

TFA

Monthly Newsletter

October 2015

IN THE NEWS

G2E: Thoughts and Take-aways

by Jeffrey Heimann

Before we get into this month's article, we want our readers to be aware of the devastation the Valley Fires in Lake County, CA caused, particularly to the Middletown Rancheria of Pomo Indians. Of the ~1,200 residents who lost their homes in the fire, at least 43 are Tribal members and/or employees of Tribal enterprises. Please include all victims of the Valley Fires in your thoughts and prayers. And please, consider making a donation to the Middletown Rancheria Tribe Valley Fire Disaster Relief Fund – see additional information in this newsletter and [click here](#) for a letter from Chairman Jose Simon.

The Global Gamin Expo 2015 was held this week in Las Vegas, where thousands of Tribal leaders, gaming executives, corporate management and other industry professionals gathered to learn about the latest trends, see the newest machines and gaming products, and of course to meet with each other and network. In this month's article we'll share some of our thoughts and key take-aways from the conference.

As a whole, Indian Gaming continues to grow since the economic turmoil and recession of 2008 and 2009. According to noted economist Alan P. Meister, PhD, who spoke at the Tribal Overview: State of Indian Gaming seminar, Indian Gaming now represents about 43% of all gaming revenues in the United States. NIGA Vice Chairman Kevin Leecy noted the progress made under IGRA, in that it ultimately is providing many Tribes the opportunity for self-sufficiency through gaming. NIGA Executive Director Jason Giles discussed a bit of the political landscape as it relates to Tribes and gaming. Mr. Giles stressed the need for Tribes to continue to fight for the same universal principles that other sovereign entities are entitled to – specifically that Tribes are entitled to exercise their rights in deciding how to, or how not to, engage with organized labor. Finally, Mille Lacs Corporate Ventures CEO Joe Nayquonabe gave the example of his Tribe's diversification efforts and success, in that his Tribe has invested in entities outside of gaming but is leveraging its gaming

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Above: Bill Crader spoke on the Financial Turmoil panel while at NAFOA's Fall Finance & Tribal Economics Conference in September.

San Diego's Sycuan Tribe Permitted to Expand Gaming Operations to New Location

9/04/15 – KPBS.org

Appeals Court Gives Thumbs Up to Seneca's Buffalo Casino

9/15/15 – Niagara-Gazette.com

Historic Mashpee Wampanoag Tribe Awarded Sovereign Territory

9/19/15 – PRNewswire.com

Judge Rejects Rancheria Casino Challenges

9/26/15 – Appeal-Democrat.com

Oklahoma Tribes Detail Federal Government's \$186M Lawsuit Settlement

9/27/15 – NewsOK.com

(continued from page 1)

dollars to achieve such diversification success.

On a more macro scale for the gaming industry as a whole, Alex Bumazhy, Fitch Ratings' Director of Gaming, Lodging and Leisure, shared his insight around expectations for future gaming growth, saying that while the industry is moving toward a post-recession recovery, the exponential growth seen from the early 1990s through mid-2000s is unlikely to return. Fitch believes that the long-term growth in regional gaming will be largely flat and possibly slightly negative. Some of the factors leading to this are "the already-broad prevalence of gaming throughout the U.S., the expansion of gaming alternatives, an incomplete consumer recovery and less gambling by millennials" (more on this below). Bumazhy also said that his company considers nearly 40% of states (16 of 41 that allow gambling) are over-penetrated, meaning that gambling demand isn't strong enough to support the casinos in such states.

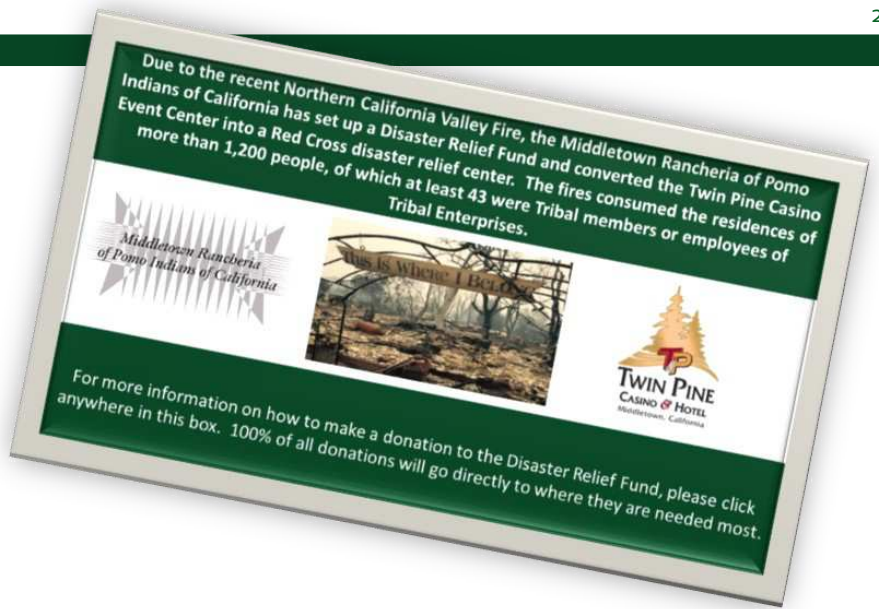
One of the more interesting and candid speakers at G2E was Mark Frissora, the new CEO of Caesars Entertainment Corp, who told the audience he was "shocked" by the gaming industry's "lack of innovation" to attract millennials. Frissora was essentially saying that reports of the casino industry being oversaturated, as suggested by Fitch, might be a misnomer simply because casinos have yet to figure out a way to successfully attract this large

segment of the population. Skill-based slot machines, slot machines with social game features, allowing cellphones at the tables, and even having beer pong tables, such as the twelve tables within Linq Hotel's small casino, are only a few of the many ideas being discussed at G2E to attract this market segment.

Finally, one of the hot topics of the conference was around daily fantasy sports, which is the gambling-like product offered by companies such as DraftKings and FanDuel. You've no doubt heard of these, and probably quite a bit in the last few weeks: in September alone, these two companies spent over \$100 million in TV advertising. The difference in the regulatory nature of these companies and casinos is because DFS and sports betting is "skill" and not "chance", where the house is mathematically assured to

win. How this influences the casino industry, and Tribal casinos in particular, remains to be seen. Many speculate that the attention DFS is getting could result in the legalization of sports betting, while others thought a taxed and regulated industry was more likely. In either case, the growth of this sector means another potential outlet for patrons to spend their limited discretionary dollars: reports indicate that in the first two weeks of the NFL season, DraftKings and FanDuel made over \$20 million in revenue – not bad for an assured cut of the entries fees.

Our company was at G2E all week and met up with a lot of our readers. If we missed you and you would like to discuss anything in more detail, please feel free to give us a call.



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