

1 MR. BIBLE: Mr. Faiss?

2 MR. FAISS: Chairman, members of the Commission, I
3 appreciate the privilege of appearing before you. I am Bob
4 Faiss. I'm the director of the Gaming Law Practice at Lionel,
5 Sawyer, & Collins which is the largest law firm in Nevada.

6 I formerly was an assistant executive secretary to
7 the first Nevada Gaming Commission for which in 1963 I wrote the
8 first government publication on the history, economics, and
9 control of what was then the only casino jurisdiction in the
10 country.

11 I also was executive assistant to Governor Grant
12 Sawyer who fashioned Nevada's present system of gaming control 39
13 years ago.

14 As I listen to the discussion on statistics that put
15 Las Vegas in an unfavorable light, I recalled I had to deal with
16 those statistics. In those days they were crime statistics which
17 regularly listed Nevada number one. And in fact those statistics
18 were wrong because they used the wrong population figures. Our
19 populations was growing so fast that the population base used for
20 any statistics was outdated. It had not considered the billions
21 of visitors who came to town at any particular time.

22 One of the subjects mentioned was our suicide rate as
23 Commission Bible pointed out. That did not factor in 31 million
24 visitors. It did not factor in our population growth since the
25 figures were taken -- basis for that. It did not factor in that
26 our metropolitan area includes all the towns in this county
27 including some as far away as 90 miles. Did not say that the

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1 suicide for which our, we are given blame come from far away and
2 even from other states.

3 People who attempt to commit suicide in Arizona and
4 California are brought here for treatment because of our superior
5 medical facilities. If those suicide attempts are successful
6 then that blame goes to Las Vegas. And I mention that only to
7 say that I support what Commissioner Wilhelm said that the work
8 of the Commission is so vital. That I hope you'll not base any
9 decision you make on bear statistics, that you have empirical
10 data and you have the basis for it and not dwell on figures
11 alone. And I have great respect for this Commission and I
12 appreciate the job that each one of you is doing.

13 In 1997 Nevada casinos reported gross gaming revenue
14 of approximately \$7.5 billion. Credit play is estimated to
15 account for approximately 10 percent of that figure. Gross
16 gaming revenue is essentially the total amount of cash won and
17 credit collected minus the total amount paid out as losses.

18 Credit play occurs when a patron borrows money from a
19 casino to allow the patron to make wagers. Credit play must be
20 distinguished from other types of credit involving the patron.

21 A patron who borrows money from independent third
22 parties, such as credit card companies, and then uses the
23 borrowed money to gamble is not engaging in credit play with that
24 casino. The majority of credit in Nevada is given to the most
25 upscale clientele or in popular terms, the high roller. Many
26 high rollers are residents of another country. They are the
27 gamblers who may be given complimentary rooms and amenities and
28 who may be reimbursed for their airfare and other expenses.

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1 These are astute gamblers who may arrange percent discounts on
2 the amount they will have to repay prior to the credit being
3 extended. These experienced gamblers seek every advantage to
4 reduce the price that they pay to gamble.

5 For many gamblers, the high rollers or otherwise,
6 credit often is a matter of convenience and personal safety. By
7 playing on credit they do not have to travel with large amounts
8 of cash or wire transfer money to the casino.

9 Casino credit is only granted to a player at his or
10 her specific request and only in the amount requested by the
11 player if such amount is warranted. Casinos do not publicly
12 advertise the availability of credit to attract patrons.

13 A patron requests credit by completing an application
14 form. In Nevada the typical form does not request information
15 regarding a patron's income or current assets and liabilities.
16 Nevada Gaming Regulations 6.120 requires a casino to document the
17 information on which it relied in issuing credit.

18 Nevada casinos must satisfy not only that regulation
19 but also internal control procedures. The casinos' internal
20 control system is continually evaluated by the regulators and by
21 the casinos' independent accountants who must report any
22 deficiencies to the Gaming Control Board. The failure to comply
23 with its internal control system may subject the casino to
24 disciplinary action.

25 If the patron has established credit at another
26 casino, the casino at which the patron is seeking credit will
27 contact Central Credit, an independent credit reporting agency
28 that maintains information provided to it by the casinos. If the

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1 patron does not have established credit, the inquiring casino
2 will generally contact an independent credit reporting agency for
3 credit information.

4 Once the casino obtains the information, casino
5 executives review the information and then make a business
6 determination based on their experience as to whether the
7 information obtained about the patron justifies the extension of
8 credit requested. These executives are in all cases individuals
9 who have either been licensed by or report as a key employee to
10 the Nevada Gaming attorneys, Nevada Gaming control regulators,
11 excuse me.

12 Once credit is established the patron may wager
13 against the credit line. The patron usually withdraws while
14 playing at a table game as only a small portion of credit
15 customers play slot machines.

16 After completing the necessary procedures, the patron
17 is requested to sign a counter check known as a marker which
18 evidences the amount of the draw. If the patron wins then the
19 outstanding markers are redeemed with the winnings. If the
20 patron loses then markers are retained in the casino cage until
21 redeemed or deposited for payment.

22 Markers that remain unpaid at the end of the patron's
23 visit are customarily redeemed by the patron within 30 days. If
24 a patron does not timely pay his debt the casino begins an
25 in-house collection process. Only bonded, duly licensed
26 collection agencies or a casino licensee, employees,
27 representatives, or attorneys may collect a Nevada Gaming debt
28 from a patron.

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1 A casino that uses improper methods to collect a
2 gaming debt is subject to disciplinary action by the Gaming
3 Control Board.

4 Very few Nevada casino debts are collected through
5 judicial process. It was not until 1983 that the Nevada
6 legislature authorized casinos to enforce gaming debts in court.
7 Today Nevada casinos have the full range of legal remedies
8 provided for any other legally enforceable debt. Most patrons in
9 Nevada repay their debts to the casino in a timely manner. The
10 bad debt expense of Nevada casinos is only 2.2 percent of gross
11 gaming revenue.

12 Well run casinos are prudent in their lending
13 practices which are directed by some of the most educated and
14 experienced and talented executives in the gaming industry.

15 Could long range casino planning dictate that casinos
16 not allow patrons to borrow more than they can afford to repay?
17 There are several reasons for this:

18 First, if the loan is not repaid the transaction was
19 a failure. Second, a casino has no collateral for the loan.
20 Third, casinos do not charge any interest on credit play.
21 Fourth, casinos want to retain a patron's business. If a patron
22 is granted more credit than he can afford to repay, the casino
23 will not collect the debt and may lose that patron and that
24 patron's friends forever.

25 Finally, a casino that has issued credit unwisely may
26 be taxed by the Gaming Control Board for the amount of the loan
27 even though the patron has not repaid it.

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1 The industry believes that it exercises care by
2 extending credit only to those whose personal history
3 demonstrates a responsible attitude toward credit obligations and
4 the financial ability to pay. The Nevada industry through its
5 individual members and the Nevada Resort Association Task Force
6 for responsible gaming has worked closely with Nevada Gaming
7 Authorities and the Nevada Counsel on Problem Gambling to support
8 a Nevada Gaming regulation that, among other things, requires
9 casinos to adopt a program allowing patrons to exclude themselves
10 from receiving casino credit and check cashing privileges.

11 While Nevada casinos since 1931 have granted credit,
12 automated teller machines were only introduced in Nevada casinos
13 during the late 1980's. The trend to use ATM's is not unique to
14 Nevada casinos. Country wide the number ATM's increased 29
15 percent between 1996 and 1997. ATM's are offered by casinos as a
16 convenience to their customers. There is no record available of
17 the amount annually withdrawn from ATM machines at Nevada Gaming
18 establishment. But even if there was there is no reliable method
19 to estimate what percentage is gambled. There are a number of
20 other products and services to purchase at casino resorts and
21 gaming accounts are only about one- half of the revenue in the
22 modern casino.

23 One study by a Las Vegas strip casino showed no
24 correlation between ATM withdrawals and casino win. That study
25 showed the volume of ATM withdrawals increased 30 percent between
26 June 1994 and December 1997. So either patrons did not gamble
27 that additional money or they won because over that same period
28 casino win actually decreased.

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1 Further the presence of ATM's apparently has not
2 caused visitors to overextend themselves. According to a review
3 of figures from Las Vegas Convention and Visitor's Authority and
4 the state Gaming Control Board, the average gambling budget per
5 day of the Las Vegas visitor in 1997 increased only \$9.00 per day
6 from 1982 before the ATM machines were introduced.

7 In addition to ATM's many Nevada casinos offer their
8 patrons the convenience of credit card advance machines. Nevada
9 does not allow credit cards to be used at gaming devices or at
10 games. Each credit card company that issues a credit card to its
11 customer must make its own determination that its customer has
12 the ability to repay the amount of credit authorized by the
13 company. The casino in which the credit card advance is drawn
14 does not make that determination.

15 Nevada's new regulation to address problem gambling
16 also requires Nevada casinos to post signs on all ATM's and
17 credit card advance machines identifying where patrons with
18 gambling problems may turn for help.

19 There are some who claim that gambling credit is
20 driving casino patrons into bankruptcy. This argument I suggest
21 is not supported by empirically valid scientific studies in
22 Nevada. The Nevada experience in fact rebuts the argument that
23 gaming credit is a major factor in bankruptcy filings. Las Vegas
24 compares favorably to other cities with bankruptcies filings for
25 1997, ranking 65th among metropolitan areas in bankruptcy per
26 capita according to the American Bankruptcy Institute.

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1 A 1996 U.S.A. Today survey of 522 bankruptcy filers
2 found that only two percent listed gambling as a major factor.
3 That is the Nevada experience.

4 For instance one casino reported that over a period
5 of more than four years only 346 credit patrons out of more than
6 200,000 had filed for bankruptcy. Another reported that out of
7 approximately 9,000 active credit accounts in 1997 the casino was
8 listed as a creditor in only ten bankruptcy proceedings in that
9 year.

10 There is not a great deal of research so in
11 preparation for this testimony I asked my bankruptcy partner,
12 Laurel Davis (ph) if she wouldn't look at the bankruptcy filings
13 this year in Las Vegas. She did and gave freely of her time to
14 do that. She sampled 509 cases of the more than 11, 000
15 bankruptcy cases filed in Las Vegas this year. She found that
16 only 58 debtors among the sample of 508 listed any gaming losses
17 during the preceding year and out of that total of 508 only one
18 when he went into bankruptcy listed a gaming debt to a casino.

19 Now I do not offer this as representative of anything
20 except those are the results for 508 cases sited at random.

21 I'll close by suggesting this that patron credit has
22 been a part of the Nevada Gaming industry since wagering was
23 authorized by the legislature in 1931. As with many other
24 aspects of casinos in this state, credit practices and the
25 government regulation of those practices have evolved over
26 decades. Both regulatory and business decisions have been based
27 on experience. Result, I believe you will find is a time tested

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1 component of the nation's oldest casino industry that functions
2 efficiently and responsibility.

3 CHAIRPERSON JAMES: Thank you.

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