

East Coast Gaming Congress & NextGen Gaming Forum
Remarks Prepared for: Geoff Freeman, President & CEO, American Gaming Association
May 25, 2017

I'm thrilled to be here at the 21st East Coast Gaming Congress & NextGen Gaming Forum.

This event was launched – in the words of Michael Pollock – as “an antidote to complacency as a forum where new ideas can be put forth, examined and challenged.”

That's a mandate we've fully embraced at AGA.

Our mission is to help gaming push its frontiers – by creating a policy and regulatory environment where gaming can thrive.

Today, the U.S. gaming industry is strong and there are promising signs of growth.

Last year, revenues grew in 70% of commercial gaming states. (17 of 24 states)

The latest full-year data we have is from 2015. In that year, commercial gaming revenues grew to nearly \$39 billion. Tribal gaming set a record for annual revenue, reaching nearly \$31 billion.

Combined that's the most gaming revenue in our industry's history.

This growth trajectory has continued in 2017:

- Total revenue at Nevada casinos rose 4.8% over last year to \$2.97 billion in the first quarter.
- Commercial casino gaming revenues outside of Nevada were also up by 2.3%.
- MGM's National Harbor Casino opened to strong reviews and is drawing huge crowds.

Atlantic City is also starting to gain traction.

- Total revenues are up. Profits are up. Occupancy rates are up. (2016 data)¹
- Hard Rock International recently purchased one shuttered casino, with plans to reopen next year.²
- And broader economic development projects are underway. A few weeks back, ground was broken on a new \$220 million complex that will house a Stockton University satellite campus and the headquarters of Southern New Jersey Gas.³

Recent events have positioned the gaming industry to stop playing defense and go on offense.

Look at the external environment.

Public support for gaming has never been higher:

- 85% of American voters now see casino gaming as an acceptable activity for themselves, family or friends

Beyond polling data, there are other signs that gaming has really arrived.

- In 2016, Las Vegas hosted its first presidential debate.
- The NHL's Vegas Golden Knights will take the ice for the first time next season.
- The NFL voted to allow the Oakland Raiders to move to Las Vegas – by a vote of 31-1.

Of course, I mentioned earlier the election of a former casino owner to the White House. Maybe the amazing thing was that gaming was never an issue.

These are positive developments, but by themselves are not enough to put gaming on offense.

¹ <http://www.northjersey.com/story/news/business/meadowlands-matters/2017/04/07/atlantic-city-casino-profits-rose-2016-report-finds/100180730/>

² <http://www.baltimoresun.com/news/nation-world/sns-bc-us--atlantic-city-future-20170420-story.html>

³ <http://www.baltimoresun.com/news/nation-world/sns-bc-us--atlantic-city-future-20170420-story.html>

Internally, AGA has also transformed itself into a more effective champion of the industry.

We're more united than ever before.

The American Gaming Association was once seen mainly as a promoter of properties on the Las Vegas Strip.

Today, we represent nearly 90% of the commercial gaming sector, 95% of the supplier sector and nearly one-third of the tribal gaming community.

Our tribal membership began with Seminole in 2014 and Mohegan in 2015. In just the past year or so, seven more tribal members have come aboard.

We've scored impressive policy wins – successes that build confidence and momentum.

To fight money laundering, AGA formed innovative partnerships that helped the industry take a leadership role.

- We brought together compliance experts from across gaming.
- Engaged with regulators to identify risks, discuss ideas and collaborate on solutions – including a comprehensive set of Anti-Money Laundering Best Practices.
- Our partnership with regulators has totally changed their opinion of our industry. Financial regulators now say our industry has “a good story to tell” when it comes to fighting money laundering.

We used this same collaborative model to persuade the IRS to back away from a misguided policy.

- The final IRS decision on slot machine winnings was a huge win for casino operators, gaming companies and casino visitors.
- And it marked a new chapter in how AGA collaborates with the entire industry to engage with government officials and our members.

We also fought a proposed FTC rule on resort fees that would have hurt the industry's ability to provide great guest experiences.

- The FTC's plan would have lumped resort fees in with room rates – a pricing mandate that would have hurt casino resorts. We beat it back.

We've also become a bold organization committed to taking a leadership role.

Today's AGA isn't content with the status quo – regardless of how positive it looks.

Our mindset is: Constantly seek out new opportunities, and don't back down from tough challenges.

- We're tackling issues that would have divided the industry in the past like convenience, or retail gaming. Together, we'll work with states to address convenience gaming's impact on existing casinos and to make sure there's a level playing field when it comes to AML and Responsible Gaming programs.
- And we're pushing forward on decisive issues that focus not on incremental growth – but the next leap forward.

Our mission today is to leverage the positive external environment with this internal transformation to create a better future for gaming.

We see sports betting as a major opportunity for gaming and a top priority for the AGA.

At last year's conference, I outlined our strategy for reversing the federal ban on sports betting.

This year, we're moving from strategy to action – laying the foundational principles for sports betting reform and setting an ambitious timeline for achieving our goal.

We're moving forward on four key fronts:

First, AGA is defining the sports betting opportunity.

Americans bet nearly \$160 billion on sports in 2016: 97 percent was bet illegally.

Two facts are pretty clear from this data:

- Americans love to bet on sports and the federal government's ban on sports betting is a total failure.

Second, we're executing a strategy to drive perceptions, build alliances, and lay the groundwork on Capitol Hill.

Component 1: We're developing compelling, original research to educate stakeholders about public attitudes toward sports betting and the opportunity it presents.

Component #2: AGA is building alliances among the key stakeholders we'll need to overturn the sports betting ban.

Component #3: Give congressional champions on Capitol Hill a convincing, concrete legislative proposal.

The third front is to unite the gaming industry behind a core set of principles for creating an open, transparent, regulated sports betting market.

Earlier this year, AGA proposed a set of principles to guide policy discussions about a new sports betting law. Our core principles include:

- **Empower the states.** Let states determine the desirability and regulation of sports betting, just as we do with all forms of casino wagering;
- **Integrity.** Ensure the integrity of sports betting and sports through state licensing and regulation;
- **Transparency.** Make all sports betting businesses transparent to law enforcement; and
- **Competitive taxation.** Ensure any tax regime does not undermine regulated sports betting operators' ability to compete against illegal, offshore operators.

Fourth and finally, AGA is developing an ambitious timeline over the next 12 to 36 months for drafting legislation – moving it through Congress – and putting it on the president's desk

To build on our current momentum, our goal is to use the rest of 2017 to develop consensus legislative language among key stakeholders and to launch a broad-based coalition to spearhead this effort.

At the same time, we're identifying potential champions in Congress to take the lead on congressional hearings and introduce a bill later this year or early in 2018.

Nothing happens quickly in Congress. There are many major issues still on the table – from health care to tax reform to infrastructure.

Nevertheless, I'm optimistic we can get a bill to the White House well before the 2020 elections.

By uniting the industry ... building a deep bench of congressional champions ... developing legislative language with broad stakeholder support ... we'll be positioned for success regardless of the political calendar.

As you can tell, I'm excited about the opportunities that lie ahead for the gaming industry.

I see us realizing the potential of new markets – like sports betting – in states across America.

The external environment has never been more favorable – at least not in decades.

Internally, I'm also confident that AGA has never been better positioned to help gaming realize its full potential and leverage its opportunities.

I want your feedback on what we're doing. I want your advice about how AGA's resources can help you reach your goals.

But most of all, I want your commitment to partner with us to create an even better future for gaming.

Thank you.

#