

## The Host: A Casino's Best Friend or Worst Enemy?

Lawrence Chiu Hill

One of the important cogs in the casino operation, a cash-generating cog, is the Host . . . His job is to get gamblers from all over the world to come to his hotel. Once they come to his hotel his job is to make them happy in every way. Actually his job is to make them think they have died and gone to heaven.

—Mario Puzo, *Inside Las Vegas* 210 (Grosset & Dunlap, 1976).

**T**HE CASINO HOST is one of the casino operator's most important resources in the contest for premium players. The competition for premium players has intensified given the proliferation of gaming domestically and abroad. Subsequently, the authority with which the hosts are entrusted to acquire premium players has dramatically expanded. However, hosts also represent a danger of massive legal liabilities to the casinos they work for in view of hosts' wide scope of discretion on the issuance of credit, complimentary ("comps"), and solicitation of premium players. This article will examine the role of hosts, the authority delegated to them, and the risks they pose to their employers.

### THE ROLE OF CASINO HOSTS

#### *The origin of casino hosts*

The official job description of a casino host<sup>1</sup> is to "maintain relationships with valued gaming guests and market gaming experiences to high-limit guests through personal contact"<sup>2</sup> according to a major casino's human resources department. A *Wall Street Journal* article depicts the job of hosts differently: "Hooking whales is one of the most attractive and

highest stakes jobs in the casino world. It requires living something of the life of a high roller—entertaining at lavish parties, sitting ringside at boxing matches, even touring the world to visit customers."<sup>3</sup> Despite the various job descriptions, casinos rely on the casino host to build personal relationships with premium players to engender their loyalty to the casino.<sup>4</sup> Casino hosts play a critical role in the procurement and retention of premium players because most players desire attention and recognition in exchange for gambling significantly.<sup>5</sup>

The authority to issue comps<sup>6</sup> is fundamental to the role of hosts.<sup>7</sup> The practice of comping first began in the 1940s, when casinos provided free alcoholic beverages to players on the gaming table to prevent players from leaving the table to go to the bar.<sup>8</sup> As casino facilities expanded, casinos began

---

Lawrence Chiu Hill is a part-time student at the William S. Boyd School of Law in Las Vegas. He has worked in the capacity of a casino host for over a decade and is currently an executive casino host at the Flamingo Las Vegas. The author would like to thank Professor Robert Faiss and Jennifer Roberts for their guidance and encouragement.

---

<sup>1</sup> Depending on the casino, hosts may have different titles such as VIP hosts, casino marketing hosts, or player development hosts. The term "host" is sometimes strengthened with "executive."

<sup>2</sup> Executive Casino Host job description, Harrah's Entertainment, Mar. 28, 2008.

<sup>3</sup> Christina Brinkley, *Reversal of Fortune: in Las Vegas, Casinos Take a Big Gamble on the Highests Rollers*, WALL ST. J., Sept. 7, 2001, at A1.

<sup>4</sup> Interview with David Norton, Chief Marketing Officer, Harrah's Entertainment. (Mar. 31, 2008).

<sup>5</sup> *Id.*

<sup>6</sup> Comps are free amenities that casinos provide to players in exchange for gambling to a significant level.

<sup>7</sup> Bill Friedman, CASINO MANAGEMENT 122 (Lyles Stuart, Inc. 1974).

<sup>8</sup> *Id.*

to comp meals and shows as a special courtesy to their high-value players.<sup>9</sup> Casinos began to treat comps as a marketing tool to motivate players to return to the casinos.<sup>10</sup> To control comps, casino managers, shift managers, and pit bosses were initially given comp authority because they were in the best position to observe the players' gambling activities and determine whether the players warranted comps.<sup>11</sup> Eventually, some of the casino managers built strong relationships with the players and were given the exclusive duty to cater to the casino's most valuable players.<sup>12</sup> The casino managers who catered to the casino's known players on a full-time basis were called "casino hosts."<sup>13</sup>

An innovation that established the role of casino hosts was the use of "junkets." Junkets are gambling trips that consist of groups of known players who receive comps in exchange for a commitment to gamble.<sup>14</sup> In the early 1960s, Las Vegas casinos first started utilizing junkets as a source of new business.<sup>15</sup> The comps players receive on junkets include room, food, and airfare.<sup>16</sup> Junkets are organized by junket representatives ("junket reps"),<sup>17</sup> who arrange such gambling trips.<sup>18</sup> Junket reps are not employed by the casino; they are independent contractors who receive compensation from casinos for organizing junkets.<sup>19</sup> Even though junket programs are mostly profitable, there have been many incidents in which junket reps committed misconduct or took advantage of the casino. Junket rep misconduct has included threatening violence against players to collect gambling debts, collecting markers from their customers on behalf of the casino but never turning the money to the casino, or using the players' comps while pocketing the payment for the amenities.<sup>20</sup>

Thus, in 1972, the Nevada Gaming Commission promulgated extensive regulations that oversee the conduct of junket reps.<sup>21</sup> Nevertheless, various conflicts of interest still continue to exist between junket reps and casinos, such as when a junket rep extends a credit line to a player without the casino's knowledge while the casino also extends a credit line to the same player, thereby overextending the amount of credit the player could financially support.<sup>22</sup> Sometimes the player has been coerced into paying the junket rep first and the casino later, which occasionally has resulted in the player defaulting on the credit owed to the casino.<sup>23</sup> A major tension is that junket reps may lure players away to play at another casino that offers higher commission.<sup>24</sup>

In view of the challenges and burdens of using

junket reps, casinos have started relying more on hosts to market to and channel in players.<sup>25</sup> There are advantages in using casino hosts instead of junket reps: as in-house personnel, casino hosts make travel and entertainment arrangements for the casino's known players as junket reps do, but hosts act in the casino's interest and have no incentive to take players to other casinos.<sup>26</sup> Additionally, casino hosts are under the scrutiny of the casino's management and are significantly more regulated by the casinos compared to junket reps, who act independently with little or no supervision by the casinos.<sup>27</sup> The role of junket reps has been supplanted by casino hosts to the extent that one study has defined casino hosts as "casino employees who are responsible for developing and maintaining the premium player business *without the use of junket reps*["<sup>28</sup>

#### *The role of casino hosts vis-à-vis premium players*

The casino host's primary responsibility is to cater to the high-stakes gamblers,<sup>29</sup> or the premium players.<sup>30</sup> The premium player segment is a critical

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> Interview with Tig Latham, Casino Shift Manager, Flamingo Las Vegas (Mar. 30, 2008). Latham is a third-generation gaming veteran whose family has been involved in the gaming industry since the 1940s.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> Lionel Sawyer & Collins, *NEVADA GAMING LAW* 153 (3d ed., Trace Publications 2000).

<sup>15</sup> James C. Makens & John T. Bowens, *Junket Reps and Casino Marketing*, 35 *CORNELL HOTEL & RESTAURANT ADMIN. Q.* 63, 64 (1994).

<sup>16</sup> *Id.*

<sup>17</sup> Junket reps are also referred to as casino independent agents, junket operators, or junket masters.

<sup>18</sup> Lionel Sawyer & Collins, *supra* n. 14, at 153.

<sup>19</sup> *Id.*

<sup>20</sup> *See id.* at 154.

<sup>21</sup> *See id.* at 153.

<sup>22</sup> Makens & Bowens, *supra* n. 15, at 64.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* at 69.

<sup>25</sup> Interview with Tig Latham, *supra* n. 11.

<sup>26</sup> Makens & Bowens, *supra* n. 15, at 69.

<sup>27</sup> Interview with Tig Latham, *supra* n. 11.

<sup>28</sup> Anthony F. Lucas, Jim Kilby & Jocelina Santos, *Assessing the Profitability of Premium Players*, 43 *CORNELL HOTEL & RESTAURANT ADMIN. Q.* 65, 65 (2002) (emphasis added).

<sup>29</sup> Friedman, *supra* n. 7, at 114.

<sup>30</sup> High-stake gamblers are also called VIPs, high-limit players, high rollers, or more recently, ballers, within the casino industry. The term "premium players" is used in this article as it is used more prevalently in academic papers.

component of a casino's customer mix and is heavily courted by casinos.<sup>31</sup> Most businesses are subject to the 20-80 principle, in which 20 percent of the customers generate roughly 80 percent of its revenue; this principle is even more prevalent in the gaming industry.<sup>32</sup> Casinos perceive that premium players contribute a disproportionate bulk of casinos' revenue.<sup>33</sup> A study conducted in 1999 indicates that only 5 percent of the gamblers who gambled in Las Vegas were considered premium players; however, that 5 percent produced 40 percent of the gross gaming win in Las Vegas.<sup>34</sup> A major multiproperty gaming company's independent research suggests that approximately 11 percent of the gaming industry's players are responsible for more than 50 percent of the industry's total revenue.<sup>35</sup> Therefore, even casinos that cater to middle-to-lower wager players with limited amenities pay an enormous amount of attention to catering and retaining their respective premium players.<sup>36</sup>

For high-end casinos, the premium player segment is critical to the extent that their financial positions may hinge on the retention of their premium players. The more extravagant the upkeep of a casino, the more a casino will be dedicated to pursuing the business of the premium players. The Wynn Las Vegas, arguably one of the most upscale casinos in the industry, warned in a financial report: "A significant portion of our table games revenue at Wynn Las Vegas is attributable to the play of a limited number of international customers. The loss or a reduction in the play of the most significant of these customers could have a substantial negative effect on our future operating results."<sup>37</sup>

While the definition of premium players varies, premium players can be categorized loosely into two groups: the whales and the high rollers.<sup>38</sup> The whales are the world's richest, highest stake, and most pursued gamblers who can significantly impact a casino's quarter positively or negatively in a single gambling session.<sup>39</sup> Even though there is no consensus on what level of players constitutes a whale, casinos generally consider a player who wagers more than \$1 million in one visit and has credit lines in the upward of \$20 million to be a whale.<sup>40</sup> The number of whales is also uncertain, but the figure ranges from 200 to 350 worldwide, depending on how a study defines a whale.<sup>41</sup> Despite the importance of whales, not all casinos desire to pursue them because the volatility of their play activity may be too risky for the casino to assume.<sup>42</sup> Moreover, only

casinos with the most luxurious accommodations and the highest table limits can attract and cater to whales.<sup>43</sup> The high roller is the casino's second tier of top gamblers, but high rollers are not as rare as the whales and fall well behind the whales in the amount that they wager. The number of high rollers has not been determined mostly because there is not a consistent definition of what constitutes high rollers within the industry; most casinos generally consider players who gamble in the range of \$100,000 to \$250,000 per visit to be high rollers.<sup>44</sup>

To be considered a premium player, a player does not need to be a loser, only that the player risked the amount of money that the casino deems to be significant. Since players who gamble significantly may win or lose in unpredictable fashion, most casinos determine the value of a player by the player's "theoretical" value.<sup>45</sup> A player's theoretical value is the gaming revenue a casino ought to win from a player over time based on statistical probability.<sup>46</sup> A table player's theoretical value is calculated based on a combination of the player's average bet and the length of play while a slot player's theoretical value is based on the denomination and the amount of coins circulated through the slot machines.<sup>47</sup> Hosts

<sup>31</sup> Industry observers have argued that the high costs of catering to premium players have diminished the profitability of the premium player segment. However, their findings acknowledge that casinos continue to court premium players despite the associated high expenditures. See Lucas, Kilby & Santos, *supra* n.25.

<sup>32</sup> See F. John Reh, *Pareto's Principle—the 80-20 Rule*, ABOUT.COM, <<http://management.about.com/cs/generalmanagement/a/Pareto081202.htm>> (last visited Oct. 5, 2008).

<sup>33</sup> Terri C. Walker, *THE 2005 CASINO & GAMING MARKET RESEARCH HANDBOOK* 468 (8th ed., Terri C. Walker Consulting, Inc. 2005).

<sup>34</sup> Lucas, Kilby & Santos, *supra* n. 28, at 65.

<sup>35</sup> Robert L. Shook, *JACKPOT: HARRAH'S WINNING SECRETS FOR CUSTOMER LOYALTY* 248 (John Wiley & Sons, Inc. 2003).

<sup>36</sup> Interview with Tig Latham, *supra* n. 11.

<sup>37</sup> Wynn Resort Ltd., Form 10-K (Mar. 1, 2007), at 15.

<sup>38</sup> Walker, *supra* n. 33, at 470.

<sup>39</sup> *Id.*

<sup>40</sup> Brett Pulley, *Casinos Paying Top Dollar To Coddle Elite Gamblers*, N.Y. TIMES, Jan. 12, 1998, at A19.

<sup>41</sup> Lucas, Kilby & Santos, *supra* n. 28, at 75.

<sup>42</sup> Walker, *supra* n. 33, at 469.

<sup>43</sup> *Id.* at 470.

<sup>44</sup> *Id.* at 469.

<sup>45</sup> Theoretical value is also referred to as "theoretical win" or "earning potential" depending on the terminology the respective casino adopts.

<sup>46</sup> Makens & Bowens, *supra* n. 15, at 65.

<sup>47</sup> Interview with Tig Latham, *supra* n. 11.

do not always prefer that the player lose.<sup>48</sup> Most casino hosts' productivity is not based solely on players' actual wins or losses; it is based, in part, on the theoretical value players generate. In fact, most casino hosts prefer that their players win because the player tends to put more money in action, which in turn increases the hosts' productivity.<sup>49</sup>

Given the importance of premium players, casinos utilize a one-on-one approach by having hosts cater to premium players.<sup>50</sup> Hosts bond with players by accompanying them to dinners, golf outings, and fishing trips. Sometimes, hosts even conduct "player development trips" by visiting players in their home town.<sup>51</sup> Because of the personal relationships that form between hosts and players, many players regard their hosts as their close friends.<sup>52</sup> Noting the close relationship between hosts and players, some industry experts believe premium players are not loyal to the casinos, but to their casino hosts.<sup>53</sup> When a casino host changes employer and works for another casino, many players would follow their casino host to gamble at the new casino that the host works at.<sup>54</sup>

Casinos do not perceive a conflict of interest for their casino hosts to celebrate with players on the players' winning sessions, but encourage such interactions because it is likely that the winning players will return to the casino and, over time, lose more than the amount they have won.<sup>55</sup>

#### *The expansion of the casino host role*

As casinos evolved from providing the core experience of gambling to entertainment-driven, luxury destination resorts, the role of host became more salient. Since the legalization of gambling in 1931, casinos have dramatically increased their entertainment offerings. In 1946, Bugsy Siegel's Flamingo Las Vegas first provided the prototype of casinos as destination resorts.<sup>56</sup> The Flamingo Hotel and Casino is generally considered the very first casino that featured a mix of shows, elaborate food, and outdoor recreation in addition to the core experience of gambling.<sup>57</sup> The launch of Caesars Palace established another innovative mode of casinos in the form of "fantasy" resorts by integrating the Imperial Rome theme to the makeup of a hotel-casino.<sup>58</sup> The grand opening of the \$25 million dollar Caesars Palace in 1966 featured extravagant entertainment venues—including the 14-story hotel tower, 980-seat Circus Maximus show room, and the Bac-

chanal gourmet restaurant—all surrounded by Italian marble, Romanesque fountains, and statues.<sup>59</sup> Most casino operators followed suit and built themed destination resorts with elaborate entertainment venues as well.<sup>60</sup> The entertainment-driven trend led to the present form of casinos, packed with a plethora of amenities encompassing luxurious suites, celebrity-chef restaurants, signature golf courses, world-class shows, and top-notch performers.

The "marriage" of gaming and commercial entertainment<sup>61</sup> increased the prominence of hosts. Hosts are given control of the hotel's most desirable amenities in order to cater to premium players.<sup>62</sup> For example, in the 1950s, most Las Vegas gourmet restaurants seated only 30 to 40 customers.<sup>63</sup> However, the gourmet restaurants were predominantly used by premium players.<sup>64</sup> Hosts were given extensive control of the gourmet rooms by being able to make preferred reservations, provide line pass, and comp meals for premium players.<sup>65</sup> The comping of gourmet meals was so pervasive that most casinos' gourmet restaurants lost money in the 1950s.<sup>66</sup>

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> William R. Eadington & Nigel Kent-Lemon, *Dealing to the Premium Player: Casino Marketing and Management Strategies to Cope with High Risk Situations*, in William R. Eadington & Judy A. Cornelius, *GAMBLING AND COMMERCIAL GAMING: ESSAYS IN BUSINESS, ECONOMICS, PHILOSOPHY AND SCIENCE 78* (Institute for the Study of Gambling and Commercial Gaming, U. of Nev., Reno 1992).

<sup>53</sup> David McKee, *Loveman noncommittal on Caesar's High-end Future*, *LAS VEGAS BUS. PRESS*, Sept. 29, 2005, at 24, available at <<http://www.lvbusinesspress.com/articles/2005/09/29/news/news01.txt>>.

<sup>54</sup> Interview with Tig Latham, *supra* n. 11.

<sup>55</sup> *Id.*

<sup>56</sup> See Eugene Christiansen & Julie Brinkerhoff-Jacobs, *The Relationship of Gaming to Entertainment*, in William R. Eadington & Judy A. Cornelius, *GAMBLING: PUBLIC POLICIES AND THE SOCIAL SCIENCES 13-14* (Institute for the Study of Gambling and Commercial Gaming, U. of Nev., Reno 1997).

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*

<sup>59</sup> David G. Schwartz, *SUBURBAN XANADU 133-34* (Routledge 2003).

<sup>60</sup> *Id.* at 133-35.

<sup>61</sup> Christiansen & Brinkerhoff-Jacobs, *supra* n. 56, at 14.

<sup>62</sup> Friedman, *supra* n. 7, at 116.

<sup>63</sup> *Id.*

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

Most casinos vest their hosts the power to comp the basic amenities of room, food, and beverage “RFB”, and, occasionally, airfare if a player had a significant large loss.<sup>67</sup> With the increase of high-end amenities, the role of hosts became more critical as hosts’ comping of amenities represents a significant expenditure for casinos.<sup>68</sup> Thus, far surpassing the functions of junket reps who arranged trips based on prenegotiated comps, casino hosts were conferred a potent “power of the pen.”<sup>69</sup> Casino hosts are usually required to follow some form of guideline in the issuance of comps, but they have a great deal of discretion in the dollar amount and to whom they issue comps because casino hosts also have the duty of procuring new customers.<sup>70</sup> Thus, casino hosts would often comp a player more than what the casino guideline dictates when the player brings many new players to the casino, or if the player is a good friend of a high roller and can influence the high roller’s decision on where to gamble.<sup>71</sup>

Another significant change in the gaming industry that made the role of casino hosts more important is the proliferation of gaming. In the late 1980s, the number of jurisdictions that allowed gaming increased dramatically by catalysts such as the passage of the Indian Gaming Regulatory Act, the advent of riverboat gaming, and the regulatory change that allowed Nevada’s gaming licensees to pursue casino licenses in states outside of Nevada without approval of the Nevada Gaming Commission.<sup>72</sup> Consequently, the number of casinos in new jurisdictions that allowed legalized gaming grew by leaps and bounds. The increase in the supply of casinos gave premium players more options on where they can gamble—many of which are closer to their hometown. In view of the increased choices of casinos for the premium players, casinos rely on their hosts to persuade players to visit their casinos over others, particularly in markets in which casinos have relatively similar offerings.<sup>73</sup> Thus, a host with a list of players with whom the host has relationships became very valuable to casinos. Hosts who “produce”<sup>74</sup> have become such a desirable commodity that casinos often compete to hire hosts with large followings<sup>75</sup> by offering hosts large salaries.<sup>76</sup>

#### *Authority of casino hosts*

The scope of authority delegated to hosts is determined by the casino’s desire to pursue high-limit

play. The more a casino is engaged in the premium players market, the greater the level of authority the casino will delegate to its host in order to cater to the premium player’s needs.<sup>77</sup> The casino host’s authority usually includes comps, credit lines, “this trip only” (TTO) credit increases, and play incentives.

Virtually, all casino hosts have the power to comp RFB, but senior hosts may have the power to comp a greater range of amenities from headliner shows, hard-to-find tickets to special events, transfer by private jet, rounds of golf at world-class courses, shopping sprees, to extravagant gifts for the player’s family.<sup>78</sup> As the duties of hosts evolved, hosts were required to analyze the profitability of players when issuing comps and are accountable for their comp decisions.<sup>79</sup> Casino hosts need to protect the interests of their employers while ensuring that their players are satisfied with the amount of comps they receive based on their play activity.<sup>80</sup>

Casino credit lines<sup>81</sup> were once a convenience that casinos extended to players to alleviate a player’s risk of traveling with cash.<sup>82</sup> Eventually, credit lines became a form of marketing mechanism as players are more likely to gamble at casinos at

<sup>67</sup> Lucas, Kilby, and Santos, *supra* n. 28, at 67.

<sup>68</sup> Friedman, *supra* n. 7, at 122.

<sup>69</sup> *Id.*

<sup>70</sup> Interview, *supra* n. 11.

<sup>71</sup> *Id.*

<sup>72</sup> See William N. Thompson, Robert W. Stocker & Peter J. Kulick, *Remedying the Lose-lose Game of Compulsive Gambling: Voluntary Exclusions, Mandatory Exclusions, or an Alternative Method?*, 40 JOHN MARSHALL L. REV. 1221, 1222–23 (2007).

<sup>73</sup> Interview with Ronda Vanata, Player Development Manager, Argosy Casinos (Apr. 26, 2008).

<sup>74</sup> “Produce” means bring in new players who are known to have significant play activities at other casinos.

<sup>75</sup> “Following” is the list of players with whom the host has a relationship and can channel to a casino.

<sup>76</sup> Dennis Conrad & Steve Browne, *THE CASINO HOST 9* (Raving Consulting Co. Press 2002).

<sup>77</sup> Interview with Jimmy Hsu, former Vice President of Casino Marketing, Las Vegas Hilton (Mar. 24, 2008).

<sup>78</sup> *Id.*

<sup>79</sup> Interview with Doni Taube, Vice President of International Marketing, The Mandalay Bay Resort and Casino (May 7, 2008).

<sup>80</sup> *Id.*

<sup>81</sup> A casino credit line is a fixed dollar amount that a casino extends to its player solely for gaming purposes. Credit lines can be paid at a future time, usually within 30 to 60 days from the date of issuance.

<sup>82</sup> Interview with Jimmy Hsu, *supra* n.77.

which they have credit available.<sup>83</sup> As the competition for players became more intense, casinos started competing for the premium players' business by offering greater credit lines.<sup>84</sup> A principal function of hosts is to authorize credit lines for premium players based on the host's personal knowledge of a player's background, financial condition, and credit payment history.<sup>85</sup> The rationale is that hosts can provide seamless arrangements by having credit available to players before they arrive at the casino.<sup>86</sup> As casino hosts purportedly have close relationships with players, casinos assumed that hosts are more knowledgeable about the players' financial conditions.<sup>87</sup> Additionally, players tend to be more inclined to pay outstanding credit as they perceive that credit was issued to them on a personal basis.<sup>88</sup>

In the 1970s, there were very few systems in place that allowed casinos to obtain thorough financial background on players who applied for casino credit.<sup>89</sup> Thus, junket reps and casino hosts were the main sources that the casinos depended on to determine the credit worthiness of potential affluent players.<sup>90</sup> Today, casinos have very sophisticated credit rating institutions and financial information sharing systems such as Experian and Central Credit (a credit bureau that provides casino credit history of all players who have casino credit at most U.S. casinos) that enable casinos to determine whether a player is creditworthy.<sup>91</sup> Casinos still relied largely on their casino hosts for the final decision on whether to grant a player with a credit line.<sup>92</sup> Additionally, many casinos have a personalized credit collection policy that makes each host responsible for collecting the credit the host authorized.<sup>93</sup> For players who reside in other countries, in which collection of outstanding credit is not enforceable, the casino's international offices and hosts play an instrumental role in facilitating credit payments.<sup>94</sup>

If a player loses his or her established credit line during a particular visit, the casino has the discretion to provide a one-time additional credit increase on top of the initial established credit line.<sup>95</sup> This practice is commonly called "this trip only," or TTO, credit increase.<sup>96</sup> Most hosts have the discretion to approve TTO increases based on the host's familiarity with the player.<sup>97</sup> This power is significant in that a player's financial condition sometimes only supports the initial established credit line, and the increased amount may be beyond the

player's financial means. However, hosts are given the discretion to provide TTO increases under the rationale that hosts are intimately familiar with the players' socioeconomic condition and can make better decisions on whether the player will be capable of paying outstanding gaming debt.<sup>98</sup>

A recent phenomenon that resulted from increased competition for premium players is the granting of play incentives, usually in the form of rebates on loss and discounts.<sup>99</sup> "Rebates on loss" started in the early 1980s when casinos started reducing the amount that players owed on their outstanding credit if the players paid within an agreed timeframe.<sup>100</sup> "Discount" is an agreement between the player and the casino that the casino will provide the player an incentive, such as a percentage of the theoretical value the player generates, if the player's gambling activity meets specified criteria.<sup>101</sup> Usually the casino and player negotiates the terms of the discount before the player initiates play.<sup>102</sup> However, the term discount is somewhat misleading as players do not necessarily need to lose to receive the discount, they just need to gamble to the agreed level.<sup>103</sup> Whether a player wins or loses, the player qualifies for the discount when the player's gambling activity generates the agreed theoretical value. Play incentives operate as a marketing mechanism as premium players tend to gravitate toward casinos that provide greater amount of rebates and discounts.<sup>104</sup> Senior hosts, usually with a title of director or vice president, have the power

<sup>83</sup> Interview with Tig Latham, *supra* n. 11.

<sup>84</sup> *Id.*

<sup>85</sup> Friedman, *supra* n. 7, at 114.

<sup>86</sup> Interview with Jimmy Hsu, *supra* n. 77.

<sup>87</sup> *Id.*

<sup>88</sup> *Id.*

<sup>89</sup> *Id.*

<sup>90</sup> Interview with Tig Latham, *supra* n. 11.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.*

<sup>93</sup> Interview with Jimmy Hsu, *supra* n. 77.

<sup>94</sup> Interview with Doni Taube, *supra* n. 79.

<sup>95</sup> Friedman, *supra* n. 7, at 79.

<sup>96</sup> Interview with Tig Latham, *supra* n. 11.

<sup>97</sup> In most casinos, hosts and shift managers share the responsibility of issuing TTOs. *Id.*

<sup>98</sup> Interview with Jimmy Hsu, *supra* n. 77.

<sup>99</sup> See Lucas, Kilby & Santos, *supra* n. 28.

<sup>100</sup> See Brinkley, *supra* n. 3.

<sup>101</sup> Interview with Jimmy Hsu, *supra* n. 77.

<sup>102</sup> Lucas, Kilby, & Santos, *supra* n. 28, at 71.

<sup>103</sup> Interview with Jimmy Hsu, *supra* n. 77.

<sup>104</sup> *Id.*

to negotiate the terms of play incentive with premium players.<sup>105</sup> These agreements are particular to each player and are highly confidential, even to the casino employees, to avoid having other players seek the same incentives.<sup>106</sup>

The authority of hosts has been expanded to such an extent that, instead of salespersons, gaming industry experts advocate that hosts should be ranked on the same echelon as casino general managers, who are regarded as holding the highest position in a casino's organizational hierarchy.<sup>107</sup> One ultraluxurious resort casino treats its senior level hosts as management of the property.<sup>108</sup> Another major gaming company considers the role of host as a hybrid of salesperson, manager, and senior-level executive given the host's myriad functions and authority.<sup>109</sup>

### LIABILITIES FROM THE USE OF CASINO HOSTS

Even though hosts play an instrumental role for casinos that pursue premium players,<sup>110</sup> the use of hosts is not without problems. Because of the broad power and discretion hosts exercise, they can expose the casinos they represent to tremendous liabilities. Courts have not issued many opinions on cases directly involving hosts; however, there are a number of cases in which casino hosts' conduct has led to lawsuits against the casino.

#### *Communication with premium players*

*Mattes v. Ballys Las Vegas*<sup>111</sup> illustrates the liability that can result from a host's communication with the high roller regarding credit line. In *Mattes*, the parties' briefs aver the following undisputed facts: In the summer of 1999, Steven Mattes, a well-known high roller who frequently gambled at Park Place Entertainment properties,<sup>112</sup> first won \$1,363,000 and later \$1,468,000 from Bally's Hotel and Casino, Las Vegas.<sup>113</sup> Bally's issued two checks made out to Mattes.<sup>114</sup> Tom Bonanne, Mattes' long-time host at Bally's,<sup>115</sup> invited Mattes to attend the grand opening of Paris Las Vegas.<sup>116</sup> Bonanne flew Mattes and his family on private jet to Las Vegas, put them in a luxury suite on an unrestricted comp status, and extended Mattes \$2 million in credit line.<sup>117</sup> Upon arrival, Mattes deposited his prior winning of \$1,363,000 at Paris' casino cashier.<sup>118</sup> Mattes gambled for over three days and

lost the \$2 million credit line and the \$1,363,000 deposit.<sup>119</sup> Mattes claimed that there were errors in the amount of credit he was issued and asked to review the video tapes of his gambling session.<sup>120</sup>

Mattes' briefs stated that Bonanne promised him a "revolving"<sup>121</sup> credit line.<sup>122</sup> Mattes alleged that after losing his credit line and deposit, Bonanne suggested that Mattes allow Bally's to place a stop payment on the \$1,468,000 check from his prior winning so that amount could be added to Mattes' credit line.<sup>123</sup> Mattes claimed that after he agreed to the stop payment, he was still not allowed to access the credit line, but was instead prohibited from gambling and escorted off Paris' premises.<sup>124</sup> Moreover, Mattes alleged Bonanne told Matte's friends and family that Mattes was excluded from gambling at Paris because Mattes was "kiting" checks,<sup>125</sup> and

<sup>105</sup> *Id.*

<sup>106</sup> *Id.*

<sup>107</sup> Conrad & Browne, *supra* n. 76.

<sup>108</sup> Interview with Doni Taube, *supra* n. 79.

<sup>109</sup> Interview with Brandi Ellis, Vice President of Casino Marketing, Western Division, Harrah's Entertainment (Apr. 11, 2008).

<sup>110</sup> In addition to hosts, casinos must also provide requisite conditions such as high table limits and extravagant hotel amenities to attract premium players. See Christiansen & Brinkerhoff-Jacobs, *supra* n. 56.

<sup>111</sup> *Mattes v. Ballys Las Vegas*, 227 Fed. Appx. 567 (9th Cir. 2007) (unpublished).

<sup>112</sup> Park Place Entertainment was the parent company of Bally's Hotel and Casino, Paris Las Vegas, and Las Vegas Hilton during the filing of *Mattes v. Ballys Las Vegas*.

<sup>113</sup> See Appellant's Opening Brief at 1, *Mattes v. Ballys Las Vegas*, 2006 WL 2630119 (9th Cir. Feb. 22, 2006).

<sup>114</sup> *See id.*

<sup>115</sup> Paris and Bally's Las Vegas operate as two properties. However, the two properties are physically connected and share resources, including hosts.

<sup>116</sup> See Appellee's Brief at 1, *Mattes v. Ballys Las Vegas*, 2006 WL 3098471 (9th Cir. Mar. 30, 2006).

<sup>117</sup> *See id.*

<sup>118</sup> *See id.*

<sup>119</sup> *See id.*

<sup>120</sup> *See id.*

<sup>121</sup> A revolving credit arrangement allows a player to pay a part of the outstanding amount on a credit line and continue using the remaining credit line instead of needing to pay off the entire credit line to continue using it.

<sup>122</sup> See Appellant's Opening Brief at 2, *Mattes v. Ballys Las Vegas*, 2006 WL 2630119 (9th Cir. Feb. 22, 2006).

<sup>123</sup> *See Id.*

<sup>124</sup> *See Id.*

<sup>125</sup> Check kiting is the illegal practice of writing a check against a bank account with insufficient funds to cover the check in the hope that the funds from a previously deposited check will reach the account before the bank debits the amount of the outstanding check. BLACK'S LAW DICTIONARY 196 (8th ed. 2005).

subsequently Mattes was unable to obtain casino credit at other casinos.<sup>126</sup> Additionally, Mattes' brief stated Bonanne created false records of Mattes using comps when Mattes was not in Las Vegas.<sup>127</sup> Finally, Mattes contended that Bonanne misrepresented to Mattes that the video tape of his gambling session was being reviewed, but in fact, Paris had destroyed the video tape.<sup>128</sup> Mattes sued Bally's, Paris, and Park Place Entertainment (collectively "Paris") for breach of contract, breach of covenant of good faith and fair dealing, negligence, fraudulent misrepresentation, negligent misrepresentation, fraudulent inducement, slander, and conversion.<sup>129</sup>

However, Paris' statement of the facts was quite different. Paris' brief contended that after Mattes lost his established \$ 2 million credit line, Mattes offered to have Bally's place a stop payment on the \$1,468,000 check to apply it to Mattes' outstanding credit.<sup>130</sup> Paris claimed the casino prohibited Mattes from playing at Paris because the company would prefer Mattes to play at the Las Vegas Hilton, and that Mattes left Paris on his own accord and was accompanied by Bonanne.<sup>131</sup> Paris' brief stated that Bonanne did not accuse Mattes of check kiting, but that Bonanne only mentioned to Mattes' family that there was a concern that the stop payment on Mattes' check might be considered check kiting.<sup>132</sup> Bonanne testified that Mattes had not asked Paris to save the video tapes of his gambling session, thus Paris had no reason to save the video tapes.<sup>133</sup> Paris' brief essentially portrayed Mattes' allegations as "wild allegations of Vegas conspiracies[.]"<sup>134</sup>

During the trial, Park Place suspended Bonanne when Bonanne admitted that he had borrowed \$250,000 from Mattes for a land deal, even though Bonanne later paid Mattes back the money borrowed.<sup>135</sup> In 2002, a jury trial was conducted at the U.S. District Court for the District of Nevada.<sup>136</sup> The jury found Park Place, Paris, and Bally's jointly and severally liable and awarded Mattes a judgment in the amount of \$8 million in damages, of which \$1.5 million dollars was in punitive damages.<sup>137</sup>

Paris appealed on the basis that casinos have the right to revoke players' credit lines, and players do not have an inherent right to gamble on credit extended by the casino.<sup>138</sup> In 2003, the district court set aside the \$8 million dollar jury verdict and granted summary judgment in favor of Paris on the ground that the jury's verdict was contrary to the clear weight of the evidence.<sup>139</sup> Mattes appealed to the Ninth U.S. Circuit Court of Appeals.<sup>140</sup> In 2007,

the Ninth Circuit affirmed the district court's summary judgment.<sup>141</sup> The Ninth Circuit held that Mattes' "loss" of not being able gamble and purportedly missing his chance to win was too speculative.<sup>142</sup> The case illustrates that a host's communication with a premium player may place a casino at risk.

### *Tensions with inducing players to gamble*

A senior-level host played a salient role in *GNOC Corp. v. Aboud*.<sup>143</sup> The 1989 case is one of the first in a line of cases dealing with the issue of whether players can recover for gambling loss from casinos under dram shop law.<sup>144</sup> Although later cases held that casinos do not have a duty to prevent visibly intoxicated players from gambling,<sup>145</sup> the *Aboud* court did not rule in the casino's favor.<sup>146</sup>

In August 1984, Shmuel Aboud deposited \$10,000 at the Golden Nugget Atlantic City in or-

<sup>126</sup> See Appellant's Opening Brief at 4, *Mattes v. Ballys Las Vegas*, 2006 WL 2630119 (9th Cir. Feb. 22, 2006).

<sup>127</sup> *Id.* at 5.

<sup>128</sup> *Id.*

<sup>129</sup> *Id.*

<sup>130</sup> See Appellee's Brief at 1, *Mattes v. Ballys Las Vegas*, 2006 WL 3098471 (9th Cir. Mar. 30, 2006).

<sup>131</sup> *Id.* at 29.

<sup>132</sup> See *id.* at 28.

<sup>133</sup> See *id.* at 22.

<sup>134</sup> See *id.* at 5.

<sup>135</sup> Jeff Simpson, *Park Place suspends Casino Host*, *Las Vegas Rev. J.*, Nov. 30, 2002, available at <[http://www.reviewjournal.com/lvrj\\_home/2002/Nov-30-Sat-2002/business/20176773.html](http://www.reviewjournal.com/lvrj_home/2002/Nov-30-Sat-2002/business/20176773.html)>.

<sup>136</sup> See *Mattes v. Ballys Las Vegas*, Case No. CV-S-00-1090-JCM(LRL), at 1 (D. Nev. Nov. 22, 2002) (judgment).

<sup>137</sup> *Id.*

<sup>138</sup> *Mattes v. Ballys Las Vegas*, 227 Fed. Appx. 567, 568 (9th Cir. 2007) (unpublished).

<sup>139</sup> *Id.*

<sup>140</sup> *Id.*

<sup>141</sup> *Id.* at 568.

<sup>142</sup> *Id.* at 570-571.

<sup>143</sup> *GNOC Corp. v. Aboud*, 715 F. Supp. 644 (D.N.J. 1989).

<sup>144</sup> See *Hakimoglu v. Trump Taj Mahal Assocs.*, 70 F.3d 291 (3d Cir. 1995) (casino patron could not recover gambling losses when the casino allowed him to gamble after he became visibly intoxicated); See *Annitto v. Trump Marina Hotel Casino*, 2005 WL 4344137 (N.J. Super. Ct. App. Div. 2006) (unpublished) (casino patron who has knowledge that he would gamble excessively when intoxicated cannot recover gambling loss when casino continued to serve him drinks and extend credit line when patron appeared intoxicated).

<sup>145</sup> See *Hakimoglu*, *supra* n. 144, and *Annitto*, *supra* n. 144.

<sup>146</sup> *GNOC Corp.* was later overturned by *Hakimoglu* (casinos do not have a duty to prevent players who are intoxicated from gambling).

der to receive comp privileges.<sup>147</sup> Aboud was approached by Michael Neustadter, a senior host with extensive comp and credit authority with the title of vice president of customer development, who provided Aboud with RFB comp status and casino credit.<sup>148</sup> At the end of his visit at the Golden Nugget, Aboud lost \$225,000 and owed \$28,000 in credit line.<sup>149</sup> After Aboud failed to pay his outstanding credit line, Golden Nugget sued to recover the \$28,000 gambling debt.<sup>150</sup> Aboud counter-claimed against the Golden Nugget to recover compensatory damages for his gambling loss and punitive damages for fraud, malicious conduct, unjust enrichment, and negligence.<sup>151</sup>

The facts of the case implied that Neustadter, the casino host at issue, played a large part in Aboud's complaint. Aboud stated that Neustadter pressured him to gamble constantly by repeatedly telling Aboud that he must gamble every night or lose his comp privileges.<sup>152</sup> Aboud alleged that Neustadter had called Aboud's room at 4 a.m. and demanded that Aboud needed to gamble more.<sup>153</sup> Aboud also claimed he was incessantly offered alcoholic beverages whether he requested them or not.<sup>154</sup> When Aboud lost a substantial amount of his deposit and credit line, Neustadter authorized a helicopter that flew Aboud to his bank in New York, and brought him back to the Golden Nugget with more money to gamble with.<sup>155</sup> Aboud stated in his deposition that

they were looking for me all the time to be groggy, to drink, to drink, to drink, to drink so I could play, play, play, play, and that special one, Michael Neustadter, he was pushing me all the time. You have to play, play, play. This is not a hotel over here. And I'm loosing [sic] and I didn't know what I was doing. I lost my head.<sup>156</sup>

In response, the Golden Nugget filed partial summary judgment motions, based upon the following: 1.) the casino is not be liable if its employees encouraged Aboud to gamble while Aboud was visibly intoxicated because the employees were acting outside of the scope of their employment; and 2.) the casino could not be subjected to punitive damages for the alleged actions of Neustadter because it had not ratified Neustadter's conduct and that a host is not an "executive".<sup>157</sup> Under New Jersey law, a corporation is not subject to punitive damage unless it ratified an "executive" of the corporation to engage in misconduct.<sup>158</sup>

On the first issue, the court held that the acts of the Golden Nugget employees in providing alcohol could impute liability to its employer under *respondeat superior* because even if the casino employees were not ordered to encourage players to drink, the employees' action of providing comp drinks was within the scope of their employment.<sup>159</sup> On the second issue, the court held that whether Neustadter is sufficiently cloaked with "executive" authority and whether Neustadter's inducement of Aboud to gamble in a "very direct, overt way under [the] threat of losing his complimentary privileges" rises to the level of "particularly egregious conduct" is a factual question for the jury, and can subject the Golden Nugget to punitive damages.<sup>160</sup> The court denied the Golden Nugget's motions for partial summary judgment and held that the issues were genuine issues of material facts.<sup>161</sup>

Even though *Aboud* deals with whether a casino has dram shop liability, the opinion implies that a casino host's conduct in inducing players to gamble is within the scope of employment under the doctrine of *respondeat superior* and can subject a casino to punitive damages. While problem gaming has become a more salient issue in the past decade, and more attention is provided to address the issue of problem gaming and at what point players lose control of their gambling spend limits,<sup>162</sup> casino hosts still operate in the gray area as to what extent they should market and invite players to gamble.<sup>163</sup>

#### *Liabilities from the defection of casino hosts*

Hosts serve a valuable function by anchoring players to a casino by the appeal of their personal-

<sup>147</sup> *GNOG Corp.*, 715 F. Supp. at 647.

<sup>148</sup> *Id.*

<sup>149</sup> *Id.* at 648.

<sup>150</sup> *Id.*

<sup>151</sup> *Id.*

<sup>152</sup> *Id.* at 647.

<sup>153</sup> *Id.*

<sup>154</sup> *Id.*

<sup>155</sup> *Id.*

<sup>156</sup> *Id.* at 650.

<sup>157</sup> *Id.* at 650-51.

<sup>158</sup> *Id.*

<sup>159</sup> *Id.*

<sup>160</sup> *Id.* at 651.

<sup>161</sup> *Id.* at 657.

<sup>162</sup> See National Gambling Impact Study Commission, Final Report. <[http://govinfo.library.unt.edu/ngisc/reports/exsum\\_1-7.pdf](http://govinfo.library.unt.edu/ngisc/reports/exsum_1-7.pdf)>

<sup>163</sup> Interview with Jimmy Hsu, *supra* n. 77.

ities.<sup>164</sup> The host's value is largely based on the premium players they can bring to a casino.<sup>165</sup> A host may attempt to take his or her previous employer's players to a new casino when the host decides to work for another gaming company.<sup>166</sup> Casinos consider the "defection" of hosts from one employer to another and the luring away of the casinos' most valuable assets—premium players—to competitors to be a serious matter. Most host employment contracts stipulate that hosts who leave a casino can only market to the players whom the host had brought in, but prohibit the host from soliciting the existing players of the host's former employer.<sup>167</sup> Casinos have sued their former hosts who market to a database of players obtained from their former employers.<sup>168</sup> However, when a casino attempts to sue a defecting host for poaching on the casino's players, a number of evidentiary problems arise. Casinos often have difficulty proving whether the player who played at the original casino the host worked at visits a casino that the host subsequently works for is a result of the host's solicitation or the player's own volition.<sup>169</sup>

In 2003, Harrah's Reno filed a complaint against Station Casinos over the issue of ownership of player database.<sup>170</sup> The Thunder Valley Casino in Reno, an Indian casino managed by Station Casinos, opened in 2003. During its grand opening, Thunder Valley hired one of the Harrah's Reno's casino hosts.<sup>171</sup> Two months after Thunder Valley Casino opened, Harrah's claimed it received reports from their players that they were receiving solicitations by Harrah's former host to visit the Thunder Valley.<sup>172</sup> Harrah's sued the casino host for breach of the host's employment contract that prohibited the host from duplicating and disclosing confidential information to a third party.<sup>173</sup> Harrah's also sued Station Casinos on the allegation that Station Casinos knew or should have known that the host had acquired and would use Harrah's players' proprietary information.<sup>174</sup> Harrah's sued for compensatory and punitive damages and the recovery of the alleged removed player database.<sup>175</sup> Station Casinos contended that the names and information of the players whom the host marketed to were the results of personal contacts that the host had made during her career at other casinos.<sup>176</sup> The case was eventually settled out of court, but not without much negative media coverage. The scenario underscores the tension between host and casinos when the host decides to work for another gaming company.

Gaming companies now attempt to minimize liabilities that may stem from hosts who have player information from their former employers. One major company has indicated that it will not hire hosts who are under contract with another casino regardless of the potential business the host could bring.<sup>177</sup>

## REGULATION OF CASINO HOSTS

The entity primarily responsible for ensuring that hosts operate properly and ethically is the casino.<sup>178</sup> Unlike junket reps, whose activities are heavily regulated by gaming regulatory agencies,<sup>179</sup> the operation of hosts are less scrutinized because casino companies implement internal processes that oversee their hosts.<sup>180</sup> Casinos employ a great deal of sophisticated technologies and real-time reporting systems that monitor their hosts' activities in the issuance of comps and credit lines that detect abuse.<sup>181</sup> At Harrah's Entertainment, the casino provides the first check on hosts by conducting thor-

<sup>164</sup> Interview with Ronda Vanata, *supra* n. 73.

<sup>165</sup> Pulley, *supra* n. 40.

<sup>166</sup> Interview with Jimmy Hsu, *supra* n. 77.

<sup>167</sup> *Id.*

<sup>168</sup> Interview with Brandi Ellis, *supra* n. 109.

<sup>169</sup> Interview with Jimmy Hsu, *supra* n. 77.

<sup>170</sup> Jeff Simpson, *Harrah's lawsuit accuses former worker of stealing customer lists*, LAS VEGAS REV. J., Aug. 27, 2003, at 1D.

<sup>171</sup> Art Campos, *Harrah's sues Placer casino over secrets*, SACRAMENTO BEE, Aug. 24, 2003, <available at <http://dwb.sacbee.com/content/news/story/7287163p-8231837c.html>>.

<sup>172</sup> *Id.*

<sup>173</sup> *Id.*

<sup>174</sup> *Id.*

<sup>175</sup> *Id.*

<sup>176</sup> *Id.*

<sup>177</sup> Interview with Brandi Ellis, *supra*, n. 109.

<sup>178</sup> Interview with Mark Clayton, Board Member, Nevada Gaming Control Board (Mar. 25, 2008).

<sup>179</sup> See NEV. GAMING REG. § 25 (1992) (requiring casinos to register independent agent's personal information, provide a copy of the agreement between the casino and the independent agent and records of players the independent brings and any associated compensation. The Nevada Gaming Commission also has the right to terminate the independent agent's agreement to bring players to the casino at any time based on the commission's determination of the independent agent's suitability); N.J. STAT. § ANN. 5:12-102 (2002) (requirement that junket reps need to possess a casino employee license, casinos must maintain reports on the activities of each of its junket reps, including lists of players who participated in a junket, and a log of the comps issued to each player).

<sup>180</sup> Interview with Brandi Ellis, *supra* n. 109.

<sup>181</sup> Interview with Doni Taube, *supra* n. 79.

ough research on applicants prior to hiring them.<sup>182</sup> After the hosts' employment, Harrah's closely monitors their conduct because the casino is aware that hosts are placed in a position where opportunities for impropriety exist.<sup>183</sup>

In addition to the casino's internal control, gaming regulatory bodies also provide safeguards against host misconduct. Gaming regulatory agencies have the authority to prevent hosts with suspicious reputations from working in a casino, investigate questionable host conduct, and implement disciplinary actions against both the host and the casino.

In Nevada, all hosts are required to be registered with the Gaming Control Board as gaming employees.<sup>184</sup> Every gaming employee must undergo a registration process that checks on the applicant's history for any prior wrongdoing, including any criminal history.<sup>185</sup> The board may reject an applicant's gaming registration based on findings such as if the applicant has ever committed, or attempted to commit, a crime of moral turpitude, embezzlement, larceny, felony, or gross demeanor in Nevada or other states.<sup>186</sup> After a host is registered as a gaming employee, the board can suspend a host's registration if a host is suspected of committing any of the above offenses.<sup>187</sup> Additionally, the board can prohibit a host who is found to be engaged in misconduct from continuing to work in a casino by revoking the host's gaming employee registration.<sup>188</sup>

Under the Nevada Gaming Control Act, a host may be classified as a key employee if a host has "the power to exercise a significant influence over decisions concerning any part of the operation of a gaming licensee[.]"<sup>189</sup> A casino host who has the authority to provide complimentary benefits (besides food and beverage), issue credit, exercise discretion on credit policy, or formulate management policy is designated as a key employee.<sup>190</sup> Generally, hosts are not required to possess a gaming license.<sup>191</sup> However, the board can demand a key employee to be "called forward" for full licensing, during which an extensive background investigation is conducted on the casino employee.<sup>192</sup> The reasons for which the board may require a key employee to be called forward for licensing include, *inter alia*, the board or the Nevada Gaming Commission has insufficient information about the "character, background, reputation, or association" of the key employee or receives information that

"would constitute grounds for a finding of [the key employee's] unsuitability to be associated with a gaming enterprise[.]"<sup>193</sup> Upon the board's request for the key employee to be licensed, the licensee needs to submit an application for the key employee within 30 days, or provide evidence that the key employee is no longer employed by the licensee.<sup>194</sup> Upon receiving the application, the board will commence investigation and hold hearings to determine whether the applicant is suitable for a gaming license.<sup>195</sup> Among the qualifications to warrant receiving a gaming license is the burden of proving whether the individual is "a person of good character, honesty and integrity[.]"<sup>196</sup> This language gives the commission a great deal of leeway to determine whether the conduct of a host meets that standard.

The New Jersey Casino Control Commission also oversees the conduct of hosts. Under the New Jersey Casino Control Act, all hosts are required to possess a "casino employee license" as employees who "identify patrons or groups of patrons to receive complimentary based on actual patron play, authorize such complimentary, or determine the amount of such complimentary."<sup>197</sup> The casino employee license applicant must supply the Casino Control Commission the applicant's name, address, fingerprints, and undergo criminal history background checks.<sup>198</sup> Thus, the Casino Control Com-

<sup>182</sup> Interview with Brandi Ellis, *supra*, n. 109.

<sup>183</sup> *Id.*

<sup>184</sup> NEV. REV. STAT. § 463.0157(n) (2007) (gaming employees include "[h]osts or other persons empowered to extend credit or complimentary services").

<sup>185</sup> See NEV. REV. STAT. § 463.335 (5) (2007).

<sup>186</sup> See NEV. REV. STAT. § 463.335 (12) (2007).

<sup>187</sup> Interview with Mark Clayton, *supra*, n. 178.

<sup>188</sup> *Id.*

<sup>189</sup> NEV. GAMING REG. § 3.110 (1) (2006).

<sup>190</sup> See NEV. GAMING REG. § 3.100 (1) (2006) (each nonrestricted licensee must submit an annual employee report to the board of executives who are "actively engaged in the administration or supervision of the operation" by providing complimentary benefits aside from food and beverage, issuing credit, exercising discretion on credit policy, or formulating management policy); NEV. GAMING REG. § 3.110 (1) (2006) (Any executive "who is listed or should be listed in the annual employee report required by Regulation 3.100 is a key employee").

<sup>191</sup> Interview with Mark Clayton, *supra*, n. 178.

<sup>192</sup> *Id.*

<sup>193</sup> See NEV. GAMING REG. § 3.110 (2) (2006).

<sup>194</sup> See NEV. GAMING REG. § 3.110 (3) (2006).

<sup>195</sup> See NEV. GAMING REG. § 3.110 (4) (2006).

<sup>196</sup> See NEV. REV. STAT. § 463.170 (2) (1999).

<sup>197</sup> See N.J. ADMIN. CODE § 19:41-1.2(a) 11 (2005).

<sup>198</sup> See N.J. STAT. ANN. § 5:12-90 (1) (2003).

mission provides the first check on the suitability of persons who may assume the position of a casino host.

Similar to Nevada, certain casino hosts in New Jersey are classified as casino key employees and are subject to a higher level of background check. Hosts who are authorized to issue credit lines or \$10,000 or more in cash comps are deemed casino key employees<sup>199</sup> and must possess a casino key employee license.<sup>200</sup> Prior to granting an applicant a casino key employee license, the Casino Control Commission requires the applicant to prove the applicant's financial stability, integrity, and responsibility, which is based on whether the business, personal bank accounts, and tax returns of the applicant satisfies the Casino Control Commission's standard.<sup>201</sup> The Casino Control Commission must deem the applicant to be of good character, honesty, and integrity after reviewing the applicant's "family, habits, character, reputation, criminal or arrest record, business activities, financial affairs, and business, professional, and personal associates."<sup>202</sup> Whether a host holds a casino employee license or a casino key employee license, the Casino Control Commission may investigate, suspend, and revoke a host's gaming license as it sees fit.<sup>203</sup> A New Jersey casino that employs a person who does not hold a gaming license shall be subject to fines and charges of criminal offense.<sup>204</sup> Therefore, if a host's gaming license is revoked by the Casino Control Commission, it is in the casino's best interest to terminate the host's employment.

An unpublished New Jersey opinion illustrates how the gaming regulatory agency operates in concert with the casino to investigate and prosecute host misconduct. The facts in *Vuong v. Trump Taj Mahal Associates*<sup>205</sup> are as follows: In 1994, Ben Vuong was issued a key casino employee license and held the position of vice president of international marketing<sup>206</sup> for the Taj Mahal Casino Resort in Atlantic City.<sup>207</sup> Vuong planned a player party for Taj Mahal's premium players to meet Donald Trump, owner of the Taj Mahal, in Hong Kong.<sup>208</sup> The party also had the ancillary purposes of soliciting new players, collecting any outstanding credit, and generating additional business from Taj Mahal's premium players.<sup>209</sup>

Vuong invited more than 100 premium players to the party, which included Rudy Gunawan and his wife, Mirawati Siamir, from Indonesia.<sup>210</sup> Prior to

attending the player party, Siamir owed \$500,000 in credit to the Taj Mahal.<sup>211</sup> Vuong sent a fax to Gunawan and requested the couple to wire \$480,000 to Taj Mahal and bring \$20,000 in cash to Hong Kong to settle Siamir's outstanding credit.<sup>212</sup> Gunawan then wired \$480,000 to Taj Mahal, and the casino executed a cash comp<sup>213</sup> to write off the \$20,000 balance.<sup>214</sup> After the player party in Hong Kong concluded and Vuong returned to the United States, Gunawan contacted the Taj Mahal and stated that he gave Vuong \$20,000 in Hong Kong to settle Siamir's credit line.<sup>215</sup> The Taj Mahal and the Casino Gaming Commission initiated an investigation and questioned Vuong on the whether he obtained \$20,000 from Gunawan.<sup>216</sup> Vuong first denied taking the money, but later admitted that he took the money after Taj Mahal showed the fax Vuong had initially sent to Gunawan.<sup>217</sup> Vuong stated that he took the \$20,000 from Gunawan to have money available to host the player party.<sup>218</sup>

The Casino Gaming Commission was not persuaded. The Casino Gaming Commission's Division of Gaming Enforcement found that Vuong engaged in dishonest conduct by taking money from Gunawan and revoked Vuong's key casino employee license.<sup>219</sup> Taj Mahal allowed Vuong to

<sup>199</sup> See N.J. ADMIN. CODE § 19:41-1.1(b) (2005).

<sup>200</sup> See N.J. ADMIN. CODE § 19:41-1.1(a) 2-3 (2005).

<sup>201</sup> See N.J. STAT. ANN. § 5:12-89 (2003).

<sup>202</sup> See *id.*

<sup>203</sup> See N.J. STAT. ANN. § 5:12-64 (1988).

<sup>204</sup> See N.J. STAT. ANN. 5:12-117 (1991).

<sup>205</sup> *Vuong v. Trump Taj Mahal Assocs.*, 2006 WL 2001294 (N.J. Super. Ct. App. Div. July 19, 2006) (unpublished).

<sup>206</sup> International marketing hosts have the same function as hosts but target oversea premium players. Interview with Jimmy Hsu, *supra* n. 77.

<sup>207</sup> *Vuong v. Trump Taj Mahal Assocs.*, 2006 WL 2001294 at 1.

<sup>208</sup> *Id.*

<sup>209</sup> *Id.* at 2.

<sup>210</sup> *Id.*

<sup>211</sup> *Id.*

<sup>212</sup> *Id.*

<sup>213</sup> Cash comps are the discounts given to players from the amount the players lost, usually by reducing the player's outstanding credit. Interview with Tig Latham, *supra* n. 11.

<sup>214</sup> *Vuong*, 2006 WL 2001294 at 3.

<sup>215</sup> *Id.*

<sup>216</sup> *Id.*

<sup>217</sup> *Id.*

<sup>218</sup> *Id.*

<sup>219</sup> *Id.*

work pending the Casino Gaming Commission's investigation, but upon the revocation of Vuong's license terminated Vuong.<sup>220</sup> The Taj Mahal contended that Vuong needed to be licensed in order to be employed as stipulated by Vuong's employment contract with the Taj Mahal.<sup>221</sup> Vuong sued the Taj Mahal for back pay for the period between the time that his license was revoked to the time he was terminated.<sup>222</sup> The court ruled that Vuong was not entitled to back pay as only licensed employees are entitled to compensation.<sup>223</sup> The case illustrates the way in which the New Jersey Casino Control Act serves as a check on the conducts of hosts by its control over licensing.

Even though there is always a risk that casino hosts may abuse their authority and discretion, casinos and gaming regulatory agencies employ various

mechanisms that significantly mitigate potential host impropriety.

### CONCLUSION

Casino hosts have proven to be an indispensable part of casinos' marketing schemes in the fierce competition for premium players. However, given the critical and sensitive nature of casino hosts' responsibilities, casinos must be cautious in their utilization of hosts to avoid serious liabilities that may arise from host misconduct.

---

<sup>220</sup> *Id.*

<sup>221</sup> *Id.* at 1.

<sup>222</sup> *Id.*

<sup>223</sup> *Id.* at 4.