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INNOVATION EDITORIAL: I-GAMING IS COMING...THE QUESTION IS WHEN?

The Innovation Group's Steve Rittvo and Renese Rhoden believe i-Gaming is one of the biggest industry changes on the horizon

Once just a small group of operators that emerged during the dot-com boom of the 90's, the key players that comprise today's online gaming industry have quietly managed to foster a global entertainment network with influence and participation worldwide. Even after the tech bubble "burst", the online gaming industry managed to grow exponentially, in part by developing a strong presence in Europe and the United States, two of its most significant market feeders.

The industry was thrown a loop in 2006 with the adoption of the Unlawful Internet Gambling Enforcement Act (UIGEA), a law that prohibited on-line gaming sites from allowing U.S. players (and just recently went into full-effect). While many operators adhered to the new law, much to the dismay of industry opponents, online gambling in the U.S. did not go quietly into the night. Instead, millions of displaced U.S. players continued to gamble online via international website loopholes that still allowed them to play and/or through offshore accounts.

Along with minimal enforcement and legal repercussions, the lines of legality further began to blur with the onslaught of technical

advancements. Products such as cell phones and other handheld devices have helped make the sites more accessible than ever.

Today, it has been estimated that the U.S. online gaming industry generates approximately \$6 billion in annual revenue. Some experts believe that this figure could more than double in the first five years if operations were the wake of the global and national economic slowdown. With federal and state governments burdened to find ways to meet budgetary needs, the online gaming discussion is increasingly more common, offering a seemingly viable option to those on capitol hill looking to generate tax revenue.

Accordingly, a growing number of politicians have shown their support for the online gaming consideration, or at the very least, for creating an open dialogue about its pros and cons. In Washington D.C., recent endeavors include the introduction of House Bill H2267 by Representative Barney Frank in 2007. Known as the Internet Gambling Regulation, Consumer Protection, and Enforcement Act, the



IPD FINALIZED AS OWNER REPRESENTATIVE BY PASCUA YAQUI TRIBE

Significant expansion one of the largest gaming and entertainment projects underway in Indian Country

Affiliate Innovation Project Development recently finalized its contract to serve as the Owner Representative for a major, multi-phase Hotel and Conference Center Expansion project now underway at the Pascua Yaqui Tribe's Casino Del Sol property in Tucson, Arizona.



The team broke ground in late February on the addition of a 215 room 3-star hotel along with a convention facility sized for events from banquets at 680 guests to musical performances with an audience of 1,500. The hotel is expected to include a spa facility, an impressive outdoor pool and event complex, and a 4-level parking structure.

IPD was engaged to provide initial programming and budget consult-

ing for the project and is continuing on now as the Owners Representative during the construction. Commenting on the decision to maintain IPD in an oversight role for the project, Wendell Long, CEO of the Pascua Yaqui Gaming Enterprise observed, "IPD succeeded in keeping everyone focused and on-track throughout the initial pre-construction phase, and with their continued direction during the construction phase, we are confident we will complete the project within budget and with enough funding available to explore and seed additional development opportunities."

The pre-construction team of Bob Kelly, Joel Rittvo and Tom Baird worked intensely with the architects and contractor to continually tighten up the plans and construction concept. Creative



solutions in concert with favorable construction conditions have the project in the enviable position of sitting comfortably within the Tribes initial budget for the desired scope.



IPD has mobilized a field staff of five to steer the project through construction. Dennis Beaudrie, a veteran of Grand Casinos, Harrahs, Caesars and Innovation Project Development is acting as Sr. Project Manager.

The architect is Leo A Daly and the prime contractor is McCarthy Construction. Funding was arranged through Bank of America. The expansion is planned to open in the fall of 2011.

JOE WITTERSCHEIN ASSUMES LARGER ROLE AT IM

Long-time industry specialist assumes Managing Director role with affiliate Innovation Marketing



The Innovation Group of Companies is pleased to announce that Joe Witterschein, VP of Marketing Services for The Innovation Group, has been appointed as Managing Director of our Innovation Marketing affiliate. Joe brings in excess of twenty year's casino management experience to a wide variety of marketing and operational initiatives. Joe has extensive property marketing experience having worked in Native American, riverboat and traditional gaming venues. He began his gaming career in Atlantic City and held various marketing management positions for the Sands, Golden Nugget and Trump organizations. In 1995 he joined Mystic Lake Casino Hotel in Minnesota where he spent ten years serving in a number of executive management positions.

Mr. Witterschein's experience encompasses all facets of casino marketing and development including specializations in regional marketing, player development, bussing programs, hotel sales and media/advertising planning. Currently, he is working with such clients as the Manitoba Lottery Corporation and Fantasy Springs Resort & Casino to offer a wide range of advisory services, including player development strategies and the implementation of Innovation's signature "Voice of the Customer" research program (see article, right).

IM'S "VOICE OF THE CUSTOMER" PROGRAM PROVIDING GAMING INDUSTRY WITH VALUABLE CLIENT INSIGHT



Program designed to engage customer input into property offerings proving to improve communication and boost revenues

In the slow-drip recovery that is our economy, many lessons have hopefully been learned. At Innovation Marketing, we believe one of the most important observations the casino industry should have made by now is that the active gaming consumer has come to appreciate the power they have in their relationship with the casinos they frequent. After all, while their collective per trip gaming budgets have dropped, they are the ones still walking in the door - which means those individuals have a rejuvenated sense of loyalty and an improved awareness of their position in the valuable (and sometimes delicate) customer/casino property equation.

Management's response to this shift in consumer perception is critical to a property's future success. Is the entire management team (not just marketing) in tune with what these patrons think about the property? Is the overall team customer-centric to the point that the decision making process actually includes their opinions, feelings, and ideas? If the answer to either question is "no" the time is right to embark on a well-planned and meticulously executed Voice of the Customer Research Program.

GOALS

Innovation Marketing's exclusive Voice of the Customer Research Program provides valuable insights into what drives the purchase and loyalty equation for gamblers and how a given property and its competitors are performing in the mind of the consumer.

The goals of the Voice of the Customer program include:

- Slow the leakage of customers to competitive casinos
- Add new high value customers to insure there is a net increase in the resort's customer base each month.

- Deliver valuable insights and opinions about your property and your operation that may fly beneath your radar, but are in fact incredibly important to your customers.

METHODS

The recommended components of this program include both qualitative and quantitative approaches. Innovation Marketing's focus groups are designed to distinguish between perception and reality towards what gamers in each market understand to be going on. What matters to them? What are the key drivers in their (not the casino's) decision making process? Why do patrons choose one property over the other?

Some of the activities we implement to derive this information include:

- Coordinate and moderate ongoing panels or "advisory groups" made up of your best players. We utilize a test lab climate that month after month provides critical feedback from the players you can least afford to irritate and incorporates those ideas back into your operation.
- Design and implement the appropriate social network listening reports that bring you up to speed and keep you aware of all the tweets and social media traffic circulating about you, helping to raise the red flag early on to prevent service failures and lost customers.
- Engage in customer intercept interviews during regular intervals at your property to capture evidence of player uneasiness and changing temperament and turn that data over to you quickly along with recommended strategies and action steps.

- Design, coordinate and implement on-line web based surveys that can isolate specific niche customer groups and pull together the resulting data and work with you to eradicate any of the negative issues that may be lurking away and impacting visitation and profitability.

PARTNER

Innovation Marketing has teamed up with a leading hospitality interactive marketing agency, gCommerce Solutions to implement a number of these services and to expand online marketing services to our clients. Over the past 7 years, gCommerce has become recognized as a premier provider of results-driven marketing services for hotels and resorts across the country.

Our combined resources allow the Innovation Marketing team to be unlike most interactive marketing agencies. We start with grounded marketing principles and fuse smart technology to penetrate target segments through online marketing initiatives. This powerful approach relies on in-depth research, fluid communication between stakeholders, and flawless execution. The net result is increased online revenue.

The Innovation Marketing / gCommerce team maintains core competencies in Search Marketing, Social Marketing, Interactive Strategy, Online Media Services, Website Development, Electronic Merchandising & Distribution, Database Marketing and ePR. Each service we offer is designed to work in symphony with a cohesive global strategy to drive revenues.

The Manitoba Lottery Corporation and Fantasy Springs Resort Casino are just two of the clients currently benefitting from this program.

FROM THE ARCHIVES: THE INNOVATION GROUP OF COMPANIES IN THE NEWS

Recent Press Mentions featuring our work and staff



Maryland Senate Approves Gambling at Rosecroft Raceway - 3/25/2010

Bermuda: Hotel Association Backs Introduction of Casinos - 3/20/2010

Slots? No. Poker? Yes. Prince George's County Reverse Position on Gambling - 3/12/2010

Casino Gambling Coming to Prince George's Under Senate Bill - 3/12/2010

Bermuda: Green Paper on 'Gaming' Tabled in the House - 3/6/2010

GameTech International, Inc. Announces Two New Additions to Its Board of Directors - 2/19/2010

Debt-free, Tropicana Sees Light After Bankruptcy (featuring observations from Innovation Capital's Matt Sodl) - 1/25/2010

INNOVATION CAPITAL: 2009 TRANSACTIONS

Innovation Capital
Investment Bankers

2009



**Lake of the Torches
Economic Development
Corporation**

\$50,000,000

*Restructuring & Financial Advisor
to the Corporation/Tribe*

December-2009

**Central Palace Casino
Central City, CO**

has been acquired by a
Private Investor Group

Exclusive Financial Advisor

August-2009




Greektown Holdings, Inc.

**Valuation for Plan of
Reorganization Proposed
by LPF Holdings, LLC**

Financial Advisor

June-2009



**Mashpee Wampanoag
Tribe**

**Evaluation of Development
Services Agreement**

Exclusive Financial Advisor

March-2009

**Harlow's Casino Resort
Greenville, MS**



**Strategic Advisory
Assignment**

Financial Advisor

February-2009



**Choctaw Resort
Development Enterprise**

\$93,375,000

Amendment to Term Loan

*Restructuring & Financial Advisor
to the Enterprise/Tribe*

January-2009



**Aggregate Indebtedness of
\$360,000,000**

Financial Restructuring

*Restructuring & Financial Advisor
to the Senior Secured Noteholders*

Despite a challenging economic environment, Innovation Capital maintained strong activity throughout the past year, achieving these notable transactions.

For additional information, visit www.innovation-capital.com

AS GLOBAL GAMING MARKETS ADJUST, THE INNOVATION GROUP CONTINUES TO FILL THE INDUSTRY'S MOST UNIQUE NICHEs

Expert Witness Testimony, Legislative Coordination and Economic Diversification Support Among Most Demanded Advisory Services in Recent Months

As new gaming markets have emerged and as developed markets have faced new challenges, The Innovation Group has continued to expand its wide range of advisory services throughout the globe.

The Innovation Group has maintained its position at the forefront of market analysis and research, but has also seen an increasing volume of requests from both the private and public sectors to support with such tasks as providing strategic planning, studies to aid in structuring new gaming jurisdictions, establishing regulations, tax structures and gaming liberalization, and even the privatization of state-run operations.

Several of these assignments led to our participation in high-profile expert witness situations. Of course, one of the most talked about and important legislative changes of the past year was the shift to allow table games in the Pennsylvania gaming market. The Innovation Group was engaged by several operators in the state to conduct research regarding the



potential impact of this change, and our Chairman/CEO, Steve Rittvo was responsible for testifying to the Pennsylvania Legislature regarding the findings. Mr. Rittvo's testimony was prominently covered by the national media, and was widely credited as a key factor behind the state's decision to allow for gaming, as well as its change in the initial tax structure that was considered to coincide with the table additions.

potential impact of this change, and our Chairman/CEO, Steve Rittvo was responsible for testifying to the Pennsylvania Legislature regarding the findings. Mr. Rittvo's testimony was prominently covered by

Vice President of The Innovation Group, Matt Landry, has provided similar expert witness testimony throughout the past year relative to the gaming environment in New Hampshire.

In a separate case, Mr. Rittvo was also the featured expert witness in a 2009 lawsuit involving Adria Beteiligungs GmbH regarding a joint venture with the Croatian government in the 1990s. The client was arguing that their contract was terminated prior to the agreed upon end-date, and Mr. Rittvo was integral in the financial analysis that was provided to the



client's attorney (Cleary Gottlieb Steen & Hamilton LLP, Frankfurt, Germany) regarding the value of that termination. When the case shifted to the jurisdiction of the World Court at The Hague, Mr. Rittvo was individually tasked to

provide expert witness testimony regarding our firm's findings. Last year's testimony marked the second time in his career that Mr. Rittvo had been asked to testify at The Hague, widely recognized as the "seat of international law" and one of the most prestigious of all legal environments.

Another prominent segment of work for The Innovation Group in recent months has been a series of assignments related to strategic planning. From business plan advisory for a high-profile Macau operation to economic diversification support for a number of tribal entities, our team has demonstrated its ability to advise on both gaming and non-gaming investment issues in response to the challenging economic environment.

A "MUST READ" REGARDING TRIBAL ECONOMIC DIVERSIFICATION

Stephen J. Szapor, Jr., a senior partner with The Innovation Group of Companies, contributed an important article for this year's Tribal Government Gaming Issue, published by Global Gaming Business Magazine. In the April 2010 article, Mr. Szapor applies his extensive experience working with tribes on both gaming and non-gaming opportunities to explain how the current economic environment has encouraged a number of tribes to evaluate their diversification options. Mr. Szapor also included an outline of key steps that any tribe embarking on such strategies should consider.



[CLICK HERE TO VIEW THE FULL ARTICLE FROM TRIBAL GOVERNMENT GAMING APRIL 2010](#)

EDITORIAL: I-GAMING IS COMING...THE QUESTION IS WHEN?

(Continued from Page 1)

proposed bill would establish a federal regulatory and enforcement framework under which internet gambling operators could obtain licenses to accept bets and wagers from individuals within the U.S.

Additional proposals include the Internet Gambling Regulation and Tax Enforcement Act of 2009 which presents a structure for taxing online gaming and the Internet Poker and Game of Skill Regulation, Consumer Protection and Enforcement Act introduced by Senator Robert Menendez, which is similar to Frank's previous legislation, except that it limits online play to games such as poker, bridge and chess.

On a state level, jurisdictions such as Florida, California and New Jersey are currently engaged in ongoing discussion exploring the advantages and disadvantage of legalized online poker and gambling. Many of these conversations involve local land-based operators like U.S. state lotteries, tribal gaming interests and commercial casinos that have made strategic alliances with partners that have helped them influence the changes related to online gaming within their state. Some other operators, like Harrahs Entertainment, have gone so far as to develop internal operating teams in preparation of a potential shift in legislation.

However new to the game, U.S. gaming companies are putting forth efforts to educate themselves on this rapidly developing market. Even the American Gaming Association - an entity that long-refrained from taking a position on the subject of internet gaming in the

U.S. - has seemed to embrace the approach that the possibility of i-gaming in the states is much stronger than anytime in recent history, significantly increasing their monitoring and commentary on the subject in their press releases, public articles and other research.

Recent measures have increased optimism among experts who are speculating that this type of gaming could be authorized at either the state or federal level within the next year. Along with this dynamic shift, we anticipate there will be an increased demand for our organization to provide the research and analysis that will be the cornerstone of its expansion.

As a result of The Innovation Group of Companies' diverse capabilities and industry expertise, we have collectively worked in more than 100 major gaming jurisdictions, conducted research on all relevant gambling industry segments (casino resorts, slot parlors, racinos, racetracks, VLTs, Class II vs Class III, bingo, lottery, internet gaming, and even emerging ambient devices including internet kiosks, mobile raffles, etc.), and been associated with nearly \$60 billion in investment decisions specific to our target industries. Obviously, we are confident that our status as the premier consulting and advisory firm to the gaming industry will carry through to the online forum as well.

Throughout the past several years (and with a notable increase in recent months), The Innovation Group has had numerous opportunities to contribute to

financial and market research related to the internet gaming sector. One of the more recent assignments was to conduct research regarding proposed changes in the California igaming market, which provided us with an extensive opportunity to advance our database and approach specific to this aspect of the industry.

In addition, as the potential of the legalized i-gaming in the U.S. has continuously improved, we have dedicated an increasing volume of our staff to specialize in this important segment, and established strategic relationships with other key players dedicated to i-gaming concerns. We believe we will play an exceptionally valuable role in educating the industry particularly the land-based casino operators that we have worked for throughout the past two decades that are interested in joining the online arena.

At no time since its emergence in the mid 1990's has online gaming been more at the political forefront. And if there is one thing we have all learned in recent years...sometimes there is just no stopping the technology train. Are we at the point where it might just be better to buy your ticket and get on board? For our organization, the answer is a resounding "yes"; and to all of our clients who join us in recognizing this potential change as a legitimate and significant business opportunity, we look forward to continuing our work with you on this new segment of the gaming industry.

Ready or not, here they come.

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Innovation Capital

Investment Bankers

INNOVATION
PROJECT DEVELOPMENT



INNOVATION
MANAGEMENT
SERVICES



THE INNOVATION GROUP TO CONSULT.

INNOVATION CAPITAL TO FINANCE & ADVISE.

INNOVATION PROJECT DEVELOPMENT TO COORDINATE BUILD-OUT.

INNOVATION MARKETING TO POSITION.

INNOVATION MANAGEMENT SERVICES TO OPERATE.

INNOVATION FOOD & BEVERAGE TO ADDRESS AMENITY NEEDS.

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2010 INDUSTRY EVENTS & CONFERENCES

We anticipate sending representatives from *The Innovation Group of Companies* to the following events this year:

Northwest Gaming Law Summit	Jan 7 - 8, 2010	Seattle, WA
Western Indian Gaming Conference	Jan 12 - 14, 2010	Palm Springs, CA
Legal Gaming in Europe Conference	Jan 25 - 26, 2010	London
The Americas Lodging Investment Summit	Jan 25 - 27, 2010	San Diego, CA
International Gaming Expo (formerly ICE)	Jan 26 - 28, 2010	London
National Association of Food Equipment Manufacturers	Feb 10 - 12, 2010	Orlando, FL
Tribal Casino and Hotel Development Conference	Feb 16 - 18, 2010	Temecula, CA (Pechanga)
Reservation Economic Summit (RES 2010)	Feb 21 - 24, 2010	Las Vegas, NV
Indian Casino Food and Beverage Workshop Series	Feb 22 - 24, 2010	Hollywood, Florida (Seminole Hard Rock)
Pennsylvania Gaming Congress & Mid-Atlantic Racing	Feb 22 - 23, 2010	Valley Forge, PA (Valley Forge Convention Center)
iGaming Asia Congress & Expo	Feb 23 - 25, 2010	Macau
Harness Tracks of America/Thoroughbred Racing Association	Mar 8 - 11, 2010	Indian Wells, CA
Hotel World Food and Beverage Expo	Mar 8 - 10, 2010	Las Vegas
Business Development in Indian Country	Mar 8 - 12, 2010	Wildhorse Casino, Phoenix, AZ
AiG Congress (1 of 2 Asian iGaming) hosted by Clarion	Mar 9 - 11, 2010	Manila, Philippines
Caribbean Gaming Show & Conference	Mar 10 - 11, 2010	Santo Domingo, Dominican Republic
NAFOA - Next Decade Conference for Indian Country	Mar 16 - 17, 2010	New Orleans, LA (Waldorf)
iGaming Asia (1 of 2 Asian iGaming) hosted by Beacon	Mar 23 - 25, 2010	Macau (Grand Hyatt, City of Dreams)
iGaming Business Down Under	Mar 24 - 26, 2010	Sydney, Australia
NIGA	Apr 6 - 9, 2010	San Diego, CA
Fadja - Andean Gaming Trade Show	Apr 21 - 22, 2010	Bogata, Colombia
Canadian Gaming Summit	Apr 26 - 28, 2010	Calgary
Southern Gaming Summit	May 5 - 6, 2010	Biloxi, MS
Latin American Gaming Expo	May 6 - 7, 2010	Mexico City, Mexico
Great Plains/Midwest/Rocky Mountain Indian Gaming Association	May 16 - 19, 2010	Prior Lake, MN Mystic Lake
East Coast Gaming Congress	May 17-18, 2010	Atlantic City, NJ (Convention Center)
Construction in Indian Country International Conference	May 19 - 20, 2010	Scottsdale, AZ (Casino Arizona)
IMGL Spring Conference	May 19 - 21, 2010	NYC
National Restaurant Association	May 22 - 25, 2010	Chicago, IL
Indian Bingo & Class II Summit	Jun 8-10, 2010	Indio, CA (Fantasy Springs)
G2E Asia	Jun 8 - 10, 2010	Macau (Venetian)
iGaming Super Show	Jun 10 - 14, 2010	Prague, Czech Republic
AH&LA Summer Summit	Jun 15 - 16, 2010	Las Vegas, NV (Hard Rock)
NY Gaming Summit	Jun 21 - 22, 2010	Tarrytown, NY
South American Gaming Supplier Expo	June 23 - 24, 2010	Panama
Pacific Northwest / Washington Indian Gaming	Jul 12 - 14, 2010	Little Creek Casino, WA
Casino Marketing Conference	Jul 19 - 21, 2010	Las Vegas, NV (Paris)
Oklahoma Indian Gaming	Aug 23 - 24, 2010	Tulsa
New Mexico Indian Gaming Assn	Aug 23 - 25, 2010	Albuquerque, NM (Sandia)
European Conference on Gambling Studies and Policy Issues	Sep 14 - 17, 2010	Vienna, Austria
EiG (European I-Gaming) hosted by Clarion Gaming	Sep 14-17, 2010	Vienna, Austria
Arizona Desert Classic Gaming Conference	Sep 15 - 18, 2010	Scottsdale, AZ (Talking Stick / former Casino Arizona)
South American Gaming Supplier Expo	Sep 29 - Oct 1, 2010	Buenos Aires
Eastern European Gaming Summit/Balkan Gaming Expo	Oct 4-6, 2010	Sofia, Bulgaria
International Assn of Gaming Advisors and Regulators	Oct 9 - 13, 2010	Washington, D.C.
Florida Gaming Summit	Oct 18 - 19, 2010	Hollywood, FL
IMGL Fall Conference	Oct 24 - 26, 2010	Madrid, Spain
Global Gaming Expo	Nov 16 - 18, 2010	Las Vegas
Arizona Symposium on Racing & Gaming	Dec 6 -9, 2010	Tucson

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