

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA,

11 CIV 2564 (LBS)

Plaintiff,

v.

ANSWER
OF CARDROOM
INTERNATIONAL, LLC

POKERSTARS; FULL TILT POKER; ABSOLUTE
POKER; ULTIMATE BET, *et al.*

Defendants.

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PLEASE TAKE NOTICE that CARDROOM INTERNATIONAL, LLC., a Florida limited liability company, with an address of 4500 Biscayne Blvd., Penthouse North, Miami, Florida 33137 ("Claimant"), hereby files, pursuant to Rule G(5)(b), Supplemental Rules for Admiralty or Maritime Claims and Asset Forfeiture Actions, by and through its attorneys, its answer to the First Amended Complaint of the United States:

RESPONSE TO ALLEGATIONS OF THE UNITED STATES AGAINST THE
DEFENDANTS:

Claimant is not a defendant in the action. Claimant therefore neither admits nor denies the factual allegations made against the defendants in this action.

ALLEGATIONS OF CLAIMANT:

1. Claimant filed an action in the Los Angeles Superior Court, Cardroom LLC v. Pokerstars (the “Cardroom Lawsuit”). A copy of the complaint is attached as Exhibit A hereto. The allegations therein are incorporated herein by reference as if fully set forth herein.

2. Claimant never received any notice of the property seized by the United States.

3. Claimant’s claim is a contingent claim to the assets of the entities identified in the Cardroom Lawsuit. Because it is a contingent claim—i.e. there is no lien or judgment—it is not at this time enforceable, but it will become enforceable at some point in the near future.

4. Claimant asserts its contingent claims over the following assets:

- a. All funds and other property on deposit and/or formerly on deposit in account numbered GB81 RBOS 6095 4234 0877 66 held at NatWest, in the name of Raymond Bitar, and all funds traceable thereto;
- b. All funds and other property on deposit and/or formerly on deposit in account numbered 7655741861 held at Wells Fargo Bank N.A. in the name of HH Lederer Consulting LLC, and all funds traceable thereto; and
- c. All funds and other property on deposit and/or formerly on deposit in account numbered GB56LOYD30166314010402 held at Loyds TSB International, Isle of Mann, in the name of Howard Lederer, and all funds traceable thereto;
- d. All funds and other property on deposit and/or formerly on deposit in account numbered 40039049628 held at Citibank N.A., in the name of Chris Ferguson, and all funds traceable thereto;

- e. All funds and other property on deposit and/or formerly on deposit in account numbered CH87 0875 5057 0684 0010 0 held at Pictet & Co Bankers, Switzerland, in the name of Telamonian Ajax Trust, and all funds traceable thereto;
- f. All other property that has been seized or will be seized in this proceeding at any time, directly from and/or related to, a) defendant Pokerstars and any related defendant(s) and, b) defendant Full Tilt Poker and any related defendant(s), pursuant to the Complaint filed in this matter, 11 Civ. 2564 (LBS) on April 20, 2011 and the First Amended Complaint filed in this matter, 11 Civ. 2564 (LBS) on September 21, 2011; and
- g. All funds identified in the original forfeiture complaint in this action unsealed on April 15, 2011 to the extent such funds are traceable to the activities of the pokersars.com and fulltiltpoker.com internet cardroom, but no claim is made to the extent the funds are traceable to the absolutepoker.com internet cardroom.

6. The United States takes the position in the civil complaint and the accompanying criminal indictment that peer-to-peer internet poker is illegal. That is a gross over-simplification. There is no federal law making peer-to-peer Internet poker illegal; instead, certain federal law make gambling which is illegal under a particular state's law also illegal under federal law. Only one of the states, Washington State, makes playing poker on an Internet peer-to-peer website a criminal act. Nine states, including Washington State, have explicitly barred the operation of Internet peer-to-peer gambling website across their borders, and in total it appears that approximately half of the United States have barred such activities by virtue of an explicit prohibition or an extremely broad statutory bar on participating in games occurring outside of the

state. This means that of the funds seized, some portion is a product of illegal activities—namely operation of a peer-to-peer poker site for profit with players in a state which prohibits such conduct across its borders—and at least in the case of funds related to the operation of pokerstars.com, some money was not illegally obtained at all. Examples include money from players in California, where on-line peer-to-peer pokers which is not a banking or percentage game violates no law, or money from players in Virginia, which limits its bar on interstate and international gambling to lotteries and otherwise only bars gambling within its physical territory.

7. With respect to the moneys seized from payment processors attributable to fulltiltpoker.com, all of those funds belong to players, as they are the product of fraud. However, with respect to the funds seized from the accounts of Howard Lederer, Chris Ferguson, Rafe Furst and Ray Bitar, a portion of those funds will arise from the activities of fulltiltpoker.com servicing non-US players and, in the case of Ferguson and Lederer, their individual activities as professional poker players. All funds from such latter portion are not subject to seizure by the United States except as substitute funds subject to a one-year statute of limitations, and thus will be available for satisfaction of a judgment.

8. According to press reports earlier this month SFR 18 million was seized by prosecutors in Geneva, Switzerland at the request of the United States from personal accounts of fulltiltpoker.com owners. Based on this and other information Claimant is informed and believes and therefore alleges that the amounts which have been seized or will be by the United States from pokerstars.com-related defendants and fulltiltpoker.com-related defendants but which are not subject to forfeiture under the law are, in the aggregate, greater than \$10,000.00.

9. Even if all of the amounts seized to date are subject to forfeiture, the United States has in its complaint demanded forfeiture of all assets of the pokerstars.com-related companies

and its controlling shareholder, as well as all of the assets of the fulltiltpoker.com-related companies and its four most powerful equity holders. The seizures are ongoing, therefore the United States is certain to seize funds in excess of the amounts forfeitable under the law.

10. Even if the U. S. Attorney contends that the absence of a judgment or lien would be fatal to enforcing a claim at the time this Answer is filed, the ongoing nature of the seizures and of the Claimant's Lawsuit means that Claimant will obtain an enforceable judgment and/or lien that can be enforced in the future. Therefore it is appropriate for this claim to be filed at this time and then, when the United States seeks to have seized funds ordered forfeited, to evaluate the Claimant's claim against the claims of third parties and the amounts that the United States is allowed to forfeit. Because of the ongoing nature of the criminal and civil forfeiture proceedings, such evaluation could occur multiple times, though Claimant requests that any such evaluation occur only once.

11. Claimant reserves the right to amend or supplement the within claim upon the availability of additional information.

Cardroom therefore prays as follows for the following relief:


A. The seized funds and all other property should continue to be held and not released to the United States until all criminal claims have been finally adjudicated or until Claimant's lawsuit reaches a judgment.

B. All funds seized which the United States cannot demonstrate arise from illegal activities specified in 18 USC Section 981 within one year of the relevant date should be given to

Claimant in the amount of 30 million dollars or the sum of judgments obtained against any of the named Defendants, whichever amount is less.

Dated: October 21, 2011

Respectfully submitted,



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&

/s/ Robert J. Hantman
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*Attorneys for Claimant Cardroom
International, LLC*

EXHIBIT “A”

SEP 30 2011

John A. Clarke, Executive Officer/Clerk
By A. WILLIAMS
DEPUTY

NO STAMENS ISSUED

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CASE MANAGEMENT CONFERENCE

Counsel for CARDROOM INTERNATIONAL LLC

JAN 18 2012
Date

ALLAN J. GOODMAN *Dot: P 830am*

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

CARDROOM INTERNATIONAL LLC, a
Florida limited liability corporation

Plaintiff,

Case No. **SC114330**

COMPLAINT FOR RELIEF UNDER:

vs.

- (1) RACKETEER-INFLUENCED CORRUPT ORGANIZATIONS ACT ("RICO"), 18 U.S.C. § 1964 ET SEQ;
- (2) FLORIDA ANTI-TRUST ACT;
- (3) THE CARTWRIGHT ACT.

MARK SCHEINBERG, an individual; ISAI SCHEINBERG, an individual; OLD FORD GROUP LTD., a limited liability company; RATIONAL ENTERTAINMENT ENTERPRISES LTD., a limited liability company; PYR SOFTWARE LTD., a limited liability company; STELEKRAM LTD., a limited liability company; SPHENE INTERNATIONAL LTD., a limited liability company; TILTWARE LLC, a California limited liability company; KOLYMA CORPORATION A. V. V., a Curacao company; POCKET KINGS LTD., an Irish limited liability company; POCKET KINGS CONSULTING LTD., an Irish limited liability company; FILCO LTD., a limited company; VANTAGE LTD., a limited company; RANSTON LTD., a limited company; MAIL MEDIA LTD., a limited company; MARK SCHEINBERG, an individual; ISAI SCHEINBERG, an individual; CHRIS FERGUSON, an individual; HOWARD LEDERER, an individual; RAYMOND BITAR, an individual; PHILLIP GORDON, an individual; ANDY BLOCH, an individual; PHIL IVEY, an individual; PERRY FRIEDMAN, an individual; JOHN JUANDA, an individual; ERIK LINDGREN, an individual; Erik Seidel, an individual; MICHAEL MATUSOW, an individual; ALLEN CUNNINGHAM, an individual; GUS

1 HANSEN, an individual; PATRIK
2 ANTONIUS, an individual; RAFE FURST, an
individual; NELSON BURTNICK, an
3 individual; and DOES 1 through 30, inclusive,
4
5 Defendants.

6 Plaintiff, CARDROOM INTERNATIONAL LLC, hereby alleges as follows:

7 **THE PARTIES**

8 1. Plaintiff, CARDROOM INTERNATIONAL LLC ("CRI"), is a Florida limited
9 liability company. It owns a fully developed, mature and proven software system for the play of
10 poker on the Internet for real money or points. A version of its software may be played for free on
11 www.cardroom.com. It is authorized to do business in Florida and California and has operations
12 in both states. Cardroom began offering its software for license in 2008.

13 2. POKERSTARS ("Pokerstars") is, and at all relevant times hereto was, an
14 unincorporated association-in-fact, the members of which include the corporations listed in
15 paragraph 6 below and the individuals identified in paragraphs 4 and 5 below.

16 3. Defendant ISAI SCHEINBERG ("Isai Scheinberg") founded the Pokerstars group
17 of companies in 2001 and was president of all of them. He is a resident of the Isle of Man.

18 4. Defendant MARK SCHEINBERG ("Mark Scheinberg") is, and at all relevant
19 times hereto was, the son of Isai Scheinberg and an executive within the Pokerstars group of
20 companies.

21 5. Isai Scheinberg and Mark Scheinberg (individually and collectively, the
22 "Scheinbergs") own and control the Pokerstars companies.

23 6. The companies which are members of the Pokerstars association-in-fact, include,
24 but are not limited to, Defendants OLDFORD GROUP LTD., a limited company; RATIONAL
25 ENTERTAINMENT ENTERPRISES LTD., a limited company; PYR SOFTWARE LTD., a
26 limited company; STELEKRAM LTD., a limited company ("Stelekram"); and SPHENE
27 INTERNATIONAL LTD., a limited company ("Sphene") (such defendants being hereinafter
28

1 referred to as the "Pokerstars Companies"). The Scheinbergs and the Pokerstars Companies
2 comprise the "Pokerstars Defendants."

3 7. Full Tilt Poker ("Full Tilt") is an association-in-fact comprising the individuals set
4 forth in paragraphs 8 to 22 (the "Full Tilt Owners") and the companies identified in paragraphs 23
5 through 24 (the "Full Tilt Companies"), such individuals and companies being the "Full Tilt
6 Defendants".

7 8. Defendant CHRIS FERGUSON ("Ferguson") is, and at all relevant times hereto
8 was, an individual residing in the County of Los Angeles, State of California.

9 9. Defendant HOWARD LEDERER ("Lederer") is, and at all relevant times hereto
10 was, an individual residing in the County of Clark, State of Nevada.

11 10. Defendant RAYMOND BITAR ("Bitar") is, and at all relevant times hereto was,
12 an individual residing in the County of Los Angeles, State of California. He is currently a fugitive
13 from justice after having been indicted by the United States Attorney for the Southern District of
14 New York.

15 11. Defendant PHILLIP GORDON ("Gordon") is, and at all relevant times hereto was,
16 an individual residing in the County of Clark, State of Nevada.

17 12. Defendant ANDY BLOCH ("Block") is, and at all relevant times hereto was, an
18 individual residing in the County of Clark, State of Nevada.

19 13. Defendant PHIL IVEY ("Ivey") is, and at all relevant times hereto was, an
20 individual residing in the County of Clark, State of Nevada.

21 14. Defendant PERRY FRIEDMAN ("Friedman") is, and at all relevant times hereto
22 was, an individual residing in the County of Los Angeles, State of California.

23 15. Defendant JOHN JUANDA ("Juanda") is, and at all relevant times hereto was, an
24 individual residing in the County of Los Angeles, State of California.

25 16. Defendant ERIK LINDGREN ("Lindgren") is, and at all relevant times hereto was,
26 an individual residing in the County of Clark, State of Nevada.

27 17. Defendant ERIK SEIDEL ("Seidel") is, and at all relevant times hereto was, an
28 individual residing in the County of Clark, State of Nevada.

1 18. Defendant MICHAEL MATUSOW ("Matusow") is, and at all relevant times
2 hereto was, an individual residing in the County of Clark, State of Nevada.

3 19. Defendant ALLEN CUNNINGHAM ("Cunningham") is, and at all relevant times
4 hereto was, an individual residing in the County of Clark, State of Nevada.

5 20. Defendant GUS HANSEN ("Hansen") is, and at all relevant times hereto was, a
6 citizen of the Kingdom of Denmark.

7 21. Defendant PATRIK ANTONIUS ("Antonius") is, and at all relevant times hereto
8 was, a citizen of the Republic of Finland.

9 22. Defendant RAFE FURST ("Furst") is, and at all relevant times hereto was, an
10 individual residing in the County of Los Angeles.

11 23. Defendant TILTWARE, LLC is a California limited liability company with an
12 address at 10866 Wilshire Blvd. 4th Floor, Los Angeles, CA 90024 ("Tiltware").

13 24. POCKET KINGS LTD. ("Pocket Kings") is an Irish company based in the
14 Republic of Ireland. Defendants are informed and believe and therefore allege that the entire share
15 capital of this entity is owned by Tiltware. Other entities comprising the Full Tilt association-in-
16 fact include KOLYMA CORPORATION A. V. V., a Curacao company ("Kolyma"); POCKET
17 KINGS CONSULTING LTD., an Irish limited liability company ("PKC"); FILCO LTD., a
18 limited company ("Filco"); VANTAGE LTD., a limited company ("Vantage"); RANSTON LTD.,
19 a limited company ("Ranston"); and MAIL MEDIA LTD., a limited company ("Mail Media").

20 25. Defendant NELSON BURTNICK ("Burtnick") was from 2001 to 2011 an
21 employee of one or more of the Full Tilt Companies and one or more of the Pokerstars
22 Companies. He served as the linchpin and coordinator between the Pokerstars Defendants and the
23 Full Tilt Defendants.

24 26. Plaintiff is informed and believes and on that basis alleges that all Defendants
25 knowingly and willfully conspired to conduct the actions alleged herein. Each Defendant did the
26 acts and things herein alleged pursuant to, and in furtherance of, the conspiracy, or lent aid and
27 encouragement to the conspiracy.

28

1 COMMON ALLEGATIONS

2 27. The Scheinbergs are the founders, owners, and principal decision-makers for
3 Pokerstars, founded in or about 2001 with headquarters in the Isle of Man. Through its former
4 website, pokerstars.com, the Pokerstars Defendants provided real-money internet peer-to-peer
5 poker games to United States customers until April 15, 2011. Through its website pokerstars.net,
6 the Pokerstars Defendants offer play-money internet poker games. The pokerstars.net site is a
7 promotional tool of the Pokerstars Defendants with three purposes. First, it interests players in the
8 game of internet poker. Second, it provided a means to promote the Pokerstars brand in the
9 United States with media companies that were afraid of being associated with the real-money
10 internet poker business. Third, it was a method for identifying persons who might be interested in
11 playing real-money poker. To this end, the Pokerstars Defendants were responsible for creating,
12 packaging, and sponsoring (via advertisements for its pokerstars.net website) television programs
13 featuring professional poker players on the Fox network, ESPN network, and other American
14 broadcast and cable networks. Pokerstars.com was, from 2007 to April 2011, the largest and most
15 successful real money internet poker website in the world, with more than 50% of the market.
16 During that period www.pokerstars.com continuously had players engaged in real-money poker
17 from each and every one of the United States.

18 28. Ferguson, Lederer, Bitar, Gordon, Block, Ivey, Juanda, Furst and Friedman
19 founded Tiltware in Los Angeles in 2003 and now own, together with the other Full Tilt Owners,
20 directly or indirectly, a majority of the economic and controlling interests of every one of the
21 entities which comprise the Full Tilt Poker association-in-fact. Through its website,
22 fulltiltpoker.com, Full Tilt Poker provided real-money internet peer-to-peer poker games to United
23 States customers until April 15, 2011. Through its website fulltiltpoker.net, Full Tilt Poker offers
24 play-money internet poker games. The fulltiltpoker.net site is a promotional tool with four
25 purposes. First, it interests players in the game of internet poker. Second, it provides a means to
26 promote the Full Tilt Poker brand in the United States with media companies afraid of being
27 associated with the real money internet poker business. Third, it was a method for identifying
28 persons who might be interested in playing real-money poker. Fourth, it promoted the

1 independent professional poker careers of Ferguson, Lederer, Gordon, Block, Ivey, Juanda,
2 Lindgren, Sidel, Matusow, Cunningham, Hanson, and Antonious. To this end, Full Tilt Poker was
3 responsible for creating, packaging, and sponsoring (via advertisements for its fulltiltpoker.com
4 website) television programs featuring professional poker players on the NBC network, and other
5 networks. Full Tilt Poker was, from 2007 to April 2011, the second largest and most successful
6 real money internet poker website in the world, with approximately one-third of the market.
7 During that period www.fulltiltpoker.com continuously had players engaged in real-money poker
8 from each and every one of the United States.

9 29. These sites are ostensibly on-line poker rooms. An on-line poker room is a
10 internet-based version of California cardrooms such as the Bicycle Casino and the Commerce
11 Casino (both located in Los Angeles County). At a true cardroom players engage in poker and
12 other card games against each other, and the owner of the cardroom has no stake in the outcome,
13 instead charging a fee to play each hand. To play on fulltiltpoker.net, pokerstars.net and parts of
14 the now shut-down fulltiltpoker.com and pokerstars.com websites, a person signed up and is
15 allotted a certain number of chips per day which have no value. The person appears to other
16 players as a two-dimensional "avatar" selected from a pool of stock images, and chooses a screen
17 name. The player then played against other persons for such imaginary chips.

18 30. To play on the real money portions of the fulltiltpoker.com and pokerstars.com
19 websites, a person signed up for an account online and sent money to a bank account, on-line
20 payment system or credit card processor which money was eventually received, after deduction of
21 money transfer expenses, to one of the corporate Defendants. The person appeared to other
22 players as a two-dimensional "avatar" and chooses a screen name. Peer-to-peer poker, where no
23 one profits from the game other than the wins and losses from participating in the game against
24 other players, is legal everywhere. Playing such games over the Internet is legal in every state
25 except Washington State. Profiting from hosting a game of internet, peer-to-peer poker is legal
26 in some states, such as California, so long as the fee is not based on a percentage of the hand and
27 the person charging the fee for hosting the game does not have a stake in its outcome; however, at
28 least half of the United States bar profiting from such peer-to-peer games, treating such conduct as

1 a criminal offense. There is no federal law directly addressing on-line poker, but several federal
2 statutes make violation of state-gambling laws illegal as a matter of federal law.

3 31. To Plaintiff's knowledge, the pokerstars.com website was a true peer-to-peer
4 internet cardroom. The fulltiltpoker.com website, on the other hand, was never a peer-to-peer
5 internet cardroom, because of the participation of the owners of fulltiltpoker.com in the outcome
6 of the game. The fulltiltpoker.com website was not a poker room because the house, that it is to
7 say the Full Tilt business, regularly played. This occurred through two mechanisms. First, the
8 Full Tilt Owners (except for Bitar) themselves would play on the website, as these individuals are
9 all well-known professional poker players. Second, Full Tilt placed robots, which are computer
10 programs controlling avatars, on its site to fill tables and earn money from less-skilled players.
11 The fact that the Full Tilt Owners played on the website was heavily publicized and indeed a
12 marketing strategy, but the fact that the Full Tilt Owners in fact owned an interest in the
13 fulltiltpoker.com website and, except for Bitar, played on fulltiltpoker.com using money of the
14 association-in-fact was kept hidden from players.

15 32. The application of state law to on-line poker played for real money conducted
16 internationally was in doubt until the enactment of the Unlawful Internet Gambling Enforcement
17 Act, 31 U.S.C. §§ 5361-5367 ("UIGEA"), which took effect on October 13, 2006. Though the
18 Defendants represent that their real-money internet poker businesses were not gambling, poker is
19 considered a form of gambling in every American state, though some states, like California, treat
20 it differently from other kinds of gambling.

21 33. After the passage of the UIGEA, various states, federal legislators, and foreign
22 countries introduced legislation to legalize peer-to-peer internet poker. To date the District of
23 Columbia has legalized such activities, and legislation is pending in Congress and various states.
24 In addition, countries such as the United Kingdom, Ireland, France and Italy have legalized,
25 competitive markets.

26 34. Plaintiff Cardroom owns a mature and proven internet poker peer-to-peer system.
27 It has sought to license its technology both for the real money and play money areas. However,
28 the efforts of the company to conduct business were repeatedly stymied by the illegal conduct of

1 the Defendants, arising from their illegal and anti-competitive servicing of United States poker
2 players to play online.

3 35. The most important features of an internet poker company are reliability,
4 creditworthiness, and liquidity. The term "liquidity" refers to the availability of large number of
5 other players interested in, and capable of, playing on the site. More players allows the holding of
6 larger tournaments, a greater variety of games, and a better playing experience with more varied
7 opponents. Because the Full Tilt Defendants and the Pokerstars Defendants successfully
8 cooperated in finding mechanisms for illegally transferring money to and from United States
9 players after the passage of the UIGEA, they obtained a dominant position in the world market.
10 The activities of Full Tilt and Pokerstars injured Cardroom as described in the following
11 paragraphs 36 to 38.

12 36. Cardroom sought to license its software to major media companies for use on their
13 sports-related sites. Between them, the Pokerstars Defendants and the Full Tilt Defendants
14 entered into agreements whereby they provided such play money services to ESPN/ABC, Fox, and
15 NBC. At a meeting with one of the aforementioned networks, the CEO of Cardroom was informed
16 that adoption of his system faced the barrier of the purchase of airtime on the network by the
17 Pokerstars Companies, as the Pokerstars Companies were tying continued purchase of airtime to
18 use of its software and system on the network's website. Within weeks of meeting with this
19 network, the network announced a deal with Pokerstars. The bulk of the money utilized by the
20 Pokerstars Defendants to purchase time for poker television programs came from funds illegally
21 obtained from United States poker players. Though Full Tilt did not directly interfere in the
22 potential transaction between Cardroom and the network, it was due to the joint conspiracy of the
23 Pokerstars Defendants and the Full Tilt Defendants alleged below that both companies achieved
24 their dominant positions in on-line poker.

25 37. Cardroom was also stymied in seeking relationships with major casino companies
26 to provide services in the US and abroad as legalization and regulation advances. Both the
27 Pokerstars Defendants and the Full Tilt Defendants announced strategic relationships with two
28 major United States casino companies that needed software systems. The only reason these casino

1 companies entered into these relationships was the dominant position obtained by the Full Tilt
2 Defendants and the Pokerstars Defendants.

3 38. The dominant position of the Full Tilt Defendants and the Pokerstars Defendants
4 also discouraged new entrants from the international, regulated markets, thus leaving only a small
5 number of potential clients for Cardroom and other competing software companies.

6 39. On April 15, 2011 the United States Attorney for the Southern District of New
7 York unsealed grand jury indictments against Bitar, Burtnick and other individuals for conspiracy
8 to violate the UIGEA, money laundering, conspiracy to commit bank and wire fraud, operation of
9 an illegal gambling business in violation of state law, and violation of the UIGEA. A civil
10 forfeiture complaint, seeking the forfeiture to the United States of all the assets of Bitar, Burtnick,
11 the Full Tilt Companies and the Pokerstars Companies was also unsealed, and the United States
12 District Court of the Southern District of New York entered forfeiture orders on millions of dollars
13 of assets and seized the pokerstars.com and fulltiltpoker.com domain names, though the U. S.
14 Attorney has since agreed to allow use of these domain names to allow players to have funds
15 returned to them. On September 20, 2011, the United States Attorney for the Southern District of
16 New York amended its civil complaint to add Ferguson, Furst and Lederer as Defendants due to
17 their operation of the fulltiltpoker.com website as a fraudulent ponzi scheme.

18
19 **FIRST CAUSE OF ACTION**

20 **RELIEF UNDER THE RACKETEER-INFLUENCED CORRUPT ORGANIZATIONS**

21 **ACT ("RICO"), 18 U.S.C. § 1964 et seq;**

22 (By Plaintiff As Against the Pokerstars Defendants, the Full Tilt Defendants, Burtnick, and Does
23 1 through 10, inclusive)

24 40. Plaintiffs hereby incorporate, by this reference, paragraphs 1 through 39, inclusive,
25 as if set forth in full.

26 41. Internet gambling businesses, including Full Tilt and Pokerstars , were not
27 permitted by United States banks to open bank accounts in the United States to receive proceeds
28

1 from United States gamblers after the passage of the UIGEA. Scheinberg, Bitar, Burtnick and
2 other employees of the Full Tilt Companies and Pokerstars Companies, operated through various
3 deceptive means designed to trick United States banks and financial institutions into processing
4 gambling transactions on their behalf, or bribe the owners thereof to process such transactions.

5 42. Beginning in or about 2001, credit card companies Visa and MasterCard introduced
6 regulations requiring member banks that processed credit card transactions for merchants to apply
7 a particular transaction code to internet gambling transactions. Thereafter, certain U.S. banks that
8 issued credit cards to U.S. consumers (so-called "Issuing Banks") elected not to extend credit to
9 customers for internet gambling purposes and as a matter of policy automatically declined
10 transactions bearing that internet gambling transaction code. The number of U.S. Issuing Banks
11 declining such transactions increased significantly over time such that, even prior to the passage of
12 the UIGEA in October 2006, most United States banks blocked transactions containing the
13 internet gambling code.

14 43. In order to circumvent the Visa and MasterCard regulations and trick U.S. banks
15 into authorizing their internet gambling transactions, the Defendants, and in particular the
16 Scheinbergs, Bitar, Lederer, Burtnick and Ferguson, worked with and directed others to apply
17 incorrect transaction codes to their respective association-in-fact's internet gambling transactions
18 order to disguise the nature of those transactions and create the false appearance that the
19 transactions were completely unrelated to internet gambling. Burtnick assisted both Full Tilt and
20 Pokerstars. Though Full Tilt and Poker Stars were competitors, in the area of payment processing
21 to the United States they repeatedly and directly cooperated with each other and third parties to
22 illegally process payments.

23 44. One method used by the members of the conspiracy to trick the United States
24 banks into approving Internet gambling charges involved the creation of phony non-gambling
25 companies that the Poker Companies used to initiate the credit card charges. At various times
26 Bitar (at the direction of the other Full Tilt Owners and on behalf of the Full Tilt Companies), the
27 Scheinbergs (on behalf of the Pokerstars Companies) and Burtnick worked with other members of
28 the conspiracy to create such fictitious companies –including phony online flower shops and pet

1 supply stores –that established Visa and MasterCard merchant processing accounts with offshore
2 banks. When the Full Tilt Companies and Pokerstars Companies processed a transaction through
3 one of these phony companies without applying a gambling code to the transaction, the United
4 States Issuing Bank would be tricked into approving the gambling transaction even if its policy
5 was to not allow the extension of credit for Internet gambling. Because the credit card networks
6 were often able to detect the fraudulent nature of these phony merchants after a period of time and
7 to shut down processing for those phony merchants, Bitar and Burtnick, and their co-conspirators,
8 arranged for a supply of stand-by phony merchants to be used when a particular phony merchant
9 was discovered.

10 45. A second method used by the members of the conspiracy to trick United States banks
11 involved the use of certain pre-paid credit cards. At various times from 2007 to 2010, the
12 Pokerstars Companies and Full Tilt Companies, through, among others, the Scheinbergs, Bitar and
13 Burtnick, and their coconspirators, developed so-called "stored value cards", such as pre-paid
14 debit cards or even pre-paid "phone" cards that could be "loaded" with funds from a U.S.
15 customer's credit card without using a gambling transaction code. Once "loaded" in this way, the
16 stored value cards were used by gamblers almost exclusively to transfer funds to the Full Tilt
17 Companies and the Pokerstars Companies. To avoid detection, Scheinberg, Bitar and Burtnick,
18 and their co-conspirators, arranged for fake internet web sites and phony consumer "reviews" of
19 the stored value cards so that it would appear that the stored value cards had some other legitimate
20 purpose.

21 46. Because Visa and MasterCard sought to identify and block attempts to circumvent
22 their rules requiring internet gambling transactions to be correctly identified –so that banks could
23 decline to accept them if they wished –the Full Tilt Companies and Pokerstars Companies were
24 unable to process credit card transactions consistently, even through their use of fraudulent means.
25 Accordingly, the Scheinbergs, Bitar and Burtnick, and others, worked with and directed others to
26 develop yet another method of deceiving United States banks and financial institutions into
27 processing their respective association-in-facts' Internet gambling transactions, through fraudulent
28 e-check processing. At all times relevant to this Complaint, the Automated Clearinghouse (or

1 "ACH") system was an electronic network, administered by the Federal Reserve, that allowed for
2 electronic fund transfers to and from United States bank accounts through "e-checks" or
3 "electronic checks." At various times relevant to this Complaint, the Defendants, through among
4 others Scheinberg, Bitar, and Burtnick, increasingly focused the payment systems on e-checks. A
5 principal difficulty for the Full Tilt Companies and Pokerstars Companies in e-check processing
6 was that the ACH system required the merchant to open a processing account at a United States-
7 based Originating Depository Financial Institution (or "ODFI"). Because the Pokerstars
8 Defendants and the Full Tilt Defendants were violating the laws of some of the states in which
9 they offered on-line poker, they could not and did not seek to open bank accounts for e-check
10 processing in the names of their businesses. Instead, the Pokerstars Defendants and the Full Tilt
11 Defendants found third parties willing to open the bank accounts and process these e-check
12 transactions on behalf of them using the names of phony companies.

13 47. In furtherance of this aspect of the scheme, the Scheinbergs, Bitar and Burtnick, among
14 others, relied on various middlemen, including Ryan Lang ("Lang") and Bradley Franzen
15 ("Franzen"), to connect their respective associations-in-fact with payment processors willing to
16 handle internet poker e-check transactions. Following these introductions, Scheinberg caused
17 various of the Pokerstars Companies and Bitar, Ferguson and Lederer caused various of the Full
18 Tilt Companies to enter into processing agreements with certain of the e-check processors. The
19 agreements provided the e-check processors with fees for processing each e-check transaction that
20 were substantially higher than fees paid for standard e-check processing for legitimate, non-
21 gambling merchants. The Defendants then worked with the e-check processors and other co-
22 conspirators to disguise the receipt of gambling payments so that the transactions would falsely
23 appear to United States banks as non-gambling transactions. The Pokerstars Companies and Full
24 Tilt Companies, along with the e-check processors, typically accomplished fraudulent e-check
25 processing as follows:

26 a. First, the e-check processors—sometimes directly, and sometimes through third parties—
27 opened bank accounts at United States-based ODFI banks in order to process the Pokerstars
28 Companies' and Full Tilt Companies' e-check transactions through the ACH system. The e-check

1 processors typically lied to the ODFI bank about the purpose of the account, falsely claiming that
2 the account would be used to process e-checks for a wide variety of lawful e-commerce merchants
3 without disclosing that, in fact, they would be used to process Internet gambling transactions. In
4 some cases, the e-check processors offered specific lies about the identity of these purported e-
5 commerce merchants. In several cases, for example, the e-check processors falsely told the banks
6 that the transactions were for particular purported internet shopping sites, such as an online store
7 selling watches, when, in reality, as the e-check processors well knew, the transactions were for
8 the Pokerstars Companies or Full Tilt Companies.

9 b. Second, the e-check processors worked with the Pokerstars Defendants and the Full Tilt
10 Defendants, including with the Scheinbergs, Bitar, Burtnick, and others, in the creation of dozens
11 of phony corporations and corresponding websites so that the money debited from U.S. customer's
12 banks would falsely appear to United States banks to be consumer payments to non-gambling
13 related businesses. For example, in or about mid-2008, the Scheinbergs and Burtnick caused the
14 Pokerstars Companies to hire Ira Rubin's company E-Triton to process the PokerStars Companies'
15 transactions disguised as payments to dozens of phony web stores, including oneshopcenter.com
16 and mygolflocation.com, which Rubin sub-contracted to a third party. In another example, in or
17 about June 2009, following the third party's termination of its processing activities, Burtnick, this
18 time on behalf of the Full Tilt Defendants, arranged for two of Rubin's associates to process
19 payments for Full Tilt disguised as payments to a medical billing company, until accounts related
20 to that processing were seized by judicial order in or about September 2009. In another example,
21 in or around June 2009, Franzen, working with multiple co-conspirators, created a phony business
22 called "Green2YourGreen" to be used to disguise payments from U.S. gamblers destined for
23 Pokerstars and Full Tilt. Franzen's coconspirators told multiple United States banks insured by the
24 FDIC, including Citibank and Wells Fargo Bank, among others, that "Green2YourGreen" was a
25 "direct sales" business that allowed consumers to buy environmentally friendly household
26 products and sell them to other consumers in return for commissions. Indeed, the phony
27 Green2YourGreen website that Franzen's co-conspirators created to disguise the gambling

1 transactions listed numerous products that were purportedly for sale and contained "testimonials"
2 about the benefits of green living.

3 c. The development and selection of phony merchants and websites to serve as cover for
4 the poker processing was conducted in close coordination with Pokerstars and Full Tilt
5 themselves, including with the Scheinbergs, Bitar, Ferguson, Lederer, and Burtnick. When a U.S.
6 gambler entered his or her checking account information on the fulltiltpoker.com or
7 pokerstars.com websites the e-check transaction was submitted through the ACH system using the
8 name of one of the phony businesses rather than the name of the relevant entities and the charge
9 appeared on the customer's bank account under this phony name. The e-check processor's
10 computer systems communicated with the computer systems of the Full Tilt Defendants and the
11 Pokerstars Defendants so that when a gambler entered e-check information on the respective
12 websites, the gambler and website operator received notice of the name of the phony merchant that
13 would appear on the customer's bank account statement in lieu of the name of the particular
14 corporate Defendants, as having initiated the charge. For example, for a time the Pokerstars
15 Companies used "oneshopcenter" and "mygolflocations" to appear as the party initiating the
16 charges on gamblers' bank statements. At the time "oneshopcenter.com" and
17 "mygolflocation.com" were purported Internet merchants that falsely claimed to sell clothing and
18 jewelry (for oneshopcenter.com) and golf clubs (for mygolflocation.com) .

19 d. Similarly, Full Tilt and Pokerstars worked with the fraudulent processors to coordinate
20 responses to customer inquiries to the phony merchants, including the complaints of gamblers
21 confused by the phony merchant name appearing on their checking account statement. For
22 example, in or around March 2009 two United States individuals working for the United States
23 Attorney for the Southern District of New York sent e-mails to purported customer service
24 addresses listed by oneshopcenter.com and mygolflocation.com regarding attempts to purchase
25 particular items. They received responses not from these websites, but from individuals
26 identifying themselves as customer service employees of the Pokerstars Companies replying from
27 e-mail addresses associated with the Pokerstars Companies.

1 e. Tracking all of the phony merchants used to disguise gambling transactions created
2 administrative and technical difficulties for the Pokerstars Defendants and the Full Tilt
3 Defendants. For example, a Pokerstars document from in or about May 2009 in the possession of
4 the United States Attorney for the Southern District of New York provided as follows:

5 It's not unusual for PokerStars to have their transactions identified by 30+
6 descriptors [the name of the merchant appearing on the consumer's credit card or
7 checking account] at any point in time. The purpose of a descriptor is to help the
8 customer identify the source of the transaction, be it credit card or electronic
9 funds transfer. Unfortunately PokerStars does not have this luxury relying on
10 whatever descriptor the processor can get approved by the bank. These descriptors
11 are diverse, often vague and rarely reflect the nature of the transaction in any way.
12 In fact most descriptors strongly imply the transaction has nothing to do with
13 PokerStars (i.e. BICYCLEBIGSHOP.COM, GOLFSHOPCENTER.COM,
14 VENTURESHOPPING.COM etc) whilst some players read confirmation emails
15 and understand process, many do not and it is all too easy for a player to tell their
16 bank "I've never made a purchase at BICYCLEBIGSHOP.COM". As a result
17 chargebacks (Not Auth & Stop Payments) are increasing which in turn
18 jeopardizes the relationship with the processor and their banks. To address the
19 issue, PokerStars modified its software so, where possible, a consistent phony
20 descriptor would appear on the bank statements of a given U.S. customer.

21 48. The Scheinbergs, Bitar, Burtnick and other Defendants, worked with multiple e-
22 check processors introduced to them by Lang, Franzen, and others, many of which the Full Tilt
23 Defendants and the Pokerstars Defendants used simultaneously and in direct cooperation. These e-
24 check providers included the following:

25 a. In or around the spring of 2007, Lang introduced the Scheinbergs and Bitar to a method
26 of e-check processing offered by Intabill, an Australia-based payment processing company.
27 Because Intabill did not have direct access to United States ACH processing accounts, Intabill
28 subcontracted its processing to United States based e-check processors. With the knowledge and
approval of the Scheinbergs, Bitar, Burtnick, Ferguson, Furst and Lederer, Intabill disguised the
gambling transactions as the transactions of dozens of phony financial services merchants. Intabill
processed at least \$543,210,092 of transactions for Full Tilt and Pokerstars from mid-2007
through March 2009. In or around March 2009, Full Tilt and Pokerstars ceased processing through
Intabill, in part because Intabill owed them tens of millions of dollars for past processing. Intabill

1 subsequently went insolvent and its owner, Daniel Tzvetkoff, was arrested by the United States
2 and is awaiting trial in the United States District Court for the Southern District of New York.

3 b. In 2008 and 2009 Chad Elie ("Elie") had worked with Intabill to establish processing
4 accounts for internet gambling that were disguised as accounts set up to process repayments of so-
5 called "payday loans" which were high-interest high-risk loans unrelated to gambling transactions.
6 In or about August and September 2009, working with Franzen, Elie processed transactions on
7 behalf of the Full Tilt Companies.

8 c. In or around March 2009, Intabill's former U.S.-based representative, Andrew Thornhill
9 ("Thornhill"), began seeking to process transactions for the Pokerstars Companies himself,
10 communicating at various times with the Scheinbergs, Franzen and Elie, among others, about
11 potential processing. In or around June 2009, Thornhill and Franzen began processing e-checks for
12 the Pokerstars Companies disguised as payments to the phony "Green2YourGreen"
13 environmentally friendly household products company described above. The Green2YourGreen
14 process lasted only a few months, until approximately August 2009, when Citibank and Wells
15 Fargo Bank, among others, discovered that the transactions were, in fact, for internet gambling
16 and terminated the accounts. At that time, the proceeds of these accounts were then seized by U.S.
17 law enforcement pursuant to a judicial warrant.

18 d. In or around December 2008, after learning that Intabill was unlikely to continue
19 processing, the Scheinbergs, Bitar, Burtnick, Ferguson and Lederer began to cause the Full Tilt
20 Companies and the Pokerstars Companies to jointly process payments through an Arizona
21 payment processor, Allied Systems (the "Arizona Processor"), which was assisted at times by a
22 company operated by Lang. From in or about December 2008 through on or about June 1, 2009,
23 the Arizona Processor processed more than \$100 million in payments primarily from U.S.
24 gamblers to the Full Tilt Companies and the Pokerstars Companies; all of the transactions were
25 processed using the names of phony merchants so as falsely to appear unrelated to Internet
26 gambling. On or about June 1, 2009, the Arizona Processor ceased processing transactions
27 following the seizure of its bank accounts by U.S. law enforcement pursuant to a judicial warrant.

1 e. At various times relevant to this Complaint each of the Full Tilt Companies and the
2 Pokerstars Companies employed Ira Rubin ("Rubin"), his company E-Triton and various of
3 Rubin's associates including an e-check processor in California (the "California Processor") to
4 process their internet gambling transactions disguised as legitimate online merchant transactions in
5 order to to trick U.S. banks into authorizing transactions. For example, in or about mid-2008, the
6 Scheinbergs and Burtnick caused various Pokerstars Companies to hire Rubin's company E-Triton
7 to process their transactions disguised as payments to dozens of phony web stores including
8 oneshopcenter.com and mygolflocation.com, which Rubin sub-contracted to the Arizona
9 Processor. In another example, in or about June 2009, following the Arizona Processor's
10 termination of its processing activities due to seizure of its bank accounts, Burtnick and Franzen
11 arranged for two of Rubin's associates to process payments for the Full Tilt Companies disguised
12 as payments to a medical billing company until accounts related to that processing were seized by
13 judicial order in or about September 2009.

14 49. In or around late 2009, following the collapse of multiple e-check processing
15 operations used by the Full Tilt Defendants and the Pokerstars Defendants and the judicially
16 ordered seizure of funds, the Scheinbergs, Bitar, Ferguson and Lederer begin exploring a new
17 payment processing strategy called "Transparent Processing" (so named because it would be
18 invisible to law enforcement) and directed Burtnick and others, to find, at least where possible,
19 processing solutions that would not attract the attention of law enforcement.

20 50. The Full Tilt Defendants and Pokerstars Defendants, assisted by Burtnick, had
21 difficulty in identifying "transparent" processors. Isai Scheinberg, Bitar and Burtnick turned to
22 processors who had worked with the Pokerstars Companies and Fulltilt Companies before,
23 including Ryan Lang, Bradley Franzen, and Chad Elie. Certain of the Pokerstars Companies and
24 Full Tilt Companies had previously sued Elie for allegedly stealing \$4 million of their money.
25 Elie was accepted as a source for "transparent" processing following a conversation between Elie
26 and Isai Scheinberg in or about the fall of 2009 in which Elie agreed to repay some of this money.

27 51. Elie and his associates were, however, able to persuade the principals of certain
28 small, local United States banks that were facing financial difficulties to engage in such

1 processing. In exchange for this agreement to process gambling transactions, the banks received
2 sizeable fee income from processing poker transactions as well as promises of multi-million dollar
3 investments in the banks from Elie and his associates. In at least one case, a payment to a bank
4 official who approved the processing was made as well.

5 52. For example, in or around September 2009, Elie, together with Thornhill and a
6 partner of Elie's, Jeremy Johnson, approached John Campos, the Vice Chairman of the Board and
7 part-owner of SunFirst Bank, a small, private bank based in Saint George, Utah. Campos, while
8 expressing "trepidations" about gambling processing, proposed in a September 23, 2009 e-mail to
9 accept such processing in return for a \$10 million investment in SunFirst by Elie and Johnson,
10 which would give Elie and Johnson more than 30% ownership of the bank. Elie and Johnson made
11 an initial investment in SunFirst Bank of approximately \$3.4 million in December, 2009. On or
12 about November 29, 2009, Thornhill told an associate "things are going well with the bank we
13 purchased in Utah and my colleagues and I are looking to purchase another bank for the purpose
14 of repeating our business plan. We probably could do this for a grand total of 3 or 4 banks."

15 53. On or about December 14, 2009, SunFirst Bank began processing payments for the
16 Pokerstars Companies and Full Tilt Companies. On or about April 8, 2010, Campos sent an
17 "invoice" to Elie's partner requesting that \$20,000 be paid to a corporate entity that Campos
18 controlled as a "bonus" for "Check and Credit Card Processing Consulting." SunFirst Bank
19 processed over \$200 million of payments for Pokerstars and Full Tilt through November 9, 2010,
20 when, at the direction of the FDIC, it ceased third party payment processing. SunFirst Bank earned
21 approximately \$1.6 million in fees for this processing.

22 54. While the Pokerstars Companies and the Full Tilt Companies were engaged in
23 regular joint payment processing activities with third parties, in other respects they were
24 competitors and ran their businesses differently. The Pokerstars Companies held players funds
25 and returned player balances when required. The Pokerstars Companies, in general, did not
26 attempt to cheat their players. Unlike the Pokerstars Companies, the Full Tilt Companies
27 immediately spent funds obtained from players on exorbitant promotional expenses. In order to
28 expand the influence of the Full Tilt Owners in the professional poker world, the Full Tilt Owners

1 entered into multiple promotional agreements with other poker professionals, regularly paying
2 them many thousands of dollars to promote fulltiltpoker.com. The Full Tilt Owners made even
3 greater distributions to themselves, totaling over \$444 million dollars. When players did choose to
4 cash out, they were paid from the funds transferred from other players, as opposed to funds that
5 such players had won or retained in playing poker. Full Tilt Poker thus operated as a poker
6 version of a Ponzi scheme.

7 56. Because Full Tilt Poker spent all of its players' money on receipt, as opposed to
8 holding the deposits in separate bank accounts, it was able to effectively limit competition from
9 new entrants into markets where on-line poker was legal, and, in the United States, ensure that
10 companies looking to offer on-line poker on a fantasy (i.e. no real money basis) would be
11 discouraged from entering into license agreements with software companies given that the Full
12 Tilt companies would offer strategic alliances on terms that no company making a fair profit could
13 match.

14 57. Each of the Pokerstars Companies and each of the Full Tilt Companies has
15 continuously operated for at least thirty days and the operations thereof is conducted by at least
16 five people. The Scheinbergs, the Full Tilt Owners, the Pokerstars Companies and the Full Tilt
17 Companies unlawfully, willfully and knowingly conducted, financed, managed, supervised,
18 directed and owned all and part of an illegal gambling business, a business that engaged in and
19 facilitated online poker in violation of New York State Penal Law §§225.00 and 225.05, Florida as
20 well as Revised Code of Washington 9.46.240, among other state laws. Such activities are a
21 violation of federal law, namely 18 U.S.C. §1955. The United States Attorney for the Southern
22 District of New York released indictments of Bitar, Isai Scheinberg, Burtnick, the Fulltilt
23 Companies and the Pokerstars Companies for violation of 18 U.S.C. §1955 on April 15, 2011.

24 58. Simultaneously with the unsealing of the indictments against the Pokerstars
25 Companies, the Full Tilt Companies, Bitar, Isai Scheinberg and others, the United States District
26 Court of the Southern District of New York, the Court entered an order seizing the pokerstars.com
27 and fulltiltpoker.com domain names. The U.S. Attorney subsequently agreed that the Pokerstars
28 and Full Tilt Companies could use these domains to refund balances of U.S. players. The

1 Pokerstars Companies returned all or substantially all of such funds, while the Full Tilt Poker
2 companies returned no such funds. On June 1, 2011 Defendant Ivey sued Defendant Tiltware to
3 invalidate his promotional agreement with it on grounds, among other things, that the failure of the
4 Full Tilt Companies to retain the funds to replay players was damaging his public image. Tiltware
5 immediately attacked Ivey in print and Ivey fearfully dropped in his lawsuit. Nonetheless the now
6 publicized inability of Full Tilt to repay its players caused the Alderney Gambling Control
7 Commission, which licensed the Full Tilt Companies to operate their servers in that jurisdiction, to
8 suspend Full Tilt's license, putting it out of business. On August 29, 2011, the Full Tilt
9 Companies issued a press release admitting their inability to repay their players, blaming the
10 seizure of funds by the United States; of course, the lion's share of the funds were for deposits
11 being sent to or cash-outs sent by the Pokerstars Companies, and Pokerstars was able to refund the
12 money of its players without difficulty. In the same press release the Full Tilt Companies stated
13 that they were in the midst of seeking new investors to inject money into the Full Tilt Companies,
14 repay United States players, and restart operations. The Pokerstars Companies continue to offer
15 their real-money poker play to persons outside the United States from other URLs and are actively
16 seeking to re-enter the United States.

17 59. The payment processing activities arranged and caused by Lederer, Ferguson,
18 Bitar, the Full Tilt Companies, the Scheinbergs, and the Pokerstars Companies were conducted
19 through use of the interstate and international wired communications system of the United States,
20 in that all Internet-based transactions utilized these systems. The transactions utilized the United
21 States mails because the United States-based payment processors mailed physical checks to
22 players. These particular Defendants participated in a scheme involving wire communications to
23 deceive financial institutions and other financial intermediaries into processing and authorizing
24 payments to and from the Full Tilt Defendants and the Pokerstars Defendants on the one hand, and
25 United States poker players on the other hand, by disguising the transactions to create the false
26 appearance that they were unrelated to gambling, and thereby to obtain money of, or under the
27 custody and control of, those financial institutions and intermediaries. These actions violated 18
28 U.S.C. §§1341, 1343 and 1344, and each of the Full Tilt Companies and Pokerstars Companies

1 were involved in at least two such transactions every day since January 1, 2007 until April 15,
2 2011. The United States Attorney for the Southern District of New York unsealed indictments of
3 Bitar, Isai Scheinberg, the Full Tilt Companies and the Pokerstars Companies for conspiracy to
4 violate 18 U.S.C. §§1343 and 1344 on April 15, 2011.

5 60. Lederer, Ferguson, Bitar, the Fulltilt Companies, the Scheinbergs, and the
6 Pokerstars Companies would and did transport, transmit, transfer and attempt to transport,
7 transmit, and transfer a monetary instrument and funds from a place in the United States to a place
8 in the United States and from a place in the United States from and through a place outside the
9 United States, with intent to promote the carrying on of specified unlawful activity, to wit, the
10 operation of an illegal gambling business, in violation of 18 U.S.C. §1956(a)(2)(A). These
11 Defendants unlawfully, willfully and knowingly, would and did engage in monetary transactions
12 in criminally derived property of a value greater than \$10,000 and which was derived from
13 specified unlawful activity, to wit, the operation of an illegal gambling business, in violation of 18
14 U.S.C. §1957(a). At least two such transactions occurred every day from January 1, 2007 until
15 April 15, 2011 conducted by, or on behalf of, each of the respective Full Tilt Companies and
16 Pokerstars Companies. The United States Attorney for the Southern District of New York released
17 indictments of Bitar, Isai Scheinberg, the Fulltilt Companies and the Pokerstars Companies for
18 conspiracy to violate 18 U.S.C. §§1956(a)(2)(A) and 1957 on April 15, 2011.

19 61. The Scheinbergs and the Pokerstars Companies comprise an association-in-fact of
20 persons cooperating to create the Pokerstars Internet gambling business. The Full Tilt Owners and
21 the Full Tilt Companies comprise an association-in-fact of persons cooperating to create the Full
22 Tilt Poker internet gambling business. Burtnick was at various times an employee of Pokerstars
23 and then of Full Tilt, and conspired with both. While not every Full Tilt Owner directly
24 participated in the bank fraud, wire fraud, and money laundering alleged above, all of them
25 conspired to operate the Full Tilt poker association-in-fact, and all of them owned an equity
26 interest in the Full Tilt Companies, directly or indirectly. The two associations-in-fact, though
27 competitors for poker players, cooperated in violating the federal laws against money laundering,
28 bank fraud, wire fraud, and mail fraud.

1 62. The Pokerstars association-in-fact and Full Tilt association-in-fact proximately
2 caused injury to Plaintiff in numerous ways. First, by dominating the on-line poker business in the
3 United States, Pokerstars and Full Tilt had a base of players that no international company could
4 easily compete with. This meant that there were many fewer participants in the market for legal
5 Internet poker willing to consider licensing the software of Cardroom. Those companies that did
6 license software necessarily preferred software which linked together multiple websites of
7 different companies over the bespoke system offered by Cardroom, which is intended to be used
8 by a single operator. Second, the Defendants used their extraordinary profits from their illegal
9 activities to fund poker-related television programs which purchased airtime on NBC, Fox, ESPN,
10 and other cable and television networks. They then used this market power to tie the use of their
11 software for free or fantasy poker offerings on websites offered by these media companies, which
12 do not aggregate players. Pokerstars deprived Plaintiff of the opportunity to license software to
13 one of these networks in the fall of 2010. Third, the market dominance of the pokerstars.com and
14 fulltiltpoker.com websites meant that investors until April 15, 2011 were highly skeptical of the
15 business prospects of independent software houses seeking to advance and develop software
16 systems for legal on-line poker, given the apparent impunity by which the Pokerstars association-
17 in-fact and Full Tilt Poker association-in-fact operated their websites in defiance of United States
18 law for half a decade.

19 63. Though the United States has forced the Pokerstars Defendants and the Full Tilt
20 Defendants to cease offering services to United States players, Pokerstars' huge stockpile of cash,
21 and huge quantity of marketing information, which are being used to offer games to foreign
22 players, continues to hamper Plaintiff from entering into profitable agreements or obtaining equity
23 funding that would otherwise be ordinarily available to a startup Internet company. The ongoing
24 absence of the Full Tilt Poker Defendants from on-line poker has made the Pokerstars' Defendants
25 relative advantage even stronger, with Pokerstars claiming that over half of all non-USA Full Tilt
26 players have moved to its site. While the Full Tilt Defendants are currently out of the on-line
27 poker business, they trying to get back in. They have declared their intention to return to the
28 business as soon as third parties can be found to add money to the business by purchase of an

1 equity interest. Even after this fiasco the Full Tilt Defendants have substantial credibility among
2 the poker "fanboys" who uncritically accept the Full Tilt Defendants' excuses, and who are some
3 of the best customers of on-line poker sites. The goals of the Full Tilt Defendants and Pokerstars
4 Defendants are further advanced by a legion of promoters, lobbyists lawyers and others who are
5 working on the press, on Internet chat boards, and in the back offices of legislatures to obtain
6 relief from the action of the U.S. Attorney. The dominant position of Pokerstars and Full Tilt also
7 made it impossible to launch or maintain pokers sites that would be legal in most states, such as
8 subscription-based services or services which do not charge for hosting games. A month before
9 they were indicted, the Pokerstars Companies entered into a strategic alliance with the gambling
10 interests of Steven Wynn, a pioneering Las Vegas casino owner, whereby these entities would
11 cooperate and offer on-line poker in the United States as it became legalized. The Full Tilt
12 Companies entered into a similar agreement with Station Casino two weeks before they were
13 indicted.

14 64. Cardroom has suffered losses to its business in the amount of at least ten million
15 dollars.

16 65. Each of the actions identified in paragraphs 41 through 60 constitutes a
17 "racketeering activity" and in aggregate they constitute a pattern of racketeering activity. The
18 Full Tilt association-in-fact and Pokerstars association-in-fact are each a criminal enterprise
19 conducting a pattern of racketeering activity continuously from before 2007 to April 15, 2011. The
20 Full Tilt association-in-fact and Pokers association-in-fact were co-conspirators.

21 66. Plaintiff has been injured by the pattern of racketeering activities conducted by the
22 Defendants, who are jointly and severally liable to Plaintiff for three times the amount of its
23 economic losses arising from the pattern of racketeering activities plus attorney's fees. These
24 include not only out-of-pocket losses but also the income and investment capital that Plaintiff
25 could have earned but for the conduct of the criminal enterprise by Defendants described above.

26 67. The Pokerstars Defendants and the Full Tilt Defendants conducted the pattern of
27 racketeering activity alleged above with malice and/or willful intent to deprive competitors,
28 including Plaintiff, of property rights, legal rights and money. This despicable conduct, which was

1 a manifest fraud, subjected Plaintiff to cruel and unjust hardship in conscious disregard of
2 Plaintiffs' rights, so as to justify an award of exemplary and punitive damages. The conduct of the
3 Pokerstars Defendants and the Full Tilt Defendants was intentional, oppressive, fraudulent and
4 criminal, subjecting Plaintiff to unjust hardship and oppression, meriting the award of punitive
5 damages.

6
7 **SECOND CAUSE OF ACTION**

8 **RELIEF UNDER FLORIDA ANTI-TRUST ACT, FLORIDA STATUTES 542**

9 (By Plaintiff as against the Pokerstars Defendants, the Full Tilt Defendants, Burtnick and Does
10 11-20)

11 68. Plaintiff hereby incorporates by this reference paragraphs 1 through 64, as if set
12 forth in full.

13 69. From approximately January 1, 2007 to April 15, 2011, the Pokerstars Companies
14 had an approximately fifty-five percent share of the market of person playing on-line poker for
15 real money worldwide and in Florida, and the Full Tilt Companies had an approximately twenty-
16 five percent share of such players. The Pokerstars Companies and the Full Tilt Companies
17 maintained this dominant position because they were the most successful in creating illegal
18 payment processing methods with persons in the United States, and in the case of the Full Tilt
19 Companies, because they immediately spent player deposits on promotional expenses, in
20 particular sponsorship and promotional agreements with the bulk of the world's professional poker
21 players. Because players from the United States made up the lion's share of on-line poker players,
22 dominance in the United States market meant that the Pokerstars Companies and the Full Tilt
23 Companies had the largest liquidity of players, which in turn attracted foreign players.

24 70. In addition to real money play there is a separate market for fantasy poker play,
25 which is legal in the United States and partially served by companies such as Zynga and others.
26 The Full Tilt Defendants and the Pokerstars Defendants used their dominant position in real
27 money play, maintained by criminal activities, to tie use of their software system with the
28 purchase of airtime or advertising time on broadcast and cable networks in the United States,

1 including without limitation, Fox, ESPN, and NBC. This made it impossible for Plaintiff to
2 license its software to such media companies.

3 71. Though the Full Tilt Companies and Pokerstars Companies are nominally
4 competitors, they directly cooperated in the creation of multiple fraudulent payment processing
5 mechanisms. The purpose of this conspiracy was to strangle competition in the market for
6 providing on-line real money poker worldwide, including the United States, and to develop
7 sufficient cash balances (in the case of the Pokerstars Defendants), control over poker player
8 endorsements (in the case of Full Tilt Defendants), marketing reputations, and customer
9 information to ensure that when on-line poker was explicitly legalized in the United States and
10 elsewhere, the Pokerstars Companies and Full Tilt Companies would, along with their strategic
11 alliance partners, have a dominant position in the United States market and in the Florida market.

12 72. The anti-competitive conspiracy and actions taken by the Pokerstars Companies
13 and Full Tilt Companies were criminal and fraudulent, and therefore per-se violations of the law.

14 73. The Scheinbergs directly orchestrated and caused the Pokerstars Companies to take
15 the illegal actions identified above, and Isai Scheinberg has been indicted for certain of these
16 activities. Bitar, Furst, Ferguson and Lederer directly arranged for or orchestrated Full Tilt's
17 participation in the above action. Those Full Tilt Owners who did not directly arrange for criminal
18 bank fraud, wire fraud, and money laundering nonetheless directly contributed to the dominant
19 position by utilizing their prestige as professional poker players to give Full Tilt's business the
20 appearance of legitimacy and respectability. Burtnick directly arranged for both Full Tilt and
21 Pokerstars in their conspiracies as an employee or consultant of either or both.

22 74. Plaintiff has been injured by the pattern of anti-competitive activities conducted by
23 the Defendants, who are jointly and severally liable to Plaintiff for three times the amount of its
24 economic losses arising from the pattern of anti-competitive activities plus attorney's fees. These
25 include not only out-of-pocket losses but also the income and investment capital that Plaintiff
26 could have earned but for the conduct of the anti-competitive, criminal enterprise by Defendants
27 described above.

1 75. The Pokerstars Defendants and the Full Tilt Defendants conducted the pattern of
2 illegal, anti-competitive activity alleged above with malice and/or willful intent to deprive
3 competitors, including Plaintiff, of property rights, legal rights and money. This despicable
4 conduct, which was a manifest fraud, subjected Plaintiff to cruel and unjust hardship in conscious
5 disregard of Plaintiff's rights, so as to justify an award of exemplary and punitive damages. The
6 conduct of the Pokerstars Defendants and the Full Tilt Defendants was intentional, oppressive,
7 fraudulent and criminal, subjecting Plaintiff to unjust hardship and oppression, meriting the award
8 of punitive damages.

9 76. Though the Pokerstars Defendants and the Full Tilt Defendants are currently not
10 offering services to United States players, they are threatening to re-enter the Florida market as
11 soon as they can, or to create new entities to enter the Florida market. The Pokerstars Defendants
12 and the Full Tilt Defendants should be enjoined from conduct on-line poker in the state of Florida.
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15 **THIRD CAUSE OF ACTION**

16 **RELIEF UNDER THE CARTWRIGHT ACT, BUS. & PROF. CODE §16700 et seq.**

17 (By Cardroom As Against the Pokerstars Defendants, the Full Tilt Defendants, Burtnick and Does
18 21-30)

19 77. Plaintiff hereby incorporates by this reference paragraphs 1 through 61, inclusive,
20 as if set forth in full.

21 78. From approximately January 1, 2007 to April 15, 2011, the Pokerstars Companies
22 had an approximately fifty-five percent share of the person playing on-line poker for real money
23 worldwide and in California, and the Full Tilt Companies had an approximately twenty-five
24 percent share of such players. The Pokerstars Companies and the Full Tilt Companies maintained
25 this dominant position because they were the most successful in creating illegal payment
26 processing methods with persons in the United States, including California. Because players from
27 the United States made up the lion's share of on-line poker players, and players from California
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1 were the largest number of players in California, dominance in the United States market and
2 California market meant that the Pokerstars Companies and the Full Tilt Companies had the
3 largest liquidity of players, which in turn attracts foreign players.

4 79. In addition to real money play there is a separate market for fantasy poker play,
5 which is legal in the United States and partially served by companies such as Zynga and others.
6 Aided by Burtnick, the Full Tilt Defendants and the Pokerstars Defendants used their dominant
7 position in real money play, maintained by criminal activities, to tie use of their software system
8 with the purchase of airtime or advertising time on broadcast and cable networks in the United
9 States, including without limitation, Fox (which is based in California), ESPN (which is owned by
10 the California-based Walt Disney Company), and NBC. This made it impossible for Plaintiff to
11 license its software to such media companies.

12 80. Though the Full Tilt Companies and Pokerstars Companies are nominally
13 competitors, they directly cooperated (through Burtnick and others as intermediaries) in the
14 creation of multiple fraudulent payment processing mechanisms. The purpose of this conspiracy
15 was to strangle competition in the market for providing on-line real money poker worldwide,
16 including the United States, and to develop sufficient cash balances (in the case of the Pokerstars
17 Defendants), control over poker player endorsements (in the case of Full Tilt Defendants),
18 marketing reputations, and customer information to ensure that when on-line poker was explicitly
19 legalized in the United States and elsewhere, the Pokerstars Companies and Full Tilt Companies
20 would, along with their strategic alliance partners, had a dominant position in the United States
21 market and in the California market.

22 81. The Pokerstars Defendants and the Full Tilt Defendants induced broadcast and
23 cable network based in California to utilize its software system to offer fantasy poker on its sports-
24 related website by tying Pokerstars purchase of airtime to mandatory use of its software and
25 services. Plaintiff was directly deprived of the opportunity to sell such services by Pokerstars'
26 actions.

27 82. Though the Pokerstars Defendants and the Full Tilt Defendants are currently not
28 offering services to United States players, they are threatening to re-enter the California market as

1 soon as they can, or to create new entities to enter the California market. The Pokerstars
2 Defendants and the Full Tilt Defendants should be enjoined from conduct on-line poker in the
3 state of California.

4 83. Plaintiff has been injured by the pattern of anti-competitive activities conducted by
5 the Defendants, who are jointly and severally liable to Plaintiff for three times the amount of its
6 economic losses arising from the pattern of anti-competitive activities plus attorney's fees. These
7 include not only out-of-pocket losses but also the income and investment capital that Plaintiff
8 could have earned but for the conduct of the anti-competitive, criminal enterprise by Defendants
9 described above.

10 84. The Pokerstars Defendants and the Full Tilt Defendants conducted the pattern of
11 illegal, anti-competitive activity alleged above with malice and/or willful intent to deprive
12 competitors, including Plaintiff, of property rights, legal rights and money. This despicable
13 conduct, which was a manifest fraud, subjected Plaintiff to cruel and unjust hardship in conscious
14 disregard of Plaintiff's rights, so as to justify an award of exemplary and punitive damages. The
15 conduct of the Pokerstars Defendants and the Full Tilt Defendants was intentional, oppressive,
16 fraudulent and criminal, subjecting Plaintiff to unjust hardship and oppression, meriting the award
17 of punitive damages.

18
19 **WHEREFORE**, Cardroom respectfully demands the following relief:

20 On the First Cause of Action

- 21 1. Compensatory damages of at least ten million dollars or according to proof at trial
- 22 tripled in accordance with 18 U.S.C. §1964(c);
- 23 2. An award of punitive or exemplary damages;
- 24 3. Reasonable costs incurred in this action, including reasonable attorney fees
- 25 pursuant to 18 U.S.C. §1964(c);

26 On the Second Cause of Action

- 27 1. Compensatory damages according to proof at trial, tripled in accordance with
- 28 Florida Statutes 542.22;

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2. Reasonable costs incurred in this action, including reasonable attorney fees pursuant to Florida Statutes 542.22;
3. Preliminary and permanent injunctive relief pursuant to Florida Statutes 541.23 restraining and enjoining the Defendants or any successors to the Defendants' business from operating, offering or in any way associating with on-line poker in Florida or in which Florida citizens and/or residents are permitted to play;

On the Third Cause of Action

1. Compensatory damages according to proof at trial, tripled in accordance with Business & Prof Code §16750;
2. An award of punitive or exemplary damages;
3. Reasonable costs incurred in this action, including reasonable attorney fees pursuant to Business & Prof Code §16750;
4. Injunctive relief barring the Defendants or any successors to the Defendants' business from operating, offering or in any way associating with on-line poker in California or in which California citizens and/or residents are permitted to play.

As to All Causes of Action

1. For costs of suit incurred herein;
2. For such other and further relief as the Court deems just and proper.

Dated: *Sept 30*, 2011

By: 
CYRUS SANAI
Attorney for Plaintiff Cardroom International, LLC

CERTIFICATE OF SERVICE

I, Robert J. Hantman, hereby certify that on October 21, 2011, I caused a true and correct copy of the foregoing Answer to the Amended Complaint of Cardroom International, LLC to be served via ECF on all attorneys of record in this case.

/s/ Robert J. Hantman
Robert J. Hantman