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Catania Gaming Consultants

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Welcome to another edition of the Catania Gaming Consultants Newsletter. Please let us know if you have any suggestions for future editions.

Sincerely,

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

New Jersey Considers MGM's Bid to Return to AC

The NJ Casino Control Commission has allowed MGM Resorts International one step closer to returning to the AC casino market after the company decided to sell its stake in the Borgata in 2010 rather than cut ties to an Asian business partner in Macau.

The company wants the Commission to let it keep its 50

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percent ownership of the Borgata. While the Commission has allowed MGM to move forward with its application, regulators have promised a "thorough, exhaustive" examination of MGM's worldwide business operations.

MGM's Macau business partner, Pansy Ho, has a father (Stanley Ho) suspected by NJ regulators of having organized crime ties to Chinese gangs, although both Pansy Ho and MGM denied the allegations and Stanley Ho was never charged. MGM argues that Pansy Ho now controls a smaller share of the business-just 27 percent-and that her father is old and sick, and no longer in a position to wield undue influence over her.

Since MGM agreed in 2010 to sell its half interest in the Borgata, the AC casino market has plunged, and no one has stepped up to buy MGM's share. Boyd Gaming, which owns the other half of the Borgata, passed on buying MGM's share and supports MGM's bid to retain its ownership stake.

The next step is for MGM to apply for a statement of compliance, which is a determination that it has the necessary qualifications to hold a casino license in NJ. Before granting that statement, the Commission would need to review MGM's operations in Macau, Hong Kong, and Dubai, as well as the company's domestic operations.

Caesars Announces Plan to Sell Stake in Online and New Casinos

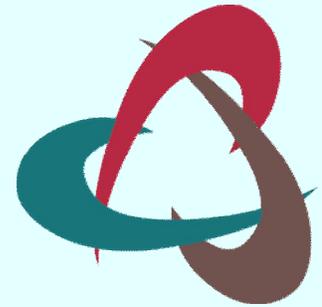
Caesars Entertainment Corp., the largest owners of US casinos, announced that it may raise money by selling a stake in its online operation and two other properties. Caesars Growth Venture Partners would include Caesars Interactive Entertainment shares, the Planet Hollywood resort in Las Vegas, and a project under way in Baltimore. The unit would also own a \$1.1 billion note issued by a Caesars subsidiary.

Caesars Entertainment, now with almost \$23 billion in debt, hopes that the sale will bolster its cash and improve its credit rating. Following the announcement, Caesars shares rose 12 percent, the biggest gain since December 2012.

NJ Argues Against USDOJ in Sports Betting Case

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The Catania Consulting Group, Inc., doing business as Catania Gaming

Though a Trenton court heard arguments on Valentine's Day, there was no love between New Jersey and the US Department of Justice (DOJ) as they argued about the constitutionality of the 1992 Professional and Amateur Sports Protection Act (PASPA) that bans sports betting in all but four states.

After New Jersey legalized sports betting at Atlantic City casinos and state horse racing tracks, four professional sports leagues and the NCAA brought a lawsuit against the state. The DOJ filed a motion to intervene in the case, arguing that the Constitution empowers Congress to regulate an interstate industry such as sports gambling and treat states differently.

New Jersey has argued that PASPA unfairly "grandfathered" Nevada and three other states that already had some form of sports gambling, effectively granting them a "permanent monopoly" for sports betting. The state also argued that the law violates state sovereignty and Equal Protection provisions and tramples the authority of state legislatures under the Tenth Amendment.

The DOJ has argued, accurately, that New Jersey was given a special dispensation by Congress to approve sports betting within a year of the passage of the PASPA, but chose not to do so. However, that fact may be irrelevant to the issues presented now.

U.S. District Judge Michael Shipp, who heard the case, said he would rule within a few weeks but, regardless of the ruling, the case will almost certainly go to the 3rd US Circuit Court of Appeals, and possibly the Supreme Court.

Facebook Expands to Real Money Gaming

After announcing last summer that it would expand its social gaming to real money gaming, Facebook has reached an agreement with Net Entertainments that will offer Facebook users a way to participate in real money gaming. Net Entertainments will offer the games through Bonza Gaming, a joint venture between gaming publisher Plumbee and online gaming operator Sportingbet.

The real money gaming apps will initially be available to users in the UK. Bonza Slots becomes the third real money gaming app on Facebook, joining Gamesys and 888 Holdings, both of

Consultants (CGC), offers a full service international gaming consultancy. CGC provides a variety of services to all sectors of the gaming 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.

which have also recently reached deals with Facebook to launch their real money gaming apps. It is not yet clear how much Facebook will charge real money gaming companies to operate on its platform. Right now, the company charges other apps 30 percent of their revenue.

Facebook's massive user base of over one billion people automatically puts it in a strong position as it enters the real money market in the UK, and positions it to be a power in the US market as well, should online real-money gaming be legalized in the future.

Delaware May Be First To Host All Forms of Internet Gaming

Delaware's Lottery Office has issued a request for proposals seeking bids from vendors to operate the state's centralized online gaming system, with the stipulation that systems must be up and running no later than September 30.

The state legalized full-fledged online gaming last summer, the first state in the country to do so. Nevada legalized online poker but not other forms of gambling, and has issued licenses to operators, but regulators estimate that sites will not begin going live until later this year.

Delaware's online gaming bid package calls for the awarding of all contracts by early May, and several big-time players in the industry are already positioning themselves as possible vendors by partnering with companies that do business in Europe. These companies are now at an advantage, since Delaware's bid package stipulates that all contractors need to have at least one year of experience running legal, real-money online betting operations in Europe or North America.

Industry experts say that since Delaware will likely be the first state in the country to break into full-service online gaming, whoever gets Delaware will have a leg up when it comes to getting future contracts.

The next step for US online gaming will be for states to share players and the money they spend by establishing interstate compacts. These will be especially critical to the success of online poker, which requires a large pool of players to keep games going continuously and at a variety of different levels.

Since Delaware is a small state, interstate compacts could be

crucial to its online gaming business. The state has already expressed interest in working with Nevada and NJ. An official from the state said Delaware would also explore possible compacts in Europe.

Nevada Enacts Interstate Online Gaming Bill; Federal Pushback?

Nevada Governor Brian Sandoval has signed legislation authorizing the state to enter into compacts with other states for online poker to increase player pool liquidity. Some observers have speculated that the interstate compact issue will eventually spur the federal government to challenge such compacts.

American Gaming Association President Frank Fahrenkopf has suggested that Congress could start questioning the legality of these pacts, relying on that part of the US Constitution forbids states from entering into compacts without federal approval. With gambling always a sensitive subject on Capitol Hill, some believe questions will be raised about how states can involve themselves in such activities without any involvement at a federal level.

Any challenge would come from a federal level if and when a compact was actually used by two or more states. A successful challenge could damage and slow the progress of online gaming in the US.

State action on Internet gaming has reportedly stimulated yet another attempt to secure support for a federal Internet gaming bill. However, given the gridlock in Congress and the existence of many other more pressing issues, federal legislation still seems unlikely.

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,

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Catania Gaming Consultants

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