

Taking Risks, Making Odds - New York Times

Written by Administrator
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LAS VEGAS — Miles away from the sparkle of the Las Vegas Strip, past foreclosed homes and dusty tracts of desert, the Wall Street bond powerhouse Cantor Fitzgerald has placed millions of dollars of its own money on the table.

At the [M Resort Spa Casino](#), Lee Amaitis, a former bond trader who now runs Cantor's operations here, held court in a

dimly lighted plush orange V.I.P. booth lined with large Champagne bottles. Leaning forward, he talked excitedly about the ambitious plans for the Cantor Gaming subsidiary.

"There's big money in this, especially now we are moving onto the Strip," said Mr. Amaitis, in a gray pinstripe suit with the top two buttons of his white shirt undone.

Cantor Fitzgerald is one of the biggest brokers of United States government securities, considered among the safest places to put one's money. Cantor Gaming handles some of the riskiest. It runs the sports book at the M Resort, a relatively new casino popular among Las Vegas locals. It will soon start handling the sports betting operations at the [Vegas Hard Rock Hotel and Casino](#)

and at the recently opened [Cosmopolitan of Las Vegas](#) and the [Tropicana Las Vegas](#), all on or near the Strip.

And Cantor is banking on the next frontier in gambling: a license that would allow sports betting on mobile devices anywhere in Nevada, as long as the bettor had an account at a casino.

Wall Street executives usually protest when their business is compared to a casino. But there is a logic to privately held Cantor's Vegas subsidiary, casino industry experts say.

"Guys who trade Treasuries are doing it for basis points, and sports betting is not much different," said Jeffrey B. Logsdon, who covers casinos for BMO Capital Markets. "Trading a million dollars in Treasuries is different than trading a billion. Sports betting is the same. You want the spread, volume and you see yourself as a match maker."

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Still, for Cantor it is a potentially huge risky bet. Unlike most sports books, which typically cap wagers at anywhere from \$1,000 to \$10,000, Cantor Gaming's book has a take-all-comers policy, exposing it to losses if it cannot hedge its bigger bets. During Super Bowl XLIV this year, it handled a few bets in excess of \$500,000.

Cantor's push into Vegas is being led by the 61-year-old Mr. Amaitis, whose past includes a conviction in his 20s for dealing cocaine. Cantor Gaming, Mr. Amaitis says, mitigates its risk through volume.

And Cantor hopes to have another advantage through richer data. In 2008, Cantor Gaming bought Las Vegas Sports Consultants, the world's largest odds maker. It sets the odds for more than 40 percent of the casinos in Las Vegas, and Cantor used that data to expand into what is known as in-running betting, which lets people wager on portable devices on sporting events in progress.

Sports betting — wagering on the outcomes of football games and horse races — is still a small part of Las Vegas gambling. It accounts for just 1.7 percent of all gambling wins in Nevada, according to the state's Gaming Control Board. Most large casino operators, including Caesars Entertainment and MGM Resorts, run their own sports book, taking on limited risk but keeping all the profit.

Sports book operators make most of their money charging a small commission on bets. They then try to match a bet on any given game with an opposite wager, essentially neutralizing the risk of that bet. If they can't, operators typically try to change the money line, making it more attractive for bettors to vote on the other team.

In two years, Cantor Gaming has grown into a force in Nevada. So far this year, the sports book at the M Casino has taken in more than \$400 million in wagers, almost 20 percent of all the money bet on sporting events in Nevada, Mr. Amaitis says. He contends that the number will grow to \$1 billion, or almost 40 percent of the market, in 2011.

The firm is not profitable; most of its revenue is reinvested in new technology. But Mr. Amaitis predicts the company will be profitable on an operating basis in 2011.

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Mr. Amaitis has long had passion for sport and betting. As a boy he would head to the track after school. At the age of 16, Mr. Amaitis, a Brooklyn native, landed at job as a stable boy at New York's Aqueduct racecourse and worked his way up to racing official.

In his late 20s, he switched careers, becoming a bond trader at Fundamental Brokers. In 1986 he was arrested at work, accused of being part of a multimillion-dollar drug ring that was peddling cocaine at Wall Street firms. He pleaded guilty to possession as part of a plea bargain. The indictment was dismissed, and he was sentenced to a year's probation and a \$5,000 fine.

"It was during the roaring '80s, and I got swept up in it," he said. That year he went into a rehabilitation program, and he says he has not had a drink or used drugs since.

In 1995, Mr. Amaitis accepted a job at Cantor from a friend, Howard Lutnick, the firm's chief executive and chairman. A year later he was dispatched to London to oversee Cantor's European operations. It was there that Mr. Amaitis got the idea for Cantor Gaming.

Britain is much more open to betting than the United States is, allowing gamblers to wager online on everything from sporting events to the direction of the market to the price of gold. "We would be out seeing clients, and they would constantly be on the phone making bets," Mr. Amaitis said. "At that point I said, 'We should be in the book-making business.'"

In 2000, the Cantor Index was started in Britain, allowing spread betting on financial products and sports wagering. Spread betting allows people to wager on the price movement of a security, or in the case of sporting events, gamblers can wager on the outcome above or below a set spread.

Spread betting, however, is a leveraged product, making it a riskier venture for Cantor. So instead of expanding into spread betting, in 2004 Cantor licensed its fixed-odds technology, where bettors pay up front to gamble, to the well-known online betting company [Ladbrokes](#).

But Mr. Amaitis had his sights set on a bigger prize: Las Vegas.

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In 2005 Cantor lobbied Nevada's gambling commission to approve mobile gambling. A year later Cantor Gaming became the first licensee approved to manufacture and distribute hand-held gambling devices. It took another two years to get its products approved.

The devices, one the size of a mobile phone and the other the size of an [iPad](#), offer a number of games, including sports betting, roulette and slot machines. They can be used only in casinos in which they are registered, and a number of casinos offer them, including the M, the Palazzo and the Venetian.

In 2008 these devices caught the attention of Anthony A Marnell III and Joe Magliarditi, business partners in the soon-to-be-opened M Resort. After seeing Cantor Gaming's ability to offer in-running betting, they decided to hand over the sports book for the M Resort, which opened in March 2009, to Cantor Gaming.

"Cantor understands technology and scale and was willing to make the capital investment in the book that we couldn't," said Mr. Marnell, the "M" of the M Casino.

Mr. Magliarditi joined the Vegas Hard Rock Hotel and Casino in June, leading to the Hard Rock's recent decision to hire Cantor to run its sports book. Cantor Gaming pays rent to operate in the casinos, and the casinos get an undisclosed cut of the profit.

Cantor Gaming's decision to take huge wagers is what sets it apart from others. A Cantor Gaming executive, Andrew Garood, said while this strategy had helped Cantor Gaming expand and attract professional bettors and high rollers, there had been some dicey moments.

For instance, in November 2009, the Indianapolis Colts were two-point favorites going into a game with the New England Patriots. The Colts won the game by just one point. Cantor lost money on both the game and the spread.

"I don't see any difference between Las Vegas Boulevard and Vegas," said Mr. Garood, a former derivatives trader who joined in Cantor in 2000. "Over time we can't lose, but there will be games where we take a hit."

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