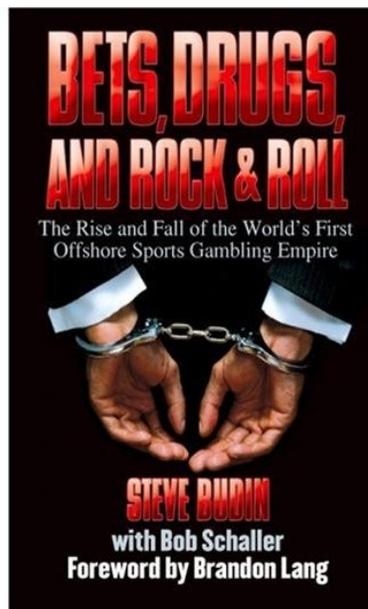


Bets, Drugs, and Rock & Roll:

*The Rise and Fall of the World's First Offshore Sports
Gambling Empire*



Chapter One:

From Beaches to Behind Bars

So this is where it all ends.

In a New York City jail cell.

Come to think of it, that's not all that far from where it all began, on the rough-and-tumble streets of Brooklyn, where our original bookmaking shop was located. The guys who worked the phones for us there would always keep one eye on the betting slips and the other on the door, knowing damn well that the law could show up at any moment and kick it down.

As I sat in that jail cell with my father—a bench on either side, a toilet in the middle—I knew it wasn't the end of the world, only the end of the wildest ride of my life. I started out as a Brooklyn-bred street bookie who was able—as a teen—to help grow his father's bookmaking business in Florida into one of the biggest bookmaking operations on the entire East Coast. I learned the business by handling the “pay-and-collects” for my father, all the while building up my own lists of private clients. I never thought that I would end up becoming the biggest bookmaker in the world or forever change the way people bet on sports.

But all good things come to an end, and as my father and I sat there in the cell, we smiled at each other. It wasn't like we were up on murder charges. The charge was a count of simple bookmaking.

Unfortunately, that was the only thing that was simple.

I had built, from the ground up, the first and biggest offshore bookmaking business in the world, raking in millions of dollars every month, first in Panama and then in Costa Rica.

Bookmaking is, of course, illegal in the United States. People do it anyway. Some say it's bad for you, but so is smoking. Drinking too. Both of those are legal, and the government takes in billions a year in "sin" taxes.

Of course, I wasn't in the United States when I ran my offshore operation, but a simple fact that every American should be aware of is that you can be prosecuted for crimes under U.S. law wherever you are in the world. My case was considered a "gray area" because most of my clients were in the United States, where telephone sports betting is illegal, even though I was located in another country where offering bets via telephone was completely legal.

I left a billion-dollar deal on my desk the day I came back home to surrender to the FBI. Yes, a one followed by nine zeros—a deal that would turn into what is now the multibillion-dollar empire known as www.sportsbook.com.

I started my business with literally nothing except the knowledge I had accrued in the gambling business. Hundreds of millions of dollars and four years after it all began, it was time to pay the piper—and why not? Everyone else had already gotten their piece of me.

Before the feds came knocking, we at my company, SDB Global in Costa Rica, were approaching what would be our last football season. I was so focused on the future expansion of

my business that I never could have seen the split-finger fastball the government was about to throw at me, let alone prepare myself for it.

Sandy Berger, a Miami lawyer and former public defender, was my best friend from Miami at that time. I brought him into the business with me from the very beginning in Panama, and he remains a dear friend and respected colleague to this day. Ironically, as his job at SDB Global became less and less intensive day to day (because our systems were so solid), he started to use his time to do research on U.S. gambling laws and the political climate surrounding offshore betting, which had already become a highly controversial subject around D.C. with both lobbyists and lawmakers. By this time we weren't the only players in the game. There were, I believe, eighteen competitors who ran half-assed operations in places like Antigua and Saint Kitts and a few other start-ups that followed my lead in Costa Rica. We were certainly the big fish swimming in the little pond otherwise known as the offshore sports betting industry. One of our bigger problems was that these little fish were turning our pond into a cesspool with their deceptive and dishonest business practices: not paying people and messing with credit customers through undesirable U.S. intermediaries (betting agents) who would pay and collect on the offshore sportsbook's behalf—in the United States—in cash, and in violation of every law on the books. We didn't want to be lumped in with those losers, and we weren't: we were considered the top echelon within the industry—an industry that was booming at such an astounding rate that it was becoming just too big to be ignored.

Each day Sandy would e-mail me the arguments going on in the U.S. Congress regarding offshore gambling or anything else related to telephone and Internet sports betting. What a pain in my ass he was: If any two-bit bookmaker got arrested anywhere in the United States,

Sandy would document it and put it on my desk. I really didn't pay much attention to Sandy's paranoia and just chalked it up to his criminal law background, general cynicism, and constant over-evaluation process that became his mantra toward the end. I certainly understood Sandy's anxiety as our lawyer, but as the shit started to hit the fan, he had his rubber gloves on so tight that they were cutting off the circulation to *my* brain.

On the recommendation of one of our U.S. lawyers, we hired private investigator Paul Pringles, a retired FBI agent who sold us on his ability to gauge what was still going on within the FBI through his "contacts." His girlfriend was an active FBI agent, and he referred to her as "Cookie," which we knew wasn't her real name. Pringles would speak directly with her and then relay the information to us. When he contacted her to try to get a feel for whether offshore gambling was on their radar, she relayed the following:

The only department that has ever prosecuted a gambling case is the Organized Crime Division. After speaking in great detail to the heads of those departments, who are my friends, and confirming that the Organized Crime Division of the FBI has no interest in offshore gambling (unless it is mob-related), I would say that you are currently operating in a "gray area" with little to no risk at this time.

Pringles explained to us that the FBI had its hands full with black-and-white "prosecutable" crimes that were occurring on American soil and simply couldn't waste time chasing after "gray areas" abroad. With those types of high-level assurances, I really wasn't worried about the U.S. government. I always felt that we would get enough notice to be able to get out in time, if that time ever came.

A change was occurring in the bookmaking business, technologically driven change, and all of it was steered toward the Internet. Up to the point where it became “transactional” (in its infancy the Internet was nothing but a business card—a billboard for businesses, if you will) 100 percent of all bets in the world were taken via telephone. But when we added an online sign-up option, I noticed that up to one-quarter of our new clients came from those Internet sign-up forms. We were making about \$2 million a month gross off the phones, but I was spending a ton of money to operate this beast of an operation. I knew that we were reaching our capacity as a phone-driven operation; I couldn’t expand my telephone operation anymore without severely sacrificing the quality of service and the level of control and security we had with the two hundred clerks we were operating with at that moment. To think that I once considered myself a real big shot, paying and collecting in the streets of Miami (as a teen and then a twenty-year-old) for a three-hundred-customer bookmaking operation that wrote the bets out of my friend Tony’s Brooklyn basement apartment with seven phone clerks. Now I was servicing nine thousand active customers on two hundred phones and nearing technological capacity. You think my ego wasn’t the size of the Chrysler Building? I could have jerked off to a mere reflection of myself in my computer screen. It was such a high. And as high as I was on myself, I was equally determined to keep it all going and to stay on top. I was never going to waste my time patting myself on the back at the cost of missing out on what was to come. The Internet was like a messiah for a company like mine, which was looking for a new technology to embrace—a technology that would make the cost of expansion and operation almost *zero* while driving the bottom line sky-high. With no significant overhead in clerks, computers, and space, all of the money would go directly into our net profit.

So I grabbed on to the Internet concept with both hands and squeezed it like a \$50 Costa Rican hooker from the famous Hotel Del Ray in downtown San Jose. I mean, think about it for a second: We were taking minimum bets of \$50 on the phones most of the time, and \$100 minimums whenever it was twenty minutes or less before game time. That was when our phones were jammed with gamblers, and I just could not afford to have someone who was trying to bet thousands of dollars get a busy signal while some other guy was tying up our lines betting \$50 a game.

If we could offer betting on the Internet, it wouldn't matter how many bettors there were at once, because nobody would ever get a busy signal! We could take \$2 bets from thousands of people at the same time, so it wouldn't matter how big or little the bets were. I knew this would be great, because when we started posting our lines on our website for our customers to see, the traffic poured in. Nobody could understand why; I wondered the same thing. Why would someone go through the time it takes to look up something online when they could just call and get the info in one second over the phone? The reason was that there was something much bigger than my gambling business going on. There was a movement under way—the Internet movement. People were getting hooked on the Internet and wanted to do anything they could on it. It was like playing a game or doing something cool and futuristic, and the demographic of the latter was a pot of gold at the end of the gambling rainbow.

Now I just had to get us there.

Doing business online wasn't easy in the beginning years of the Internet. Those old enough to recall know that, in its infancy, the Internet was slow and the software and services available were primitive. You couldn't run down to your big-box computer store and pick up any kind of

software in those days; it was a hardware-driven industry at the time, and the software end of things was only just being developed.

But users of the Internet became loyal, dedicated followers determined to use the World Wide Web for anything they could, even if it meant it would take much longer than a phone call, at least initially.

Demand creates supply, and I knew that the Internet would change everything again, just as going offshore had changed everything when I introduced the first offshore telephone sportsbook to the gambling world.

The Internet bus was about to leave the building, and not only was I going to be on it, but I'd be driving it—or at least deciding where it would go. So I ordered my tech department to prepare to “go live” with Internet wagering no later than March 1, 1998—we had five months to become the first offshore book to take sports bets online. Other companies started offering prehistoric e-mail-driven betting systems before ours. These were very unreliable—and, as it turned out, “trackable” by anyone who hacked their accounts, including “big brother” (the government), which was already adept at intercepting e-mails.

I wanted software that would allow the client a seamless experience and a solid back end. So we went to work designing the ultimate online wagering system. The irony is that even though it never made it “live” to the public (the feds pulled the plug before we launched it), it would wind up being the basis for every sports betting program in existence to this day. So while Costa Rican computer wiz William Ramirez, our software developer, never did cash in on writing

the first online sports betting software ever, he will at least get the credit for it now, because he, and he alone, wrote the program under SDB Global's roof from scratch.

In addition to all of this, online casinos were on the verge of popping up all over the Internet. To that end, I received a disc from a company called Crypto Logic out of Canada. The disc contained a demo for online casino software—it was incredible. Would people ever play blackjack online? Hell yes! Let's say it's midnight and you hit your big play earlier on the New York Jets, and you now have three thousand bucks just sitting there in your wagering account because of it. Here are your choices: You can go to sleep, or you can play some blackjack with your winnings. Are you kidding me? I knew this would be a home run for us. No dealers needed, no Nevada gaming license, nothing. It was like a license to steal.

Here's the fax I sent to my business partners back in Brooklyn. (They refused to use e-mail, they were so old school.) This was right after my trip to Canada to demo the casino software from Crypto Logic:

FAX from:	SDB Global (Steve Budin)
To:	Bo
CC:	Donnie
Subject:	HOLY SHIT!

Dear Bo, I just saw an internet machine that can turn air into money!
Any interest?

Stevo

I am a loyal guy, and it was only fair to include them, even though I didn't need anyone's investment at that point. Those guys had put me on the map, and they deserved a front-row seat at the greatest show on earth—my show.

SDB Global was making \$20 million a year gross—\$10 million a year (net) in gambling profits before expenses—at that point. I knew that by adding an online casino and Internet sportsbook by March 1998, I could triple that revenue the following football season with little added expense. “Bo” and “Donnie,” my silent New York partners, were like pigs in shit; they knew that they had put their money behind the right guy, and I can't tell you how important that was to me going forward in my life. It was an extra added layer of security that only making money for powerful business people can earn you. There was a time in Panama, in the very beginning, when I was staying at the Hotel El Panama in the room next to Donnie and Bo. While out on my balcony smoking some sticky weed that I risked my life smuggling into Panama, I overheard a conversation between Bo and Donnie through their open terrace door. It was a heated conversation that rose to the level of screaming. Donnie was questioning putting all this money behind some twentysomething know-it-all—*me!*—who would “probably rat us both out in the end.” I did everything I could to bite my tongue and not explode into a rant that could have cost me more than just business. I'm glad I kept my mouth shut, because what I heard next from Bo was very revealing. Bo quieted things down with a calm yet assertive tone, shooting back at Donnie with the following:

“Listen to me, you fat fuck. I am not putting our money behind a kid. I am putting our money behind the son of a legend in our business. I am putting our money behind a kid whose efforts have earned us a fortune on the street over the years. I am putting this money behind

Davey's kid, and if he is half the man his father is, he will make us twice as much as his old man ever did! You see, Donnie, sometimes when you're betting on horses, you have to consider breeding as a major factor. Let me tell you something about this kid Steve Budin: If he is crazy enough to live in this dump [Panama] and risk his life to make us money, I say we let him!"

Needless to say, these were not nice people. But I was thankful that Bo was behind me, sort of. With the Internet projections I had on my desk, we had come a long way from that balcony in Panama. I figured we were worth about \$100 million at that moment, and I already had begun potential sales talks with some European gaming companies; Victor Chandler was the most interested of the bunch. So I guess Bo did back the right horse, proper breeding and all.

While readying my staff and systems for the March launch of our new online sportsbook and casino, I was simultaneously fixated on how I could drive enough traffic to the site to really take advantage of the serious investment I was making in this Internet technology.

Jackson Harris was a good buddy of mine. We were both from Long Island and lived parallel lives, but we didn't actually meet until we both moved to Florida.

Jackson Harris, Sandy Berger, and I made up the main cast of the "Three Stooges" on Miami's South Beach streets for many years prior to my move offshore. We all used to hang out and hunt out willing females in legendary South Beach dives like the Chili Pepper, Façade, Liquid, and Roses. Harris was a trusted ally; we bonded after I took him into my home during his nervous breakdown. He was suffering from major depression caused by the fear of facing the real world and working. We were twenty-two at that time, so it was a normal thing for most guys our age to go through. I, on the other hand, was making tons of cash as a street bookie and

spending it even faster, so I had other issues—if you know what I mean. Harris was a really smart kid who bounced back quickly and took a job with the NBA that he ultimately parlayed into a job with Sportsline USA, an Internet start-up company in the early heyday of multimillion-dollar Internet start-ups. I remained his trusted life adviser throughout his entire rise from low man on the totem pole at the NBA to head of sales and significant stockholder for what would become CBS's SportslineUSA.com, the largest and most heavily trafficked sports information site on the Web in its era and before ESPN had developed a high-traffic website. At the time, SportslineUSA.com had it all: news, scores, weather, odds, and gambling-related analysis. I was Harris's biggest advertiser at the time, spending in excess of \$50,000 a month on advertising SDB Global. Spending that kind of dough for online marketing was a first, but aside from porn, gambling was the only business that seemed to be working on the Internet. All other e-commerce models faced serious delivery issues—hence all of their projections of ten years until profitability.

Keep in mind, we were advertising a phone number on our Internet banners, and only at the end of our association was I even offering online sign-ups. Our Internet page was more of an online brochure. That was the extent of what the Internet could offer at the time, because the Web was still almost entirely nontransactional. All of that was about to change, however, and I knew it. People's confidence started to grow as they began to trade stocks online, view their bank account activity online, and buy books online at Jeff Bezos's Amazon.com. This really helped create the demand and ultimately the trust in online transaction-based experiences. While the traffic I was sucking out of SportslineUSA.com was significant enough to justify the \$600,000 I was paying it annually, that figure paled in comparison to the \$250,000 a month media budget we were executing across all other media (television, radio, and print). There was

nowhere else to spend our money at the time, since legitimate sports media companies like ESPN were anti-gaming, owing to their league affiliations (with the National Football League, Major League Baseball, the National Basketball Association, and, at the time, the National Hockey League). With my boy Harris running things at SportsLine USA, this was never an issue—though without him there, we probably would have been shut out there as well.

One day I got a call from Harris on my “Bat phone” in my private office. This was an emergency-only phone that everyone knew not to call me on with a false alarm. He was frantic, and I could barely understand him. Sportsline USA owned what would turn out to be the most valuable URL in the industry, www.sportsbook.com. A sportsbook is a betting house; gamblers searching online for information about sportsbooks could easily access this URL, and this was what made it so valuable. SportslineUSA.com owned sportsbook.com and needed to make a deal to get rid of it immediately for outward, and inward, appearances.

Understand this: sportsbook.com is the *ultimate* web address in our business. Without even trying, the owner of this URL gets the most visited sports betting website on the Internet. It is the home run of all home runs, and Harris knew it. He was a little prick when it came to negotiations, and I didn’t want to risk losing the deal, so I said to him, “Look, after all we have been through and everything, don’t take me down a long winding road here. Just tell me the bottom line and skip the sales bullshit—we both know what this means here.”

“A one-million-dollar flat fee, and it’s yours,” Harris said. “No negotiations, take it or leave it, and I need to know now.”

I couldn't believe he wanted a decision on the spot. Not that I didn't know it was a great deal—because it was—but I was schooled in the art of negotiation, and I wanted at least a chance to counteroffer.

“What’s the freaking rush over here?” I asked. “We’re talking a million bucks. Isn’t that a whole lot of scratch to be asking for a decision in five fucking minutes?”

He explained to me that they were about to announce a sale of their company to a major network—which turned out to be CBS—and that the network, which televised all kinds of sports at the time, including Major League Baseball, college football, and the NFL, could not own any gambling-related websites. So he had to dump the website before the announcement. I asked how this would affect our advertising, and he said that they had planned around the sale by creating an alternative Vegas-themed website that would be able to accommodate all of the sportsbook advertisers going forward.

“So what’s it going to be, Stevo?” Harris was hounding me for an answer, and I was sweating and thinking fast.

“Buddy, you want to sell a website for a million dollars to a gambling company? Are you completely nuts?” I asked. “Do you know how many red flags that will raise with the Justice Department?”

The phone went dead silent. I think I heard the shit hitting his drawers.

“You’re right,” he said.

He asked me for my advice, like he had done his whole life. The wheels had already been turning in my head.

I said, “What if I pay you a million dollars for unlimited advertising, and you just give me the URL for free? This way you get to put the million on your bottom line as a company before the sale, plus you will personally get a onetime twenty percent sales commission on the million-dollar advertising deal.” This way the deal wouldn’t look like a million-dollar sale of an Internet URL and raise a bunch of red flags. It would look like an advertising deal instead.

Even though the URL was worth every penny, the highest amount ever paid for an Internet domain was something like \$50,000. With the advertising tie-in to the sportsbook.com domain sale, I knew it would be a great deal for us because we would receive blanket coverage for one year on the top Internet website for the \$1 million—double our previous year’s budget, but we would now own and advertise the best possible brand on the market, www.Sportsbook.com. At \$1 million, it was a steal for me. Harris didn’t know it, but it would have been a steal at \$10 million—which is only a fraction of what it went for when it was sold a few years later for hundreds of millions.

Harris loved my idea and said that he would get back to me as soon as possible. I needed to reach out to my partners in Brooklyn to get authorization; while I could certainly pull the trigger on an advertising deal without talking to Bo and Donnie, I couldn’t spend \$1 million of their money without clearing it first and expect to live to tell about it. This would be the deal of a lifetime, and I was determined to close it. So, like my father taught me, I put it on the yellow legal pad on my desk at the top of my to-do list. This is what it looked like:

1. Clear sportsbook.com deal with Bo and Donnie, and close deal with www.SportslineUSA.com ASAP.
2. Prepare \$1,000,000 bank wire for immediate transfer. GET IT DONE!!!

What I was feeling in that moment was akin to what I imagine kings must have felt like when they got a lifetime appointment to the throne. I had been the leader, the creator of offshore gambling, and had paved the path for the others who rode my coattails. I had turned a sleazy street-based business into a respectable international industry that demanded the attention of Wall Street and private investors throughout the world. I had parlayed a couple of million into tens of millions and was worth nearly a hundred million at that point. Hundreds of millions more were on the *immediate* horizon—hell, \$1 billion was on the horizon, especially with our plans to move our operation to the Internet. Even with the move online, we'd still have VIP telephone clerks to take "Whale" bets of at least a "dime" (\$1,000) because those transactions needed to be handled over the phone anyway. We'd also keep the two hundred clerks to handle hundred-dollar wagers and up from customers who simply preferred to bet over the phone, but all of the customers who bet less than a hundred could now play with us over the Internet rather than get turned down because of a lack of phone lines. I was dealing to three thousand players over the phone, and the Internet could turn that number into at least thirty thousand instantly.

I dream big. I always have. And I've always reached the top. But this was Olympus, and the air was thin, intoxicating. The top of the mountain was in sight and within my grasp, with no one in my path and no one in view behind me. SDB Global was about to conquer the world

again, only this time it would be ten times over, and maybe a hundred times more spectacular and lucrative.

I drew in a deep breath. All was not well, because as fate kicked destiny in the balls and turned and ran the other way, all the other shit hit the fan. I went from taking off in a sprint in the most exciting race of my life to limping back home, wondering all the while just where that nasty smell was coming from.

My uncle Phil, a former newspaper publisher in New York City and my dad's brother in every way imaginable, did our Internet marketing out of his old Wall Street commodities office.

Phil put up all the money for our Internet advertising and executed all the deals in exchange for 20 percent of the entire Internet business; this was a nice little cash cow to start off with for Uncle Phil. But he was no dummy. He could see the writing on the wall, and that writing included a lot of zeroes at the end of huge checks. We were all banking on the idea that the Internet—after a modest launch as the public struggled to wrap its intellectual arms around the idea of what it could become—would eventually reach the stratosphere, and we were dead on.

Any customer who signed up on the Internet with us, whether through Phil's efforts or by osmosis, was credited to Phil. Understand, I hated marketing costs: They can really screw up a bottom line for investors. I learned from my days at Caesar's Palace working as a junket rep (which is nothing but a sports betting agent with a really bad commission scale) that the best way to get new customers is via commission-based marketing deals. So rather than piss into the wind, I'd rather they follow a pied piper who knew the route rather than me, because I wasn't

going to gamble on advertising. My entire marketing budget was always funded by more-than-willing marketing agents who covered the globe converting players for me in exchange for 20 to 25 percent of the pie their referrals generated.

So our marketing motto was simple: “We pay for profit, period.” This really worked because it allowed us to overspend on technology and customer services and ultimately to deliver that polished dream to the end user that we pitched so heavily in the fancy brochures we mailed out by the tens of thousands across the United States.

The first sign that the U.S. government was looking at us came when two men in suits showed up at Uncle Phil’s Wall Street office, posing as potential clients.

This was bizarre from the onset. First off, no one ever showed up there for anything. The address was not advertised anywhere, and it was in an office building, not a storefront. The gentlemen came in and said they wanted to sign up for an account with SDB Global. Phil’s secretary, Anna, told them that this was a marketing office and that they could sign up only over the phone directly with the Costa Rican operation. They were pressing her for information about the owners and operators, and she became a little nervous about who they were, why they were there, and what they wanted. Phil was playing pinball (his favorite pastime) down the block, so she called Costa Rica and made what turned out to be the fatal mistake of putting these guys on the line with Sandy Berger, my best friend and GM.

Sandy, thinking this was a sales opportunity, and bored with the decreased overall need for any hands-on participation, went into full pitch about the company. He gave out his name, his status as a lawyer (which he was very proud of), even his Florida bar number. Holy shit. He

gave his title and his full assurance that their betting experience would be the most professional and enjoyable there was. Just as Sandy got done with what would become his “confession” statement and hung up, Uncle Phil walked back into the office in New York, having received a 911 beep from his secretary, who was sweating bullets already.

He took one look at the two guys and asked his secretary in front of them, “What do these cops want?” One of the men laughed it off and said, “Cops! We’re not cops, we’re gamblers!” Phil was no moron; he had done it all and seen it all. He asked the guys what they wanted, and they said that they were interested in opening an account, but that they already had all the info they came for and were on their way out. As soon as they left, Phil turned to his secretary and said, “You didn’t tell those jerk-offs anything, did you?” She explained that she put them on the phone with Sandy and that they spoke for ten minutes but Sandy did all the talking. The guy was “just writing things on a pad” the entire time.

Phil exploded. “Get Sandy on the line!” By the time Phil got done with Sandy, he was all but convinced that he had just implicated himself in whatever investigation was obviously under way. All of Sandy’s greatest fears were coming to fruition. He worked so hard to sign these guys up that it was almost like he was working for the prosecution. He was sick to his stomach and came running into my office in a panic. We called Paul Pringles, our security guy, and sent him to meet with his girlfriend, who was on vacation in the Caribbean at the time. Sandy attended that meeting because I needed proof that this “Cookie” even existed. In that meeting, Pringles’s girlfriend once again gave her personal assurance that there was no offshore bookmaking case being investigated and suggested that it might be a local or state police investigation.

What Cookie didn't know was that the FBI's newly formed Computer Crimes Division, originally created to track perverts online, had begun investigating SDB Global and a handful of small-fish Internet bookies too. Like today, there was no communication between divisions within the FBI in those days. The Organized Crime Division, which had handled every bookmaking case that ever came through the FBI, was all of a sudden out of the loop. Thanks to me, for the first time ever, bookmaking had evolved into a "computer crime," not an "organized crime." So Cookie never thought to check with the Computer Crimes Division. Thanks, Cookie! Love ya, babe!

Or did she? Was Pringles in on it too? If so, it was the greatest bluff ever, because Pringles knew what cards we had on the table. We will never really know the truth. Personally, I believe neither she nor Pringles knew anything, because Pringles had pocketed so much cash from me and knew his six-figure payday was about to evolve to seven if we made it through the next few months and years.

Regardless, without knowing about the Computer Crimes Division, Sandy came back with good news from Pringles and Cookie: There was no federal investigation under way or ongoing pertaining to the offshore gambling industry. So I shifted my focus back to the pursuit of bookmaking greatness and the transition from telephone betting to Internet betting.

In March 1998, I was closing in on a launch date for the Beta version of my first online betting software, and my casino launch was only weeks away. I could feel the excitement in the air, and I knew we were about to take this to a whole new level. All I had to do was lock up the deal for the Sportsbook.com URL, and I was all set. I took the call from Jackson Harris that we

were all eagerly anticipating and learned that the blockbuster media deal with Sportsline USA had been approved for the \$1 million, along with the transfer of the URL Sportsbook.com.

We got it!

We were so excited that we threw a huge party to celebrate the news. That party lasted two days, as it fell over a weekend. My wife, Melisse, had just given birth in January to our second daughter, Juliette, and was in Miami at the time. So, needless to say, we partied pretty hard that weekend.

Whoever thought that it would wind up being our going-away party? Who would have suspected that the biggest celebration of our lives was actually a wake in disguise?

Monday morning rolled around, and I was at my Escazu estate in the suburban hills of San Jose, Costa Rica. I was in my private spa facility attached to my garden-and-pool area. I was just sitting in the steam room relaxing, thinking about how best to explain to Bo and Donnie about this new million-dollar marketing deal that I'd just committed their money to—*You won't have to explain a thing*, I thought to myself. *This thing sells itself. A million is a drop in the bucket compared to the tens of millions that will rain down because of this.*

What I didn't know was that the hand I was using to pat myself on the back was about to slap me in the face.

As I relaxed again in the steam room the following morning, there was a knock on the door. My office was on the line, requesting to patch in an "emergency" call from my sister Robin in Miami.

There were no emergencies in Costa Rica—especially not at seven in the morning, not after I had just finished swimming laps in the pool at my ten-thousand-square-foot hacienda in the rolling green hills of Escazu. On the agenda that day was the pricing of Lear jets so that I could get to Miami and back faster and easier to see my wife and daughters.

What emergency? I thought.

I immediately thought of what I believed would have been the worst possible news. I thought my dad had passed away. He was a sixty-five-year-old armored tank who looked like he was about forty-five, but he had a weak heart from a minor heart attack he had suffered fifteen years earlier. I remember that the two minutes it took the office to connect the call was the longest 120 seconds of my life. I was extremely nervous. I got Robin on the phone, and I said, “Is Dad alive?” to which she said, “Dad’s health is perfect. Call Mom. Now.”

My other initial thought was that my parents had found out I smoked pot—isn’t that crazy? I was forming this speech in my head about how “I’m twenty-eight years old, and I’m about to be a billion-dollar player, so leave me alone with the pot speech, okay?”

My mother answered the phone. She’s a redheaded firecracker of a woman, a Brooklyn girl all the way—really. A cross between the mother from *Everybody Loves Raymond* and Andrew Dice Clay, she rules the roost.

“The FBI was just here,” she said. “They took your father away.” She was in total hysterics.

“What did they arrest him for?” I asked.

“What the fuck do you think?” she yelled. “You’ve got to call the lawyers.”

I had no sooner hung up the phone than my secretary put through a second call to me. It was a reporter from Reuters who wanted a comment, but I thought it was my secretary on the phone, not Reuters.

“The FBI has just lodged a complaint naming you in federal court for Internet gambling,” she said. “Do you have a comment?”

“Really? We don’t take bets on the Internet,” I said. And that was absolutely true—at the time we hadn’t taken a single bet online. Little did I realize I had just given the reporter a comment, not my secretary.

Twenty minutes later, I realized how the Internet defines “real time” when I received a call from one of our lawyers.

“What in the hell are you giving quotes to Reuters for—are you out of your mind?” the lawyer, Sam Rabin, asked.

The Reuters story was already appearing on the Internet, complete with my “comment.” We were not transactional online—yet. In a few days that would’ve changed. In reality, the law they used to pinch us with was the old “wire act,” which specifically mentions telephone betting. The Internet had nothing to do with my arrest. The feds nabbed us in the nick of time because we were ready to blow up the Internet, taking all kinds of bets and running the first online casinos.

“Let me get back to you later,” Rabin said. “I have to deal with your dad first.”

My next call was to Pringles, our former FBI agent who was making big money as my security adviser—and let's face it, I was only paying him to get me inside information on what the FBI was doing.

"What the hell's going on?" I asked.

"I have no idea," Pringles said.

We got his girlfriend, Cookie, an active FBI agent, on the phone.

"I just found out there's a new division, Computer Crimes," she said very apologetically. "I never knew about it—until now."

She said she felt very bad, and she sounded upset; either she really was, or it was just a great performance. Pringles wasn't happy either, as his future life as a millionaire in Central America was done, and he'd be headed back to the States to live off his meager government pension.

"Listen," Cookie said. "Whatever you do, I recommend you surrender immediately. Don't make a mountain out of a molehill. With where we are with the case now, you aren't going to be in a lot of trouble unless you make yourself a fugitive. Be the first to surrender and make a good deal for coming back first."

That was what my lawyer had told me minutes earlier. My lawyers negotiated my surrender, and I was told we'd earn some "good faith" points by doing that.

I later learned that this was part of a much larger bust. All the bookmakers who had followed me south and were using both the system and the software we had developed were hit—the “Internet 21” we were dubbed by the media. Some were in Costa Rica, and others operated in Curacao, the Dominican Republic, Antigua, and other island countries. Many told the feds to go screw themselves and went right on with their business as if it were just an annoying phone call. A half-dozen remain fugitives to this day. Some, I believe, honestly thought they were facing hard federal time: Federal sentences are served in full, with no time shortening for good behavior. Others knew the feds couldn’t come get them because the local governments in these countries valued the jobs—and technology—that the gambling operations brought in for local workers. And a few knew what we were on to with the Internet and knew that even though they’d never in a million years get the billion-dollar payday we were leaving on the table, they could still make millions, probably even multimillions (it would turn out to be tens of millions even for smaller operations) once betting came online.

Here’s how the 1998 prosecution broke down. Of the twenty-one Americans charged by the U.S. Justice Department with breaking the Federal Wire Act by using a “wire transmission” facility to accept bets on sport, Jay Cohen got the longest sentence: twenty-one months in prison, but just a \$5,000 fine. He was found guilty on all charges he faced, and he was the only one of us who fought the charges in court. Rumor has it that Jay spent time in a Las Vegas federal pen, and it turned out to be a real pain in the ass for him, if you know what I mean. Poor Jay. Five others surrendered and didn’t contest the felony charges (including my dad); three (including Sandy) turned themselves in and pleaded guilty to charges reduced to misdemeanors in plea deals; four surrendered but had the charges dismissed (including me, but I accepted a huge fine); and seven remain listed as fugitives. One of the more notable defendants still on the

run is Steve Schillinger, an options trader from San Francisco who co-owned the telephone and then online sportsbook World Sports Exchange (WSEX) in Antigua. Before he started WSEX, he resigned his membership in the Pacific Stock Exchange after exchange officials questioned him about bookmaking on the exchange floor.

Whatever I wound up selling my company for was nothing compared to what it would have fetched had I had the time or notion to sell to one of the European gambling companies, which operate to this day with licenses from their own governments.

The end result is a net loss to the U.S. government, because guys like me made between \$10 million and \$20 million a year and paid 37 to 40 percent U.S. taxes, thus making the U.S. government our full partners on every dollar of profit we made. By putting me out of business, that money was gone, as it was for the other U.S. offshore-based bookmakers. That money went straight into the pockets of the foreign countries that then took over and operated our businesses—and about nine out of every ten dollars still comes from U.S. bettors to this day. That's the kind of mind-set that has weakened the U.S. dollar against the euro. We've got economic problems in the United States exactly because of decisions like these.

Here's how it broke down that morning prior to my mother's call. At 6:30 AM local time, the FBI showed up at my dad's house in Miami with guns drawn and fingers on the triggers. The government stages these spectacular "raids" when they want to play to the media. They arrested my father and charged him with conspiracy to commit bookmaking in violation of the Federal Wire Act.

My dad had had nothing to do with the operation for over a year by that point. Because the FBI couldn't have gone to Costa Rica and arrested me for doing something that is legal in Costa Rica, they snatched my dad instead and used him as the bait to get me to close up shop and return to face charges without a fight.

Robin was distraught, and my mother was a mess. My mom thought she had put the horrible memories of my dad's run-ins with the law behind her for good—only to see their door busted in and my dad taken away in handcuffs. To make things worse, my wife Melisse was dealing with postpartum depression after giving birth to Juliette. She had just arrived in Costa Rica after not seeing me for a long time—and was greeted with this news. She was devastated. She was scared for me and concerned about the future of our family.

I immediately got on the phone with our lawyers to try to bail my father out, but the feds falsely labeled him a “flight risk” to force me to agree in writing to close my company and return as part of his bail agreement.

Clever move by the FBI—there is no winning when you go up against them. Even if you are in the right, the best you can ever hope for is a draw via submission. All you can try to do is minimize your loss. So I wasn't even afforded the opportunity to defend myself in court and save the business. Instead, giving me no chance to explain myself in court, they forced me to close SDB Global. The FBI knew I would not allow my dad to sit in jail while a trial went on for months, maybe years. I wanted my dad out on bail that day. So I went from taking a steam and contemplating the hundreds of millions that the new Sportsbook.com domain and SportslineUSA.com deal would bring in, to agreeing to immediately shut down my business and return to the United States to surrender to the FBI. What a swing of events. There had been two

outs in the ninth inning, and I had a full count on the batter, but I had to forfeit the game and declare it “game over.”

I went to the office immediately to start to wind things down and strategize with my lawyers.

The first thing I did was make sure *every* customer got their money sent to them via FedEx or UPS. That was important to me. I came into the business and built a reputation based on honesty and never owing anyone a dime. I left it the same way. Everyone got their money again, just like before, when we shut down the office in Panama and moved to Costa Rica. I remain proud of that fact.

I learned that news travels fast even in the remote outpost of Costa Rica, because I was met by a special delegation of lawyers and diplomats bringing a message from the president of Costa Rica, Jose Figueres—and a Costa Rican citizenship application. The message was that I could stay in Costa Rica and avoid U.S. prosecution; the caveat was that I could no longer return to the United States—ever. I couldn’t live with that—I love my country.

So while that was a tempting offer, I couldn’t let my dad sit in that cell indefinitely. The fact that the FBI knew that—which was exactly why they grabbed my dad in the first place—makes me question whether Pringles and his girlfriend were in on it.

That was a brilliant chess move by America’s “finest”—forget the terrorists plotting against our country, they had Steve Budin to fry—but there was nothing I could do but accept the checkmate like a man and surrender.

I was done and I knew it.

For the first time I had run out of options, answers, and fixes.

Game over.

Jackson Harris ended up doing the exact same deal (of which I was the architect) and sold Sportsbook.com to a front group backed by an Irish kid nicknamed Purple. I couldn't resent Jackson for that. What was he supposed to do? I was finished and he knew it.

Purple was operating a tiny Internet sportsbook out of the Caribbean at the time. He was struggling to keep his fledgling eleven-man operation afloat, working all day and sleeping under his desk at night.

But Purple raised the million dollars he needed and paid it to Jackson Harris's company, Sportsline USA, for the Sportsbook.com URL and unlimited advertising—my deal to the letter. Sportsbook.com recently sold for about \$200 million; the company is publicly traded and worth about \$1 billion right now.

You would have thought that the U.S. Justice Department's declaration of war against offshore bookmaking would have put SportslineUSA.com in a precarious position. Yet under the protective banner of the First Amendment to the U.S. Constitution, SportslineUSA.com became the biggest facilitator of sports betting on the Internet via its offshoot Vegas-themed website, which marketed various Sportsbook companies (for a tremendous fee) and drove tens of thousands of clients to bet. While I knew all of these things were going on behind the scenes, I never brought them up to the feds. I'm not a rat, and I was unwilling to deal any information in

exchange for help. Besides, I'm a bookmaker, not a murderer. What was I ever going to be facing vis-à-vis jail time? Nothing!

I was focused on the business at hand, namely, getting my father freed and keeping us all out of prison. So I returned to the United States to face the music. I was booked into a New York City federal prison by the U.S. marshals.

What a bunch of animals they were.

Believe it or not, I had never been to jail before, and I was nervous, to say the least, even though I tried my best not to show it. I was handled separately from my dad and didn't see him at all throughout the entire time I was booked and processed.

I was led to my cell at the end of a mentally exhausting experience, only to be met by my dad in the cell.

We embraced immediately, and I remember crying—not sobbing, not weeping, but lightly tearing. Oddly enough, those weren't tears of sorrow; they were more of a relieved expression of joy. Without having to verbalize it, we both knew that regardless of where we were at that moment, we were together. We also knew that together we had accomplished so much over the years—most of which we had spent the last two days saying good-bye to.

Our accomplishments were so far beyond what we originally set out to do that regardless of the unfortunate situation we found ourselves in, we couldn't help but be proud of what we had done.

We were modern-day pirates, pioneers, and bookmaking visionaries.

We were rock stars.

Despite it all, he told me, he couldn't have been more proud of me, and that meant more to me than any stinking jail cell we were in.

He was and is my father, my best friend, my mentor, and my hero. All I ever wanted to do was earn his respect.

He used to say when I was a kid and I'd question him: "Why do you question me? Aren't I always right? Have I ever been wrong? Have you ever been right?" So ever since I was a little boy, I always wanted to be right one day. As bad as our surroundings were, I was finally right, respected, and acknowledged by him in a way that I had been seeking for as long as I could remember, and it was a strangely wonderful coming-of-age moment for me.

We spent the night in jail together talking about it all and trying to get some closure.

I was really surprised to find out that my dad felt responsible for the outcome by having brought me into the business at a young age.

I was also surprised to hear that he was relieved that the charges were so, as he called them, "insignificant."

He had feared that the ultimate outcome of our offshore endeavors would be much worse than it was. But I had no regrets, and by the end of the night, he knew that.

We were both mad at the U.S. government, though. We felt betrayed. We paid all of our taxes—which was an easy way for them to track me—making the U.S. government our 37

percent partner, and they treated us like criminals, even though paying taxes and never laundering a single cent of money showed that we wanted to remain aboveboard, or at least wait until the same U.S. government defined the gray area in which we operated.

But deep down, my dad was happy to finally close the book on everything gray, and he was anxious to live out the remainder of his years in black and white.

I told the prosecutor that all he was doing by arresting me was sending my ten thousand customers looking for another book. He snapped back, “We’re going to get a few easy guilty pleas, and then the rest of them will fall like dominoes.”

I just smiled and thought to myself, *Bullshit, dominoes*. I knew that all the veteran European bookmakers were jumping into the game now and that the United States could never arrest European owners. What were they going to do? Invade London and arrest legal, licensed bookmakers? Bookmakers are like stockbrokers in Europe. It would be World War III if the U.S. government even tried. I knew that at that point the feds had no idea what they were doing other than stopping me and those who had followed the rainbow and caught the overflow from the pot of gold I’d discovered.

I knew that because of the extreme demand SDB Global had created, they would never stop this business. It was like trying to enforce prohibition. In the poker game of the business world, demand trumps all cards. By arresting all the taxpaying Americans in the business, like me, all they did was make sure that zero revenue (by way of taxes) came back to the United States.

Brilliant.

One of my lawyers was Aaron Marcu, a 1980 Harvard Law School grad who had been a federal prosecutor for seven years before he went into private practice. Having him represent us really helped. But the government wanted to make its stand. U.S. Attorney Daniel Becker stood up and said, "The federal government is not in the business of selling off prosecution. You can't buy your freedom here."

Nobody said a word. Aaron told us to leave the room. He finessed the deal for my father, and then the charges against me were dismissed as long as I paid a hefty fine. Because I had paid taxes and never laundered money, I signed a plea deal and the U.S. government's attorneys agreed to a few million dollars in fines and an admission of guilt. But while in the grand scheme of things the fines weren't catastrophic, the federal iceberg had still sunk my \$100 million company like the *Titanic*.

I sold my company's remaining assets in a fire sale for as much as I could, and the proceeds covered all my legal fees and fines. In the last few days when I was winding down the business and closing up shop, my dear friend and head of customer service at the time, Z Man, approached me with an offer from his two cousins in Greece to buy the company's assets, equipment, etc. It was my last chance to make a score before closing, so I did it.

Z Man and his cousins opened up the following year as SBG Global instead of SDB Global, and they have been running ever since without so much as a peep out of the U.S. government. I assume that's because the company is now a foreign-owned company, so what can really be done?

Sometimes my experience has seemed like “selective” prosecution: It was like everyone was allowed to mine for gold in the gold-filled mountains I discovered except for me.

I spent most of the following year avoiding prosecution by fulfilling my pretrial obligations, which included staying above the law, gray areas included. My dad, bless his heart, stepped up like the man he is and pleaded guilty to a felony—in connection with a company he had absolutely zero involvement with at the time—so that Sandy Berger would walk without one. Otherwise, Sandy’s telephone confession to the FBI in that final week of our business would have certainly earned him a felony charge and disbarment.

My dad went before the judge and was ready to do time for Sandy. You see, prior to Sandy taking the job with me, his father, Marcos, an old-school Brooklynite like my dad, asked to meet with my father to get his assurances that Sandy would not be in any danger. He didn’t want to hear it from me—the guy loved me, but he also knew I could sell ice to the Eskimos. My dad sat down with Marcos, looked him in the eye, and promised him that he would never let Sandy get hurt. That was all Marcos needed to hear. He and my dad spoke the same language, and it didn’t require many fancy words. So my dad was merely keeping the promise he had made to Sandy’s dad—a natural decision for him, and one for which Sandy is forever grateful.

In fact, the judge recommended house arrest for my dad, and my dad replied, “Your Honor, please, you don’t know my wife—anything but house arrest! I’ve been on house arrest for forty years. Give me the hole, just not house arrest, I beg of you.”

The judge smiled and fought to hold back laughter while everyone else there cracked up—except the prosecution, who were realizing that their huge, airtight prosecution had turned

into a farce. They had fried the biggest fish, only to let the biggest bounty of all off the hook forever. They'd never have a chance at netting that fish, much less getting it to pay U.S. taxes—as we had done and would have continued to do.

My dad was a sponsor of the Paralyzed Veterans' Organization and one of its top contributors; he had dedicated almost all of his free time and extra funds to champion that cause and many other worthy causes over a twelve-year period. My father was always teaching me, mostly by example. I was a willing student and always watched his every move. He taught me that a tough son of a bitch you wouldn't want to fuck with could also be a grateful, spiritual person, and generous to those less fortunate, all without ever sacrificing his edge.

The federal judge reviewed my dad's distinguished charitable record, considered the victimless crime, and reduced the suggested prison time to house arrest and probation, despite my dad's joking pleas for hard time. My father had several arrests on his record from when he was younger, and the judge could have hit him between the eyes with the proverbial book. But that was trumped by the man my dad was, and his sentence was better than anyone could have imagined considering all the effort the feds had put into busting us.

I wound up with a deferred prosecution for four months, but one of the conditions was drug testing. I had never been a drinker, and I never was into the hard drugs like cocaine or meth, but I did use pot—often, and a lot. In fact, I took a bigger risk getting good pot out of the United States and into Costa Rica than I faced running an offshore bookmaking operation.

So I found myself off pot for the first time since high school graduation. Let me just say for the record that I don't want to glorify marijuana or any other drug. I used pot because it

relaxed me after the sixteen- to eighteen-hour sprint-marathon days I put into building and running a high-adrenaline business. The pot kept me sane. That might sound like a pathetic attempt to justify the way I used pot as a “medical” marijuana use, but it is what it is. And sorting through all the emotional baggage as I awaited sentencing was not easy, especially without the weed. I had lost so much: even more than my income stream I had lost my purpose and my passion—my power, my ego, and my built-in excuse to act however I wanted, and without fear of any repercussions.

I was building my dream home in Miami as all of this unfolded. Sitting in the backyard of my new home, I was as miserable and low as I had ever been, grieving from the losses. I not only had to figure out what to do with myself now but, even more than that, figure out who I was.

As I sat there, I watched my beautiful wife Melisse, who is nothing short of a goddess—long dark hair, beautiful brown eyes, and big curvy lips that you could park your Harley on. Beyond her penetrating physical beauty is the soul of an angel. She stuck by me through it all: Panama, Costa Rica, and even jail. I realized finally that my bitterness and “woe is me” attitude were getting me nowhere. I have always been a God-fearing man who relies heavily on faith. Looking back, I believe that God saved me from myself by getting me out of the business and out of Costa Rica. Though at first I had looked at getting busted and losing my business as a curse, I was beginning to see it, through divine intervention, for what it really was—the biggest blessing of my entire life.

All of the events of the past few years crystallized in one powerful moment when it suddenly hit me: While I was busy trying to build my billion-dollar company, one customer at a time, I had lost focus on what was really important in my life—my two kids and my unbelievable

wife. I had neglected these angels for four years while expending every ounce of energy trying to become a member of the billionaire boys' club. While I was always able to effectively evaluate the worth of my business at the close of each fiscal day, I had failed to realize the value and worth of being the CEO of my family. So it was only when I was finally stripped of the ego-inflating, high-powered position of building and then running the largest sportsbook in the world that I was able to realize my truly priceless asset—my family. To think: They had been in my portfolio the whole time, but I just didn't see them and add them to my bottom line. I thank God that my time in Costa Rica was cut short before I reached the point of no return and lost what was most valuable to me—my family. I was forced to trade billions in future gambling fortunes for the love of my family. Loving them and giving of myself to be loved by them is, to be honest, the best deal I ever made.

So I got up off my sorry ass and went back to life with a new, reborn spirit and determination. Only now I vowed never to lose focus on what was most important: my family and my God. Life is good.