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**The U.S. Congress is still talking about online gaming regulation while individual states are moving forward with licensing. Slot Revenues are down in PA, Florida makes arrests in a gaming scandal and NJ allows fantasy sports bets.**

**Welcome to another edition of the Catania Gaming Consultants Newsletter.**

**Sincerely,**

**Frank Catania, Gary Ehrlich, Toni Cowan, Professor Joe Kelly & Keith Furlong**

## **Congress Still Making Noises about Online Gambling Legislation**

Despite more states working to legalize Internet gambling, Congress is still trying to come up with a federal framework.

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Rep. Joe Barton, R-Texas, who had introduced an online poker bill in 2011, said he intends to present a bill this spring.

Meanwhile, Sen. Dean Heller, R-Nev., and Senate Majority Leader Harry Reid, D-Nev., say they plan to reintroduce a federal Internet gambling bill. "Senator Heller believes federal legislation for online poker is crucial, and will continue to work with Senator Reid and like-minded colleagues to get a bill passed," said a spokesman for Heller.

Notwithstanding such statements, given the fact that states are rapidly moving to fill the vacuum left by the absence of federal legislation and the view of the U.S. Justice Department that interstate online gambling does not violate the Wire Act, the quest for a federal bill seems increasingly quixotic.

## NJ Allows Casinos To Accept Bets on Fantasy Teams

Officials from New Jersey's Division of Gaming Enforcement will now allow Atlantic City casinos to offer fantasy sports betting. In this type of betting, already legal in Nevada, players draft a pool of athletes, follow their performances, and compete against other fantasy teams. Those with the best statistical total win cash, paid out from casino cash cages.

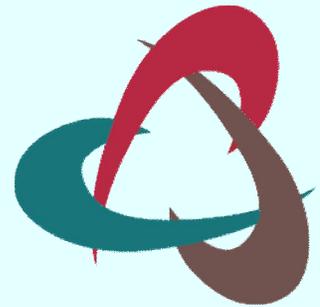
Rather than waiting until the end of a season to see who wins, players will be able to play daily fantasy games, picking three or five players and seeing how they perform in a given day. At the end of the day, players will be able to see who has won, and the winner can cash out.

It is still unclear whether players will be able to make fantasy bets online or only in person at casinos. Should this activity be restricted to Atlantic City and excluded from online betting, live visits may increase. If not, casinos may look into partnering with other companies which already offer fantasy betting.

## Nevada Considers Legalizing Group Sports Betting

Under existing law, only individuals may place wagers at Nevada sports books. The Nevada Senate is now considering

### Rational Group Completes NJ Casino Application



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*The Catania Consulting Group, Inc., doing business as Catania Gaming Consultants (CGC), offers a full service international gaming consultancy. CGC provides a variety of services to all sectors of the gaming*

a measure that would expand sports gambling to include private investment groups, which could place sports wagers on behalf of investors.

The new bill would add "entities," which could act as a type of hedge fund, wagering large amounts on sports by seeking out investors and finding experts to place the bets. The betting entities would have to be approved and authorized, and everyone who participated in an entity would have to be reported to regulators. The groups would also have to be located and operate in Nevada.

Arguing in favor of the bill, members of the Nevada Gaming Control Board said group betting could be an enormous untapped market. A gambling executive projected that Nevada sports books could see action nearly triple in the next five years if the measure were to be passed. Supporters also hope the measure might help capture some of the estimated \$380 billion bet illegally on sports each year in the U.S.

However, some regulators expressed concern about how the state would police the entities and whether the entities might become corrupted by money laundering. It is still unclear exactly how the new system would be regulated, though supporters have argued that current technology would allow regulators to closely monitor the organizations.

## Slot Revenue Down in Pennsylvania

A new report from Pennsylvania state regulators indicates that slot revenue in the state has declined by 3.9 percent over the last year. All three Philadelphia-area casinos-Harrah's Philadelphia Casino and Racetrack, Sugar House Casino, and Parx Casino-saw declines in their numbers compared with March 2012, with Harrah's seeing the largest drop.

Overall, revenue slots totaled \$229.3 million for the month, down 1.6 percent from March 2012, which was the top revenue-generating month in the seven years casinos have been legal in Pennsylvania. Competition from other jurisdictions is probably responsible for the downturn.

## Nearly 60 Charged in Florida Gaming Scandal; Governor Tightens Internet Café Ban in Response

*industry, including governments, casino operators, game manufacturers, software providers, lotteries, payment processors and the horseracing industry.*

*Our goal is to provide clients with the information, experience, and contacts necessary to develop, regulate and operate both casinos and ancillary companies. The governments for which CGC has previously provided assistance in drafting gaming regulations and establishing gaming regulatory structures include the following: The Mohawk Territory of Kahnawake, located just outside Montreal; the United States Virgin Islands; Antigua and Barbuda; the Philippines; and the Canadian Provinces of Prince Edward Island and Nova Scotia.*

*Combined, the partners and associates of CGC listed below have over 75 years of gaming experience.*

For the last few years, many outsiders openly wondered how Internet cafés in Florida, seemingly in violation of the spirit if not the letter of many gambling laws, managed to continue functioning openly. Apparently we now have some answers.

Florida's lieutenant governor resigned and 57 others were charged when a purported veterans' charity was revealed to be a front for a \$300 million gambling operation. The organization, Allied Veterans of the World, ran nearly 50 Internet parlors with computerized slot machine-style games throughout Florida, with the proceeds supposedly going to charity.

After a three-year federal and state investigation, authorities discovered that only about 2 percent of the money made during a period from 2007 to early 2012 was given as charitable donations -just \$6 million of the more than \$290 million grossed. Most of the profits went to for-profit companies and the organization's executives, who used it to buy expensive cars, boats, and beach condos (many of which have now been seized by law enforcement).

The investigation involved 57 arrest warrants and 54 search warrants issued in Florida and several other states, including Oklahoma, where the owner of International Internet Technologies, a company that provided the gambling software, was arrested along with his wife. Allied Veterans' parlors in Florida were immediately shut down. Florida Lieutenant Governor Jennifer Carroll, whose public relations firm did work for Allied Veterans, was not charged, but resigned a day after investigators questioned her.

To play games at one of the Allied Veterans' cafes, a customer would purchase a prepaid card and then go to a computer to play slot-machine style games. Winners would go back to a cashier with their cards and cash out.

Such games would have been legal in Florida if most of the proceeds went to charity. However, in response to the scandal, Governor Rick Scott signed a bill that will tighten up legislation governing Internet cafés and give law enforcement authorities better tools to shut illegal operations down.

The new measure, HB 144, provides new definitions of illegal gambling machines, clearing up some of the ambiguity of the prior law which made illegal gambling operations expensive to investigate and difficult to prosecute. The new law also imposes restrictions on arcade games and bans all electronic

casino look-alikes, including maquinitas in Miami and Hialeah.

Many Internet cafés throughout Florida have already begun laying off workers and dismantling equipment in anticipation of the move. Florida currently has around 1,000 Internet cafes and more than 200 adult arcades.

## **Rational Group Completes NJ Casino Application**

Rational Group US Holdings, which encompasses both PokerStars and Full Tilt Poker, has completed its application for a casino license in New Jersey. The New Jersey Division of Gaming Enforcement now has 90 days to investigate Rational Group before scheduling a hearing to determine whether to award Rational Group with a license.

If successful, Rational Group intends to purchase the Atlantic Club Casino and Hotel in Atlantic City, as well as spending \$40 million over the next five years. This case is being closely watched within and outside New Jersey, as a barometer of how U.S. gaming regulators will deal with issues involving companies that did U.S.-facing business both prior to and after enactment of the Unlawful Internet Gambling Enforcement Act.

***Please feel free to contact us with any licensing and gaming compliance needs. Our law firm, Catania & Ehrlich, is also available for any of your gaming law needs.***

Sincerely,

**Frank Catania, Gary Ehrlich, Toni Cowen, Professor Joe Kelly and Keith Furlong**  
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