
Public Hearing

before

SENATE WAGERING, TOURISM, AND HISTORIC PRESERVATION COMMITTEE

*"Testimony from invited speakers on new gaming technology,
as well as the competitive advantages Atlantic City casinos could gain by the
approval of such gaming technology, and related public policy and regulatory issues"*

LOCATION: Committee Room 6
State House Annex
Trenton, New Jersey

DATE: March 2, 2006
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Barbara Buono, Chair
Senator Ellen Karcher, Vice Chair
Senator Joseph F. Vitale
Senator Nicholas Asselta
Senator William L. Gormley



ALSO PRESENT:

Gina Marie Winters
*Office of Legislative Services
Committee Aide*

Linda J. Schwimmer
*Senate Majority
Committee Aide*

Olga Betz
*Senate Republican
Committee Aide*

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SENATOR BARBARA BUONO (Chair): Just so all of you know, the Senate President and former Governor -- recently former Governor Codey has pretty much issued an edict that he wants us to start our Committee meetings on time, as a courtesy to not just the members but, obviously, all of you who take time out of your busy schedules to come and address the Committee, which we really appreciate.

Today, as you know, we are going to have four panels. I hope that-- I like to think that this hearing represents the continuing effort of this Committee to stay at the cutting edge of public policy trends, whether it's discussing Internet gambling, VLTs, economic development incentives -- such as revenue sharing, where we brought the House of Blues into Atlantic City -- and, today, this emerging technology.

Some of it has resulted in legislation, some of it hasn't. But the purpose of this hearing today is to flesh out the issues. And in light of the new gaming destinations in our neighboring states, we obviously have to be vigilant and ensure Atlantic City's continued prosperity, since they're very important to New Jersey's economy; as well as providing many, many vital programs to the State of New Jersey's residents.

I want to begin by thanking all of the witnesses for coming to testify. Some have traveled a great distance.

And I also want to thank Linda Schwimmer and Gina Winters. They were very, very integral in pulling this together. A lot more work went into this than maybe appears on its face. I want to thank you both. You did a great job.

So I would like to begin by calling the first panel, which consists of one individual. It's the gaming industry analyst panel, Michael

Pollock. He is the publisher of the *Gaming Industry Observer*, Spectrum Gaming Group.

Thank you for coming. I enjoy reading your publication.

MICHAEL POLLOCK: Thank you.

Thank you, Chairwoman, members of the Committee. It's nice to be back.

I applaud this Committee's efforts to determine what the State can do to help the casino industry harness the power of new technology to help ensure Atlantic City's long-term competitive position. The real challenge, however, is to determine how the State can help casinos take advantage of technology without touching the third rail of casino regulation, integrity.

Some of the more exciting technologies on the horizon -- and even some of the long-standing technologies that have long been off limits to casinos -- cannot be fully implemented, nor can their benefits be fully leveraged, until the Legislature clarifies State policy and draws bright lines that cannot be crossed.

For example, one of the more promising technologies is the use of hand-held gaming devices that can be used to place bets off the casino floor. Nevada regulators are expected to adopt regulations soon -- this month -- to implement this form of remote wagering, with certain restrictions that are designated to ensure that public policies are upheld. These restrictions include assurances that wagering will be limited to certain public areas such as restaurants and poolside, and would not be allowed in hotel rooms and parking garages. The technology is in place to ensure that only the person registered to use the device is placing the bet, and the

devices can be designated to shut down if unusually large amounts are wagered in short periods of time, as a bulwark to help ensure that problem gambling is not exacerbated by the new technology.

Nevada's public policy is very different from New Jersey's, yet Nevada regulators would take umbrage at any suggestion that their rules have in any way compromised the integrity of gaming. New Jersey, however, is not a state with slot machines at airports or convenience stores. The long-standing public policy in New Jersey is that gaming can only take place in approved areas in which minors are not allowed, where there is comprehensive camera coverage and surveillance personnel available to view any wagering taking place in real time.

Such a decision to modify public policy will not be easy, but I suggest it is necessary. Gaming, particularly in destinations such as Atlantic City and Las Vegas, is evolving into entertainment. And casino operators with long track records have earned the right to participate in technologies that offer the promise of increasing their returns without compromising integrity.

The absence of clear public policy in this area has long hampered the industry's ability to maximize its returns, and not just with new technology, but with existing technologies as well. Consider that we have long been evolving into a cashless economy in which even the most mundane, everyday services can be paid for without ever having to exchange coins or currency. Casinos are not there.

With few exceptions, most wagering at casinos anywhere requires currency to initiate the process. One reason has been that any efforts to move toward a truly cashless system have turned into public

relations nightmares, generating a lot of heat but precious little light. However, society, like the casino industry and like technology, is evolving, and the time has come for public policy in New Jersey to address those issues subject to necessary controls.

I am proud to have played a role in the regulatory reforms of the early 1990s, when Senator Gormley, along with then Casino Control Commission Chair Steven Perskie, led a veritable revolution in the regulation of gaming, without any compromise regarding the integrity of gaming. Atlantic City, the casino industry, and the State of New Jersey are still reaping dividends from those efforts.

The current climate would allow for a similar reform movement. Like today, the early 1990s were a period in which Atlantic City faced the prospect of competition from outside the borders of New Jersey. Just as they were in the early 1990s, regulators today appear ready, willing, and able to implement reforms.

Indeed, with few exceptions, the staffs of the regulatory agencies today include many of the same personnel who guided and implemented those changes in the 1990s.

Regulators, in my view -- as a former regulator, and someone outside the system -- need two things from Trenton: clear public policy that they must implement and the resources necessary to implement the public policies. Pressure will grow for regulators to approve ever-more complex technologies with ever-increasing speed, and New Jersey cannot allow its approval process to fall behind. And, indeed, New Jersey has an opportunity to take the lead. Regulators need the freedom to hire the

necessary staff, and that might mean more freedom from hiring freezes, salary caps, or budget reductions.

I don't suggest -- and would never suggest -- that integrity needs to be compromised. The changing realities of technology and society need to be addressed. The time has arrived not to drastically alter public policy, merely to clarify it. Such decisions can only be made at the legislative level, not the regulatory level.

Thank you.

SENATOR BUONO: Thank you. And I look forward to working with you toward crafting public policy toward that end.

And I'm happy to look to a leader in the early 1990s, and certainly today. He remains a leader--

SENATOR GORMLEY: Eighties, '70s, '90s. (laughter) It's been a long, long time.

SENATOR BUONO: --Senator Gormley.

So it's been done in the past, and I'm sure it's a doable task.

And as you know, it is the-- Maintaining the integrity of Atlantic City gaming is paramount to me. And I think that's evidenced by my -- how I've operated this Committee, particularly over the last several months, with proposed legislation that this Committee didn't consider.

But with that in mind, I think we have to recognize-- The reality is, as you said, that technology is evolving. Public policy must evolve to reflect that. But we certainly cannot jeopardize the integrity of the gaming in Atlantic City. And I don't intend to do that.

But I appreciate your input.

Thank you.

MR. POLLOCK: Thank you.

SENATOR BUONO: Any members have any comments?

SENATOR GORMLEY: And this will be-- Isn't this a question of starting with security first, and working down? The benefits of technology, whether it be in gaming itself or in security-- Don't they have a-- Don't we have an intersection here, in terms of, has technology advanced to the point that we can adjust the regulatory budgets of both agencies? Because we are so far advanced, since 1978 and every year, that we have to look at the overall budgeting of the regulatory costs to see if technology has provided greater efficiency, as it has for every other business -- major business in the country.

So the two intersect. It's gaming, and security, and the joint advances in technology if they come together, and an adjustment of certain security overhead that goes to the casinos.

Could you comment on that?

MR. POLLOCK: Well, clearly, it's a two-way street. On one hand, regulators do need the resources to do their jobs. And on the other hand, there probably are areas where there can be savings. And I know one area that's often been discussed, going back many years, is having a full-time presence, 24 hours a day, in casinos.

In any such issue, whatever it might be, I would suggest that there's a very clear way to address it. One is, what are the benefits and what are the costs? Because in any area, there is going to be some trade-off. But I would suggest that everything should be on the table. And all of those need to be addressed.

SENATOR GORMLEY: Thank you.

SENATOR BUONO: Anyone else? (no response)

Thank you so much.

MR. POLLOCK: Thank you.

SENATOR BUONO: Next, I'd like to call up three individuals that represent the gaming technology aspect of this hearing. Todd -- and I hope I don't butcher your name -- Elsasser, Technical Compliance Director, Cyberview Technology. This is where it gets fun, hopefully. Tom Reilly, Vice President of Eastern Region System Sales, Bally Gaming System; and Nick Casiello Jr., Fox Rothschild LLP, gaming counsel to Cantor Gaming.

Which one of you would like to begin?

NICHOLAS CASIELLO JR., ESQ.: I'll volunteer.

SENATOR BUONO: Okay.

MR. CASIELLO: Good morning, Madam Chair.

SENATOR BUONO: You're Mr. Casiello, correct?

MR. CASIELLO: Correct.

SENATOR BUONO: Okay.

MR. CASIELLO: Good morning, Madam Chair and Committee members.

Yes, I am Nick Casiello. I'm partner in the Atlantic City based law firm of Fox Rothschild. And I am Chair of the Practice Gaming Group of that law firm. I am appearing here today on behalf of Cantor Gaming.

I'm pleased to have the opportunity to speak before you today. And I'm especially pleased to be following Mike Pollock. Until recently, Mike and I were partners in the Gaming and Technology Conference that has been held in Atlantic City for the last six years. That Conference grew over the years. And perhaps as an example of the growing importance of

technology to the gaming industry, the Conference became a little bit too big for us to handle. It will now be produced by the American Gaming Association, which is the national lobbying organization for the industry, and one of the largest conference organizing companies in the world.

The other reason I'm pleased to be following Mike is because I am here to address the topic of mobile gaming, which is something he touched upon in his remarks.

I will be presenting the remarks of Joe Asher, who is a manager of Cantor Gaming. Joe sends his regrets. He is out of the country on his honeymoon. (laughter) But he did say that he would be pleased to appear before the Committee at any time or meet with members of the Committee individually if you desire.

I will now present the remarks of Mr. Asher.

Mr. Asher is a partner of Cantor Fitzgerald, LP, and a managing director of its affiliates that are involved in the gaming industry, including Cantor Gaming.

Cantor Gaming was instrumental in the Nevada legislature's approval in 2005 of mobile gaming, which authorizes licensing of handheld devices for wagering by casino resort patrons in various areas throughout the premises. The mobile gaming legislation, which was Nevada Assembly Bill 471, was adopted with but one dissenting vote.

Regulations to implement the mobile gaming law have been the subject of study and hearings by the Nevada State Gaming Control Board and the Nevada Gaming Commission for several months, a process in which Cantor Gaming has been actively involved. The regulations are expected to be adopted by the Nevada Gaming Commission on March 23.

I respectfully suggest that mobile gaming merits serious study by the New Jersey Legislature as a means to enhance the outstanding gaming and entertainment experiences the State already offers.

This is a very exciting time for the New Jersey casino industry. And we believe that acceptance of new technologies is imperative to ensure the continued growth of this important industry in the Garden State.

Before I comment further on mobile gaming, allow me to spend a few minutes discussing our business so that you have some context. Cantor Fitzgerald is a world-wide financial services firm, which employs about 2,800 people in offices around the world. While we are headquartered in New York, we have offices in major cities and financial centers in the United States and the world. We have three offices in New Jersey, one of which houses a core data center for our technology.

We are engaged in a variety of market-based businesses. Most famously, we operate a significant portion of the government bond markets of the United States, though we also have substantial equities in debt capital market businesses, and are growing in the foreign exchange and investment banking areas.

Cantor has long been committed to developing and utilizing cutting-edge technology. The company has invested approximately \$400 million, to date, in technology, and was the first to offer its customers fully interactive electronic bond trading.

In 1999, Cantor spun off its technology company, eSpeed, which is now a publicly traded company. eSpeed is the technology behind Cantor's marketplaces. eSpeed offers real-time reliable and secure execution of financial transactions. And this gets to the heart of the matter.

Fundamentally, a \$10 bet on a hand of video poker should be handled with the same care and security as a \$100 million electronic bond transaction. It is all about the real-time reliable and secure execution of a financial transaction conducted in compliance with law.

In 2000, Cantor obtained a bookmaker's permit, and operates a bookmaking business in the United Kingdom, under the auspices of the Financial Services Authority, which is the United Kingdom equivalent of the United States Securities and Exchange Commission.

Cantor offers betting on everything from stocks to soccer games, all of which is highly regulated and legal in the United States -- I'm sorry, in the United Kingdom.

We are great believers in mobile technology. Just as electronic trading on computer screens plays a major role in the global stock and bond businesses, trading on mobile devices reduces the need for people to sit chained to their desks.

In September 2003, Cantor index rolled out the first real-time mobile trading device. Indeed, we believe we have more experience than anyone else in providing mission-critical transactions on mobile devices. Having successfully deployed mobile trading technology, we are seeking to expand the areas in which it is offered.

Nevada, after two years of study and hearings, appears poised to allow mobile gaming to be a reality. We hope New Jersey sees fit to consider it, as well.

I want to share with you our experience with the Nevada legislature and its gaming control agencies. I know that New Jersey has its own standards and protocols, and does not need to look to any other state

for leadership in gaming control. However, I offer the Nevada mobile gaming history and plans as background information for you to consider as you decide what is appropriate in New Jersey.

Nevada Assembly Bill 471 was created through the work of our executives and our attorney Bob Faiss, of the firm of Lionel, Sawyer, and Collins.

SENATOR BUONO: Excuse me just one minute. Could you bring your mike a little closer so everybody-- I can hear you, but I don't know if everyone else can.

MR. CASIELLO: Sure.

SENATOR BUONO: They can't in the back.

MR. CASIELLO: The Nevada board took no position on whether AB 471 should be adopted, believing it was a public policy issues properly within the province of the legislature. However, the Nevada board made sure the bill could be implemented within the gaming control system, should the legislature find it acceptable as a matter of public policy. I was the principal witness at each legislative hearing, and the only person invited by Nevada Governor Kenny Guinn to a ceremony for his signing of the bill.

In essence, the Nevada legislative bill, in what appears to be the final draft of the mobile gaming regulations, do the following: define mobile gaming as the conduct of gaming games, such as poker, slots, black jack, and roulette, through communication devices, such as tablet PCs, or PDAs, operated in public places on the premises of resort casinos.

SENATOR BUONO: Excuse me, what's a PDA.

MR. CASIELLO: PDA.

SENATOR BUONO: And what is that?

MR. CASIELLO: Personal--

SENATOR BUONO: Digital something? No?

MR. CASIELLO: --assistant.

SENATOR BUONO: Senator Gormley, you--

SENATOR GORMLEY: I can't be the IT person here for you guys. (laughter) Come on. Everybody knows what that is. I've got three at my house.

MR. CASIELLO: It's personal digital assistant.

SENATOR BUONO: Okay.

MR. CASIELLO: It is something like a BlackBerry that has a scheduling program and other programs on it.

SENATOR BUONO: Okay. That's understandable. Thank you.

SENATOR GORMLEY: That's what it is. (laughter)

SENATOR BUONO: I thought you told me you don't know how to turn on a laptop.

SENATOR GORMLEY: That's why you asked me the question. Thank you, Chairperson.

MR. CASIELLO: I'll vouch for the fact that he does not.

Mobil gaming uses technology that allows a person to transmit information to a computer to assist in the placing of a bet or wager and corresponding information related to gaming display and outcome.

By the way, I know you're going to be hearing from these other speakers about server-based technology. This is a server-based technology.

The regulations also prohibit use of mobile gaming devices in hotel rooms, parking lots, parking garages, and such other areas as the Chairman of the Gaming Control Board may determine.

The regulations provide for the licensing of the manufacture, sale, and operation of mobile gaming devices, and establishes that the mobile gaming devices are taxed in the same manner as slot machines, including a percentage of the gross revenue received in their operation.

ABA 471 further required that adoption of the mobile gaming regulations could only occur after the Nevada Gaming Commission first determined that: mobile gaming systems are secure and reliable, and provide reasonable assurances that players will be of lawful age and communicating only from areas of licensed gaming establishments that have been approved by the Commission for that purpose; and mobile gaming can be operated in a manner which complies with all applicable laws.

SENATOR BUONO: Were they able to do that? Can you-- Were they able to ensure that they didn't fall into the wrong hands, that they were able to ensure-- How were they-- Can you explain, in simple terms, how they were able to -- if, in fact, they were able to do that, and how?

MR. CASIELLO: Well, the Nevada Gaming Commission will consider the final version of the regulations on March 23. They've already been approved by the Nevada Gaming Control Board. And as I said, they were required by this legislation to make those findings. There are different aspects of the devices that are designed to ensure that, first of all, they are only operated within approved areas of the hotel. If you go outside of the area, the device simply does not work.

SENATOR BUONO: What about minors using it? How do they address that?

MR. CASIELLO: Devices, at a minimum, will be password encoded, with a time out so that, for example-- I don't know if any of you have a BlackBerry. That's one of those PDA things.

SENATOR GORMLEY: Be careful, be real careful. (laughter)

MR. CASIELLO: If you have a BlackBerry, or even a cell phone, you can program your cell phone to only be able to operate with a password. And if you don't-- And after a period of time -- 10 minutes, an hour -- the device will turn off, and you have to reinsert the password.

Biometric technology is also something that is being considered. The Nevada Gaming Control Board and Commission have not finally determined all of the security parameters.

SENATOR BUONO: Does that mean fingerprints?

MR. CASIELLO: That would mean fingerprinting, yes.

Technology is a wonderful thing. As it gets more complicated, there are drawbacks to it. So, for example, biometric technology-- Eighty percent of the -- I'm sorry, 20 percent of the time you would put your fingerprint on the key pad, it doesn't work, even though it's the right fingerprint.

SENATOR BUONO: When you say it doesn't work, does the device not work, or the security element?

MR. CASIELLO: The device will not activate, even with the correct fingerprint. It has to do with the way the fingerprint is put on the device, and factors like that -- if your thumb is moist, or whatever.

These are things that, while the Gaming Commission and Gaming Control Board have concluded can be resolved, they have not resolved the specific parameters of how the devices will work.

SENATOR BUONO: And they expect to do that by March 23?

MR. CASIELLO: By March 23, they will adopt the final regulations. Then the devices do have to be submitted to the gaming lab in Nevada for testing and approval and, ultimately, approval by the Nevada Gaming Commission. And during that process, these kinds of details will be worked out.

SENATOR BUONO: Well, I would be very appreciative-- I'm sure the members of the Committee would be appreciative if you could keep -- at least through the Chair -- apprised of the progress that you make in that area and how it's resolved. And we could actually do the work on our own, but we'd be happy to have you assist us in that area.

MR. CASIELLO: And we would be happy to do that.

SENATOR BUONO: Okay.

SENATOR GORMLEY: Can I ask a question?

In terms of the-- You mentioned the SEC. In terms of levels of review that your company -- gaming now has -- as opposed to 1978, when gaming initially came to Atlantic City-- In terms of security -- what I call *security requirements of integrity* -- the burden has greatly increased from the Federal level, hasn't it, in terms of oversight, in terms of money -- flows of money -- and the individual integrity of vendors for the casinos themselves?

MR. CASIELLO: Absolutely. As a financial services company, Cantor Fitzgerald itself is subject to rather strict regulatory scrutiny. As a

company that intends to provide these devices in Nevada, they are -- they will be required to be licensed there, as well.

SENATOR GORMLEY: And we're talking Securities and Exchange Commission, we're talking Sarbanes-Oxley, we're talking the whole megillah, aren't we?

MR. CASIELLO: Yes, for companies that are publicly traded or that are involved in financial services, they may be related -- regulated by the SEC, they may be regulated by the Federal Reserve Board, and other agencies. But certainly, still, the primary focus, when you're involved in the gaming industry, is regulation by the gaming authorities. And it is something different.

SENATOR BUONO: Senator.

SENATOR GORMLEY: Except if there's an overlap.

MR. CASIELLO: There absolutely is an overlap. And, certainly, if someone has something in their background, it would preclude them from holding various financial services licenses, just as it would preclude them from holding a license from a gaming regulatory authority.

SENATOR GORMLEY: Thank you.

MR. CASIELLO: You're welcome.

SENATOR BUONO: Thank you, Senator Gormley.

MR. CASIELLO: Actually, on the subject of security, according to Mr. Joe Asher, eSpeed handles transactions with a value of more than \$40 trillion -- that's with a *T* -- trillion dollars a year. They will construct the mobile gaming devices in networks so that they are mission-critical and secure. The gambling on mobile devices such as ours allows bettors to be

cut off after a certain amount of loss in a given period. That helps address any problem gambling issues.

Since every transaction is monitored and recorded, gaming of this type can be more effective than live gambling in protecting problem gamblers. Devices are password protected to ensure that minors or other unauthorized persons are not using the devices.

By the way, just as an aside, if someone were able to use one of these devices, and it was not the person who actually obtained the device from the casino cage, they may be able to gamble on it if they had the passcode or whatever, but all they could do is gamble on it. They could not collect the winnings. So it's kind of pointless.

SENATOR BUONO: And not to interrupt, but as thoughts come up -- and before--

Senator Gormley, I know you have a Judiciary Committee hearing. I wanted to--

MR. CASIELLO: Sure.

SENATOR BUONO: Because you have a lot to offer, in terms of your experience in Nevada.

What was the biggest obstacle that you had to overcome in your quest to move the legislation through, if you could boil it down to one issue?

MR. CASIELLO: Unfortunately, I was not involved in the Nevada process, so I cannot comment on that.

SENATOR BUONO: But from what you know.

MR. CASIELLO: I think it was certainly a matter of policy that had to be decided by the legislature.

SENATOR BUONO: What do you mean by that?

MR. CASIELLO: They had to consider whether, first of all, gambling should be allowed to occur in areas other than the casino floor. I mean, Nevada is different than New Jersey in that you can have a 7-Eleven on the corner that has 10 slot machines. And, yes, they have slot machines in the airport. But, generally, gambling in Nevada does take place on the casino floor.

So I think the legislature had to decide whether, as a matter--

SENATOR BUONO: That threshold issue, okay. Fair enough.

MR. CASIELLO: That was the threshold issue.

And I think they also made a preliminary determination that these devices could be developed in a secure manner. And Cantor certainly has a background in providing secure transactions over wireless devices.

SENATOR BUONO: Thank you.

How much longer is your testimony? I'm just looking. I know other people have to catch flights out of here. Could you summarize the rest?

MR. CASIELLO: Sure. Let me just make one point--

SENATOR BUONO: Okay, sure.

MR. CASIELLO: --with respect to the security, and the experience of Cantor Fitzgerald, as many of you probably know--

Cantor was located in I World Trade Center on September 11.

SENATOR BUONO: Yes, I'm aware of that.

MR. CASIELLO: And their eSpeed trading system was based there. And when the attack occurred, the system immediately switched over to backup services located in New Jersey and London. It operated

seamlessly, and the system was back up and operating within 47 hours, when Cantor decided to reopen the markets.

And I think that's about it.

I'd be pleased to answer any questions.

SENATOR BUONO: Okay. Thank you.

T H O M A S A. R E I L L Y: Madam Chair, Senators, good morning.

My name is Tom Reilly, and I am Vice President of Eastern Region System Sales with Bally Gaming and Systems, a subsidiary of Alliance Gaming Corporation. Our eastern region office is located just outside of Atlantic City, in Egg Harbor Township.

Bally Gaming and Systems is a worldwide leader, with a 70-year history of designing, manufacturing, and distributing gaming machines and related products for the casino industry. The company has marketed over 100,000 gaming machines worldwide in the last five years. We design, integrate, and market highly specialized computerized monitoring systems which provide casinos with network accounting, casino management, and security services for their gaming machines.

Our systems division is the leading provider of casino management systems for the gaming industry. The company has sold over 276,000 game monitoring units, which are installed in casinos worldwide. And we are very honored and proud to have our systems installed in every one of the Atlantic City casinos. The company is presently licensed not only here in New Jersey, but in nearly -- over 250 gaming jurisdictions throughout the world.

I would like to thank this Committee for allowing Bally Gaming and Systems the opportunity to answer any questions you may have with

regard to our continued commitment to develop and bring to market in New Jersey's casinos the latest and most innovative products we have.

As a developer of games and systems, Bally Gaming is committed to providing products and technologies which create world-class loyalty programs and the highest entertainment value for casino patrons. This is key to meeting the demands of our customers. And we continually strive to respond to their needs to provide technology that provides business process improvements, as well as a competitive advantage.

In our industry, the use of technology is accelerating. This trend certainly gives newer gaming machines and systems that incorporate such technology a competitive advantage over older gaming machines and systems. As such, Bally Gaming has considerably increased its spending in research and development in recent years as a direct reflection of the competitive landscape and the need to continue to develop the next generation of gaming products and systems.

We have significantly invested in our New Jersey-based support and development infrastructure with the opening of a 25,000-square foot client technology center in Egg Harbor Township. Our customers have embraced this investment by Bally, and we are continually fed new and innovative technology ideas by our customers, in hopes that we will continue to deploy technology that will enable the New Jersey casino industry to stay at the top of its game.

As you are aware, all new and modified gaming hardware and software designed by Bally is done to satisfy all applicable regulatory and testing standards, which are set not only by New Jersey, but also Nevada and most other North American gaming jurisdictions.

As we have done in the past, we will continue to work closely with all regulators, including both the Casino Control Commission and the Division of Gaming Enforcement, in the design, testing, and approval of our new gaming products. Certainly, our goal is to assist the regulators in that testing and approval process while, at the same time, maintaining the regulatory integrity which is critical to our industry.

However, Bally also develops products which are used by the casinos for marketing and player loyalty programs. And these are generally outside of the regulatory product testing and approval process. Examples of these technologies are bonusing and patron development programs, which are typically funded with the casino's marketing or incentive dollars. It is important that companies such as Bally are able to deploy these types of new marketing technologies as quickly as possible so that our New Jersey customers can maximize a competitive advantage through the use of technology.

While recognizing the need for regulatory balance, it is important that new and emerging tools and technologies are properly categorized as regulated versus non-regulated, so as to make the regulatory agencies as productive as possible in wading through vendor submissions, while at the same time bringing new technologies to market faster when they do not require regulatory review.

As for our products which require regulatory -- which require testing and approval, the facilitation of that submission and testing process has become a more important part of our business, not only in New Jersey, but in all jurisdictions. The significance is more acute now, given the

technologies on the eminent horizon, such as downloadable games, system gaming, and two-way electronic funds transfer.

Both the Commission and Division have done an effective job addressing the flow of these new technologies. The relatively recent implementation of cashless slot technology is a prime example. We are hopeful that the Legislature will continue to support both the Commission's and Division's suggestions to continue to improve the process, so that both agencies can be more effective and allow not only the manufacturers -- such as Bally Gaming and Systems -- to compete in the marketplace, but also to allow New Jersey's casino industry to maintain its position as one of the leading gaming markets in the country.

I am confident that with present leadership and staff in place at the Commission and Division, coupled with a willingness by the industry and companies such as Bally Gaming and Systems to work with those agencies, practical improvements in the approval process can be obtained.

Thank you, again, for this opportunity.

SENATOR BUONO: I had a question.

You had talked a little bit about the non-regulated technologies. Can you be a little bit more specific in describing what some of those are?

MR. REILLY: Specifically, with regard to marketing programs. Understandably, those parts of our technology that are most commonly regulated are the things that count the money and put all the controls in place.

SENATOR BUONO: Right.

MR. REILLY: But I'm talking about giving the casinos the ability to be more responsive with faster and faster development of

marketing programs -- that are typically funded by the marketing departments -- and get those technologies to market as quickly as possible without having them unnecessarily encumbered, through an approval process that really should be geared more towards those things that control money in the casinos.

SENATOR BUONO: And so that's governed by regulation.

MR. REILLY: Yes.

SENATOR BUONO: Okay.

MR. REILLY: It would be helpful if it was more clear and if it was more specific as to: these are the things -- these are the types of technologies that need to be submitted that are regulated. And those that are-- And, frankly, the more products that we bring to market, more often than not are marketing types of technologies with the purpose of helping our casino customers stay more competitive. It would be helpful to separate regulated from non-regulated, to facilitate the process.

SENATOR BUONO: And what's the process now, in terms of who determines whether it's marketing or not and, therefore, whether or not it's regulated or not?

MR. REILLY: It's how the regs are written.

SENATOR BUONO: Okay. And you think they're not clear enough right now?

MR. REILLY: Not clear. We're certainly making major strides, but I think it would be helpful to the vendors, as well as the industry at large, to make that much more crisp.

SENATOR BUONO: Okay. Well, we stand ready to work with you toward that end. And I'm sure other people that will be testifying here today will be, as well.

Thank you.

MR. REILLY: Thank you.

SENATOR BUONO: Anybody else? (no response)

Okay, you're on.

T O D D E L S A S S E R: Madam Chair, Senators, Committee members, good morning.

My name is Todd Elsasser, and I'm the Technical Compliance Director for Cyberview Technology. For the better part of the past 15 years, I was Executive Director of Engineering and Testing for Gaming Laboratories International, the world's largest independent testing facility, to date.

Currently, Cyberview Technology is an applicant for a New Jersey gaming manufacturer's license. And, together with our subsidiaries, we are a leading technology developer and supplier of advanced, downloadable server-based gaming systems to the casino industry. In 2004, we were the first company in the world to receive GLI approval for a downloadable based gaming system under the GLI standards for technical certification in North America.

SENATOR BUONO: What state was that?

MR. ELSASSER: That was done for the Class 3 market for California.

SENATOR BUONO: Okay.

MR. ELSASSER: And to date, I believe California is one of the few states that have actually adopted, outside of Nevada -- which is working on new regulations and testing, right now, downloadable technology regulations. There's not a lot out there.

SENATOR BUONO: In California. I didn't realize that--

MR. ELSASSER: California was the first.

In addition to GLI certification, we've received Rostest certification in 2005 for downloadable gaming machines in Russia -- the republics of Russia.

We are also providing this technology in over 10,000 devices throughout Europe, in the U.K., Denmark, Germany; and even most recently in South America. Currently, our systems process several billion transactions through our download systems yearly.

I'm not going to go into a great detail on the types of downloadable systems on the market today, other than to briefly classify them into two distinct types: the system-based game, where all random number generator, prize determination, and evaluation routines are contained on the server, and the terminal is a little more than a display mechanism; and the system-supported games, where the game function is downloaded. And once the download is complete, the server connection can actually be severed, and the device will function very similar to the devices on the Atlantic City casino floors today.

System-based games are more common in the state of Washington and the state of New York, where, for example, the New York Lottery runs racino games, right now, which are all system-based games, with the game outcome information passed on to the display VLTs.

Cyberview produces both system-based games in Europe and system-supported games in North America. So we produce both types of systems.

The implementation of system-based games in the New Jersey casino market will require a great many regulatory changes. It will almost warrant a complete rewriting of many of the internal control procedures and processes that casinos in Atlantic City currently use. This type of gaming is most effective in wide-area applications, where the regulatory authority does not have the staff to be able to monitor devices in hundreds and hundreds of locations spread throughout the state.

It's not the case in New Jersey today. The New Jersey regulators have very real and active presence in the casinos. And we see absolutely no reason why existing regulations and internal control procedures should have to be completely redone, without a monumental increase in either security or game integrity.

System-supported games, however, are much closer in design and operation to the existing games currently operated in New Jersey. The key difference is the means by which the program gets onto the device. Currently, it's a hardware physical EPROM, or a hard drive, or physical mechanism which is installed in the gaming device.

With downloadable, system support technology would allow download technology to go into the computer based inside the device.

SENATOR BUONO: So then could you change -- could the customer change the particular game that they're playing? Would there be a choice?

MR. ELSASSER: There could be. And I will touch upon that a little bit more -- some of the benefits to the customer. But, yes, the

customer would be able -- possibly be able to choose the types of games that he wanted.

The random number generator, and all of the games security -- all of the integrity, all the metering -- would still reside on the terminals. And the rules and regulations pertaining to the individual machines, including internal controls, would be very similar to what is currently existing right now. The difference would be the means and the mechanisms to get them there.

The advantages of this are many. To the regulator, it means no longer having to rely on physical security means: going out to the machine, cobatroning (phonetic spelling) evidence tape, sealing the individual device. Too often, security breaches with this type of security were not discovered until well after the fact. The new technology, newer configurations, newer systems and servers today -- such as the one that Bally touched upon -- will allow the regulator to see this information in real time now. So, to the regulator, it's going to change the mechanism and the means to which they control the machines.

SENATOR BUONO: So is it fair to say, with every emerging technology there are glitches, there are issues that have to be resolved as it develops, and as it's implemented?

MR. ELSASSER: I think that's fair to say. But along with that comes the tools to be able to do a better job of regulating the control.

Senator Gormley touched upon that this morning, as well. That's the heart of the matter -- that the regulator will be able to benefit from this technology to do a better job of regulating the games, as well.

SENATOR BUONO: Is that what he said? (laughter)

MR. ELSASSER: The role will remain unchanged; the tools and the mechanisms available will develop and evolve.

The operator will benefit from this new technology, because he can now quickly and easily provide content to the customer. Game preferences, floor layouts, game mixes can be easily optimized to bring better return on investment without sacrificing one iota of game integrity, security, or accountability.

To the player, while no one is advocating changing games or pay tables in the middle of a customer play, if, however, the customer is getting bored or tired of the games currently offered on the terminal, he can voluntarily ask for new games to be downloaded, new games to be enrolled, new content to be provided to him on the device, rather than having to go looking around for it himself.

SENATOR BUONO: That's certainly a great -- huge advantage.

MR. ELSASSER: It's a huge advantage. And it gives the player, for the first time ever, virtually complete control over the types of games that he can be offered.

Now, obviously, this freedom comes with regulatory oversight and concerns that have to be addressed, as well. The regulatory authorities need to understand that the job will change from one of more passive monitoring to an active one. If I can change a game in a matter of seconds, the regulator needs to be able to stay up to time with this, and see exactly what's going on, and ensure that no one can do this outside of the strictly controlled regulatory environment that you would develop.

SENATOR BUONO: When you say active versus passive, does that mean-- Does that translate into hiring more individuals to monitor it?

MR. ELSASSER: No. In many cases, it would actually be less. As opposed to going out and physically inspecting machines on the floor -- and when chip changes are being done right now, having what I call a small army of regulatory personnel having to go out to do this -- this would be done at a server level. And the regulator would be the only person that could be allowed to even install this software. So it would be one person going out, installing a computer disk onto a secured server, through password protection and other means -- including biometrics or whatever it might happen to be -- would be allowed to control the entire operation. And no one would be allowed to download that game unless the regulator had installed it themselves. So one person could control many machines instead of having to have this small army of people going out and doing that.

SENATOR BUONO: Where in-- You had mentioned in California that some-- Which of the type is utilized in California? And then where?

MR. ELSASSER: It's being run in various different casinos right now. There are some tests being run in Southern California. We're installed in three of the Northern California casinos right now. And it is completely downloadable games.

So what would happen is, the entire game content would be downloaded onto the machine. And the operator would be allowed to select, from a menu of approved games, which ones they wanted to enable on that particular machine at that particular moment. It would be most

akin to the multi-game terminals that are currently on the floor in Atlantic City now, where there's 15, 20, 30 games on a chip currently. And there's a menu that's available. What would happen is, with using our technology, you would be able to download a library of games onto the terminal and then enable them as the player wished, or as the operator wished.

Different other manufacturers of these types of systems have different methodologies they use. But the bottom line is, it would all be done at a terminal level. So the gaming machine would be completely freestanding.

Again, in New York and Washington, the server-based systems are running right now, where the actual content of the game -- the random number generator, the brains if you will -- is contained in the server. And the terminals are little more than display mechanisms.

The one key word we hear when we're referring to these types of systems is *trust* and *integrity*. Trust that the game content is correct, trust that the player is not being cheated, trust the operator will not download unapproved or unauthorized games, trust that the logging and reporting of the data is accurate, trust that no one has been able to hack into the system from some remote mechanism. To a regulator, you can never just say the word *trust*. The regulator's mantra is, "Trust, but verify," and maybe even, "Verify, then trust."

SENATOR BUONO: I agree.

MR. ELSASSER: I'm an engineer who spent 15 years testing gaming devices for various regulatory bodies throughout the world. I deal in black and white; it works or it doesn't work, it passes or it fails, it's either trustworthy or it's not trustworthy, it's secure or it's not. There is no trust

until it is proven. The technology has to be shown, the security has to be shown, the integrity has to be shown to both the regulators and to the playing public before this type of technology can be rolled out on the floor.

Perhaps a better definition of *trust* would be: the confidence in end to end security, integrity, audibility, performance, and availability. It has to be there before anything can be done. That's a lot. That's a very high bar. We admit it. It took us years to develop a system that could meet that type of criteria. However, the consumers in New Jersey expect no less. They demand that, they've been accustomed to that, they've been getting that for all these years. To allow new technology in, and still reduce that level of trust, or the security with that, would be doing short change to the customers and the people in New Jersey.

(screaming from outside)

SENATOR BUONO: It must be Douglas College, right?
They're rallying. (laughter)

MR. ELSASSER: Just because it's a very high bar, I do not believe it's unobtainable. It is obtainable. It's the entry fee you need to use if you're going to use this new technology.

SENATOR BUONO: Well, that was going to be my final question when you were done, because New Jersey is -- does-- We are set apart from other states.

MR. ELSASSER: Yes, you are.

SENATOR BUONO: We are the model of regulatory oversight.

MR. ELSASSER: Yes, you are.

SENATOR BUONO: And do you envision that this is actually doable with that sort of climate?

MR. ELSASSER: Yes.

SENATOR BUONO: From a preserving-the-integrity perspective?

MR. ELSASSER: Yes, it is. However, it's going to mean changes. It's going to mean the processes that are used today are going to have to evolve. And there's going to be an evolutionary process that goes on, because trust is not automatically granted. So it's going to have to be proven to you first that it works, how it works. It's going to have to go through the test laboratory. It's going to have to go through-- And, actually, our system is currently in the New Jersey test facility right now, being reviewed.

Until all of that is done, and until you are totally comfortable with it, you're not going to see it go out onto the casino floor, because you can't. And we understand that. And we're willing to work with you to help develop regulations, rules, test procedures, processes to be able to allow the casino operators to have this new technology, and to give the ability back to the casino operators and the public to choose the types of games they want. We touched upon competition. Competition is very good, it's very healthy. As long as it's secure, as long as it's safe, why not?

SENATOR BUONO: You're saying all the right things.
(laughter)

Anyone else have any comments?

Senator Asselta, welcome.

SENATOR ASSELTA: Thank you.

SENATOR BUONO: Well, thank all of you, gentlemen.

We're going to move on to the next panel.

We have some representatives from some of the casinos operating in New Jersey.

First-- Well, actually, both of you gentlemen can come up together, but I understand Tim Stanley has a plane he has to catch. He is the Senior Vice President of technology and gaming devices, Harrah's Entertainment. And then we also have with us David Farlin, Vice President of Information Technology at Borgata.

Welcome.

T I M S T A N L E Y: Good morning.

SENATOR BUONO: Good morning.

MR. STANLEY: Would you like to lead, David?

D A V I D F A R L I N: No, please go ahead.

MR. STANLEY: Well, thank you for the opportunity to speak to the panel today.

Can you hear me all right?

MS. WINTERS (Committee Aide): Is the red button on? (referring to PA microphone) Red means go.

SENATOR BUONO: Because this is being transcribed, so you want to be able to--

MR. STANLEY: Thank you for the opportunity to speak to the panel today.

Again, My name is Tim Stanley. I'm the Senior Vice President and Chief Information Officer for Harrah's Entertainment across the entire enterprise. I'm accountable for all IT technology functions for the entire

company, here locally in New Jersey, as well as in the 40-plus other casino and entertainment properties we operate in some 13 other jurisdictions, two other countries, and are very actively involved in a number of other growth initiatives and development efforts, both domestically and abroad.

In that regard, I am an officer of a publicly traded company, and work with a variety of different vendors, manufacturers, operators, regulatory agencies, and the like. And to that end, it is a core part of my role, and my expectation and accountability, to uphold the integrity that Harrah's Entertainment has had and advocated for many years. And in addition to, certainly, our Board of Directors, and shareholders, and the SEC, and Sarbanes-Oxley, and a number of other parties that we work with and for, we actually have to also address the needs, and challenges, and concerns of our consumers. We have some 40 million customers in our database. And a core part of our business strategy has, for some years -- and very effectively in these last number of years -- been to provide the most compelling gaming, entertainment, hospitality, and other amenities experience; and in doing so, create loyalty and begin to move many of these customers to our facilities or into some of these markets to create jobs for our employees, but economic benefits and very compelling entertainment experiences for these customers who have many other options or alternatives that they can choose to spend their time or their money doing.

So to that end, I am responsible for all the different technology functions from networking, to the gaming activities, to the loyalty programs, to the integrity associated with privacy of our customers, of our employee information, and the like.

I've also had a career, some 20 years now, in a number of capacities. Consulting in the Department of Defense, as a U.S. Air Force officer. I worked for Kimberly-Clark Corporation, internationally, locally, on instrumenting or operating a company around the world and all of the technology, and communications, and interfaces that do that -- as well as working through -- with not only Harrah's, but a number of other gaming and hospitality clients to implement new technologies, new concepts around how to better serve our customers, or provide a more compelling experience.

In doing that, I can say over those years of technology -- I hold a number of patents and a number of other activities and initiatives that I'm very proud of. I can say that working in the gaming industry has been very fulfilling. There are challenges associated with it in that, as a national -- now multinational -- operator it is both, again, an opportunity and challenge to work across the multiple jurisdictions, to try to create a brand promise for customers that indicates we will have the most interesting and exciting type of environment, provide the integrity that they associate with our brand; and to do that in way that no matter where you visit us, you can expect to be treated very well and have all the latest information technology services; and be recognized in that capacity.

SENATOR BUONO: So is it fair to say that you're investing in these technologies already, outside of New Jersey?

MR. STANLEY: In a couple of regards. Let me share with you, if I may-- About 3 percent of Harrah's entire revenues goes into information technology investments every year. That's in addition to purchases of actual games, or devices, and the like.

This year alone, we'll spend some \$250 million on technology, integration investments, security technologies, and the like. We have a number of different locations and properties we operate, but the IT team that is responsible and accountable -- that I have the opportunity to lead -- is largely based here in New Jersey, and in Tennessee, and in Nevada. And in that regard, we have invested in our own laboratories, our own test technologies and techniques, and brought both new interns into the industry -- that come from the financial services world, from banking, from retail, and others -- to learn best practices and approaches, that are leveraged elsewhere, that can be applied here to ensure the same or better integrity that you might find in doing your banking online, or having secure transactions as you swipe your credit card through a particular retailer, and the like. We have highly available data centers and a number of other things.

So to that question, we have existing laboratories that we operate and test in to ensure that the customer experience is as we would want it. Manufacturers create many products. And when you actually begin to stitch them together or integrate them, sometimes they do or don't give you the desired outcome that you're seeking.

And, secondly, as you might consider a consumer products company-- Because we have a variety of stores in different jurisdictions and different consumers -- adapt or adopt certain things -- we can test different products, or technologies, or ideas in different markets as we see fit. So, yes, we have done a number of trials or experiments with a variety of secure, mobile, handheld approaches, whether they're to better serve a guest, or gaming types of activities -- both play-for-fun or for revenue. We have

server-based technology that we work with in our labs and can test in markets. We operate four tribal casinos in various parts of the country. This is an area where server-based gaming, Class 2 gaming, and others -- as was mentioned earlier -- are currently available or being implemented. So we--

SENATOR BUONO: In the United States, you're involved-- It's just confined to tribal gaming?

MR. STANLEY: By and large. The other example brought up -- correctly so -- was in certain states, where VLTs and such exist -- that is really a form of server-based type of gaming, as well. So those markets--

SENATOR BUONO: But not hand-held.

MR. STANLEY: Correct. Although, increasingly, as we turn our attention internationally, there are a variety of different initiatives, in different countries, where I believe you will see mobile, hand-held based gaming being looked at very closely.

And I would also add to that, as a technologist, and having done this for some years -- and as many of us now, even though you may not be a technology person or professional -- you see the convergence that's beginning to go on. If you have kids, or watch business people with the BlackBerrys, with the integration of PlayStations, and Xboxes, and alike-- The consumer, today, is expecting that kind of approach or technology to be what -- how they interact with computers or entertainment. The concept of peer-to-peer networking, sharing information, having it be alerted, text messaging-- Even in our case, as we operate the World Series of Poker circuit and series, the product of poker itself, and the way that people enjoy that experience -- in being with each other, or playing against each other, as

opposed to necessarily just interacting one-on-one with the slot machine -- is very interesting and compelling. And I believe you will begin to see more desire and demand for those kinds of things for the consumer.

So as a result, technology, outside of the gaming industry, will continue to evolve and provide these different experiences. And I think it's incumbent upon us to figure out what makes sense, what is a good and viable product, how do we maintain that integrity for regulatory purposes and for other integrity things that we have to manage, in terms of our own--

SENATOR BUONO: How do you-- What's your-- Can I ask your opinion on what's going on in Nevada, now, with respect to this, and how it will impact on you?

MR. STANLEY: Specific to mobile gaming?

SENATOR BUONO: Yes.

MR. STANLEY: Okay. As was mentioned earlier, Nevada has been working towards crafting and approving regulations for mobile, handheld, tablet-based types of gaming.

In that regard, it is defined in terms of expectations or how that would operate. I can say that one of the things that has been somewhat intriguing and appealing about the way the legislation and the regs have been proposed is, it does not explicitly lay out exactly how the device or all of the approaches must be taken. And so, again, as a technologist in the industry, that generally allows a good degree of innovation. But they've been very clear about what you can and can't do. So it cannot be operable in the hotel room. It must have authentication technology that would preclude underage gaming.

SENATOR BUONO: And where is it vague or broad?

MR. STANLEY: Where is it vague or broad?

SENATOR BUONO: Well, you had said that it gives you a lot of ability to bring in new technologies, a lot of-- So how would it do that? I don't understand how -- the way the legislation is drafted would allow that.

MR. STANLEY: Fair enough.

SENATOR BUONO: If you know that.

MR. STANLEY: I am not the most literate or qualified at all the details of regulations.

SENATOR BUONO: It may not be a fair question, but if you can, answer.

MR. STANLEY: But what I can say is that, increasingly, specifications or standards that are available publicly, within other industries, are part of the solution. So when you talk about security, or encryption, or things to do with wireless, these are increasingly, commonly available across many, many industries. Wireless is increasingly pervasive, from Starbucks, to hotels, and alike. And because of that, and security concerns in a variety of different industries, there are specs and standards that have been created to ensure the integrity of that.

So part of what I'm seeing and encouraged by is the looking to those standards and saying that if you have adopted and then can, therefore, demonstrate that these standards are being applied-- And then in an audit, and/or in some testing, or lab environment those can be validated, that is sufficient for meeting the expectations of that.

So again, if I may, the potential trend -- and I think an opportunity here -- is to increasingly define what the expectations are, and

what you are concerned or trying to prevent. Allow the vendors who will-- And as a technologist, I can tell you, we can almost always come up with a technical means to implement what the expectation is. And then if you apply your energy and resources to validating that, and auditing it -- that, in fact, it's operating as expected -- I think you ultimately get to better outcomes. And you sometimes get there quicker, in terms of coming up with solutions and new innovations to do that, while still-- Again, from an operators perspective, we have a high degree of integrity, supportability, a number of these *ilities*, as I refer to them, that we actually have to maintain, well above and beyond the regulatory requirements themselves. So it's in our best interest to ensure that these things are properly implemented, and supported, and that that integrity is maintained, whether it's responsible gaming, or security, or the like.

SENATOR BUONO: So is it fair to say that you don't view the regulatory climate in New Jersey to be overly burdensome to achieving this in New Jersey?

MR. STANLEY: No, I don't. I think the opportunity for many jurisdictions -- New Jersey included -- is the tide of technology, innovation. Again, the customer expectations are continuing to grow. And how can you continue to provide the level of integrity, confidence that you have as a leading state in this regard, but maintain the pace, the number of different approaches coming through-- And even in my own world, the degree of integration of these things is challenging. So I think that as New Jersey and many jurisdictions and states look ahead, the challenge or the question to ask is, are there other ways we can continue-- How can we continue to do what's the core or the essence we're trying to accomplish? And are there

other examples, industries, resources, or other things that we can tap into to help enable us to stay in the forefront of providing an experience and the investment that we -- and I know our other operating peers -- would like to do, to provide all those great products and services; but do that in a way that keeps up, or maybe gets in front of, other jurisdictions -- tribal markets, others that continue to grow and sprout, who may not have that degree of interaction or oversight. And as consumers get used to those, or see that there, then they would wonder why aren't we offering that in another location or state, like New Jersey.

And so I think that's the opportunity and the challenges. As we grow so rapidly, we try to challenge ourselves. How can we do things -- maintain our core values and our approach -- but how can we do them smarter, better, faster, to get to the same end game?

SENATOR BUONO: I hesitate to ask this question, but I'm going to ask it anyway.

Do you see that this technology could potentially invigorate the horse racing industry?

MR. STANLEY: I'm not sure that I would be--

SENATOR BUONO: Hypothetically speaking.

MR. STANLEY: Conceptionally and hypothetically, possibly. In and of itself, would the mobility of it improve that? I think perhaps an analogy -- and speaking off the top of my head which is, perhaps, dangerous-- But if you think of bingo as an example, and the tabs, and the different-- And you may not be familiar-- But that's a form of a server-based approach that allows bingo players to actually do that in a more easy form, and sort of a device that they do.

One could envision or argue that in the horse racing industry, having that kind of information and the ability to do that as you're moving about the restaurants, or as racinos or other things come about-- To be able to still participate in the horse racing activity, while being in the restaurant, or the casino, and others -- it is possible. We're seeing a lot of mobile device--

SENATOR BUONO: Just a thought.

MR. STANLEY: --interest by consumers and our employees, to that end.

SENATOR BUONO: Well, thank you for traveling such a great distance. You came from California.

And then Senator Gormley--

Before you leave-- Can you stay, also, for Mr. Farlin's testimony, in case there is--

MR. STANLEY: Absolutely.

SENATOR BUONO: Okay.

MR. STANLEY: I look forward to hearing it.

SENATOR BUONO: Senator Gormley.

SENATOR GORMLEY: First of all, just on a human note -- because this is the first time I've had somebody -- Harrah's sitting here in my (indiscernible).

It's wonderful to see the coverage from New Orleans, and the praise that is going to Harrah's as being a corporate model for this country, in terms of how to handle a disaster. The fact that you continued benefits for 90 days-- There's a human side to this. You've obviously got the intellectual, technology side down. But no matter what news program was

on, in terms of business reporting, they highlighted the fact that you went far beyond what was anticipated. And I think that should be noted.

MR. STANLEY: Thank you.

SENATOR GORMLEY: In terms of the technology side-- Instead of me asking all these subtle questions, here's where I'm going.

Obviously, what I care about is Atlantic City continuing to be a destination. You could obviously put a chip in a phone, and you can get further and further away from the building. So whatever it is, this is about enhancing people wanting to travel to a destination. I don't want the world to go flat, especially in terms of having a destination.

What I'd like to see, stripping all the subtleties away--

MR. STANLEY: Yes.

SENATOR GORMLEY: The security budget that we spend on Atlantic City is \$67 million a year. The Chairman of the Casino Control Commission, head of DGE, they have an obligation, in terms of integrity. What I'd like to see, with all this technology -- and people who've done the missile guidance systems, I think they can figure this out as-- How do we maintain the security in Atlantic City, expand what we're doing?

But I have a unique problem, a human problem in Atlantic City. It's security on the streets. And what I'd like to see is lower, to a small degree, the overall regulatory budget, through what you do, and put some money to help subsidize -- and work with the city of Atlantic City -- to have certain undercover State Police on the streets. Because there's no way technology can cover that. I need a presence.

So what I'd like to see is your efforts directed, in terms of the overall security issue, not in any way deterring the mission of the Division

or the Commission. But we've made so many advances in the last 25 years, it would seem that we could ease up a portion of the budget to have greater presence on the street, because that is the other form of the security issue.

Thank you.

SENATOR BUONO: Anyone else? (no response)

Thank you very much.

Mr. Farlin.

MR. FARLIN: Good morning, Madam Chair, Senators.

Thank you for having me testify this morning.

In listening to some of the testimony this morning, I will try and edit my comments to where I think the direction has been heading, and in an attempt to be non-repetitive on some of the things that have already been covered.

My position is currently Vice President of Information Technology at Borgata. I was lucky enough to join the organization near the beginning of November of 2001, a few years before opening. And I've had the privilege, in my background, of working with such esteemed organizations such as Harrah's, Disney, Carnival Cruise Lines, some vendor background in supplying software to the industry. So I've had both sides of the experience here. As such, I've been working within the hospitality or gaming industry for the last 20 years.

In my role as Vice President of Information and Technology for Borgata, I've had the rare honor of working with our CEO, Bob Boughner, and with Bill Boyd and his organization -- I think, by any measure, very high quality gentlemen. I think what's important here this morning -- and

perhaps my role -- is to interject some of their perspective about gaming into this technology discussion.

And what I mean by that is, as you well know, when Borgata was built, it wasn't built to be simply a casino. It was built to be a destination. Indeed, our name has in it "Hotel Resort and Spa," in addition to the word *casino*.

Not to belabor the point, but I like to draw analogies to the design of a restaurant, from an architectural design standpoint, to try and create an ambiance, and an atmosphere, and an environment that's welcoming and inviting to customers, and giving them something that they'll want to come back to.

We knew that we had to compete on a level at least as equal to our very strong competitors across the street. But we needed to offer something, in addition to the gaming experience, that would enhance the gaming experience itself. My point here is that my approach to technology followed those same lines. We spent a lot of time this morning talking about technology: server-based gaming, downloadable games, wireless technology. And while Borgata has certainly spent a large investment in those areas, we've also spent a lot of time investing in the areas that don't relate specifically to the part of technology that speaks to the integrity of the gaming systems. And there's a need for more of that. And I think you've heard some people speak on both sides, in terms of regulatory control within the technology that is specific to gaming, but perhaps being less clear on the regulatory control of technology that is complimentary to the core aspect of gaming.

So, in terms of perspective, I'd also like to hit on maybe just a couple other points here that have been made. Perspective-wise, the overall capital investment that we made with Borgata, in terms of technology, has been publicly passed around in the neighborhood of \$50 million. That's what it cost to build a modern day casino when starting from scratch, no rollover from a corporate parent, no automatic assumption of other systems.

Since that time, our spending has not decreased. While I certainly don't have the budget of my friend here, from a single property standpoint, I can tell you that in the first full year of operation-- Immediately after spending the \$50 million to get us open, Borgata spent over \$3 million in additional technology spin. Again, as Tim said, not always in the areas of gaming-- In fact, that number does not include any games. It's technology in support of the gaming experience.

And, in fact, in 2006 our budget will exceed over \$7 million, just a couple years after opening. So we have-- We're not shy about reinvesting where we see a return on that money being spent.

Also important to note in that complimentary technology area is the introduction of vendors, as Tim mentioned, that aren't traditionally within the gaming providers arena itself. And what I mean by that is -- and I'll share a little story. Borgata was actually the first to introduce into the New Jersey marketplace a very large software provider, one that we all probably would assume had been doing work in New Jersey for years. Surprisingly, when we came to build Borgata, and we started discussions with this very large software company, we realized that they weren't registered to do business in the State of New Jersey, because no one had dealt with them directly.

I've shared this story before in this way, plagiarizing a little bit of a commercial. The cost for a single license of Microsoft Sequel Server, \$15,000; our typical Microsoft consulting engagement, \$150,000; overall IT technology investment at Borgata, \$50 million; getting a personal e-mail from Bill Gates, with his home phone number for purposes of CCC vendor registration, priceless. (laughter)

My point there is, it's important that this jurisdiction invigorate this type of involvement by these large players -- PeopleSoft, Microsoft, IBM, some of the top-tier vendors. And it's important that we do so, and recognize that they might be supporting gaming from an ancillary standpoint, but perhaps not core to that technology itself.

We've had a number of successes attributed to Borgata -- rightly or wrongly attributed. We're proud of them. We were one of the first on the gaming floor, from a technology standpoint, to introduce 100 percent ticketing. All of our machines at opening were ticketing. Ticket redemption-- I can state today that from a technology success standpoint, over 80 percent of all of our ticket redemption occurs at a machine through technology, and not through a person at a cashier cage. That's quite remarkable.

The use of downloadable, non-cashable credits, most recently introduction into this marketplace of our power prize jackpot program -- which is unique in the sense that it incorporates not only the gaming experience, but also a visual aspect and an audio aspect that infuses the entire property with excitement from the gaming floor.

And just recently, this year -- or I should say, in progress as we speak -- is the introduction of LCD touch screen technology to the gaming unit itself for purposes of communicating with a customer.

Equally important to us is our success off of the gaming floor. Again, in those areas that surround the gaming environment, which we believe enhance it -- things like RFID chips, which we've used since we've opened in our areas for uniform control for all Borgata associates; 100 percent wireless, or wi-fi coverage-- I believe at the time we opened -- while this is not statistically backed up -- I believe we were probably one of the largest wi-fi hot spots in the nation. All of our public areas have wi-fi capabilities.

We introduced the notion of voice mail and a personal e-mail account for every Borgata associate. We're quite proud of that. We've had great success with our portal page for every Borgata associate. All of this done, as an effort to increase their service levels to provide a more pleasurable gaming experience for the gaming customers.

And last but not least -- certainly our 100,000-some applicants prior to opening, for 4,000 jobs, in which not one piece of paper was exchanged. Everything was done electronically online.

From a future perspective, some of the things that have been discussed this morning we're certainly interested in looking at. We have a high degree of interest in furthering cashless wagering from just the standpoint of downloadable, cashable credits. Digital surveillance is evolving. We missed, from our timing standpoint, that wave of technology. And we'll look for it in the future.

I certainly watch the development of mobile technology, but it's from a perspective of one of being both inside the gaming area and outside the gaming area. And what's important, I think for me, is my belief that wireless technology is simply another mechanism of providing gaming, that wireless itself is not the necessary regulated item here. It's the gaming. And as we remove the aspect of physical security and physical location, we ought not to digress from the attention and focus it on the transport mechanism or the network. One is virtual, through the air; one is hardwired through the floor.

All the advancements that I've mentioned here have to come with some credit. At Borgata, we use a vendor-supported model. What I mean by that is, I have a very small staff -- 40 people -- to do the work of what my counterparts have through worldwide organizations. The way that we achieve that is through strong partnerships. It's through vendor-supported products. We buy all of our products. We develop very little to none. And we rely on an environment in New Jersey that is welcoming and rewarding for those vendors to operate within.

I also need to give credit where credit is due for all of the technology advancements credited to Borgata, which was really accomplished hand-in-hand with the regulators, under the very strong leadership of Director Auriemma and Chair Kassekert. None of what we've accomplished could have been available if we hadn't had that partnership. We look forward to that continuing in the future. And towards the end of looking -- towards the goal of looking at new technology, we have approached Chair Kassekert and Tom to begin discussions. And we have

the usual open reception to begin good, quality discussions on the areas of further improvement.

With that, again just trying to edit and to keep my comments short, I will end and welcome any questions of anything that I, perhaps, didn't cover.

SENATOR BUONO: I just wanted to begin by saying, you should be applauded for the technological advances that you've made to this point.

MR. FARLIN: Thank you.

SENATOR BUONO: But based on the testimony that you've heard here this morning, can you offer your opinion on which of the devices that have been described would be the most advantageous to you from a marketing and revenue perspective?

MR. FARLIN: Certainly.

It's our belief, from Borgata-- While we've watched the evolution of wireless, both in support of the service levels, but also for gaming itself, our focus is really more in the use of downloadable or system configuration, or system gaming. Not the gaming that runs on a server. It is the configuration management that you've heard described.

I apologize for my vagueness in trying to peg the term, but every vendor's term is a little bit different. We are very interested, and have been working with the regulators and our vendors in trying to finalize everything necessary to introduce that type of server-based gaming, or downloadable games, into the New Jersey marketplace this year. So that is our number one goal.

SENATOR BUONO: Is your-- And I will ask the regulators the same question. Is it your opinion, based upon your attorneys that work for you, that you need legislation to effectuate that aspect of what we have discussed here today? Is it regulatory?

MR. FARLIN: No, Senator, I don't believe that we have encountered any area where we believe that legislation is necessary. If we look back to Borgata's opening, the success that we had in the crafting of new regulations, specifically in the area of ticketing, I don't see any reason why that same successful process can't be duplicated as it's applied to server-based games and system gaming.

SENATOR BUONO: Okay.

Any other comments?

Senator Gormley.

SENATOR GORMLEY: That's easier than the tunnel legislation. (laughter)

MR. FARLIN: Could be.

SENATOR GORMLEY: It was great to see a headline in the paper: 1,500 new employees online by the Summer.

MR. FARLIN: Absolutely.

SENATOR GORMLEY: So it's a combination of technology and a wonderful company. And we know we have dual-- We have a ribbon-cutting and a ground-breaking coming up between the two companies of, gosh, approaching a billion or so, and a lot of jobs. So it's working.

So, like I said, what comes out of these 1,500 jobs you're going to have by the Summer-- And that was very heartening. So, good job.

MR. FARLIN: Thank you.

SENATOR BUONO: Any other comments?

Senator Asselta.

SENATOR ASSELTA: Thank you, Madam Chair.

Good morning.

MR. FARLIN: Good morning.

MR. STANLEY: Good morning.

SENATOR ASSELTA: Let me just begin to clarify my concerns real quick -- two very important people that have the finger on their pulse with this new technology.

When I think of technology, I think of less job opportunities. It immediately comes to mind, because I experienced that working for Gannett back in the '80s, and bringing onboard *USA Today*, and watching that technology be created, and grow, and losing thousands of jobs nationwide, even at the companies that I was part of.

So when I read more about wireless gaming, and I read more and more about this new technology, I can't help but think that down the road, incrementally, less job opportunities will not only be created, but will be lessened. How can you kind of assure me, or make me feel comfortable, since this morning a newspaper story came out that the county I live in and represent is the worst county to live in? Cumberland County has less job opportunities. And, right now, many of our county residents are employed in the gaming industry in Atlantic City.

So I'm all about job creation and job retention. And how will this technology affect what I'm all about here?

MR. FARLIN: I have a few thoughts, if I could share them.

I'm not a marketing person. I'm an IT guy. So I'm not going to try and give you a perspective that isn't what it truly is. Our use of technology at Borgata -- and I'll be specific. In the area of ticketing -- meant that when Borgata opened, we did not have to hire floor personnel for slot payouts. We bought hardware to do that. We did, in fact, end up hiring less positions than what a traditional casino -- or those that came before us -- would have hired.

My example of the online registration, or online application, from a human resources standpoint, meant that our HR department was smaller than what you would find to support a property of our size. Those mean fewer jobs.

However, I think it's equally important to note that only after some four months of opening, recognizing the success that we had overall -- not within those positions, but overall -- meant that we announced our first expansion, which will open this Summer, and to bring in 1,500 additional jobs.

So while we can focus on a position-by-position basis -- and we certainly try, whether it's through technology or just through better process efficiencies -- to reduce payroll, the overall goal for us isn't to employ fewer people, it's to make more money and to grow. And I think with that growth comes those new jobs.

SENATOR ASSELTA: Yes, but, through the Chair, you and I both know that profitability obviously increases through the reduction of overhead. And that's a serious concern for any employer, any company in the United States of America.

This is my concern. The wireless gaming aspect here, of taking this particular piece of technology, getting off the casino floor, utilizing it in one area, and then let's extrapolate this particular technology to maybe outside of the casino, on your way home in your car, etc., etc., etc.--

MR. FARLIN: I can tell you specifically that I'll be creating more jobs if we go with that route. IT will grow as a result of that. I have no doubt that there will be other service personnel necessary to support that.

And, Tim, if you want to comment on that.

MR. STANLEY: I would address three points. I mean, there's certainly a long history of technology. And if you think back to Alan Greenspan's comments, and others, that this technical or productivity effect has helped make a variety of businesses, or argue their country, more successful and stronger. And, yet, the nature of the dynamic of certain jobs may change.

I'll give you a couple of examples.

SENATOR ASSELTA: Let me interrupt you on that, because that's a source of debate -- whether our country is stronger, simply because of technology innovations.

We are not a manufacturing country any more. Now we're starting to feel those negative effects in not having those types of jobs available to people through technology advances. So that's a debatable-- You're saying we're a stronger country. In what aspect?

MR. STANLEY: I would certainly not position myself as someone qualified nor capable of, perhaps, having that discussion or debate. What I can do, in the context of our company -- similar to David.

If, annually, when it comes time to planning, budgeting, staffing, my peers in other business function areas look at IT as this continued wave of growth, of adding additional head count, additional resources, investments-- Not only directly employees of us, by the way -- similarly to David's organization, increasing leverage and use of additional vendors and partners. I know some of the people who presented to you earlier today, whom we work with, have also had to hire staff to help address our needs as we grow.

Secondly is the type of roles that some of these people who were doing one role and are now -- have an opportunity to do another. We developed-- At the same time we rolled out ticketing, we actually developed another technology in parallel that enhanced the ability, as people became more -- in an automated environment, interacting with the game and ticketing-- We are obviously very data centric. We can observe and understand that our customers were actually having less personal interaction. For us, as a service-oriented company, that is not good. So we actually developed some tools that helped us define the right customers, our best customers, and how to be able to take some of these employees and use them in more high-value, service interactions with them, as well as working in supporting some of the technology and the like.

Lastly, I would say that in our case, as well, we've certainly committed to an additional investment here, coming up very quickly, in terms of breaking ground. We are in the very active planning stages of another significant investment in this market, in Nevada, in other jurisdictions, and internationally. And with that will come two things. Number one, a significant growth in jobs -- I would certainly feel

comfortable in predicting. And, secondly, a much higher reliance on technology to create this customer experience we're talking about. There will be-- Whether it's for gaming purposes or not, depending on regulatory approvals and the like, the servicing and the interacting with our customers, the back-of-house functions, the table-tracking environment which wasn't really discussed today-- These are technology and capabilities that exist today, and ones -- as we envision the new kind of environments or resorts that we would expect to build in a variety of locations -- as other jurisdictions have done, where they continue to grow rapidly by enhancing the whole customer experience, and more amenities, and the like. We envision those kinds of things here, which will have a growth in both technology related jobs, and I think other jobs, given the scale that we can invest in growing the resort or the entertainment industry here.

SENATOR BUONO: Senator Gormley.

SENATOR GORMLEY: What you're saying then is, if you look at the advance of Atlantic City, the need to build rooms--

MR. STANLEY: Yes.

SENATOR GORMLEY: You also-- It's not just the profitability of the gaming, it's the profitability of the amenities that is driving the future of gaming to become a destination. So similar to the Las Vegas experience -- now that we've made the transition from bus world, we see overnight stays grow -- there is profitability in the amenities. That's why you want them there. Is that a fair characterization?

MR. STANLEY: It is. In fact, I believe this last year was the first year that in the strip of Las Vegas, non-gaming amenities exceeded the revenue associated with gaming for the first time.

In addition, the consumer is clearly telling us, with the type of things they are buying, the experience they're demanding, that they look for more. They look for the most exciting gaming environment, they look for a completely integrated service experience, they want now more sophisticated room product and technology in the room, they want spas, they want a variety of these different experiences because it is entertainment, it is an escape for them -- whether for 12 or 24 hours, or four or five days. And so there is more revenue associated with those, but it is also to meet the needs.

I believe we recognize that if we don't continue to push ahead on that, people will either make alternatives to other competitors, or choose to do some other kind of experience than spend their time with us.

SENATOR GORMLEY: But it's also driving the profitability, also -- the amenities now.

MR. STANLEY: Absolutely.

SENATOR GORMLEY: Because, obviously, the biggest, most important trend we've seen in Atlantic City -- where we turn the corner and we're not really subject to fears of Pennsylvania -- relate to the fact that the comping has gone down, and overnight room stays -- they're paying for the rooms now. And that's growing now as a profit center, as opposed to a loss leader.

MR. FARLIN: Correct. I would agree. The way that we grow gross gaming revenue is by offering those amenities which, in turn, create those jobs. And it's in the service sector.

SENATOR GORMLEY: Thank you.

SENATOR BUONO: Anything else? (no response)

Well, thank you both for coming and enlightening us a little bit more. Congratulations. We wish you well.

MR. FARLIN: Thank you.

MR. STANLEY: Thank you.

SENATOR BUONO: Next, the enforcers. (laughter) Linda Kassekert, the Chair of the Casino Control Commission; and Tom Auriemma, the Director of the Division of Gaming Enforcement.

Before you begin your formal testimony, I just wanted-- I had a question I wanted to ask, based on the testimony that preceded you. What is your view of the importance of the wireless aspect of gaming, as was testified to -- the virtual versus the hardwire aspect, as it applies to difficulty of regulation or seamlessness of regulation?

L I N D A M. K A S S E K E R T: Well, I think, certainly -- and Tom can jump in.

I think, certainly, it will present new challenges. It will present different kinds of challenges. But I think I'm confident that we have the ability, between our two agencies, to regulate that, and to ensure the integrity of the system. And I think, as you'll hear from our testimony, we have already begun the process of working with the industry in this area.

T H O M A S N. A U R I E M M A: Members of my staff, for example, were in Nevada last week. They met with Nevada regulators, with respect to this particular topic. I, the other day, spoke to the Chairman of the Nevada Gaming Control Board, who is my counterpart in Nevada, about this very issue. So it is something that we are working very closely with our counterparts in Nevada. And I think it's something that we can ultimately test and satisfy ourselves of its integrity and security.

SENATOR BUONO: That's encouraging. (laughter)

SENATOR ASSELTA: That's it. Let's call it a day.

SENATOR BUONO: Yes. (laughter)

Chairwoman Kassekert, do you-- What legislation, if any, do you envision to effectuate this?

MS. KASSEKERT: I think, as David Farlin said, from the Borgata, it is correct that most of this is regulatory in nature. I would think that the wireless, handheld would be an area that would require legislation, because we currently don't have provisions.

SENATOR BUONO: As in Nevada.

MS. KASSEKERT: Right, under the statute.

MR. AURIEMMA: I agree with that. Downloadable technology-- Chair Kassekert's staff, my staff are working with Nevada, as well, on regulations with regard to the handheld devices. It seems to me that legislation would be appropriate in that regard.

There's one other area we haven't talked about much, and I will allude to in my testimony, and that's radio frequency identification devices, that are devices that are put into gaming chips. That's another area of technology that will have to be tested. I'm not certain that that would require legislation. I do believe there might be some minimal regulations that will be necessary from the Commission.

SENATOR BUONO: Radio frequency--

MR. AURIEMMA: Identification devices, RFIDs.

SENATOR BUONO: Which one of you would like to proceed?

SENATOR ASSELTA: Can I--

SENATOR BUONO: Oh, sorry.

SENATOR ASSELTA: Question based on what the regulator just mentioned -- about legislation on the hand-held devices needs to be created. Is that because it's considered an expansion of gaming?

MR. AURIEMMA: Yes, the Casino Control Act permits certain gaming to occur on the casino floor. This would be something that would be in a casino hotel, so it's not something that would necessarily require an amendment to our State Constitution. But it is something that would require an amendment to the Casino Control Act.

SENATOR BUONO: I'm sorry.

Do you envision the Nevada experience with this to be easily transferred to New Jersey, applied to our New Jersey situation? In other words, how far in the future do you believe we have to wait to perhaps broach this subject in a reasonable manner?

MS. KASSEKERT: Well, I think we're already starting to broach the subject now.

SENATOR BUONO: I'm just talking about the wireless remote.

MS. KASSEKERT: The wireless, yes. It's one that we-- Actually, let me allude to what my testimony says. Tom and myself -- as we have indicated -- have been sitting down with the industry and plan to, at some point, bring the gaming companies into the discussion. So we are discussing all of these topics -- downloadable games, the handheld will all come into play as we move forward.

MR. AURIEMMA: In terms of timing, I think it is something that definitely has to be addressed in the year 2006.

SENATOR ASSELTA: Just another question.

SENATOR BUONO: Yes, Senator.

SENATOR ASSELTA: What is-- I remember having this discussion. I think I even have the testimony -- a few years back -- on live remote Internet. And it seems like your position has changed pretty dramatically on this.

MR. AURIEMMA: No.

SENATOR ASSELTA: It hasn't?

MR. AURIEMMA: You might be alluding to my testimony. Not at all. There's a distinct difference between Internet gambling and what we're talking about here.

SENATOR ASSELTA: Right.

MR. AURIEMMA: I testified last year before this Committee on Internet gambling. And that's a whole different area than this very -- I'll call it *limited* -- wireless handheld devices on a casino's premise. Two different concepts altogether.

SENATOR ASSELTA: But it's not a slippery slope then, in your opinion?

MR. AURIEMMA: Well, whether, ultimately, the voters of the state and the Legislature want to proceed down a road toward Internet gambling, that's a whole different issue.

SENATOR BUONO: The Federal government has said it's illegal at this point. I mean, we can proceed, but then we'll be in court.

SENATOR ASSELTA: I heard that argument on some other issue.

SENATOR GORMLEY: On sports betting. (laughter)

SENATOR ASSELTA: It seems like it doesn't matter anyway.

MS. KASSEKERT: I think the difference is that when you talk about server-based gaming, downloadable games, that is all contained within the casino. Internet gaming is an entity on the outside, using resources from the Internet. So you're really talking about two different--

SENATOR ASSELTA: You clarified. You answered my question.

SENATOR BUONO: Okay.

Senator Gormley.

SENATOR GORMLEY: Regarding-- I alluded to this earlier. If we're looking at the potential-- I'm not saying you signed off on it yet. There could be a handheld device in the building. You're, in effect -- not in effect -- you might be considered to be expanding the gambling floor space beyond the traditional oversight.

The parallel question I have: If we have advanced to a degree -- if it's found we have advanced to a degree that we feel that is secure beyond the gaming floor, does that mean we could reflect back on how we handle security on the gaming floor? Have we had advancements to such a degree? And I'm not trying to be tricky with this. But you understand, I have an overall concern on regulatory costs. I mentioned before I'd like to-- I'm not talking billions, but I have a problem that I have a budget crisis in Atlantic City, and I have a situation with security on the streets. And if I could find some freedom, because of technology, I'd like to find it.

So have you an initial opinion on, is the security as good in the hotel room with the wireless device, as it-- Is it equivalent to what it would be on the floor?

MR. AURIEMMA: Well, you say in the hotel room-- Remember, Nevada's experience is not going to be in the hotel room.

SENATOR ASSELTA: How far away will it be?

MR. AURIEMMA: Well, it's going to be at the pool area, the public areas. But I just--

SENATOR GORMLEY: Can I tell you something? If we're going beyond the gaming floor, we're going to the pool deck-- And that could be quite a distance away. We can create thousands of hypotheticals about how far away. Once you say security can go beyond the gaming floor, you-- And I'm not saying you've agreed to that yet. But you would have to have a sense that we've advanced to such a degree, we have such a level of sophistication today, that it would also have to adjust, possibly, our thinking of the needs for security levels on the floor. Not sacrificing integrity, but because of these advancements that we've made that are so much greater than we ever could have even thought of five years ago. That's my point.

MS. KASSEKERT: Yes, I think, Senator, any time there are changes made-- When you look at the Casino Control Act, as it was originally introduced, we didn't have gaming 24 hours a day. There were other restrictions.

As we move forward, I think it is incumbent upon both Tom and myself, as regulators, to reevaluate all that. And as I've said to you, I have no problem doing that. I think that we have had our discussions before about the inspectors. And I do think they do serve an important purpose, with respect to the gross revenue.

I mean, I find it interesting that we compare the numbers of Las Vegas, which are about \$5 billion on the strip, of gaming revenues, and Atlantic City is right there. And that's wonderful. And I think one of the reasons why we are right there is because we've had inspectors in the count room, we've had inspectors on the floor to make sure there are no issues with the integrity.

It's very interesting that we have 12 casinos in Atlantic City that are about the same of all those casinos on the strip. So I think that they do play a role. And I think that-- But I think you're right. I think we need to constantly reevaluate what the role is.

SENATOR BUONO: Well, I would respectfully disagree, because I don't necessarily see that there's a logical correlation between the two. It's one thing if it's a handheld and you correlate it to something that's on the floor that's connected to a central computerized whatever. But it's very different with the gaming tables. How does it-- How do you reduce the level of security? And it's not computerized, it's not connected to a central server. So I see there is a difference.

SENATOR GORMLEY: Believe me, with technology today, and the advancements we've made, and the level of overall controls-- And I started with SEC, Sarbanes, everything. They have backup as they never thought would exist, both by technology and other law enforcement agencies.

Now, what I'm saying to you is, if we balance the needs of security in the city, and the number of tourists and visitors that we have, I'm looking -- I'm suggesting, through technology and everything else, there might be the ability to work out some limited -- limited -- microscopic

amount of freedom to have a greater presence on the street. That's where the security problems exist. That's all.

And, believe me, they are so covered with technology, and covered with Federal regulations, and rules and regulations today, it's not-- Remember, we always start with the 1946 Bugsy Segal model. Believe me, it has progressed significantly since Bugsy founded -- was it the Flamingo -- since Bugsy founded the Flamingo.

SENATOR BUONO: Senator Asselta. I just thought you might have something you wanted to say.

Anything else you'd like to add?

MS. KASSEKERT: I guess I'd like to just respond a little bit. I know we heard a question, with respect to the marketing versus the gaming technology.

SENATOR BUONO: Yes.

MS. KASSEKERT: And I wanted to respond to that. I want to make it clear that -- and I think Tom would agree with me -- we have no desire to regulate market issues. The problem is, when we get the software and these computerized programs in from these companies that market them, they come kind of intertwined. So I want to make it clear that if we can get those things pulled apart through the submissions, we are interested -- and I know Tom is interested -- in regulating gaming. And we're not interested in regulating marketing. But the problem is that they come intertwined. So when they come intertwined, you can't really pull them apart as easily and without it impacting on the gaming issues.

MR. AURIEMMA: And you heard David Farlin, just a few minutes ago, talk about how he met with Chair Kassekert and I the other

day, and there were other representatives from other casinos there, as well. And we are starting a process to ensure that anything that the industry wants processed is processed in a very timely and efficient way, because we don't want to stand in the way of progress. We want to make sure that what the Legislature has set as our mission is accomplished. But by the same token, we want to ensure that the industry is profitable and successful.

SENATOR BUONO: As do we all.

If there's nothing else--

SENATOR GORMLEY: They get dragged into marketing, when they don't want to. Remember when they wanted you to behead Lenin outside the restaurant? You two got dragged into that. (laughter)

MR. AURIEMMA: Right.

SENATOR BUONO: I just want to say that I have been very pleased with the way this Committee has been -- the behavior of everyone on the Committee today (laughter) -- and also with the information that we've gleaned from all of the witnesses.

I think that 2006 has the potential for being a very exciting year. I think that we need to-- One thing that I've gained from this meeting is that we need to -- I think we need to move forward in a deliberative manner, working in tandem with the regulators and all the individuals who testified here today.

And I want to thank you all for testifying.

MS. KASSEKERT: Thank you.

MR. AURIEMMA: Thank you.

SENATOR BUONO: Meeting is adjourned.

(MEETING CONCLUDED)