



Interview with **PHIL KATSAROS,** Member of the Nevada Gaming Control Board

By Dennis C. Gutwald and Michael R. Brunet

On March 28, 2019, Governor Steve Sisolak appointed Phil Katsaros to the Nevada Gaming Control Board (GCB). Mr. Katsaros has more than 20 years of gaming industry experience and served in a variety of leadership positions, including as a regulator with the GCB. In announcing the appointment, Governor Sisolak expressed his confidence that Mr. Katsaros "... will use his diverse expertise to strengthen our gaming regulation system and promote Nevada's gaming industry as the gold standard worldwide." Recently, Nevada Gaming Lawyer had the opportunity to discuss important issues with Mr. Katsaros, including his expectations for his new role and what current and upcoming challenges he expects to face as a new GCB member.

Q: Tell us about the beginning of your career, how you came into the industry and your time as an agent with the GCB. You were first employed as an agent in the Tax and License Division conducting regulatory and financial audits?

Yes, I began my gaming career with the Tax and License Division. I originally interviewed for a position at the GCB while still in college, and shortly after graduating I landed an Agent position. I was 23 years old when I first moved to Reno, which was just under 2 years after I earned

my degree in Accounting from Eastern Michigan University. My professional work experience up to that point was largely working as an IT professional in banking.

The beginning of my career, perhaps like many others, involved someone taking a chance on employing me. In my case, that someone was Steve Hixon, then Chief of the Tax and License Division who hired me at the GCB. Steve, the "Forever" Chief, as some affectionately refer to him, knows Nevada gaming as well as anyone and took great care to mentor and educate me on how, as regulators, we can best carry-out our

mission and safeguard the interests of Nevada.

Given that a bulk of the work in Tax and License is focused on financial audits and ensuring proper internal controls are in place and being followed, my accounting education and banking experience were very helpful. In the Tax and License Division the audits and compliance reviews are focused on the State's smaller casino Licensees (Group II's now). In this role, you travel to every corner of the State and meet some of the great citizens and casino owners we have here. It was such a wonderful experience meeting these

great people and gaining a true appreciation of the diverse casino industry we have in Nevada. It's unlike any other place in the world.

Q: And later you transferred to the Corporate Securities Division where you were promoted to senior agent and later special agent?

My move to the Corporate Securities Division (now a section of the Investigations Division) allowed me to broaden my frame of reference

the merger between MGM Resorts and Mandalay Resorts (which I worked on). It requires Agents to be on their toes, well rounded, and open to handling a diverse scope of challenges.

Q: Sounds like you have had a lifelong interest in and passion for gaming, both casino gaming and non-casino gaming as well?

It's safe to say that I've always had an affinity for gaming. And I mean

Q: We learned a bit of your background when Governor Sisolak announced your appointment. For example, you have gaming industry experience in over 70 international markets, and much of your career has been focused on the international and online gaming sectors. But to elaborate further, tell us more about the unique international experience you bring to the role and why your international background should be



and knowledge of casino resort operations given their purview. When conducting compliance reviews, Agents have the opportunity to understand every area of the casino business, and every opportunity I had, that's what I set out to do. Continual interaction with each department of the gaming operations - slots, tables, marketing, security, surveillance, etc. - was an excellent education.

Agents are regularly called upon to investigate and report on an array of subject matters, which is rather wide. One day you could be working on potential Securities and Exchange violations and the next you could be working on the applications requesting approval for

both, video gaming and casino gaming. In the 70s and 80s, my parents loved taking family trips to Las Vegas. Nine of us in an old-school station wagon driving across the country, just like in the movies. My dad taught me blackjack and poker when I was about 8 years old. And growing up in a suburb of Detroit, card game tournaments, particularly poker and euchre (great card game, pronounced you-ker), were commonplace. Also, most pervasive was sports betting and fantasy sports. Esports among our group of friends was also a common activity for us. Yes, esports.

Q: useful in a position focused on the regulation of Nevada licensees?

I won't undersell the obvious here ... the world has shrunk, and we are in a global environment. Events that happen 12,000 miles away can have a direct effect on us here in Nevada. And as Nevada continues to attract companies and investment, it would seem natural that many will continue to come here from abroad. In the short time I have been on the GCB, we have already had a couple instances of applicants and licensees with firm international roots that we have had to vet considerably. Having a strong understanding of the many international markets which they operate in has certainly been beneficial for me in being able

to wade through the investigative materials. Moving forward, I plan to lend some guidance on investigations, particularly with those having international implications.

Just a bit on my background. Initially, when I began working internationally, my role was limited to Europe and traditional regulatory compliance-type duties. Over time, my role grew from Europe to also include Asia, to absorbing technical compliance duties and all regulatory lobbying in these areas. Most beneficial to my personal growth, however, was when I began to work on the commercial side of the business; product demos, customer relations, commercial negotiations, etc. This was also most important for compliance duties, because if you understand how the business works, you can better understand where companies are most susceptible to failure and can proactively implement policies and procedures to avoid missteps.

As for my compliance duties, over time I was devoting most of my efforts towards law and regulation changes in the aforementioned 70+ markets, working directly with authorities on rule changes. Given most areas of interest for rule changes were of a technical nature, this forced me to become well versed in slot and systems requirements. This also gave me a greater appreciation of the overarching technical compliance policy questions regulators deal with. I must have worked on over 100 draft regulations in the span of a decade.

A regular review of the Board's technical requirements and approval processes is necessary to keep pace with technology advances. When we consider potential regulatory changes, I hope that some of my insight into the thought processes of a manufacturer, my public policy knowledge, and experience in crafting appropriate regulations will prove beneficial to the process.

Q: You were also employed previously by IGT and one of its international subsidiaries for European and Asian jurisdictions (land-based) where IGT conducted business. What was that like? What stands out most from your time at IGT? Any memorable moments to share?

Any real-life gaming experience you have coming into this position is helpful and I feel well rounded with the experience I've had over the years. I've been lucky to have come across the colleagues that I have encountered throughout my career. The greatest experience I had was living and conducting business abroad. Day in and day out, dealing with people from across the world, different cultures, seeking common ground, overcoming language barriers, etc. The satisfaction, experience and education that comes with this is priceless.

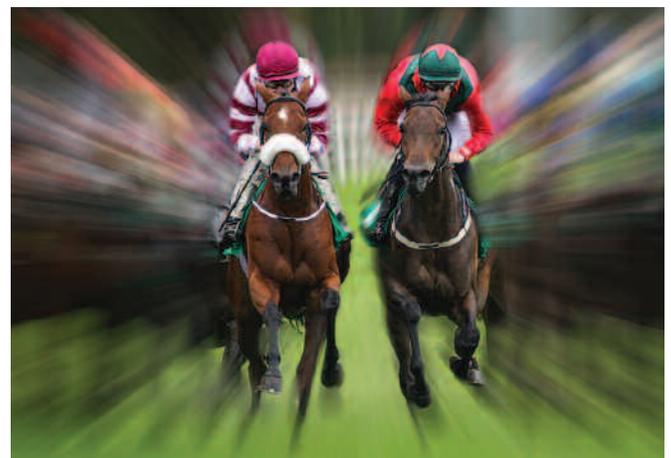
No matter what I was doing though, the one constant area of business that I enjoy most are the interpersonal relationships among colleagues, customers and even competitors. This industry is filled with some of the finest folks and we're lucky to be part of it. I've worked with some of the brightest minds in the industry and hopefully much of that has rubbed off on me. Probably the biggest influencer on my career path was the former VP of IGT International, Kurt Quartier. He is about the best there is on the supply side of the business and he's been a great mentor to me. We were shattering international sales records at IGT, so I experienced first-hand what it takes to have a winning team and achieve true business success.

Q: Prior to Certus Gaming, you were head of business development for

Inspired Gaming's Virtual Sports business for both land-based and online casino markets in North America. Tell us more about Virtual Sports. Is this an industry that is well-developed or emerging in Nevada and where do you see it going in the near future?

Virtual Sports is a well-established product overseas, primarily in Europe and parts of Africa, but is largely new to North America. We first launched in Nevada by way of a partnership with William Hill, and shortly thereafter I tied-up nearly all the online market in New Jersey and was moving forward with lottery contracts in both the U.S. and Canada. So, while it is a growing product in North America, it is still a niche product and proper product positioning is crucial for its success.

The concept is simple; animated sporting events that patrons wager on, with the outcome determined by a random number generator (RNG). For example, consider a virtual horse racing event; before each race, bettors are presented with your standard bet markets; win, place, show, exacta, trifecta, etc. Betting is closed off and the race starts. Players then watch an animated horse race. With virtual football, basketball, and other sports events, the game results are shown via an ESPN-type highlight reel, so the event only lasts a minute or two. It's largely a product that complements live sports betting or can serve as a new lottery offering (animated reveals), so I see it mostly growing with lotteries or as an add-on to live sports betting.



There are several companies in this space today, so competition is increasing. I recently came across one product improvement that takes this concept to a new level; instead of animated events, you watch actual clips of footage from past NBA events. These clips are randomly compiled together to create a final event. So, you could wager on an event that is, say, the Pistons vs. the Lakers, and instead of an animated event, you're watching past footage between these teams (e.g., the Bad Boys matched-up against Magic Johnson, Kareem and the rest of the Lakers). Pretty ingenious stuff, and the result is all determined by an RNG.

Q: You were most recently the CEO and a director for Certus Gaming USA, Inc., a gaming systems supplier whose parent company is based in Luxembourg. Tell us generally about your role with Certus Gaming and how it has prepared you as a Board member to address matters of regulatory compliance, technical compliance, and related market development activities for Nevada licensees?

Certus is a developer and supplier of casino management solutions, and very simply, my role was to run the business of the company in North America. The parent company is largely a startup, so I was getting my hands dirty, which I very much enjoy. The U.S. side of the business was completely startup, so I began from the ground up. A bulk of my focus was on business development and sales, but I was also handling most of the other aspects of the business, including certain regulatory and technical compliance. I pretty much had my fingers in everything.

Certus's vision for casino solutions is very much new generation and I believe their vision is the future. It was early 2017 when I first saw their technology and decided to join them. Most legacy systems in the market today were originally developed decades ago, and while

these systems now offer significant enhancements, the underlying architecture is largely the same. It's no secret that a great many operators are rather unhappy with their systems and the alternatives. This has led to smaller companies springing up. Convincing operators to switch-out an existing system is no small feat however, so change is slow, but it's already happening quite rapidly in certain market segments.

Advancements in the systems space have traditionally lagged behind other casino advancements, which makes sense since the old view of a system was that its purpose was more for operation management, and if it could also provide some limited marketing and bonusing functionality, well then that was just great. New systems and advancements in the systems space have a completely different core purpose though; to drive revenues.

Online systems are a glimpse into the future of land-based systems. They understand their players, game interests, player tendencies, etc. and in the end can pinpoint how and when players are most optimally rewarded and what rewards players value; targeted marketing. The systems of tomorrow that can best provide online quality data and marketing capacity for the land-based world, in an economical way, will win the systems battle in my view. Incorporating mobile, cloud-computing, better player engagement, and biometrics are all part of this. And it's not lost on me that new developments will eventually allow for true omni-channel solutions, but from what I can see, it just seems to be a bit far off the horizon at the moment.

And as a regulator, I want to encourage greater development in this space, without shortchanging our primary objectives. And in the end, having some background on the above will be helpful to me as we continue to evolve our regulatory framework. My knowledge is more operational and practical than technical though, so Chief [of the GCB's Technology Division] Jim Barbee and his team will be absolutely key in ushering change in this regard.



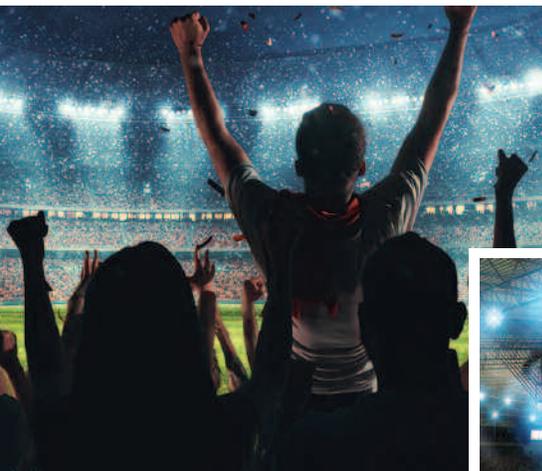
Q: Recently on social media, the CEO of a Nevada licensee commented on his experience speaking to an audience full of attendees who were all wearing headsets to listen to him speak. He described it as a “unique and fun experience, that was part silent disco, and part myth-busting on esports.” What are your thoughts regarding how traditional bricks and mortar casinos should consider esports strategies as well as competitive and skill-based gaming in the future?

Operators and manufacturers need to embrace them, and they know this already. One of the many challenges the industry faces on this front, however, is how to best monetize esports and other new game concepts. Although these products have not yet proven as profitable as traditional casino

games, they could arguably become more popular and certainly already reach a new audience.

The industry is making great strides in breaking through the old mold and into the new. New venues are being built, new competitions are springing up and we are seeing greater participation. The first soldier through the castle gates usually gets the bloodiest, and we see some of that, but it is the start of a journey to prove out different concepts. Getting this right is a monumental task.

For my money, incorporating the stadium style concept on main floors more commonly is one winning formula that I think will ultimately prove-out. More and more multi-player stations are being deployed and tying-in that communal/stadium style concept seems to be the right path. The best example I first encountered is something our friends to the north in Quebec pioneered. They created “The Zone,” which is an area on their gaming floor that has a nightclub gaming atmosphere, with DJs/MCs on stage, big screen TVs and features multi-player stations offering several different table games. It’s a great player experience and appears very successful.



Q: The American Gaming Association (AGA) released recently its’ Responsible Marketing Code for Sports Wagering, an industry-developed self-regulation model for advertising. This new self-regulation is intended to build upon the AGA members’ longstanding commitment to responsibility. The newly expanded U.S. sports betting market allows media, leagues and teams to monetize sportsbook operators’ need to reach bettors through advertising and marketing. What are your thoughts concerning the importance of continued commitment to responsibility in all areas of gaming, including sports wagering?

Sports betting is happening in every corner and across every part of this country. Whether it is happening under regulated frameworks or illegally is the only question. With the ever-growing list of states enacting laws to legalize sports wagering, greater demand and participation will ensue as advertisements and accessibility to betting become more prominent. The release of the AGA’s Responsible Marketing Code is very timely and I support it. I have children, but even if I did not, it would be easy to understand that we do not want them to be targeted in any fashion. Even with marketing directed at adults, there may be a point when we are considering whether we have reached an unhealthy number of adverts as the U.K. has begun to question. So, well done to the AGA for putting this framework together.



Something worth mentioning here that has been echoed recently, and I agree with this notion, is whether instituting excessive levies on sports betting is unwise and could lead to unintended consequences, namely an increase in illegal/untaxed betting and degradation of player protections. When a market legalizes sports betting, there will certainly be an uptick in sports betting caused merely by the legalization thereof. If a state then institutes an unreasonably (key word) high tax, this will have a direct effect on the prices that legal operators will charge its bettors.

If legal operators are forced to increase their margins to compensate for taxes, this increases the price disparity between legal operators and illegal bookies. If someone can get better pricing by way of their illegal bookies, they will. Quantifying this, and to what extent, is almost impossible, but nonetheless a reality. No doubt bettors will consider other factors apart from price, such as assurance of payment, convenience factor and the overall stigma of illegal betting, but these ancillary factors will only dissuade people from betting by way of illegal channels up to a certain price point.

Q: What are the issues critical to the gaming industry today? What issues do you foresee the industry having to address in 5, 10 or 20 years?

The obvious answer is that the most critical issue will be primarily technology-led. The speed at which technology is advancing continues to pick up pace, and we can expect that pace to increase in the future. Within the broader category of technology, perhaps some of the key topics that we may face and need to address in the coming years include matters dealing with payment

processing, use of debit/credit cards, convergence between land-based and online worlds, omni-channel payment solutions, cryptocurrencies, remote player verifications, biometrics, and the overall technical approval processes. Also, with the increase in gaming and accessibility to player funds, we need to be ever mindful of ensuring that responsible gaming measures evolve as the industry does.

Q: What do you anticipate will be your greatest accomplishment as a Board member?

I cannot stress enough how important I believe it is for Nevada to continue to be the leader in gaming technology innovation. It is my hope that manufacturers and suppliers think of Nevada first when deciding where to setup shop and launch their new technology and game concepts. And so, for my part, if I can have a hand in helping this happen, that would be something that I would be able to look back at and consider a great accomplishment during my time here.

Q: What is the biggest challenge that is facing the gaming industry today, both inside Nevada and outside of the state?

The challenge I see for the industry is player engagement; how best to engage and keep patrons engaged. The challenge is really no different than other customer facing businesses; how to best provide patrons with offerings/rewards they demand and value, anticipate future need and how to best monetize those offerings. This all ties back to providing the best possible customer experience; and utilizing technology to achieve this aim is vital. A good example is all the buzz about Millennials and how to best cater to them. I do not agree with all the chatter and underlying views on this topic, but I do agree that casinos need to engage this market segment quite differently than past



generations. As for slots and Millennials; I'll just say, when I was 21, I did not enjoy them either but that changed over time.

From the regulatory point of view, we cannot be complacent. We need to continue to have adequate and sensible regulations in place but to allow for the swift introduction of product offerings, without putting players or the State at risk. We will not cut corners. Players need to have the utmost confidence that the games they play in Nevada have been tested to the highest standards. Public trust is one of the hallmarks of the Nevada gaming market. I know Chief Barbee and his Team are the best in the industry at what they do, and they fulfill a core function of the GCB in overseeing the technical approval process. They are very accessible and hold regular meetings with industry players as part of their efforts to vet new technology, process submissions in a timely manner and to gain insight into new developments so we as an agency can be better prepared. We need to continue this great work.

Q: Did you have any reservations about accepting Governor Sisolak's appointment? If so, what were those reservations?

With someone whose roots and passion are firmly cemented in the gaming industry, no, I did not have any reservations. When the Governor of the Great State of Nevada asks you to become the next Board Member for the Nevada Gaming Control Board, you do not hesitate. And in fact, it was Governor Sisolak himself that called to offer me the position. So, when I received "the call," it made accepting the position even more special. I am thankful to Governor Sisolak and the Governor's Office for putting their faith in me and giving me the opportunity to help lead the GCB and assist with the evolution of the Nevada gaming industry.

Q: Since taking on this role, have you identified any areas in which you feel you could be, or plan to become, more educated/knowledgeable? Do you anticipate certain areas that you will need to address in the near term?

I am still only a handful of weeks in, but having said that, I compiled a short list of ideas and thoughts on what I may want or need to tackle during my time as a board member. For the most part, my list deals with overall gaming technology, sports wagering, payment/funding mechanisms and continuing to adapt our regulations and policies to keep up with the times. These are indeed some of the areas in which I plan to become more educated.

That said, Chair Sandra Morgan is the head of the GCB and I know she has a lot of plans. We have already had discussions on many areas of potential improvements and matters she would like to see taken on, and so I am happy to assist and/or lead on these as she sees fit. And while we are speaking of my colleagues, let me just say, wow. I'm humbled and honored to work with and sit beside both Chair Morgan and Board Member Terry Johnson.

Q: Do you have an open-door policy for those in the gaming industry? If so, why? Do you view this as an important avenue for maintaining effective lines of communication between regulators and the regulated gaming industry? Are there limitations to such an open-door policy? Where do you draw those lines?

Yes, I do have an open-door policy, and I am a rather accessible person. I very much enjoy having open, impromptu and frank dialogs. For me, the best way to regulate an industry is to have an open flow of ideas and information. I want to hear from the experts in the industry, and I am not shy about sharing my thoughts. So far it seems evident that most discussions will be technology focused.

I encourage the industry to come, bring your thoughts and ideas. If there are regulations that might be outdated or perhaps could be improved upon, we want to know. Let's have a look and see if we can improve things. Things do change, and if there's a compelling reason to amend or eliminate certain regulations or standards, let's take a look.

As for limitations on having an open-door policy, there is nothing from a practical standpoint. I suppose if a disciplinary action is pending, there might be a timing consideration as to when it is or is not appropriate to meet, but I'll navigate those instances on a case-by-case basis. It's certainly no issue for the industry to reach out to my office in any event.

Q: For quite some time, Nevada has been referred to as the "gold standard" in gaming regulation around the world. Do you see that position diminishing now that other gaming jurisdictions are maturing?

When I hear the term "gold standard," no two words better describe this agency. The GCB, as you know, is multi-faceted, which is to say we have six distinct divisions, each critically important to the agency's overall mission. The

Investigations and Technology Divisions likely garner the most headlines, as Investigations and Technology are the gatekeepers in their own regard. But the Enforcement, Audit, Tax and License, as well as Administration Divisions are all equally important. These divisions, and the folks that makeup these departments are the epitome of the gold standard moniker.

No, I do not see Nevada losing its standing as the gold standard, nor do I worry about that either. I am happy other agencies around the world have matured; we all need to continue to mature and adapt. At the end of the day, greater harmonization across the global industry would lead to greater compliance by industry players. That would be a win for everyone.

Nevada has been open for business for a long time and we will continue to be an ever more welcoming place to industry players. That is of course if applicants are able to prove their suitability. Once granted access, however, we expect licensees to conduct themselves as good corporate citizens. I think it is a fair statement that licensees recognize that we are a very inviting, business friendly and a low-tax jurisdiction (lowest in the world for that matter). All these factors add credence to Nevada being the gold standard in the industry from a business perspective as well.



Phil Katsaros was appointed a Board Member of the Nevada Gaming Control Board by Governor Steve Sisolak on March 28, 2019. Mr. Katsaros' term runs until January 28, 2023. He has over 20 years of gaming industry experience,

having served in a variety of positions and leadership roles during that time, including time spent as a regulator with the Nevada Gaming Control Board. Much of Mr. Katsaros' career has been focused on the international and online gaming sectors, where for example, he led efforts on a number of fronts for IGT's international land-based business during a period of record growth. All told, he has gaming industry experience in over 70 international markets. Mr. Katsaros was most recently the Chief Executive Officer and a Director for Certus Gaming USA, Inc., a gaming systems supplier whose parent company is based in Luxembourg. Prior to this, he served as the Head of Business Development for Inspired Gaming's Virtual

Sports business for both land-based and online casino markets in North America. Before Inspired, Mr. Katsaros was employed by IGT and one of its international subsidiaries, with responsibility for regulatory compliance, technical compliance and related market development activities for all European and Asian jurisdictions (land-based) where IGT conducted business. Mr. Katsaros also spent time a number of years working for IGT's online gaming side of the business. Mr. Katsaros initially began his career in the industry with the Nevada Gaming Control Board, where he was first employed as an Agent in the Tax and License Division conducting regulatory and financial audits of Nevada licensees. Mr. Katsaros later transferred to the Corporate Securities Division where he was promoted to the position of Senior Agent, and later Special Agent. As a Special Agent, he was responsible for conducting and overseeing various types of investigative functions, including compliance reviews and licensing investigations of current and prospective Nevada licensees. Mr. Katsaros earned his Bachelor of Business Administration Degree in Accounting from the Eastern Michigan University. He currently resides in Reno, Nevada with his wife and their two daughters.



Dennis Gutwald is a partner in McDonald Carano's Gaming & Administrative Law Group with more than 20 years of experience counseling premier gaming companies, banks, investment companies and high-profile individuals on all

aspects of gaming law in Nevada and nationally. He regularly counsels companies that conduct retail liquor sales in Nevada, including restaurants, lounges, nightclubs and taverns, as well as clients in the cannabis industry, including marijuana dispensaries and production facilities. His previous experience includes spending seven years as a Senior Agent in the Investigations Division of the Nevada Gaming Control Board, which regulates the Nevada's multi-billion-dollar gaming industry. He received his J.D. in 2003 from the William S. Boyd School of Law at University of Nevada, Las Vegas.



Michael R. Brunet graduated from Georgetown University Law Center in 2002, and began his professional career at Gordon Silver Ltd. where he took an early leadership role in helping the firm successfully reorganize the affairs of Aladdin Hotel & Casino, which

entered bankruptcy in 2001, and complete the sale of the property to new ownership led by Robert Earl and Planet Hollywood, and represented a diverse gaming clientele in both regulatory and corporate matters that included Hard Rock Hotel & Casino. Subsequently, Mr. Brunet held successive positions of increasing responsibility as Associate General Counsel at Station Casinos, Corporate Counsel at Tropicana Entertainment, General Counsel for the Light Group, Deputy General Counsel for Affinity Gaming, and as Vice President and General Counsel for Palms Casino Resort until its sale to Station Casinos in 2016. Most recently, Mr. Brunet served as a consultant to the senior secured lenders who acquired Lucky Dragon Hotel & Casino following its bankruptcy and foreclosure.