



THE
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GROUP

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Client and Company News for April 2004

Our New Corporate Logo.



Frank Lloyd Wright patterned his logo for Taliesin West, his studio outside of Phoenix, after a Native American rock petroglyph that symbolized two hands clasped in friendship. To Wright, it represented architecture and nature working together in harmony. The new Innovation Group logo reminds me of that petroglyph and its relevance to our symbiotic working relationship with our clients' businesses. The group that designed this logo feels the intertwined "G" shapes create a circle that symbolizes the complete thought process that The Innovation Group undertakes for each of its projects. Then, of course, there's the symbolism of the globe. And if you're an NBA fan, I guess you'll read even more rich meanings into it. Anyway, we felt it was time to move to something more dynamic and evocative of how we see the company today. I hope it'll become familiar to you as we integrate it into our communications.



- *Steve Rittvo, President*

Growing in a new direction:

The Innovation Group and Matt Sodl Form Innovation Capital Holding, LLC.

The Innovation Group and Matt Sodl, a senior Los Angeles-based investment banker, have formed Innovation Capital Holding, LLC., to provide the gaming, hospitality, leisure and entertainment industries with financial advisory and related services with a focus on middle market transactions. [More](#)

SunCruz Casinos Closes Sale to Private Investor Group; The Innovation Group Served as Interim Management of Company



On April 9, 2004, the bankruptcy estate of SunCruz Casinos entered into an agreement to sell its assets to a private investor group for \$36 million. The

financial advisor on the transaction was Matt Sodl who recently became a Managing Director of Innovation Capital Holding, LLC.

Fundamental to the sale effort was the operating management and turnaround expertise provided by The Innovation Group, whose principals served as the interim management team for the Trustee for the past seven months. [More](#)

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CLIENTS MAKING NEWS



President Casinos, Inc. sells Broadwater Hotel

President Casinos, Inc. of St. Louis has sold its Broadwater Tower Hotel for \$6.5 million as part of a bankruptcy reorganization procedure. Earlier this month the company hired Innovation Capital Holding, LLC., to help it review alternatives and evaluate potential proposals for its three Biloxi, Mississippi, properties, which include the Broadwater Hotel, President Riverboat Casino-Mississippi and Vegas Vegas Inc. Innovation Capital Holding is our new Innovation Group subsidiary, formed to provide financial advisory and related services with a focus on middle market transactions. [Back to "Clients Making News."](#)

Saratoga Gaming and Raceway Grand Opening

The Saratoga Harness Track recently became **Saratoga Gaming and Raceway**, holding their official ribbon cutting on March 2. The



Raceway is now a racino with 1,330 video lottery terminals. The transformation followed Innovation Group studies demonstrating the earnings potential of the expanded operation. The Delaware North-managed facility is one of eight such racinos authorized by the state last May. [Back to "Clients Making News."](#)



Girvan Testifies Before Maryland Senate

The **Maryland Senate** recently voted to allow up to 15,500 slot machines at six locations throughout the state. The bill's success is partially based on the projected gaming revenue that the state could put into the school system. The Innovation Group's own Paul Girvan was one of the experts testifying before the Senate and providing the revenue

estimates that the Maryland Department of Legislative Services published in support of the legislation. [Back to "Clients Making News."](#)

Barona Creek a "Must Play"

Now considered a "must play" by golfing magazines, the **Barona Creek Golf Club** at the Barona Valley Ranch Resort and Casino is getting rave reviews. Located on the Barona



Reservation, the property is home to the Barona Band of Mission Indians. The Innovation Group did the feasibility study that not only green-lighted the project, but also set a precedent as the earliest tax-free bond issue for a Native American tribe gaming operation. [Back to "Clients Making News."](#)



Seminoles "Rock" in Tampa and Hollywood

The Seminoles in Florida were one of the first tribes in the country to open a high-stakes gaming operation in 1979. Today, they're setting another milestone with the largest tax-free bond issue for a Native American project to date, for two **Seminole**

Hard Rock Hotel & Casinos, one in Tampa and one in Hollywood.

The Innovation Group did the financial analysis for the bonds, which were made through Merrill Lynch. We also did the studies that helped size the projects for their respective markets. The Tampa property just opened with a 37-acre complex featuring a 90,000 square foot casino with a 12-story, 250-room hotel. The Hollywood property's location justified a 100-acre complex with a 130,000 square foot casino. Hollywood will open in May and have a 15-story 500-room hotel, a 1,500-seat theater, Hard Rock Café, parking garage, lagoon with waterslide, cultural museum, gift shop and 350,000 square foot shopping mall. [Back to "Clients Making News."](#)

Jumer's Casino Rock Island Moves Inland

When **Jumer's Casino Rock Island** wanted to replace its 12-year old Mississippi riverboat with an inland casino, it called on The Innovation Group to evaluate the financial feasibility of the project and to recommend alternate site locations. Two weeks ago the Rock Island City Council gave its approval to the preferred site, at the intersection of I-280 and Illinois Highway 92. Phase 1 will include a



95,000 square foot casino and Phase 2 will include a 42,000 square foot expansion and a 14-story hotel. Groundbreaking for the project is planned for September. [Back to "Clients Making News."](#)



Rockaway Beach Casino Steaming Ahead.

Rockaway Beach, Missouri is 15 miles from Branson and the intended site of a new floating casino. The Innovation Group did the feasibility study for

Southwest Casino and Hotel Corp. to show the viability of the project. The \$100 million project would provide new year-round jobs and be a tremendous boom to the Rockaway Beach economy, benefiting from the large numbers of visitors passing through the area. [Back to "Clients Making News."](#)

STAFF IN THE NEWS

Scott Fisher Gives *TheStreet.com* the Facts

As leaders in the industry, Innovation Group staff members are often called on by the media for insight and opinions on gaming and hospitality developments. In a recent article on



gaming expansion covered by *thestreet.com*, The Innovation Group's own Dr. Scott Fisher, Ph. D., was called on to provided facts and opinions on the MGM Mirage's latest move to build a gaming resort on the island of Macau off the coast of China. The article, entitled "MGM Mirage Envisions an Oasis in Macau" by Eric Gillin, can be seen in its entirety at

http://www.thestreet.com/_yahoo/markets/ericgillin/10145727.html

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Observer Gets Insight from Steve Rittvo.



Innovation Group President Steve Rittvo was quoted in *Michael Pollock's*

Gaming Industry Observer regarding the future of the racino industry. The article focuses on the likelihood of more states allowing racino conversions following the initial successes, and considers how states

are looking at the bigger picture of overall gaming expansion and its revenue potential. (We can't provide a link to this article, as Michael Pollock's Industry Observer is a subscription service.) [Back to "Staff in the News."](#)

COMPANY NEWS

(CONTINUED) Growing in a different direction: The Innovation Group and Matt Sodl Form Innovation Capital Holding, LLC.



The principals of Innovation Capital Holding include Matt Sodl and the partners of The Innovation Group: Steven M. Rittvo, Stephen J. Szapor, Jr., Paul Girvan and Dr. Scott Fisher, Ph.D. The new firm will be based in Los Angeles with Matt Sodl serving as Managing Director. The core services of the firm will include merger and acquisition advisory, capital raising and restructuring advisory engagements.

"Our firm has already been retained by President Casino's Biloxi subsidiaries to assist the company in evaluating its strategic alternatives which may include a sale, merger, joint venture or refinancing," said Mr. Sodl. "With this and other engagements in the pipeline, we're excited to demonstrate the firepower of this unique partnership."

Matt Sodl is a seasoned investment banker in the gaming and hospitality sector, having served in senior positions at Merrill Lynch, Schroder Wertheim and Murphy Noell. He also recently managed the \$36 million sale of SunCruz Casinos to a group of private investors. The Innovation Group had served as interim management of SunCruz on behalf of the trustee. "Matt has been at the forefront of a number of the more complex restructurings we've seen in the industry over the past few years," said Steve Rittvo, Innovation Group President.

Steve Rittvo is a twenty-eight year veteran of management studies and planning projects whose primary focus during the last eleven years has been the gaming industry. Stephen J. Szapor, Jr. is The Innovation Group's Chief Operating officer, with eighteen years in casino and hospitality operations and management. Paul Girvan is Managing

Director of Research of The Innovation Group and Dr. Scott Fisher, Ph. D. is the firm's Managing Director of Financial Analysis.

"Among our partners, we have an incredible depth of experience and expertise in gaming and leisure from all disciplines," said Mr. Szapor. "And Matt's vision for steering the firm in this sector and at this time is a logical growth progression for all of us."

Matt Sodl can be reached at (310) 335-2085 or by email at msodl@innovation-capital.com.

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(CONTINUED) SunCruz Casinos Closes Sale to Private Investor Group; Innovation Group Served as Interim Management of Company

This engagement is a part of the continued expansion of The Innovation Group's operations and management services for casino and hospitality properties. The Innovation Group had been engaged to provide input on SunCruz operations in an effort to maintain and improve performance from both a revenue enhancement perspective and in terms of implementing cost efficiencies during this pivotal bankruptcy period and through the sale process.

"The SunCruz engagement is an example of how The Innovation Group continues to assist clients with not only development issues, but also operating and management issues," said Stephen Szapor, Innovation Group COO. "With personnel on staff like myself, Rich Rabin and Ernie D'Ambrosio, we have over 55 years of combined experience in gaming operations." In addition to the SunCruz engagement, The Innovation Group is currently working in management capacities with other clients as well, including the Pueblo of Sandia and Century Casinos.

SunCruz Casinos, now the trade name of Oceans Casino Cruises, Inc., continues as the largest owner/operator of casino gaming cruise vessels in the United States. SunCruz currently operates vessels from six locations, each of which departs at least twice daily from various ports along Florida's coast and Myrtle Beach, South Carolina, and cruises into international waters. SunCruz's vessels carry a total of

approximately 1,767 slot machines and 144 table games. [Back to "Company News."](#)

Innovation Capital Holding hires Vice President for Colorado Office



Innovation Capital Holding, LLC., has hired Rob Stephens as Vice President to further grow the firm's gaming, leisure and entertainment financial advisory practice.

As Vice President of Innovation Capital, Mr. Stephens brings 14 years of finance, accounting and operational experience, including six years in the gaming industry. Mr. Stephens has experience with private equity, public debt and equity, bank financing, M&A, bankruptcy restructurings, joint ventures, business planning, financial analysis and operating expertise.

Prior to joining Innovation Capital, Mr. Stephens held senior finance positions, including serving as Chief Financial Officer of several early stage media and technology companies where he successfully orchestrated several private equity financings. Previously, Mr. Stephens was Senior Vice President of Finance for Colorado Gaming & Entertainment where over a five-year period he led a financial restructuring, initial public offering, several high yield debt issuances, a senior bank financing, several acquisitions and the ultimate sale of the company to Hilton Group Plc.

Mr. Stephens began his career as an auditor with Arthur Andersen LLP. He holds a bachelor of arts degree in Business Administration from Colorado State University. He is a Certified Public Accountant and has held a key Gaming License in Colorado.

Mr. Stephens will work out of Innovation Capital's Colorado office, where he will take a lead role in growing the firm's advisory business in that market. [Back to "The Innovation Group News."](#)

Three New Hires Added to Staff

To keep pace with our steady company growth, The Innovation Group

has recently hired three new employees: Ernie D'Ambrosio as Director of Strategic Planning, Suzanne Perilloux Leckert as Senior Analyst and Kelly M. Jarvis as Financial Analyst.

Ernie D'Ambrosio brings The Innovation Group over seventeen years of experience in the gaming and hospitality industries. As Director of Strategic Planning, he will assist our clients in financial and operating issues including the preparing and evaluating of market assessments, feasibility studies, financial analyses, staffing requirements, internal controls and procedures.

Prior to joining us, Ernie held a variety of management positions within the gaming industry. He has opened casinos and developed casino projects in the U.S., Canada, South America, Europe, the Caribbean and South Africa. Ernie has a bachelor of science degree in Accounting from Rowan University, Glassboro, New Jersey and also has a valid NJ-CCC Key Gaming License.



Suzanne Perilloux Leckert is The Innovation Group's Senior Analyst, Gaming & Marketing. Her responsibilities include market assessments of gaming environments, various trend analyses, strategic marketing and competitive research. Prior to joining The Innovation Group, Suzanne worked for the City Planning

Commission of New Orleans as a City Planner and Special Planning Assistant to the Director. Prior to that position, Suzanne was with the Tax and Estates Section of the New Orleans law firm, *Jones, Walker, Poitevent, Carrere & Denegre*, and was on the staff of United States Senator John Breaux.

Suzanne is completing work toward a master's degree in Urban and Regional Planning from the University of New Orleans, specializing in the economics of historic preservation. She holds a bachelor's degree in History from Louisiana State University.

Kelly M. Jarvis joins The Innovation Group as the firm's newest Financial Analyst. In this position she will be responsible for research and analysis for various leisure and hospitality projects. Kelly was previously an intern with Sun Microsystems, supporting the risk management and treasury departments. Her experience in assisting with various financial and insurance related projects will be of great

benefit to our clients and to us. Kelly holds a bachelor's degree in Business Administration with an emphasis in Finance from the University of Colorado.

We hope you have an opportunity to meet and work with these new staff members soon. [Back to "The Innovation Group News."](#)

OUR LATEST PUBLICATION

From Coincidence to Convergence: Class II Machines, Fiscal Politics, and Off-Reservation Gaming

by Dr. Thomas J. Zitt, Ph. D. and Steven M. Rittvo



Two recent developments, seemingly disparate, could combine to dramatically change the face of Native American gaming. The first is the election of California Governor Arnold Schwarzenegger, whose actions could have impact far beyond the borders of our most populous state. The second is the settling of the legal status of advanced Class II machines. What do these two issues have in common? Off-reservation gaming.

During his campaign, Schwarzenegger took on the "special interests" of the California gaming tribes, and he now seems to stroke the discontent of communities impacted by casino development. It could easily become one of those "Nixon goes to China" moments in history if the Governor comes to be known as the one who blew the dyke on off-reservation gaming.

One of many examples of the issue at hand is the announcement by major Nevada gaming operator, Station Casinos, of an agreement with a central California tribe to develop a \$200+ million casino north of Madera. The proposed location would give the North Fork Rancheria of Mono Indians much better access to Central Valley residents and Highway 99 than their current rancheria.

While neither the federal process for taking land into trust for gaming nor the state negotiations for an off-reservation compact are for the faint of heart, it must be clarified that there is a significant difference between a tribe seeking a casino away from the existing reservation

and a landless tribe attempting to put land into trust in an aboriginal territory. In California, Grey Davis adamantly opposed the former and was not too keen on the latter.

The previously landless United Auburn Indian Community was successful in putting land into trust near Sacramento at what is now the Thunder Valley Casino. And Station Casinos is betting that the re-recognized and landless Graton Rancheria Coast Miwoks will likewise be successful in placing land into trust near Rohnert Park. That's a safer bet than the North Fork project in Madera, which is unabashedly an off-reservation proposal. The North Fork tribe doesn't yet own the land and their existing rancheria in the foothills of the Sierras was rejected, according to the tribal chairwoman, for lack of infrastructure and for the potential impact on the environment and on traffic.

The question is whether Madera is just another long shot or whether fiscal politics have changed the dynamics. With the existing tribal operators spilt over whether or not to sign revenue-sharing compacts in exchange for more machines, what role will the off-reservation proposals play? For the state, authorizing off-reservation casinos would open a serious can of worms, but the fiscal benefits may be too tempting to pass by. Would a North Fork or a Scott's Valley Pomo go for revenue sharing of 25%? In addition, who's going argue with the North Fork's sensitivity to impacting rural areas and the environment? From a Smart Growth perspective and from a market perspective, it makes more sense to build casinos near highways and in areas that are already developed. Unfortunately, tribes who played by the old rules wound up developing casinos on their existing reservations, which were not always ideally located.

Precedence for off-reservation casinos has already been established in other parts of the country. Early on, Wisconsin signed a compact with the Forest County Potawatomi for a casino in Milwaukee, giving the upstate tribe access to a market with a revenue potential perhaps 20 times greater than its remote northern reservation. Four more upstate tribes are attempting to follow the Potawatomi's lead in developing casinos in Beloit, Shullsburg and Kenosha. However, as more light is being shed on such deals these days, more opposition is being organized.



In New York, similar off-reservation activity is also under way. The state permitted five off-reservation casinos in legislation enacted in October 2001: one in Buffalo, one in Niagara Falls, and three in the



Catskills. The compact for the Seneca Niagara Casino, the only one of the five currently operating, was allowed to proceed by the Department of Interior. However, Secretary Norton threaded a political needle, expressing concern over off-reservation gaming and revenue sharing, even while declining to reject the application.

Having support of the local community and the governor in these negotiations helps immensely. But, without that support, what can a tribe do? In the days before Reel Time Bingo, the answer was "not much." Just look at the Jena Choctaw in Louisiana, who have been unsuccessful in their bid for a casino on the Texas border. In that case, opposition from the Louisiana congressional delegation trumped even the support of the Republican governor, Mike Foster, and Interior ultimately rejected the initial application. A second attempt was in the works when Foster left office and handed the reins to Democrat Cathleen Blanco, who opposes the project.

Bingo machines that look and play like electronic slot machines could go a long way to helping such luckless tribes, giving them either leverage in compact negotiations or the ability to walk away if a state plays hardball. Recent back-to-back rulings from the National Indian Gaming Commission and the U.S. Supreme Court have given a solid legal footing to the new machines, which represent a quantum leap over previous Class II models. Their market potential may not be quite as high as reel slot machines, but a tribe won't have to share revenue with the state.

Out-of-state tribes could also find the new machines very useful. In New York, the Stockbridge-Munsee and the Oneida of Wisconsin and the Seneca-Cayuga of Oklahoma have all been attempting to repatriate themselves in their ancestral home. Similar movements are being attempted in Pennsylvania, Indiana, Illinois, and Ohio. Class II gives such tribes a bargaining chip for Class III compacts, or an option to bypass state authorities altogether.

The possibilities for tribes are enormous, even though all of the legal

and political ramifications have yet to be worked out. Even then, every state may resolve these issues differently. At a minimum, expect more Oklahoma casinos on the Texas border and the Arkansas/Missouri border. Expect the Seminole casinos in Florida to "rock" with their casinos. Expect enhanced bingo halls or Class II casinos in Alabama and Georgia. And in a state like Montana, the machines would be a natural fit, allowing remotely located tribes to differentiate their gaming product from the video poker and keno machines available in bars, restaurants and mini-casinos in every town.

All of this activity could affect how California proceeds with its compact negotiations. Tribes can always install Class II machines rather than trading the rights to more Class III machines in exchange for revenue sharing. But, surely Governor Schwarzenegger's staff is aware of that. Hello North Fork? [Back to top.](#)

For more information on The Innovation Group, visit <http://www.theinnovationgroup.com/> or contact [Steve Rittvo](#) or [Stephen Szapor](#).

The Innovation Group

New Orleans Office: 400 North Peters Street
New Orleans, Louisiana 70130
(504) 523-0888 Fax (504) 523-5522

Denver Office: 2305 E. Arapahoe Road, Suite 205
Littleton, Colorado 80122
(303) 798-7711 Fax (303) 798-7171

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