



**Report
and
Recommendations
of the**

**STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION**

**on the
ABUSE AND MISUSE
of
CREDIT CONTROLS
at
ATLANTIC CITY CASINOS**

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STATE COMMISSION OF INVESTIGATION
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Atlantic City Casinos**

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State of New Jersey

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TO: The Governor and the Legislature
of the State of New Jersey

The New Jersey State Commission of Investigation herewith submits its Report and Recommendations on its investigation and public hearing into the Abuse, Misuse and Inadequacy of Credit Controls at Atlantic City Casinos. This transmittal is made under Section 10 of L. 1979, Chapter 254 (N.J.S.A. 52:9M-10), of the Act creating the Commission.

Respectfully submitted,

Arthur S. Lane, Chairman
Henry S. Patterson, II, Commissioner
Robert J. Del Tufo, Commissioner
William S. Greenberg, Commissioner

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STATE COMMISSION OF INVESTIGATION

Report on Public Hearing
and Investigative Findings on
Casino Credit Abuses

Introduction

The SCI concluded its public hearing on casino credit on March 4 with the observation that four days of testimony had produced an "extremely harsh indictment" of the entire process. While deploring the damaging impact of this indictment on the integrity of the industry, the SCI also emphasized its human cost. The hearing testimony demonstrated without question that irresponsible and callous credit decisions and related enticements are luring many patrons -- including gambling addicts -- into personal degradation and financial self-destruction. The abuses identified by the public hearing testimony also included the revelation that criminal elements, including organized crime members and associates, enjoyed an access to the gaming tables that casino executives themselves encouraged by the fawning disbursement of easy credit and lavish complimentary services. Law enforcement and regulatory witnesses warned that, because of the inadequacies of statutory controls, the credit system is so fertile a field for crime and corruption that a markedly disproportionate share of their staff resources must be focused on credit misconduct. These expert witnesses graphically illustrated the built-in restraints against effective law enforcement that have encouraged the perpetration of credit scams based on forgery, theft, perjury and collusion.

Overall, the investigative findings and public hearing disclosures confirmed the logic and propriety of a recommendation by the SCI six years ago when the Casino Control Act was being drafted. The SCI said then that allowing casinos to grant credit would result in "substantial social and law enforcement problems," including improper credit collection practices, loansharking and gaming scams. As a result this agency strongly urged in the spring of 1977 that the Legislature prohibit the utilization of credit in casino gaming and, instead, provide for the issuance of chips to patrons only in return for "up-front" cash or for strictly defined and regulated cash equivalents. Since the initial concerns of the SCI have been ratified by both investigative findings and public hearing testimony, we reiterate our original call for a prohibition against credit at casinos and commend that position to the Legislature. Should that request be declined by the Legislature, we have prepared the attached reform proposals for alternative lawmaking and regulatory action.

We remain pessimistic that even the most stringent of corrections will effectively reform the process. We are particularly alarmed about the slackened zeal and objectivity with which a segment of the regulatory apparatus is monitoring the industry. We regret to have to say here that without a more aggressive oversight effort by the Casino Control Commission, no attempt to bring effective law and order to the casino credit process can succeed. There must be an increased willingness on the part of the Control Commission to respond more

effectively to enforcement problems laid at its doorstep by the Division of Gaming Enforcement, and conversely there must be a more vigorous effort by the Division to press for such resolutions, in the state courts if necessary. As Attorney General Kimmelman declared at the SCI's public hearing, if an "honest effort" to eliminate the credit abuses fails, "we may have no choice but to ultimately do away with credit altogether."

The SCI's proposed reforms should provide the tools for an "honest effort" to create a better credit system that can be implemented on a sounder and more honest basis by both the industry and its regulators. The citizens of New Jersey, upon whose trust the casino industry depends for continued economic success, deserve no less.

As outlined at the conclusion of this report, the SCI submitted to the Governor, the Legislature and to standing legislative committees charged with casino credit oversight a broad range of statutory and regulatory revisions of the Casino Control Act (N.J.S.A. 5:12-1 et. seq.) and of the Casino Control Commission regulations (as enumerated in N.J.A.C. 19-:40 et seq.) These detailed recommendations begin at P. 288 of this report. The following summary illustrates the range and thrust of the SCI's detailed effort to reform the casino credit process.

Recommendations in Brief (Statutory)

A. Repeal Credit

-- Repeal all statutory provisions which authorize the extension of credit at casinos.

Comment

As the SCI states in the Preface to this report, "we reiterate our call for a prohibition against credit at the casinos...should that request be declined by the Legislature, we have prepared the attached reform proposals for alternative lawmaking and regulatory action."

B. Eliminate Tax Write-Off for Debts

-- Eliminate the provision that allows a casino licensee to deduct a percentage of uncollectible gambling debts from gross revenue subject to the State gambling tax.

-- Redefine "gross revenue" to eliminate a possibility that this tax base could be reduced by a violation, intentional or otherwise, of a statutory provision governing the credit process.

Comment

The deduction for uncollectible credit debts, commonly known as the "write off" provision, reduces the tax revenues available for the benefit of New Jersey's disabled and elderly citizens. The

Commission's inquiry and public hearing disclosed that a large portion of such uncollectible debts resulted from careless or irresponsible credit decisions by the casinos and that many bad debt settlements, or write-offs, were based on factors other than a debtor's ability to pay. The Commission believes that the casino industry, rather than a large segment of the state's citizens, should carry the burden of uncollectible gaming receivables.

C. Exclude Undesirables Immediately

-- Require immediate exclusion or ejection by a casino of persons defined by the casino law as being subject to such exclusion or ejection.

-- Authorize a casino to detain and question a person to determine if that person should be excluded or ejected.

-- Grant immunity from criminal or civil liability to a casino which detains, questions, excludes or ejects a person in a reasonable manner.

-- Provide that, if an agent of the Division of Gaming Enforcement or the Casino Control Commission observes a person who might reasonably be subject to ejection from the premises, the casino shall be so advised and shall report back in writing within 24 hours on what action it took.

-- Place on the Division of Gaming Enforcement the burden of proof at any hearing that an exclusion or ejection of a person was lawful.

-- Revise regulations governing exclusion and ejection to require immediate placement on the exclusion list of a person deemed to be subject to such an action pending a hearing.

-- Require a casino to exclude or eject a person believed to be subject to the statutory exclusion or ejection criteria even if such a person is not on the exclusion list, and require further that the casino file with the State the identification of the person ejected together the reasons for such action.

Comment

The public hearing was marked by both the testimony of key regulatory officials and commentary by the Commission emphasizing the need to prohibit the presence of criminal elements, including organized crime members and associates, at the gaming tables. Even witnesses from the casinos indicated that a more stringent exclusion or ejection process against undesirables would be welcomed by the industry -- although the hearing record also indicated that on too many occasions criminal elements were encouraged to gamble by offers of such "complimentaries" as free rooms, food and drink as well as generous credit privileges. The Commission believes that its recommendations for substantially strengthening the exclusion system -- particularly by assuring immediate ouster action -- complies with the

legislative intent in enacting the Casino Control Act to safeguard the integrity of the industry from criminal debasement. The proposed reforms would erase contentions by the industry that it could not assess whether a person was excludable because of vague statutory criteria and that it could not make such determinations without State direction. The reforms also would eradicate an industry fear of civil or criminal liability under the exclusion process. In addition, the recommendations clarify procedural guidelines for more effective enforcement and adjudication of exclusionary requirements. As the Commission has noted, although this problem has stirred increasing public concern the Casino Control Commission has failed to react to it with appropriate regulatory leadership.

D. Chip Cashers Must Pay Markers

-- Require that, before a patron leaves a gaming table with \$200 or more in chips and has unpaid counter checks of \$200 or more, the casino must in the pit area collect and apply the proceeds from those chips against the unpaid markers. An exemption from this requirement would be permitted only if granted in writing by a specified officer of the casino on the basis of a written request by the patron. The forms for applying for an exemption and for granting the exemption must be signed and otherwise authenticated and must include the reasons for both request and authorization.

-- Require that whenever a patron leaves a gaming table with chips, personnel responsible for player-rating forms shall record the amount of chips in the patron's possession.

Comment

These recommendations would curtail two particularly serious abuses of the credit process -- 1) "walking with chips," and 2) "rolling markers."

A credit patron who walks with chips typically obtains chips in return for his counter check and then either leaves the gaming area to cash out the chips or has a confederate cash them out. In either case, the money the casino has loaned is taken out of the casino's jurisdiction. Even if a patron who walks with chips subsequently redeems his counter check, he is, in the meantime, free to use the casino's cash in any manner for 90 banking days -- the time period (actually about 120 calendar days) before a casino must collect on a marker. This means such a patron can invest the casino's interest-free cash before paying it back, or the money can be used for criminal purposes, including loansharking or drug trafficking. Public hearing testimony confirmed that walking with chips was an unusually critical problem, which casino witnesses professed an inability to control, and which law enforcement witnesses confirmed was the basis for widespread and costly gambling frauds or scams. A patron who rolls his markers must first walk with chips. The next step is to use this cash to pay off the patron's oldest markers before expiration of the 90 banking days' grace period, thus creating an illusion of credit worthiness.

Public hearing testimony demonstrated that an inordinate number of credit limit misjudgments and subsequent uncollectible credit debts resulted from walking with chips and rolling markers. These practices are not addressed by existing law. Indeed, under the statute, a casino must redeem a patron's chips on request even if that individual owes the casino money. The recommended reforms would curtail these practices by requiring a written record of the chips in possession of a credit gambler when he leaves a table and requiring that such chips be applied against the most recent marker (See regulatory section) when cashed out, subject to a possible exemption that, if granted, must be fully explained and authenticated in writing. The recommendation for the redemption of chips and repaying outstanding credit at the pit itself is based on testimony at the public hearing that this would be the most effective way to reduce abuses of the system. At present chips are redeemed at cashier cages, at varying distances from the gaming tables.

E. Expand Restrictions on Gratuities

-- Prohibit the solicitation or acceptance of a tip or gratuity by a casino supervisory employee and prohibit any other employee from soliciting any tip or gratuity.

Comment

This recommendation would extend the prohibition against supervisory employees soliciting and receiving tips and other employees soliciting tips to any casino in Atlantic City rather than only the casino where such employees work. As rephrased, this provision also would clarify the prohibition for the purpose of more effective enforcement. Testimony at the public hearing indicated that gratuities in one form or another, including gift certificates, were offered by credit patrons from a casino other than that where the tipped supervisory employee worked.

F. 14-Day Deadline for Depositing Markers

-- Require that casinos must deposit all counter checks in a bank for payment within 14 days of the date of the transaction.

Comment

Under present law varying deadlines are set for depositing markers by casinos -- seven banking days for checks of under \$1,000; 14 banking days for checks of \$1,000 to \$2,499, and 90 banking days for checks of \$2,500 or more. This proposal would eliminate these provisions and substitute a 14-day requirement for depositing all markers. This revision also would reduce the time limit for holding counter checks by utilizing calendar days instead of banking days.

The current allowance of 90 banking days for holding markers -- a time period that actually amounts to about 120 calendar days -- has been responsible for numerous abuses of the casino credit process. Competitive pressures among casinos have led to excessive utilization of this provision. Credit players are aware that casinos can hold

their markers for more than four months and tend to gamble where this privilege is more generously available. Testimony at the hearing indicated that this provision has been primarily responsible for promoting the practice of walking with chips by credit gamblers who know they can utilize interest-free casino cash for personal investments or for criminal purposes without fear of immediate detection. The long check-holding time period has also promoted the practice of credit players' rolling over old markers to create an illusion of reliability in order to obtain new 90-day casino loans. Most tragic of the abuses attributable to the check-retention time lapse has been -- as evidenced by hearing testimony -- its seduction of addicts and other types of problem gamblers who are lulled by easy money and distant pay-up deadlines to literally self destruct at the gaming tables.

The SCI believes that a time period of 14 days for holding checks not only is sufficient time for requiring a debt to be paid but also will enable casinos to more quickly evaluate the credit worthiness of a player as well as his or her actual ability to afford gaming debts. Of major importance, also, is the fact that, whether a credit scam is perpetrated by outsiders or in collusion with casino personnel, law enforcement and regulatory agencies would be more quickly alerted. Law enforcement witnesses at the hearing indicated the problems plaguing investigations which did not begin until three or four months after the crime occurred. A 14-day restriction, the SCI wishes to emphasize, could discourage many less affluent credit gamblers from courting personal disaster since they would be forced to recognize their obligations to redeem markers within two weeks instead of four months after date of issuance. Finally, compulsive gamblers would more quickly be detected and prevented from further squandering of their personal resources via the credit process.

G. Fines Could Go To \$1 Million

-- Increase civil penalties to punish misconduct from \$10,000 to \$100,000 in the case of an individual and from \$50,000 to \$1,000,000 for a corporation - with a proviso that higher fines also can be imposed if circumstances warrant.

-- Raise the level of an offense under this Act from a disorderly person offense to a crime of the fourth degree, subject to fines of not more than \$25,000 for an individual and not more than \$100,000 for a corporation.

Comment

When sanctions were established by the Legislature in 1977, few lawmakers could envision that the casino industry would grow to its present multi-billion-dollar stature. The increased penalties proposed above are deemed by the SCI to be more realistic than present provisions in view of the huge cash flow and massive economic impact of the industry.

Recommendations in Brief (Regulatory)

A. Identification Requirements

-- "Identification Credentials" in the definitions section of the casino control regulations must be expanded to require a credential which "bears a photo or a physical description..."

Comment

Existing regulations permit credit applicants to submit almost any document which contains their signature as a valid form of identification. The SCI hearing demonstrated a need for a more accurate, comprehensive and reliable means of identifying would-be credit gamblers.

B. Closer Security-Surveillance-Credit Liaison

-- Require a continuing responsibility for communication in writing by casino security and surveillance departments to credit managers of information which may be useful in determining the credit worthiness of a patron.

-- Require a credit manager to submit a list of new credit applicants at least daily to a casino's surveillance and security department directors.

Comment

Public hearing testimony demonstrated frequent lapses in communications by casino security and surveillance personnel with credit managers and support staff and vice versa. As a result applicants received credit unjustifiably or received larger credit limits than their personal or financial backgrounds warranted.

C. Redeem Most Recent Marker

-- Require casinos to redeem a credit gambler's most recent counter check.

Comment

Unlike the present regulation, which allows a credit gambler to pay off his oldest marker, this amendment would require counter checks to be deposited on a more timely basis and would effectively eliminate the abusive practice of rolling over markers, previously discussed on Pp. 4-5. This revision would provide quicker reliable feedback on a gambler's credit worthiness since his oldest markers would have to be deposited before his newer markers could be redeemed within the proposed new 14-day check-holding time period.

D. Strengthen, Expand Credit File

-- Require in the compilation of any patron's credit file, in addition to present requirements, the receiving/preparing clerk's signature and method of receiving application; the patron's residence and telephone, employer, address, type of business, patron's position and tenure and business phone, amount and

source of income "to be considered," amount and source of outstanding debts, number of patron's personal bank account for which his signature is authorized, a specimen check, etc.

-- Require two photographs of a patron to be taken by the casino licensee, with signatures of cashier and patron authenticating the photographs.

-- Require two fingerprints of applicant taken by the licensee, signed by cashier and patron as authentication, to accompany photographs, along with date of birth and physical description.

-- Require patron's signature to a statement attesting to the truthfulness and accuracy of the application, authorizing investigation of its contents and the release of same as required by law, and conceding that "willingly furnishing false information may subject me to criminal prosecution."

-- Require listing of credit limit requested and names of other casinos where patron has or had "established credit."

-- Require more intensive verification than now required, prior to approval of credit limit or increases, including reference to "recognized credit bureaus" that can provide gambling credit and non-gambling credit history.

-- Require detailed data on patron's credit accounts at other casinos, including status at time of verification, any derogatory information and security and surveillance information.

-- If no derogatory information is received, require the casino to verify a patron's bank account prior to credit line approval, and obtain bank verification in writing.

-- Expand definition of "derogatory" to cover every relevant adverse form of data.

-- If no credit history is available or if derogatory information is obtained, or if patron has had no credit gaming action for two years, prohibit extension of credit until bank account references are verified in writing according to seven categories.

Comment

As indicated, the SCI has recommended almost a total revision of this regulatory area, along with further extensive related reforms to be described below. These recommendations are proposed in such detail because they apply to what is regarded as the most crucial area of the entire casino credit process. Public hearing testimony was replete with admissions and allegations of credit abuses directly attributable to the inadequacies of the control system the above recommendations would eliminate. A key theme of these proposals would be the requirement for more thorough verification of background data prior to extension of credit. The requirement for non-gaming credit histories would be another crucial addition to the verification process.

E. Casino Penalty Equal to Uncollectibles

-- Impose a penalty on casinos equal to the amount of uncollectible debt that results from an extension of credit after derogatory information is obtained during credit reference verification process.

-- Require that each casino furnish other casinos at least the following information on a credit patron -- date of account, highest approved credit limit, current limit, and full details on status of account at time of verification.

-- Require credit reference verification to be updated every six months; clarify what constitutes a verification.

-- Require that any credit limit issued or changed "be commensurate" with information contained in the credit file; require credit approval signed by specified casino officials to include player rating, credit debt balances at other casinos, reason for approval if derogatory information was received.

-- Reduce credit limits to zero at any casino where a patron's checks bounced until such checks have been paid in full.

Comment

The above recommendations are in tandem with those that would fortify the credit file process in Section D and would reduce the current unfettered control by casino executives over credit extensions. The SCI's public hearing demonstrated that not only was the so-called "business judgment" of certain credit managers inappropriate but they themselves were unable to provide the rationale that led to the extension of credit to patrons who utilized the credit lines for fraudulent purposes or wound up hopelessly in debt. Strict business guidelines and procedures to assure their implementation, as outlined above, will inject more common sense and logic into casino credit decision-making. The requirement that casinos be penalized by fines equal to uncollectible debts caused by inappropriate credit decisions should reduce the carelessness and irresponsibility that was illustrated at the SCI hearing. A mandated liaison among casinos on credit patron references, ratings, gaming history and the like will fill a vacuum that witnesses also confirmed at the hearing as conducive to credit system abuses.

F. New Player Rating Review Requirements.

-- Require each licensee to establish a method for reviewing and monitoring player ratings to determine their accuracy and reasonableness.

-- Prohibit any player rating review by any persons with any "incompatible functions" such as internal audits or surveillance.

-- Submit review procedures to the Division of Gaming Enforcement and Casino Control Commission for approval.

Comment

The strengthening of the player rating process, which can be of vital importance in reaching sound credit line judgments, is also a mandated reform based on evidence presented at the SCI hearing.

G. Uncollectible Debt More Strictly Defined

-- Mandate that a returned check is uncollectible "only if sufficient documentation" has been obtained verifying uncollectibility.

-- Further define uncollectible checks for the purpose of computing any penalty to be imposed on account of inappropriately generated bad debt as all checks received by a licensee that remain unpaid 180 days after date of issue.

Comment

The SCI's investigation and testimony at its public hearing established that large portions of credit debt were written off as uncollectible for reasons other than inability of the patron to repay. The SCI believes that the above amendments, combined with related bad debt penalty and pay-back provisions, should reduce the likelihood that a casino will classify a debt as uncollectible when the debtor indicates the financial ability to repay. The documentation demanded by this revision also would safeguard the integrity of casinos from allegations of favoritism or payoffs in connection with decisions to write off debts.

THE TESTIMONY -- FIRST DAY
TUESDAY, MARCH 1, 1983

Opening Statement

The Commission's public hearing began with an introductory statement by Chairman Lane. He said the testimony

will emphasize the Commission's investigative findings that 1) casino credit has been disbursed in an erratic, irresponsible manner; 2) enforcement and monitoring of the regulatory process have been exceedingly difficult, and 3) -- most important of all -- that the overall inadequacy of these controls threatens the integrity of the entire system of casino gambling regulations.

Chairman Lane's statement continued:

Six years ago, when New Jersey's Casino Control Act was being drafted, the issue of gambling on credit was particularly controversial. The SCI was not alone in warning at that time that casino credit would be among the "most sensitive" problems in an admittedly difficult effort to assure the propriety of the casino gaming industry and that casinos could become "a vulnerable target for criminal intrusion". Forthcoming testimony will demonstrate that lax credit controls have opened casino doors to large-scale frauds by criminal elements, including organized crime members and associates. The Commission's further warning that casino credit will generate "substantial social and law enforcement problems" also will be verified at these proceedings... Testimony by officials and employees from Atlantic City's casinos will confirm, reluctantly, that all casinos ignore their own formalized credit policies and guidelines and permit greed and rivalry rather than business acumen and common sense to determine who can gamble on credit. We will hear testimony by past and present credit gamblers, most of whom still owe many thousands of dollars to various casinos because of irresponsible credit extensions. These witnesses will include high rollers whose huge gambling excesses were spurred by inappropriate and incompetent credit

decisions. They also will include less affluent patrons who were seduced by liberal credit and complimentary rooms, food and drink until they literally self-destructed. And there will be testimony by the most tragic victims of the casino credit process -- the compulsive gamblers for whom the casino industry has shown little or no compassion.

Finally we will hear testimony on how best to eliminate the credit abuses that will have been outlined in detail from day to day. Such testimony on proposed reforms of the credit process will buttress the Commission's belief that a stringent credit control system is essential to assure public confidence in the integrity and stability of the casino industry. As the SCI said six years ago, casinos will succeed only so long as they gain -- and retain -- the public trust.

Credit Procedures, Problems Explained

Because of the complex role of credit in casino gambling -- its impact on industry finances, on managerial and personnel policies and on regulatory and law enforcement efforts -- the SCI began its first public hearing session with expert testimony. Such testimony was provided primarily by the industry's regulators, including key officials of Attorney General Irwin I. Kimmelman's Division of Gaming Enforcement, the Casino Control Section of the Criminal Justice Division, and the State Police. These witnesses not only exposed the numerous inadequacies in the casino control statutes and regulations but also explained how irresponsible credit practices created credit losses, opened gaming rooms to criminal elements, including organized crime, reduced tax revenues to the state, encouraged many patrons to gamble far beyond their means. Indeed, easy credit motivated by greed, as the testimony demonstrated, caused many victims of the disease of gambling addiction to literally self-destruct.

The Attorney General's Views

New Jersey's Attorney General Irwin I. Kimmelman was called as the first witness. Questioned by SCI Executive Director James T. O'Halloran, Kimmelman noted that the two most important and active entities in the enforcement of the Casino Control Law, the Divisions of Gaming Enforcement and of Criminal Justice, were under his direct jurisdiction. He praised the SCI's initiative in conducting its inquiry, declaring that "the move to reform casino gambling credit in this state is one whose time has come." Although New Jersey in 1977 enacted "a stronger system of internal controls over casino operations than any other in the world," Kimmelman noted:

Our experience has shown, however, that in the area of patron credit, one of the most sensitive within a casino operation, these regulations are seriously deficient. Indeed, these very hearings come in the wake of findings by the Division of Gaming Enforcement resulting in a series of criminal indictments and administrative complaints detailing player credit scams and loose credit practices by casino executives. It is obvious to us that the industry is placing mounting reliance upon this practice as a ready source of profit. It is also obvious that credit, when freely available, can have a pernicious effect on compulsive and imprudent gamblers. Considered as a whole, we believe a reevaluation of the entire casino credit system and the laws under which it operates is absolutely necessary to maintain the integrity of casino operations...

Although a cash-only practice would eliminate many of the problems historically associated with credit, I suggest that an honest effort first be made to explore other alternatives. Using our acquired casino gaming experience as a base, attempts should be made to first identify deficiencies in the present regulatory scheme and then develop responses to tighten credit controls uniformly in all Atlantic City casinos.

I caution, however, that unless this effort is thorough and commitment to its outcome sincere, the goal of eliminating abuses in the credit area will not be obtained. In that event, we may have no choice but to ultimately seek to do away with credit altogether.

Kimmelman described the "staggering increase" in casino credit disbursement during the first five years, to the extent of \$1.5 billion in 1982 alone, more than a third of total credit issued since 1978. Conversely, he described as "fantastic" the loss of tax dollars to the State as a result of casino credit abuses. He said:

That loss is directly felt by our senior citizens, who are the ultimate beneficiaries of this tax program. From January, 1979, through the end of 1982 approximately \$64 million of bad checks and unpaid markers remained uncollected by casinos. In 1982 alone, bad debts are expected to reach over \$25 million. In terms of the gross amount of dollars wagered in Atlantic City, these are not great percentages. But in terms of the raw dollar amount, they are fantastic figures, Commissioners.

Under a law that permits casinos up to a four percent write-off of their gross revenues for bad debts, the 1982 figure represents a loss to the senior-citizen fund of over \$2 million.

Regardless of the statistical arguments made, the dollar level of bad debts tolerated by Atlantic City casinos is unacceptable and only highlights the need for more stringent controls on the front end of credit issuance. I submit that the internal control regulations presently in place in this area are grossly inadequate to do the job.

Opportunities for fraud and abuse abound. Yet despite the inherent risk, many casino executives are issuing more and more credit in the fierce competition for the gambling dollar. They exercise their unfettered discretion in the name of business judgment which they use as a cloak of immunity. Credit executives take comfort in the fact that there has been technical compliance with the letter of the law which offers no objective standards by which credit worthiness may be measured.

Any reform of casino credit practices to be effective must require two things prior to the issuance of credit: One, an adequate financial base disclosure; and, two, verification of the information so disclosed. There are vitally important tools for intelligently and objectively evaluating credit worthiness. They also help to identify the person receiving credit and the location of any assets in the event of default, as well as reduce the risk of deception or fraud perpetrated upon the casinos and, hence, upon the State of New Jersey.

As you know, casinos are now able to reduce up to four percent of their gross revenue to cover their bad-debt losses, and the state loses tax revenue as a result. As an incentive for casinos to better control internally their credit losses, I believe serious consideration should be given to eliminating the state tax write-off that casinos are now permitted to take on uncollected debts. By limiting the potential for tax write-offs for bad credit, it is reasonable to assume that we will reduce the extension of bad credit as well.

The State's interest in casino credit goes well beyond its taxing of casino revenues. It can be explained in large measure by our commitment made

at the outset of this entire casino venture in New Jersey to maintaining the absolute integrity of the casino process. One method, Commissioners, of continuing to maintain that integrity is to thoroughly look into this entire business of the extension of credit, deciding whether it should be continued; and if it is to be continued, what additional controls should be placed.

Division of Gaming Enforcement

The next witness was Robert B. Sturges, acting director of the DGE for 10 months, until he entered private practice early in 1983, and deputy director for two years prior to becoming acting director. He was questioned by SCI attorney Michael V. Coppola. Sturges at the outset was asked to discuss the casino industry's role in New Jersey's overall legalized gaming activity:

Q. Can you give us an idea of how the casino industry itself compares financially with other forms of legalized gaming in this state, which would be, I guess, the lottery, and, also, the horse-racing industry?

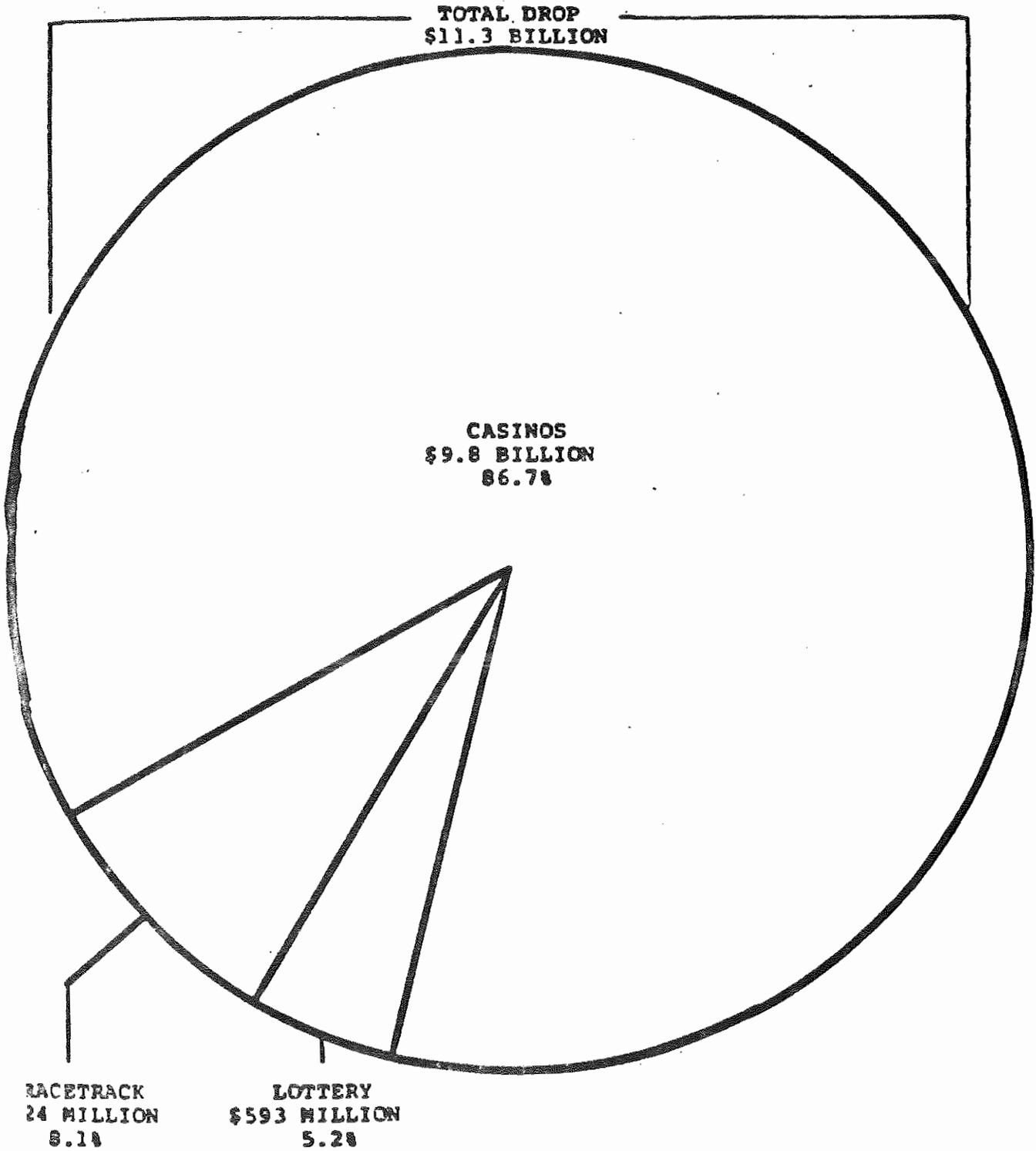
A. I guess the best way to do it would be to refer to the chart.* And this chart shows very clearly the large percentage of activity which is related to casinos as opposed to other forms of legalized gambling in this state. The total drop for the year 1982 in the casinos was \$9.8 billion which represents 86.7 percent of the total amount of gaming drop, legalized gaming drop, in the state.

Q. All right. Perhaps you ought to give us a brief definition of the word "drop" at this point.

A. Drop represents the amount of money or markers that is used to purchase chips. So it represents the total value of the chips purchased in the Atlantic City casinos. The equivalent, there isn't really -- it's hard to define an equivalent in horse racing and lottery where we have in those two industries the term "handle" which can be used where we actually know how much was bet by the public legitimately in those two enterprises. See, in a casino we can't do that.

*See Chart, next page.

NEW JERSEY LEGALIZED GAMBLING
TOTAL DROP FOR 1982



COMMISSIONER PATTERSON: Mr. Sturges, does the drop for the casinos also the amount of money put in the slot machine?

THE WITNESS: Yes. And if you would like me to clarify this drop-handle distinction I can do that. If a person comes up to a 21 table, for instance, and purchases a hundred dollars worth of chips, that hundred-dollar bill is going to go into the drop box. He may stay there and gamble for an hour back and forth and at the end of an hour's worth of gambling he may have gambled thousands of dollars, yet at the end of his hour of gambling he may still have his hundred dollars worth of chips. We don't really know what the handle was because there's no record made of the individual bets back and forth.

BY MR. COPPOLA:

Q. Is that the same in the horse-racing industry and with respect to state lottery?

A. No. Of course, in those cases we know exactly the amount of money that is gambled through purchasing lottery tickets or through betting at the parimutual windows.

Q. So what you are saying is that it's impossible to determine exactly how much money was actually bet in the casino industry?

A. I'm sure the industry could give us estimates, but they would only be estimates. There's no way to determine with precision how much is gambled in the Atlantic City casinos.

BY MR. COPPOLA:

Q. Now, are you familiar with the gross gaming revenue tax with respect to the casino industry?*

A. Yes, I am.

Q. How much money was given to the state as a part of that tax in 1982?

*See Chart, next page.

N.J. LEGALIZED GAMBLING ACTIVITY
AND DIRECT BENEFIT TO STATE
IN CALENDAR 1982

	<u>RACING</u>	<u>LOTTERY</u>	<u>CASINO</u>
INDLE-----	\$924 MILLION	\$593 MILLION	\$9.8
ROP-----	\$924 MILLION	\$593 MILLION	\$9.8
EDIT TION-----	0	0	\$1.5
REVENUE T TO N.J.---	\$9.2 MILLION	\$250 MILLION	\$11.7
DIRECT UE AS A	<u>108</u>	<u>42.28</u>	
DROP-----			

- A. The gross revenue tax provides that eight percent of the gross revenues of the casino industry go into the Casino Revenue Fund. Last year in calendar year 1982 the state received \$117 million as a result of the gross revenue tax.
- Q. And the lottery industry, the chart indicates \$250 million were received by the state as part of a direct benefit to the State of New Jersey, although the drop is significantly less than the drop in the casino industry.

Now, can you briefly explain how credit, or what credit is and how it is extended in a casino in Atlantic City?

- A. Yes. It would be helpful, first, to describe what a marker or a counter check is. These terms are used interchangeably. Actually, I think that the most accurate term is to call it a counter check, because that's what it is. It is, in effect, a check that is made payable to the casino which is signed by the patron and drawn upon an existing bank account that that patron has. It's credit in the sense that the casino is not required to deposit this check until a certain period of time has elapsed. If it's a check for a thousand dollars or less, the casino has up to seven days to deposit the check. If it's between a thousand and \$2500, they have up to 14 days. And if the check is over 2500, the casinos have up to 90 banking days in which to deposit this check. So, in that sense, this counter-check system is a credit system.
- Q. There's some language in small print on the marker. It states, "I represent that I have received cash for the above amount and that the said amount was on deposit in said bank or trust company in my name. It is free from claims and is subject to this check." In practice, is the money or the value of the marker actually on deposit in the patron's bank at the time that the marker is signed and the patron receives the chips?

- A. No. In many cases it is understood, since markers are going to be held in many cases, or counter checks are going to be held for a period of time before they're deposited, many times the patron is, may have the intention of having the money in the account to cover it at the time it's deposited with the bank, but through circumstances and sometimes through direct fraud the money is not in the account when the check is presented by the casino to be paid.

Accuracy of Casino Industry Statement Questioned

BY MR. COPPOLA:

- Q. Now, the Atlantic City Casino Hotel Association issued a press release, the release was dated September 20th, 1982, and it contained a statement that between 30 and 40 percent of the industry's income is based on credit. Now, was that an accurate statement?

- A. No. I think the statement is misleading because it doesn't take into account the tremendous slot activity in Atlantic City where there is no credit and it represents the slot activity as the chart indicates, in 1982, represented 52 percent of the drop. So when the total gaming activity is looked at, the proportion that is attributable to credit takes on a whole new meaning and it's more accurately in the 15 percent range, rather than the 30 to 40 percent range cited by the industry.

- Q. So credit, then, does make up approximately 15 percent of, well, the drop that takes place within the entire casino industry?

- A. Right.

- Q. Now, although it's a 15 percent figure, what did just the question of credit, its issuance and its collection, represent to you as the acting director of the division in terms of problems, man-hours allocated, resources allocated, that sort of situation?

- A. First of all, there's no question that credit is a headache from a enforcement point of view. It has always been. Our division has, basically, investigative responsibilities and enforcement responsi-

bilities. I think at least an area of half of our enforcement activity is related, directly or indirectly, to the credit issue.

Q. Now, do you have an opinion as to why credit is the source of so many problems and the Division has to spend so much time in reference to the question of credit? And I would ask you to refer to what has been marked C-7* for identification during the course of your answer to this question.

A. Well, the amount of information that is required on the typical casino credit application is really pretty scarce, and again from a law-enforcement perspective it does not give us enough of the type of information that really is needed.

Q. What is actually required to be on the credit application pursuant to state law?

A. Okay. The regulation that we are dealing with is 19:45-1.27, which is a lot of numbers to get to a very few requirements. The chart (indicates) those areas where the regulations require information: Name; address; the bank, of course, on which the counter check is going to be drawn; driver's license number; the customer's signature; the employee's signature who was taking this credit information, and then a question about whether they would be a disqualified person from receiving credit, and that is about it.

And it's interesting to note that the regulations concerning this information are not in the part of the regulations that deal with the decision to extend credit. It's merely a record-keeping requirement, and at no point in the regulations does it say that any particular piece of information shall be used in making a credit determination. So there really is no way to judge how the discretion was exercised and what factors were used or taken into account. So, really, the way it presently is established, this is merely record-keeping to memorialize some information about a decision that really has already been made.

*See Chart, next page.

Male <input checked="" type="checkbox"/> Female <input type="checkbox"/>	First	M.I.	LAST	A.B.A.
STREET ADDRESS OF RESIDENCE	STATE	ZIP CODE	RES. PHONE	BRANCH <input checked="" type="checkbox"/> Checking Account Only
CITY	STATE	ZIP CODE	NO YEARS	STREET ADDRESS
EMPLOYMENT - FIRM NAME	POSITION	BUS. PHONE	CITY, STATE	REFERENCE
STREET ADDRESS	STATE	ZIP CODE	NO YEARS	BRANCH 2 - C <input type="checkbox"/> ng Account Only
CITY	STATE	ZIP CODE	NO YEARS	BRANCH
DEFECT ALL CORRESPONDENCE TO BUSINESS <input type="checkbox"/> RESIDENCE <input type="checkbox"/>	LIMIT REQUESTED \$		CREDIT CARD	STREET ADDRESS
DRIVERS LICENSE #	STATE	CASINO CREDIT <input type="checkbox"/>	CHECK CASHING <input type="checkbox"/>	CITY, STATE
DOB	HEIGHT	WEIGHT	HAIR	EYES
CREDIT CARD	EXP DATE	MALE <input type="checkbox"/>	FEMALE <input type="checkbox"/>	REFERENCE
CREDIT CARD	EXP DATE	BRANCH 3 - Checking Account Only		A.B.A.
CREDIT CARD	EXP DATE	STREET ADDRESS		ACT OF PERSONAL
ARE YOU A STATE OFFICER OR 1 STAFF OFFICER OF THE POLICE OR ON THE STATE POLICE OR ON THE STATE ARMY OR NAVY OR AIR FORCE OR MARINE CORPS OR COAST GUARD OR IS AUTHORIZED STATUS? CHECKED 5 APPLICANT MUST NOTIFY THE TROPICANA HOTEL & CASINO CREDIT DEPARTMENT <input type="checkbox"/> YES <input type="checkbox"/> NO IF YES, SPECIFY			CITY, STATE	PHONE
APPLICATION RECEIVED <input type="checkbox"/>	WALK IN <input type="checkbox"/>	MAIL <input type="checkbox"/>	PHONE <input type="checkbox"/>	DATE
CASINO EMPLOYEE SIGNATURE	CCC #	I DECLARE THE INFORMATION PROVIDED TO BE TRUE AND CORRECT AND AUTHORIZE THE TROPICANA TO CONDUCT SUCH INVESTIGATIONS PERTAINING TO THIS INFORMATION AS IT DEEMS NECESSARY FOR THE APPROVAL OF MY REQUESTED CREDIT LINE		
TROPICANA CASINO CREDIT APPLICATION ANAHEA HULL & COMPANY 1167 N. ALOHA AVENUE ALOHA, HI 96801		CUSTOMER'S SIGNATURE AT OUR OFFICE <input checked="" type="checkbox"/>		

NOTE: Checked (✓) areas designate the only information required under existing credit regulations.

- Q. Do you feel that the state requires enough information from a person before they receive credit?
- A. No, I don't. I think, for instance, that along with the suggestion that has already been made, it should be required that the bank actually be contacted; and maybe there can be some flexibility when it's not regular banking hours or maybe there can be a delay until there has been the opportunity to check with the bank to make sure that there is an account there and to make sure that there are sufficient funds. Of course, we are still going to run into the problem where there's going to be collusion. But, at least, it will be a step in the right direction to make sure that there's actually a verification that a bank account exists. Right now the regulations say that one of three sources can be contacted: A bank, another legal casino or a recognized credit bureau. The regulations require that one of those three sources be checked. But the regulations don't say what happens after you check. Suppose there's no record at the credit bureau? Well, casinos have interpreted that to mean everything is okay. Now, is that a verification of credit references or not? It's no record. These are things that have to be clarified and these are the types of scams, I think, presently exist and need to be filled by regulation.
- Q. Right. With respect to C-7, there's additional information that is on the application that is not required by the state.
- A. Well, the problem, I think, Mr. Coppola, is that there's no uniformity. This is just a sample Tropicana form. They have certain information that they ask in addition to what's required. Other casinos ask for other type of information. I think more information should be required and it should be done in a uniform way so that, when we are doing our investigations, we're going to know where to look and how quickly, and we will be able to more quickly determine whether the right steps were followed in granting the credit.

"Too Much Discretion" for Credit Executives

Sturges next was asked to describe the role of casino credit managers, including their responsibilities and the basis on which they make individual credit decisions. He pointed out that credit executives are supposed to review credit information and decide whether a patron "is or is not credit worthy" -- and that such executives may have "too much discretion." His testimony continued:

Q. You mentioned that the casino industry has too much discretion. Is it fair to say that a credit executive is one of the people within the industry who has almost unfettered discretion?

A. There's a great deal of discretion, yes. I've had some credit executives tell me that they can tell by the look in a person's eyes whether they're a good credit risk are not. I think we have to do better than that.

Q. When you look at a credit application, if your agency, or the division rather, is reviewing it, can you tell by a review of the chart what the decision of the credit executive was based upon?

A. No. You put your finger on precisely one of the problems; the lack of objective criteria that can be pointed to or factors that you require them to determine so that you can question the judgment and determine whether it really was a good-faith judgment or not, because the possibility of collusion is more than a possibility. There has been collusion in cases that have been prosecuted by the Division of Criminal Justice, and you need objective criteria to determine and help build a case to see whether collusion is taking place or not.

Q. Do the regulations require that a credit executive set forth the reasons why he's going to give somebody credit?

A. Absolutely not.

Q. Now, within Atlantic City, I believe, a marker can be paid off at the cage as opposed to the pit. Could you explain that process a little bit?

A. Yes, and this is another problem, I think that we should be concerned with.

To me as a former law-enforcement official, the thing that's frightened me the most about credit is that you're giving somebody a blank check and you're handing them dollars in through chips and where does the money go? Where do those chips go? Are they going to go out the door? Is that money going to be used for purposes it's not supposed to be used for? And I'm concerned about the lack of control on those chips that are, that become chips after credit is extended.

Right now if a person gets, for instance, \$100,000 worth of credit and sits down at a gaming table and gambles for a couple of hours and has been fortunate enough to, say, win \$50,000 so he now has a hundred fifty thousand dollars, there is nothing that requires that before they leave the premises that marker, that counter check, be redeemed. They can walk out the door with that \$150,000.

The thing that is even of more concern from law enforcement's point of view, and there have been case where this has happened where two people who are in collusion obtain a certain amount of credit, say, \$100,000 worth of credit; the two of them gamble for a period of time, say, at the craps table, but they offset one another's bet so they know it's going to be a wash. In other words, one will bet pass, one will bet don't pass and this can go on several hours so it looks like they're gambling in good faith and then they head south with the money. There have been organized-crime-associated people that they have been engaged in these type of conspiracies.

So I think it's important, it would certainly be a help to law enforcement for there to be the requirement and the opportunity for markers to be redeemed right at the pit before they leave the table so that the money doesn't go out the door. And I think Tony Restuccia, the chief of the Audit Section, Division of Gaming Enforcement, has some specific technical details as to how this type of thing could be worked. I'm satisfied in my discussions with our staff that there is a practical and effective way to do just that to make sure the markers are redeemed before the money leaves the casino.

- Q. Based on your experience, do the casinos know where the chips go once they gave them to the credit player?
- A. They aren't concerned in the same way that a law-enforcement agency is going to be concerned and they aren't concerned about the compulsive gambling problem to the extent they should be in terms of the social impact of what they're doing. I think we ought to impose upon them some additional requirements that will help us assure that the money doesn't go into the wrong hands.
- Q. In some case that marker can actually be held up to four months before it goes to the bank. Did those regulations that deal with the depository time period cause the Division of Gaming Enforcement a problem?
- A. Well, certainly from an investigative perspective when you have that delay between the marker being prepared and it actually being deposited in a bank, you're playing catch-up ball and many times it's five or six months down the line because it's 90 banking days. That's a long time. And by the time the marker is returned and we are aware that it's been returned, follow-up investigation is difficult because you're dealing with a trail that's not fresh.

COMMISSIONER GREENBERG: That's interest-free 90 banking days?

THE WITNESS: Interest-free. And a matter of fact --

COMMISSIONER GREENBERG: And this 90 days of the free float, or 120 days, is only available to those who sign markers of \$2500 or more. Is that correct?

THE WITNESS: That's right.

COMMISSIONER GREENBERG: So the little guy doesn't get the benefit of this interest-free loan, or the smaller credit gambler. Is that right?

THE WITNESS: That's correct.

X X X

Casino Propaganda Again Questioned

BY MR. COPPOLA:

- Q. The press release that I referred to before from the Atlantic City Casino Hotel Association also contained this statement: "Atlantic City's casino operators in many cases apply standards which are far more rigid than those mandated by the state." Based on your experience, was that an accurate statement, the application of more rigid standards?
- A. Again, I think when it suits their business interests to be rigid, they are rigid and they have been more rigid in those cases. But when it comes to high rollers, the rigidity, the standards are soon forgotten for business reasons.

COMMISSIONER GREENBERG: What are they?

THE WITNESS: The business reasons are, if somebody is coming to their casino saying that they're prepared to gamble \$500,000 a hand in baccarat, which has been the case in some occasions, we find a tendency rather quickly for any type of standards that may have existed for the five-dollar player or the twenty-five-dollar player at blackjack to be soon forgotten. Again, I'm not suggesting that in all cases they ignore the legal requirements, although that's happened, too, and we have had problems where the high rollers have come to town, and even the force of law, regulations and statutes have been violated for the end justifying the means. The business judgment was made that: What kind of a fine are we going to get? And here we have a chance to win literally millions of dollars and let's take a chance. Let's take a chance that the sanctions aren't going to be as stiff as how much we win. Unfortunately, in some cases that has been the case.

BY MR. COPPOLA:

- Q. The press release also contained this statement under the heading "Who Receives Credit," "In theory, any financially responsible individual is eligible to receive credit at a casino hotel. In

practice, however, credit is generally limited to individuals with substantial incomes and/or assets. While those with lower incomes are considered for and often receive credit, in general, casino credit is a phenomenon of the upper-income bracket individual who can repay gambling debts from disposable income remaining after all necessary living costs have been met." Based on your experience, was that an accurate statement?

- A. I don't think we have enough information to even make that judgment since income is not the type of information that is presently required. The credit applications don't require that you indicate what your annual income is, what kind of job you have, and the most publicized cases of credit problems in Atlantic City have been just the opposite end of the spectrum where people have obtained credit where they couldn't possibly repay if they lost. They couldn't possibly repay the debt. And this is, unfortunately, where we get into the problem of compulsive gambling, and this is a particular topic that I am very concerned about and I've had occasion to have numerous meetings with Gamblers Anonymous people and compulsive gambling groups to try to learn from them in their experience with the compulsive gambler what type of regulations they would like to see in place that would help people with the gambling, with the compulsive gambling problem, because a casino again is not going to be concerned with that issue. They're business people and they weren't -- it's all -- it's not even part of the formula as to whether a person might have a gambling problem.

Casino Competition Creates Credit Problems

BY MR. COPPOLA:

- Q. Did you find that competition among the casinos for the credit player is what actually dictated who received credit and in what amounts they received credit?
- A. This is another problem...business competition is so intense now with nine casinos in Atlantic City, some doing much better than others, where a patron is able to play one off against the other and get

credit where maybe if the competition wasn't so intense he wouldn't be able to get credit and if one casino has given a person a thousand-dollar or two-thousand-dollar credit limit, it puts incredible pressure on the other casinos to at least match that if not do better. So patrons are able to run from casino to casino and get more and more credit.

Q. Do the regulations, the state regulations, address that particular problem of someone who bounces from casino to casino?

A. No, they don't...one thing that has always concerned me is a person can have a returned marker, returned check for insufficient funds that came back at one casino, and he can go to another casino and obtain credit. Now, if somebody already bounced one check in town at a casino, it seems to me ludicrous that we should allow another casino to take another chance with that person. But the problem is, right now a system doesn't exist for a casino to necessarily know that. And, of course, you are dealing with competitors where there's some reluctance to share information. We ought to be thinking about a way to coordinate all the information, I think, among the nine casinos so that that type of thing can't happen.

COMMISSIONER GREENBERG: Isn't it a fact, or is it a fact, Mr. Sturges, that the casinos don't really care whether there are bounced checks or returned markers or not? They're anxious to get that gambler in there to play in their casino. The odds are with them, as you say, that they're going to gamble and lose and maybe even pay that debt. They want that action, that activity. Isn't that what they're really concerned about?

THE WITNESS: They want the action, that's right. But I think right now what they are is complacent. They're perfectly willing to live with, as a matter of fact, they brag about, the two percent bad-debt return and they're happy with that.

But those of us involved in the state have to be concerned with that two percent because that two percent means a lot. It means a lot to compulsive gamblers. It

means a lot to law enforcement in terms of, where is the two percent going? So I think we've got to require more than complacency on their part. We've got to start making tougher requirements so we know where the two percent is going.

Easy Credit Lures Organized Crime

THE CHAIRMAN: It might also mean some added activity from organized crime in connection with credit, might it not?

THE WITNESS: Most definitely. Our experience has been in Atlantic City, and my experience in organized-crime prosecutions before I got involved in casino gambling enforcement, is that wherever the pressure is the least is where organized crime is going to go. Now, we all know about the historic attraction that organized crime has had to all forms of gambling activity and, in particular, casino activity. When Atlantic City casinos first opened, every hood within driving distance figured he was going to come to Atlantic City and get a piece of the action somehow. I think we have been successful in our investigations of our applications for casino licenses and the success that the Casino Control Commission has had in eliminating persons who have been attempting to become involved in the management of casinos who shouldn't be.

But, in the meantime, while we have been focusing upon the casino operators themselves and the management of the casinos, organized crime has been infiltrating labor unions. And I personally handled the Local 54 case before the Casino Control Commission, very familiar with the problems with that union in terms of organized-crime involvement. Ancillary industries are a problem since when I was director we found approximately 25 businesses where there had been some degree of integrity problem or organized-crime problem that had arisen in that business, and the same is true with credit. Where they see daylight, they're going to be running to it. There have been organized credit conspiracies where, as far as we know, low-level organized-crime associates have entered into a conspiracy to take

advantage of the gaps that exist in the credit system.

THE CHAIRMAN: I think it's a disgrace to have people, known hoods, going in and out of casinos at will.

THE WITNESS: I couldn't agree with you more. When I became director in February of '82, one of the first things that I did was recommend to the Casino Control Commission that we change the exclusion list procedures, because up until that point what the exclusion list procedures were was that a person was entitled to a hearing before you could put him on the list. What that meant was, in the case of Nicky Scarfo, in the case of Ralph Staino, it was a good year and a half to two years before we could get to the point of even getting to a hearing because of the delays and the stalling tactics and whatnot. And this regulation was, in my opinion, contrary to the statute because the statute says that you put the person on the list and then let them come forward and demonstrate why they shouldn't be on the list.

Casino Control Section Prosecutor

T. Barry Goas, a deputy attorney general, has been chief of the Criminal Justice Division's Casino Control Section for four years. The function of his section is to prosecute criminal offenses which, as he described it, "impact on the integrity of casino operations. Such offenses include, primarily, swindling or cheating by gambling patrons, commercial bribery, embezzlement and related crimes by casino licensees, and prostitution, theft by deception, extortion and other crimes in which the casino or a casino service industry is the victim. Most of the cases prosecuted by Goas's Section are referrals from the DGE, although cases also come from the State Police Casino Intelligence, Special Investigations and Narcotics bureaus. He was asked by SCI counsel Michael V. Coppola at the outset to describe the case load impact of theft-by-deception offenses, known otherwise in the casino industry as casino credit scams. His testimony follows, in part:

- Q. Can you give us an approximate percent of where your efforts are devoted with respect to your total caseload?
- A. Yes, I can. Of approximately 370 pending criminal matters within our section at the present time, 65 percent would involve credit scams.

- Q. All right. Can you describe for us the various types of credit scams which your office has investigated and prosecuted?
- A. Yes, I can. To be a successful participant in a credit scam, there are two obstacles or hurdles which must be overcome by the participant.

The first is, he must apply for credit and he must obtain credit or be issued credit from the casino. The second, as Attorney General Kimmelman noted, is that he's got to be able, after the extension of credit to himself, to walk from that table with the chips; and that's the term of art in the industry, walking with the chips. He's got to get the chips off the gaming table, not lose them at the gaming table, and then convert them to a cash form.

Basically, there's seven to eight different types of credit scams which appear, in my opinion, to be repetitive in Atlantic City. These involve either real gaming patrons or fictitious gaming patrons.

By "real gaming patrons," I mean the following scenario will occur: A real person will apply for credit at an Atlantic City casino. He can make his application by either a telephone, by mail, or by an in-person appearance at the casino. When he applies for credit, there are three basic requisites that he must comply with: He's got to give his name and his residential address; he's got to give a business, a business employment; and he's got to give a bank name and bank account number. Most casinos, in my experience, will exact a little bit more detail from the applicant in this regard in that they will get his name; they will get his residence; they will get his employment; his title with his employment; maybe the number of years with the employment, and the address of the employer. That is filled out on the card. It is not in my experience verified, however.

Simultaneous with the application for credit, the would-be participants in the credit scam will either open a checking account at a bank or he, if he has an existing checking account, he will infuse it with a substantial sum of money, the sum being 5

to 10 to \$15,000 cash. When he goes now to apply for credit at the casino in Atlantic City, when a bank verification or credit verification procedure is accomplished, the casino will find out from the bank that this individual has possibly what they call a low-four-figure account, a low-five-figure account. That means he's got 5, 6, 7, \$10,000 in the account.

As has been previously indicated, there are two alternative credit verification procedures that the casino can employ, and that is basically to check out his gaming history at another legalized casino within or without this jurisdiction; they can also get a credit check on the individual from a recognized credit bureau. It's been my experience though that they basically rely on the bank information.

In the regulations there is no specification as to how much information should be inquired into by the casino from the bank. Generally, back in 1980 when the credit scams were most rampant in Atlantic City, the casino would basically try to ascertain the last existing balance in the account so, of course, if the person just opened the checking account prior to the extension of credit or had one infused it with a lot of money, that would reflect very favorably in the issuance of credit to the individual.

All right. Now, the individual does that. He comes down to the casino and he has to demonstrate personal identification, which is either a driver's license basically, maybe a Social Security card, to the casino and he signs his casino credit application. At that moment in time a discretionary business decision is made by a casino credit executive as to whether this person should or should not be granted credit; if so, how much.

That is then accomplished and let's say the individual gets a ten-thousand-dollar line of credit. He by this time, by the time he's found out that the bank has been checked, he will withdraw the money from the bank or close it out, so now there's no money in that account, although the casino does not know that. His next procedure, as I've indicated, he's got to go to the gaming

table and he applies for or requests a counter check, which is euphemistically called a marker in the trade, and that means, as has been demonstrated on other exhibits here, he will sign a check which is made payable to the casino and it's drawn on that bank account he specified on his credit application, and he signs it, and then in return for the issuance of that counter check or marker he receives gaming chips which are designated as representative of money.

"Walking With Chips" Described

Now, the second hurdle comes into play. He's got to take those gaming chips away from that game. How does he do this?

Basically, it's done by slight of hand. He will inevitably go to either a blackjack table or a craps table. Craps tables are preferable because of the high volume of gaming activity at the tables. There can be 20 to 30 people playing craps. He will get his chips and he will usually request them to be in reasonably high denominations, such as the black chips or hundred-dollar-denomination chips. He will then bet on or wager on, let's say, the don't pass line \$200 and he will have a confederate at the other end of the gaming table wager on the pass line. In essence, you're wagering odd and even, so between the two of you you're losing nothing.

While this is accomplished, he will lean on the rail and a confederate will lean on the rail with him and he will surreptitiously take the chips off the gaming table and put them in his pocket to create the illusion of a gambling loss. This can be accomplished within fifteen, twenty minutes. Now he and his confederates will leave the gambling table with the illusion created he has lost 10, 15,000 worth of gambling chips.

They will then go to a hotel room or an unobserved location and hand off the chips to a confederate who will go up to a cashier's cage and cash the chips in for money. The only check on the person is, "Do you have any outstanding credit?" If it's a legitimate person, they will say no. Even if it's the person himself who owes the

credit, he will say no and there's no further check now.

Now, as I call him, the real patron who's perpetrating the scam has approximately \$10,000 in his pocket of the casino's. He can go home, and usually home in these cases have been the state of New York, and he can make a couple of decisions. He can decide to come back in a week or two and he can pay off that \$10,000 worth of credit, and this is commonly done. All of a sudden now he's establishing a credit history or a track record vis-a-vis this casino, and they say, "Not only was our initial judgment accurate in giving this individual credit, but why don't we give him a little more credit?" So now they will pop that original \$10,000 up to \$20,000. He will do the same thing. He will get -- first of all, he will steal back his own 10,000 that he's put up to pay off his initial debt and work out the same scam. But what he also does is parlay the original credit history from Casino 1 to Casino 2. Now he can go to Casino 2 and say, "I've done a good job at Casino 1, I pay off my debts. Why don't you give me credit, too?" He will work out the same thing there.

That can go on until he basically in his mind reaches a cut-off point which, in my opinion, is in the neighborhood of 75 to \$80,000 in most cases, and he will walk away from the whole operation.

THE CHAIRMAN: Now, this fellow, this scam, you have gotten up to 35 or \$70,000, then what happens?

THE WITNESS: All right. What happens is, the casino will not even know about this generally for 120 calendar days or 90 bank days. They're not even going to know they have been stiffed. Law enforcement may not know about it for a longer period of time than that depending whether or not the casino redeposits the markers or counter checks for collection a second time, which can happen. You don't know it happens for at least a four-month minimum. Then you are depending on the casinos to refer the case to you.

THE CHAIRMAN: Now it's 70,000. He owes 70,000 and he's gone?

THE WITNESS: He's gone. As I said, this is the category of the real patron who works his scam. What he will do is inevitably -- probably 95 to 97 percent of these individuals are from without the state of New Jersey. They're from New York state; specifically, the boroughs of Staten Island, Richmond County, Brooklyn, lower Manhattan, and Westchester County. That's where almost all are from.

They will then receive some phone calls from a casino in a collection effort, or letters, and they will respond that they are compulsive gamblers; that they are bankrupt; many instances their wives indicate there's marital discord and the fellow no longer lives there. Whether it's true or not is almost immaterial. You have got to start making efforts to collect. Finally, they disconnect their phone, or if they have a listed phone number. Many of them don't have listed phone numbers.

In essence, it's now going to get into a civil proceeding. And whether the casino in their wisdom chooses to go after the person as a litigant in a civil proceeding, that's a business decision they have to make. But, in essence, the person has disappeared with that money and is waiting out there to say, "Come get me."

I might add that that type of credit scam situation, the advice to the person when the casinos come after them has been about threefold. One is you can't collect a debt because New York doesn't recognize gambling per se...Tell them when you call up you're bankrupt, they will not come after you for social reasons. Or you are a degenerate gambler, you're going to Gamblers Anonymous. Or throw them a bone, \$20, and get them off your back.

THE CHAIRMAN: I suppose if the casino went all the way through the civil suit they would end up with zero/zero anyway?

THE WITNESS: They probably would. You can't get blood out of a stone.

A second type of real-gaming-patron scam, as I call them, is a front-money scam. That's where the real person, again he's saying, I'm here, I'm Barry Goas. I'm coming down to get your credit. He comes down, will post 10,000 at the cashier's cage called front money. He gets a receipt like depositing money in a bank. He writes counter checks or markers against his own money and gambles with it, but again does the illusion I have alluded to. He doesn't really lose the money.

Now he's credited with a gambling history in the casino. They say this guy's a good hitter. He's got money, he's liquid. Why don't we give him credit? He will fill out the same three answers; biographical, bank, employment data. They may give credit on the spot without checking too well because he's got a gaming history or he may have a nominal amount of money in his bank account, but they don't care that much because their business decision has been influenced by the depositing of that front money, the 10,000, at the cage.

Again the same scam will eventuate. He will do it at that casino and build up his credit line and go to Casino 2 and do the same thing.

A third variation of the real-patron credit scam is T.T.O.; that's This Trip Only. The real person comes in and gets credit as we have indicated. He will get a very nominal amount. By "nominal," I mean maybe \$2500 line of credit. And he will get it, he will gamble, maybe lose a little bit of it. He will come back in a couple of days and pay that line of credit off, then he will go to a casino credit executive and say, "I would like to really get my credit line popped up for this trip only," the T.T.O. So maybe they will increase his credit line to \$5000 for that night only.

And now he will take the money, maybe he'll steal it and he'll owe the casino \$5000 although his permanent credit line is only \$2500. He will go home, come back in a couple of days and pay off the T.T.O. to 5000 and he doesn't change any of his bank data, he will keep the permanent line of credit down to \$2500, but he will keep increasing the T.T.O., say, "I did one other

time, why don't you cut me a break and now go up to 10,000 and \$20,000?" But while this permanent line is still at \$2500, he's setting them up. He's paying them back their own money.

Ultimately, he will just walk away from the whole operation and he will end up owing them a considerable amount of money even though his permanent line was \$2500, and no further checks have been made to warrant maybe the extension of credit for this trip only up to 20, 30, or \$40,000.

Another situation is, when the initial people first came down to Atlantic City, I'd said it's reasonably organized then, what has transpired is they started recruiting volunteers like franchises for McDonald's. They would actively go out and solicit people in a barroom, social clubs. They would provide -- they would exact from such a person his residence, real residence we're talking about now, maybe an employment and a bank account, and they would furnish that individual money to place in his bank account and at the time they did so maybe they would exact he'd have to write checks payable to cash to the person who is going to send them down to Atlantic City. So you couldn't beat that person out of his own money, they would go down to the casino, they could pay a credit executive off, they can pay pit bosses off if they so desire, and it does happen. They would get now the volunteer to get a line of credit. He didn't even have to know how to gamble. They would stand by his side and tell him what to do while a confederate at the other end of the table bet in an opposite fashion.

The basic operation there, the volunteer gets one-half of the credit extended to him less expenses, so that would shake down to 40 percent. Of whatever credit was extended to him, he would get 40 percent. Same procedures would ensue. He would give a proper excuse when collection time comes.

A more sinister situation is the person who is compelled to come down and obtain a line of credit, and that's the person who may be indebted to a bookmaking or loan-sharking operation. They say, "Look, we're tired of you not paying our debt. We're taking you

down." They will put the money in the bank account, take him down.

Now, effectively the debt has has transferred from the loanshark or the bookmaking organization to the casino.

THE CHAIRMAN: This last one you just related sounds pretty close to organized crime.

THE WITNESS: Loan sharking and bookmaking are traditional crimes perpetrated by organized crime.

The "Fictitious Person" Scam

THE WITNESS: (continuing) The two other type of scams. One is a situation where one of two things happens: Maybe a person has an established line of credit down at a casino in Atlantic City, such as I have a line of credit down there and I say to my friend, you go down and impersonate me, you write the markers or counter checks on my credit line. When they come up to my account, I'll say, no way, I wasn't down there, I will sign affidavits of forgery. Now they don't even know who you are, you walk away and we will split the money. That's the fictitious-patron scam.

The second one which is in vogue today, as I would call it, the "son of Pisces," is the situation where you have a totally fictitious person coming down, generally speaking, impersonates a doctor or lawyer. The doctor or lawyer is a real person. They get information from bank employees. They come down, they get credit, they get credit based upon identification furnished to them by the organizers of the scam. Now they get the credit line in the name of a real person, but they're not the real person, and they do this in much lower amounts of money. It's usually 5000 to \$10,000 and they try to hit a bunch of casinos when they do it this way. The problem for law enforcement in that situation is you don't even know who you are dealing with any more. You know what happened 120 days after the checks bounced when the doctor or lawyer says what are you talking about to the casino and I never was down there, and he wasn't, and it's not him. Now law enforcement has to figure out who it was.

I might add, going back to the real-patron scam, one other problem that occurred during Pisces commonly was you had bad bank employees giving out information and in the desire to get credit --

COMMISSIONER GREENBERG: You mean incompetent employees or criminal?

THE WITNESS: No, criminal, criminal.

- A. (Continuing) The casino in its verification procedures for the issuance of the credit would telephonically call a bank, they might ask for a certain person at the request of the customer. That could, number one, even be a fictitious bank employee, but he or she knew the call was coming in. She would then relate spurious information to the casino that they would rely on to their detriment, such as the fellow may have had an account opened for four years when it was only opened two months, or the average minimum balance may have been low four to five figures when it's \$25. Maybe he couldn't sign alone on it or whatever. But the bank employee would greatly enhance the track record of that real gaming patron to the detriment of the casino. Ultimately, they would rely upon the same and issue credit and again the same scam would be forthcoming.

BY MR. COPPOLA:

- Q. How long did Operation Pisces last?
- A. Approximately thirteen months.
- Q. How many casinos were involved in that scam?
- A. Basically -- it was Bally's Park Place and Caesars Boardwalk Regency Casino. Resorts very minimally.
- Q. Can you give us a figure on how much money was stolen from those casinos during that 13-month period of time?
- A. I have indicated approximately \$7.9 million. I do not include in my figures a David-Zarin-type situation, who will be here later, who maybe got \$3.4 million, because I don't consider it a part of a Pisces situation.

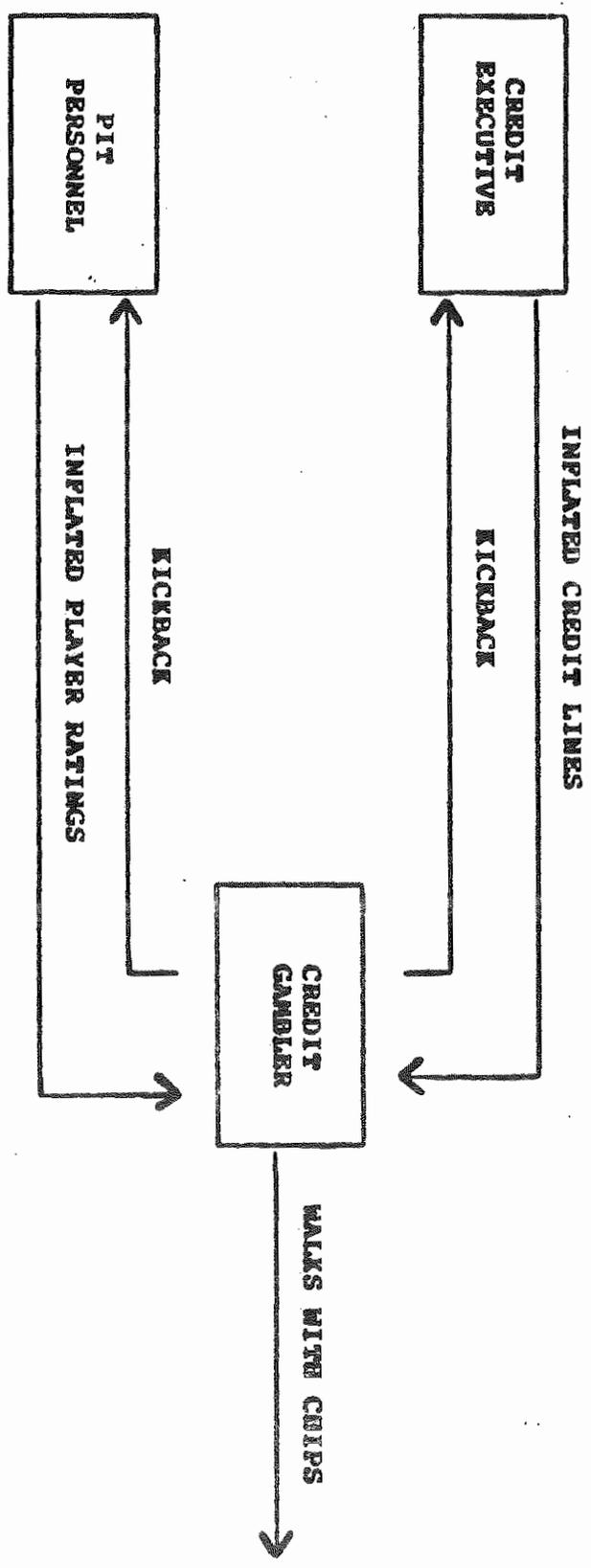
"Flow of Credit Scams"*

- Q. Mr. Goas, I would like you to refer to C-8, a chart entitled "Flow Of Credit Scams," and perhaps explain what the chart shows.*
- A. All right. You have over the right-hand box, you have the credit gambler. Basically, what he does is, he gets credit in one of the ways I told you, but he has an established line of credit and he has got to go to a gaming table to get the credit and ultimately he's got to walk with the chips, the second of the hurdles. In many cases the credit gambler will pay off a credit executive a sum of money or give him a very substantial gift to get that credit executive to approve credit for the credit gambler. The credit executive covers his bases because the information on its face looks good on the credit application even though it's not. He can say, "Based upon this information, I made a wise business decision. The fact that this gambler turned south with the money at a later point in time is not my fault," and he can back that up by the situation where the credit gambler keeps getting higher lines of credit and paying them off till he finally walks away, because now the credit executive says, "I didn't know about this. He looked good to me all along," and on paper it does look good. So, therefore, he'll pay, not in all cases, by any means, in many cases he will pay a kickback to the credit executive to get the line of credit. He may pay it back to inflate the T.T.O., this trip only situation. The credit gambler, as I indicated, after he accomplishes the one hurdle in getting the credit he will go to the gaming table. Pit bosses are supposed to, if they can do it, watch the gambler's play. They gave him a rating on his activity. They rate how much money and how long he played, what kinds of action he has. That's an informal check by the casinos on the players.

Obviously, if anybody has been to the casinos, it's totally impossible to watch everything. You can't do it. Nobody can do it.

*See Chart, next page.

FLOW OF CREDIT SCAMS



But the player in this situation, the credit gambler, will maybe pay the pit boss a hundred dollars to either look the other way or to inflate that action sheet or credit rating, player rating, so that the gambler looks like he did, in fact, lose all the money. The player or credit gambler in this case will walk away with the chips as I have previously described.

Q. Was that scenario a part of Operation Pisces?

A. Yes, it was.

Q. Was there, in fact, collusion between credit gamblers and licensed casino people?

A. We have found that, definite indications of that, yes.

Q. Now, are scams ongoing today?

A. Yes, they are.

Q. Do they take the same form as what you have spoken about with respect to C-8?

A. They can take that form although the more prevalent form today is the fictitious-patron situation; and if you have that situation, you really don't necessarily need to pay off credit executives or pit personnel. It can be accomplished without them.

Credit Scam Flow -- Another Version*

Q. Mr. Goas, I would like to refer you to the next exhibit.* Could you explain that chart in terms of what you found is taking place in Atlantic City today?

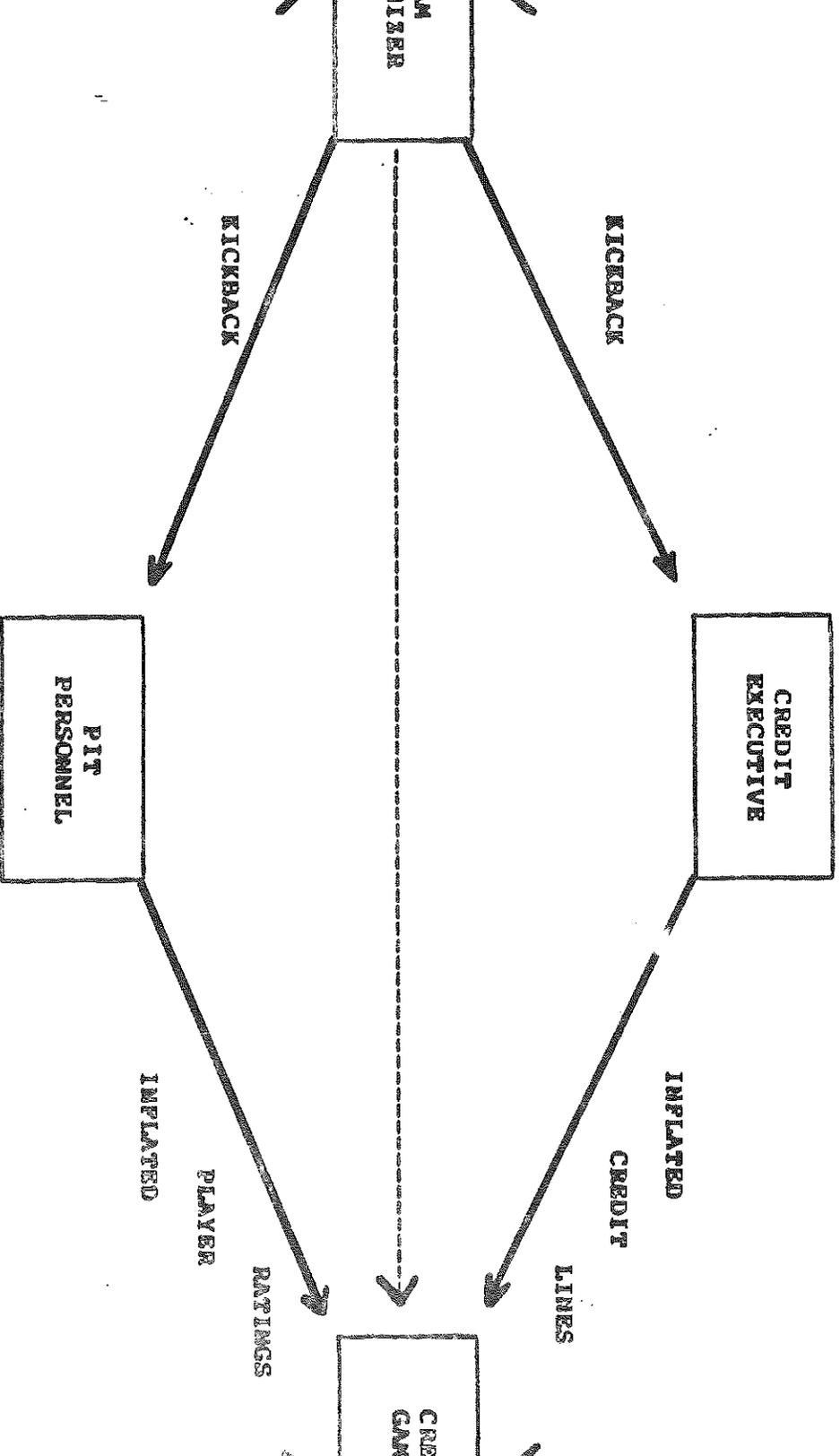
A. All right. You start up here with the scam organizer who is, basically, as I have indicated from New York state. We are finding now that it's shifted from Staten Island to predominantly Queens, New York, and Brooklyn, New York. That's where the instances are occurring.

Scam organizer does the following: He's got the contacts in very big banks in New York

*See Chart, next page.

FLOW OF CREDIT SCAMS

WALKING WITH CHIPS



WALKING WITH CHIPS

City and they get valid information, as I've indicated, predominantly from doctors and lawyers which indicate where the gentleman lives, where he's employed, the bank account number.

This background employment and biographical background is then parlayed into a phony driver's license and phony Social Security card. That information is now given to a person that they're going to have go down to the casino to become, in fact, a credit gambler. He will go down there, maybe the scam organizer will even furnish transportation down there. But he's going to take this fictitious person down to become, in fact, a credit gambler.

The checks are now made by the casino. You don't necessarily have to have the credit executive or clerical personnel involved in this any more because the people at the casino are going to call back to the bank and find out the guy does have a legitimate bank account and good figures in. They don't notify the man usually, the actual doctor or lawyer.

So now the credit gambler gets the line of credit in the name of a totally fictitious patron and he may pay off an executive to get it if he's on the know. My opinion, it's not as common. They don't need this person, or they use the pit personnel because they have to go to the tables to create the illusion of gambling and then they walk with the chips. They will then go back to New York and they will give approximately, in the cases I've seen, if the guy gets a ten-thousand-dollar line of credit, he will have to furnish about 7 to 8000 to the scam organizer and he can keep 3000 for himself.

Now the casino is stuck with a situation you don't know who the person is. You have no idea who that person is right now and it's gone. All that happened is 90 days later the doctor or lawyer is going to contact the casino and say, "I don't know what you're talking about. I was never in Atlantic

City. I'll sign affidavits of forgery. It's not me." And now the casino will be stuck with a sum of money. And I would parenthetically note that the credit gamblers who do this now for the scam organizers, it's a much lower amount of money. It's quick one-shot deals, two-shot deals, and get out. They don't keep coming back.

Q. Is one of the reasons they don't know who the credit gambler is because they don't check out the information he gives them when he comes down and fills out the card?

A. Yeah, the only thing they check out is the bank information in this. That's all they're going to check out. They won't bother to check if his office is located on Avenue U in Brooklyn. They don't care. They don't have time to. They will give it to him. The bank information will come back valid.

I might note that in the Operation Pisces a high, high incidence of the persons who made the application for the credit are in the category of self hyphen employed and that usually involved construction workers who you will find that the, the place of employment is the home, there's no difference in the or home telephone, usually it's unlisted, and they usually indicate that they're president of themselves, that is to say they're a one-man operation, and they try to inflate that in terms of their credit application on the credit card itself.

Q. Is there any evidence to support a conclusion on your part that credit is utilized by credit gamblers to finance illegal activities, in other words, take the money and use it someplace else?

A. Yes, I have spoken with several informants who have indicated that what they will do is on the 90-day float they have in the beginning, at least, they have indicated that they have invested in time deposits with casino money and then pay it back and there's certainly strong reason to believe, and I've been told, that it is utilized to push as loanshark money on the streets and again the loanshark will then pay the money back within the proper time constraints.

"Casinos a Magnet for Organized Crime"

The next witness, Edwin H. Stier, had been director of the Attorney General's Division of Criminal Justice for five years prior to entering to private law practice in October, 1982. Before joining that Division in 1970, Stier had been a prosecutor for the U.S. Attorney's Office for New Jersey. He noted at the outset that during his 17 years as a public prosecutor, most of his work "was in the field of organized crime law enforcement." Because of this experience, he said he was convinced that the casino industry is "uniquely attractive to organized crime" and that, in an effort to penetrate new mechanisms against criminal intrusion of gambling casinos, organized crime elements "have seized upon credit as a device by which profits can be skimmed out of casinos." SCI Deputy Director James J. Morley questioned Stier:

Q. As a result of your own knowledge and experience with organized crime in this state, were you able to form an opinion that you could give us as to whether any particular aspect of the gaming industry is particularly attractive to organized crime and if so, for what reasons?

THE WITNESS: I am convinced based on my experience that there have been organized efforts by racketeers, by people who are clearly organized crime in every sense of that word to use our credit system in New Jersey to skim money out of casinos. I don't think it has reached the scale that it had reached in Nevada at the time we studied the situation. I think it has that potential in New Jersey. I think it has the potential for providing access directly into casino operations by organized crime if it is unchecked in this case.

Q. You previously told us that in the absence of the opportunity to inject itself directly into the cash operations of a casino, organized crime has looked as an alternative to credit as the place where it can encroach. Could you suggest to us why credit is so susceptible and inviting to organized crime involvement?

A. It's because ultimately the decision to extend credit and the decision on how far to go in collecting debts are business decisions in which the casino industry exercises great deal of discretion. Knowing how that discretion is exercised, and in some cases influencing the exercise of

discretion through bribery and other forms of corruption, provides an opportunity for the skimming of cash out of the casino with very little real potential for being caught.

Now, we have been lucky in this state because of the enormous concentration of resources that we have devoted to casino industry for policing purposes and because of the capabilities of the law enforcement system in this state. We have been lucky to have ferreted out the schemes that we have found so far, but I assure you that as we conduct these investigations and engage in prosecutions, the people who are thinking about continuing these schemes are figuring out ways in which to protect themselves, to insulate themselves more from being caught.

Q. Earlier this morning it was brought out the casino industry has defended present credit practices by pointing out that the significance of credit scams is small in light of the relatively small percentage of casino money that is diverted through such activities. Could you respond to that?

A. I don't think that that defense goes to the heart of the problem. If we were talking about Sears and Roebuck or a bank or any other business activity that society permits to operate, if they got into trouble with their credit practices, that would simply be too bad. They would go out of business if it got too serious. I suppose that the casino industry if it looks upon itself as just another business has got to ask the question, why do you single us out; why are you so concerned about us; why are you so concerned about protecting us; why don't you let us protect ourselves from victimization. We are doing a good job now.

The answer is the casino industry is not like anything else in our judgment. The casino industry is unique. It's an industry that has come into New Jersey only after a tremendous amount of soul searching, a great deal of public controversy and barriers which were removed one by one, and it was only at the point where the public became convinced by what government said it could do by way of protecting the public from the industry and the evils that are attracted to the industry, it was only after the public

was convinced that we could contain the industry and the problems that are associated with it that the public accepted. We can never lose sight of the fact that we have been given in this state an enormous public trust and no matter how strongly the industry urges that its economic well-being is based in part on its ability had to freely extend credit, seems to me that there are other interests that have to be protected. The casino industry is different because there has been a historic association between organized crime and the casino industry. That cannot be denied.

- Q. Other than the direct impact that organized crime involvement in credit will have on the finances of the casinos and the impact that organized crime involvement will have on the public perception in the integrity of the casinos and the success and the ability of law enforcement to operate effectively in the state, does organized crime involvement in casino credit have any impact by way of facilitating other kinds of organized crime operations even outside the casinos?
- A. We have found, where loan shark and gambling victims have been used by organized crime and organized crime has taken advantage of credit as a way of paying off organized crime debts. It's very difficult -- I don't want to try to convince this Commission or the public that we fully understand all of the ways in which the credit system in Atlantic City has been or can be exploited by organized crime. We have had an effective effort in this state for many years in dealing with organized crime. This Commission, the Federal law enforcement establishment and the State law enforcement system have done a very effective job in demonstrating that organized crime, even at its highest levels, is subject to effective investigation and prosecution... But if anyone assumes because that has been accomplished that organized crime is no longer a problem in this state, that these people aren't sitting there waiting for the day when we drop our guard, when we siphon our resources away from the effort, if anybody thinks that they are not looking at the casino industry and a lot of other places in this state as opportunities for

exploitation and they are not making daily efforts to try to gain a hold on those industries, we are going to wake up one day and find we are back where we were 20 years ago in our efforts when organized crime influenced virtually every level of government in the state. I don't want to see that occur.

Q. From both the perspective of organized crime in particular, as well as the general casino credit perspective, can you offer any general recommendations which might assist the Commission in suggesting reforms in the laws in the state?

A. Anything that you can do that puts a burden on the casinos themselves to tighten up their practices, anything that you can do to create barriers to fraud and corruption within the industry, anything that you can do that reduces the extent to which gamblers can overextend themselves and be encouraged to do so by the casinos, I think will reduce the potential for the kind of harms that you have thus far and will continue to receive some very vivid testimony about.

The suggestion that I made before which may or may not be a practical suggestion is one that I would urge very careful consideration of and that is eliminating the credit system as we know it and substituting a system where patrons can provide cash or other valuables on deposit in an account with the casino against which they can draw while they gamble, and that they be prohibited from exceeding the amount that is on deposit with the casino.

THE CHAIRMAN: It would save an awful lot of people an awful lot of misery when they find they are very much in debt with the present system, wouldn't it?

THE WITNESS: It certainly would. We have seen the development in this state of a jurisprudence of compulsive gambling. That is a defense which was virtually unknown in this state until the advent of the casino industry, and we have had, and you will see examples of it in testimony that will be offered to the Commission, you will see examples of people who have defended themselves in prosecutions involving

hundreds of thousands and sometimes millions of dollars on the ground that they were compulsive gamblers and, therefore, not responsible for their conduct.

THE CHAIRMAN: What do you think of the possibility of restricting -- of dropping the four percent to one percent, zero percent or one percent and eliminating from the calculations the money that is spent on slot machines that really shouldn't be in there at all?

THE WITNESS: I think that theoretically that that would provide an incentive for the casinos to tighten up. However, based on what I have heard since the beginnings of our investigation the Division of Criminal Justice investigation of credit practices in the casinos, it seems to me that the casinos are going to great lengths to keep the bad debts that they report and that they presumably incur, keep those bad debts under control so they don't try to take advantage to too great an extent of the deductibility of those bad debts from their gross receipts. Making them pay tax on that would provide some incentive, but I think there are greater incentives in the casino industry to overextend credit and I think that that is where the problem lies.

COMMISSIONER GREENBERG: One final question. Do you think the legislature ought to do this or do you feel it should be left to the Casino Control Commission to deal with the question of credit, whether we are talking about eliminating it entirely or modifying some of these practices? Do you think this is something, an important issue in terms of crime or otherwise that the legislature ought to address it rather than that Commission?

THE WITNESS: If we are going to make fundamental changes, I think it ought to be done legislatively.

COMMISSIONER PATTERSON: That's where it started.

THE CHAIRMAN: I would like to have your views of having known associates of organized crime with ready access to casino after casino. It seems to me that's disgraceful.

THE WITNESS: Not only is it disgraceful, but it creates the impression in this state that we are not serious about dealing with organized crime. When people whom I have prosecuted over the years and who have finished serving their sentences for murder, for extortion, for loan sharking and a variety of other very serious crimes, are permitted free access to the casinos when they can't go to a race track, I find that shocking and insulting to the law enforcement system and I can't see any reason why the casinos shouldn't do precisely the same things the race tracks do. When somebody like that is found in the casino, eject them immediately. You don't need a two-year hearing in order to determine whether or not that kind of person belongs in the casino. I think beyond the credit practices and all the other rather sophisticated schemes that have been developed for intrusion of organized crime into the casinos, there is nothing more impressive to the public than to recognize the fact that when they are in the casino, they are rubbing elbows with known racketeers. That says something and I don't think that what it says is what we want the public to believe about New Jersey.

Organized Crime and Casino Credit

Testimony demonstrating how insufficient credit controls have permitted the incursion of organized crime elements into New Jersey's casinos came next, from Lt. Col. Justin Dintino, Executive officer and a 30-year veteran of the State Police. Prior to responding to questions by SCI counsel Coppola, he made a brief statement in which he warned that the integrity of both the State and the casino industry "is at stake when the flagrant abuses we have uncovered are permitted to continue unabated." He recalled that in 1980 the State Police had found that organized crime members and associates were receiving credit and free food, free rooms and other "complimentary" services at the casinos and that an effort was made -- in vain -- to exclude such elements from the gaming tables. Again in 1982 the State Police initiated another study, a random sampling of 500,000 credit records, which Dintino said disclosed continuing credit and complimentary services going to organized crime. He declared:

We uncovered the following data:

Michael Taccetta, a soldier in the Luchese crime family was extended \$25,000 in credit and \$4,128 in comps. Angelo Taccetta,

soldier in the Luchese crime family, was extended \$40,000 in credit and \$2,599.52 in comps. Nicholas Russo, a soldier in the Gambino crime family, was extended \$15,000 in credit. Robert Bisaccia, a soldier in the Gambino crime family, was extended \$5000 in credit. Vincent Ponzio, a close associate of Nicodemo Scarfo, was extended credit at three casinos which was ultimately suspended with \$37,500 in outstanding debts. In addition, he received \$4,471.89 in comps.

Joseph Pedula, a paid contract killer for organized crime, deposited \$504,000 in cash at Resorts Casino. Anthony and Peter Campisi, notorious killers for organized crime, received in excess of \$27,000 in comps during a three-month period. Lawrence Merlino and Philip Leonetti, soldiers in the Bruno crime family, received \$1,773.32 in comps. Rosario Gambino an international heroin trafficker, received \$1,067.64 in comps. Benedetto Aloï, a soldier in the Columbo crime family, received \$25,000 in credit and \$5,595.99 in comps. Nicodemo Scarfo, the boss of the Bruno crime family and a documented contract killer, received \$2,397.04 in comps.

Dintino warned that the results of the most recent State Police sampling of casino credit files represents only "the tip of the iceberg" and that a more thorough analysis would "uncover a significant number of other organized crime members and associates who have been extended credit and comps." Dintino also questioned the "embarrassing" contrast between the way casinos have been "laboriously investigated" for licensure and the way "we allow paid killers, convicted murderers, drug traffickers and known loan sharks to enter the casinos and receive preferential treatment." He added:

I find it rather unusual, given the elaborate security and intelligence systems, staffed in most part by former law enforcement officials, that only prostitutes and card-counters were being ejected from the casinos. While I am aware of the concern by the casinos over potential civil liabilities in the event they were to eject the wrong person, this was not a concern when the casino management collectively ejected card-counters...it's obvious that there are no incentives on the part of casino management to exclude organized crime members or their criminal associates from

the casino. In fact, it appears that the opposite is the case. Conceivably, excluding Scarfo from the casino could result in not only physical retaliation but economic sanctions imposed as a result of his control of several labor unions. Clearly, the fear that a Scarfo brings to the casino overrides any sanctions that the state may impose. This is a deplorable situation and one which the casino management must seek to change in cooperation with the state; that a paid contract killer can deposit 504,000 in cash at a casino, or a boss of a crime family can receive preference treatment at our casinos is repulsive and a threat to the integrity of our extensive regulatory and enforcement apparatus.

The moral integrity of the state cannot be subservient to the economic well-being of the casino industry. While the casino industry has contributed additional tax dollars to the state, it must not be permitted to undo the progress that law enforcement has accomplished in the last decade. The exploitation of casino credit and comp practices by members of organized crime deserves stricter regulatory controls and if need be, additional legislation to ensure that career criminals are not permitted to enjoy the privilege of gambling in our casinos.

Dintino, who was questioned by SCI counsel Coppola, said that while much of his testimony would reflect his organization's random sampling, "I am of the opinion that the extension of credit to organized crime members and associates far exceeds our findings." However, Dintino's own roster of organized crime figures who received "premium player" credit and gratuities at the casinos was extensive. During the course of his recital, Dintino listed more than 35 casino patrons with underworld backgrounds and associations. The following excerpts from his testimony indicate the munificence with which the casinos provided credit and "comps" to such clients:

- Q. You mentioned the name Michael Tacetta in your statement to the Commission. What can you tell us about his criminal background?
- A. Tacetta is a soldier in the Luchese crime family. He is involved in illegal gambling, narcotics and loan sharking activities. Tacetta has been involved in several murders relative to his illicit activities.

Q. Can you tell us what casinos extended him credit?

A. Bally on May 7, 1980, \$25,000.

Q. Did he also receive comps?

A. Yes, he received comps at Bally in the amount of \$4,128 from May to August, 1982.

X X X

Q. The name Nicholas Russo, you mentioned that name also. What can you tell us about his background?

A. Russo is a soldier in the Gambino crime family. He is involved in illegal crap gambling activities in the City of Trenton. His criminal record reflects numerous arrests for gambling and selling and possessing counterfeit money.

Q. How much credit did he receive?

A. He received \$15,000 in credit on August the 20, 1981, from Harrah's.

Q. When and how much?

A. Harrah's, August 20, 1981, \$15,000.

Q. The name Robert Emil Bisaccia, you mentioned him. What can you tell us about his background?

A. Bisaccia is a soldier of the Gambino crime family. His criminal record reflects convictions for burglary, grand larceny, extortion and weapons offenses. He is considered the principal Gambino crime family representative in North Jersey.

Q. He has received credit also; isn't that true?

A. \$500 from Resorts.

X X X

Q. The name Robert Caravaggio, are you familiar with that name?

A. Yes.

Q. What can you tell us about his background?

A. He is an associate of the Luchese crime family and an operative in the Michael Tacetta gambling network. Caravaqqio maintains a large-scale loan sharking network in the Morris County area and is also a documented bookmaker and loan shark. His extensive criminal record reflects arrests for bookmaking, conspiracy and loan sharking.

Q. Where has he received credit in Atlantic City?

A. Bally, March 31, 1980, \$25,000. Playboy, November 30, 1981, \$30,000.

Q. Has he also received comps?

A. Yes. Playboy, July, August, October, 1982, \$3,554.78; July, August, October, 1982. Bally, August and September, 1982, \$3,517.36, August, September, 1982.

X X X

Q. You also mentioned, I believe, Angelo Tacetta?

A. Yes.

Q. What can you tell us about his background?

A. Angelo Tacetta is a soldier in the Luchese crime family. He is involved in an illegal gambling operation in Newark, New Jersey. His criminal record reflects gambling related arrests.

Q. What casinos gave him credit?

A. Bally, April 4, 1982, \$20,000. Caesars, September 9, 1982, \$20,000.

Q. What was his comp situation? Did he also receive comps?

A. Yes, he received comps at Bally, July and August, 1982, \$2,599.52.

X X X

Q. The name Allen Grecco, is that name familiar to you?

A. Yes.

Q. What can you tell us about his background?

A. Grecco is an associate of the Genovese crime family and controls an illegal lottery and bookmaking operation in Bergen and Passaic counties. He also operates a loan shark operation in Passaic County. Grecco's criminal record reflects arrests for burglary, larceny, bribery, obstruction of police and public order violations.

Q. Did he receive credit in the casinos or a casino in Atlantic City?

A. Yes. He received credit at the Sands on June the 12th, 1982, in the amount of \$10,000.

X X X

Q. The name Joseph N. Farinella, what can you tell us about his background?

A. Farinella is a prominent organized crime figure in the Trenton area and is closely associated with members of the Bruno crime family. His criminal record reflects arrests for homicide, kidnapping and obstructing justice.

Q. Has he ever received credit in Atlantic City?

A. Yes.

Q. What casino and how much?

A. Bally, April 17, 1980, \$10,000.

X X X

Organized Crime Member Had Customer Deposit Privileges

Q. I believe you mentioned the name Joseph R. Pedula before. What else can you tell us about his criminal background and situation in Atlantic City?

A. Pedula is a well-known paid assassin for the Philadelphia organized crime family. His criminal record reflects arrests for stolen vehicle, burglary, attempted murder, criminal conspiracy and assault. He is also

a loan shark and bookmaker.

Q. Did he ever receive credit in Atlantic City?

A. No. However, he has customer deposit privileges at Resorts and Caesars. On November 26, 1978, he deposited \$40,000 at Resorts. During the months of November and December, 1978, Pedula deposited over \$500,000 in cash at Resorts.

THE CHAIRMAN: Will you explain the customer deposit privileges?

THE WITNESS: Yes, Mr. Chairman. Deposit privileges are where an individual would deposit cash with the casino and then he could play toward that amount. He could draw towards that amount or any other use he might want to make with it, such as rooms or beverages or shows or whatever.

THE CHAIRMAN: Or give somebody else the use of that money?

THE WITNESS: He could draw from it for himself and give it to somebody else to play with it, sure.

Q. Is that also known as front money, customer deposit; is that the same thing?

A. Yes.

COMMISSIONER PATTERSON: Let me ask you a question: What legitimate business reason would a casino have in accepting \$504,000 in cash from a player when credit is regularly available in Atlantic City?

THE WITNESS: I think from a casino standpoint it would be good business to have the cash up front and if he winds up losing that entire half million dollars, the casino's a half million dollars to the good and they don't have to worry about collecting credit.

COMMISSIONER GREENBERG: That he walks in with a half million dollars in cash, presumably he walks out with that same half million dollars in different cash later on, can't he, Colonel?

THE WITNESS: Exactly.

COMMISSIONER GREENBERG: Do you suspect that that is what's been going on in this particular case?

THE WITNESS: In this particular case I think there is a strong indication that might be the case.

X X X

Q. The name Victor DeLuca, what can you tell us about his background, Colonel?

A. Victor DeLuca is an associate of the Bruno crime family. He is a paid assassin for the family. His criminal activities include loan sharking and narcotics. DeLuca has an extensive arrest record that includes numerous charges of stolen property, gambling, weapons offenses and narcotics.

Q. Was he ever extended credit?

A. Yes. He was extended credit -- no, he wasn't extended credit. He has been a cash player at Harrah's casino. He made cash deposits March 20, 1982, \$91,000; March 31, 1982, \$7,700 and April 12, 1982, \$4,700, so again he was depositing cash, front money.

X X X

Q. The name Anthony Campisi, Senior; are you familiar with that person?

A. Yes, sir.

Q. What can you tell us about his background?

A. Anthony Campisi, Senior, was the leader of the notorious Campisi organized crime family, which engaged in gambling, narcotics trafficking, armed robbery and homicide. Campisi's extensive criminal record dates back to 1939 and reflects convictions for gambling, forgery, conspiracy and complicity in several murders.

Q. Did he receive comps from the casinos?

A. Yes; Campisi and his son, Peter Anthony Campisi, received comps during May, June and July of 1981 at Resorts International in excess of \$27,000.

COMMISSIONER GREENBERG: May I interrupt? \$27,000 in three months in comps; this is food, beverages and the like, Colonel?

THE WITNESS: Yes.

Exclusion Process Took Almost Five Years

Q. The next person is Peter Anthony Campisi; is that Anthony Campisi's son?

A. Campisi is the son of Anthony Campisi, who was the leader of the notorious Campisi organized crime family. The Campisi organizations engaged in various criminal activities including gambling, narcotics trafficking, armed robbery and homicide. During the 1970's Campisi was sentenced to substantial prison terms for armed robbery and conspiracy to sell stolen securities. His criminal record reflects arrests for operating an illegal lottery and homicide.

Q. Were Peter and Anthony Campisi recently placed on the exclusion list?

A. Yes. February the 22nd, 1983.

Q. How long did the process take from when the state first began to attempt to exclude him until the order was signed preventing them access to the casinos?

A. I know I personally have been trying to exclude them before the first casino door opened.

Q. Approximately four-and-a-half years?

A. Yes, four-and-a-half, five years.
THE CHAIRMAN: Have you seen disposition at all on the part of the casino to want to exclude these organized crime people that you have been talking about?

THE WITNESS: I believe while I haven't seen them eject or exclude or attempt to put anybody on the exclusionary list that fit this category, I believe they would like to have it out of their casinos, but I think they may be apprehensive about it.

THE CHAIRMAN: They are afraid these hoods may bring them to court and get a huge damage award?

THE WITNESS: If you look at a guy, Nicodemo Scarfo, who we maintain controls Local 54, which has unionized about 10,000 of the casino workers, he has one hell of a hammer over the casinos. I wouldn't want to make that kind of an individual too mad at me and you would be inclined to maybe comp him or allow him into the casinos. I think there is a dull edge as to why the casinos are not taking action.

THE CHAIRMAN: That takes care of Mr. Scarfo. How about some of the others who aren't involved in that type of pressure situation who might be able to exert that type of pressure? Didn't these casinos come into this state with the full understanding that the criminal element was to be kept out of casinos in all phases of the operation? That's my understanding.

THE WITNESS: That was my understanding too, sir.

X X X

- Q. The name Lawrence Merlino; are you familiar with him?
- A. Yes, sir.
- Q. Please tell us what you know about his criminal background and situation in Atlantic City.
- A. Merlino is a soldier in the Bruno crime family. In 1979 Merlino, Scarfo and Philip Leonetti were indicted for the murder of Vincent Falcone. Merlino is involved in narcotics trafficking.
- Q. Did he also receive comps?
- A. Yes. Tropicana, \$1,773.32, February 5, 6, 7 and August 9, 1982.
- Q. The name Philip Leonetti, Colonel, what can you tell us about his background?
- A. Soldier in the Bruno crime family and the constant companion and enforcer for his uncle, Nicodemo Scarfo, the current boss of the Bruno family. Leonetti has been implicated in several violent crimes and was

indicated along with Scarfo and Lawrence Merlino for the 1979 murder of Vincent Falcone. Leonetti's other criminal activities include gambling, loan sharking and narcotics distribution.

Q. Was he also comped?

A. Yes. Tropicana, February 5, 6, 7, 1982, \$1,757.17. This comp was obtained by Lawrence Merlino for his dinner party, which included Leonetti and Nicodemo Scarfo.

Q. Are you familiar with the name Rosario Gambino?

A. Yes.

Q. What can you tell us about his background?

A. Gambino is a soldier in the Gambino crime family. He has an extensive arrest record which includes resisting arrest, assault and battery, felonious assault and extortion. Moreover, he is actively involved in international heroin smuggling. In 1980 he was arrested by the United States law enforcement officials in connection with heroin smuggling and has recently been indicted in Italy for criminal conspiracy to import drugs into Italy, manufacture heroin and export same to United States.

Q. Did he also receive comps from the casino industry?

A. Yes. He received comps from Playboy under the fictitious name of Joe Longo. This occurred on August 19 and 20, 1982, the value being \$1,067.64.

Q. David Goorland? What can you tell us about his criminal background?

A. Goorland is a criminal associate of Nicodemo Scarfo. His illicit activities include loan sharking, narcotics and stolen property. Goorland maintained a loan sharking operation and sells stolen property through his jewelry store in Atlantic City. His criminal history reflects arrests for assault and public order crimes.

Q. What casinos extended him that credit?

A. Sands extended him credit on December 29, 1981, \$5000.

Q. Was he comped by the Claridge and Caesars?

A. Yes. He was comped by Claridge for \$33, July 22, 1982, and Caesars \$1,836.96 in July, 1982, and 497.45 September, 1982.

X X X

Q. Paul Zaccaria, are you familiar with that person?

A. Yes.

Q. What can you tell us about his criminal background?

A. Zaccaria is a member of the Gambino crime family. In June, 1974, he was indicted on conspiracy charges for his role in defrauding an Essex County bank of \$400,000. His criminal record reflects arrests for gambling dating back to 1950.

Q. Was he ever extended credit?

A. Yes.

Q. What casinos extended him that credit?

A. Caesars, May 28, 1980, \$50,000; Playboy, May 9, 1981, \$50,000; Sands, July 24, 1981, \$25,000; Claridge, August 9, 1981, \$50,000.

X X X

Q. The name Dominick Racabaldo; what can you tell us about him?

A. Racabaldo has been involved in illegal gambling activity in Camden County since the early seventies. He maintained a high stakes card game at his residence in Bellmawr. Racabaldo's criminal record reflects an arrest for gambling.

Q. Did he receive comps in Atlantic City?

A. He received comps from Harrah's in the amount of \$1,199.99, June 17, 1982; at Harrah's on July, 1982, \$412.45; Harrahs on October 12, 1982, in the amount of \$275.

X X X

- Q. Colonel, is it true that casinos are generally supposed to extend comps based on the amount of play a player generates?
- A. Yes. However, we have found that certain members of organized crime, such as Nicodemo Scarfo, Philip Leonetti, Lawrence Merlino and others have received these comps having never gambled at the casino.
- Q. You have mentioned Nicodemo Scarfo a number of times and you have given us his background. Where is Scarfo currently?
- A. La Tuna Federal Prison, La Tuna, Texas.
- Q. To your knowledge, did he receive comps from casinos in Atlantic City?
- A. Yes.
- Q. What casino comped Scarfo?
- A. Golden Nugget, Tropicana and Clardige.
- Q. Can you explain the circumstances, to your knowledge, under which Scarfo received those comps?
- A. On February the 5, 6 and 7, 1982, Scarfo in the company of Philip Leonetti and Larry Merlino, both members of the Bruno crime family, received a \$1,757.17 comp from the Tropicana. On February 21, 1982, he and his associates received a \$374.95 comp at the Claridge Hotel Casino for dinner and beverages. Again, on March 5, 1982, Scarfo using the alias of Dave Morris received a \$264.92 comp at the Golden Nugget. This included a room and dinner.
- Q. To your knowledge, has Scarfo gambled in Atlantic City.
- A. No.

Casino Credit Finances Mob Activities

- Q. Do you have any information to support a conclusion that credit extended is being used to finance organized criminal activities?
- A. We have developed reliable data that strongly indicates that the extension of credit to members of organized crime and/or

their associates has facilitated such illicit activities as loan sharking and narcotic trafficking. We have developed reliable sources who have advised us that credit extended has been used for usurious loans and purchasing narcotics on consignment. Clearly, current credit practices encourage the investment of credit obtained from the casino into illicit endeavors. This is quite apparent from the types of individuals being extended credit, all of which have a history of syndicated crimes. Clearly, the potential for investment in illegitimate markets is great.

- Q. Is that a current problem in the industry, to the best of your knowledge?
- A. Yes. It remains a problem that must be addressed through stricter regulation.
- Q. With respect to people who associate with or are members of organized crime, is it possible for you to identify how much credit has been given to such people?
- A. No.
- Q. Can you tell us why not?
- A. Number one, we are unable to positively identify those persons who have been extended credit. That is, they are able to use fictitious data and names; and associates who have no criminal records or are unknown to the police will often receive the credit or comp. Unfortunately, the regulations do not mandate a thorough investigation regarding the data submitted on the credit application. Moreover, the ability of the casinos to write off a certain percentage of uncollectible credit, creates less incentive for the casinos to be selective in whom they grant credit to. Perhaps if the casinos were required to pay taxes on all credit, regardless of whether the monies are collected, we would see a appreciable decline in this activity.
- Q. Same question basically as far as comps. Can you tell how many comps or the value of the comps that have been extended to organized crime individuals?

A. No; and the response would be the same as the previous response because of fictitious names and aliases.

Q. You mentioned --

THE CHAIRMAN: I take it you have no doubt that the figures are astronomical?

THE WITNESS: Yes.

Q. Colonel, in your expert opinion, are those individuals and those people previously mentioned in your testimony the type of people that should -- that the State of New Jersey and casinos should even allow to set foot within the casino?

A. Absolutely not. As a member of the Policy Task Force responsible for developing casino legislation, we were very concerned with the casino industry maintaining both legitimate image and a legitimate operation. While I believe we have been able to maintain a high standard of licensure for casinos personnel, we have failed in keeping organized crime members from setting foot in the casinos and exploiting the services the casino industry offers to their otherwise legitimate customers.

THE CHAIRMAN: In connection with that, Colonel, there is no question in your mind that the casinos' personnel and so forth, security people, know these hoods, these people they know by sight, do they not, or at least a great many of them?

THE WITNESS: I would think that anybody that would tell me that he is connected with security, if they did not know who Nicodemo Scarfo was, it would be hard to believe that.

THE CHAIRMAN: How about the rest of them, the vast majority, would that same thing hold true?

THE WITNESS: I think the point we should make here, they have no problem identifying card-counters. If they wanted to make an attempt to identify these people, it's been read in the Congressional Record who these people are. They are identified. If they wanted to establish books or whatever and have them on file --

THE CHAIRMAN: I have no doubt about it. I wanted your opinion of that on the record.

How One Casino Abused Credit

The next witness, Detective Sergeant Gregory Wallack, was an 18-year veteran with the State Police, currently assigned to the DGE's Casino Gaming Section. At the time of his appearance he was the supervising investigator of the Playboy Renewal Team of his section's Entity Licensing Unit. Between April, 1981, and September, 1982, Wallack's team examined a number of corporate decisions and transactions by Playboy and related companies and also investigated the qualifications and background of key directors, officers and executives of the casino. The testimony, in part:

BY COUNSEL COPPOLA

- Q. What was the focus, the primary thrust of your investigation?
- A. Our investigation focused on the procedures employed by Playboy in the issuance of credit.
- Q. What did you learn from your investigation?
- A. We learned that some credit was issued in the face of derogatory information, whether that derogatory information came from central credit, bank, Playboy surveillance department, et cetera. We found that credit was issued to individuals who were suspected of being associated with people with a criminal history or who themselves had a criminal history. There were other instances in which credit was issued to individuals where we questioned the ability of the player to repay the casino.
- Q. You mentioned the word derogatory. Does that have a special type usage in the casino industry and if so, describe it for us?
- A. A bank account which would be too low to support the credit line which was requested by the gambler and it in some instances may reflect balances by the bank itself. If the account was opened within the past three months, the bank would not be able to give you an average balance on that account, only what was in the account at that time.
- Q. Does the term derogatory also refer to information that is learned from central credit?

A. Central credit would provide derogatory information in the case of a player having returned checks from other casinos or whether or not the central credit agency considered that player to be what is called a rounder.

Q. Maybe you ought to tell us what that is.

A. A gambler who will go to one casino this afternoon and establish a credit line and this evening to another one, and subsequently go to six or seven casinos in a relatively short period of time and establish some credit lines with those casinos.

Q. Are you familiar with the term write-off?

A. Yes. Write-off is when the debt is written off on the books of the casino after dilligent collection efforts had been employed to collect the money.

Q. Between April, '81, and September, '82, what was the total amount of write-offs at Playboy?

A. \$4,122,640.

Q. What is the total amount of write-offs with respect to the individuals who are under the focus of your investigation?

A. \$2,096,250.

Probe Focused on Playboy Credit Manager

Q. Who was the credit manager at Playboy during the time period between April of 1981 through June of 1982.

A. Carol White.

Q. Did Carol White authorize any of the credit which was scrutinized by your staff in your investigation?

A. Yes, she did. As credit manager, she not only made credit decisions herself, but she supervised and reviewed the credit decisions of the other credit executives.

- Q. Did you review the credit decisions made by Ms. White during the course of your investigation?
- A. Only those decisions which pertained to the individuals we were investigating.

Counterfeiter Got \$75,000 Credit

Among the Playboy patrons being investigated by Wallack's team were Andrew Amplo and his close associate Vincent Bonafede, each of whom had a criminal record that included arrests for possession of counterfeit travel checks and currency. Both were provided with extensive credit privileges by Playboy credit manager White. SCI Counsel Coppola asked Wallack about these individuals:

- Q. Was one of the individuals whose credit was looked at Andrew M. Amplo?
- A. Yes.
- Q. What can you tell us about what your investigation revealed at the Playboy casino and Andrew Amplo?
- A. Our investigation showed that Andrew Amplo has been arrested nine times for crimes including burglary, assault and battery, possession of dangerous drugs and counterfeiting. He was convicted on the counterfeiting charge and sentenced to one year in prison. Andrew Amplo was awarded a \$30,000 credit line by Playboy credit manager Carol White, despite her knowledge of Andrew Amplo's criminal background in counterfeiting.

The surveillance department of Playboy notified Carol White that Amplo and a close associate, Vincent Bonafede, were suspected by the Secret Service of dealing in counterfeit currency, and that both had prior arrests for possession of counterfeit American Express checks and counterfeit currency.

Additionally, Carol White was notified of the specifics regarding an insurance fraud scheme reportedly employed by Amplo and Bonafede. Prior to the award of the \$30,000 credit line to Andrew Amplo, Carol White knew that Amplo's bank account reflected an average of 100 to \$300, and that he had outstanding balances at other casinos totaling \$95,000 in aggregate. In addition,

central credit information reflected that Amplo had issued a \$5000 check to Las Vegas Sands which was returned for non-sufficient funds. With this information, Carol White authorized a \$30,000 credit line for Andrew Amplo. Within one week of the initial \$30,000 credit authorization, central credit information reflected an increase in Amplo's outstanding indebtedness to other casinos from 95,000 to \$150,000. In spite of this, Carol White authorized a credit line increase up to \$75,000 for Andrew Amplo. Amplo's present unpaid balance with Playboy is \$75,000.

Q. Did you look at the credit history at Playboy concerning Vincent Bonafede?

A. We did. We found that Mr. Bonafede is listed by Andrew Amplo as a reference on Amplo's credit application. We also found that they both shared the same bank account. Prior to the initial award of \$30,000 in credit to Vincent Bonafede, Carol White knew Bonafede had outstanding indebtedness to other casinos which totaled \$95,000. Because Bonafede initially applied for credit on a weekend, no bank information was obtained prior to the initial award of credit. When several days later Playboy received the banking information for Vincent Bonafede, it reflected a balance of approximately 4 to \$600. The same day Mr. Bonafede's outstanding indebtedness to other casinos reflected an increase from \$95,000 to a hundred and ten thousand dollars. Also on December 21, 1981, Playboy credit manager Carol White was notified of derogatory information relating to Bonafede's criminal background. This information, which was provided in writing by the Playboy surveillance department, reflected that Bonafede was the target of an ongoing Federal investigation concerning insurance fraud. It further showed that Bonafede and a close associate, Andrew Amplo, was suspected by the Secret Service of dealing in counterfeit currency. This information reflected in Amplo's history also applied to Bonafede. Eight days later Ms. White again approved an increase in Bonafede's credit line to \$75,000. Mr. Bonafede presently owes the Playboy Hotel Casino \$75,000.

Got Credit After \$25,000 Check Bounced

Q. Did you look at the credit play of John Barbato?

A. Yes. Our investigation of Mr. Barbato revealed he has been arrested seven times for crimes including illegal gambling, assault, robbery, possession of stolen property, and grand larceny auto theft. He was convicted on the robbery charge and sentenced to Sing-Sing Prison. He was awarded a \$25,000 line by Playboy credit executive William Small based on bank information reflecting both personal and business accounts with balances between 1,000 and \$3,000. About one-and-a-half months subsequent to the initial credit award, Charles Cusick of the Playboy surveillance department, entered a caution notation on Barbato's credit application card and notified Carol White of his association with Benny "Eggs" Mangano, a reputed member of the Genovese crime family. It should be noted, however, that at some point in time an unknown individual crossed out this notation. Cusick further related details of Mangano's criminal activities. No action was taken by Carol White to remove or reduce Barbato's credit line at this time. However, approximately one month later, after Playboy received information from central credit concerning a \$25,000 check returned for non-sufficient funds issued by Barbato to another casino, Playboy decided not to extend him any further credit. A review of his credit card at Playboy shows that Barbato was, in fact, extended \$25,000 in credit after Playboy learned of his returned check. Barbato's unpaid balance at Playboy is \$21,000.

Credit Granted to French Connection Drug Dealer

Q. Did you have occasion to look at the credit history of Peter Giamarino?

A. We learned that Mr. Giamarino's background has several arrests reported, among them being possession of a pistol, felony assault, forgery, robbery, high-jacking, gambling, fraud and narcotics. He was convicted on the robbery hijacking charges and narcotics charges extending from the French Connection drug investigation in New York City, which involved the possession with intent to distribute 160 pounds of heroin.

Giamarino was approved for a \$7500 credit line by Playboy credit executive Dianne Johnston, despite bank information which reflected a bank account balance of less than \$100 and central credit information which reflected no established credit lines at any legal casino. Two months later, central credit advised Playboy that they considered Giamarino to be a rounder. In spite of this, Giamarino was subsequently approved for an increase of his credit line to \$10,000.

Mr. Giamarino's present unpaid balance at the Playboy casino is \$134,000.

Got \$50,000 Credit, Owes \$50,000

Q. Colonel Dintino also talked about Paul Zaccaria. Was that person also the subject of your investigation at Playboy? What did you learn with respect to him?

A. That Carol White authorized a \$25,000 credit line for Paul Zaccaria with the knowledge that Zaccaria's bank account balance was approximately \$5000, and despite central credit information, which reflected a \$45,000 outstanding balance at other casinos and a \$6,000 write-off at another casino, nine days later, without the benefit of any additional information, Carol White doubled Zaccaria's credit line to \$50,000.

Paul Zaccaria's outstanding unpaid balance with Playboy is \$50,000.

Convict Got Credit

Q. Anthony Tortorello, was he also the subject of your investigation?

A. Yes. Mr. Tortorello has been convicted on charges of interstate transportation of motor vehicles. Tortorello was approved for a \$20,000 credit line by Playboy credit executive Dianne Johnston based on information from central credit showing him to be clear, that is with no outstanding balances at the casinos where he had established credit lines. However, bank information showed an account considered by the bank to be too new to rate, but having a current balance of approximately \$5000.

Additionally, the bank commented that credit of \$20,000 was not good for Tortorello. About six months later, after being notified by Charles Cusick of the Playboy surveillance department that Tortorello had recently been convicted of interstate transportation of stolen motor vehicles and had been sentenced to ten years in prison, Mrs. White determined that no further credit should be issued.

However, shortly thereafter, without any update from central credit files and without any additional bank information checks, Carol White reinstated Tortorello's credit line in an amount of \$10,000. Several days later a bank check was performed revealing a balance of between \$100 and \$300. Shortly after this bank check, central credit showed that Tortorello had issued a check to the Sands in the amount of \$1,000 which was returned marked non-sufficient funds. No action was taken at this time to either reduce or eliminate Tortorello's credit line and, in fact, with the knowledge of an imminent sentence, Tortorello's credit line was increased to \$15,000 a short time thereafter. He used \$7,000 in 15 gambling days and his residence changed from New York to Danbury Federal Penitentiary.

"Too New to Rate" -- but Got \$30,000 Credit

- Q. Mr. Fred J. Gallo; was he also a part of your investigation?
- A. Yes. Mr. Gallo has a criminal record on charges including bribery, gambling, bank fraud and grand larceny. Gallo was initially refused a \$25,000 credit line because his bank account was six days old. That was considered too new to rate. Two days later without the benefit of any additional information contained on credit application, Carol White approved a \$10,000 credit line for Gallo. Within the next three months, Carol White increased Gallo's credit line first to \$20,000 and later to \$30,000. In attempting to verify Gallo's stated telephone numbers and addresses, Playboy credit clerks found no listings. Apparently this did not deter credit manager Carol White from extending this patron credit. Mr. Gallo's unpaid balance with Playboy is \$30,000.

- Q. To your knowledge, were any of the same individuals collection problems at other casinos?
- A. Yes, Golden Nugget, Claridge, the Sands.
- Q. Did Playboy itself characterize what occurred at the casino in any particular way?
- A. When we reviewed the patron collection work cards there were some notations placed there by collection department personnel which read "Player may be part of the Brooklyn scam." It was a term used by the casino, not by us.
- Q. Did you detect any particular pattern with reference to the particular credit gamblers that came under the focus of your investigation?
- A. Yes. The majority of individuals involved all resided in the same neighborhood in Brooklyn. It appears they all first came into the Playboy casino at approximately the same time period, and some of the individuals used others we considered to be involved as references on their credit applications. There were many of this group we considered to be high-risk people who should not have received credit in the first place.
- Q. Do you have an opinion as to why all of this took place?
- A. Yes. Prior to opening Playboy had developed what they call the casino credit executive operating manual which was prepared by Carol White with the assistance of other management personnel at Playboy. Just after the casino opened the manual was considered to be useless by Playboy credit people. There was no attempt to rewrite the manual which, according to the former vice-president of casino operations, could have been rewritten within four or five days.

Secondly, there were instances where there were no verifications of either residences or employment, that being done by the collection department only after credit had gone bad.

Third, there was too much responsibility either accepted or assumed by one individual as to the issuance of initial or subsequent increases of credit lines and, last, there was a management position taken at that time which reflected if credit play was increased, business and profits would also increase. This opinion seemed to be prevalent in most Atlantic City gambling houses.

Playboy's Former Credit Manager

Carol White, who was the Playboy credit manager from mid-1980 to March, 1982, was scheduled to testify next, with particular reference to credit decisions described by State Police Detective Sergeant Wallack, the previous witness. Although White appeared at the hearing, she refused to respond to questions on the basis of a claim of privilege. As a result, prior testimony taken from White at Executive Sessions of the SCI were entered into the public hearing record. Portions of these transcripts were repeated at the hearing through SCI Special Agent Wendy Bostwick, including the following excerpts:

"Question: Miss White, have you ever shopped at Gucci's at Caesars Boardwalk Regency?"

MS. BOSTWICK: "Answer: Yes, I have."

X X X

MR. COPPOLA: "Question: Did you ever shop in a store known as Tiberius or Tiberia, Tiberius, I believe is the name of it?"

MS. BOSTWICK: "Answer: I've been there."

MR. COPPOLA: "Question: With respect to purchases at that store, did you ever make use of a gift certificate?"

MS. BOSTWICK: "Answer: I can't quite remember. I may have. I don't know. I know that I have purchased some things."

MR. COPPOLA: "Question: Do you recall anyone ever giving you a gift certificate for use at Tiberius or Gucci?"

MS. BOSTWICK: "Answer: My lifetime I've received a lot of gift certificates from friends from boyfriends, you know."

MR. COPPOLA: "Question: With respect to any of the gift certificates that you did receive, were any of those certificates from any credit player?"

COMMISSIONER GREENBERG: "Credit player at Playboy?"

MR. COPPOLA: "In the casino industry?"

MS. BOSTWICK: The answer was "Yes."

X X X

MR. COPPOLA: "Question: Miss White, did you ever accept a gift from a friend who was also a cash or credit player in Atlantic City?"

MS. BOSTWICK: "Answer: I would have to say yes."

MR. COPPOLA: "Question: Can you tell us who they were?"

MS. BOSTWICK: "Answer: Well, then, I stand on the Fifth Amendment. I will not answer that."

MR. COPPOLA: "Question: One more question in this area. Did the gifts, did you receive from any friends who are credit or cash players in Atlantic City while you were employed in the casino -- while you were holding a New Jersey license with respect to gambling?"

MS. BOSTWICK: "Answer: I would have to say yes."

THE TESTIMONY -- SECOND DAY
WEDNESDAY, MARCH 2, 1983

Transition Statement

Opening the second day of the SCI's hearing on casino credit abuses, Commissioner Henry S. Patterson, II, noted that the previous day's testimony by high-ranking law enforcement officials had provided a foundation for all subsequent testimony. He stated:

We resume the hearing today with extensive testimony -- from the casinos themselves -- which will illustrate the incompetence and irresponsibility with which credit has been disbursed. Such testimony will be significant not only because of its self-incriminatory nature, but also because it will pinpoint, from the standpoint of actual practice, where casino credit controls are most deficient and how inappropriate decisions and haphazard judgments have increased the industry's vulnerability to corruption and fraud.

Casino Executives Testify

Golden Nugget's Credit Manager

Norman Jacobson, the credit manager at the Golden Nugget Hotel and Casino, was the first of a representative group of casino credit executives to appear for questioning about various decisions, policies and procedures in processing credit requests for gamblers. SCI Deputy Director James J. Morley began the interrogation with a review of the Golden Nugget's credit process under Jacobson's supervision:

Q. Do you personally make all credit decisions?

A. No, I do not.

Q. Who, typically, will make credit decisions?

A. My four credit executive and myself.

Q. And is there a limit to how much credit any single credit executive can grant on his own signature --

A. There is no limit.

Q. -- for any particular customer?

A. Not at all.

Q. Do you personally review all credit decisions made by your credit executives?

- A. No, I do not.
- Q. Do you have any kind of a system for random, after the fact, review?
- A. Yes, I do.
- Q. Could you describe briefly what that system is?
- A. Well, we have a computer printout, which comes out every morning, which lists all transactions made the previous day. When I look through that printout, I determine which ones I will review and which ones I will just pass up. Those for large amounts, I will review.
- Q. When you make a decision to make a review of an award of a larger amount of credit, do you then go back to the application, the credit card, and review the information on that document?
- A. Yes.
- Q. Is it the practice in the Golden Nugget to require that the credit executive, who is making a credit decision, perform a Central Credit check in all cases?
- A. It is required for our clerks to perform that function, yes.
- Q. And is it required that the credit executive review the information acquired by the credit clerk?
- A. Yes.
- Q. Could you briefly explain to the Commission what Central Credit is?
- A. Central Credit is an organization located in Las Vegas which is in business solely for the purpose of gathering and disbursing gambling information on all applicants at casinos which subscribe to their services, which covers almost 99 percent of all casinos in the United States and also in the Bahamas and France, et cetera.
- Q. And Central Credit is a private enterprise?
- A. Yes, it is.

- Q. How long does it take to get a Central Credit check?
- A. The major way we get the information is through a computer printout which indicates whether the customer has ever applied for credit and has an identification number, and it will list on there every casino he has ever applied at, and will list the latest information they have in their files.
- Q. How much time does this take?
- A. (A matter) of minutes to get that initial report.
- Q. Is it the practice of the Golden Nugget to require a confirmation of bank information on every credit application?
- A. Yes.
- Q. How is bank information confirmed?
- A. Bank information is confirmed two different ways: we always send the bank a letter requesting this information, and we'll always make a phone call. Sometimes the phone call will not produce the results, and a letter will always produce the results.
- Q. If the phone call hasn't produced results and you're going to rely on a letter, do you wait until you get an answer to the letter before you extend the credit?
- A. If the bank information is what we are going to rely on, yes, we'll wait for the letter.
- Q. What do you do if someone comes in on a Saturday, makes an application, and you can't check the bank information?
- A. We'll get a Central Credit report, and within that Central Credit report possibly could be current bank information that the other casino has gotten which they will share with us.
- Q. What if there is no bank information?
- A. Then, we'll make a decision without bank information which, in most cases...we'll not make an affirmative decision without the bank information.

COMMISSIONER GREENBERG: Can you give me a percentage of how many cases or what percentage you extend credit without this bank information?

THE WITNESS: Well under one percent.

Referring to exhibits which included a manual on the Golden Nugget's system of internal controls and a "Statement of Management Policy," Counsel Morley reviewed additional facets of the casino's credit process with Jacobson. The testimony continued:

Q. Would you please turn to the eleventh page. The top of the page says, "In the event that an applicant-customer has no credit record with Central Credit and/or no meaningful customer experience and no information is available from other casinos, the credit clerk shall verify the bank references."

What is the meaning of the term "meaningful customer experience information"?

A. We always get a consumer credit report we have available to us through the system, which at the present time we are now doing 100-percent of the time, which gives us information on an individual's credit card experience and department store credit accounts.

(Witness and counsel confer.)

Yes, naturally, of course, also the experience with our own casino.

Q. One's gambling experience?

A. Gambling experience, yes.

Q. What is CBA, Credit Bureau Associates?

A. Well, an organization, they are a subsidiary of Trans-Union, I'm not really sure of the parent company, although, they have an affiliation with them. They operate out of Camden, New Jersey, and they have stored in their files, run through a computer retail credit information on just about everybody who has ever had retail credit in this area.

Q. Does it also include information such as judgments, liens, bankruptcies and things of that nature?

A. Yes, it does.

- Q. Do you get a CBA report in every case?
- A. We now do. We used to get it in about 75 to 80 percent. We have since changed our procedures.
- Q. Let me ask you this: What is the bottom line question that has to be answered before you decide whether to give someone credit?
- A. That, in our judgment, we'll get paid.

How Nicky Scarfo Got Free Room, Food and Drink

The Commission questioned Jacobson about decisions to extend casino credit and hotel "complimentaries" in a number of cases that violated the Golden Nugget's own guidelines as detailed in its control manual and policy statement.

One case involved a credit patron, William Mele, on whose recommendation the casino "comped" Nicodemo (Little Nicky) Scarfo, the Atlantic City mob leader, under the alias of "Dave Morris." Mele initially had a Golden Nugget credit line of \$5,000, which was doubled in January, 1981. Despite memos in March, 1982, revealing Mele's promotion of gratuities for Scarfo under an assumed name, and Mele's police record, the casino took no action to curtail or cancel Mele's credit privileges. Jacobson's testimony on this situation follows:

- Q. Would you refer in that package to a memo dated March 8, 1982.
- A. Yes.
- Q. And is that a memo from Sabino Carone to Shannon L. Bybbe, Junior?
- A. Yes.
- Q. Who is Sabino Carone?
- A. Director of surveillance.
- Q. And who is Shannon Bybbe, Junior?
- A. President of the Golden Nugget at Atlantic City.
- Q. Subject of that memorandum is Nick Scarfo; is that correct?
- A. Yes.
- Q. The memo says, in essence, that a person named Dave Morris was being comped R F and B

(room, food and beverage) on the recommendation of Mr. Mele, who we're talking about right now, and that this Dave Morris is really Nick Scarfo; is that correct?

A. That's what the memo says, yes.

Q. At the time that you received the memo, did you know who Nick Scarfo was?

A. By reputation, what I read in the newspapers.

Q. What did you read and what did you think?

A. I read that he was an alleged member of organized crime and undesirable.

Q. Did you think that, too?

A. Yes.

Q. There's also a memorandum dated March 10, 1982. Again, Mr. Carone to Mr. Bybbe. Subject again is Nick Scarfo. Have you ever seen this memo before?

A. Yes.

Q. Again, you're listed as recipient of a copy. Did you receive a copy at about the time it was written?

A. Yes.

Q. And is it correct that the memo says Mr. Mele was arrested for bookmaking in 1974?

A. Yes.

Q. Now, on the basis of these two memoranda, March 8 and 10, 1982, did you consider taking any action against Mr. Mele's credit line?

A. I considered it, yes.

Q. Did you, in fact, take any action?

A. No, I didn't.

Q. Why not?

A. I discussed it with my superior and we determined that our experience with Mr. Mele

at that time had been rather extensive and extremely favorable, and at that time he owed us a considerable amount of money. And we felt that, at least my superior indicated to me, that we should take no action at that time.

- Q. If the decision had been your's alone, would the decision have been the same?
- A. If the decision had been mine alone, I would have probably gotten into it deeper than I had.

COMMISSIONER GREENBERG: How much deeper did you need to get into it, Mr. Jacobson? What more did you need to know before you lifted Mele's credit?

THE WITNESS: When the information was developed that Mr. Scarfo had, in fact, been a recipient of the comp, Mr. Mele was confronted and immediately went to Mr. Scarfo and asked him to leave the premises.

COMMISSIONER GREENBERG: Didn't anybody from Golden Nugget ask him to leave?

THE WITNESS: As a request from one of our people at Golden Nugget, we told Mr. Mele we did not know Mr. Scarfo was a recipient of a comp, and that we would not want him in the casino and that since he was the one that had been instrumental in getting the comp for Mr. Scarfo, we asked him to do that, and in a matter of minutes, Mr. Scarfo was gone.

COMMISSIONER GREENBERG: Why didn't the casino throw Scarfo out as soon as you found out who he was?

THE WITNESS: I don't know.

COMMISSIONER GREENBERG: How much does Mele owe the casino now?

THE WITNESS: \$25,000.

Bankruptcy Report Didn't Prevent \$2,500 "Courtesy Line"

The next case reviewed with the Golden Nugget credit manager was that of Richard R. Savarese, who was granted a \$2,500 "courtesy line" of credit despite derogatory background reports that he had been involved in a bankruptcy and had bad debts charged off by a bank and a department store. Once again Scarfo's friend, William Mele, influenced the credit decision, according to Jacobson. His testimony on this subject follows:

Q. You granted him credit?

A. I granted the credit.

Q. How did it come about that he got credit?

A. There was a recommendation by a shift manager that he was a close friend and associate and came into our casino quite often with a big player.

Q. Who?

A. William Mele.

Q. Same William Mele we just talked about?

A. Yes, that's correct. And that Mr. Savarese, himself, was a subsubstantial cash player that would like to have a courtesy line in the event that he happened to have a bad streak and didn't have cash, and would like to have a courtesy line to tide him through the night.

Q. Would you turn to the third page of the exhibit, please, C-58. That page contains two handwritten notes; is that correct?

A. Yes.

Q. Looking at the one, the lower one that's on a piece of paper bearing the Golden Nugget logo, it's to Norman signed Jane. Do you know who Jane is?

A. Jane Haverstick, my credit executive.

Q. Second paragraph of that handwritten memo dated 12-9-81 says, "Bob James really wants us to reconsider this customer," that is Savarese, "as he was recommended and guaranteed (if you want to use such a word) by Bill Mele." Is that an accurate reading of that memo?

A. Yes.

Q. You got that note from Jane Haverstick and that reported to you the shift manager's recommendation, Bob James, the shift manager?

A. Yes.

- Q. On the basis of that recommendation, were you moved to grant credit to Mr. Savarese?
- A. Not at all.
- Q. Well, what occurred between your not being moved to grant credit and the time that you put your signature on the \$2500 approval?
- A. Mr. James went to Mr. Wayson (vice president-marketing) and explained the fact that he was a good cash player and it would be good for business to maintain Bill Mele as a good credit player, which he was, and since they were traveling companions, he would like to recommend a courtesy line for Mr. Savarese.
- Q. Mr. Jacobson, would you look at the fifth page of the exhibit? It's a copy of a Central Credit printout, a handwritten notation 4-4-82? What's the last entry on that Central Credit report?
- A. "VCC rndr," R-n-d-r, meaning rounder.
- Q. What is a rounder?
- A. A rounder is indicative of an individual applying at numerous casinos within a very short period of time, span of time.
- Q. Is it a red flag in a sense to a credit executive to watch out for this person?
- A. It's a warning flag, not necessarily a red flag. Something to look out for.
- Q. Would it be fair to say that Mr. Savarese was given \$2500 in credit to keep Mr. Mele in the casino?
- A. Yes, and with the intention, with the feeling we would be paid.
- Q. And it didn't enter your mind that it was really the casino making the decision that they were willing to risk losing the \$2500 in order to keep Mr. Mele in the casino?
- A. It was a risk, but no more than some others, perhaps.
- Q. Why was Mele so important? Why would the casino be willing to take a risk like this?

A. Well, he was -- he visited the casinos just about every week, and had friends he brought in with him, and they're all good players, and we always got paid. Represented a lot of business.

Q. The \$2500 did, in fact, keep him in the casino, didn't it? Did he continue to play in the casino?

(Witness and counsel confer.)

A. Mr. Mele continued playing. For reasons he continued playing, I really don't know.

Q. Does Mr. Savarese owe you anything?

A. \$2500.

Q. And Mr. Mele, who you were able to keep in the casino at least possibly because of giving Mr. Savarese credit, he also owes you some money now, too?

A. 25,000.

Credit Extended Without Any Background Check

The next credit patron discussed with Jacobson was Vincent J. Ponsio. He received credit without a background check. When derogatory information was received by the Golden Nugget, it showed that \$50,000 worth of Ponsio's markers had "bounced" at other casinos. In addition, Ponsio's credit privilege had previously been put on "hold" -- or suspended -- until he paid off the debt, but this temporary default had not prevented an automatic restoration of credit. Although Jacobson did not know that Ponsio was a member of organized crime, the gambler was identified in earlier State Police testimony as a mobster who was arrested for drug trafficking. Following are excerpts from Jacobson's testimony on Ponsio.

Q. And how much credit was he allowed when he was restored?

A. \$5,000.

Q. Would you look at the bottom of the back of the second page of the exhibit? There's a notation in hand initialed "J.H.;" is that Miss Haverstick again?

A. Yes, it is.

Q. And the notation says, "Released hold and

gave \$5,000 credit. Customer picked up his return marker with cash. Is a locally known builder and has been out of the country and says the bank won't pay anything when he is out of town. I believe he will be good for this credit."

Do you understand that notation to mean that Miss Haverstick was putting Mr. Ponsio back on credit because his bank won't clear his checks while he's out of town?

A. That and the fact that he paid cash.

Q. Is there anything on the card to indicate that Miss Haverstick attempted to confirm that story about checks not clearing, because the writer of the check is out of town, with the bank?

A. There's nothing on the file that indicates that.

Q. Did Mr. Ponsio later receive a temporary increase in his credit limit after February 22?

A. The following day, February 23, 1982.

Q. To what level?

A. \$7500.

Q. On the day that that temporary increase was granted, was a Central Credit check done?

A. There was a Central Credit done that day.

Q. Was there any derogatory information on that check?

A. N.S.F., non-sufficient fund check for \$15,000 at a casino locally. \$15,000 N.S.F. in another local casino and another 15,000 -- no, that was cleared. Another 15,000 -- yes, there were variety of derogatory information reports on there; yes, sir.

Q. Is it true that the Central Credit report indicates that Mr. Ponsio had bounced \$50,000 worth of checks in markers at other Atlantic City casinos?

A. Yeah, they appear to add up to that figure.

Q. And they were all outstanding at that time?

A. Yes, they were.

COMMISSIONER PATTERSON: So the increase was given without any information, any additional information?

THE WITNESS: That's correct.

COMMISSIONER PATTERSON: And when the information was gathered, the information indicated to you that the decision to give him the increase was a bad one?

THE WITNESS: Yes, sir.

Q. Does Mr. Ponsio owe the Golden Nugget any money?

A. \$7500.

THE CHAIRMAN: Isn't there some mechanism where you can withdraw such an increase or withdraw credit when you do get this after the fact derogatory information?

THE WITNESS: Yes, sir, Chairman. We have a mechanism now that is reported daily to us by Central Credit that whenever any of our players, and only reported on our particular customers that we receive, that if any of our players have derogatory information in any other casino wherever, we automatically put a hold on the account.

We'll call the casino to find out because between the time the report was issued and the time we receive it, it may have been cleared and what were the circumstances.

"That One Got By Us"

The application of credit patron Frank D. DeConzo was next reviewed with Jacobson. The witness confirmed that DeConzo was given \$5000 in credit despite information that he had \$800 at the most in his bank account. Subsequently his credit limit was increased to \$10,000 and then \$12,500 -- and he was allowed to continue gambling on credit even after his counterchecks began to bounce. Excerpts from Jacobson's testimony on Frank D. DeConzo follow:

Q. Was there a Central Credit check done that revealed some problems with returned markers at other casinos?

A. Yes.

Q. Can you explain why he was allowed to continue to play on credit after that information was obtained?

A. Using hindsight, I would say that should not have been done. We were very much swamped at the time, had a tremendous influx of applications, and that one got by us.

Q. Looking on the sixth page of the exhibit, is there on that page another Central Credit check done on February 5, 1982?

A. Yes.

Q. It shows \$10,000 in bad markers still outstanding at Bally's?

A. Yes.

Q. Was he allowed to continue on credit after that information was obtained?

A. Yes.

Q. Can you explain that decision or can you explain the failure to cut him off at that point?

A. No, I can't.

Q. Does he owe you any money?

A. I believe it's, I'm not sure whether it's 7,500 or \$10,000.

How "Junket Reps" Promote Credit for Their Customers

Frank D. Deconzo's cousin, Frank A., got a credit line of \$5,000 at Golden Nugget, on the basis of a \$2,500 credit line at Caesars and a personal checking account of no more than \$400. The case of Frank A. explained the influence of so-called junket representatives in promoting credit for the patrons they bring to the casinos, as Jacobson noted during his testimony:

Q. Is it correct that Frank A. Deconzo was subsequently granted a number of increases again on the recommendation of various junket representatives.

A. Yes.

Q. But nothing else about his financial information had changed as far as you know?

- A. That's correct, yes.
- Q. Do any of these junket representatives make their representations to you personally?
- A. They all did.
- Q. What kind of information did they give you?
- A. Known to be good players, have always paid their gambling accounts despite what the bank information may have shown, because a lot of people don't carry a lot of money in their checking account.
- Q. And you took them at their word?
- A. I took them at their word because of their reputation with us.
- Q. How is a junket representative compensated? What's the scheme for how a junket representative gets paid?
- A. I heard based on the kind of activity of the individual player.
- Q. How much money is played by the people that he brings into the casino; is that correct?
- A. That's exactly what I meant by that, yes.
- Q. Isn't it to the advantage of the junket representative to have his people issued high amounts of credit?
- A. To that extent it would, but also has a negative effect.
- Q. What's that?
- A. In that a junket rep can lose credibility with us if he recommends individuals who turn out to be bad.

Got \$15,000 Credit Despite Derogatory Information

Berl Rotfeld obtained a \$15,000 Golden Nugget credit line from Jacobson despite adverse reports on him from Las Vegas casinos, according to Jacobson:

- Q. You did a Central Credit check in this case that revealed that Mr. Rotfeld had a \$5300 write-off at Caesars, Bally's in Las Vegas

and a \$1000 derogatory at the Puerto Rico Bally's Casino; is that correct?

A. Yes.

Q. Did you give Mr. Rotfeld a line of credit in spite of that information?

A. Yes, but prior -- just a moment. Prior to that, he had sent us a letter explaining that this was of a disputed nature.

Q. He says to you, "You will also note that many years ago there was a problem at Caesars. However, this problem was created by a man signing my name to markers. Since that time the Las Vegas Hilton has checked into the matter and found that I was correct in my claim and thereby they established me for a line at the Las Vegas Hilton."

Did you accept his explanation of the \$5300 problem at face value or did you check with Caesars in Las Vegas?

A. We knew what he had said was true as far as Hilton giving him a credit.

Q. Would you look on the front page of the exhibit, please? In the middle of the page is a clipping from Central Credit information, handwritten information. You see that?

A. Yes.

Q. Does that indicate that somebody in your casino called Caesars direct to ask about this information?

A. Yes.

Q. Does it say next to it, "Derog on original rundown correct. They have no further info"?

A. Yes, that's correct.

Q. Does that mean that Caesars does not confirm Mr. Rotfeld's explanation?

A. Well, on face value it does, but there are many cases where you run into where an individual has derogatory information with a casino which is of a disputed nature, and casino will not have updated their files

and, therefore, we still have that old information.

Q. So you didn't know whether or not the problem had been resolved at Caesars when you granted him credit; is that correct?

A. That's correct.

Q. How much credit did you give him?

A. Initially \$15,000.

Q. Did you make any check on the thousand dollars derogatory at the Puerto Rico Palace?

A. I don't believe we knew that at the time. I'm not sure.

Q. Is there anything in this file that indicates that you checked with the Puerto Rico Palace to find out what the nature of that problem was?

A. No, there isn't.

Q. Mr. Rotfeld owe you any money today?

A. Yes.

Q. How much?

A. \$25,000.

Details on Counterfeit Inquiry Withheld

Vincent J. Bonafede and Andrew Amplo were known to the Golden Nugget as "gambling partners," whose credit lines went as high as \$25,000. Jacobson recalled cancelling their casino privileges:

Q. Did there come a time when you found it necessary to cut off the credit of these two people?

A. Yes.

Q. When was that?

A. October 12 of 1981.

Q. Why did you cut off their credit?

A. There were reports that I received of abuse in their comp privileges and their balances were high, and in reflecting, I since found out that the comp privileges were rather excessive.

They were running sales promotion programs in our rooms and inviting other people in using our facilities and whatever.

Q. Is it correct that that memorandum (exhibit C-65) which is dated October 10, 1981, reports that Amplo and Bonafede were suspected of possessing large amount of counterfeit \$100 bills?

A. Yes.

Q. Did this memorandum, the information contained in this memorandum play any role in cutting off their credit privileges on October 12?

A. I did not see this memorandum.

Q. Referring again to (exhibit) C-65, it says that credit executive, Bob DiCesari, will act as intermediary in developing the information on Amplo and Bonafede and the counterfeit bills. Does Bob DiCesare work for you?

A. Yes, is one of the casino credit executives.

Q. Would it be likely that Bob DiCesari would report to you that he was working with surveillance in developing a counterfeit bill case in the casino?

A. He told me about it.

Q. When did he tell you about it?

A. Sometime thereafter.

Q. After the 13th?

A. Yes.

Q. So, at least three days went by before he reported it to you?

A. Yes.

Q. You're his superior?

A. Yes.

COMMISSIONER PATTERSON: Did you fire him for not telling you the information before?

THE WITNESS: No, I did not.

COMMISSIONER PATTERSON: You had no second thoughts on that?

THE WITNESS: Under the circumstances, no.

COMMISSIONER GREENBERG: What circumstances? You think he's a good employee?

THE WITNESS: Yes.

The Commission questioned whether the Golden Nugget had informed other casinos of its actions against Amplo and Bonafede. The testimony on this subject follows:

COMMISSIONER PATTERSON: Isn't it true Mr. Amplo and Mr. Bonafede, were, in fact, entertaining their customers, at your expense up in a suite that you were, not meaning you personally, but Golden Nugget was providing at no expense to them?

THE WITNESS: That's the indication.

COMMISSIONER PATTERSON: And they were, to say the least, embarrassing other customers in your restaurant by having somewhat of a large enough fight so the police had to be called?

THE WITNESS: Yes, that would be true.

COMMISSIONER PATTERSON: Did you have occasion to call another casino and ask questions about these two gentlemen?

THE WITNESS: Yes.

COMMISSIONER PATTERSON: Was that not the Sands?

THE WITNESS: Yes.

COMMISSIONER PATTERSON: Did you tell the Sands at that time that you cut them off from further credit, further comps?

THE WITNESS: No.

COMMISSIONER PATTERSON: It's obvious to me that for one reason or another important information is not disseminated within a casino and apparently is not given to other casinos. The attitude seems to be, oh, it's wonderful, our problems have gone to somebody else.

Credit Practices at the Sands

Don Wood, the next witness, testified about credit procedures as well as instances of misjudgment in credit disbursements at the Sands Hotel and Casino, where he had worked since March, 1981. Wood, who was Director of Credit at the Sands, previously had been a senior credit executive at Caesars and, before coming to Atlantic City, had worked in Las Vegas since 1963. Counsel Coppola asked Wood to discuss the liaison, if any, among the casinos in connection with questions that might develop about individual credit applicants or gamblers:

Q. Do you feel there's sufficient communication among the casinos in Atlantic City with respect to credit players?

A. No, sir, that is open for improvement.

Q. And what's the problem? What is the specific area where there is a failure of communication regarding credit players?

A. Burn out, overextension of credit in some cases.

Q. Is that a big problem in Atlantic City?

A. Yes, sir, it it.

THE CHAIRMAN: Let me ask you if at your casino your people find something derogatory about Mr. X, I understand you don't inform the other casinos in Atlantic City of that derogatory information on Mr. X; is that so?

THE WITNESS: No, sir, because usually when we obtain that information it's via Central Credit and they should have that information as well as we have.

COMMISSIONER PATTERSON: Isn't it true that you suggested to your fellow casino people that they have a compatible computer system so that you could get instant credit information more readily than you can now?

THE WITNESS: Yes, sir, that's true.

COMMISSIONER PATTERSON: Did that idea take off?

THE WITNESS: No, sir, it didn't seem to go over real well.

COMMISSIONER PATTERSON: Why not?

THE WITNESS: I think it had to do with the possibility of each casino divulging their players' confidentiality of records.

COMMISSIONER PATTERSON: Aren't you telling me that the casinos are reluctant to give information on their high rollers to other casinos for fear that the other casino will steal the high roller away from your casino or from another casino?

THE WITNESS: It's not just the high roller, Mr. Patterson, it's just any customer, a \$5,000 customer, a \$10,000 customer.

COMMISSIONER PATTERSON: Isn't it particularly true with the high rollers?

THE WITNESS: Sure, yes, yes, sir.

COMMISSIONER PATTERSON: What I'm trying to do is paraphrase what you told me in Executive Session, which was that the problem in getting the casinos to work together is the competitive problem, the problem of not wanting to give away trade secrets.

THE CHAIRMAN: Shouldn't there be a system where if you have derogatory information in any casino it ought to be reported in full to some central group or office and that central group and office have an absolute obligation to give that derogatory information instantly to all other casinos.

THE WITNESS: Yes, sir, that is the procedure now through Central Credit, although, it's not instantly.

X X X

COMMISSIONER PATTERSON: The fact of the problem is that all of the information necessary to do the job is not being turned into the Central Credit Bureau. That's the problem.

THE WITNESS: We don't know what customers owe at other casinos is what we are getting at as being the problem.

"Walking With Chips"

Wood next reviewed the problem of "walking with chips," meaning patrons who obtain chips on credit, make a show of wagering and who then leave the table, cash in the chips and depart with the casino's money.

Q. How big a problem is it in Atlantic City?

A. I think it's a serious problem.

Q. Is that a method by which a credit fraud is carried out, the person actually leaves the casino with money that he received on credit and hasn't gambled with?

A. Yes, sir, although some of the credit frauds, they did gamble, and they did lose the money. But for the most part, I'd say they try and walk out with it.

Q. Can't your people on the floor watching the game stop the credit player from walking with chips?

A. We do, they try to notify us that that occurred, but they cannot stop the individual and have him pay back the marker at the table.

COMMISSIONER GREENBERG: Why not?

THE WITNESS: Because the law doesn't allow it. If the law would allow that --

COMMISSIONER GREENBERG: Do you favor a change in the law to allow patrons to pay off their credit debt right at the table?

THE WITNESS: Absolutely...Yes, sir, with any winnings or if they should happen to break even, man takes \$1,000 marker, if he should play for an hour, break even, he pays the marker before he walks away from the table.

A \$40,000 Debtor

Counsel Coppola next reviewed with Wood a series of instances in which credit was inappropriately granted. The first case was

that of gambler Terry Frank, who wound up owing the Sands \$40,000. The testimony, in part:

Q. For your information, you may be aware of this, he also owes the Claridge 10,000 and also owes the Golden Nugget 2500. Now (referring to credit application) you'll notice some credit increases that you extended this man in December of 1981. On 12-8 you bumped him from 20,000 to 30,000 on a T.T.O. or This Trip Only basis. On 12-9 you moved him from 30,000 to 35,000. On 12-10 up to 40,000. Can you tell us if you did a Central Credit check on that person during the course of those increases?

A. I don't believe we did, no, sir.

Q. Now, using your recollection of this man's play, would it be fair to say that this man was definitely burned out?

A. In hindsight, yes, sir.

Q. Overextended?

A. Overextended.

Q. One way to prevent overextension is to do a credit check at the time you grant the increase; is that correct?

A. Yes, sir.

Q. Did you subsequently do a credit check on Mr. Frank?

A. Not until a much later time.

Q. And directing your attention to page three of the credit application, would that be February of 1982?

A. Yes, sir.

Q. And at that time did you learn that he owed a substantial amount of money and that money was owing back in December when you gave him the increases.

A. Yes, sir.

Q. Why was he given the increase from 20 to \$40,000, especially in light of his play activity at the Sands, which showed he was keeping a running balance? He was not

paying down his debt for a long period of time prior to December.

- A. At the time we just felt that this gentleman could afford it. He had played a substantial amount of cash. Absolutely, it was the wrong decision. But at the time we felt that he could handle it, afford it, and knew what he was doing.

COMMISSIONER GREENBERG: What assets does this man have that can lead you to reasonably expecting to recover any or let alone all of the \$40,000?

THE WITNESS: I don't know.

BY MR. COPPOLA:

- Q. Mr. Wood, the Casino Hotel Association issued a press release a while ago, and in it stated that credit is a phenomenon of the upper-income people, and it goes on to say basically credit is extended to people we know who can pay back the debt based on what we know about their living expenses.

Do you really ever know anything about someone's living expenses, what they need from week-to-week in order to sustain a certain standard of living?

- A. No, we did not get into that.

- Q. Concerning your credit decision with respect to Mr. Frank, is it possible to look at the card and see what your reasoning was as of December 9, 1981? I mean do the regulations require you to put on the card why you are giving the man a certain amount of money?

- A. No, it does not require that. However, in-house policy, we're now putting our thought process down.

- Q. When did (it) go into effect to require you to put your thought process on the card?

- A. I would say four, five months ago.

The next patron discussed with Wood was Ellen Glickstein, who owes \$31,400 to the Sands, \$25,000 to Resorts, \$7,500 to Playboy and \$3,500 to the Claridge. The witness testified that this gambler was granted a credit increase to \$40,000 on May 1, 1981, even after Central Credit reported, as noted on her application card, that only a week earlier her check for \$6,000 had bounced at the Las Vegas Hilton. Wood was asked to explain why a large amount

of credit was issued and increased under such circumstances:

Q. Does the Sands have a policy now with respect to the issuance of credit after receipt of derogatory information?

A. Yes, sir, we do.

Q. What's the policy?

A. We generally do not give credit.

Q. Generally, does that mean there are exceptions?

A. There are exceptions.

Q. And is there a formal, written policy that designates under what situations the exception can take place?

A. No, sir, there's not.

Q. And my understanding of the regulations is that they don't address the problem of the extension of credit after derogatory information?

A. No, they don't.

Gambler Les Ickowics got a credit line at the Sands primarily because he was listed as having obtained credit at three Las Vegas casinos. Ickowics owes \$50,000 to Atlantic City casinos, including \$15,000 to the Sands which has been written off as uncollectible. The witness was questioned about this customer:

Q. So, there was virtually no Central Credit history on this person?

A. Doesn't appear to be; no, sir.

Q. Was a bank check done?

A. Not at the time credit was approved. Well, there was a Central Credit report done, completed, which he did have credit and was clear.

Q. But you don't know how much; it could have been \$100 at each one of those places?

A. That's correct.

Q. Was credit extended basically on the fact that he had credit lines at three Las Vegas casinos?

- A. It appears from what this photocopy shows that, yes, that was the reason.

Gambler Tom LaGoumis got \$2,500 credit despite judgments and liens against him of almost \$20,000. However, Wood testified that at the time, in late 1981, the Sands never supplemented its Central Credit service by a further check with a retail credit bureau which could provide a non-casino credit history on a player. Wood's testimony:

Q. 2400 is that how much he owes?

A. Yes, sir.

Q. You also have in front of you a copy of a Credit Bureau check marked C-110 for identification. Now, it shows that the man had a substantial amount of judgments against him prior to the time that the Sands extended credit, and it also shows that there was a federal tax lien in an amount of \$4400. The judgments total approximately \$15,000.

Now, this information, is that available to the Sands credit people before they extend credit to somebody?

A. Yes, sir.

Q. Now, was this information known to the credit executive at the time that he gave this person, LaGoumis, credit?

A. No, sir.

Q. What would he have had to do in order to get the information?

A. Run a Credit Bureau report.

Q. How long does that take?

A. It can take from a couple of minutes to whatever. Generally, they're quite fast if we do it during normal business hours.

Q. What was the Sands' policy back then with respect to doing Credit Bureau checks at the time or prior to the issuance of credit?

A. We didn't use them.

Q. Was there a reason why they weren't used back then since they were available?

A. I think we just felt we didn't need it. Erroneously felt that way.

Q. Doesn't the Credit Bureau show you or help you find out exactly what debts a person would owe outside of the casino industry?

A. Yes, sir, they did.

Q. Is it a policy now at the Sands?

A. Absolutely, yes, sir.

Q. And how long has that policy been in effect?

THE CHAIRMAN: This new policy?

THE WITNESS: Yes, sir. It officially went into effect on January 24, 1983. We had used it prior to that, but not necessarily on every card. Previous to that date we were using it when we felt it was needed.

THE CHAIRMAN: Why in January of '83 was this new policy effected? What was the occasion for it?

THE WITNESS: Part of it is because of this investigation. Part of it is because our own learning process, and hindsight, we should have been using it from day one.

Gambler Rick Toca, who owes \$25,000 to the Sands, had a record that showed he got \$25,000 credit at the Las Vegas Hilton -- but it didn't indicate what his gambling activity, if any, was after receiving the credit. He also had obtained a \$15,000 credit line at Caesars in Las Vegas, in June, 1981, only a few months before the Sands gave him credit. Wood's testimony on Toca:

Q. So there was really no good play history generated by looking at his Caesars, Las Vegas play?

A. No.

Q. So nothing good to rely on so far to extend this man credit?

A. I wouldn't use the words it's "nothing good" to extend him credit. I think the fact that the Hilton and Caesars choose to give him that kind of money shows it shouldn't be a totally erroneous decision.

Q. Why was this man given \$25,000?

A. Mr. Coppola, I can't answer that question. I don't know. I think I testified last time that a lot of times credit decisions are made because people do lose substantial amounts of cash which makes us think they can afford it.

I don't know if that happened in this case or not. It looks like a ridiculous decision to me. What else can I tell you?

Matthew Wax, who was in his mid-20s, was given credit by Wood largely because one of the Sand's vice presidents knew him as a lawyer and an entertainers' representative and as a gambler at Las Vegas. Wax owes the Sands \$50,000, having been given credit by Wood despite an adverse credit-report. The witness's testimony on Wax:

Q. Why wasn't his line taken away from him when your casino became aware of that derogatory information?

A. I believe that we verified that was paid at Harrah's.

Q. Is there anything on the card to show that?

A. No, sir, no, sir.

Q. There's a sticker on the card and it says, "Owes 20,000 Playboy. Having trouble collecting. Must see Don Wood."

A. Right, and I had suspended his credit.

Q. Did you reinstate his credit a few days after that?

A. Yes, I did.

Q. How much credit did you give him when you reinstated him?

A. 30,000.

Q. Why did you give him 30,000?

A: Why did I? I had called Playboy to see what the problem was, and Playboy stated that he had made a payment on one level, was told to go to another level to pick up his markers, and when he got there, they were not returning to him the amount that he had paid, so he had a dispute with them going on.

COMMISSIONER GREENBERG: How is that a reason to reinstate his credit at your casino?

THE WITNESS: Because I consulted with him, Mr. Greenberg, and those things do happen. Disputes do occur.

Andrew Amplo and Vincent Bonafede, the same gamblers who received extensive credit privileges at Playboy despite their criminal records and otherwise unsavory reputations, were granted credit lines that ranged up to \$100,000 each by Wood. They wound up owing the Sands \$110,000 each. Wood's testimony on these patrons:

Q. Were these people allowed to gamble on credit after the bank account was closed or overdrawn?

A. Yes, sir.

Q. Why was that?

A. Mr. Coppola, I can't tell you. I don't recall having seen the bank report, to tell you the truth, but it was there. I don't know.

Q. Did you become -- these people gambled on credit for quite a long period of time at the Sands; correct?

A. Yes, sir.

Q. Now, you have a surveillance department at the Sands; correct?

A. Yes, sir.

Q. Did they ever make you aware of any derogatory information with respect to these people?

A. No, sir.

Q. Did you get any information from any other casino, let's say, the Golden Nugget, that these people were involved in counterfeiting or insurance frauds or scams or whatever?

THE WITNESS: No, sir, I never heard those rumors regarding counterfeiting and insurance scams.

COMMISSIONER PATTERSON: Do you remember a telephone call from Mr. Norman Jacobson, the credit manager (at) the Golden Nugget on the subject of these two gentlemen? You don't remember that he called you and told you that they had been removed from credit-standing at the Golden Nugget?

THE WITNESS: I don't recall the conversation, sir. I very well may have spoken to him. If he says he did, I'm sure he did.

COMMISSIONER PATTERSON: I'm not really trying to find that out. I have a feeling that the information in the telephone call that was made to you, and I am -- I think it was made to you, was not sufficient for you to have made any real judgment as to the background of these two individuals. My point is and would be that there's very little interchange between casinos on derogatory information.

THE WITNESS: That I agree with you, sir, yes.

THE CHAIRMAN: Do you agree that reputed and known associates of organized crime should not have access to the casinos in Atlantic City? Seems to me absolutely imperative they not have it.

THE WITNESS: Well, I think that no, they shouldn't. They certainly shouldn't get credit. I don't think that if the state did not want them in there, give us their name, yes, sir, I agree with that, yes, sir.

THE CHAIRMAN: Well, whatever the mechanisms, it seems to me that the casinos, the state, in it's various forms and agencies and so forth all should get together and exclude these people and do it very, very promptly.

THE WITNESS: I agree with you, sir.

Examples of Credit Grants at Harrah's

SCI counsel James A. Hart, III, questioned the next witness. He was David S. Krause, credit manager at Harrah's Marina Casino, with a staff of four credit executives and about a dozen clerical employees. Employed at Harrah's since November, 1980, Krause had been a credit executive and a collection manager. Prior to 1980, he served eight years as a loan officer at a bank. Despite this experience, Krause was involved in a number of inappropriate credit decisions at Harrah's. Some of these misjudgments resulted from failure to verify credit application data and others reflected a tendency to ignore derogatory information and other danger signals about a gambler's credit worthiness. Indeed, little more than a recommendation by a "quality of work life" executive employed to promote morale among Harrah's workers led to the issuance of a \$50,000 credit line to gambler Ibrahim Awadallah -- and subsequently a \$50,000 debt. Counsel Hart questioned Krause about this patron:

Q. That's Harrah's credit file of Mr. Awadallah?

A. Yes, it is.

Q. Did you extend credit to Mr. Awadallah on September 8, 1981?

A. 25,000.

Q. Now, in front of that card, I direct your attention to an entry dated September 12, 1981. On that date did you increase his credit line by way of T.T.O. to the amount of \$50,000?

A. Yes, we did.

Q. Could you tell us what a T.T.O. is, please?

A. It's a This Trip Only increase.

Q. How much does Mr. Awadallah presently owe to Harrah's?

A. 50,000.

Q. Was a Central Credit check done prior to issuing him credit on September the 8th, 1981?

A. Yes, it was.

Q. And did that Central Credit check show any derogatory information?

A. Yes, it did.

- Q. Did you do a bank check before you gave Mr. Awadallah credit?
- A. Yeah, we started on 9-8 of '81 doing bank check on him.
- Q. What did the bank information show?
- A. Said the date that it opened was 11-74, special checking, and anything else we had to obtain would be in writing.
- Q. So, in other words, the bank wouldn't rate the account over the phone?
- A. They would not go into any detail over the phone.
- Q. Which, in essence, I take it means the bank gave you very little information about his account?
- A. Right.
- Q. You were in the banking business I think you said for some eight years, Mr. Krause. What does a banker discern when he sees the words "special checking account"?
- A. Just an account with no high balances, nominal balances.
- Q. Normally such an account would have a nominal balance?
- A. Yes.
- Q. Did you get any banking information by way of Central Credit in Mr. Awadallah's case?
- A. Yes, we did.
- Q. What was that information?
- A. That number one was a personal account with a high, I believe it to be a high five, seven-year account...High five numbers from 75,000 to \$99,999.
- Q. That bank information which was obtained by way of Central Credit came out of Resorts International; isn't that correct?
- A. Yes, it did.

Q. And Resorts International, notwithstanding the fact that they knew he had such an account, denied him credit?

A. Yes, they did.

Q. Was a CBA (Credit Bureau Associates) check done on Mr. Awadallah prior to extending him credit?

A. Yes, it was.

Q. And what did the CBA check show concerning Mr. Awadallah's credit history?

A. We put it in the system and it came back with the same address as we had, and I think he had a couple accounts with Equitable Trust Company, TWA, United and had judgments in the Supreme Court -- judgment which was satisfied.

Q. The two accounts that you mentioned with the Equitable Trust Company, these were loan accounts, were they not, whereby Mr. Awadallah was indebted to that bank or that trust company for \$25,000 on each loan?

A. Yes, that's the information we have.

Q. And the outstanding balances on those loans were shown as what on your CBA report?

A. 23,384 and 23,784.

Q. So, at the time he applied for credit at Harrah's he had approximately \$47,000 in debt owing to the Equitable Trust Company?

A. Yes.

X X X

Q. Are there any substantive reasons upon which credit was extended to Mr. Awadallah?

A. Well, he was in -- one of the executives of Harrah's knew the individual as a player and, you know, said that he was a good player so forth and so on, that he knew him from London, from Atlantic City as a good player.

Q. Who was this executive from Harrah's?

A. Martin Dryer.

- Q. What was his position with Harrah's?
- A. At that time I don't remember. I think he was, I think he was what we call the quality of work life program for credit executives at that time.

COMMISSIONER GREENBERG: What's a quality of life executive do at Harrah's?

THE WITNESS: It's basically a position for the morale of the employees, the interfaces between different departments to get communications established.

COMMISSIONER GREENBERG: And he's the one that recommended Mr. Awadallah to you as a credit manager, sir?

THE WITNESS: Yes.

COMMISSIONER GREENBERG: Isn't it a fact, Mr. Krause, that your casino and all the other casinos in Atlantic City are anxious to attract the high rolling Arabs to the casinos to gamble in their enterprises down there?

THE WITNESS: Well, we would like to.

COMMISSIONER GREENBERG: That's right. And Mr. Awadallah was in that category, at that time, is that right, Mr. Krause?

THE WITNESS: I believe so.

BY MR. HART:

- Q. If I can summarize then what you're saying, if I'm correct, is you extended this credit to Mr. Awadallah in the amount of \$50,000 based upon the fact that he was introduced to you by Martin Dryer, based upon the fact that he had at least had bank accounts, notwithstanding that the banks wouldn't tell you the status of those accounts and the fact that he had a credit history at Bally's; is that correct?
- A. Yes.
- Q. And that credit was extended notwithstanding the facts that Mr. Awadallah had a \$15,000

debt written off by Caesars, Bally's in January of 1981; he had \$3400 in markers returned for insufficient funds at a second casino; he had been denied credit at Resorts in February of 1981 due to returned markers at other clubs; he had been denied credit at the MGM due to returned markers in London; he had a \$250 write-off at the Sands Casino which he eventually paid as you testified to.

He currently owed Bally's \$25,000, which debt was incurred within one week prior to coming to Harrah's. The high five figure bank account information he received from Resorts wasn't sufficient for that house to extend credit to him and you also knew that Mr. Awadallah presently owed some \$47,000 to the Equitable Trust Company.

All those facts notwithstanding you issued him credit; is that correct?

A. Yes.

MR. HART: Commissioner Greenberg, in response to your inquiry before, I have some information on Mr. Awadallah's present status, and that information is that he is currently under indictment in Federal District Court in Washington, D.C. for some 33 counts of aiding and abetting bank embezzlement to the tune of some \$3.2 million.

An "in-transit" in casino parlance is a report obtained from Central Credit showing the current status of a gambler at every casino at which he or she has a credit account. When gambler Vincent Regina was extended \$5,000 in July 29, 1981, it was based largely on an "in-transit" report of a \$200 credit limit at the Las Vegas Hilton in 1977 that Krause said "was paid and was clear." By the end of 1981, Regina owed Harrah's more than \$36,000. On March 6, 1982, another "in transit" was requested - and this report showed that Regina was in debt to the extent of more than \$52,000 at other casinos and that he also used the name of Vincent Cheur. Indeed, the name Cheur was written on Regina's credit application and then crossed out. Despite these warnings of potential credit problems, Harrah's continued to issue markers to Regina. Krause testified, in part:

Q. What about on March the 6th of 1982, was an intransit conducted on that date?

A. Yes, it was.

- Q. And how much and to which other Atlantic City casinos did Mr. Regina owe on that date?
- A. He owed the Sands, he had a line of 2500; Claridge was 35,000; Playboy was 15,000.
- Q. So that's approximately \$50,000, \$52,000; is that correct?
- A. Yes.
- Q. Did you learn anything derogatory about Mr. Regina on March the 30, 1982? Does your card show a \$15,000 N.S.F. non-sufficient funds at Playboy, check returned for non-sufficient funds?
- A. Yes.
- Q. Mr. Regina was permitted to draw markers from Harrah's after you knew he had that \$15,000 check returned to Playboy for N.S.F., isn't that correct?
- A. Yes.
- Q. In fact, he drew on March 31, \$2500, a second \$2500, \$3,000 and \$3,500 totalling \$11,500 on March the 31st which was after you had the derogatory information; right?
- A. 2500, 2500, 3000, 3500.
- Q. Why was he permitted to extend his credit by another \$11,500 when you knew he had written a \$15,000 N.S.F. to Playboy in Atlantic City?
- A. We don't know what the circumstances were down at Playboy, why it was N.S.F. or what the problems were with them, whether he was trying to work it out, and he had always paid us and we had no problem with him.
- Q. Did you make any efforts to check with Playboy to see what the situation was, why he had that returned marker?
- A. I didn't.
- Q. And as of today, Mr. Regina still owes Harrah's \$36,500; isn't that correct?
- A. Yeah.

Albert Tumbiolo, a reputed organized crime figure, was granted credit extensions to as high as \$75,000 by Harrah's despite reports from Central Credit that a \$10,000 marker bounced at Las Vegas' MGM, and a \$20,000 marker bounced at Las Vegas' Dunes, which also wrote off a \$2,000 debt. And, according to Harrah's credit manager Krause, credit privileges were continued for Tumbiolo even after a newspaper story described him as an "alleged mobster" with a criminal record. Only two weeks before Krause raised Tumbiolo's credit line to \$50,000, in August, 1981, an "in-transit" report showed that he was in debt to the Playboy casino for \$110,000. Krause's testimony on this customer follows:

- Q. In view of the information you received from Central Credit, why did you give this man credit at your casino?
- A. Well, we did a bank check, did the intransit. Central had found out he had medium five figures in his accounts... He had the ability to pay the debt back. Basically, that was it.
- Q. He obviously didn't use the money in that account to pay his \$30,000 in debts to MGM and Dunes, did he?
- A. Right.
- Q. Do you recall testifying in Executive Session before this Commission and stating that an additional reason that he was extended credit was because all the derogatory information was from the Nevada casinos as opposed to Atlantic City casinos?
- A. Yes.
- Q. Could you tell me what difference does that make?
- A. Well, Nevada gaming laws are not as strict or they're not regulated as much as the State of New Jersey. Our policies and procedures and regulations here in the State of New Jersey are much more --
- Q. Notwithstanding the difference in regulations, if an individual --
- A. We don't know what all the circumstances were in Nevada, why they were written off.

COMMISSIONER GREENBERG: The question you were asked, in view of that derogatory information from Nevada, was why extend him credit in New Jersey? What's the answer to that?

THE WITNESS: We don't know why he had the write-offs in Nevada, and what I tried to explain earlier, Mr. Commissioner, was Nevada has different gaming regulations than we do in the State of New Jersey. Now, there may have been reasons why they were written off. I don't know what his play was in Nevada. I don't know what kind of action he gave the casinos out there. I don't know.

BY MR. HART:

Q. But if an individual doesn't pay his casino debts, whether they be Nevada, New Jersey, Bahamas or England, I don't understand what difference that makes. If the guy is a deadbeat he's a deadbeat, is he not?

A. I can't answer that question, if the guy is a deadbeat.

Q. Mr. Krause, would you look at what's been marked as Commission Exhibit C-68 which is a news article dated December 16, 1981 out of the Atlantic City Press?

A. Yes.

Q. Are you familiar with that article?

A. Yes, I seen it before.

Q. Amongst other things, that article deals with Mr. Tumbiolo having a luncheon or a luncheon meeting with a Bally's casino executive. The article is entitled, "State Probes Bally Exec's Lunch with Alleged Mobster".

A. Yeah.

Q. And the contents of the article set forth Mr. Tumbiolo's arrest record for such crimes as armed robbery, resisting arrest, disorderly conduct and violation of parole is that a fair and accurate representation of the contents of that article, sir?

A. That's what is said.

Q. Did the contents of that article have any bearing on whether or not Mr. Tumbiolo

continued to receive credit at Harrah's Casino?

A. Well, that wasn't my decision to make, that would have to come from someone higher than me if his credit line was to be closed.

Q. After the the appearance of that article in the newspaper, did someone higher than you, that is one of your superiors tell you to close Mr. Tumbiolo's credit line?

A. No, they did not.

Q. Was Mr. Tumbiolo extended credit after the appearance of that article in the Atlantic City Press?

A. Yes, it appears to me that he was.

Q. Mr. Krause, would you look at Exhibit No. C-69, the second page of that exhibit which is taken from Harrah's collection file on this particular patron? Now, the second page I'm referring to is a letter, is it not? And the letter is dated October the 8, 1982?

A. Yes, it is.

Q. Addressed to Mr. Albert Tumbiolo from Jack Coyle, casino collection manager; is that correct?

A. Yes, it is.

Q. He's in charge of collecting bad debts that the casino has incurred; is that correct?

A. Yes, he is.

Q. Can you summarize for the Commission what the contents of that letter are, sir?

A. Looks like, the content looks like repayment schedule to pay back the debt to Harrah's.

Q. Would you read, please, into the record, the fourth paragraph of that record?

A. "We value you as a customer and we hope that in the not too distant future the situation works itself out and we can welcome you down as our guest again."

Q. Mr. Krause, at the present time, Mr. Tumbiolo still owes Harrah's \$71,500; right?

A. I don't know.

Q. You don't have that information?

A. I don't have that information.

The credit record of gambler Stephen Vermiglio at Harrah's was a graphic example of how the carelessness with which credit privileges are extended throughout the casino industry in Atlantic City can lead to scams and other frauds. Between February and July, 1982, Vermiglio was granted a credit line that ultimately reached the \$50,000 mark, which is what he wound up owing Harrah's. Krause conceded that this incident would not have occurred had statements on Vermiglio's credit application been verified. Krause's testimony continued:

Q. Did Mr. Vermiglio use a driver's license for identification purposes when he applied for credit?

A. Yes, he did.

Q. I would like you to look please at Exhibit C-71 which is Harrah's collection file to Mr. Vermiglio? The next to the last page of that exhibit is a document with the heading "Stephen Vermiglio locate for credit collection," do you see that document?

A. Yes, I do.

Q. Would you read the first full paragraph into the record, please?

A. "A check on an above driver's license reveals that the license is a bad number. All Connecticut driver's licenses have a letter of the alphabet before the number," before they give a number.

Q. That's a Connecticut driver's license?

A. Connecticut driver's license.

Q. There is no letter preceding that number, is there?

A. I don't see one.

Q. You earlier testified today that you have a book in the cage which would enable the

cashier or the credit executive to determine whether or not a license has been submitted is valid because of the characteristic of the numbers contained in the driver's license number; isn't that correct?

A. Yes, sir.

Q. That check with that book obviously wasn't done in this case, was it?

A. I don't believe it was. You know, I don't know who did the check or what the situation was.

Q. Well, if it had been done, the cashier or the credit executive would have realized that something was wrong with the number, it had no letter preceeding it, and if it had been done, Harrah's wouldn't be out some \$50,000 today; isn't that correct?

A. Yes.

Q. Mr. Krause, on March the 3, 1982 a bullet hole was found on the inside window of this patron's room at Harrah's. In addition to that, the bullet itself was found between the outside window and the inside window; and thirdly, a spent casing, a shell was found inside his room. Were you aware of that information?

A. I heard something about it.

Q. Didn't it occur to you that perhaps Mr. Vermiglio might be the kind of a person whose credit transaction with your casino should be very carefully scrutinized?

A. I don't know what all the circumstances were around the incident and it is not my decision to make, that's from higher management.

Q. But the incident occurred in your hotel?

A. Yes, it did.

Q. Mr. Vermiglio continued to play at the casino after that incident, didn't he?

A. March 3, yes, he did.

"Walking With Chips" and "Rolling Markers"

The case of credit gambler Thomas W. Reid illustrated other misjudgments by casinos that increased the potential for gaming frauds. Counsel Hart discussed this case with the next witness, Charles R. Judick, a credit executive at Harrah's. Judick's testimony described how a gambler can build up a credit record by "rolling markers," a practice that first requires a player to leave the gaming table with chips he obtained on credit, i.e., walking with chips. Reid's gaming record was such, initially, that he eventually received a credit line of \$50,000 -- but he wound up leaving behind at Harrah's a debt of \$80,000. At the outset, according to Judick, the casino failed to question a vital omission on Reid's credit application:

- Q. Is that Harrah's credit file on Mr. Reid?
- A. It appears to be.
- Q. When did he apply to Harrah's for credit, Mr. Judick?
- A. Appears to be February 1981.
- Q. Can you tell me whether or not he gambled alone or did he gamble in conjunction with other persons?
- A. He was always a loner. He came in alone.
- Q. What did he do for a living?
- A. This is speculation. I do not know.
- Q. Well, what is your speculation as to what he did for a living?
- A. There was talk that he was a stockbroker, that he was a land investor in Florida, that he owned a liner, that he was building a gambling ship to travel to the islands. That's all I know.
- Q. Let me ask you this, sir: What employment did he list on his credit application?
- A. None.
- Q. When you say "none," do you mean he wrote in the word "none" or do you mean that the section of the application for employment was left blank?
- A. It was blank.
- Q. What does the phrase rolling markers mean?

A. Rolling markers means if you have a marker due today you'll come in either today or yesterday or very close to the due date, take out a new marker and pay off the old one.

Q. Did you ever determine that Thomas Reid was rolling markers in your casino?

A. Yes, I did.

Q. That would have been the summer of '82?

A. Correct.

Q. How did you determine he was rolling markers?

A. As a credit executive, we go through the screenings, through the computer screens and check on our major players' play and follow them, and when you see something such as this, we see high action and so forth, then, you act accordingly, and this was how it was.

Q. What is it you saw concerning Mr. Reid?

A. Taking in markers and paying off markers.

Q. What did you do upon making this observation to the computer screen that led you to believe that Mr. Reid was rolling markers?

A. Phoned it in to a superior.

Q. And what did your superior tell you to do?

A. Cut Mr. Reid off.

Q. Did you do so?

A. Yes, sir.

But, as Judick's testimony indicated, no formal mechanism existed so that one casino could benefit from another casino's adverse credit experiences. As a result, Harrah's didn't know until too late that Reid had "walked" with \$30,000 in chips from Playboy and, conversely, it would have been unlikely that other casinos would get timely notice of Reid's conduct at Harrah's. Judick testified:

Q. What do you know about Mr. Reid other than that which appears on his credit application, Mr. Judick?

- A. Not very much to be perfectly honest.
- Q. Do you recall giving a description of Mr. Reid to this Commission in Executive Session, you characterized him in a certain manner?
- A. I characterized him, because Mr. Greenberg picked it up, and I called him a mystery man.
- Q. What about him led you to call him a mystery man?
- A. That's a personal phrase that I have of my own. It's someone that you don't know anything about, you only hear rumors about, they come in alone, they stay alone and so forth. To me, that's a mystery person.
- Q. Was he treated as any high roller would be?
- A. Oh, certainly.
- Q. He was comped in various fashions; is that correct?
- A. Correct.
- Q. Would you look at Exhibit C-75, Mr. Judick, please which is Harrah's collection file on Mr. Reid. On the first page under the date of September the 3, 1982, would you state for this Commission what's reported there?
- A. "Called Playboy and spoke to Dan Watson. Customer has home in Texas. Customer walked with \$80,000 in chips. Told them to sue him. He has no money."
- Q. That information from Playboy's came to Harrah's after Mr. Reid went bad on his markers at Harrah's; isn't that correct?
- A. Yes, sir.
- Q. Now, at or about the time that Mr. Reid walked with \$80,000 in chips from Playboy, whenever that was, did Playboy notify Harrah's of that fact?
- A. I'm not aware that they did.
- Q. There's nothing contained in the file that that was done; is there?

A. No.

Q. Would your knowledge that a patron had walked with \$80,000 in chips from a sister Atlantic City casino have any bearing upon your decision whether or not to grant credit to that person when he came to Harrah's?

A. Certainly.

Q. What type of bearing would it have?

A. Negative.

Q. Wouldn't your job as a credit executive be easier if all the casinos were required to notify either Central Credit or their sister casinos of such information as a patron walking chips or rolling markers; wouldn't that make your job easier?

A. Yes.

Q. Wouldn't it also help to avoid bad debt problems such as you have with Mr. Reid?

A. It would be a big help, yeah.

Clifford Nordquist, another credit gambler processed at Harrah's by Judick, owes the casino \$10,000, a debt that might have been avoided had he been checked properly. Judick's testimony on Nordquist:

Q. What is a bucket?

A. A bucket is an envelope that holds markers and on the outside is a record of the transactions.

Q. In Mr. Nordquist's case the bucket shows that he gambled on credit on May the 19, 1981; is that correct?

A. Un-huh, yes, sir.

Q. What was his balance? What was the balance owed to Harrah's as of May the 19, 1981?

A. Looks as though it was zero.

Q. When did Mr. Nordquist next draw a marker at Harrah's after May the 19, 1981?

- A. It was February 21, '82, sir.
- Q. That was some ten months after his last credit transaction --
- A. Yes, sir.
- Q. -- when Mr. Nordquist returned to Harrah's in February of 1982 and was extended \$10,000 in credit on that date; right?
- A. Yes, sir.
- Q. Was a Central Credit check or a Lank check done at that time?
- A. No, sir.
- Q. Well, prudent credit practice would dictate that such checks be done, wouldn't it, after a ten month delay?
- A. Normally.
- Q. Why was it not done in this case?
- A. I don't know.

Credit Misjudgments at the Claridge

The next witness, Elizabeth Ann Empson, who had worked in various Las Vegas casinos since 1966, became credit manager at the Claridge casino in Atlantic City in 1980. SCI counsel Paul Amitrani reviewed with Mrs. Empson a series of credit decisions she was involved in that created collection problems for the Claridge, as follows:

Gambler Paul Zaccaria, Owes \$25,000

- Q. In spite of the fact that the patron had only \$500 in his bank account, in spite of the fact that he had \$135,000 in debts outstanding to other casinos, he was issued \$25,000 in credit at the Claridge?
- A. He was, in fact, issued the money.
- Q. And how much does he currently owe the Claridge?
- A. \$25,000.

THE CHAIRMAN: Lieutenant Colonel Dintino yesterday testified that Zaccaria is a

member of the Gambino crime family and in June, '74, he was indicted, not convicted in this record, but indicted of conspiracy charges for his role in defrauding an Essex County bank of \$400,000. His criminal record reflects arrests for gambling dating back to 1950. Did you have any of this information at the time that you extended credit to this man?

THE WITNESS: No, sir, I had no such knowledge.

THE CHAIRMAN: And your security force did not provide you with such information?

THE WITNESS: It is not their responsibility to seek out any such connections on an individual without cause, sir.

THE CHAIRMAN: Whose responsibility might it be, if you know?

THE WITNESS: I cannot answer that, sir.

THE CHAIRMAN: You should have that type of information, anybody in your position, don't you agree?

THE WITNESS: I would certainly appreciate it.

THE CHAIRMAN: The question is, how do we get there? I'm not asking you. It's a rhetorical question. It seems to me it ought to get there pretty soon, however it's done, that everybody ought to be in agreement on that and put it in effect, not three years from now or ten years from now, but maybe even next month would be great. Don't you agree?

THE WITNESS: It would be most helpful.

X X X

Gambler Louis Cohen, Owes \$35,000

- Q. Even though Mr. Cohen had \$8700 in liens and judgments and a bank account of only \$5000, he was issued a credit line, an initial credit line, of \$25,000?
- A. That is correct, sir. My primary criteria is looking at other casino action and his-

tory. He had gone to 28,000 before at Caesars Boardwalk Regency, which he had in fact paid back. I had indication from our casino personnel that he had played the money. This criteria comes into my decision because I must maximize revenue via issuing credit when I have a basis for doing so.

Q. How about the fact that he had \$8700 outstanding to county and Federal governments?

A. That criteria, when you are looking at a casino credit patron, must be taken in perspective. The casino player is a unique individual in that a gaming debt has a degree of honor. In most cases that will be taken care of before, say, another obligation because he desires to continue to play and remain in play.

Q. You mean he'd rather pay off a casino and keep current with the casino then to pay off governments?

A. That is correct, that is what I'm saying, sir.

Q. He was then extended credit up to \$35,000. Correct?

A. That is correct, sir.

Q. And what does Mr. Cohen currently owe the Claridge?

A. He is delinquent for the amount of the 35,000.

X X X

Gambler Gerry Felberbaum of Canada

Q. Mr. Felberbaum was given a credit line of \$3500 on November 14th of 1981?

A. Correct.

Q. And Mr. Felberbaum is a Canadian resident?

A. That is correct.

Q. To your knowledge, is there any increased length of time that it takes for Canadian checks to clear as opposed to American checks?

- A. It can. It can do so.
- Q. Significantly more, if you know?
- A. It can vary, of course, depending on the Canadian bank, but it does take longer.
- Q. All right. Now, Mr. Felberbaum had a credit line of \$3500. Correct?
- A. That is correct.
- Q. But he ended up owing the Claridge \$6500. Correct?
- A. That is correct.
- Q. Could you explain to the Commission how a man with a credit line of \$3500 ended up owing \$6500?
- A. This was initially after opening, a few months afterwards. Our procedures at that time, we deposited Canadian checks directly. We did not send them on a collection basis. Because we deposited directly, our computer system treats a deposit, it's held against a patron's account for 14 banking days in the computer. Mr. Felberbaum's 3500 had cleared the computer making another amount of credit available to him, which he drew. It so happened both items were returned to us because of the delay time in clearing the Canadian bank.

We have since changed to make sure all Canadian checks are sent on a collection basis, and with this procedure a collection check cannot be reavailable to a patron till we've been notified of payment of our bank.

X X X

Application Questioned, Still Got Credit

A gambler who identified himself as Nicholas Aiello was given \$5,000 credit by Mrs. Empson on October 19, 1981. A subsequent verification effort resulted in the letters "UNK" -- for "unknown" -- being written next to his purported name and address. Counsel Amitrani also questioned the witness about the applicant's listing of his birth date as his wedding date. The testimony:

- Q. Would you not have considered the confusion in dates along with the other unconfirmed information some type of a flag or warning that this should be checked out a little further?
- A. Yes. This was a card that, once I became aware of it, I cut the credit off, I believe, two days later on Mr. Aiello. It was a poor decision. There's no question about this. There was information given to us as noted on the card right after the issuance.
- Q. All right. The issuance of credit was on October 19th of 1981?
- A. That is correct.
- Q. And you had gotten a CBA (Credit Bureau Associates) report as of October 17th of 1981. Correct?
- A. 17th, that is correct.
- Q. Now, there are some handwritten notations on that presumably by a Claridge employee pointing out the fact that there is a discrepancy in the home address and business address. Correct?
- A. That is correct.
- Q. All right. So even before credit was issued you had information that there were problems concerning addresses here. Correct?
- A. That is correct.
- Q. All right. Is there any notation that the individual was ever questioned concerning these discrepancies before he got the credit?
- A. I find nothing on the card to that effect, sir.

COMMISSIONER PATTERSON: And he still owes you \$5000. Is that right?

THE WITNESS: That is correct, 5000. Once I became familiar with this card and reviewed it, this was a poor decision. The executive who made the decision is no longer in my department and it was cut off, as a matter of fact, the next day.

BY MR. AMITRANI:

Q. All right. Mrs. Empson, did you subsequently come to learn even after the patron was cut off, and this is from your collection file portion of the exhibit, that this defendant was, in fact, arrested at the Tropicana Hotel? I believe the date would be January 12th of 1982.

A. I believe Loretta Walker, the collection manager, shared this information with me on an after-the-fact basis, yes.

Q. And he was arrested at the Tropicana for theft-by-deception charges?

A. That is correct.

Q. Was there any indication of what name he was using at the Tropicana when he was arrested?

A. No, sir...I'm not aware of it, sir.

X X X

Credit Patron's Collusion With a Bank Employee

Leonard Lipschutz was given \$15,000 credit at the Claridge based, in part, "on a favorable bank statement received from the various banks" that he listed on his credit application. A \$15,000 debt resulted. Mrs. Empson's testimony:

Q. Can I direct your attention to a notation dated December 10th of 1982 under credit comments and could you read that into the record for us?

A. Yes, I will. This was, again, information received after the fact. The man was delinquent with us at this time. The credit was closed. This information was received later.

"Received phone call from Central Credit regarding Dr. Lipschutz. F.B.I. called Central Credit and gave them information that Dr. Lipschutz is working with a person at Fidelity Bank and Industrial Valley Bank to give inaccurate information regarding his credit at banks."

As I said, if I had this before, he would not have received the credit...

He did, in fact, during the course of his credit with us draw \$91,500 and paid it back prior to the delinquent 15,000.

X X X

Gambler John Bertino Walked With Chips?

Q. Do you consider walking with chips a problem?

A. Yes, sir.

Q. Now, we have had some testimony about that and I'm not going to get into that right now with you, but it's an abuse of the credit system. Right?

A. That is correct.

Q. All right. In view of the fact that Mr. Bertino had a nominal bank balance, he had debts outstanding of \$70,000 and he had this information that he had possibly abused the credit system by walking with chips, he was still given \$25,000 in credit. Correct?

A. That is correct. As I said, I looked at the high action that he had paid back before, and that 5000 walking, I couldn't confirm that it's necessarily a derogatory. There's enough question to go ahead and not make a business judgment.

X X X

Albert Tumbiolo, "High Roller"

Q. He was considered a high roller?

A. He was, sir.

Q. The Claridge wanted his business?

A. That was my indication, sir, yes.

Q. Now, his final credit extension, I believe, was on October 14th of 1981?

A. Correct, November 14th, '81.

Q. And at that time the Claridge did an in transit check with the other casinos.

Correct?

A. That is correct.

Q. And that showed at Bally he owed \$100,000?

A. I know it was a substantial sum. I haven't found that piece of information yet. But I must agree that that is correct.

Q. All right. And at the Sands he owed \$100,000?

A. That is correct.

Q. And at Harrah's he owed how much?

A. Okay. 50,000.

Q. And at Playboy?

A. 125,000.

Q. So he owed 375,000 at the other casinos in Atlantic City?

A. That is correct, sir.

Q. And there had been no further update on his bank information wherein you learned that he had \$1500 in his bank account?

A. That is correct. He came in on a regular basis and paid markers with cash.

Q. And the Claridge extended him \$100,000 credit?

A. That is correct, sir.

Q. How much does he finally owe the Claridge?

A. 100,000.

Statement by Claridge Witness

Mrs. Empson read a statement into the hearing record which she said expressed her feelings "and that of the company I represent."

She declared that because the "basic thrust" of casino regulations is directed at casino operators, "New Jersey presents opportunities for the gaming patron to take advantage of the casino operator." The industry, she said, consists primarily of publicly traded corporations with substantial investments and enough maturity to be allowed "greater flexibility in how it can manage and

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internally control its own credit function." She continued:

These companies, of which the Claridge is a part, have a fiduciary responsibility to their stockholders to provide the best possible return on their investment. No management team would last long if its business judgments were such that significant or substantial losses were incurred as a result. Decisions made on how, when and how much credit should be issued are subject to that same touchstone.

Mrs. Empson contended that "credit is simply a tool used by management to increase revenue," similar to "any other service industry." She recalled the Claridge's start-up difficulties were compounded by the need to import experienced key employees from Nevada. She cited differences in both procedures and clientele between New Jersey and Nevada casino operations. Unlike Nevada, for example, New Jersey requires a separation of the credit function from casino pit and cage functions, she said, thus curtailing management's ability to coordinate operational components. This defect, she continued, has led to such credit abuses as "walking with chips" and "rolling over markers." The Nevada experience, Mrs. Empson said, "had not prepared us for these problems" which the Claridge nonetheless is "aggressively addressing."

Mrs. Empson urged that certain state restrictions be "modified or eliminated," which would "enhance" reforms already instituted by the Claridge. She particularly cited a need for permitting a more effective debt collection process by casinos. As for the presence of organized crime elements at casinos, she said any exclusion procedure would have to impose an identification responsibility on state regulators which is not provided under existing law. She emphasized:

Certainly the Claridge Hotel and Casino does not possess the needed resources or information needed to make such determinations. The claim that the casino industry must make such determinations and expose its individuals to the very real civil liability of defamation of character and libel suits is grossly unfair. No such responsibility is placed upon the New Jersey race tracks, the operators of bingo games, or other legalized games of chance.

Mrs. Empson also stressed that "credit within the gaming industry" is different than in other industries, particularly since a promise to pay is traditionally bolstered by a gambling fraternity code "of honor, respect and status." On this point, she observed:

Indeed, there are those who take advantage of the existence of such an arrangement, but

that is true in any human relationship. Therefore, experience has shown that those who take markers credit and pay it back are most likely to continue to do so. In addition, those who have shown a propensity to participate in gambling on a regular basis are more likely to subscribe to the code alluded to earlier. Thus, experience has shown that the customer who has either played and paid his credit or has been an established cash player is generally a good credit risk in terms of the extension of gaming credit.

She praised the Claridge's credit collection experience, noting that bad debt write-offs in 1982 were less than 1 percent of total credit issued and that 40 percent of the write-offs were necessitated by bankruptcies. She said:

In conclusion, a good business executive will only issue credit if it will ultimately increase the profitability of the company. This is especially true when that business is a publicly-traded company whose stockholders are a constant reminder to the executive to make sound and good judgments.

The statement generated the following commentary by the Commission:

COMMISSIONER PATTERSON: It misses a point that bothers me, two points, I guess. The Claridge and every other casino has an obligation to stockholders. It also has an obligation to the State of New Jersey, citizens of New Jersey, and the people who go to casinos, and you must not forget the obligation.

The second point is that I don't think you can compare giving credit in the casino sense exactly to giving credit in the refrigerator-manufacturing sense. There's a limit to the number of refrigerators someone can buy. In some cases there apparently is hardly a limit to the amount of credit people can get who shouldn't get credit, and I'm not talking about organized crime. I'm talking about housewives, who are sick and who still get comped, get encouraged, get almost coerced into coming to Atlantic City to go to the casinos. And I'm not accusing Claridge of doing that...I'm just saying that you must not forget that part, and very important part, of the credit process...

Caesars Boardwalk Regency and High Roller Rosenblum*

Samuel Rosenblum, a wealthy, retired business man from Philadelphia, was a high roller whose credit gambling was so extensive that he ultimately wound up owing almost \$1.3 million to three Atlantic City casinos between October, 1978, and November, 1980. On various dates in 1981 the three casinos settled these debts by writing off \$873,000 and settling with Rosenblum for the remaining \$425,000. As the chart shows, Rosenblum ran up his largest debt at Caesars, where Maxwell Goldberg, the next witness, was chairman of the board. Goldberg, in addition, was on the casino's credit committee. During his testimony Goldberg noted that any credit extensions above \$100,000 required four signatures, including his. Since Rosenblum's credit play was so large, Goldberg's signature was required in connection with 28 credit decisions affecting this patron. During one 24-hour period in May, 1980, Goldberg joined in raising Rosenblum's credit limit from \$364,000 to \$686,000. These large credit line advances were made despite derogatory reports, including an \$86,000 unpaid debt at a Monte Carlo casino. The Rosenblum case illustrates the peculiarities of the casino industry's debt "settlements," which have no rationale or logical pattern, as well as the industry's lack of concern about a patron becoming "overextended" financially. SCI counsel Coppola questioned Goldberg:

- Q. And based on C-94, it seems as if Mr. Rosenblum started gambling on credit on August 16th, 1979, and he completed his credit gambling sometime in September of 1980. Were you familiar with his gaming activity as he progressed through your casino on the various days he was there?
- A. Yes.
- Q. What was his game?
- A. He was a crap shooter.
- Q. How would you describe his style of play?
- A. Very flamboyant, a big crap shooter.
- Q. Was Mr. Rosenblum considered a high roller?
- A. Yes.
- Q. A very high roller?
- A. He was what we consider a "one" player, which is one of our better players.

*See Chart, next page.

SAMUEL ROSENBLUM
CREDIT GAMBLER

	<u>BALLY'S</u>	<u>CAESARS</u>	<u>RESORTS</u>	<u>TOTALS</u>
CREDIT PATRON-----	12/29/79 - 8/31/80	8/16/79 - 9/10/80	10/29/79 - 11/29/80	--
DEBT OVRD-----	\$500,000	\$673,000	\$125,000	\$1,298,000
PATRON SETTLES FOR --	\$150,000	\$200,000	\$ 75,000	\$ 425,000
DATE --	3/ 4/81	3/ 4/81	5/20/81	
CASINO WRITES OFF --	\$350,000	\$473,000	\$ 50,000	\$ 873,000
DATE --	9/29/81	4/ 8/81	6/26/81	

CASH GAMBLING AFTER SETTLEMENT-- \$677,100 \$492,500 --- \$1,169,600

- Q. Give us an example of a high table limit that a one player would have to bet in order to be classified a one player. Maybe we can talk about Mr. Rosenblum, if you know.
- A. I would say that he would play for at least a minimum of a thousand-dollar bet for two, three hours at one sitting.

THE CHAIRMAN: Could you give us an idea of what that might amount to in anybody playing at that thousand-dollar rate for three hours?

THE WITNESS: He could lose in one evening \$200,000 with no problems at all, or win \$200,000...

BY MR. COPPOLA:

- Q. A review of the credit application shows that you were involved personally in approximately 28 credit decisions concerning Mr. Rosenblum. On May 23rd and May 24th, 1980, his limit was increased from \$364,000 to \$686,000. Those were four separate decisions and I would like to know what it was about his play or whatever that would allow you to give him that sort of credit increase in a one day period of time.
- A. On many occasions he would go home winning 2-\$300,000, so on this occasion he lost 2-\$300,000, which was not uncommon.

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- Q. Now, what did you base your decision on that day to give him that kind of money?
- A. He had been paying us on a very timely basis and we never had a problem with him. If you look all through the card, he's paid us \$200,000. On 5/24/80, which is the same date that we raised his line, he made a cash payment of \$200,000 that time.
- Q. Are you familiar with the term "over-extended"?
- A. Yes, I am.
- Q. Could you tell us what that term means?

- A. When a man bets more than he can handle.
- Q. All right. Now, do you feel the casino has a responsibility to prevent that?
- A. If they can, yes.
- Q. Do you know of any way a casino can prevent that from happening to a player?
- A. If you look through this card you will find on a few occasions they wouldn't give him any more credit on certain evenings, and it's signed by one of the casino executives.
- Q. How can a casino prevent someone from being overextended? And in this case, let's talk about Mr. Rosenblum, he did owe your casino at one point \$673,000?
- A. That's correct.
- Q. He owed another casino 500,000; he owed Resorts 125,000, and that's only in New Jersey. Now, that's a lot of money to owe three casinos in this state. And the question is: What could Caesars have done during the course of his play to prevent that man from being in that position?
- A. We were very careful and we did take a couple of credit reports near the end of his play and we did stop him from taking additional credit right about that time.
- Q. When was that?
- A. On 9/16/80.
- Q. How much did he owe you on that day?
- A. 673,000.
- Q. How much did he owe you when he finished gambling, if you look at September 10th?
- A. 673,000. But he was stopped that day.
- Q. All right. Was he extended credit after July 30th, 1980? Was he allowed to gamble on credit after July 30th?
- A. 1980? Yes.

- Q. But would it surprise you to learn that on July 29th, 1980, the Loews Casino in Monte Carlo wrote off Mr. Rosenblum for \$86,000?
- A. They don't have the collection rights that we have.
- Q. The point is: What difference does it make whether that debt is collectible? The point is: At a particular point in time, July 30th, 1980, Mr. Rosenblum owed a casino \$86,000 that he couldn't pay. Now, the question is, why does Caesars extend him credit after that date?
- A. On July 30th -- July 20th he brought in \$200,000 to our hotel and paid us off.
- Q. And if you follow his card through, is his balance increasing that he owes your casino?
- A. His balance went up and down like a yo-yo.
- Q. Did you inquire as to his other debts to find out what was going on with this person to see if he can ultimately afford \$673,000 in credit?
- A. He was paying us. If you look all through July, every week he came in with fifty, a hundred thousand dollars, so we were always being paid.
- Q. Did Mr. Rosenblum tell you that he had a derog in Monte Carlo?
- A. When we negotiated the settlement, that's when I found out that he had owed Monte Carlo \$80,000.
- Q. When did you find out that Mr. Rosenblum's account was going to be a collection problem for your casino?
- A. When his attorney called me on the telephone.
- Q. And when was that?
- A. Sometime at the end of 1980.
- Q. What did the lawyer tell you during the initial telephone call?

A. That he, Mr. Rosenblum, was in ill health, his wife had had a heart attack, that he couldn't afford to pay the markers.

Q. Now, did there come a time when a meeting took place to discuss the settlement?

A. Yes, they did.

THE CHAIRMAN: What about Bally; do we skip that?

THE WITNESS: I can come back to Bally. I spoke to Billy Weinberger also and Bally was willing to accept 25 percent of his debt. I wasn't, so I went to Philadelphia and negotiated further and arrived at a higher number.

BY MR. COPPOLA:

Q. What was your position when you first went to Philadelphia?

A. I really don't think that we had to settle. I wanted to see what the conditions were myself.

Q. What conditions were you looking for? What sort of information were you looking to gather?

A. I wanted to talk to Mr. Rosenblum eye to eye.

Q. Were you representing --

A. I don't usually make settlements. This is the first and only settlement I ever made.

COMMISSIONER GREENBERG: You did not assure yourself, and even to this day you do not know, whether in April, 1981, Rosenblum actually had the ability to pay you back if he chose to, do you?

THE WITNESS: His lawyer assured he didn't and so did he. I believed him.

THE CHAIRMAN: Did you know what securities he had at that point?

THE WITNESS: He told us in order to make the settlement with us he had to sell an apartment house and borrow the balance of the money from a friend of his and he told me who the friend was that he borrowed it from.

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The "Gamblers Anonymous" Cocktail

BY MR. COPPOLA:

Q. There was a drink that you had in your hotel, you called it Gamblers Anonymous. How did that drink come into being at your casino?

A. By mistake.

COMMISSIONER GREENBERG: Can you explain the mistake? You have been accused of being insensitive to compulsive gamblers when you named your drink Gamblers Anonymous.

THE WITNESS: It was there for six months, nobody said a word. All of a sudden it came out and we changed it the next day. It was definitely a mistake.

Excluding Organized Crime

THE CHAIRMAN: We have had testimony from Lieutenant Colonel Dintino of the State Police to the effect that reputed members of organized-crime families have received credit from the casinos in Atlantic City in the last several years. And he says it's highly probable the number of persons represented by his testimony were the tip of the iceberg. These men not only received credit but, at least a great many of them, also received gratuities. Do you approve of associates of organized crime having free access to your casino premise?

THE WITNESS: Absolutely not, and I think it's not really our job to police that. I think it's really the state's job to keep the people out.

THE CHAIRMAN: Everybody seems to blame it on the other fellow.

THE WITNESS: It's not our job. If they go through credit. If they play for cash, we never see them.

THE CHAIRMAN: You want them excluded?

THE WITNESS: Yes.

THE CHAIRMAN: The state says the same thing.

THE WITNESS: We have been saying the same thing.

THE CHAIRMAN: Why don't you get together, the state and the casinos, and see that it's done in a few weeks?

THE WITNESS: Absolutely.

THE CHAIRMAN: It would be a healthy thing for the industry.

THE WITNESS: Yes.

Resorts International's Credit Reverses

Gary Grant, credit manager at Resorts International, was the next witness. As with Goldberg of the Caesars, Grant was asked to describe his experiences with Samuel Rosenblum as they reflected on his casino's credit policies and procedures. As the Commission's chart demonstrates, (on Page _____), Rosenblum ran up a \$125,000 debt at Resorts between October, 1978, and November, 1980, and wound up settling it for \$75,000. SCI counsel Coppola asked Grant about his reaction to derogatory information obtained from credit checks and about cooperation -- if any -- among the Atlantic City casinos in connection with the exchange of credit information about their patrons:

- Q. What is Resorts' policy regarding the extension of credit in light of derogatory information?
- A. The general policy on derogatory information would be that if somebody had derog in someplace else and that he had never -- if we've never dealt with the individual before, in all probability we would not issue him any credit. But there's different situations with derog and there's different kinds of derog.
- Q. Let's say a write-off in an amount, well, in Rosenblum's case, the Loews Monte Carlo Casino wrote off him for \$86,000 on July 29th, 1980.

You're not going to find it in that card because Resorts didn't do a Central Credit check at the time. But if you had known it, would you have given Mr. Rosenblum credit?

A. Well, with the fact -- I can't say whether I would or whether I wouldn't. The fact that he had had established credit in two other casinos in Atlantic City and was playing with large sums of money, I can't say whether that particular case would say -- I couldn't say I wouldn't and I couldn't say I would. I believe we did run a Central check on him when he opened the card and I don't believe we got that information.

Q. Now, I would like to ask you a question about actually the last page of this card. There's a note, the note is a typed note, at the top. It says, "Release no information about this card or customer to anyone. This includes Central or any other casino per G.G. Transfer this page with every page that is added," and then there are your initials, I believe.

A. That's correct.

Q. Now, we were under the impression, at least we have been told, that, when there is derogatory information or information such as that about a patron, that there is communication between the casinos. This piece of paper seems to indicate that there was going to be a cut-off of information with respect to Rosenblum's gaming activity from Resorts to other casinos. What does this piece of paper mean?

A. Okay. There are certain incidents where a particular player will come up to you and request that you do not release any information pertaining him to anybody else. It's a confidential thing between ourselves and him. This was put on the card for the sole purpose of that any clerk or anybody that's working in the office or anybody who picked up the card would automatically contact me, would give no information but would contact me and let me know that somebody wanted, wanted, made an inquiry concerning this particular card.

Ninety-nine times out of a hundred, if, if he was at another casino and one of the casino executives from another casino phoned me up on a one-to-one basis, I would give him the information. But the main thing with this thing was, was an answer to his request and, also, that the information just wouldn't

flow freely. If I wanted to give the information to somebody, I would and I do. And we do it on a continuous basis.

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Q. Did you keep his gaming activity, then, out of the main flow of casino information which would be Central Credit information? And is the level of communication that you're talking about some unofficial level of communication; it's not recorded, not written down, just executive to executive?

A. No.

Q. From casino to casino?

A. We have a policy, almost a general policy, that any card concerning anybody that has a twenty-five-thousand-dollar credit line or more, that they contact a credit executive before they give the information out. That is our policy.

Q. What is the basis of that policy, if you know?

A. Well, number one, I want a credit executive, myself, or the people that work with me, would like to be informed of this, of these type of people that are in other -- when they're in other casinos and when they're requesting information from us. If a clerk picks it up, gives Central the information without notifying a credit executive, it can go back in the file and we won't know it until the next time we go to their card where it's stated a particular casino had called on them.

Q. Is information withheld on occasion from Central Credit for these twenty-five-thousand-dollar-or-over players based on the discretion of someone like yourself?

A. I very -- on a very rare basis, and if it's withheld from Central Credit, if I make -- if the casino that the person is in, if a credit executive in that particular casino makes direct, direct contact with me, he'll get the information.

THE CHAIRMAN: If one has a half-a-million-dollar credit in your casino, wouldn't another casino that he approaches for

\$100,000 credit regard his indebtedness to you as derogatory?

THE WITNESS: No, sir, it wouldn't be derogatory until it wasn't paid. I mean, if he owed on a particular -- if what you're saying is on a particular night he was in my casino, or our casino, and he owed X amount of dollars and he went to another casino, that information, I mean that money that he owed us would not be derog. It wouldn't be held against him.

THE CHAIRMAN: Wouldn't the second casino be running somewhat of a risk if he owed you \$500,000 and they gave him, knowing that, \$100,000 credit?

THE WITNESS: It's all according to the individual and the other information that they could find out about him; his history of playing, how long he's played, his ability to pay, how much money he's paid back over long periods of time. It involves many, many things.

COMMISSIONER GREENBERG: What did you know about Rosenblum's ability to repay?

THE CHAIRMAN: Or his inability to repay.

THE WITNESS: I don't, I don't have anything to do with it. Once the debt goes bad or once the checks come back, I'm not involved in the collection process. We have, we have, we have a group of people at Resorts who deal with the write-offs. I sit on the committee. I give input to the proceedings, but I don't -- I'm not a signer and I don't have any input on collecting bad debts or writing off bad debts. I don't have any decisions to make on that.

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Gambler Sumet Jantha and the \$400,000 Bangkok Bank Check*

BY MR. COPPOLA:

Q. I would like you to look at the credit application of Sumet Jantha. Mr. Grant, how much does Mr. Jantha owe Resorts?

A. 820,000.

*See Exhibit, next page.

Q. All right. How long did it take for him to go from zero to 820,000?

A. From 4/3 to 4/11, I believe. From 4/3 to 4/11.

COMMISSIONER GREENBERG: Is that eight days?

THE WITNESS: Yes, sir.

BY MR. COPPOLA:

Q. All right. Did you have anything to do with the extension of credit to Mr. Jantna?

A. I believe it was 4/3 of '82.

Q. How much did you give him?

A. \$200,000.

Q. All right. What kind of Central Credit record did this person have at that time?

A. He had no record at Central Credit.

Q. No record. He had no prior gaming activity that you were aware of that you could document?

A. True.

Q. All right. What did his bank check -- did he list a bank on his credit card? What was the name of the bank?

A. Erawan Trust Bank in...Bangkok.

Q. Thailand?

A. Yes, sir.

Q. Have you ever since your experiences with Jantha taken a check drawn on a Thailand bank?

A. No.

Q. Is one of the reasons because you can't get currency out of that country?

A. Yes.

Q. So even -- well, with respect to the bank, was a bank check done?

A. Yes.

Q. Was it later determined that Mr. Jantha, if there was such a person, certainly didn't have an account at that bank?

A. I believe so, yes.

Q. Well, did all the markers that were issued or drawn on that bank return?

A. Yes.

THE CHAIRMAN: Did you find any evidence that he did have an account in that bank, aside from the bad checks?

THE WITNESS: No.

MR. COPPOLA: Referring to C-100, a letter from the Erawan Trust Company, to the manager of the Provident National Bank with respect to Sumet Jantha. The letter says: "Regarding the two checks that you sent to us for collection, we are regret to inform you that the person Sumet Jantha whom indicated as a payee in the check is no concern with our company at all."

Q. There is personal information on the credit application; is that correct?

A. Yes, sir.

Q. And, now, was any of that information verified by Resorts prior to the extension of your \$200,000?

A. No.

Q. All right. Now, what did you know that would allow you to give this person \$200,000?

A. Well, what I knew then and, I mean, hindsight, I didn't know now. When we did get the bank report, we got a very, very strong bank report. It indicated that he had personal checking account there for over three years and six to seven figures, U.S.

200,000 at present, also he had time deposits, certificates of deposits.

COMMISSIONER GREENBERG: Wait a minute. Before you get too far. Is this the same bank that wrote back to you saying they never heard of Mr. Jantha with his four-hundred-thousand-dollar counter check or a different bank?

THE WITNESS: Same bank.

COMMISSIONER GREENBERG: Same bank. You got this good credit reported back from the bank in Thailand that after you deposited his check said they never heard of him?

THE WITNESS: It's quite obvious that we got taken. There's no two ways about that. We could look at this the rest of the day and discuss it. What happened with us was we got taken. That's all. We did our checks, we did what we were supposed to do. We issued the man the credit and the man defrauded us.

BY MR. COPPOLA:

Q. What was checked out other than a call to a bank in Thailand?

A. He had, he had a valid passport. He presented what we thought was a valid passport. He had all the credentials that anybody would normally have that is traveling in that type of thing and that's why we issued him the credit.

Q. Now, you had those markers. This man owed you \$820,000 at a point. Correct?

A. When he left.

Q. Okay. You explain what happened then when he has an eight-hundred-twenty-thousand-dollar outstanding balance.

A. Okay. His credit, the credit that we extended him was 500,000. The wind up was we extended him 200,000 to begin with. He went and played and he lost that money. We had conversation with him. We raised his credit line to 500,000. Then we -- he presented what we considered a cashier's check, which is considered as a cash equiva-

lent and then he played more. In actuality, when he left the casino he owed us 420,000 in markers or counter checks which we extended him as credit, and he owed us for this check here which represented 400,000, which we took as a cashier's check to be as cash equivalent; as the same thing as he paid us cash.

Q. Now, the gambler's name is Jantha?

A. Right.

Q. Why accept a check made out to C.R. and Mr. S. Wong to be applied to Jantha's money or whatever that he owes Resorts? How did that come about?

THE WITNESS: It's an amazing thing but a common practice that most of the Orientals that came into our casino, it is nothing, in fact, it's ordinary, for them to have at least two names and sometimes three names. And they not only have names on their passport, they have one name on their passport, they have another name on something else they have another name on something else, and it's a way of life. It's not illegal, it's not wrong. It's a way that they exist. And I think that we have, we have checked that out thoroughly enough to be quite truthful. I mean, that is a way of existence over there in those countries.

Alamahoud Alkhawaja Got Credit Because He Owed Another Casino

BY MR. COPPOLA:

Q. Do you have Mr. Alkhawaja's card?

A. Yes, I do.

Q. Did you extend him credit on February 28th, 1982?

A. Yes, I did.

Q. And did you give him \$25,000 on that date?

A. Yes, I did.

Q. All right. Had you checked out his bank account prior to?

- A. No, I didn't.
- Q. All right. What did you do before you gave him \$25,000?
- A. We ran a Central check on it.
- Q. And what did you find that he owed?
- A. That he owed Playboy \$225,000.
- Q. Now, why did you give him credit with that information?
- A. Well, he asked for \$25,000 and he was with, he was with a good customer of ours at the time, which did not -- that really didn't influence it, and he wanted to take us -- supposedly he wanted to play for the 25,000. I thought in my mind if Playboy had given, extended him \$225,000, I, I was hoping that they would probably know something about him and I believe I did phone up down there. I can't remember exactly who I talked to. I did talk to a credit executive and they indicated that this man had, had paid them money and they felt comfortable with the money that he owed them. So I took a shot and gave him, extended him \$25,000. He subsequently lost the \$25,000 at the tables that evening and he did not pay us.
- Q. Anything else that led you to extend this man 25,000 other than the fact that Playboy had given him 225,000?
- A. No.

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Gambler Norman Dell, Owes \$10,000

- Q. Now, you know what a CBA (Credit Bureau Associates) check is, do you not?
- A. I believe so, yes.
- Q. All right. Does Resorts have the capability of doing a CBA check prior to the issuance of credit?
- A. Yeah, we could.

Q. Well, CBA report on this person shows that he had approximately \$50,000 in judgments outstanding against him prior to the time Resorts gave him credit; in addition, there was a Federal tax lien in an amount of \$3500. You didn't have that information at the time you gave Mr. Dell 10,000 did you?

A. No, I sure didn't.

Q. Is it Resorts' policy now to do CBA checks?

A. No, it's not.

Q. Don't you think that that would be a valuable tool to find out where people stand out in, perhaps we will call it, the real world; the debts that people say are owed, judgments, liens, foreclosures, credit cards, things like that?

A. It would help. It couldn't hurt.

Q. Wouldn't you want to know that as a credit manager when you have to make a business decision on whether or not someone is going to repay you \$10,000 in credit?

A. It would be involved in the decision, but...it wouldn't be the only thing that would make the decision for me.

THE CHAIRMAN: Of course it wouldn't be the only thing. Everything should be considered. He's asking whether it wouldn't be helpful.

THE WITNESS: It could be, yes, sir. It would be.

BY MR. COPPOLA:

Q. In this case you wouldn't have given Dell 10,000 if you were aware of this C.B.A. report, would you?

A. I can't say if I would or I wouldn't. In all probability, I wouldn't.

"Biggest Player I've Ever Seen"

That's how Credit Manager Grant recalled David Zarin, a credit gambler who wound up owing Resorts more than \$3 million in 1980.

Zarin subsequently joined Gamblers Anonymous as a gaming addict. Grant's abridged testimony about Zarin follows, beginning with the gambler's custom of appearing at the casino with a business associate, Martha Nemtin:

Q. How long did he gamble at Resorts on credit?

A. I believe he started, well, he filled out the card in 6 of '78, and it ended in 4 of '80.

Q. Are you familiar with a person known as Martha Nemtin?

A. I am.

Q. Did you associate Martha Nemtin and David Zarin as one for purposes of gambling?

A. No.

Q. Did Martha Nemtin have a credit line at Resorts?

A. She did.

Q. Did David Zarin make use of her credit line in addition to his own?

A. In what regard?

Q. Well, when Martha Nemtin drew a marker, wasn't it common for her to take the chips and give them to Mr. Zarin so that he could gamble with them?

A. Not all the chips, no. She played herself. Martha Nemtin was definitely a player.

Q. All I'm trying to establish is whether or not he made use of her credit line. I'm not saying all of it. Over a period of time did he gamble using chips that were issued to her?

A. No.

Q. Do you know that for a fact?

A. Well, I mean, I never saw him do it, let me put it that way. I never, I never saw her sign a marker and give him the chips. They, they played together, they played out of -- you know, they had chips in front of them. They both were betting the chips. But I

didn't have it in my mind that she exactly took the credit to give to him, no.

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- Q. All right. Would you agree that, when everything was totaled up, there was a bad debt or there was an outstanding debt of about four and a half, \$4.6 million, somewhere along those lines between him and Nemtin?
- A. Yes.
- Q. And Zarin's portion of the 4.6 million was 3.4 million?
- A. Right.
- Q. How did it come about that he was able to get in that position with the credit line that he had at Resorts?
- A. Well, you got to go through the whole process of Mr. Zarin. Mr. Zarin was probably the, well, let me say, the biggest player I've ever seen. He wasn't necessarily -- not in necessarily the amounts that he bet individually, but the time that he spent in the casino, the amount of time he spent there over a period of time, and continuously consistently played. We -- Mr. Zarin gave us checks in excess of, I believe, \$13 million that we cleared that were made through his bank.
- Q. Do you know where the money came from to back up those checks that he paid you?
- A. At the time, no.
- Q. Did you know whether or not any of that money came from borrowed sources?
- A. No, I didn't.
- Q. Did you know whether or not that money was the result of him or someone walking with chips on his behalf and, in effect, using Resorts' money to pay Resorts?
- A. Oh, I didn't know that. I still don't know that.
- Q. All right. You can continue.

A. Okay. And we just progressed. Mr. Zarin was very prominent in Atlantic City at the time: He was a housing developer; he had buildings and he was purchasing property around town; he had buildings that you could drive around town and see the buildings going up; he was in, continuously in meetings with the city officials; he dealt with people from the federal government in his housing developments. And I had a long talk with Mr. Zarin and I spent a lot of time with him. I continuously tried to hold him down on his gambling. It was my idea that, you know, it was -- it always entered my mind that just where he was going and just, you know, how far this could continue to go on. But he continued to play. He never was abusive. He conducted himself in the proper manner at all times. He was a perfect gentleman at all times and it progressed. And he kept giving us checks, we kept cashing the checks and he kept playing, and the end result is what you see.

Q. All right. Let's just talk about until, let's say, the end of 1979. Is there any regulation that would require a casino to inquire of the gambler what his financial situation is? Let's say his outstanding debt.

A. Not that I know of.

Q. Is it a part of Resorts' policy to find out where a person stands with his financial situation?

A. No.

Q. Is it simply a matter of play and pay, play and pay, credit?

A. Basically, that's it, right.

Q. Do you ever actually make the effort to find out what a person's expenses are to see if he can afford to pay back the credit that you're going to give him?

A. No, I don't get -- we don't -- I don't get involved with those people. I mean, somebody comes in, they fill out a card, we do the checks that we have to do, we issue him the credit. We -- all the credit that we issue in any way, shape or form we hope

that we're going to get paid. We issue the credit with the intent of getting paid. We're not looking to overextend people -- or for people to lose more than they can afford. And we just go like that. You start, some people start off small and they build up and they continue to play. They enjoy it. A lot of people enjoy playing and you just can't -- we don't go any further. If a man keeps giving you checks and the checks continue to be good, and you've cashed millions and millions and millions of dollars worth of checks, it's awful hard for me to look, you know, to start making inquiries. I mean, the man has done nothing wrong. He's played and he's paid, and I think that's the overriding thing.

Q. Did you see any change in his attitude towards gambling throughout, let's say, the first year and a half of him being a credit player?

A. No. Mr. Zarin's attitude basically remained the same throughout the whole thing. Like I say, I spent a lot of hours talking. I probably spent more time with Mr. Zarin than any other customer that I've ever dealt with in my life. If he wasn't at the table, which was the majority of the time, I'd go in the coffee shop with him or I'd go sit down while he was eating dinner, talk to him. This man was a solid man. I mean, he presented himself as a very, very solid individual and he had enough going around Atlantic City alone that it led me to believe that there was no reason to doubt that he was a very solid person. I think today he's probably a very solid person.

X X X

Q. All right. You seem to be giving the impression here regarding Mr. Zarin that he just had no trouble to continually pump money into Resorts throughout the course of his credit play. Is that your real impression of what took place with respect to him?

A. I have no reason. I mean, in hindsight it's great. At the time that it was happening I had no reason to think he was doing anything else but that.

Q. Weren't there occasions when, and many occasions, and for substantial amounts of chips, where Mr. Zarin would cash out at the Resorts' cage and take that money and put it in a safe-deposit box within that casino and he would have outstanding markers that he owed the casino at the time he did that? Weren't you aware of that happening?

A. Yes, I was. Now, you're saying on numerous and numerous occasions. It happened on some occasions and I spoke to Mr. Zarin about it and on more than on occasion after he had cashed in a fairly sizable sum on money he went out to the safe-deposit box and brought it back into the casino and did pick up his markers with it.

Q. What about the occasions that he didn't do that?

A. Well --

Q. Did he give you reasons why he wouldn't take the chips and apply them against the money that he owed the casino?

A. That he needed some cash for some particular thing that he was going to do.

Now, here again I'd like to get involved with a point that I dealt with Zarin on a daily and continuous basis, but there again I do have a boss and I talked to my boss concerning Mr. Zarin on a daily basis. We have sheets in the cashier's cage that indicate any counter check that's signed for more than \$2500 goes to the financial section of the casino every day. So there were many, many people knowledgeable to the fact what kind of credit that David had, that Mr. Zarin had, and what kind of credit we were extending him and what kind of money we were dealing with.

Now, I talked to David on a daily, daily basis and my idea was to try to hold him down, and I conveyed that information to my boss on a daily basis and we continue to go.

Q. All right. But the point is, he was leaving the casino with the casino's money. Correct?

- A. That happened on occasion.
- Q. Did you also cash non-gaming checks for him?
- A. We did.
- Q. Substantial amounts of money?
- A. We did.
- Q. Do you know how would that work?
- A. Well, at that particular time there were no restrictions on us cashing a non-gaming check for a customer. The non-gaming check was supposedly to be used not for gaming purposes.
- Q. All right. Go ahead.
- A. Any non-gaming check that we ever cashed for Mr. Zarin, that I was ever present when he cashed non-gaming checks, he took the money and walked directly out of the casino with it.
- Q. Did he walk out of the casino to the hotel safe-deposit area and put the money in there and the next day did he take the money and put it in a bank and the next day use that money to pay off markers that he had written previously? Wasn't he using Resorts' money to float the markers through the system?
- A. I know that now, but I didn't know it then.
- Q. What did you think he was doing with all the money you were giving him?
- A. He told me he needed it for his various businesses, whatever he was doing, or to meet, to do something that he needed some money for a particular job that he was doing or particular construction --

X X X

- Q. When he was gaming up until, let's say, April, 1980, was he using primarily or perhaps solely New Jersey banks to draw his markers on?
- A. The best of my knowledge, yes.
- Q. Did there come a time when he switched his bank account?

A. Yes, yes.

Q. And was that bank account in Canada?

A. Yes, it was.

Q. Do you recognize the Xerox copies of the checks that appear on C-105?

A. Yes.

Q. They're dated April 17th, 1980?

A. Yes.

Q. And they are drawn on the Royal Bank of Canada, made out to Resorts?

A. Yes.

Q. Signed by David Zarin?

A. Yes.

Q. All right. Now, were these checks accepted by Resorts?

A. Yes.

Q. Did this strike you a little strange? The man has been gambling at your casino on credit for a long period of time; you have been cashing many personal checks for him over a period of three months; the figure of non-gaming checks is close to \$2 million; you know that he's leaving the casino sometimes, according to your testimony, with chips while he has outstanding markers, and now he's opened up a Canadian bank account and is paying Resorts off with checks drawn on the Canadian bank account. Did you check this bank account before you accepted the checks?

A. No, with -- I did not. We gave it -- I believe it was in the evening when he came in with the check. Within fifteen minutes of us -- of him giving us the first Canadian check I contacted the, I believe at that time his position was the chief auditor for the corporation, who happened to be on the casino floor that particular night.

Q. Just stop for a second. We'll get to the conversation with him. But what is your feeling, what's going through your mind when Zarin, the man that you know very well, hands you the checks depicted on C-105?

A. Well, it was a change, but, also -- many things entered my mind. One thing entered my mind that Martha Nemtin was from Canada and she'd been using, I believe, the Royal Bank of Canada for a long time and they were very closely associated. It also gave me some reason to believe that he might, he might have needed some time. By writing a check on a Canadian bank, it conceivably, with my experience with Canadian banks, it could have taken us a little bit more time possibly to clear the check.

X X X

Q. Okay. Now, did you talk to Zarin about your concern?

A. I, I really can't remember if I said anything to him or not if I mentioned something about where did you come up with the Canadian bank account, or I honestly can't remember if I said anything to him or not.

Q. One of the concerns was, you say, you thought he may possibly have needed more time for it to clear?

A. It entered my mind, yes.

Q. Okay. It entered your mind. Did you talk to him about your suspicion that he was possibly in trouble now?

A. No.

Q. What did you do?

A. I went, I took the check, a copy of the check, and, like I say, the head, the auditor, the chief auditor or whatever his position was for the corporation, happened to be on the casino floor at that particular time. I went over to him, gave him a copy of the check, indicating to him that David had, Mr. Zarin had given us a check on a Canadian bank, it was not the normal procedure that he used and it was something out of the ordinary and I thought we should check into it.

A. Yes, yes.

Q. And was that bank account in Canada?

A. Yes, it was.

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X X X

- Q. Okay. Now, did you talk to Zarin about your concern?
- A. I, I really can't remember if I said anything to him or not if I mentioned something about where did you come up with the Canadian bank account, or I honestly can't remember if I said anything to him or not.
- Q. One of the concerns was, you say, you thought he may possibly have needed more time for it to clear?
- A. It entered my mind, yes.
- Q. Okay. It entered your mind. Did you talk to him about your suspicion that he was possibly in trouble now?
- A. No.
- Q. What did you do?
- A. I went, I took the check, a copy of the check, and, like I say, the head, the auditor, the chief auditor or whatever his position was for the corporation, happened to be on the casino floor at that particular time. I went over to him, gave him a copy of the check, indicating to him that David had, Mr. Zarin had given us a check on a Canadian bank, it was not the normal procedure that he used and it was something out of the ordinary and I thought we should check into it.

Q. Did you ever call the bank?

A. I did not.

Q. Do the regulations that are in effect today require a casino to verify the bank account on which a marker is drawn or a check accepted in payment of a marker?

A. We have to verify a bank account on the card. But a man can pay us with another, with a different bank account than what's on his card. We have to verify the bank account to issue him credit, but he can give us a check on another bank.

Q. There is no regulation --

A. No.

Q. -- that requires casinos to verify bank accounts past the first bank account that's given by the patron. Correct?

A. Right.

SCI Chairman Lane briefly questioned the witness about two areas of particular concern to the Commission. One was the possibility of utilizing "front money" -- cash in the form of letters of credit, cashiers checks or other financial instruments whose stated value has been verified by appropriate casino authorities -- as an alternative to the customary credit process. The second concern was the apparent inability of the industry to keep criminal elements out of casinos.

EXAMINATION BY THE CHAIRMAN:

Q. I notice that this Bangkok check is dated, I think, February 22, and he came, I think your testimony is, he came into the casino in April. We have had perhaps a naive suggestion while we have been here the last couple of days that front money might help in a credit situation and it occurred to me that this gentleman you're dealing with, this Bangkok situation, if he sent these two checks he had in his pocket in February, if he sent them to you and you had a chance to clear them before he came on in, that you wouldn't have had the problem that you have had with him. Isn't that correct?

A. You're a hundred percent right.

Q. Did you ever consider, anybody in the

industry ever consider, front money for credit?

A. Well, we've asked, on most of the people that we've brought in from, from the Far East, we, we like them very much to bring front money. We much rather that they brought front money than issue them credit. But there are some very, very substantial people that are coming in and there's some very large credit lines and there's some people that have paid us a lot of money. But you're right, front money is great. There's nothing better than front money.

Q. But you couldn't put in a requirement for it. Is that what you're telling me?

A. I think over, for the whole idea of bringing in this type of business or any type of business from either various parts of this country or various parts of the world, I think it would curtail it a little bit because a lot of these people are used to playing on credit in Europe and so on and so forth.

X X X

Q. We have had testimony here about the extent that some reputed members associated with organized-crime families have received credit from th casinos in the last several years, and this is apparently just a small number of such people. Does the industry or your casino want associates of organized crime in on your premises --

A. No.

Q. -- gambling?

A. No.

Q. You don't want them?

A. No.

Q. Do you know of any casino that does want them?

A. No, sir.

Q. Well, why don't you do something about it?

- A. How? If a man walks in, I don't know these people. I don't deal with them.
- Q. You have security people. Some of these fellows had reputations for being associates of organized crime for the last 88 years. That sticks right out on them and your security people know that very well.
- A. If the security people would filter that information down --
- Q. They don't tell you about it?
- A. It's never been brought to my attention to any degree, no, sir.
- Q. You're one of management. But all the management of your casino certainly has the ability to know and must know that hoods are participating in gambling in your premises.
- A. But I don't -- you know, it's very, very difficult for me to -- a man's a hood. I mean, there's people that come into our casino that conduct themselves in a very proper manner. They play with their money, they -- they don't want credit, they play, they do whatever they're going to do, they conduct themselves properly and I don't -- I can't, I just can't -- I mean I don't know these people.
- Q. I'm suggesting the industry in coming into this state on the full understanding that organized crime will be kept out of the casinos has an obligation to work with the state, and actively work with the state, to see that organized crime doesn't blatantly walk through your casinos day after day.
- A. I think you're a hundred percent right.
- Q. Well, do something about it. That's what I'm suggesting.

**THE TESTIMONY -- THIRD DAY
THURSDAY, MARCH 3, 1983**

Transition Statement

Commissioner William S. Greenberg, opening the third day of the SCI's hearing, recalled the previous session's testimony by casino officials who, he said, described "how shocking liberal credit decisions affected casino revenues, produced millions of dollars in bad debts and promoted criminal intrusion and corruption." He said additional exemplars of irresponsible credit practices had to be transcribed before the hearing's focus could shift later in the day to the impact of credit misuse and abuse on certain types of patrons, "including compulsive gamblers". Before turning to that subject, he said the Commission would first hear testimony "on the credit activities of Albert J. Tumbiolo, who wound up owing the casinos a half-million dollars in the wake of numerous, highly inexplicable credit extensions."

Problem Gamblers

Tumbiolo Investigator Testifies

SCI Special Agent Dennis McGuigan, who investigated Tumbiolo's gaming activities as part of the Commission's credit probe, was questioned by SCI Counsel Michael V. Coppola about certain facets of his inquiry. The testimony follows:

- Q. Directing your attention to (Exhibit) C-10 for identification, does it accurately set forth Mr. Tumbiolo's credit debt in the Atlantic City casinos?*
- A. Yes.
- Q. And does that chart reflect his debt as of February 22, 1983?
- A. That is correct.
- Q. During the course of this Commission's credit investigation, did you learn about Mr. Tumbiolo's background?
- A. Yes, I did. Our initial investigation revealed that Mr. Tumbiolo is 56-years of age and resides in the West Babylon section of Long Island, New York State. He lists himself as the president and owner of the Sunset Taxi Company also located in the West Babylon section.

*See Chart, next page.

ALBERT TUMBIOLO
CREDIT GAMBLER

DEBT OWED AS OF
2/22/83

BALLY'S	\$100,000	
CLARIDGE	\$100,000	
BARRAHS	\$ 71,500	
PLAYBOY	\$125,000	
SANDS	<u>\$ 96,500</u>	
TOTAL	<table border="1"><tr><td>\$493,000</td></tr></table>	\$493,000
\$493,000		

We have contacted New York State authorities and they have indicated that Mr. Tumbiolo has a rather serious criminal history. In 1950 he was arrested and subsequently convicted on charges of armed robbery and carrying a concealed weapon. For that conviction he received a prison sentence of 15-to 20-years. In 1959, he was again arrested and charged with the violation of patrol. I would add that in addition to that information, we have received intelligence information indicating that Mr. Tumbiolo runs one of the largest floating crap games in the Long Island area.

Q. Did you also have the opportunity to review various casino records relating to Tumbiolo and his associates?

A. Yes, I did.

Q. Specifically, did you have occasion to review Sands' records?

A. Yes, I did. In reviewing the Sands' records on the application of Nicholas Joseph Russo of Trenton, New Jersey, the name Albert Tumbiolo is listed as a reference.

Q. Who is Nicholas Russo and what do you know about him?

A. As Lieutenant Colonel Dintino of the New Jersey State Police pointed out in his testimony, Russo is a member of the New York-based Gambino crime family. In addition, Mr. Russo was incarcerated from June of 1971 until October of 1973, on a charge of civil contempt for his refusal to testify before this Commission, which at that time was investigating organized crime.

Caesar's Gave Tumbiolo Credit Despite Loan Shark Background

Agent McGuigan said his review of surveillance records subpoenaed from Caesar's casino included a September, 1981, memo that indicated Tumbiolo was a loan shark connected with the Genovese organized crime family. McGuigan quoted the memo as saying, "it is possible that Tumbiolo is using credit from various casinos to finance loan sharking operations which he conducts on the casino floor." McGuigan also quoted from another memo which said that Tumbiolo used a confederate to cash in his chips, enabling him to take thousands of dollars out of the casinos. McGuigan was asked about Caesar's reaction to Tumbiolo as a patron in the face of these derogatory reports:

- Q. Did Caesars extend credit to Tumbiolo after their own surveillance department described him as a loan shark and an organized crime associate?
- A. Yes, they did. They extended a total of \$150,000 in credit to Mr. Tumbiolo following the initial surveillance report.

Playboy Had Derogatory Data But Gave Credit Anyway

Agent McGuigan next described records on Tumbiolo's gaming action at Playboy, including a 1981 memo saying that the gambler was "reported to be close to organized crime figures" and was being investigated by the FBI. McGuigan also recalled a 1982 memo in which Tumbiolo was characterized by New York law enforcement authorities as a loan shark. McGuigan testified further:

- Q. Did Tumbiolo receive credit at the Playboy after the memo of December 16, '81, where he was identified as subject of a federal investigation?
- A. Yes, he did. As a matter of fact, on January 3, 1982, and again on January 6, 1982, he received a total of \$125,000 in credit markers, which I might add were returned and marked "account closed" following his 90-day disposition on May 28, 1982.

Claridge Also Ignored Its Surveillance Reports

The Claridge surveillance reports linked Tumbiolo with two former credit executives in schemes to cash in chips and leave the hotel with large sums of money obtained on credit. According to surveillance memos, Tumbiolo between September and November, 1981, used these and other associates to convert more than \$64,500 in chips to his own use. McGuigan's testimony:

- Q. During the entire period of time that the surveillance reports from the Claridge covered, did the Claridge continue to extend credit to Mr. Tumbiolo?
- A. Yes, they did. They extended extensive amounts of credit to Mr. Tumbiolo while they were conducting the surveillance. As a matter of fact, they issued him a total of \$100,000 in credit markers which were eventually returned marked "account closed."

Bally's President Himself Okayed Tumbiolo Credit

On January 23, 1983, Agent McGuigan interviewed William Weinberger, president of Bally's Park Place, about his role in that

casino's extension of credit to Tumbiolo. Others present at the interview included Special Agent Kurt Schmid of the SCI and lawyers representing Weinberger and the casino. Testimony on this interview and excerpts from Weinberger's previous executive session testimony at the SCI were put into the hearing record because illness prevented Weinberger from attending the hearing. The SCI agents' interview with Weinberger, according to McGuigan, centered on the casino executive's association with Tumbiolo and his promotion of credit for a patron of such questionable repute. McGuigan's testimony continued:

- Q. Specifically on August 31, 1981, did Weinberger approve a credit increase in an amount that raised Tumbiolo's line to \$100,000?
- A. Yes, he did.
- Q. Did Tumbiolo's credit file set forth any derogatory information concerning Tumbiolo's past gaming history?
- A. Yes, it did. My review of the credit file revealed that on August 31, 1981, Bally conducted a Central Credit check on Mr. Tumbiolo. That check revealed he had a total of \$12,000 in outstanding derogatory write-offs from two Las Vegas casinos. In addition to that, he had a total of \$285,000 in outstanding credit balances in the other Atlantic City casinos.
- Q. Did you ask him why he gave Tumbiolo the credit increase in light of the information that was in the credit application of Mr. Tumbiolo?
- A. Yes, I did. Mr. Weinberger's explanation was that he considered Mr. Tumbiolo's history of play and pay with Bally to be more significant than the information obtained from outside sources, referring to the Central Credit report.
- Q. According to Mr. Weinberger, was there competition among the casinos in Atlantic City for Tumbiolo's business?
- A. Yes, he related to myself and Agent Schmid that the Atlantic City casinos where Tumbiolo was a credit player were very actively vying for his business. As a matter of fact, on New Year's Eve of 1982, according to Mr. Weinberger, each of these casinos comped Mr. Tumbiolo for suite or penthouse accommodations.

- Q. Did Mr. Weinberger present any gifts to Tumbiolo?
- A. Yes, he did. He stated during the interview that on Tumbiolo's birthday he presented him with a clown portrait in which Tumbiolo was a character. I estimated the value of this particular gift to be between 250 and \$300.
- Q. Did Weinberger socialize with Tumbiolo outside of the casino?
- A. Yes, he did, on one specific occasion. Mr. Weinberger indicated, and our review of other records also revealed, on July 8, 1981, Mr. Weinberger attended a luncheon engagement with two other Bally's Park Place Casino executives in the Montville section of Long Island. The luncheon, according to Mr. Weinberger, was an effort to promote favorable customer relations. He described it as a strictly social event.

THE CHAIRMAN: Was Tumbiolo the only outside person other than casino persons at the luncheon?

THE WITNESS: Tumbiolo's attorney was also present. I would also add that following the luncheon, at Tumbiolo's insistence, the party went to the home of an individual identified as Jerome Weisner.

BY MR. COPPOLA:

- Q. Did your investigation reveal anything about Mr. Weisner?
- A. Yes, it did. Our investigation revealed that Mr. Weisner has a rather extensive criminal record. It includes arrests dating back to 1937 for burglary, rape, assault, abduction, possession of burglary tools and most recently, in December of 1981, Mr. Weisner was arrested by the Secret Service and charged with possession of counterfeit currency. Those charges are still pending and there is currently a fugitive warrant outstanding for Mr. Weisner. His whereabouts are presently unknown.

Easy Credit Led to Scam

Counsel Coppola next questioned Agent McGuigan about

Weinberger's role in extending a big credit line to a suspected credit scam perpetrator. The testimony:

- Q. During the interview, did you also discuss Mr. Norman Dell's credit activity at Bally's Casino?
- A. Yes, we did. The credit file revealed that Mr. Dell owed Bally Park Place a total of \$117,500. I might add that Mr. Dell is also indebted to Caesars for \$61,897 and to Resorts International for \$10,000.
- Q. Did your review also include an investigation of the information that Mr. Dell presented on the face of the application and what Bally's did with respect to it?
- A. Yes, it did. According to that review, Mr. Dell applied for a \$40,000 credit line on March 11, 1980. Indicated on the employment section of the card was the fact that he was the vice president of a New York City-based corporation.
- Q. Is there anything in the Bally's card, itself to indicate that or show that Bally's verified that particular piece of information?
- A. There is absolutely nothing indicating that employment was verified.

There was confusing bank information on Dell's credit application. At one point, McGuigan testified, the casino obtained information by telephone that Dell had a bank balance of \$10,000 and that the account was opened in February, 1979. However Bally's on March 25, 1980, received written verification from the bank that indicated the information was spurious. The written notice stated that Dell's bank account was opened on March 11, the same day Bally extended him a \$40,000 credit line. McGuigan was asked about this incident:

- Q. Is that particular fact significant in light of what you've learned during the course of this investigation?
- A. Yes, it is very significant. One of the primary methods of carrying off a credit scam is to inflate your bank account immediately prior to applying for credit and then when the markers are eventually sent to your bank for collection, you withdraw that money, and there's absolutely no money to draw against.

- Q. Did that happen in this case?
- A. According to my review of Mr. Dell's collection file, his markers were returned and marked non-sufficient funds.
- Q. Did your review of the credit application of Dell reveal anything else that was very significant?
- A. Yes, it did. On the second page of the application there is a notation and it states quoting -- discussed with Regency customer fraud. Bank in West Indies is a phony. Many suits in judgments against a player -- end of quote.
- Q. Had Bally's accepted any checks from Mr. Dell drawn at the bank in the West Indies?
- A. Yes, they did. They accepted a \$40,000 cashier's check dated March 20, 1980, and also a \$50,000 cashier's check dated April 4, 1980. I would add that both of those checks were returned and marked uncollectible.
- Q. Was Mr. Weinberger involved in any credit decisions after May 16?
- A. Yes, he was. On May 18, two days later, Mr. Weinberger co-approved a continuation of Dell's credit limit at \$95,000.
- Q. Did you ask him why he did that?
- A. I did ask him. His only response was that it must have been an oversight on his part, and had he seen that particular notation, he would have suspended Mr. Dell's credit privileges at that point.
- Q. Prior to Bally's extending any credit to Dell, was Dell in debt?
- A. Yes, he was. He owed a total of \$64,600 in various judgments, and he also had a \$3,500 federal tax lien against him.

How Bally Wrote Off \$350 Million Debt

As previously noted, Weinberger's executive session testimony was read into the record by Agent McGuigan since the Bally's casino's president had been excused from the hearing because of

illness. The testimony highlighted the manner in which Bally's through Weinberger, wrote off \$350,000 of the \$500,000 debt that the casino had permitted credit gambler Samuel Rosenblum to run up during a period of eight months ending in August, 1980. Counsel Coppola read the questions from the executive session transcript and witness McGuigan repeated Weinberger's answers, as follows:

- Q. "Question: Over what period of time are we talking about before you became, as you put it, very good friends?"
- A. "Answer: In the casino business, excuse me, you become very good friends when someone needs something and you give it to them, so to speak, and that may sound crazy. Sam Rosenblum was a fellow that played high and heavy and he always met the people in authority and made it his business to meet the people in authority, and who could overrule who; and as time went on we became friends and had dinner once in a while, had mutual friends, had dinner with them. I never visited him in Philadelphia prior to my coming here, but I had dinner with him many times in Las Vegas and his wife and my wife."
- Q. "Question: When he showed up at your casino in December of '79 were you expecting him?"
- A. "Answer: I invited him. In fact, before we opened I went to Philadelphia and entertained him at a Variety Club dinner along with some other people, and then we went to a nightclub to see some kind of an act and then he came to the opening of Bally's Park Place, he insisted on throwing out the first dice and we said, Sam, it would be our pleasure."
- Q. "Question: He gambled on credit at your casino for quite a long period of time?"
- A. "Answer: Yes, sir."
- Q. "Question: And I believe the final tally was something like 500,000 owed to Bally's on credit?"
- A. "Answer: Yes, sir."
- Q. "Question: And eventually there was a settlement reached and that settlement amounted to, I believe \$150,000?"

A. "Answer: I think I better tell the story how it came out.

Q. "Question: Go right ahead."

A. "Answer: Fine. Sam, he came down to see me. He said, Bill, I'm in trouble and, as I say, we were close friends...He said that he owed a great deal of money to gaming casinos and he wanted to settle. I said, well, Sam, New Jersey is not like Nevada and you have an enforceable obligation in New Jersey. However, the only thing, if you want to sit down and write a letter with a reasonable settlement and be ready to lay down the money, I will be glad to take it to our credit committee which requires three of us. We talked back and forth. At first I recommended 50-percent. He recommended 25. Things went back and forth. I said, look, Sam, write the letter and we'll see what happens.

"When I talked to the people on the credit committee, I thought it was a good idea at any price, to be honest with you, because if we could make a cash player out of Sam and not give him credit, it would be much better for us as businessmen. It would be a good business decision.

"I might add, Sam Rosenblum was not delinquent in any New Jersey casino; and in foreign casinos and Nevada casinos they are unenforceable obligations, so you couldn't call them delinquent either...I recommended this.

"Anyway, we came to the conclusion it would be to our advantage and a good business decision to do this...

Q. "Question: Mr. Weinberger, will you tell me the reason that you are satisfied that making Mr. Rosenblum into a cash customer and writing off \$350,000 out of a \$500,000 debt was a prudent business decision on your part?"

A. "Answer: Sam has become closer to me as a friend. He is closer to Bally's Park Place. If he is going to play, and Sam will be playing on the way to the cemetery, and I don't mean to be facetious, but that's the kind of guy he is. But I know that feeling, and I've been married 45-years. On my

honeymoon I went broke shooting crap in Havana and every now and then I'm reminded of it.

Q. "Question: That's one debt that hasn't been forgiven?"

A. "Answer: And it never will be because I wouldn't let my wife buy a suit for \$35 because we were short of money.

"But Sam thinks we befriended him and he gives us credit. I don't know if anyone else in the state has talked to him, but we are his friends. I am his friend. Sam is going to play and if he plays at Atlantic City, I think he will give Bally's Park Place a great deal of his business. He knows it's cash. He will not become offended. The proof of the pudding is, he didn't like our suites in the hotel because they were too far from the elevator for his wife to walk, so they used to stay at another hotel and come to our place to play."

Q. "Question: In New Jersey you have to make a reasonable collection effort before you write somebody off, is that true, according to the regulations?"

A. "According to the regulations and according to our corporate policies."

Q. "Question: In your mind doesn't a reasonable collection effort mean accumulating as much information as you can about an individual? In other words, his financial situation to aid you in making the determination whether or not to write him off or not?"

A. "Answer: The answer is yes."

Q. "Question: What source of information did you utilize to accumulate information regarding this Samuel Rosenblum indebtedness?"

A. "Answer: None. I knew Sam for many years. I knew him as an affluent man. I knew him as a man who paid his bills. I knew him as a man who kept his word. I knew him as a man when he used to come to Las Vegas and there would be eight or ten couples with potential of half-a-million dollars to draw against.

- Q. "Question: Were you aware that Mr. Rosenblum had funds, let's even say sufficient funds to payoff the whole balance of the indebtedness at the time that you were proposing a 30-percent settlement to the committee?"
- A. "Answer: No, I did not know, but I did know that if it ever had to go to a lawsuit or one thing or another that he probably had enough assets. I know he must have owned some real estate. Sam is an affluent man and \$500,000 or a million dollars is not a lot of money to Sam, in my opinion."
- Q. "Question: Would you tell the other casino that he owed us 500,000 and we accepted 150 and we wrote off 350?"
- A. "Answer: All depends on how well I knew you."
- Q. "What about Central Credit?"
- A. "Answer: No. I would tell them it was a settlement."
- Q. "Question: You would not give them the particular amounts?"
- A. "Answer: I would not want to hurt that man."
- Q. "Question: The 350,000 that was written off by your casino, was that also written off for tax purposes in New Jersey?"
- A. "Answer: I don't know, but I'm sure it was."

CPA Audits High Roller Zarin

In preparation for the subsequent appearance of David Zarin, the one-time high roller who won and lost millions of dollars at the New Jersey casinos before joining Gamblers Anonymous as an addict, the SCI called for testimony by Anthony D. Restuccia, supervising agent of the Division of Gaming Enforcement's Audit Section. Restuccia, who was scheduled to discuss credit control reforms on the final day of the hearing, appeared at this juncture in order to give a synopsis of an investigation he was assigned to conduct into the gambling activities at Resorts International by Zarin and his then-constant gaming companion, Martha Nemtin. Questioned by SCI Counsel Coppola, Restuccia said Zarin began

gambling at Resorts in June, 1978, and Mrs. Nemtin in October, 1978, and that, until they ceased gaming at Resorts in April, 1980, they were treated, in effect, as a single patron because of the manner in which they shared chips and paid each other's debts. By May of 1980 they had become critically over-extended as credit players and checks totalling \$4.8 million had bounced. Restuccia was asked to describe Zarin's gambling activity by means of a chart* that was introduced as an exhibit. This testimony ensued:

Q. Mr. Restuccia, would you please explain what this exhibit is? Perhaps you could come down here and walk your explanation through this chart.*

A. Well, this diagram deals with Resorts International. We found that David Zarin and Martha Nemtin, combined, cashed approximately \$2 million in non-gaming checks at the casino cage. In effect, they gave Resorts their checks and Resorts gave them cash. The remainder of the \$16.7 million involves \$14.2 million in markers which were issued at the casino cage for which they received chips in exchange.

Q. Did you examine those particular transactions, the marker activity and the non-gaming check activity?

A. Yes, I did.

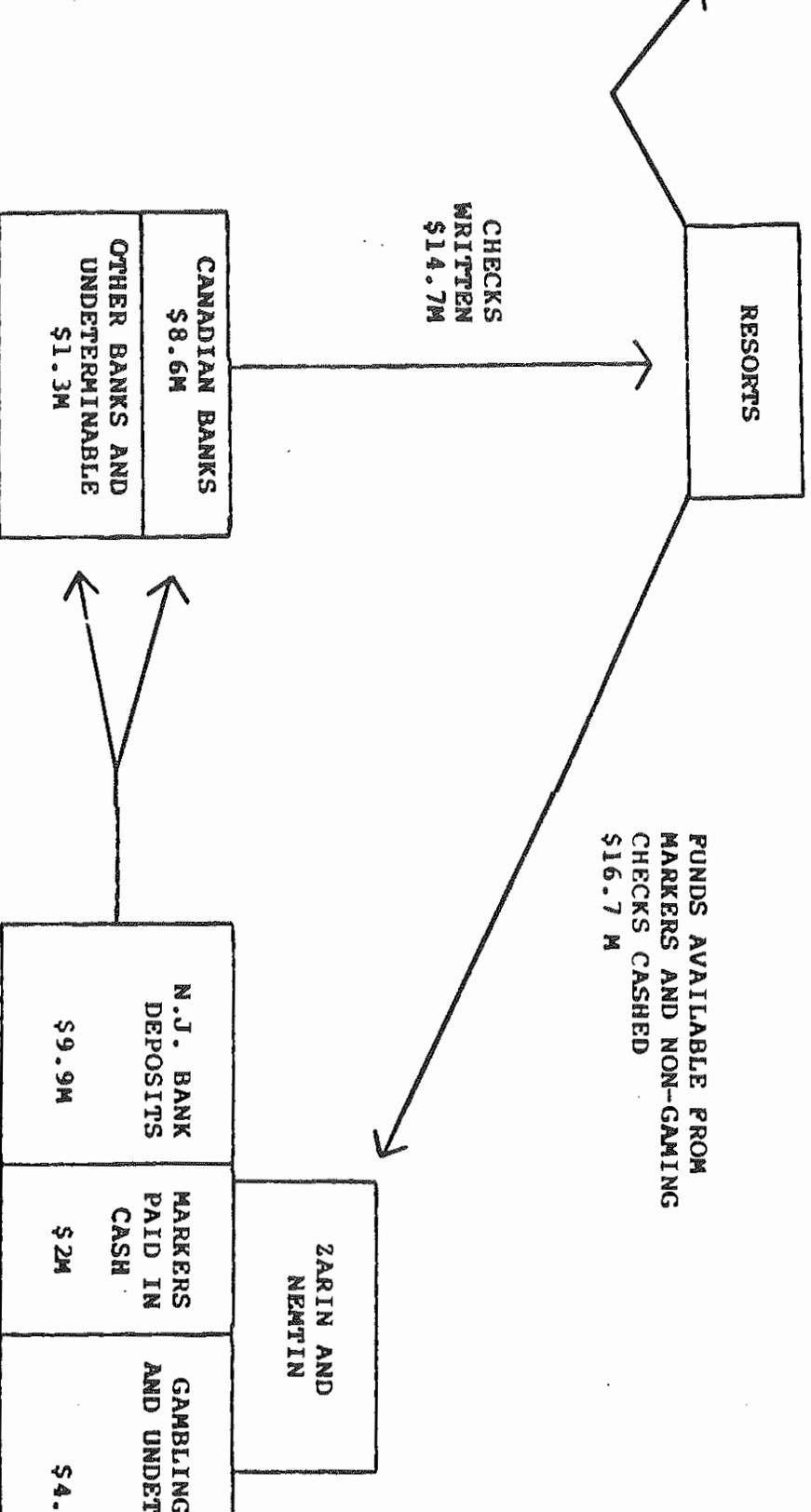
Q. And what did you find?

A. Well, as the investigation continued, the next item we wanted to identify was how that money was utilized. What we found was the checks that were written in the casino, a number of things happened to them. First of all, there was a portion of the money which we could not determine how it was utilized. That's included in this \$4.8 million and is \$2.6 million which is undetermined.

The next step was to review player ratings. Player ratings are the measure of the amount of money that a patron wins or loses or maybe doesn't gamble in the casino. And we found that approximately \$2 million or \$2.2 million was lost in the casino by David Zarin and Martha Nemtin during that time.

*See Chart, next page.

SUMMARY OF "GAMING" AND "BANKING" TRANSACTIONS OF
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In addition, we saw through records in the casino cage that \$2 million in markers were paid in cash. And we were able to determine, through other records, that approximately \$9.9 million ended up being deposited in the account in the name of David Zarin in the Atlantic City bank account.

Q. What conclusions can you draw about that \$9.9 million figure?

A. It appears that the patrons did not return to the cage for the purposes of repaying the markers. They returned to the cage for the purpose of transferring those chips into cash and leaving the casino and depositing the money into this bank account. In effect, they walked with the chips.

Q. This all occurred between the time period February 1, 1980 and April 17, 1980?

A. That's correct.

Q. What happened next?

A. Next we traced the flow of funds in this Atlantic City bank account, the funds left that account. There were a portion of the funds which we couldn't determine, approximately \$300,000. There was a million dollars that was deposited into a domestic U.S. bank account; and in addition, there's approximately \$8.6 million which was transferred into some Canadian banks. Many of these accounts were opened just shortly before this time period.

Q. What does that pattern of activity suggest to you from Resorts to New Jersey banks to the Canadian banks?

A. It constitutes elements of check kiting scheme.

Q. Did the pattern of activity, in effect, give them a float period of time to conduct their activities?

A. Yes, they had use of the money from the time they left the casino with it until those checks were ultimately presented to the bank and then clearing. So, depending on where the bank was, they could have anywhere from

two weeks -- if the bank accounts were in Canada, there was a six-week clearing time.

Q. Did you look at the Canadian bank transactions?

A. Yes, we did.

Q. What did you find from your review of those documents?

A. Well, first the Canadian bank accounts show a lot of activity. We didn't look at all the activity. What we did find was approximately \$14.7 million was written to Resorts International to pay off gambling debts. The next step we found was that of approximately a half-a-million dollars was non-gaming checks. So \$4.2 million had bounced which had been used to pay markers. These figures indicate there were more checks written than there was in the bank accounts -- the total amount of checks exceeded the funds in the bank.

Q. Now, does this pattern of activity demonstrate the inadequacy of certain credit regulations or inadequacies within the casino control account?

A. Well, there are several areas which could be improved, I would think that, number one, when these two patrons left the gaming tables and they had chips in their possession, it would have been helpful if there was a method to gain payment at the gaming table.

Next, when they went to the cashier's cage and they attempted, not attempted, when they did exchange these chips for cash, it was done, in spite of the fact they owe substantial sums to the casino, there was no requirement since they had an outstanding balance they had to apply the chips in their possession to those outstanding markers.

Next, when David Zarin opened up a number of Canadian bank accounts, had the casino been required to verify any of the bank accounts which he had been writing checks on to pay markers, they found the accounts had been opened for just a short period of time with nominal moneys and they never would have accepted those checks. With respect to

non-gaming checks; since that time, regulations have been changed to allow only an amount of \$200 per patron, per day to be cashed in the casino to prevent this type of activity.

Former Pit Boss Recalls Crap Shooter Zarin

Roger Deaton, who was an assistant shift boss at Resorts at the time of the hearing, was a pit boss at the time of Zarin's multi-million dollar gambling splurge with Mrs. Nemtin at the casino. Indeed, Zarin gambled only in the area that Deaton supervised and, according to the witness, would bet as much as \$7,000 on a roll of the dice. Counsel Coppola discussed the Zarin-Nemtin gaming activity with the witness, as follows:

- Q. What kind of player was he?
- A. Basically what we rate as one of our top players. A one-rated player.
- Q. What is a one player?
- A. Anyone that gambles...in the dice pit for anywhere from \$300 to \$500 per decision on the game.
- Q. How much could one player have down at the game on one particular roll of the dice?
- A. When Mr. Zarin was playing it could be around six to \$7,000.
- Q. Did you know a person by the name of Martha Nemtin?
- A. Yes, I do.
- Q. Did she and Zarin gamble together?
- A. Yes.
- Q. Did Mr. Zarin pass off chips to Nemtin on occasion?
- A. Yes, he did.
- Q. And after she received the chips from Zarin, did she leave the gaming area?
- A. At times, yes.
- Q. Were there occasions when Mr. Zarin could leave the table with substantial portions of chips in his possession?

A. Yes.

Q. Do you know where he went?

A. No, I don't, but all players will leave the table at times with chips, all players, not just Mr. Zarin.

Q. Based on your observations of his activity at the table, did he leave the table with substantial chips in his possession?

A. At times Mr. Zarin won a lot of money, yes. At times he lost a lot of money and, you know, if you win a lot of money, yes, you're going to leave with a lot of chips.

Zarin Tells How He Lost Millions at Dice*

David Zarin, by his own admission, lost \$2.5 million dollars and wound up owing almost \$5 million additional at casino gaming tables -- primarily at Resorts International -- during 1978 and 1979. He recalled that he began gambling at the rate of four or five hours a day, three or four days a week, but that by 1979 he "got progressively worse and, toward the end of 1979, I was there seven days a week, 12 to 16 hours a day." Zarin was president of the DRZ Corporation which, with another of his companies, Sencit, was a low-income housing developer in Atlantic City. Zarin indicated he borrowed huge sums, including more than a million dollars from the DRZ company, to finance his gambling spree. Zarin also recalled how he and his gambling partner, Martha Nemtin, shared credit, chips and debts during their gaming activity. Zarin ultimately succeeded in convincing himself that he was a compulsive gambler and, having with that self-admission met the most stringent membership requirement, joined Gamblers Anonymous. As a recovered gambling addict, he has become one of that organization's strongest advocates. Zarin was questioned by counsel Coppola. His condensed testimony follows:

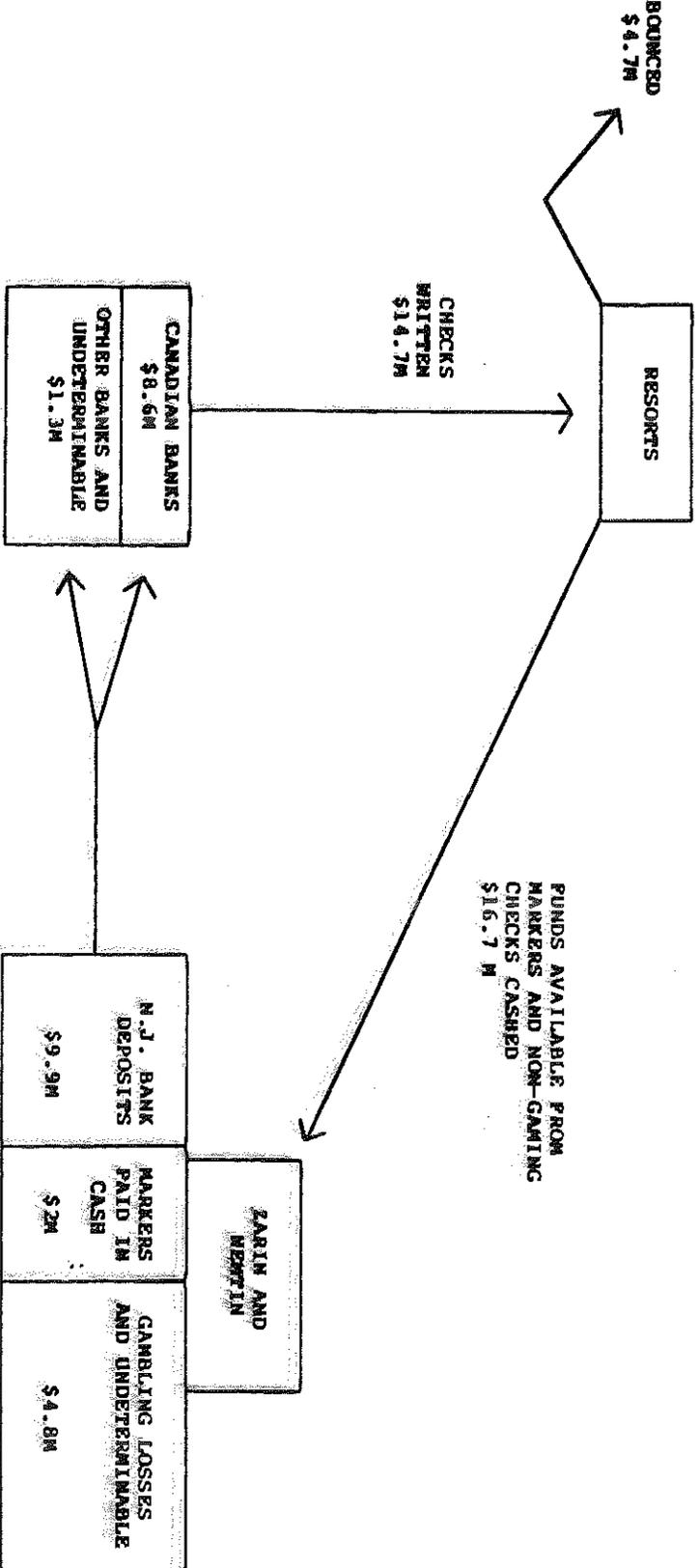
Q. What, in fact, brought you to Atlantic City in 1978?

A. I came to Atlantic City because I felt that housing would be needed with the advent of gambling. We had been doing housing in New Jersey, Pennsylvania, and Florida. So, I came because I felt housing would be absolutely vital in Atlantic City.

Q. Now, how would you describe your gaming activity at Resorts throughout the year 1978? In other words, was the situation under control for you?

*See Chart (repeated), next page.

SUMMARY OF "GAMING" AND "BANKING" TRANSACTIONS OF
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- A. Yes, it was under control in '78. I had losses, but nothing of the magnitude that occurred later.
- Q. And basically, did you gamble on credit between June of 1978 and April of 1980?
- A. I did.
- Q. And can you give us an estimate of the money that Resorts claimed you owed them at the end of this time period?
- A. They claimed I owed them something like three-and-a-half million dollars.
- Q. And was there also an additional 1.2 million approximately, that concerned itself with the gaming debt related to Martha Nemtin's activity at the casino?
- A. Yes, sir, there was.
- Q. Now, in fact, were you and Martha Nemtin sued for total of approximately \$4.6 million?
- A. Approximately, yes.
- Q. We show you what's been marked Exhibit C-125 for identification. It includes a Personal Statement, dated January 31, 1979, and it concerns your financial situation as of 9-30-1978. It shows a note payable to DRZ Corporation in the amount of \$915,000 and, well, \$952,301. Did you borrow from DRZ Corporation in 1978?
- A. Yes, sir.
- Q. And what did you do with the borrowed money?
- A. Well, some of it was used to sustain my gambling losses, others was for my personal use, other items.
- Q. I would like to direct your attention to the page of the exhibit entitled David R. Zarin, statements of assets and liabilities, June 30, 1979 unaudited, and there's a section on the page entitled liabilities. Now, that shows a note payable to a person in an amount of \$300,000. Do you know that person?

A. Yeah, he was one of my partners.

Q. There is also a note payable to a bank indicated on this page in an amount of \$201,080. Was that money borrowed from that bank in order to assist you in maintaining your current situation at Resorts?

A. Yes, sir, it was.

Q. Did you borrow that money specifically to keep gambling at Resorts and pay Resorts money during the course of 1979?

A. I did.

Q. Was the \$300,000 that you borrowed from your business partner as a note payable also used to continue gambling at Resorts?

A. Most of it, yes.

Q. There's also a note payable to DRZ Corporation in an amount of \$1,086,646. Was that money borrowed by you from the corporation?

A. It was, Counselor.

Q. Did you use that money to finance your gaming activities at Resorts in 1979?

A. I did, yes, sir.

Q. Did you ever tell Resorts that you were, in effect, having a cash flow problem where you, yourself would have to go get money from an outside source to pay them the gaming debt?

A. No, sir, I didn't.

Resorts' Housing Shelter Proposal

Zarin recalled a proposal by executives of Resorts that they would buy an interest in his Atlantic City housing development as a "tax shelter." According to Zarin, who had at the time just completed a \$50 million low cost housing development, he subsequently rejected the deal after Resorts proposed making a public announcement which, he said, suggested that the housing proposition would demonstrate to the Casino Control Commission that the casino was responding to pressures for a larger industry commitment to housing development in Atlantic City. Zarin said Jack Davis, president of Resorts, first suggested that the

company's executives would be interested in purchasing "an interest in some housing tax shelters I was building" and that Steve Norton, a vice president, later reiterated that interest in the tax shelter plan. Zarin testified about the outcome of the proposal, as follows:

- Q. Based on your understanding of that conversation with Jack Davis, did you feel that the proposed tax shelter was for Mr. Davis as an individual, or Mr. Davis on behalf of Resorts, the tax shelter for Resorts Corporation?
- A. No, the tax shelter for Resort executives were certainly of an individual character.
- Q. So, the fact that they worked for Resorts had nothing to do with your understanding of the situation?
- A. Nothing to do with Resorts. That's correct.
- Q. Did you have the impression that Resorts itself was going to hold itself out as being involved in the tax shelter?
- A. Not at that time, Counselor.
- Q. Did there come a time when you got that feeling?
- A. Yes, when we were approaching the climax of negotiations. The offering paper was being prescribed by their attorneys. It was at that time that they were going to issue a press release on the purchase of the tax shelter.
- Q. What was the nature of the press release that Resorts wanted to issue?
- A. Well, Resorts at that time wanted to issue a press release saying that Resorts would participate in housing in Atlantic City.
- Q. Were you told why they wanted to put out that particular release with that information in it?
- A. They were being pressed by the Casino Control Commission to provide housing for Atlantic City.
- Q. What was your response to that suggestion?
- A. Well, I told them that couldn't be, that

these were individual tax shelters, and that we could not and would not put out a press release sustaining Resorts as the purchaser of the tax shelter.

- Q. Were there any further negotiations with respect to this issue of tax shelters?
- A. Just that I issued a statement to the press that there would be no deal with Resorts.

Easy Credit Fed Zarin's Gambling Addiction

- Q. Mr. Zarin, a review of your credit application showed that in 1979 you drew markers on 139 days. The total amount that you paid Resorts in 1979 was approximately \$1.8 million, that payment was in checks and cash, and at the end of the year you had a balance at Resorts of \$443,000. Would it be fair to say or to characterize your gaming activity in 1979 as a loss?

A. Yes, sir, indeed it would.

- Q. During that period of time were you losing everything that you had worked for?

A. During that period of time I certainly was. Without realizing it, Counselor, and in retrospect, I now begin to understand what was happening. But in that period of time, yes, I lost a great deal of what I had spent a lifetime working for, yes.

- Q. Would it also be fair to say that you were gambling beyond your means in 1979?

A. Yes, it would.

- Q. I want to ask you about credit increases and how they took place at Resorts, let's say for 1979. You received, according to your credit application, 26 credit increases during that time period, and Gary Grant was involved in most of those credit increases.

Can you tell us how it comes about that one gets or you received a credit increase at Resorts? How does the transaction take place?

- A. In '79 towards the latter part, October, November, December, I was losing excessively and reaching my credit limit very quickly,

and I was always pushing the casino to increase my credit limit so I can continue gambling. And I would ask Mr. Grant for an increase in my credit limit.

Q. Were you asked any questions by Mr. Grant such as what are your living expenses?

A. No, sir.

Q. Were you asked how much money do you owe outside of, let's say, Resorts Casino?

A. No, sir.

Free Rooms, Food, Drink Spurred Credit Gaming

Q. What was your own feeling about what was happening during that period of time in your life, 1979?

A. Well, in 1979, I was gambling most of the time. There was an estrangement from my family and my business. That was the later part of '79. It was devastating.

Q. Did you have a suite at Resorts?

A. Yes, sir.

Q. Describe it for us.

A. It was a large room, it was a large living room including television set and a bar and, then, there was a large bedroom and two baths.

Q. Who paid for that?

A. Resorts.

Q. Did you have the benefit of any other comps at Resorts or from Resorts during 1979?

A. Yeah, the beginning of '79 I was comped for my room. The end of '79, I was comped for everything.

Q. What does everything include?

A. Well, entertainment, food, living, traveling, that kind of thing.

Q. When you say "traveling" did they provide a limousine to be at your disposal basically?

A. Yes, sir.

Q. Where would you go with the limousine?

A. I had an office in Elizabeth and an office in Harrisburg, and I would go to my offices.

Caesars "Competed" For Zarin's Patronage

Q. Did there come a time when you attempted to or, in fact, did establish a credit line at Caesars in Atlantic City?

A. Yes, sir.

Q. I refer you to an exhibit marked C-127 for identification, a copy of your credit application at Caesars. It also sets forth your credit gaming activity. Do you recall when you applied to Caesars for credit?

A. August 10, '79.

Q. Now, can you tell us why did you go to Caesars, and by the way, what credit line were you given at Caesars?

A. I think \$50,000.

Q. Did you eventually, at least according to Caesars, owe them, I believe, over \$200,000?

A. Yes, sir.

Q. Why did you go to Caesars to establish a credit line in view of the fact that Resorts was giving you everything you wanted as far as your gaming activity in 1979? Why the need for an additional credit line?

A. It wasn't a need for funds or even credit, Counselor. It was as a gambler does when he's running bad in one place, you try to go to another place to gamble as such, and you can't. It wasn't propitious to carry cash from one casino to another.

Q. Now, did there come a time in 1979 when, I'll characterize it as competition between Caesars and Resorts took place for your gaming activity?

A. Yes, sir.

Q. How did the competition show itself, if you can tell us that?

A. Well, Martha (Nemtin) was suggesting, was telling me that Caesars was asking her to bring me over there so that we could play, that we would be comped and that's the first I had inkling I had of it.

Q. What did Caesars do for you, if you remember?

A. Just comped us for meals, that's all.

Q. Did there come a time when they presented you and Martha Nemtin with gifts?

A. Received a large screen television set that came to my home one day in Elizabeth.

Q. Did Martha Nemtin also receive a similar T.V. set?

A. A T.V. set came to her home in Canada.

Q. Did Resorts give you anything in particular during that period of time that you can recall?

A. Gave me a wristwatch around Christmas time.

Q. Did Martha Nemtin receive anything from Resorts?

A. Yeah, she received a watch also.

Q. Did there come a time in 1980 when you went on a boat trip?

A. Yes, sir.

Q. Who paid for the boat trip?

A. Caesars.

Q. Where did you go?

A. We went to the Bahamas to Nassau.

Q. And how long did you stay there?

A. About two days.

COMMISSIONER PATTERSON: Mr. Zarin, this wasn't an ordinary boat, this was a private yacht, wasn't it.

THE WITNESS: Yes, sir, it was.

COMMISSIONER PATTERSON: And you were the only people on the yacht, your party?

THE WITNESS: My party only, yes, sir.

"My Only Desire Was To Gamble"

Q. Now, at the end of 1979 you owed, according to Caesars card, 200,000; according to Resorts card 433,000. Were you in control of the situation?

A. No, sir, I wasn't.

Q. Can you give us an idea of what it was like to be in that position?

A. Well, very traumatic for me. At that time my only desire was to continue gambling. Again, my attention to my family was depleted and my attention to my business was curtailed a great deal and my only desire was to continue gambling.

Q. What kind of bets were you making?

A. The end of '79 I suppose -- I suppose I could have had a thousand dollars on a number.

Q. How many numbers would you have bet on one roll of the dice?

A. Mostly all of them. It's been three years since I played dice, but I think there are still six numbers.

COMMISSIONER GREENBERG: That means \$6,000 on every roll of the dice?

THE WITNESS: Yes, Commissioner.

BY MR. COPPOLA:

Q. When you were getting credit increases, how would these increases come? What would you have to do in order to get them?

A. Well, all I'd have to do is ask for the increase and now with becoming more frequent and there wasn't any time lapse, my checks did not have to clear. This was the latter

part of '79...No bank information was checked. It was almost automatic.

Q. Now, in 1980 did the situation change at Resorts insofar as how they looked at your checks that you were giving them?

A. Yes, sir it did. When I came back from the Christmas holidays I had an apartment in Florida and I spent Christmas and New Year's with my family. When I came back I wanted to know from Gary whether all my checks had cleared so I could gamble, and he said you don't have to worry about that anymore. He says you have unlimited credit.

Q. He actually used those words?

A. No, I don't think he used those words, but that was the significance to me. He said that they would consider the checks good as soon as I had written them.

Q. In January, a review of your card, January '80 shows that you were in the casino drawing markers on 19 days, and you drew approximately \$1.6 million in markers. In February of 1980 you were in the casino 17 days drawing markers, and you drew over \$2 million in markers. In March you were in the casino 25 days, you drew approximately \$3.3 million in markers. In April you were in the casino 28 days and you drew approximately six-and-a-half million dollars in markers.

What was going on during this period of your life that you could possibly draw that much money during that short a period of time? How did you gamble all that money?

A. I wish I knew, Counselor. I was completely out of it, and to try to, in all the times I've been before committees, to try to recapitulate is incredibly impossible. I had no idea of the checks I was writing. The only thing I wanted to do was to keep gambling. I was completely, absurdly, devastatingly out of it.

Q. Did you have a cash flow problem during that time period?

A. Yes, sir.

Q. Were you able to borrow any more money from outside sources during that time period?

A. Yes, sir, I think I was.

Q. Do you remember, you don't have to tell us who, but can you tell us the amount of money that you borrowed and what you did with the money when you received it?

A. I borrowed approximately six, \$700,000 in that period and I gambled it.

Q. Did you use that money to pay off markers that were previously written?

A. I used that money to continue gambling.

Cashed "Non-Gaming" Checks To Pay Resorts Markers

Q. Now, as to your cash flow problem, do you know that Resorts in a way helped you get over the cash flow problem during the early parts of 1980?

A. Well, I don't know how Resorts helped. I presume by that you're meaning I was using the casino money to cover the checks that I had been writing.

Q. That's it. Tell us how that happened.

A. It's hard to reconstruct it, Counselor, it really is. But whenever I would be short in the bank, I would simply cover it with whatever moneys I had available, borrowed, or moneys from Resorts or whatever.

Q. The money from Resorts, did that include money that you received by converting chips into cash?

A. Yes, sir.

Q. Was Resorts also cashing, quote-unquote, non-gaming checks during this particular period of time?

A. Yes, sir.

Q. Do you remember the first time you presented a non-gaming check to Resorts for them to cash?

A. Yes, I asked Mr. Grant to cash the non-gaming checks and he agreed.

- Q. How much was the first check for, if you recall?
- A. It was \$50,000, I think.
- Q. And over a period of time did Resorts cash non-gaming checks worth over \$2 million?
- A. I think so, Counselor, yes.
- Q. Did Mr. Grant ask you when you presented this \$50,000 check to him what you needed the money for?
- A. The first time he asked me and I told him I needed it for salaries, which was not true.
- Q. That was it. What did you do? You got the approval to cash the check for \$50,000. What did you do with the cash?
- A. I simply used it to cover any deficiencies that I had in the accounts due to gambling.

Cash-Short Zarin Opened Canadian Bank Accounts

- Q. Now during this period of time you were short of cash in order to cover your gaming debts at Resorts; is that correct?
- A. Correct.
- Q. Now, did there come a time when you opened a Canadian bank account?
- A. Yes, sir.
- Q. Why did you open a Canadian bank account?
- A. Well, Martha was using her bank account to sustain my gambling in that terrible period, and then what had happened was that she said she couldn't sustain my gambling losses any longer and all I did, what I did was simply open up the Canadian account to replace Martha's account, which had been in use for three, four months. Which was also in Canada. Both accounts.
- Q. Did the use of that account give you and Nemtin additional time to cover your gaming activity at Resorts?

- A. Well, yes.
- Q. You recall the date April 17, 1980? Did you go to Canada on that date?
- A. Yes, sir.
- Q. Did you open bank accounts at two banks in Canada?
- A. Yes, sir.
- Q. Did you deposit any money?
- A. Some ten or \$20,000.
- Q. Did you come back to New Jersey that same day?
- A. Yes, sir. I came back to gamble. Went right to the crap game.
- Q. I show you Exhibit C-105, a Xerox copy that I believe shows three checks, the second page shows two checks. The total amount is some \$180,000. What bank were those checks drawn on?
- A. Royal Bank.
- Q. Did you make those in Canada --
- A. Yes.
- Q. Did you make those checks out payable to a certain corporation?
- A. Resorts, yes.
- Q. Did you present those checks to Resorts on April 17, 1980?
- A. Yes, I did.
- Q. Now, why did you give them that amount of money in that form on that day?
- A. That's the amount of money I lost.
- Q. Did you have money in the Canadian account at the time? To cover the checks?
- A. No.

Q. Who accepted those checks from you on that date?

A. Gary Grant.

Q. What did you say and what did he say?

A. Well, Gary looked at it and he says what's this. And I said I had opened up an account in Canada, Gary, because I need the additional time to clear my checks.

Q. Did he respond to that? What did he do? Just took the checks?

A. Yes, sir.

Resorts Cuts Zarin Off After \$3 M Checks Bounced

Q. Now, what brought an end to your gaming activity at Resorts on credit?

A. At the end of April, April 30, I was told by one of the people in the casino that they had found a way to expedite the clearance of these checks.

Q. Shortly thereafter did over \$3 million in checks drawn on that account bounce?

A. Oh, yes, surely. When he told me that, I told him I couldn't clear those checks in that short period of time.

Q. Did they give you any reason why they were now, at this point, cutting off the whole situation? I mean, there was nothing different going on now than was going on for the last five or six months with you at Resorts; correct?

A. I don't know, but they gave me no reason, Counselor.

Q. I show you a copy of a complaint filed by Resorts naming yourself and Martha Nemtin as defendants. Does that document basically set forth that you were sued for \$3.4 million and Martha Nemtin was sued for approximately \$1.2 million?

A. Yes.

Q. We also show you two additional documents...The document I would like to

refer to is a copy of the complaint filed by yourself against Resorts...And can you tell us what the basis was of your lawsuit against Resorts?

A. At that time, Counselor, my attorney was Goldstein. After spending many, many, many days with Goldstein describing what had happened, Goldstein was utterly convinced that I was the victim, and Resorts was a culprit, and he structured this complaint in legalistic fashion just as he saw the case.

Q. Did there come a time when both of those lawsuits were withdrawn?

A. Yes, sir.

Q. And were they drawn as a result of a settlement agreement entered into between you and Resorts?

A. Yes, sir.

Q. Now, what amount of money did you agree to pay Resorts in settlement of the obligation that's reflected in your gaming card of over \$3.2 million?

A. Half-a-million dollars.

Q. And was there a settlement or rather a payment schedule worked out for payment of the \$500,000?

A. Yes, sir.

Q. I hand you what's been marked C-130 for identification and ask you to tell us what the payment schedule is between David Zarin and Resorts International?

A. The payment schedules shows first payment of \$50,000 on signing the agreement, and that was signed, I believe, in September of '81.

A second payment of 50,000 on November 15, '81. A third payment of 100,000 on November 15, '82. A fourth payment of 100,000 on '83. Fifth on '84 and sixth on '85.

Q. Is there any interest that attaches to these payments throughout that schedule?

A. No, sir.

Q. Did you also reach an agreement between yourself and Boardwalk Regency Corporation, also known as Caesars, in settlement of a debt?

A. Yes, sir.

Q. Gaming debt?

A. Yes, sir.

Q. Did that settlement take into account the credit obligation of not only yourself but also Martha Nemin?

A. Yes, sir, yes, sir.

Q. Did you agree to pay the debt to Caesars in full?

A. I agreed to pay the debt to Caesars in full, dollar-for-dollar...I owed Caesars, I think, 200,000 and Martha owed Caesars 250, or may have been vice versa. So it was a total of 450. I took Martha's debt and agreed that that would be paid. Martha's debt would be paid first, according to the payment schedule, and that also was approximately \$100,000 a year.

Q. Can you tell us why you agreed to pay Martha Nemin's debt?

A. Because I used her money for my gambling purposes.

COMMISSIONER GREENBERG: What do you think they did wrong and why do you think you are the victim of Resorts for what they did to you or what they failed to do for you during 1980, sir?

THE WITNESS: Commissioner, it is hard to admit that one is a compulsive gambler.

COMMISSIONER GREENBERG: I understand.

THE WITNESS: But in the '78 and '79 period, I did not know I was compulsive. In 1980, I didn't know I was compulsive. I didn't know I was a compulsive gambler until I joined Gamblers Anonymous December 9, 1980...I felt that in the period from January 1, 1980 to April 30, 1980, I was gambling absolutely compulsively. My family knew it. My

friends knew it. I'm sure the casino knew it. And I don't believe that credit should be extended to compulsive gamblers...

Zarin Urges Help For Compulsive Gamblers

Zarin concluded his testimony by putting a personal statement into the hearing record. While he conceded that a "major responsibility for regulating gambling behavior must rest with the gambler himself," he contended that until recently neither government nor the gambling industry has acknowledged gaming addiction as a problem. He stated that "there is now conclusive evidence that such gamblers are readily identifiable." He added:

There must be concurrent attempts to identify the potential or active compulsive gambler and a concerted effort to treat these individuals. Regulations, identifications and treatment are all needed. These hearings focus on only regulations. Although this is important, it will not resolve the problem of the compulsive gambler ...There are groups such as the National Foundation for Study and Treatment of Pathological Gambling, located in Washington, D.C., which can assist in identification of compulsive gamblers and can treat them when requested. Unfortunately, the compulsive gambler, himself, does not always want to be identified and even tries to hide his identify. He also is reluctant to seek out treatment. But more importantly, he should not be permitted to continue gambling.

Zarin urged that the problem of compulsive gambling should be addressed by a number of steps -- 1) establish educational programs, 2) assist the gaming industry in recognizing the problem and developing "methods of intervention," 3) set up treatment and referral systems, and 4) support legislation to provide funds to help control the problem. Zarin concluded:

I am one of the fortunate few compulsive gamblers who has been able to face up to my gambling problem and overcome it with the help of my family and the professionals who have worked with me. As a recovered compulsive gambler, I hope that my experience as outlined to you today will encourage this Commission to make the recommendations I have suggested to support the treatment and rehabilitation of compulsive gamblers.

Gambling Addiction Shackles Prison Guard

When Michael E. Campanaro was a prison guard for Essex County, at a salary of \$16,000 a year, he took a side job at the Meadowlands race track in Secaucus -- and from that point embarked on a prolonged gambling spree that ultimately cost him two heart attacks, his job and a combined personal indebtedness from casino losses and forged bank checks of \$750,000. Campanaro, the next witness, was yet another example, perhaps more tragic than the apparently still affluent Zarin, of the personal debasement and financial destruction the disease of gambling addiction can cause. SCI counsel Gerard P. Lynch guided Campanaro through his recital, as follows:

- Q. During the time that you were a correction officer did you hold any other side jobs?
- A. Yes. I worked at the Meadowlands Race Track.
- Q. Was there a period of time when you worked at the Meadowlands Race Track when you were considered a very heavy gambler?
- A. Yes, a while after I started, was employed, I started gambling very much.
- Q. Would you tell us how that occurred?
- A. I was given information on a trifecta, 6-3-1- were the numbers. I wagered \$50 on it, won \$20,500 in one race.
- Q. Do you still gamble at present, Mr. Campanaro?
- A. No, but I have gone back on occasion.
- Q. Have you been examined by any doctors specializing in the treatment of compulsive gamblers?
- A. Yes, I was examined by Dr. Custer in Washington, D.C., and by Dr. Sanger in New York City.
- Q. Have you been diagnosed by these doctors as a compulsive gambler?
- A. Yes, I have.
- Q. Prior to your gambling in Atlantic City casinos, had you incurred any other gambling debts?
- A. While employed at the Meadowlands and gambling at the Meadowlands, I took out

loans in excess of \$70,000 to support the gambling. I had a mortgage on my home and then a second mortgage.

Q. Were these bank loans that you took out the means by which you paid off your gambling debts at the Meadowlands?

A. It was means by which I gambled.

Counsel Lynch next reviewed Campanaro's application for credit at the Caesars casino on March 7, 1980. On this application, Campanaro listed his \$16,000 annual salary as a prison guard and his personal checking account, which he said had a balance during the prior six months of "anywhere from zero to \$260 actual cash money." He requested a credit line of \$5,000, and was granted a \$2,500 line the very next day. The casino didn't verify his credit application data -- apparently having been convinced that Campanaro was a high roller, based on his heavy cash play the day he arrived. Campanaro told about how he started gambling at Caesars:

Q. Did you make a cash deposit with Caesars on March the 7th, 1980?

A. Yes, I did.

Q. How much was that for?

A. \$12,500.

Q. What was the source from which you obtained this \$12,500?

A. From cashing a bad check at a bank...to obtain the cash to go to the casino with.

Q. Did you subsequently request a credit line at Caesars?

A. When I originally opened the account, yes. \$5000.

Q. Could you tell us how much was granted to you?

A. \$2500.

Q. When was this granted?

A. The 8th, which was the day after I made the application.

Q. Prior to the approval of the credit line was your employment verified?

A. No.

Q. Prior to the approval of the credit line, was your bank information verified?

A. No.

Q. Prior to the approval of your credit line, to your knowledge, was there any credit bureau check?

A. No.

Even after Caesars received written notice from the bank listed on Campanaro's credit application that it had "no record" of his account, the casino not only continued to allow Campanaro to bet on credit, but even raised his credit line to \$20,000. Campanaro told how he managed to continue as a credit gambler:

Q. In that time period I'm referring to, March 8th, 1980, and March 24th, 1980, were you bringing in large sums of cash into Caesars? And by "cash," I mean either cash or cash equivalent such as treasurer's checks or cashier's checks.

A. Yes, I was.

Q. Were you also winning big at the casino during this period?

A. Yes, I was.

Q. Were you able to pay off any of your debts with checks that you were depositing with the casinos as well as with the winnings that you were making?

A. Yes.

Q. On March 22nd, 1980, did you issue a personal check to Caesars in the amount of \$4500 which reduced your indebtedness to Caesars to zero?

A. That is correct.

Q. Did you have sufficient monies in that bank to cover that forty-five-hundred-dollar check?

A. No, I did not.

Q. On March 22nd, that same date, did you have a permanent credit line increase to \$10,000?

- A. Yes. It was increased from \$2500, the original permanent credit line, to \$10,000 on the 22nd.
- Q. Could you also check that same date and could you tell us whether or not you had a further increase in your credit line?
- A. Yeah, on 3/22/80 I was increased from the 10,000 to 15,000.
- Q. Again looking at that application, did you also make a five-thousand-five-hundred-dollar payment, 5000 of which was a personal check, which reduced your outstanding balance to zero?
- A. That is correct.
- Q. Was there sufficient monies in your bank account to cover the five-thousand-dollar check that you just issued?
- A. No, there wasn't.
- Q. Does the credit card indicate in May 9th that these checks at that time came back as not sufficient funds?
- A. Yeah, they were given on approximately March 22nd and it did not come back till May.

How He Tricked a Bank Out of \$29,500

- Q. On March 30th, 1980, you made a thirty-one-thousand-five-hundred-dollar payment, thus reducing your outstanding balance again to zero. Is that correct?
- A. That is correct.
- Q. The application also indicates that \$29,500 of this was in the form of a cashier's check?
- A. That's correct.
- Q. Would you tell us how you obtained that cashier's check?
- A. Yeah, I had called the bank and made a deposit in the bank with a bad check for \$35,000 and I had more or less set the bank up to believe that the check that I had deposited was a Merrill Lynch check, a stock-sale check. I had asked them to

override the account. (I said) I was in the middle of negotiation of buying some land in Atlantic County and would they made the cashier's check out to Caesars Boardwalk Corporation. My idea was to turn it over to Caesars Boardwalk Casino at the time and I made it to the corporation so the bank would believe that it was for a land deal.

Q. Were you, in fact, involved in such a land deal?

A. No.

Q. Was the twenty-nine-thousand-five-hundred-dollar cashier's check accepted immediately by the casinos without any verification of its authenticity?

A. It was accepted as cash, as another cash deposit in the account.

Q. On that same date, March 30th, 1980, did you receive a temporary credit extension?

A. Yes. I was increased from 10,000 to 20,000 this time.

Q. This credit application also shows that on April the 5th, 1980, you received a temporary credit increase again. Is that correct?

A. Yes, from 10,000 to 20,000 again.

Q. When you received the second increase to \$20,000, what was your outstanding balance owed to Caesars?

A. \$24,000.

Q. Could you tell us, when you finally stopped gambling at Caesars, what was your outstanding balance with them?

A. \$99,500.

Q. Was that your total indebtedness at that time?

A. To Caesars only.

Q. Right. What was your outstanding indebtedness to Caesars, Bally's or any other casinos and the banks?

A. \$750,000.

COMMISSIONER GREENBERG: Well, was any of the money that you borrowed or defrauded from the banks used for any other purpose except gambling at the casinos in Atlantic City?

THE WITNESS: All that time I gambled I was behind months in my mortgage payment, never paid my electric and gas. It was strictly 100 percent used for gambling.

COMMISSIONER GREENBERG: You chose to pay your gambling debts, or try to pay them at least, ahead of your other debts?

THE WITNESS: That's correct.

EXAMINATION BY MR. LYNCH:

Q. Was the balance you owed Caesars, the 99,500, was that subsequently reduced when one of the banks you got a cashier's check from honored that cashier's check?

A. Yes. That was Chase in New York, \$25,000. They had stopped payment on the original cashier's check and they they had notified the State Police that would pay the cashier's check and they subsequently paid Caesars the \$25,000, which lowered it to \$74,500.

The State Police Investigation

Q. Mr. Campanaro, did you ever have any discussions with casino credit executives concerning an investigation which was being conducted of you by the law-enforcement agencies in this state?

A. Yes, upon entering Caesars one weekend to gamble, after registering at the hotel, I was told that I was under investigation for various banks that had been in touch with the State Police (about) bad checks that I had written.

Q. Who informed you about this?

A. Jimmy Orr.

- Q. Was Jimmy Orr a credit executive at Caesars at the time?
- A. Yes, he was.
- Q. Were you subsequently arrested for any of this, any of these bad checks?
- A. Yes, I was arrested the following week by the State Police in Atlantic City.
- Q. After your arrest, could you indicate to us whether or not you had any discussions with any of the credit executives at Caesars?
- A. Yeah, I was locked up in the Atlantic County Jail and I made a call to Caesars and I asked for Bernie Resnick and I had told Bernie that I had been arrested for the things I had done with the banks and with the casino. He was aware of the investigation. He had told me that he would get in touch with corporate counsel to see if there was anything they could do for me.
- Q. Was he a casino credit manager?
- A. He was beyond the credit manager. He's manager of all the credit managers.
- Q. Did you subsequently have an additional conversation with Mr. Resnick?
- A. Yes. After being let out on bail about two weeks passed and I went back to Caesars after cashing another check and I had told Bernie that I had about \$35,000 on me; that I wanted to put it in the account. He had told me if I put it in the account it would go against my indebtedness and they can no longer give me any credit because of the investigation. I told him I was uncomfortable holding that money for a two-day period maybe in my room. He had suggested a box at the registration desk, to put it in there for safekeeping.
- He then suggested we go see Larry Wolf, the vice-president of Caesars, in reference to opening another account under the name of Michael Campo and depositing that money in that account.
- Q. This was Mr. Resnick's suggestion?
- A. Yes, it was.

THE CHAIRMAN: Excuse me. This \$35,000 you said you had on your person, where did that come from?

THE WITNESS: Yes. From another bank. I had used the influence of the Senate and the Congress and impersonated myself as both a Senator and a Congressman to get my way into banks and obtain that kind of money. I called various banks impersonating myself as a member of the Senate and a member of the Congress telling these bank presidents that I was the Senator or the Congressman, and I had a friend of mine by the name of Michael Campanaro who had a serious problem at the time with a brother and needed to cash a check and would they do me, the Senator, a favor and cash it for him.

COMMISSIONER GREENBERG: Now, when you get to Atlantic City and you tell Mr. Resnick and Mr. Wolf that you have got \$35,000 in cash that you want to play with but you don't want to keep it in your room, who was it who suggested that you open up an account in the fictitious name of Campo?

THE WITNESS: Bernie Resnick. That is correct. The suggestion was originally made downstairs by the registration desk and then when we went up to meet Larry Wolf, he had given that idea to Larry Wolf and Larry Wolf had turned it down.

COMMISSIONER GREENBERG: Then what happened?

THE WITNESS: We went back downstairs. I was told by Bernie Resnick I was entitled to full comp, RFB, room/food/beverages, but I would only play for cash and I put the money in the safe-deposit box and I gambled for cash.

BY MR. LYNCH:

Q. Were the Caesars credit executives aware that you were still gambling with cash at Caesars at this time?

A. Yes, they were.

Q. While you were gambling at Caesars with this cash during the State Police investigation of you, did you have any outstanding balance still with Caesars?

A. Yes, I did. \$99,500.

COMMISSIONER GREENBERG: They knew you had \$35,000 in cash to play with and they didn't ask you to pay back the \$99,000 that you owed them?

THE WITNESS: That's correct. As a matter of fact, I had won about \$20,000 that Saturday and I went to the casino cage to cash the chips in and the girl, who recognized me from this investigation, that cashes the chips went to the phone with this Ted Abbey, who's a credit manager, was called over by me and he told to the girl not to take the money against the account, to cash me out and let me have the cash.

Q. This is after your arrest?

A. That's correct.

Q. So they allowed you to take it out and leave the casino or do whatever?

A. That's correct.

Got Credit At Bally's Despite Debts

Q. I show you the credit application from Bally's Park Place in the name of Michael Campanaro. Do you recognize this application?

A. Yes, my application.

Q. Could you tell us under what circumstances you were able to establish a credit line at Bally's on April the 4th?

A. Yeah, I could no longer get credit at Caesars and I had run out of money and I had talked to Jimmy Orr and he had suggested I go over to Bally where I had an application in; that he had a friend of his who was a credit manager there and he would see what he can do, and I did do that on April 4th and I was given a five-thousand-dollar credit line.

- Q. Now, on April 4th, 1980, they approved the credit line for \$5000. Does the Central Credit check on that application indicate that you owed Caesars \$13,000 at that time?
- A. That's correct.
- Q. Does this also indicate whether or not any bank information was obtained by Bally's when you applied for credit there on April 4th?
- A. On April 4th, no.
- Q. Does the card indicate that on April 14th a bank check was performed on you?
- A. Yes, it does.
- Q. Would you read for the record what that bank information indicated?
- A. It's dated 4/14/80. "Bank called." Bank No. 1. "This account was opened only four days ago. Is now closed. Any checks this customer writes are not good. Customer is also wanted in New York by Chase Manhattan for a very substantial amount of money." It's signed per Mr. Johnson, who was the vice-president and bank manager of that particular branch at that time.
- Q. When did you stop gambling at Bally's?
- A. 4/13.
- Q. So they did this bank check after you stopped gambling there. Is that correct?
- A. That's correct.
- Q. What was the total amount you owed Bally's as a result of your credit play there?
- A. A total of \$15,000.
- Q. Could you tell us how you were able to increase your credit line at Bally's from \$5000 to \$15,000 in ten days?
- A. When I lost the original \$5000, I had approached Bob Pelligrino and, I believe it

was, Carol White, the girl behind the counter, and I had given them a five-thousand-dollar check which dropped my indebtedness to zero, and they increased me an additional \$10,000 in credit for that stay.

Q. Was any financial background check done before they increased your credit to \$10,000?

A. No, it wasn't.

THE CHAIRMAN: Was the five-thousand-dollar check a good check?

THE WITNESS: No, it wasn't.

VIP Treatment Spurred Gaming Addition

BY MR. LYNCH:

Q. Did you ever receive any complimentary services from Atlantic City casinos? And what were these complimentary services that you received?

A. Well, it was RFB; room, food and beverage. It was the room at Caesars; it was a gold card which entitled me to call for room service day and night, everything would be paid by the casino; it was tickets to shows at Resorts or in Caesars itself; it was one particular time my mother my father and my brothers were taken by limousine to the Sand Castle Restaurant, which is, I think, in Brigantine, and they were taken care of there.

Q. Were these comps not only for you but for the members of your family and close friends?

A. If I requested it, yes.

Q. How would the complimentary benefits have affected you as a gambler?

A. It made me at that time feel great. Even though I was losing large amounts of money, I said before I felt like I was president of I.B.M. Anything I wanted I could have had. I was actually treated that way.

Casino Approved False Registration

Q. Well, you indicated that Caesars would not grant you any more credit after the police investigation of you came to light. Did the complimentary benefits that they were giving you, did they cease also as well as the credits?

A. No, for a short period of time I continued getting complimentary benefits under the name of Mike Campanaro. What had happened was one of the State Police officers had spotted me in the casino and had gone to the credit executives and wanted to know why I was still a complimentary guest to the casino. So the following stay I was told that they would register me under the name, any name I wanted, and I told them to register me under Mike Campo instead of Mike Campanaro.

I continued to come under the name Mike Campo as a full complimentary guest, and on certain occasions my ex-wife Grace was put down under her name. Another friend of ours, Diane, it was put under her name.

Q. So the comps were just for you and they were avoiding contact with the State Police in giving you these complimentary services. Is that what you're stating?

A. That's correct.

Q. Did the State Police at any time notice you gambling in Atlantic City and check out whether or not you were receiving complimentary under any other name?

A. Yes. Detective Sergeant Glen Reynolds spotted me one day, asked me to come up to this office with him. He was the original arresting officer.

He said he looked on the registry and did not find me registered, was I staying at the casino. I said yes. He asked under what name and I told him Mike Campo, and I told him, you know, I've been under Mike Campo awhile and sometimes under Diane's name or Grace's name.

Jury: Gaming Addiction Was Insanity

- Q. Were you ever indicted and tried for the writing of the bad checks as a result of your gambling?
- A. Yes, I was indicted in five different counties and I stood trial in two counties.
- Q. What county did you stand trial in, first of all?
- A. I stood trial May 5th, 1981, in Union County on eight-count indictment of defrauding five banks out of, I think it was \$94,000. I stood trial in Atlantic County March of '82 for theft by deception with the casinos.
- Q. With regard to the Union County trial, was there a disposition at that time?
- A. Yes, there was a five-day trial. The defense was not guilty by reason of insanity, compulsive gambling, and the jury found me not guilty by reason of insanity, compulsive gambling.
- Q. In preparing for your trial in the Atlantic City case, did you have any discussions with any of Caesars credit executives?
- A. Myself and my attorney went to Caesars prior to the Union County trial. My lawyer wanted to talk to Bernie Resnick, who was the head manager on the floor at that time, as to exactly what the facts were, and Bernie Resnick after giving us a complimentary dinner that day told us that when we were ready to go to trial in Atlantic County he would put both me and my attorney up as a complimentary guest for the full length of the trial.
- Q. Did you ever take Mr. Resnick up on this offer to give yourself and your attorney complimentary services while your trial; is being prepared?
- A. Well, we were going to do it, but when we went to trial in Atlantic County the Attorney General's office went with the recommendation from the Union County trial, that jury acquittal, and they went with acquittal, so we never stood trial.
- Q. Were the charges dismissed on the grounds of insanity by means of your compulsive gambling?

A. Yes.

Casino Kept Inviting Addict to Gamble

Q. Mr. Campanaro, since your acquittal in March of 1982 in Union County, have you received any correspondence from any of the Atlantic City casinos?

A. Yes, I have.

Q. I show you exhibit marked C-144. Was this an example of some of the correspondence that you had received from the Atlantic City casinos?

A. Yes, this is a picture that was taken for a command performance in Caesars Grand Ballroom for 200 invited guests. It's dated Saturday, May 24th, 1980, and it was a carnival is what it was.

Q. And this date that this command performance was put on, was that after you were arrested for passing bad checks to Caesars?

A. Yes, it was. It was May 24th, Saturday, 1980.

Q. And was Caesars -- then did you still have an outstanding balance of \$99,000 with Caesars?

A. Yes, I did.

Q. Mr. Campanaro, I'm now going to show you four items of correspondence to you from Playboy Casino Hotel. They're dated December 1st, 1982, December 24th, 1982, January 3rd, 1983, and January 15th, 1983. Could you look at that and read what one of those invitations says?

A. The one from January 3rd is for a weekend with Natalie Cole and Eleanor Boosler. It says, "Natalie Cole is one of the top female vocalists of our time...She'll be coming to Playboy over the weekend of January 14th, and two complimentary tickets are available for the show of your choice."

Q. I show you a letter from Resorts International Casino. Could you tell us what that provides?

A. Yeah. It says:

"Dear Superstar Gambler.

"You are one of an exclusive group of qualified players Resorts International Casino Hotel is inviting to fly free to Atlantic City.

"The enclosed complimentary boarding pass entitles you to:

"One complimentary round trip flight to Atlantic City on Resorts Flight 7-11. (A flight leaves each night from LaGuardia Marine Air Terminal.)

"Complimentary split of champagne on board.

"VIP treatment reserved for Resorts Superstar Gamblers.

"Enjoy a quick 35 minute flight down, 5 hours of non-stop action in Atlantic City's largest casino, and a convenient 35 minute return trip.

"Confirm your seat for an action-packed night now.

"We look forward to seeing you," it gives the name who sent it.

Q. That was after your acquittal on compulsive gambling, is that correct, in Union County? You were acquitted already in March 22nd of that year? On the grounds of insanity by means of compulsive gambling?

A. That's correct.

Q. You received this that same year in September?

A. That's correct.

Q. Now, the examples that I have introduced into evidence here, Mr. Campanaro, are they merely examples of what you have been receiving over the past several years?

A. Since my charges in Atlantic County in March and my stopping to go to casinos in September, Labor Day weekend, I received

approximately 200 invitations from Caesars, Bally's, Playboy, Resorts.

- Q. Do all these enticements or correspondence you received from the casinos, do they in any way affect your desire to gamble even today?
- A. Well, the desire is still in me, there's no doubt about that. But, yes, when I receive it, it brings back not the losses in Atlantic City, not the misery, but really the good times while I was there. And, you know, could be Frank Sinatra, I find myself saying we won't gamble, let's take a ride, I can get the tickets, we can stay for nothing overnight. Fortunately, I have someone with me now that's helping me...

State Police Probed Playboy Credit Inticement

- Q. Could you tell us whether or not after you were arrested in Caesars any other casino offered to establish a credit line for you?
- A. Yes, Playboy sent me a letter and a form to be filled out which indicated the kind of liquor I drink, the kind of cigarettes I smoke, my wife's birthday, my mother's birthday, questions of that nature, what kind of food I liked, and I had to fill it in with an application, send it back with an application for credit at Playboy, which I did do.
- Q. How much did you request?
- A. I don't think I put a figure down at the time. I just asked for credit, never believing that I would get it. I was in touch with a credit manager who was formerly with Caesars who now was with Playboy and who signed the original letter I received and I informed her that I did have a problem at Caesars, you know, I still owe money. She says, "Fill out the application, mail it in, anyway. We'll see what we can do."
- Q. What was the name of this individual?
- A. Ceil Ferrara. Approximately ten days later I got a denial from Playboy that I would not get credit at the casino. I again called Ceil Ferrara. I told her I was denied. She said, "Don't worry about that. When do you want to come down?" I told her I wanted to

come down that weekend. She said, "I'll set you up for complimentary RFB and 10,000 in credit." I said, "Okay."

That same Friday we had a meeting, a Gamblers Anonymous meeting which Mr. Carl Zeitz attended from the Casino Control Commission. I had spoken to another member of Gamblers Anonymous about the credit. He didn't believe it at the time, but we approached Carl Zeitz with him. I informed him. Carl Zeitz said, "That's impossible." I said, "No, it's not." And he had a State Police investigation run into it.

- Q. Did the State Police investigation of this credit offer by Playboy ever come to any fruition?
- A. Yes, when my attorney received the disclosure from the State Police prior to my trial in Atlantic County, there was a State Police memorandum and it was termed inducement to gamble. When they looked in the computer for Playboy, they found me registered as a complimentary guest for that weekend for which I did not show up and it also listed me on the computer as a ten-thousand-dollar credit player approved.

What Credit Did to a Gambling Addict

- Q. Just one last question. Could you tell us how the effect of credit, easy credit in Atlantic City, has affected your personal life?
- A. Well, through all the pressure of the gambling and getting the money and finagling with banks and still gambling and going every weekend, sleeping a total of six hours a weekend, because that's all I would sleep, in the end it took its toll. In fact, I had two heart attacks. I lost my job as a correction officer, on suspension, and after the determination of the court I was reinstated. But because of the heart attacks I couldn't perform my job, so I receive a pension from that. Me and my wife split up. It affected the kids somewhat because I was never there any more, and that's basically it.

Top Casino Officers Must Accept Blame for Problems

COMMISSIONER DELTUFO: We have heard both yesterday and today evidence that suggests lax credit practices and some credit abuses and I think we've seen very demonstrably today the effect, the plight of the compulsive gambler.

Yesterday we spent a considerable amount of time talking to credit managers and credit executives. Credit executives do not act on their own, though I think we have seen they must bear some of the responsibility for the consequences of their actions. But the fundamental responsibility for easy credit and for its ramifications must be borne by those in high corporate echelons. That's where the policies originate and if we're going to get relief, that is where the policies have to be changed.

Extended Credit Without Checking

Jimmy Orr, group operations director at the Sands casino and former credit executive at the Sands and Caesars, was questioned by SCI counsel Lynch about house policies requiring a second signature on all applications for a credit line of \$10,000 or more. However, this requirement apparently had little or no meaning, according to certain incidents that were reviewed with Orr. The testimony, in part:

Q. When you signed as a second signature, did you examine the reasons for the credit being extended by the initial individual?

A. If I was there at the time, I did. If I was not there, in certain instances it was left there from the night before when someone was working alone. They would sign 10,000 or better and leave it for someone to sign the next day because they were by themselves.

THE CHAIRMAN: Then you would sign as a matter of form?

THE WITNESS: Yes, a matter of in-house policy.

BY MR. LYNCH:

Q. But the credit would have already been extended or given?

A. The credit would have already been given.

- Q. Are you familiar with an individual known as Ted Abbey?
- A. Yes, I am.
- Q. What position did Ted Abbey hold at Caesars?
- A. He was a senior credit executive.
- Q. Did you ever work with Ted Abbey on the same shift at Caesars?
- A. I never worked the same shift with Ted Abbey.
- Q. Did you ever co-sign or give signatures to any credit that was extended by Mr. Abbey?
- A. On some situations he worked at night, I worked during the day. He would be there late at night and leave them for me to sign the next morning when I got there.
- Q. I show you a credit application for an individual by the name of Salvatore DeSaro. I would like you to look at the date...Do you see a credit extension given by Mr. Abbey from \$10,000 to \$15,000?
- A. I have March 4th, '80, and it's from 15 to 25,000.
- Q. All right. Do you see your initial as a second signature there?
- A. Yes.
- Q. When you granted that increase, did you check the card to see whether or not that increase was at all justified?
- A. This was done the night before and I signed it the next morning.
- Q. So you didn't check the card?
- A. No.
- Q. Well, on the third page there's a notation from Central Credit that he had a five-hundred-dollar not-sufficient-fund check returned and it was still owed. Do you see that notation on the third page?
- A. Yeah. That's \$500.

Q. Doesn't this application also indicate that Mr. DeSaro owed as of November of 1980 \$48,000 to Caesars on the second page after his checks had been returned N.S.F.'s, the top, 11/24/80?

A. Yes, that's true.

COMMISSIONER GREENBERG: Who told you to extend this man \$25,000 in credit?

THE WITNESS: I did not extend it. I co-signed it because it was left there from the night before.

THE CHAIRMAN: These things that were left the night before for your signature in the morning, all you did with them is just affix your signature because the house rule was they had to have two signatures?

THE WITNESS: That is correct.

THE CHAIRMAN: You didn't look at it, didn't do a blessed thing except affix your signature?

THE WITNESS: That's correct. There was no need to.

Got Credit Granted Despite Gaming Debt

Q. Mr. Orr, I show you now a credit application of one Frank Miano. You were the individual who extended credit to Mr. Miano in the amount of \$10,000 on March 22nd, 1980?

A. Yes, I did.

Q. Do you see the note that you yourself signed in the top right-hand corner where, or you initialed, where it says, "No credit until a bank check is made"?

A. Right.

Q. Was that bank check made?

A. Apparently so, yeah.

- Q. Did you also see a notation on that same application on March the 7th, 1980, concerning a notation by Lou DiGreg where it says, "Refused at this time until Bally is paid off"?
- A. That is correct.
- Q. When you extended credit to Mr. Miano on March 22nd, 1980, had Bally been paid off?
- A. I don't see that, no.
- Q. Would you look on the left-hand side top under the date 3/22/80 where it indicates that Mr. Miano still owes Bally \$3500?
- A. Right. He paid some of it off, yes.
- Q. But he still owed \$3500 when you extended him credit on March 22nd. Is that correct?
- A. That is correct, yeah.
- Q. Is it not a fact that he gambled on March 30th to April 1st and that he gambled the full 10,000 that you gave him and that to date he still owes that \$10,000 to your casino?
- A. It looks as if he didn't pay it back, yes.

Easy Credit Led to \$75,000 Bad Debt

- Q. Exhibit 140 is an application for an individual known as Michael Campanaro. Do you know an individual by the name of Michael Campanaro?
- A. I do.
- Q. Did you ever have any dealings with Mr. Campanaro while you were credit executive at Caesars?
- A. I did. I extended Mr. Campanaro credit.
- Q. You gave him credit for \$2500. Is that correct?
- A. That's correct.
- Q. When you gave him that credit line on that date, was a bank check performed?
- A. I don't think so.

- Q. Was a Central Credit check performed?
- A. I don't think so.
- Q. Does the card not indicate that Central Credit came back, "No record"?
- A. On March 8th, that's March 24th, no record.
- Q. Now, you indicate that March 24th there was a bank check, did you not?
- A. That's correct.
- Q. Could you read what that bank check indicates?
- A. Zero balance.
- Q. Well, on March 22nd did not you increase his credit to \$10,000?
- A. I did.
- Q. And when you increased it to \$10,000, were there any bank checks or Central Credit checks done then?
- A. There were not.
- Q. Could you tell us on March 24th, when you found out that he had the bank account of zero, why did you extend him credit to \$10,000 on March 29th, 1980?
- A. Because he had a good record of paying up to this point. And all these returned checks hadn't come back at that particular point.
- Q. So, it would appear from the last entry on that credit card that Mr. Campanaro now owes your casino \$75,000. Is that not correct? 74,500 to be exact.
- A. That's what this says.
- Q. In retrospect, don't you think that your reasons for granting Mr. Campanaro credit without obtaining satisfactory bank information or Central Credit information were deficient?
- A. Well, I'd say it doesn't look too good on this card. I'd certainly say that.

Hooded Witness Describes Credit Plunge

The next witness insisted on wearing a hood to guarantee his anonymity. A compulsive gambler, he described how easy credit at Atlantic City casinos led to his personal and financial downfall. He was identified only as John Doe. SCI counsel Lynch led him through the following testimony:

Q. Have you been treated for your compulsive gambling?

A. Yes.

Q. Mr. Doe, could you tell us whether or not you were a compulsive gambler prior to your going down to any of the casinos in Atlantic City?

A. No.

Q. You began your gambling career at Caesars in Atlantic City. Is that correct?

A. Yes.

Q. Could you tell us how that came about?

A. They invited me in.

Q. And did you take advantage of the complimentary benefits that were offered to you on that very first trip to Atlantic City?

A. Yes.

Q. Did you see a show and did you get food?

A. Yes.

Q. Did you at any time get introduced to the credit practices at Caesars on that initial date?

A. Yes, I did.

Q. Could you tell us whether or not you did, in fact, obtain credit from Caesars on that very first weekend?

A. Yes, I did.

Q. How much?

- A. A thousand dollars.
- Q. Did that credit line increase during that first weekend? If you recall.
- A. My next trip.
- Q. Why did you go down there on the second weekend?
- A. Try and get back the thousand dollars I lost.
- Q. When you went down the second weekend, did you have to request an increase in your credit line?
- A. Yes, I did. I didn't have any money, so I used their money.
- Q. Would you tell us what the credit line was that you obtained from Caesars when you went down the second weekend?
- A. \$10,000.
- Q. What was your annual income when you went down to Atlantic City on this second trip?
- A. About \$25,000.
- Q. When you filled out your application, did you list any bank accounts at all?
- A. Just checking.
- Q. Was that a personal checking account or a business checking account?
- A. Both.
- Q. On the personal checking account, did you have any running balance in there?
- A. 500.
- Q. On the business account, did you have any running balance?
- A. Less than 500. Maybe a little more sometimes.
- Q. When you applied -- when you received the ten-thousand-dollar credit line on the second weekend, did you use it up?

A. Most of it, but I don't recall exactly how much.

Q. When you filled out your application, did you have any prior experience in any of the casinos in Atlantic City?

A. No.

Got Credit Despite \$200,000 Debts

Q. Would you tell us whether or not you owed any obligations prior to your going down to Atlantic City?

A. Just funds on real estate, my house and business. 200,000.

Q. If a TRW or a CBA check was run against your name, would that reveal that you were indebted to a sum in excess of \$200,000?

A. Yes, it would.

Q. Do you know whether or not such a check was run on you?

A. They definitely did not because I was in the credit bureau and looked up my credit and no one like that ever checked on me.

Q. Besides Caesars, what other casinos did you receive credit in?

A. Anyone that would open for business would give me credit.

Q. Did you receive credit at Playboy?

A. Yes.

Q. Did you receive credit at Golden Nugget?

A. Yes.

Q. Did you receive credit at the Claridge?

A. Yes.

Q. Did you receive credit at Brighton, -- which is now the Sands?

A. Yes.

Q. Did you receive credit at Bally's?

A. Yes.

"Whatever I Requested They Gave Me"

Q. When you applied for credit in these various casinos, what credit limit would you have requested?

A. Whatever I requested, they gave me.

Q. What was the highest amount of credit you received from any casino on the initial request?

A. 25,000 or more.

Q. When you received the credit from the other casinos, were you still under any obligation to pay Caesars money that was due and owing them?

A. Yes.

Q. Could you tell us why you went to a second casino while you were still gambling at Caesars?

A. Because I didn't have any money to pay off my markers. I had to go borrow from another to pay them off.

Q. So you are indicating that you owed Caesars money as a result of your gambling and you went to a second casino to obtain credit so that you could pay off your indebtedness to Caesars?

A. Yes, I did.

Q. Now, as far as going back to the first casino, which would be Caesars, did you take the chips that you received from cashing any marker and did you cash those chips in?

A. Yes.

Q. And what did you do after you cashed the chips in at the second casino?

A. Took the cash to the other casino.

Q. And what would you do at the other casino?

A. Pay the markers.

- Q. Now, why would you have to pay the marker at the second casino at that, at any given time?
- A. Because it was maybe due at that time and I had to pay it, otherwise they would send it to the bank and the bank would send it back no good.
- Q. When you say markers are due, what kind of period is it that you were able to use a marker for before it was cashed?
- A. Well, they said 90 days they were allowed to, but it's a hundred and twenty calendar days, but 90 banking days. So I had a long time.
- Q. Now, when you took the markers from one casino and paid off another casino, what would the effect of that payment of the markers at the second casino be?
- A. They would be happy to see me and introduce me to all the executives there and tell him what a great guy I was and a high roller.
- Q. Well, when you paid off the marker, were you able to get additional credit at that other casino?
- A. Oh, yeah.

Casinos Told Him How to Roll Markers

- Q. So every time you would pay off a marker you would be able to gamble that much longer at another casino?
- A. Yes.
- Q. This process you're talking about, would this be known as rolling over markers?
- A. Yes, rolling markers.
- Q. How did you learn that this process of rolling markers could be accomplished in order to increase your gambling days?
- A. I was taught.
- Q. How were you taught?

- A. Casino credit hosts and credit executives tell you how to do things and what to do to cover yourself.
- Q. Did any of the casino hosts tell you that high rollers would be treated differently than an average gambler of, say, five- or ten-dollar chips?
- A. Yes. If I bet a twenty-five-dollar chip, I could have food and beverage; and if I bet a hundred-dollar chip, I would have rooms and everything else that I wanted and then they would give me gifts and things and they would give a suite of rooms for people to come there; friends, relatives, anybody I wanted to invite.
- Q. Were you considered a high roller?
- A. They kept calling me a high roller all the time.

He Had to Share Comps With Casino Personnel

- Q. You mentioned the first weekend you were comped food and a show. What other complimentary benefits were you given besides the first week when you got comps?
- A. Suites of rooms.
- Q. What would be the value of the complimentary benefits? What would a typical dinner cost you?
- A. 300, 400. I was allowed to spend up to \$700 or so per dinner or I would just ask and they would give me more if I wanted it.
- Q. Did you at any time have complimentaries granted to you that were used by other casino personnel?
- A. Yes, always.
- Q. Could you explain how this would occur?
- A. They would always invite themselves for dinner and bring friends, their wives, their friends, and had other people put through on your complimentary ticket.
- Q. When the casino personnel would come and

join you for dinner, how would that initially make you feel when you first started having casino executives join you for dinner?

- A. I was really a big shot at that point. They would have the president of the casinos shake my hand and tell me what a great guy he heard I was, and I felt like a real king.
- Q. Did you ever win while you were down at the casinos?
- A. Yes, many times I won, but I gave it back to them immediately.
- Q. How did the wins make you feel when you were winning big?
- A. I was a big shot. Just ask any casino executive and he would tell you who Mr. Doe was. They all knew Mr. Doe. They used to call me, invite me there all the time.

Nothing to Show for Millions of Markers

- Q. What was the percentage of your wins as opposed to your losses? Which was greater?
- A. Well, I have lots of markers that I lost and I don't -- I know I got millions of dollars in markers right here with me.

COMMISSIONER GREENBERG: Now, what does that pile of markers represent, Mr. Doe?

THE WITNESS: Millions of dollars in markers at the various casinos that I gambled at. And I could have had more, too, if I wanted to, but I had enough of that stuff down there what they did to me.

- Q. On the markers that you have before you, were you worth 2 or \$3 million worth of markers during that two-year period?
- A. No, not at all. They were just markers that were kept getting rolled. I would give one a check, take it back with another check, and kept renewing the dates on it. That's all I did is renew the dates. You could do it, too. It's easy. Just go there.
- Q. Besides the casino executives taking part in the meals and the complimentaries, without giving any names, did any of the casino

personnel request any monies of you for extending credit to them?

A. Yes. Yes, they did.

Q. How did this gambling in Atlantic City affect you personally?

A. Ruined my life. I lost my family, my wife and my children, my things that I had, any assets that I had, and now they're still hounding me. I lost everything there.

COMMISSIONER GREENBERG: Mr. Witness, what's the reason that you requested to be hooded to give your testimony in public today?

THE WITNESS: I'm scared to death, I fear for my life.

Credit Fraud by Forgery Described

Laying groundwork for testimony by a following witness, Captain Richard Jankowski took the witness chair next to describe what constitutes fraud by forgery at casinos. A 21-year veteran of the State Police, assigned for 18 months to the Division of Gaming Enforcement, Jankowski was questioned by SCI Counsel James A. Hart, III:

Q. Can you describe for this Commission, please, the various types of credit frauds that you have investigated?

A. Two of the most frequent types would include one where an individual would come to a casino and establish a credit line by using fictitious information and when the markers are forwarded to the bank they are returned insufficient funds, account closed, no account.

Another type would be where an individual learns of another person's credit at a casino and would then impersonate the person who has a legitimate credit line and he would go to the casino impersonating the other person, obtain the chips, which are converted into money through using a marker, signing the other person's name. Of course, when these markers are forwarded to the bank they are honored by the bank, and when the individual receives his monthly banking statement he then sees that markers have been paid to the casino and he makes a complaint to his bank or to the casino or to the Commission or directly to us, and at

this time an investigation is conducted and reveals that someone else had used his credit line.

Q. In these impersonation cases, do they entail the use of false or forged identification presented to the casino credit department?

A. Yes.

Q. What types of identification have you seen in your experience?

A. Fraudulent driver's licenses or Social Security cards.

Q. Can you tell us, please, which of the Atlantic City casinos have been the victims of this type of fraud, the impersonation or forgery type of fraud?

A. Both types of crimes have been perpetrated at all nine casinos.

Q. And can you give us an idea, an estimation or approximation, if you can, of the number of credit fraud cases you have investigated since 1980?

A. Yes, sir. Since 1980 through June of 1982 we had 550 cases.

Q. Can you give me an estimation of that 500 and some odd cases that you just indicated how many of those entailed forgery type frauds?

A. I don't have those figures right in front of me, but I would probably say 30 to 40 percent.

Q. The credit frauds that have been investigated by your unit, can you tell us have they been perpetrated by persons who can be classified or associated with members of organized crime or have these credit frauds been conducted by other individuals?

A. There's evidence to indicate where there's no question the perpetrator was an organized criminal conspiracy that came to Atlantic City to perpetrate those crimes, and on the other hand we have evidence to indicate it was a lone individual.

Q. Captain, based upon your training, education and experience are you in a position to make recommendations to this Commission as to how casino credit practices, procedures and the regulations themselves perhaps can be improved to make the types of credit frauds that you described today more difficult to accomplish?

A. Well, one of the suggestions would be to have the casino photograph the applicant for the credit. That would prevent the type of forgery where if I have a credit line and you went down to use my credit line and they had a photograph available they would merely look at the photograph and say you're not Mr. Jankowski.

Another recommendation I feel to improve the situation would be where when the applicant applies for the credit perhaps a thumbprint could be taken, because in many cases we'll have a suspect; and, of course, he's not admitting to the crime, but yet when he applied for that application, if he used fictitious information and had to give that thumbprint, at least we could go through the judicial system, get the thumbprint of the suspect, compare it with the thumbprint taken at the time of the application, which would certainly improve our investigation methods.

Another I think would be the sanctions that would be imposed upon the entity for failing to follow the rules and regulations promulgated by the Commission. I think if the sanctions were severe certainly the upper management in the entity would see that they're adhered to.

A Credit Fraud Forgery Attempt

Raymond P. Broccoli, the next witness, who said he earned about \$15,000 to \$17,000 a year from a limousine franchise operation in New York, once attempted a credit forgery at Harrah's, but was caught. He gave his version of the story under questioning by Counsel Hart:

Q. Mr. Broccoli, I'd like you to look at this Commission Exhibit, a two-page document containing credit information from Harrah's casino in the name of Dr. Joseph Sidoti. It also contains a driver's license in the name of Joseph Sidoti and a Social Security card in the same name. Are you familiar with those documents?

A. Yes.

Q. Where have you seen those documents or where did you first see those documents?

A. I used them in Harrah's to try to obtain credit.

Q. I direct your attention to the 12th day of February in 1982. Did you have occasion to be in Harrah's on that date in Atlantic City?

A. Yes.

Q. What time did you stop gambling at Harrah's that day?

A. It was about seven o'clock. I went into the lounge.

Q. Did something unusual happen in that lounge?

A. Yes. I met this fellow, Sal, who was sitting at the table next to me. We started talking, invited me over for drink, and he explained this situation to me how to get money. He says they got it down in Las Vegas under the same name.

Q. What did he tell you exactly?

A. He told me about this deal that somebody got money down in Las Vegas the week before under the same name with the driver's license and I think the credit line was 7,500, and he says to apply under the same name. He had the application filled out.

Q. He had the application?

A. Yeah, I signed the name and something else on there. I don't remember.

Q. Who had the driver's license?

A. He had. He had the driver's license, Social Security card.

Q. Which portions of that card, of the application card did you fill out?

A. I signed the name, I signed the brother's name, you know, the reference, and I put the address down here because it was close to my address.

Q. What about in the top right-hand corner, requested limit, \$7,500, who put that down there?

A. I put that there.

Q. What about the bank information, City Bank, you put that information there?

A. Right.

Q. Where did you get that information from?

A. I must have got it from him.

Q. You didn't make that bank information up, did you?

A. No, I don't think so.

Q. Where did you work before working for Fugazy Limousine?

A. Manufacturers Hanover.

Q. That's a bank, is it not?

A. Right.

Q. You signed the name Joseph Sidoti on the bottom of that credit application?

A. Yes, I signed it.

Q. After you filled out the application and Sal gave you the driver's license, what did you do?

A. I brought it to the credit cage.

Q. And what happened at the cage?

A. He took it, says come back in a half hour.

Q. Did you go back to the cage after the half-hour period?

A. Yes.

- Q. And what happened there?
- A. Two of the security guards from the casino came over and took me inside.
- Q. And they arrested you?
- A. Just told me to be quiet, and that was it, and the next thing I was with the detective, and the next thing I was in jail.
- Q. What did the security guards tell you about the driver's license that they had submitted to the credit cage?
- A. They didn't tell me anything. The detective told me it was a phony license.
- Q. When you submitted the credit application did you know whether or not Dr. Joseph Sidoti was a real person?
- A. No, I had no idea.
- Q. At the time you submitted the driver's license and the application and the Social Security card, did you realize you had spelled the name Sidoti differently on each of those documents, or on two of the three documents.

COMMISSIONER PATTERSON: You didn't copy the name very well.

THE WITNESS: He explained to me I had to sign the application because if I did get the credit I would have to sign for credit, because the signature would have to be similar, the same.

- Q. On one document the name was spelled S-i-d-o-t-i and another one it was spelled S-o-d-i-t-o?
- A. Maybe. I don't remember.
- Q. Did you realize that the color of the driver's license was different from that of an authentic driver's license?
- A. No.
- Q. Isn't it true you brought that driver's license with you from New York City to Atlantic City with you that day?

A. No.

Q. Didn't you buy that driver's license for \$100 in New York City?

A. No, sir.

Q. Isn't that what you told the officer the night you were arrested?

A. Yes, I told them.

Q. Didn't you tell them, sir, you heard about this type of scheme in New York, how easy it was to get credit in this manner, it was supposedly a foolproof method?

A. They told me, I just agreed with them.

Jane Doe's Gambling Addiction

Another witness was so afraid to reveal her identity -- and her addiction to gambling -- that she resisted appearing at the public hearing. The Commission respected her desire for anonymity, SCI Deputy Director James J. Morley pointed out, and ruled "that the value of her live testimony would be outweighed by the potential for damage to her psychological well-being."

For that reason, SCI Special Agent Wendy Bostwick was called to testify about the absent witness's history, and downfall, as a credit gambler and to read excerpts from her prior Executive Session testimony. Although certain credit files as well as her private session testimony were put into the hearing record, they were sealed to protect her identify and throughout the public proceeding she was referred to only as "Jane Doe."

Agent Bostwick recalled that when Jane Doe first applied for credit at Resorts on January, 1979, she was a supermarket clerk earning \$18,000 a year and that her husband's salary was about \$15,500. However, there was no indication on her Resorts credit application that either her salary or her husband's was listed. A bank account verification in February, 1979, showed a balance of \$500. No savings account was noted on the credit application but Jane Doe had told the SCI that she had had a savings account of about \$100,000. Counsel Morley reviewed through Agent Bostwick a chart showing Jane Doe's gambling pattern at Resorts in 1979 and at Resorts and Bally's in 1980.*

Q. Referring to the chart marked C-14, could you tell us what was the total amount of markers drawn by Mrs. Doe at Resorts during 1979?

*See Chart, next page.

JANE DOE
CREDIT GAMBLER

1979

	<u>MARKERS DRAWN</u>	<u>PAYMENTS</u>	<u>MARKERS/CHECKS RETURNED</u>
RESORTS (8 DAYS)	\$8,000	\$4,000 (CHIPS) \$4,000 (CASH/CHECKS)	0
TOTAL	<u>\$8,000</u>	<u>\$8,000</u>	<u>0</u>

1980

RESORTS (13 DAYS)	\$30,000	\$13,000 (CHIPS) \$17,000 (CASH/CHECKS)	0
BALLY'S (12 DAYS)	\$27,000	\$16,000 (CHIPS) \$11,000 (CASH/CHECKS)	0
TOTAL	<u>\$57,000</u>	<u>\$57,000</u>	<u>0</u>

A. In eight days of play at Resorts International Mrs. Doe drew \$8,000 in markers.

Q. And what payments did she make against those markers?

A. She made payments of \$4,000 in chips and \$4,000 in cash and checks.

Q. And is it correct then, as the chart indicates, that she had satisfied all of her credit obligations to Resorts at the end of 1979?

A. That's correct.

Q. If you would refer again, please, to the transcript of Mrs. Doe's executive session testimony on page 12 at line 14, she was asked: "What was your attitude toward gambling at the end of 1979?"

What was her answer?

A. "Answer: I think I was controlled. It was more than I normally ever did, but it seemed to be I was capable of gambling and winning or paying the situation."

Jane Doe At Resorts, Bally's in 1980

Q. Referring again to the executive session transcript, on page 13 at line 2 Mrs. Doe was asked: "Can you tell us why it was necessary for you to establish another credit line in early 1980 when you did have access to a credit line at Resorts?"

What was her answer?

A. "Answer: I don't know. It was the first time I visited Bally's and the money I had brought down and gambled with, I lost. There was a fellow there who knew me from Resorts and asked me did I want to get a line of credit."

Q. She was also asked to describe the events which led to her being granted credit at Bally's. Would you please read her answer which begins on line 19 of the same page?

A. "Answer: What had happened was I went to the credit cage on the information of this

guy in the casino, floor walker or pit-boss, something to that respect, and he didn't think I'd have a problem getting credit. As a matter of fact, they invited me to go to dinner.

"I was with my husband and a friend and the three of us went up to Isle of the Sea, which is a very plush restaurant. And when we came down after dinner he did say the credit executive wanted to meet me, but I was issued \$2,000 worth of credit just like that."

- Q. When was Mrs. Doe first granted credit at Bally's?
- A. The same day she completed her application, January 15, 1980.
- Q. Was what her initial credit limit?
- A. \$1,000.
- Q. Was Mrs. Doe's credit limit at Bally's increased during 1980?
- A. Yes, it was. On February 16, 1980 her line was permanently increased to \$3,000. One day later her line was again permanently increased to \$4,000.
- Q. If you refer again to the chart, what was the total value of markers drawn by Mrs. Doe at Resorts and Bally's, respectively, during 1980?
- A. In 13 days of play at Resorts during 1980 Mrs. Doe drew \$30,000 in markers. In 12 days of play at Bally's Mrs. Doe drew \$27,000 worth of markers.
- Q. Now, were the 12 days at Resorts and Bally's mutually exclusive?
- A. No, they were not. She gambled at both casinos occasionally on the same day.
- Q. Now, what payments were made against those markers?
- A. At Resorts she made payments of \$13,000 worth in chips and 17,000 in cash and checks. At Bally's she made \$16,000 chip payment and 11,000 in cash and checks.

Q. And was it correct that during 1980, as was the case in 1979, Mrs. Doe regularly brought her credit balance down to zero within a few days after having visited the casinos?

A. Yes, that's correct.

Q. Referring once again to the executive session transcript on page 20 at line 3 she was asked: "The payments that you made in 1980 at Resorts and Bally's, how much of that came out of your cash flow or your savings account?"

What was her answer?

A. "Answer: I was at a loss at one time for \$16,000 or better and, then, I made a turn around and I won it back and I paid with that."

Q. "Question: Could you tell us what your attitude toward gambling was at the end of 1980 when you had credit lines at two casinos?"

A. "Answer: My attitude was quite a different attitude than I previously ever had. I came into a world there, kind of like a glamour world, and something started to come over me which I liked. I was a hard working person. They use a little psychology down there, not only as far as the gaming goes, and coming around with "Mrs. D" and what can I do for you, and I know it shouldn't have brought me out of context, but it did.

"I don't know how to tell you. It was different. It's different for a lot of people. And the employees and the workers just bring you along. I found myself in a regular betting and gambling situation and with inducements and enticements and the atmosphere, the bets began to go a little bit bigger and carelessness came into it."

Q. On page 23, line 2: "Question: You mentioned enticements. Did Resorts give you comps during this period?"

A. "Answer: I think as soon as the gambling increased the comps came around."

Q. "Question: Did you have to request the comps?"

- A. "Answer: If you want to go to dinner you just ask and somebody writes you out a complimentary ticket or okays you and your party to go to dinner or what have you. That's the way it started."

Her Gambling Fever Heats Up in 1981

- Q. Referring again to the Resorts file, what was the first day that Mrs. Doe gambled in 1981?
- A. January 15.
- Q. What was her credit limit on that day?
- A. \$5,000.
- Q. When was her first permanent limit increase, in 1980?
- A. On February 14 she was increased to \$10,000.
- Q. How soon thereafter was her limit again increased?
- A. Nine days later on February 23 she was given a temporary increase of \$5,000, again taking her total to 15,000.
- Q. From February 21 through 24 of 1980 what was the total value of markers drawn by Mrs. Doe at Resorts?
- A. \$36,000.
- Q. Had she paid off all of those markers by the end of the four-day period?
- A. Yes, she had.
- Q. When did she next play on credit at Resorts?
- A. May 24 of 1981.
- Q. Was there any change in her credit limit on that day?
- A. Yes, she received two temporary credit increases bringing her total line now to \$20,000.
- Q. Did she use all the credit?
- A. Yes, she did.

- Q. And did she pay it all off on the same day?
- A. Yes, she did.
- Q. When did she next play on credit at Resorts?
- A. July 4th, 1981.
- Q. What was her permanent credit limit on that day?
- A. \$20,000.
- Q. For how many consecutive days from July 4 did she gamble?
- A. Three consecutive days, July 4th through July 6th.
- Q. Did she receive any temporary increases in her credit limit during that period?
- A. Yes, she did. She received two temporary increases for \$10,000 each bringing her total limit now to \$40,000.
- Q. How much money did she owe Resorts at the end of this three-day period?
- A. The full \$40,000.
- Q. Did she, consistent with her past history, satisfy her debt within a few days and before she drew any more credit?
- A. No, she did not. This time she made only a \$10,000 payment on July 14, which left her with a \$30,000 balance.
- Q. During her testimony at Executive Session Mrs. Doe described the events surrounding her credit increases from July 4th through 6th of 1981 beginning on page 26, line 17. Would you please read her description.
- A. "Answer: Well, it was the July 4th weekend and I had gone down there, and to think about it now, my attitude was a little different. It was a big shot image. As a matter of fact, I called up for accommodations and somebody told me they were going to give me a suite, and when I went down there there was a problem and this

kind of upset me. But I went to dinner and proceeded to come downstairs and they told me they definitely had a suite for me now. As a matter of fact, they put somebody out of it. I didn't really appreciate the fact they had to put somebody out of it. I felt a little funny and kind of bad. I went to the show and was comped and everything. I did some gambling. I had losses and I really only wanted my line to \$10,000 at this time, but you have to understand, credit was very easy for me to get down there.

"I waited until the next day and I gambled and I had losses and all this night I went to the credit man and all I said was let me have another 10, which made it 20, and I proceeded to lose that in a ridiculous amount of time, and the casino man could see me and watch me. I believe I lost this \$10,000, I know it for a fact on baccarat, which I never played. I was in a frenzy and then I went to this fellow again and I said, let me have another 20. I said it's okay. That was the word, just those brief words and I was put to \$40,000."

- Q. Did she ever bring her balance down to zero again.
- A. No, she did not.
- Q. Did she, nonetheless, continue to receive temporary credit limit increases?
- A. Yes, she did. She received 10 additional temporary credit increases.
- Q. And what was the highest credit limit she had reached at Resorts?
- A. \$55,000.
- Q. On page 30 at line 9 she was asked: "Did the credit executive come to you and say what's the matter, you're no longer bringing your balance down, you're keeping your balance around \$30,000, is there a problem?"
- A. "Answer: No."
- Q. On page 31 at line 22: "Question: Did you ever tell the credit executive or anybody from Resorts that this whole gambling

- situation was causing you a lot of problems?"
- A. "Answer: I said to him, don't be so liberal with me with this credit. You give me credit like it's nothing."
- Q. "Question: Did he give you credit after you had that conversation with him?"
- A. "Answer: Yes."
- Q. "Question: Did he ever try to convince you or did he ever suggest to you that you should just stop?"
- A. "Answer: No. The only thing he said to me was toward the end, the very end. One time I walked up and I asked for more time on the markers and it was granted immediately. They said 90 days was the time allowed on the markers. So I had that.
- "There in the end, the very end, the credit executive said to me, if you're having a problem, we can talk about it. By that time it was too late."
- Q. "Question: Did you talk about it with him then?"
- A. "Answer: No, I couldn't. I couldn't talk about it. I was into a chase. It was unbelievable."
- Q. "Question: The chase that you're talking about is the chase to win to payoff, is that what you're saying? Is that why you were drawing these additional markers?"
- A. "Answer: Right, trying to win my money back."
- Q. Mrs. Doe also described the atmosphere wherein the credit decisions were made. The description begins on page 34 at line 19. Would you please begin reading there.
- A. "Answer: There's all kinds of money being negotiated or what have you, and it's done on the floor. It's unbelievable. It's ridiculous. I never went into an office.
- Q. "Question: When you say it's done on the floor, does this thing take place in the middle of the gaming activity or off to the side or how does that work?"

- A. "Answer: When I requested the \$40,000 it was done right on the middle of the casino floor. I had come from the baccarat room where I couldn't believe the things I had done."
- Q. "Question: In other words, how much time passed from the time you got beat really bad playing baccarat until the credit executive gave you the \$40,000?"
- A. "Answer: I couldn't believe it. I don't believe it was more than a half hour."
- Q. Does the Bally's file indicate that Mrs. Doe was also gambling on credit there during 1981?
- A. Yes, it does.
- Q. How high did her credit limit get at Bally's in 1981?
- A. \$5,500.
- Q. Referring to the Caesars Boardwalk Regency file, does it indicate that she established credit there in 1981?
- A. Yes, it does, on July 5.
- Q. Did Caesars have any financial information about Mrs. Doe that was not available to Resorts or Bally's?
- A. Caesars was aware of the savings account with a balance of approximately 15,000.
- Q. And was Caesars also privy to Mrs. Doe's credit history at the other casinos as it existed up to July, 1981?
- A. Yes.
- Q. What was her initial credit limit at Caesars?
- A. \$5,000.
- Q. What was her final limit there?
- A. \$10,000.
- Q. Refer now to the chart that's being put up on the easel.* What was the total value of

*See Chart, next page.

JANE DOE
CREDIT GAMBLER
1981

	<u>MARKERS DRAWN</u>	<u>PAYMENTS</u>	<u>MARKERS/CHECKS RETURN</u>
ORTS	\$243,000	\$130,000 (CHIPS) 70,000 (CASH/CHECKS)	\$43,000
27 DAYS)			
LY'S	\$ 29,500	\$ 15,000 (CHIPS) 9,000 (CASH/CHECKS)	\$ 5,500
10 DAYS)			
SARS	\$ 31,500	\$ 7,000 (CHIPS) 14,500 (CASH/CHECKS)	\$10,000
7 DAYS)			
	<hr/>	<hr/>	<hr/>
TOTAL	\$304,000	\$245,500	\$58,500

markers drawn by Mrs. Doe at Resorts, Bally's and Caesars respectively during 1981?

A. Mrs. Doe drew \$243,000 worth of markers from Resorts, \$29,500 markers from Bally's. And \$31,000 worth of markers, \$31,500 worth of markers from Caesars.

Q. What payments were made against her markers at each casino?

A. At Resorts Mrs. Doe made \$130,000 worth in chips and \$70,000 in cash and check payments.

At Bally's Mrs. Doe paid \$15,000 in chips and \$9,000 in cash and check.

At Caesars Mrs. Doe paid \$7,000 in chips and \$14,500 in cash and checks.

Q. How much money did she owe to each casino at the end of 1981?

A. She owed Resorts International \$43,000, Bally's \$5,500, and Caesars \$10,000.

Q. Referring to C-16,* another chart, does this chart reflect Mrs. Doe's total credit gambling activity at all three casinos for the three years, 1979 through 1981?

A. Yes, it does.

Q. And does she still owe the amount indicated in the right-hand column to each of the casinos?

A. Yes, she does.

Q. And according to the latest information provided to us are all three casinos still attempting to collect on Mrs. Doe's debt?

A. Yes, they are.

Q. On page 47 of Mrs. Doe's Executive Session testimony at line 20 she was asked: "I gather that as of sometime in 1981 your savings balance was at zero or near zero or

*See Chart, next page.

JANE DOE
CREDIT GAMBLER
1979 - 1981

	<u>MARKERS DRAWN</u>	<u>PAYMENTS</u>	<u>MARKERS/CHECKS RETURNED</u>
MARKERS RETURNED (18 DAYS)	\$ 281,000	\$147,000 (CHIPS) 91,000 (CASH/CHECKS)	\$43,000
MARKERS DRAWN (18 DAYS)	\$ 56,500	\$ 31,000 (CHIPS) 20,000 (CASH/CHECKS)	\$ 5,500
MARKERS DRAWN (18 DAYS)	\$ 31,500	\$ 7,000 (CHIPS) 14,500 (CASH/CHECKS)	\$10,000
TOTAL	<u>\$369,000</u>	<u>\$310,500</u>	<u>\$58,500</u>

wiped out, or virtually wiped out; is that correct?"

What was her answer?

A. "Answer: Pretty much."

Q. "Question: That's the savings you said of yourself and your husband?"

A. "Answer: Pretty much 20 years or better of savings."

Q. On page 16 she described the intended use of funds in her savings account. Would you please read her answer beginning on line 9.

A. "Answer: It was savings there for children, children's education. It was there for a purpose. It took a lot of hard work to put it there."

Q. Lastly, Miss Bostwick, at the end of the Executive Session testimony Mrs. Doe was asked to summarize her feelings about casino credit. Would you please read her answer which begins on page 46 at line 25.

A. "Answer: Well, my experience with this situation has been horrendous. I don't know. Maybe now I've come a long way back. Wendy has spoken to me on the telephone where I've been out of my head. I pretty much could go in a corner and sit down. That's how horrendous the business has been to me.

"As far as casino credit goes, I think it's ridiculous. I think it's ridiculous that the State doesn't care, nobody cares. People are just going down there and killing themselves. We're in a very bad economic situation and this whole casino industry is a marketing of a hope to gain money.

"I think the marketing of the industry can be dealt with, definitely the casino credit. I would never have destroyed myself without this easy situation. And I'm not alone. I'm not alone."

**THE TESTIMONY -- FOURTH DAY
FRIDAY, MARCH 4, 1983**

Transition Statement

Opening the final public hearing session, Commissioner Robert J. DelTufo said "we come now to the most important day of these proceedings, a day when we will take testimony on how to reconstruct the casino industry's credit system." He added:

That the credit process is in need of major overhaul can hardly be questioned on the basis of the frightening revelations that have been put into the public hearing record during the past three days. The reforms that will be proposed will focus on the particular aspects of the casino credit process that have been highlighted here - the law enforcement and regulatory obstacles caused by lax credit controls, the invitation to criminal incursion, fraud and employee misconduct that current credit practices offer, the rising tide of uncollectible debts that irresponsible and excessive credit decisions have caused, the ever enlarging casualty list of patrons who become disastrously overextended -- burned-out, if you will -- and most tragic of all the gambling addicts, actual and potential, for whom easy credit spells personal shame and financial ruin.

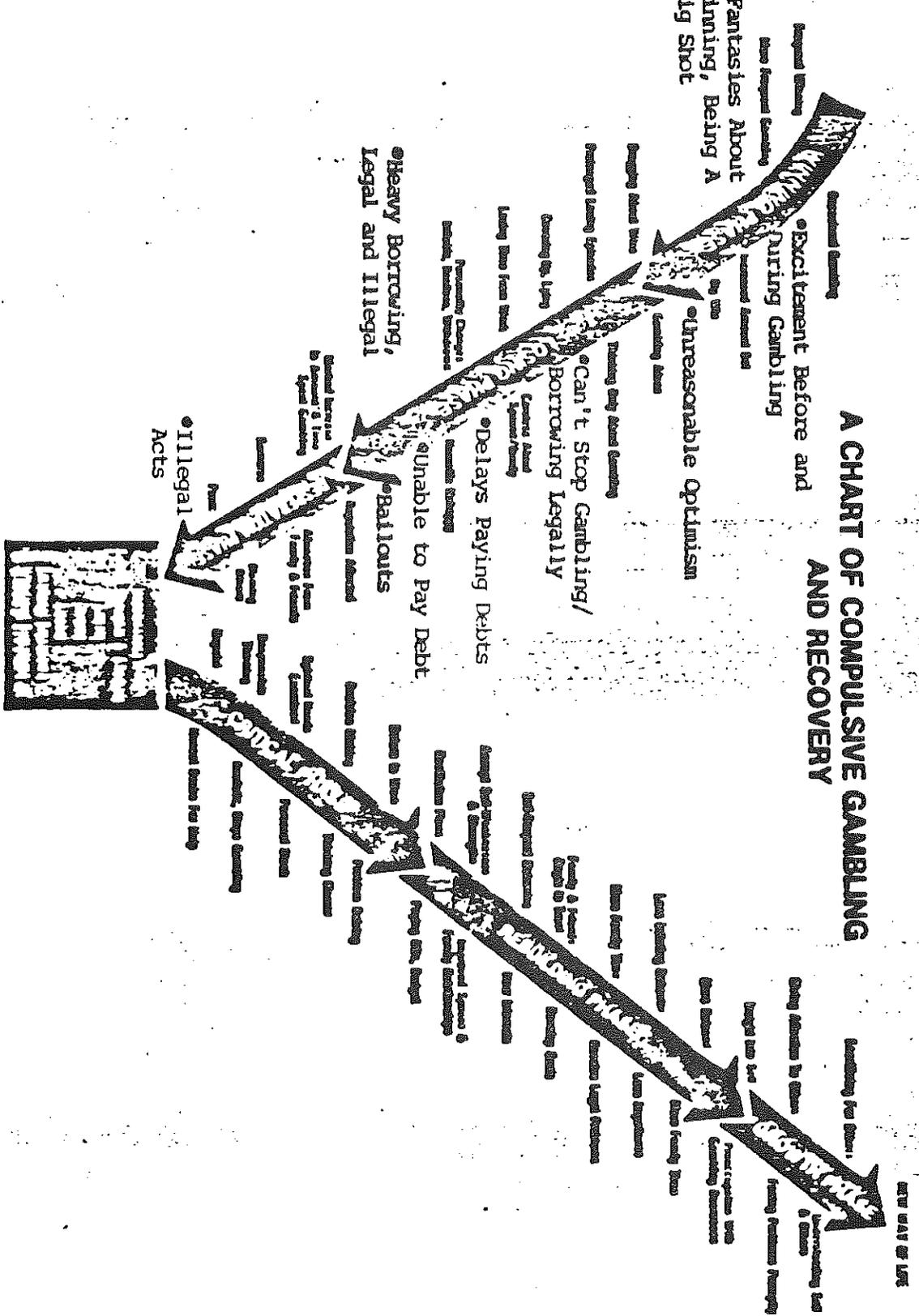
Testimony On Casino Credit Reforms

What Is Gambling Addiction?

Before questioning expert witnesses on procedural and regulatory reforms, the Commission put into the hearing record an illustration of the degrading, self-destructive personal impact of gambling addiction. This testimony came from a witness who himself is a recovered compulsive gambler, Arnold Wexler, an advisory board member of the National Foundation for the Study and Treatment of Pathological Gambling, a privately funded organization; a vice president of the National Council on Compulsive Gambling and of its New Jersey affiliate, and a member of the New Jersey State Health Department's Task Force on Compulsive Gambling. He appeared as a witness only one day following the inauguration of the New Jersey council's 24-hour hotline for aid to gaming addicts -- 800-GAMBLER. Wexler, who vividly remembered the last day he made a bet -- April 10, 1968 -- was questioned by SCI counsel Gerard P. Lynch with the aid of a chart demonstrating the various stages of gambling addiction*.

*See Chart, next page.

A CHART OF COMPULSIVE GAMBLING AND RECOVERY



● HIGHLIGHTED TO RELATE TO CASINO CREDIT TESTIMONY

Q. Could you briefly take us through the various stages of that chart and explain how gambling affects a compulsive gambler?

A. We're going up to the top to the winning phase, when the compulsive gambler actually starts. Almost all compulsive gamblers started gambling before the age of 14. So we're talking about occasional gambling. We're talking about small gambling. We're talking about frequent wins.

Usually the compulsive gambler will win the first time out, or win the first couple of times out. The excitement before and during gambling is very high when you're calling the bookmaker or you're gambling at a casino or you're at a racetrack. It's just like the drug addict putting a needle in his arm.

Q. During this excitement, before and during gambling, does the glitter and the glamour of the casino and betting thousand-dollar chips have anything to do with increasing the chances of an individual becoming a compulsive gambler?

A. Well, there's no question about that. I remember the first time I placed a bet at Roosevelt Raceway, and the lights were shining and the board was flickering and I was very excited about it. And, absolutely, that kind of glitter and excitement in a casino will do it to you.

Q. Mr. Wexler, with regard to fantasy about winning and being a big shot, does the complimentary service that the casinos offer to gamblers such as room, food, beverages, limousine service, does that affect the big shot stage of the winning?

A. It affects the big shot. It affects the ego feeling, as a compulsive gambler cleaning up, you're here (indicating) and everyone else is up here, and when you're in that kind of situation, you feel up here like everybody else or maybe up a little higher, so that absolutely has a lot to do with it.

You have unreasonable optimism. No matter when you place a bet, if you're betting a one thousand dollar chip or you're betting

40 ballgames, you still have the feeling that I'm going to win.

In the winning phase, the compulsive gambler is having a good time. When we go into the losing phase, you start to gamble alone. You're thinking only about gambling, and that consists of eating, sleeping, drinking, gambling. There's nothing else in your life except gambling. The only thing you think about day and night is gambling, and it happens 100 percent of the time.

The compulsive gambler is constantly lying. He's lying to people about he needs money because the kid is sick. He can go to his mother and take money from the mother and say, don't tell dad, and take money from the father and say, don't tell mom, and end up with money from everybody in the family and anybody he comes in contact with.

You say to yourself, I'm never going to borrow from a bank because of gambling, and you find yourself borrowing from a bank.

The next thing, you're never going to borrow from the finance company, and you find yourself borrowing from the finance company. You're never going to borrow from your boss, and you end up borrowing from your boss. And the cycle goes on and on and on, and you borrow from anybody, even though you've said you're never going to do that, you end up doing it.

You don't care about yourself, so you aren't going to care about your spouse or family. You're losing time from work. You delay paying debts because you're borrowing from Peter to pay Paul. Your personality changes. You're unable to pay debts, and it's near the bottom of the losing phase, and you'll do anything at that point to get money. Bailouts bring you back to the fantasy and the unreal optimism. Once you get a bailout, it's just a big win, because once you have a big win, then you say to yourself no matter what's going on, you still believe you can bring back that big win because it happened once before.

Now we're getting into the desperation phase, and that's where the compulsive gambler is really destroying himself. Your reputation is affected. And you're

borrowing money from people who, you know, really look at you kind of ridiculously. There are marked increases in the time spent gambling. Again, in the desperation phase, it's total gambling, not only where we talked about eating, sleeping and drinking, gambling in the losing phase, in the desperation phase there is nothing else going on. Then there's alienation from friends and family; by that point you have no friends.

In the remorse phase, every day you're driving home from the track or casino or wherever you're gambling and thinking to yourself you want to die. You really don't want to face the next day. And you wish and hope somehow God will make you die and somehow you have enough guts to just take your car and run it over the highway and smash into another car.

You blame others. Everybody seems to be bothering you and you're blaming everybody else for what you're doing because you can't really face the fact that it is you that has caused that.

Now you're coming to the panic area, and when you're in for the panic thing you will do anything. Now we're at the bottom of the stage where we're talking about hopelessness. You really feel like it's all over. You think you're never going to be able to stop gambling. You don't know what you're going to do. Arrests. Divorce. Emotional breakdowns.

- Q. Would the easy availability of credit that we have heard over the past three days and testimony here in the Atlantic City casinos have any affect on the compulsive gambler?
- A. Well, there's no question that would have an affect on a compulsive gambler. If you had time to pay back a debt, that gives you time to continue gambling, and have the unreasonable optimism that no matter how much you owe, you still can pay it back; and you do anything to continue that thing because until that last day that you have to pay it back the ball game is not over.
- Q. Are you familiar with the 90-day period among casinos where a gambler has 90 banking

days or 120 calendar days to payoff markers that are issued to him at casinos?

A. When you're dealing with compulsive gambler, the drug is money, and when he can get money and money can lay over for a period of time until he has to pay it, that's the greatest bailout you can get. If you've got 120-days to come up with the money, you're in fantasy land because you can go to nine casinos, get more money, because legally you haven't got a bounced check or you haven't got a situation where there's a problem.

Q. Would you recommend that that period be eliminated or shortened?

A. Absolutely.

Q. Do you feel that a TRW or CBA credit inquiry of a credit gambler's history would be beneficial prior to extension of credit?

A. I think credit should be given in a casino just like they give credit when you go to buy a house. I think it should be fully checked at a reputable credit bureau and I think no casino should give credit to somebody just after checking somebody's checking account.

COMMISSIONER PATTERSON: Why do you think they should give credit at all?

THE WITNESS: That's a good question. Maybe they shouldn't give credit at all.

Q. Mr. Wexler, do you have any suggestion on how the credit practices at the Atlantic City casinos could be changed in order to help the compulsive gambler and prevent individuals from becoming compulsive gamblers?

A. Yeah, I have a list of them. I believe that all applications should be sent directly to the home, not to your business. I think the wife would get an idea of what's going on and she would be shocked.

I think that there should be a full credit check, like I said before, just like when you buy a house, that kind of credit check and not through Central Credit in Nevada. I think you would find a compulsive gambler

has some legal loans that would show up on there. There's no question about it.

Q. Mr. Wexler, in your opinion, since the advent of casino gambling in the state, has there been an increase in the number of compulsive gamblers enrolled in programs throughout the state or become known to you who might not yet have enrolled in these programs?

A. Well, from the people at Gamblers Anonymous, I hear that their membership has tripled in the last three-and-a-half years. There were 18 meetings of Gamblers Anonymous in the State of New Jersey three-and-a-half years ago; there are 35 meetings today.

THE CHAIRMAN: Let me ask you about up-front money. Wouldn't up-front money, to some degree, alleviate these credit problems?

THE WITNESS: Well, Mr. Lane, the business I'm in, we sell dresses all over the country and all over the world. In fact, we just had an incident yesterday where a man came in and left us a \$12,000 check. We packed the merchandise and didn't ship it. Check bounced. We don't send anything out of our business until that check clears even if we had to wait 7-, 10- or 20-days. Absolutely, 100 percent, I agree with you.

COMMISSIONER DELTUFO: Mr. Wexler, I was interested in your description of the profile of the compulsive gambler as you went through it. Do you think that there are compulsive gamblers with profiles that are a little less dramatic than the one you posture? In other words, I'm talking about someone who is compulsive but, perhaps, does not take those deep troughs and highs, but who is still doing damage to themselves day-by-day.

THE WITNESS: I'll tell you a story I once heard. A man came to the National Council for help. It was Christmas week about seven years ago. Man walked in, and he wore a jacket, and it was frayed on his sleeve. And he said, I never gambled more than \$6 in any given race. I'm usually a 2 and \$4 bettor. There were no casinos at that time. He said that he had never been on a vacation, he never owned a car, he doesn't

have too much furniture in his house. He never made more than \$150 a week and the man owed \$3,000 and it was the most pitiful case I ever saw.

COMMISSIONER DELTUFO: If there's easy access to credit and borrowing to people like that, it can obviously also have some very bad affects.

THE WITNESS: When I stopped gambling, I was making 175 a week. I owed \$14,000. I didn't owe a million. I didn't owe \$100,000. It was devastating to me. It was two years annual salary. I had \$8 in the bank. My wife was living with a destruction in her house, and I didn't know the kinds of money that those people that you saw yesterday were talking about.

CPA Suggests Credit Reforms

Anthony Restuccia, the supervising agent of the Division of Gaming Enforcement's Audit Section, returned to the hearing for two purposes -- to describe briefly the fiscal operations of casinos with the aid of charts, and to suggest reforms to curtail abuses in the industry's credit system.

Restuccia was questioned by SCI counsel Michael V. Coppola:

- Q. Mr. Restuccia, you've previously told us that you've been with the Division of Gaming Enforcement for the past five years and that your responsibilities relate to the casinos, their accounting controls, and, more specifically, on a day-to-day basis you deal with the credit regulations and internal procedures of the casinos relating to the issuance of credit. Can you describe for us how a casino operates in general terms?
- A. Well, in very general terms, a casino is divided into two separate and distinct departments: primarily the table games department and slot department. Both of those departments usually report to a vice president of casino operations. On the slot department side, you'd have a number of different types of slot machines and for different denominations -- nickels, quarters, dollars. You'd have progressive slot machines with very large jackpots, which have been becoming increasingly familiar and popular and on the table side, you have five types of table games -- blackjacks, craps, roulette, big six and baccarat.

Chart on Casino Win For 1982*

- Q. May we please have charts 19 and 6A?* Can you indicate for us the extent to which each of these departments, the slot department and the table game department, contributes to casino win, and before you do that, I think it would be best if you would explain for us what casino win means?
- A. Casino win is essentially the amount of chips that's lost by a gaming patron in the casino, or, another way to put that, the amount of chips won by the casino.

In looking at the chart on "Industry Total Win for 1982," one thing becomes very evident: in 1982, the slot department side of the casino operation, which is essentially all the different denominations of slot machines and progressive slots, accounts for 46-percent or \$694 million in 1982 for gross revenue.

Now, the gross revenue is divided into two distinct areas; slot win and table game win. On the table game side, we have the operation of all the five types of table games, and that accounts for 54-percent of all the income in the casino. Very distinctly here, slots is all cash and table games is part cash.

- Q. Are there any differences between the income received from the slot department and the income that is generated out of the table games department, the source of the income?
- A. As I indicated with respect to the revenues. If we could just look at the table game side, the chart shows that 70 percent of what's taken in, or revenue, is all cash. This chart shows the entire casino operation. 17-percent of the income of the casino operation is from credit.

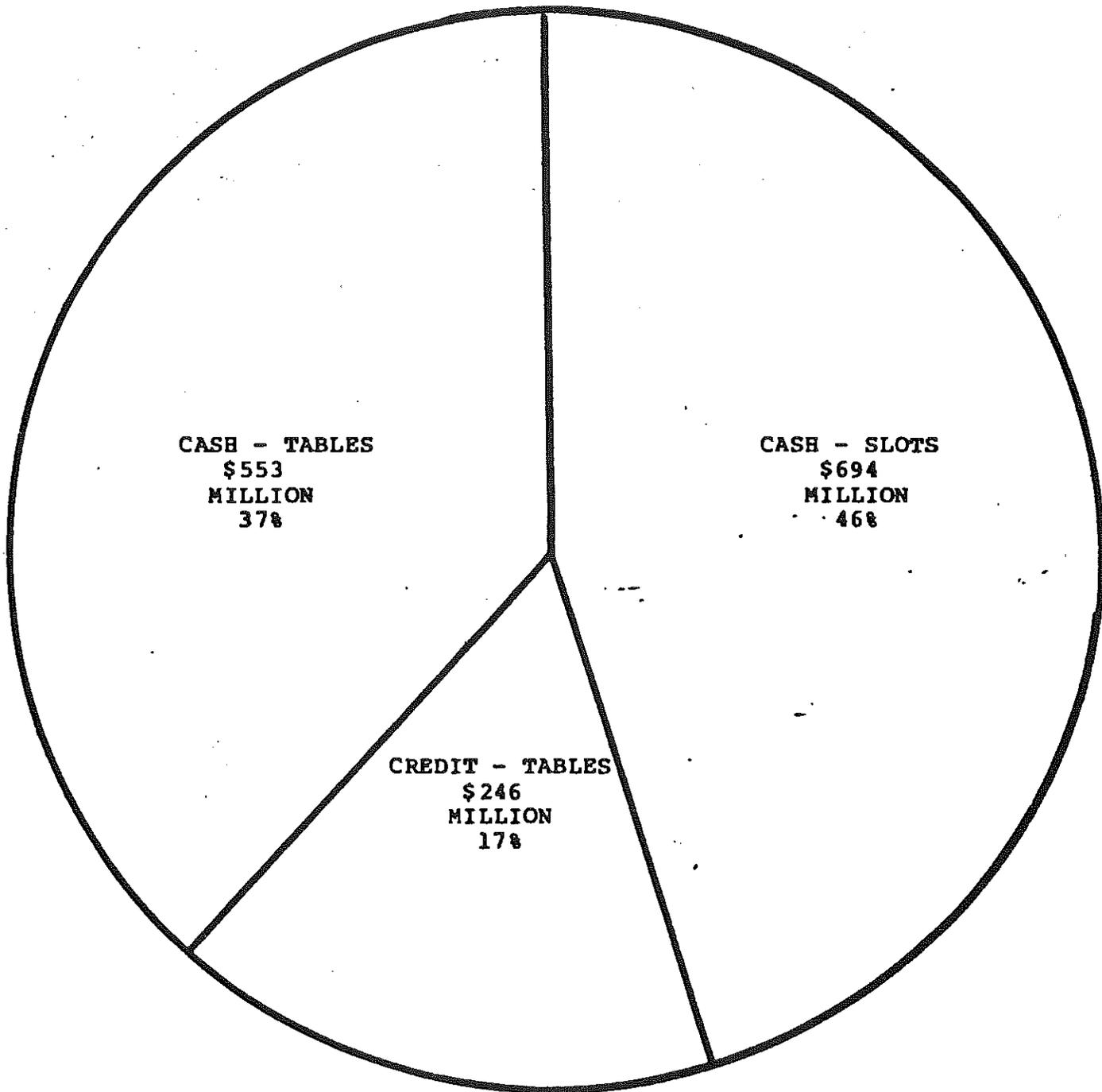
Chart On Industry Total Win, Slot Win, Table Win**

- Q. The chart on the right** shows the trend for the last five years and how table games and slots make up similar percentages to this last year, so this is not an isolated

*See Chart 6A, next page.

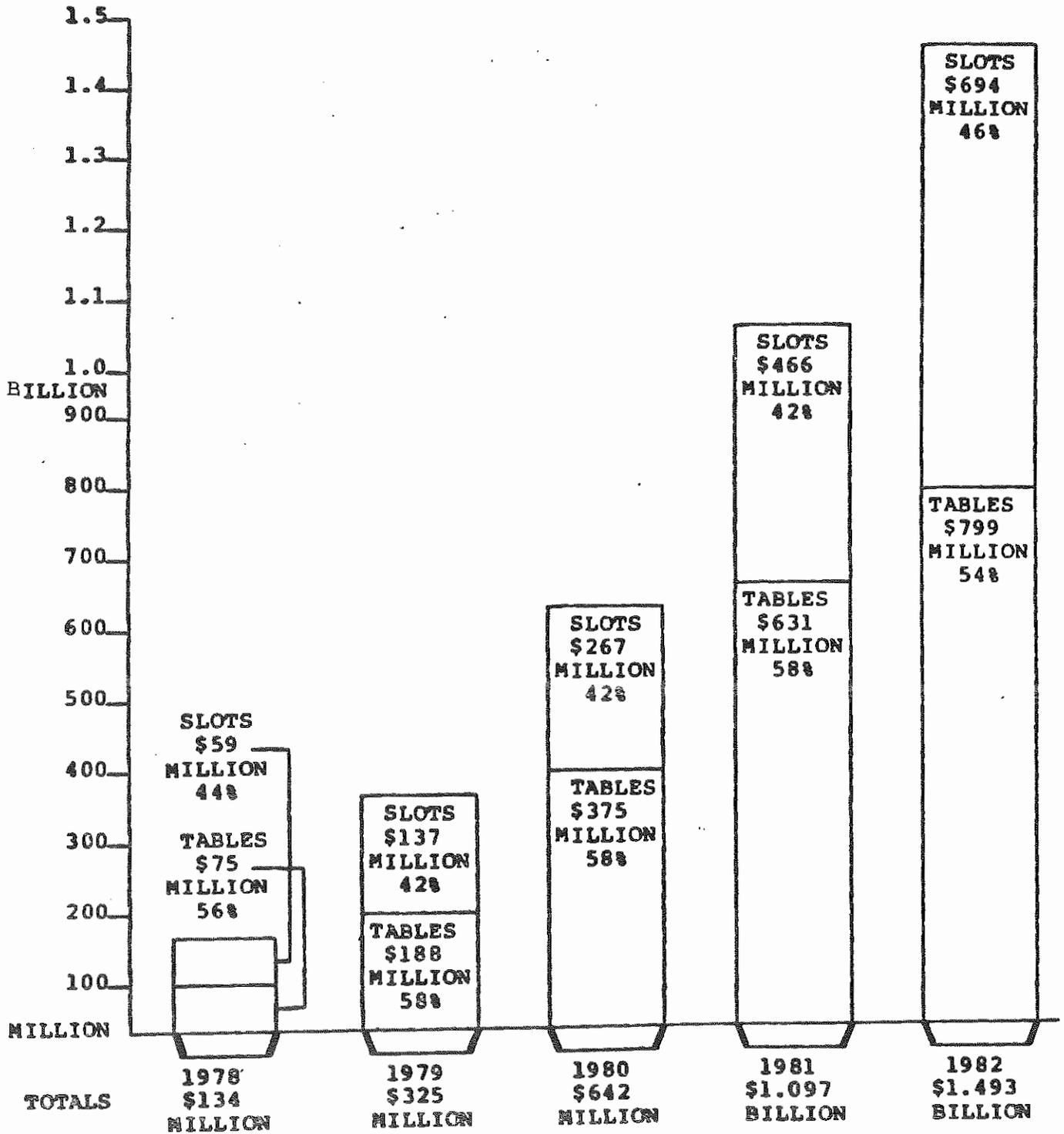
**See Chart C19, page 254.

CASINO INDUSTRY
TOTAL WIN FOR 1982



TOTAL WIN
\$1.493
BILLION

CASINO INDUSTRY
TOTAL WIN, SLOT WIN, TABLE WIN



instance. Could you run through the diagram and explain what the figures actually mean?

- A. This chart C19 depicts, in a bar-graph format, the amount of income or revenue from table games and the amount of income or revenue from the slot machines. It depicts each year working backward from 1982. Table games contributed \$799 million in 1982, and that was 54-percent of the operation. Conversely, 46-percent came from slots or \$694 million. As we can see, the amount of income is increasing in the casino industry, and this has to do primarily with the increased number of casinos that are opening, and this relationship -- 46-percent this year which happens to be the highest year so far. This may be due to the fact that the progressive slot machines, which give out very large jackpots, are increasingly popular in Atlantic City.

The percentage that slots contributes has increased from 42 percent, and this last year it was 46-percent.

- Q. Now, does credit make up any percentage of the win that is generated from slots?
- A. Essentially slot machines are an all cash operation. People bring that money down with them in advance. They obtain rolls of coins and they gamble it in the casino.

As I indicated before, only a small portion of the revenue in the casino comes from credit play. We must keep in mind that the operation at a table game involves a number of wagers among thousands of patrons and each specific wager in the amount that each person wins in the casino cannot be identified.

However, there are certain relationships that do exist in the casino between the amount of chips purchased. There's a certain amount of chips purchased on cash and a certain amount purchased on credit. Keeping that relationship in mind, we've estimated the amount of casinos' win from cash at the tables and from credit at the tables.

- Q. What was the total win in 1982?
- A. Total win in 1982 was \$1.49 billion.
- Q. Of that total figure, how much did the slot department contribute to the win?
- A. Slots contributed \$694 million. The table games contributed 553 million of cash, and \$246 million of credit play.

Casinos' Statement On Credit Is Misleading

- Q. Now, when the industry states that 30- to 40-percent of the industry income is attributed to the credit operation, is that an accurate statement?
- A. That statement alone would be very misleading in that it totally eliminates and does not address the amount of income from slot machines. Actually, credit play is approximately 30-percent to 40-percent of the table game operation, but this does not address at all, as I indicated, the cash that comes in on the cash machines.

THE CHAIRMAN: You've already said only 17 percent was derived.

COMMISSIONER DELTUFO: If you take into account the slot revenues; is that correct?

THE WITNESS: That's correct.

COMMISSIONER DELTUFO: Which they did not in making the 30-percent estimate?

THE CHAIRMAN: And you have testified 17-percent is a true figure, have you not?

THE WITNESS: That's correct. 17-percent is the best estimate from figures available. I should indicate, I've asked a number of casino executives how much they actually win or take into gross revenue from credit, and no one has really identified that figure specifically, but in 1982, our estimate is, and the figures I have that are supplied by the casino industry, show 17-percent came from credit. In 1981, it was 16-percent and in 1980 it was 15-percent.

COMMISSIONER DELTUFO: If you take all of the revenues?

THE WITNESS: The entire casino operation, that's correct.

How Credit Has Increased

BY MR. COPPOLA:

Q. Can you give us an idea of how the amount of credit issued in Atlantic City has increased?

A. Well, back in 1980, there was \$515 million issued in casino credit. In 1981, that amount doubled to \$1 billion, and in 1982, that number increased by 50-percent up to one-and-a-half billion dollars.

Q. May we please have Chart C-21? And would you please explain or define the term "drop"?

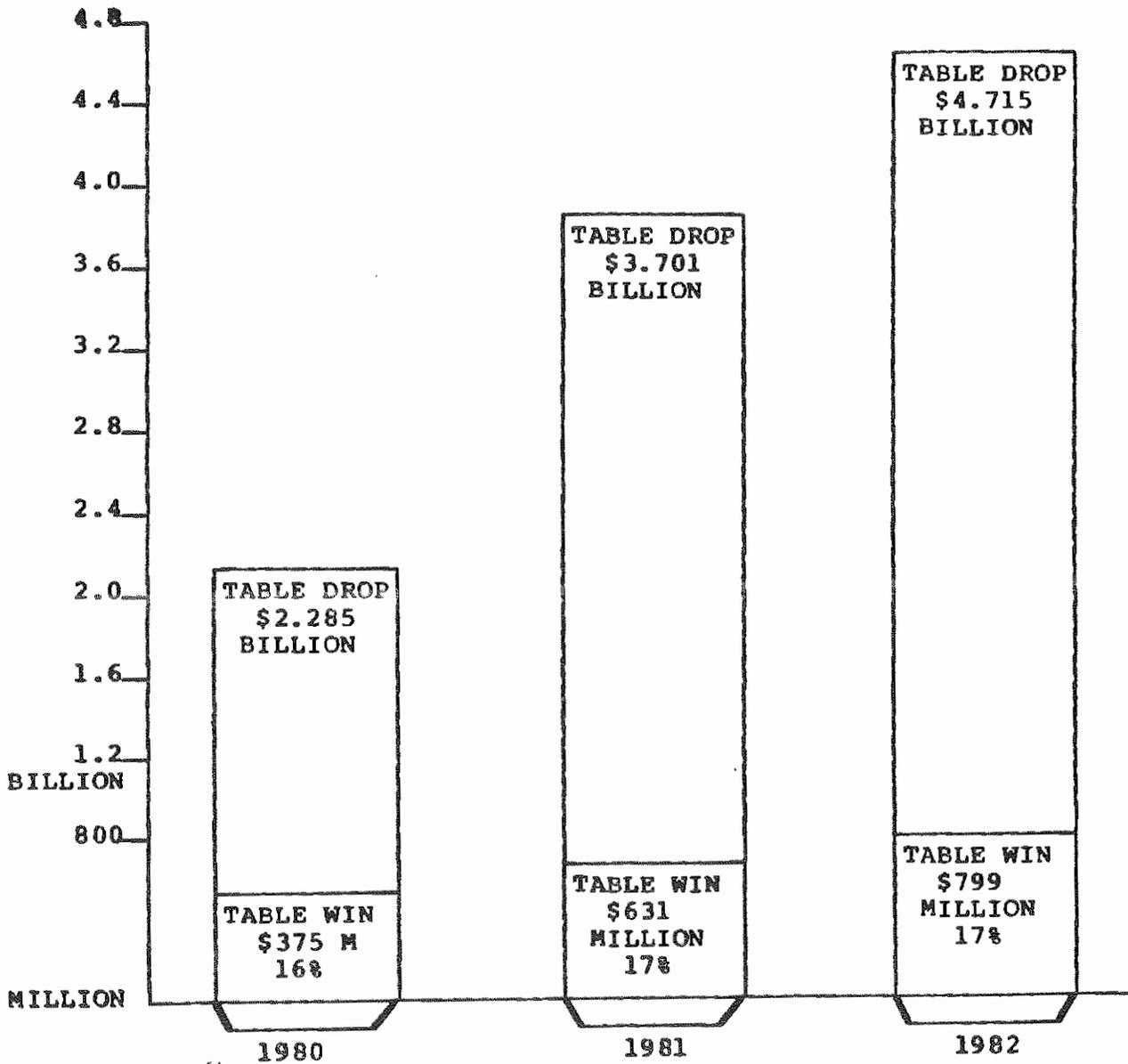
A. Drop is essentially the total amount of chips purchased in a casino by patrons. This is essentially nothing more than a cashiering transaction, where an equal amount of chips is exchanged for an equal amount of dollars. There's no income derived from the drop transaction, just an exchange. A patron would arrive at a gaming table, supply the dealer with \$100, the dealer would push back to him \$100 in chips, and if he did not gamble he could get up with those chips, go back to the cashier's cage and receive \$100.

Table Drop Vs. Table Win

Q. Now, would you explain the relationship between table drop and table win?

A. Table drop is amount of chips that are purchased in the casino. When a patron gambles in the casino over a period of time, on the average, the patron doesn't lose all his money. He leaves with a portion of his money. The amount he leaves at the table or loses is the casino win, and this relationship between table win and table drop sometimes is referred to as the hold

CASINO INDUSTRY
TABLE DROP (CHIPS PURCHASED AT TABLES) AND TABLE WIN



percentage. So on the average, in the entire industry, from Atlantic City, in 1982, considering all the casinos and all different types of table games, 17-percent of the chips purchased in the casino were won by the casinos. The remaining amount of chips the patrons had in their possession when they left the table.

- Q. Does the relationship between drop and win also hold true for chips purchased on cash as well as for chips purchased on credit?
- A. Yes, it does. As a matter of fact, once you sit at a gaming table and you've borrowed this money from the casino and you have chips, you've exchanged a marker for some chips, once you have those chips, the cards and the dice can't tell the difference between those chips. The relationships hold the same. The same cards are dealt from the same deck, whether you're gambling on chips purchased on credit or on cash.

As a matter of fact, this percentage may even be lower for credit gamblers in that the casino may win less from credit drop than it does from cash drop because of several factors; but the two most important would be that number one, usually a credit gambler is more intelligent and makes more intelligent betting decisions and makes a wiser bet.

In addition, the credit gambler, since he has a lot more money at his disposal, can ride out a bad streak of luck in the casino, utilize the casino's money until the streak turns around and may, in effect, end up winning money. So this whole percentage may be less for credit gamblers. And as a matter of fact, we isolated some table games in the casino that are predominantly credit.

For example, blackjack tables with very high denominations, or 80-percent or 90-percent of the action is credit, and there are some craps tables which fall into the same category. Now, we compared the blackjack and the craps tables that were predominantly credit to those that were predominantly cash. We saw consistently the tables where most credit is played win a lower percentage of the money.

Chart on Credit Issued and Credit Win*

- Q. Could we now please review Chart C-22?*
- A. If you noticed in the last diagram, in 1982, the amount of chips purchased was 4.9 billion. That included all the chips purchased on cash and all the chips purchased on credit. This chart, for the years 1980, '81 and '82, isolates the amount of chips purchased on credit. In applying that same percentage, we find that chips purchased on credit was 1.453 billion or approximately a billion-and-a-half dollars in 1982. And the amount that we estimate was won or revenue received from that credit activity was \$246 million. Likewise, in 1981, the same percentage existed when we calculated it, and in 1980, the percentage was 16-percent, somewhat less.
- Q. Are there any conclusions that you can draw from the relationship between credit issued and credit win?
- A. I would indicate that this relationship would show that credit patrons who gamble in the casino would lose approximately 17-percent of this figure, the remaining 83-percent would be in their possession when they left the table available to pay off markers immediately.

Chart On Provision For Bad Debts**

- Q. May we please have Chart C-23?** Could you please explain this?
- A. This diagram compares that credit drop figure for total chips purchased on credit, which is indicated by a hundred percent with the amount of bad debts, with the bad debt experience in the casino industry for the last three years. We see total chips purchased on credit in 1980 was approximately \$600 million, and of that amount \$19 million was uncollected.

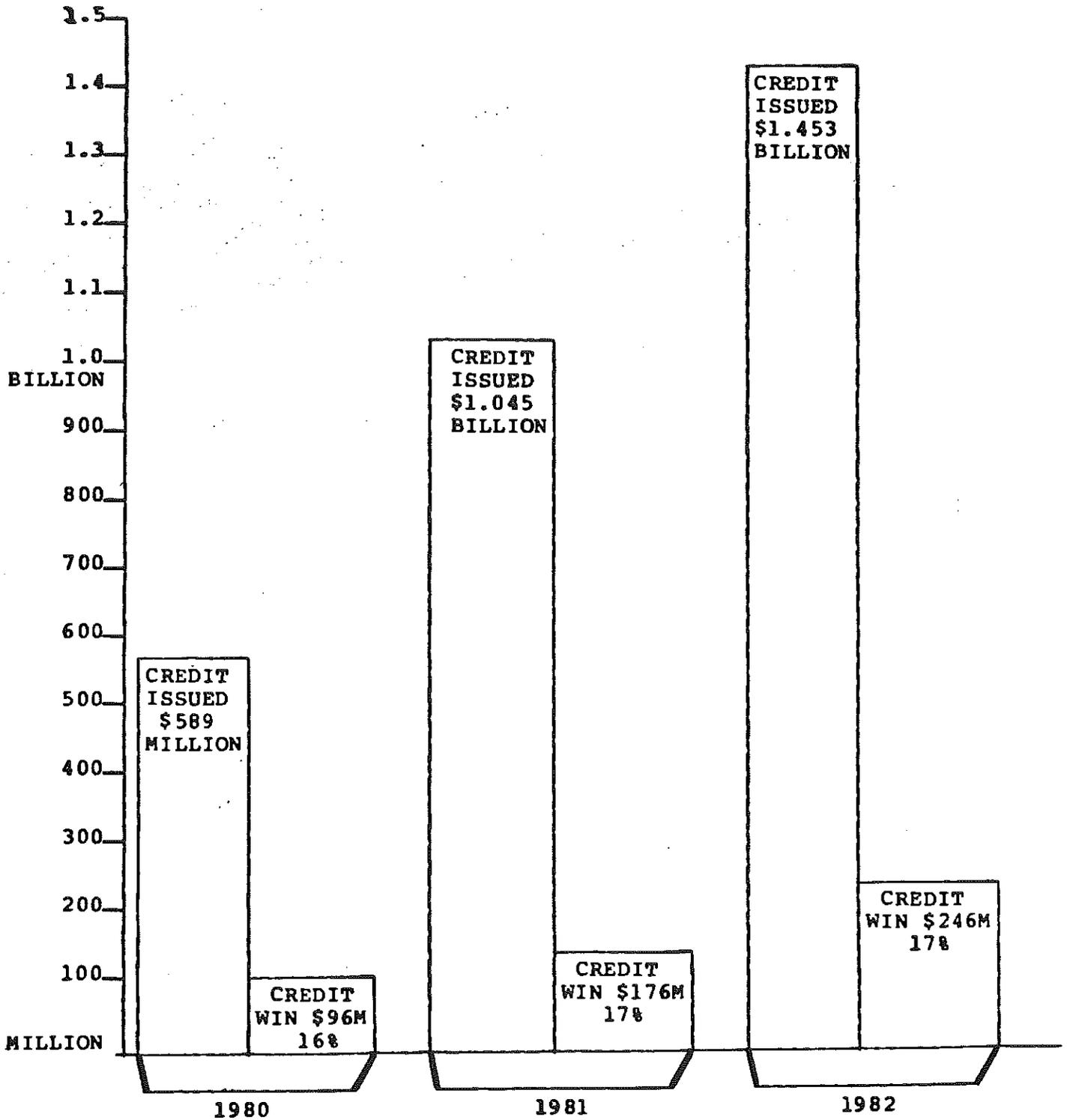
In 1981 it was approximately a billion dollars purchased on credit and 18 million was uncollected. And last year, in 1982,

*See Chart C22, next page.

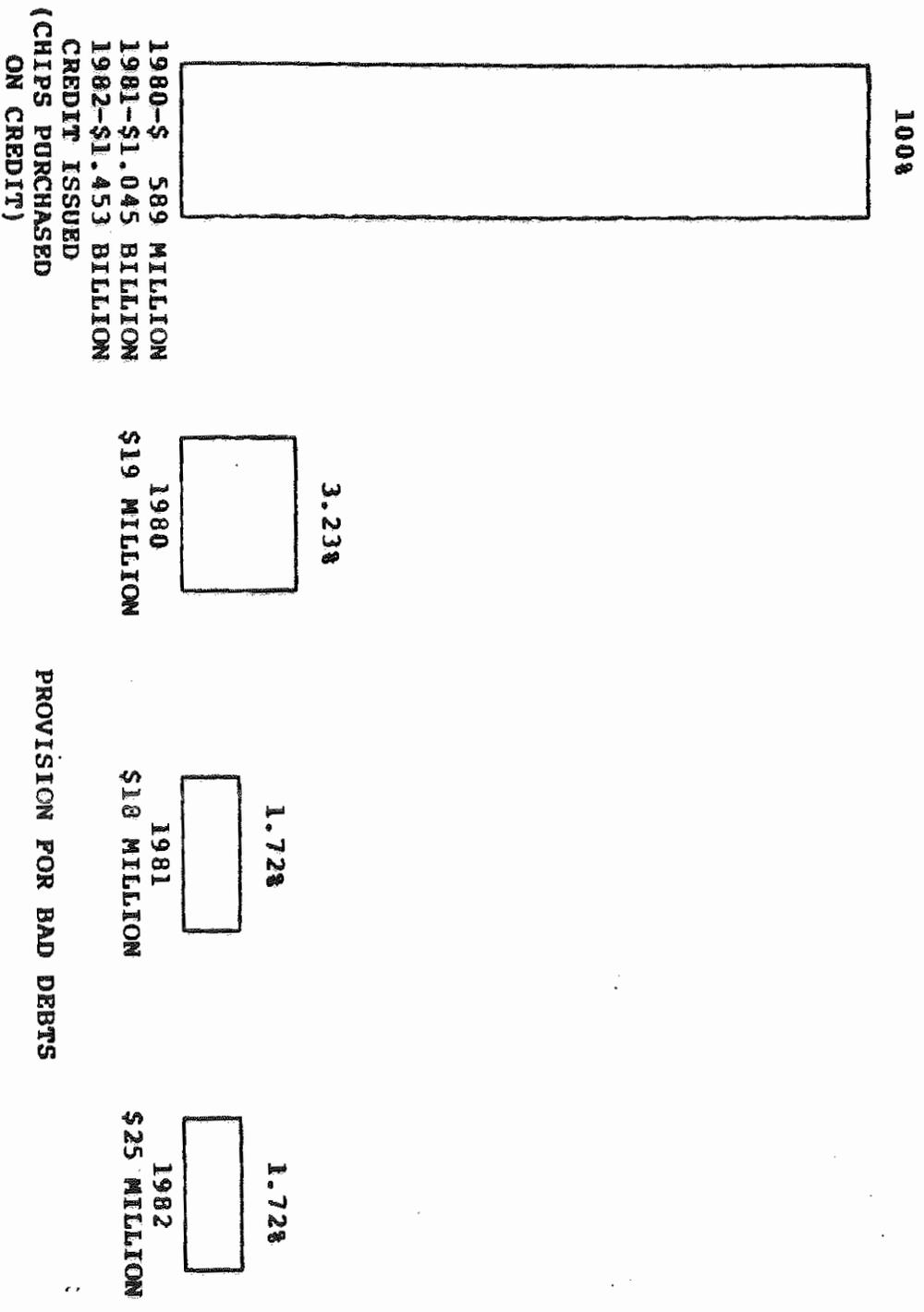
**See Chart C23, page 262.

CASINO INDUSTRY

CREDIT ISSUED (CHIPS PURCHASED ON CREDIT) AND CREDIT WIN



CASINO INDUSTRY
PROVISION FOR UNCOLLECTIBLES (BAD DEBTS) AS A
PERCENTAGE OF TOTAL CREDIT ISSUED



approximately a billion-and-a-half dollars in chips were purchased on credit, and of that amount it's expected that \$25 million would not be collected.

- Q. Does the chart actually tell the whole story?
- A. I think there's a factor that's missing in this diagram. Nowhere does this indicate the amount of revenue that is received from the credit operation and how these bad debts compare to that revenue figure.

Chart On Credit Win, Credit Issued*

- Q. May we please have Chart C-24? Now, does this Chart C-24, include the missing element, credit income?*
- A. Exactly. That last diagram contained total amount of chips purchased on credit and also contained the amount that's expected to go bad. What we've done here is inserted the amount that we believe is credit win in the casino from chips purchased on credit, and as the diagram indicates, for example, in 1982, it was billion-and-a-half dollars purchased on credit.

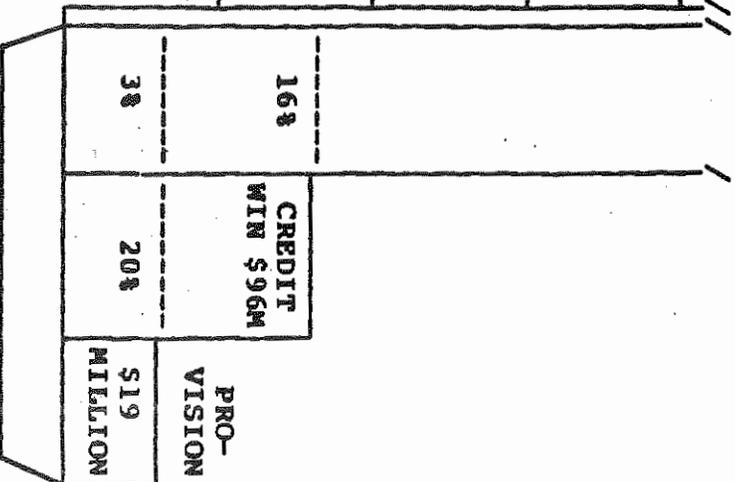
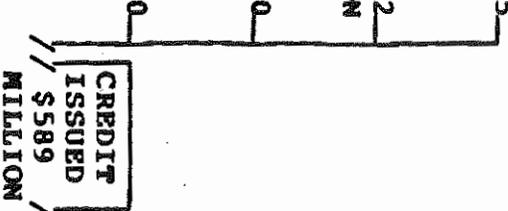
Of that amount, a certain portion is won by the casino which relates in revenue which is \$246 million or 17-percent of all the chips purchased on credit. As we come down to the figure which they expect will go bad, \$25 million--

- Q. Could you explain that figure, the provision figure?
- A. This may be a little confusing. Since they really don't know if they're going to collect the money, the casinos estimate from their experience what they expect to go bad, and in essence, for every dollar that's issued in credit, they estimate two percent is going to be uncollected.

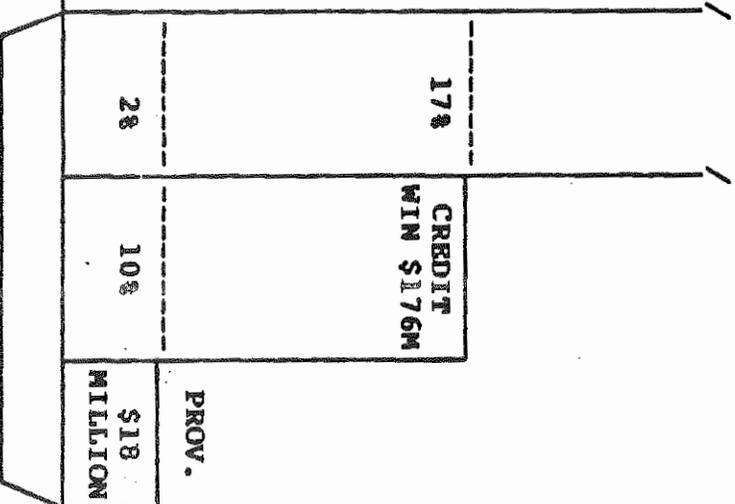
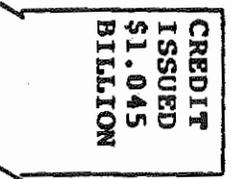
That is, in effect, the money they loan to the patrons. But when you isolate the amount they win from credit and compare that to the amount they expect to go bad, we find

*See Chart C24, next page.

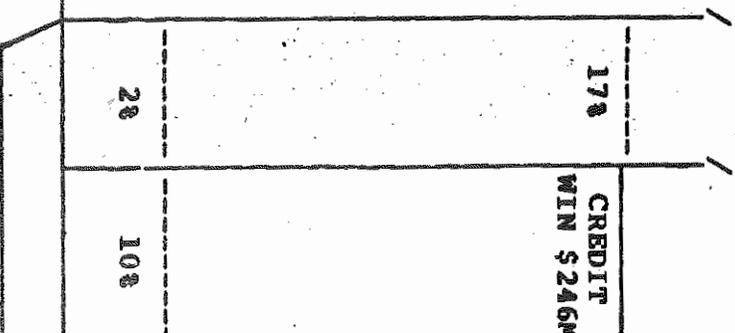
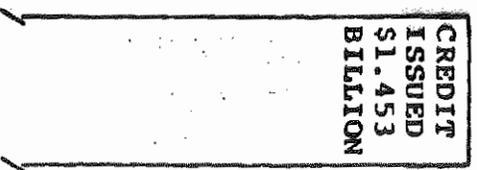
CREDIT ISSUED (CHIPS PURCHASED ON CREDIT)
CREDIT WIN, PROVISION FOR UNCOLLECTIBLE



1980



1981



1982

that in 1982, 10-percent of the revenue they're going to take in is expected to go bad.

In other words, for every \$10 that's taken in on credit, \$1 will not be collected. Similarly in 1981, the same relationship exists. 10-percent of the amount of credit win, \$176 million, was uncollectible. And moving back to 1980, we find that our estimate of credit win is \$96 million, and approximately \$19 million was not collected, and that's a staggering 20-percent.

This is the case, because in 1980, we've had previous testimony from Mr. Zarin, this was the year in which he was issued his credit and went bad. In addition, we've had representatives from Criminal Justice and other people in Gaming Enforcement talking about credit scams, and this was when that took place, in 1980.

Those figures indicate that in 1980 the amount for every \$10 the casino industry took in credit revenue, \$2 was not collected, 20-percent was not collected.

- Q. Now, how does the industry's provision for credit issued compare with other industries?
- A. To be perfectly honest, there is no other industry that's totally like the casino industry. It's unique unto itself, in that what happens is that the casino industry is different, and it's very difficult to find another industry that has similar circumstances. I would, myself, not wish to compare that to another industry.

Casino Credit Comparison Also Misleading

- Q. Have you heard or are you aware that the casino industry has made claims that their credit debt history is as good as retail establishments such as Sears?
- A. That comparison is usually made.
- Q. Is it an accurate comparison?

- A. I believe it's very misleading comparison.
- Q. Are you familiar with any of the figures that were generated from a retail establishment such as Sears?
- A. Well, I have the Sears' figures for 1981, and in 1981, Sears-Roebuck had credit income of \$9.7 billion. Of that amount, a mere \$124 million was not collected and that's 1.3 percent of their income.

Now, if you want to compare casino income figures, we can look at 1982, and we see 10-percent. They are ten times worse than Sears. In 1981, they're also ten times worse than Sears, and in 1980, they're much more than that.

"Credit Controls Are Inadequate"

- Q. Based on your five years of experience, do you have an opinion as to whether or not the current regulations and statutes with respect to casino credit are adequate?
- A. My opinion is that they're inadequate, and things I've heard in the testimony before this Commission from other law enforcement officials, from the gamblers and credit executives, confirm that.
- Q. Would you be able at this point to address those those specific problems?
- A. Yes, I have a list of recommendations I would like to make at this time.

I believe many of these problems can be addressed by stronger regulation in the casino credit procedures. But we must take notice that none of those problems can be entirely eliminated. Regulatory amendments must give the responsible credit executive and the credit worthy patron the flexibility they deserve, but at the same time, we must hope to frustrate the irresponsible credit executive and credit cheats.

Patrons Should be Photographed

The applications for casino credit must be expanded to require that the patron supply more information about himself and the casino must supplement this information with facts obtained from verifiable credit

sources. Patrons should be required to present a more reliable form of identification credential when they apply for credit.

Presently, anything with a signature is acceptable. Casinos should be required to take and to keep a photograph of the patron in their credit file. Photographs should deter criminal activity, as well as aid casino personnel in monitoring gamblers in the casino, and as Captain Jankowski with the Division of Gaming Enforcement, and Barry Goas from Criminal Justice indicated, these pictures should help law enforcement in the investigation and prosecution of any crimes which occur.

There's a need for more background information on credit applications. Gamblers should be required to request each credit limit in writing. There is a need for more references to be verified. Presently the regulations require that credit references be obtained from only one source, either a bank, a casino or a credit bureau. This level of verification is inadequate.

Casinos Should Exchange Data

Contact with other legal casinos, a credit bureau and any bank the patron intends to write checks from, is a minimum standard. When credit references are requested casinos should be required by law to release information about credit balances outstanding to other New Jersey casinos. The ability now for casinos to withhold derogatory information about casino patrons should be discontinued.

Credit patrons with certain classes of derogatory information should be denied credit by regulatory mandate. There's a need for the credit manager to have access to information contained in the security and surveillance department's files regarding a patron's credit worthiness. Derogatory information obtained by these departments many times can be as important when making a credit decision as the information obtained from the financial institutions and other legal casinos.

If the gambler is a criminal, and surveillance is aware of it, the credit department should also have this information and be required to take responsive measures. The name of each credit application should be scrutinized by security personnel. The casino industry needs the tools to combat gamblers who walk with chips. Any chips purchased on credit, remaining with the patron after gambling, should be repaid before he leaves the premises. Casino credit is issued to facilitate gambling, not to supplement personal finances.

Player Rating Process Needs Improvement

Accurate player ratings must be obtained and be utilized in determining a patron's credit worthiness. The sole purpose for issuing credit is to facilitate gambling. Accordingly, we recommend that the player rating be entered on the credit file each time a credit limit is established or increased, thereby requiring that a patron's method of play along with his credit references, including the history of repaying casino credit be considered when making this decision.

We believe that player ratings require an independent review. Since this rating determines a patron's ability to maintain and increase his credit limit, as well as his level of complimentary, we believe that steps need to be taken which will enhance the reliability of this information. We believe the same type of "people watching people" control which is exercised in other areas of the casino should be present with player ratings.

Another recommendation would be to allow casinos to obtain payment on counter checks from gaming patrons in an area near the pits. The transaction would be conducted under the direction of the casino cage. However, markers must be kept in a cage. These transactions must have adequate internal controls.

Clear Checks Quicker

The ability for casino patrons to roll over markers and obtain interest-free loans must

be interrupted. Counterchecks should be held by the casino no more than 14 calendar days. This gives sufficient time for the debt to be honored and will provide for a quick way to determine a patron's true ability to afford his gambling debts.

This lapse of time for patrons to utilize the casino's money over a four month period is unacceptable. Further, problem gamblers who receive credit have essentially four months to complicate their gambling problems.

Reforms Also Address Addiction Problem

COMMISSIONER DELTUFO: We've heard, and again I don't want to get you into a policy area that you don't feel comfortable with, but we've heard a lot of testimony about compulsive gamblers on a large scale and about compulsive gamblers on a smaller scale, but it seems there are a lot of them out there, and certainly, the types of reforms you've suggested would tighten up credit practices, but it would not be of much assistance to this, to the miseries of the compulsive gambler who can't stop and just gets in deeper and deeper over his head assuming that he had a credit reference.

THE WITNESS: I think some of the recommendations in here, in fact, many of them address two problem areas; they do address the issue of compulsive gambling in that if credit is restricted and more information on the credit card and there's more information about a person's personal finances, the credit executive is going to be in better position to be able to make a decision and defer a credit increase.

In addition, suggestions such as only allowing a casino to hold checks for 14-days is not going to give a person four months to ride out the problem.

THE CHAIRMAN: I have another policy question for you. Wouldn't it be healthy for everybody, including casinos themselves, if there were a regulation of some sort that would enable the casinos, the state police, the casino commission, so forth, to keep anybody associated with organized crime away from casino premises?

THE WITNESS: That seems like a very worthwhile suggestion. I think it would help.

Law Enforcement View On Credit Reforms

T. Barry Goas, chief of the Casino Control Section of the Attorney General's Criminal Justice Division, testified at the opening of the hearing on law enforcement problems generated by casino credit abuses. He returned on the final day of the proceedings to suggest corrections of the process from the law enforcement point of view. Goas was questioned about his proposals by SCI Executive Director James T. O'Halloran:

- Q. Mr. Goas, based upon your own experience and your expertise as a prosecutor, would you give this Commission your views on recommendations that would assist in the prosecution of casino credit crimes?
- A. Yes. My views are perceived from a law enforcement perspective and, accordingly, they will be more mundane and less statistically oriented than those propounded by Mr. Restuccia.

If you will recall, in my testimony on Tuesday I indicated that there's two basic obstacles for the would-be credit scammer to overcome. It's like talking and walking; he's got to talk his way into getting a line of credit issued to him and he's got to walk with those gambling chips. So if we can, through more stringent or strict regulations, make those hurdles or obstacles harder or higher for him to scale or climb, I think you're going to deter crime and I think you're going to solve the crimes that do occur. I'm not naive enough or idealistic enough to believe you can stop crimes occurring with the existence of credit, but I think we can do a lot to tighten it up.

Strengthen Biographical Requirements

I think at a bare minimum and a bare inconvenience to the casino industry, the following should be done: In terms of the biographical portion of the credit application, I think that the name obviously has got to be required, and the address. You want to request a date of birth, or mandate these now is what I'm saying, a date of birth, a home telephone number. In the

employment section of a credit application I think you want to mandate, which that isn't even called for as of the present time, although I do believe most casinos call for employment, I think you want to know the name of the business, the address of that business, how long the person's been employed in that business, his position or title if any, and the phone number for that business.

In terms of credit verification, currently regulations call for either the verification of a person's bank account, a check with a recognized credit bureau or the check with another legalized casino. I would submit that you might want both of these things.

Now, in terms of the information that the casino should be required to obtain from the bank, number one, it's got to be in writing. One of the big problems we have had in these credit scams is the bank employee who is bad.

That leads me into the second prong of the bank information proposal. It should be in writing and it should include, at a minimum, the following: It should indicate how long the account's been opened; it should indicate the average minimum balance of that account over the period or the length of time it's been opened; it should indicate whether the person can sign alone on that account; it should further indicate the present balance in the account and, also, a present rating of that account by a bank official.

Color Photographs Would Aid Crime Probes

I might add, going back to the biographical data, the most important thing to me is, I would require and recommend that a photograph be taken of the applicant who applies for credit, and it should be a color photograph and there should be a person within that cage, whoever is going to take this information, who signs off her name and can testify that the person depicted in that photograph is the person who signed that credit application. Too many times in proving the identity of the person who committed the crime we have to backtrack and do it by handwriting exemplars, which is a very cumbersome process because most of the

people, as I indicated, have come from the state of New York, not from New Jersey.

I put up for consideration -- I'm not wedded to it -- the concept of having a thumbprint placed upon the credit-card application.

Moving along, if in the credit verification procedures after the bank account is checked, if we check another credit history or another casino history and either of those two items prove derogatory, then there should be a written explanation in that file by the credit executive issuing the credit why he is still giving credit in the presence of such derogatory information.

Redeem Chips In Pit Areas

In the area of walking with chips, you have got to prevent these chips from leaving that table somehow. Perhaps the idea would be -- I have not thought it out in detail -- to redeem those chips in proximity to the pit in where the credit is issued. How that is structured and set up I leave that to the wisdom of the Division of Gaming Enforcement officials and perhaps the industry. But that is the only way I see that you can totally stop people walking with the chips.

One or two final notes on the credit card application. I think that there might be something said for, number one, uniformity of the information to be required on that. There might even be reason to have uniformity of the credit card itself. That would facilitate, I'm sure, the Division of Gaming Enforcement. I know it would facilitate the prosecutors working for me.

BY MR. O'HALLORAN:

- Q. I think you made some reference in your earlier testimony, and I think you may want to comment again, do you feel that the time should be reduced for the presentation of the marker?
- A. Yes. I strongly believe the time for the redemption of the checks as it exists now should be reduced considerably. The reason I say this is that we don't know of the commission of the crime for a minimum of four months after it's done now.

EXAMINATION BY COMMISSIONER PATTERSON:

- Q. On "This Trip Only" credit, assuming we are going to continue credit, I can't quite in my own mind figure out why there should be T.T.O.'s. I think if a player has a credit line, whatever the credit line might be, and if the casino wants to, if he wants to increase his credit line and the casino then should look at the increase request the same way they gave the original credit; that too often T.T.O. means nothing but more permanent financing to the individual.
- A. I would agree with that, Commissioner. What I have found happen repeatedly is that person will then pay off the T.T.O. to show he's liquid, then the next T.T.O. will be a lot bigger than the first one while the permanent line is still the same.
- Q. In many cases the T.T.O.'s haven't been paid off. And that gets them ultimately in trouble. We have heard the person ask for \$5000 and we know, speaking as a casino credit person, we believe they're good for 10. Fine. If they're good for 10, give them 10. Don't say it's a T.T.O. It's a permanent increase, in my mind, and they ought to make the decision not on what the person wants that particular evening for a weekend or whatever, but what the person can, what the person's credit file indicates that they can stand.
- A. I would have no difficulty concurring with that.

EXAMINATION BY COMMISSIONER GREENBERG:

- Q. Well, assuming that we are not going to have credit in the casinos any more, would that make your job as law-enforcement officer easier, Mr. Goas?
- A. Yes, sir.
- Q. It would eliminate the possibility of a number of these scams that you have described?
- A. Absolutely.

Q. It will eliminate the lure for organized crime, at least, in terms of the use of credit for some of these scams, won't it, Mr. Goas?

A. Absolutely.

Casino Lawyer's Outlook On Credit

The next witness was Joel A. Sterns of the law firm of Sterns, Herbert and Weinroth, who was retained as counsel by Resorts International soon after the voters ratified casino gambling in 1976. He conceded that his comments would reflect "an industry point of view" although not authorized by any particular segment of the industry. He noted that the hearing had focused on "two central issues," organized crime and credit. He added:

The organized-crime issue is perhaps the most difficult, not because there's any disagreement but because of the ability of the casinos or for anyone to do anything about it...There's nothing that a casino can do no matter how remote in Atlantic City that isn't going to get full scrutiny from a number of public agencies and from the press, and that is as it should be. Now, under those circumstances there isn't any casino or casino executive in his right mind that wants to have any remote association with organized crime.

Now, what can they do about it? To the extent that a casino knows of the reputation of a person, and I'm now dealing first with reputation, and to the extent that that casino then knowingly goes ahead and offers comp, free meals, liquor, et cetera, et cetera, they're making a drastic mistake and they shouldn't do it. But you have got to be sure they know about these people...I heard a lot of names this week and maybe you did, too, that would not have meant anything to me and if someone had called me and said what do we do about this person, I would not have known that name.

What I'm suggesting is that it is not within the capability of the casinos to, first of all, make the judgment as to who or what is organized crime or representative of organized crime. The second thing I'm suggesting is that if they did know, they certainly should cut out anything that's within their discretion...In summary, number one, a casino is crazy where it knows, or has reason to know, of a notorious

individual to offer comps, that is, free elements of any kind, whether it be food, travel, transportation or drink. But as to rejection, as to keeping these people out, I think the casino under the present situation and the law must rely on the state entity to provide it.

X X X

Sterns next addressed the issue of casino credit, as a business tool of the industry, as a basis for fraud and as a spur to gaming addiction. Sterns said:

The easiest thing for me to address is the issue of credit scams, people taking advantage, bilking casinos and, therefore, possibly losing, losing revenues for the state, et cetera. In that particular instance, I, first of all, would say that I think you would find the record of the casino industry with regard to collection of credit an enviable record. I don't believe anybody in the credit business in the United States - banks, financing companies, et cetera - collects back as much credit as they do; and in the case of Resorts with which I'm most familiar, with 50,000 active credit files and over \$369 million extended in credit, only seven-tenths of one percent was lost...In perspective, it's a very minuscule loss to the state. I think if given the time, and I know that I have impinged on your time so I don't want to do it, but given the time I think I could demonstrate to you that there's no loss to the state out of this and that, in fact, the tax revenue is enhanced.

We all would like to see the casinos and the state not bilked, and to the extent we are loose in our credit practices, there are certain things that have been testified that can be done.

I think the significant issue is the one that you reached yesterday. I think the casino industry, as you have pointed out, has an obligation to look at its credit limits that it extends to people and not get them in over their head; and I'm far more concerned with that aspect of what you have heard than I am with the scam aspect. The scam aspects can be taken care of and are taken care of, are insignificant as a

percentage of the thousands and thousands of credit transactions. But it doesn't answer the question of what is the obligation of the state or the casinos to stop a person from getting in over his head.

Now, this is not an easy question and it's not one that the casinos alone can deal with. But I think there are some things that they can do.

First of all, I don't think there's any reason why Central Credit Bureau in Atlantic City should not let each casino know what exactly the credit balance of any customer is at all of the casinos as a total. I'm speaking again personally, now. This is where I have, I cannot say to speak for the association or, really, only impliedly for Resorts. But I definitely believe that in that circumstance the casino should know what the limits are, and I think they should be much more rigid in judging what the casino limits or the credit limits to be extended are...

I must say, and will try to say in conclusion, that to me the answer is not to cut out all credit in Atlantic City, and I don't put it only on the fact that casinos have come in with a certain understanding of the law and made massive investments and I don't put it only on the fact that people -- that it will cut down the tax revenues of the State of New Jersey, although both of those cases I believe are true. I put it on the fact that, when you take casino gambling and when you say this is the entity that the people of New Jersey are going to adopt by referendum, you know, in effect, what you're getting and what you want to do is get the cleanest and best example of that. But the fact of the matter is that those people who are most able to gamble are not people who want to feel that they're going to travel to various places with large amounts of money in their pocket and they are people who are credit worthy.

The fact of the matter is that, again, 99.3 percent in our casino of credit is repaid. There are excesses that must be dealt with, but I think that you are not understanding the nature of the casino gambling experience as entertainment to the person who can afford it when you are saying you have got

to carry this money with you to the convention that we hope we'll get in Atlantic City or whatever else.

What I'm suggesting is your hearings have proven even beyond a shadow of a doubt that there are problems that have to be dealt with. To my mind, the problems are most unfortunate in the case of the compulsive gambler. Casinos have to stop competing with each other and step back in perspective and say we cannot, because of what it will do to our reputation and standing in New Jersey, let certain people get over their heads, and they have to take steps to deal it with. I don't think the answer is the ultimate penalty. I will stop there.

DGE Director Urges Credit Reforms

Thomas O'Brien, who was appointed Director of the Division of Gaming Enforcement in December, 1982, testified next. He observed that the hearing testimony had emphasized the credit issue as "the Achilles heel of the State's regulatory system" and that "reform in this area is of paramount importance." The statutory controls over credit, said O'Brien, are "intolerably lax," a problem compounded by the inability or inwillingness of the casinos "to set up effective and stringent guidelines to prevent the abuses" disclosed at the public hearing. O'Brien stated:

It is evident, therefore, that controls in the casino credit area must be superimposed upon the industry and backed up by the full force and effect of the law. With strengthened and uniform regulations in place throughout the industry, all casinos would be governed by the same rules and no casino would have an advantage over another.

By the same token, tougher standards would limit the risks and potential abuses inherent in the present system as well as enhance the integrity and viability of the entire industry.

Now, in the course of this hearing you have heard testimony from representatives of the Division of Gaming Enforcement who suggested areas where credit regulations must be strengthened. These suggestions are not based on speculation or assumptions but on facts developed in hundreds of credit scam investigations. I firmly believe that the recommendations that we have detailed in the area of information and verification procedures, accountability, and expeditious

payment of debt are all vital components of any responsible and acceptable credit system...We believe that these measures will remedy the serious deficiencies and fill in the wide information gaps created by present practices...As we are well aware by now, the most disturbing aspect of present credit practices is the potential for the illegal and fraudulent diversion of money. The so-called walking-with-chips scenario has been fully described and documented in the course of these hearings. We know that the perpetrator of this scam has 120 days at a minimum to go undetected and can invest monies obtained from this interest-free loan for non-gaming purposes, either legitimate or illegitimate, all at the casino's expense. And by rolling his markers, so to speak, this period can be extended.

The recommendations we offer in this area would greatly undercut the ability of a gaming patron to manipulate the system for his own benefit. Specifically, we suggest this can be accomplished in two ways: One, by drastically curtailing the length of time a patron's counter check may be held for deposit; and, two, by requiring any patron winnings or remaining chips secured on credit to be applied to existing debt prior to the patron's departing the casino.

O'Brien also called for strong efforts to bar organized crime elements from casinos. He said:

In the exclusion list we have a very effective weapon for eliminating the corruptive influence these undesirable elements exert over casinos and their employees. In my position as director, I have already implemented a plan to use this tool for all it's worth and to the fullest extent possible. I have discussed the matter personally with some casino executives and security people. A unit has already been established in our trial section to work full time on this effort. In the weeks ahead we will be giving this matter our immediate attention and I assure it will remain a priority throughout my tenure in office. This is one area, I feel, where we cannot afford to be less than total in our commitment and our vigilance.

Although traditionally limited to members of organized crime, their associates and other

criminal offenders, I believe the exclusion-list concept can be expanded to include those who, because of the level of their bad debt and their high-risk status, have proven themselves unworthy to participate in casino gaming in Atlantic City. In my view, this category of individuals is inimical to the interest of gambling in this state, and as such, their access to casino games and credit should be denied, either through outright placement on the exclusion list or an absolute prohibition on extending them any additional credit.

Suffice it to say that the recommendations we have suggested throughout the course of this hearing will strengthen the government's ability to monitor and regulate the most sensitive aspect of casino operations and insure that credit, properly controlled and responsibly managed, remains a viable marketing tool for the industry. And, gentlemen, if we can't do this, it appears to me that the next step is obvious.

The Casino Control Commission's Views

Walter N. Reed, chairman of the Casino Control Commission since December, 1982, and a former president of the New Jersey State Bar Association, was the final witness. He prefaced his observations on the public hearing disclosures with what he described as an "overview of the economics of casino credit in New Jersey." He cited statistics demonstrating that "credit is responsible for one-third of the win from table games." He also pointed out that when casinos were legalized, no one could predict that revenues would amount to \$1.5 billion in one year or that the cost of launching a casino hotel would require an average investment of \$150 million. He continued:

But, indeed, that is what happened and what is happening today. And thus it is apparent from these numbers that credit has become an integral part of the economics of an industry that on the plus side has generated 30,000 jobs, a huge payroll, and substantial direct and indirect tax benefits for the state. I believe, therefore, it would be unrealistic and economically untenable to suggest now that credit gambling be eliminated as a legal practice in Atlantic City casinos.

But I believe your hearings have exposed certain problems in the way credit gambling is employed. It is incumbent on us to

examine those problems and adjust the law to eliminate those deficiencies. It is also entirely reasonable to expect the industry to abide by the law and regulations and to exercise its business judgments in this area with prudence.

Read next discussed what he described as "the issue of access to casinos by persons alleged to be members or associates of organized crime:"

As you know, Section 71 of the Casino Control Act provides for the establishment by the commission of a list of persons whose presence in casinos is deemed undesirable and inimical to the interests of the state and the policies of the Casino Control Act.

Pursuant to this provision, the commission established and maintains such a list and to date 75 persons have been placed on it. The list now operates under revised rules adopted by the commission last October. I believe, and I think experience with these new regulations demonstrates, that the revised procedure provides a swift and viable means of determining whether certain individuals should be barred from the casinos. The new procedures preserve essential due process requirements without hindering the ability of the government to identify and exclude individuals whose presence would be inimical to the stated public policy of maintaining public confidence in the integrity of casino gambling.

Since the new regulations took effect in October, twelve persons have been subject to preliminary orders of exclusion which maintain their ability to seek a full fact hearing pending final commission determination.

I know there's a feeling the casinos should not merely rely on the state-sanctioned exclusion list, but should anticipate it and attempt to identify and on their own action exclude individuals who may be members or associates of organized crime. I know, too, that at least one industry witness testified that such action by the casinos could expose them to unacceptable legal risks. I think that concern is a legitimate one, but I must point out that by casino regulation, and I

refer to N.J.A.C. 19:48-1.7(e), an obligation exists and has existed on the casinos for five years that, and I quote: "It shall be the continuing duty of a casino licensee to inform the Commission and the Division in writing of the names of persons it believes are appropriate for placement on the exclusion list." That duty is clear and it always has been.

Read said that the problem of compulsive gambling existed in New Jersey prior to the influx of casinos but added that their presence has to some degree "exacerbated it." On this subject, Read said:

The exclusion list, of course, is in our law to deal with individuals who, when shown to meet its objective criteria, must be barred from the casinos. It does not deal with another group, much harder to identify, who arguably could be kept out of casinos in their own interest, the compulsive or addicted gamblers.

We know enough about their problem to recognize that it existed before casinos were legally established in New Jersey and that it would exist if the casinos were not here. No one can quantify the relationship between casinos and the probable increase in this unfortunate problem, but it seems a reasonable guess that to some degree the presence of legal casinos in Atlantic City has exacerbated it. The Casino Control Commission, has almost from its inception, supported the notion that the government of our state must recognize and make an effort to deal with the issue of addictive gambling because on the other side it has made legal gambling one of its policies. The commission supported legislative initiatives in 1980 and 1981 to establish state funding for programs to identify and assist compulsive gamblers. Last year the commission also lent support to this idea and was pleased that it was adopted by the governor in his budget. However, no matter how often or how extensively this issue is examined it is important to draw a distinction between the presence of casinos and the prevalence of compulsive gambling.

Indeed, one of the distinctions between compulsive gambling and other addictions like alcohol or narcotic abuse is that the

outward behavior of the afflicted individuals does not necessarily manifest an addiction. If anything, we know that addicted gamblers attempt to hide their problem. In fact, they have to in order to maintain the habit. This was verified by the testimony of the witness who told you about a gambling problem that led him to the casinos and \$90,000 worth of credit from them. But he also had managed to get substantial bank loans to feed his compulsion to gamble also at race tracks as well as to make illicit wagers. Those banks, depending on the interpretation, were no less gullible or careless than the casinos.

The Casino Control Commission thus continues to support illumination of this serious problem, efforts by the state to increase awareness of it and to redress the negative ramifications of a public policy that makes various forms of gambling legal.

Read also offered recommendations with respect to issues raised at the SCI hearing:

The first is in the negative and concerns suggestions that either the law or the casino regulations be revised to allow the redemption of counter checks at the tables and the gambling pits.

The Casino Control Commission has had serious reservations about this proposal and continues to have them. An essential ingredient in the commission's internal control regulations is the segregation of functions in the casino, placing different responsibilities on the gaming, cage, credit, accounting, security, and surveillance departments of the casinos. But if counter checks are to be allowed to be paid down at the tables, this must remain a cage function and would probably require a costly increase in staff because additional cage employees would be needed in the gaming pits.

However, there is a deserved concern about possible collusion between casino employees and patrons. The temptation would exist for corrupt individuals to arrange private transactions to discount counter checks costing the casinos loss of revenue with a concomitant loss of tax revenues.

Second, the commission is aware of proposals to require photo identification for credit patrons. We endorse this idea and believe it would provide a further appropriate check in the verification of credit issuance.

Third is the question whether the present statutory allowance for a write-off of four percent of bad credit should be maintained, reduced or eliminated. Recalling the figures I discussed at the outset, it is apparent that this allowance, although permitted against total gross gaming revenue, effectively applies only to the table game revenue. Historically, the industry has utilized less than half the allowance or about 1.7 percent against all credit issued, representing somewhat less than \$60 million which has been written off and consequently escaped the eight percent gross revenue tax.

So much as this write-off allowance is a refuge from the kinds of imprudent credit decisions about which you have heard testimony this week, it warrants tightening, and I would have no problem with that. I think we need to look at the matter more closely before saying whether the allowance should be cut or eliminated, and if cut by how much. But I believe there is a legitimate basis to contemplate such a reduction without the risk of any real financial harm to the industry.

Fourth. I recommend further study and serious consideration of proposals to reduce the present 90-day allowance for the collection of counter checks in excess of \$2500. Again, exactly by how much this should be shortened deserves further review and I don't have a specific suggestion today. But I believe we have sufficient experience to date to demonstrate that the casinos would have better control over their credit issuance if there were a shorter maximum period in which they could hold counter checks and that such a change could be expected to encourage a beneficially tighter control over otherwise liberal credit extensions which should not be made.

Finally, let me close with the observation that credit in casinos is not analogous to the credit extended by traditional lenders such as banks. It is not backed by collateral and when it goes bad represents lost opportunity rather than lost assets. It is legally enforceable in New Jersey and should remain so to encourage the perception that it should not lightly be asked for nor received, but also to assure that there is prescribed legal means of collecting it. This protects that portion of the public which will seek casino credit from the kind of extortionate methods purportedly used at other times in other jurisdictions to assure that gambling credit is repaid, and to prevent credit payment from being siphoned off illegally at the expense of the industry which has legitimate claim to it with a consequent loss of tax revenues.

THE CHAIRMAN: I have a question, Commissioner, if I may. As I listened to your statement on exclusion of associates of organized crime, I understood you to say there is swift and viable means of establishing the type of person who should be eliminated, but I didn't hear anything about the actual elimination, and I think we consider that of very vital importance and we are mindful, or, at least, I am mindful of the fact that sometimes government moves terribly, terribly slowly. We have been stressing in the last four days that this should be done as of yesterday or as of tomorrow, not as of sometime in the vague future. I understand that the Racing Commission has by regulation excluded these people from the race track. They're promptly taken out if they dare to come in. And I also understand that the State Police have a list of some 3500 associates of general -- of organized crime in and around this area and I would suggest the possibility that that might be a good starting point to take that 3500 and tell them they may not come into the casino. And, again, as of next week or maybe tomorrow.

THE WITNESS: I said we act promptly. I'm not sure we could handle that volume in that time frame.

THE CHAIRMAN: You would get some help from the State Police and they would be anxious to help you.

THE WITNESS: If they submit those names to us, we will handle them properly.

Closing Statement

SCI Chairman Arthur S. Lane brought the four-day hearing to a close with a statement which emphasized the Commission's continuing obligations "with respect to the serious problem of credit abuses at New Jersey's casinos." He pointed out that hearing testimony must be studied "for the purpose of proposing a reconstruction of the credit process so it can better serve the industry, the regulators, the patrons and the public." He pointed out that investigative findings and public hearing revelations "mean nothing unless they can be translated into effective remedial laws and regulations." Chairman Lane said certain credit abuses were highlighted during the public hearing, particularly "the scandalous invasion of casinos by criminal elements, including some of the most notorious members and associates of organized crime." He continued:

Casino fraud, corruption and other misconduct will become far more extensive, we believe, unless we force the casinos to close their doors to the mob. Superficially, at least, the casinos indicate that they also want to keep unsavory patrons off the premises. But, as one of our knowledgeable State Police witnesses has told us here, the casinos find it much easier to eject card counters than gangsters. The S.C.I. believes that no greater threat to the honesty and integrity of the casino industry exists than a constant organized crime presence at the gambling tables. Not only should the granting of credit and the dispensation of expensive complimentarys to individuals of questionable repute be prohibited, but no person who can be linked to any criminal activity, mob controlled or otherwise, should be permitted to remain in a casino.

If there is one recommendation that the S.C.I. can make here and now it is this: that an absolute, and instant, ban be imposed against the presence of anyone with a known criminal background in any New Jersey casino.

The SCI chairman called attention to the disclosures that "a markedly disproportionate share of casino law enforcement and regulatory oversight is concentrated on credit misconduct." Even casino executives themselves have been forced to admit under oath, Lane said, "that millions of dollars in credit have been disbursed

in a shockingly irresponsible manner." Chairman Lane added:

Probably the most damaging testimony heard in this chamber came from the casinos. We heard one credit executive after another testify about credit decisions that were in our judgment irresponsible, unjustified, erratic, unwarranted, all at a cost of millions of dollars in revenue losses to the casinos and tax losses to the state.

Chairman Lane said the Commission was deeply concerned about the impact of easy credit and lavish VIP attention on compulsive gamblers. Said Lane:

However, this Commission is more concerned about the human cost than the dollar cost or any other aspect of credit mishandling and misconduct at casinos. We recorded testimony at length by representative victims of the process, who were lured by excessive credit and comps into personal and financial degradation and self-destruction. The lack of concern on the part of casino management -- in the top echelons as well as in the credit cages -- for gambling addicts was made clearly evident in this chamber. We urge the casino industry to adopt a more compassionate attitude toward the poor and the sick who are attracted to gambling tables, and to establish guidelines that will help credit managers identify potential and actual compulsive gamblers among applicants for non-cash wagering.

In sum, we intend to propose a wide-ranging overhaul of the casino credit system that will take into account every proposal suggested at this public hearing. No industry is more in need of public faith in its honesty than the casino industry and nowhere is this industry more vulnerable than in its credit process. We intend to recommend exceedingly stringent reforms because we firmly believe that without such reforms the casino industry itself will eventually self-destruct, just as have many of the unfortunate human victims of casino credit abuse.

Before concluding, we would like to extend the Commission's appreciation to the Attorney General, the Division of Gaming Enforcement, the Division of Criminal Justice, the State Police and others with

whom we maintained productive liaison during the course of this inquiry. We also want to compliment those members of our staff who worked so long and hard to make this hearing successful, and I am referring in particular to Michael Coppola, our chief counsel in this endeavor, the members of his team, Wendy Bostwick, Kurt Schmid, Dennis McGuigan, Dick Hutchinson, Honey Gardiner, and to our secretaries, particularly Carol Nixon and Diana Vanderhoff, and to many others who contributed, including Sheilah Duignan, Rob Lagay, Chris Klagholz, George Sahlin, Mike Goch, Joe Corrigan, Bob Diszler, and Cy Jordan.

RECOMMENDATIONS IN DETAIL

Transmittal Notice

The SCI's recommendations on casino credit practices were transmitted on May 3, 1983, to Governor Thomas H. Kean and to the Legislature via Senate President Carmen A. Orechio and Assembly Speaker Alan J. Karcher. These transmittal letters, signed by Chairman Arthur S. Lane, stated:

"This Commission respectfully submits the enclosed draft of recommendations based on its public hearings March 1-4, inclusive, on the subject of casino credit practices and procedures. This transmittal is in accordance with the statute governing the Commission's operations, N.J.S.A. 52:9M-1 et seq., which states in Section 9M-4:

The Commission shall, within 60 days of holding a public hearing, advise the Governor and the Legislature of any recommendations of administrative or legislative action which they may have developed as a result of the public hearing.

"Under that provision the deadline for transmitting these recommendations is May 3. This time frame prevents us from including our full report on the public hearing with this enclosure. Although that report may contain more details, the enclosed draft represents the Commission's essential proposals for strengthening substantially the statutory and regulatory requirements and controls with regard to the casino credit process."

"The Commission is prepared to cooperate fully in any discussions of these recommendations and in connection with any subsequent decisions to implement them."

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(NOTE: With respect to the following recommendations, unless required for clarity, various sections and subsections of the Casino Control Act (N.J.S.A. 5:12 et seq.) and the Casino Control Commission regulations (N.J.A.C. 19:40 et seq.) will not be restated here if no changes are involved. Further, where statutory language has been excised, certain omissions will be suggested to the

reader by the use of ... before and after such excisions and by asterisks *** between omitted provisions. Also, since there will be references to the Casino Control Commission, to prevent confusion the State Commission of Investigation will be referred to as the S.C.I. Finally, brackets [] indicate deletions and underlines indicate new language recommended by the S.C.I.

A. STATUTORY COMMENT AND RECOMMENDATIONS

I. CASINO CONTROL ACT - N.J.S.A. 5:12-1 et seq.

COMMENT

The SCI recommends the repeal of all credit provisions of the Casino Control Act, for the reason stated in the introduction to this report. This introduction also noted that, should this repeal request be declined by the Legislature, we have proposed alternative lawmaking and regulatory action.

RECOMMENDATION

N.J.S.A. 5:12-1 et. seq.

Repeal all statutory provisions and supplementary regulations which authorize the extension of credit at casinos.

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II. CASINO CONTROL ACT - N.J.S.A. 5:12-24. "Gross revenue"

COMMENT

The S.C.I. recommends that the definition of "gross revenue" be amended to delete the following language, "pursuant to Section 101 of this Act." This deletion will eliminate a potential problem that credit issued, or handled by a casino licensee in a manner inconsistent with Section 101 is not considered "gross revenue" and, thus, not subject to New Jersey's gross gaming

revenue tax. Theoretically, a casino could negligently or intentionally violate N.J.S.A. 5:12-101 and reduce its tax base by the deduction of the revenue gained by such a violation.

The S.C.I. also recommends elimination of the statutory provision contained in Section 24 that allows a casino licensee to deduct from "gross revenue" a percentage of uncollectible gaming receivables. That deduction, commonly known as the "write off" provision, effectively reduces the revenue available for distribution to New Jersey's disabled and senior citizens. The S.C.I. believes that the casinos should bear the risk of uncollectible gaming receivables, not citizens of the State. The S.C.I. also recommends that N.J.A.C. 19:54-1.6, entitled Computation of tax, be amended to conform with this statutory change, as detailed in the regulatory section of this document.

RECOMMENDATION

N.J.S.A. 5:12-24 "Gross revenue"

The total of all sums, including checks received by a casino licensee [pursuant to section 101 of this act], whether collected or not, actually received by a casino licensee from gaming operations, less only the total of all sums paid out as winnings to patrons, [and a deduction for uncollectible gaming receivables not to exceed the lesser of a reasonable provision for uncollectible patron checks received from gaming operations or 4% of the total of all sums including checks, whether collected or not, less the amount paid out as winnings to patrons.]

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III. N.J.S.A. 5:12-71 Regulation requiring exclusion of certain persons

COMMENT

The S.C.I. recommends that section 71 be amended to (1) supplement the statutory language concerning categories of excludable individuals to include definitions for "career or professional offenders" and inimical to the State of New Jersey or of licensed gaming; (2) further define the duty of a licensee to exclude and/or eject individuals who are subject to exclusion; (3) authorize a licensee to detain and question any individual to determine if that person is within the class of people who should be excluded or ejected; (3) grant immunity to a licensee which detains, questions and ejects individuals if the licensee's conduct is reasonable; (4) further define the responsibilities of the Division of Gaming Enforcement (D.G.E.) and the Casino Control Commission (C.C.C.) with respect to individuals who are reasonably believed to be within the class of individuals who should be ejected; and (5) place the burden of proof at an exclusion hearing on the D.G.E.

The S.C.I. believes the proposed amendments will resolve a troublesome area that presently requires a casino licensee to exclude or eject from their premises persons who fall within the class of individuals set forth in subsection a. However, during the course of our investigation, and public hearing, the S.C.I. learned that compliance with subsection d. with respect to individuals not on the C.C.C.'s "exclusion list" was nil. Reasons were advanced by the casino industry for such non-compliance, to wit: (1) The categories set forth in subsection a were vague; (2) Casinos were unable to determine whether or not an individual fell within an excludable category without State assistance; and (3) an ejection or exclusion of an individual who was not on the exclusion list would subject the licensee to civil and criminal liability.

The S.C.I. is not in complete agreement with the position advanced by the industry, but believes public policy dictates that section 71 of the Act be strengthened to require a casino to perform a statutory obligation based on reasonable beliefs free from the concern that its actions will result in civil or criminal liability. As a result of the casinos' non-compliance many individuals who apparently were within the categories of subsection a. were allowed to utilize casino facilities, receive credit and comps.

In addition to the proposed statutory amendments to section 71 of the Act, the S.C.I. also has proposed recommendations regarding the regulations promulgated by the Casino Control Commission with respect to the issue of exclusion and ejection, to wit: N.J.A.C. 19:42-4.1 et seq.; and 19:48-1.1 et seq. Those recommendations, allow for the immediate placement of an individual on the exclusion list pending a Casino Control Commission final determination that the individual in question is properly subject to exclusion, are detailed in the regulatory section. The S.C.I. contends that immediate exclusion reflects the intent of the State legislature in this area as evidenced by sections of the "declaration of policy and legislative findings" N.J.S.A. 5:12-71 e., f. and g. With these policy declarations in mind, the regulations promulgated by the Casino Control Commission with respect to exclusion and ejection are substantially inconsistent with the legislative intent.

RECOMMENDATIONS

N.J.S.A. 5:12-71 Regulation requiring exclusion of certain persons

a. (1) Who are career or professional offenders [as defined by regulation of the commission] ; which means any person whose behavior is pursued in an occupational manner or context for the purpose of economic gain, utilizing such methods as are deemed criminal violations of the public policy of this state;

(3) Whose presence in a licensed casino would [in the opinion of the commission,] be inimical to the interest of the State of New Jersey or of licensed gaming therein, or both. "Inimical to the interest of the State of New Jersey or of licensed gaming" means adverse to the public confidence and trust in the credibility, integrity and stability of casino gaming operations and in the strict regulatory process created by the Casino Control Act.

In addition to the above definitions, [The] the commission shall promulgate definitions establishing those categories of persons who shall be excluded pursuant to this section, including cheats and persons whose privileges for licensure or registration have been revoked.

d. Any list compiled by the commission of persons to be excluded or ejected shall not be deemed an all inclusive list, and licensed casino establishments shall have a right and a duty to [keep] immediately eject and thereafter exclude from their premises persons known to them to be within the classifications declared in paragraph a. of this section and the regulations promulgated thereunder, even in the absence of action by the Division or the commission. Further a casino licensee shall immediately furnish the division and the commission the names and whatever other identification is available, of all persons excluded or ejected by it who are not on the exclusion list, together with the reason(s) for its action and any other material information relating thereto. Such ejection or exclusion shall not render such licensee civilly or criminally liable for false imprisonment, false arrest, slander or unlawful detention unless such action is unreasonable, capricious and arbitrary under all the circumstances.

e. For the purpose of determining whether any person on the premises is included on the list of persons established pursuant to paragraph a. of this section, or is otherwise within the classifications declared in paragraph a. of this section and the regulations promulgated thereunder, any licensed casino, by its officers, employees or agents, may detain and question such person. If such a person is deemed to be on the said list or otherwise within the said classifications, the licensee, its officers, employees or agents shall eject such person from the premises with the use of reasonable force if necessary, after informing law enforcement or commission authorities, without incurring any civil or criminal liability for false imprisonment, false arrest, slander or unlawful detention, unless such conduct is unreasonable, capricious and arbitrary under all circumstances.

f. When the division or the commission in the normal performance of their duties observe an individual within the licensed premises and it is believed that the individual in question is within the classifications declared in Paragraph a. of this section and the regulations promulgated thereunder, they shall so advise the

casino licensee. The licensee shall, in writing, advise the commission and the division within 24 hours of the action taken thereon.

[f.] h. Within 30 days after service by mail or in person or 60 days from the time of last publication, as the case may be, the person named for exclusion or ejection may demand a hearing before the commission. [and show cause why he should have his name removed from such list.] A demand for a hearing must be in writing. Failure to demand such a hearing within the time allotted in this section shall preclude a person from having an administrative hearing, but shall in no way affect his right to judicial review as provided herein.

j. If a hearing is held, the Division shall have the affirmative obligation to demonstrate by a fair preponderance of the evidence that the excluded person satisfies the criteria for exclusion established by section 71 of the Act and the commission's regulations.

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IV. N.J.S.A. 5:12-100. Games and Gaming Equipment

COMMENT

The S.C.I. recommends that this section be amended to require a licensee to apply chips in the possession of a credit gambler against outstanding counter checks in the "pit area" of the casino and to prevent a casino from redeeming chips surrendered by a credit gambler if that gambler has unredeemed counter checks. The S.C.I. would also amend this section to prevent the solicitation or acceptance of a tip by a casino supervisory employee from any patron or on behalf of same at any casino in Atlantic City, rather than, as the statute currently provides, only at the casino where that employee works.

It must be kept in mind that a counter check is a negotiable instrument made payable to the casino and drawn on the credit gambler's bank account. In the casino industry, a counter check is also known as a "marker". The credit gambler signs the marker at a gaming table and receives chips in an amount equal to the monetary value of the marker. Once the gambler has chips in his possession, he may decide not to gamble and instead leave the gaming area with the chips and cash them out or have a confederate cash out for him. Even if the gambler intends to eventually make good on the counter check, he is free to make use of the casino's money for whatever purpose he desires. His purpose might be to invest the money, receive interest and then, at sometime in the future, redeem the counter check. His purpose might also be to finance a loansharking, narcotics or some other criminal venture.

The above scenarios describe what is commonly known as "walking with chips", a major problem in the industry. The casino

industry itself also considers the problem to be widespread throughout Atlantic City. The Act and the regulations promulgated by the Casino Control Commission do not address this problem. In fact, the Act mandates that a casino must, upon a patron's request, redeem its gaming chips even if the person requesting payment has a large outstanding marker balance owed to the casino. The S.C.I. probe and public hearing conformed that credit gamblers who have a large amount of markers outstanding, walk with chips so that they can use the casino money to pay off their oldest markers. That practice is known as "rolling markers" and also causes the industry much concern.

Our recommendations would curtail the abuse of walking with chips by forcing the casinos: (1) to know how many chips a credit gambler has in his possession when he leaves a gaming table, and to allow the casino to utilize those chips to reduce the gambler's outstanding marker balance, and (2) to prevent a casino from redeeming or cashing out chips surrendered by a credit gambler if that gambler has unredeemed counter checks.

This aspect of the recommendations represents a marked departure from current procedure by which counter checks are redeemed. New Jersey regulation now provides for counter checks to be issued only at the gaming tables and redeemed only at a cashier's cage. The S.C.I. recommendations would allow casinos to obtain payment on counter checks from gaming patrons in the casino pits. Such procedures should enable casinos to more effectively control credit and, thus, reduce the likelihood of individuals using the casino money for nefarious purposes. The S.C.I. also recommends that N.J.A.C. 19:45 be amended to reflect these statutory recommendations.

RECOMMENDATIONS

N.J.S.A. 5:12-100 Games and Gaming Equipment

k. It shall be unlawful for any person to exchange or redeem chips for anything whatsoever, except currency, negotiable personal checks, negotiable counter checks or other chips. A casino licensee shall upon the request of any person, redeem that licensee's gaming chips surrendered by that person in any amount over \$25.00 with a check drawn upon the licensee's account at any banking institution in this State and made payable to that person [.] if that person has unredeemed negotiable checks in an amount of less than \$200.

1. The casino licensee shall [request patrons] be required to obtain and the patron shall be required to apply any chips or plaques in their possession in reduction of Counter Checks exchanged for purposes of gaming prior to exchanging such chips or plaques for cash or prior to departing from the casino area [.] , if that person has unredeemed negotiable checks in an amount of \$200 or more.

m. Whenever a patron leaves a gaming table with chips in his possession in an amount of \$200 or greater and has unpaid counter checks in an amount of \$200 or greater, the casino shall be required to collect and the patrons shall be required to apply those chips against the unpaid counter checks. This procedure shall take place in the pit area in accordance with regulations promulgated by the Commission.

(1) This shall apply to all casino patrons except those exempted in writing by:

(a) Vice-President of Casino Operation, or his equivalent; or

(b) Director of Casino Credit, or his equivalent; or

(c) Vice-President of Finance, or his equivalent.

(2) An exemption shall be requested in writing by the patron and shall include, but not be limited to:

(a) signature of patron

(b) date of request

(c) amount of request

(d) reason for request

(3) The authorization shall include signatures indicating a review of the patron's credit and gambling activity at this establishment. Patrons exempted must exhibit a history of extensive gambling at a level commensurate with the established credit limit and payment of gambling debts at the casino and shall also include the reason(s) why the exemption was approved and the time period the exemption will be in effect.

(4) Whenever a patron is permitted to leave the gaming table with chips, the casino personnel responsible for the preparation of player rating forms shall record the amounts of chips in the patron's possession on said form.

n. [o.] (1) It shall be unlawful for any casino key employee or [boxman, floorman,] boxperson, floorperson, or any other casino employee who shall serve in a supervisory position to solicit or accept, and for any other casino employee to solicit, any tip or gratuity. [from any player or patron at the casino where he is employed.]

V. N.J.S.A. 5:12-101. Credit

COMMENT

The S.C.I. recommends that subsection c be amended to require a licensee to deposit counter checks within 14 days of the counter checks' issuance dates.

Currently, New Jersey casinos can legally hold a counter check of \$2,500 or more for 90 banking days, or approximately 120 calendar days, before depositing it. Credit gamblers are aware of this and once one casino is persuaded to hold checks, the other casinos follow suit because of the competitive pressures. This provision in the Act and supplemental regulations cause many of the industry's credit problems. This prolonged depository time period allows credit gamblers to utilize casino money during a four month period. Further, compulsive gamblers or problem gamblers who receive credit have essentially four months to personally and financially self-destruct.

The ability for credit gamblers to roll over markers and obtain interest free loans would be interrupted by the 14 calendar days rule. This would allow sufficient time for a debt to be honored and still provide a quick way to determine a patron's ability to afford gambling debts.

The S.C.I. contends 14 calendar days is sufficient time for credit gamblers who have incurred gambling debts to return home and prepare for counter checks to be presented for payment at their banks. Further, the reduced time period would discourage credit gamblers who cannot afford to lose money since they would know their debts could not be strung out over four months. Also, regulatory and law enforcement agencies would much earlier be alerted to a credit scam as a result of checks either clearing banks or bouncing within two weeks after the date of issuance.

RECOMMENDATION

N.J.S.A. 5:12-101 Credit

c. When a casino licensee or other person licensed under this act, or any person acting on behalf of or under any arrangement with a casino licensee or other person licensed under this act, cashes a check in conformity with the requirements of subsection b. of this section, the casino licensee shall cause the deposit of such check in a bank for collection or payment within [(1) seven banking days of the date of the transaction for a check in an amount less than \$1,000.00; (2) fourteen banking days of the date of the transaction for a check of at least \$1,000.00 but less than \$2,500.00; or (3) ninety banking days of the date of the transaction for a check of \$2,500.00 or more.] fourteen days of the date of the transaction.

Notwithstanding the foregoing, the drawer of the check may redeem the check by exchanging cash or chips in an amount equal to the amount for which the check is drawn; or he may redeem the check in part by exchanging cash or chips and another check which meets the requirements of subsection b. of this section for the difference between the original check and the cash or chips tendered; or he may issue one check which meets the requirements of subsection b. of this section in an amount sufficient to redeem two or more checks drawn to the order of the casino licensee. If there has been a partial redemption or a consolidation in conformity with the provisions of this subsection, the newly issued check shall be delivered to a bank for collection or payment within the period herein specified. No casino licensee or any person licensed under this act shall accept any check or series of checks in redemption or consolidation of another check or checks in accordance with this subsection for the purpose of avoiding or delaying the deposit of a check in a bank for collection or payment within the time period prescribed by this subsection.

In computing the time period fixed by this subsection the last day of the period is to be included unless it is a Saturday, Sunday or a state or federal holiday in which event the period runs until the next day.

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VI. N.J.S.A. 5:12-122, Other offenses; general penalty
5:12-129 Supplemental sanctions

COMMENT

The S.C.I. recommends the above two sections be amended to increase the criminal and civil penalties. It is our position that the proposed increases will more realistically reflect the current economic climate within the casino industry.

N.J.S.A. 5:12-122 Other offenses; general penalty

RECOMMENDATION

Any person who violates any provision of this act the penalty for which is not specifically fixed in this act is guilty of a [disorderly persons offense.] crime of the fourth degree and notwithstanding the provision of N.J.S. 2C:43-3 shall be subject to a fine of not more than \$25,000, and in the case of a person other than a natural person, to a fine of not more than \$100,000, any other appropriate disposition authorized by N.J.S. 2C:43-2b.

N.J.S.A. 5:12-129 Supplemental sanctions

RECOMMENDATION

(b) Assess such civil penalties as may be necessary to punish misconduct and to deter future violations, which penalties may not exceed [\$10,000] \$100,000 in the case of any individual licensee

or registrant, except that in the case of a casino licensee the penalty may not exceed [\$50,000] \$1,000,000 [;] , unless the commission determines a greater amount is appropriate under the circumstances;

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B. REGULATORY COMMENT AND RECOMMENDATIONS

I. N.J.A.C. 19:45-1.1 Definitions

COMMENT

The S.C.I. recommends that patrons be required to provide a casino with a more reliable form of identification. Specifically, credentials would have to contain a photo or physical description of the credit applicant and the applicant's signature. Presently the regulations permit credit gamblers to submit any document which contains their signature as a valid form of identification. The purpose of the S.C.I.'s regulation is to more accurately establish a gambler's identity. A photo or physical description would be a much more accurate and reliable means of identifying an individual.

RECOMMENDATION

N.J.A.C. 19:45-1.1 Definitions

"Identification Credentials" means a [credit card,] driver license, passport or other form of identification credential which bears a photo or a physical description and contains, at a minimum, the patron's signature. A personal reference does not constitute an identification credential.

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II. N.J.A.C. 19:45-1.11 Casino Licensees Organization

COMMENT

The S.C.I. recommends that subsection c 1, concerning Casino Surveillance Department, and subsection c 6, concerning the Casino Security Department, be amended to require both departments to notify the Credit Manager or other appropriate supervisors in writing of any information which may be useful in determining an individual's credit worthiness. Such a change would make the directors of surveillance and security responsible for developing procedures to communicate information on credit gamblers to Credit Managers so they are continually apprised of information which could affect a credit decision. Many times the surveillance and departments are in receipt of information regarding a gambler's activity inside or outside the casino, obtained through documentable sources as well as their intelligence sources. That information should be made available to a casino credit department.

RECOMMENDATION

N.J.A.C. 19:45-1.11(c)1 Casino Licensees Organization

A surveillance department supervised by a director of surveillance who ... shall be responsible for ...

viii. The communication in writing of any information regarding casino patrons to the credit manager and other appropriate supervisors which may be useful in determining a patron's credit worthiness, or fitness to remain on the premises. This is a continuing responsibility.

N.J.A.C. 19:45-1.11(c)6

A security department supervised by a director of security who ... shall be responsible for ...

ix. The communication in writing of any information regarding casino patrons to the credit manager and other appropriate supervisors which may be useful in determining a patron's credit worthiness, or fitness to remain on the premises. This is a continuing responsibility.

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III.N.J.A.C. 19:45-1.11 Casino licensee's organization

COMMENT

The S.C.I. recommends that subsection (c)5, concerning the casino's Credit Department, be amended to require that the credit manager forward a list of new credit applicants to the directors of surveillance and security at a minimum on a daily basis for their review. Such a review would not be a prerequisite to issuing credit. However, these departments would have timely notifications that credit applications were being processed and would have an affirmative responsibility to forward relevant information to the Credit Department. The surveillance and security departments many times have access to information which cannot be obtained by the Credit Department when it performs its normal credit reference verifications. Derogatory information obtained from these departments often can be as important when making a credit decision as information obtained from financial institutions or other casinos.

RECOMMENDATION

N.J.A.C. 19:45-1.11(c)5 Credit Department

A credit department supervised by a credit manager who ... shall be responsible for ...

iv. The reporting of the names of new credit applicants, with approved credit limits, to the directors of security and surveillance, at a minimum, on a daily basis.

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IV. N.J.A.C. 19:45-1.25 Procedure for exchange of checks submitted by gaming patrons

COMMENT

The S.C.I.'s position on this regulatory revision is the same as our position with respect on N.J.S.A. 5:12-100. As noted, this regulatory amendment would place an obligation on casinos to obtain and the patron to apply chips in his possession for the reduction of counter checks prior to exchange the chips for cash. This revision would reduce the current problem of patrons walking with chips and then using casino funds for their personal use, whether legal or illegal.

RECOMMENDATION

N.J.A.C. 19:45-1.25 Procedure for exchange of checks submitted by gaming patrons

(1) The casino licensee shall [request patrons] be required to obtain and the patron shall be required to apply any chips or plaques in their possession in reduction of Counter Checks exchanged for purposes of gaming prior to exchanging such chips or plaques for cash or prior to departing from the casino area [.] , unless that person has unredeemed negotiable checks in an amount of less than \$200.

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V. N.J.A.C. 19:45-1.26 Procedure for redemption, consolidation or substitution of checks submitted by gaming patrons

COMMENT

The S.C.I. recommends that this regulation be amended to require casinos to redeem the most recent outstanding counter check of a credit gambler, rather than the earliest outstanding counter check as the regulation currently allows. This amendment will force counter checks to be deposited on a more timely basis and help to prevent the roll over of counter checks by credit gamblers. Under this amendment, the earliest dated checks will be deposited in the customer's bank for collection, thus giving quick reliable feedback to the casinos about a gambler's credit worthiness.

RECOMMENDATION

N.J.A.C. 19:45-1.26 Procedure for redemption, consolidation or substitution of checks submitted by gaming patrons

(a) The drawer of a check may redeem the check by exchanging [:] the following and such check redeemed shall be the most currently dated check.

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VI. N.J.A.C. 19:45-1.27 Procedure for recording checks exchanged, returned or consolidated

COMMENT

It should be noted that subsection d, with respect to the credit file, is the heart of the credit regulatory structure since it applies to the credit application, information contained on the application, verification of that information by casinos and the ultimate credit decision. The S.C.I. recommends that this subsection be completely overhauled because its inadequacies have generated an overwhelming majority of credit abuses.

Although casinos for the most part comply with the current regulations, those regulations, in effect, require very little of a casino licensee. The S.C.I. confirmed that even where a particular casino policy was more strict than the regulatory framework, the casino policy was not followed in all cases. In fact, internal policy was often ignored to permit a so-called "business judgement" decision by the casino. The exercise of such "business judgements", the S.C.I. found, often resulted in extension of excessive credit to problem gamblers, to people who could not afford to repay the credit they received and to people who utilized the credit received to commit fraud. The regulations presently allow casinos unlimited control with respect to the credit decisions.

The S.C.I.'s recommendations would require that in every instance casinos verify a great majority of the information given to them by the credit gambler prior to the extension of credit to that individual. Such an amendment would give the casinos knowledge of the accuracy of the information before a scam occurred, or before that account became a collection problem.

In addition the casinos would be required to verify a potential credit gambler's non-gaming as well as gaming credit references prior to the extension of credit, the better to evaluate the credit worthiness of the patron. Further, the S.C.I. recommendations would require a casino to accumulate information from every other casino where a gambler has or had credit prior to the extension of credit to that gambler. This provision would require a casino to give the information when requested. Thus, the common response of "preferred customer" to

abruptly cut off communication and liaison among casinos would be eliminated. Implementation of this recommendation, together with the other recommendations concerning section d would greatly alleviate the "rounder" problem of a credit patron receiving credit lines at a number of Atlantic City casinos.

The S.C.I. particularly urges that a credit applicant's fingerprint and photograph be taken by the casino and maintained as part of the applicant's credit file. This information would be useful in deterring fraudulent credit activity at the outset, would enhance debt collection efforts and would be an effective tool for law enforcement in the identification of suspects who may have perpetrated a crime. Credit gamblers are often closely scrutinized by credit executives and law enforcement representatives in casinos. If photographs are utilized properly, law enforcement effectiveness will be greatly increased. Further, when a gambler approaches a gaming table and requests credit, the gambler must be adequately identified by a casino pit clerk and photographs could be used in that circumstance. The S.C.I. urges that all of the following recommendations concerning section d be considered as interrelated, since each individual amendment gives substance to another.

RECOMMENDATION

N.J.A.C. 19:45-1.27(d) Procedure for recording checks exchanged, returned or consolidated

(d) A credit file for each patron shall be prepared manually or by computer, prior to issuance of a counter check to a patron by casino clerks and such file shall include, at a minimum, the following:

1. The casino clerk's signature receiving and/or preparing the credit file including the method of receipt (mail, telephone, in person, etc.);

[1] 2. The name of the patron;

[2] 3. The [address] residence of the patron;

4. The patron's residence phone;

5. The name of the patron's employer;

i. Type of business

ii. Position

iii. Number of years

6. The address of the patron's employer;

7. The patron's business phone;

8. Income to be considered;

i. Amount

ii. Source

9. Outstanding indebtedness

i. Amount

ii. Source(s)

[3] 10. The name of the patron's bank;

[4] 11. The number of the patron's [bank] personal checking account(s) which the patron is individually authorized to sign on;

i. The cage cashier shall examine and retain an original specimen check from the account(s) used to redeem Counter Checks.

12. A physical description of the patron which shall include, but not be limited to, the following:

i. Two photographs taken by the licensee accompanied by the signatures of the cage cashier and the patron indicating the photographs are of the patron applying for credit;

ii. Date of birth;

iii. Height;

iv. Weight;

v. Hair color;

vi. Eye color;

vii. Two fingerprints taken by the licensee accompanied by the signatures of the cage cashier and the patron indicating the fingerprints are of the patron applying for credit.

[6] 13. The patron's signature [;] indicating acknowledgement of the following statement:

I declare the information provided to be true and correct, and authorize the casino to conduct such investigations pertaining to this information as it deems necessary for the approval of my requested credit limit. I further authorize the release of all information contained in my credit file as required by law. I certify that all of the above information is true. I realize that willingly furnishing false information may subject me to criminal prosecution.

[7] 14. The type of identification credentials examined, accompanied by the signature of the cage cashier [and the date] ,

indicating that the signature on the credit file compares to the signature on the identification credentials presented by the patron;

15. The credit limit requested by the patron and the names of other legal casinos where the patron has/had established credit;

16. The verification of information required by subsection 1.27(d)3 through 7 prior to the approval of a credit limit;

[5] 17. Credit references, prior to the approval of a credit limit and increases thereto, accompanied by the signature of the credit department representative (and the date) indicating verification directly with: [either a recognized credit bureau, the patron's bank or another legal casino;]

i. Recognized credit bureaus that have the capability to provide the following:

- (1) The patron's casino credit history;
- (2) The patron's other credit history; and

ii. Other legal casinos where the patron has/had established credit. Each New Jersey casino shall be required to furnish to other New Jersey casinos information that shall include, but not be limited to, the following:

- (1) Date account established;
- (2) Amount of highest approved credit limit;
- (3) Amount of current approved credit limited;
- (4) Status of the account at the time of verification, including intransit items, derogatory information and information received from the Security and Surveillance Departments.
- (5) The name and title of person supplying the information.

iii. The patron's personal checking account(s). In the event that items i and ii above do not reveal any derogatory information, the casino shall not be required to verify the patron's bank account prior to the approval of a credit line, but shall immediately request in writing, and by other normal business practices, verification of the bank account(s) provided.

iv. "Derogatory" information consists of, but is not limited to, the any write-off, unpaid returned check, settlement, lien, or judgment.

v. If casino credit history is unavailable or if derogatory information is obtained or the patron does not have casino credit activity in the last 24 months, no credit shall be extended unless the bank account(s) provided by the patron is verified in writing.

vi. The information to be verified on the patron's bank account(s) shall include, but not be limited to, the following:

(1) Type of account (business, personal, savings, checking, etc.);

(2) Account number;

(3) Date the account was opened;

(4) Average balance of account for, at a minimum, the last twelve months;

(5) Current status of account;

(6) An indication as to whether the individual applying for credit, can sign individually on the account; and

(7) Name and title of the person supplying the information.

vii. In the event that derogatory information is obtained when verifying credit references, or there is knowledge of derogatory information, or a credit limit decision is made which is not commensurate with information contained in the credit file, and Counter Checks issued thereafter are uncollectible, the licensee shall be required to pay a penalty in an amount equal to the uncollectible items. This penalty will be in addition to other fines, penalties or sanctions authorized by law or these regulations.

viii. Credit reference verifications required by subsection 17 above shall be updated at least every six (6) months.

ix. A reply of "no record", "too new to rate", "no information obtained," etc., does not constitute a credit reference verification.

[8] 18. The credit limit, and any changes thereto, approved by the signature of the Vice President of casino operations, or his equivalent, credit manager, the assistant credit manager, credit shift managers, or a credit committee which may approve credit as a group but whose members may not approve credit individually unless such person is included in the job positions referenced above. The credit limit and changes thereto shall be commensurate with the information contained in the credit file. The casino manager, assistant casino manager, or casino shift manager may have input to the credit limit decision but shall not have approval authority [;] . The approval shall include:

i. Signature;

ii. Player rating;

iii. Outstanding balances at other legal casinos on the date of the approval;

iv. A description of other information considered in determining the credit limit, including the source of the information;

v. A reason as to why credit was approved if derogatory information was obtained when performing credit references;

vi. Credit limit increases shall be requested in writing by the patron and shall include, but not be limited to:

- (1) Signature of patron;
- (2) Date of request;
- (3) Amount of request.

19. The credit limit reduced to zero at any casino where the patron has returned checks until such time the returned checks have been paid in full by the patron. Exempted from this regulation shall be dishonored checks where the patron is not responsible.

[9] 20. The credit player rating based on a continuing evaluation of his amount and frequency of play subsequent to the patron's initial receipt of credit. Each licensee shall establish a method to independently review and monitor the player ratings to determine the accuracy and reasonableness of information recorded on the documents. The review shall be performed by persons with no incompatible functions such as Internal Audit or Surveillance. These procedures must be submitted to the Division of Gaming Enforcement and Casino Control Commission for review and approval. The information for the credit player's rating shall be recorded on a player rating form by casino department supervisors and shall include, but not be limited to, the following:

- i. Patron's name;
- ii. Game and table number;
- iii. Average bet;
- iv. Approximate length of time played;
- v. Amount of gaming chips in patron's possession upon leaving the gaming table;

[v] vi. Rating as determined by supervisor;

[vi] vii. Rater's signature and license number; and

[vii] viii. Date of observations.

[10] 21. The date and amount of each Counter Check initially accepted from the patron;

[11] 22. The date and amount of each consolidation check accepted from the patron;

[12] 23. The date, method and amount of each redemption transaction;

[13] 24. The date and amount of each substitution transaction;

[14] 25. The date and amount of each check deposited; [and]

26. The outstanding balance after each transaction;

[15] 27. The details relating to returned checks [.] ; and

28. The details relating to checks determined to be uncollectible.

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VII. N.J.A.C. 19:45-1.28 Procedure for depositing checks received from gaming patrons

COMMENT

With respect to this regulation, please refer to the S.C.I.'s position concerning N.J.S.A. 5:12-101.

RECOMMENDATION

N.J.A.C. 19:45-1.28 Procedure for depositing checks received from gaming patrons

(a) All checks, unless redeemed or consolidated prior to the time requirements herein, received from gaming patrons in conformity with section 19:45-1.25 of this regulation shall be deposited in the casino licensee's bank account in accordance with the casino licensee's normal business practice, and such practice must be submitted in writing to both the Commission and Division, but in no event later than:

1. The bank day after the date of the check for a non-gaming check;

2. [Seven banking] Fourteen days after the date of the check. [for a check in an amount less than \$1,000.00;]

[3.] [Fourteen banking days after the date of the check for a check in an amount of at least \$1,000.00 but less than \$2,500.00; or]

[4.] [Ninety banking days after the date of the check for a check in an amount of \$2,500.00 or more.]

(b) All checks received for consolidation in conformity with section 19:45-1.26 of this regulation shall be deposited in the casino licensee's bank account within:

1. [Seven banking] Fourteen days after the date of the initial check for a consolidating check. [where the consolidating check is in an amount less than \$1,000.00;]

[2.][Fourteen banking days after the date of the initial check where the consolidating check is in an amount of at least \$1,000.00 but less than \$2,500.00; or]

[3.][Ninety banking days after the date of the initial check for a consolidating check where the consolidating check is in an amount of \$2,500.00 or more.]

(c) All checks received as part of a redemption in conformity with section 19:45-1.26 of this regulation shall be deposited in the casino licensee's bank account within:

1. [Seven banking] Fourteen days after the date of the initial check. [if the initial check is in an amount of less than \$1,000.00;]

[2.][Fourteen banking days after the date of the initial check if the initial check is in an amount of at least \$1,000.00 but less than \$2,500.00; or]

[3.][Ninety banking days after the date of the initial check if the initial check accepted is in an amount of \$2,500.00 or more.]

(e) Any check deposited into a bank will not be considered clear until a reasonable time has been allowed for such check to clear the bank. The licensee must submit to the Commission and Division the time allotted for checks to clear the bank.

(f) In computing the time period fixed by this subsection the last day of the period is to be included unless it is a Saturday, Sunday or state or federal holiday in which event the period runs until the next day.

VIII. N.J.A.C. 19:45-1.29 Procedure for collecting and recording checks returned to the casino after deposit

COMMENT

The S.C.I. recommends an amendment to eliminate the availability of a write off and to require a casino to document the uncollectibility of a returned check. The S.C.I. believes this recommendation would lessen the likelihood that a casino credit debt will be considered uncollectible when circumstances where the defaulting gambler actually has the financial ability to repay. Such a requirement would add to the integrity of a casino decision concerning an uncollectible debt since required documentation would offset criticisms or allegations of favoritism, payoffs or misjudgments.

RECOMMENDATION

N.J.A.C. 19:45-1.29 Procedure for collecting and recording checks returned to the casino after deposit

(j) After all reasonable collection efforts, it may be determined that returned checks are uncollectible. A returned check may be considered uncollectible only if sufficient documentation has been obtained evidencing the uncollectibility of the returned check. Also, a listing of uncollectible returned checks [returned checks shall be written-off and listings of such checks] shall be approved in writing by, at a minimum, the Chief Executive Officer, or his equivalent, Vice-President of Casino Operations, or his equivalent and Controller and such checks and listings shall be maintained and controlled by accounting department employees. A continuous trial balance of all [written off] uncollectible checks shall be maintained by employees of the accounting department with no incompatible functions. The continuous trial balance shall be adjusted for any subsequent collections.

(k) When computing the penalty required by section 1.27, all checks received by a casino licensee which remain unpaid 180 calendar days after the date of issuance, or in the case of partial redemptions and consolidations 180 calendar days after the date of the initial check, shall be considered uncollectible.

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IX. N.J.A.C. 19:45-1.45 Signatures

COMMENT

The S.C.I. recommends that the date and time accompany a signature. This amendment would aid various State agencies which monitor casino credit. A signature accompanied by a date and time would permit a more accurate and thorough investigation.

RECOMMENDATION

N.J.A.C. 19:45-1.45 Signatures

(a) Signatures shall:

6. Include the date and time;

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X.

CHAPTER 42

Subchapter 4 Provisions applicable only to exclusion of persons hearings

N.J.A.C. 19:42-4.1 et seq. and

CHAPTER 48

Exclusion of persons

Subchapter 1 General provisions

N.J.A.C. 19:48-1.1 et seq.

COMMENT

The S.C.I.'s position with respect to N.J.A.C. 19:42-4.1 et seq. and 19:48-1.1 et seq. is identical to its position as stated at N.J.S.A. 5:12-71. The objective is to require immediate ejection and exclusion of undesirables consistent with the Casino Control Act and due process of law. The interest of the State in denying access to the casinos by undesirables is vital. It can only be accomplished by a speedy ejection and exclusion procedure.

RECOMMENDATION

Subchapter 4 Provisions applicable only to exclusion of persons hearings

N.J.A.C. 19:42-4.1 Definitions

The words and terms defined in N.J.A.C. 19:48-1.1 shall have the meanings set forth therein when used in this subchapter, unless the context clearly indicates otherwise.

N.J.A.C. 19:42-4.2 [Preliminary hearing;](notice;)
Notice; service

(a) Whenever the [Division] commission, pursuant to section 71 of the act and the regulations of the commission, [petitions to] places [a candidate] the names of any person on the exclusion list, the commission [or Division] shall give notice of such fact to [the candidate] such person by:

1. Personal service; or

2. Certified mail at the last known address of the candidate; or,
3. Publication daily for one week in a newspaper of general circulation in Atlantic City, New Jersey.

(b) Such notice shall advise [the candidate] such person of [the pending petition and his right to appear before the Commission at a preliminary hearing. The notice shall include a statement of the time, place and nature of the preliminary hearing. The preliminary hearing shall be scheduled no earlier than fifteen (15) days from the date of service.] his right to a hearing before the Commission and of his responsibility to request such a hearing.

[(c)][Unless otherwise agreed by the parties and the Commission, a preliminary hearing scheduled in accordance with these regulations shall not be postponed at the request of any party.]

N.J.A.C. 19:42-4.3 [Preliminary hearing; nature of hearing; burden of proof; service of order] Right to hearing; demand; time; waiver

[(a)][A preliminary hearing shall be a limited pre-exclusion proceeding. The purpose of the preliminary hearing is to determine if there is a reasonable possibility that a candidate satisfies the criteria for exclusion established by section 71 of the Act and the Commission's regulations.]

[(b)][A preliminary hearing shall be decided on the basis of the facts alleged by the petition and affidavits of the Division. The parties' right to participate in the preliminary hearing shall be limited to the presentation of oral argument on the sufficiency of the Division's petition. Parties may be represented by counsel.]

[(c)][The Division shall have the affirmative obligation to establish that there is a reasonable possibility that the candidate satisfies the criteria for exclusion established by section 71 of the Act and the Commission's regulations.]

[(d)][A preliminary order of the Commission designating a candidate an excluded person shall be served within five (5) days of its entry upon the candidate, the Division and all casino licensees in a manner provided by N.J.A.C. 19:42-4.2. A Commission order dismissing a Division petition naming a candidate shall be served upon the candidate and the Division in a manner provided by N.J.A.C. 19:42-4.2.]

(a) Any person so named for exclusion or ejection may, within 30 days after service in person or by certified mail or within 60 days from the time of last publication, as the case may be, demand a hearing before the commission. A demand for a hearing must be in writing.

(b) Any person so named for exclusion or rejection who fails to demand such a hearing within the allotted time period shall be precluded from having a hearing before the commission; provided, however, that such preclusion shall in no way affect the right of any such person to judicial review as provided in the act and the regulations of the commission.

(c) The commission shall, upon receipt of a timely and sufficient demand for a hearing, set a time and place for such hearing. Unless otherwise agreed by the commission and the named person, such hearing shall not be later than 30 days after the receipt by the commission of such a demand for a hearing.

[19:42-4.4] [Right to a final hearing; time; waiver]

[(a)][An excluded person placed on the list by preliminary order of the Commission shall be advised at the time of service of the preliminary order of his right to demand a final hearing before the Commission.]

[(b)][A demand for a final hearing shall be in writing and must be received by the Commission within thirty (30) days after service in person or by certified mail or within sixty (60) days from the time of last publication, as the case may be, of the preliminary order placing the excluded person on the list.]

[(c)][The Commission shall, upon receipt of a timely and sufficient demand for a final hearing, set a time and place for such hearing. Unless otherwise agreed by the Commission and the excluded person, a final hearing shall be initiated no later than thirty (30) days after the receipt by the Commission of the written demand for a final hearing.]

[(d)][Any excluded person placed on the list by preliminary order of the Commission who fails to demand a final hearing within the allotted time period shall be precluded from having a final hearing before the Commission, and shall be subject to the issuance of a final order directing that the excluded person shall remain on the list until further order of the Commission; provided, however, that such preclusion shall in no way affect the right of any excluded person to judicial review as provided in the Act and regulations of the Commission.]

N.J.A.C. 19:42-[4.5]4.4 [Final hearing] Hearing: nature of proceeding; burden or proof; final decision and order; service of order

(a) A [final] hearing shall be a full evidentiary proceeding conducted in accordance with the provisions of section 107 of the Act and the Commission's regulations. The purpose of a [final] hearing is to determine if an excluded person placed on the list by preliminary order satisfies the criteria for exclusion established by section 71 of the Act and the Commission's regulations.

(b) The Division shall have the affirmative obligation to demonstrate by a fair preponderance of the evidence that the excluded person satisfies the criteria for exclusion established by section 71 of the Act and the Commission's regulations.

(c) The Commission shall render a decision and issue a final order as soon as is practicable after the completion of the [final] hearing. A final order directing that an excluded person shall either remain on the list or be removed from the list shall be served within five (5) days of its entry upon the excluded person, the Division and all casino licensees in a manner provided by N.J.A.C. 19:42-4.2. A final order of the Commission shall be subject to review by the Superior Court in accordance with the rules of court.

Subchapter 1 General Provisions

N.J.A.C. 19:48-1.1 Definitions

The following words and terms, when used in this chapter, shall have the following meanings unless the context clearly indicates otherwise.

"Candidate" means any person [whose name is included in a petition to place such person on the exclusion list pursuant to section 71 of the Act and these regulations.] whom the Commission or the Chairman determines should be served with a notice of intention to place his name on the list.

N.J.A.C. 19:48-1.3 Criteria for exclusion

(a) The exclusion list may include any person:

1. Who is a career or professional offender [and whose presence in a licensed casino establishment would, in the opinion of the Commission, be inimical to the interest of the State of New Jersey or of licensed gaming therein;] as defined by Section 71 of the Act and by regulation of the commission; or

[2. Who is an associate of a career or professional offender and whose association is such that his presence in a licensed casino establishment would, in the opinion of the Commission, be inimical to the interest of the State of New Jersey or of licensed gaming therein; or]

2. [3.] Who has been convicted of a criminal offense under the laws of any State, or of the United States, which is punishable by more than six months in prison, or who has been convicted of any crime or offense involving moral turpitude [, and whose presence in a licensed casino establishment would, in the opinion of the Commission, be inimical to the interest of the State of New Jersey or of licensed gaming therein] ; or

3. [4.] Whose presence in a licensed casino establishment would [, in the opinion of the Commission,] be inimical to the interest of the State of New Jersey or licensed gaming therein, including, but not limited to, cheats and persons whose privileges for licensure have been revoked.

N.J.A.C. 19:48-1.5 Procedure for entry of names

(a) Upon receipt of a division petition naming a candidate for the exclusion list, the Commission shall [schedule a preliminary hearing in accordance with the provisions of N.J.A.C. 19:42-4.1 et seq.] immediately review the information contained in the petition. If, upon completion of the [preliminary hearing,] review, the Commission determines that there is a reasonable possibility that the candidate satisfies the criteria for placement on the exclusion list, the Commission shall immediately issue a preliminary order placing the candidate on the exclusion list pending further proceedings in accordance with these regulations. A preliminary order designating a candidate an excluded person shall be effective as to a particular casino licensee upon its service upon that casino licensee. The Commission shall deny any petition which does not present facts establishing a reasonable possibility that a candidate satisfies the criteria for placement on the exclusion list.

(b) An excluded person placed on the list by preliminary order of the Commission shall be advised of his right to a [final] hearing in accordance with the provisions of section 71 of the Act and N.J.A.C. 19:42-4.1 et seq.

(c) If, upon completion of a [final] hearing, or in the absence of a [final] hearing, upon the expiration of time for requesting such a hearing, the Commission determines that an excluded person placed upon the list by preliminary order of the Commission satisfied the criteria for exclusion established by section 71 of the Act and these regulations, the Commission shall issue a final order directing that the excluded person shall remain on the list until further order of the Commission. A final order directing that an excluded person remain on the list shall be effective immediately. If, upon completion of a [final] hearing, the Commission determines that an excluded person placed upon the list by preliminary order of the Commission does not satisfy the criteria for exclusion established by section 71 of the Act and these regulations, the Commission shall issue a final order directing that the excluded person be removed from the list. A final order directing the removal of an excluded person from the list shall be effective as to a particular casino licensee upon its service upon that casino licensee.

(d) The placement of a candidate on the exclusion list pursuant to section 71 of the Act and these regulations shall have the effect of requiring the exclusion or ejection of the excluded person from any casino hotel facility.

N.J.A.C. 19:46-1.7 Duty of casino licensee; duty of individual licensee

(c) Any list compiled by the Commission of persons to be excluded or ejected shall not be deemed to be an all inclusive list, and [a casino licensee] licensed casino establishments shall have a right and a duty to [keep from its casino hotel facility] immediately eject and thereafter exclude from the premises of any licensed casino persons known to them to be within the classifications declared in Section 71a of the Act and these regulations, even in the absence of action by the division or the commission. Further, a casino licensee shall immediately furnish the division and the commission the names and addresses of all persons excluded or ejected by it who are not on the exclusion list, together with the reason(s) for its action and any other material information relating thereto. Such ejection or exclusion shall not render such licensee civilly or criminally liable for false imprisonment, false arrest, slander or unlawful detention unless such action is unreasonable, capricious and arbitrary under all the circumstances.

(d) Whenever an excluded person enters, attempts to enter, or is in a casino hotel facility and said excluded person is recognized by the casino licensee, its employees or agents, it shall be the duty and responsibility of the casino licensee, its agents and employees to immediately notify a Commission inspector and Division representative of such fact.

(e) For the purpose of determining whether any person on the premises is included on the list of persons established pursuant to paragraph a. of this section, or is otherwise within the classifications declared in paragraph a. of this section and the regulations promulgated thereunder, any licensed casino, by its officers, employees or agents, may detain and question such person. If such a person is deemed to be on the said list or otherwise within the said classifications, the licensee, its officers, employees or agents shall eject such person from the premises with the use of reasonable force if necessary, after informing law enforcement or commission authorities, without incurring any civil or criminal liability for false imprisonment, false arrest, slander or unlawful detention, unless such conduct is unreasonable, capricious and arbitrary under all circumstances.

(f) (f) It shall be the continuing duty of a casino licensee to inform the Commission and Division is writing of the names of persons it believes are appropriate for placement on the exclusion list.

(g) When the division or the commission in the normal performance of their duties observe an individual within the licensed premises and it is believed there is a reasonable possibility that the individual in question is within the

classifications declared in Paragraph a. of this section and the regulations promulgated thereunder, they shall so advise the casino licensee. The licensee shall, in writing, advise the commission and the division within 24 hours of the action taken thereon.

N.J.A.C. 19:48-1.8 Petition to remove name from exclusion list

(d) A hearing to determine if an excluded person placed on the list by final order of the Commission should be removed from the list shall be conducted as if it were a [final] hearing pursuant to the provisions of N.J.A.C. 19:48-1.6(c) and N.J.A.C. 19:42- [4.5] 4.4. Notwithstanding the foregoing, an excluded person shall have the affirmative obligation to show cause why he should be removed from the list.

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XI. N.J.A.C. 19:54-1.6 Computation of tax

COMMENT

The S.C.I.'s position with respect to N.J.A.C. 19:54-1.6 is identical to its position concerning N.J.S.A. 5:12-24.

RECOMMENDATION

N.J.A.C. 19:54-1.6 Computation of tax

(a) The eight per cent gross revenues tax liability for the tax year shall be eight per cent of the amount obtained from the following calculations:

1. The sum of the totals for the tax year which appear in the casino department accounts for revenues from table games and the casino department accounts for revenues from coin-operated devices, which accounts are to be maintained in accordance with generally accepted accounting principles as part of the uniform chart of accounts for casino departments;

[2. Minus only the lesser of the following:

i. Four per cent of the sum total derived in paragraph 1 above; or

ii. The amount shown in the casino department account entitled "Provision for Uncollectible Patron Checks," which account shall be maintained in accordance with generally accepted accounting principles as part of accounts required for casino departments.]
