



UNITED STATES ATTORNEY'S OFFICE

Southern District of New York

U.S. ATTORNEY PREET BHARARA

FOR IMMEDIATE RELEASE
Monday, July 30, 2012
<http://www.justice.gov/usao/nys>

CONTACT: Ellen Davis, Jerika Richardson,
Jennifer Queliz
(212) 637-2600

MANHATTAN U.S. ATTORNEY ANNOUNCES \$731 MILLION SETTLEMENT OF MONEY LAUNDERING AND FORFEITURE COMPLAINT WITH POKERSTARS AND FULL TILT POKER

*Settlement Requires PokerStars to Forfeit \$547 Million and Full Tilt to Forfeit Virtually All of
Its Assets*

Funds to Be Made Available for Compensation to U.S. and Foreign Victims

Preet Bharara, the United States Attorney for the Southern District of New York, announced today that the United States has entered into settlement agreements with PokerStars and Full Tilt Poker - two of three online poker companies sued by the U.S. in a money laundering and forfeiture complaint that was originally filed in April 2012 - that were approved today by U.S. District Judge Leonard B. Sand. Under the terms of the settlement with Full Tilt Poker ("Full Tilt"), the company agreed to forfeit virtually all of its assets (the "Forfeited Full Tilt Assets") to the U.S. to fully resolve the charges in the complaint. Under the terms of the settlement with PokerStars, the company agreed to forfeit \$547 Million to the U.S. and to reimburse the approximately \$184 million owed by Full Tilt to foreign players, in order to fully resolve the allegations in the complaint. The settlement further provides that PokerStars will acquire the Forfeited Full Tilt Assets from the Government. Full Tilt's U.S. fraud victims will be able to seek compensation for their losses from the Department of Justice from the \$547 million forfeited by PokerStars.

Manhattan U.S. Attorney Preet Bharara said: "We are pleased to announce these settlements by Full Tilt Poker and PokerStars, which allow us to quickly get significant compensation into the victim players' hands. Today's settlements demonstrate that if you engage in conduct that violates the laws of the United States, as we alleged in this case, then even if you are doing so from across the ocean, you will have to answer for that conduct and turn over your ill-gotten gains."

Under the terms of the settlement with Full Tilt, U.S. victims of the company's alleged fraud will be able to seek compensation from the Department of Justice ("DOJ"). The funds that will be used to compensate qualifying victims will come from the \$547 million that will be forfeited by PokerStars as part of its settlement with the Government.

In addition to forfeiting \$547 million to the U.S., under the terms of the settlement with PokerStars, the company must make available to foreign players all balances that were held in the Full Tilt accounts within 90 days; the amount of those balances is approximately \$184 million. Pokerstars will also acquire the Forfeited Full Tilt Assets from the Government. PokerStars' acquisition of the Forfeited Full Tilt Assets will be complete upon the Government's receipt of a \$225 million payment from PokerStars, which must take place within six days of the entrance of today's settlement.

Additional terms of the PokerStars settlement include:

- Within 45 days of the acquisition of the Forfeited Full Tilt Assets, Isai Scheinberg, who is presently under indictment in a related criminal case, shall not serve in any management or director role at PokerStars. This provision is subject to re-evaluation by the parties upon the resolution of the criminal case.
- PokerStars is also prohibited from employing, or otherwise hiring, Full Tilt Poker insiders Raymond Bitar, Howard Lederer, Rafael Furst, Chris Ferguson, and Nelson Burtonick. Bitar and Burtonick are also named as defendants in a related criminal Indictment. Bitar, Lederer, Furst, and Ferguson are named as civil money-laundering defendants in this complaint.
- PokerStars is prohibited from offering online poker in the U.S. for real money unless and until it is legal to do so under U.S. law.
- The Government will maintain a portion of the \$547 million forfeited by PokerStars as a substitute for the forfeited Full Tilt assets to cover the litigation of claims by other parties asserting interests in the Forfeited Full Tilt Assets.

The settlements entered today with regard to Full Tilt Poker and PokerStars, and the proposed settlement with regard to Absolute Poker, do not constitute admissions of any wrongdoing, culpability, liability, or guilt by any parties. Under the terms of a "domain name use" agreement entered into between PokerStars and the Government on April 20, 2011, the company previously settled its accounts with U.S. players.

In a related matter, the U.S. Attorney's office also filed a motion requesting that the Court enter a settlement agreement reached with Absolute Poker/Ultimate Bet that requires the company to forfeit all of its assets (the "Absolute Assets") in order to fully resolve this action. The motion also requests that the Government be permitted to liquidate the Absolute Assets, with the net proceeds of that sale to be held pending the resolution of claims filed by other parties who have asserted an ownership interest in the Absolute Assets.

The following allegations are based on the Amended Civil Forfeiture Complaint filed in September and the Indictments returned in the related criminal action:

On October 13, 2006, the United States enacted the Unlawful Internet Gambling Enforcement Act ("UIGEA"), making it a federal crime for gambling businesses to "knowingly accept" most forms of payment "in connection with the participation of another person in unlawful Internet gambling." Despite the passage of the UIGEA, Full Tilt Poker, PokerStars, and Absolute Poker/Ultimate Bet ("the Poker Companies"), each located offshore, continued

operating in the United States. Because U.S. banks and credit card issuers were largely unwilling to process their payments, the Poker Companies allegedly used fraudulent methods to circumvent federal law and deceive these financial institutions into processing payments on their behalf. For example, the Poker Companies arranged for the money received from U.S. gamblers to be disguised as payments to hundreds of non-existent online merchants purporting to sell merchandise such as jewelry and golf balls. Of the billions of dollars in payment transactions that the Poker Companies deceived U.S. banks into processing, approximately one-third or more of the funds went directly to the Poker Companies as revenue through the “rake” charged to players on almost every poker hand played online.

To accomplish their fraud, the Poker Companies worked with an array of highly compensated “payment processors” who obtained accounts at U. S. banks for the Poker Companies. The payment processors lied to banks about the nature of the financial transactions they were processing, and covered up those lies, by, among other things, creating phony corporations and websites to disguise payments to the Poker Companies. For example, a PokerStars document from May 2009 acknowledged that they received money from U.S. gamblers through company names that “strongly imply the transaction has nothing to do with PokerStars,” and that PokerStars used whatever company names “the processor can get approved by the bank.”

Full Tilt Poker further defrauded players by misrepresenting that player funds on deposit in online gambling accounts were safe, secure, and available for withdrawal at any time. In reality, the company did not maintain funds sufficient to repay all players, and instead, utilized players’ funds to distribute more than \$400 million to Full Tilt’s owners. By March 31, 2011, two weeks before the initial complaint in this action was unsealed, Full Tilt Poker owed approximately \$390 million to players around the world, including approximately \$160 million to players in the United States. At that time, Full Tilt Poker had only approximately \$60 million on deposit in its bank accounts. Full Tilt Poker’s scheme continued even after the civil forfeiture action commenced and the related criminal Indictment was unsealed in April 2011. Full Tilt Poker continued accepting foreign player funds despite the fact that it had liabilities to players around the world for over \$300 million, yet held only a small fraction of that amount in its bank accounts.

Eleven defendants were charged criminally in connection with the original Internet poker Indictment, seven of whom have been arrested. The defendants who have been arrested are: Raymond Bitar; Bradley Franzen; Ryan Lang; Ira Rubin; Brent Beckley; Chad Elie; and John Campos. All of the seven defendants except Bitar have each pled guilty and await sentencing with the exception of Campos, who was sentenced in June 2012 to three months in prison. Charges are still pending against the remaining four defendants – Nelson Burtnick, Isai Scheinberg, Paul Tate, and Scott Tom who remain at large. The charges and accusations against them are allegations and they are presumed innocent unless and until proven guilty.

U.S. Attorney Preet Bharara praised the FBI for its outstanding leadership in the investigation, which he noted is ongoing.

This matter is being handled by the Office’s Asset Forfeiture and Complex Frauds Unit. Assistant U. S. Attorneys Sharon Cohen Levin, Michael Lockard, Jason Cowley, and Andrew Goldstein are in charge of the civil money laundering and forfeiture action. Assistant U.S.

Attorneys Arlo Devlin-Brown, Nicole Friedlander and Niketh Velamoor are in charge of the criminal case.

12-232

###