

Keith Furlong

From: Frank Catania (Catania Gaming Consultants, Inc.) [keith@cataniaconsulting.com]
Sent: Tuesday, November 20, 2012 3:20 PM
To: keith@cataniaconsulting.com
Subject: Catania Gaming Consultants Newsletter

Having trouble viewing this email? [Click here](#)



[visit our website](#)

Catania Gaming Consultants

Vol. 5 Number 7
(2012)

Dear Friends & Colleagues,

After a presidential campaign in the U.S. that seemed endless and an election that polarized the country as never before, we have ended up in the same place we began. The same can be said about the state of the gaming industry in the United States as we head into 2013.

Insofar as casino gaming is concerned, it relies on *discretionary* spending of its customers. While the economy shows signs of improvement, renewed prosperity still seems a long way off.

Nevertheless, several states, hard-pressed for new sources of revenue, have approved or are considering the initiation or expansion of casino gaming. But this only raises the looming issue that all gaming stakeholders recognize and fear - potential saturation of the market.

FEATURED ARTICLES

[NJ Slammed by Superstorm Sandy](#)

[Antigua Renews Fight against US Online Gaming Ban](#)

[NJ Continues with Plan To License Sports Betting](#)

[Nevada Approves Three More Casinos for Online Poker](#)

[Zynga and Bwin.Party Partner on Real-](#)

Ideally, a state would prefer to draw customers from outside its borders. This allows for the importation of new revenues and, harsh as it sounds, the exportation of negative social consequences. If the state cannot do that because neighboring states have the same kind of gambling, it is left with only a local or in-state clientele, which raises its own issues.

For example, if in-state customers are gambling at the casino, what are they not spending their discretionary dollars on? Will new casinos cannibalize other forms of legal gambling? And what is the overall effect of redistribution, *i.e.* does the pie grow larger or is it merely cut into more slices?

The prospects for online gaming in the United States in 2013 appear equally modest. The "Black Friday" prosecutions cast a shadow over the industry. That shadow lifted a bit when the United States Department of Justice (DOJ) reversed its long-held position, opining that the Wire Act only prohibits sports betting. Still, the promise of the DOJ opinion has yet to be fulfilled.

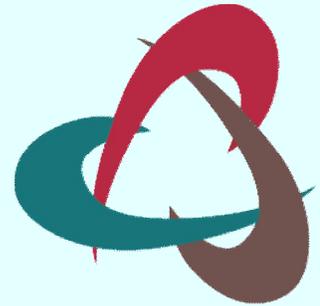
A bill that would legalize and regulate Internet poker at the federal level is circulating in the United States Senate. However, that bill has not attracted significant co-sponsorship. In a lame duck Congress with more significant issues to address, an Internet poker bill seems unlikely to move. And the makeup of the next Congress remaining largely unchanged by the election, there is no ground for optimism that such a bill would fare better in 2013.

The one bright spot is that individual states are moving in the direction of authorizing online gambling on an intrastate level, with the possibility of going interstate as more states legalize. Nevada is farthest along in this process, and other states may follow suit in 2013. One can envision a time beyond 2013 when a group of states enter into agreements creating multi-state poker operations, with revenues pro-rated and split as is now done with multi-state lotteries.

Of course, sports betting, which accounts for a huge percentage of online gambling, remains the "elephant in the room." There is a pending lawsuit brought by New Jersey which seeks to invalidate the federal statute that prohibits the growth of sports betting. But unless that happens, sports betting in the United States will continue to benefit only organized crime and offshore operators, and the full potential of online gambling in the United States will continue to remain unrealized.

Money Gaming

New Jersey Casinos Slow To Embrace Mobile Gaming



Frank Catania, Esq., President

Former Assistant Attorney
General, Director, NJ Division
of Gaming Enforcement.
frank@cataniaconsulting.com

Gary Ehrlich, Esq., VP

Former Assistant Attorney
General, Deputy Director, NJ
Division of Gaming
Enforcement.
gary@cataniaconsulting.com

Keith Furlong, VP,

Former Public Information
Officer & Legislative Liaison, NJ
Division of Gaming
Enforcement.
keith@cataniaconsulting.com

Joseph Kelly, Esq., Associate

Professor of Business Law,
SUNY College, Buffalo.
jkelly@cataniaconsulting.com

Toni Cowan, Esq., Associate

Former Senior Attorney, NJ
Casino Control Commission,
Nevada Attorney General's
Office, Division of Gaming, and
NIGC Staff Attorney.
toni@cataniaconsulting.com

*The Catania Consulting
Group, Inc., doing business
as Catania Gaming
Consultants (CGC), offers a
full service international*

As we approach the Thanksgiving, we would like to wish everyone and their families a happy and healthy holiday season. In this edition we cover a new partnership in the online gaming space as well as developments in NJ, Nevada and Antigua.

Warm regards,
Frank Catania

Atlantic City Slammed by Sandy

Hurricane Sandy hit the coast of the Northeast on October 29, bringing surging flood waters and heavy winds, and leaving behind damage to many of New York and New Jersey's coastal areas, including Atlantic City.

The storm shut down casinos starting Sunday, October 28, as part of NJ Governor Chris Christie's mandatory evacuation order for the New Jersey coast. At the time, casinos hoped they might be able to reopen Wednesday or Thursday, but ultimately were not able to reopen until Friday or Saturday-the longest casino shutdown in Atlantic City history.

Physically, Atlantic City's casinos were lucky to escape the worst of the damage wrought by Hurricane Sandy. Most of the Boardwalk remains intact, casinos endured only minor flooding, and by Friday, power outages had been largely taken care of in the casino area.

Financially, however, the hurricane was another harsh blow to an already struggling industry. A pre-Sandy estimate by the Casino Association of New Jersey posited that all 12 casinos would collectively lose about \$4.5 million to \$5 million per day in slot machine and table game revenue. That excludes additional losses from nongaming sources such as hotel rooms, bars, restaurants and retail stores. Some of that revenue will never be made up.

Though most, if not all, casinos have "business interruption" insurance that should theoretically cover some of their losses, often the deductibles for such insurance are so high that using such insurance may not be worth it.

In addition to the immediate losses due to closure, casinos may also have to contend with the long-term effects of damage done by Sandy throughout New Jersey, which could affect business for a long time to come. Obviously, a lot of discretionary dollars are at stake when people need to get their homes and cars fixed.

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.

Despite early hopes that the hurricane would not have a long-term impact on AC, Wall Street financial firm Moody's Investors Service said that losses could lead to downgrades with the credit ratings of such companies as Caesars Entertainment, Revel, and Borgata's owner.

Revel is especially vulnerable since it has been underperforming since its April opening, placing just eighth among the city's 12 major casinos each month. "The damage and financial ramifications from Hurricane Sandy could worsen Revel Atlantic City's already weak liquidity if the property remains shut for an extended period and insurance proceeds do not arrive on time," said Moody's in a statement.

Despite it all, AC officials were eager to put the word out that the city is open for business. The city "always will be a beacon for people to get away and rejuvenate," said the president of the Atlantic City Alliance. "We offer that to people still."

Antigua Renews Fight against US Online Gaming Ban

The Antigua and Barbuda government has reached an agreement with the nation's gaming industry to collaborate to resolve a decade-long impasse with the US Government over remote gaming services. The public-private partnership will be led by the Antigua and Barbuda Investment Authority.

The partnership will fight for the billions lost in potential gaming revenue from the online gaming trade dispute caused by, in the words of the Antiguan government, "the United States' failure to abide by numerous rulings of the World Trade Organization (WTO)."

Each time the issue of remote gaming has come before the WTO, it has ruled in Antigua's favor, but the US has not complied with the WTO's rulings. Antiguanians hope their renewed efforts will force compliance, leading to an increase in jobs across Antigua and Barbuda, where the tourism industry accounts for nearly 60% of the GDP.

NJ Continues with Plan To License Sports Betting

Despite opposition, New Jersey is continuing with its plan to

legalize sports betting. In January 2012, New Jersey enacted a sports betting law that limits bets to Atlantic City casinos and the state's four horse-racing tracks, and the state said it could begin issuing licenses for sports betting on January 9.

New Jersey's Division of Gaming Enforcement published official regulations for sports betting in mid-October. Casinos, horse-racing tracks, or joint ventures involving both, can now apply for \$50,000 sports pool licenses. The law prohibits betting on games involving New Jersey college teams or teams from other states that play in New Jersey.

The licenses are contingent on the outcome of a pending federal lawsuit filed by the major professional sports leagues and the NCAA. The athletic organizations, which include Major League Baseball, the National Football League, the National Basketball Association, and the National Hockey League, are suing to block New Jersey's sports betting law from taking effect. The leagues claim that sports betting in New Jersey will damage the integrity of the major sports leagues.

Sports betting is currently legal in only four US states: Nevada, Delaware, Oregon, and Montana. These states were "grandfathered" by a special exemption from the Professional and Amateur Sports Protection Act (PASPA), which outlawed sports betting, because these states had legalized it before a 1991 deadline. New Jersey has filed a federal lawsuit to overturn the ban, claiming it is unconstitutional.

New Jersey estimates that about \$480 billion a year is wagered illegally on sports events today. Supporters hope that legalizing sports betting in New Jersey will give the state's casinos a much-needed edge over casinos in neighboring states, which over the past several years have become fierce competition. Of course, if PASPA is invalidated, there would be nothing to stop any other states from introducing sports betting as well.

Meanwhile, some NJ casinos continue to offer sports betting without the betting, where customers can make sports selections for free and be entered to win tens of thousands of dollars in cash or free slot play if their selections turn out to be correct.

Nevada Approves Three More Casinos for Online Poker

The Nevada Gaming Control Board has recommended

licensure for online subsidiaries of Boyd Gaming Corp., Station Casinos and the founding Fertitta family's Ultimate Poker brand, and the Golden Nugget, with casinos in Las Vegas and Laughlin. If approved, the companies would join the ranks of several other companies which have already received online poker licenses this summer and fall, including South Point Poker LLC, Bally Technologies, and Global Cash Access Holdings, Inc.

The Station/Fertitta online group and the Boyd team both said they expected to expand their employment now. Boyd executives also said they expect the launch of online intrastate poker to double Nevada's poker market from the current \$132 million taken in annually at poker tables in casinos.

The Golden Nugget site, which will be operated with a Bally Technologies Inc. system, could eventually be linked to the Golden Nugget in Atlantic City should online poker be approved in New Jersey. The company has said it already has an extensive database of potential online poker players, thanks to a play-for-fun site that has been operating in advance of real-money online play.

Online intrastate poker in Nevada is expected to launch in late 2012 or early 2013 after final technical and regulatory approvals.

Zynga and Bwin.Party Partner on Real-Money Gaming

Zynga Inc., the San Francisco-based social gaming company behind games such as "FarmVille," has announced that it will partner with bwin.party Digital Entertainment to offer real-money poker and hundreds of other casino-style games in the UK during the first half of next year.

Zynga currently only offers games like poker in which players can buy in with real money, but only receive virtual chips in return. The company's shares have fallen significantly since its early days, leading many investors and analysts to anticipate a move by Zynga into real-money gambling, a market that may now show more potential than virtual goods.

"Partnering with an established leader like bwin.party is a strategic and prudent way for us to enter a key market," said a Zynga representative in a statement.

New Jersey Casinos Slow To Embrace Mobile Gaming

New Jersey has approved new regulations that will allow gaming on smart phones, tablets, and other wireless handheld devices within Atlantic City casinos. Customers will be able to place bets from anywhere within the boundaries of a casino hotel, including at poolside, restaurants, and in guest rooms. Only parking lots and garages will be excluded.

Companies that provide software for mobile gambling must obtain a casino service industry license, and must prove that devices have the capability to screen out players who are underage or banned from casinos by the state or by having placed themselves on a self-exclusion list. Devices must also be able to establish daily limits on a customer's portable gambling.

Participating players must first establish an account with the casino, and the bet must be placed, and any winnings paid out, within the casino.

While casinos seemed pleased with the new legislation, most don't expect mobile gaming to account for more than a tiny fraction of gaming revenues, at least not yet. In fact, many casinos remain wary of investing too much in mobile gaming while more lucrative Internet gaming legislation might still be a possibility. As one casino executive put it: "Think of putting a bubble over each casino. This would be Internet gambling under that bubble. It costs money to build that bubble. If Internet gambling happens, that bursts the bubble I just spent all that money to build." No casino has yet applied to begin using such devices.

New Jersey has been moving to adopt in-state Internet gaming legislation, but was vetoed once before by Governor Chris Christie because of concerns over the legislation's constitutionality. However, New Jersey legislators have vowed to rework the legislation and try again.

Happy Thanksgiving! 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 and Keith Furlong

Catania Consulting Group, Inc.

Catania Gaming Consultants

[Forward email](#)



Try it FREE today.

This email was sent to keith@cataniaconsulting.com by keith@cataniaconsulting.com | [Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).
Catania Consulting Group, Inc. | 909 Belmont Avenue | North Haledon | NJ | 07508

No virus found in this message.

Checked by AVG - www.avg.com

Version: 2012.0.2221 / Virus Database: 2629/5407 - Release Date: 11/20/12