



ViewPoints From
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What a Year It Has Been, What a Year to Come

As 2011 nears a close with 2012 right around the corner, it is time to take a look back at the year in review for online gambling. More twists and turns than Mulholland Drive. Drama befitting a Brett Favre comeback. And, inside-the-beltway intrigue, Tom Clancy style.

Here are 4 things that I learned (or re-confirmed) in 2011, with some predictions, as well.

1. The fed bill was a smokescreen and a fundraising tool – no more, no less, all along.

This was a red herring from the very beginning with strange supporting bed fellows, in the form of Senator Reid from Nevada and Senator Kyl from Arizona. It never added up with Senator Kyl, who somehow opposes gaming on morality issues and yet sponsored a bill to expand it. Or, Senator Reid, who was sticking up for his hometown casino companies. The lobbyists were chatting up the federal bill to drain the pocketbooks of their clients. The members of Congress were talking it up to secure scores of campaign contributions from mysterious donors. And then in a page right out of a D.C. novel, here comes a former cabinet member and U.S. senator from New York to collect huge retainers from behind the curtain for speaking up in favor of online gaming.

Then in November, the biggest booster on Capitol Hill, Rep. Barney Frank, announces his retirement. There goes the legislation's biggest champion, riding off into the Massachusetts sunset with tens of thousands in campaign contributions from the gaming industry. Here is a prediction for 2012: Mr. Frank will one day be representing a new constituency beyond the borders of the Bay State: online gaming interests, with a lobbyist's badge.

We're just weeks from Christmas and zero likelihood of a bill now and less than zero in 2012, an election year for every Washington politico, from the Oval Office to the House.

2. The need for new and inventive revenue isn't going away. Nor, is online gaming as a natural source.

The Brookings Institute reports a projected nationwide deficit in state budgets of over \$400 billion in 2012, which means more slashing, more tax hikes and more searchlights for alternative forms of revenue.

Once again, states will be looking for the types of revenue that online gaming can bring – immediate, significant and safely regulated. Iowa, as one example, just completed an off-session study, in which their Racing and Gaming Commission projected a multi-million dollar spike in new, incremental revenues each year from legalized online poker only. Not a week goes by when myself, or someone on our team, doesn't get a call or email from a governor's office or legislator across the country saying, "tell me again how much money we're talking about here" or a similar refrain.

We've been busy over the last few months on new projections and budgets on a state-by-state basis. Why? The need has never been greater and, there isn't another revenue source in America that can turn on the faucet safely and effectively within 60 days – only online gaming can do that.

3. The number of states pursuing online gaming will double in 2012. At least 2 will approve it.

In 2011, we had D.C. approve it and have implementation issues. We had New Jersey and Nevada lay claim to first-mover status. And, we had states like Iowa formally study it, while another handful of states explored in earnest. In 2012, expect the number of Legislatures with active bills to be 10 or more. All of these, plus states like Florida, Georgia, California and others will join the parade. I'll boldly predict that at least 2 or 3 will adopt it.

We've got a presence in virtually every state capital so, we've been staying close to the issues and the action. Online gaming is in the red zone and pushing to the goal line during the upcoming legislative sessions in the first quarter of 2012.

4. At the end of the day, this will be an American industry unlocked by American players.

In the Spring, Black Friday stunned the industry with sweeping federal charges against illegal offshore operators. Stunned at the headlines, yes. Surprised by the outcome? Of course not. These were rogue operations that were skirting U.S. law and regulation. Many thought this was a bad day for the online gaming industry. To the contrary. It reign forced the fact that the industry should be highly-regulated and for those of us who feel the same way, that is good news.

Online gaming is safer and more secure than a Brinks Truck pick-up. Through technology and know-how, like we've built here at U.S. Digital Gaming, overseers can monitor financial transactions, verify ages and track spending and play. Regulators can have a minute-by-minute look at the entire system in an entire state.

As this industry ramps up, expect the American companies to be the pioneers that settle the frontier. Most of the offshore interests don't have the familiarity with U.S. government relations and licensing and there has been a dark cloud over many of the names and players, who have a checkered history. As someone who has been found suitable for licensing in multiple states and knows first-hand: it is a Tupperware-tight industry that will require the highest levels of compliance and conformity. There remains an opportunity for some of the clean European operators to enter the American market but, they will be few and, they'll need a star-spangled partner.

While this is the time of year to wind down, the online gaming industry is really winding up again. The start of 2012 legislative sessions is less than 30 days away in some states. Bills are being crafted and drafted. Budgets are being refined and defined. And somewhere, Santa is waiting to legally play online poker. Happy Holidays.

