

Ex-CEO of BetOnSports pleads guilty

April 1 2009, By JIM SALTER , Associated Press Writer

(AP) -- The former chief executive of BetOnSports pleaded guilty Wednesday to federal racketeering conspiracy, admitting that the Internet company falsely portrayed Web-based gambling as legal and caused customers to lose millions of dollars they'll likely never get back.

As part of a plea agreement with federal prosecutors, David Carruthers, 51, of the United Kingdom, agreed to cooperate in the case against BetOnSports founder Gary Kaplan and six other associates. Kaplan and four of the others are scheduled to go to trial in September. Two others remain at large.

In return for the guilty plea and cooperation, prosecutors agreed to recommend no more than 33 months in prison for Carruthers, even though federal sentencing guidelines provide for up to 20 years. Prosecutors also dropped seven other charges.

Carruthers declined comment after the court hearing, but said during the proceeding that he initially was unaware online gambling was illegal when he was hired by Kaplan in June 2000. His attorney, Scott Rosenblum of St. Louis, did not return phone calls seeking comment.

The company itself, based in Costa Rica, pleaded guilty to racketeering charges in May 2007.

"While BetOnSports operated offshore their illegal activities were not outside the long arm of the law," said John Gillies, the FBI agent in charge of the St. Louis office.

U.S. Attorney Catherine Hanaway said Carruthers conducted the business through a variety of illegal means involving racketeering, mail [fraud](#), violations of the Wire Wager Act and money laundering. She said the company falsely advertised that its Web-based and phone-based gambling operations were legal.

Hanaway said the company also misled gamblers into believing that money transferred to BetOnSports was safe and available to withdraw at any time. In fact, Hanaway said, the money was used to expand operations, including purchase of the rival Easybets. When BetOnSports ceased operation in 2006, customers lost more than \$16 million.

Hanaway declined to speculate how many customers lost money.

"I can safely say it's in the thousands," she said. The government will seek restitution, but Hanaway said Carruthers lost most of his money when the company collapsed.

Kaplan, Carruthers and others were indicted in 2006 on charges of racketeering, conspiracy, mail fraud and gambling.

Carruthers was arrested in July 2006, and has been under house arrest since then, first at a suburban St. Louis hotel, most recently at an apartment complex. His time under house arrest does not count toward his sentence, Hanaway said.

Kaplan was arrested in March 2007 and is being held at the St. Charles County Jail.

The case was prosecuted out of St. Louis partly because some of the victims were from here and because BetOnSports advertised near the Edward Jones Dome during St. Louis Rams games. Some assistant U.S. attorneys here also have expertise in going after those involved in

Internet gambling, which is illegal in the U.S.

"I think it's had a very chilling affect on the (Internet gambling) industry," Hanaway said of the case. "It has put those who take these bets on warning that prosecution could come at any time."

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