

CASINO GAMING AT LAKE TAHOE: THE REALITIES

March 25, 2010

**William R. Eadington, Ph.D.
Professor of Economics**

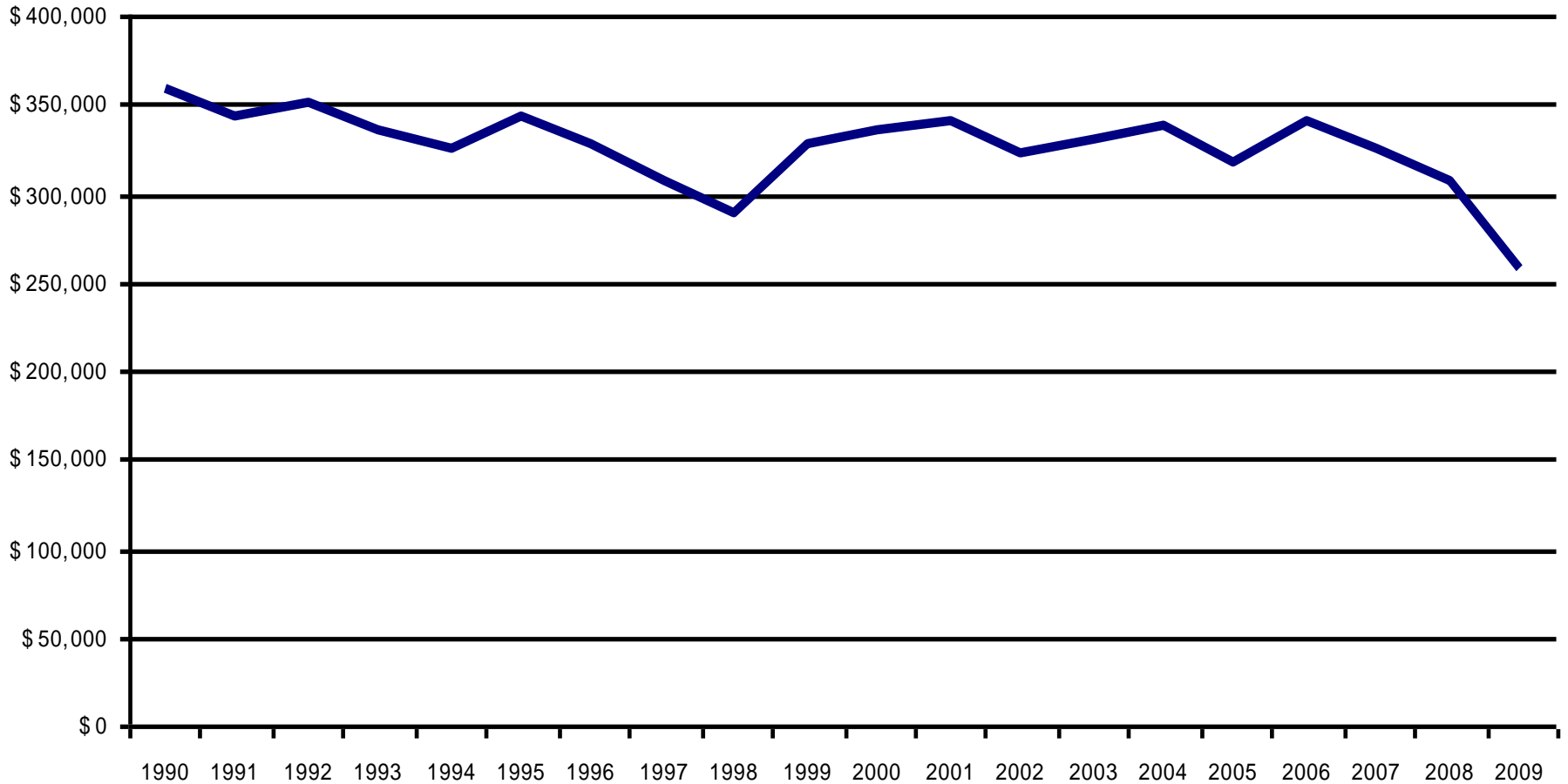
**Philip G. Satre Chair in Gaming Studies
Director, Institute for the Study of Gambling and Commercial Gaming
University of Nevada, Reno**

UNDERSTANDING THE ECONOMIC REALITIES OF GAMING AT SOUTH LAKE TAHOE

- **The South and North Lake Tahoe casino industries declined by about half between 1990 and 2007**
- **The effects of the recession, as well as proliferation of gaming opportunities, has removed another 30% of the business at Lake Tahoe since 2007**
- **These trends will not reverse themselves, regardless of what is built at South Lake Tahoe or North Lake Tahoe**
 - **This is widely known by all major gaming companies and financial institutions**

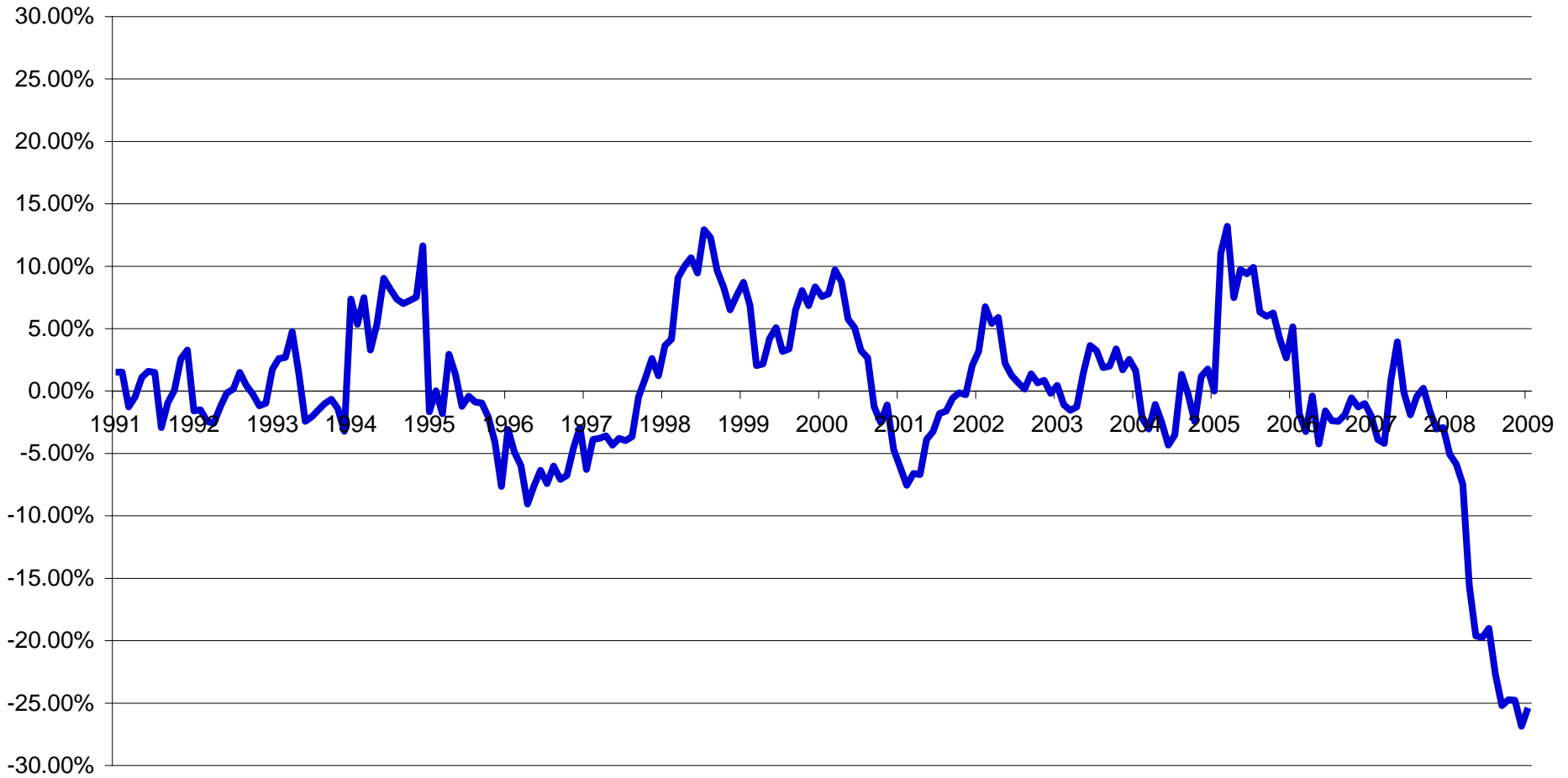
SOUTH LAKE TAHOE GAMING REVENUES

(\$ thousands) 1990-2009



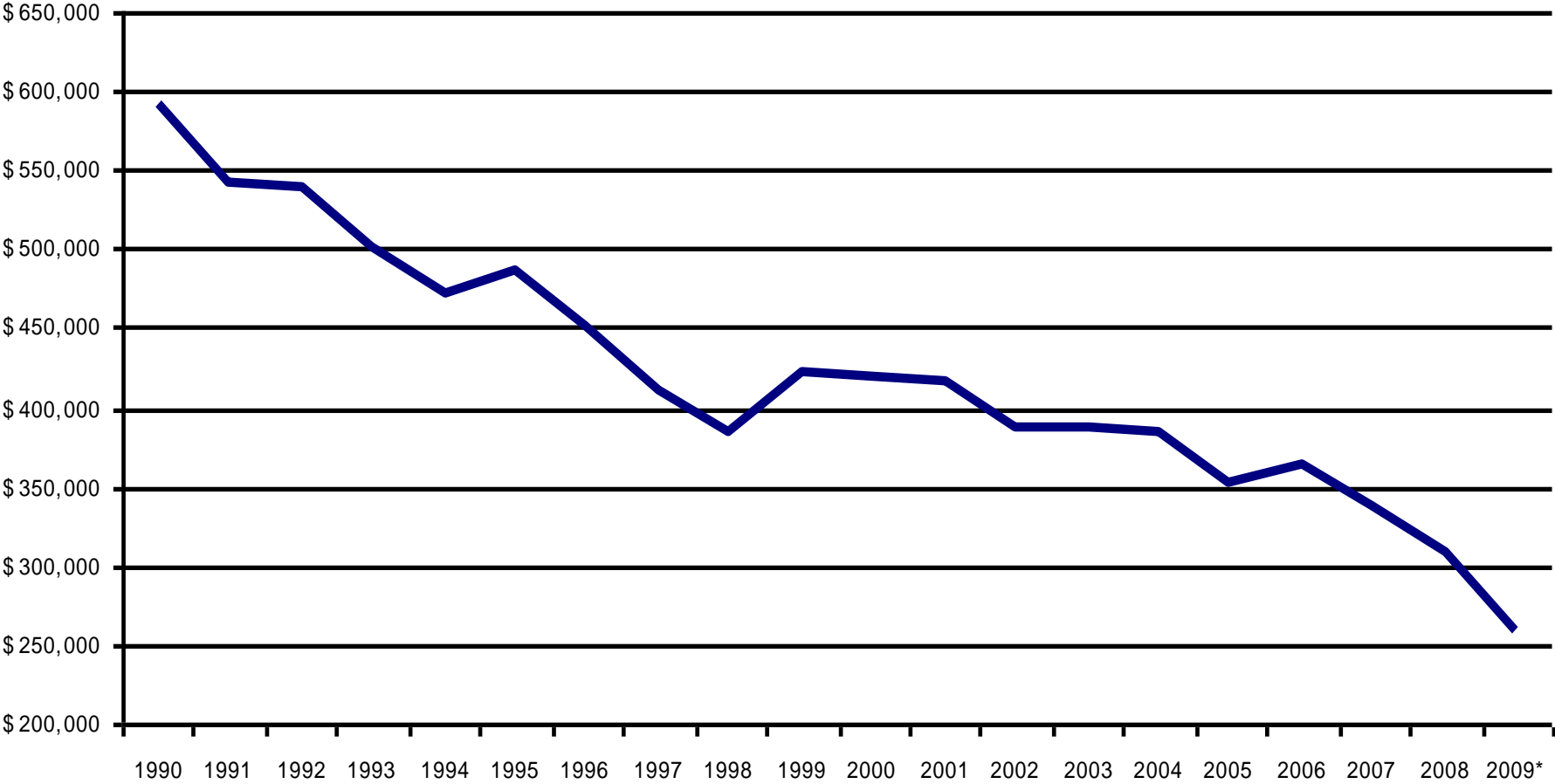
SOUTH LAKE TAHOE GROSS GAMING REVENUE GROWTH 1990-2009

12 Month Moving Average

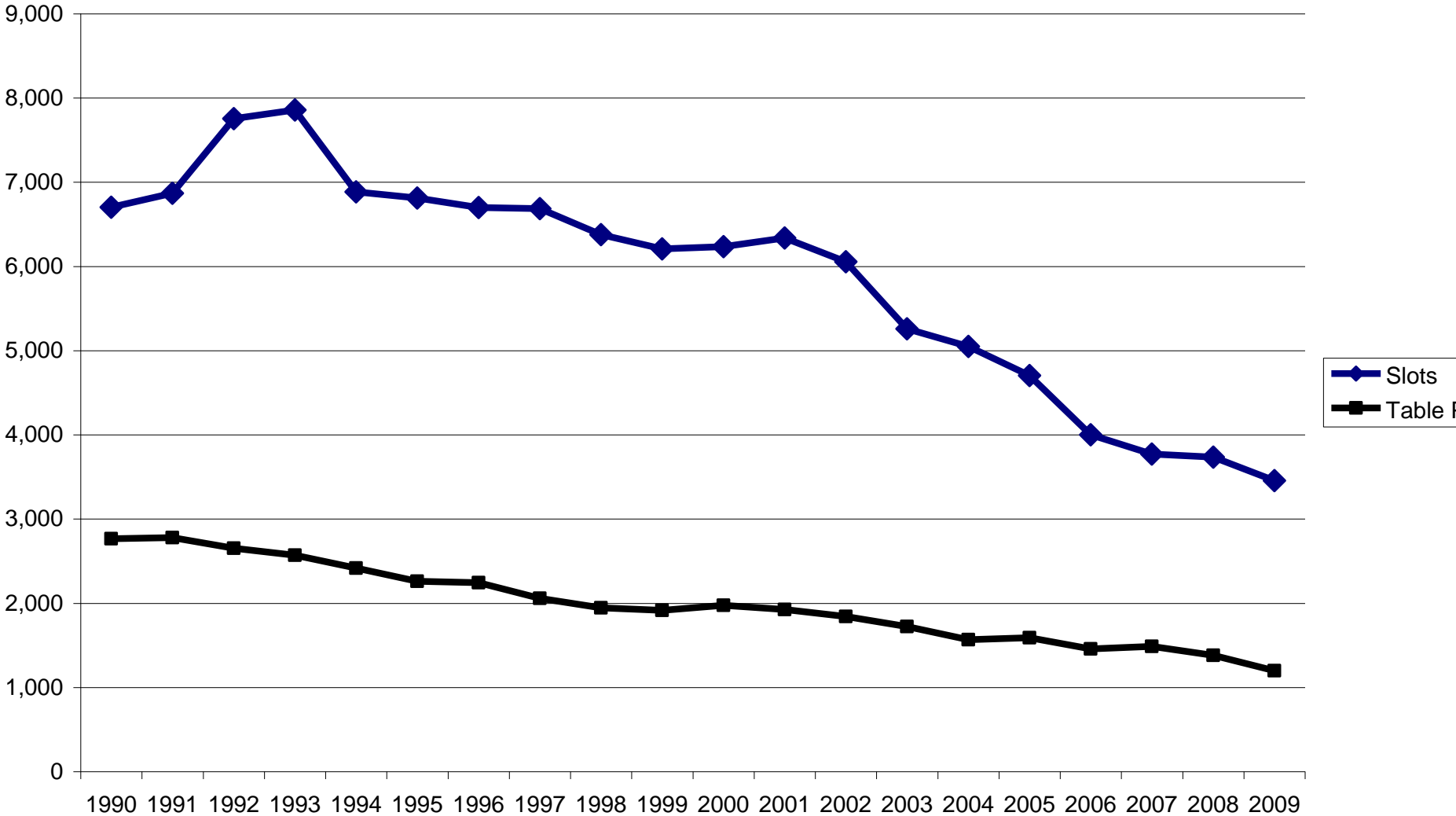


SOUTH LAKE TAHOE REAL GAMING REVENUES

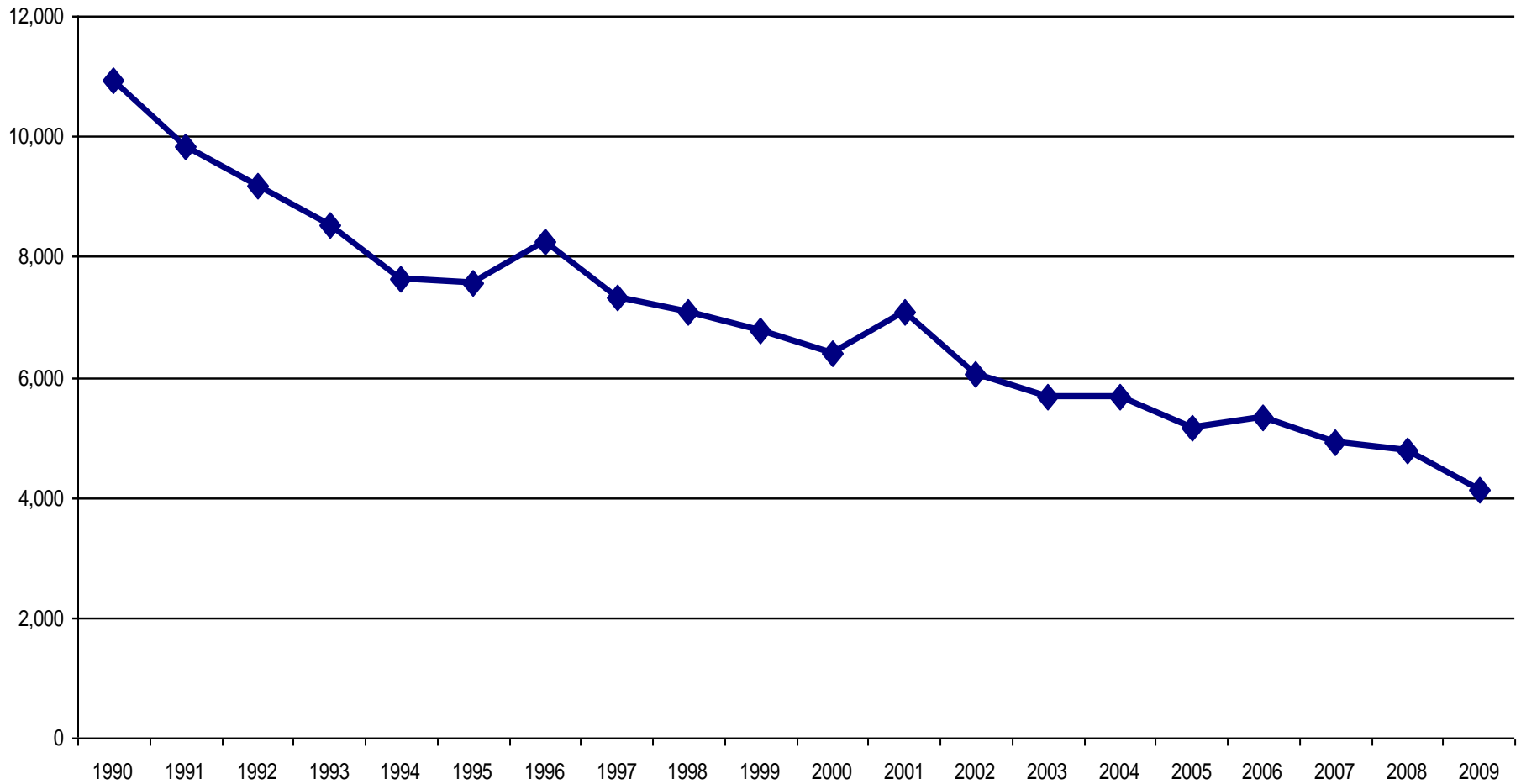
1990-2009 (2009 dollars)



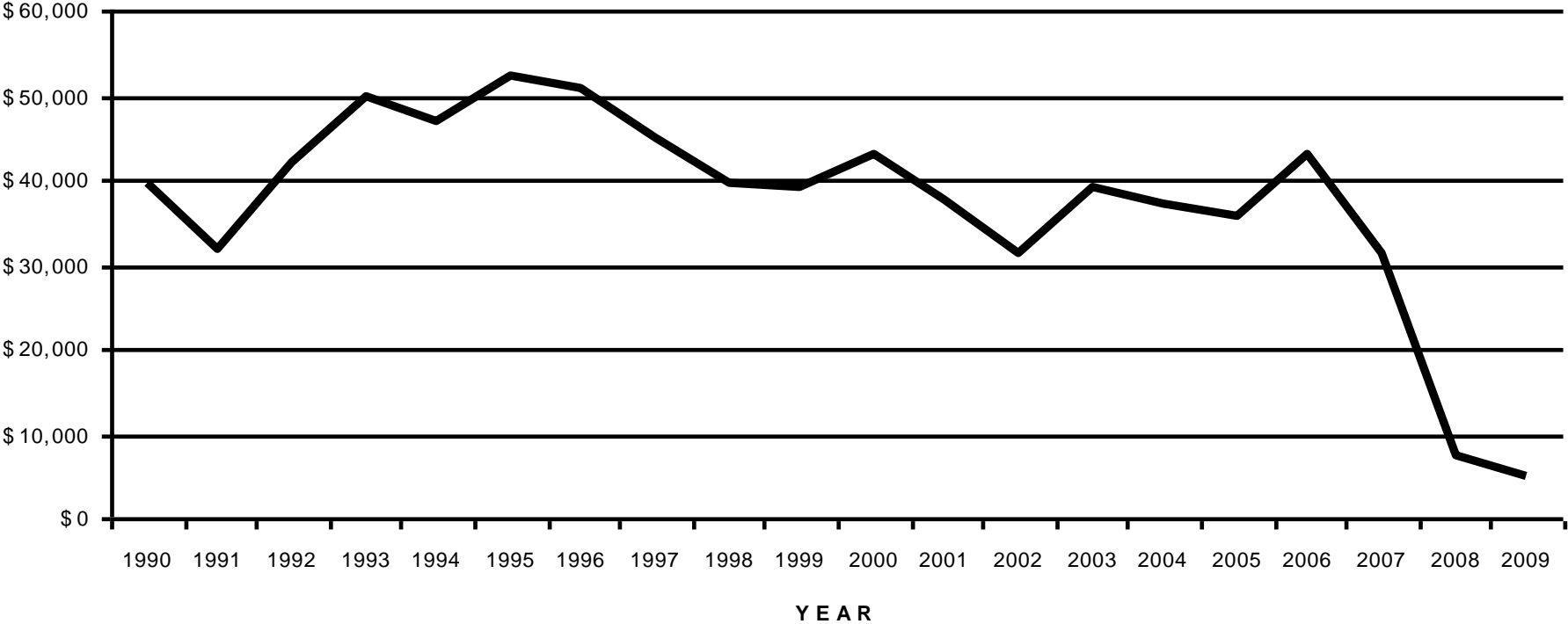
SOUTH LAKE TAHOE SLOT MACHINES AND TABLE GAME POSITIONS, 1990-2009



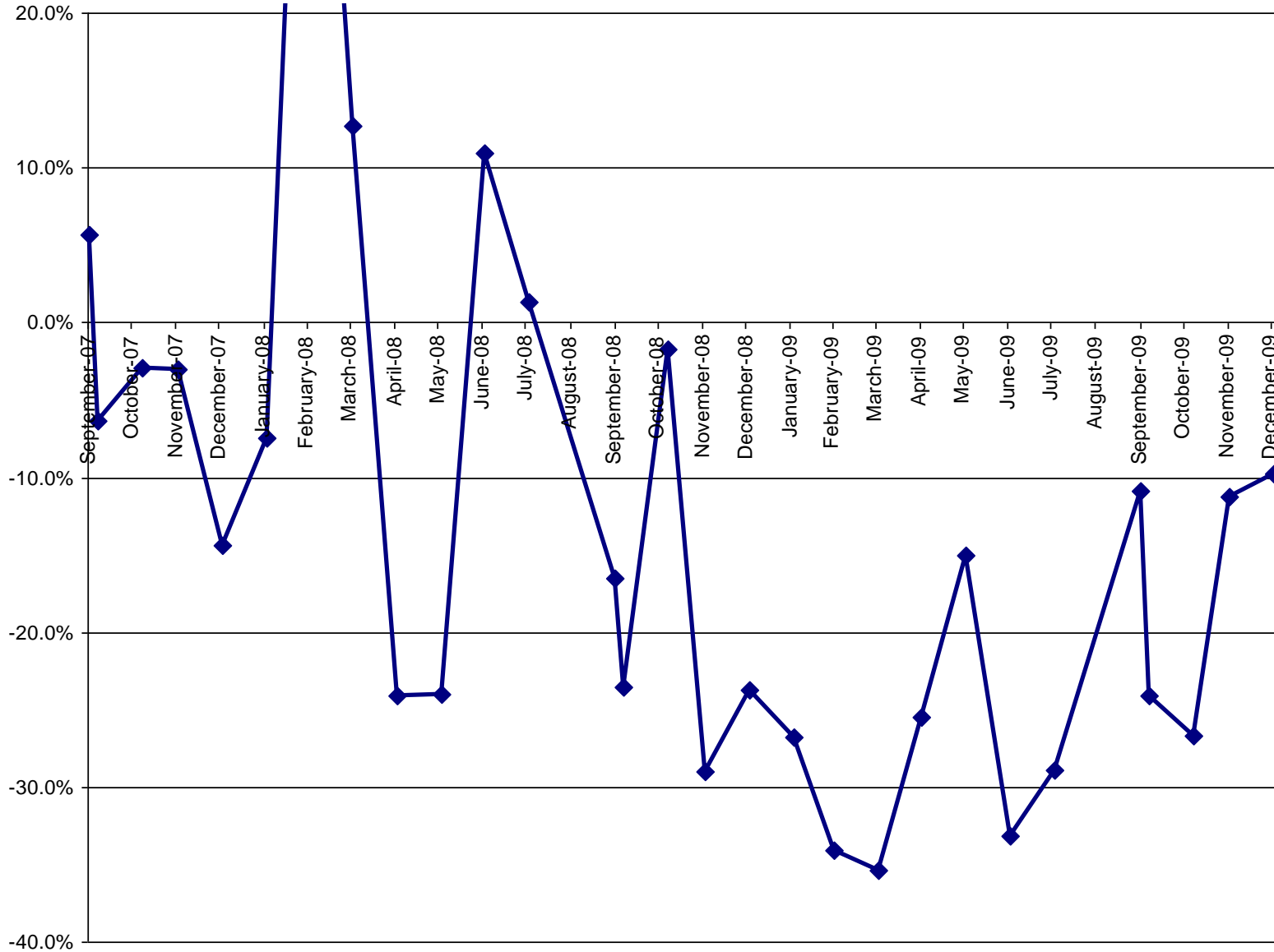
EMPLOYMENT, SOUTH LAKE TAHOE CASINOS 1990-2009



**SOUTH LAKE TAHOE, NET INCOME ADJUSTED
FOR INFLATION (& mark-to-market)
(\$ thousands) 1990-2009***



SOUTH LAKE TAHOE GAMING REVENUE GROWTH YEAR OVER YEAR 2007-2010



Regional Competitive Update – Northern California Tribal Casinos

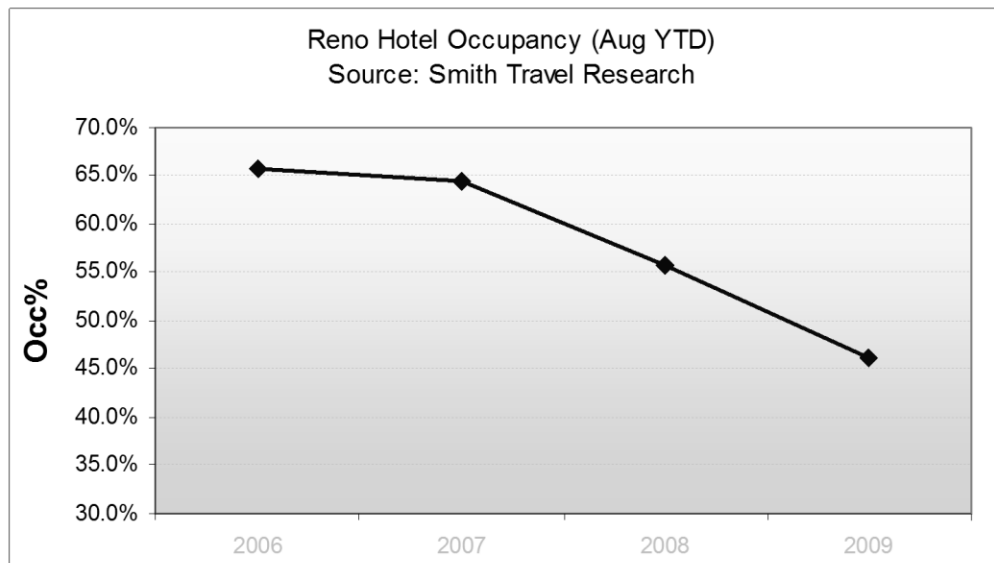
- Fall '08 - Thunder Valley halts expansion project, citing economic downturn
- Dec '08 - Red Hawk Casino opens
- Feb '09 – Thunder Valley axes top 5 executives, including GM/CEO
- Spring '09 – Thunder Valley resumes expansion project, with reduced scope
 - 8 fewer hotel floors, no 3,000 seat performing arts center, smaller garage
 - When completed – 400 rooms, spa and 10,000 sq ft multipurpose space (events, meetings)
- Summer '09 – Promotional war b/t Red Hawk and Thunder Valley begins
- Sept '09 – Jackson Rancheria eliminates bus operations
- Oct '09 – Red Hawk Casino GM exits
- Oct '09 – Cache Creek stops major development project, citing economic downturn

Competitive Update – Las Vegas

LVCVA STATISTICS				
	2006	2007	2008	2009*
Occupancy rate	89.7%	90.4%	86.0%	82.7%
Average Daily Room Rate	\$119.66	\$132.09	\$119.19	\$92.58
Conv. Attendance	6,307,961	6,209,253	5,899,725	4,118,008
En/Deplaned Passengers	46,193,329	47,728,414	44,074,707	39,094,265
PERCENT CHANGES				
		2007	2008	2009*
Occupancy rate		0.8%	-4.9%	-3.8%
Average Daily Room Rate		10.4%	-9.8%	-22.3%
Conv. Attendance		-1.6%	-5.0%	-30.2%
En/Deplaned Passengers		3.3%	-7.7%	-11.3%
*Year to Date through Aug 2009				

Competitive Update - Reno

- Peppermill (\$500M expansion in '08) and Atlantis (\$50M in '08, \$100M in '10) continue to grow, boosted by strong locals popularity and location to Convention Center/Airport
- RSCVA completes 3rd round of budget / staff reductions in Dec '09
 - Planning major “rebrand” of region – Reno Tahoe USA – in 2010 (funding uncertain)
- In 2010, RSCVA estimates 4.5% down in overall cash revenue and 2.0% down in cash ADR (despite the boon of the male bowlers convention – Feb-July 2010)



REASONS WHY WE HAVE SEEN THESE TRENDS

- **Lack of new casinos, and limited new capital investment in existing casino facilities**
- **The proliferation of legal casinos in the region, and especially in Northern California since 1990**
- **Mega-casino developments in Las Vegas since 1989; and**
- **The reduction in airfares and the increase in convenience of flying to Las Vegas**