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Catania Gaming Consultants

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All of us at Catania Gaming Consultants and Catania & Ehrlich Law Offices wish you and your family a happy and healthy holiday season and new year.

On the education front, Frank Catania and Joe Kelly were recently participants in an online Webinar for CLE credit conducted by the American Bar Association. The topic was "The Changes in Online Gaming Regulation : What Can Get your Client in Trouble."

Frank's presentation concentrated on online gaming regulatory history and legislation. Joe concentrated on gaming problems concerning online fraud and money laundering.

Happy Holidays!

- Catania Gaming Consultants

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Internet Gaming Off to a Good Start in New Jersey

By all accounts, the rollout of Internet gambling in New Jersey has been a success. The state's Gaming Enforcement Division said that as of mid-December, 91,531 accounts had been created. The number of individual gamblers who have played yet to be determined, though, as some users have created accounts with multiple gambling websites in New Jersey. The first reports of how much money gamblers lost online in New Jersey will be issued in January.

Internet gambling began with a five-day trial period on Nov. 21 and launched publicly on Nov. 25. Seven casinos are offering online gambling, the most recent being the Golden Nugget Atlantic City, which began on Saturday. The others are the Borgata Hotel Casino & Spa; the Tropicana Casino and Resort; Trump Plaza Hotel and Casino; the Trump Taj Mahal Casino Resort; Caesars Atlantic City and Bally's Atlantic City.

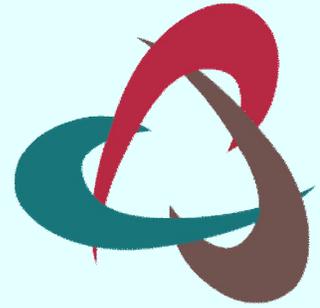
Resorts Casino Hotel also has received approval to offer Internet gambling. But their online partner, PokerStars, has been suspended from offering Internet gambling in New Jersey for two years due to an indictment against its founder.

Online betting marks the biggest expansion of gambling in New Jersey since the first Atlantic City casino opened in 1978. The state lets gamblers play any of the games offered in its 12 casinos including card games and slots, but online poker has proven especially popular in the early going. New Jersey is the third state in the nation to offer Internet gambling, after Nevada and Delaware.

The state approved Internet gambling earlier this year as a way to generate new revenue for Atlantic City's 12 casinos, which continue to struggle with increasing competition in neighboring states. From a peak of \$5.2 billion in 2006, Atlantic City's casino revenue is likely to fall below \$3 billion this year.

At the start of the test period, many users were erroneously rejected by the complex technology designed to verify that they are within New Jersey's borders, a key requirement of the law. The geolocation technology, which uses data including the identification of a computer's Wi-Fi network and the location of reception towers near a cell phone, is now working as it should, according to regulators and technology providers.

The biggest problem now facing would-be online gamblers is



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funding their accounts. Credit card companies are uneven in their approval rates of transactions into gambling accounts, with MasterCard approving nearly eight times the amount Visa was during the first week, regulators said. Direct bank transfers were the most successful means to fund accounts in the early going, they said.

Temporary Goodbye to NJ For PokerStars

After a long and rocky foray by PokerStars into the New Jersey casino arena, New Jersey regulators finally bid a temporary goodbye to the world's largest online poker website, barring the company from conducting Internet gambling in the state for two years. The Division of Gaming Enforcement suspended PokerStars' application, citing an unresolved federal indictment against company founder Isai Scheinberg.

"The Division's determination is based primarily on the unresolved federal indictment against Isai Scheinberg for the alleged violation of federal gambling statutes, namely, the Illegal Gambling Business Act and the Unlawful Internet Gambling Enforcement Act (UIGEA), and the involvement of certain PokerStars executives with Internet gaming operations in the United States following the enactment of UIGEA," the division said in a statement Wednesday. The Division said PokerStars can reapply sooner if its circumstances change materially, but the state didn't recommend specific changes.

Resorts Casino Hotel, which had partnered with PokerStars in anticipation of offering Internet gambling, will now have to seek another online partner. PokerStars also had trouble in its attempt to purchase the Atlantic Club Casino Hotel last year. Part of the reason the \$15 million proposed sale fell through is that PokerStars did not get approval from New Jersey regulators within the timeframe both sides anticipated.

Caesars Warns of Online Gaming Dangers

In a report to the U.S. Securities and Exchange Commission, Caesars Entertainment, which owns four of Atlantic City's 12 casinos, wrote that online gambling could reduce patron visits to its casinos in Nevada, where online poker is offered, and New Jersey, where all casino games are now available online.

As the note stated: "Caesars will, and other online providers do, offer online gaming options that compete with our live poker offerings in Nevada and New Jersey," the company

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.

wrote. "Expansion of online gaming in Nevada, the commencement and expansion of online gaming in New Jersey and the introduction of online gaming in other jurisdictions may further compete with our operations. Online gaming may reduce customer visitation and spend in our traditional casinos in Nevada and New Jersey, which could have an adverse impact on our business and result of operations."

Caesars also stated that its four New Jersey casinos - Harrah's Resort Atlantic City, Caesars Atlantic City, Bally's Atlantic City and the Showboat Casino Hotel - could be further affected because all the games they offer at their physical locations can now be played online. Patrons must be within New Jersey's borders in order to gamble on its websites.

A Caesars representative downplayed the warning, indicating that such risk factors must be disclosed for legal reasons, regardless of how likely or unlikely the company believes a potential risk to be. The filing also listed many other potential risks, including another economic downturn, war, or a terrorist attack.

NJ Governor Christie Stands by Online Gaming Predictions

Gov. Chris Christie said that he still expects online gaming in New Jersey to produce about \$1 billion in casino revenue by July 1, 2014. Industry analysts have said Christie's projection - part of the current state budget, which anticipates \$160 million in tax revenue from the venture - is far too optimistic. But Christie said he was undeterred. At a press conference at the statehouse in Trenton, the governor said his projections remain the same. "Same as they were before," Christie said.

As the state gave seven casinos permission to begin operating Internet gaming websites, analysts said they expect only about \$300 million in revenue by this time next year. It remains to be whether the money Internet gaming may bring in over its first year will represent new business, or whether it will simply cannibalize walk-in business at the brick-and-mortar casinos.

No Sale Yet for Atlantic Club in Atlantic City

As indicated above, a deal to have PokerStars buy the Atlantic Club, formerly known as The Atlantic City Hilton fell

apart when PokerStars could not obtain regulatory approval. Now up for auction in bankruptcy Court, the casino hotel has yet to attract a buyer. The casino still hopes to have a purchaser lined up soon, and talks are expected to continue.

The process was further complicated when casino hotel union Local 54 asked the court to block any sale that does not include the new buyer assuming its employee contract or negotiating a new one. The union represents bartenders, cooks, room cleaners, beverage servers and other casino and hotel workers.

In a filing rushed into court to meet a last-minute deadline to preserve its right to object, the union said no potential buyer has met the legal requirement to negotiate with the union about plans to discontinue the contract, which runs through Sept. 2014. Specifically, the union said the casino did not comply with a provision of the federal bankruptcy code requiring certain things, including notification of and negotiations with the union before being allowed to terminate an existing labor contract.

The casino has struggled to compete with newer, larger casinos in Atlantic City, as well as those in neighboring states, in recent years.

You can find past editions of our newsletter at our website-- www.cataniagaming.com. 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.

Happy Holidays!

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