

# HEALING TRIBAL ECONOMIES

UPDATED PROGNOSIS FOR  
ECONOMIC RECOVERY FROM COVID-19  
IN INDIAN COUNTRY

SEPTEMBER 2020



*To our clients and friends in Indian Country and all working to improve the economic future for Native American people:*

KlasRobinson Q.E.D. is pleased to present the accompanying update of our June white paper entitled: "Healing Tribal Economies – Updated Prognosis for Economic Recovery from COVID-19 in Indian Country." With the passage of three months, additional information is now available regarding the course of the pandemic itself and the responses to it by government officials, business leaders and individual consumers. With the normal lag in the reporting of economic data by the U.S. government and with the pandemic far from over, there remains considerable uncertainty about the final health and economic toll of the crisis. However, we now have access to a longer and clearer picture of how the disease will spread and how the U.S. will respond than we did when our original analysis was completed. As a result, we felt the need to update our forecasts, our "prognosis," for tribal economies for the remainder this year and the next two years.

Our hope continues to be that this work will provide tribes with more than simply another set of predictions, but also the analytical discussion to be able to draw their own conclusions in developing plans for their people and adjust those plans over time as new data becomes available. To do this, we have taken our more than 30 years of experience forecasting future outcomes for more than 250 tribes and applied it to this very troubling situation to give our best estimates and recommendations for tribal economic recovery from COVID-19. One thing we still know for sure: as bad as this is, tribal leaders have weathered far more severe storms throughout history and will survive the current crisis to continue to protect their cultures and their people.

**KlasRobinson Q.E.D.**



James M. Klas  
Founder & Principal



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Cover Letter

### TABLE OF CONTENTS

	<u>PAGE</u>
<u>INTRODUCTION</u> .....	1
<u>EXECUTIVE SUMMARY</u> .....	3
<u>COVID-19 AND CIVIC RESPONSE</u> .....	7
<u>GENERAL ECONOMIC CONDITIONS</u> .....	16
<u>TRIBAL GOVERNMENT GAMING</u> .....	22
<u>OTHER INDUSTRY SECTORS</u> .....	27
<u>PRESCRIPTION SUMMARY</u> .....	45
<u>MONITORING FUTURE HEALTH</u> .....	58
<u>ADDENDUM: PROFILE OF KlasRobinson Q.E.D.</u>	

# HEALING TRIBAL ECONOMIES

## UPDATED PROGNOSIS FOR ECONOMIC RECOVERY FROM COVID-19 IN INDIAN COUNTRY

### INDEX OF CHARTS

	<b><u>PAGE</u></b>
Tribal Economic Prognosis Summary	6
Top 10 Countries by Total Cases Confirmed: August 31	10
Top 10 Countries by Total Deaths: August 31	11
Fatality Rate as of August 31 (All Countries with 100,000+ Cases)	12
Deaths per 100,000 as of August 31 (All Countries with 100,000+ Cases)	13
Case-Fatality Rates of Top 10 Testing Jurisdictions	14
Forecast Change in GDP and Relation to 2019 Level	19
Forecast Unemployment and Inflation Rates	21
Indian Casinos Closures and Re-Openings	24
Actual, Estimated and Forecast Indian Gaming Industry Revenue: 2017-2022	26
Forecast Change in Non-Casino Tourism, Lodging & Leisure Revenue from Prior Year & Comparison to 2019	29
Forecast Change in Tribal Agriculture Revenue from Prior Year & Comparison to 2019	31
Forecast Change in Tribal Mining & Extraction Revenue from Prior Year & Comparison to 2019	33
Forecast Change in Tribal Construction Revenue from Prior Year & Comparison to 2019	34
Forecast Change in Tribal Manufacturing Revenue from Prior Year & Comparison to 2019	36
Forecast Change in Tribal Wholesale Trade Revenue from Prior Year & Comparison to 2019	38
Forecast Change in Tribal Retail Trade Revenue from Prior Years & Comparison to 2019	39
Forecast Change in Tribal Transportation & Warehousing Revenue From Prior Years & Comparison to 2019	41
Forecast Change in Tribal Revenue from Other Sectors from Prior Year & Comparison to 2019	44

# INTRODUCTION

When we issued our original white paper on the impact of COVID-19 and efforts to mitigate its spread in June of this year, much remained unknown about the disease itself and its long-term impact on tribal economies. At the time, the pandemic had peaked in certain parts of the country and there was hope that perhaps there would be a subsequent valley during the summer months with considerable difference of opinion as to when and how badly it might peak again a second and possibly even third time. Aggressive action, including stay-at-home orders, were widespread with some beginning to be lifted. The value of masks was still hotly debated and they were not widely used. Early indications of the severity of the economic effects were available only in preliminary and incomplete forms.

Based upon the information available at the time and assumptions regarding the course of the virus and efforts to contain it, KlasRobinson Q.E.D.\* extrapolated the available information, combined with evidence from the history of other pandemics and other economic crises, to issue an initial prognosis for tribal economies and prescriptions for actions tribes could take to reduce negative impacts and speed recovery. However, we noted that there remained at the time much unknown and unknowable about the course of the pandemic and about the reactions of government, business and individuals to its actual and potential ravages.

With the passage of another three months, we have much more information about all of those unknown matters. The number of infections from the virus have already passed our assumption for the total through next May and the number of deaths is on pace to surpass our assumption well before the end of this year. The concept of stay-at-home orders has effectively been abandoned and even business shut downs and other restrictions have been reduced despite significant increases in caseloads and continued increases in deaths. This has been driven by a collective revulsion at the severity of the economic effects of more severe restrictions and a restiveness at all levels over the length of time they have been imposed. It has been aided by the new, if somewhat questionable, adoption of mask wearing as the ultimate, or often only, measure of defense, and by persistent evidence that the case-fatality ratio amongst younger and otherwise healthy individuals remains consistently lower.

From a public health perspective, the results have been an undeniable failure by any objective standard. From an economic perspective, the results have been mixed. As we suggested in our original analysis, with or without restrictions, the economy would be severely affected by the pandemic were as serious as it has proven to be. However, there is definitely evidence of resiliency in the economy and a strong desire on the part of business, consumers and government to resume as much economic activity as possible as soon as possible. Accordingly, with more information available on the course of the pandemic and on the choices being made at all levels to respond to the crisis, we have revisited our assumptions and projections for tribal economies during and after the crisis.

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\* KlasRobinson Q.E.D. has considerable experience in analyzing tribal economic development. For a profile of the company, please see our website at [www.klasrobinsonqed.com](http://www.klasrobinsonqed.com)

# **EXECUTIVE SUMMARY**

## **GENERAL**

This section describes, in brief, the findings and conclusions derived from our updated analysis of the effects of the COVID-19 pandemic and associated mitigation efforts on tribal economies. This overview includes our updated assumptions for the course of the pandemic and our updated forecasts for tribal economic damage and recovery. However, the estimates presented, along with the information in this section as a whole, are meant as a summary of, not a substitute for, the body of the report, which contains additional information and detail critical to a full understanding of the bases for the estimates made and the context within which they were formed.

## **PROGNOSIS**

We originally assumed an approximate total number of infections of 5.6 million in the U.S. by the end of May 2021 with approximately 224,000 deaths, plus or minus a margin of error. Following that time, we assumed that COVID-19 would cease to be a major determining factor in the economy, although the effects of its ravages and of the responses needed to control it will extend far beyond that date. The figures were presented as assumptions for the purpose of understanding our economic projections, not as projections for the virus itself, as we are not public health experts. As severe as the figures seemed at the time, they included assumptions about continued aggressive efforts to mitigate the spread of the disease and hope that seasonal differences would appear. Neither happened. As of August 31<sup>st</sup>, the U.S. had already recorded a total of over six million cases and nearly 184,000 deaths.

The concept of large-scale shutdowns of all but essential activities has been abandoned, even in the areas taking the most aggressive public health mitigation steps. Mask usage has become the primary means of combating public spread, despite acknowledged weaknesses in its effectiveness. While more narrowly targeted restrictions on personal and business activities remain in use, the clear trend is to minimize such restrictions, even in the face of caseloads that surpass the levels of last Spring. Government, business leaders and individuals are consistently looking for reasons not to extend or enhance protective measures rather than reasons to leave them in place. While there are clear and sharp political and social divides over specific practices, these trends are neither isolated nor unclear. Political and social differences are variations on the same theme, rather than truly divergent approaches.

Based upon the information available at this time, we still assume that the pandemic will cease to be a major determining factor in the economy by the end of May 2021. We now assume an approximate total of 14.8 million cases and 376,000 deaths in the U.S. by that time, plus or minus a margin of error. Despite the magnitude of the change in our assumptions regarding total cases and deaths, the new figures still assume a significant decline in the daily number of cases and a continued decline in the case fatality rate between now and then.



GDP was down 5.0 percent in the first quarter of this year and an extraordinary 31.7 percent in the second quarter on an annualized basis. The unemployment rate increase, although not as severe due to huge government stimuli aimed directly at preserving jobs, jumped from 4.4 percent in March to 14.7 percent in April, before declining to 13.3 percent in May, 11.1 percent in June, 10.2 percent in July and 8.4 percent in August. The consumer price index (CPI-U) initially fell into deflationary territory, declining 0.4 percent in March, 0.8 percent in April and 0.1 percent in May, before resuming an upward trend with increases of 0.6 percent in June and July and 0.4 percent in August.

Whatever short-term economic benefit may have been generated by a more rapid lifting of restrictions and reliance on mask-wearing as a primary defense has been largely buried by the continued severity of the pandemic. Our revised estimates for GDP in 2020 have been lowered accordingly. However, the observed resiliency at the consumer level and even at the industry level to some degree, which may be due in part to a less restrictive environment and is certainly due substantially to stimulus efforts, suggests that recovery can still be expected at comparable or even accelerated levels in 2021 and 2022, leading to a comparable longer-term outcome to what we originally anticipated.

Notwithstanding earlier and more liberal reductions in business and personal restrictions at national and state levels in hopes of reducing economic pain, tribal economic sectors are actually showing even greater negative effects in 2020 from the pandemic and mitigation efforts than originally projected. The corresponding much higher number of cases and deaths than originally assumed have failed to produce the desired tradeoff of increased economic activity due to the persistent virulence of the pandemic. However, there are also signs of greater resilience in business and consumer attitudes and behavior than originally expected, suggesting faster recovery than expected once the pandemic is finally tamed, which we still assume to occur by mid-2021. The overall pattern now appears to be one of a sharper drop this year and faster rise next year leaving tribal economies close to the same point as originally predicted by the end of 2021. By the end of 2022 most sectors are still expected to be approaching full recovery or may have already reached it in some cases. However, certain sectors are still not forecast to reach full recovery until 2023 or even later.

The table on the following page present a listing of our updated forecasts for various sectors of tribal economies across the country compared to those in our original report. The experience of individual tribes will vary depending upon local circumstances and actions that their leaders and the leaders in their surrounding counties and states take. The discussion of the reasoning behind the new forecasts in the body of this update should be consulted for any forecast of particular interest to any reader to ensure a thorough understanding of the significance and reliability of the figures presented in the table. The original report should also be consulted for a more detailed discussion of critical factors and reasoning.

#### UPDATED TRIBAL ECONOMIC PROGNOSIS SUMMARY 9/15/20

<u>YEAR:</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>U.S. GDP:</b>			
YEAR-TO-YEAR CHANGE	-12.9%	10.5%	4.4%
PERCENT OF 2019 TOTAL	87.1%	96.3%	100.5%
<b>U.S. UNEMPLOYMENT RATE</b>	8.8%	7.7%	6.3%
<b>U.S. INFLATION RATE</b>	1.8%	2.7%	3.4%
<b>TRIBAL ECONOMIC OUTPUT BY SECTOR:</b>			
<b>INDIAN GAMING:</b>			
YEAR-TO-YEAR CHANGE	-31.2%	30.3%	11.5%
PERCENT OF 2019 TOTAL	68.8%	89.6%	99.9%
<b>OTHER TRIBAL TOURISM &amp; LEISURE:</b>			
YEAR-TO-YEAR CHANGE	-40.2%	44.7%	12.9%
PERCENT OF 2019 TOTAL	59.8%	86.5%	97.7%
<b>AGRICULTURE:</b>			
YEAR-TO-YEAR CHANGE	-20.2%	20.7%	4.9%
PERCENT OF 2019 TOTAL	79.8%	96.3%	101.0%
<b>MINING:</b>			
YEAR-TO-YEAR CHANGE	-26.7%	19.3%	8.0%
PERCENT OF 2019 TOTAL	73.3%	87.4%	94.4%
<b>CONSTRUCTION:</b>			
YEAR-TO-YEAR CHANGE	-7.6%	-1.5%	1.0%
PERCENT OF 2019 TOTAL	92.4%	91.0%	91.9%
<b>MANUFACTURING:</b>			
YEAR-TO-YEAR CHANGE	-13.7%	13.6%	4.4%
PERCENT OF 2019 TOTAL	86.3%	98.0%	102.3%
<b>WHOLESALE TRADE:</b>			
YEAR-TO-YEAR CHANGE	-19.3%	12.7%	7.0%
PERCENT OF 2019 TOTAL	80.7%	91.0%	97.4%
<b>RETAIL TRADE:</b>			
YEAR-TO-YEAR CHANGE	-23.1%	11.6%	6.4%
PERCENT OF 2019 TOTAL	76.9%	85.8%	91.3%
<b>TRANSPORTATION &amp; WAREHOUSING:</b>			
YEAR-TO-YEAR CHANGE	-4.7%	12.7%	2.1%
PERCENT OF 2019 TOTAL	95.3%	107.5%	109.7%
<b>OTHER ECONMIC SECTORS:</b>			
YEAR-TO-YEAR CHANGE	-9.6%	9.1%	3.0%
PERCENT OF 2019 TOTAL	90.4%	98.6%	101.6%

#### ORIGINAL TRIBAL ECONOMIC PROGNOSIS SUMMARY 6/15/20

<u>YEAR:</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>U.S. GDP:</b>			
YEAR-TO-YEAR CHANGE	-10.5%	7.7%	4.2%
PERCENT OF 2019 TOTAL	89.5%	96.5%	100.5%
<b>U.S. UNEMPLOYMENT RATE</b>	10.2%	8.2%	6.7%
<b>U.S. INFLATION RATE</b>	0.5%	2.5%	3.1%
<b>TRIBAL ECONOMIC OUTPUT BY SECTOR:</b>			
<b>INDIAN GAMING:</b>			
YEAR-TO-YEAR CHANGE	-34.2%	18.6%	22.1%
PERCENT OF 2019 TOTAL	65.8%	78.0%	95.3%
<b>OTHER TRIBAL TOURISM &amp; LEISURE:</b>			
YEAR-TO-YEAR CHANGE	-38.5%	22.6%	27.6%
PERCENT OF 2019 TOTAL	61.5%	75.3%	96.1%
<b>AGRICULTURE:</b>			
YEAR-TO-YEAR CHANGE	-18.0%	17.6%	4.5%
PERCENT OF 2019 TOTAL	82.0%	96.5%	100.8%
<b>MINING:</b>			
YEAR-TO-YEAR CHANGE	-24.7%	16.4%	8.0%
PERCENT OF 2019 TOTAL	75.3%	87.6%	94.6%
<b>CONSTRUCTION:</b>			
YEAR-TO-YEAR CHANGE	-5.0%	-4.2%	1.0%
PERCENT OF 2019 TOTAL	95.0%	91.0%	91.9%
<b>MANUFACTURING:</b>			
YEAR-TO-YEAR CHANGE	-11.3%	11.0%	4.2%
PERCENT OF 2019 TOTAL	88.7%	98.4%	102.6%
<b>WHOLESALE TRADE:</b>			
YEAR-TO-YEAR CHANGE	-17.0%	9.9%	7.0%
PERCENT OF 2019 TOTAL	83.0%	91.2%	97.6%
<b>RETAIL TRADE:</b>			
YEAR-TO-YEAR CHANGE	-21.0%	8.8%	6.0%
PERCENT OF 2019 TOTAL	79.0%	86.0%	91.1%
<b>TRANSPORTATION &amp; WAREHOUSING:</b>			
YEAR-TO-YEAR CHANGE	-2.0%	9.9%	2.0%
PERCENT OF 2019 TOTAL	98.0%	107.7%	109.8%
<b>OTHER ECONMIC SECTORS:</b>			
YEAR-TO-YEAR CHANGE	-7.1%	6.3%	2.8%
PERCENT OF 2019 TOTAL	92.9%	98.8%	101.6%

SOURCE: KlasRobinson Q.E.D.

# **COVID-19 AND CIVIC RESPONSE**

We originally assumed an approximate total number of infections of 5.6 million in the U.S. by the end of May 2021 with approximately 224,000 deaths, plus or minus a margin of error. Following that time, we assumed that COVID-19 would cease to be a major determining factor in the economy, although the effects of its ravages and of the responses needed to control it will extend far beyond that date. The figures were presented as assumptions for the purpose of understanding our economic projections, not as projections for the virus itself, as we are not public health experts. As severe as the figures seemed at the time, they included assumptions about continued aggressive efforts to mitigate the spread of the disease and hope that seasonal differences would appear. Neither happened. As of August 31<sup>st</sup>, the U.S. had already recorded a total of over six million cases and nearly 184,000 deaths.

The concept of large-scale shutdowns of all but essential activities has been abandoned, even in the areas taking the most aggressive public health mitigation steps. Mask usage has become the primary means of combating public spread, despite acknowledged weaknesses in its effectiveness. While more narrowly targeted restrictions on personal and business activities remain in use, the clear trend is to minimize such restrictions, even in the face of caseloads that surpass the levels of last Spring. Government, business leaders and individuals are consistently looking for reasons not to extend or enhance protective measures rather than reasons to leave them in place. While there are clear and sharp political and social divides over specific practices, these trends are neither isolated nor unclear. Political and social differences are variations on the same theme, rather than truly divergent approaches.

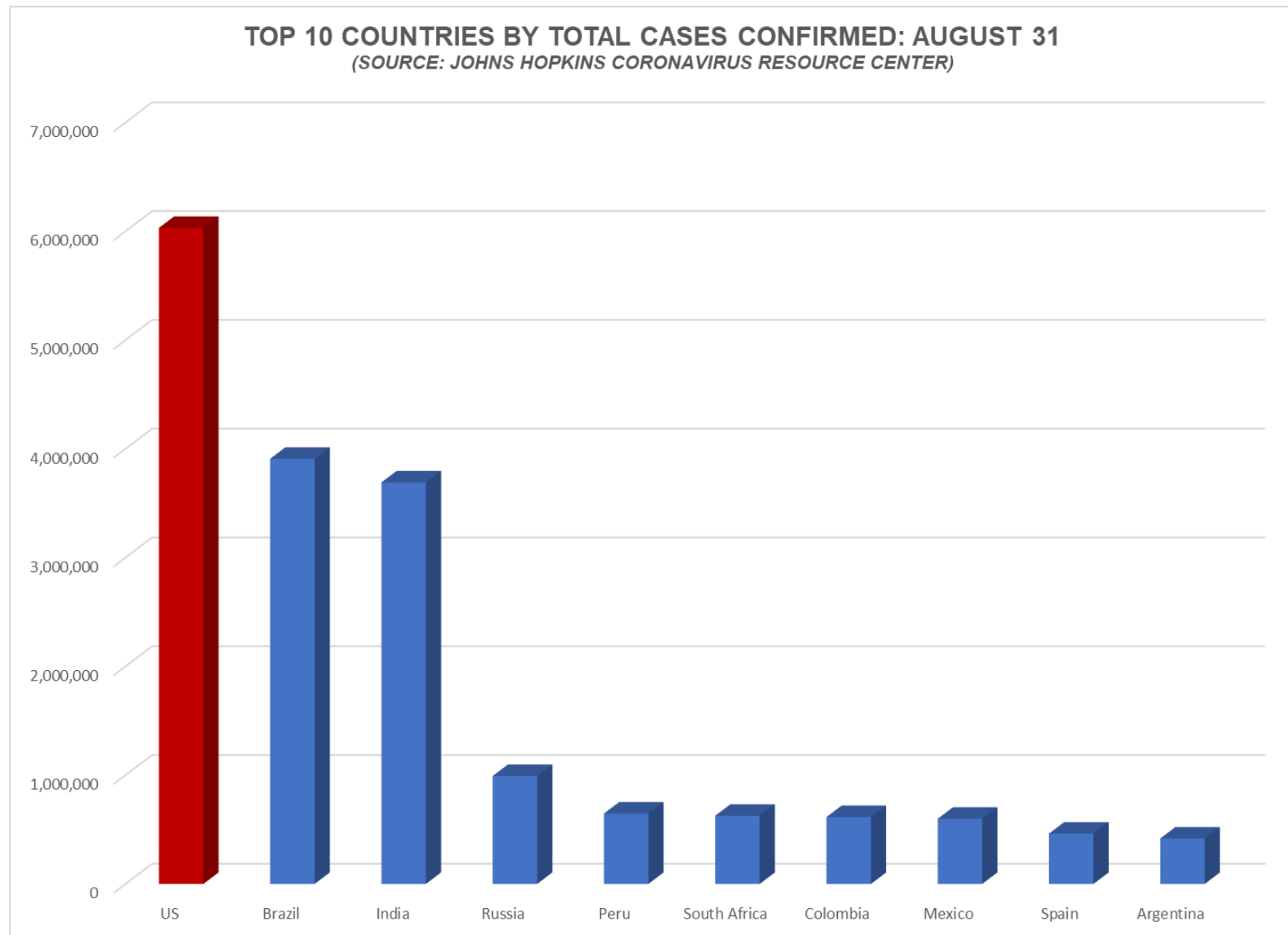
The trends have been driven largely by the recognition of how costly the economic effects of more stringent measures have proven to be in the short-term. They have also been supported by an accumulating fatigue at all levels at having to restrict our activities due to the health crisis. While we always recognized that such pressures would arise, we assumed that their effects would be limited by the severity of the health impacts of the alternatives and the knowledge that economic effects would still be severe in the long-term, even with no restrictions. Justification for the choices being made has come from continued lower case-fatality rates in younger and otherwise healthy individuals, improved treatment options for more severe cases and more successful and sustained aggressive mitigation efforts for senior living facilities, the one area where restrictions have generally remained at heightened levels throughout.

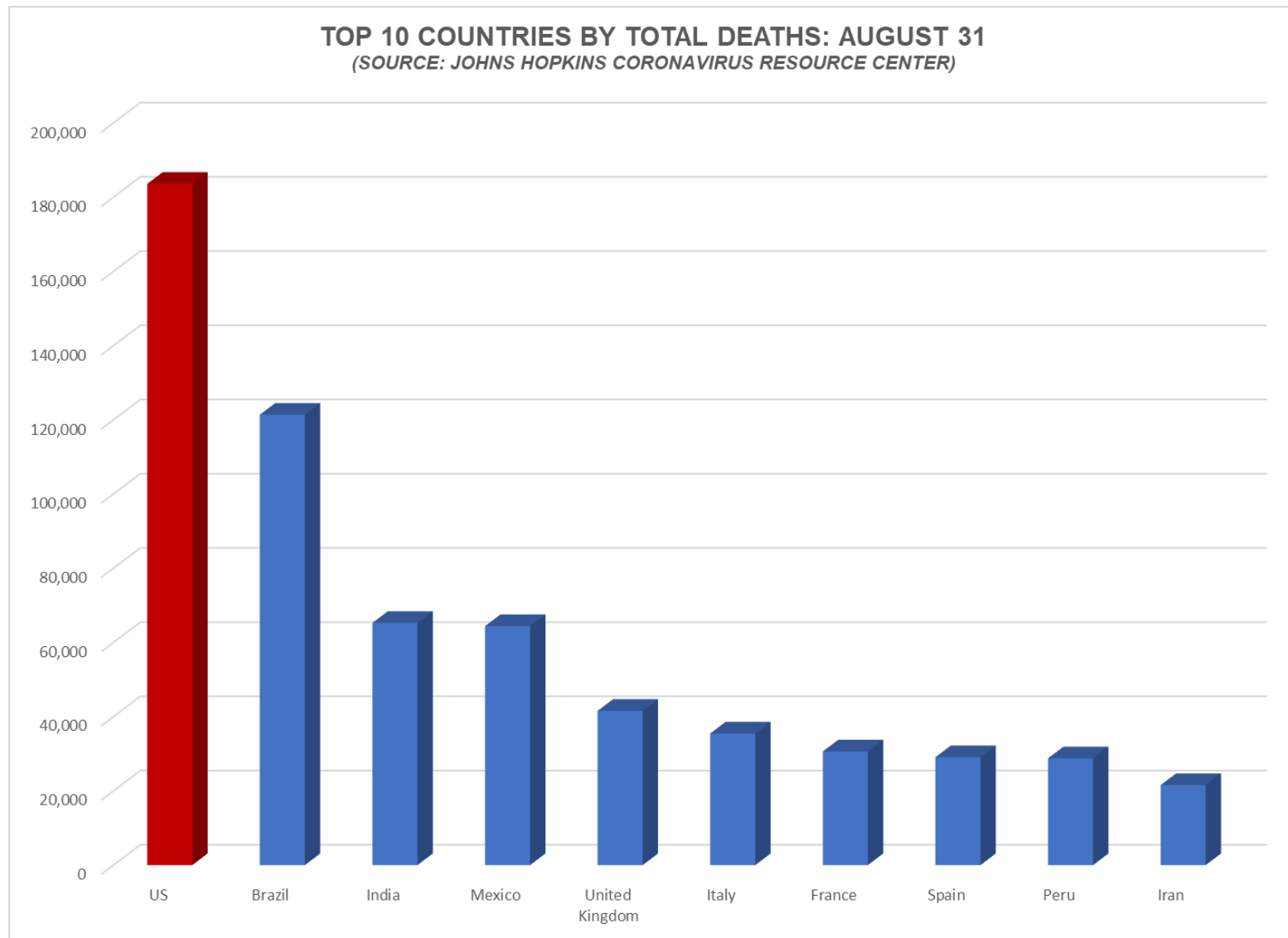
The continued virulence of the COVID-19 throughout the summer and the choices being made at all levels and in all areas in the U.S. have resulted in a much higher caseload than we assumed and will result in a much higher death toll as well. As a result, assumptions about caseloads and fatalities need to be revised.

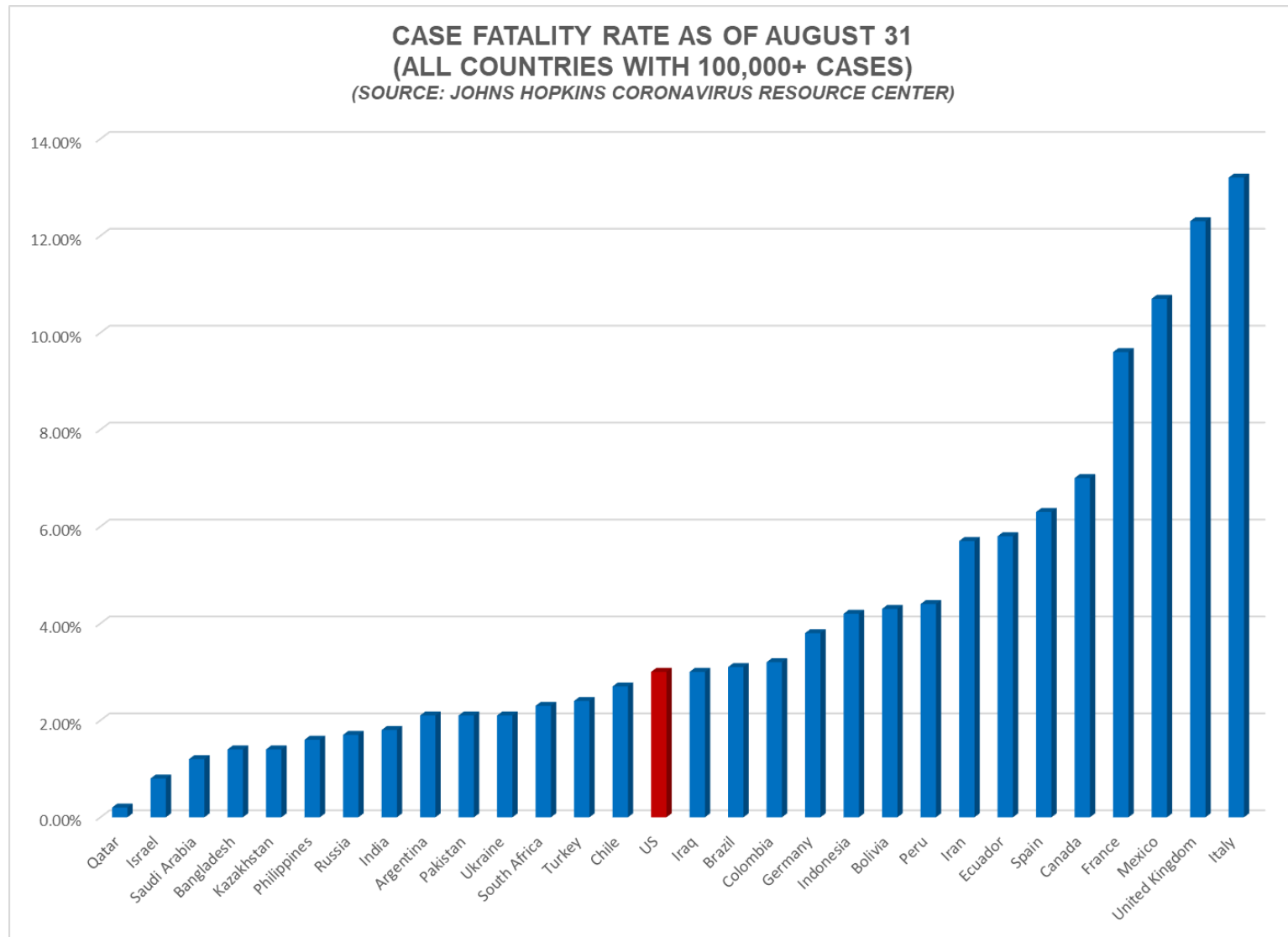
As of August 31, 2020, the United States accounted for 23.6 percent of all COVID-19 cases worldwide, nearly 70 percent higher than the next closest country, and over 21.5 percent of all deaths worldwide, more than 50 percent higher than the next closest country, according to data from the Johns Hopkins Coronavirus Resource Center. The U.S. ranks 105<sup>th</sup> out of 170 countries listed in terms of the case fatality rate, recorded deaths to recorded cases, meaning only 55 countries have a higher rate. The U.S. ranks 160<sup>th</sup> out of 170 countries in deaths per capita, meaning only 10 countries have had more deaths per capita. Many of the countries included in the Johns Hopkins figures have had very few cases. While no country can compare to the number of U.S. cases, it is reasonable to narrow the comparative analysis to countries with significant caseloads. There were 30 countries that had experienced at least 100,000 cases as of August 31<sup>st</sup>. Of those 30 countries, the U.S. ranks 16<sup>th</sup> worst in terms of its case fatality rate and seventh worst in terms of deaths per capita. These figures are presented in graphs on the following pages.

As testing programs ramped up in the U.S. and around the world, the per capita number of tests and the positivity rate (percent testing positive for the virus) have become measures of interest. After an abortive start, the U.S. greatly increased the number of tests it performs to track the spread of the virus. While the U.S. has now tested more total people than any other nation, it does not lead the world in per capita testing and still suffers positivity rates much higher than considered desirable by health experts. The graph on page 14 shows the total number of tests per 100,000 residents completed as of August 31<sup>st</sup> for the 10 jurisdictions that have been the most aggressive in testing. The U.S. has the fifth highest per capita testing rate and the second highest rate of positive tests of the 10 countries shown. Only Qatar has a higher rate of positive tests. The U.S. has tested only one more person per 100,000 residents than Russia and has a positivity rate more than three times higher. The U.S. has tested nine fewer people per 100,000 residents than Australia and has a positivity rate nearly 20 time higher. Generally speaking, health experts consider positivity rates above five percent to indicate a need for greater testing and/or better mitigation efforts. More than 60 percent of U.S. states and the country as a whole have positivity rates above that level.

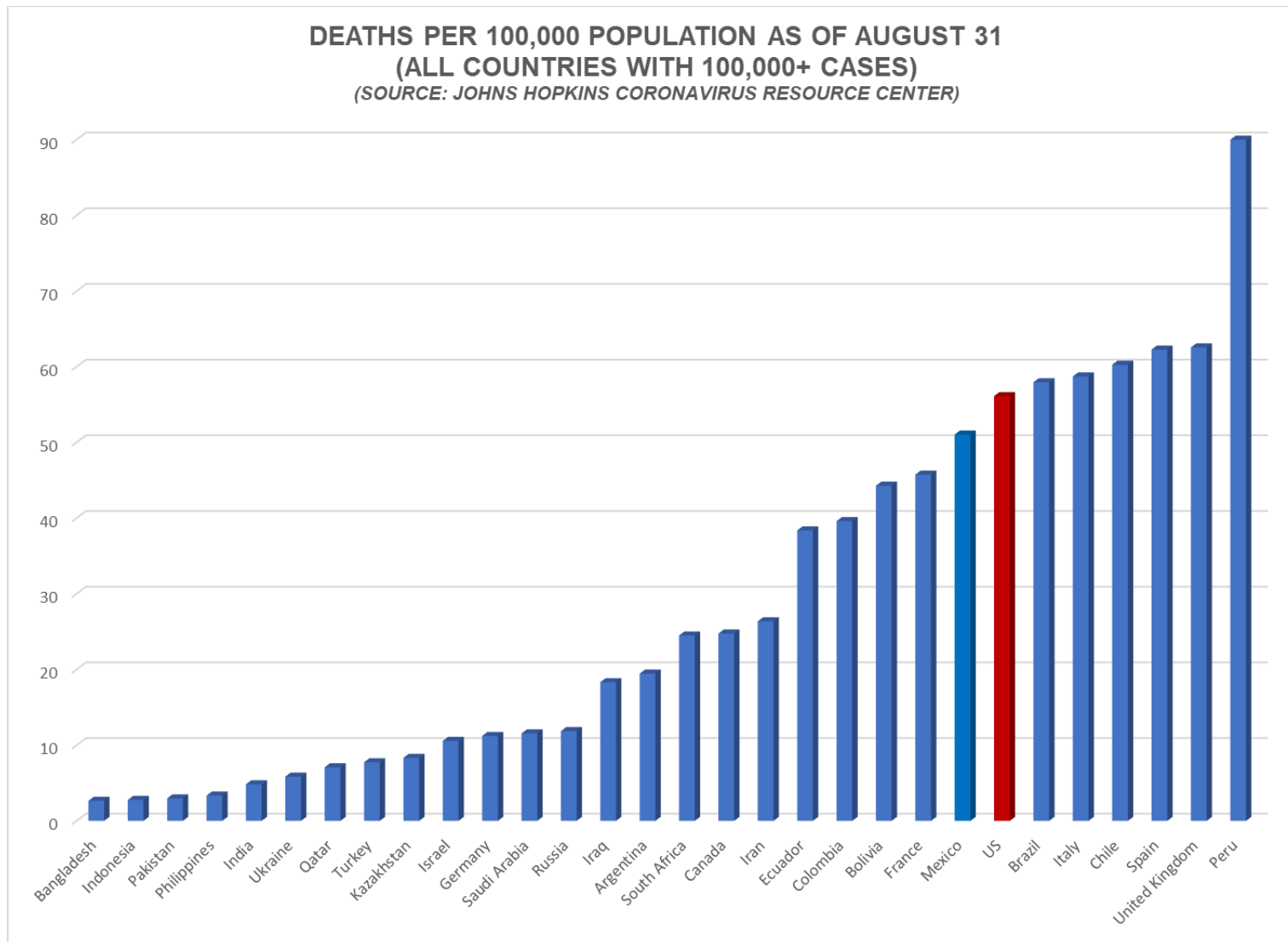
Looking ahead, uncertainty revolves around the potential spread of the virus during the upcoming school year and the Winter/Spring flu season, as well as the timing, effectiveness and speed of inoculation for the multiple viruses currently under development. New surprises from the virus itself and further changes in mitigation efforts, particularly post-election, could also alter the trajectory of the pandemic to a significant degree. There remain contradictory data and opinions, expert and otherwise, on all of these matters.

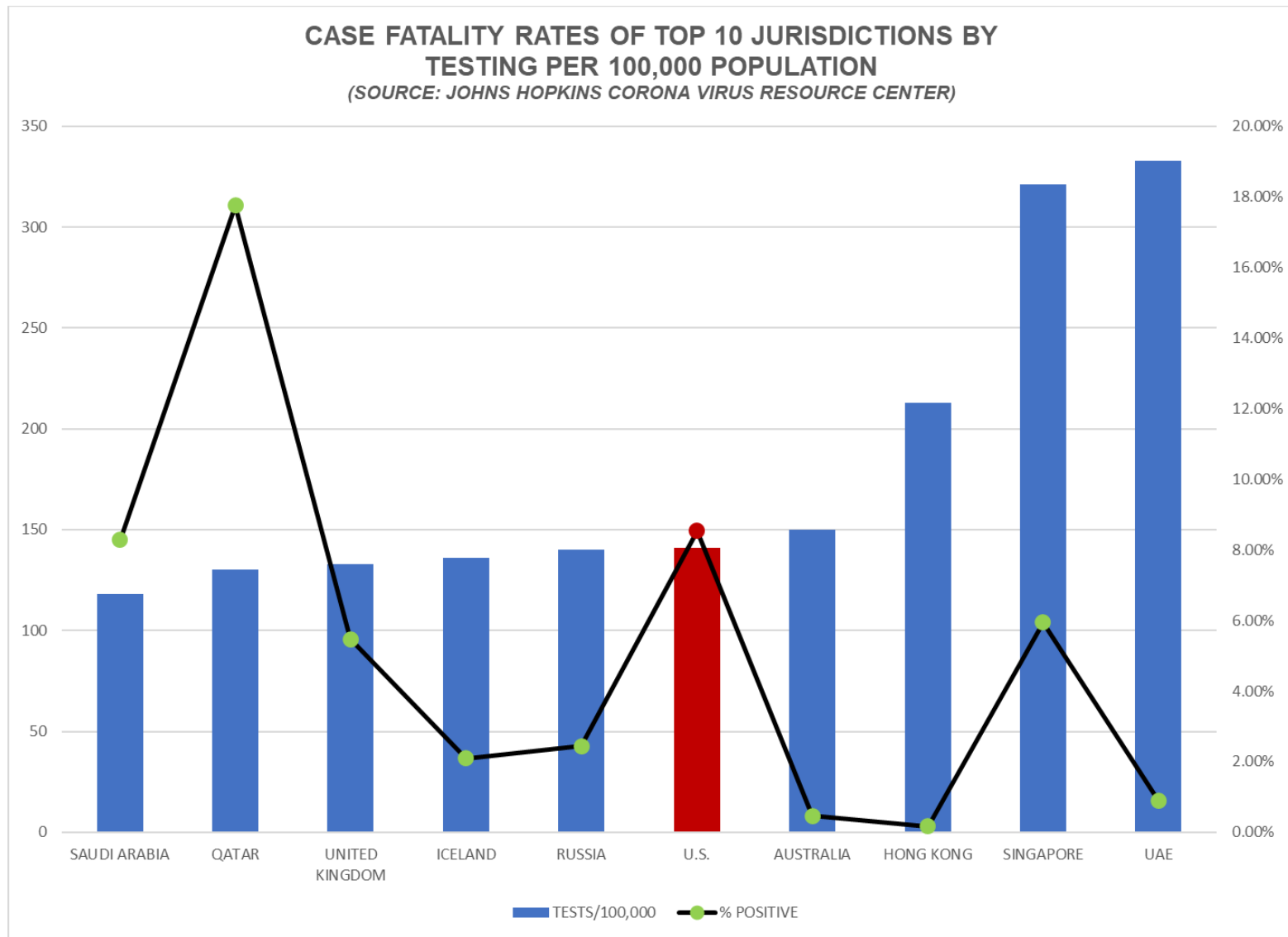












Based upon the information available at this time, we still assume that the pandemic will cease to be a major determining factor in the economy by the end of May 2021. We now assume an approximate total of 14.8 million cases and 376,000 deaths in the U.S. by that time, plus or minus a margin of error. Despite the magnitude of the change in our assumptions regarding total cases and deaths, the new figures still assume a significant decline in the daily number of cases and a continued decline in the case fatality rate between now and then.

# **GENERAL ECONOMIC CONDITIONS**

While the lag time in the publication of government figures on economic conditions continues to limit information on the effects of the pandemic and associated mitigation efforts to date, some data is available. Gross economic output data is available through the first quarter of 2020. GDP data is available through the second quarter. Unemployment rate information and inflation rate information are available through August. According to government statistics, total gross output in the U.S. for the first quarter of 2020, which includes only the beginnings of some of the more significant restrictions on business and personal activities, was actually up 1.35 percent from the first quarter of 2019, although it was down nearly one percent from the fourth quarter of 2019. In prior recent years, gross output in the first quarter was consistently higher than the fourth quarter of the previous year.

GDP was down 5.0 percent in the first quarter of this year and an extraordinary 31.7 percent in the second quarter on an annualized basis. The unemployment rate increase, although not as severe due to huge government stimuli aimed directly at preserving jobs, jumped from 4.4 percent in March to 14.7 percent in April, before declining to 13.3 percent in May, 11.1 percent in June, 10.2 percent in July and 8.4 percent in August. The consumer price index (CPI-U) initially fell into deflationary territory, declining 0.4 percent in March, 0.8 percent in April and 0.1 percent in May, before resuming an upward trend with increases of 0.6 percent in June and July and 0.4 percent in August.

Despite the termination of more severe restrictions, such as stay-at-home orders, previously referenced capacity constraints remain at many businesses, work-from-home arrangement for office staff remain common, travel remains severely depressed and high-attendance sporting and entertainment events remain virtually non-existent. Where mandated restrictions have been removed or significantly reduced, health driven disruptions continue to appear due to repeated instances of viral outbreaks in a variety of locations and circumstances where many people have gathered, including bars and restaurants, social gatherings certain work places and schools. Mask wearing has taken the place of more significant capacity restrictions. While it is fairly clear that it has had a positive effect in reducing transmission in association with other restrictions and when consistently obeyed, it is equally clear that masks alone do not prevent spread in large gatherings where social distancing is not observed and where usage is not consistent.

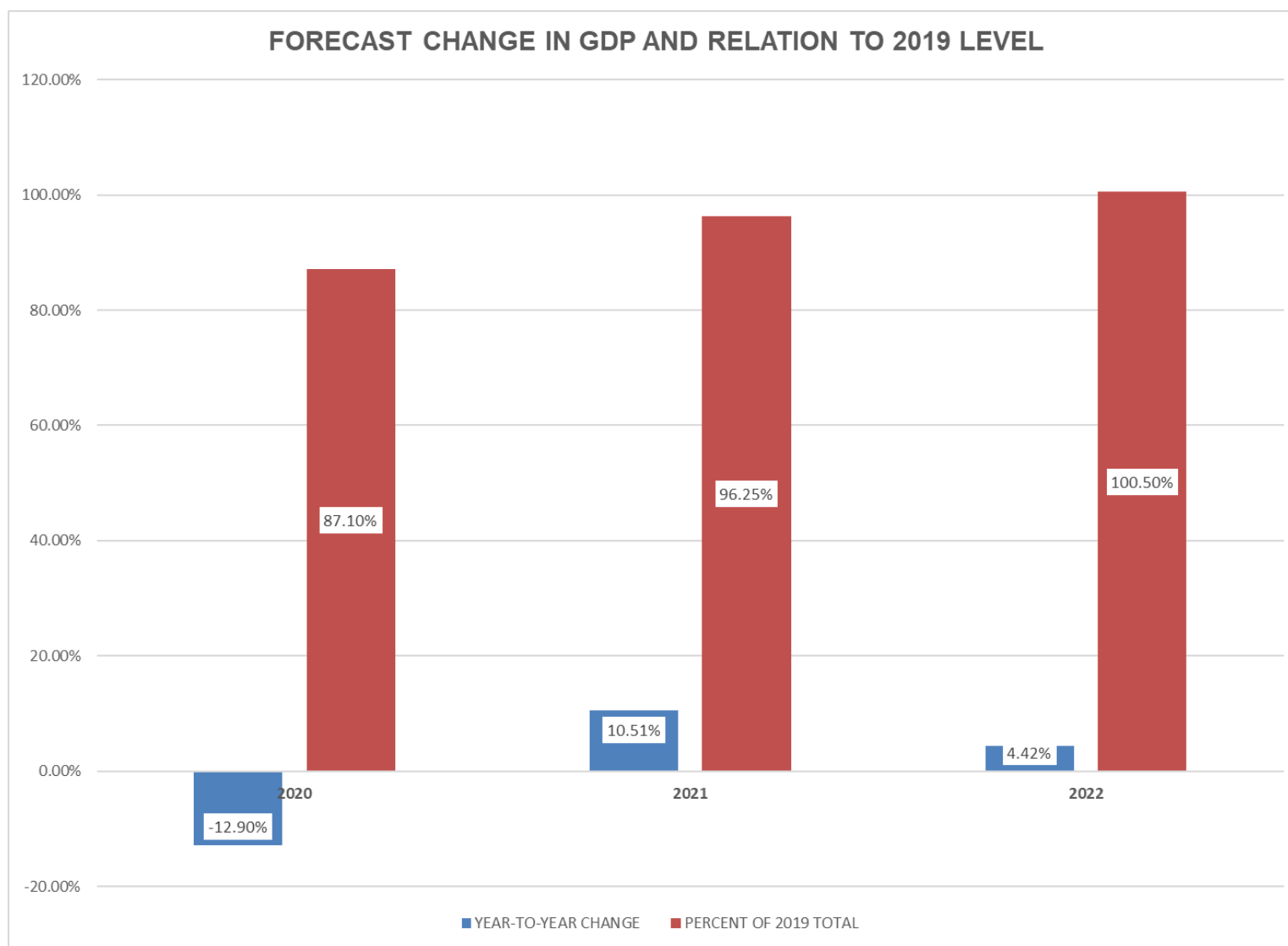
There are positive signs of economic resiliency across many industries and geographies. It appears clear that the desire to resume something approximating normal activity remains strong amongst business leaders and individual consumers. The degree to which loosening restrictions versus government stimuli and intrinsic momentum have contributed to the positive signs remains to be determined. With the failure of the federal government to agree upon a substantial additional stimulus package and the spread of the virus putting the breaks on some efforts to reduce restrictions, it may become clearer over the next two months how much of the observed momentum is intrinsic versus manufactured.

There remain real potential threats that could easily reverse the tentative early indicators of recovery. Eventual termination of eviction restrictions, likely continued need for additional airline and other travel industry support, serious governmental and educational budgetary shortfalls at state and local levels, reductions and eventual termination of unemployment benefits, continued depression of foodservice and event businesses due either to restrictions or viral clusters, a more extensive and severe climatological disaster season and on-going civil unrest over race political concerns represent real threats to any nascent recovery. Of course, the virus itself remains the greatest threat, stubbornly refusing to conform to any expectations regarding spread, severity or term.

We continue to anticipate an eventual stimulus package at the federal level, although its timing, magnitude and application have become far less certain. The Federal Reserve has now given clear indication that it will continue to aggressively support the economy by any and every means at its disposal, and that it will disregard, at least in the near-term, any contrary inflationary indications that would normally cause it to pause. The upcoming holiday season will have a disproportionate impact on economic trends, even beyond its normal significance, due to the psychological as well as practical impacts of either a better than expected spending and public health outcome on the one hand or a worse than expected one on the other. The upcoming election will also play an even larger than normal role on economic expectations for the coming year, depending upon which party controls the White House and each house of Congress.

Whatever short-term economic benefit may have been generated by a more rapid lifting of restrictions and reliance on mask-wearing as a primary defense has been largely buried by the continued severity of the pandemic. Our revised estimates for GDP in 2020 have been lowered accordingly. However, the observed resiliency at the consumer level and even at the industry level to some degree, which may be due in part to a less restrictive environment and is certainly due substantially to stimulus efforts, suggests that recovery can still be expected at comparable or even accelerated levels in 2021 and 2022, leading to a comparable longer-term outcome to what we originally anticipated.

Based upon the assumptions about the course of the pandemic described previously and our analysis of economic factors, prior business cycle patterns in periods of crisis, and the likely impacts of changes in operations and customer behavior, we now forecast a decline in U.S. GDP for 2020 of approximately 12.9 percent. GDP for 2021 is forecast to grow by approximately 10.5 percent in 2021 over 2020 levels but still remain approximately 3.75 percent below 2019. GDP is forecast to grow by 4.4 percent in 2022 over 2021 and finally surpass the 2019 level by 0.5 percent by the end of the year. This information is presented in the graph on the following page.



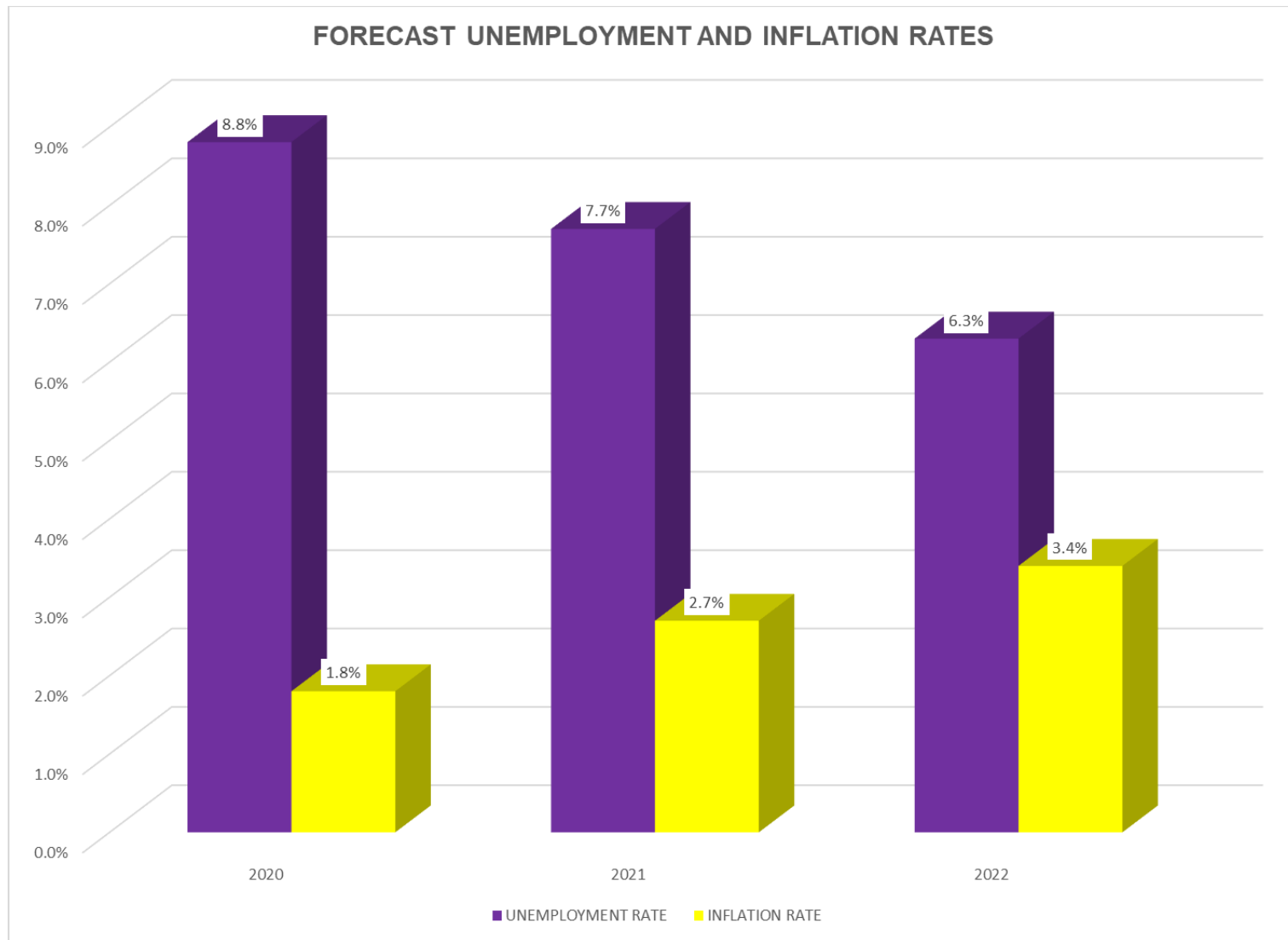
As noted in our original white paper, unemployment tends to lag GDP and other economic indicators as an economy recovers. Employers are cautious about ramping up employment, particularly in back office and administrative areas or in opening second and third shifts when demand first returns. As a result, we do not expect employment to recover as quickly after the pandemic. We still do not expect the unemployment rate to return to 2019 levels until well after 2022, if at all. We also still expect that unemployment rates below four percent will not be seen again for several years.

The Payroll Protection component of government stimuli had a clear positive short-term impact on employment during the onset of the current crisis, with other measures also contributing to varying degrees. However, the nature of those components is limited in duration, meaning employment levels could become more threatened over time if the economy does not recover as rapidly as hoped. The decline in the labor force we previously anticipated has already occurred. Between the short-term economic stimulus effects and decline in total labor force already experienced, we now anticipate somewhat lower unemployment figures this year but also a somewhat slower rebound in the next two years. Based upon these considerations and the assumptions and analyses described, we now forecast an annual average unemployment rate for the U.S. as a whole of only 8.8 percent for 2020, declining to 7.7 percent for 2021 and 6.3 percent for 2022.

Deflation on an annual average basis is no longer a realistic possibility due to the intervention of the Federal Reserve and federal and state governments. This was as expected. However, the new guidance issued by the Federal Reserve that deemphasizes inflation and the relatively rapid return to price increases already being observed suggest that inflation rates will increase more rapidly than we previously forecast. Nevertheless, we do not expect the Federal Reserve, even with its more laissez-faire approach, to allow the rate to move too much higher without some attempts to counteract it. Based upon the additional information now available and the Federal Reserve's newer guidance, we now forecast an annual inflation rate for the U.S. economy of 1.8 percent for 2020, followed by inflation rates of 2.7 percent and 3.4 percent in 2021 and 2022 respectively.

The forecasted unemployment and inflation rates described are shown in the graph on the following page.





# **TRIBAL GOVERNMENT GAMING**

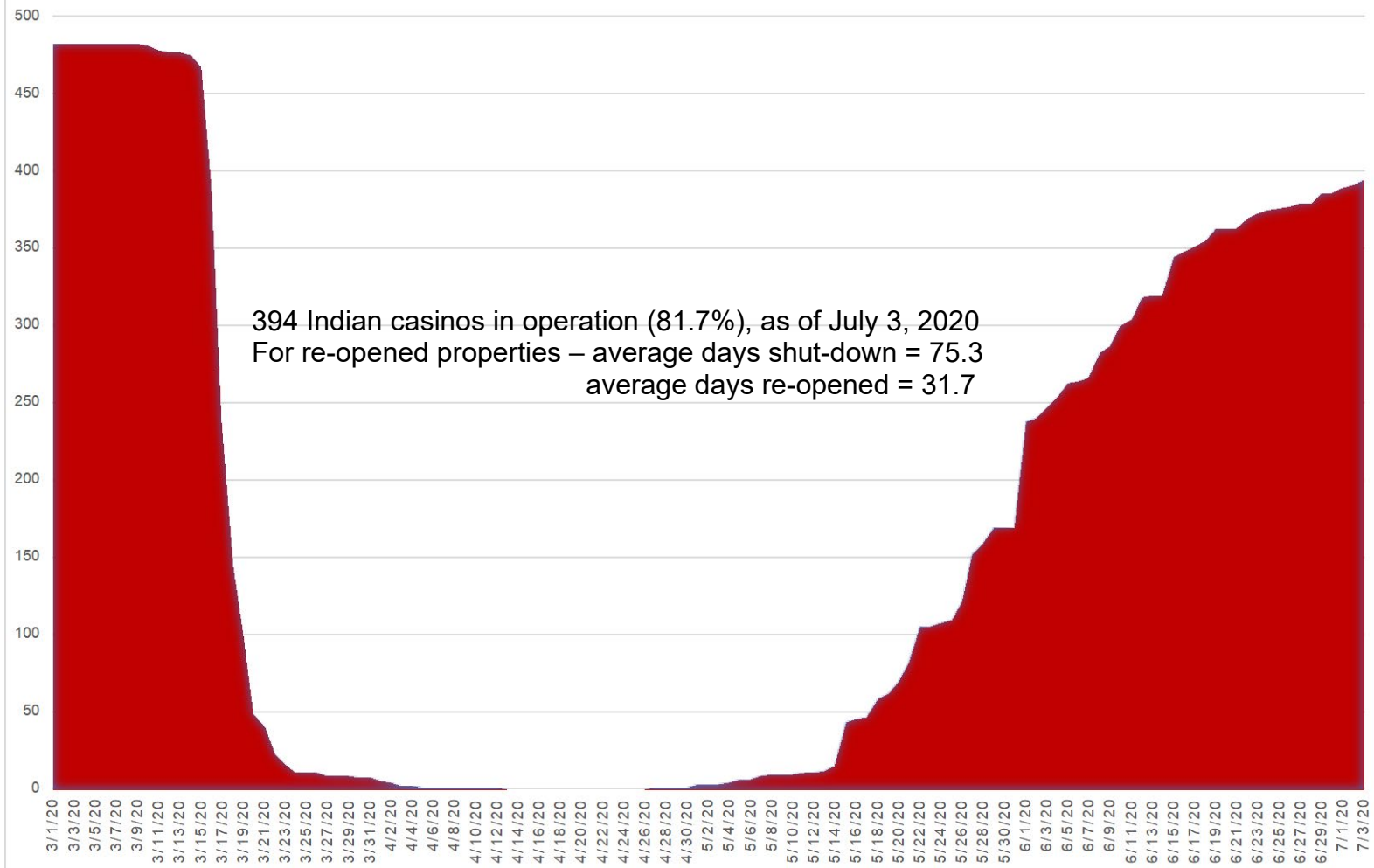
As shown in the graph on the following page, there was a period of time this past Spring when there were no Indian casinos open to the public anywhere in the country. However, the period was actually relatively brief. By the beginning of July, nearly 82 percent of all Indian casinos had reopened to some degree. That percentage has since increased. While capacity constraints remain in place virtually across the board, the methods of achieving those constraints have become more flexible and more customer friendly. Mask requirements and plexiglass between seats at tables games or between machines are being used to increase physical gaming capacity. Rather than turning off machines, the number of chairs on the gaming floor is being reduced to give the customer the ability to still gravitate toward favorite games. Many operations have reduced or even eliminated smoking areas to reduce reasons for customers to remove their masks.

Even with the evolution of mitigation efforts within the casino, overall capacity and customer convenience remains reduced. Exterior access points have been reduced, in many cases to a single entrance, often with temperature and mask checks. Food and beverage service remain very limited and large entertainment or other group events have yet to be reinstated. Lodging occupancy generally appears to still be down, due both to lost group business and intentional limitations. For some facilities, capacity constraints still include temporarily preventing outside access at peak times until customer loads decrease.

Despite those constraints, there is clear evidence that patrons are eager to still participate in casinos gaming and are compensating, at least in part, for reduced access by increasing average spend. While published statistical data is still limited, anecdotal evidence and some published data suggest that gaming revenue figures, although down, have not fallen by anywhere near the amount that capacity has been reduced.

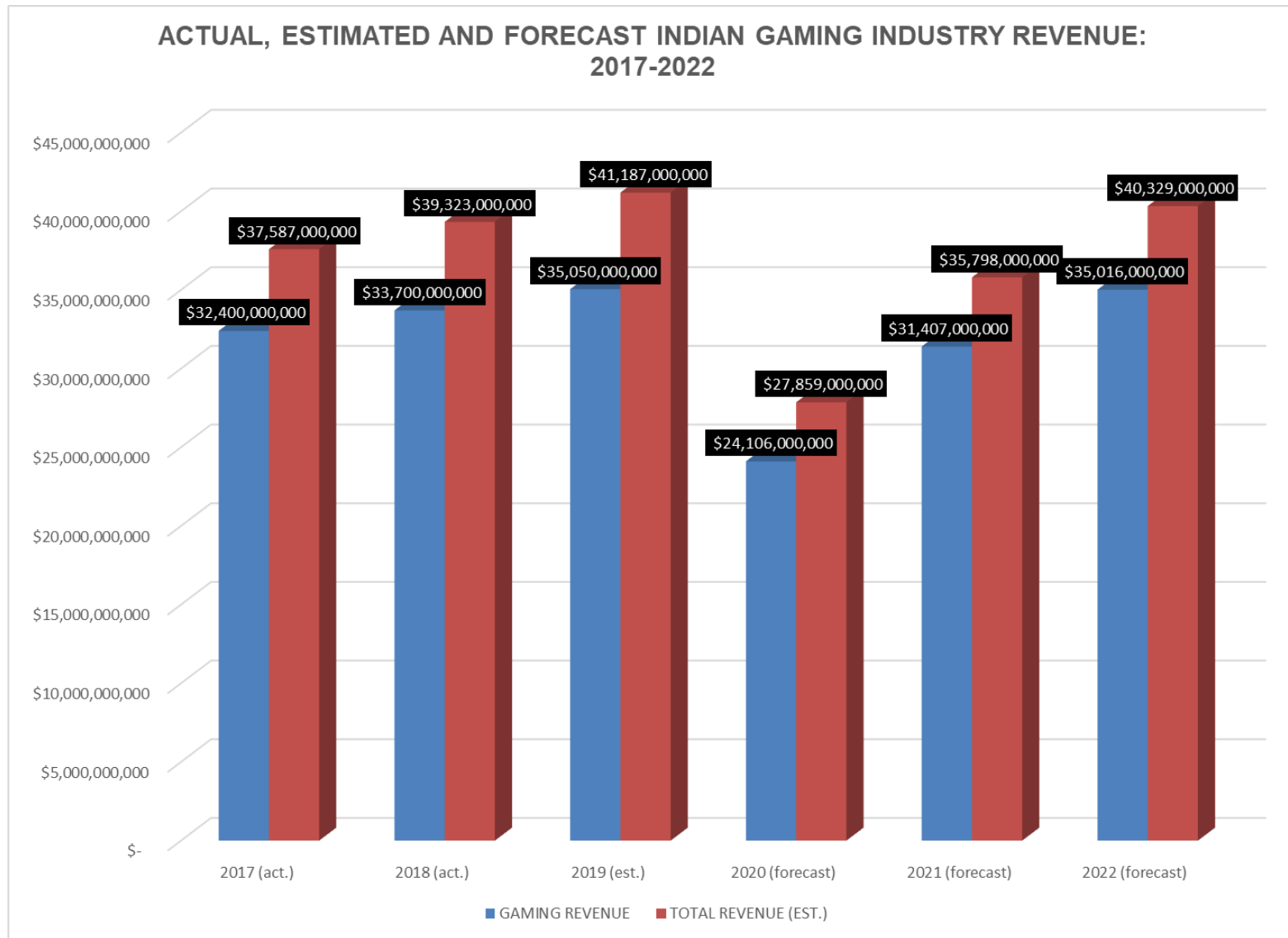
Gaming revenue data from the NIGC for 2019 is still not available. Reporting of state data for states with revenue sharing compacts is also lagging, making year-over-year comparisons difficult. However, some information is available. According to Connecticut data, Foxwoods Casino had machine win of \$33.6 million in June and \$30.5 million in July, down 4.8 percent and 19.7 percent respectively from the same months in the prior year. Mohegan Sun had machine win of \$45.5 million in June down 3.0 percent from last year but captured \$47.5 million in July, actually *up* 1.7 percent from 2019. According to news reports, Oklahoma exclusivity fees paid by tribes had dropped from \$12.2 million in February to barely over \$20,000 in March, but had rebounded to \$11.7 million by June. Although not inclusive of tribal gaming revenue, Louisiana riverboat casino revenue was down only 10.3 percent in July versus the previous year. Discussions with individual casinos indicate a similar pattern of revenue declines in the five to 15 percent range for monthly year-over-year comparisons once casinos have been reopened long enough to stabilize their operating protocols. To be sure, not everyone has been as successful. Nevada was still down roughly 26 percent in July and New Jersey was down over 20 percent. However, even those declines are lower than the drop in floor capacity generally being required.

## INDIAN CASINOS CLOSURES/RE-OPENINGS



The smaller percentage declines in gaming win are highly encouraging, but not unexpected. As noted in our original report, the standard deviation for revenue per customer per visit for gaming is quite large, unlike nearly all other businesses dependent upon direct customer interaction in large numbers. A small number of key customers, sometimes referred to as “whales” in the old casino vernacular, generate a disproportionately large amount of gaming revenue. As a result, a reduction in capacity by 50 percent does not have to automatically mean a reduction in revenue by 50 percent. In addition, casinos do a large percentage of their total revenue in certain short periods of time, generally weekend and holiday evenings. For much of the week and the vast majority of the hours they are open, they are nowhere near 50 percent capacity, much less full. Both of these characteristics mitigate to a degree the impact of reduced capacity on the gaming floor. However, as also noted in our original report, those characteristics cannot protect revenue from ancillary facilities at Indian casinos to the same degree. This too has been validated, at least anecdotally, by performance levels since Indian casinos reopened.

Based upon the information now available on Indian casino performance since reopenings have begun, we now forecast a decline in gaming revenue of 31.2 percent for 2020 and a decline in ancillary revenue at Indian casinos of 38.8 percent, for an overall decline in total revenue at Indian casinos for 2020 of approximately 32.4 percent. For 2021, we forecast an increase in gaming revenue of 30.3 percent and an increase in total revenue of 28.5 percent as recovery begins, still leaving the industry 11 to 13 percent below estimated 2019 levels. In 2022, substantial recovery is forecast to continue, with gaming revenue up 11.5 percent and total revenue up 12.7 percent from 2021. This will effectively represent full recovery in gaming revenue by the end of 2022 and recovery to within two percentage points for total revenue. Revenue levels in 2023 are expected to approximate pre-pandemic levels and surpass them on a month-to-month comparison basis by the middle of the year. This information is presented in the graph on the following page. Gaming revenue data for 2017 and 2018 are taken from NIGC statistics. All other figures are estimates and forecasts by KlasRobinson.



## **OTHER INDUSTRY SECTORS**

## **Tourism, Lodging & Other Leisure Industries**

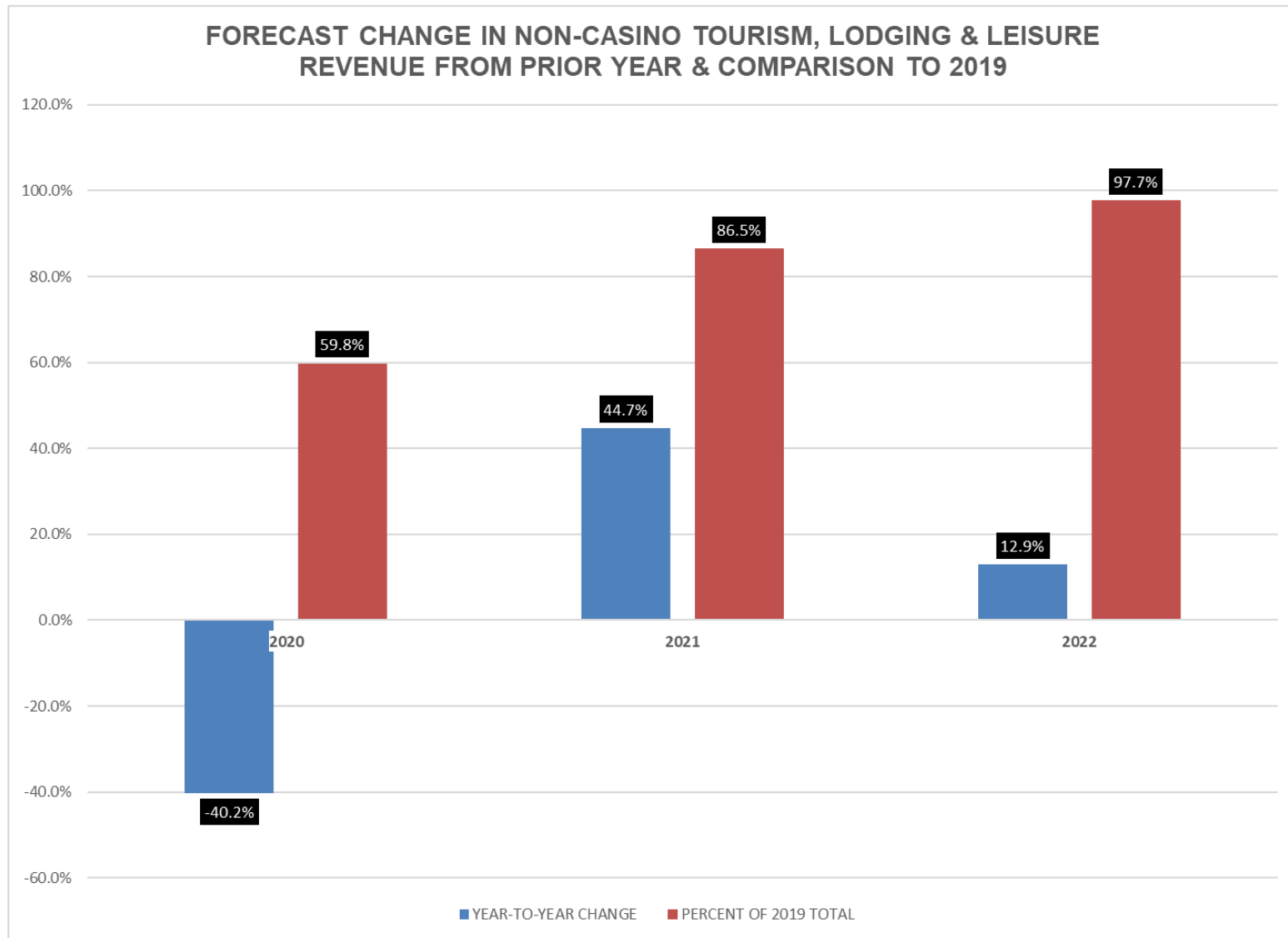
The non-gaming tourism sector in Indian country has been hit even harder by the pandemic and associated mitigation efforts than Indian casinos, as was expected. Other tourism and leisure industries do not have the same ability as casinos to make up lost capacity through increased spending per customer. Closures and other capacity restrictions have hit harder and lasted longer for many businesses in this sector, particularly foodservice and bars. In some instances, operations that reopened have had to endure a second round of closures as cases have spiked with specific ties to bars. The widespread and ferocious wildfire season in the west has further reduced tourism potential for large segments of Indian country. As a result, the decline in revenue in this sector for 2020 is shaping up to be even more severe than we first anticipated.

However, there are also signs of hope for the future for non-gaming tourism and leisure activities. With outdoors activities proving to be relatively safer than indoor activities in terms of viral spread, outdoor recreation, RV camping, golf, hiking and other such leisure options have actually seen spikes in interest higher than in prior years. Purchases of associated equipment to enable such activities have also increased. Some of these spikes are expected to endure beyond the current crisis as people continue to make use of newly purchased equipment and rediscover the joys of the outdoors.

Rural areas, where most tribes are located, have also shown generally lower disease prevalence leading to greater perceived safety. Lodging facilities in rural areas are experiencing a much lower hit from the crisis than their urban counterparts. Businesses dependent upon groups and large-scale events are still suffering regardless of location. But those that derive the majority of their revenue from individual, couple or family involvement are finding business volumes close to or perhaps even better than pre-pandemic levels.

Based upon the assumptions about the course of the pandemic described previously and our analysis of newly available data, we now forecast a decline in tribal tourism and leisure industry revenue other than casinos of 40.2 percent for 2020. However, for 2021 we now forecast an increase in tribal tourism and leisure revenue other than from casinos of 44.7 percent from 2020 levels as a more rapid recovery begins, still leaving the industry 13.5 percent below estimated 2019 levels. In 2022, substantial recovery is forecast to continue, with revenue up 12.9 percent from 2021. While this still leaves industry revenue 2.3 percent below estimated 2019 levels, it will effectively represent full recovery by the end of 2022. Revenue levels in 2023 are expected to approximate pre-pandemic levels and surpass them on a month-to-month comparison basis by the middle of the year. This information is presented in the graph on the following page.





### **Agriculture/Forestry/Fishing/Hunting**

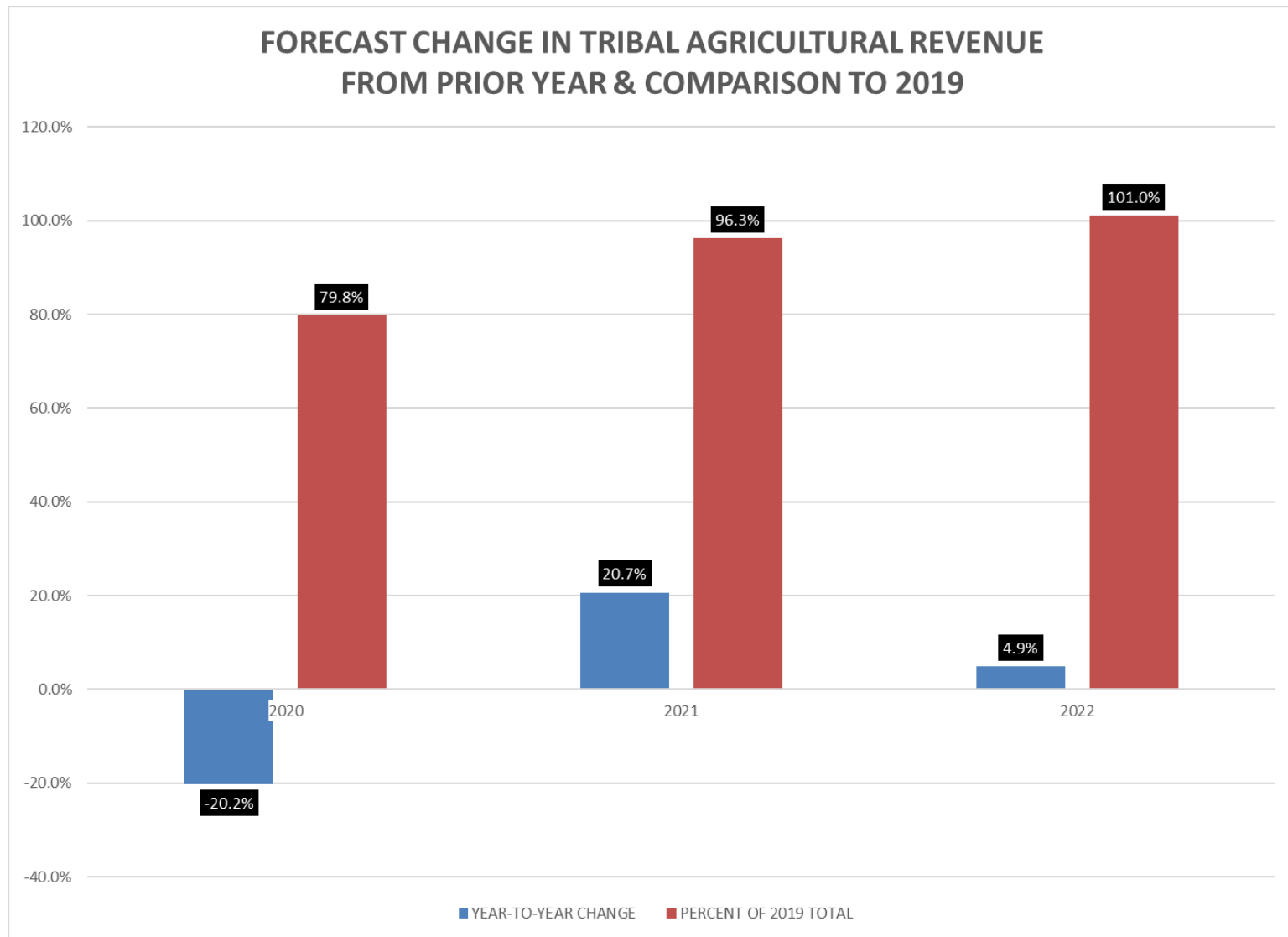
As noted above, outdoor activities, including hunting and fishing, have enjoyed a new spike in interest due to the greater perceived safety of being outdoors and the lack of many indoor recreation options. That spike has not been enough, however, to compensate for the difficulties in the agriculture sector and the loss of interstate and international travel, both of which provide important hunting and fishing demand. As a result, this sector has also taken a harder hit from the current crisis than previously hoped. While some of the economic damage in the agriculture sector is tied to even greater than anticipated impacts from the pandemic and associated mitigation efforts, other factors have added to the problem, including more serious than normal climate disruptions and more severe than anticipated international disputes spilling over into trade.

While drastic changes in personal consumption patterns due to shut downs and capacity restrictions in dining away from home continue to affect agriculture production and distribution, the industry is already showing signs of realignment to reflect the altered world. Shortages have been reduced, although not completely eliminated, and production has been repurposed for in-home consumption fairly rapidly and successfully. Although there remains concern that a counter disruption could occur when dining away from home eventually returns to something approximating prior levels (probably not until late 2021 or early 2022), the experience farmers and distributors have gained this year should help them adjust more quickly.

Based upon the assumptions about the course of the pandemic described previously and our analysis of updated information, we now forecast a decline in tribal agricultural revenue of 20.2 percent for 2020. For 2021, we now forecast an increase in tribal agricultural revenue of 20.7 percent from 2020 levels as recovery begins, still leaving the industry 3.7 percent below estimated 2019 levels. In 2022, full recovery and actual new growth is forecast to occur, with revenue up 4.9 percent from 2021. Total tribal agricultural revenue in 2022 is forecast to exceed 2019 levels by one percent. This information is presented in the graph on the following page.

### **Mining & Extraction**

With the price war between Saudi Arabia and Russia settled, the oil and gas component of the sector has rebounded considerably. However, overall demand remains depressed and prices are only being supported by production cutbacks that are notoriously hard to sustain on a long-term basis. For other components of the sector, inertia in the construction sector has sustained demand in the short-term but will still have the opposite effect in the long-term as new construction inevitably lags once the effects of the current crisis catch up and recovery impacts also lag.



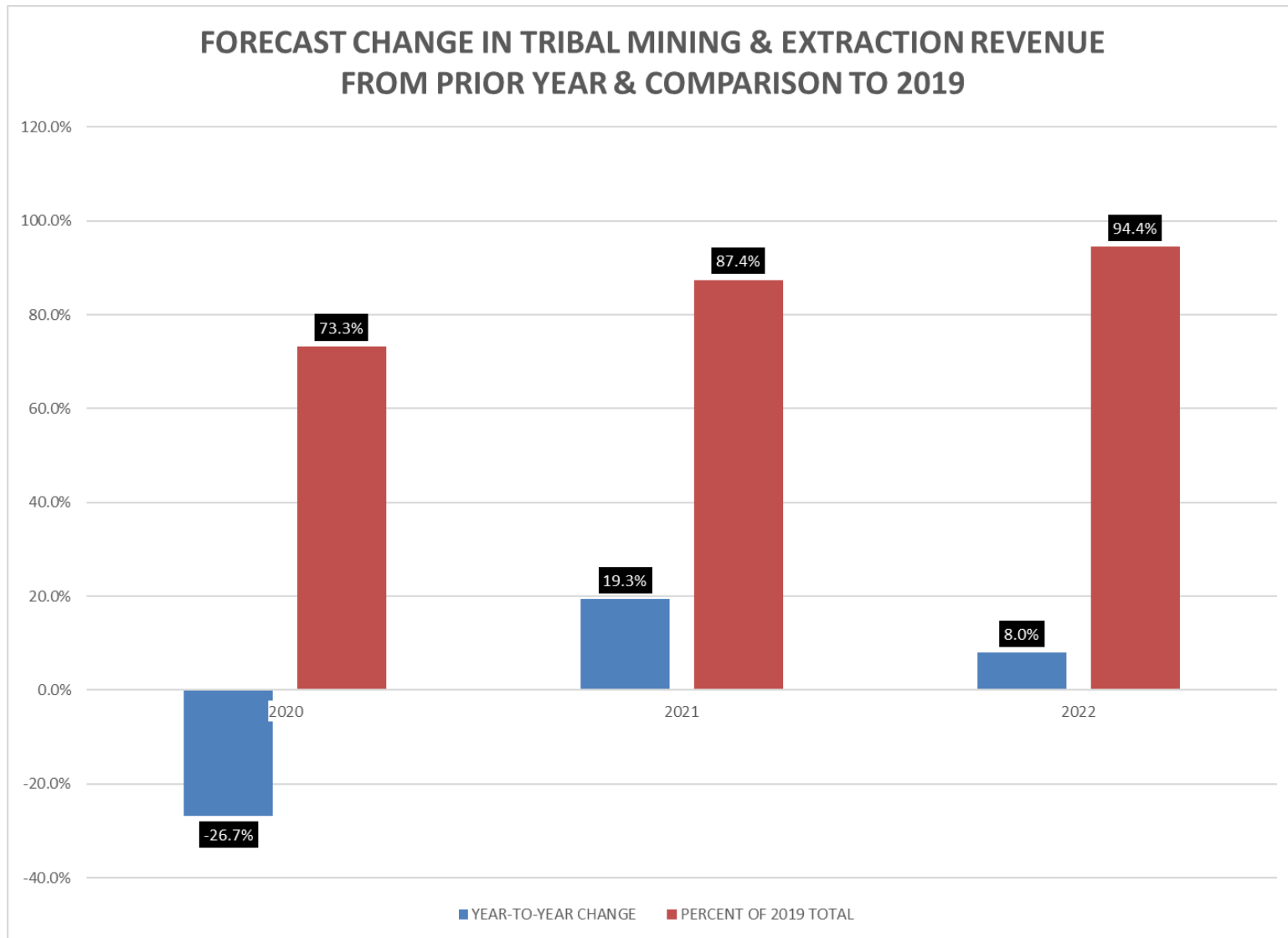
As noted in our original white paper, the importance of the mining and extraction sector is not spread evenly across Indian country. For some tribes it is a critical component of their economies, whether directly or indirectly. For others, it is all but irrelevant. For tribes that are more dependent on the mining and extraction sector, their own economies will continue to suffer doubly, both from the direct loss of business and from the impact of lost demand for other sectors due to lost employment and earnings in their area.

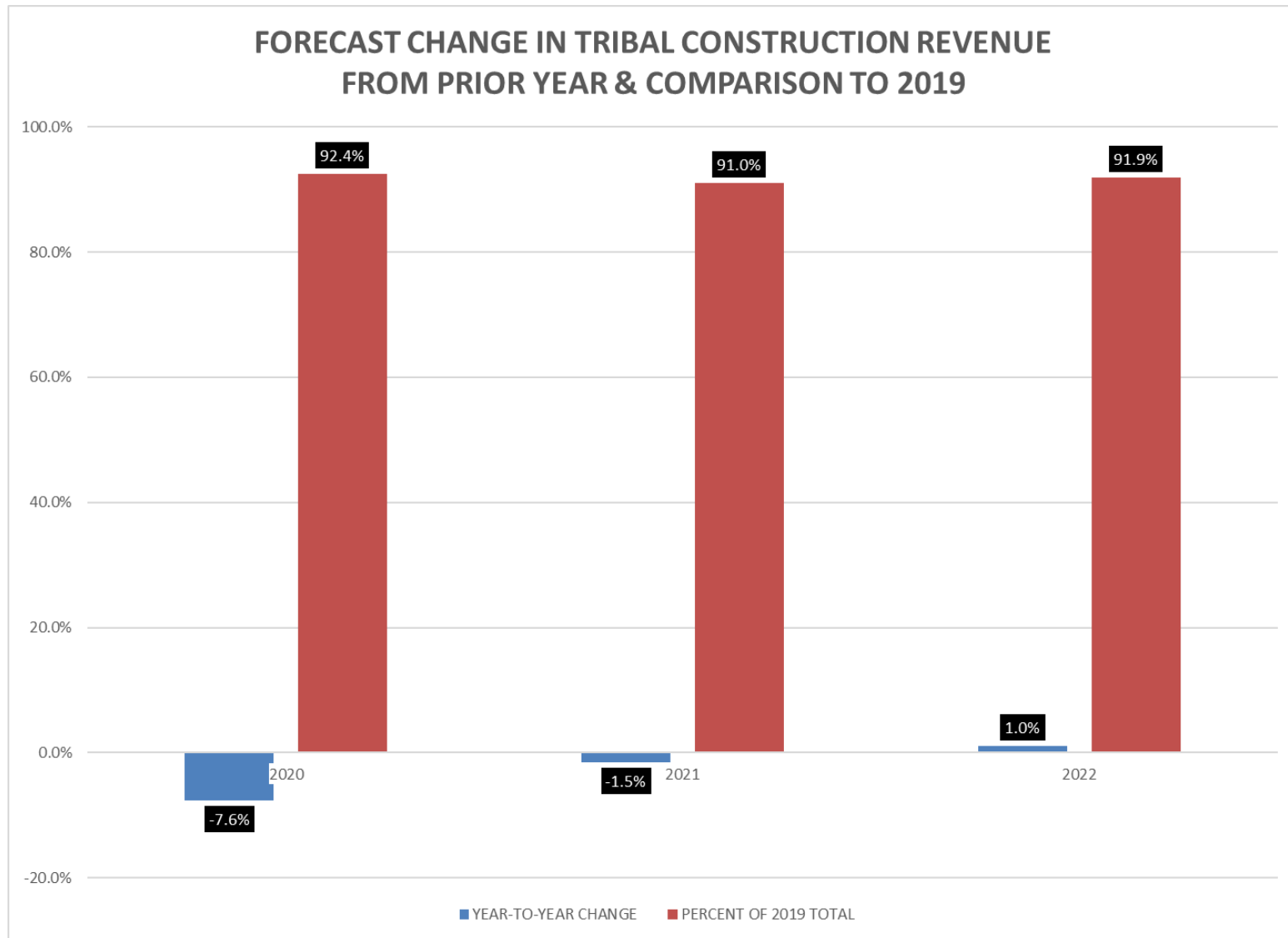
Based upon the assumptions about the course of the pandemic described previously and our analysis of information currently available, we now forecast a decline in tribal mining and extraction revenue of 26.7 percent for 2020. For 2021, we forecast an increase in tribal mining and extraction revenue of 19.3 percent from 2020 levels as recovery begins, still leaving the industry 12.6 percent below estimated 2019 levels. In 2022, substantial recovery is forecast to continue, with revenue up 8.0 percent from 2021. While this still leaves industry revenue 5.6 percent below estimated 2019 levels, it will effectively represent full recovery by the end of 2022. Revenue levels in 2023 are expected to approximate pre-pandemic levels and surpass them on a month-to-month comparison basis by the end of the year. This information is presented in the graph on the following page.

### **Construction**

As noted above, construction typically lags other sectors in both decline and recovery due to the advance planning and inertia associated with large-scale development projects. While the current crisis is demonstrating the same general pattern, the degree of initial downturn is greater than usual due to the clarity and severity of the economic effects. Some projects already in process that would normally have been completed, even in a recession, have been suspended in mid-stream. At the same time, as government stimulus efforts and surprising resiliency in consumer and business behavior have been observed, preplanning for resumption and new development are already taking place. The net effect now appears to be a similar pattern to what was previously expected, but with a sharper initial drop and a faster resumption.

Based upon the assumptions about the course of the pandemic described previously and our analysis of current data, we forecast a decline in tribal construction revenue of 7.6 percent for 2020. For 2021, we now forecast further decrease in tribal construction revenue of only 1.5 percent from 2020 levels as the lagged effects continue to build, still leaving the industry 9.0 percent below estimated 2019 levels. In 2022, limited recovery is still forecast to begin, with revenue up 1.0 percent from 2021. This will still leave the sector 8.1 percent below its 2019 level. Full recovery is now expected to take an additional one to three years beyond 2022. This information is presented in the graph on page 34.





## **Manufacturing**

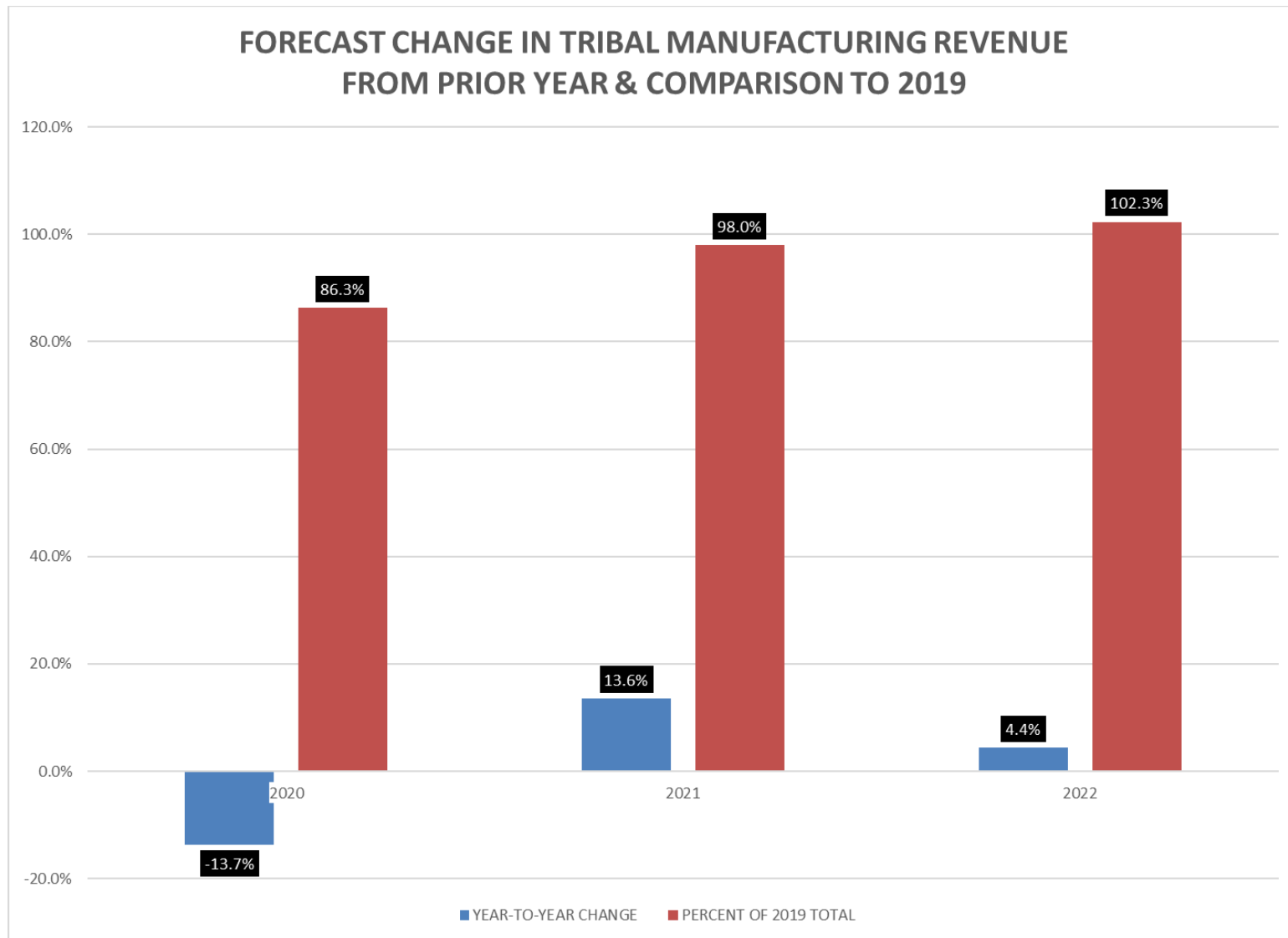
The initial effects of the pandemic related to shut downs in businesses representing end-point and intermediate-point demand for the manufacturing sector, particularly retail goods. Later and continuing negative effects have also been driven by viral outbreaks in various manufacturing businesses and by subsequent direct restrictions on employee spacing and operating procedures to reduce transmission. However, end user constraints continue to play the primary role, despite government attempts to stimulate production. The jobs-driven focus of much of the economic stimulus efforts preserved employment in manufacturing, but did much less to generate demand or maintain productive output. As a result, declines in manufacturing are proving to be somewhat larger than originally forecast.

Despite the even tougher than anticipated pandemic effects in 2020, evidence continues to suggest that the recovery pattern over the next two years will be largely similar to what was originally forecast, just starting from a lower level. Aggressive credit boosting efforts and other monetary initiatives by the Federal Reserve and demonstrated resilience in the attitudes and spending of consumers and business leaders support continued expectation of recovery in 2021 and 2022. At the same time, potential international trade disputes and inflationary pressure continue to threaten long-term recovery.

Based upon the assumptions about the course of the pandemic described previously and our analysis of spending and production data over the first two quarters, we now forecast a decline in tribal manufacturing revenue of 13.7 percent for 2020. For 2021, we forecast an increase in tribal manufacturing revenue of 13.6 percent from 2020 levels as recovery begins, still leaving the industry 2.0 percent below estimated 2019 levels. In 2022, full recovery with the beginnings of new growth are forecast to occur, with revenue up 4.4 percent from 2021. Total tribal manufacturing revenue in 2022 is forecast to exceed 2019 levels by 2.3 percent. This information is presented in the graph on the following page.

## **Wholesale Trade**

Tied as it is to, or caught between, the manufacturing and retail sectors, wholesale trade has demonstrated a similar pattern to the other two, with an even greater than anticipated drop in revenue this year, but continued potential for recovery in the following two years at a rate close to originally expected, just starting from a lower point. All three sectors have benefitted greatly from the already established online ordering and shipping infrastructure. While the early supply chain disruptions were serious, all three sectors, manufacturing, wholesale trade and retail trade have been able to rapidly adjust the flow of goods to take advantage of dramatic increases in online ordering to mitigate the effects of the current crisis and position for recovery.





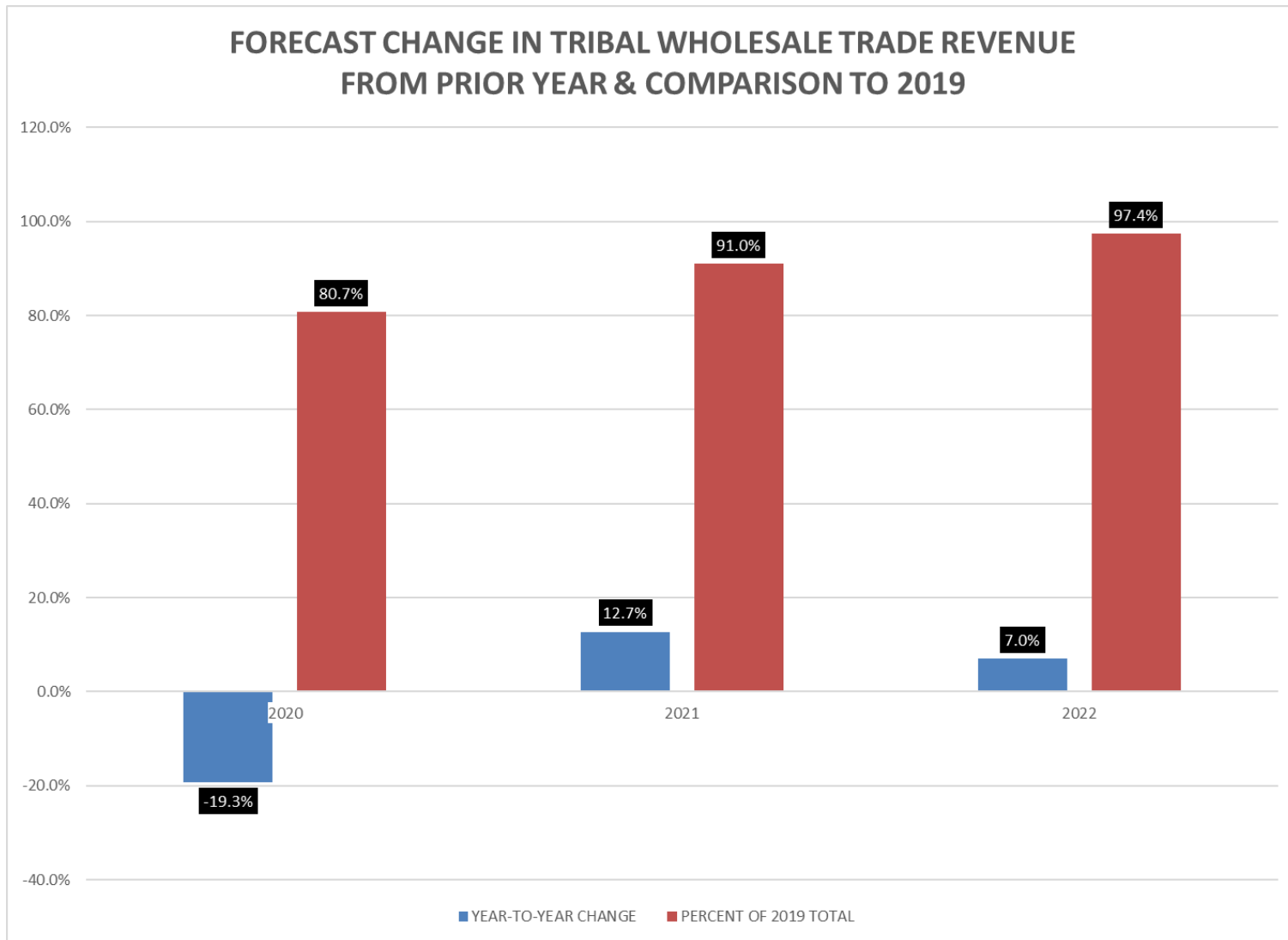
Based upon the assumptions about the course of the pandemic described previously and our analysis of updated information, we now forecast a decline in tribal wholesale trade revenue of 19.3 percent for 2020. For 2021, we forecast an increase in tribal wholesale trade revenue of 12.7 percent from 2020 levels as recovery begins, still leaving the industry 9.0 percent below estimated 2019 levels. In 2022, substantial recovery is forecast to continue, with revenue up 7.0 percent from 2021. While this still leaves industry revenue 2.6 percent below estimated 2019 levels, it will effectively represent full recovery by the end of 2022. Revenue levels in 2023 are expected to approximate pre-pandemic levels and surpass them on a month-to-month comparison basis by the end of the year. This information is presented in the graph on the following page.

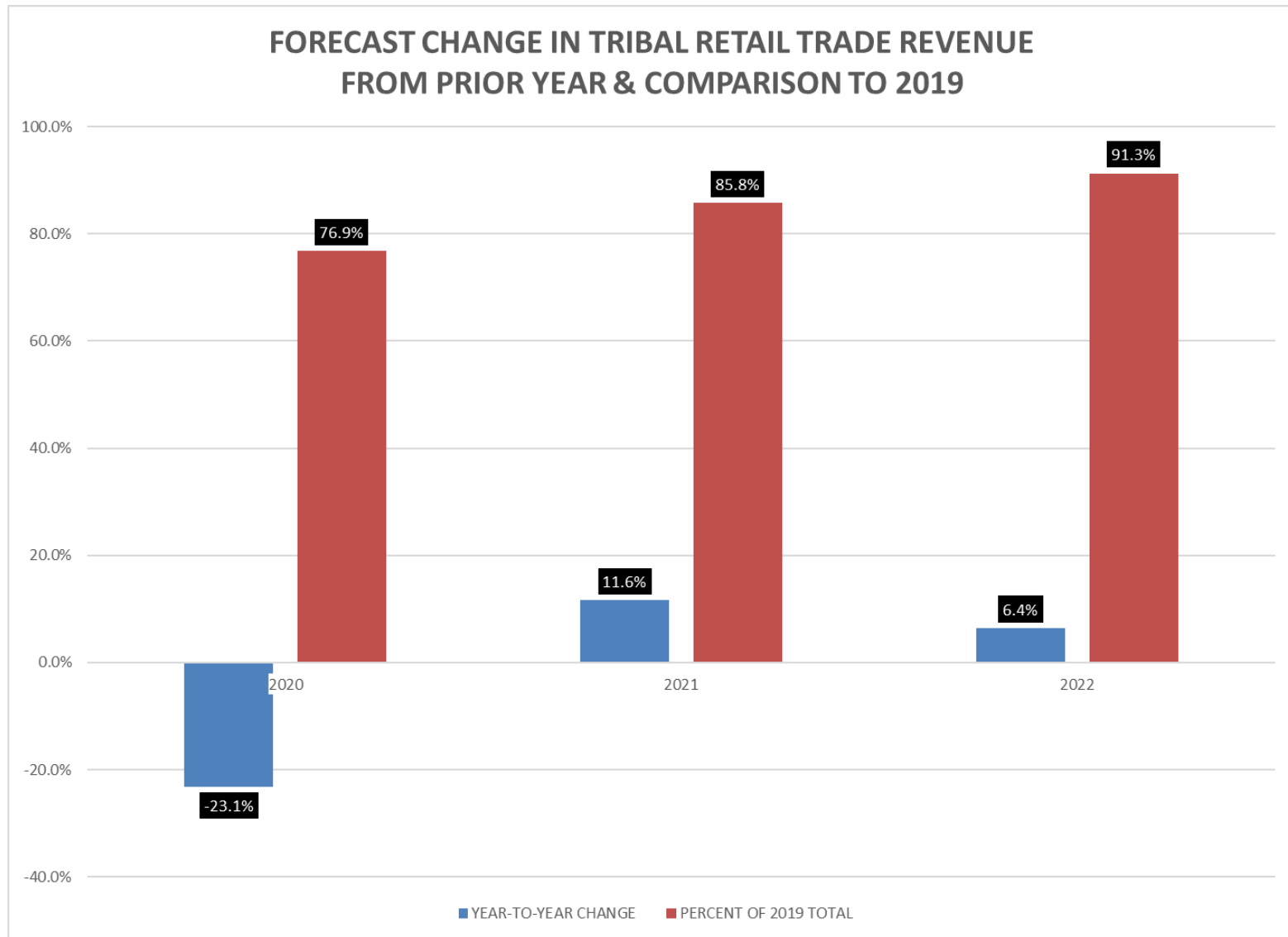
### **Retail Trade**

As already implied in the discussions of manufacturing and wholesale trade above, the retail sector has taken an even bigger hit from the pandemic and associated mitigation efforts than was originally hoped. While stay-at-home orders have been lifted, the continued spikes in caseloads across the country have resulted in periodic tightening of constraints and, more importantly, continued consumer reluctance to visit stores in person. This has been balanced by a dramatic acceleration of the preexisting shift toward online shopping. While online orders could not fully compensate for losses in brick and mortar stores at first, the pace has accelerated so much that major retailers with robust online presence are now catching up.

For tribal retail, which has a much lower internet presence, the online ordering shift has been of less help. The depressed tourist segment of demand has been a particular burden for tribal retail. However, the surge in interest in drive-to rural and outdoor locations for people desperate for some form of vacation has helped tribal retailers recover at least a portion of what has been lost. That surge also bodes well for the coming year, as considerations of pandemic safety will continue to encourage driving vacations to rural areas with outdoor recreation options, a pattern that favors much of the tribal retail sector.

Based upon the assumptions about the course of the pandemic described previously and our updated analysis of future trends, we now forecast a decline in tribal retail trade revenue of 23.1 percent for 2020. For 2021, we forecast an increase in tribal retail trade revenue of 11.6 percent from 2020 levels as recovery begins on a limited basis, still leaving the industry 14.2 percent below estimated 2019 levels. In 2022, gradual but slow recovery is forecast to continue, with revenue up 6.4 percent from 2021. This will still leave the sector 8.7 percent below its 2019 level. Full recovery is likely to occur late in 2023 or in the first half of 2024. This information is presented in the graph on page 39.





## **Transportation & Warehousing**

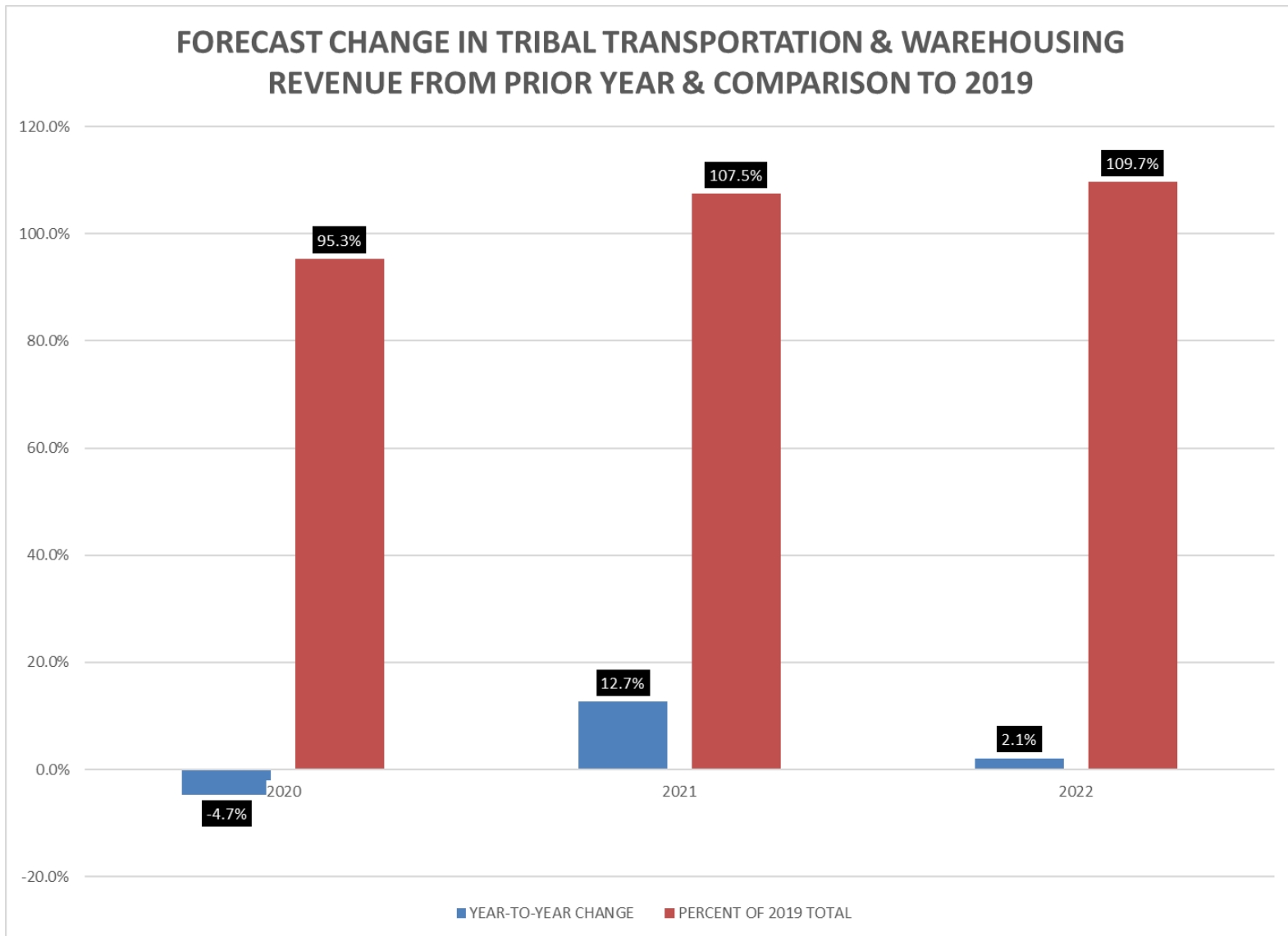
The passenger transportation side of the sector continues to be severely depressed, although some marginal signs of recovery in air passenger traffic have begun. They are not enough to sustain the industry yet and not likely to be for quite some time. Stimulus efforts from the federal government run out at the end of October. Given the difficulty the government has had in passing another stimulus package, a secondary support component for the airline industry is uncertain at best for the time being. Lacking that, major layoffs are expected in November if not earlier.

The other, and much larger and more relevant subsector to Indian country, freight, continues to show much greater strength due to the massive uptick in online shopping and greater stability in the wholesale supply chain. While a continued severe decline in passenger airline volume would have an impact on freight too (passenger planes carry more freight than widely known), The freight subsector is on track to not only recover quickly but grow significantly in the next two years.

Based upon the assumptions about the course of the pandemic described previously and updated information on sector trends during the initial stages of the pandemic, we now forecast a decline in tribal transportation and warehousing revenue of 4.7 percent for 2020. For 2021, we forecast an increase in tribal transportation and warehousing revenue of 12.7 percent from 2020 levels, pushing the sector past estimated 2019 levels by 7.5 percent. In 2022, growth is forecast to continue at a slower pace, with revenue up 2.1 percent from 2021, resulting in total revenue up 9.7 percent from estimated 2019 levels. This information is presented in the graph on the following page.

## **Other Industry Sectors**

Other sectors include utilities, the majority of the service sector group other than tourist and leisure-related services, and government. Most industries in these categories are expected to see patterns similar to those already discussed, although generally not as severe. While some service businesses, particularly personal services such as beauty salons and fitness centers, have been hit every bit as severely as food service and retail and will continue to suffer in much the same way, the bulk of services are not as consumer driven and less susceptible to pandemic driven restrictions. Two service sectors worthy of note are education and health services.



Education has continued to struggle into the Fall as a once hoped for resumption of normal activity level with the new school year fell prey to the realities of the ongoing pandemic. Nevertheless, there is a clear effort at all levels to return to a close to normal activity as quickly as possible, with some hopeful signs in the successful resumption of professional sports of potential success for college sports and the money they generate. Much less clear is the potential for further federal subsidies for education at any level given the difficulties the major parties are having agreeing on another stimulus package and active resistance to funding for education and for state and local government by some. Overall, we expect education to suffer an even larger shortfall this year than originally hoped but we do still expect recovery in the next two years.

While the healthcare sector suffered ironic declines in the midst of a health crisis due to reductions in elective surgeries and visits for anything other than COVID-19, there appears to be some positive movement back toward a more normal demand pattern, albeit with continued pandemic-driven operating changes to reduce spread. We do anticipate that trend to continue and intensify in the coming year, especially after vaccines become available. We also expect healthcare businesses of all types to continue to improve their pandemic and post-pandemic operating models to reduce the economic strain on the sector. Government funding availability for IHS may place a more serious strain on tribal healthcare in the coming years, depending upon when governmental budgetary emphasis shifts from economic stimulus to deficit reduction. However, we do not expect that until late 2021 at the earliest and perhaps not until 2023.

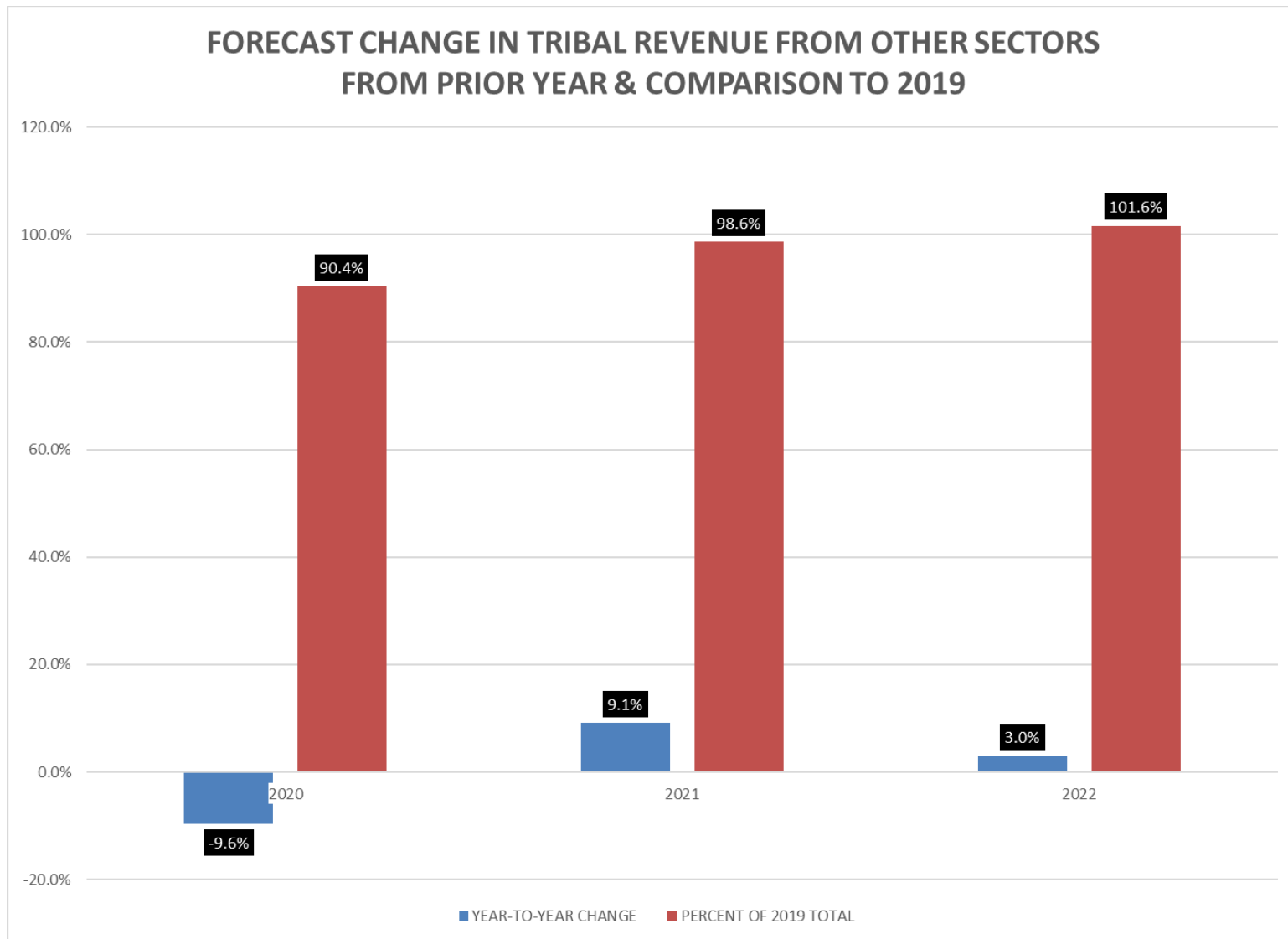
As noted in our original analysis, government as a sector is expected to undergo a pattern most similar to the construction industry, with lagged negative impacts following initial growth due to stimulus attempts. The need for stimuli will remain apparent through next year. However, the pressure on local and state finances will constrain their ability to respond and eventually even impact the federal government.

The real estate and financial sectors have shown somewhat of a lagged impact to the crisis as early workout and work-around strategies combined with eviction moratoriums have mitigated what would otherwise be red flags. However, homeowners and renters will continue to find themselves unable to make their monthly payments for the remainder of this year and at least into the next, which will become more obvious when stimulus packages and moratoriums expire. Commercial and multi-family property owners will continue to have similar difficulties meeting their own mortgage obligations. This, in turn, will cause credit to tighten even if the Federal Reserve moves to bolster capital access. The congregate care subsector of the real estate market is still expected to face particular challenges going forward from lost consumer confidence and increased operating costs, although perceptions have rallied somewhat due to continued stricter pandemic control than virtually anywhere else.

Based upon the assumptions about the course of the pandemic described previously and our analysis of updated information, we now forecast a decline in tribal revenue from other economic sectors of 9.6 percent for 2020. For 2021, we forecast an increase in tribal revenue from other sectors of 9.1 percent from 2020 levels as recovery begins, still leaving the combined sectors 1.4 percent below estimated 2019 levels. In 2022, full recovery is forecast to occur, with revenue up 3.0 percent from 2021. Total tribal revenue from other sectors in 2022 is still forecast to exceed 2019 levels by 1.6 percent. This information is presented in the graph on the following page.

## **SUMMARY**

Notwithstanding earlier and more liberal reductions in business and personal restrictions at national and state levels in hopes of reducing economic pain, tribal economic sectors are actually showing even greater negative effects in 2020 from the pandemic and mitigation efforts than originally projected. The corresponding much higher number of cases and deaths than originally assumed have failed to produce the desired tradeoff of increased economic activity due to the persistent virulence of the pandemic. However, there are also signs of greater resilience in business and consumer attitudes and behavior than originally expected, suggesting faster recovery than expected once the pandemic is finally tamed, which we still assume to occur by mid-2021. The overall pattern now appears to be one of a sharper drop this year and faster rise next year leaving tribal economies close to the same point as originally predicted by the end of 2021. By the end of 2022 most sectors are still expected to be approaching full recovery or may have already reached it in some cases. However, certain sectors are still not forecast to reach full recovery until 2023 or even later.





# **PRESCRIPTION SUMMARY**

We have not found a need at this point to alter or update the range of prescriptions to speed recovery and boost new growth potential for tribal economies that we offered in our original report in June. The basic concepts and specific actions are already being undertaken by many tribes recognizing the same issues and taking the same logical steps. The brief summary of prescriptions that we included in Executive Summary section of our original report is repeated below for convenience. For more detailed discussion, please consult the body of the original report.

## **RECOVERY PHASES**

### **Initial Phase (June to December 2020)**

- Watching for promising new ideas and approaches taken by others and implementing them quickly
- Maintaining close communication with employees, customers and government, including both listening and informing, to minimize confusion and maximize the compliance with and benefits of any steps taken
- Monitoring actual versus expected results and not hesitating to change or revoke steps that do not produce desired results
- Publicizing the steps you take widely
- Planning in advance for retrenchment in the event of a viral surge
- Planning in advance for the next round of actions to take as conditions improve and restrictions are eased
- Careful evaluation of costs versus benefits to inform future revisions
- Avoidance of the language of failure or error and instead focusing on language of learning, refinement and evolution

### **Transitional Phase (October 2020 to September 2021)**

- Continuing to watch for promising adjustments and approaches taken by others and applying them to your own environment
- Using operating results, customer and employee feedback and revised government directives to inform easing or adjusting of rules.
- Taking initial steps to make temporary structural changes permanent as needed
- Experimenting with internal design and materials to improve the comfort, efficiency and appearance of barriers and spacing requirements
- Planning in advance for long-term adjustments in space, product lines, pricing, staffing and business models to reflect the clearer picture of the evolving “new normal”
- Publicizing and celebrating successes, enhancements and easing of restrictions
- Personalizing the evolving long-term operating patterns to your particular business and customer base

### **Recovery Phase (September 2021 to Early 2023)**

- Resumption of traditional rather than emergency strategic planning to maximize market position and profitability
- Continued communication with customers, employees and civic leaders.
- More significant capital expenditures to maximize the efficiency, customer appeal and profitability of operations
- A resumption of traditional government advocacy to refine, improve, add or remove post-pandemic regulations
- Exploration of new business lines, cross-fertilization, vertical and/or horizontal integration and other opportunities in the new economic environment given your own internal strengths and weaknesses
- Document all actions taken during crisis and recovery, including what worked and what did not to provide a guide for future crises

### **INTER-TRIBAL COOPERATION & COORDINATION**

#### **Association/Organization to Association/Organization**

- Formal coordination through regular meetings of key staff in major national and regional organizations (e.g. NIGA, NCAI, NCAIED, American Indian Chamber of Commerce, NAFOA and many others, including their regional counterparts) to set agendas, monitor progress and share ideas and areas of emphasis
- Development amongst the organizations of standardized messaging, phrasing and key words applicable to area of common interest as well as to areas of individual emphasis (e.g. the word “sovereignty” which has become an extremely effective rallying cry across numerous issues)
- Continued and enhanced joint appearances before government agencies and elected officials and invitations to such to appear at joint gatherings
- Coordinated public relations efforts in the media and at state and local levels in addition to the federal government to highlight the areas of common concern and engrain the standardized phrasing and key words into the public lexicon

- Regular reports back to their own individual memberships regarding their coordination efforts to boost enthusiasm and support at the tribal leader and tribal member level
- Leverage associate member knowledge and resources to boost impact

### **Tribe to Tribe**

- Development of consortiums between land-rich, labor-rich, resource-rich and financially successful tribes to develop new business ventures capitalizing on shifting trade and supply chain patterns, with development located to maximize needed employment or market/resource access with investment from tribes lacking such needs or opportunities but having cash available for investment
- Continued and expanded lending and investment tribe-to-tribe for renovation and expansion of existing facilities to meet new operating requirements as recovery takes hold
- Continued joint efforts to support needy Native Americans not living on their home reservations
- Continued, renewed or expanded support by individual tribes for the multi-tribal organizations and associations previously referenced
- Increased efforts to make inter-tribal purchases, whether tax-advantaged or not, and support Indian-owned businesses

### **SUPPLY CHAIN DIVERSIFICATION**

- Internal review of all vendor sourcing across all tribal businesses to identify and develop additional reliable and high-quality sources
- Encouragement of, investment in and directed purchasing from existing and new AIAN-owned suppliers
- Reevaluation of customers and product/service lines to identify opportunities for additional direct or spinoff/leveraged markets, including increased tribe-to-tribe selling
- Lobbying and pursuit of government grants, loan programs and other incentive programs to support new, expanded or diversified production and distribution
- Active discussions at the association level and tribe-to-tribe of networks and consortiums to aid supply chain diversification
- Strategic planning and investment with a focus on longer return cycle development to allow new diversifying business ventures time to establish their markets

- Further exploration of tax advantages and other regulatory benefits of tribal development and tribe-to-tribe transactions, as well as tribe to non-tribal sources, to market and support new diversification efforts.

### **FINANCING & WORKOUTS**

- Internal working groups as quickly as possible given crisis conditions to begin a pre-planning process looking at likely issues and areas of focus unique to each tribe and tribal business
- As time, capital and staffing permits, initiation of business level and tribal level strategic planning for recovery and future long-term operating models
- On-going communication with existing and past lenders to establish dialogue about needs, limitations, expectations and opportunities
- Project, loan or venture specific evaluation of pre-pandemic, pandemic and likely post-pandemic operating results given available information and current plans, including range and alternative estimates
- Active discussions at the association level and tribe-to-tribe of alternative capital sources, workout strategies and best practices
- Continued lobbying of government support for reparative, restorative and generative initiatives

### **INSURANCE & LEGAL**

- Immediate discussions with internal and external counsel, as well as relevant industry associations and government representatives to determine the extent and character of liability for Indian tribes and AIAN-owned businesses across all sectors
- Negotiations with insurance providers regarding policy coverage and disbursement procedures to identify areas of disagreement and begin the claims filing process
- Documentation of all necessary actions taken, operating or practical results, government guidance, communications and publicity efforts to create a paper trail in the event of litigation
- Review and enhancement of publication and communication of all relevant policies, regulations and declared liability limits to customers, employees, vendors and tribal members

### **SANITATION, PPE AND OTHER HEALTH PROTECTIONS**

- Active pursuit of diversified supply lines for all sanitation, PPE and other health protection supplies, including development of tribal production for internal use and external sale where feasible

- Study and monitoring of enhancements to improve the comfort of PPE for employees and customers without losing effectiveness
- Analysis of interior design standards to make distancing and barriers for customers and staff, both front-of-house and back-of-house, more attractive, less intrusive and more convenient/efficient
- Segmentation of customer and work groups into smaller clusters where possible to reduce potential spread, either through space designation, activity/process segregation or scheduling
- Identification of key customer groups for special attention that can be attracted by providing added protection versus the general population
- Active discussion at the association and tribe-to-tribe level of innovations, best practices and supply sources
- Frequent reevaluation of the placement and types of sanitizing equipment to ease and enhance customer and employee usage and decrease the cost and time needed to refill, replace and dispose of spent materials
- Customization of PPE with logos, names and other marketing material for sale or free distribution as appropriate to staff and customers
- Active training of staff on engagement with customers and each other to encourage cooperation in policies and procedures in a non-confrontational manner with clear chains of command for reporting or enlisting aid in situations of non-compliance
- Pursuit of opportunities to provide sanitation and PPE supplies with logos on a charitable basis to people or institutions in need
- Automation of dispensing, tracking, and resupplying of sanitation and PPE wherever possible

### **AUTOMATION**

- Conversion where possible to touch-free processes, particularly in restrooms, entrances and other places where motion sensing is practical
- Conversion where practical to automated dispensing from supplies, to products, to currency/change, to PPE, to liquids, to raw materials and to any other potential machine dispensable item or service
- Training for staff on the proper use and maintenance of automated equipment and dispensers
- Education and promotion for customers on the use and benefits of automated equipment
- Inclusion of added automation in any redesign, renovation, expansion or new development to the extent allowed by space, capital and market position

## **INDIVIDUAL SECTOR PRESCRIPTIONS**

### **Gaming**

#### **Space Use and Needs**

- Planning and design efforts to create permanent distancing and barriers that are attractive to the customer, durable and easy for staff to work with and maintain.
- Evaluation of the cost/benefit of additional space for gaming and of reallocation of space from areas no longer utilized to the same degree.
- Evaluation of the most efficient and cost-effective manner to increase back-of-house space to meet employee and inventory needs
- Creative engagement with machine and table game vendors to develop new gaming stations that compensate for space requirements by reducing the need for customers to leave their gaming position
- Creative engagement with regulators to develop new MICS and testing to adapt to new gaming station models
- Reevaluation of the balance between various casino resort components to ensure that each component is properly scaled to meet the needs of the new operating environment, including greater design flexibility to quickly adapt space use in the future
- Consideration of shifts to electronic and/or stadium gaming for table games

#### **High Value Customers**

- Configuring of private gaming salons for exclusive use by high-value gamers or for rental by groups. Salons would have dedicated servers and premium food and beverage offerings. With advance reservations, specific games could be moved in and out until such time as multi-game stations are developed
- Reconfiguration of players' club benefits to focus even more intensively on higher-value gamers and reduce incentives to bottom level gamers
- Creation of "gaming concierge" staff for top tier customers to ensure that they have the games they want when they want them, guide them to the right locations personally when they arrive and cater to such other needs as they may have
- Adjustments to table minimums, and machine minimums to emphasize higher wagering levels per customer, even at the cost of some lower value patrons
- Creative engagement with regulators to develop/adjust regulations as needed to accomplish above goals.

### Food and Beverage Service

- Design and operational planning for increased food and beverage service on the gaming floor, including necessary regulatory changes, ordering equipment, space to set food and drinks and shifts in staffing
- Reconfiguration of buffets and other underutilized restaurants and bars to food court or food hall concepts or other space needs
- Shifting of menu mixes to ease the transition to on-floor consumption but maintain quality and freshness
- Increases in outdoor dining and drinking areas where space and climate permit, including increased climate buffering efforts such as awnings, heaters, coolers/misters and windscreens
- Adjustments to marketing efforts and players' club rewards away from discounted food and beverage
- Premium food and beverage service for high-value customers and private gaming areas.
- Enhanced room service for casinos with hotels and increased packaged food vending and microwavable or kitchenette-preparable food

### Other Gaming Prescriptions

- Increases in the non-smoking space in casinos or transition to smoke-free to reduce the need for customers to remove their masks
- Increased active pursuit of on-line gaming options and non-wagering game apps associated with individual casinos for play both on and off property to ensure that Indian gaming maintains parity with opportunities available to commercial casinos and state-sponsored gaming
- Reevaluation of the cost/benefit of large-scale entertainment and sporting events on site to reflect new distancing requirements and new gaming capacities
- Proactive review of all gaming regulations, both internally and with state and federal agencies, to ensure that any unnecessary barriers to the evolution of the gaming experience in the post-pandemic environment are removed or mitigated
- Exploration of air handling and air filtering enhancements that can be marketed as increasing employee and customer health safety
- Review and alteration as needed of customer and employee access points to aid in capacity control and public health monitoring



## **Tourism, Lodging & Other Leisure Industries**

- Exploring options to expand RV and other camping sites, cabins, casitas, glamping or any other lodging options that stand independently or semi-independently
- Evaluation of renovation options to include kitchenettes or less extensive enhancements of in-room food preparation and consumption
- Enhanced room service and increased packaged food vending and microwavable or kitchenette-preparable food
- A shift in focus for lodging development toward lower price-point/lower service-point options such as economy extended stay
- Increases in outdoor dining and drinking areas where space and climate permit, including increased climate buffering efforts such as awnings, heaters, coolers/misters and windscreens
- Exploration of mixed/vertically integrated foodservice and retail models to provide more flexibility in the revenue stream
- Evaluation of the potential for increased outdoor or convertible indoor/outdoor activities and attractions
- Revision of staffing models through increased automation
- Where capacity cannot be maintained but demand is present, a shift upward in pricing to maximize revenue per patron, combined with increased amenities and upselling options
- Increased emphasis on reserved group bookings to allow for better staffing control and customer separation

## **Agriculture/Forestry/Fishing/Hunting**

- Diversification of production through rotation or planting/grazing of a wider variety of products, particularly specialty products with Native connections of other high perceived-value elements
- Diversification of sales outlets, including multiple processors, direct retail and online sales
- Development of processing, packaging and distribution capabilities to produce value-added and vertically integrated agricultural ventures
- Microlending, guaranteed purchasing and other small-scale support for the efforts of individual members to diversify or add value to their own production
- Negotiation of tribal agricultural consortiums and tribe-to-tribe purchasing agreements to help seed new development initiatives
- Increased mandates to purchase from within tribes or tribe-to-tribe for foodservice supply and tribal grocery retail
- Exploration of recyclable paper and cardboard packaging opportunities for tribal timber production where suitable

- Expansion of hunting and fishing activities for both tourists and tribal members to the extent supportable by the eco-system. This can be coupled with the increased RV camping and glamping initiatives already described

### **Mining & Extraction**

There is little to be done to mitigate the effects beyond what is traditionally done in the sector: layoffs, temporary shuttering of facilities, production cuts and patience. One aspect worthy of more intensive focus is the same concept of tribal consortiums and tribe-to-tribe purchasing mentioned previously. The concepts are already in place for oil and gas, but only in their infancy. Expanded efforts to develop tribal networks for oil and gas and for other mined and extracted products should be among the major foci of the cooperative meetings between various tribal associations and tribes themselves advocated in this report. Beyond such efforts, we have no significant additional prescriptions to offer, other than the same resigned patience always exhibited in the sector during difficult times. Our forecast shows that by 2023, the sector should be well on its way to restoration of profitable economic activity.

### **Construction**

- Active lobbying and pursuit of grants and low-interest loan programs for infrastructure and other construction projects from non-tribal sources by tribal associations and individual tribes alone or in consortiums
- Identification of any repair or renovation projects for existing tribal businesses and infrastructure to maintain minimal operating levels for construction teams
- Active pursuit of larger-scale renovation and expansion projects for Indian casinos as previously discussed
- Increased tribe-to-tribe and AIAN-owned construction sourcing for any projects available
- Documentation of potential construction labor and other economic benefits from new manufacturing or other projects to support loan and grant applications.

### **Manufacturing**

- Strategic planning and analysis of tribal legal, land, labor and capital advantages to inform and justify new manufacturing initiatives and lobbying efforts at the association, inter-tribal and individual tribal levels
- Coordination of lobbying and public messaging between tribal associations with a focus on tribal manufacturing development

- Active lobbying and pursuit of grants and low-interest loan programs for the diversification of supply and repatriation of manufacturing capacity through multi-tribe and tribal/non-tribal consortiums that marry land and labor with capital and expertise
- Further strengthening of inter-tribal purchasing to support increased manufacturing production
- Exploration of vertical integration and value-added manufacturing opportunities by agricultural tribes, either alone or in partnership
- Active diversification of supply and sales outlets by existing tribal manufacturing ventures to protect against future disruptions with a particular focus on other tribal sources and outlets
- Increased automation of tribal manufacturing, particularly of new ventures, to protect output capacity in case of new public health or other emergencies
- Research into product improvement for PPE and other new or existing supply needs for Indian gaming to increase the proportion supplied by tribal vendors

### **Wholesale Trade**

- Active diversification of supply chain and sales outlets to mitigate current and future risk of disruptions to key vendors or buyers
- Exploration of horizontal integration and product diversification to cater to increased demand for multiple vendors and multiple products lines as the recovery takes hold
- Increased and sustained communication with tribal leadership and other tribal entities to explore supply or sales opportunities and ensure awareness of product lines available
- Participation in planning and lobbying initiatives with tribal manufacturers to expand products manufactured and sold from tribal lands
- Exploration of automation opportunities to protect output capacity in the event of public health disruptions
- Further development of online ordering and shipping capabilities to expand the pool of sales outlets
- Monitoring of internal costs in relation to market pricing to maximize margins across product lines

### **Retail Trade**

- Aggressive efforts to increase online presence and ordering and shipping/delivery capabilities
- Diversification of retail mix where demand and space allow to include sufficient essential products to allow operations to remain open in future shut downs

- Diversification of suppliers and increased inventory space to protect against product shortages
- Analysis of product pricing taking into consideration market trends, the characteristics of your demand base and the increased operating costs of the post-pandemic environment
- Increased automation in cashiering, customer service and other areas where possible to help control labor costs with lower volumes
- Reevaluation of space needs and associated costs for front-of-house versus back-of-house in light of new spacing requirements and inventory needs

### **Transportation & Warehousing**

The primary impact of this sector will be the potential for increased freight and warehousing demand for tribal operators involved in those businesses. Between increases in online shopping, diversification of the supply chain and increased inventory space needs, demand for freight transport and warehousing is forecast to grow. As with manufacturing, some tribes are strategically located and can offer ample land and potentially lower taxes to warehouse and freight operators or develop them in their own right. To the extent that the same tribes do not have capital to develop or expand such ventures, working with other tribes to obtain financing or joint venture could solve the problem. Any tribe already active in warehousing and freight transport or actively pursuing increased manufacturing opportunities as described earlier should also be looking to expand their network of shippers and delivery destinations over the next two years to boost their presence in the sector for the long haul.

### **Other Industry Sectors**

The needs and opportunities of the various other industry sectors not profiled independently in this analysis are too great for a comprehensive discussion or listing of recommendations for recovery and renewed growth. However, a few prescriptions that we consider useful are presented below:

- Discussions with utility companies to explore additional, environmentally friendly generation and transmission on and through tribal lands to boost local capabilities and generate new construction demand
- Active pursuit of enhanced internet and cellular connectivity for tribal government, residents and businesses
- Direct negotiations with lenders and financial institutions to adjust payment terms and increase lines of credit to support ongoing operations during the crisis and new growth and recovery efforts afterwards
- Exploration of funds availability for single and multi-family housing development for tribal members to support construction businesses and improve tribal living conditions.

- Exploration of funds availability for educational repair and renovation to support construction businesses and improve tribal living conditions.
- Analysis of in-home impediments to telehealth and other remote health initiatives and rectification of the impediments, including lobbying for and pursuing grants and loans to improve health care effectiveness for remote and elderly tribal members
- Evaluation of other cost savings and possible wage cuts to preserve tribal government jobs rather than resorting to layoffs during the crisis
- Pursuit of multiple tribal member focus groups during and after the crisis to explore ideas for dealing with the downturn and increasing opportunities during and after recovery

# **MONITORING FUTURE HEALTH**

## **GENERAL**

As with the prescriptions we originally offered, we have not found a need at this time to update our list of critical factors to monitor to determine whether trends at the national or local level are proceeding along the path we anticipated. The brief summary of indicators to track to watch for deviating trends that we included in Executive Summary section of our original report is repeated below for convenience. For more detailed discussion, please consult the body of the original report.

### **COVID-19 AND CIVIC RESPONSE**

- National daily and cumulative infection totals and deaths
- State/county daily and cumulative infection totals and deaths
- Daily infection totals and deaths in areas that reduce restrictions earlier beginning three to four weeks after the change and for eight weeks thereafter (too soon to tell)
- Monitoring of daily infection totals and deaths in China and in Western Europe for the remainder of this year
- Monitoring of public statements, reports, orders and guidance issued by your state and local authorities, of the majority public reaction to them and of the majority public reaction to similar guidance or orders by other governmental leaders in counties and states where leadership is affiliated with the same party as that in your area
- Monitoring of significant outbreak clusters at major businesses in your local area or at comparable businesses in other areas (e.g. meatpacking plants, nursing homes, etc.)
- Careful monitoring as much as possible of your own employees and customers.

### **GENERAL ECONOMIC CONDITIONS**

- Whether or not an additional stimulus package is passed by Congress and signed by the President prior to the end of December and the magnitude and characteristics of the package
- The outcome of the national and of state elections in terms of divided government, removal or reelection of incumbents and whatever “mandate” is widely considered to have been given to those elected
- Momentum during the lame-duck period for the current elected officials to lock in or out changes by their replacements if the new government will have significant changes in power sharing
- Customer traffic and spending trends four to eight weeks after the resumption of limited or full-scale business
- The status of international trade agreements and temporary international pandemic-related restrictions
- Discipline amongst oil producing nations in controlling output to support costs

- The degree to which the financial community responds to increased risk and decreased debt repayment issues by tightening qualifications for lending
- The speed and proportion of rehiring by employers as business restrictions are eased
- The degree to which lawsuits over infections, employee safety and insurance distribution spread and become publicized or are preempted
- Black Friday and Cyber Monday sales figures
- The speed with which hazard-pay increases for essential workers are rolled back and the amount of employee, public and governmental resistance to the rollbacks
- Unemployment rates, major employer closures and local government budget cuts in your immediate area
- Vacation travel and lodging industry performance nationally and in your area from July through October

### **TRIBAL ECONOMIES**

- Indian-specific elements of any new stimulus legislation
- Funding levels for all major components of the federal budget affecting Indian country in the next three years
- Implications of national and statewide election results for hot button political issues related to tribes and general economic policy
- Success in completing the 2020 census accurately, particularly tribal member participation
- Formal actions at the federal level to encourage domestic production, repatriate manufacturing and diversify supply chains
- Auto travel trends and local area lodging industry performance
- Local personal and business bankruptcy rates
- Local employment trends, including large employer closures or rehiring
- Plans for resumption of local and regional festivals and sporting events
- Commodity prices and volumes in agriculture and mining sectors, as well as any government support initiatives
- Legislation affecting tribal interests during lame-duck sessions
- Unemployment rates, major employer closures and local government budget cuts in your immediate area
- Vacation travel and lodging industry performance nationally and in your area from July through October
- Resumption of gaming activity and response to enhanced marketing initiatives by high value gamers
- Average win per visit in casinos
- Outbreaks in major employers and in senior living facilities in the local area



- Public comments and draft legislative initiatives at the state level to boost state tax revenue that could adversely affect tribal interests
- Any initiatives at the national or state level pertaining to online gaming

Tribes located in areas with hot spots, higher unemployment rates, dependency on oil and non-grain farming or ethanol, reliance on international travel or air travel, higher personal and/or business bankruptcy rates or slower resumption of major festivals and sporting events are likely to see longer and slower recovery periods than the overall averages forecast in this report. The converse is also true. However, it will be important to distinguish between the noise of short-term fluctuations and the presence of actual, substantial and sustained variation from predicted results.

# **ADDENDUM:**

**PROFILE OF**



# OUR COMPANY

KlasRobinson Q.E.D. provides market research, financial feasibility analysis, economic impact analysis, litigation support and other development consulting to such diverse types of industries and businesses as:

- |   |  |
|---|--|
| ♣♣ <b>Casinos, Bingo Halls and Racetracks</b>       | ♣♣ <b>Gas Stations, Truck Stops and Convenience Stores</b> |
| ♣♣ <b>Hotels and Resorts</b>                        | ♣♣ <b>Retail &amp; Mixed-Use Developments</b>              |
| ♣♣ <b>Convention Centers and Exhibit Halls</b>      | ♣♣ <b>Golf Courses</b>                                     |
| ♣♣ <b>RV Parks and Campgrounds</b>                  | ♣♣ <b>Bowling Alleys</b>                                   |
| ♣♣ <b>Restaurants and Nightclubs</b>                | ♣♣ <b>Theaters and Attractions</b>                         |
| ♣♣ <b>Value –Added Agriculture and Agri-Tourism</b> | ♣♣ <b>Housing &amp; Assisted Living</b>                    |

KlasRobinson Q.E.D. specializes in analyzing the financial feasibility of unique real estate projects and business ventures that by location, concept or market position do not conform to standard and easily classified development categories. Our comprehensive approach ensures accountability through the direct, absolute and exclusive involvement of the principals in each project, including meetings, market research, analysis, report writing and presentation. KlasRobinson Q.E.D. has a unique specialty in Indian gaming and economic development on tribal lands. The principals of KlasRobinson Q.E.D. have worked with 250 tribes throughout the United States and Canada.

We perform comprehensive market research as a foundation for all of our feasibility studies, focusing on key demographic characteristics, tourism patterns, transportation infrastructure and other elements affecting the ability of a project to attract demand. We work in concert with the project team to develop facility recommendations that match the identified needs of the market and the goals of the project developers.

Due to our extensive experience with a broad array of projects and industries, we need not rely solely on published information in projecting future financial performance. Our projections are based upon years of experience working with a wide variety of projects that has given us access to operating and market data not available to the general public. Our analyses of direct, indirect and induced economic impact provide not merely facts and figures, but the context necessary to make them real and understandable to the reader.

Feasibility studies, business plans and other expert counseling provided by the principals of KlasRobinson Q.E.D. have been used to successfully attract \$20.0 billion in financing and investment from bank financing, capital leases, private placements, registered securities and IPO's.