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Catania Gaming Consultants

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IGT Exits European Online Poker

International Game Technology (IGT), the slot machine manufacturing giant, has discontinued its online poker operations in Europe. The company said the decision was made due to regulatory changes in several European countries that have made online poker play less profitable.

The new European regulations have prohibited residents from gambling with players in other nations. According to IGT, the business "shifted from dot-com to dot-country. There's a lot less profitability and the product becomes less interesting."

IGT, which spent \$115 million last year to acquire the Swedish-based online poker operator Entraction, said it would continue to offer other forms of online gaming in Europe, including bingo, slot machines, and sports wagering.

In its statement, the company said the poker shutdown was

FEATURED ARTICLES

[IGT Exits European Online Poker](#)

[Mohegan Enters A.C. Market; Seminoles Bail](#)

[Nevada Approves First Casino To Operate Real-Money Poker Website](#)

[Political Squabbling Continues Over Federal Internet Poker Bill](#)

"purely focused on our European dotcom business and does not impact future decisions regarding entry into new markets." Those markets could soon include the United States.

In June, IGT was licensed by Nevada gaming regulators to provide interactive gaming systems within the state. IGT officials have said that they plan to use the Entraction technology platform with Nevada online poker systems. The European shutdown would not affect IGT's presence in Nevada.

Since IGT received its license from Nevada in June, it has consolidated its product development and taken itself out of any markets with "gray areas" concerning Internet wagering laws, including Israel, Russia, and Norway. The company has also begun preliminary talks with the U.S. Department of Justice about wagers that Entraction had accepted from Americans before the enactment of the Unlawful Internet Gambling Enforcement Act of 2006.

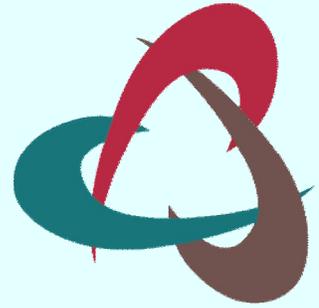
Mohegan Enters A.C. Market; Seminoles Bail

The New Jersey Casino Control Commission (CCC) has approved the Mohegan Gaming Advisors (MGA) to run the day-to-day affairs of the Atlantic City-based Resorts Casino and Hotel and to buy ten percent of the company. This will be the first time an Indian-owned casino operator will own and manage an Atlantic City property.

The Mohegan Tribal Gaming Authority owns the Mohegan Sun Casino Resort in Uncasville, CT and the Mohegan Sun at Pocono Downs racetrack casino in PA. Under the new deal, customers at Resorts and the Mohegan Sun casinos will be able to use their loyalty points at all three places beginning in the fall, creating a triangle of casinos in some of the biggest gaming markets in the country.

MGA will oversee a \$35.5 million renovation and expansion of Resorts that includes new restaurants, retail shops, expanded gaming, and the addition of a Jimmy Buffett-themed Margaritaville restaurant, bar and entertainment complex on the beach. The complex, the first Margaritaville complex to open on the East coast, is expected to open next Memorial Day weekend.

The Mohegan Sun overhaul of Resorts comes just in time for the company, which posted significant losses in 2011 and



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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 industry, including governments, casino operators, game manufacturers, software

through the first quarter of 2012. Through the first six months of 2012, its revenues from slot machines and table games were down 16 percent, compared to about 7 percent for the entire market.

The sudden death of former Resorts CEO Dennis Gomes took Resorts' most experienced manager with regard to casino operations. Gomes oversaw the rebranding of Resorts into a Roaring 20's theme and had an extensive background in casino management. Since Gomes's death, Resorts owner Morris Bailey, a New York real estate magnate, has been looking for help running Resorts.

Bailey will continue as the primary owner of the business, but MGA will have the option to buy an additional 15% of the company after two years. He has stressed, however, that the deal is not a prelude to a possible sale.

The deal represents a coup for MGA, which has been looking to enter the Atlantic City market for some time, but did not want to spend the \$1-2 billion necessary to build a new casino.

In the meantime, just days before the Commission approved the MGA deal, Florida's Seminole tribe scrapped its plans to build a new boutique Hard Rock Casino in A.C. The first phase of the new construction would have cost at least a half billion dollars, a price that proved too steep for the Seminoles in the current economic climate.

Nevada Approves First Casino To Operate Real-Money Poker Website

In a unanimous decision, the Nevada Gaming Commission has approved South Point Poker to operate the first intrastate, real-money poker website in the country. South Point Poker, which developed its own online poker system instead of relying on a third-party company, was also licensed as a gaming manufacturer and service provider.

The site is set to launch sometime in October, after final testing and regulatory approvals. Before officially launching, it must submit a final plan of operation to regulators. Because South Point is first, its operations will be under the microscope. "We want to make sure it's done correctly because what you do might have an impact on what others do later," said Commission Chairman Peter Bernhard.

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.

South Point assured commissioners that the online poker system has safeguards to ensure that players are at least 21, located in Nevada, and not involved in cheating or money laundering.

Earlier this year, Bally Technologies, IGT, and Shuffle Master were all awarded interactive licenses in Nevada. The Nevada Gaming Control Board has also recommended approval of applications for interactive gaming licenses from casino operator American Casino & Entertainment Properties (ACEP) and WMS Industries, Inc.

ACEP, which was recommended as an interactive gaming provider, will launch a free play poker site by the end of 2012 and, with final regulatory approval, plans to launch a real-money poker website sometime next year.

WMS Industries, which was recommended as an interactive gaming system manufacturer and service provider, said the move into online gaming was a "natural evolution" for the company.

More than 30 other companies, including Caesars Interactive Entertainment and MGM Resorts International, have also submitted applications with the Nevada Gaming Control Board.

Political Squabbling Continues Over Federal Internet Poker Bill

The prospects for a federal Internet poker bill any time in the foreseeable future remain cloudy, as election-year politics continue to overwhelm all other factors.

Impetus for such a bill grew when the U.S. Department of Justice (DOJ) reinterpreted the Wire Act to only prohibit online sports betting. Prior to that, the 1961 law had been seen as barring all forms of betting online.

In the wake of the DOJ opinion, more than a dozen states began considering their own legalized online gambling. For example, Delaware will allow the sale of lottery tickets and video versions of various casino table games for residents early in 2013, and other states, such as Illinois, New Jersey, Nevada, Minnesota and California, are looking at other variations.

Most of the large casino companies, represented by the American Gaming Association, want Congress to ban online betting on games of chance, while authorizing online poker, which they consider a game of skill. The casino industry fears that online gambling could devastate its brick-and-mortar properties. The casinos don't oppose online poker, however, because they make very little money off the game anyway, as players compete against one another, not the house. Also, casinos view the Internet as a potential market for their brands.

For some time, Senators Harry Reid (D-NV) and Jon Kyl (R-AZ) have been collaborating on an online poker bill, for different reasons. Reid supports the position of the Nevada gaming industry. Kyl has long opposed online gambling in any form, but the DOJ's reinterpretation made such gambling imminent without regulation, making Kyl willing to support a measure that blocks most gambling while leaving poker legal.

Earlier this year, Reid assigned Dean Heller, Nevada's Republican Junior Senator, to round up 15 Republican votes to pass an online poker bill. Kyl and Heller say it has been challenging to persuade conservative Republicans to vote for anything that can be seen as legalizing any form of gambling, even if the alternative could be a dizzying spread. Nevertheless, when Heller failed to secure the necessary votes, Reid attacked him publicly. Coincidentally, Heller is running against a Democrat supported by Reid in November's election.

Seemingly, the fate of the poker bill will depend on the results of the election and the action or inaction of the lame-duck Congress.

Churchill Downs Challenging Texas Law that Would Ban Online Account Wagering

A new front in the ongoing battle between the law, technology, and state interests has been opened in federal court in Texas. In a lawsuit filed in U.S. District Court in Austin, Churchill Downs is seeking to keep account wagering services such as Churchill's TwinSpires open, arguing that a new Texas effort to block online gambling is unconstitutional.

The dispute stems from the Texas Racing Commission's recent efforts to enforce a law that requires betting on horse racing to be done in person at tracks. The 1986 law was revised in 2011 to explicitly ban Internet wagering. Churchill

was given a deadline to file suit challenging the law, stop taking bets from Texans, or comply with a subpoena seeking information about bets by Texans.

In the suit, Churchill asserts that Texas regulators for years did not enforce the "in person" requirements, which Churchill alleges are a violation of the U.S. Constitution's Interstate Commerce Clause. Churchill argues that "[a] state cannot impose an 'in person' transaction requirement on the purchase of shoes or books, for no reason other than to favor local businesses at the expense of out-of-state entities like Zappos.com or Amazon.com," and that Texas' rules are "tantamount to forcing Pepsi to sell its soda only through Coke vending machines, only if Coke consents."

A spokesman for the Texas commission said that the 2011 revision "cleared up any ambiguity" that existed under the old law. The original law was written before the rise of Internet wagering and also restricted wagering from the standpoint of the person placing the bet rather than the entity taking the bet.

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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