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Obama Administration Grants Request by Rep. Barney Frank (D-MA) to Delay UIGEA Regulations

In early December, the Federal Reserve and the U.S. Treasury Department agreed to delay the effective date of the UIGEA regulations for six months, from December 1, 2009 until June 2010.

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the application of the regulations issued pursuant to the Unlawful Internet Gambling Enforcement Act (UIGEA).

“We applaud Chairman Frank, Senator Reid and other members of Congress for their leadership in convincing the agencies to delay the application of this flawed regulation, which is based on a flawed law.

The delay was requested by Rep. Frank to provide him time to work on approval of his legislation to regulate online gambling.

The Obama administration remains neutral on online gaming, but the delay was granted based on Rep. Frank's efforts to legalize and regulate online gaming.

On the other side of the issue, Rep. Spencer Bachus (R-AL), the ranking Republican on the House Financial Services Committee, remains strongly opposed to any legislation to authorize online gaming. Rep. Bachus and Senator Jon Kyl (R-AZ) have been the most vocal opponents to online gaming regulation over the years.

John Kennedy FitzGerald, Chief Executive of the Interactive Gaming Council (IGC) stated that “The Interactive Gaming Council (IGC) commends today's actions by the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System to delay by six months

“IGC hopes that the U.S. Congress will use the intervening time to move U.S. law away from the ambiguous attempts at prohibition contained in UIGEA, and toward a rational policy of licensing and regulation, which respects individual freedom, protects players, and raises needed revenue for federal and state governments. We thank Chairman Frank for his efforts toward that goal, and we look forward to working with him in any way possible to achieve it.”

The IGC, www.igcouncil.org, is a non-profit trade association that champions fair and honest interactive gambling environments.

Online Gaming Hearing Held by Rep. Barney Frank

Rep. Frank continues to push for legislation that would license and regulate online gaming

In early December, at a hearing held before the House Financial Services Committee, proponents and opponents of online gaming testified before the House Financial Services Committee.

While the winds are shifting slightly in Washington, D.C., and legalization of online gaming in our view has more support than ever before, online gaming is still not a priority issue for a majority of Congress.

The recent hearing in the House Financial Services Committee was a step in the right direction, and demonstrates that proponents of online gaming regulation are being heard. Nevertheless, we continue to believe the actual federal licensing and regulation of online gaming is still years away.

Who Testified?

The **Hon. Robert Martin**, Tribal Chairman, Morongo Band of Mission Indians

This was said to be at the request of Rep. Spencer T. Bachus, the Ranking Republican member of the Financial Services Committee and long-standing foe of Internet gambling. Martin testified against legislation to legalize and regulate Internet gambling.

Malcolm K. Sparrow, John F. Kennedy School of Government, Harvard University

Sparrow is also author of “Can Internet Gambling Be Effectively Regulated? Managing The Risks.” The study was sponsored by Harrah’s and the Poker Players Alliance.

Keith S. Whyte, Executive Director, National Council on Problem Gambling

Jim Dowling, Managing Director, Dowling Advisory Group

Dowling is a former special agent with the Internal Revenue Service Criminal Investigation Division and a former anti-money laundering advisor to the White House Drug Policy Office.

He is currently the President and Managing Director of the Dowling Advisory Group.

Samuel A. Vallandingham, Chief Information Officer and Vice President, The First State Bank on behalf of the Independent Community Bankers of America

Michael Brodsky, Executive Chairman, Youbet.com Inc.

You can read more on the testimony submitted to the committee at the following link:
http://www.house.gov/apps/list/hearing/financialsvcs_dem/hr_112409.shtml

Gaming and Technology Executives Tell Congress Technologies Exist To Regulate Online Gaming

Prior to the recent hearing with regard to online gaming, Rep. Spencer Bachus released a letter from the Federal Bureau of Investigation (F.B.I.) that speaks to online poker cheating. According to Bloomberg News, Shawn Henry, assistant director for the FBI's cyber division, wrote in a letter to Bachus that "[t]echnology exists to manipulate online poker games in that it would only take two or three players working in unison to defeat the other players who are not part of the team. The online poker vendors could detect this activity and put in place safeguards to discourage cheating, although it is unclear what the incentive would be for the vendor."

Bloomberg News reports that during testimony before the House Financial Services Committee, proponents of regulation suggested that a licensing regulatory framework would be a far better solution than prohibition to concerns raised concerning online gaming.

Michael Brodsky, executive chairman of Burbank, California-based Youbet.com Inc., told Bloomberg: "The only way to put any controls on Internet gambling is to legalize it and regulate it"

For more information, go to the following link:

<http://www.bloomberg.com/apps/news?pid=20601204&sid=aFamTQRkQlzo>

Confusion Over Media Reports Suggesting PartyGaming and BWIN Are Discussing Merger Possibilities

Following reports days earlier that PartyGaming and BWIN were in merger talks, BWIN officials told Reuters it is not in advanced merger talks with anyone, including PartyGaming, although it does believe there will be more consolidation in the sector.

Most industry experts agree that the online gaming industry is ripe for consolidation.

Analyst Nick Batram at KBC Peel Hunt agrees there are likely to be more deals ahead. He was reported in the Guardian saying:

There was lots of press comment over the weekend suggesting that Bwin and PartyGaming have held informal merger talks. This doesn't come as a surprise as online groups frequently talk informally. However, we believe that the recent sector consolidation will gain momentum through 2010 and it is only a matter of time before we see further sizable deals.

The combination of mature markets, new markets opening up and substantial cost savings make industry consolidation a compelling theme. We have already see Bwin acquire Gioco for its geographic strength in Italy, while PartyGaming purchased Cashcade to develop its bingo presence. Bwin's strength in sports means that it would be an ideal partner for Party. But even if it is not Bwin and Party, there will be further deals. Given Party's market position and management ambition we continue to rate the shares a buy.

For more information, go to the following link:

<http://www.guardian.co.uk/business/marketforceslive/2009/dec/14/party-gaming>

Harrah's Launches Caesars Palace Online Casino

As had been anticipated for some time, Harrah's has finally launched its online casino, although it is currently not accepting players from the United States. Named "Caesars Palace Casino Online," the new site uses Caesars Entertainment's well-known logos and offers video slots and a wide variety of casino games such as poker, blackjack, roulette and craps.

For now, the online casino is not accepting players either from the United States or Germany. American players who go to the site are redirected to a page listing land-based casinos owned by the Caesars brand. Players who are able to access the Caesars Casino Online are being offered the chance of a welcome bonus, with more promotions set to follow.

It is widely believed that Harrah's has been preparing its online casino in anticipation of a legalization of online gambling in the United States. The move continues the recent growth by Harrah's Interactive Entertainment, a company that owns the Harrah's and Caesars Palace brands as well as the World Series of Poker.

Foxwoods Default May Have Far-Reaching Ramifications

The Mashantucket Pequot Tribe, owner of Foxwoods Resort Casino and MGM Grand at Foxwoods, has officially defaulted on a \$21.25 million bond-interest payment that was due in full a month earlier. Although the move was expected, it is still viewed by those involved in tribal gaming and financing as a significant event.

Although no federal court has yet been asked to rule on the matter, most experts believe a bankruptcy filing is not legally possible, given sovereign tribes' status as governmental units. Other unanswered questions include who actually holds the debt, whether a lender can force a tribe into bankruptcy, and what impact tribal sovereignty and federal gaming laws have on tribal debt restructuring.

It is also unclear whether the Mashantuckets' creditors will seek to limit the distribution of gaming revenue to the tribe, which relies on the income to finance its government and to provide payments to tribal members. All these issues could have a profound effect upon tribes' ability to borrow capital in the future.

Economic Concentration in Atlantic City?

A U.S. Bankruptcy Court's approval of the sale of Tropicana's Atlantic City casino group that includes Carl Icahn might mean the two individuals, Icahn and money manager Leon Black, would control eight out of eleven Atlantic City casinos. Icahn could own four of the casinos- with the Tropicana and the Taj Mahal being the two largest – while Apollo Management, the private equity firm run by Black, owns Harrah's, which has four casinos in New Jersey.

Icahn and Beal Bank have presented a plan to pick up the debt on Trump Entertainment Resorts. The bankruptcy judge is deciding whether to select Icahn's proposal or one submitted by the note holders for control of the Taj Mahal and two other casinos.

There are provisions in New Jersey law to prevent economic concentration, but the new economic realities may require that the prohibition be redefined or eliminated.

