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Rockingham trying to get rolling

A gaming market assessment by The Innovation Group Vice President Strategic Consulting Matt Landry was cited in two articles on the attempts by Millennium Gaming to introduce Class III slot machines at Rockingham Park in Salem, New Hampshire. The first article was "Rockingham Park redo -- featuring slots - unveiled" by Jim Devine in the *Union Leader*. This article described the presentation by Millennium to local businessmen and government officials, which was based on The Innovation Group's revenue projections for the park. The changes to Rockingham would also return thoroughbred racing to the park, which has offered only harness racing since 2001.

The second article described the reactions by local officials to comments by New Hampshire Gov. John Lynch, who said he would not support pro-gambling legislation. In "Lynch says no to video gambling" in The Eagle-Tribune, Lynch is quoted saying he would not support the legislation unless he was "absolutely convinced it wouldn't have an effect on our quality of life."

Read more on these stories, while they are still posted online:
<http://www.unionleader.com/article.aspx?headline=Rockingham+Park+redo+--+featuring+slots+--+unveiled&articleid=c1054bd6-716a-45b6-9934-101bdd4100e7>
http://www.eagletribune.com/punewsnh/local_story_029093849
[?keyword=secondarystory](#)
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Matt Sodi asked opinion on IGT/Shuffle Master

Matt Sodi, President of Innovation Capital is quoted in an article on *Bloomberg* on the possible acquisition of Shuffle Master Inc. by IGT. Wall Street is speculating a boost in IGT earnings if such a deal were to take place. Shuffle Master's electronic table games automate poker and blackjack dealing and would broaden IGT's product range. "That's a natural for IGT or one of the other big boys to scoop up," said Matt, commenting on the indicative transaction. Read the whole story while it's still posted online at:

<http://www.bloomberg.com/apps/news?pid=20601087&sid=apFYX21cDXM&refer=home>
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10% of Macau Would Be Nice

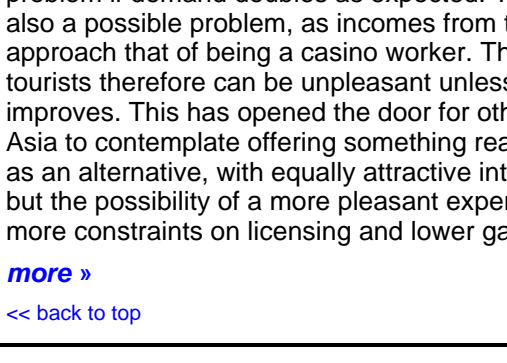
By Scott Fisher, Ph.D.

Dr. Fisher is managing director of The Innovation Group, with a great depth of experience in Asian markets. In December 2006 his cover story in Global Gaming Business Magazine presented a picture of what was happening in gaming development throughout that part of the world. Here, he updates what's been happening since that time.

The Macau gaming market grew at a monstrous pace in 2007, given that it already was one of the largest gaming markets in the world. Revenues grew by nearly 50% for the year, topping \$10 billion. In 2006 Macau was compared to the Las Vegas Strip in terms of revenues. In 2007 the parallel would be Clark County, Nevada. By 2010 a comparison with the State of Nevada will likely be appropriate. I do not see a parallel with the U.S. aggregate any time soon, but Macau is only 11 square miles in total area...there has to be a limit. Nevertheless, based on the fact that mega-resort development will continue in Macau well into the next decade, revenue growth of \$2.5 billion to \$3 billion per year is plausible, such that total revenues of \$20 billion may be expected by 2012, perhaps sooner. Much of the recent growth has come from markets other than Hong Kong and China, most notably from Southeast Asia and Japan.

Despite the fact that there has been mass land reclamation in Macau to accommodate the new resorts, the potential for new property development beyond 2012 is somewhat limited by a number of factors. From an infrastructure standpoint, the light rail network is not being completed as quickly as may be necessary, and traffic congestion will be a significant problem if demand doubles as expected. Taxi availability is also a possible problem, as incomes from taxi driving cannot approach that of being a casino worker. The experience for tourists therefore can be unpleasant unless some of this improves. This has opened the door for other markets in Asia to contemplate offering something reasonably attractive as an alternative, with equally attractive integrated resorts, but the possibility of a more pleasant experience assuming more constraints on licensing and lower gaming tax rates.

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NEW HIRES

Dennis Balyeat
 The Innovation Group
 Vice President of Development

As the Vice President of Development for The Innovation Group, Dennis Balyeat brings nearly four decades of experience in the financing and management of public and private sector projects.

Since 1993, Dennis Balyeat has negotiated and coordinated financing for casinos, hotels, golf courses, housing, infrastructure, marina, government centers and health facility projects for Indian Nations and gaming operators. While working for Marshall Group (formerly MMS Investments and Miller Schroeder), he helped secure over \$1 billion in financing for 35 Tribal entities on more than 50 individual projects, including those for the Forest County Potawatomi Nation, Pueblo of Santa Ana, Hopland Band of Pomo Indians, Big Valley Rancheria, and the Kallispel Tribe of Indians.

In addition to his work for some of the industry's largest lending institutions, Dennis also has experience working directly for tribal gaming owners and operators. As a project manager for the Mohegan Tribal Gaming Authority (MTGA) he represented the MTGA in their development role for Washington-based Cowitz Tribe of Indians' throughout their efforts to place their land into trust. In this capacity, he worked with Cowitz officials, the MTGA legal team, and architects and engineers in preparing the EIS for submittal to Department of Interior. He has also served as a direct consultant to tribal entities in North and South Dakota.

Dennis' experience also extends to corporate gaming and entertainment clients primarily in Nevada. He has coordinated financing for entities such as Holder Hospitality Group, for whom he negotiated the terms for six casino gaming properties. Dennis also supported financing efforts for the Prairie Meadows Race Track Casino in Polk County, Iowa.

From 1982 to 1993 Dennis served as executive director for a metropolitan redevelopment authority. Under his leadership the authority financed more than \$900 million dollars in housing, law enforcement, school and economic development projects. Prior to this, Dennis worked for various state agencies in South Dakota and Montana specializing in government (low income) energy assistance programs. His diverse experience in the public sector provides him with a unique development perspective when assisting in financing for his gaming, hospitality and leisure clients.

Dennis completed coursework at the University of Arizona, and holds Bachelor of Arts degrees in Political Science and History from Mankato State College in Minnesota (now the University of Minnesota at Mankato). He has also completed post-graduate work in Urban Studies at UM, Mankato.

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Mario V. Racelis
 Innovation Project Development
 Director of Design

Mario Racelis' role as architectural agent for the owner assures the clear communication of information among all the team members, the owner's in-house staff, and contractors. Mario assists and works with the owner's staff in areas of programming, layouts, vendors, plans review, document control, budgets and schedule. He also assists in coordinating the design professionals in the areas of design scope, schedules, document control, plans overview, budgets and design field coordination.

Mario entered the architectural industry while living in Hawaii in 1972. Throughout his career, he has been involved in a wide range of building types, phases of design and construction phases. His building type experience includes religious, corporate office, retail, manufacturing, industrial, healthcare, historical restoration, hospitality, entertainment and gaming. The range of his expertise encompasses the production of documents from concept, design development, development of construction documents through the closeout of the projects. In the project management area, Mario's experience includes the tight coordination of the owner's programming, the project teams and contractors to assure successful end products.

Mario's experience in the pre-construction phases of project includes the oversight of pre-bid scope reviews, schedule reviews and pre-construction budget presentations. In the construction phase, he has a depth of experience with coordinated field questions (RFIs), building code compliance issues, interfacing with owner's vendors, product lead time issues and closeout of projects.

Prior to joining Innovation Project Development, Mario was a part of several professional architectural firms including Roy Tanji A.I.A., Winsor/Faricy Architects, Ellerbe Becket, Opus Corporation, RSP Architects, the Cunningham Group and the Friedmutter Group. Since 1993, Mario's primary involvement has been in the gaming, hospitality and entertainment industries, which are all major components of casino facilities. His gaming experience includes work with casinos in Las Vegas, Minnesota and Mississippi, both in land base structures as well as dock side facilities.

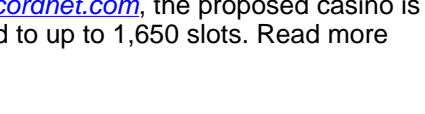
Some of Mario's previous client experience has been with Universal Studios Orlando, Grand Casinos across the country, Stratosphere Casino, Las Vegas, Palware Casino Resorts Biloxi, Island View Casino Gulfport, Isle of Capri Biloxi, IP Casino Resort & Spa Biloxi, American Hardware Insurance Minneapolis, Mayo Clinic Rochester, Minnesota and many more.

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Foxwoods keeps growing strategically

The giant Foxwoods Resort Casino will become even more giant-sized with the addition of the \$700 million expansion, due to open this May. The long-planned expansion will take the form of the MGM Grand at Foxwoods, an 825-room luxury hotel under the MGM Grand brand. The addition will also feature a 115,000 square foot of meeting space, a 4,000-seat performing arts theater, 21,000-square-foot spa, celebrity chef restaurants, high-end retail and a state-of-the-art casino. In "Mashantucket's Grand at Foxwoods adds 3,000 jobs" by Gale Courey Toensing in *Indian Country Today*, the expansion's contribution to the work force and the economy are also highlighted. The Innovation Group completed a number of projects to help in the strategic planning of the expansion, including multi-year feasibility analyses of casino, hotel, convention/meeting space, entertainment, and F&B components. The studies also incorporated detailed consumer surveys and multiple focus groups to help frame and validate the building program, and examine what amenities and marketing programs would be most appealing to each segment. Read more about the expansion while the story is still posted online at:

<http://www.indiancountry.com/content.cfm?id=1096416620>
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Buena Vista still looking good

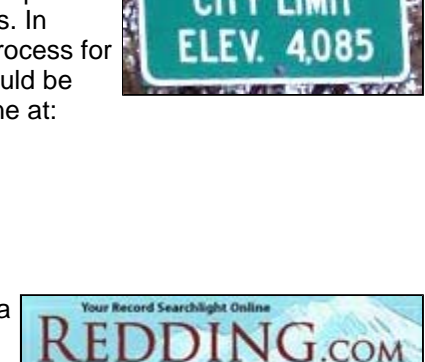
The Buena Vista Rancheria of Me-Wuk Indians continues to pursue its plans for a proposed casino on its reservation near Lone, California. The Innovation Group has done several projects for this project over the years, including the market assessment that demonstrated the value of the development for the tribe, as well as social impact studies which took into account the off-reservation impact of the casino on the community. These impact studies have enabled the tribe to put together mitigation packages for the county. In "Amador to vote on tribe casino plan" by Dana M. Nichols of *Recordnet.com*, the proposed casino is described as initially being a 950-slot machine casino that would have one chance to expand to up to 1,650 slots. Read more this story while it is still posted online at:

http://www.recordnet.com/apps/pbcs.dll/article?AID=20080130/A_NEWS/801300333
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New Mexico's last license

A racing license application will be filed this spring with the New Mexico Racing Commission to develop a \$40 million horse racing track and casino on Interstate 40 in Tucumcari, New Mexico. The Innovation Group completed the gaming market assessment for the development, estimating the potential gamer visits and top line gaming and racetrack revenue. In addition, we generated a pro-forma operating statement and estimation of food and beverage and other ancillary revenues. In "License to be filed for Tucumcari casino, racetrack" by Chelle Delaney on *CNOnline*, the process for the license is described. The license, which is being competed for by three other groups, would be the last one allowed by the state for 29 years. Read the original article while still posted online at:

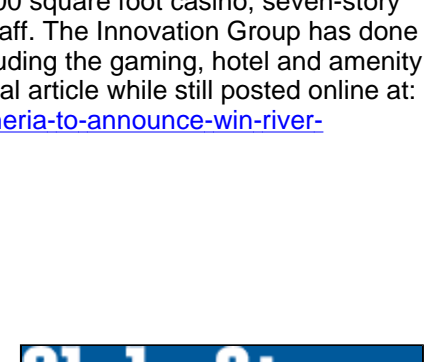
http://www.cnonline.com/news/tucumcari_25638__article.html?chalmers_quay.html
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A win-win for Win-River

Redding Rancheria's Win-River Casino is moving forward in its expansion plans to become a more complete destination resort. In "Win-River hires local companies," the scope of Redding Rancheria's \$90 million hotel and casino expansion are detailed by Dylan Darling of *www.Redding.com*. While naming the contractors for the project, Darling's article outlines the new complex, which, when finished, will have a nine-story, 175-room hotel, an event center with 1,600 seats, a 200,000 square foot casino, seven-story parking garage and almost double the current staff. The Innovation Group has done several projects for the Redding Rancheria, including the gaming, hotel and amenity assessments for this expansion. Read the original article while still posted online at:

<http://www.redding.com/news/2008/feb/05/rancheria-to-announce-win-river-contractor>
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Changes for Chinatown, Las Vegas

Las Vegas investor Andrew Lai has secured a franchise agreement with Intercontinental Hotels Group to develop a 386-room, Asian-themed Crown Plaza-branded casino resort in Las Vegas. In "Asian-Themed Resort on Tap for Vegas' Chinatown" by Brian K. Miller in *GlobeSt.com*, the development is described as being located across Interstate 15 from Treasure Island and Fashion Show Las Vegas, just east of the city's designated Chinatown District. The Innovation Group did the gaming and condo-hotel market assessments and pro forma operating projections for the proposed \$170 million casino/resort development. The resort will include a 28,000-square foot casino, three restaurants, three lounges, a full-service spa and outdoor swimming pool, as well as a fitness center, business center, retail and meeting space. Read the original article while still posted online at:

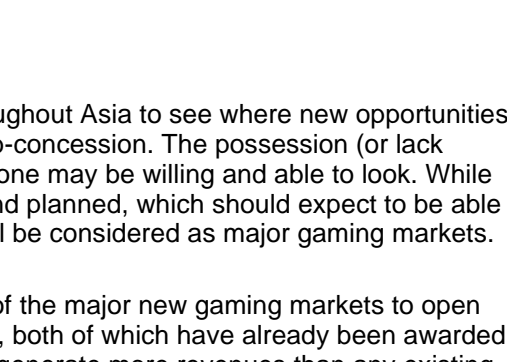
http://www.globest.com/news/1085_1085/lasvegas/167967-1.html
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Trying to get into Dodge

The Ford County Zoning Board has recommended that the Ford County Commissioners approve a conditional use zoning permit for Dodge City Resort and Gaming's proposed casino development. In "Zoning board recommends approval of casino re-zoning" by Mark Vierthaler in the *Dodge City Daily Globe*, the proposed development is described as a 281-acre casino complex that would include a 125-room resort style hotel, an RV park, a special events center, three rodeo grounds and various commercial developments. While the Kansas Lottery would own the gambling, its plan is to contract others to build and manage the casino. The Innovation Group completed the gaming market assessment and economic impact study for the proposed development. In addition to forecasting local market gamer visits and gaming revenue, we identified the overnight tourist and traffic intercept segments as potential gaming revenue sources. Read the original article while still posted online at:

http://www.dodgeglobe.com/stories/012308/loc_20080123003.shtml
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10% of Macau Would Be Nice - continued

It is therefore beneficial for casino resort developers to look beyond Macau, and throughout Asia to see where new opportunities may exist, particularly for those without access to a Macau gaming concession or sub-concession. The possession (or lack thereof) of gaming licenses in major U.S. jurisdictions is also a major factor in where one may be willing and able to look. While Macau currently dwarfs all other Asian gaming markets, there are several, existing and planned, which should expect to be able to generate at least 10% of Macau's total. From a global perspective, these would still be considered as major gaming markets. Legislation in some of these markets has been slow to come, however.

Singapore will likely be the first of the major new gaming markets to open but is limited to just two licenses, both of which have already been awarded. While this gaming market could generate more revenues than any existing Asian market other than Macau, opportunities for new entries in this market are predominantly limited to suppliers, much of which has already been contracted out already.

Several existing gaming markets are likely to evolve over the next several years, at least one of which could expand significantly. Restrictions in South Korea on local resident gaming participation to only one remote casino has kept gaming revenues for the country relatively low, driven primarily by Japanese tourism. The South Korean government recently opened up ownership of Korean casinos by foreign operators in 2006, and there have been discussions regarding development of integrated resorts in the country, most notably near Incheon International Airport. South Korea has an accessible slot and underground casino industry, and if that new resort is permitted to have domestic participation (in easily accessible locations), the market revenue potential could approach that of the new resorts in Singapore. There are numerous locations throughout South Korea that could support a large-scale integrated resort assuming domestic participation is permissible; however without permitted domestic play, the market is largely saturated. While U.S. regulators have been critical about the U.S. gaming companies entering Asian gaming markets, it is not perceived that the Korean market would be one where the level of criticism would be particularly high.

The Philippines has many parallels to South Korea in terms of market size and opportunities, but many differences. Local play is permitted in all Philippine casinos but is not the driver of the country's industry success. Manila casinos are by far the market leaders and are driven by junk gaming. The Philippine Amusement and Gaming Corporation (PAGCOR, a state-run monopoly) is expected to award gaming licenses for the development of a multi-billion dollar development in Manila Harbor, to be developed over the next decade. This project, if developed, could significantly transform the Philippine gaming industry. PAGCOR has been touting the development of this project for several years and has not yet gotten it off the ground, thus the probability of it getting completed must be questioned. However, given its current state, if it moves forward, there would be opportunities for developers, operators and suppliers to profit from the market. The Philippines historically has not been an easy market to enter for companies with U.S. gaming licenses, and it is unclear whether U.S. companies will be chosen from the RFP process. The Manila waterfront project is revenues to Nino Aquino International Airport, and thus access for international gamers would be very good. At present the province in the Philippines are well below \$1 billion annually but could be well above \$1 billion with an urban area integrated resort development.

Rather than expand existing markets, those seeking a higher risk/reward opportunity have been (and should be) more focused on Indochina. Cambodia is one of the fastest growing gaming markets in Asia, though it is not at all known how big the industry is due to a complete lack of regulation. Casinos are almost exclusively located in border areas, though one casino is located in the capital, Phnom Penh. There are also numerous slot facilities located throughout the country, with electronic forms of table games being the most popular game choices (particularly automatic roulette). Poipet, on the Thai border, and Bavel, on the Vietnamese border, are the two main gaming markets in Cambodia, both of which are in a constant state of expansion. U.S. developers are entering these markets successfully due to their willingness to invest in projects more attractive than the historical properties, but those with licenses in major U.S. jurisdictions would have trouble entering the market. Casinos in Cambodia generally conduct business in the language of the border country, as this reflects the source of the vast majority of the clientele.

Neighboring countries may be less of a concern for U.S. regulators due to the lack of history with respect to tolerating semi- or illegal gaming. Numerous developers are considering the development of large-scale integrated resorts in Vietnamese seaside communities, where gaming tax rates would likely be well below that of Macau. While there are no international feeder markets of comparable proximity or size as China and Hong Kong are to Macau, the seaside areas may be considered highly attractive tourist destinations and thus could generate high volumes of visitation. Domestic participation has not been permitted at the small, existing properties in the country and likely would need to be permitted for large-scale resorts to be developed, as proposed. This market does not have the same level of potential as South Korea or the Philippine market but could be sustainable with low wage rates and its uniquely attractive landscape and seascapes.

This could also be the year where legislation is finally introduced in Japan or supported in Taiwan. Thailand also has the possibility of becoming a major Asian gaming market in the future but is perhaps several years behind Japan and Taiwan in terms of possible legislation.

In Japan the mix of wealth, population density and an established gambling culture could mean that Japan could become as significant as Macau is in terms of casino markets, except for the expectation that the government will put a strict limit on the number of gaming licenses that it awards. While it is unlikely that the limit will be as low as Singapore (only 2 licenses), it is unlikely that more than 10 casinos nationwide will initially be permitted and perhaps significantly fewer during a probationary period.

Japan has a population of just over 125 million, making it the 10th most populous nation in the world. The Greater Tokyo area is the largest contiguous urban area in the world, with 26.5 million residents, or over 20% of the nation's population. From an economic perspective, Japan has the highest per capita income in Asia and contributes 60% of the aggregate Asian GNP, although Tokyo has one of the highest costs of living of any city in the world, just below Moscow and Seoul. It should be expected that if Japan legalizes casinos that domestic participation would be permitted. Like Singapore, it is expected that regulators in Japan will turn to U.S. regulators to establish industry rules and regulations, which in turn would be looked upon favorably if and when major U.S. operators seek licenses. One of the major downsides to Japanese gaming opportunities is the language barrier issue. Few Japanese speak languages other than Japanese, and few Asians outside of Japan speak Japanese. As a result, this could be an insulated market. Nevertheless, with a relatively affluent population nearly half the size of the U.S., the domestic market potential is very large.

Legislation in Taiwan was shot down temporarily in late-2007 but is likely to be re-introduced again in 2008. Enabling gaming legislation in Taiwan should be expected within the next several years, as there appears to be increasing strength for proponents of gaming in the country. While there are already gaming operators lining up projects in the country, it is unclear how the government will ultimately determine the licensing process if and when they pass legislation. As with Japan, it is reasonable to expect that the government will craft legislation comparable to Singapore or major U.S. markets in order to be able to attract the best operators to the market. Gamers in Taiwan would likely be either from Hong Kong or Taiwan, and as such, language barriers would not likely be problematic.

It has been said that there could be room for several Las Vegas' throughout Asia. There are certainly several that have been proposed, and within the next two years it is possible that at least three countries outside of Macau will have something of that scale being developed. Moving out several years, Thailand will also likely be in the mix of countries with large-scale integrated resort construction underway. Much of the success with respect to future Asian gaming growth lies in permeability of international travel to and from mainland China. Most every country in Asia has experienced high rates of tourism growth this decade and can tie it to eased visa restrictions for those wishing to travel out of China. Given the magnitude of the Chinese population and the overall growth of the Chinese economy, existing casinos are only scratching the surface on the overall market potential. While the Chinese government can put some curbs on travel, as they did in mid-2007, in the long run travel freedoms should become greater, not more restrictive. This should support even mass proliferation of integrated resorts throughout Asia.

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