our compendium and therefore this position would have to be created.

Once the outgoing cashier has completed their count a second cage employee performs a bulk count (straps are taken at face value and not re-run). If both agree with the ending balance count, both outgoing and verifying cashier sign the Balance Sheet. If vault is open, the Main Bank cashier can be the second person verifying and once the drawer is verified the cash is immediately integrated into the vault inventory. With the exception of 100s and 50s all other currency straps are counted as bulk and therefore taken at face value and not recounted manually or mechanically by the verifying cashier.

If vault is closed, verified cash is sealed in a canvas bag with tag documenting: amount, date, station worked and signatures/license number of individuals sealing the bag (outgoing cashier and verifying cashier). Once the vault is open Main Bank cashier performs a third count and confirms all recorded items are present before integrating funds with vault inventory. All sealed bags in the vault must be verified and integrated in to the vault inventory prior to the end of the next gaming day. Main Bank cashiers are not allowed to verify their own bags in the vault, if they have worked the front line, a Cage supervisor must perform the count in their presence (including re-running of all 100s and 50s).

Comments regarding proposed change

I need to further understand this section before I can add my comments as the section above is rather conflicting. What we are trying to achieve by implementing this is unclear.

Control suggested

- The vault supervisor should record the required information on the vault assets log as noted in the Security and Surveillance section.

Currently in place

All items leaving the vault are recorded on “initial funding/draw” forms. Prior to items being removed from the vault window: Surveillance is notified, form is signed by the Main Banker issuing and a Cage Supervisor accepting. Form also includes: date, day and time items are being removed. Once issued to the Cashier making the request the cashier also signs attesting to receiving the items. Items entering the vault inventory (cash, coin form bank or soft count) are documented on “currency purchase” form. Form includes

date, day, time, signature of a Main Banker and Cage Supervisor verifying purchase. All documents requiring signatures also require license number of individual signing. Main Bank Cashiers record all vault activity and inventory on the Reconciliation Sheet, Balance Sheet, Windows and Other Cash Breakdown Sheet.

Reconciliation Sheet consists of:

- Daily starting balance
- Minus all items paid out
- All items paid in
- Total inventory in the vault

Balance Sheet consists of:

- Breakdown of all funds by denominations
- Inventory of all checks pending deposit
- VGM and NG premade banks

Windows and other Cash Breakdown Sheet:

- Breakdown of all deposits received
- Breakdown of all premade cashier banks
- Breakdown of all mute cash
- Breakdown of all sealed returned banks that have not been verified by a Main Bank Cashier

Comments regarding proposed change

I need further information regarding “vault assets log” and understand its purpose in order to make comments. Vault activity is always well documents and therefore Company assets are always very well controlled and safeguarded. Also, we do not have a “vault supervisor” in our compendium and therefore this position would have to be created.

Pg. 14 Control Sub-Category

Cash and Voucher Count

Control Objectives

- To ensure the opening, counting and recording of all cash removed from drop boxes is performed in a timely and controlled manner.
- To ensure cash and vouchers are safeguarded and accurately reported.

Following the Manual or Machine Cash Count
Control suggested

- After all the cash from the currency acceptor drop boxes has been counted, the Count Room Supervisor and one other count team member should present the cash to the main banker in the count room.

Currently in place

Main Banker or above can be used to perform this function. However, since the Main Banker is normally verifying the vault count during the time the drop is ready to be received, the Cage supervisor accepts the drop in the count room.

Comments regarding proposed change

Having the Main Banker instead of the Cage Supervisor accept the drop in the count room would hamper opening operations. This also does not allow for “dual controls” which I would not recommend. Having the Cage supervisor accept the drop from the Drop Team and then having the Main Banker accepting it from the Cage Supervisor gives us better control of assets.

Control suggested

- The main banker should recount manually or mechanically the cash presented, without knowledge of the final count from the Master Activity Report. When the Main Banker completes the count he or she should disclose the total count to the Count Room Supervisor. If the Main Banker and the Count Room Supervisor agree with the total amount of currency counted, the Main Banker should attest to the amount by placing his or her signature and employee identification number on the Master Activity Report.
- The main banker will transport the cash to the main bank.
- The main banker should record on the vault assets log the required information as noted in the Security and Surveillance section

Currently in place

Cage supervisor recounts all loose cash manually or mechanically and accepts bundles as bulk (straps, bundles are not recounted in count room). 100s and 50s are re-run by the Main Banker once cash enters the vault. All items are recorded on a “Currency purchase” form. Cage supervisor and a Count Team member agree on total amount prior to items being loaded into cash cart. Cage Supervisor and all Count Team members present will: print their name, sign with license number attesting to figures recorded against Cummins tape.

After all items are loaded in the cash cart and cart is locked, Cage supervisor transports cart to the vault. Main Banker accepts delivery and does a blind bulk count of all items in the cash cart. All 100 and 50 straps are re-run mechanically and all other straps are taken at face value.

Once the Main Banker has inventoried the drop on a clean “currency purchase” form, she/he confirms figures with Cage supervisor and both sign the form attesting to amount

entering the vault inventory.

Main Banker records figures from the “currency purchase” form on the Main Bank Reconciliation, denomination breakdown of the items are also recorded on the “window and other cash items” sheet.

Comments regarding proposed change

Having the person recount all cash being accepted, manually or mechanically will be a lengthy process and therefore we will need to bring our Main Banker and Supervisor in earlier to ensure that this process does not interfere with the opening of the facility.

Signing the “Master Activity Report” will not affect the cage in anyway.

Having the Main Banker perform all of these functions on their own will violate the “dual control” policy which is now in place. In regards to the “assets log”: submitting cash figures to personnel outside of the Finance Department is rather unconventional, Knowledge as to how much cash is being dropped or deposited should be on a need to know basis and I see no reason for the Security and Surveillance department to have access to these figures. I strongly advise against all recommendations in this section.

Pg. 17 Control Sub-Category

Access to Cage Areas

Control Objective

To secure and limit access to all cage areas to authorized persons.

Controls

- Personnel allowed access to the cage areas without a security escort include the following:
 - New York Lottery Representatives, with identification;
 - VLG Agent Chief Executive Officer;
 - VLG Agent Accounting Department personnel;
 - VLG Agent Internal Auditors;
 - VLG Agent Information Technology personnel;
 - VLG Agent Cashiering personnel; and
 - Other VLG Agent Management authorized personnel.
- Packages, handbags or similar unnecessary items should not be brought into the cage area.

Currently in place

Only NYL representative and Cage personnel are allowed unescorted access in to Cage areas. All others must have a security or Cage personnel escort. No unnecessary items are brought inside Cage areas.

Comments regarding proposed change

Allowing unescorted access into the Cage to non-essential personnel would compromise security to company assets. At no time should any of the above personnel (highlighted) be allowed unescorted access into any Cage areas during hours of operations. Policy for Cage access should remain as it is now in order to ensure proper safeguard of assets.

Pg. 18 Control Sub-Category

Access to Vault Areas

Controls

- Access to the vault without a security escort is limited to the following list of employees, except as noted:
 - VLG Agent cashiering supervisory personnel;
 - VLG Agent cashiers should only have access if they are temporarily acting as a vault supervisor and have a key license.
 - All others should only be allowed access with a security escort.
- All transactions should be completed through the vault windows unless it is of such a large volume that it must be done inside the vault.
- Transactions performed inside the vault should be done with a security escort and surveillance should be notified and should monitor the transaction.
- All employees entering and exiting the vault should sign a vault access log with the required information as noted in the Security and Surveillance section.

Currently in place

Only Cage Supervisor or above, Main Bankers and assigned Cage personnel are allowed access to the vault without a security escort. In the event that there is no Main Banker (callout): Supervisor on duty will assign Cage cashier to enter the vault to verify the soft count and daily deposit and therefore not violating “dual control” .

Non-Cage personnel needing access to the vault are required to have a security escort. All transactions are done through the vault window with the exception of coin deliveries, large deposits exiting and drop purchase entering. Anyone entering the vault must notify surveillance (prior to door being opened) and sign the “vault ingress/egress” log.

Comments regarding proposed change

Having a security guard inside the vault during the deposit verification process would give someone outside the Finance department knowledge of cash figures. I do not think this is wise and highly recommend against it. Restricting vault access to “key employees” will hamper Cage operations and violate the dual control policy as we do not always have a second “key” employee on site. Cage supervisors use Cage cashiers to verify the deposit inside the vault in the absence of a Main Banker.

Pg. 21 Sub-Category

Surveillance Room Access

Controls

- If for valid reason (e.g. to investigate the cause of a cash shortage or the commission of a crime) it becomes necessary for a non surveillance manager to view recorded video footage, a Surveillance Supervisor should create a disc with the required video evidence. The Surveillance Supervisor should permit the manager to view the footage on a separate system while being monitored by a surveillance employee. The disc should not be copied or removed from the presence of the surveillance employee monitoring the manager viewing it. The disc should be secured in the surveillance department immediately afterward.

Currently in place

The only Cage employee allowed to request or view surveillance footage is the Cage Manger and the Assistant Cage Manger (in the absence of manager). Surveillance footage is requested in the event of a cashier variance or in the event that Cage Manager would like to review Cage activity in order to ensure procedures are being followed should issues arise with a Cage employee. When footage is requested: surveillance personnel burn clips onto CD and the Cage manager signs-out disc from surveillance room. After viewing footage disc is returned to the surveillance room.

Comments regarding proposed change

Not allowing mangers to sign-out clips and limiting their viewing access to be done only on a “separate system” would be fine, providing that access to “separate system” is allowed in a timely manner.

Pg. 31 Control Sub-Category

Financial Accounting

Controls

- The standardized Master Activity Report, forwarded on a daily basis to the accounting department, should be:
 - Compared to count sheets as received by the count room and bank deposits statements for agreement, on a test basis by persons with no cash and voucher handling responsibilities;
 - Reviewed for the appropriate number and propriety of signatures on a test basis;
 - Tested for proper calculation, summarization, and recording;
 - Reconciled to the amount received by the vault supervisor; and
 - Recorded, maintained and controlled by the accounting department as a permanent accounting record.

Currently in place

Though all items are submitted on a daily basis they are not review and compared on a daily basis they are only done Monday thru Friday.

Comments regarding proposed change

In order to ensure assets are being properly recorded, all Cage and Drop activity should be reviewed and compared on a daily basis.

Pg. 32 Control Sub-Category

Forms, Records and Documents

Controls

- All forms, records and documents required by VLG operations and the New York Lottery are to be prepared in ink or some other permanent form.
- All forms, records, and documents requiring a signature, should at the minimum contain:
 - Signer's first initial and last name; and
 - Employee identification number.
- In the event a pre-numbered form has to be voided, the original and all copies should be marked "VOID" and accompanied by the following information:
 - Signature of the employee voiding the form, with identification number;
 - Signature of an employee approving the void, with identification number;
 - and
 - An explanation of why it was voided.
- Blank pre-numbered forms should be secured in a locked storage area with the key being maintained and controlled by representatives of the accounting department.
- The receipt and issuance of pre-numbered forms should be done by an accounting representative through the use of perpetual inventory records

Currently in place

The only pre-number forms that are used in the Cage are the "VGM Review Forms" which are used in the event of a machine malfunctions. These are kept at the supervisor's desk (file draw) and are only accessible to Cage supervisors or above. In the event of a void: Void is written across the form with signature

Comments regarding proposed change

This would not affect the Cage. If the bulk of these forms need to be kept under lock and key, they could be kept upstairs (by?) and a small number could be issued to the Cage as needed.

Pg. 42 Sub-Category

Promotional Free Play Vouchers

Controls

- When the facility receives the free play vouchers, the accounting department or other party independent of the custodian should count the vouchers and verify the quantity received against the invoice.
- A log should be kept to track the usage of the free play vouchers which should be independently reconciled on a daily basis.
- Titles of persons who can authorize the release of the vouchers should be included in the control procedures.
- A document signed by an authorized person is required before vouchers can be released by the custodian.
- A file of authorized documents should be kept by the custodian and authorized person for 3 years.
- The custodian makes a log entry for issuance based on the number authorized for release.
- Unused vouchers must be returned by authorized person (or representative) to the custodian. The custodian issues a receipt and enters the number of free play vouchers returned at the end of the day in the reconciliation log.
- At the end of each promotion, the remaining expired promotional vouchers will be logged out of the Main Bank, and turned over to the Revenue Audit Department or Accounting Department. The Revenue Audit Department or Accounting Department will document and verify the destruction of the unused vouchers. A reconciliation of the individual promotion of issued vouchers, collected coupons, used vouchers, and unused vouchers should be completed and kept on file.

Currently in Place

Marketing representatives seals "Free Play" vouchers in control number bags. Bag includes the number of vouchers, actual voucher numbers, value of vouchers, date, signature and license number of persons sealing the bag. Once bags are sealed, they are signed into the Cage. Cage representative (cage supervisor or above) logs all bag information on "Free Play" log, Marketing rep and Cage rep sign log attesting to all items being signed into the Cage. Bags of Free Play are signed out on Free Play log by Players Club supervisor from Cage supervisor as needed. It is my understanding that all vouchers issued to Players Clubs are reconciled by Club supervisor on a daily basis. Currently the Cage is not involved with the destruction of expired vouchers.

Comments regarding proposed change

It is not very clear as to who is the custodian and how exactly the Cage are involved in the counting and reconciling of Free Play vouchers. I would need to further understand what we are trying to achieve before I can comment on how this will impact the cage.

Pg. 46 Sub-Category

MGAM Terminals

Controls

- Each person that has been authorized to access the MGAM system should have an individual password and logon for his or her use only.
- Individual logon accounts should limit the ability of the account holder to perform only those functions that are consistent with that person's job duties.
- Facility internal controls should prohibit any person from accessing the MGAM system under someone else's account or log on.
- Users should logoff the MGAM system when leaving the area where the terminal or device is located to prevent unauthorized persons from executing functions they are not authorized to perform.
- An individual's password should be kept confidential and never shared with any other person.
- If a user has reason to believe that his or her password has been compromised, it is the affirmative duty of the employee to change to a new password as soon as possible.
- The VLG agent should notify all employees with MGAM system access that failure to follow internal control procedures may result in disciplinary action or loss of license.
- The Controller at each video gaming facility shall ensure that adequate policies and procedures that address logical security on the management terminal are implemented, maintained, and enforced.

Currently in Place

We are currently following all above controls.

Pg. 52 Control Sub-Category

Log Creation and Maintenance

- An asset log should be maintained for all VLG Agent removal and addition of assets in the vault room, and cashier cages and should contain, at a minimum the following:
 - Name;
 - Signature;
 - Date;
 - Time of withdrawal / deposit;
 - Amount of withdrawal / deposit;
 - Location assets will be transported to (if applicable); and
 - Brief description of why assets are being withdrawn / deposited.

Currently in Place

Though we do not have an “asset log”, we do record all items entering and exiting the vault on various Initial Funding / Draws forms and Reconciliation sheet. These are listed in detail on Page 7 of this document.

Comments regarding proposed change

Vault information regarding assets should be limited to the Finance department and therefore I strongly advise against allowing security personnel to have this information.

DRAFT