



INNOVA

GAMING GROUP

Richard WEIL

Chief Executive Officer, INNOVA

PGRI Introduction: With more than 20 years of experience in the lottery/gaming and interactive industries, Richard Weil is the Chairman & CEO of INNOVA Gaming Group, a newly formed company created to focus on Lottery. By forming a group of experienced gaming industry executives and entrepreneurs, his intention is to seek the opportunity to develop unique lottery products to meet the demand for incremental revenue in the lottery industry.

Paul Jason, PGRI: *Describe the inception of INNOVA and its vision.*

Richard Weil: INNOVA Gaming Group is a newly-formed public lottery company with a focus to provide unique games and products to the global gaming industry. Diamond Game is INNOVA's first wholly-owned subsidiary. Our objective is to combine the capital resources of INNOVA with the industry expertise of Diamond Game to deliver the very best service, and an expanding line of products, to help the Lottery industry accomplish its goals. Diamond Game has been very successful at creating products that open up entirely new venues to make lottery products more accessible to consumers. Self-serve solutions and game terminals that enhance the entertainment value of the lottery-playing experience have been the core competency of Diamond Game. Our goal is to leverage that expertise to expand the product line, and create new solutions that open

up new markets and bring in new consumer groups to Lottery.

In recent years, Diamond Game has focused its resources on its Lottery customers. And to great effect. The LT-3 instant ticket vending machine creates a whole new play style for Lottery players. It also introduces lottery products to consumers through channels that have been largely ignored—like bars, bingo halls and veteran halls and other age-restricted entertainment venues and social environments. INNOVA will build on that success with new products that further develop that initiative. We will also develop new product concepts, and seek targeted acquisitions, to enhance our portfolio of solutions that help Lottery grow in a responsible way.

I'm excited to be working with Diamond Game's President, Jim Breslo, and the management team, who have been doing an extraordinary job and impacting the industry in a positive

way. Our goal now is to augment the team with an additional layer of strategic leadership and capital resources that will build on their success. My longstanding industry relationships and extensive history of growing companies in the gaming space, combined with the experience of our Board members, will bring added value and experience to that realm as well.

How will this augment the accomplishments and contributions of Diamond Game to the industry?

R. Weil: Over the last several years Diamond Game has shifted its focus to the lottery space. Diamond Game has leveraged its history and experience in developing games for traditional gaming markets to expand Lottery's marketing reach. Specifically, our approach has been to open up new channels of distribution by creating games and systems that deliver the entertainment and

appeal of other forms of gaming to new consumer groups. Frankly, we see that as the key to growing this business. The standard lottery games continue to have huge appeal. The challenge is to bring Lottery into new non-traditional venues, to reshape the gaming experience, perhaps only slightly but in ways that appeal to new and potentially younger players.

Innovation is not about creating the next “Big Thing” or “killer app.” It’s about leveraging the strengths of a business in exciting new ways. Lottery should not aspire to create the next Candy-Crush or Farmville. For one thing, the most phenomenal successes of the past few years have shown us just how fleeting that success can be. Innovation is about focusing resources in ways that build sustainable long-term success. And Lottery has always excelled at doing just that! Our goal, the focus of INNOVA and Diamond Game, is to align with the strategies and methods that result in a sustainable business model.

Among the specific guideposts for our business are bringing in new consumer groups with innovative twists on the traditional lottery-playing experience, and integrating a more compelling ‘stay-and-play’ dimension to that experience. Of course, that is what Diamond Game already excels at. So we will now stretch to apply those success strategies in exciting new ways.

Too, we feel our strength is especially keen in the highly regulated markets of North America. We appreciate that it’s not just about statutes and regulations. We have a deep understanding of how political sensitivities, media, and public perception are so important to the success of any Lottery initiative. That is why, to my mind, innovating around the fundamental constructs of traditional games

is the most actionable way to grow the Lottery business in North America and, as we look forward, internationally.

Any near-term initiatives or acquisitions the industry could look forward to?

R. Weil: M&A is a strategy we are focused on and as a management team, we have been very successful at in the past. We see a number of opportunities in the lottery space as other vendors are consolidating and shifting focus on traditional casino gaming.

We are at various stages of discussion with a number of potential acquisitions. There are lots of exciting possibilities. And we are in a great position to translate concept into market-ready products. At this stage, though, we are more focused on establishing internal processes and infrastructure to deliver more value to our customers. Growing the LT-3 gaming terminal business is key at this time. Continuing to enhance our current products, extending the core technologies into new products and solutions, and focusing on our current customers is the first order of action. Adding to our portfolio of products is a part of our long-term strategy, but that will be driven and determined by our customers and what is best for our existing Lottery clients.

How does the vision of INNOVA align with the big-picture industry trends or opportunities or challenges?

R. Weil: That right there is the purpose of INNOVA’s acquisition of Diamond Game and doing our IPO in May on the Toronto Stock Exchange. INNOVA will apply a longer-view and big-picture vision to the success of Diamond Game’s industry success. Our focus is now the Lottery industry. We see huge opportunity for Lottery to capitalize on the most

successful and enduring product in the entire games-of-chance industry. We are listening to what the lotteries have to say. We are meeting with many state and provincial lotteries to better understand the opportunities and challenges they face and discussing ways that INNOVA will play a role in addressing them.

More specifically, we see great opportunity in the non-traditional retail space where stay-and-play devices are becoming more and more popular. This sector overlaps another big industry trend towards self-service. Self-serve is a massive consumer trend that is quickly gaining traction in all consumer-facing industries. Corporate accounts demand self-serve to minimize staff requirements for processing transaction. And the beauty is that Diamond Game is all about creating a self-serve stay-and-play format that actually enhances the player experience, engages the consumer, and drives sales. The Lottery industry has always thought of self-serve as vending machines which do not result in as much sales as a clerk-assisted transaction. Diamond Game and INNOVA see it as just the opposite. And we are dedicated to applying our vision for such products in exciting and innovative ways.

We also understand the challenges the industry is facing with product innovation and state regulations. Our goal is to find the balance between how we can help Lotteries innovate, increase Lottery’s appeal to the current players, bring in new consumer groups, and all the while complying with regulatory restrictions and political sensibilities. The future is bright for the Lottery industry and INNOVA is very excited to support it in every way possible. ■