



Come hear us at the
National Native American
Finance Conference
Jan. 19-21, Pechanga Hotel & Resort
Panel discussions with
Steven J. Szapor, Jr.
Matt Sodl



Client and Company News for January 2005

Beyond Bingo: Today's Trend in Native American Gaming



When the current \$300 million renovation and expansion is complete, Foxwoods Casino Resort will still be the world's largest casino. But, what it will also have become is one of today's best examples of a destination casino resort - a development with a choice of hotels, a shopping mall, salon and spa, a range of dining options, entertainment venues, golf and country club, race book and, of course, the world's largest casino. And Native American tribes

across the country are moving in this direction of this model every day.



As the category name implies, a destination resort is a place you intend to wind up on your trip, and not just stay at while you're visiting something else. It's a place to vacation that has all the amenities you could want, right on the property. And with everything you want on the property, you don't need to go anywhere else.

Owners and managers of gaming properties of every size are striving to make their operation so attractive and comfortable, customers don't want to leave. And they're always looking for the right opportunity to expand. It's true, whether it's a truck stop that's considering adding a motel or a resort thinking of adding a shopping mall. They all know that the more of a customer's leisure time you capture, the more revenue. So, with few exceptions, every property aspires to become a destination resort. To understand why, all you have to do is consider all that incremental revenue from all those additional business units. Oh, there

may be community resistance and there may be some locations that may not have the economic potential to support the bigger operation, but becoming a destination resort remains an aspiration, nevertheless.

Traditionally, a development starts with just a casino. With success, it may be able to add more restaurants, a hotel and then the other amenities: entertainment venues such as night clubs, theaters and show halls, then the covered parking, the spa, the shopping mall, even more dining options, and the golf courses and water parks.



In 1983, the Barona Band of Mission Indians opened a bingo hall, the first on a reservation in California. Eventually, it was successful enough that the tribe added a card room, then an off-track betting parlor and other betting machines. Today, the Barona Valley Ranch Resort and Casino boasts a luxury hotel, an array of restaurants, a championship golf course and a 300,000-square-foot casino.



The Pechanga Band of Luiseno Indians opened a casino in a grouping of trailers in 1995. Today the Pechanga Resort & Casino's one-million-square-foot complex features a 14-story hotel, convention center, showroom, cabaret lounge and seven restaurants. And an 18-hole championship golf course is in the development stage. It's the life cycle of the destination resort and every property is generally somewhere on the same path. And they would all love to go the next level. If it makes sense.



At The Innovation Group, we've worked with tribes across the country and casinos around the world to help them determine if the progression does "make sense." What we do for clients is remove some of the guesswork. As most of these expansions to the next level require substantial investments, we help determine if the market is strong enough to support it by analyzing the economic potential of the trade area: the population, the competition, the prevailing laws and the likelihood of changes in all of these factors. That way, we can tell a bingo hall if it makes sense to add an RV park, or advise a resort on what mix of dining, entertainment and shopping to include in their quarter-of-a-billion-dollar expansion.

In the beginning of this article, I said that "with success," the progression from casino to destination resort is possible. Success of the necessary proportions to support this growth can happen in two ways. The traditional way is for astute

management and marketing to grow the business and manage the basic balance of supply and demand. It's not necessarily an "if you build it they will come" phenomenon, but more of an "if they keep coming they way they've been doing, you can build it." ... [More](#).

Stephen J. Szapor, Jr.
Chief Operating Officer

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INNOVATION CAPITAL UPDATE

President Casinos, Inc. Amends Stalking Horse Asset Purchase Agreement; Establishes New Auction Date of Thursday, January 20th



President Casinos, Inc. announced that the Company has amended its \$66 million stalking horse asset purchase agreement with Broadwater Properties, LLC to sell certain of its Mississippi properties and in so doing established a new auction date of Thursday, January 20, 2005 in St. Louis, Missouri. The Company also filed bidding procedures that detail the bid process and the mechanics of the auction. Friday, January 14, 2005 is the deadline for the

Covering two panels: Steve Szapor on Native American gaming expansion: Matt Sodl on finding the money

Give yourself an edge by knowing your customers

CLIENTS MAKING NEWS

Southern California economy pumped up by casinos



One of the statistics we're often called upon to research for

clients is the positive economic benefits of casino development and expansion.

Those economic impacts are ringing true to



forecast in Riverside and San Bernardino Counties, and casino related job growth was one of the top business news stories for Inland Southern California's Press Enterprise.com. The Pechanga Band of Luiseño Indians began hiring in July for its 100,000-square-foot resort expansion in Temecula, on it's way to an anticipated work force of about 5,000 employees.

The Morongo Band of Mission Indians held job fairs in August to find 1,000 new employees for its new \$250 million casino, hotel and spa in Cabazon. And the Cabazon Band of Mission Indians, owners of Fantasy Springs



Casino Resort in Indio, are hiring 250 people for its hotel and events center that opened in December. Employment by California Indian tribes was up 11.3% over the previous

submission of bids from third parties. The auction date was moved in response to the significant interest in the assets from third-party bidders.

The Company will review those bids with Matt Sodl of Innovation Capital Holding, LLC, Harbour Financial, LLC and legal counsel, and determine which bids which are qualified to participate in the January 20th auction. The principals of Broadwater Properties, LLC include Roy Anderson, III and W.C. Fore who are both construction and real estate developers from the Biloxi, Mississippi area.

President Casinos, Inc. owns and operates dockside gaming facilities in Biloxi, Mississippi and downtown St. Louis, Missouri, north of the Gateway Arch.

Innovation Capital Holding is a financial advisory firm with a dedicated practice focused on the gaming, leisure and hospitality industry. The firm is headed by Matt Sodl who is an investment banker that has covered this industry sector for more than 10 years. Matt Sodl can be reached at (310) 335-2085 and at msodl@innovation-capital.com. Parties interested in learning more about Innovation Capital should contact Matt Sodl at (310) 335-2085 or msodl@innovation-capital.com.

year, reaching 48,200 at the end of November.
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San Manuel grow from bingo beginnings

The San Manuel Band of Mission Indians started their first bingo operations in 1986. Later this month, the San Manuel Indian Bingo & Casino will be cutting the ribbon on a 480,000 square foot facility that will offer more space, more amenities and more entertainment to their growing customer base. The Innovation Group did the market assessments for the expansion, which will be the second for the property since it first opened. The new second floor bingo hall includes twelve 60-inch plasma screens, a 100-inch projector and an automated jackpot system. The casino will also offer a full compliment of table games and luxury card rooms. [Back to "Clients Making News."](#)



Seminoles counting on Hard Rocks and Coconut



The Seminole Tribe of Florida made waves with the opening of two Hard Rock Hotels and Casinos in Tampa and Hollywood. Now they're creating a third destination resort and making over the Seminole Coconut Creek Casino. The plan is to expand the current casino from 20,000 square feet into a 120,000 square-foot high-end resort with multiple restaurants, shops, a hotel, coffee shop and spa. The Innovation Group did the market assessments that established the potential of the Broward County project. A phase two expansion is already being discussed which would include a larger hotel and spa, and more restaurants and entertainment spaces. [Back to "Clients Making News."](#)

The uncertain future of the President

How much will be paid by whom and for what end use is still unclear for the President Casino Broadwater Resort. Because of the bankruptcy of parent company President Casinos, Inc., the 240-acre resort, which includes the casino, hotel, marina and golf course is up for auction. Originally set for December, the auction was rescheduled until January because of "significant interest" and potential bidders asking for more time to prepare offers, according to Matt Sodl with Innovation Capital Holding, who is assisting with the sale. A local investment group has set a base bid of \$66 million through what is known as a "stalking horse bid." If anyone submits a written bid \$700,000 over that offer by Jan. 14, the process goes to an open auction on Jan. 20. The bankruptcy court used a similar process to sell President Casino's riverboat in downtown St. Louis, which sold for more than double the \$28 million stalking horse bid. [Back to](#)



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Black Oak Casino going through a phase



Phase II of the Black Oak Casino opens this month, with a new live entertainment lounge, gift shop, cafe/buffet and expanded gaming. In addition, the property will feature family oriented amenities such as a sports bar, a 24-lane Brunswick bowling alley and pro shop, an arcade and a family restaurant. Black Oak Casino is owned and operated by the Tuolumne Band of Me-Wuk Indians, whose mission is to have the property become more than just a gaming destination, but rather a unique entertainment center that focuses on the complete family fun experience. The Innovation Group did the market assessments for the project. [Back to "Clients Making News."](#)

🎰 STAFF IN THE NEWS 🎰

Steve Szapor on the next generation

Steven Szapor, Jr., The Innovation Group's COO, was quoted in USA Today and



Casino City Times for his views on the need and opportunity for casinos to attract a younger generation of customers. While their boomer parents are spending more money gambling, the 20-35 year-olds are more interested in the nightlife. The USA Today article references *Portrait of American Gamblers*, the research volume which The Innovation Group co-published with Yesawich, Pepperdine, Brown and Russell, and also quotes YPBR chairman Peter Yesawich.



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<http://www.app.com/app/story/0,21625,1132451,00.html>

<http://www.casinocitytimes.com/news/article.cfm?contentID=146486>

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Scott Fisher sees potential in Singapore

IN BUSINESS Las Vegas Innovation Group Managing Director Scott Fisher, Ph.D., was

again quoted in the press on the new wave of gaming expansion in Asian markets. This time the focus was on Singapore in specific, which Scott says could become "one of the biggest markets in the world." Estimates of the market potential range from \$1-3 billion, depending on government restrictions which might allow only foreigners or the more affluent to gamble.



<http://www.inbusinesslasvegas.com/2004/10/08/gaming.html>

http://www.asianewsnet.net/level3_template1.php?l3sec=4&news_id=32297

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Portrait of American Gamblers in the News

Portrait of American Gamblers has also received its share of press coverage also. *Portrait* is the research volume that's a joint publication of The Innovation Group and Yesawich, Pepperdine, Brown & Russell, the country's leading marketing services firm specializing the travel and leisure industries. Not only have the New York Times and other leading publications cited it, but it was featured in the December issue of Global Gaming Business magazine.

<http://www.hvcb.org/media/documents/TIU04-43.pdf>



<http://www.ipokerguide.com/newsdetail.asp?NewsID=155>

<http://www.elite-online-casinos.com/online-casino-news/10-04/american-gamblers.htm>

<http://www.app.com/app/story/0,21625,1132451,00.html>

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Covering two panels: Steve Szapor on Native American gaming expansion/Matt Sodl on finding the money.



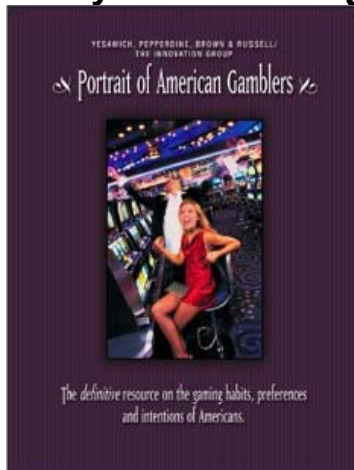
Stephen J. Szapor, Jr., The Innovation Group COO, and Matt

Sodl, Managing Director of Innovation Capital, will participate in panels at the upcoming Second Annual National Native American Finance Conference. Steve Szapor's panel topic will be "Expanding Gaming Operations," relative to Native American casinos, and cover such issues as analyzing when it's time to expand or add amenities, and the decision-making processes involved. Matt Sodl's panel is "Borrowing Basics," and will cover the issues and considerations for all the parties involved in financing transactions, including a comparison of common financing alternatives. The conference takes place January 19-21 at The Pechanga Resort & Casino in Temecula, CA. You can get more information on the conference and program [here](http://secure.imn.org/~conference/im/index2.cfm?sys_code=50119_PF_0001&header=on):

http://secure.imn.org/~conference/im/index2.cfm?sys_code=50119_PF_0001&header=on

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Give yourself an edge by knowing your customers



Do they prefer restaurants or buffets?

Spas or golf courses?

Are they more concerned with safety or proximity to other casinos?

Beyond the kind of information you can get from Players Club databases, do you know what motivates customers to pick a destination, pick a casino brand, pick a game or visit a new casino?

At The Innovation Group, one of the services we perform for our clients is to make strategic recommendations based on the research data that we've gathered. Now, we've undertaken one of our most significant research projects to date and we're releasing the findings in a publication that we feel is comprehensive enough to be of benefit to strategic development and marketing decisions at all levels.

The publication is *Portrait of American Gamblers*, a compilation of 2,500 in-depth surveys of a cross-section of U.S. adults who visit casinos. *Portrait of American Gamblers* is a joint publication of The Innovation Group, the nation's premier consultant in the gaming and leisure industry, and Yesawich, Pepperdine, Brown & Russell, the country's leading marketing services firm specializing in the travel and leisure industries.

Portrait of American Gamblers provides the kind of information on the habits and attitudes of casino customers that our clients are regularly seeking. What makes it different from other research reports is that it's not merely a count of how many gamers are playing where, but it's an examination of the evolving lifestyles and motivations that influence gaming behavior. We asked our subjects questions such as what drew them to the casino in the first place and about their future interest in visiting specific gaming destinations, specific casinos and specific hotel/resort brands. To give warranted attention to the rapidly growing segment of Native American casinos, we included several questions about customers' experience with these properties as well. We also included some in-depth questions on the non-gaming life of customers by probing their travel habits, media preferences, lifestyle, demographics and social values.

From the hundreds of gaming studies done by The Innovation Group over the past 12 years, for clients ranging from major casino companies to Native American tribes to governmental bodies, we have come to know the nature of information that's integral to the making of sound strategic decisions. Now, we've made a wealth of this information available to everyone. You can order your copy by going to the [Publications section of www.ypbr.com](http://www.ypbr.com). Reasonably priced at \$995, it's sure to become an essential to any gaming library.

Topics covered in the study include:

- o Incidence of day and overnight casino visitation during the previous 12 months
- o Previous day and overnight visitation of specific gaming destinations
- o Previous day and overnight visitation of specific casinos
- o Future interest in visiting specific gaming destinations
- o Future interest in visiting specific casinos
- o Future day and overnight casino visitation intentions and frequency
- o Preferred casino hotel/resort brands
- o Visitation and experience with Native American casinos
- o Average expenditures on gambling, entertainment, food and beverage, lodging and shopping for both day and overnight casino visits
- o Desirability of specific attributes when selecting a casino (e.g., brand name, proximity, food and beverage, entertainment, nightlife, sporting events,

- architectural/design theme, ambiance, recreational amenities, parking, smoking, promotions, player recognition/reward clubs, etc.)
- o Preferred games (e.g., slots, table games, etc.)
 - o Interest in specific casino slots (e.g., mechanical reel slot machines, video slot machines, video poker, video lottery terminals, Class II machines, etc.)
 - o Interest in specific table games (e.g., baccarat, bingo, blackjack, craps, live keno, poker, roulette, etc.)
 - o Players Club program membership and preferences
 - o Influence of specific promotional offers when selecting a casino
 - o Vacation habits
 - o Leisure time habits and preferences
 - o Social values
 - o Media habits
 - o General consumption preferences and behavior
 - o Political and religious affiliations
 - o Demography.

To order your copy of YPB&R/The Innovation Group's Portrait of American Gamblers visit the [Publications section of www.ypbr.com](#).

In-depth market segment analyses (by geographic area, brand preferences, gaming preferences, etc.) are also available. For further information on the preparation of a custom analysis please contact Dennis Marzella, Executive Vice President/Partner, Research and Brand Strategy, Yesawich, Pepperdine, Brown & Russell, at 407-875-1111 or dennis_marzella@ypbr.com.

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Beyond Bingo: Today's Trend in Native American Gaming (Continued)

The other way success can befall a tribe is the tribe's ability to jump to a better, sometimes an extraordinarily better, location. By starting with a prime location, either by negotiating for an off-reservation property or by taking land into trust, tribes are winding up with lucrative, high-traffic sites on highway exits and even in urban areas. Starting with such a location, a tribe doesn't have to begin gaming activity with only a modest casino and work its way up, but can jump in at a higher stage on the road to becoming a destination resort.

I hate to say that all it takes is money, but if the economic potential justifies the move or the jump to the next tier, it tends to be that elementary. If the startup or

expansion is proven to be economically viable enough, the investment capital will come. We've done many market assessments for private developers and gaming operators who are always looking for partnering opportunities with tribes. And tribes that are already successful are using their financial and management wherewithal to help other tribe around the country to get started. Our feasibility studies for the Mohegans from Connecticut who are working with the Cowlitz in Oregon helped to green light their plans for a \$400 million development that would include a casino, hotel, restaurants and convention center.

Where a solid market assessment can also help with financing is Wall Street.

While they already had operating casinos in Tampa and Hollywood, Florida, the Seminole Tribe of Florida took a giant step forward in the resort direction, relaunching both properties under the Hard Rock brand and simultaneously adding such amenities such as hotels,



restaurants, theaters, parking garages, spas, shopping malls and more. The financing in this case came from bonds placed with Wall Street financial houses. Not only did we do the market assessments and feasibility analyses for both locations, but we helped prepare the bond documents based on those assessments in what became the largest tax-free bond issue for a Native American project to date.

The model for the destination casino resort works. It satisfies the objective of keeping customers happy, preoccupied and on the property. And it's attainable. So, will every tribal gaming operation in the country one day be a destination resort? Possibly. All it takes is the right potential for success and knowing when the timing is right to add that next set of amenities. And then... it's on the the next level.

Stephen J. Szapor, Jr.
Chief Operating Officer

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



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