



TFA

Monthly Newsletter

March 2015

VIEW NEAR THE MECHOOPDA INDIAN TRIBE RESERVATION, CALIFORNIA.

IN THE NEWS

Swing for the Fences... or, is Small Ball Better? Economic Diversification Strategies in Indian Country

by William Crader, CFA

For the better part of the last quarter century, most of Indian Country has benefited from the meteoric growth of gaming – it's provided millions of dollars to fund tribal government programs and improve the quality of life for tribal members. Gaming has been a home run for Indian Country – a grand slam even – but is it reasonable to expect that another "home run" will materialize? Or, should tribes consider devoting more cash flow generated from gaming to play "small ball" in order to provide greater economic stability and economic sovereignty?

Swinging for the Fences.

Between 1995 and 2006 (the last full year of pre-recession growth), gaming revenue generated by Indian casinos increased from \$5.4 billion to \$24.9 billion, an annual growth rate ap-

proaching 15%. While it's taken a significant investment to get to this level – the returns have been phenomenal. It's driven many tribal councils to search for that next "home run" deal, with some thinking if a tribe's investment isn't going to generate a significant return of 2x, 3x, or more of the original investment – that is a "home run" – then forget it. Green energy, online gaming, online lending and, more recently, cannabis – the quest to find the next big economic development opportunity is wide-ranging. Substantial tribal resources have been committed to these efforts, but to date we have yet to see many success stories that have achieved the same economic impact that gaming provided.

We are not saying that another home run doesn't exist – but we do note that
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Governor Signs Gambling Compact with Amador County Tribe

2/2/15 – BizJournals.com

Mississippi Choctaws Re-Open Golden Moon Casino to Stave off Decline, Compete with Wind Creek

2/2/15 – AL.com

Ho-Chunk Inc. Becomes Major Shareholder of the Native American Bank

2/11/15 – IndianCountryToday.com

Proposed Muskegon County Casino, 7 Years in the Planning, Steps toward Federal Approval

2/24/15 – MLive.com

Panel Mulls Compact that Allows New Casinos, 24-Gambling

2/24/15 – SantaFeNewMexican.com

Indian Country Looks to Marijuana as new Moneymaker

2/26/15 – McClatchyDC.com

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the success of tribal gaming has been partially driven by tribes taking advantage of a regulatory advantage. Tribes can offer something that others cannot. Should there be another industry where a tribe can operate and others can't – or that a tribe can operate at a lower cost structure – this should present another opportunity to capitalize on. Swing for the fences when you have an advantage.

Small Ball (and focusing on wealth generation).

If the objective of tribal governments is to create greater economic stability and economic sovereignty, perhaps an alternative strategy is to play "small ball" – use bunts, singles and doubles instead of home runs – to achieve their economic goals. This approach can include anything from accelerating debt repayment to acquiring a restaurant franchise.

Many tribes are already taking active steps to diversify away from gaming. In 2013, the Mille Lacs Band acquired two major full-service hotels in downtown St. Paul. The Salt River Pima-Maricopa Indian Community partnered with the Arizona Diamondbacks and

Colorado Rockies to build a MLB spring training facility on Community land. Just last week, the Mohegan Tribe announced they had received a franchise territory for Jersey Mike's Subs sandwich shops. This is in addition to two other franchises they have acquired (Smashburger and Arooga's Grille House & Sports Bar).

Large or small, these businesses do not have to achieve the same level of success as gaming to make a meaningful impact to a tribe's economic diversification efforts. Singles and doubles are just fine. As Babe Ruth famously once said, "If I'd just tried for them dinky singles, I could have batted .600."



Balance.

To be clear, we don't believe tribes should outright abandon pursuing big opportunities. Taking risks is an important part of any wealth generation strategy. The concept being promoted is to recognize your inherent advantages, be realistic with the view that not every business can be a home run, and use resources wisely to develop and build cash flow generating businesses. This inherently requires tribes to balance current spending needs with long-term investment goals. Perhaps playing small ball might offer tribes a better chance to achieve such goals.

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