

## TEXAS MONTHLY

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Little Las Vegas

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**HIGHLIGHT:** Just two years ago the town of Kingsville boasted more than a dozen eight-liner game rooms and had staked its claim as Texas's unofficial gambling capital -- until the authorities showed up. Now locals are angling for another spin.

At about eleven o'clock on a Monday night in early November, more than two dozen men and women were sitting inside the Texas Internet Cafe, a cavernous, computer-filled room housed in an old movie theater in the South Texas town of Kingsville. It was a diverse group -- black and white, Hispanic and Asian, middle-aged and ancient -- and everyone was sitting in swivel chairs in front of computer monitors, many of them smoking cigarettes. They were all playing video slot-machine games stored on the cafe's seventy PCs, hoping to hit one more jackpot before closing time. P The cafe sits near a Payless shoe store and an abandoned roller-skating rink in a commercial strip on the south side of town. I had arrived there myself a few hours earlier and had been greeted in the lobby by a sturdy, twentysomething employee named Tim who had a scruffy beard and wore a Longhorns baseball cap. I handed him \$ 5 and told him that it was my first time in the cafe. In exchange, he gave me a white plastic card that read "Hello Money Pre-Paid Phone Card." Then he led me into the heart of the game room, where we were surrounded by a bleeping, jingling, fun-house clatter.

We sat down at one of the computers, and Tim took the controls. From the Microsoft Windows desktop, he clicked on a star-shaped icon, which launched a menu featuring a dozen slotlike games. Roses to Riches. Formula Won Racing. Fiery 7's. Then he showed me how to swipe my phone card through a magnetic strip attached to the side of the monitor. The \$ 5 I'd put on the card immediately appeared on the screen as five hundred "sweepstakes points," which Tim said I could wager on any of the games. If I ran out of points, I could add more money to my card using a handful of machines scattered throughout the room. If I wanted to claim my winnings, I should come see him up front.

Tim left, and I settled on a game called Texas Treasures, which required lining up five oil tycoons to win. I clicked the mouse, and the computer screen faded into a blur of symbols. After a few seconds, it slowed to a halt and I stared at the results: Let's see . . . a couple of oil wells, some Longhorns, and a bull rider. Nothing. And for the next few hours, I sat there silently like everyone else, wielding my one-mouse bandit and watching the oil wells go tumbling. My luck was up and down until I switched to a game called King Tut's Treasures. When I succeeded in lining up three pharaohs in a diagonal row, I raked in a whopping 2,080 sweepstakes credits -- \$ 20.80. A few minutes later, after Tim

announced last call, I sidled up to the front desk to collect my winnings. This time Tim handed me a green plastic BanXcard and instructions on how to activate it using an 800 number. Once I did so, he said, I could use it as a debit card or collect my windfall at an ATM.

When I left, it was midnight, but ten or so men and women were still clicking away inside with grim determination. "Please finish up!" Tim called out. "I have to go home!"

Gambling, in case you were wondering, is still illegal in Texas. There are, of course, eight horse and dog tracks scattered around the state, an Indian casino on the Kickapoo reservation, and the various state lotteries. As recently as the spring of 2003, with the state facing a record budget crisis, Governor Rick Perry and other public officials floated the idea of legalizing slot machines as a way to make up the shortfall without increasing taxes. But the Legislature eventually called Perry's hand, and for the time being at least, slot machines remain off-limits.

They also remain enormously popular. During the past decade, elusive entrepreneurs from around the country have been slipping into Texas and quietly setting up small-time casinos that combine the slots of Atlantic City with the decor of an OfficeMax and the convenience of a Circle K. Their machines, known as "eight-liners" for the number of ways -- three vertical, three horizontal, and two diagonal -- that symbols can line up in a winning spin, have found their way into the back rooms of small towns everywhere, but no community has embraced the machines quite like Kingsville. One hundred years ago, the town was little more than a railroad stop for the storied King Ranch. But by the fall of 2003 Kingsville had become home to 25,000 residents and more than ten game rooms; the most eight-liners per capita of anywhere in Texas, according to the San Antonio Express-News. Little Las Vegas, everyone was calling it. Jackpots on the Kingsville machines reached as high as \$ 5,000. Prizes included TVs, stereos, and motorcycles.

From the get-go, the game rooms of Little Las Vegas owed much of their success to the hospitality of the local politicians, who viewed their presence as a lavish new revenue source. In 2002 the Kingsville mayor and city council even began collecting fees on the games. Anyone willing to pay the council's steep permitting costs was welcome, and more than \$ 500,000 in eight-liner fees eventually made its way into the city's coffers. No one in the Kingsville Police Department, meanwhile, made a fuss. Many of the game rooms, which were owned by investors from as far away as North Carolina and Alabama, were represented by the same local lawyer, Frank Alvarez, whose wife served as the Kingsville city attorney and whose brother Bobby owned a prospering eight-liner venue named Cadillac Jacks.

For the most part, locals were also content with the arrangement. One of the few opponents to the eight-liner proliferation was Clyde Allen, the owner of a furniture store in downtown Kingsville. Allen argued to city officials that the game rooms were immoral, preyed on people with gambling addictions, and caused parking problems for other area businesses. He once suggested to a news reporter that the city might as well legalize prostitution. "My idea is to go before the city council," he said, "and suggest we

open up a bordello on Main Street." But when he raised his concerns with local authorities, the easy money seemed to drown out his hellfire. There was talk, after all, of a new roof for the firehouse and a new copier for city hall.

But the revenue goodies weren't the only factors keeping the game rooms alive. While the Texas Penal Code clearly prohibits electronic gambling devices, there has long been an exemption for businesses that offer small prizes (limited to \$ 5 or ten times the cost of playing the game, whichever is less). The loophole was originally set up for arcades like Chuck E. Cheese's, which reward game players with carnival-style prizes such as stuffed animals and small toys. But as the authorities tried to shut down eight-liner game rooms elsewhere in Texas for allowing gambling and handing out cash rewards, the owners would scurry behind the shield of this so-called fuzzy animal exemption. A few of them filed suit to remain in business, and while their cases wound their way through the Texas courts, Kingsville's game rooms flourished. Even in April 2003, when the Texas Supreme Court finally shot down the appeals of two game-room operators and eight-liners began to disappear from South Texas, Kingsville remained a last, stubborn holdout.

Then, just after sunset on a Saturday night in October 2003, county and state officers stormed four of the town's biggest game rooms. They confiscated \$ 258,000 in cash, hauled away 625 machines, and arrested 32 employees. It was one of the largest busts of its kind in state history.

Yet less than a year later, with the arrival of the new Texas Internet Cafe, Kingsville's residents were gambling again. At its core, the new game room is just like its predecessors, only slightly less brazen. Its use of Internet-ready PCs, phone cards, and debit cards -- instead of single-purpose video slots and cash prizes -- signals that the eight-liner virus may have emerged from dormancy in a new and more resilient strain. In September investors from Georgia filed a federal lawsuit seeking to protect the new, more elaborate concept. They've abandoned the fuzzy animal loophole; instead, the plaintiffs are arguing that businesses like the Texas Internet Cafe provide folks with a place to play legal sweepstakes over the Internet, just like the ones that are often promoted by fast-food restaurants and soda companies. The case is a weak one, one that brazenly ignores the fact that Internet sweepstakes are not the games that their customers are actually playing. But if they win the case, or even manage to stall the authorities in court, similar franchises could expand a hundredfold. Little Las Vegas could rise again.

When I visited Kingsville in November, the Texas Internet Cafe was the only game room operating, but the faded signs of Little Las Vegas still hung over empty storefronts all over town. On the window of one low-slung building, large block letters partially spelled out "Game Room"; on another you could make out the faded name of a former eight-liner hot spot: Jokers Wild. Most of the shuttered businesses looked like they had sunk into a prolonged state of hibernation, closed down and waiting. Indeed, you can still find plenty of eight-liner advocates in Kingsville, though they tend to be wary of the limelight. One merchant told me that she would love to see eight-liners make a comeback. In the next breath, she asked me not to mention her by name. "Any business is good business," she said. "It's a shame that Texas doesn't make it legal. All that money is going to Louisiana."

But the business climate for game rooms has changed considerably since 2003. Many of the city officials who once supported the eight-liners have been voted out, and the chief of police was fired. New chief Ricardo Torres has made it clear that he isn't going to be so lenient. When one of the former game rooms -- the Wild Horse Desert Saloon and Cafe -- started to stir last September, Torres made sure to pay the proprietors a visit. He found two men unloading computers from the back of a semitrailer and politely reminded them that gambling was still illegal in Kingsville.

Torres thought his warning had been effective. But a few weeks later he received notice that he was being sued in a federal court in Brownsville. A company called ICC Investment Group was seeking a restraining order against the chief and "other unknown John Doe police officers" in Kingsville. According to court documents, the plaintiffs had been converting the Wild Horse into a business called the Internet Cafe, with a concept that sounded almost identical to the one Torres was already looking into at the Texas Internet Cafe across town -- same computers, same access to online sweepstakes, same use of a BanXcard to distribute winnings. The owners' lawsuit notes that the state legislature has yet to ban Internet sweepstakes. As evidence, they submitted a list of legal sweepstakes available online, including some sponsored by MTV, Huggies, and Texas Parks and Wildlife. The plaintiffs are simply asking the judge to keep Chief Torres at bay and seeking a declaratory judgment acknowledging the legality of their business model.

When I met with Torres, the Texas Internet Cafe was still doing brisk business, and the chief was trying to piece everything together. The exact relationship between ICC, the Internet Cafe, and the Texas Internet Cafe remained unclear. He and his investigators suspected that ICC was part of an elaborately organized business conglomerate -- it's headquartered in Cumming, Georgia, and incorporated in Delaware -- that is setting up more Internet cafes elsewhere in the state. According to the court documents, the plaintiffs chose to file their case in Brownsville because they hope to someday open an Internet cafe there. So why had they begun by stirring up trouble in Kingsville?

One possible explanation is that ICC arrived there during the Little Las Vegas boom and got stuck holding real estate after the crash. Kingsville city property records show that a group called Texas Game Systems, out of Haltom City, bought the former Wild Horse Desert Saloon and Cafe for \$ 219,000 on October 1, 2003, just a few weeks before the raids. I reached Matt Smith, the CEO of ICC, by phone at his office in Georgia, hoping to find out if Texas Game Systems was a subsidiary of ICC. Smith quickly cut me off. "Thank you for calling," he said. "No comment." Then he hung up.

A few days later I met with Tim, the Texas Internet Cafe employee, to find out if he knew who was behind the franchise. Tim had been working at the cafe since the beginning of the summer, making \$ 7 an hour. Like a neighborhood bartender, he'd come to know the place intimately. But he told me that there were many things about the cafe that remained a mystery to him, especially his bosses. Every so often, someone who identified himself as the owner would call the cafe and ask questions, but not answer any. The man even refused to tell the employees his name. "We started calling him Charlie," says Tim. "Like from Charlie's Angels."

All the secrecy isn't surprising for someone trying to profit off an underground casino in Texas. Still, whoever Charlie is, chances are he won't do any prison time. During the big Kingsville bust in October 2003, officers arrested 32 game-room employees, but not a single game-room owner was convicted of anything. Prosecutors in Kingsville might have taken the case further, but they knew the county attorney would oppose. Eventually, all of the owners signed forfeiture agreements in exchange for prosecutors' dropping the charges against them. The authorities got to keep the cash and the confiscated equipment (which was later sold at auction). The owners got to keep their clean records and their secrets.

A week after my night playing Texas Treasures, I joined a group of reporters in the parking lot outside the Texas Internet Cafe, which was now surrounded by yellow police tape. Chief Torres was there, and he briefed us about the recent bust. The night before, the Kingsville police closed down the cafe as part of Operation No Second Chance, issuing gambling citations to the 45 patrons, seizing 68 "sophisticated gambling devices," and removing the bulky contraband. Torres explained that an undercover investigation had revealed what everyone in town already knew, that a form of illegal gambling was taking place inside the former theater. Despite the lawsuit, the chief had decided not to wait for a courtroom resolution concerning the legality of sweepstakes. "They're using technology to try and circumvent the law," Torres said. "Unfortunately for them, it hasn't been successful."

Torres took us on a tour of the busted casino. Inside, odds and ends lay scattered about like discarded props. A poster for McDonald's Monopoly sweepstakes sat near a cardboard advertisement for Virgin Mobile. Another sign noted that the cafe offered "word processing, cd/dvd copies, and other computer services." Torres claimed that the cafe was grossing between \$ 6,000 and \$ 8,000 a day and that some of the cash was kept in a small electronic safe. When the police arrived with search warrants, Tim had given them the combination. But the raid also turned up a second, larger safe, which Tim said he hadn't known about.

Soon, two firefighters arrived carrying a pickax and a sledgehammer. As we gathered around to watch, they started taking swings at the safe. The slam of metal on metal reverberated through the empty theater, and for several long minutes, the safe held out. At last, it cracked open. The chief rushed forward and dipped his arms into the void. He felt around for a few seconds, grasping for the well-guarded secrets of the sweepstakes cafe. Then he stood up straight. The safe was empty. "It's like chasing ghosts," said Torres.

In the following weeks, based on evidence from the raid, Torres would freeze a \$ 123,000 bank account owned by Prepaid Sweeps, a partner of ICC. This in turn would touch off another lawsuit, another request for a restraining order, yet another bit of legal wrangling. During the previous round of legal wrangling, game-room operators were able to drag out the fuzzy animal defense for several years. The sweepstakes cafe gambit is just getting started.

