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Cantor Fitzgerald

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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the Discussion of Intertain's Management Incentive Plan Conference Call. I would now like to turn the meeting over to David Danziger. Please go ahead, Mr. Danziger.

David Danziger, Director & Compensation Committee Member

Thank you, operator. Good morning, everyone, and thank you for joining us today. My name is David Danziger. I'm a member of Intertain's board of directors and I serve on the company's compensation committee.

With me on this call is John Kennedy FitzGerald, our Chief Executive Officer, and Keith Laslop, our Chief Financial Officer. They will both be available to answer any questions you may have later in this call.

We are holding this call in order to provide some insight into our management incentive plan in the hope that it will clarify some details for shareholders. At the same time, we want to reconfirm management's ongoing financial investment in the company.

If you didn't see the news release that was issued after market close yesterday, a copy can be found on Intertain's profile on SEDAR or on our website.

While my remarks will closely follow yesterday's release, I will try to provide some additional detail and colour around the process the board followed in developing our management incentive plan, which from now on I'll try to refer to as our MIP.

As we disclosed in our release, the company recognizes that the MIP has become a source of concern for shareholders. As a measure of caution given the recent erosion in the value of our stock the board intends to re-evaluate the MIP and until such time as that re-evaluation is completed John Kennedy FitzGerald and Keith Laslop have volunteered to forego all bonuses under the MIP on any future transactions completed by the company.

The MIP was established by Intertain's board of directors after many months of extensive analysis and consultation with a third-party compensation consultant, being Global Governance Advisors, or GGA. The board is of the view that the MIP has well served the interest of both Intertain and investors, generating substantial reinvestment in the company, rewarding management for performance, and contributing to a substantial increase in shareholder value.

Although the MIP has been disclosed publicly in our Management Information Circular dated May 20, 2015, it seems that there are some misconceptions out there that have come to light in recent weeks. The board of directors believes it is worthwhile to restate the core elements of the MIP and highlight some of the protection and benefits that we believe accrue to investors as a consequence of its adoption.

The company's compensation committee is made up of John Fielding, Brent Choi, and myself. Each member has HR experience. The board of directors charged our committee with developing the compensation philosophy and approach to benchmarking compensation, considering alternative compensation designs to executive compensation, considering the affordability of the compensation program and evaluating the best means of funding the (inaudible) program appropriately, ensuring that the primary performance objectives for management were measured and incorporated into the compensation structures, reviewing and adopting alternative long-term incentive plan vehicles to balance full-value equity awards with stock options, and to consider how best to align long-term shareholder value creation with executive compensation. This was an over-riding measure.

In order to properly fulfil this mandate the company engaged GGA to conduct an independent third-party study and to draft a report that would provide recommendations to the committee that would be in accordance with our mandate. I'd like to note that GGA is a well know global professional advisory firm that exclusively assists boards, executives, and investment organizations in maximizing the effectiveness of their executive compensation board governance and overall human resources mandate. GGA has advised major corporations in the United States, Central and South America, Europe, Africa, and Asia. They are independent, experienced, and work via board-sponsored mandates.

So GGA undertook to assist us in developing Intertain's compensation philosophy and peer group as well as to design and recommend an executive compensation program that aligned executive compensation with shareholder interests. GGA conducted its review starting with one-one-one confidential interviews with the board and management to collect their thoughts and opinions on the appropriate pillars of reward that Intertain's plan needed to address. This was in light of the fact that upon Intertain's IPO the key management team was not protected under our formal executive employment agreement, and that was a critical factor in the compensation committee undertaking this independent review in the first place.

The plan would have to address the legalities and the restrictions of running an online gaming business. For example, jurisdictionally, the program needed to reward executives for assembling a group of independent private corporations located globally in markets where online gaming is permitted. The program would also need to create a line of differentiation in rewarding management for creating shareholder value while not being viewed as rewarding them for running the day-to-day operations. After reviewing multiple programs over a number of months with GGA the Committee approved and recommended to the board that they approve GGA's preferred and recommended management incentive plan as it had the best design to align shareholder value with executive compensation. Despite approval by the board of the principles and terms contained in the MIP in November of 2014, management agreements were only signed and the MIP formally approved by the compensation committee in May of 2015.

I want to talk a little bit about the structure of the MIP. There are three key elements to the MIP and the manner in which it is tied to our acquisitions. Firstly, the MIP bonus pool is equal to 2 percent of the value of each accretive transaction successfully completed by the company; however, it is important to note that the bonuses are subject to revision by the board. Secondly, the amount is modified by the increase or decrease in market price for the common shares from the date the transaction is publicly announced to the date the transaction closes. And, thirdly, management receives 25 percent of the bonus in cash and the balance at the discretion of the board is paid in either a form of phantom equity units or in cash. In addition, the management incentive plan includes a number of provisions that maintains, that keeps the interests of investors, that makes sure that the interests of investors are protected.

There are no guaranteed bonuses. Also, the board has discretion to modify the final amount of the bonus pool for each transaction based on all relevant circumstances and the discretion also to cap the total compensation. This design element enables the board to have a high degree of control of the final rewards management receives. If we link this back to the compensation philosophy, we also approve the peer group. I think we can all agree that Intertain is a unique business with really only Amaya being a strong Canadian peer. We were not comfortable, nor would it be appropriate, to solely use Amaya as a comparator. Due to the fundamental (inaudible) design element we wish to highlight as we strongly believe that this is a controlled mechanism that allows us to evaluate (pain) and performance where we consider performance well beyond transactions but also look at economic circumstances and our portfolio's success.

Now I want to talk a bit about management's investment and how it's intertwined with the MIP awards. The MIP was used as the basis to compensate the company's two most senior executives while encouraging company growth, increasing value, and rewarding investors. Mr. FitzGerald and Mr. Laslop spent the year prior to and the time since Intertain went public building the company and personally providing investment as part of every transaction to date. All the investments made by management were made at the same price as other investors. In Mandalay management invested $2.5 million into the public financing round. In Vera&John management did two things: they provided the company with a $10 million bridge loan at the prime interest rate, saving Intertain substantial bridge fees. They also exercised all their warrants held by them from previous investments, which was over $900,000. When it came to Jackpotjoy, management invested $7.4 million into the financing round. I'd like to note further that roughly 80 percent of Mr. FitzGerald's investment and 90 percent of Mr. Laslop's investment into the company were at the $15 round.

Mr. FitzGerald and Mr. Laslop are amongst two of the largest individual shareholders of Intertain. I'm also able to confirm this morning that Mr. FitzGerald and Mr. Laslop each purchased $100,000 common shares in the open market today. On an after-tax basis, with respect to the aggregate salary and bonuses paid by them in 2014 and 2015 to date, Mr. FitzGerald and Mr. Laslop have invested more money during that period for the purchase of Intertain equity securities than they have received in total after-tax compensation. Given this level of personal investment as well as the specific provisions and protections inherent in the management incentive plan, the board is satisfied that the interests of management and shareholders are aligned. To be clear, there are no incentive payments for non-strategic or non-accretive acquisitions.

There are similarities between our MIP and the traditional base salary plus bonus please long-term incentive plan design. I want to be clear that Intertain's compensation program aligns with other executive compensation structures that exist in the market today. The MIP is a means for Intertain to fund an incentive pool. Our business strategy is to acquire businesses located globally. Our management is more like an asset manager at an institutional investor than it is like an operator given the geographic (inaudible) of running an online gaming business; therefore, it makes more sense for management to be rewarded for accretive transaction, at least in the high-growth phase of the company. This was a primary driver that the compensation committee considered in selecting this design.

Given that bonus plans are traditionally either funded from revenue or profit or accretive shareholder value creation, we believe strongly that rewarding our key executive team based on accretive shareholder value creation is the best alternative to align appropriate pay with performance. The MIP aligns pay with long-term shareholder value by linking three quarters of managements' incentive value with deferred vested equity. This creates a direct alignment with the shareholder community and mitigates any misconceptions that management would be incentivised through the MIP for conducting transactions just for the sake of getting rewarded. We have noticed many inaccurate comments on the internet about this fact. In the end, management does receive a base salary, a bonus, and a long-term incentive, much like many traditional compensation plans.

In summary, the board continues to believe that the management incentive plan has worked as it was designed. The board has the highest regard for our management team and applauds them on the company's performance. We believe that the management incentive plan has helped to align shareholder and management interests but also understand that things change and we now have to consider the recent loss in value for our shareholders. That is why we are undertaking the re-evaluation of our MIP, as I discussed in the opening of this statement. We appreciate your patience in this quickly-changing environment.

That's my statements. Operator, can you please announce the first caller?

QUESTION AND ANSWER SESSION

Operator

Certainly. Thank you. We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please lift your handset before making your selection. If you have a question, please press star one on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while the participants register. Thank you for your patience.

The first question is from Kevin Wright with Canaccord Genuity. Please go ahead.

Kevin Wright, Canaccord Genuity

Good morning, gentlemen. Mr. Danziger, maybe you could comment on what the timing of the board re-evaluation, what you guys expect on that. And then on the outcome, is there any contemplation on shareholders voting? Is that something that you guys are thinking about?

David Danziger, Director & Compensation Committee Member

I think, yeah, it's hard for me to put a timeframe on it because we're just starting discussions right now. So I think, you know, things have changed very, very quickly, as everybody knows. We have a board meeting later this week. It's right on the top of the agenda. And it's going to take some time. I mean it took us a long time to pull the first one together. And I think all options are open. I'm not going to commit here that it's going to be put before a shareholder vote but I think that we're certainly open to having that and it will be part of the discussion.

Kevin Wright, Canaccord Genuity

That's great. Yeah, I know the first one started in July and took about six months. Do you guys expect that you'll reengage GGA? You seem to have a good relationship with them. Is that part of the plan going forward or is that a board decision yet to be made?

David Danziger, Director & Compensation Committee Member

I don't think that's been discussed but, you know, my view would certainly be, having been on the compensation committee and worked through the first iteration with GGA I would certainly be recommending that we stick with them and that they be a part of this review.

Kevin Wright, Canaccord Genuity

Okay. And then just for Mr. Laslop and Mr. FitzGerald, you guys have used your cash to buy shares along the way in all the transactions, um, you guys bought 100,000 shares each yesterday, do you expect to continue to deploy the MIP proceeds should people continue to see you guys invest along the way? Or how are you thinking about that? And then I'll pass the line.

John Kennedy FitzGerald, President & Chief Executive Officer

Kevin, just I want to make it clear, and it's actually one of the misconceptions—it's John FitzGerald speaking, by the way. Sorry. This is very important, that every dollar that Keith and I have invested in our business did not come on the back of any guarantee of bonus. So people keep making the statement that we've used our MIP awards for the purposes of investment. That is 100 percent incorrect. Our employment agreements were only signed in May of this year as Keith and I focused entirely on our business, increasing shareholder value, whilst we were left exposed. So every dollar that we've invested in this business came on the basis of our own free will and out of our own cash and not backed by any cash to be received by the company. So I think that's a very, very important distinction here and I want to make it clear that that is in fact the case.

And of course. I've invested on every round and Keith has invested in every round. Our cost of equity is very expensive right now, so you won't see us issuing shares as part of our acquisition, but Keith and I are very large shareholders and our value over the past few weeks has dropped significantly, maybe more than we've invested or received by the company. I'm not sure the exact value. But of course we will be continuing to invest alongside of our investors in terms of any further deals that we may contemplate or do.

Keith Laslop, Chief Financial Officer

With reiterating as well what David had said that if you look at it on an after-tax basis each of myself and Fitz have invested more into Intertain securities than we've received, whether it's from salary or bonus, so... Another way to answer your question, Kevin, is that we actually already have invested the total amount and more of any bonus that we've received.

John Kennedy FitzGerald, President & Chief Executive Officer

And also, just to correct, David Danziger had mentioned earlier in his talk that we had invested $100,000 worth.

It's actually 100,000 shares each for a total between I think around $1.2 million each.

David Danziger, Director & Compensation Committee Member

Sorry, Fitz. I thought I said shares.

John Kennedy FitzGerald, President & Chief Executive Officer

No, that's okay.

Kevin Wright, Canaccord Genuity

All right, thanks, guys. I'll pass the line.

Operator

Thank you. The next question is from Nikhil Thadani with Mackie Research. Please go ahead.

Nikhil Thadani, Mackie Research

Good morning, gentlemen. David, could you maybe give us some more context around some of the other options that were considered as part of the MIP as well and, you know, what some future options might look like, to the extent that you can comment right now?

David Danziger, Director & Compensation Committee Member

Well, I certainly can't comment on what may come yet, because we haven't looked at that yet, but, um, and I should have mentioned that I do have Paul Gryglewicz here from GGA, and I think that I'd probably pass this question off to Paul to properly answer what else was looked at. Paul?

Paul Gryglewicz, Global Governance Advisors

Thanks, David. It's Paul Gryglewicz here. It's a good question. We looked at, as David mentioned in his opening statements, we looked at the traditional base salary, bonus, and long-term incentive functions where the bonus was measured on other operating measures, and we also looked at considering other means of funding mechanisms of the reward program and, as David mentioned in his earlier statements, those included things like revenue, profit margin, earnings per share, and whatnot. So there was a full gamut of a market review that was conducted and the board had deliberated on.

Nikhil Thadani, Mackie Research

Okay, great.

John Kennedy FitzGerald, President & Chief Executive Officer

And, Nikhil, what's a very important point in terms of, and Paul, you should speak to this I think, that being an accretive company I don't know if people have the appreciation about the amount of blackouts we were under. You know, essentially there's been a limited amount of time for us to get out of blackout. I think we're out of blackout in terms of the Gamesys transaction after we announced and prior to us closing and obviously just recently that we got out of another blackout that allowed us to purchase stock, so one of the issues I guess we've always had with traditional sort of option sort of granting is that we're consistently blacked out. And it's very difficult in our scenario to issue equity-based awards. That's why you'll see that, you know, the MIP talks about compensating us after the announcement of an acquisition, because at that time then at least that information is public. But, again, in most cases you've seen that we've been in, ah, we've announced a transaction but we're in the midst of another one, and I think, you know, again, Keith and I recognize this.

I've received, as you can probably guess, hundreds of different calls from investors, some very supportive, some concerned about our motivations, and my answer always to investors will be this, that I am a very large shareholder. I have a significant amount of my family net worth invested in this business. And Keith and I eat and breathe this business on a daily basis. And we recognize what investors are saying. We volunteered to—the board is very adamant that the plan that they put in place is in the best interest of everyone but, you know, Keith and I have listened. I have significant share ownership. I don't want that share ownership to be eroded any further. That's why we volunteered to forego any transactions in the future in terms of payments, because I don't want people ever questioning our motivation in terms of acquisitions that we're going to do. So it's very important for me to make that statement, that Keith and I have volunteered to do this, because we want to do what's in the best interest of all of our shareholders, of which Keith and I are two of the largest individual shareholders.

Nikhil Thadani, Mackie Research

Thanks, John. That's very helpful. And you actually touched on what was going to be my second question. So is, you know, the delay from November to May, was most of that because of the blackout periods and like the rapid M&A that you guys have executed on? Is that the context of that timing?

John Kennedy FitzGerald, President & Chief Executive Officer

I'm sorry, you've picked—which year?

Nikhil Thadani, Mackie Research

Well—

David Danziger, Director & Compensation Committee Member

I think he's—he's talking about just the delay from the time that the board approved the resolution on the MIP to the time that we actually got agreements signed. And, yes, that is—that's the answer. You know, we run a very top light company, so both Keith and Fitz were wrapped up in various transaction talks and months really just got away from us. And the truth of the matter is they came out of that obviously, ah, the result of that was that we had some terrific acquisitions and, you know, subsequently agreements were signed and the awards had been earned. So, yeah, you answered your own question, that really is what happened.

Nikhil Thadani, Mackie Research

Thanks. I'll pass the line.

John Kennedy FitzGerald, President & Chief Executive Officer

You know, Nikhil, I've actually been asked by many shareholders, "Why didn't you have your employment agreements done at the beginning?" You know what? Keith and I have focused entirely on our business and increasing shareholder value. We essentially really did not have time to sort of sit down and focus on that. We chose to focus on our business. So, in hindsight, was that the right thing to do? I believe so and I would do it again. Because obviously you've seen our growth, you've seen our acquisitions, you know we've been extremely busy and we continue to be busy.

Operator

Thank you. The next question is from David McFadgen with Cormark Securities. Please go ahead.

David McFadgen, Cormark Securities

Yes, just a question, um, you talked about management being awarded on an accretive acquisition. Would there ever be an acquisition that wouldn't be accretive? I was just wondering. And how would you measure an acquisition as to whether or not it is accretive?

John Kennedy FitzGerald, President & Chief Executive Officer

Sorry, David, I didn't hear you. You faded out at the end there, sorry.

David McFadgen, Cormark Securities

Sorry, just wondering how you would define an acquisition to be accretive and would there ever be an acquisition put forward that wouldn't be accretive? I was just wondering how you define that.

David Danziger, Director & Compensation Committee Member

Well, you know, whether or not there might be an acquisition put forward that wouldn't be accretive, you have to understand the way these things, the way these things have worked and I think will continue to work is that Keith and Fitz are out there looking at acquisitions, as is what they do on a regular basis. When they have something that they believe is going to be accretive to the company they bring it to the board and then deliberations start. So, no, I mean we certainly would like to think that we would never approve of a transaction that wasn't going to be accretive to the company, but this all sort of intertwines itself and that's how, that's (inaudible) how it all lines up. Should it turn out that we entered into one that was not going to be accretive, we'd like to think that that bonus would not be payable.

John Kennedy FitzGerald, President & Chief Executive Officer

Well, an example for a non-accretive acquisition would be our recent purchase of Parlay software in the Bingo.ca domain. Very strategic, going to help us tremendously with respect to our own business, initially not accretive but, you know, that will add a lot of value to our business moving forward.

David McFadgen, Cormark Securities

Okay. And then just another question, I believe, as you stated on the Q2 call, that the compensation management received relating to the Gamesys acquisition was primarily cash. Just wondering if that is indeed the case, if you can confirm that. And, if so, why was the decision of the board taken to reward management primarily in cash versus stock? Just wondering why that decision was taken.

David Danziger, Director & Compensation Committee Member

The answer to that lies in management's investment in the company at that time. So part of the reason why we have the ability to look at this is we, we are not able to, nor do we wish to, force management to do anything that they don't want to do, and so we don't have any control over what the investment of the company is, but we do have the ability to look at that. And because the whole essence of having the equity portion of the investment is to properly align management with shareholders, once we see, if we have the ability to look into this and see that they already are aligned we also have the ability to say that we don't need to have them further vested in equity in order to keep that alignment in place. And that is the deliberation we had.

John Kennedy FitzGerald, President & Chief Executive Officer

And I think, David, if you look at the facts, you know, our net investment into Intertain, we haven't received any money from Intertain, if you look at our net investment, for a three-year period. And that's important as well. I have a significant amount of my family net worth tied up into this business and so does Keith and, you know, over the three-year period, including up to today, you know, if you look at our investments, Keith and I have actually contributed more to the company than we have received. And that will continue.

David McFadgen, Cormark Securities

Okay, thank you.

David Danziger, Director & Compensation Committee Member

And I think, listen, and if it wasn't that way we certainly would not have paid it all in cash. So that's the, I think that's the flexibility that the board and compensation committee are allowed within the context of this MIP.

Operator

Thank you. The next question is from Kyle McKay with JC Clark. Please go ahead.

Martin Braun, JC Clark

Yes, hello. This is Martin Braun with JC Clark. I'm here with Kyle. I assume I can be heard?

John Kennedy FitzGerald, President & Chief Executive Officer

Yes. Hi, Martin.

Martin Braun, JC Clark

Hi. Let me state at the outset I don't like this MIP at all. But, having said that, I think there are two issues. One is the MIP itself and whether it is justifiable based on the movement in the stock price between announcement and closing when there's no actual evidence that the thing is accretive at all. The other issue—and, by the way, I might add that I don't view this and the management skills as simply a transaction or acquisition-oriented vehicle, I see it as an operating vehicle as well, and one of the reasons we've been in the name since day one coming out of Amaya is because we see this as a geographical spreading across the globe vehicle as much as an acquisition of company vehicle and I think management should be as focused, if not more, on that than on acquisitions themselves.

Leaving that point aside I think the second issue is maybe even the bigger one and that's simply disclosure. And when I say disclosure, this board-approved plan back in November was not disclosed. In February you raised money to finance it, it was not disclosed. You closed on the Jackpotjoy deal in April, it was not disclosed. And by simply announcing that the formal approval only occurred in May you seem to be able to justify having never disclosed any of this information prior to the circular in May. Now I find this, at least optically, at least optically, upsetting.

So these are the points I'll address and then I'll leave it at that.

John Kennedy FitzGerald, President & Chief Executive Officer

Well, Martin, I think it's quite, um, I understand your point; however, we did not finalize this—the board adopted something but obviously management had to agree to it. I personally had many different issues with the MIP. We had various discussions in May around the time when we were finalizing our employment agreement. I guess you can't really disclose something that in fact has not been contractually agreed to. It was presented to Keith and I. It was done independently by our board. We were not part of the process. I had several issues with it and we finally agreed to it in May and it was disclosed in our circular in May. And that was the first time that we could have made disclosure of the plan itself.

David Danziger, Director & Compensation Committee Member

I think that's right. I think that's right and I'd like to reiterate that point. What happened prior to May in November was that the board passed a resolution to adopt the recommendations of the GGA report. That in no way obligated Keith or Fitz to sign employment agreements or to agree with that adoption. And so although we knew what we wanted to do and we felt comfortable with it, we still had to have discussions with both Keith and Fitz before we had a final agreement that was going to be signed. So there was really, you know, and certainly the advice we got, we didn't do this flippantly, there was really no possible way that we could announce anything prior to May. That's, you know... In retrospect, I wish it was different, but the facts are what the facts are and we just really could not have made an announcement of these agreements before that time.

John Kennedy FitzGerald, President & Chief Executive Officer

And, Martin, first of all, I should have said thank you, first of all, for being a shareholder with us at the very beginning of this venture that Keith and I sort of undertook. And I don't consider Keith and I to be hired CEO and CFO; we really are the founders of this business. We didn't take a big promote at the beginning like many founders would. We proved ourselves and I guess accordingly got compensated. And I'm sorry you feel that the disclosure was inadequate and I just want to make a statement that, you know, the last two weeks have been, you know, two of the worst weeks of my life in terms of, you know, some of the negative things that I heard about Keith and I personally. And even to the point that the speculation in terms of our stock, short selling, is it long selling, et cetera, you know, we've had various long shareholders that have invested a significant amount of time with us since the beginning of this venture selling our stock without having the courtesy to give us a chance to have a call and that, to me, is very upsetting, because my interest in this business is full hearted.

I'm very passionate about our business. I have invested, again, every round. And I see, ah, the speculation, the rumours, et cetera, you know, this call is meant to be to present the facts and Keith and I have listened. We've heard. We voluntarily have, you know, we're foregoing any further transaction fee for the purposes of I don't want anybody ever questioning our motivation for future transactions. And I think if you look at the plan and look at the safeguards within the plan, consider the fact that we're two of the largest individual shareholders, it makes sense that I'm not going to do anything that's going to hurt our company and shareholders at large. So I apologize that you feel that the disclosure was inadequate but, you know, the honest statement is it couldn't be disclosed until it was finalized as part of our employment agreement in May and, you know, Keith and I were exposed for the previous 18 months as not having employment agreements. So that was a concern that we had to deal with. But our really first chance to focus on sort of ourselves and not our company was in May after we completed the Jackpotjoy acquisition.

Keith Laslop, Chief Financial Officer

Just to touch on Martin's first point about us being an acquisition company versus an operational company, Martin, I think we are at a point right now post Jackpotjoy acquisition, and we've mentioned this plenty of times, that given our current liquidity with Jackpotjoy we are making the transition now to moving from an acquisition mode into spreading out geographically. You know, we're the largest online bingo company in the world and we're essentially in three different jurisdictions. Before the Jackpotjoy acquisition though, it would have been very difficult for us to spread geographically as we just didn't have the scale.

Martin Braun, JC Clark

Okay. Am I still on the line?

John Kennedy FitzGerald, President & Chief Executive Officer

Yes.

Martin Braun, JC Clark

Okay. One last quick point or question. I'm not sure which it is. The Jackpotjoy deal involved an earn-out, a fairly substantial earn-out, which some of the analysts are sort of wrestling with how to book in terms of market cap, enterprise value, et cetera, and as I understand it there's a fee earned by management on the earn-out. I'm not sure if that fee has already been earned, I would assume not, that's why if it's a question, it's a question, and if it's a point then the point is simply that as part of your suspension of the MIP I would suggest suspending any further fee on a potential earn-out.

David Danziger, Director & Compensation Committee Member

I'll take the first crack at that one. So, you know, similar to Fitz, I've been speaking to many investors about our bonus structure and I haven't really heard any complaints about the quantum of bonus but instead that the bonus is paid prior to knowing whether the acquisition is accretive or not. I think, talk about Jackpotjoy specifically, should an earn-out become due that's proof that Jackpotjoy has lived up to our expectations of accretiveness and therefore the current plan is that the management incentive plan will remain in effect for a current acquisition.

John Kennedy FitzGerald, President & Chief Executive Officer

I think that, you know, there was speculation as well why, you know, in terms of the earn-out became a contingent liability on our balance sheet as well. You know, I think you should read into that that the business is doing that well that our auditors feel that that's something that needs to be reported as a contingent liability. Keith and I, again, are extremely incented to ensure that they blow through that earn-out amount. You know, in terms of further acquisitions, I've said this a number of times, we do not have to do another acquisition, but I don't want to be in a position that if one comes around and it's good for our company and our shareholders that people are going to question our motivation. So that's, hence, the reason that in the future we have decided to forego any fees on any future transactions.

Martin Braun, JC Clark

Okay, guys. Thanks. I'm done.

John Kennedy FitzGerald, President & Chief Executive Officer

Thanks, Martin.

Operator

Thank you. The next question is from Matthew Stolzar with Pyrrho Capital Management. Please go ahead.

Matthew Stolzar, Pyrrho Capital Management

Hey, guys. Actually my question was just asked as well with regards to whether the earn-out would be suspended on the deals that were already completed. I guess my only question would be how does the market adjustment work given the fact that the stock price reaction occurred after the deal closing?

Keith Laslop, Chief Financial Officer

Sorry, I'm not sure I understand the question. Could you...?

Matthew Stolzar, Pyrrho Capital Management

Yeah, how does the adjustment to the 2 percent on the earn-out work based on the fact that it's a function of how the stock price performs?

Keith Laslop, Chief Financial Officer

Yeah, there's what's referred to in the information circular is a TSR modifier. Actually, Paul, you're probably best to answer this one in terms of the TSR modifier, how it works.

John Kennedy FitzGerald, President & Chief Executive Officer

Well, the TSR modifier, I can answer that. It's John. The TSR modifier works from the date of announcement to the date of closing. The date of closing has already occurred. Ultimately, again, look at the MIP and I think you see the safeguards. The board ultimately has the discretion, based on the performance of the business, to reward management or take back from management.

The fact that our share price does not reflect the value of the business that we have created is unfortunate, but it's a fact of life and it's a consideration that the board will take into account in terms of awarding any future awards. The board ultimately has that discretion. There's no contractual guarantee, that's an important point here, no contractual guarantee that we're going to receive anything. It's ultimately up to the board.

David Danziger, Director & Compensation Committee Member

And, folks, I'd like to reiterate again that the suspension of the 2 percent was something that Fitz and Keith came to the board with, not something that we asked them to do or made a request of them at all in any way. So they've come up with this and it's them doing this voluntarily. We have the obligation, as Fitz quite rightly said, to make the assessment before any payouts are made. And we will make that assessment.

Matthew Stolzar, Pyrrho Capital Management

Okay. Thank you.

Operator

Thank you. The following question is from Eyal Ofir of Dundee Capital Markets. Please go ahead.

Eyal Ofir, Dundee Capital Markets

Thanks. I just thought I'd go back to one of your earlier points. I think you mentioned obviously that you guys did not receive any founder shares or anything material for that matter. Obviously the Intertain vehicle did not IPO, it went through an RTO process; can you just confirm that at the onset of the RTO you guys did not receive much shares and all the shares have actually been purchased in the market or in deals, as your press release outlined?

John Kennedy FitzGerald, President & Chief Executive Officer

Yes, I think as part of the IPO process I invested around $400,000 in our IPO and, Eyal, again, to reiterate several different calls that I've received in terms of comparing other companies in terms of, you know, look at that CEO, he doesn't receive a bonus, he takes salary, et cetera, you know, Keith and I didn't take a promote here. It's not something we rewarded ourselves for, or not rewarded ourselves but were rewarded by our board for value that we created. It's not—this is not the case where we went public in an RTO process for the purposes of creating a lot of share value. If you look at the shell that we used, at the end of the day we didn't need to use the shell. We could have gone public with just a straight IPO. And the percentage of shares that the shell received was absolutely de minimis because of the value that the shell presented to the business. We were not part of that shell.

Eyal Ofir, Dundee Capital Markets

Yeah, I think that's kind of the main point, obviously, the fact that you guys did not receive any of these shares, so at the onset you guys had to go in and buy your equity position as other investors had to do while you guys are essentially management but also the founding funders of the company and obviously have built this from the ground up.

John Kennedy FitzGerald, President & Chief Executive Officer

Yeah. And people will have to remember that for the year prior to us going public that Keith and I sort of financed this thing entirely ourselves, we worked diligently on it, and this is our first public deal. You know, I've seen lots of deals since, there were, you know, there's these huge promotes at the beginning. This is not the case. This is a real business. And you see by our results that it is and, you know, we did not take a promote and we were rewarded for actually creating value, not rewarded for the ability maybe sometime in the future to create value.

Eyal Ofir, Dundee Capital Markets

Yeah. And, sorry, just another question from my end, just I did some back-of-the-envelope math, so you guys have, I think you've purchased about 130, yourself, Fitz, 130 percent of the cash bonuses that you received back into the company and I think Keith did about 108, 109 percent. Is that approximately correct?

Keith Laslop, Chief Financial Officer

I don't see the same math, Eyal, but I'd have to compare my numbers with yours. But, yeah, I think combined we're around $900,000 that we've invested more into the company than we've received, whether it's through salary or bonus after tax.

Eyal Ofir, Dundee Capital Markets

Okay, good. And then just, I guess, one question for the board, Mr. Danziger. How long would you think the process would be here to go through and come up with another, I guess a new structure, if that ends up being the structure (inaudible)?

David Danziger, Director & Compensation Committee Member

Listen, it took us a good number of months the first time around. I would hope that it's not going to take that long the second time around. Paul, I hate to put you on the spot here but any thoughts on how long it may take you to do a reassessment and come back with some recommendations to the compensation committee?

Paul Gryglewicz, Global Governance Advisors

Thanks, David. It's Paul Gryglewicz again. I mean the process would probably take, you know, you would look at probably one quarter roughly to go through, revisit the alternatives, take into consideration all of the viewpoints and comments from the shareholders and address how we can better address some of the concerns that the street has on the pros and cons of the current plan. And so we'll be looking at things like minor amendments to, you know, looking at, again, one of those other alternatives that we might have put as a close second to address these concerns still.

John Kennedy FitzGerald, President & Chief Executive Officer

But rest assured that during this process that, again, we're foregoing any entitlement. So I don't want people out there concerned that we're just going to flippantly insert this MIP in place in the same context that it is now. We've heard shareholders. Keith and I volunteered this while the board deliberates and comes up with a plan. And I'm sure in this case the board and GGA will speak with some of our larger shareholders to ensure their buy-in, because obviously with the selloff of our stock that shareholders felt that it was not the right plan or possibly other aspects of it with respect to, you know, the way it came out. So in the interim period I want everybody to be reassured that there are no incentive bonuses made for acquisitions.

Eyal Ofir, Dundee Capital Markets

Okay. And just my last question before I pass the line, um, obviously you're foregoing here, my assumption is that you're going to continue down the path of M&A, can you just confirm that? And I guess I'll leave it there.

John Kennedy FitzGerald, President & Chief Executive Officer

Yes, of course. I think I mentioned on our call that in any quarter previously relative to the last quarter we've been extremely busy on M&A. My only thing I have as an issue right now is my cost of capital. And I want to be clear: We are not going to issue equity at these prices. It's way too expensive. It just does not make sense for our company and our shareholders. So we have to look at creative ways to acquire things strategically. As I've said previously, our business right now, we do not need to do other acquisitions, but that's part of our strategy in terms of growing our business globally and in markets that we currently exist. So, for me, it's business as usual, other than the price of our stock. And Keith and I plan on issuing an update of trading in the next couple weeks just to remind people about our business and our free cash flow conversion. And I believe that our shareholders, our long shareholders are with us, understand sort of what we have set out to do and are supportive and, you know, we have lots of things to do here and we're not going to let a setback like this affect our enthusiasm for our business. So, Eyal, I think you'll see exactly what you've seen in the past and we're going to continue to grow this business and become one of the largest, dominant players in this business.

David Danziger, Director & Compensation Committee Member

I just want to take one more minute on your first question. We took a painstakingly long amount of time on the first iteration of the MIP. I honestly can't tell you how many phone calls, meetings, versions went back and forth and how many discussions we had, and still here we are today having this call because, you know, there's controversy surrounding it. So we're not going to—we're not going to rush and try and turn this around just to try and make some segment of the investor group happy that we ran back and changed it. I think that what Fitz and Keith have volunteered to do is great and it allows us the time to stand back and allow GGA to actually take in everybody's opinions and discussion, have further discussion, and try and get this right to satisfy both ourselves, our management, community at large as to what we're coming out with, and so Paul says he needs a quarter to do it, we're going to need some time to digest it. So please don't expect to see that tomorrow but be rest assured that until such time as it does come out there aren't going to be any more bonuses paid.

Eyal Ofir, Dundee Capital Markets

Okay, thanks. And I applaud you guys for dealing with this head on, both the board and management. Thanks. I'll pass the line.

Operator

Thank you. The next question is from Ralph Garcea with Cantor Fitzgerald. Please go ahead.

Ralph Garcea, Cantor Fitzgerald

Good morning, guys, and I also applaud you for doing this call and for Fitz and Keith, I mean you guys have done a great job with these three acquisitions building value here and it really is unfortunate the way things have sort of transpired over the last couple weeks. I think hindsight being 20-20 if you had announced this in the circular at the AGM and then going forward we had this plan in place instead of the 2 percent sort of acting retroactively we probably wouldn't be having this call. But just in line with the last question, what happens now? If you do an acquisition from here or two to the end of the year, if you can find either debt financing or financing to pay for these deals, before a new plan in place...? I mean the last thing I'd hate to see is, you know, you delaying things six months to get into Latin America or to do further consolidation in the UK.

Keith Laslop, Chief Financial Officer

Ralph, I don't think you'll see us delay anything.

John Kennedy FitzGerald, President & Chief Executive Officer

I think the real quick and straightforward answer is Keith and I are two of the largest individual shareholders, you know, all I think about every day is increasing our shareholder value and, in turn, that way I get rewarded. I ain't going to sit on my ass and worry about me not getting paid on a transaction, where I always think about increasing shareholder value, because in turn that's where all my value is. It's not being paid a couple million bucks to do a transaction, it's in increasing, you know, the 1.5 million shares that I own and the value of those shares. So you will see us focused, again, on increasing all shareholder value and in turn Keith and I get rewarded for doing that.

Ralph Garcea, Cantor Fitzgerald

I totally agree with that and I'm happy to hear that. You made one comment earlier on about the regulators. I mean when you go for licensing in the various jurisdictions, I mean what are the stipulations from them on management incentive plans again? You sort of touched on it at the beginning but...

John Kennedy FitzGerald, President & Chief Executive Officer

I don't think that was in the context of... I actually can't recall that. I don't—

Keith Laslop, Chief Financial Officer

I think that was in David's statements and I'm happy to touch on that. So, for tax purposes, Fitz and I, we're not the operators of our underlying subs. (Inaudible) management for the underlying subs remain at the subsidiary level. That's what David was talking about.

Ralph Garcea, Cantor Fitzgerald

Okay. Okay, thank you.

Operator

Thank you. Once again, please press star one at this time if you have a question. The next question is from Josh Goldberg with G2 Investment Partners. Please go ahead.

Josh Goldberg, G2 Investment Partners

Hey, good morning, guys. First, thank you again for doing the call, Mr. Danziger and Keith and Fitz. I guess some of the questions that were asked today it seems like, you know, a little bit of a lack of trust on behalf of management and I think what the message, I think, today is this was not done by two people, by the CEO and a CFO on their own, this was actually done by the board with a well respected compensation company coming up with this as the plan and it wasn't as if, you know, both of you decided this is you wanted it to be handled, this was done a very kind of structured and a very focused way, and I think that the lack of trust that I think the market has been seeing over the last two weeks, I think hopefully today people get their trust restored, both into both of you and to the entire company.

As an investor and a long-term investor I think that it was, ah, whether you call it a good decision or a bad one, it was a decision that was made and it was one that you felt was the right one and you've decided that now it isn't. I think what's more important going forward is instead of focusing on the MIP and having any more conversations about it or meetings is to really focus on your business and how well is your business performing. And you touched upon it a little bit but I think that if you can give some colour today on just the cash flow of your business and how strong your business is at current share levels and how you're buying back your own stock as a management team I think would be a very important point to make, if you can, today as well. Thank you.

Keith Laslop, Chief Financial Officer

On the performance of the company, as John just mentioned, we do plan to release a trading statement that will give investors our performance for July. I think that will give investors a good idea in terms of the current performance of the company. We plan to release that, I think, on September 8th.

John Kennedy FitzGerald, President & Chief Executive Officer

I think, Josh, you're right, this has taken up a lot of our time, but it's important. It needs to be addressed. And the perception of various shareholders about mistrust of management is personally upsetting but, you know, I can understand optically why that is the case and, hence, one of the reasons Keith and I have made this decision to forego any future transactions. I don't want anybody questioning our motivations for doing further transactions. But I want to remind everybody about the, you know, our business, we've given guidance with respect to our business and we're sticking to that guidance. And we will provide a trading update to remind everybody that once they come back from vacation, you know, what Intertain is up to. What is it doing with respect to its numbers, et cetera. And that will be out next week as we focus now. And this is sort of—this will linger in terms of questions and you know I'm quite willing to entertain any questions about our MIP, but it's time for Keith and I to start focusing again on sort of our business and continuing to grow sort of our cash flow and growing our business globally, and that's our focus.

Keith Laslop, Chief Financial Officer

And just to touch one more time on our focus, that is the main reason why it took us so long to get our employment agreements actually done was that, you know, we went public then we were immediately, before we actually were listed we started talking to Mandalay Media. And then about a week after we completed the Mandalay Media acquisition we started identifying new acquisitions and quickly started discussions with Vera&John. We never actually had time and actually during the Vera&John acquisition that's when we started discussions with Jackpotjoy. So we could have taken some time off to talk about ourselves and our own compensation but we actually chose to just get these deals done because it was the right thing to do and hence why the employment agreements weren't actually done until May.

David Danziger, Director & Compensation Committee Member

And I'm just going to round out this discussion about mistrust by saying on behalf of the board, look, this is a very fair-minded board. I've sat on a lot of boards, this is a very fair-minded board, but it is one that is highly concerned with good corporate governance. So I can tell you as a member of the compensation committee that we were, we were after Keith and Fitz to deal with employment contracts and get them signed, they were in fact very, very busy and up to their eyeballs and we had that understanding.

Nobody obviously has the ability to foresee what's going to happen as a result of something that at the time seems like, you know, a bit innocuous, because they were working very hard on behalf of the company. So today it's easy to sit here and be a Monday-morning quarterback but that is the reality. It wasn't a slip, it wasn't a miss, it was simply that they were out busy working on behalf of shareholders, working on behalf of the company, and ultimately very successfully.

Josh Goldberg, G2 Investment Partners

I just want to be clear; I wasn't saying at all there was any concern at all, at least in my mind. I was saying that some investors on the call today seem to think that there was and to me it doesn't sound like you would have to assume that there was this complete mistrust across the entire company, across the board, and across this third-party compensation committee if you really think something nefarious was going on, and to me that just seems very, very off of the range of possibilities and that was what I was trying to convey, was that anyone that things that that was the case would, you'd have to really have a complete alignment of interests of all these people to do that, and to me that just seems a little bit off the mark.

David Danziger, Director & Compensation Committee Member

I appreciate that comment. Appreciate that comment and appreciate that you brought it up and actually gave us the opportunity to make those statements.

Josh Goldberg, G2 Investment Partners

Thank you again.

Operator

Thank you. There are no further questions registered at this time. I would now like to turn the meeting over to Mr. Danziger.

David Danziger, Director & Compensation Committee Member

Well, thank you, everybody, for attending this morning and for all the questions. I think that and I hope that we were able to allay some of the concerns of people who came on the line and I hope that we were able to, again, satisfy everybody. But clearly if there are any further questions at any time, you know that Fitz and Keith are always approachable, as am I as a member of the board. I have spoken to a number of you and, you know, we're always open to discuss these things. So appreciate the support that we heard this morning very much and we look forward to moving forward.

John Kennedy FitzGerald, President & Chief Executive Officer

Yeah, and I personally want to thank all the shareholders that have called me with negative and positive comments and criticism. I think criticism is good; you learn from it. And I really, really want to thank those shareholders that have been supporting us and our stock during this period of time as well, because I think that it shows a lot. And for those shareholders that are possibly listening that have been selling our stock, I hope that, you know, they see this as (inaudible) management's commitment to continue doing the things that we have done in the past in terms of increasing shareholder value. We've all spent a lot of time and worked very hard together in terms of making people knowledgeable about our business and I think that you will see as we move forward that we'll continue to deliver good increases in shareholder value. So thank you very much, everyone, for your comments, both good and bad. Thank you.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.
