



Client and Company News for October 2005



Hurricane Katrina Staff Relocations

New Orleans Office Returns

While Hurricane Katrina didn't hamper our ability to keep working on projects, it totally displaced our New Orleans office staff. Some New Orleans staff members evacuated with their families to communities in the region, while some retreated to homes of friends and relatives from coast to coast. Several worked out of our temporary Baton Rouge, LA office and others relocated to our Denver and Atlantic City offices. **While mail to New Orleans is now being delivered, we are still asking clients to direct payments on invoices to our Denver office.**

Because the French Quarter is one of the areas of New Orleans that is first to reopen, we are preparing to move back and will have our office there fully staffed and operational by November 1. Here is the status of and contact info for New Orleans staffers.

Steve Rittvo, President - Steve was working out of the Colorado office when Katrina hit. Steve's home in New Orleans suffered serious wind and rain damage. He will continue to work out of the **Denver Office**.
 Denver office phone: 303-798-7711, fax: 303-798-7171. srittvo@theinnovationgroup.com

Paul Girvan, Managing Partner - Evacuated to Jacksonville, FL, working out of our Atlantic City office. Paul will be back at his French Quarter home and working out of the **New Orleans office on November 1**.
 New Orleans office phone: 504-523-0888, fax: 504-523-0899 pgirvan@theinnovationgroup.com

Scott Fisher, Ph. D., Managing Partner - Evacuated to Boston, then LaPlace, LA, working out of our Baton Rouge office. Scott is **now in our Denver office** and will be there for about six months while his home, which took about two

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feet of water, is repaired.

Denver office phone: 303-798-7711, fax: 303-798-7171. sfisher@theinnovationgroup.com

Tom Zitt, Ph. D., Senior Vice President Strategic Planning - Tom evacuated to Manomet, MA, and has been working out of the Atlantic City office. Tom will be working out of Massachusetts until the end of October, then he is moving back to his home in the Algiers section of New Orleans and the **New Orleans office for November 1**.
Cell through October: 609-231-4606. New Orleans office phone: 504-523-0888, fax: 504-523-0899
tzitt@theinnovationgroup.com

Derris Newman, Director of Research - Derris evacuated to Prairieville, LA and has been working out of the New Orleans office. Derris will work out of the Baton Rouge office until power is restored to his home, just outside of the French Quarter. Then he'll be back in the **New Orleans office by the November 1**.
Baton Rouge office phone: 225-291-1315, fax: 225-291-1320. New Orleans office phone: 504-523-0888, fax: 504-523-0899
dnewman@theinnovationgroup.com

Suzanne Perilloux Leckert, Senior Analyst - Suzanne evacuated to Birmingham, AL and Baton Rouge, LA, working out of our temporary office there. Suzanne is transitioning back to her home in the Uptown section of the city and will be working out of the **New Orleans office November 1**.
New Orleans office phone: 504-523-0888, fax: 504-523-0899 sleckert@theinnovationgroup.com

Dino Guiliano - Senior Analyst, Hospitality Development & Operations - Dino evacuated to Austin, TX and then to Atlantic City, NJ, working out of our office there. Dino is relocating permanently to Atlantic City and will join the staff of that office.
Atlantic City office phone: 609-487-9585, fax: 609-487-9590. dguiliano@theinnovationgroup.com

Leon Tauzier, Controller - Leon evacuated to Panama City, FL then to our Denver office, which took over as headquarters after New Orleans evacuated. Leon is currently working out of our Denver office. He is moving back to the **New Orleans office on November 7** and will temporarily live in the French Quarter, while 23 members of his family, who among them lost six homes in the Chalmette area of St. Bernard Parish, stay at his home north of Lake Ponchartrain.
Denver office phone: 303-798-7711, fax: 303-798-7171. New Orleans office phone: 504-523-0888, fax: 504-523-0899
ltauzier@theinnovationgroup.com

Sid Berger, Chief Administrative Officer - Sid evacuated to Jackson, MS and Baton Rouge, LA, working out of our Baton Rouge office. Sid will remain in the Baton Rouge office through the end of October, then will move back to the **New Orleans office on November 1**. He'll be living in his home in Metairie, LA, while it's being repaired.
New Orleans office phone: 504-523-0888, fax: 504-523-0899. sberger@theinnovationgroup.com

Jeremiah Tangen, IT Administrator - Jeremiah evacuated to Jackson, MS, Houston, TX, Luling, LA and is now back at his home in Metairie, LA. Jeremiah worked intermittently out of our Denver and Baton Rouge offices, rebuilding our network and keeping it functioning, while getting our New Orleans office back together. He also worked in the two offices of Urban Systems Associates, our traffic/transportation engineering affiliate. Jeremiah will be back at the **New Orleans office November 1**.
New Orleans office phone: 504-523-0888, fax: 504-523-0899. jtangen@theinnovationgroup.com

Lynn Reis, Administrative Assistant - Lynn evacuated to Gonzales, Luling and LaPlace, LA, working out of our Baton Rouge office. Lynn is living in an apartment in Kenner, LA, while her home, which took two feet of water, is being repaired. She will be back in the **New Orleans office November 1**.
New Orleans office phone: 504-523-0888, fax: 504-523-0899. lreis@theinnovationgroup.com

The Innovation Group helps produce the 2005 Symposium on Racing and Gaming

The Innovation Group report becomes required reading

Innovation Capital's weekly gaming newsletter

Innovation Capital advises Jeffrey Gural and TrackPower on partnership with Nevada Gold

Our research publication sheds light on your customers

CLIENTS MAKING NEWS

Wynn Macau: Anticipation of increased potential brings decreases interest rate.

As the interest in the Macau gaming market and Wynn Resort's billion-dollar casino project continues to rise, the interest rate for Wynn's funding is dropping. Wynn's request of its 28 lenders for a lower rate was not only accepted by all, but oversubscribed to the point that this became the first loan in Asia to have its interest margin cut during syndication among a wider group of banks. The Innovation Group did the feasibility studies and market assessments for the casino resort and also helped to prepare the bond documents and participate in the presentations to seek bond syndication. Read the article by Patricia Kuo of *Bloomberg Hong Kong* here: <http://www.bloomberg.com/apps/news?pid=10000080&sid=aAylsaplyLpM&refer=asia>



Glasgow gears up for gaming

Glasgow has taken the first step towards becoming the site of the first "super casino" in the UK. While other cities are also vying to become the venue for this new regional class of casino, the Glasgow City Council has granted planning permission for the Glasgow Rangers Football Club and Las Vegas Sands. The proposed \$217 million entertainment complex would also feature a new hotel, leisure center and a community center, as well as additional housing, and generate about 2,000 jobs. The Innovation Group did the feasibility study that demonstrated the revenue potential of the location. Read more about it at: <http://news.bbc.co.uk/1/hi/scotland/4264114.stm>

STAFF IN THE NEWS

Paul Girvan quoted on NH gaming

Paul Girvan, Innovation Group managing director, was quoted in the New Hampshire *Nashua Telegraph* on the revenue potential of legalizing gaming in the state. In an article by Kevin Landrigan, Paul's projections were that the state would raise \$180 million a year from legalizing slot machines at four racetracks and three resorts. "These are relatively conservative estimates," Paul told a legislative committee studying gaming options. Paul continued that The Innovation Group's preliminary analysis concluded the state's revenue stream would even survive border competition, such as in Massachusetts. Read more at: <http://www.nashuatelegraph.com/apps/pbcs.dll/article?AID=/20051012/NEWS01/110120097/-1/YOUTH>



Macau gaming growth story quotes Dr. Scott Fisher

An article by Richard N. Velotta in the *Las Vegas Sun* covered the Asian market panels at the 2005 Global Gaming Expo. The story quoted The Innovation Group's managing director, Dr. Scott Fisher on the trends in visitor growth and revenue in Macau, which is still on its way to overtaking Las Vegas in gross gaming revenue. While Scott said that the 10 percent visitor increase in 2005 is a healthy one, it's considerably lower than the 40 percent jump in 2004. But, Scott also noted that visitation could



spike again later in the year with the opening of a new Disneyland theme park in Hong Kong earlier this month. Read the story in its entirety at: <http://www.lasvegassun.com/sunbin/stories/gaming/2005/sep/15/519361056.html>

Steve Rittvo testifies on casinos in Kentucky



The Kentucky legislature is again considering proposals for the legalization of casino gambling in the state. One proposal is asking for casino at the state's eight existing race tracks and another is asking for five at tracks and four in other areas of the state. Steve Rittvo was a key speaker at a press conference on the issue,

commenting on the revenue potential of the addition of the casinos. An AP story by Mark R. Chellgren and reported in the Lexington Herald-Ledger's Kentucky.com can be found at:

<http://www.kentucky.com/mld/kentucky/news/state/12669166.htm>

Paul Girvan on PA gaming market

"The biggest domestic growth market the gambling industry has seen since California legalized tribal gaming seven years ago" That's how Pennsylvania was categorized in "Gaming companies roll the dice on new slot casinos in Pennsylvania" by Spencer Soper in Allentown, Pennsylvania's *The Morning Call*. The article also quoted The Innovation Group managing director Paul Girvan who has studied the market extensively. "Pennsylvania really is the focus of a lot of companies in terms of expansion," said Paul . "There are limited opportunities to expand in the U.S.



and Pennsylvania is one of them." There will be stiff competition for these licenses." Paul's expertise with the Pennsylvania market included his work with Senator Fumo's office and the Senate Democratic

Appropriations Committee in developing the parameters of gaming legislation in Pennsylvania, which included a statewide market assessment, operator capital cost estimates, and developing indicators of license viability for scenarios differentiated by an increasing number of licenses. Subsequent to the statewide study, Paul was the lead consultant and project manager of a multi-disciplined team advising the City of Philadelphia's Gaming Advisory Task Force in a comprehensive study of the impact of slot venues on that City. Read the article on Hotel Online at: http://www.hotel-online.com/News/2005_Sep_17/k.AAG.1127235508.html

Dr. Scott Fisher on the realities of building in Macau

Although the Las Vegas entry into the Macau gaming market in moving forward, among the hurdles being faced is something as basic as available construction materials. Dr. Scott Fisher was quoted on this issue in "Cultural misunderstandings plague Macau's casino business" by David McKee of the *Las Vegas Business Press*. While Macau's hotel room inventory is expected to triple to 30,000 rooms by 2010, Scott cautioned that, in the wake of the Boxing Day tsunami, a supply crunch for building materials exists in Southeast Asia. Scott also warned that the housing being constructed might not be affordable for the growing pool of needed casino workers. In addition to these issues, the article cites other problems being constraints on the number of gaming licenses, future competition from other Southeast Asian countries and cultural preferences for gaming other than Las Vegas style. Read the article at: <http://www.lvbusinesspress.com/articles/2005/09/29/news/news05.txt>



Matt Sodl quoted on middle market M&A opportunities in gaming industry

In "Panel Says Gaming Industry Consolidation Could Benefit Private Investor," by Chris Jones in the *Las Vegas Review-Journal*, Innovation Capital Managing Director, Matt Sodl is quoted on today's investment opportunities in the gaming industry. Innovation Capital is an El Segundo, Calif.-based investment bank focused on the gaming, leisure and entertainment industries.

Multibillion-dollar mergers create scenarios that can benefit smaller, more-flexible operators and those investors that wish to finance them, said Matt. Properties that don't fit a new corporate profile can often be purchased at great value by private interests. In addition, management teams displaced by buyouts offer investors a ready-made executive team that can quickly turn private money into new cash-generating opportunities. Sodl listed several companies with Las Vegas ties among the private sector's biggest gaming players.



For example, Fort Mitchell, Ky.-based Columbia Sussex Corp., which bought the shuttered Maxim in September 2002 and reopened the off-Strip resort 14 months later as The Westin, has become "perhaps the most-aggressive acquirer of middle market gaming assets in the country," he said.

Los Angeles-based Colony Capital, whose Resorts International portfolio company owns the Las Vegas Hilton, among other hotel-casinos, and Golden Gaming, which operates the local chain of PT's taverns, a lucrative Las Vegas-area slot route as well as three casinos in Black Hawk, Colo., are also heavily in the private investment mix, Sodl added.

Both Sodl and another panelist admitted that public companies maintain several advantages over private interests, most notably their access to capital at reduced interest rates. Sodl added that private companies can thrive by operating under the radar and "going into crevices to find opportunities that wouldn't be there if you're publicly traded." Read more at: http://www.reviewjournal.com/lvrj_home/2005/Sep-16-Fri-2005/business/3364766.html

 THE INNOVATION GROUP NEWS 

THE UNIVERSITY OF
ARIZONA
RACE TRACK INDUSTRY
PROGRAM

The 2005 Symposium on Racing and Gaming

The University of Arizona's Race Track Industry Program presents their annual Symposium on Racing and Gaming, December 5-8, 2005 at Loews Ventana Canyon Resort in Tucson, Arizona. To better serve the pari-mutuel industry, this year's event will present cutting edge racing and gaming issues during a single conference. The Innovation Group is proud to be producing and coordinating the gaming panels.

For more information on the full schedule events, panelists, registration, sponsorship and exhibitor information, visit: <http://www.ua-rtip.org/Symposium/Symposiuminfo.html>

Here is an overview of this year's gaming panels:

Words of the Elders - Experiences from racino executives who have "been there done that!" How they survived, thrived and evolved.

ABC's of Starting Up - Start small or jump in with both feet? The sizing of a project is a critical component - panelists examine how to begin and when to expand.

Racino Demographics - What are the demographic traits of the racino customer? Are they similar to those of a traditional racetrack customer, a casino customer, or are they a different breed all together?

Marketing the Racino - Creating and evaluating marketing events. A "how-to" session to make the most of your database and special events to market racinos, racing and the entire facility.

What's Cooking? - Panelists examine food, beverage and other amenities at the racino and discuss what works and what it is worth.

Racino Design - Theory and application of how to integrate casino gambling into your property. A look at layout, product selection and mix.

Slots 101 Workshop - A short course on the ABC's of racino operations. How they work, game types, calculations, reports associated with slot performance and placement, and the regulatory environment are all part of the curriculum in this session.

Canadian Racino - From far and wide, this session examines the racino phenomenon from east to west. What has it meant for the Canadian racing industry?

Expansion to non-Electronic Gaming - As racinos evolve, we have seen the introduction of poker and other games of chance. What has been the experience of those that have been dealt this hand?

The Wall Street Perspective - What do financial analysts want to see in small companies? Companies familiar to all attendees will be in the spotlight during this session as Wall Street looks at the competitors.

The Innovation Group report becomes required reading

A report by the Innovation Group is being used as required reading by Dr. Bill Eadington's course on Economic and Social Aspects of Gaming and Gambling at the University of Nevada, Reno. The course examines gambling from various perspectives, including regulatory constraints on the commercial gaming industry. The "Interim Report of Findings" of the Philadelphia Gaming Task Force was prepared by The Innovation Group based on a comprehensive study of the impact of slot venues on that City. The Innovation Group also did the initial studies for Senator Fumo of Pennsylvania that determined the number and location of slot machines necessary to meet the state's budget revenue goals.



Innovation Capital advises Jeffrey Gural and TrackPower on partnership with Nevada Gold

Innovation Capital, LLC served as financial advisor to Tioga Downs Racetrack, LLC and its affiliates on its entry into a binding agreement with Nevada Gold & Casinos, Inc. (AMEX:UWN) to acquire a 50% equity interest in a new limited liability company that will be 50% owned by Tioga Downs Racetrack, LLC. Tioga Downs is jointly-owned by affiliates of TrackPower, Inc. (OTCBB:TPWR) and Jeffrey Gural. The new entity will pursue the racing and gaming interests of Tioga Downs Racetrack as well as the proposed acquisition of Vernon Downs Racetrack which is currently operating under the chapter 11 bankruptcy protection of its parent company Mid-State Raceway, Inc.

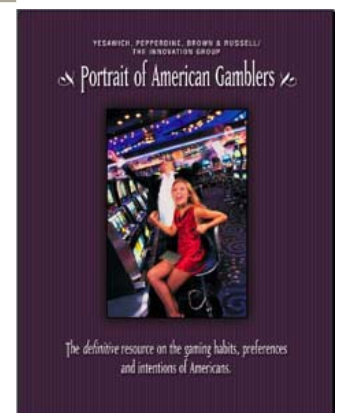
Construction of a \$35.0 million redevelopment of Tioga Downs Racetrack recently began. Tioga Downs Racetrack will operate as a harness racetrack and offer approximately 750 video lottery terminal machines (VLTs) to its gaming and racing customers. A newly-constructed 90,000 square foot grandstand will house a 19,000 sq. ft. casino floor. Concurrent with the completion of the transaction, Nevada Gold will also enter into a management agreement that will provide for the management of the VLT facilities at both Tioga Downs and Vernon Downs. Tioga Downs will oversee the management of the racing operations at both racetracks and will work with

Nevada Gold to ensure the proper coordination of the facilities racing and gaming operations. Ed Tracy, President and CEO of TrackPower, Inc. stated, "We are very pleased with this transaction which allows TrackPower along with Nevada Gold to complete these two projects. We look forward to working with our new partners." Read more at: <http://biz.yahoo.com/bw/050825/255333.html?.v=1>



Who are your customers, really? *Portrait of American Gamblers* sheds some light.

At The Innovation Group, we regularly conduct primary research and scour secondary research sources to gather information that enables us to make solid strategic recommendations to our clients. Now, there's a definitive resource on the habits, preferences and intentions of gamers in this country that will be an additional aid to these development and marketing decisions. It's *Portrait of American Gamblers*, an inaugural publication that represents 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 and Yesawich, Peppardine, Brown & Russell, the country's leading marketing services firm specializing in the travel and leisure industries.



Portrait of American Gamblers is in-depth analysis of the lifestyles and gaming behavior of American adults
 Topics covered in the study include:

- Incidence of day and overnight casino visitation during the previous 12 months.
- Previous day and overnight visitation of specific gaming destinations and of specific casinos.
- Future interest in visiting specific gaming destinations and in visiting specific casinos.
- Future day and overnight casino visitation intentions and frequency.
- Preferred casino hotel/resort brands.
- Visitation and experience with Native American casinos.
- Average expenditures on gambling, entertainment, food and beverage, lodging and shopping for both day and overnight casino visits.
- Desirability of specific attributes when selecting a casino.
- Preferred games.
- Interest in specific casino slots.
- Interest in specific table games.
- Players Club program membership and preferences.
- Influence of specific promotional offers when selecting a casino.
- Vacation habits.
- Leisure time habits and preferences.
- Social values.
- Media habits.
- General consumption preferences and behavior.
- Political and religious affiliations.
- Demography.

To order your copy of the *Portrait of American Gamblers*, please visit the Publications section of www.ypbr.com.

Custom research for a fraction of the price.

In the course of undertaking 2500 in-depth surveys to produce our recent research publication, *Portrait of American Gamblers*, we gathered an incredible amount of data. And even though *Portrait* is comprehensive enough to be of benefit to strategic development and marketing decisions at all levels, much of data behind it can be cross-tabulated to suit

custom situations. This can be a very economical way to obtain a custom primary research

SUBSET EXAMPLE

Interest in Table Games

	Non-Racino Gambler	Racino Gambler
Extremely/Very Interested in:	%	%
Blackjack	53	56
Poker	31	41
Roulette	21	26
Craps	22	26
Bingo	23	21
Caribbean Stud, Pai Gow	11	17
Live Keno	13	14
Baccarat	6	7

study. *Portrait of American Gamblers* shows how gamblers' answers compare to those of the general population and breaks down most of the responses by age, income and region of the country. But, by re-analyzing that data, we can also generate subsets to show how those responses compare to customers who favor a specific casino or a specific game, to a specific demographic, to occupations, to smoking preference and much more. The list of topics above is an indication of some of the fields that can be cross-tabulated.

The information in a subset analysis can be tailored to the strategic focus you indicate, and the report itself is designed to allow you to quickly and easily make accurate assessments of a large amount of consumer preference information as it applies to your specific situation. The potential also exists to enhance the basic premise of the subset analysis by creating a more defined consumer focus through the cross-tabulation of multiple subsets. An example of the value of this would be an analysis that focuses on gamers with a certain attribute who reside within a specified geographic region (e.g. preferences of slot players in the Chicagoland market). As long as the initial subset sample is large enough to maintain statistical validity through the additional subset tabulations, the possibilities are virtually limitless.

Portrait of American Gamblers EXAMPLE
Most Important Casino Attributes (Entertainment):

	Echo			
	Boomers	Xers	Boomers	Matures
	%	%	%	%
Nightlife and live entertainment	65	56	48	33
Concerts	49	40	37	24
Production Shows	22	25	26	25
Boxing	24	20	12	6
Adult Revue Show	16	13	8	9

To discuss in-depth market segment analyses please contact Dennis Marzella, Executive Vice President/Partner, Research and Brand Strategy, Yesawich, Peppardine, Brown & Russell, at 407-875-1111 or dennis_marzella@ypbr.com

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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