



*United States Attorney
Southern District of New York*

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CONTACT: U.S. ATTORNEY'S OFFICE
ELLEN DAVIS, CARLY SULLIVAN,
JERIKA RICHARDSON
PUBLIC INFORMATION OFFICE
(212) 637-2600

**MANHATTAN U.S. ATTORNEY MOVES TO AMEND CIVIL COMPLAINT
ALLEGING THAT FULL TILT POKER AND ITS BOARD OF
DIRECTORS OPERATED COMPANY AS A MASSIVE PONZI SCHEME
AGAINST ITS OWN PLAYERS**

*Company Allegedly Used Poker Player Money To Pay Distributions
Totaling More Than \$440 Million To Its Board Members And Other
Owners*

PREET BHARARA, the United States Attorney for the Southern District of New York, announced today the filing of a motion to amend the forfeiture and civil money laundering complaint in the matter of United States v. PokerStars, et. al. The proposed Amended Complaint alleges that Full Tilt Poker and its Board of Directors, including Raymond Bitar, Howard Lederer, Christopher Ferguson and Rafael Furst, defrauded players by misrepresenting that their funds on deposit in online gambling accounts were safe, secure, and available for withdrawal at any time. In reality, Full Tilt Poker did not maintain funds sufficient to repay all players, and in addition, the company used player funds to pay board members and other owners more than \$440 million since April 2007. On April 15, 2011, the U.S. Attorney's Office for the Southern District of New York filed the original complaint against Full Tilt and two other Internet poker companies and unsealed a criminal Indictment charging eleven defendants, including Bitar, with bank fraud, illegal gambling and money laundering offenses.

Manhattan U.S. Attorney PREET BHARARA said: "As the proposed Amended Complaint describes in detail, Full Tilt was not a legitimate poker company, but a global Ponzi scheme. As a result of our enforcement actions this alleged self-dealing scheme came to light. Not only did the firm orchestrate a massive fraud against the U.S. banking system, as previously alleged, Full Tilt also cheated and abused its own players to the tune of hundreds of millions of dollars. As described, Full Tilt insiders lined their own pockets with funds picked from the pockets of their most loyal customers while blithely lying to

both players and the public alike about the safety and security of the money deposited with the company."

As alleged in the proposed Amended Complaint, on several occasions in 2008 and 2009 through emails to players and postings on online poker message boards, Full Tilt Poker and its representatives assured players that their money was segregated, safe, and secure. For example, in response to inquiries, Full Tilt Poker sent emails to players in May 2008 assuring them that their funds were secure. One of those emails read, in part:

"To protect both our players and business from financial problems, all player account funds are segregated and held separately from our operating accounts. Unlike some companies in our industry, we completely understand and accept that your account money belongs to you, not Full Tilt Poker."

As alleged in the proposed Amended Complaint, despite these repeated assurances to players, the company did not have enough funds to repay players. By March 31, 2011, Full Tilt Poker owed approximately \$390 million to players around the world, including approximately \$150 million to United States players. However, the company had only approximately \$60 million in its bank accounts.

Furthermore, as alleged in the proposed Amended Complaint, the company used player funds to pay its Board of Directors and other owners. Between April 2007 and April 2011, Full Tilt Poker and its Board distributed approximately \$443,860,529.89 to Board members and owners. Bitar received approximately \$41 million, Lederer received approximately \$42 million, and Furst received approximately \$11.7 million. Ferguson was allocated approximately \$87,486,182.87 in distributions, and received at least \$25 million, with the remaining balance characterized as "owed" to him. Much of the money that was distributed was transferred by the Board members and owners to accounts in Switzerland and other overseas locations.

In addition to its failure to segregate funds and its constant stream of distributions to owners, the proposed Amended Complaint alleges that the company faced a growing shortfall in 2010 related to its inability to collect funds from U.S. players, a fact which it did not disclose to players. Beginning in August 2010, Full Tilt Poker's payment processing network in the United States was so disrupted that the company often could not withdraw

money from U.S. players' bank accounts in order to fund credits to their online gambling accounts. In order to maintain its false image of financial security, Full Tilt continued to credit player accounts without disclosing its inability to fund those credits. Ultimately, the company credited approximately \$130 million to players' online gambling accounts that it never actually withdrew from their bank accounts. When players gambled with these phantom funds and lost to other players, a massive shortfall developed.

The proposed Amended Complaint alleges that this scheme continued even after the original Complaint was filed and the criminal Indictment unsealed in April 2011. Full Tilt Poker continued to accept foreign player funds, despite the fact that it had liabilities to players around the world for over \$300 million and held only a small fraction of that amount in its bank accounts. As alleged in the proposed Amended Complaint, in early June 2011, Lederer reported to others at Full Tilt Poker that there was only approximately \$6 million left, and therefore no realistic ability to repay its new depositors. Similarly, in an internal email dated June 12, 2011, Bitar worried about a "run on the bank" by Full Tilt Poker customers, and admitted that "at this point we can't even take a five million run."

In addition to the forfeiture and civil money laundering penalties sought in the original complaint, the proposed Amended Complaint seeks the forfeiture of the dividends received by Bitar, Lederer, Ferguson, and Furst, as well as money laundering penalties against these individuals in the same amount.

Mr. BHARARA praised the FBI for its outstanding leadership in the investigation, which he noted is ongoing.

The matters announced today are being handled by the Office's Asset Forfeiture and Complex Frauds units. Assistant U.S. Attorneys SHARON COHEN LEVIN, MICHAEL D. LOCKARD, and JASON H. COWLEY are in charge of the civil money laundering and forfeiture action, and Assistant U.S. Attorneys ARLO DEVLIN-BROWN, NICOLE FRIEDLANDER, and NIKETH VELAMOOR are in charge of the criminal case.

The allegations contained in the proposed Amended Complaint are merely accusations.

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