



HAPPY 4TH OF JULY FROM EVERYONE AT TFA

IN THE NEWS

Preparing for a Competitive Threat

by Jeff Heimann

Last week I attended the Washington Indian Gaming Association's Northwest Indian Gaming Conference and Expo at the beautiful Tulalip Resort Casino. There, we had the opportunity to arrange a panel, *Planning for a Major Competitive Threat*, that included Lisa Miles, CFO of Lucky Eagle Casino & Hotel, Kris Nixon, CPA for CliftonLarsonAllen, Matthew Robinson, Founder and Principal of KlasRobinson, and Alan Gordon, SVP at Bank of America.

One comment that really impressed me was from Lisa, who shared that Lucky Eagle began preparing for eventual competition from the Cowlitz Tribe about 10 years ago. Starting off with a SWOT analysis (strength, weakness, opportunities and threats), they focused on a strategic plan to be fully prepared when the day of new compe-

tion arrives. Some of the items she shared, together with other items discussed by panel members, include the following:

Build a Formal, Effective Marketing Program

Examine who your customer is – through customer surveys, comment cards, secret shoppers, player database analysis, etc. – and brand the casino experience accordingly. Ensuring that your customer and your product are consistent is key.

Know Your Market

Engaging with several feasibility firms to assess demographics and market demand is key. Equally important, in each case have the firm assess the potential impact of competition on a "status quo" basis (that is, if the casino



Above: TFA hosted the wine tasting reception at the Northwest Indian Gaming Conference and Expo last week at the Tulalip Resort Casino

Soboba Band Still Working on Plan to Relocate Casino to new Site

6/1/15 – Indianz.com

Gambling Compacts with NM Tribes Pass Final Hurdle

6/11/15 – ABOJournal.com

Interior Department Gives OK to Spokanes' Casino Project

6/15/15 – Spokesman.com

A Look at the Proposed Tohono O'Odham Nation Casino

6/25/15 – AZCentral.com

Indian Tribe Recognition Process Overhauled

6/30/15 – WGEM.com

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does nothing in response to the competition) in addition to analyzing scenarios of any expansion projects being considered. If a material amount of time passes before breaking ground on any project, if the economic outlook changes or if the competition's programs and amenities change, then be sure to update the market studies.

Understand the Impact to Existing or New Loans

Many agreements governing casino loans include "increased competitive environment" covenants and other financial covenants that govern acceptable credit profile parameters. If new competition is anticipated prior to any refinancing at your casino, read these provisions carefully and see if adequate cushions exist under the loan agreements and if not, start conversations with lenders early. Often times, if a lender is approached early with the right story and the plan in place, they will be more flexible and offer better pricing than if approached late in the game or, worse, after a default exists.

Most Importantly, Understand the Impact to the Tribe and Communicate with Tribal Leaders

As is typically the case with new competition, your casino may experience temporary or permanent declines in gamer visitation and overall revenue. Prior to the impact of new competition, the Tribe may have the opportunity to maximize debt repayment such that the casino enterprise is in the best "credit shape" possible once competition arrives. Alternatively, the Tribe's priorities may include governmental programs or other Tribal needs that justify less debt repayment, in which case the proper analysis should

be provided to Tribal leaders to help them understand the long term financial impact of that approach.

With respect to analyzing any capital projects to the casino, again do your homework: review various scenarios that outline anticipated casino performance and incorporate the cost of existing and any new debt – fully understanding the effect on cash flow available for distributions to the Tribe is key. In the case where distributions may be negatively impacted because of the new competition, Tribal leaders need to be informed early and often so they are fully prepared to make the best decisions for their Tribe.



TRIBAL FINANCIAL ADVISORS INCORPORATED

TFA

400 Continental Boulevard
Suite 320
El Segundo, CA 90245
tribaladvisors.com

KRISTI JACKSON
VICE CHAIR and CEO
310.341.2335
kjackson@tribaladvisors.com

JEFF HEIMANN
MANAGING DIRECTOR
310.341.2518
jheimann@tribaladvisors.com

DAVID HOWARD
PRESIDENT
310.341.2795
dhoward@tribaladvisors.com

WILLIAM CRADER
MANAGING DIRECTOR
310.341.2336
wcrader@tribaladvisors.com

TRIBAL BOARD OF ADVISORS

BRIAN PATTERSON
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