



Presentation to:

Senate Governmental Organization Committee

Information Hearing on Intrastate Internet
Poker

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Bricks and Mortar Gaming Patrons' Behaviors & Trends



Gaming Patrons Activities and Statistics

Number of Annual Visits to a Casino

Last 12 months - average	8.6
In 2007	10.1
28% of the people who visited Casinos since 2007 did not visit last year	

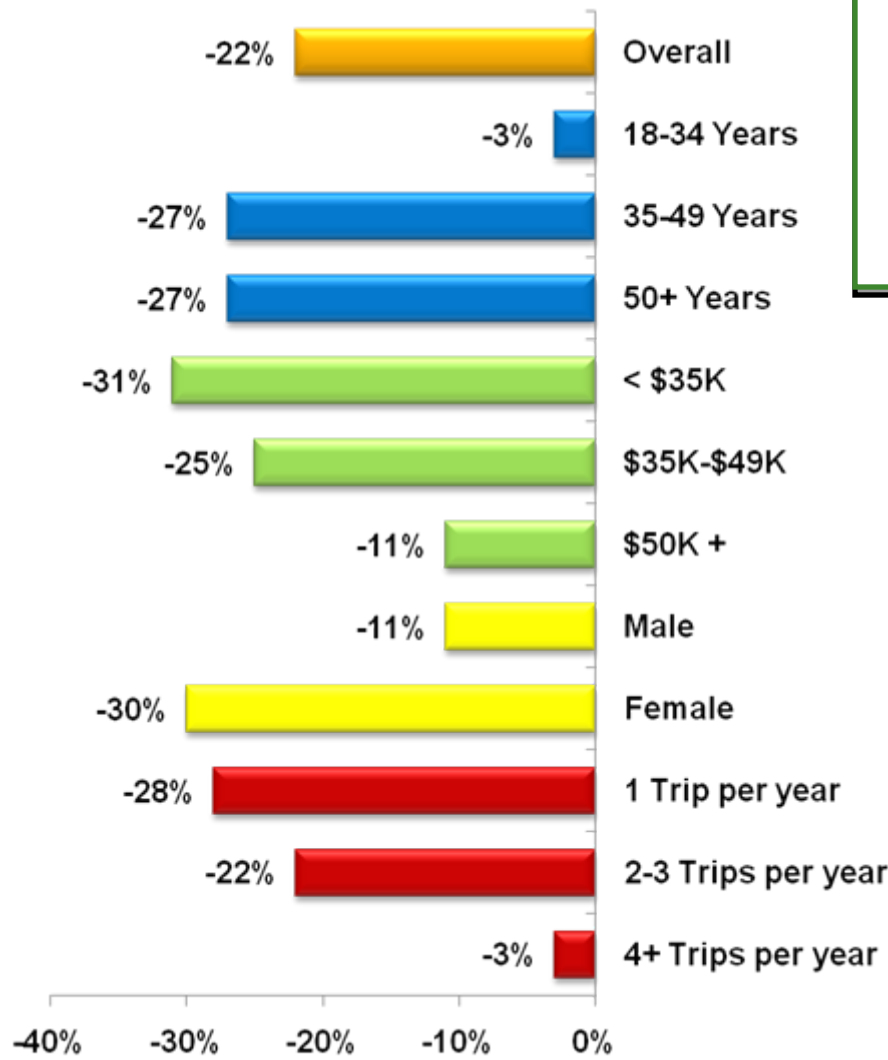
Where the Patrons visited

Last 12 months	
In State	5.4
Out of State	1.6
Destination Centers	1.6
In 2007	
In State	5.7
Out of State	2.3
Destination Centers	2.1
Local Facilities have taken a much smaller hit	

➤ In 2008 Gaming patronage continued to decrease with trends showing players staying closer to home.



Net Decline in Expected Gaming Trips by Segment



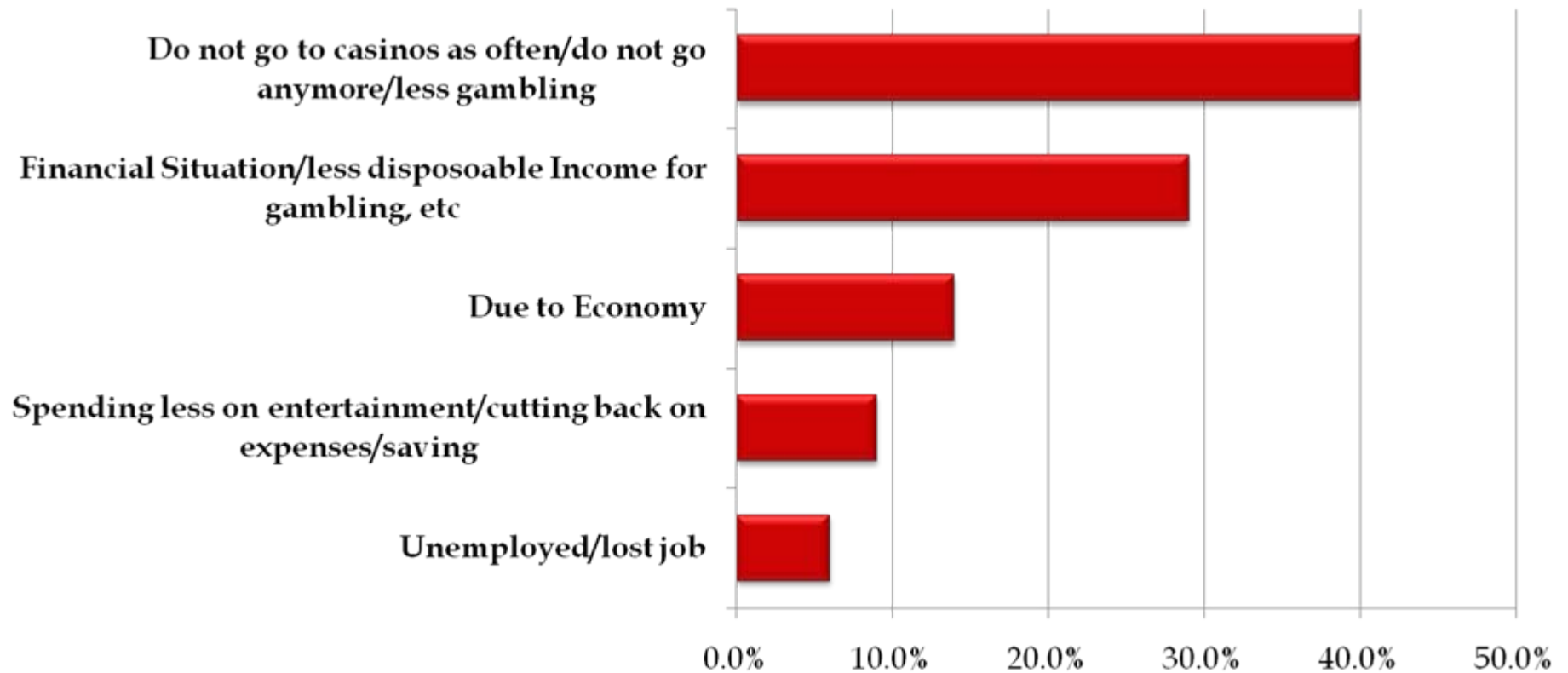
Over the next 12 months, a net of 22% active gamers polled are expected to decrease their number of casino visits compared to the previous twelve months.

Most affected by the current U.S. macroeconomic environment are:

- Older age groups over 35 years of age more so than those under 35 years of age;
- Less affluent gamers more so than more affluent gamers, especially with those earning less than \$35K annually,
- Females more so than males,
- Less frequent gamers (less than 3 trips per year) more so than more frequent gamers.



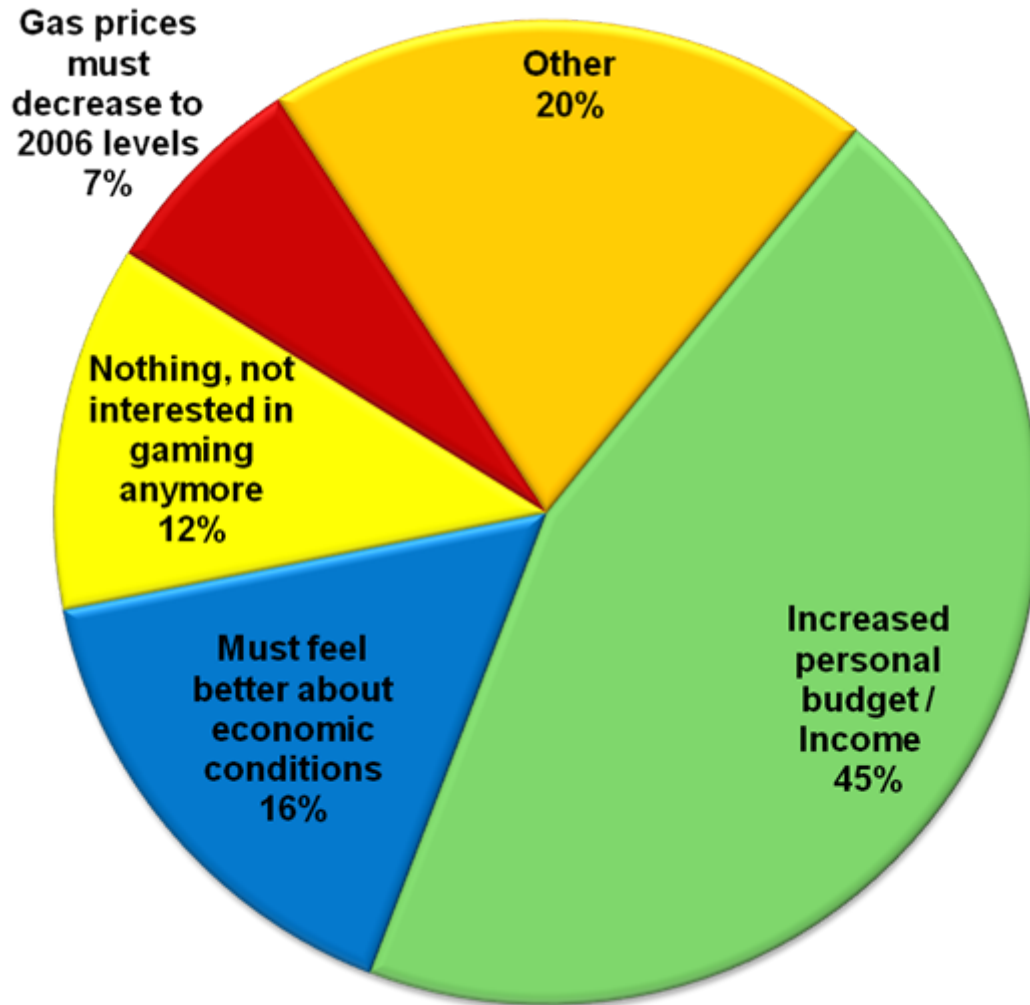
Reasons For Spending “Less” at Casinos Compared to a Year Ago



➤ Casino Spend Compared to One Year Ago down 22%



Top Factors Necessary to Return to Previous Gaming Habits



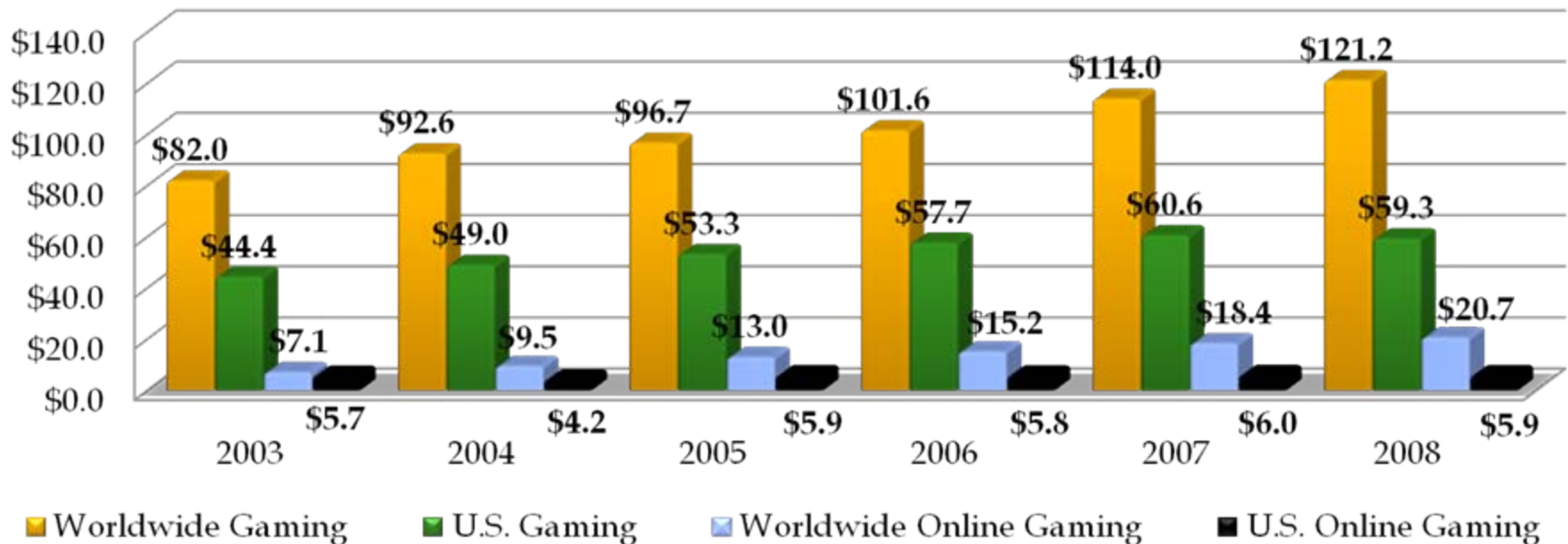
The majority of respondents cited an increase in their personal budget or income as the primary catalyst that would induce them to return to previous gaming levels, a need for greater consumer confidence in the economy was also cited by men more than women as an important factor.



Online Gaming Industry Overview



Worldwide & U.S. Gaming Revenue - Five Year Trend



- 2008 Worldwide Gaming estimated at \$121 Billion
 - \$59.3 Billion generated within the U.S.
- 2008 Worldwide Online Gaming estimated at \$21 Billion
 - While Online Gaming became Illegal in the U.S. in 2006, The AGA estimates that \$5.9 Billion was generated within the U.S. in 2008 (28% of Market).

Source: Antigua/WTO Report; PWC; H2 Gambling Capital; The Innovation Group

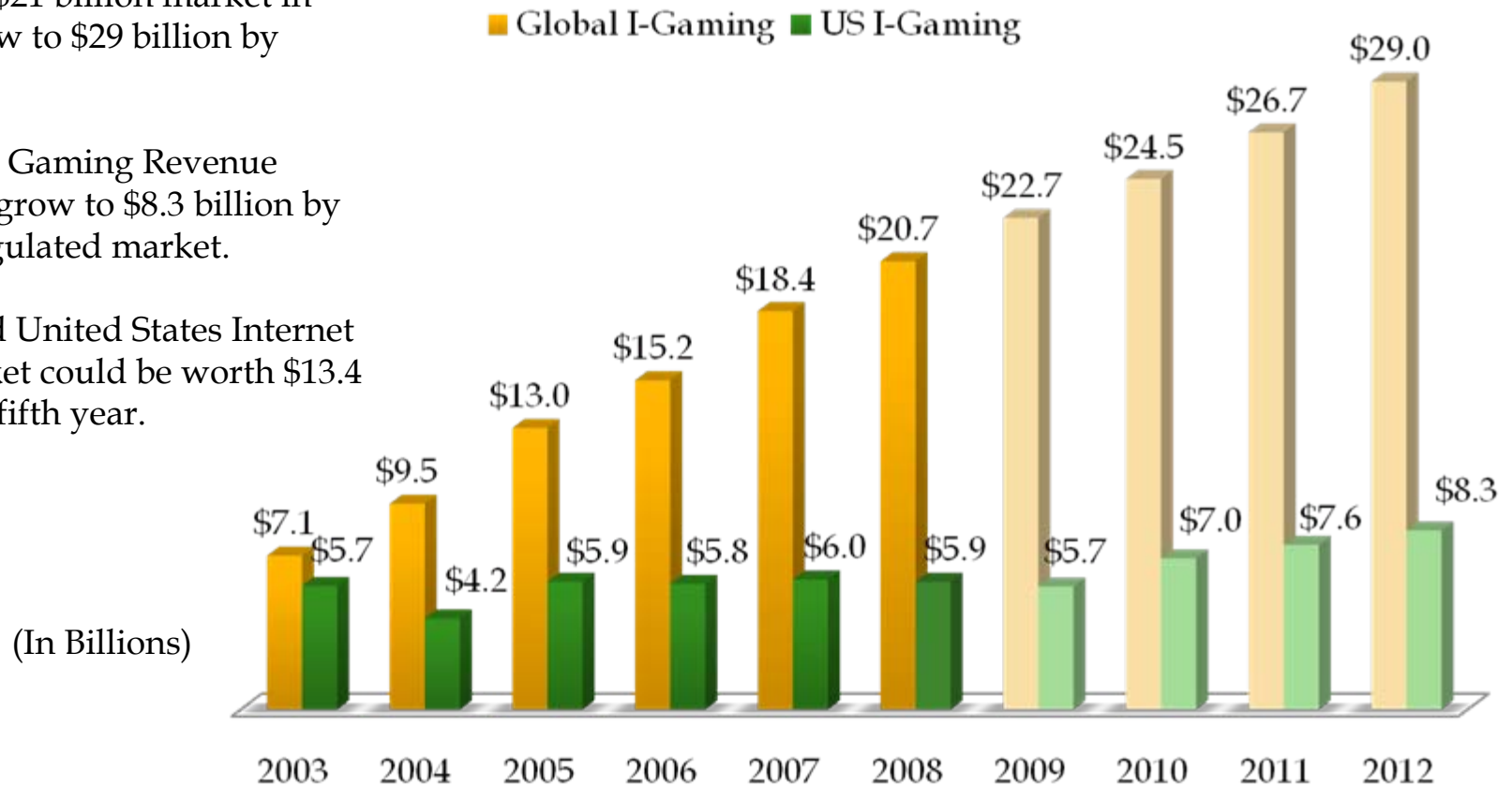


Worldwide & U.S. Online Gaming Trended Forecast

➤ Worldwide Online Gaming estimated at \$21 billion market in 2008 and grow to \$29 billion by 2012.

➤ U.S. Online Gaming Revenue estimated to grow to \$8.3 billion by 2012 in unregulated market.

➤ A regulated United States Internet gaming market could be worth \$13.4 billion by its fifth year.



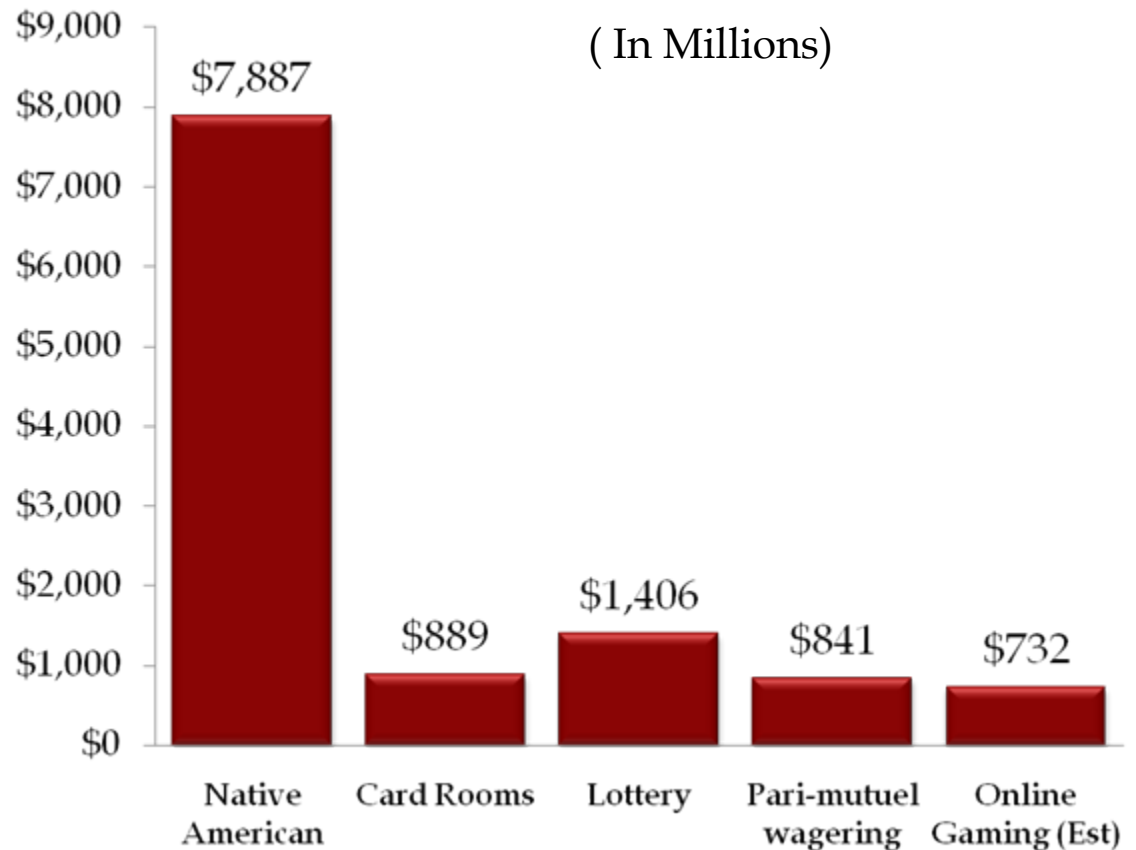
Source: Antigua/WTO Gaming Report; H2 Gambling Capital; Christiansen Capital Advisors; The Innovation Group



California Gaming Revenue

- 2008 Total Commercial Gaming in California estimated at \$3.1 Billion
- 2008 Total State Gaming Revenue estimated at \$11 Billion (does not include Online Gaming).
- Native American Casinos largest segment
- Online Gaming revenue for California estimated at \$732 million.
- Approximately 1.4 million California residents currently play poker online already.

2008 State Gaming Revenue

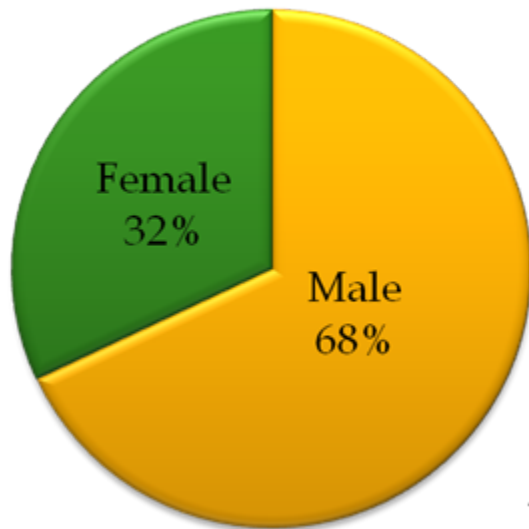


Source: Casino City North American Gaming Almanac; Indian Gaming Industry Report; H2 Gambling Capital; The Innovation Group

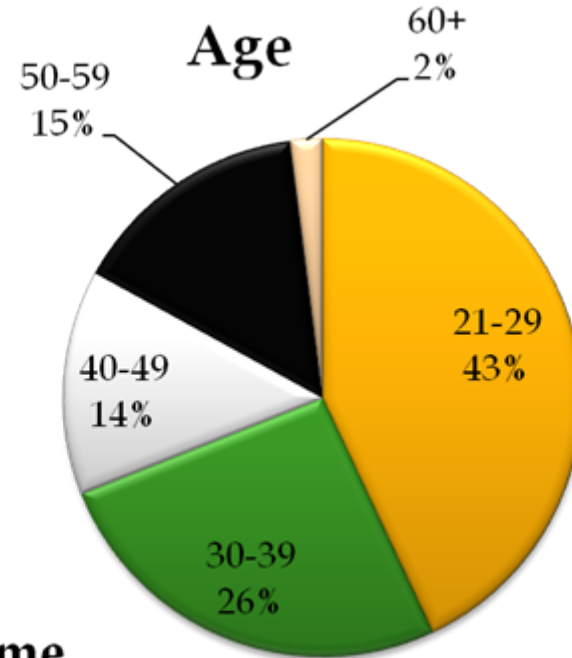


U.S. Internet Gambler Profile

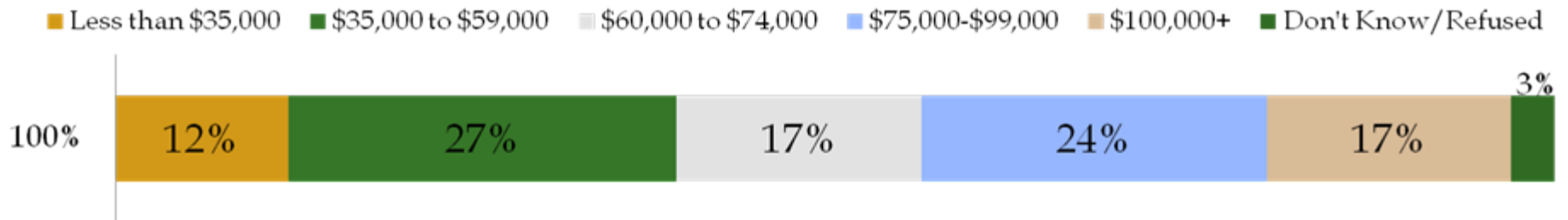
Gender



Age



Household Income



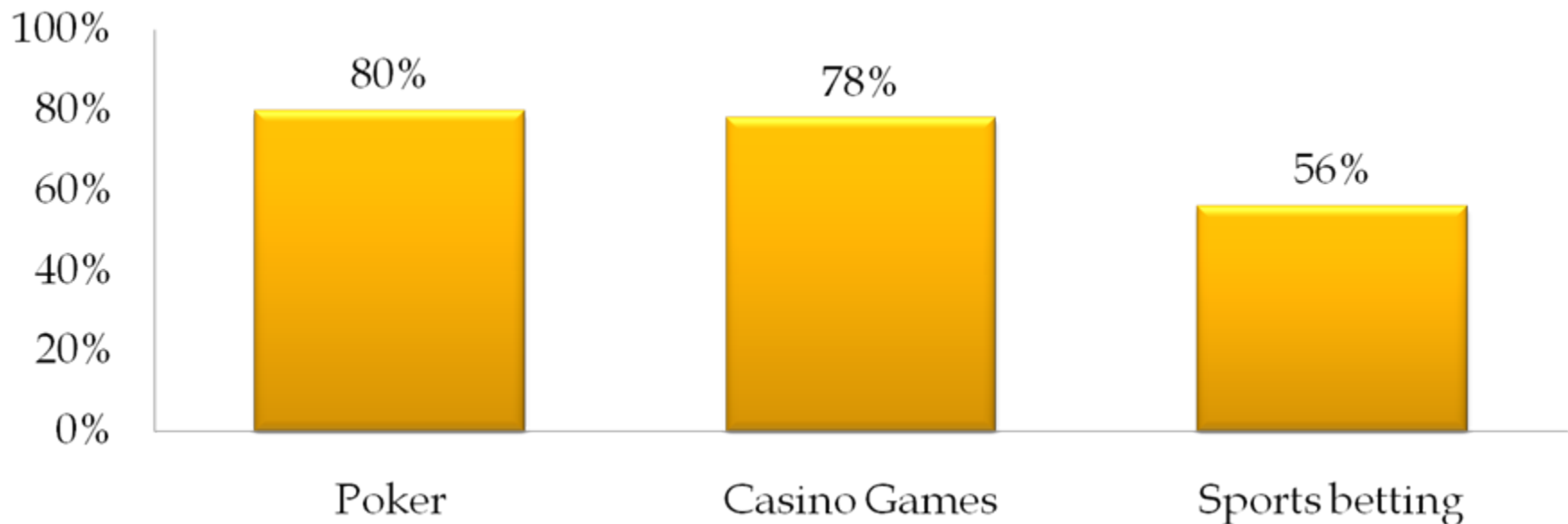
Source: AGA Survey of Casino Entertainment



U.S. Internet Gambler Profile

An Estimated 4% of Americans gamble online.

Online Betting Activity - U.S. Players

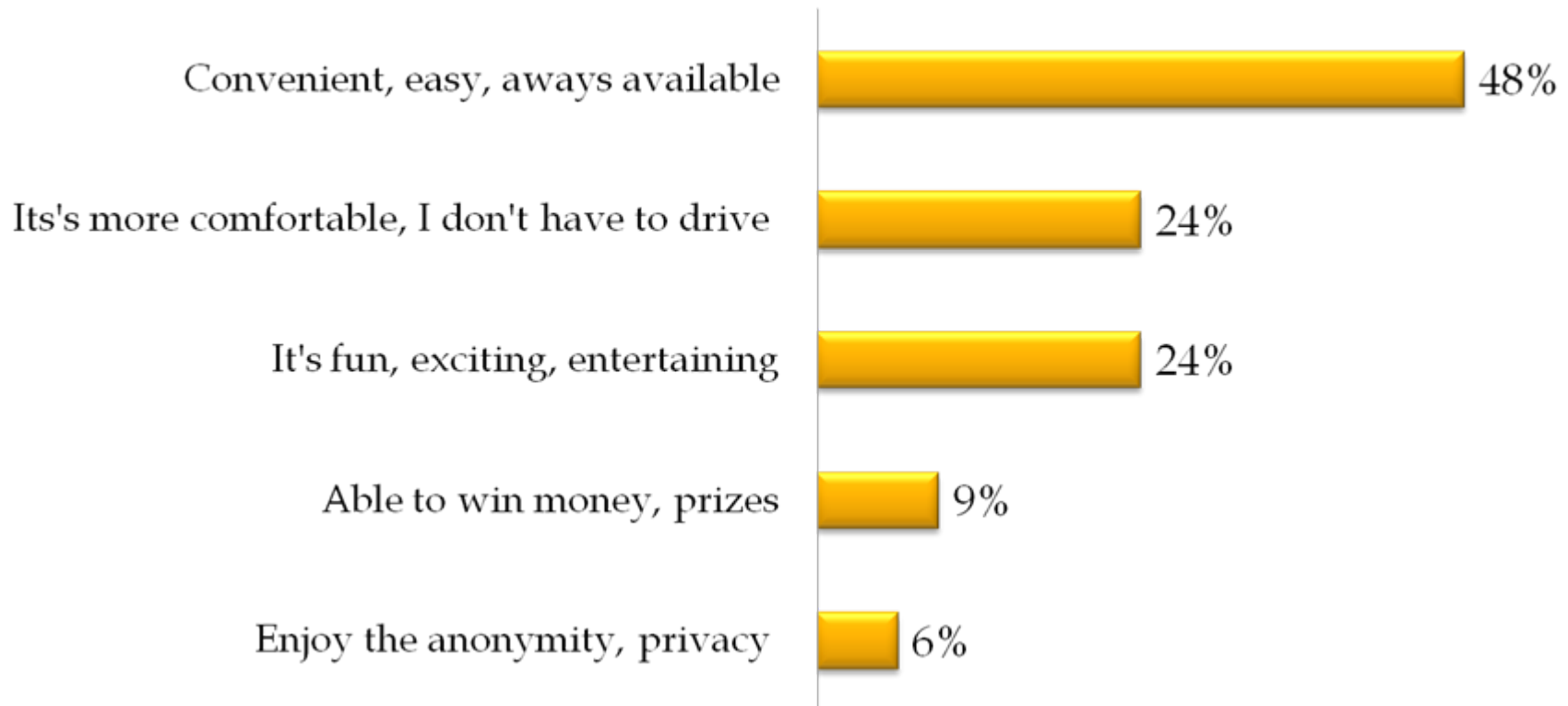


Source: AGA Survey of Casino Entertainment



U.S. Internet Gambler Profile

Top Five Reasons For Gaming Online



Source: AGA Survey of Casino Entertainment



California Online Poker Player Profile:

➤ Average Californian Poker Player :

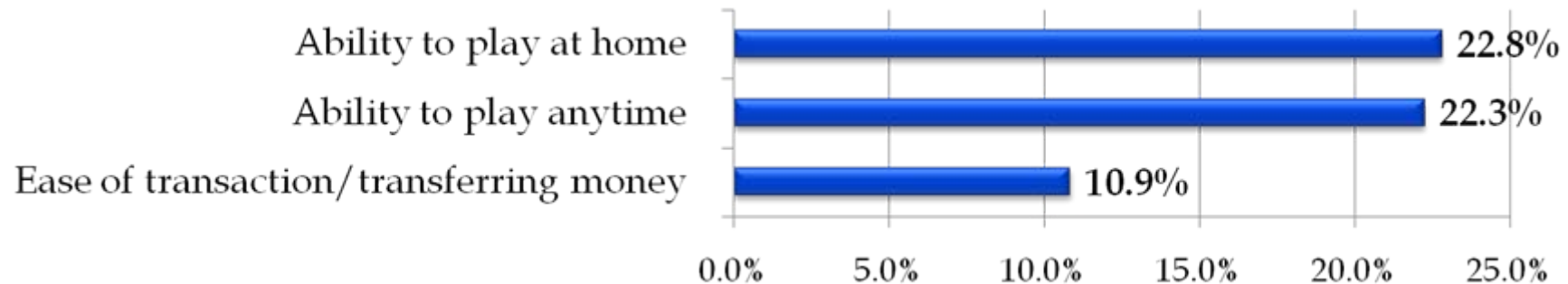
- Majority are males aged 25-34 years old
- Majority have average income between \$20,000 - \$60,000
- Tends to have much higher frequency of play than that of Commercial Casino Players, with a majority playing 3 to 10 times per month
- Median range of gambling budget \$16- \$50 per session, much lower than average budget for Commercial Casino Players
- Favored blinds ranging from \$0.10/\$0.25 to \$1/\$2 range, lower wagers than that of Commercial Casino Players

Source: Innovation Group

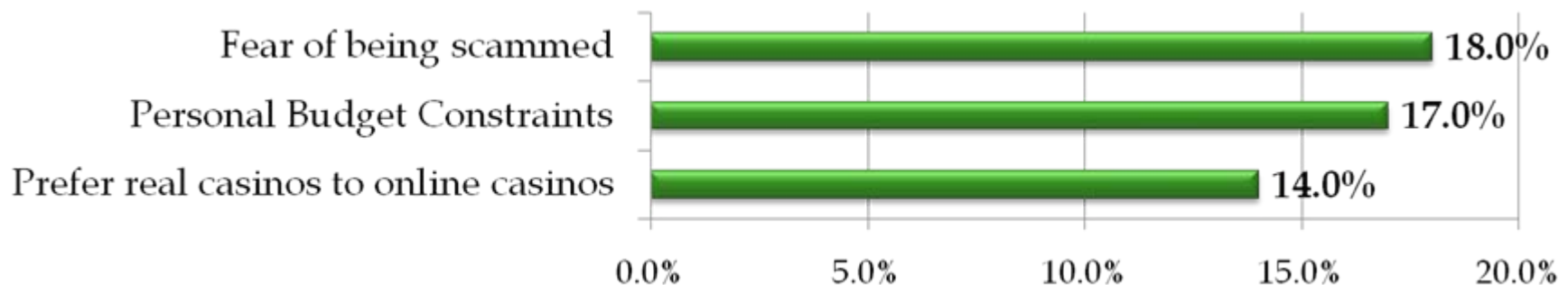


California Online Poker Player Profile:

➤ Top three reasons why people are playing poker online :



➤ Top three reasons why people are NOT playing poker online:



Source: Innovation Group



North America Internet Gaming: Considered & Proposed

- **U.S. Federal** - H.R. 2267 Internet Gambling Regulation, Consumer Protection, and Enforcement Act
- **U.S. Federal** - H.R. 2268 Internet Gambling Regulation and Tax Enforcement Act of 2009
- **U.S. Federal** - S.1597 Internet Poker and Game of Skill Regulation, Consumer Protection and Enforcement Act

- **California** - Proposal for Online Poker
- **New Jersey** - Bill for Intrastate Internet Wagering at Atlantic City casinos
- **Florida** - Legislature reviewing Online Gaming
- **New Hampshire** - Proposal to permit online play of “instant” games offered by State Lottery Commission.
- **Illinois** - State Senate proposing online sales of Lottery tickets

- **Canada** - Cabinet recently approves plans to offer Quebecers online poker and sports betting



Our Best Guess Forecasts

- Generally a slow recovery for 2010
 - Same store sales up 4 - 5%
- Recovery accelerates in 2011 to 2013
 - But we do not return to peak levels until 2014 - 15
- Local Casinos will recover more rapidly followed by drive in regional facilities
- Las Vegas will have the long term recovery and Atlantic city will not see its peak levels again



Our Best Guess Forecasts

- Internet gaming will continue to grow faster than Commercial Casinos but still will be a small percentage of total gaming in U.S. (without legalization)
- Gaming stakes and budgets will be well below those experienced at Commercial Casinos
- Tax revenues will continue to be lost with prohibition



Our Best Guess Forecasts

- With legalization, total Internet Gaming revenues will grow by 25 – 40%
 - Greater comfort levels
 - Greater sense of security
- Internet Gaming will still be a small percentage of Commercial Casino revenues serving lower stake and younger players
- Tax revenue will be captured however there will be some cannibalization of Commercial Casinos.
- Current Economic trends support the growth of Internet Gaming in short term



QUESTIONS AND COMMENTS