

Catania Gaming Consultants



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Regulated Internet Gaming in the U.S.?

Frank Catania recently published an article in Global Gaming Business about the legislation with regard to online gambling likely to move through Congress.

In 2009, two very significant interactive gaming bills were introduced in Congress. On May

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ensure that all licensees of internet gaming facilities and games of skill will be suitable, solvent and willing to carry out socially responsible policies. The secretary, upon determination of suitability, solvency and social responsibility, would then issue five-year renewable licenses to internet gaming and game of skill operators.

Portions of each bill are devoted to provisions mandating responsible gambling procedures, including a "Self-Exclusion Program."

6, Rep. Barney Frank (D-MA.) introduced HR 2267 in the House of Representatives. Titled "The Internet Gambling Regulation Consumer Protection and Enforcement Act of 2009," the bill currently has 54 co-sponsors. On August 6, Senator Robert Menendez (D-N.J.) introduced S 1597, titled the "Internet Poker and Games of Skill Regulation, Consumer Protection and Enforcement Act of 2009." This bill presently has no co-sponsors.

The major difference between the two bills is that the Frank bill would license and regulate all internet gambling, except for sports betting, while the Menendez bill would license only non-banking interactive poker and other skill games, as well as legalizing interactive interstate horse racing "without need for a license pursuant" to the Menendez bill.

The Frank and Menendez bills contain remarkably similar provisions. Both delegate enforcement responsibility to the U.S. Secretary of the Treasury, to develop regulations and a licensing framework within 180 days from passage to

There is consensus that the Frank bill will be the first to move through Congress, but probably not until 2010. It is uncertain whether the Menendez bill will divide the online gambling licensing supporters, since the major hurdle seems to be proving that internet gaming can ensure the location of the player and verify the age requirement through a “know your customer” policy. These verification procedures should be the same for all interactive gambling.

To read the entire article, please see <http://ggbmagazine.com/issue/vol-8-no-11-november-2009/article/internet-gaming-comeback>

Smaller Decline for Gaming Win in Las Vegas; Atlantic City Revenues Still Declining

The Nevada Gaming Control Board released figures showing that Strip casinos won \$506.3 million in September 2009, down 3.5 % from the same month last year. This 3.5% decline was the smallest decline since June 2008’s decline of 3%.

Throughout the entire state, Nevada’s 252 casinos experienced a decrease of 8.9%. Every major market showed a decline. It was the also the 21st consecutive month of a drop in gross win for the 252 casinos.

Bill Bible, president of the Nevada Resort Association, told the Las Vegas Sun that the performance in the gaming industry reflects the national, global and state’s economic troubles. It’s not a good time for an industry that relies on discretionary spending.

Meanwhile in Atlantic City, the nation’s second biggest gambling market, October 2009 revenue figures were reported by the NJ Casino Control Commission to be down 6.5% compared with a year ago. For October, the casinos won \$323.8 million: \$222.4 million at slots and another \$101.4 million at table games.

Although the revenue declines are getting smaller, Atlantic City casinos are still winning less than they were before competition from Pennsylvania and New York. Atlantic City casinos face additional competition with Delaware and Pennsylvania casinos soon to offer table games.

NY State To Select Developer for Slot Parlor at Aqueduct Racetrack

According to Crain’s New York Business, the racino competition is down to two bidders - Penn National Gaming Inc. and SL Green Realty Corp. Steve Wynn withdrew his bid in early November.

The remaining bidders, including Aqueduct Entertainment Group, Delaware North’s Aqueduct Gaming and R. Donahue Peebles/MGM Mirage, all agreed recently to the NY Governor’s request for an up-front payment of at least \$200 million to help with the state’s budget gap.

Penn National Gaming was the only bidder that met the \$200 million threshold in its original bid, offering \$250 million up front.

Despite mention of Penn and SL Green as the potential front runners for this project, the article goes on to say that “the remaining three bidders should not be ignored. AEG, Aqueduct Gaming and Peebles/MGM all claim they can deliver the racino faster than their rivals, which would start an expected flow of \$1 million a day to the state that much sooner.”

Video Bingo Controversy in Alabama; State Senator Proposes Total Gambling Ban

Alabama’s Constitution prohibits gambling on games of chance, but traditional bingo daubed on paper has been around for decades, in churches and other non-profit locations.

In the 1990s, video bingo machines showed up on Indian tribal land, outside of a state’s jurisdiction. Video bingo machines, which operate much like slot machines, have been showing up in counties throughout Alabama. According to articles in the NY Times and the Alabama Press-Register, the electronic machines play bingo, which is legal in many areas of Alabama, but function in ways similar to slots, which state law bans.

Now Sen. Scott Beason, R-Gardendale, will be advocating for a statewide vote to outlaw gambling entirely from Alabama. That would mean no charity bingo, no betting at dog tracks and certainly no gambling halls with bingo machines that look and work much like slots.

By eliminating even paper bingo, Beason told the Press-Register that the state might force federal regulators to bar bingo machines from casinos owned by the Poarch Band of Creek Indians, which are outside the state’s gaming jurisdiction.

On the other side of this issue, Alabama state Sen. Roger Bedford, D-Russellville, favors taxing and regulating electronic bingo, and is on record as opposing Sen. Beason’s effort. Even gaming opponents agree that legislation to ban gaming entirely faces long odds.

Churchill Downs Buys Online Horse Racing Site Youbet.com

Churchill Downs Inc. is making a bigger move into the online gambling space, with its purchase of Youbet.com for \$126.8 million in cash and stock, according to news reports in the Wall Street Journal.

According to WSJ, the holding company for Churchill Downs Management Co., which conducts thoroughbred racing, most notably the Kentucky Derby, said the acquisition was in response to a growing trend toward wagering online.

Based in Burbank, Calif., Youbet.com is an online horse-race handicapping and betting site

that allows gamblers to bet on more than 180 tracks world-wide. It is the only U.S. standalone public company in that market.

Youbet.com was seen poised to capitalize on a regulated online gaming market since it has the technology in place to capture more business.

Churchill's Chief Executive Bob Evans told the WSJ that the company is focused on expanding its presence in online horse-race wagering.

"This is about capturing the opportunity to take horse racing [wagers] in the U.S. and possibly on a broader geographic scale online," said Mr. Evans in an interview. He said that online wagering only accounts for as much as 14% of total betting amounts.

"We think it's going to grow substantially in coming years," he said, noting they will have the financial resources to fuel development as a result of the merger.

