

# Catania

## Gaming Consultants



A Catania Gaming Consultants Client Newsletter **May 2010**

### *Plan Advances to Allow Boutique-Style Casinos in A.C.*

A new plan to allow smaller casino-hotels in Atlantic City will go to the Senate for a full vote after a committee released the bill with unanimous support.

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The bill, sponsored by Senator Jim Whelan (D-Atlantic), would allow the licensing of four smaller casino hotels along the city's boardwalk. Those properties would need to build a minimum of 200 hotel rooms, down from 500; the current minimum followed by existing casinos, and would have less casino floor-space.

Supporters believe the measure could help revive the nation's second-largest gambling market, which has been struggling since August 2008 under the weight of a poor economy and competition from neighboring states. Although gaming revenues improved slightly in April, both legislators and developers agree that more rigorous efforts are necessary to maintain Atlantic City as a competitive destination.

"Providing new gaming products, like smaller boutique casinos, and easing draconian regulations and oversight will go a long way to keeping Atlantic City's casinos economically viable," Whelan said.

Key figures from the industry attended a hearing on the bill, some less than thrilled with the potential ramifications. Many casinos argued that the new casinos would water down the standard visitors have come to expect.

Joe Corbo, head of the New Jersey Casino Association, asked senators to hold off on the bill and instead look at a group of different factors that have collectively hurt Atlantic City. He said that

the bill was about “increasing supply,” while the Association’s plan would focus more on increasing demand.

“We believe this bill would materially change the rules of licensing in an irrevocable way,” Corbo said.

### *Ireland to tax Internet betting*

The Irish government will introduce legislation to ensure that overseas betting providers comply with a licensing regime that will permit them to sell their products in Ireland, according to Prime Minister Brian Cowen. The new legislation will allow Ireland to tax companies providing online and telephone betting.

“All forms of betting including betting offered over the Internet, other remote platforms or over the telephone should make a contribution,” Cowen said.

Revenues from the new tax regime will help fund the racing industry, where annual income from excise duty collected on off-course betting has dropped by nearly half since the Horse and Greyhound Racing Fund was first established. The fund is now heavily subsidized by the Treasury, but legislators insist that a more sustainable system of support is necessary.

Paddy Power, Ireland’s biggest bookmaker, said the company would be happy to comply, but questioned why betting revenues should necessarily be used for the Racing Fund. “It is illogical that there is still such a link between Irish racing and betting. Just 11 percent of our turnover is on Irish racing.”

Power also expressed concern over whether the new legislation would be enforceable across the boards. “Ourselves and Boylesports are the only ones among the top 10 online providers in Ireland who are based here,” Power said. “If it isn’t properly enforceable, then we will be the ones paying tax and no one else. That will impact on jobs here.”

### *Nevada rethinks its policy on Internet Gaming*

Closer ties between Las Vegas casinos and online gaming firms are driving Nevada to overhaul its policy on Internet Gaming, nearly a decade after it first passed laws addressing the issue.

Regulators confirmed last month that they already intend to scrutinize one online deal between Harrah’s Entertainment and UK-based online gaming company 888. The investigation will look at whether the deal violates the state’s Foreign Gaming Act and whether 888 is a “suitable” partner for Harrah’s under state guidelines.

Nevada’s review will seek to draw a line in the sand in terms of what partnerships might be appropriate for Nevada gaming companies that are regulated under state law. The investigation—including planned trips to 888’s headquarters in both Israel and Gibraltar—will provide Nevada with

more information than it has ever had before on Internet gambling and the means by which it is regulated outside the US.

The Harrah's-888 deal is just one example of commercial tie-ups between online and off-line companies that Nevada is now looking to sort through. Other arrangements include poker sites sponsoring tournaments held in Las Vegas casinos via their play-for-free, dot-net services, as well as Nevada-regulated slot machine companies sub-licensing their games for use on Internet gaming portals.

However, while some companies dive in, others are waiting on the sidelines for a verdict in the Harrah's investigation, making it all the more imperative for Nevada to set clear guidelines.

Nevada has yet to issue Internet gambling regulations of its own, though a 2001 law mandates that the Nevada Gaming Commission do so, albeit only under three strict conditions: that "interactive gaming can be operated in compliance with all applicable [US] laws," that gaming systems are "secure and reliable," and that online gambling is "consistent with the public policy of the state to foster the stability and success of gaming."

With the 2001 law already on the statute books, Nevada is poised to become the first in the field should either federal laws or the Justice Department's position change to permit interactive gaming in the US in the future. And with three regulatory bills pending in Congress, that head start could prove to be significant. It is also likely that the renowned Nevada Gaming Control Board (NGCB) could play a role in federal regulation in the future.

Still, NGCB member Randall E. Sayre says that right now Nevada is concerned primarily with the present. "You can't second guess what will happen in Congress, and there is also the question of what the landscape looks like today," Sayre said. "There are some moving parts here. I think we have to do this project to gain more information, while being mindful that we don't blow up any commercial associations that are already in place."

### ***Internet gambling payment processor pleads guilty***

Douglas Rennick pleaded guilty in a Manhattan federal court on May 11, 2010 to charges that he used the wires to transmit bets and wagering information in interstate commerce, stemming from his role in processing more than \$350 million for Internet gambling companies.

According to the documents filed and Rennick's plea allocution, from at least 2007 through 2009 Rennick opened several bank accounts around the United States under various corporate names. He and others used the accounts to receive funds from offshore Internet gambling companies, which they then disbursed via checks to United States residents seeking to cash out their gambling winnings.

Rennick, 34, of Canada, faces a maximum sentence of 2 years in prison and a fine of \$250,000, or twice the gross gains or loss from the offense. Rennick also admitted to forfeiture allegations requiring him to forfeit approximately \$565,908,288, which represents the amount of

proceeds obtained as a result of the illegal gambling offense. He is scheduled to be sentenced by Judge Sidney H. Stein on September 15, 2010.

## ***Mobile gambling comes to Canada***

As online gambling becomes entrenched in Canada, consumers will soon be able to access poker games and the like while on the go, an industry expert told an international Internet gambling conference in Montreal.

Loto-Quebec, B.C. Lottery Corp. and Atlantic Lottery Corp. will launch a common electronic platform this fall, in hopes of eventually creating a Canada-wide operation. Gaming consultant Bob Rybak said he expects the expansion to begin within 18 months, noting that timing would depend on provincial elections. "The only issue is really a political one," he said.

Canadians spent an estimated \$800 million in 2009 on online gaming, with the vast majority of revenues going offshore. Provinces are eager to retain some of that cash locally, so lottery corporations will offer "a legal and credible" option to gamblers in their jurisdictions, according to Rybak.

Among the operational advantages to a Canada-wide online network is an expanded pool of poker players and increased consumer protection. However, Rybak noted that there would be challenges, too. The state-sanctioned online operations will compete with companies that have been building their brand for years, and which are able to offer huge pools of players across all time zones.

Companies are in the midst of developing multiple platforms and offerings designed for all sorts of mobile devices, including phones, laptops, and even iPads. However, several conference speakers stressed that operators' ability to protect players is still imperative to public acceptance of online gambling.

As in other regions, safeguarding against underage gambling and addiction are two major public priorities. Canada's gaming corporations will use geo-locating software to ensure gamblers are within their jurisdictions, and even more sophisticated software to help determine the gambler's identity.

As Hillevi Stuhrenberg, manager of responsible gaming for the Swedish company Betsson, said, "Safeguarding the players means safeguarding our industry and our livelihood."

## ***Hearing Held on US Internet Gambling Tax Bill***

On May 19, a hearing was held before the House Ways and Means Committee to discuss a bill by Rep. Jim McDermott (D. WA) to tax Internet gambling in the US. McDermott's bill is a companion to legislation introduced last year by online gambling proponent Rep. Barney Frank,

(D. MA), to legalize and regulate online casinos on a federal level.

The hearing provided evidence that although some members of Congress are still uncomfortable with Internet gambling, the discussion about government-regulated online casinos has moved from “should we allow it” to “how can we best make this happen.”

McDermott’s goal is to raise up to \$72 billion over 10 years by taxing online operators and gambling winnings. Of the total, the US estimates taking in \$42 billion, while state governments, a majority of them facing budget deficits, could receive up to \$30 billion.

McDermott estimates more than half of that money would come from gamblers declaring taxable winnings. The legislation would require online casinos to send 1099 forms to the Internal Revenue Service that list winnings and losses. Online casinos would pay corporate income taxes because they would be required to locate computer servers and corporate offices in the United States. In addition, online casino operators would pay a ¼% tax on wagers and a 6 percent tax on the money gamblers deposit into online accounts before making bets.

Nevada Reps. Dean Heller (R) and Shelley Berkley (D) argued against the tax, protecting the perceived interests of the state’s gaming companies. Taxing deposit money regardless of whether it is being gambled would be like taxing a retailer for money customers bring into the store but don’t spend, Heller said at the hearing. Internet gambling operators are open to paying this tax, an effective alternative to the gambling revenue tax paid by most US casinos, because it allows states to collect taxes from companies without having to figure out where gamblers are located when they place online bets, McDermott responded.

In the days before McDermott introduced his bill, the American Gaming Association changed its position from neutral to supportive of legalization under a strict regulatory system. The association’s two biggest members, MGM Mirage and Harrah’s Entertainment, have been among the industry’s most vocal supporters of Internet gambling, as they have much to gain from establishing online versions of popular casino brands.

