

AN INTERVIEW WITH **FRANK J. FAHRENKOPF, JR.**

Past President and CEO of the American Gaming Association (Washington, DC)

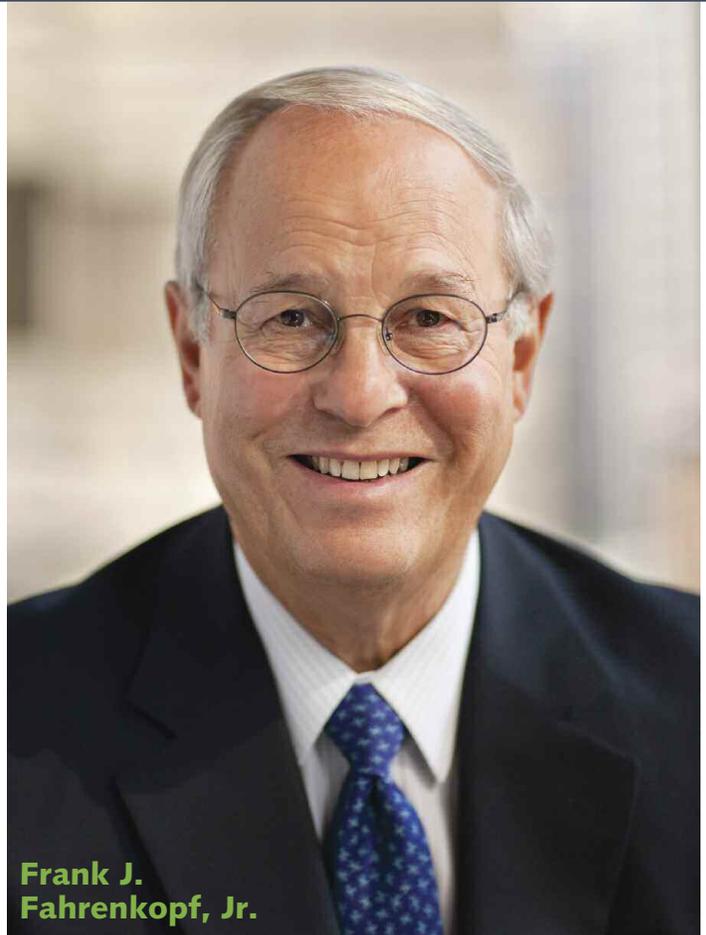
By Jeff Rodefer

On January 7, 2013, the American Gaming Association (AGA) issued a press release that, after nearly 18 years, its first and only President and Chief Executive Officer, Frank J. Fahrenkopf, Jr. would be stepping down effective June 30, 2013. The announcement came as a shock for many and great sadness for all who have had the pleasure of working with Frank. His passion, political savvy and uncanny leadership skills have provided the industry with an invaluable and revered voice in Washington D.C. Frank has tirelessly championed gaming as a legitimate industry providing jobs with great benefits, tax revenues for state and local governments, not to mention a business sector worthy of Wall Street investment. He is so highly respected that his learned views have helped sway long held beliefs or, more accurately, myths about the gaming industry. When Frank speaks, people listen whether it is on Capitol Hill, at the White House, in the media or at the tables of state and tribal governments. He brings a rare mixture of candor and eloquence to his masterful art of persuasion. Those traits are hard to ignore. Frank has been the innovator and driving force behind the establishment of the National Center for Responsible Gaming, the creation of the industry's code of conduct for responsible gaming, establishing the AGA's Diversity Task Force to promote diversity in the gaming industry's hiring and procurement practices, the recent formation of the Global Gaming Women program, the push for long overdue regulatory reform, as well as the unmistakable worldwide success and branding of the Global Gaming Expo and G2E Asia. He has left an indelible mark on the gaming industry. The changes Frank has put in motion and the barriers he has bridged have left the industry in a much better place than where he found it in 1995.

On May 10th, I had the honor of spending a few moments with Frank who graciously shared his time, as he has always done for the Gaming Law Section, to sit down and give us some valuable insights for this interview.

Nevada Gaming Lawyer ("NGL"): *When you started with the AGA in 1995, there were 13 states that had commercial gaming and today there are 23 and soon to be 24. With the exception of Hawaii and Utah, 48 states offer some form of legalized gaming activity. What was the catalyst for this unprecedented growth in an industry that was frowned upon not so long ago?*

FRANK: One month after I opened the doors at the AGA, the movie Casino came out reinforcing all the old myths about



**Frank J.
Fahrenkopf, Jr.**

our industry. So, we have spent a lot of time over the last 18 years trying to make clear to those who serve in the United States Congress, state legislatures and the public at large that we are a mainstream business in this country. I think what happened is that over the years, there has been an increase in acceptability of gaming by the public. As you know, if you read the AGA's recently published *2013 State of the States* report,¹ there is a poll on acceptability that indicates that 85% of the American people have no problem with gambling for themselves or others and it is just a rock hard 15% that over the years are opposed to all forms of gambling. The largest majority of that 15% are people who object because of their religion or moral perception of gaming on the grounds that it is a sin or simply wrong. We respect their right to have that opinion, but we disagree with it. So, I think that as more and more people are exposed to gaming as a type of business, the good corporate citizens we are in the community where we do business, the tax revenue we generate and the jobs that we

produce; the public perception of gaming has really changed and changed for the positive. This acceptance, more than anything, has led to the rapid growth in commercial gaming.

NGL: *What were the key issues that you confronted on behalf of the gaming industry in 1995?*

FRANK: Number one, you've got to come back to the question...why was the AGA created in the first place? It was created because in 1993, the Clinton administration floated the idea of a 4% gross receipts tax on all gaming revenue in the United States. That proposal did not last very long, because about 20 Governors signed a letter to the President saying that the states depend on race tracks, lotteries and casinos to support their budgets. If the federal government comes along and creams 4% off the top, it will cause severe economic distress for state governments. It was immediately dropped. I had a long talk with President Clinton about it one night. He indicated to me, and I believed him, that the proposal really did not come from him. It was little gnomes, in my view, deep in the Treasury Department and deep in the basement of the Justice Department who hate all forms of gaming. They try to come up with these ideas every few years to hurt the industry. What that did, that whole exercise, was to make clear to the industry that they had to have representation here in Washington D.C., and that led to the creation of the AGA and to my agreement with a search team, that consisted of

Steve Wynn, Chuck Mathewson, who was then head of IGT, and Skip Avansino, who was then head of the Hilton. I said I would do it for one year to get this thing up and going and, as you can see, that was now 18 years ago! I'm happy to say that during that time there have been no new taxes on our industry or new regulations at the federal level, but that is always something that the industry has to be concerned about and has to spend a lot of time and effort to prevent.

Also, when the AGA opened its doors in July 1995, there was a bill pending in the House of Representatives that already had 160 co-sponsors calling for the creation of a federal commission to study the negative impact of gambling on the American people. I mean the day we opened our doors, that's what we faced. We were fortunate to be able to immediately jump in and address it. Although we were not able to kill the commission, its focus was changed to looking at both the positives and the negatives of the gaming industry. Then the big battle shifted to who would serve on the nine member National Gambling Impact Study Commission. We were fortunate to be able to get the late Terry Lanni of MGM, Bill Bible, then Chairman of the Nevada Gaming Control Board and John Wilhelm, who at that time was the head of the Culinary Worker's Union, the largest union in our industry, appointed to serve on the commission. We spent two years traveling with the commission all over the United States as they took testimony from witnesses, including those we produced. One of the first things we were hit with had to do with the image, as I mentioned before, of the industry. In the end, the commercial gaming industry was very fortunate and came out of the commission hearings looking really good in its final report compared to most of the other gaming segments, particularly lotteries, who were hit pretty bad.

One of the best things we ever did when I took this job was I said to my board "We could not and should not make the same mistakes as the tobacco industry." The first board meeting I sort of pictured all the heads of the tobacco industry raising their right hand being sworn in for the hearing before Congressman Henry Waxman's [D-CA, Energy and Commerce Subcommittee on Health and the Environment] committee testifying that tobacco was not harmful to your health; it was not addictive, etc.

The difficulty was we did not know back then what the real prevalence rate of pathological gambling was in the country. Through a very fortunate set of circumstances, Phil Satre, then-president of Harrah's, sat on a panel at Harvard Medical School's Division of Addictions that was dealing with youth gambling. He met Dr. Howard Shaffer, who was the head of the Division of Addictions. Phil put Dr. Shaffer in touch with me. I met with him, and I indicated to Dr. Shaffer that the AGA would be willing to provide financing for him to do research on pathological gambling without any strings attached, and he did so. The industry did not dictate the research, which was done fairly. It eventually led to the creation of the National Center for Responsible Gaming ("NCRG"). By the way, Bill



Boyd was the first one to step up to the plate, and Boyd Gaming gave us a check. I've got a picture somewhere around here of Bill handing me one of those giant blown-up checks in Kansas City, Missouri where we first established the National Center. The NCRG is now, even among those people who oppose to all forms gambling, recognized as a world class place for peer reviewed research on pathological gambling. Someone once said that the whole question of pathological gambling was the Achilles heel of our industry, and I think we have taken care of that problem as best as we can.

NGL: *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?*

FRANK: The whole question on responsible gaming and what can be done will still be out there. Even though we've done a tremendous job here in the United States, the industry is having less luck in Asia where we've been for only a short period of time. To be honest, it's a little tougher to get through to the Asian mentality the importance of responsible gaming, but hopefully we are making some headway. Same thing has been said about Europe, but I am not sure if it's totally true. As mentioned, there will always be the concern about potential federal taxation. An issue the industry must continue to be vigilant about.

NGL: *As you know, in 2008 consumer spending drastically decreased and the capital markets eroded for development having dire consequences across our nation. Nowhere was this economic downturn felt more than in your home state of Nevada that saw record foreclosures and unemployment. Is the economy back? If not, what needs to happen for us to reach our pre-recession prosperity in the gaming industry that has seen shareholder equity evaporate almost overnight?*

FRANK: We are not there yet. The 2013 *State of the States* report shows nationwide the industry was up 4+% for the year 2012. Of course, that was up from 2011. And if you look at what Nevada did in 2012, it had about 10.5 billion dollars in gross gaming revenue and if you go back to 2007, we had 12.5 billion. So, we are still 2 billion dollars in gross gaming revenue per year below where we were prior to the economic crash. While I think we are on an upward trend in Nevada and elsewhere around the country, we still have a long way to go to get back to where we were. You must always remember that we depend as an industry on discretionary income. Until we get back to close to full employment in the country, we are still going to have a problem. The "real" unemployment rate is now 13.4%. We are talking about 21 million people who are either out of work, have stopped looking for a job because they can't find one, or are underemployed, those in positions below their training or education meaning that they are not in their full potential. The gaming industry depends on that discretionary income and people making money and being able to spend it. If you look at the numbers at McCarran Airport, I think in 2012 it broke

the record on the number of visitors coming to Las Vegas, but they are not spending as much money. People are simply on tight budgets. Things are tough. So, I think the real key for our industry at least coming back to where we were prior to the 2008 economic collapse...is, in fact, this economy has to get going again and get back to where people have money and are willing to spend it.

NGL: *What policies do you see from President Obama's Administration...whether it be healthcare, energy, immigration reform, tax reform, or others...that will stimulate this recovery or hinder it?*



FRANK: To be very candid with you, I don't see anything coming from the Obama Administration that can help stimulate employment in the country and have a trickle-down effect in our industry. I've been in Washington and on Capitol Hill for 30 years, and I've never seen anything like this current situation. It's just locked up in partisanship. I don't think anything is going to happen. The number one thing that they could do is meaningful tax reform that could unleash the economy. Most corporations and banks in this country are sitting on a lot of cash. But, they are reluctant to hire and expand because they are unsure what the tax situation is going to look like. There is also real concern on what Obamacare will really cost with regard to increased health insurance. So there are a lot of unknowns. I'm not sure that anything is going to happen soon. We've got the 2014 midterm elections coming up. I think the battle is going to be to try to posture the two parties as to who the bad guys are and the good guys. I don't see anything on the immediate horizon that will help the economy.

NGL: *You mentioned the 2014 midterm elections. How will these elections, as well as the Presidential election in 2016 impact our nation, economy and the gaming industry? Do you want to share any election predictions?*

FRANK: I don't think there's anything that's going to be detrimental. If it's not positive, I guess automatically it's detrimental. Clearly, anything that is going to increase costs is not going to be positive. I predict that the budget that President Obama proposed some weeks ago will garner no votes. This is the fourth budget he has submitted while in office and not one single budget has gotten one single vote from the Democrats or Republicans in the Congress. Whether or not we are able to accomplish something on immigration reform...as you know right now in the Senate Judiciary committee, they are debating the Gang of Eight's immigration reform plan which is very important to a state like Nevada where we have a particularly large Hispanic workforce...hopefully, something will be done there. I think we are going to see more battles in a couple of months when Congress starts to discuss the debt ceiling again. The Republicans are going to try to say that the cost of raising the debt ceiling will be meaningful tax reform, but I don't know whether that's going to happen.

The two parties have very interesting challenges. I just finished writing a speech that I will be giving twice in New York next week on the political picture. First of all, it's extremely interesting what the dynamic is in Congress. In the House of Representatives, 93% of the 234 Republicans were elected in districts carried by Governor Romney. Of the 201 Democrat members of the House, 96% of them were elected in districts that were carried by President Obama. These are safe seats for both parties due to gerrymandering. Most experts now think in 2014, there are going to be only about 17 to 20 swing districts. So the likelihood is that the Republicans are going to continue to control the House. You need 218 to control.

The Senate is a little different. Because of six retirements by Democrats, there are now six open seats. The fact that the Democrats have 21 seats up and Republicans only have 14 Senators seeking reelection...it still takes a net of six for the Republicans to gain control and that's a big jump. You may see a lot more people stepping down, just having had enough and not running again. Of course, retirements always depend on the quality of the candidates that decide to run. The Democrats have an interesting challenge compared to the Republicans. They have to hope that something positive happens in the economy. The numbers need to pick up. They will not be able to blame the economy anymore on President George W. Bush. That's got to be their hope. The big question for Democrats not only in 2014 but, more importantly, in 2016, will they be able to energize their minority voters who carried them through in the last election without a person of color being on the ticket? Governor Romney won the white votes in the country by 20%. It's the largest gap in history, but what happened was the percentage of white voters went down. In 1992, 87% of the voters were white. It was only 72% last year. So the shifting demographics have really changed the ball game. The Black, Hispanic and Asian voters turned out in big numbers for

President Obama in 2012. The question is will Democrats be able to replicate that if the person at the head of ticket is not someone of color? The Republicans' problems are with Hispanics, Asians and particularly young women. The Republicans got their butts kicked by double digits in this segment, especially with young women between the ages of 18 and 30 primarily driven by the abortion debate. So, the Republicans' challenge will be how to cut into the deficit that they have with those groups. Both parties have significant problems. It's a little early to predict how this election will come out. I think it's a good bet that after 2014, unless there are some dramatic retirements that happen, the House and Senate will probably hold the way they are now.



NGL: *As you know, in 1995 when online gaming first appeared as predominantly free play websites, the debate started to grow about the longstanding policy of the United States Justice Department (DOJ) and its interpretation or application of various federal laws to this activity, including namely the Wire Act of 1961 codified at 18 U.S.C. § 1084. In wake of the Nevada State Legislature passing A.B. 466 in 2001, the Nevada State Gaming Control Board (Board) and the Nevada Gaming Commission (Commission) were mandated to determine, among other things, whether interactive gaming was legal. To this end, the Board and Commission directly addressed this legal inquiry with the DOJ, who again reiterated its position that such gaming would violate federal law. All this changed, on December 23, 2011 with the release of an opinion authored by the DOJ's Office of Legal Counsel (OLC) in response to requests from New York and Illinois concerning the legality of using the Internet and out-of-state transaction processors to sell lottery tickets to in-state adults. The OLC concluded, in part, that the Wire Act was limited solely to the interstate transmission of wire communications related to sporting events and contests and that Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) appears to permit the out-of-state routing of data for wholly in-state transactions. As a result, this left a myriad of questions unanswered. What are your thoughts?*

FRANK: One thing we know is that for years, millions of Americans have been going online and gambling with offshore websites, and that was one of the reasons that Senator Harry Reid [D-NV] and Senator Jon Kyl [R-AZ] had worked with us for four years to try to come up with a piece of legislation that would legalize online poker in the country. That didn't happen. The big turnaround occurred on December 23, 2011, when the Justice Department reversed its view that had been there for decades that the Wire Act prohibits all forms of Internet gambling. Now, the Justice Department's read of the Wire Act is limited to just prohibition on sports wagering. That opinion, rather than clarifying things, raised more issues than anything else, including what effect, if any, the opinion has on intrastate online gaming and related tribal endeavors, may states enter into compacts to increase player liquidity pools for online poker, will there be any fall out for the horseracing industry, what is the interplay between UIGEA and the Wire Act on offshore operators, and do individuals previously convicted under the Wire Act for non-sports related wagering operations now have some recourse? We are starting to see some of the questions being raised. Our argument has been all along that there should be uniform federal legislation. Otherwise, I think you will see a patchwork quilt of a state-by-state approach to the licensing and regulation of Internet wagering, differing minimum standards for consumer protection, underage gaming, and differing levels of help for those who cannot gamble responsibly. The laws will all be different. There will be no set protections. That's why we think federal legislation is so important—to create some minimum standards.

What happened...if you really look at the opinion, it merely said that, if not sports-related, the lotteries could sell tickets online. State lotteries have jumped on this very quickly. I have great compassion for lottery directors, because they are always under pressure from their Governors to raise more revenue in tough economic times. They've seen it as a real opportunity to expand into a totally wide open casino type of gaming on the web.

There are a couple of reasons that federal legislation is more necessary now than ever before...one, the whole question on minimum standards on consumer protection and two, you also have to provide for the Native Americans. You need some federal involvement, because the tribes are sovereign nations. They will never submit to the jurisdictions of the states telling them what to do and how to tax. So, the magic of the legislation that Senators Kyl and Reid were working on but never got to introduce was that the Department of Commerce would handle the licensing, regulation and taxation concerning Native American online gaming operations. The department would then delegate to certain states that have a long history of effective regulation, the ability to license, regulate and to tax non-tribal operations. We are still hopeful that will happen.

The DOJ's opinion also raised other questions. I spoke to all the lottery directors right after the opinion came out. I asked

the lottery director of New York...you have a lot of Indian Tribes who run big casinos in Northern New York...if your lottery offers online poker, do tribes have the right to also offer online poker? He smiled and said they do, but the players must be on the reservation land. If so, there's no way that the Native American Tribes will be able to participate. So, that whole question is out there. I spoke to most of the General Counsels of the Indian Tribes in Arizona last month and pointed out that they should be supportive of a piece of federal legislation to protect the Native American Tribes who are in this space. There's also the lottery question of whether or not states can band together as they do for Powerball, which did, in fact, have Congressional approval to bind them together. So whether or not we can possibly obtain the same thing for Internet gaming is anyone's guess.

The federal legislation drafts that Senator Reid and Senator Kyl worked on did have what was known as the "penalty box," which said that those companies that did, in fact, take bets after the Unlawful Internet Gambling Enforcement Act went into full force and effect would be put in the penalty box. Originally, it was forever, and then it was changed to a five-year prohibition. The prohibition was not just limited to their ability to get licensed, but they could not monetize their assets...in other words, they could not sell their companies to legitimate American gaming companies, they could not sell their player lists or software to any licensee in the United States. That whole question of those offshore companies that took bets after UIGEA went into effect is something that will be a state-by-state challenge absent federal legislation.



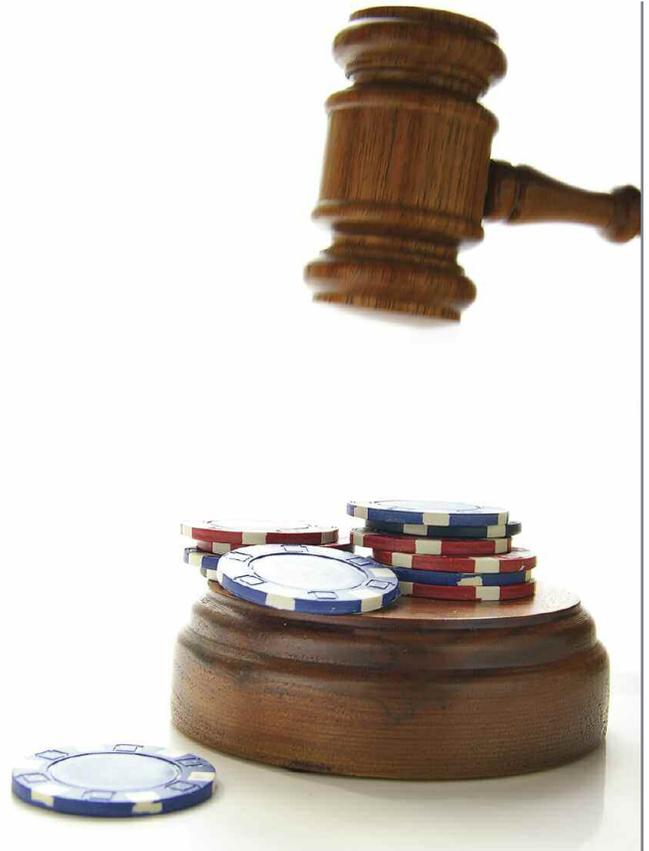
Another big question the DOJ's opinion raises concerns the pari-mutuel industry that has been conducting online gaming for a long time. In 2000, there was an amendment to the Interstate Horse Racing Act of 1978 that was included in an appropriation bill that no one knew was there. The amendment just added a couple of words to the Act...it put in the words "or other electronic means," which gave horse tracks the right to use electronic means, such as the Internet, for pari-mutuel betting. For ten years or more, the pari-mutuel industry has been conducting online wagering on horse racing. The Justice Department has continually said that the amendment to the Interstate Horse Racing Act does not

exempt the horse racing industry from the Wire Act... essentially a civil provision does not supersede a criminal statute. No one has been prosecuted. The interesting thing is, if you go back and look at the opinion of the Justice Department, the last four or five pages where they come to the conclusion the Wire Act only prohibits sports wagering, is totally focused on the horse racing industry. Now, the real reason why the Wire Act was passed back in 1961 was to prevent horse race bookies from taking bets across state lines using telephones or exchanging information that assists in such wagering and so forth. It would have been extremely easy for the Justice Department to put in that December 23, 2011 opinion in one sentence, "Oh by the way, we believe that the Interstate Horse Racing Act exempts the horse racing industry from the Wire Act." They did not put that in there. They didn't say anything. So the horse racing industry had no clarity on whether their operations are legal or not. These are the sort of questions that were raised by the change of position on the Wire Act.

The AGA also believes a long list of federal statutes should be strengthened, including the Wire Act and the Unlawful Internet Gambling Enforcement Act because we still have to shut down these offshore websites that are taking bets without any concern or regard to the consumers. Whether or not that is going to be possible, we don't know.

NGL: *Nevada, New Jersey and Delaware have passed legislation legalizing online gaming in some form. In 2013, Nevada further expanded its existing interactive gaming laws through the passage of A.B. 114 and A.B. 360 that authorizes the Governor to enter into agreements with other states, local governments and foreign nations to increase Nevada's pool of eligible players to participate in online poker. Given the clear language in the Article I, Section 10, Clause 3 of the United States Constitution that states, in part, "No State shall, without the Consent of Congress, . . . enter into any Agreement or Compact with another State, or with a foreign Power . . ." do you envision the federal government intervening to prevent Nevada and other states from entering into such Internet gaming agreements? If so, under what circumstances would Congress and/or the DOJ act?*

FRANK: Right now, we, as you noted, only have three states that have gone forward. The first was Delaware. Their statute provides for the online operation to be run by the state lottery. They will allow private entrepreneurs and companies to come in and bid to provide the software. Their legislation permits all games and is not limited to just poker. Nevada was second, which is restricted to poker only. Although legislation enacted this year and gave the Governor the ability to enter into interstate compacts, Nevada's population is too small and by itself does not have the liquidity or the requisite number of players to make it a worthwhile venture. Nevada simply lacks size. New Jersey's rules provide for all casino games, but only the licensed bricks and mortar companies in Atlantic City have the right to operate online gaming. Nevada's Internet act provides that those individuals who



continued to take bets here in the United States, those offshore companies, after the passage of the Unlawful Internet Gambling Enforcement Act in 2006, are prohibited from applying for licensing. New Jersey had a similar provision in their original legislation, but it was pulled. So there is some debate going on in New Jersey now regarding how to treat these offshore companies.

With regard to your question about Article 1 Section 10 of the U.S. Constitution requiring Congressional approval... over many years, Congress has turned its back and not approved or disapproved interstate compacts since most of them deal with energy matters, electrical grids and so forth. But, I could certainly see that if states try to get together and create liquidity through interstate compacts, you can have the members of Congress who are opposed to gaming both in the Republican and Democratic parties weigh in on the question. I think such action would more likely come from Congress. However, the DOJ might play a part. Again, we still believe it would be better to have a federal solution, rather than a state-by-state approach or state-by-state compacting model.

NGL: *Gaming has traditionally been an issue left to the individual states to decide for themselves under the powers reserved to them under the 10th Amendment. Yet, the Internet has no boundaries. It is a medium whose commerce, including gaming seems better suited for a uniform federal regulatory structure. As such, it appears that it is a matter of "when" not "if" Congress will act on Internet gaming. When do you envision Congress acting and will the legislation attempt to preserve some aspect of state regulatory oversight?*



FRANK: I understand that Senator Reid said to the Las Vegas Review Journal last week that it is a long shot. But, I do know that there are a number of members of the House that will probably introduce legislation in the next month or so. We will just have to see what happens. As discussed, we believe the best model for federal legislation would be one similar to the legislation that Senators Kyl and Reid were working on where the Department of Commerce would oversee Native American operations and delegate to certain states with a long history of effective regulation the ability to license, regulate and tax non-tribal operations.

There's some real precedence for state regulation. For years, Nevada did its own regulation of money laundering and cash transaction reporting through the adoption of Regulation 6A. Because of Nevada's long history of effective regulation and law enforcement, the Treasury Secretary delegated that authority to the State of Nevada. There's no question with the Internet...that it crosses state lines... it is a matter of interstate commerce for Congress to exercise authority in this area. However, there is no argument that I can think of for any federal legislation not to delegate the authority to the states, especially those with a well-established history of gaming regulation like Nevada, New Jersey and Mississippi.

NGL: *Would a uniform federal regulatory framework for online gaming have a trickle-down effect on states to be more consistent in their own regulation of land-based gaming?*

FRANK: No. I don't see federal legislation that provides for uniform regulation of online gaming triggering states to take a look at their regulation of land-based gaming to find ways to be more uniform in their governance. Obviously, this would be beneficial to multi-jurisdictional companies and is something we advocate for in our white paper on regulatory reform.

NGL: *Speaking of that white paper, in 2011, the AGA published "Improving Gaming Regulation: 10 Recommendations for Streamlining Processes While Maintaining Integrity."² How successful has this white paper been in pushing some of these long overdue regulatory reforms?*

FRANK: We are really pleased and surprised by the response that we've gotten. The State of Michigan jumped in

immediately. Their Gaming Control Board dealt with all the rules that impact the operators and suppliers by increasing the renewal periods for licenses from annually to every four years...a big change. Also, major procedural changes were implemented to permit the operators to process certain computer settings without requiring one of the gaming agents to be present. Michigan also removed the five-day advanced shipping notification that a lot of states have that affects casino suppliers. They've also permitted limited personal disclosures for certain outside directors. They've really taken a lot of our suggestions to heart, particularly with the use of debt shelf approval that provides greater flexibility for financing.

In Massachusetts, they invited me to be a keynote speaker for their Massachusetts Gaming Commission meeting last year, and they are also using our white paper to help guide what they are doing. Missouri has also made some progress. It's a start. So, where we are at is trying to dig a little deeper on what's in that white paper.

NGL: *In "digging a little deeper," what is left to be implemented?*

FRANK: First we are working to develop best practices for regulation of shipping notices for gaming equipment. When you talk to people from IGT, WMS, or Bally on what they have to go through, the notices that they have to provide to move a machine is horrendous and incredibly expensive.



We are working up another white paper that will be sent to commercial and tribal regulators. Another big thing we are working on is to develop a technology platform for e-filing that I know you are involved with. It will be an online secure data warehouse that regulators can access as well. I will be in London in June for the IAGA's meeting. Judy Patterson and I are reaching out to regulators all over and will be speaking in conferences to continually push these reforms. We don't know what kind of response we will get, but we are pleased with what's happening so far. Mark Lipparelli, former Chairman of the Nevada Gaming Control Board, was a great help to us in developing some of those regulations and I'm sure that in Nevada you will see some of those things come to fruition if they haven't already.

NGL: *What would you describe as your greatest accomplishment during your leadership of the AGA?*

FRANK: It is more than one...as discussed, changing the long-held myths about the gaming industry and establishing the National Center for Responsible Gaming and its leading research on pathological gambling.

NGL: *What would be your greatest frustration or the one thing that you would have liked to accomplish?*

FRANK: No question about it, the failure to get Congress to move on legislation for online gaming. To have worked so hard and so long with Senators Reid and Kyl on a bill and to not have it even introduced was very disappointing. It was out of our hands. We could not introduce the bill and they never introduced it.

We met with our folks here, our lobbyists representing Boyd Gaming, MGM, Caesars and others...we all followed the lead of what we are asked to do, working with both Houses, Republicans and Democrats, alike. We had direct contact with more than half of the Members of the House of Representatives and almost every Republican and also about half of the Senate...one-on-ones, and still no bill was introduced. So that was the biggest frustration. That clearly was something that was frustrating not only for me, but also for our member companies who worked very hard and who were very involved with it. A lot of time, energy and resources and not even a bill that was introduced that we could then sell. That is clearly the biggest frustration that I had.

NGL: *Going forward what is the biggest challenge facing the AGA?*

FRANK: Assuming no federal legislation of Internet poker passes, we will have a state-by-state approach. For years, the official position of the AGA was that we opposed to all Internet gaming. I know this statement by heart, I must have said it ten thousand times "The American Gaming Association opposes all forms of Internet gambling, because we do not believe that technology exists to properly regulate it with appropriate law enforcement oversight." The reason that

was our position...it was the position of our regulators. You go back ten to fifteen years, the regulators not only in Nevada and New Jersey but around the country; they were terrified about how they were going to regulate the Internet. But we eventually changed our position based upon what was going on in first world countries like in Great Britain, France, Italy, Denmark and Spain. We saw that through biometrics and geo-location that you could be sure where someone was located and that someone was actually who they said they were, rather than some fourteen year old kid using his mom's credit card. So, we knew then that you could, in fact, effectively regulate it.



Now, the difficulty was in deciding if the AGA was going to change its view. Some of our member companies were concerned about whether or not Internet poker at that time would cannibalize their bricks and mortar operations. So, we had a special committee in the AGA that was made up of a lot of the general counsels and others from our companies. The special committee came back and said that the overwhelming feeling was that if you look at the demographics of who was playing online poker, they tended to be young men, higher educated and maybe a little higher in salary... but, more than anything, it would probably be a new profit center because most of these individuals did not go to casinos on a regular basis. Now, that had to do with online poker. If we now get into a situation where state after state gets in the business of having online games...and provide not only poker, but also all other casino type games like blackjack, craps, etc., then it might be a different reaction on the issue of cannibalization. If a majority of the states that are considering online gaming do it through their state lotteries and there is no opportunity for private companies like Boyd Gaming, Caesars or MGM to be involved in the process, then that will be a big challenge. The future will continue to see the growth of the digital world that now exists.

NGL: *What is your secret to building consensus on issues given the diverse interests of the AGA membership?*

FRANK: When I agreed to do this 17 and half years ago, Jon Ralston, whom I've known for years, said "are you out of your mind? You're going to take this and sit in a room with

these egos and get them to agree on anything? The way they compete? ” I did Jon’s show a couple of months ago when I was in Las Vegas and he said “You did it!” I think the secret was for me that number one, I was a Nevadan. Number two, I had practiced before the Nevada Gaming Control Board and the Nevada Gaming Commission, so I knew what was going on and knew most of the people on the Board and Commission personally. I’m very proud to say that over 18 years in June, we did almost everything by consensus. If any of our members had a very strong feeling about something, we didn’t do it. Despite that, we had agreements on almost everything. The only issues that I can recall where there was no consensus...we did not go forward on whether Native American tribes should be allowed to join the AGA. That was a very contentious issue with some of our members who did business in jurisdictions where the Indians are and of course there’s an uneven economic playing field since their casinos do not pay federal taxes and ours do. A number of times we’ve brought it up, but there have been strong objections so we did not go forward. Early on when we first looked at changing our view on Internet wagering...the first time we looked at it, there were objections to changing that original position from some of the members. Absent those two issues, in 18 years, the members of our board...and they’ve changed dramatically over the years...have just done a remarkable job of putting aside their competitive urges. When they come in the board room, they have supported what everyone thought was in the best interest of the industry as a whole rather than just benefiting individual companies. So, I’m extremely proud that we were able to accomplish that.

NGL: *In closing, as your successor, Geoff Freeman steps into your large shoes and the even larger shadow you have cast in your legacy of guiding the industry over the years through a sea of issues at both the state and federal level, what advice would you give him? What should be his top priorities?*

FRANK: I’ve known Geoff for some time and he has a little exposure, not a great deal, in the gaming industry from his position with the U.S. Travel Association. He’s been in Las Vegas quite often for tourism issues and knows a number of leaders of our industry quite well. I’ve been asked to take him under my wing, and I’m going to do that. While he doesn’t officially take over until July 1st, he’s actually going to move in here right after Memorial Day and we can put him in an office so that I will actually be here physically for a period of time before he takes over. Then I am going to be retained as a consultant to the AGA at least until the end of this year or maybe beyond if necessary. I’m going to do everything I can, with the help of our remarkable staff here, to assist Geoff. We are a very small operation. We’ve never had more than ten full time employees. We’ve got a great team. Most of them have been with me for years. Judy Patterson, who is our Senior Vice President and Executive Director, has been with me since day one. Kelly Elkins, Vice President of Industry Relations and who handles the G2E and G2E Asia has been here for I think twelve years. My press secretary and the Vice President of

Communications, Holly Wetzel, has been here for almost ten years. So, we’ve got a very experienced staff that will be able to assist Geoff. I think he’s a very bright and smart guy. He will be a quick learner.

As for Geoff’s top priorities...this whole question on what’s going to happen with online gaming is going to be number one.



**AMERICAN
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About Frank. A lawyer by profession, Frank gained national prominence during the 1980s when he served as chairman of the Republican National Committee during six of President Ronald Reagan’s eight years in the White House (1983-1989). His tenure as chairman is the longest in the 20th century and second-longest in the history of the party. He is also a frequent commentator on political and gaming issues, including such network television shows as Crossfire, Inside Politics, Meet The Press, Hardball, Face the Nation, The Today Show, This Week and Good Morning America. Frank continues to serve in a variety of political capacities, including co-chairman of the Commission on Presidential Debates (which he co-founded in 1986 with Democratic National Committee chairman, Paul Kirk). He is also the founder of the National Endowment for Democracy, where he served as vice chairman and a board member from 1983 to 1993. In 1984, he founded the International Republican Institute where he continues to serve as a board member.

Prior to becoming the AGA’s first chief executive on June 1, 1995, Frank was a partner in the Washington D.C. office of Hogan & Hartson, where he chaired the International Trade Practice Group. His practice specialized in regulatory, legislative and corporate matters for multi-national, foreign and domestic clients. His early legal career included 17 years of practice as a trial and gaming lawyer in Nevada, his home state. In that capacity, he represented clients before the Nevada State Gaming Control Board and the Nevada Gaming Commission. Frank also served as the first chairman of the American Bar Association’s (ABA) Committee on Gaming Law and was a founding trustee of the International Association of Gaming Attorneys. For many years, he was a member of the board of trustees of the National Judicial College, an ABA-sponsored judicial education center for federal and state judges. Frank has also served as chairman of the Legal Policy Advisory Board of The Washington Legal Foundation, a member of the Nevada State Board of Bar Examiners, president of the Washoe County Bar Association and vice president of the Nevada Trial Lawyers Association.

Frank currently sits on the board of directors for six New York Stock Exchange public companies: First Republic Bank, Gabelli Equity Trust, Inc., Gabelli Utility Trust, Gabelli Global Multimedia Trust, Gabelli Dividend and Income Trust, and Gabelli Gold and Natural Resources. His civic involvement includes service as chairman of the board of governors of the City Club of Washington, member of the board of trustees of the E.L. Weigand Foundation, The Economic Club of Washington and the Federal City Council, as well as trustee of the Culinary Institute of America and member of the Advisory Board of the Ladies Professional Golf Association (LPGA).

¹ The 2013 State of the States report is available on the AGA website at http://www.americangaming.org/sites/default/files/uploads/docs/aga_sos2013_fnl.pdf.

² Improving Gaming Regulation: 10 Recommendations for Streamlining the Process While Maintaining Integrity is available on the AGA’s website at (available at http://www.americangaming.org/sites/default/files/uploads/docs/whitepapers/reg_reform_white_paper_final.pdf).