

Magazine

Foxwoods Is Fighting for Its Life

By MICHAEL SOKOLOVE MARCH 14, 2012

Nearly everything about the Foxwoods Resort Casino is improbable, beginning with its scale. It is the largest casino in the Western Hemisphere — a gigantic, labyrinthine wonderland set down in a cedar forest and swamp in an otherwise sleepy corner of southeastern Connecticut. Forty thousand patrons pack into Foxwoods on weekend days. The place has 6,300 slot machines. Ten thousand employees. If you include everything — hotel space, bars and restaurants, theaters and ballrooms, spa, bowling alley — Foxwoods measures about 6.7 million square feet, more than the Pentagon.

The owner of this enterprise is the Mashantucket Pequot Tribal Nation. Once powerful and even feared, the Pequots were nearly extinguished in one day — in fact, in just one hour — when English colonists and their Indian allies attacked and torched the main Pequot village near Mystic in the spring of 1637. The survivors were sold into slavery or given over to neighboring tribes. The colonists even barred the use of the Pequot name, “in order to cut off the remembrance of them from the earth,” as the leader of the raiding party later wrote.

In the early 1970s, just one resident remained on a Pequot reservation in Ledyard, now the site of Foxwoods — an elderly woman named Elizabeth George. Her grandson was Richard Hayward (known as Skip), a pipe welder and a former short-order cook with an audacious vision, innate political skills and a flair for dealmaking. Through his efforts, the tribe won federal recognition in 1983. In 1986, it opened a high-stakes bingo hall. Full-blown casino gambling came to Foxwoods in 1992 and in the two decades since has produced not millions but billions of dollars of

revenue. Not surprisingly, the casino and its largess rejuvenated the tribe, whose population is now about 900. (Members trace their bloodlines to 11 Pequot families counted in a 1900 census.)

These days the tribe is dealing with the latest improbability in its turbulent history: financial havoc. The casino is underwater, like a five-bedroom Spanish colonial in a Nevada subdivision. The Pequots misjudged the market, borrowed too much and expanded unwisely. Foxwoods's debt is on a scale befitting the size of the property — \$2.3 billion.

It would be easy to look at what has occurred at Foxwoods and think, Here are people who fell into money and didn't know how to handle it. Which happens to be true. But how the casino reached this point, and the challenges its owners and operators now confront, is part of a much larger story — one involving the gradual relaxation of moral prohibitions against gambling, a desperate search for new revenue by state governments and the proliferation of new casinos across America. Casino gambling has become a commodity, available within a day's drive to the vast majority of U.S. residents. Some in the industry talk of there being an oversupply, as if their product were lumber or soybeans.

Foxwoods has had its own in-state competition since 1996 from the Mohegan Sun, which lies just west, across the Thames River. Owned by the Mohegan Tribe, it is a more modest property, though only by comparison — Mohegan is the second-largest casino in the hemisphere. In ber, a casino opened at the Aqueduct racetrack in Queens with 4,500 slot machines, and Gov. Andrew Cuomo is pushing an expansion plan for the site that includes a hotel and what would be the nation's largest convention center. And lawmakers in Massachusetts recently voted to issue licenses for a slots parlor and three full resort casinos — an especially ominous development for the Connecticut casinos, which draw about 30 percent of their clientele from Massachusetts, because many gamblers are ruled by what is known in the business as the law of gravity. They stop where the pull is the strongest, which is usually the nearest casino.

Scott Butera is Foxwoods's chief executive, its seventh since 2007. Some of the Pequots call him Eagle, for Eagle Eyes, because he notices everything, whether

it's an error in a financial document or a slight stain in a carpet. Some also refer to the tall, gaunt Butera as Woody, after the character in the "Toy Story" movies. Butera, who is 45, has managed troubled casino operations for Donald Trump and Carl Icahn, so he is accustomed to difficult bosses and jobs. In the industry, he is known as a turnaround artist. "My wife keeps telling me to get out of the restructuring business," he said recently as we sat in his spacious office across from the Grand Pequot Tower, one of several high-rises in the Foxwoods complex. "It just sucks you dry."

This job is Butera's most complex yet. The initial lender to Foxwoods was Genting, a Malaysian conglomerate, but the tribe is now indebted to an enormous tangle of banks and bondholders. The fact that Foxwoods is on sovereign tribal land complicates everything. It means the lenders cannot foreclose and take control of the gambling operation but also that Foxwoods probably doesn't qualify for Chapter 11 — a conundrum that Butera described as "sort of like being stuck in no man's land" and one that financial backers of Indian casinos apparently did not foresee until Foxwoods tanked. "We have six layers of creditors and, within each layer, 20 to 40 institutions," Butera told me. "It's unbelievable. What you have to do is convince them that \$2.3 billion of debt is not worth \$2.3 billion. And it's not. Our junior debt was trading at 5 cents on the dollar. So you want to come to a place where even though the lenders are getting a haircut on the face value, they know they're getting an incredible lift on what it's actually worth. That's the magic."

Butera's interactions with the Pequots, his bosses, involve a different kind of magic — something more like family therapy. The tribe built new housing, a child-development center, ballfields and tennis courts, a spacious community building with a health club and an indoor-outdoor pool; just about everything on the reservation, which lies "across the swamp" from the casino, as tribal members put it, is faced in exquisitely crafted stone. The *pièce de résistance* was a \$225 million museum to commemorate the Pequots' tragic history and stunning resurrection.

The costliest regular expenditures were the annual dividends of at least \$100,000 given to each adult member of the tribe. Cumulatively, they amounted to as much as \$500 million over nearly two decades. They were called incentive payments, though for many they were actually disincentives to work. Children began

getting the disbursements when they turned 18. Luxury automobiles abounded. The payments stopped just before Butera arrived in late 2010, and more Pequots have been going to work at Foxwoods. “You had this big moneymaking enterprise with a limited amount of mouths to feed,” Butera said. “But everything’s about austerity now. It’s no different than what a family would do. You’ve got to get rid of the cable TV. You’ve got to get rid of the Cadillac. You’re not going to go out to eat anymore.”

Butera and I set off on a walk around Foxwoods’s gambling floors and hotel and retail spaces, a tour he takes a couple of times a day. He was limping, though not as badly as before recent hip-replacement surgery. He had put off the operation as long as he could but decided that the leader of such a struggling venture should not look as if each step he takes may be his last. “Have you been up to the Paragon?” he asked me, referring to a rooftop restaurant and casino designed for high rollers. “We have like 15 kinds of Brazilian wood in there. It’s just insane.” He said he had seen plans for future improvements, all based on expectations that the money would never stop flowing. “Incredible, creative stuff,” he said. “Water parks. Monorails. Indoor skiing. It was going to be Disneyland under a glass roof.”

The glamour and sexiness of casinos can be highly overrated. Depending on your mood (and how much you’ve had to drink), Las Vegas can be alluring, weirdly fascinating or just disgusting. Foxwoods, under any circumstances, is not really sexy. It’s New England. The furniture in the hotel rooms is big and overstuffed and makes you think about curling up and reading a book. (A renovation to modernize them is under way.) Some of the retail space in the vast corridors between its four large casinos is meant to look like a flea market. In one of these hallways, a brick facade has a sign that says “Town Hall” and is meant to evoke . . . well, it’s not clear. Perhaps a polling place for the New Hampshire primary.

Foxwoods planned to close at 2 a.m. after its grand opening on Feb. 15, 1992, but hundreds of gamblers remained inside, so the lights stayed on, the dealers kept dealing and ever since — through hurricanes, blizzards and national crises — it has remained open every minute of every day. The region was starved for gambling. Located halfway between New York City and Boston, Foxwoods expanded as quickly as it could build, adding casino space and hotel rooms with little regard for cost or coherence.

In 2006, the tribe began construction on a new tower, the MGM Grand at Foxwoods. The project is what finally sent Foxwoods into a financial tailspin. By the time it opened in 2008 — with 800 hotel rooms, 1,400 slot machines and a 4,000-seat theater — the recession had hit and was deepening. “I can understand the mind-set at the time that behemoth was coming out of the ground,” Rodney Butler, who was elected chairman of the Pequot tribe in 2009, said when I visited his office. “The human spirit wants to believe that everyone is entrepreneurial. And it’s fun to do, right? You figure you had one great success, you can have more. That’s the American way.”

It was not just entrepreneurial zeal that caused the Pequots to overreach. “Every consultant, every analyst and every banker on the planet encouraged us to keep getting bigger,” Butler said. “If it wasn’t for that, I’d say, Jeez, maybe we’re just idiots. But these were smart people. Then we opened the doors at the MGM Grand, and five months later, Lehman crashes and the world falls apart.”

Some people erroneously address Butler as Chief, a ceremonial and spiritual position that the Pequots have not filled for decades. If you didn’t know his background, you might assume he is a light-skinned African-American. The 11 family lines include strains of many other ethnicities, and most Pequots are a mix of several. Some just look white. (In “Hitting the Jackpot,” published in 2003, Brett D. Fromson documents a history of racial tension in the tribe that deepened with the building of Foxwoods and the money it produced.) Butler, 35, played football at the University of Connecticut, earned a degree in finance and serves on the board of the local United Way. He is analytical and low-key, a contrast to Skip Hayward, the tribal leader who cut the deals that built Foxwoods in a joint called Mr. Pizza and held court late into the night at local bars.

I told Butler that I found the Pequot Museum impressive. “You don’t think it’s a little over the top?” he said. Well, yes, but the exhibits make clear, in a way a casino never could, that the Pequots were a significant people whose reach once extended across much of southern New England. In the raid that nearly wiped out the Pequots, the Mohegans were among the colonists’ primary allies. “And now we’ve got dueling casinos,” Butler said. “This year will be the 375th anniversary of the year they rallied against us with the colonists. There’s still some bad blood over that, a

little animosity, but mostly, we recognize them as our cousins, and we work well together.”

The Pequots, even with their substantial political clout in Connecticut, may not have been able to keep the Mohegans out of the casino market. But they never really mobilized against them. “They thought the cluster of casinos would bring more business,” Butera told me. “It didn’t work out that way. Would we be better off if Mohegan wasn’t here? Yeah, but they’re not going away.”

The Mohegan Sun enjoys several advantages, starting with its location. It is just off an exit on I-395, while Foxwoods is a 20-minute ride down a winding two-lane road. Mohegan has a younger clientele and a hipper vibe. When you enter its main hotel lobby, you notice right away that the lighting is better and the music more current. The idea behind Foxwoods’s new MGM Grand Tower was to add an element of glitz and to create an ambience — right down to the revealing outfits of the servers in the casino — that might attract some of Mohegan’s younger patrons.

Mohegan is smaller, but in recent years it has generated more revenue. The Mohegans own a second casino, in the Pocono Mountains in Pennsylvania, and are expected to compete for a license in Massachusetts. (Foxwoods won a license to build a casino in Philadelphia, but its financial problems prompted the state’s gaming control board to revoke it in 2010.) The Mohegan Sun has struggled recently, too, and the tribe is seeking to restructure its debt, but the casino’s problems are not considered as deep, and its management has been more stable and nimble. Speaking to a gathering of financial analysts in 2009, Mitchell Etess, the Mohegan Sun’s C.E.O., said, “We’ve been very cautious, especially lately, to make sure everybody realizes we’re not Foxwoods.”

Casinos came to Nevada in 1931 and were not legalized anywhere else in the U.S. for nearly five decades, an indication of how many Americans regarded gambling as squarely within the realm of vice and sin. In 1978, casinos opened in a second location, Atlantic City. It is not coincidental that the seaside resort was already a fallen place, poor and crime-ridden and hanging on to its one unique attraction, the annual Miss America Pageant.

You can still hear echoes of a time when gambling was widely considered

wicked. When Rodney Butler raised the prospect of dropping the gambling age in Connecticut from 21 to 18 and allowing liquor sales until 4 a.m., The Hartford Courant's editorial page objected, writing, "Why not just open a brothel?"

Resistance to gambling, however, has been overwhelmed by the need for new sources of public revenue in an era when it has become nearly impossible, at any level of government, to raise taxes or even to let temporary tax cuts expire. A kind of self-perpetuating momentum fuels gambling's growth: the more states that legalize it, the more politicians in states that haven't done so argue that if their citizens are going to throw money into slot machines, they might as well do it at home. "Those people would lose that money anyway," Ed Rendell, the voluble former governor of Pennsylvania, said in a tense appearance on "60 Minutes" last year. Teeth clenched, he continued, "You're simpletons, you're idiots if you don't get that."

Butera reacts to the debates over gambling with a sense of amusement. "Few governors or senators or House members want to say, 'I absolutely love having casinos in my market,' " he said. "It's more like: 'We can manage this. And here's what we'll do. We'll put it in the right place, it won't impact our society too much and we'll make some money.' "

Casino gambling exists in 36 states. Congress passed the Indian Gaming Regulatory Act in 1988, and around 450 Indian casinos now dot the American landscape. Some are no more than trailers on barren, remote land, but several are large resort casinos near major population centers.

Connecticut's agreement, or compact, with the Pequots permits various table games at Foxwoods, including blackjack, poker and roulette, along with lesser-known games of chance like chuck-a-luck, pan game, money-wheels and bouncing ball. The main action at Foxwoods and everywhere in the U.S. casino market, though, is slots, which in most casinos account for at least 70 percent of gambling revenues. Foxwoods agreed to pay the state 25 percent of the "hold" from slot machines — the money that gamblers put in and is not returned to them in winnings. While casino opponents in Connecticut have attributed increased traffic, crime and gambling addiction to Foxwoods and Mohegan, those problems would have to be breathtakingly deep and costly to equal the dollars that have flowed to the

state.

In January, Mohegan's hold from its slots was \$52 million; Foxwoods's was \$46 million. Connecticut's share from both came to \$24.8 million. Over the last two decades, the monthly payments have added about \$6 billion to the state treasury. About **half of that is estimated to have come from out-of-state residents, the majority of them from Massachusetts and New York**. "Some states weren't paying attention — they just thought Indian casinos were going to be big bingo halls," Clyde W. Barrow, director of the Center for Policy Analysis at the University of Massachusetts, Dartmouth, and an expert on the New England casino market, told me. "Connecticut was ahead of the game. They understood the potential."

Non-Indian gambling operations, known as commercial casinos, have multiplied in every region of the country: from the stolid Midwest, where Iowa alone has 17 commercial casinos, to Mississippi's Gulf Coast, which has become a mini-Las Vegas, to the mid-Atlantic region, the latest boom market. A proposed \$1 billion casino in Maryland has attracted powerful business and political support. It would be on the banks of the Potomac, about 10 miles south of the White House.

Most people probably would not guess which state reaps the most revenue from its casinos. It is **Pennsylvania**, which in 2010 collected \$1.3 billion from slots and table-game revenues. The state had just 10 casinos, but Rendell negotiated an agreement that requires them to turn over 55 percent of the hold from their slots to the state — an advantageous deal for the public and one that showed other states what casino owners will tolerate to gain entry into a market. "It is considered a privilege to be in this industry, and we pay for that privilege in very high taxes," Frank Fahrenkopf, the president of the American Gaming Association, told me when I visited his office in Washington.

The silver-haired Fahrenkopf, a chairman of the Republican National Committee in the Reagan years, is known as an adroit Washington player, the type who can make light of his high status while also fully inhabiting it. He showed me what he called his "I love me" wall, pictures of him with other important people. "Everybody in Washington has to have one," he said. "That's me with Helmut and Margaret," he said of one picture, signaling his first-name relationships with Helmut

Kohl and Margaret Thatcher.

The A.G.A. represents only commercial casinos, 566 of them in 22 states. An economic impact study commissioned by the organization last year counted \$34.6 billion in nationwide gambling revenues in 2010. That represents money that individuals bet, lost and left behind in casinos. According to the study, casinos supported 820,000 jobs, created \$125 billion in spending and accounted for close to 1 percent of the U.S. gross-domestic product. (Those figures come from only commercial casinos. Foxwoods, Mohegan and other Indian casinos were not included.) “I know there are people who hate this industry and who are always going to hate this industry,” Fahrenkopf said. “If you look at polling, it’s a solid 15 percent, and the other 85 percent are O.K. with it. But you see the contribution we make, in terms of jobs, and the taxes we pay. We’re proud of that.”

The name of the organization Fahrenkopf leads, the American Gaming Association, drops the “b” and the “l” from “gambling.” In fact, no one in the casino business says “gambling.” They are in the business of “gaming” — an enterprise that could not exist without euphemisms and various legal workarounds. There are, for example, the so-called riverboat casinos that get around prohibitions against gambling on land; most of the boats never leave the shoreline. Some Midwest casinos are plopped down in shallow water in concrete basins and are known as “boats in a moat.”

The racino, a more recent innovation, is a slots parlor built at an existing horse-racing track — ground already touched and therefore tainted by gambling. In February, I took the A train from Midtown Manhattan to South Ozone Park in Queens, where a racino has been joined to the century-old Aqueduct racetrack. It is called the Resorts World Casino New York City and is owned by a subsidiary of the Genting Group, the corporation that financed the construction of Foxwoods. Even on a Monday afternoon, thousands of people — white, black, Asian and Hispanic, drawn from the great melting pot of Queens and nearby boroughs and suburbs — were playing the slot machines. Except technically they weren’t slots, but video lottery terminals, or V.L.T.’s.

What’s a V.L.T.? It’s a slot machine.

Under New York state law, however, slots are illegal. With a V.L.T., the result of each play is determined by a central computer and not by circuitry within the machine itself, as is the case with slot machines. That somehow makes it legal. Most gamblers wouldn't notice a difference, and no one I talked to inside Aqueduct, not even people who worked there, had ever heard of a V.L.T.

Governor Cuomo wants New York to change its state constitution to permit Las Vegas-style gambling with table games, live dealers and slot machines that can be called slot machines. His pitch is based on the prospect of gaining new revenues for the state — and overturning the hypocrisy of the current system. “In a perfect world, there would be no casinos,” he told the editorial board of *The Syracuse Post-Standard* in February. Referring to New York's “hodgepodge” of Indian casinos and state-sanctioned racinos, he said: “We have 29,000 gambling machines in this state, more than Atlantic City. . . . You have gaming! You're just in denial of the reality.”

A casino floor can seem like a throwback to a time decades ago when personal habits were judged less harshly and physical fitness was not considered such a virtue. “Sometimes, it's a beautiful day out, and you think to yourself, Oh, God, nobody's going to come in here,” Scott Butera told me in one of our conversations. “But they do. Our crowd wants to sit in front of a slot machine, smoke a cigarette and drink. They're not going water skiing out at Mystic Seaport.”

A substantial number of casino patrons have mobility issues, and you see a lot of wheelchairs. People who work on casino floors take pride in getting to know their regular customers, the names of their children and grandchildren and even their health issues. “You look around here, and 45 is young,” Butera said as we walked between rows of slots at Foxwoods.

The slot machines themselves, in the cartoonish and often hilarious political incorrectness of their imagery, hark back to some other era — for example, crudely drawn geishas, Asian “emperors” and a “bandito” in a game called *More Chilis* that would embarrass the proprietor of the lowest-end Tex-Mex joint you can imagine. At the casino industry's big annual convention in Las Vegas, which is in part a trade show for slots manufacturers, a machine called *Girls Day Out* included a leather

purse and a purple cocktail dress among its spinning icons. The featured icons in its companion game, Guys Night, were things meant to get men excited: dancing girls, cigars, overstuffed hamburgers. The big new rollout at the show was a “Ghostbusters” slot machine, a homage to the 1984 movie. The game’s audio played a section of dialogue from the movie, which seemed like a sly insertion of the designers’ dark humor: “We’d like to get a sample of your brain tissue.”

Foxwoods does have table games, including blackjack and poker. Most casinos of any size court big players, those who will risk hundreds of thousands or even millions of dollars. High rollers are brought in by private jet and helicopter, installed in sumptuous suites with butler service and sometimes granted specially tailored rules on their game of choice. In some cases, casinos will even agree in advance to discount losses: if a player comes in with, say, a \$1 million bankroll and loses it all, \$200,000 will be returned.

The table games pose some risk for casinos. When I was at Foxwoods, the casino had just been “beaten,” as Butera put it, for close to \$1 million by a blackjack player. “It happens,” he said.

Butera told me about another blackjack player who had recently beaten several Atlantic City casinos for more than \$15 million. According to published reports, the player, a Pennsylvania businessman named Don Johnson, won \$5.8 million at the Tropicana in just 12 hours. The word in the industry was that Johnson benefited from his own solid strategy, a run of great luck and rules that were tilted too much in his direction. He apparently was allowed to bet relatively small amounts when the deck was not in his favor, and up to \$100,000 on a single hand when it was. (Also, under typical casino rules, if a blackjack player is dealt two aces, he can split those aces and play two hands, but if he gets another on the next deal, he can’t split again. Johnson was allowed to split aces a third and even a fourth time.)

The lesson that Butera and others on his management team drew was that the Atlantic City casinos had negotiated away too much of their house advantage, something they said was common at Foxwoods under previous management teams. Butera told me that he has instructed those under him to “just say no and let a guy walk down the street and play somewhere else” rather than agree to rules that shave

off too much of the casino's advantage. We were on the gambling floor, and Butera was focused, as he often is, on his dealers. He wants them to be friendly and to "root for the player to win" but to keep the game brisk. "The more hands a player is dealt, the better it is for us," he said. Butera, who has an M.B.A. from N.Y.U., invoked a gambling term — "vig," short for "vigorish," meaning the house's cut of the action. "The math is the math," he said. "Over time, we'll make our vig."

At the annual Global Gaming Expo in Las Vegas last October, I listened as A. K. Singh, a mathematician and professor of gaming at the University of Nevada, Las Vegas, advised a roomful of casino executives that they could probably increase the hold on their slot machines by a percentage point or two without losing business. He said that some academic literature suggested that skilled slots players would notice, but he disagreed. "What is a skilled player?" he said with a laugh. "There is no skill."

The difference between table games and slot machines is that slots are entirely predictable. **They're like A.T.M.'s, but in reverse — programmed to take money from players, usually about 9 cents of every dollar wagered, while producing frequent near misses, the illusion that a big jackpot was at hand if only, say, just one more overstuffed burger had landed on the pay line.** The lower the house's hold on a slot machine — and the higher the number of small payouts — the longer a player's T.O.D. (time on device). It's a fine balance. Casinos want customers to lose their money, but not so rapidly that they'll feel the whole experience was a bummer and not want to return.

The gaming confab, known as G2E, offers a sort of crash course in the state of the industry. "We have the power to control luck," Michael Meczka, a veteran casino marketing consultant from Los Angeles, said at another session. But much of the rest of his presentation was about the uncertainty gripping the business, what casinos cannot control. His remarks, in fact, were a bit grim — they reminded me of the despair you hear in the newspaper business over the advanced age of the core customers and the fear that younger people do not like the product enough to replace them.

Millions of younger Americans who like to gamble are playing online poker, hosted on offshore sites. They may never become casino habitués. So at the same

time that brick-and-mortar casinos are proliferating, the demographics may be working against the industry. The A.G.A. is lobbying for legalization of online poker in the United States and for strict regulation of it — a rare case of an industry’s seeking regulation. The strategy would likely put those who already own casinos in a favored position in the new online world.

The big buzzword in the business right now is “cannibalization.” It refers, in this context, to casinos’ gobbling up one another’s customers, which for some of them may be the only route to survival. Fahrenkopf, the A.G.A. president, said he was not worried. “What about Starbucks?” he said as I sat in his Washington office. “A block east of here, a block west, a block north is a Starbucks. How much is too much? The market will decide.”

Las Vegas, still the anchor of the gambling industry in the U.S., was battered by the recession, and its revenues from gambling still lag far behind 2007 levels. The city’s recovery could be hurt by a building boom in big Indian casinos in California — and, over time, by new properties in New York, Massachusetts and other Northeast states. The biggest winner in Las Vegas in recent years has been Sheldon Adelson, chairman of the company that owns the Venetian, but what has made him one of the wealthiest men in the world is not his U.S. holdings but his ownership of hugely profitable casinos in the Chinese territory of Macao. (Adelson has been in the news recently because he and his wife have contributed more than \$10 million to support Newt Gingrich’s presidential campaign.)

Fahrenkopf acknowledged that when the market does decide, it can have adverse consequences — in Atlantic City, for example, where casino revenue is down 37 percent since 2006 and the city’s future as a gambling mecca is very much in doubt. Rooms at hotel casinos have been going for as little as \$19 a night. At least four casinos have been in bankruptcy, and people are no longer crowding onto buses to head south down the Atlantic City Expressway. “The Pennsylvania casinos are killing Atlantic City,” he said. “That’s where the Philadelphia market used to go, but now they can stay home.”

It’s that specter — once-loyal players who disappear — that Foxwoods must worry about. At the Las Vegas conference, Meczka said that when people in the

industry tell him they want new customers, his response is: “There aren’t any new customers out there. Gaming is an aged community. . . . Anyone who has ever wanted to try a casino has tried a casino.” In other words, the market is not expanding — only the venues meant to cater to a finite number of gamblers.

When I toured Foxwoods with Christopher O’Connell, the vice president for hotel operations, we looked at some of the back-room operations: a call center, where about 130 people, divided among three shifts, book reservations and answer other inquiries; a corridor with a long line of lockers, where dealers store their personal belongings; cafeterias that serve about 5,000 meals a day to employees. In better economic times, these might seem like lower-level service-industry jobs. In the current climate, they just looked like jobs.

O’Connell grew up in Ledyard, Conn., and was a basketball star at Ledyard High. “There was no reason to ever go to this side of town,” he told me. “It was a swamp, that’s all, and a reservation, but there was hardly anything on the reservation.” He has worked there for most of his adult life. “I’m interested to see what happens with Aqueduct,” he said. “They don’t have table games yet, but everyone figures they will. With Massachusetts, it’s only a matter of time before they get casinos. It’s scary from my perspective.”

When Butera showed me around the property, it was clear that much about it irritates him. The restaurant choices, for starters. “You want a steak, we’ll give you a steak,” he said. “You want a doughnut, you can have that. We just don’t have much in between. We need a Yard House, an Applebee’s, a T. G. I. Friday’s, a Cheesecake Factory.” He noted the absence of a seafood restaurant. “We’re in New England, and we don’t have a fish house?” We walked by some of the flea-market-like retail. “All this honky-tonk has to go,” he said.

What encourages Butera is the immensity of the property and the richness of what has already been built. “I mean, you look at this place, the money that’s in the ground, nobody could afford to do that now. But the good news is it’s already here. We’ve got it. The business needs to evolve, but the foundation that exists is unbelievable.”

A successful turnaround artist does more than negotiate favorable terms with

lenders. He must tell a story. He elucidates what went wrong in the past and how it will be better in the future. It can help to be blunt about previous management, even harsh — like a defense lawyer pleading for a new trial for his client on the basis that the previous attorney was incompetent. Butera brought in an almost entirely new management team, including people he knew from Las Vegas and Atlantic City. It wasn't easy to attract them, because everyone had to relocate — and to an entity perceived as failing. “There was poor management here for an extended period of time,” Butera told me. “So we needed to make a lot of changes.”

Revenues have continued to fall at Foxwoods, as they have for the last half-dozen years. But lately, the casino's profits have been increasing. “We changed our focus to profitability,” Butera said, which sounds a little like something out of a story in *The Onion*. (The previous focus was on unprofitability?) But what he meant was that Foxwoods had stopped chasing unproductive customers — table-game players whose perks added up to more than their losses — just to increase traffic.

On Feb. 15, the 20th anniversary of casino gambling at Foxwoods, Butera and Rodney Butler, chairman of the Mashantucket Pequot Tribal Nation, proposed a broader plan for how the business would go forward. In one way, it was a return to the past. Foxwoods will expand. But this time, in a different way. It will not be adding gambling capacity. Instead, the plan is to build a 300,000-square-foot retail center, including 75 outlet stores, between the new MGM Grand Tower and the rest of Foxwoods. The area is currently dead space, a long walk for a lot of people who don't enjoy walking.

Luxury outlet malls are considered a good mix with casinos, because the core customer is the same as a typical slots player: a middle-aged woman with money to spend. “It's going to be a fabulous tenant roster,” Butera said. “If you're a retailer, what's your biggest concern? You're going to open the store, and nobody's going to come. We've got 40,000 people here every Saturday wanting to do something and not wanting to go anywhere else. They're captive.”

But of course, nothing is really as profitable as the casino end of a resort casino. No goods or services, in a traditional sense, are exchanged. People come through the door for the experience of risking — and usually losing — their money. Gambling,

like professional sports, is entertainment — but without the multimillion-dollar salaries for the performers. And no pro sports franchise generates cash hour by hour, day after day, like a big thriving casino.

By the beginning of this year, Butera and the tribe were close to an agreement with their lenders, though the details will still take months to finalize. The \$2.3 billion debt is expected to be reduced to about \$1.7 billion, but with lower interest rates that will ensure financial flexibility for Foxwoods.

The plan for the outlet mall was a signal to lenders that two decades of grandiosity at Foxwoods have come to an end. Foxwoods had been an early mover, built to stand astride a huge geographic area — much like the Pequot tribe once dominated a big swath of New England. But as the casino business in America has expanded, Foxwoods's piece of it has become smaller and will continue to shrink.

“You can't fight the tide,” Butera said as we sat in his office. He brought up the example of Atlantic City. The State of New Jersey is likely to reap less money from its tables and slots — just as Connecticut and other states that have come to rely on gambling will see their share decrease as others get into the market. But he believes individual casinos with a good plan can survive. “It's the exact same thing here,” Butera said. “We can still have a great business. We just can't have the same business we used to have.”

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