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## Conversations w/Tino

Guests	Pat Crofts
	CEO
	Muscogee (Creek) Nation Casinos
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Tino Magnatta: And welcome to another episode of GT radio, your host, Tino Magnatta. And tonight I have a really great show with a really cool guy. Good friend, Mr Pat Crofts, CEO, Muscogee (Creek) and River Spirit. Welcome to the show, Pat. How are you buddy?

Pat Crofts: I'm very good. Thank you. Good talking with you.

Tino Magnatta: Good. Yeah, we just wrapped up G2E, was pretty crazy, wasn't it? A lot of people there.

Pat Crofts: It was a great show. Obviously the biggest gaming show in the world and the most well attended, so it's always good to get there and see all your old friends. A lot of them you only see maybe once a year.

Tino Magnatta: Yeah. So listen, this is the... I mean, of course everybody's asking you this, so let's cut right to it. Tell us exactly what happened because this is like one of the biggest natural disasters that's happened to a casino in long time. Tell us about a little bit of how it happens and what happened after and all that stuff.

Pat Crofts: Sure. Our flagship property is here in Tulsa, Oklahoma on the banks of the Arkansas river. And we had a very, very wet fall and early summer and about mid-May, the rain kept coming and coming and the upstream lakes that were supposed to stop any flooding, were already over capacity and just kept raining and raining. And the core of engineers who operates the upstream dams had to keep letting water out so that dams weren't breached and as the water kept coming up and up, obviously the level of the Arkansas river kept coming up and it went well above the a hundred year flood plain. And we got to a point where all of our utilities coming into the building are underground and we were notified by the power company that we had four hours to evacuate the casino, evacuate the hotel tower and evacuate all of our employees because we are going to be without power.

So we did have to do the evacuation and we were shut down for 30 days and the water did come in to the lower levels of the casino. That were some spectacular photos. All over the news media, national news media came out here, today's show and some of the others and these shots of the Arkansas river completely surrounding our beautiful glass, hotel tower and our casino parking lots were all underwater and we got a lot of national attention because of that. But also we were able to, we made the decision to pay all of our employees all during the closure. At the time we made that decision. We didn't know if we're going to be closed six days or six weeks or six months, but we decided to do that. And as I mentioned, we were closed for 30 days.

We had three remediation companies on site. Once the water went down and we're able to, as I mentioned, reopen, but the three remediation companies, they were onsite 24/7 and many days over the 24 hour period, we would have over 500 workers working on remediating and getting us back open. But we did

get back open after 30 days. We had a lot of happy employees and even happier guests that they could start coming back to our facility and all ended well. We've been back in business and doing well since, but it was quite an event. And like I say, one of the major disasters included the resort casino property. But we're back in business, we're doing well and lets say things are good now.

Tino Magnatta: It's great. Congratulations. I mean, 500 people working on the remediation. Wow. That's just a lot of people. And how many people were in the building at the time that you had to evacuate? That must've been incredible evacuation. What-

Pat Crofts: We have 1600 employees that work here at the facility. Not all of them were on the shift at the same time, but we have a Margaritaville restaurant and operation here. And we also have a Ruth's Chris steakhouse. And they were all staffed, they were probably nearly between 750 and a thousand employees. And our hotel was probably nearly full, 500 rooms, say two people a room, that's another thousand people, and in any given time in our casino, there's probably a couple of thousand people coming through. So all in all, three or 4,000 people had to be evacuated in a four hour period.

Tino Magnatta: Unbelievable. Yeah. Incredible. And I mean, what a sign of kindness for the tribe to pay for the employees to be entire 30 days.

Pat Crofts: Right. And like I said, we didn't know if it was how long it was going to be, but we just made the commitment that we were going to pay. Not only are we going to pay all of our employees their full paychecks, but we also maintain all of their benefits, their health care, and all the other benefits were maintained all during the closure period.

Tino Magnatta: Now, Pat, how long have you been with the tribe?

Pat Crofts: I've been an employee since 2011. For three years prior to that I was working with the tribe as an outside consultant. I was working with Larry Wolf and Navegante Group and we helped the Muscogee (Creek) Nation do phase one of the River Spirit casino, which opened in 2009. And after that opening the tribe, I guess you could say, they made me an offer I couldn't refuse and I went to work for the tribe in 2011 as their CEO of the gaming properties.

Tino Magnatta: That's fantastic. Yeah, you guys have done a great job. Now, we were talking earlier before we came on the show, this is the biggest natural disaster, but there was also another manmade disaster that you were involved with in the early 80s that maybe some of our younger audience might not know, but it was at Harvey's, right? And you were involved with that and there was a bomb involved. Tell us a little bit about that.

Pat Crofts: Sure. Back in the early eighties I was working actually for Harrah's Tahoe at the time and Harvey's is also a Lake Tahoe in Nevada. And Harvey's had a customer

that owed a bunch of money on credit and they were trying to get him to pay and of course he didn't want to pay and he got mad at him. And so he and his sons made a bomb and disguised it as a copy machine and delivered it one day to the business office at Harvey's, at Lake Tahoe. And they took it up to the second floor business offices and installed it and plugged it in and called in a called in an extortion. Either later that day or the next day and demanded, I don't know, a million or \$2 million or something. And they said if they wouldn't pay it, that there was a bomb, had been set in the building and it would go off if they didn't pay it by a certain time.

And Harvey Gross, who owned Harvey's at the time actually tried to pay the ransom. It was supposed to go out, somewhere out in the wilderness near Lake Tahoe and drop a bag of money. Obviously it had a locator device in it so they could catch the extortionist. But the key never showed up to get the money and obviously figured out that he had contacted the FBI and so there was no more contact made. And so the bomb squad had to come in and look at the look at the device and it was definitely going to go off. Luckily it was in a building that had an outside wall. And so ultimately they sand bag three sides of the room and open up the windows on the other side and deliberately set the bomb off.

Well, the bomb literally destroyed most of the casino, obviously all of the second floor, a lot of hotel rooms. And it shut the casino down for a long time. And it was very, very, very serious. I mean, it was shut down for months and months and...

Tino Magnatta: That was wild. What a story.

Pat Crofts: So anyway, that was wild. I worked at Harrah's across the street and we knew when they were going to set it off so we put plywood up, evacuated our building also. The windows and everything were covered up with plywood and the whole South Lake Tahoe was evacuated, where the casino court, South Lake Tahoe was evacuated. And when the bomb was set off, they did ultimately catch the guy and they found out who he was, that he had owed money and exactly what happened. But that was quite a disaster back then. I think it was probably 1981 or 82 right along that timeframe.

Tino Magnatta: Then they went back to rebuild, right? They redid the whole place, right?

Pat Crofts: Right, right. Obviously they had insurance. So once the insurance cleared and they got approval from the TRPA, the Tall Regional Planning Agency, they put up a beautiful 700 room tower, that's really a gorgeous facility. And I was hired when they started getting the financing and rebuilding the property up there. I think I went to work for them in 1980, probably about 1983. So the bomb would have been in, like I say 81 or 82, but Harvey's is a beautiful property at Lake Tahoe. It subsequently was sold to Harrah's, but it was an ugly thing with the bombing and the evacuations and the remodel and remediation and repair, but it came out of the room to be one of the nicest properties at Lake Tahoe.

Tino Magnatta: Yeah. At the end of it. Great stories. A lot of our listeners probably don't know anything like that, but yeah, there have been some disasters in the casino business too. And also of course, the terrible thing that happened in Vegas. So let's talk a little bit about your history, you come from an interesting background. Tell us a little bit about where you're from and what your family was like and some of the aspirations you had growing up.

Pat Crofts: Sure. I was born and grew up in a small community in Southern Utah. My family was in the logging and lumber business, so I actually lived in the summer months, the first few years of my life I lived up in a logging camp in the Rocky mountains of Southern Utah. Lived in a small community, went to high school small community, and then went to college also in Utah. And that's how I ended up in the gaming business, I was at on campus recruiting by one of the then big ACPA firms. And they offered me a job, and they said we'd like to hire you. We have openings in our Los Angeles office and in our Las Vegas office. Would you have any preference? Yeah, let me think about that. I'm 21 years old and I'm single. How about Las Vegas?

Tino Magnatta: That's funny Pat.

Pat Crofts: They hired me and I went to work, a 21 year old single guy in Las Vegas. And what was immediately their primary client of this big ACPA firm was Howard Hughes. Howard Hughes owned, I don't know, between 12 and 15, maybe more casinos at the time. And even though we had other clients, I spent pretty much all of my time, in and around casinos and the ones that weren't Howard Hughes, this firm, back then the name was Haskins & Sells, then it became Deloitte Haskins & Sells, now they're just Deloitte. But anyway, Hughes took me and Hughes empire called Summa corporation were their largest clients.

So I really spent a lot of time around the casinos and really fell in love with the business and the industry. It's not just casinos, there's hotels and bars and restaurants and golf courses, avenue parks, everything. And it was just an amazing business. And that was 1973, over 40 years ago, and I've been associated and in the gaming business ever since. I just can't get excited about any other industry. It's just been really good to me and for me, and I really enjoy coming to work every day still.

Tino Magnatta: Yeah. It's amazing. I mean sometimes you wonder, people saying that's a business, [crosstalk 00:14:16].

Pat Crofts: Some people have a hard time thinking this actually, we're going to work in a casino.

Tino Magnatta: Yeah, yeah. Every time we tell our friends. So we're going to Vegas. Oh, because we have a good time. No, no, we're going to have a good time. Come on you're going to go, you're going to get out of a party, right? They can't get their hands around it. Your roots were in accounting though. Right?

Pat Crofts: Right. I graduated-

Tino Magnatta: In the beginning, right?

Pat Crofts: I graduated with that degree. I had a double major in accounting and finance and that's how I got in with the CPA firm, is my accounting degree. I went to work in Las Vegas for the CPA firm, but one of Howard Hughes casinos was in Reno, Nevada. And I was fortunate enough to be assigned to that engagement to a couple of three years and I really fell in love with Reno and Lake Tahoe. And I got to know some parrows up in Reno. And I was offered a job to go to work for Harrah's in their internal audit department. And I went to work there in 1986 I guess it was, or 1976 I'm sorry. I went to work for Harrah's up in Lake Tahoe.

Tino Magnatta: That's great. So tell us a little bit, what was it like in Vegas back then?

Pat Crofts: Well, it was a different world. I lived at the time that, what people thought was the outskirts of town, which was Charleston and Decatur Boulevard, which anymore anybody that knows Las Vegas, that's like downtown, but West of Decatur Boulevard was desert. And there were probably, back then when I lived there, maybe 250,000 people or so, the permanent residents in Las Vegas. And it was back in the days where Howard Hughes came in and he was helping get rid of organized crime in Las Vegas, as they were revoking gaming licenses, they had Howard Hughes waiting in the wings to take over and buy the casinos and operate them as legitimate businesses. But back in the day, I didn't see it personally, but I understand that people would get caught cheating.

They would get their fingers broken and people that were people that were out of control and rowdy, they might get roughed up a little light by casino security. But I think that's just the way things were Bill Harrah, I think Harrah's was the first publicly traded gaming company. I know it was for sure the first five star hotel property in Nevada, but it was public back when I went to work for them. But it hadn't been public very long. But it's a little different now. There weren't nearly as many people, there was the old downtown Las Vegas and some of the original script properties, but there were space between them, but Las Vegas has certainly grown up then.

Tino Magnatta: Yeah. Yeah. So you started with Harrah's, right?

Pat Crofts: Right after CPA firm that I worked for, I went to work for Harrah's, and back when I went to work for him, it was just Harrah's Reno and Harrah's Lake Tahoe. Then they bought the Holiday Inn and turned it to Harrah's Las Vegas. And then Atlantic city started popping and so we went back and established Harrah's Marina in Atlantic city and Harrah's, it just kept getting bigger and bigger. But I left to go to work for Harvey's in 1983, but working for Harrah's, met a lot of people, it's great organization. As I mentioned, it was at the time, probably one of the only publicly traded companies and Bill Harrah really knew how to do

things right and treat his people right and treat the customers right. So it was a great learning experience working for Harrah's.

Tino Magnatta: Just talk a little bit about that because you hear so much about the Harrah's name and all the innovation first public to get traded company, first rewards program. You were right there in the middle of it Tell us what was so special of Bill Harrah and his team.

Pat Crofts: Well, Bill Harrah, he had an eye for nice things, and there couldn't be a speck of dirt on the floor. He would walk through a casino and there better not be a light out in the ceiling. There better not be as smudge on any paint. There better not be anything dirty or not spic and span. He was very meticulous and very particular. And he wanted it to be number one, the very best casino operation in the state. And and I think he was back at that time, he had a really good team of people that worked for him. And like I mentioned Harrah's Lake Tahoe, when he built it, it was purpose built to be a five star, five diamond hotel, which it was right off the bat.

And he was very, very proud of that. He was also known to be, he was kind of a thrill seeker. One of the best jobs you could have if you worked for Harrah's back then was one of his bodyguards, because he liked to drive fast. He liked to have fast airplanes. He liked to have fast boats, but his bodyguards all had Ferrari's as their cars so they could keep up with him when he drove the roads of Nevada, which had no speed limits. So everybody was very envious of bodyguards.

Tino Magnatta: Wow. Wow. That's amazing. I never knew that story. That's a great story. So the evolution has been incredible from then until now. It's just a different... what a curve that's been.

Pat Crofts: Right. Yeah. Well, Bill Harrah died in 1976 and to pay the estate taxes, they had to put the company up for sale and Holiday Inn, South of Memphis, Tennessee bought Harrah's back then and they had a little bit different philosophy than Bill Harrah did. And things did change substantially after that. I mean, Holiday Inn's let Harrah's kind of run things by themselves for quite a while. But there was a transition. I was actually one of the first people that went from a Harrah's employee to a Holiday Inn employee. At the time I was the director of internal audit for Harrah's hotels and casinos. And had some people show up at my office one day and said, "congratulations, you've been promoted." And I'd go, really? And they go, "Yeah, you're now the director of internal audit and compliance for Holiday Inn's for the casino division.

And we'll need you to move to Memphis, Tennessee and become part of the corporate office there. I did have an apartment there. I never really moved there. I just traveled back and forth between Reno, Tahoe, Las Vegas and Atlantic city all the time. But I was actually a Holiday Inn employee for a number of years. But there was a change for sure.

Tino Magnatta: Yeah. Different kind of mentality.

Pat Crofts: Yeah. There was.

Tino Magnatta: What do you attribute your success to? What does it take to climb the ladder?

Pat Crofts: Well, I think you've just got to be persistent, stay as current as you can on all the technology. Really just pay attention to detail. And a lot of it is, even when I was with the CPA firm and even after I was in the finance department originally at Harrah's, I was fortunate in the audit department, we did a lot of operational audits as well as financial audits. I got to know all of the different departments, including the entertainment departments, the construction departments, the food and beverage, the hotel, as well as the casino. So that helped, but always, don't be a nine to five or five day a week person. I mean the casino business, weekends and evenings and that's when you're busy. And really just try to broaden your knowledge and what you know about the company as much as possible.

Don't expect you're going to be hired one year and be a manager the next year and a couple years later you're going to be the CEO. It's just not going to happen that way, but you have to be persistent, persevere, broaden yourself as much as possible. Stay current on technology and the industry and things will happen. They will if you, if you hang in there.

Tino Magnatta: Yeah. Eventually if you work hard and do all the things that you can do and volunteer for any job that's out there, then you'll be climbing pretty fast.

Pat Crofts: Yeah. People used to ask me why I like to hang out at the casinos as much as I did when I was supposed to be normally off hours. But I just really enjoyed it. It was always fascinating. And four years later, I sometimes think I've seen it all and heard it all, but I haven't, there's something new, something new will happen about every, if not every day, about once a week something new will come up that you don't think it ever happened, but it does.

Tino Magnatta: Yeah. Yeah. What's different about the native casino business versus commercial casinos?

Pat Crofts: Well, primarily I said, tribes are all sovereign nations. They do have their own tribal laws or there are separate tribal regulations. They're similar but a little bit different. The land, getting where you can put casinos in Indian country is very, very highly regulated and not easy to do. And the main thing you got to remember is they are a separate sovereign nation and they're very proud of that. And they should be, and it probably takes maybe a little longer to get things done. The tribe I worked for, they have the three branches of government and they have committee meetings and council meetings and you've got to be able to go with the flow, I guess.

It's not like if Bill Harrah or Steve Wynn wanted to make a decision and change something tomorrow, it generally doesn't happen that quickly in tribal gaming, if you see a site that you think could be a great place to put the casino, you just can't run out there and build one. There's a long process. So, you've got to be patient and you have to be very respectful of the tribe and their culture. And in most cases, you got to remember too that the casinos are the economic engine of the tribes. It's the inner, probably the biggest moneymaker tribes that are fortunate enough to have casinos that's probably their largest revenue stream. And you've got to be careful with the tribes money and be a good custodian of their assets and their money.

Tino Magnatta: Yeah, yeah, absolutely. What was your first native American casino and how was that transition for you from commercial to native gaming?

Pat Crofts: Well, my first exposure to tribal gaming, I worked for a guy named Fred Gilman, American Heritage Inc. He was one of the early starters of gaming in California when they had those so-called gray market machines. When there was a big... whether or not their bingo games or non bingo games in class two and all that. But I work with Fred and he had a number of casino operations in California. We got a big project in New Mexico, the Route 66 casino. I work on that project. We helped do the financing and get it built and get it operating. And then with Larry Wolf, we also had some tribal clients with Navegante. And that's how I ended up here.

I was working for Larry Navegante Group and then Muscogee (Creek) Nation was trying to build a big new casino in Tulsa and we ended up getting hired to help them get financing and get their construction project together, answer all the questions about how much it's going to cost and how are you going to operate it and how are you gonna manage it and market it. And so my first full time job with the tribe was the one I hold right now, which is with the Muscogee (Creek) Nation. I did consulting work for a number of years, that included tribal gaming. But I've only really had one actual job with the tribe, and that's my current job.

Tino Magnatta: That's great. Fantastic. Tell me a little bit about what's happening right now. There's some stuff going on with the compact, right? In Oklahoma. Tell me a little bit about that.

Pat Crofts: Sure. Well, there's a major issue brewing right now. We have a new governor and one of his campaign promises to look at all everything going on in the state and all of their contracts and agreements. And one of the ones that he was looking at, is the current state compact with all of the gaming tribes here. And he looked at it, and he thinks that the tribe should all be paying a higher percentage in compact fees. And the issue is that the compacts were signed 15 years ago and the tribes and the tribes attorneys all read the compact is that they automatically renew for another 15 years on January 1st of 2020. The governor and apparently his legal advisors don't agree with that.

And so he's attempting to open up negotiations. I think the compact language, if the tribes asked to open up compact negotiations, they know they can, or if there's a mutual agreement to renegotiate the compact and change it, that's fine. But the tribes aren't looking to do that right now. We would obviously like, add sports betting and house bank table games, where we don't have to charge ante and stuff like that. But the issue is the, the governor came out, first thing that he brought up was that the tribes here in Oklahoma are paying too low of a compact fee. And most of our revenue is on electronic gaming machines. And there's a lot of tribes here. There's over 130 casinos in the state of Oklahoma.

It's not like a lot of States where there might be a handful or maybe a couple of dozen. There's... I think the only state that's got more casinos than Oklahoma is the state of Nevada. So the law of economics, you can't charge a real high fee because it's not a gaming tax. It's illegal to tax tribes, but it's exclusivity fee negotiated in the compact and there's just a lot of money at stake here and it's a stalemate right now. The governor thinks that the compacts don't renew and the tribes all feel strongly that the compacts do automatically renew. And I guess there's kind of a showdown coming on coming up sometime between now and January 1st and we don't know what's going to happen at this point in time. I don't think the tribes are going to change their stance. And it doesn't sound like the governor is at this point in time. So don't know what the resolution will be.

Tino Magnatta: Has that affected expansion decisions and rental decisions?

Pat Crofts: I've heard a little talk about that. I mean, everybody would like to have it settled, our banks, our lenders ask us about it all the time. We're not out looking for money right now, but there are a couple of expansion projects going on in Oklahoma now down on the Texas border. I had heard some time ago that one of them might've been slowed down or stopped, but I'd guess that's not true. I think they're going forward with it. But I think yes, everybody pause, that certainly gives the people that are going to lend to us, whether right now a compact fee percent, pops out at 6% on electronic games and 10% on table games and if that were to increase substantially, that would make a lot of difference in borrowing capacity and whether tribes could borrow for more expansion. So it is a major concern. I think people are kind of waiting to see before they announce any new projects, what will ultimately happen here.

Tino Magnatta: Yeah, that's true. Yeah. I say time right? Just to see what's the thing is.

Pat Crofts: Right.

Tino Magnatta: You see any red flags for native gaming in the next five to 10 years?

Pat Crofts: Well, in Oklahoma?

Tino Magnatta: Yeah.

Pat Crofts: I think just talking about the compact, that could be a big red flag. I mean, obviously if Texas were to legalize gaming, that would be pretty big red flag for the state of Oklahoma, particularly the tribes that operate down along the border. There has been a small expansion of gaming nearby in Arkansas. But really, I think it's just kind of a natural order of things, there is going to be more competition coming along. The biggest one for the state of Oklahoma of course, would be if Texas were to be legalized. I've been in the gaming business for 40 years and I've heard that Texas is going to legalize gaming for 40 years and it's never happened, so I'm not sure it's going to.

Tino Magnatta: Yeah, that would be another big one. How about nationally? Is it different nationally or the same thing.

Pat Crofts: I think it's kind of the same thing. There's been a huge expansion of gaming, not just tribal, for a long time in the business where you had in Nevada and Atlantic city and in, of course, riverboat gaming came along, and then tribal gaming came along and, States are all hurting financially. They're all looking for other revenue sources. So you've seen legalized gaming pop up all over. And I think more and more and more, it's becoming a bit of a crowded field. If you can find a good area and have a good market area, you could probably do all right. But at some point in time, there's got to be a saturation point of sometime, I know like Atlantic city, I talked about that, it made a lot of money and the Foxwoods and Mohegan Sun, that occurred and then all over Pennsylvania and New York and Atlantic city is suffering now and there's been a lot of closures there.

In Nevada, particularly in Northern Nevada when tribal gaming happened in California and certainly hurt them, they've seemed to have rebounded pretty good now, particularly up in Reno. It's just, I guess the law of supply and demand and that's kinda natural that's part of business and the business cycle. And that's one of the reasons if you are in operations, you have to be like, Bill Harrah, you've got to pay attention to detail and take care of your customers and take care of your employees. Because there's someone knocking at the door all the time, looking to get into your backyard and get in your market.

Tino Magnatta: That's right, there is. What's your advice to young people coming up through the ranks?

Pat Crofts: I think the main thing would be patience. I mean, you can kind of tend to talk to hit on this before, but be patient, broaden yourself as much as can, learn everything you can and don't expect you're going to be promoted every year to a bigger and bigger position. But keep current, be patient and just broaden your knowledge as much as you can. And another thing is, you learn a lot more listening than you do talking. And so listen and learn as much as you can and join the conversation, don't be too introverted that you don't join the conversation. But there's a lot of great mentors out there and people you can learn from. I learned a lot.

I worked with Ed Stevenson a long time. I work with Tom Yutibidity at Lake Tahoe. I work with Larry Wolf and people at Navegante Group and you can learn something from all of them. There are great people out there with great knowledge and kind of teach you how you should conduct yourself in the business world and also in your personal life to a certain extent also. But look for a mentor, look for the bright people. You can tell the bright ones and get to know them and listen to them.

Tino Magnatta: Where do you see the opportunities for growth in our business?

Pat Crofts: Well, obviously sports betting is blowing up right now. I was just at the G2E, where probably as many courses and booth and stuff about sports betting and internet betting and e-sports and everything like that. I think there's probably tremendous growth there. A lot of States are getting into it right now. I wish I wished the state of Oklahoma was one of them, but we're not even really having conversations about that at this point in time, because of the stalemate and the compacts. But I think there's tremendous opportunities and I hope the States don't open it up where it can be, people in the casino business we're used to the regulation and we know how to run gaming and we know how to take care of what needs to be looked after in wagering and pay outs and everything like that. But some States are, I think hooking it up with their lotteries and things like that. But sports betting, obviously at some point in time, internet betting that's probably the big growth opportunity.

Tino Magnatta: Yeah. Yeah. Those are kind of the new frontier. But tell me something. I've heard a lot of people say that, sports betting is the loss leader, you don't really making a lot of money out of it. Is that true?

Pat Crofts: Well, you can lose money in sports betting just as much as you can make money. I mean, it's very risky. Football season, if certain favorite teams don't cover the point spread. You can be upside down. I know in the state of Mississippi I read, they were doing really good and I don't know, a month or two ago, I think they were negative for the month. Just really depends on the outcomes of the games. And that's why the big gaming companies run their own sports books and race books.

But a lot of the mid size ones, smaller ones, they get with an operator and have someone else come in and operate it. And if you have a bigger operator, they can spread, the secret of running a race and sports book is to balance your book where you try to get as many bets on one side as you do the other side of any proposition or in any of the outcome. And if you've got an operator that's got a dozen or two dozen or three dozen locations, they can do that better than any single operator. I know that from personal experience and being a part owner in a small medium sized casino in Northern Nevada where, if the 49ers covered the point spread, we were good. If they didn't, you may be upside down for the entire weekend, not only in your sports book, but it can offset what you can make in your casino.

So, it's risky, it's a little hold percent, big volume, lot of risk. There is some money to be made, but it's a bit risky. There's a lot more table games and slot machines. There's math behind it, if there's enough plays, the outcome will get near your theoretical whole percent. But in sports wagering there's a lot of emotion and things like that involved. And some people will bet their favorite team no matter what the point spread is, so it becomes a little risky.

Tino Magnatta: Are you there? Hello?

Pat Crofts: Yeah, I'm here.

Tino Magnatta: I lost you there for a second. I couldn't hear you. You had technical hitch. You just tracked out. Technical error there.

Pat Crofts: I'm not even on a cell phone either.

Tino Magnatta: Yeah, there you go. You guys have built, I got to tell you, I've been at this property a couple of times. I just got to tell you this. You guys didn't built one of the most amazing casinos there. When I was there for the first time, I thought I was stepping into a very big casino. Just tell us briefly what was it like working on the project and then having it open and then having it do so well. Tell us a little bit about that experience for you.

Pat Crofts: Sure. I mean, it was just a great project. It was the second phase, we had a large, a hundred thousand square foot casino in phase one and a restaurant or two. And the second phase of River Spirit casino included a 500 room hotel tower. We were able to attract Margaritaville to come in as a partner. We have the Margaritaville restaurant, we're able to bring Ruth's Chris in as our steak house and it's just a beautiful property. Most people walk into our lobby and they can't believe that we built something this nice, in this location. We have a gorgeous pool deck. It's operated by a Margaritaville, but we're in Oklahoma on the banks of the Arkansas river. And if you go down to our pool deck, there are Palm trees, there's a swim up bar.

There are private cabanas, poolside restaurant and bar and people go down there and they say, wow, we can't believe this. I was actually talking to a couple down there this past summer that walked up and said, "do you work here?" And I go, yeah. And they said, "we got to thank you, my husband was stationed in Florida and he got transferred to Oklahoma and we were really, really depressed and we heard about your place and we came down here and every time we come to your facility and come down to the pool, we feel like we're back in Florida." But it does look like that in the great South Florida or somewhere. We get the commandments all over, but it is a beautiful, I mean it's a 27 story glass tower, 500 rooms. 66 of them are suits, and it's just a gorgeous facility.

It was fun being on the design team from the very beginning and helping shape it and getting it built. And what always amazed me is, the architects and people come up with these beautiful renderings and when this project was done, it looked just like the renderings. In fact we accused the construction company a couple of times of building from the renderings rather than building from the blueprints and the plans because it looks identical. But it came out very... it's a beautiful facility. Our first go around were four diamond designation. I mean we've gotten dozens and dozens of accolades and the best of this and the best of that from different magazines and newspapers. And, I don't know, last count, it was 60 or 80 different awards. Our convention center got the venue of the year, I think it's called, that's one of the trade organizations.

We were the venue of the year four for trade shows and conventions for the state of Oklahoma last year. But it's been, not only physically, but financially, it's been a true success and we're doing well for the Muscogee (Creek) Nation. And it's been very, very satisfying. It's been one of the funnest projects I've worked on. I've been involved in a lot of them in my career, but this one I was very intimately involved in from the beginning until the opening. And I just have to smile and feel pretty good every time I walk in.

Tino Magnatta: Congratulations Pat, It's really, really something beautiful. Beautiful casino. Should we take some phone calls?

Pat Crofts: Sure.

Tino Magnatta: This is Tino Magnatta, do you have a question for Pat Crofts?

Martin Elly: Hey, Tino, Pat, this is just Martin Elly. I really just enjoyed everything you've been talking about Pat. I'm actually one of these strange people listening to the show that knows the story about the Harveys bombing. I found a little factoid about it awhile ago and I researched the hell out of it and couldn't stop because of how unique that story was. So it's pretty cool to hear somebody talk about it.

Pat Crofts: Yeah. Like Tino said, most people forgot about it. It was so many years ago. It was national news back then, but there's a lot of other things that have happened since then, but it was quite a story.

Martin Elly: Yeah. Yeah. Something to be a part of. So you said you got to Vegas when you were 21, and that was your first experience with the gaming industry. I was wondering if there were any jobs you had before that that kind of gave you an idea of what kind of future you might have or what kind of industry you were interested in, or just what other jobs you had before you moved to Vegas?

Pat Crofts: Well, my family grew up in a family business, the lumber and logging. And I spent most of my time working in the businesses, working in the saw mill, driving logging trucks and doing all that kinds of stuff you would do. When I was in college, I did work as in finance and accounting. I worked in the internal

auditors department at college. But I really didn't have any clue whatsoever I would ever get in the gaming business. I had only been in Las Vegas maybe once or twice in my life. I remember going one spring break, we went to Las Vegas. I think we might've driven through there another time, but in my wildest dreams, I really didn't think I would work in the casino business. That was kind of a pleasant surprise to me when I took a job with a CPA firm expecting to be an auditor and they didn't tell me that their primary client was Howard Hughes and that we'd be spending a lot of time in casinos when I took the job. But most of my work before that was just working in the family business and working jobs in college.

Tino Magnatta: That's great. Amazing stuff.

Martin Elly: Cool. Well thank you so much. I really appreciate it and thanks.

Pat Crofts: No, thank you. Thanks for listening in.

Tino Magnatta: Thanks. Take care. Bye. Bye. We can get another caller here. Hello, this is Tino Magnatta, do you have a question or questions for Pat Crofts?

Rilley: Hey, Tino, Hey, Pat. This is Rilley over in North Dakota.

Tino Magnatta: Hey, how are you buddy?

Rilley: Good, good.

Tino Magnatta: Good, good.

Rilley: The weather is getting crazy outside right now. It's pouring like cats and dogs and the winds probably about 35 miles an hour. So it's getting a little hairy.

Tino Magnatta: North Dakota?

Rilley: Yeah. Pat got a question. If not, I know you're talking about the negotiation of your compacts coming up. You talked about sports betting in a bit. If not sports betting, what else would you like to see come new to your property? Or what would you like to have muted to your property? Is there anything else that you'd like to expand on or...

Pat Crofts: Sure. One thing, the enabling legislation for gaming here in Oklahoma said that we can't have house bank card games. So we do operate, blackjack games and things like that, but we have to charge an ante, that's the only revenue that casino gets off of those is ante, all of the other winning bets go into what's called the player's pool. That money all has to be paid back to players or given away to them and promotions. But when people come and play blackjack or one of the poker games played on a table, three card poker whatever or craps or

whatever, to have to put up an ante every time you bet. Really just, it's offensive to them and it's a time consuming.

And so besides sports betting, if we could get the law changed and get our compacts to allow house bank card games, that would be a major, major plus for us. It was only a year ago, we could actually use a roulette wheel and a dice to play roulette and craps. Because before that, the outcome of the games had to be determined by a debit card. So we were fortunate enough that people can actually roll dice and use a roulette wheel now, but we still have to charge the ante and it just, for lack of a better word, it pisses people off. It's just offensive to them, they're playing and like I said, people playing poker against one another.

They understand an ante, but they don't understand and they played black anywhere else. Why do you have to put up an ante to play blackjack?

Rilley: Do they blame they blame the casino itself or do most people know that's just how it is in Oklahoma?

Pat Crofts: No, most people think we're just gigging them. They just think that we're being greedy and besides them doing the... because everything else looks like a regular blackjack game. But before every bet we're taking, 50 cents or whatever the ante is and most of them, it offends them because they think the casinos are ripping them off.

Rilley: Right, right.

Pat Crofts: But anyway, sports betting and house bank games, we'd love to have, hopefully there may be some negotiations with the governor, we get a compact that the house bank games, that's not just a compact, that has to be approved by the legislature here, also as would sports betting.

Rilley: And what about any non-gaming venues you think you would... look, I've never been to your casino, but it sounds like you have some good partnership with Margaritaville restaurant and the other restaurants, but is there any other, is there any other non gaming you're looking at?

Pat Crofts: Well, we bought some property across the street from our casino recently. It's about 30 acres and we're working with a developer to put in a big mixed use development, which includes, retail and bars and restaurants and offices and probably some high end condo. So that's directly across the street. We're always looking to upgrade our restaurants and bring in new names. The Ruth Chris steakhouse we have in our property, is always one of the top in their chain. Margaritaville is doing very well here. So we have a high end spa, health club, salon, a pretty good mixture of bars and restaurants.

Rilley: That's nice.

Pat Crofts: That's where a lot of the opportunity is, is really with non-gaming amenities to bring people in.

Rilley: Me and Tino, we're going to have to visit over there.

Tino Magnatta: Yeah, absolutely. I've been there a couple of times. I'm telling you man, as soon as you walk in the lobby, there's the big screen there. It's really something else, man. I'm telling you. It's really cool.

Rilley: Nice and sweet.

Tino Magnatta: They've done such a great job.

Rilley: Well I appreciate it. Thank you for-

Tino Magnatta: Thank you for calling in.

Rilley: Thank you for the opportunity.

Tino Magnatta: Yeah. Thank you. Hello, this is Tino Magnatta. You have a question for Pat Crofts?

Bobby: Yeah, this is a Bobby in Las Vegas. How are you doing Tino?

Tino Magnatta: Good. Good. How are you doing Bobby?

Bobby: I'm all right. Pat, one question I wanted to ask is, marketing and the casinos changes and is such a major expense, what are your favorite ways to spend money and what are the ones that are a little tougher decisions to make particularly as it pertains to marketing and promotion of your properties?

Pat Crofts: Well, the funnest one and the one I like the best, is we do have about a 3000 seat theater here and booking the entertainment and having the entertainers come in. We have a pretty good lineup of entertainers that come through. And we generally very well in the casino before and after. But that's probably the funnest part. The more exciting would be the entertainment aspect of it. We've gone a lot more to, we do a lot of direct mail marketing and we're doing an awful lot of social media right now too, relying less and less on TV and print media and going to digital and social media. We do it all. I mean, we spend a significant amount of money every year. We do besides all the normal stuff, we do, at least once a week we have a player development, VIP invitee program where customers come in and we have a big dinner for them in our convention center. And then you give them, giveaways and prizes and things like that. We do a few slot tournaments. So we kind of do it all, the fun one to me though is the entertainment. Because we've have had and we continue to have some really great entertainers come through here.

Bobby: Great. And I was kind of curious, maybe your, the tribe less exposed to the impact of, if gaming were ever legalized in Texas. Can you talk a little bit about how that would disrupt everything in Oklahoma?

Pat Crofts: You're right, it would be primarily the tribes with the big casinos. Then the largest casino in the world of course, is down on the Texas border on I35. There's another large one on highway 69 or 75, whatever.

Bobby: 75.

Pat Crofts: Right. They would obviously take the biggest brunt of it, if Texas were to legalize gaming. Our tribe, we're centered in Tulsa, which is up in Northeast Oklahoma and all nine of our casinos are within about a hundred mile radius of Tulsa, so we're somewhat insulated. We do get a few customers from Texas. A lot of business people from Texas come up here because of the oil and gas industry. We were just starting... Arkansas just legalized a couple of casinos and a couple of tracks to do betting. Kansas has limited gaming as does Missouri, but Texas, we wouldn't get hurt that bad where we're physically and geographically located, but that the tribes down on the border, even though they're only an hour's drive or so from Dallas, I think they would be the most susceptible to feel a downturn in business if Texas were to legalize.

Bobby: Well, thank you. It's always a pleasure, Tino. Thanks for another great guest.

Tino Magnatta: Yeah. Thank you so much. Have a good night.

Bobby: Thanks.

Tino Magnatta: Okay. [inaudible 00:57:03]. All right. I think we've got time for one more. Hello, this is Tino Magnatta. Do you have a question for Pat Crofts?

Speaker 6: I do. Thanks for taking my call. What do you think is the next wave to impact the casino business like the slot machine did?

Pat Crofts: The next wave that will do what now?

Speaker 6: The next wave of business that would affect the casino business, like the slot machines did.

Pat Crofts: Something that would be competitive to the casino business?

Speaker 6: Yes.

Pat Crofts: Well, I think everybody's a little bit worried about the millennials, they like to game and they don't necessarily like to come into a casino to do it. And I think that's why people are hoping that the laws change nationally where we can do internet betting. The casino, we're all trying to attract millennials more now and

to get them to come in. But that new new generation, they don't seem to really like or participate in brick and mortar gaming, like their parents did and our current customers are. So I think that's probably one of our, the bigger concerns that I've heard people talking about.

And then there's just other opportunities and things to do with their spare time and with their money for entertainment value. But like I say, the millennials and the gaming and doing things online, they play against one another and it's very competitive, they don't necessarily have to come into a casino and spend a lot of money to do that.

Tino Magnatta: Yeah, that's right. Yeah. More of a lounge thing. Okay, great. Thank you so much.

Speaker 6: Thanks.

Tino Magnatta: Pat, thanks so much for being on the show. It's been absolutely fantastic. I love the stories. We'll have you back.

Pat Crofts: All right. Thank you. All right, good talking to you.

Tino Magnatta: Thanks buddy. Have a good time.

Pat Crofts: All right. You too.

Tino Magnatta: Yup. Bye. Bye. Okay, that was great. So Thursday I have Rojalio Ruby on the show, great guy. We're going to see his evolution from the last time I spoke to him. Remember, everybody's got a story to tell, you just have to have time to listen. Have a good night. Bye. Bye.