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Statement of Director Thomas N. Auriemma



Thomas N. Awriemma

Director of the Division of Gaming Enforcement

n 2002, Governor McGreevey appointed me as the tenth Director of the Division of Gaming Enforcement. Unlike most previous directors, I did not have to learn about casino gaming since I had been a regulator since the 1970s and the long-time Deputy Director of the Division before the Governor tapped me for the top spot.

What I found as Director was that which I already knew. The Division possessed an experienced, talented, and dedicated staff whose accomplishments were many. New Jersey's casino regulatory model for the gaming industry, moreover, is always considered when another state or jurisdiction is determining whether or not to permit casino-style gambling. And most importantly, the Division of Gaming Enforcement is respected around the globe for its effectiveness in casino regulation.

The mission of the Division of Gaming Enforcement commits the agency to the maintenance of a legitimate and financially viable casino industry. Through its various bureaus located in both Trenton and Atlantic City, the Division assures the honesty, good character, and integrity of New Jersey's casino owners, employees and vendors as well as maintaining the operational integrity of the large casino rooms that are part of Atlantic City's major casino hotel complexes.

During the five year period 2000 to 2004, the casino industry in New Jersey arguably experienced the greatest period of physical and technological expansion to occur since its initial development phase (1977-1984). The June, 2003 opening of the 2002-room Borgata Hotel, Casino and Spa ("Borgata"), New Jersey's first new casino hotel facility since 1990, was, of course, a high point for the period. It was not, however, the only significant development project. Harrah's Entertainment, Inc., for example, completed a 452-room tower addition to Harrah's Atlantic City, accompanied by a major renovation of its casino floor and lobby area in 2001 and completed a 544-room tower addition to the Atlantic City Showboat in 2003. ACE Gaming,



LLC ("Sands") likewise added a number of upgraded rooms and suites to the Sands facility via the 2001 annexation of what was then known as the Madison House Hotel. Significant expansions were also undertaken in 2003 by Resorts International, Inc. ("Resorts") and Adamar of New Jersey, Inc. ("Tropicana"). Specifically, Resorts completed 459 rooms and a major renovation of its casino floor in 2004 while Tropicana added 502 rooms as well as opened its new 200,000 square foot "The Quarter" retail and restaurant complex in November, 2004.

In many respects, the physical expansions evidenced during the period were eclipsed by the technological changes experienced by Atlantic City. The transition to an essentially "cashless" gaming environment where voucher systems award slot machine jackpots and transfer credits from one machine to the other began quietly with 54 slot machines at Bally's Wild, Wild West in December, 2001 and then proceeded with lightening speed to the point where, less than three years later, more than 85 percent of Atlantic City's 42,274 slot machines dispense gaming vouchers. The transition to vouchers, in turn, precipitated a heretofore unprecedented automation of the jackpot payout and cash out functions as casino operators rapidly incorporated into their casino floors ancillary systems like automated jackpot payout dispensing and voucher redemption machines.

The work of the Division continues as we confront new challenges. For example, just about everyone in the industry is talking about a coming move to downloadable gaming as a way to give operators flexibility in changing game denominations, styles and features to fit the needs of players in the facility at any given time. Such an eventuality may entail a shift to server-based gaming within a few years. The Division will pursue its regulatory mission and strive to assure the public of the government's ability to effectively and efficiently guide casino gaming through the challenges of the 21st century.

In 2002, the Division celebrated its 25th year since its creation in 1977 with great pride in its accomplishments. I am certain that in 2027, this agency will be able to look back on 50 years of casino regulation with much satisfaction.

I expect that this report will assist the public and other government agencies in better understanding what the Division of Gaming Enforcement does in achieving its mission.

Mew Gersey Division of Gaming Enforcement

DGE



Thomas N. Auriemma
Director

MANAGEMENT



Mitchell A. Schwefel
Deputy Director



Anthony D. Restuccia Chief Investigator



George N. Rover
Assistant Attorney General



E. Qean Escarpeta
Deputy Chief, Employee
Licensing Bureau



Albert F. White
Deputy Chief, Casino Entity
Licensing Bureau



Richard E. Handzo
Deputy Chief, Regulatory
Enforcement Bureau



Raymond Q. Acampora
Deputy Chief, Service Industry
Licensing Bureau



Captain Daniel Q. Kelly
Bureau Chief, Criminal
Enforcement Bureau

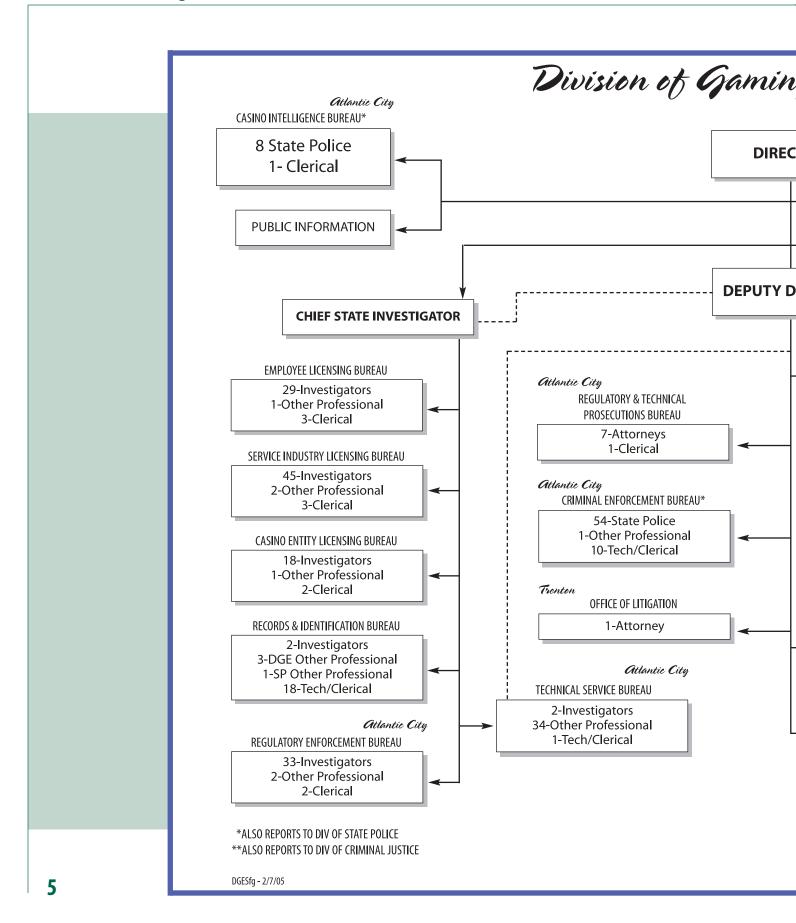


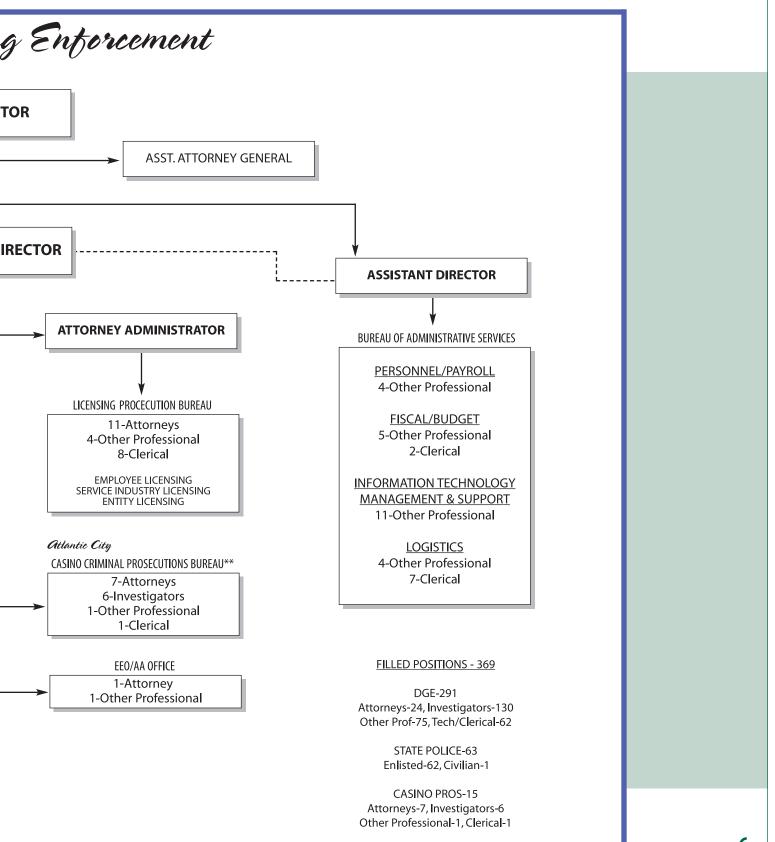
Kathleen M. Coates
Chief Administrative Officer



Richard H. Williamson
Deputy Chief,
Technical Services Bureau







FBI: Underworld moving in

By TONY MAURO and LINDA HAMMOND Courier-Post Staff

An FPI official said Thursday his agency already has seen behind-thescenes stirrings by organized crime elements seeking to profit from casino gambling in Atlantic City

Giovanetti also revealed plans to beef up the FBI's Atlantic City office as a result of the Nov. 2 referendum that authorized casino gambling

The office, currently staffed by eight full-time agents, probably will be be increased by two, according to forth, at this point,

He would not be specific about the moves, but indicated vending machines and garbage removal had been the focus of interest so far. He also said the moves were being made 'across the country," rather than in New Jersey

Circumotti enid the reports buth.

have something this monumental (such as easing gambling,) this is where you see the interest

Food, laundry, liquor and digarette supplies are services where organized crime sometimes moves in Giovanetti said

These persons obviously think

Byrne Says Mob's A.C. Hopes Futile

By MARK BROWN Press Washington Bureau

WASHINGTON - Gov Brendan T Byrne said here Wednesday he expects orga-nized crime to try to muscle casino gambling in

In which the National Advisory Committee on Criminal Justice Standards and Goals released a two-part study on organized crime in America. Byrne chaired the commission.

The commission warned in its report that legalization and resources of the criminal resources of the criminal

REVIEW-JOURNAL

MEYER LANSKY CONTACT

Byrne Signs Casino Law Crowds Cheer Rebirth

(Continued from Page 1)

ceeds be used for senior citizens and the disabled," Byrne said.

'I've committed myself, over the next several months, to regional conferences with senior citizens and the disabled as to how the money should be spent in their behalf," he said.

"Finally, the legislation will be viewed as a success if the casinos in Atlantic City are operated honestly, decently and clean-

"I have made this pledge before to all law enforcement agencies and I will repeat it again. We will keep the limelight of public opinion focused upon organized

"I've said it before and I will repeat it again to organized crime: Keep your filthy hands off Atlantic City! Keep the hell out of our state!" Byrne said.

started at nearly 1 p.m. The huge crowd between 2,000 and 3,000 persons, was somewhat restless. An old lady cursed a reporter, photographer and police officer, telling them they blocked her view

As Byrne's arrival neared, the sun began breaking through the thick, grey-black cloud cover and the rush of the jets of Great Adventure's hot air balloon could be heard over the din of the crowd.

People milled about, and Jerry Vigue's

band played the memorable tunes. Then, slowly, the deep-throated growl of the resort police motorcycle squad's Har-

ley-Davidsons impressed itself upon the crowd, and people began yelling, "The governor's here, the governor's here."

The crowd rose to its feet, with people in the back in the John F. Kennedy Pavilion yelling, "Down in front down in front."

yelling, "Down in front, down in front." But nobody really listened
Seconds passed as if minutes, and then,

Saniar madane diametar klamad an anaba Vigilant controls

raises boost statistics opposition to dentiaris undersheriff to hospital

October's federal job Wit backs based on

New Jersey has given a strong affirmation of casino gambling, but it should not in any way be loosely and misleadingly interpreted as a carte blanche, open-ended mandate for casually regulated administration.

"I have said it before and I will repeat it again to organized crime: Keep your filthy hands off Atlantic City! Keep the hell out of our state!"

Hearing-ends; denial of Caesars' permit urged

TRENTON — Assistant state Attorney General Me tool Cole last a ght urged the New acresy Carano Control commission to deny castorogenia precises to Caesars World in and its four top officials, contending that they had continually demonstrated an eagerness, a willingness to engage in business dealings with persons of disreputable character. "Past actions provide a better harometer of future conduct than self-

serving promises easily made and often broken." Cole said on the 23d and final day of the hearing on Caesars' license application

The five-member commission is expected to rule on the application next week Caesars has been opened ing the Boardwalk Regency hotel casino in Atlantic City with a lemmarry browness since June 26, 1979 but that license will expire see 126.

The opposition by the state Division of Gaming Enforcement to, a permanent: license was based on

Caesars' past business dealings with Alvin Malnik and Samoel Cohen, both of Minmi. Fin Malnik and Lawrer, bus been identified by taw enforcement sentress as a case associate of reputed under world, kingpin Meyer Lansky Cohen, a tentestate developer was undited with Lansky and several others in 1921 and accused of taking illegally skimmed profils from the Flamingo botels axino in Las Vegas However the indictment was dismissed by a federal judge in 1976.

The casino's changes of remaining in operation depend on the persua-iveness of the arguments of the company's attorney, William Glondon, who appealed to the commission for "fairness and logic."

Glendon said that Cole and the

sale gaming division, which handles investigations in Casino-heerie ap-plications, had used "tunnel vision and pierring hindught" in oppusing Cassar's liceuse request "This isn't a perfect world, and CSS CAESARS on 7 A)

Mecca for mob feared at Shore

Unless very strict controls are placed on all facets of casino gambling in Atlantic City, organized crime may gain a stronghold in the area, Louis A. Giovanetti, special agent in charge of the FBI in New Jersey. warned yesterday.

"It will be essential for the enabling legislation to provide the Casino Control Commission with the authority and tools to closely supervise and regulate the operation of gambiang casinos," he said.

He added loansharking, drug trafficking and pros-titution have historically accompanied gambling opera-fions, "and have been seized upon by organized crime

Mission Statement

The Division of Gaming Enforcement was established in 1977 under the Casino Control Act, *N.J.S.A.* 5:12 *et. seq.* to assure the integrity of the casino gaming industry in the State of New Jersey. Its mission is to protect the public interest by maintaining a legitimate and viable industry, free from the influence of organized crime, and assuring the honesty, good character and integrity of the casino owners, operators, employees and vendors. The Division performs this mission through enforcement of the Casino Control Act and the regulations promulgated thereunder which mandate a strictly regulated and economically sound industry. Oversight by the Division includes investigations, inspections, audits and criminal and regulatory prosecutions.



State Regulators - Keeping Atlantic City

hen the doors first opened to the betting public in May, 1978 at Resorts International Casino and Hotel, a select group of young investigators was hard at work training for a job in which the rules were yet to be written. Part of the newly created **Division of Gaming Enforcement (DGE)**, the investigators were picked as the first group of state regulators from the Attorney General's Office to oversee the arrival of the recently approved legalized gaming in New Jersey, dubbed The Atlantic City Experiment.

The challenges were numerous. Expectations were high. The pressure on those first gaming investigators was to get it right the first time. If gambling were to flourish in Atlantic City and revive the fortunes of a fading city, the public had to be assured that legalized wagering could be conducted in an honest and open atmosphere, free of the influence of La Cosa Nostra. In 1974, 60 percent of the voters rejected a referendum to allow gaming in the Garden State. Their biggest fear was that the gaming houses would be tainted by organized crime and other undesirable elements. In 1976, the voters narrowly passed a referendum bringing casino gambling to Atlantic City, making New Jersey only the second state in the country to adopt legalized casino gambling. What is taken for granted today was a historic move in the nascent days of gambling. The investigators had become part of a new state agency created to oversee a newly created private enterprise.

To ensure strict oversight of the gaming industry in Atlantic City, the Casino Control Act developed a bifurcated system to govern all aspects of casino operations. The Division of Gaming Enforcement became part of the Department of Law and Public Safety and was responsible for conducting all investigations and prosecutions, both criminal and civil. Under the Act, the Division also was charged with conducting the background checks and qualifications of all individual and corporate applicants for casino-related licenses. The Casino Control Commission, in but not of the Department of Treasury, conducts the hearings on licensing, registration and permit applications.

Thomas N. Auriemma, Director of the Division of Gaming Enforcement, believes the talent of the individuals involved made the difference. "The people in the forefront of the Division knew that if DGE was going to be successful, it had to attract highly qualified, talented people. I think the success we've had in keeping the environment of Atlantic City clean from the taint of organized crime and the success of the city is a testament to those first investigators," the Director said.

The Division regulators have remained steadfastly focused on their mission of maintaining the integrity of the gaming industry and those who run it. Today, the Division of Gaming Enforcement enjoys an unmatched reputation throughout the world of gaming as the premier regulatory enforcement agency.

But, near the time leading up to and following the 1976 vote, state officials, community leaders and newspaper headlines warned the public on a daily basis of the corrupting influence that organized crime would have with the arrival of legalized gambling. Editorial writers called for strong legislative con-

Free of Organized Crime

trols that would ferret out the criminal element. Community leaders mounted a public campaign about the dangers of legalized gambling. At that time, it was not a question if Al Capone would come back to life and set up shop on the Boardwalk, but a question of when?

One 1976 editorial warned: An Open Door to Rackets:

"The legislation that will regulate casino gambling in Atlantic City will be among the most important bills to face the Legislature in modern times. If it is weakly drawn it will invite corruption of the most vicious kind to a state that has made substantial progress in divesting itself of organized crime and corrupt politicians. If it is strong the bill will give law enforcement a fighting chance to control the loan sharking, trafficking in drugs, prostitution, fraud and other crimes that gambling operations historically attract."

Former Gov. Brendan Byrne issued his famous warning to the mob during a 1977 press conference as he signed the Casino Control Act into law: "I've said it before and I will repeat it again: Keep your filthy hands off Atlantic City! Keep the hell out of our state."

It was in this atmosphere that the Division was created. In 1977, the current chief of the Audit Division for the Nevada Gaming Board, Dennis Gomes, was hired to head the newly formed investigative section. Gomes brought two other agents from Nevada. At the same time, 20 people, mostly with accounting and financial backgrounds, along with 15 state troopers, made up the first investigative section. "Most were CPAs (certified public accountants). One investigator had a background with the Securities Exchange Commission. There were a few ex-cops and several IRS agents," recalled Tony Restuccia, who was one of the first recruits and now is Chief of Investigations for the Division.

No model of how to conduct a background investigation of casinos and their key people existed in New Jersey. There were no regulations or protocols to follow. The new investigators had a one week seminar taught by Gomes.

"He taught us how to do background investigations into the companies, the board of directors, shareholders and financial sources. Investigative teams were formed with lawyers, troopers and accountants and were put into the field. The rest of the training was hands-on in the casinos, watching and observing," said Restuccia.

"We were young and we didn't know we couldn't do it," said Restuccia when asked about the pressure of taking on organized crime." That, and having the information we developed aired in public hearings, I think, was a strong deterrent," he recalled.

In the early years, the Division of Gaming Enforcement had no formal structure. "Back then the Division was in a building on East State Street, in Trenton, occupying one floor. We had one conference table to use. We concentrated on reviewing intelligence reports, planning the investigation of Resorts and reading background information on the mob," said Restuccia.



Four state investigators from the 1978 class remain with the Division of Gaming Enforcement.



For Albert White, becoming an investigator was a job he couldn't pass up. White was teaching accounting to undergraduate students at Cheyney State University, when he read an employment advertisement in the Philadelphia Inquirer that New Jersey was seeking investigators with an accounting background.

"I was young, single and it mentioned travel. It sounded interesting," he recalled. He interviewed for the job and was hired, starting work in

November, 1978, after completing his contract with the university. Initially, White was assigned to do background checks on individuals wanting to work for the casinos.

"That was a great experience. It taught me how to do the necessary interviews, the law enforcement background checks and the real estate searches," said White. From there, he was assigned to a team doing more sensitive investigations into casino employees and the casino entity. "The team concept was great. I was working with the troopers and a guy who had experience with the Securities and Exchange Commission. The troopers were great to work with. They really knew organized crime and I knew the financial end, the books and records, and how to follow the paper trail. Back then the team spent a lot of time in Chicago and we were quite successful," said White, recalling those first years. "There was great respect for everyone on the team. We pursued every detail together. We shared our information, and out of that we formed great relationships," said White, who is presently Deputy Chief of the Casino Entity Licensing Bureau.

Anthony "Hank" LoCicero was a 22-year-old college graduate with a degree in accounting when he was hired as an investigator. "We had a two-week seminar which consisted mostly of reading the Casino Control Act," said LoCicero. He, too, was initially assigned to do background checks on people seeking a license. Investigators engaged in employee background investigations worked closely with Nevada gaming officials because many people who were employed in the Nevada casinos were applying to work in New Jersey.



In a twist of fate, state investigator LoCicero met childhood friend, Donald Errera, at the National Guard Building, where all new investigators were to meet. "We hadn't seen each other for several years and I walked into the Trenton Armory and I met him. We both started working on the same day," recalled LoCicero.



Donald Errera had a degree in accounting and was working in the finance department of a South Jersey hospital. The job of state investigator with an accounting background was different and he was looking to move on. He, too, was hired in November, 1978 and was assigned to do checks on individuals wanting to work for a casino.

"There was only one casino at the time and the background investigations (potential employees) were where the thrust was. Most of the new (investigators) people hired started out there," said Errera. Errera, presently a Supervising State Investigator with the Regulatory Enforcement Bureau,

worked for several months on the new casino hires and then worked with a team (known as an Entity Team) for nearly a year, conducting the more sensitive background investigations into key casino employees.

Errera was assigned to what was then the compliance unit, which oversaw the operational and internal controls of the casino. Unlike other areas of the Division where there were no rules or protocols to follow, the Casino Control Act and its accompanying regulations spelled out clearly what the casinos had to follow. "We knew what our job entailed. The framers and shapers of New Jersey's gaming law were very thorough in what the casinos could and couldn't do. It was new, challenging and interesting. The people here at the Division were pleasant to work with," said Errera.



Jean Escarpeta was a New York City police officer in Brooklyn. She was one of the first women assigned to ride in a patrol car, a rarity back in 1973. Escarpeta then began attending college to complete her degree in accounting. A friend told her that New Jersey was looking for investigators with financial backgrounds. She was hired in 1978, and with law enforcement experience, Escarpeta was assigned to do investigations into the corporations and individuals who provided gaming, non-gaming equipment and supplies to casinos.

"They were very extensive and intensive investigations. We looked at the books and records of the business enterprises that supplied goods and services to the industry. We also did in-depth investigations into the background and financial dealings of the principals of these business enterprises. The investigations were geared toward seeking out any connection a business enterprise or its principals may have had with organized crime," Escarpeta said. "We wanted to send them a message, 'If you are connected, stay out of New Jersey'." Escarpeta is presently Deputy Chief of the Employee Licensing Bureau.

Investigations into finances gave you the entire picture of a company, how it was constructed and who the major players were. "It was a real education. We spent a lot of time in Chicago and Nevada where several of the gaming equipment manufacturers were based. We worked closely with Nevada gaming officials who were very helpful," said Escarpeta.

Today, 27 years later, the Division has expanded significantly, but the focus remains the same: keeping Atlantic City free of the influence of organized crime.

The gaming industry in Atlantic City is thriving. Casinos have increased from one in 1978 to twelve today. Hundreds of millions of dollars are invested annually in casinos to improve their quality. The casinos employ 46,300 people, generate nearly \$5 billion in revenues annually and are now undergoing a new construction boom.

This year, an anticipated 34 million people will visit the city. While legalized gambling remains the city's primary attraction, people also will visit the city to see the shows, dine at fine restaurants and enjoy a burgeoning night life.

Casino gambling is prevalent throughout the world. When those in the gaming industry and those in venues seeking to entertain gambling operations speak of the New Jersey model, it is the regulatory framework to which they refer, a standard set by the hard work and diligence of those first investigators.



Thomas E. Hollinger - Reflections



Thomas E. Hollinger

State Investigator, Casino Entity Licensing Bureau nen asked to contribute an article on the perspective of my job at the Division of Gaming Enforcement, I focused immediately on the tremendous strides the Division, and we, as investigators, have taken over the years in pursuing the Division's mission. Thanks largely to modern information technology the Division is far more efficient and effective. Those of us old timers with the Division cannot help but be amazed at the changes we have witnessed and experienced as investigators at the DGE.

Perhaps, the greatest change is in our ability to access information. Being with the Division for more than 22 years has afforded me a wide perspective. I can recall, as a young agent in 1983, walking down the Las Vegas strip at around 11:00 a.m. on a sunny July morning in a suit. The 93-degree heat was instrumental in transforming my brand new JC Penney three-season, grey pinstriped suit into a soggy, charcoal colored, pinstriped suit. Don't feel sorry for me, though, after all, it was a dry heat! It did not take long for me to understand why I was the only one on the strip wearing a suit, not to mention carrying a brief case full of gaming license applications, a legal pad, extra pens, paper clips, business cards, a "Welcome to Las Vegas" map, and a once-cold bottle of water. Why did it seem that so many people were staring at me? I now know those were stares of sympathy because they knew it was only a matter of time before I would be exhibiting the classic symptoms of heat stroke or exposure or both, seeing mirages, talking to myself, drooling on my brand new JC Penney suit, and eventually succumbing to the sun and the suit. Oh yea, you may want to leave the black oxfords home, and whatever you do, stay off of the blacktop parking lots. Burning feet tend to take some of the pleasure out of a stroll down the strip at high noon or any other time for that matter. Needless to say, by the time I got to where I needed to be, I looked like I just walked through one of those famous Las Vegas fountains.... in a charcoal pinstripe suit. A walk down the strip to a particular casino was usually only the first half of the journey.

Once you arrived at the entrance to the casino, you can bet your last dollar (it is Las Vegas) that your final destination, be it the Human Resources Department, scheduling office or anywhere else, was in the farthest corner of the casino building, if not in some trailer in the back parking lot of the property. Those of you who were around at that time know exactly what I'm talking about. After getting the information from the various casino departments, my journey continued downtown to the federal county Recorder's Office to finger (with burnt fingers because I drove there) through indices for deed and mortgage book numbers and page numbers. Being equipped with book numbers and page numbers meant absolutely nothing if the book was not returned to its proper place, or someone three aisles over was using the book. On one particular trip to Los Angeles, I recall spending an hour in line waiting just to look through the indices to



find a book and page number. Then came a wait in line to request the fiche or film, and more waiting for it to be brought to me. Once I had the film in my hand, I got a chance to wait in yet another line. This time I joined other uninformed visitors in line to wait for an opportunity to use one of the sometimes working fiche machines that I had no idea how to use (remember, I was young and inexperienced). No problem. Be it in Los Angeles, Las Vegas or any other big city, I just sat at the machine, raised my hand, and waited for one of the friendly office staff to come to my rescue. When he or she finally came over, saw my frustration, wet suit and burnt fingers, they usually tried their best to help me out. Oh, did I mention that we usually had multiple names to search? I would be lying if I told you I never contemplated walking right out of the building with the film in my pocket. I never did, though. So why was I walking down the strip at high noon in a suit? I was doing my job, (remember, I was a young inexperienced agent) and it was the only way I knew how to verify and gather information. Thankfully some things do change!

Change, by definition, is not always good or positive. All aspects of our lives are affected by change. At the Division of Gaming Enforcement our mission has not changed. What has changed, however, is our ability to carry out that mission so much more efficiently. Today we can take ink-less fingerprints, send them to the FBI in West Virginia and have a response within one hour. Just a few years ago the process could take three weeks or more. Just a few years ago a physical visit was usually required to gather information from court clerks' or recorders' offices and a manual search was required. Today it's possible to search the indices of many larger progressive county recorder offices for real estate transactions, mort-

Here at the Division of Gaming Enforcement our mission has not changed. What has changed, however, is our ability to carry out that mission so much more efficiently.

gages, liens, judgements, etc., without leaving our desks. Practically every major newspaper and wire service in the U.S. can be accessed from our desks. We can search bankruptcy files for all U.S. Districts and civil filings from nineteen states. With the proper software and access, we can search every U.S. District Court for civil and criminal filings. Electronic searches of every prosecutors' office in New Jersey and every municipal police department in New Jersey are just a few clicks away. The files of the New Jersey Superior Court, including archives, are easily accessible. The list goes on and on, including corporate information from state and federal agencies, vehicle ownership information, boat and airplane owner registration, professional licenses issued by the state or federal government. I think we all get the message: much more information is available so much faster and so much easier. I am in no way suggesting that we conduct fewer checks with government agencies. I am simply stating that it is now possible to devote more investigative time with the applicant in person and in documentation review and still conduct more inquiries with more government agencies, thanks to the fact that so many checks can be accomplished via computer or other electronic means.

With continuing training and access to newly developing technology and resources, it is hard to imagine what the future will bring for the Division. At the same time, it is quite exciting to be a part of this evolution in information technology. I don't know about you, but I'm for anything that makes my job easier – and more effective in protecting the public interest.

THE BUREAUS - Casino Entity Licensing

he Casino Entity Licensing Bureau (CEL) assures that each applicant for, and holder of, a casino license and every affiliated company, officer, director, principal employee, financial backer and investor meets the standards of financial responsibility, honesty, integrity and good character as mandated by the Casino Control Act. The Bureau investigates and monitors business transactions of the applicant or licensee and related companies, conducts investigations of all principal employees, financial backers or investors and examines the background of the casino company and its affiliated entities. The legal unit reports to and litigates before the Casino Control Commission (CCC) violations of the Act or regulations whenever necessary and reports to the Commission on investigations relating to casino licenses.

The Office of Financial Investigations (OFI) operates under CEL, and monitors and assesses the financial stability and integrity of all casinos' initial and renewal licensees, license applicants and their respective holding companies. OFI responds to petitions filed with the Commission which relate to equity and debt offerings, restructurings and recapitalizations, up streaming of cash, corporate spinoffs and casino expansions.

A Year of Renewals and Continued Expansions

Although there were no initial casino license investigations conducted in 2004, it was a busy year of renewal investigations. The Casino Entity Licensing Bureau completed comprehensive corporate reviews and financial analysis of seven (of 12) renewing casino licensees and their myriad holding companies, affiliates and financial sources and prepared licensing reports covering the four-year terms of casino licensees, Harrah's, Sands, Showboat, Bally's Park Place, Hilton and Caesars as well as the initial one-year renewal term of the recently opened Borgata Hotel Casino & Spa.

Expansions

The expansion of the Atlantic City casino industry which began in anticipation of the competition to be generated by the 2003 opening of Borgata continued throughout 2004. In June, 2004 Resorts opened its new hotel tower, which increased its guest room capacity by more than 400, to a total of 879 rooms, along with an approximate 22,000 square-foot increase to its casino space. This was the first guest room expansion in the Atlantic City casino industry since Showboat opened its 544 rooms in the spring of 2003. In July, 2004, Borgata announced a \$200 million expansion program involving casino, food and beverage, as well as customer/employee amenities to begin shortly, completed by the summer of 2006. In October, Borgata announced another expansion plan which envisions the construction of a new hotel tower with 500 guest rooms, 100 suites and 200 time-share condominiums. The expansion also will include an outdoor pool, spa expansion,

new meeting rooms and retail shops. This \$347 million program is slated to begin in the summer of 2005, with completion projected by 2007. Meanwhile, construction continued at the Tropicana, which contains a 502-room hotel tower, 200,000 square foot dining, entertainment and retail complex to be known as The Quarter at Tropicana, and a 2,400-space parking garage. These facilities opened in November, 2004. Indeed, as part of a financial restructuring Trump Hotel and Casino Resorts has indicated an intention to expand the Trump Taj Mahal with a 1,250-room tower. Both Resorts and Showboat have indicated guest room expansion plans pursuant to a recent incentive program developed by the Casino Reinvestment Development Authority (CRDA), an agency charged with overseeing the redevelopment of Atlantic City.



Assuring Financial Stability

the transaction is April 2005.

Prior to its casino license renewal in September, 2004, the Sands, a casino licensee which emerged from bankruptcy in 1999 under the control of Carl Icahn, completed yet another financial restructuring in an effort to reduce its debt burden and become more competitive. The Casino Control Commission approved the restructuring in July, 2004 pursuant to the Division of Gaming Enforcement's recommendation.

In October, 2004 Trump Hotels and Casino Resorts, Inc. ("THCR"), which is controlled by Donald Trump, and the ultimate parent company of three casino licensees in Atlantic City, announced that it had reached an agreement with the majority of its creditors to a financial and corporate restructuring in which Trump would cede majority equity control to the First Mortgage Note holders of more than \$1.3 billion of THCR's public debt. The restructuring involved a pre-negotiated Chapter 11 filing in the U.S. Bankruptcy Court (made in late November, 2004).

The Division's OFI monitors the financial stability of the casinos to assure that the public interest is protected and that the companies' ongoing tax, wage and patron obligations and other fiscal responsibilities are continuously met. As these companies are reorganized, the Division will review and investigate to assure continuous compliance with the qualification requirements of the Casino Control Act.

The Division's OFI monitors the financial stability of the casinos to assure that the public interest is protected and that the companies' ongoing tax, wage and patron obligations...are continuously met.

In July, 2004, Harrah's Entertainment, Inc., entered into an agreement and plan of merger to acquire Caesars Entertainment, Inc. Harrah's Entertainment, Inc. owns, among other gaming entities, two casino licensees in New Jersey: Harrah's and Showboat, while Caesars Entertainment, Inc. owns and operates three casino licensees in Atlantic City: Bally's Park Place, Hilton and Caesars. Before the acquisition can be completed, the Federal Trade Commission, as well as various federal and state regulators. must approve the transaction. In New Jersey, because of the number of casino licensees involved, the Casino Control Commission will consider the impact of the proposed transaction on the economic concentration of the industry pursuant to Casino Control Act. See N.J.S.A. 5:12-82e. To alleviate possible antitrust concerns, the two companies are selling certain of gaming assets. In September, 2004 Caesars Entertainment, Inc. agreed to sell the assets of its Hilton casino licensee to an affiliate of Colony Capital, a privately held real estate group that owns casino licensee Resorts in Atlantic City through another affiliate. The acquiring Colony affiliate has thus filed for and received reviews interim casino authorization ("ICA") pursuant to Casino Control Act. See N.J.S.A. 5:12-95.12 et. seq. The Casino Entity Licensing Bureau has undertaken an investigation of the background and review of the financial stability, integrity and responsibility of this ICA applicant as an initial casino licensee, and reported upon the implicated material debt transaction to the Casino Control Commission, the proposed closing date for

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THE BUREAUS - Employee Licensing

he Employee Licensing Bureau assures that each casino key employee and casino employee meets the applicable standards of financial stability requirements and good character, honesty and integrity as mandated by the Casino Control Act. Employee Licensing also assures that there are no disqualifying matters in those person's backgrounds. The Bureau accomplishes its mission by investigating the backgrounds and financial activities of casino key employees and casino employees. The legal section reports the results of investigations to the Casino Control Commission (CCC), and litigates all contested licensing matters. In addition, Employee Licensing monitors arrest information of those persons holding credentials and takes revocation action and, in certain circumstances, seeks suspension of credentials for conduct deemed disqualifying under the Casino Control Act. Finally, Employee Licensing handles petitions for early reapplication, requests to hold a non-credential position and filings seeking relief by casino hotel alcoholic beverage employees with disqualifying convictions in their backgrounds.

Casino Key Employees

Casino key employees are those individuals employed in a casino hotel facility in a supervisory capacity or with the power to make discretionary decisions regarding gaming operations. This group includes pit bosses, shift bosses, credit executives, casino cashier supervisors, casino and simulcasting facility managers, casino security supervisory personnel, hotel managers, entertainment directors and food and beverage directors. Key employees must meet the highest standard of qualification under the Casino Control Act. The investigation of key employees includes a review of all pertinent background, character and financial information that may impact on the suitability of the applicant for licensure in the Atlantic City casino industry. After an initial two-year licensure period, casino key employees must apply for licensure renewal every four years. The renewal investigations include background and financial investigations and updating information contained in licensees' records.

Casino Employees

A casino employee license is required for any person employed in the operation of a casino or simulcast facility such as dealers, box persons, floor persons, casino security employees, count room

Investigators seek to uncover any negative information that may impact the person's suitability for employment in the casino industry by reviewing all pertient background, character and financial information.

personnel, slot booth and slot machine personnel. Investigations seek to uncover any negative information that may impact the person's suitability for employment in the casino industry by reviewing all pertinent background, character and financial information. Following an initial three-year licensure



period, casino employees must apply for licensure renewal every four years. An investigation is conducted to update pertinent information, and assure the personal and financial integrity of the licensee.

Revocations Unit

The Revocations Unit obtains information regarding criminal charges and other violations that may lead to an immediate suspension and/or revocation of a license or registration. These investigations can also be initiated as a result of arrests or investigations conducted by the Casino Enforcement Bureau for offenses committed in casinos. Additionally, this unit conducts investigations of casino service employee registrants to determine if any basis for disqualification exists in their background and conducts investigations of casino alcoholic beverage employees who disclose convictions for disqualifying offenses. Casino service employees are hotel employees whose non-gaming positions require them to have access to the casino floor such as cleaning personnel, beverage servers, and public area attendants.

Legal Section

Information provided by the Investigations Section is forwarded to the Legal Section, which reports to the CCC through initial and renewal licensure reports, complaint actions (seeking revocation and suspension) and responses to petitions and motions. The legal staff represents the Division of Gaming Enforcement at CCC hearings, settlement and pre-hearing conferences and Commission meetings.

In 2004, the Legal Section filed 236 reports on initial casino key employee applications and 345 reports on initial casino employee applications. Some 360 reports were filed with regard to casino key employee and casino employee renewal applications. The legal staff filed 70 revocation complaints with motions seeking immediate suspension of a credential, and an additional 165 complaints for revocation. It reported upon 35 petitions for early reapplication following denial or revocation of a credential. It also responded to 60 withdrawal requests. In addition, this section responded to 1,660 temporary employee licensing requests, including 150 requests relating to key employees. The legal staff also handled approximately 760 settlement conferences, settling 300 cases, and 11 hearings. The legal staff closed 330 settlement cases and 17 wage execution/consent agreement matters. It forwarded 170 letters to credential holders notifying them of failure to abide by licensing conditions, and it reopened 45 licensure cases in which stipulations had been entered but the individual disregarded the requirements of Commission-imposed licensure conditions.

Overall Statistics

Since the legalization of casino gaming in the 1970s through October 1,2004, there have been 306,569 license and registration applications filed. As of October 1,2004, there were 58,438 active licenses and registrations. There have been 136 key employee license applications denied and 54 key employee licenses revoked; 4,676 casino employee license applications denied and 2,441 casino employee licenses revoked; with 6,246 registrations revoked. In 2004, in addition to licensing investigations, 1,157 arrest notifications were received and processed. Of those cases, 320 were forwarded from the Investigations Section to the Legal Section for revocation/suspension action. From January, 2004 through November, 2004, 190 license applications have been denied, 206 credentials have been revoked and 80 credentials have been suspended.

THE BUREAUS - Technical Services

o bureau within the Division of Gaming Enforcement has a more direct role in guaranteeing the operational integrity of our slot operations than the Technical Services Bureau (TSB) located in Atlantic City, more commonly known as the Slot Lab. Its mandate is to test and evaluate, and insure the integrity of, any electronic gaming equipment utilized by Atlantic City's casino licensees. Early on, this mandate largely involved the testing and evaluation of slot machine prototypes and the personality programs through which the various themes and payout percentages available on each prototype are defined. This all changed with the full-scale embrace by the casino industry of computerized slot monitoring systems. Originally utilized exclusively for player tracking and promotional purposes, slot monitoring systems have, most notably in the last five years, evolved into a core component in an interconnected maze of peripheral systems driving such gross revenue impacting events as the issuance and redemption of gaming vouchers and the count rooms' certification of revenue. As such, the slot monitoring systems are all now subject to testing and review by TSB. The increase in the Slot Lab's workload from this development alone has been substantial. It has not, however, been the only source of new products. The past five years have also seen phenomenal developments involving electronic funds transfer systems, progressive controller units, bill validation technology and table game progressive systems, all of which fall within TSB's mandate to ensure the integrity of electronic gaming equipment.

Staffing and Procedural Reform



Ali Ghanavati Chief Engineer Technical Services Bureau

By the late 1990s, the increase in the volume and complexity of the products subject to Slot Lab review was obvious, and it was becoming evident that the Slot Lab could not remain responsive to the industry and product manufacturers without significant increases in staffing and radical changes in its operating procedures. Acknowledging this, the Division publically announced its commitment to significant increases in the Slot Lab's engineering and statistical staffs. These hiring goals came to fruition. TSB's engineering unit is presently staffed by a complement of 11engineers, three statisticians and a programmer. Its manager, chief engineer and professional staff are recognized experts in the field, and the manufactur-

ers who submit products to it readily acknowledge its competence, its responsiveness and its commitment to ensuring that New Jersey casino operators maintain a competitive edge through full and timely access to the latest gaming technology.

In 2000, the Division also announced sweeping changes in the prototype submission process, all of which were aimed at enhancing the overall quality of the product submitted to the Lab for review. The regulators were not the only ones under pressure to produce during this period. The Division was devoting a significant amount of time and staff resources to products which were ultimately rejected for failure to meet long-standing minimum operating standards. Review of these deficient products precipitated an overall increase inresponse time on each product and misrepresented the Slot Lab's approval statistics. In order to raise the bar on the manufacturers, the revised submission procedures require that any product submit-



ted for review to the Lab do so with documentation supporting the manufacturer's own testing of the product, including the specifics of the testing methodology and test results. The linchpin of the revised submission process is the requirement that the chief engineer of the product manufacturer provide a certification, subject to personal and manufacturer liability for civil penalties. It also provides the effect that the test results submitted with the product are accurate, and were obtained by employing a suitable testing methodology. Any required emulation was performed that utilized the procedural standards specified in the Division's product submission. Manufacturers have responded as appropriate to the certification requirement. The Division has experienced a pronounced improvement in the quality of the products submitted. As expected, these improvements in initial quality have translated into improved turnaround times on product submissions.

Borgata



The defining moment for the Technical Services Bureau was the summer 2003 opening of the Borgata Hotel Casino & Spa (Borgata), which announced as early as 1999 that it would utilize a newly created voucher system to award jackpots and transfer credits on its 3,640 slot machines. At the time of the announcement, neither regulations nor minimum technical standards of review existed for voucher systems.

The transition to vouchers was accompanied by an onslaught of ancillary products, imposing significant challenges and a tight delivery deadline for the Slot Lab. The ancillary products included automated jackpot payout, automated gaming voucher redemption machines and non-cashable electronic promotional credit systems. As was the case with the voucher system, none of these products were anticipated by our regulations. In order to keep the Borgata on time and still maintain the integrity of the systems, the Slot Lab had no alternative but to conduct much of its technical review concurrent with the development of regulations of review for these products.

The transition to vouchers was accompanied by an onslaught of ancillary products, imposing significant challenges and a tight delivery deadline for the Slot Lab.

A final major innovation addressed in anticipation of the Borgata opening was the multi-denominational slot machine. These slot machines contain one or more games offering the option to make wagers in a variety of denominations. All are designed to facilitate denomination change by the casino operator and are configured to permit the operator to determine to what extent a patron is permitted to select among available denomination alternatives. Although such machines offer tremendous flexibility to slot managers and patrons, they presented complex and unique issues to TSB as verifying the accuracy of their metering and interface with the slot monitoring systems presented special challenges. First made available at Borgata, virtually all slot machines submitted for review to the Slot Lab now possess this feature.

DGE is established within L&PS. Robert Martinez is sworn in as the first Director on 8/16/77. The first secretary reports for duty on 9/24/77. DGE's initial workforce numbers less than 100 employees.

1978 Resorts International Casino Hotel opens as Atlantic City's first casino. DGE's first main office opens February at Independence Mall on S. Broad Street in Trenton.

1979 Both Caesars and Bally's Park Place open without their chairmen because of business dealings with alleged organized crime figures.

1980 Three new casinos open in A.C.: the Brighton Hotel & Casino (renamed the Sands Hotel & Casino); Harrah's Marina; and the Golden Nugget. G. Michael Brown is sworn in as Director, Division workforce now totals 350.

1981 Pl. Hotel, Del We and the Trop Hotel all open for gambling.

Resorts opened its new hotel tower, which added moore than 400 new rooms, more than doubling its room capacity. The Tropicana opened The Quarter, a 502 room hotel tower and 200,000 square-feet of new dining and entertainment space.

2003 The Borgata Hotel and Casino Spa opened its doors in July, the first new casino hotel in Atlantic City since 1990.

2002 DGE prosecutes noteworthy cases involving Arthur Andersen and Gary DiBartolomeo. Thomas N. Auriemma becomes Director.

2001 A statue establishing a self-exclusion list and providing for forfeiture of certain winnings is enacted. DGE files civil complaints against 10 Internet gambling operations. Claridge Casino is purchased by Park Place.

2000 DGE moves its Atlantic City office to 1300 Atlantic Avenue. Sands Casino comes out of bankruptcy under ownership of Carl Icahn.

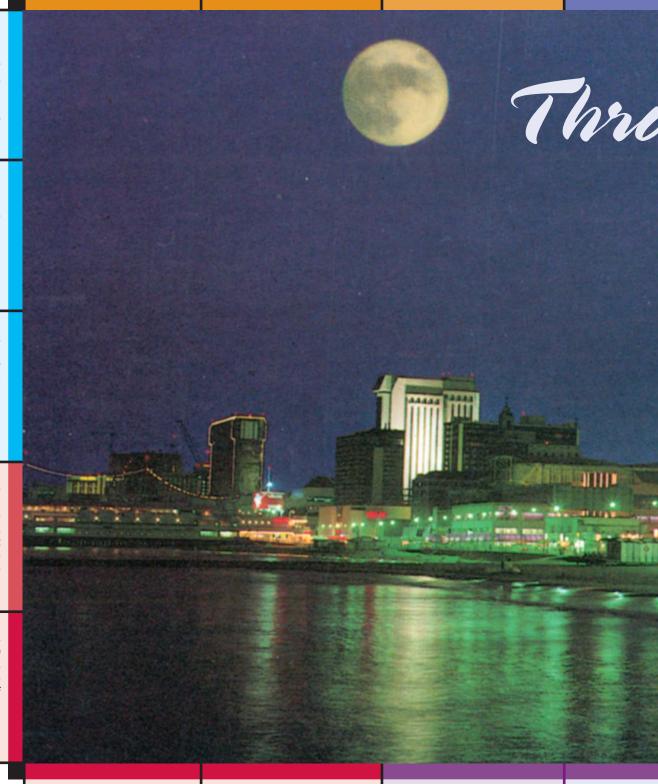
1999 Park Place Entertainment Corp. purchases Caesars World, Inc. World's Fair Casino closes. John Peter Suarez is sworn in as Director.

1998 Major building expansions are occurring for several of the casino hotels.

1997 The city's first Las Vegas-style themed casino, the Wild Wild West, is opened by Bally's Park Place.

1996 Trump reopens his Regency Hotel as Trump World's Fair Casino. Hilton purchases Bally Entertainment. Sun International purchases Resorts.

announces his calling for the catunnel to co Expressway to District. State Lees casino dereg



ayboy Casino bb's Claridge icana Casino to the public 1982 Hugh Hefner is forced to accept a buy-out and Elsinore's Atlantis Hotel and Casino opens with a full plenary license. Robert Sturges becomes Acting Director. DGE relocates from Independence Mall to the Justice Complex on Market Street in Trenton.

prosecutes a complaint against Golden Nugget for allowing entertainers, Frank Sinatra and Dean Martin, to order a dealer to ignore card handling rules. Thomas O'Brien is sworn in as Director.

1984 Harrah's and Donald Trump, in a business partnership, open Harrah's at Trump Plaza. 1985 Hilton is denied a gaming license. Trump buys the property and opens it as Trump's Castle. CCC orders Caesars closed for one day for regulatory violations. Anthony J. Parrillo is sworn in as Director.

rughout the Years

1986 Trump buys out Harrah's and becomes the owner of Trump Plaza.

Steve Wynn sells the Golden Nugget to Bally's, which operates it as Bally's Grand. Showboat Hotel Casino and Bowling Center opens.

1988 Division files complaints against five casinos for allowing an underage patron to gamble. A penalty of \$180,000 was imposed. The Atlantis Casino closes.

1989 Trump buys the property and operates it as Trump Regency, a noncasino hotel.

1990 Trump Taj Mahal opens as the city's largest casino. John Sweeney is sworn in as Director.

Steve Wynn return to A.C., construction of nnect the A.C. the Marina egislature pass-

ulation bill.

1994 Frank Catania is sworn in as Director. ITT announces it will buy Caesars.

1993 The casinos are permitted to offer 24-hour gambling and casino employees are no longer prohibited from gambling.

1992 Simulcasting of horse track racing in the casinos begins. Alvin Shpeen is sworn in as Director.

1991 A fine of \$450,000 was imposed against Trump Plaza for illegal cash complimentary practices involving Robert LiButti. DGE relocates from Justice Complex to 140 E. Front Street in Trenton.

Future Products and Systems

The Slot Lab continues to receive a steady stream of technologically sophisticated and innovative products and systems all designed to enhance the player experience and/or the revenue impact of electronic gaming devices. Among the most noteworthy are up-loadable slot accounts, cashable and non-cashable gaming vouchers, and downloadable slot games.

By far the most sweeping change currently under consideration by the Slot Lab involves downloadable slot machines. This technology will, for all intents and purposes, revolutionize slot management as it will enable managers to undertake substantial reconfiguration of their slot floors simply by deleting the existing software on a particular slot machine and installing new software from a central server on which approved programs would reside. It will also allow slot managers to change percentages or to tailor games to an individual player's preferences. While there are numerous security and regulatory issues to be resolved, both TSB and the Regulatory Prosecutions Bureau (REB) are actively working with both the Casino Control Commission and the leading manufacturers to address these concerns. It is anticipated that the first downloadable systems could be approved for testing in as little as two years.

Inspection Unit

TSB's inspection unit is staffed by 16 gaming equipment specialists (GES) and two supervisors. The staff's responsibility is to ensure that all of Atlantic City's 42,274 slot machines and related ancillary equipment are operating on the casino floor in compliance with the regulations and the applicable prototype approvals. In furtherance of this responsibility, the unit engages in a variety of inspection, audit and investigative tasks. Most notably, no slot machine may be activated for play or modified in any substantive way without being satisfactorily inspected by this unit.

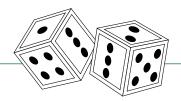
In addition to its inspection duties, this unit investigates the authenticity of jackpots exceeding \$45,000, examines slot machines for tampering or malfunction, and performs routine compliance checks of slot machines to determine whether the prototype and

settings actually in use are those approved by the Slot Lab.

The movement of slot machines in and out of the State of New Jersey, as well as the movement of slot machines in and out of the possession of a casino licensee or casino service industry licensee authorized to possess slot machines, is tracked in the Division's slot machine database, which is maintained by the inspection unit. All initial inspection and modification activity is also posted to this database. To ensure its accuracy, the unit routinely conducts physical inventories of slot machines in the possession of casino licensees and game manufacturers in order to confirm database inventory totals.

REGULATORY ENFORCEMENT BUREAU

The Division's most prominent "on-site" presence is its Regulatory Enforcement Bureau (REB). Comprised of 33 state investigators, two analysts and two clerical staff members, this bureau has direct operational audit responsibility over all components of the gaming operation. The bureau is divided into five units: three are responsible for compliance testing of all transactions relevant to gross revenue; one unit focuses exclusively on information technology-based investigations; the fifth unit has specific expertise in non-electronic gaming equipment and rules of the games.



Accounting and Internal Controls

Three of the Bureau's units share responsibility for ensuring that each licensee is operating in full compliance with its approved system of accounting and internal control, the Casino Control Act and its regulations. Supervised by state investigators with experience in casino accounting and internal controls and utilizing investigators proficient in casino accounting methods, these units provide a level of regulatory oversight unparalleled in the gaming industry. They have consistently maintained this high level of oversight, notwithstanding the need to constantly revise elements of their operational audit plan to meet changes in technology and practices. Within the last five years, casino

Supervised by state investigators with experience in accounting and internal controls....these units provide a level of oversight unparalleled in the gaming industry.

licensees have rapidly evolved toward a "cashless" gaming environment through the incorporation of gaming voucher systems and electronic credit transfer systems, and have become increasingly automated on the casino floor through jackpot payout dispensing and coupon and gaming voucher redemption systems. The incorporation of these individual systems and, perhaps more notably, the interfaces between them, have had a material impact on the methods utilized to calculate, report and audit gross gaming revenue. Recognizing that these new technologically sophisticated gaming environments placed unprecedented demands on these units, additional staff was added in both 2003 and 2004, and the units now operate with a combined complement of 17 investigators and two analysts.

Information Technology

Recognizing that casino transactions and procedures are increasingly dependent upon networked computer systems, the Information Technology Investigations Unit ("ITI") was formed within REB. The unit is charged with assessing the on-site operation of any hardware or software capable of having an effect on the integrity of gaming or simulcast operations or the control, integrity, security or reporting of gross revenue. Its primary duties involve the field testing of systems and data and the examination of system variances in order to determine whether the source is employee tampering or theft, system operating failure or programming error.

Anticipating ever increasing demands on the resources of this unit, the Division is committed to ensuring that its staffing keeps pace with industry trends. Recognizing that the ITI investigative function is as dependent on technical proficiency as on the number of investigators, the ITI operates with a complement of eight investigators, all of whom hold degrees and/or certifications in programming languages, networking and related computer sciences.

At no time were ITI's field verification responsibilities more evident than in the months immediately following the June, 2003 opening of the Borgata, which incorporated the most sophisticated casino floor in the gaming industry. In furtherance of its duty to test the reliability, accuracy and integrity of operating systems, ITI immediately commenced field testing, most notably of Borgata's gaming voucher system. When minor deviations were encountered, ITI expeditiously collaborated, where necessary, with TSB, the licensee and the system manufacturer to facilitate development of a timely and cost effective system revision. Through ITI, the Division was thus able to confirm in a timely manner that the systems approved for the Borgata were operating in substantial compliance with approved prototypes.

Mew Gersey Division of Gaming Enforcement

In recent years, ITI has also evolved into a major participant in the vetting and drafting of new regulatory requirements. The increasingly technical nature of the regulatory proposals under consideration by the attorneys in Regulatory Prosecutions Bureau requires them to consult on a regular basis with ITI as to their technical feasibility and/or operational suitability.

Operational Compliance

REB's Compliance Unit is responsible for ensuring that each casino licensee is operating in accordance with the Casino Control Act and its regulations. It also focuses on a number of operational concerns including, but not limited to, procedures and controls over casino hotel alcoholic beverage outlets ("CHAB"), advertising, record retention and access by underage persons, individuals on the Self-Exclusion list and individuals on the Exclusion List by order of the Commission. This unit routinely collaborates with the New Jersey State Police on details to detect underage gamblers and/or drinkers.

The summer of 2004 saw a marked increase in the number of outdoor concert events offered by Atlantic City casino licensees. Here again, REB's Compliance Unit collaborated with the Atlantic City Police Department and the respective casino security departments to ensure CHAB license compliance as well as the safety and security of these venues. Due to this highly visible oversight, incidents involving underage drinking or other forms of illegal activity were minimized.

Regulatory Enforcement

During the period 2000 to date, based upon investigations conducted, the REB has issued more than 500 warning letters citing internal control or regulatory deviations and has filed 84 complaints involving more serious statutory or regulatory violations. These complaints have resulted in the assessment of monetary penalties approaching \$3,000,000.

REGULATORY PROSECUTIONS BUREAU

The seven deputy attorneys general who comprise the Regulatory Prosecutions Bureau (RPB) serve as legal counsel to both the Technical Services Bureau and the Regulatory Enforcement Bureau. Their primary duties are prosecutorial in nature. Working collaboratively with the investigators in REB and the engineers and gaming equipment specialists in TSB, the attorneys evaluate and investigate the product of both bureaus for legal sufficiency and prosecutorial viability. Where a particular finding is determined to be serious in nature, a complaint against the licensee is filed with the Casino Control Commission. Deviations and deficiencies of a less serious nature are handled through the issuance of a warning letter pursuant to which the licensee is typically requested to outline and implement a remedial action plan.

The complaints filed by RPB attorneys cover a myriad of operational issues. Many cite specific deviations from regulatory requirements and/or approved accounting and internal controls. Others cite operating issues involving underage gambling or drinking or the presence of individuals who have voluntarily placed themselves on the Self-Exclusion list or have been placed by order of the Commission on the Exclusion List maintained pursuant to *N.J.S.A.* 5:12-71. Still others are more complex in nature and involve gender discrimination or employee theft.

The physical expansions and technological innovations of the past five years have placed significantly new demands on the attorneys in RPB and the bureau's attorneys now devote a significant



amount of time to Operation Certificate Petitions and rule making, either by petition or regulatory initiative. Operation Certificate discussions began in earnest, for example, as early as 2000 with regard to the suitability of the proposed design for Borgata's casino floor and related facilities. The operational blue-print proposed by Borgata reflected a number of innovations on what was at the time considered standard casino floor design. Several required waivers of existing regulations to implement. Most notable was Borgata's decision to locate its count rooms, vault and armored car bay in a restricted access area in its lower level (directly below the casino level) instead of immediately adjacent to the cashiers' cage as is required by regulation.

The physical expansions and technological innovations of the past five years have placed significantly new demands on the attorneys in RPB

RPB attorneys also play a significant role in the rule making process. Frequently, a casino licensee or casino service industry licensee will petition for rule making specific to a particular product or technology or a new game or wager. In other instances, the Division will initiate its own petition or will work collaboratively on a proposal advanced by Commission staff. In every case, the aim in drafting the regulatory proposal remains the same: comprehensive treatment of the subject matter with an eye toward the complete and accurate reporting of gross revenue, the auditability of the system or procedure, and its efficient and cost-effective implementation. To accomplish this, RPB's attorneys must be thoroughly conversant in all aspects of gaming operations, must have a working knowledge of casino accounting and, in the case of new technologies, must develop a level of technical proficiency in the product or system sufficient to allow the effective design of regulatory parameters.

The technological advances that occurred during the subject period were all preceded by rule-making initiatives. For example, work began as early as 2001 on more than a dozen major rule making initiatives that were prerequisite to the Borgata's state-of-the-art casino floor, among them were: regarding minimum operating standards for gaming voucher systems, the use of a centralized system of progressive slot machine controllers, and the use of gaming voucher redemption machines, non-cashable promotional credits and multi-denomination slot machines.



Maureen Williamson Deputy Attorney General Regulatory Prosecutions Bureau

Another regulatory initiative in which RPB attorneys were actively engaged was driven by landmark legislation, passed in 2002 and amended in 2003, permitting slot machine manufacturers to administer multi-casino progressive slot machine systems. The original enabling legislation limited the administration function for multi-casino progressive slot systems to casino licensees or a trust consisting of casino licensees. The effect of this limitation was to restrict slot manufacturers to collection of a fixed fee or lease payment on each slot machine. The new legislation, as amended, relaxes the restrictions on administration of a system and, by doing so, tacitly permits manufacturers to participate in the gaming revenues generated by these systems via a percentage relationship. Regulations permitting such revenue participation were temporarily adopted in the spring of 2004. As of this writing, legislation is pending to further

refine the revenue sharing parameters by relieving casino operators of their currently required joint and several liability with slot manufacturers in the event jackpots are not paid by a slot manufacturer who is administering a system. As was the case with the initial regulatory initiative, RPB expects to be active in the design of the necessary regulatory amendments.

THE BUREAUS - Administrative Services

The Bureau of Administrative Services is comprised of four Sections which support the Directorate and other Bureaus of the Division of Gaming Enforcement in all matters relating to fiscal, purchasing, human resources, training and logistics. In addition, the Bureau provides all services related to the daily operation of the Division's information technology systems including design, development and implementation.

Information Technology Management Services provides users with professional, technical support in the use of desktop application thereby enabling increased productivity and improved workflow performance and to research emerging technologies that will assist and improve in achieving the Division of Gaming Enforcement's goals. Over the past several years, significant achievements included implementing video conferencing in Trenton and Atlantic City, upgrading Trenton's communications infrastructure, installing new communications equipment at all casino offices, developing various homeland security applications and Computer Aided Dispatch for the State Police assigned to the Division. A look to the future includes serving more forms and information via DGENet, upgrading the e-mail and operating system software, upgrading the State Police facial recognition system and deploying anti-SPAM software.

Administration concentrates on efficiency and effectiveness in all matters relating to budget, purchasing, human resources, training, logistics and information technology systems while cognizant of proper internal controls.

Logistics provides a functional and effective work environment for all Division employees and maintains the integrity or quality of the Division's fixed assets, vehicles, telephones, mail, deliveries, supplies, bulk copying and ensuring that related State and Federal mandates are met. The Logistics staff played an integral role with the relocation of the Atlantic City offices from 1601 Atlantic Avenue to 1300 Atlantic Avenue in November 2000. As part of this endeavor a new technological ISDN telephone system was installed with plans to extend the system to the DGE offices at the casinos in the future. More recently, the Logistics staff was instrumental in relocating the Gaming Equipment Specialists within the Technical Services Bureau to assigned casinos. This made the staff more visible within the casinos while freeing up space in DGE offices which will be utilized for a much needed expansion of the slot laboratory.

Fiscal takes a proactive role in all matters relating to budget/fiscal operations and provides efficient and quality services to all employees which includes purchasing needed goods and services, budgeting, travel arrangements and payment of obligations. This section serves as the focal point for the review, interpretation and dissemination of State Treasury fiscal policies and procedures. During the last few years, the fiscal section worked closely with State Police to procure radios and communication wiring and equipment to update radio communication in Atlantic City and within the Atlantic City casinos. This section



plans to continue to streamline its operations without sacrificing internal controls in order to provide more timely and efficient services in all areas.

Personnel serves all employees without bias, providing accurate information and guidance relating to all personnel matters including recruitment, classification, benefits, promotions, leaves and discipline. Personnel keeps abreast of any changes in benefits of State programs, changes in rules, regulations, policies, procedures of the Department of L&PS, Personnel and Treasury and to ensure management and staff of the Division are made aware of such changes, as applicable. Looking back to 1999, the number of clerical/technical support employees has decreased 26 percent while the professional staff has increased 44 percent. These changes can be attributed, in part, to technology. The Division has also hired more engineers, data programmers and statisticians than ever before. A major concern of the future is the loss of much knowledge and expertise as a large number of long-time employees plan for retirement. These employees were instrumental in the development of the Division, exhibiting commitment, hard work, integrity, and a strong work ethic to make the Division what it is today.

IN THE BEGINNING - Irene Hamm



Chief Personnel Officer

Joining the Division of Gaming Enforcement in its infancy was an exciting time. When I walked into the new gaming headquarters on East State Street in December 1977, an air of excitement and energy filled the room. Legalized gambling was new in New Jersey, and we were starting on the ground floor. There were 31 employees in the new division, including six state troopers. Most of us had some previous government experience, but it was a great time of learning for all of us.

The new director, Robert Martinez, and three deputy attorneys general were working on the legal issues of the new law and gaming regulations, helping to imple-

ment the Casino Control Act. The troopers, assigned to the Division for their law enforcement experience, were taking the lead in the investigations. The first class of state investigators was in its beginning stages.

I was part of the administrative staff, which was headed by a State Police sergeant. At least three other employees, beside myself, were part of the staff. Most had experience on the administrative side, either in fiscal, logistics, or personnel/payroll. That made it easier in getting started, but putting structure and organization to a new division made for long days and hard work.

The names of each employee and relevant information were manually typed onto index cards. Keeping track of the small number of people was easy, but in 1978, 1979 and 1980 there was a rapid increase in the number of people hired, the number of card files continued to grow. By the time computerization came along, there were several hundred card files.

What I remember most about those early days was not the hard work or the long days, but the people. There was a sense of family and pride. We knew each other on a first name basis. We worked together and we laughed together.

THE BUREAUS - Service Industry Licensing

he Service Industry Licensing Bureau is responsible for investigating applicants who wish to provide goods or services to the Atlantic City casinos. The Bureau investigates hundreds of companies and thousands of people annually, filing reports on these applicants with the Casino Control Commission. Often, these investigations require travel to overseas destinations.

The companies that fall within the Bureau's jurisdiction can be broadly separated into two categories: those involved with gaming-related goods or services (such as a slot machine manufacturer), and those involved with all other goods or services (such as a construction company). Each category has its own standard for obtaining a license, with the standard being higher, of course, for a company engaged in gaming-related business.

The Bureau's primary mission is to prevent organized crime elements from infiltrating the casino industry through ancillary businesses. During 2004, the Division argued to the Commission that it should deny a casino service industry license to Interstate Industrial Corp., a construction company which the Division of Gaming Enforcement alleged had ties to organized crime. A hearing on the matter was concluded in the summer of 2004 with the Commission granting a license to Interstate. That decision has been appealed by the Division to the Appellate Division of the New Jersey Superior Court.

The Bureau's primary mission is to prevent organized crime from infiltrating the casino industry through ancillary businesses.

NOTABLE CASES

Maztee Environmental/Charles Di Maria

Charles DiMaria was a qualifier of Maztec Environmental, a Casino Service Industry applicant. The DGE filed a report in which it requested a hearing based on DiMaria's association with organized crime.

The Casino Control Commission (CCC) sent the application to a hearing. DiMaria was fired the day before the hearing started and he asked for permission to withdraw from the qualification process. The CCC denied DiMaria's request, but determined a



separate hearing be held. At the close of the hearing, the Division of Gaming Enforcement recommended that he be found disqualified.

The initial decision found that the DGE had proven that DiMaria had (and has) inimical associations with career offenders, and that he is disqualified pursuant to *N.J.S.A.* 5:12-86f. The CCC adopted the initial decision and no appeal was taken.

ANTHONY SCARSELLI

Anthony Scarselli was a qualifier in a company called Hand Rolle, Inc., which applied for a casino service license. The DGE objected, based on an association that Scarselli had with Frank Serpico, a high ranking member of the Genovese organized crime family in New York.

Subsequently, Hand Rolle severed all ties with Scarselli, and DGE dropped its objection against the company. A license was then granted to the company. Scarselli requested a hearing on his qualifications which was granted. The hearing was held in the summer of 2004, and the initial decision was that the associations with Serpico (who had died after DGE filed its objection) was inimical pursuant to section 86f of the Casino Control Act. The CCC affirmed the initial decision in October, 2004 and Scarselli was found disqualified.



Construction continues on Caesars' pier on the boardwalk.

THE BUREAUS - Casino Prosecutions

he Casino Prosecutions Bureau is responsible for the prosecution of all indictable criminal offenses occurring on the casino floor or otherwise relating to the gaming activities of Atlantic City's 12 licensed casinos. The Bureau's prosecutors, investigators and support staff work closely with other investigative law enforcement agencies and the New Jersey State Police to accomplish their mission. The Casino Prosecutions' Bureau is also a member of the Atlantic City Money Laundering Task Force, which is an alliance of Federal and State law enforcement agencies, working in a coordinated fashion to identify, investigate and prosecute those who use the Atlantic City Casinos to launder proceeds of criminal offenses.

The five-year period ending December 31, 2004, was a very productive time for the Bureau. With the significant assistance of Bureau State Investigators and support staff, Casino Prosecutions' Deputy Attorneys General obtained 1,146 indictments and accusations against 1,326 defendants. Defendants were ordered by the courts to pay nearly \$6 million to victims as restitution.

During the five-year period...Casino Prosecutions'
Deputy Attorneys General obtained 1,146 indictments
and accusations against 1,326 defendants.

The Casino Prosecutions Bureau prosecutes a wide variety of crimes, including complex financial frauds, employee thefts, assaults, armed robberies, weapons offenses, exclusion list violations, casino cheating, money laundering, counterfeiting, and theft of identity. The following is representative of significant matters handled during the past five years:

NOTABLE CASES

State v. Earl Dennis, et al - On November 5, 2003, Earl Dennis, Thomas Boyd, Keneau Blann and Eugene Wilder were indicted by a State Grand Jury for their roles in a July 25, 2003, armed robbery of Bally's Park Place Casino. Dennis was also named in separate indictments charging him with the July 27, 2003, armed robbery of Trump Plaza and the June 14, 2003, strong-arm robbery of a custodial employee at the Claridge. All defendants pleaded guilty in 2004. Dennis was sentenced to 23 years in prison (85 percent of which is parole ineligible), with the remaining defendants receiving lengthy state prison terms.

State v. Glen Longcrier, et al - Tropicana Casino/Hotel Security Supervisor Glen Longcrier, Security Supervisor David Sharp and Security Officer Daniel Lugo were prosecuted for the theft of hundreds of thousands of dollars in currency from casino table game drop boxes during transport from the tables to the soft count room during 2000 and part of 2001. Defendants Lugo and Longcrier entered guilty pleas to second degree theft by deception, with each receiving four-year state prison terms and a requirement to make restitution. David Sharp also pleaded guilty and was sentenced to 364 days incarceration as a condition of a five-year probationary term.



State v Robert Short - On November 21, 2003, Robert Short, an Arlington, Virginia, attorney, was indicted by the State Grand Jury for laundering \$250,000 in embezzled cash through the Taj Mahal Casino. The indictment charges that on February 21, 2003, Short wired a \$250,000 deposit into the Taj Mahal cage, withdrew \$10,000 via marker, gambled for less than an hour, losing \$1,000, and withdrew the remaining \$240,000 in cash. On March 19, 2003, it was discovered that the \$250,000 Short wired to the Taj was obtained when Short stole several blank checks from his former employer, a Vienna, Virginia, law firm, and forged same for a total of \$436,000, which he deposited into his personal account from which the Taj wire transfer was made. Short was a fugitive for a long time, but was recently arrested.

State v. James Sliwo - The prosecution of James Sliwo for the theft of \$508,020 from the Showboat Hotel/Casino via a fraudulent cashiers check concluded on September 20,2002, when he was sentenced to five years state prison and ordered to pay \$508,020 as restitution. Sliwo had fled to Canada after the May, 2000 crime, requiring Bureau prosecutors to prepare and file an international provisional arrest warrant and extradition package to secure Sliwo's forced return to the United States to answer the New Jersey charges.

State v. Sherrode Spence, et al - This case involved a racketeering prosecution of a complex, large-scale credit card operation covering the Philadelphia and New Jersey area. The defendants would present various stolen credit cards and false identification in order to obtain cash advances from numerous Atlantic City casinos, resulting in the loss of several hundred thousand dollars. Spence and 11 others were indicted in February, 2001, by the State Grand Jury in a wide ranging racketeering indictment. Sherrode and Sidney Spence, the ringleaders, pleaded guilty to racketeering and are serving state prison sentences. All other non-fugitive defendants have also pleaded guilty and been sentenced.



Atlantic City Boardwalk

State v. Ky Pham, et al -

This case involved a group of 13 coconspirators who cheated the Claridge Hotel/Casino out \$122,000 in May, 2000, through a complex scheme to utilize a false shuffle on a mini-baccarat game. Indicted by a State Grand Jury, all 13 defendants, including the casino dealer, pleaded guilty. The organizer of the scheme, Ky Pham, along with dealer Tam Ho, received lengthy state prison sentences.

THE BUREAUS - Criminal Enforcement

he Criminal Enforcement Bureau (CEB) is responsible for the investigation of all criminal activity in Atlantic City's 12 casinos. Comprised of four units of State Police troopers, the CEB provides around-the-clock monitoring of the casinos, undertakes long term, proactive and covert operations, and are members of the Atlantic City Financial Crimes Task Force, which focuses its efforts on complex financial investigations within the casino industry. The Bureau also works with other state, local and federal law enforcement agencies regarding a response to terrorism-related activities. The CEB Operations Officer works with regulatory enforcement federal officials, casino personnel and local and county officials in the preparation of site assessments and constructing a buffer zone protection plan for the casinos.

Responsible for providing a safe environment for the casino employees and patrons, the CEB investigates and prosecutes a variety of "quality of life" crimes within the casinos from prostitution and narcotics, to financial theft, weapons, armed robbery and pornography. The CEB conducted 1,783 investigations in 2004, made 1,466 arrests, and collected and managed more than 14,000 pieces of evidence from those investigations.

The top priority of the CEB is to maintain a safe environment in the casinos and to continue to respond to potential threats and actual emergencies with a uniformed presence. The CEB will continue its commitment to training of personnel in areas of radiological pager, rule of the games schools, along with supervision classes and terrorism-related schools and seminars.

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CASINO INTELLIGENCE

The Casino Intelligence Bureau consists of State Police personnel assigned to to the Division of Gaming Enforcement. This bureau provides information about organized crime, potential terror threats and related confidential information to the Director. Further, this bureau assists the Division in the placement of individuals on the Exclusion List.

NOTABLE CASES

In January, 2004, CEB members received information from the Division of Gaming Enforcement's Regulatory Enforcement Bureau that "suspicious" slot voucher transactions were being generated by specific slot technicians within the Borgata slot department. On



January 29, 2004, Charles Mushlet, a Taj Mahal Food and Beverage employee, was interviewed about his alleged complicity in redeeming in vouchers in excess of \$40,000 at the Borgata. He also allegedly implicated his sister, Patti Mushlet, who obtained the vouchers through her employment in Borgata's slot department. Furthermore, both defendants provided information resulting in an affidavit for a search of their residence located in Egg Harbor City, N.J. This affidavit included probable cause for assault weapons and child pornography which Charles Mushlet indicated was stored at the residence. A search warrant, using New Jersey State Police Troop "A" team for entry, was executed at the residence. The search resulted in the seizure of currency totaling \$5,520, two UZI assault weapons, two shotguns, one .22 caliber revolver pistol, one crossbow, one spear gun, ten swords, four knives, and assorted martial arts weapons. Also seized were computers, a variety of related media storage disks and a large quantity of child pornography. Both subjects were lodged in the Atlantic County Jail in default of \$25,000.00 cash bail. The confiscated computer was forwarded to the High-Tech Crimes Unit to be analyzed as further evidence in this case.

In October, 2003, Bureau members initiated a theft by deception/attempted theft by deception and financial facilitation investigation at the Borgata Hotel and Casino and Spa and the Tropicana Casino Hotel after Liliane Issa, Wayne, NJ, and Rony Issa, Wayne, NJ, obtained \$71,000 from the two casinos using legitimate \$1,000 dollar Visa travelers cheques purchased with fraudulent cashiers checks. In March, 2004, Rita (aka Liliane) and Roger (aka Rony) Issa were arrested by members of the Point Pleasant Beach Police Department and charged with theft by deception and money laundering on warrants issued by this Bureau. The Dover Township Police Department, Ocean County, was granted a search warrant for the Issa residence, which was executed by members of the Dover Township, Point Pleasant Beach and Wall Township Police Departments, the US Secret Service, the US Marshals Office and CEB members. This led to the recovery of numerous documents used to allegedly commit identity theft, mortgage and bank fraud, and money laundering. In addition, \$11,000 in stolen jewelry, \$8,000 in US currency, and a stolen motor vehicle were recovered.

In March, 2004, CEB members participated in the arrest of five Atlantic City casino hosts. The arrests were the result of a long-term investigation by members of the Atlantic City Asian Criminal Enterprise Task Force (two members of the Task Force are detectives assigned to CEB). On March 16, 2004, six Atlantic City casino hosts were indicted by a Federal Grand Jury for the crimes of conspiracy to transport individuals in furtherance of prostitution and interstate travel in aid of racket-eering. Specifically, the indictment detailed a conspiracy to recruit and transport young Asian women to engage in prostitution with casino customers at various casinos in Atlantic City, NJ in return for profit. The following individuals were indicted: Xue Peipong, Resorts Casino Host; Alex Lu, Bally's Park Place Casino Host; James Kim, Bally's Park Place Casino Host; Michael Chau, Taj Mahal Casino Host; and Chris Lee, Showboat Casino Host. All subjects were transported to the Camden County Federal Court for arraignment and subsequent incarceration.

CRITICAL ISSUES - Legislation

32/15/



n 2002, the Legislature passed, and the Governor signed into law, a bill amending numerous sections of the Casino Control Act. This represented the most comprehensive revision of the Act since 1995.

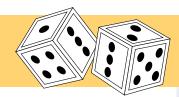
Among other changes to existing law, the 2002 legislation permitted merchandise or other things of value to be used as payoffs; removed prohibitions on casino advertising; allowed New Jersey casino licensees to share self-exclusion information with affiliated casinos in other jurisdictions, for the purpose of administering responsible gaming programs; permitted 24-hour gaming in Atlantic City; expanded the prohibition of, and penalties for, underage gambling and made various changes in the law pertaining to casino reinvestment obligations. To provide the casinos with greater flexibility in the operation of their businesses, the 2002 amendments also streamlined the process for submission and approval of a casino's proposed changes to its internal procedures and administrative and accounting controls.

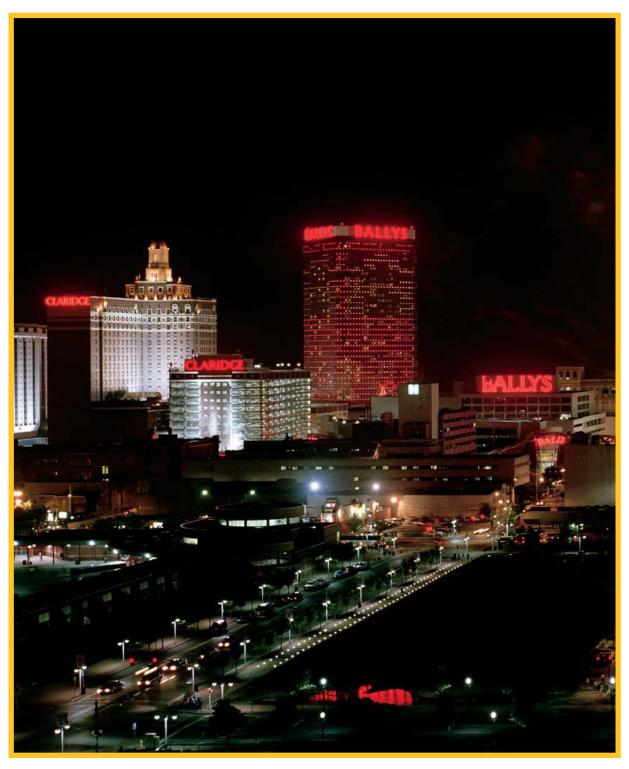
2003 witnessed the enactment of a number of less-sweeping amendments to the Act. The most significant of these provided that licensed gaming-related casino service industries that are not a party to a casino license, may enter into agreements with a group of casino licensees to operate multi-casino progressive slot machine systems, provided that slot machine manufacturers may charge a casino licensee an explicit percentage fee for the purchase or lease of multi-casino progressive slot machines; imposed various taxes and fees on aspects of the casino business; and created the Casino Capital Construction Fund, for the exclusive use of casino licensees for eligible projects approved by the Casino Reinvestment Development Authority.

The latest amendments to the Act were enacted in 2004, with the participation and input of the Division. These amendments clarify the

ice industry licensees with regard to multi-casino progressive slot machine systems, and provide that with regard to such agreements, casino licensees are not jointly and severally liable for the actions, omissions and violations of the casino service industry licensee. Other pending legislation would increase the terms of various casino industry licenses and revise the procedure for the testing and approval of slot

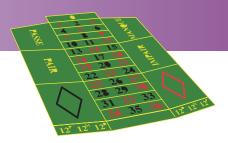
machines.





Critical Issues

INTERNATIONAL ASSOCIATION OF GAMING REGULATORS



embers of DGE have always been active participants in the International Association of Gaming Regulators (IAGR). IAGR is a voluntary association of gaming regulators from over 30 nations with some countries having multiple gaming jurisdictions. The association meets annually to share information and discuss significant issues that affect the regulation of casino gaming.

In September, 2004, DGE Director Thomas N. Auriemma was elected chairman of the IAGR after having previously served the organization as vice-chair and secretary. The year-long position culminates with Director Auriemma chairing IAGR's annual conference in Vancouver, British Columbia, Canada in September, 2005.

The Division of Gaming Enforcement was instrumental in drafting and implementing a uniform personal history disclosure form entitled the "Multi-Jurisdictional History Disclosure Form," which was endorsed by IAGR several years ago. It establishes a universal form that significantly reduces the filing time of individual applicants for licensure or qualification who are frequently required to be investigated in numerous jurisdictions. The form is used by many gaming jurisdictions in the United States and throughout the world. It may be found on IAGR's Web site, www.IAGR.org, which is maintained by the Division of Gaming Enforcement and may be downloaded by individual applicants to their personal computers.

EXCLUSION LIST

With the passage of the Casino Control Act in 1977, the Exclusion List was an important component included to ensure the integrity of the gaming industry. The Exclusion List includes the names of people who are banned from all licensed casino hotels in New Jersey. It was designed to prohibit entry of those who were deemed inimical to the gaming industry, and with the intention of maintaining public confidence that undesirable persons would not be permitted to frequent the casinos.

The Casino Control Act defines the standards for exclusion to include career professional offenders, conviction of an offense that is punishable by more than six months in prison, or membership to or association with organized crime. The process begins with the Division of Gaming Enforcement initiating an investigation into the background of the individual. If the person is found to be a candidate for the Exclusion List, the Division is required to file a petition with the Casino Control Commission and prove its case by a preponderance of the evidence before a public hearing.



Currently, there are 169 persons on the Exclusion List. Within the past five years, 35 individuals have been added to the list. Of those listed, 19 people were identified as either members or associates of organized crime families in Philadelphia and New York, including the heads of the five traditional organized crime families.

SELF-EXCLUSION LIST

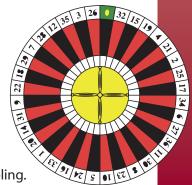
An anticipated 34 million people will visit Atlantic City this year to try their hand at gambling and enjoy other amenities of the casinos. But, for a small group of people, the trip can have a devastating impact. The compulsive gambler is a growing concern in New Jersey. In response, the Division of Gaming Enforcement, in conjunction with the Casino Control Commission, has instituted a Self-Exclusion List to help the problem gambler take a step toward recovery.

Since the law was enacted in March, 2001, 359 people have placed themselves on the Self-Exclusion List, admitting they have a compulsive gambling habit. Thirty-nine persons have removed themselves from the list, leaving a current number of 320 remaining on the list. The law enables a person to voluntarily place themself on the list which would then exclude that person from gambling in a licensed casino in New Jersey. The information on the list is protected from public disclosure but is made known to the casinos. A person wishing to place himself or herself on the list would notify either the Division of Gaming Enforcement or the Casino Control Commission to initiate the process. In addition to being excluded from gambling in the casino, each casino must remove the self-excluded person's name from their marketing mailing list, deny the person credit, casino and gambling comps and refuse all check cashing privileges and complementaries.

Also contained in the legislation is a forfeiture component, which allows the state to seize any winnings a person on the list may have won while prohibited from gambling. A percentage of the person's winnings are used for treatment and prevention programs for the addicted gamblers. The remainder is deposited into the Casino Revenue Fund which is used to serve the aged and disabled.

HERE ARE SOME SIGNS TO LOOK FOR IN A PROBLEM GAMBLER:

- 1. Spending more time or money on gambling than intended.
- 2. Borrowing or stealing money to fund gambling.
- 3. Missing work or school or other commitments to gamble.
- 4. Gambling more to recover one's losses.
- 5. Feeling worried, anxious and moody when one is not gambling.
- 6. Family relationships break down because of debt and dishonesty.
- 7. Hiding one's gambling from others, but being unable to stop gambling.



Critical Issues

SUSPICIOUS ACTIVITY REPORTS

n an effort to deter money laundering in casino and financial institutions, the Division of Gaming Enforcement has been in the forefront of reviewing and maintaining records on suspicious transactions. From the inception of legalized gambling in New Jersey, gaming experts and law enforcement have recognized that the financial services offered by gaming operators through deposit accounts and wire transfers have a potential interest to the criminal element as a mechanism for disguising the proceeds of criminal behavior.

In January, 2000, a bill amending the Casino Control Act was signed requiring each casino to file suspicious transaction reports with the Division of Gaming Enforcement. Suspicious transactions are defined under the law as: the acceptance of cash or the redeeming of chips or markers involving or aggregating \$5,000 if the licensee or person knows or suspects the transaction involves funds derived from illegal activity or is intended or conducted in order to conceal or disguise funds or assets derived from illegal activity; is part of a plan to violate or evade any law or regulation or to avoid any transaction reporting requirement under the law of this state or the United States; has no business or other apparent lawful purpose or is not the sort of transaction in which a person would normally be expected to engage in and the licensee or person knows of no reasonable explanation for the transaction after examining the available facts.

The casinos are required to file a Suspicious Activity Report by Casinos (SARC) to the Division for such transactions. The Division's Regulatory Enforcement Bureau tests and evaluates transactions for possible money laundering. Between 2000 and September, 2004, an estimated 5,725 SARCs were filed and reviewed. More than 600 SARCs were referred to the State Police and the Division of Criminal Justice for follow up review.

UNDERAGE GAMBLING

While gambling has been increasingly received as a socially acceptable form of entertainment and its revenues are proven beneficial to state and local governments, underage gambling remains a significant concern for the Division of Gaming Entertainment.

Studies show that gambling begins at a young age through nonregulated gambling such as card playing, games of skill and sports betting. Studies also show gambling has become prevalent among adolescents. The National Council of Research concluded that ado-

lescents were a high risk and vulnerable population likely to develop gambling problems.



Televised poker tournaments are further popularizing poker to adolescents throughout the world and online gambling, though illegal in New Jersey, is further enhancing gambling as an attractive lure for adolescents.

INTERNET GAMBLING

Internet gambling has exploded in popularity throughout the world, becoming a multibillion dollar a year business generated from hundreds of gambling web sites from which to bet. Internet gambling is illegal in New Jersey and in the United States. It is also unregulated. And that has drawn significant concerns from the Division of Gaming Enforcement.

New Jersey gaming officials have worked hard to hold and protect the pubic confidence in the state's gaming industry. Licensed casinos must adhere to a strict regulatory framework detailed in the Casino Control Act. Any casino that violates the Act faces prosecution by law enforcement and/or state regulators.

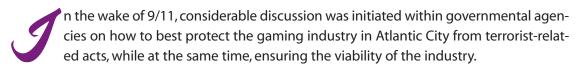
Unregulated Internet gambling organizations do not face the same scrutiny that licensed gaming operators are subjected to in New Jersey. On-line Web sites do not have to guarantee the integrity of their games, the character of the site operators, or the financial stability of their companies and numerous other restrictions.

New Jersey citizens must realize that companies operating on-line Web sites and offering wagers to citizens are doing it illegally. The Division of Gaming Enforcement will remain aggressive in searching out the sites of prey and taking appropriate action, but the way for citizens to protect themselves is not to bet with on-line Web sites.

In an effort to prevent on-line gamblers from offering wagers illegally to New Jersey residents, the Division of Gaming Enforcement filed a series of civil complaints in 2001 against ten such web sites. The suits sought to enjoin the companies from accepting wagers from residents, including underage gamblers. The suits also sought to prevent those companies from advertising in New Jersey. Four of the cases have been settled.

Critical Issues

RESPONSE TO TERRORISM



The 12 casinos currently operating in the sea resort generate nearly \$5 billion in revenues each year, pay more than \$300 million in taxes, employ nearly 50,000 people and entertain more than 30 million visitors yearly. The Division of Gaming Enforcement is the designated liaison to the gaming industry. The Division, gaming industry officials, State Police and the Atlantic City Police Department and members of the Domestic Security Preparedness Task Force have had numerous discussions on developing an effective plan.

Since the creation of the Task Force and Intrastructure Advisory Committee, a series of Best Practices, which offers a baseline security plan, has been developed to respond to terrorist-related activities. The Best Practices include detailed lists of methods, processes, procedures and actions that can be taken to protect the critical infrastructure. The security plan was developed by the IAC, the private sector of the Task Force, with input from the Division and various state agencies.

Among the considerations are:

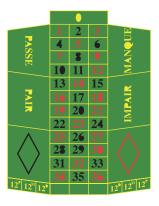
- 1. Assessing the site's specific vulnerabilities and documenting the methodologies for making these assessments.
- 2. "Hardening," or increasing physical security of the facility, including adding fencing, barriers and controls for staff and vehicle access.
- 3. Setting up protocols to ensure the continuity of communications.
- 4. Developing and implementing protocols for employee, vendor and delivery person background checks.
- 5. Developing and adopting protocols for adjusting a site's security measures based on changes in the Homeland Security Alert System.
- 6. Developing protocols related to cyber-security and the protection of computer content and communications.
- 7. Developing capacity and specific plans to respond to a crisis.



8. Developing contingency and continuity plans to ensure that a site can continue to function or shift functions to another location in the aftermath of a terrorist incident.

DON KING LICENSING RULING

In April, 2001, the Division of Gaming Enforcement ended a long, protracted litigation with Don King Production's attempt to receive a license to promote boxing in Atlantic City. In July, 1994, the license of DKP was suspended based on a complaint by the Division, following a federal indictment charging King with wire fraud. King was subsequently acquitted and the suspension against DKP was lifted by the Casino Control Commission (CCC), which ruled in 1998 that King could reapply for licensure.



The Division's investigation for King's license was delayed pending the completion of a federal trial of two boxing promoters in which King had been named as an unindicted coconspirator. In 2001, King reapplied for a license and the Division sought to interview King. King refused to speak with Division investigators. DKP sought and received permission from the CCC to withdraw its application request. Four months later, in August, King was granted permission to reapply by the CCC, with DGE's consent.

As part of the application process, DGE sought, again, to take a sworn interview with King. King refused the interview request and sought permission to withdraw his application. The Division of Gaming Enforcement's position was that King's withdrawal should be granted, but to have certain conditions attached, should DKP reapply.

In April, 2004, the CCC granted King permission to withdraw his application for a license, but restrictions that the Division sought were imposed. First, if DKP reapplies for a license, the company will not be allowed to conduct business until the license is granted. Second, a CCC added restriction, was that King and DKP may not receive any payment from the casinos or from independent third parties, which includes cable TV networks such as HBO or Showtime.



