

Judge: Atlantic Club casino can seek new buyer

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MAYS LANDING, N.J. (AP) — After paying an \$11 million advance to a struggling Atlantic City casino it intended to buy, the parent company of the world's largest online poker website was left with nothing for its troubles Friday when a judge ruled the casino had the right to scrap the deal.

Superior Court Judge Raymond Batten said The Atlantic Club Casino Hotel could terminate the contract it signed with The Rational Group, the British parent company of PokerStars, when the company failed to get New Jersey's preliminary approval by April 26 to own a casino.

The judge said the contract clearly gave either party the right to end the deal if Rational had not obtained the state's authorization by the April date.

With the ruling, Batten dissolved a temporary restraining order that barred the casino from selling to anyone else. The Rational Group had obtained the temporary order after the Atlantic Club backed out of the deal even while benefiting from Rational's payment to get the casino through the winter.

"We saved their butts," Wayne Positan, a lawyer for The Rational Group, told the judge. "And we got the short end of the stick." He said it was like the casino said: "Let's take that money and the heck with those guys. Ha, ha, ha."

According to court testimony, the contract also contained a provision that if the deal was not completed by a specified date, The Atlantic Club could keep the money Rational had advanced it. The funds were intended as credits against the \$15 million purchase price.

The purchase deal was reached on Dec. 24, and the state Division of Gaming Enforcement deemed Rational's application complete in early April, then began its evaluation process, which

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normally takes at least three months.

"They (Rational) took the risk they could get it done," Atlantic Club lawyer Tariq Mundiya told the judge. "They couldn't get it done, and now they want to rewrite the contract. Once that date came and went, Your Honor, all bets were off."

A spokesman for The Rational Group, based in Isle of Man, said the company is reviewing the decision, and still hopes to enter the New Jersey market.

New Jersey, Nevada and Delaware are the only three states where Internet gambling is legal. New Jersey legalized Internet gambling in February, and the deal between The Atlantic Club and The Rational Group was considered mutually beneficial.

The casino has struggled for years near the bottom of Atlantic City's 12 casinos in terms of revenue and profitability, and PokerStars would get an on-ramp to what's expected to be a lucrative online gambling market in the state.

The Rational Group agreed to buy the casino for \$15 million, by far the lowest price ever paid for a casino in New Jersey. But it also promised to fund a \$32 million shortfall in the casino's employee pension account, and had discussed investing an additional \$20 million to \$40 million into the property once the deal was completed.

But Atlantic Club lawyers said it became clear this year that Rational would have a difficult time getting a casino license in New Jersey.

The Rational Group agreed last year to pay \$547 million to the U.S. Justice Department and \$184 million to poker players overseas to settle a case alleging money laundering, bank fraud and illegal gambling. Rational admits no wrongdoing and says it is in good standing with governments around the world. Still, its recent history was expected to pose a hurdle to the company's efforts to win a casino license in New Jersey.

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The trade association representing the nation's brick-and-mortar casinos strongly opposed the deal, and the American Gaming Association had asked to intervene in PokerStars' licensing hearing to argue against the proposed purchase.

In response to the ruling Friday, Michael Frawley, the casino's chief operating officer, said simply: "We are now free to build on the tremendous opportunity provided by online gaming."

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