

**Headline News:**

**7/27/11:** Fitch affirms San Manuel Entertainment Authority Bonds at 'BBB'  
([www.businesswire.com](http://www.businesswire.com))

**7/14/11:** Harrah's Ak-Chin expands to meet demand  
([www.azcentral.com](http://www.azcentral.com))

**7/13/11:** Duluth's contract with casino called illegal  
([www.duluthnewstribune.com](http://www.duluthnewstribune.com))

**7/12/11:** Santee Sioux gets loan for a casino  
([www.omaha.com](http://www.omaha.com))

**7/5/11:** The Mohegan Tribe plans national push for casino brand  
([www.nypost.com](http://www.nypost.com))

**7/1/11:** Judge nixes lawmakers' attempt to prevent reservation expansion  
([www.yumasun.com](http://www.yumasun.com))

**Select TFA Mandates:**

**California Tribe:** TFA is engaged as Financial Advisor and Placement Agent in connection with raising \$63 million of debt in the bank market.

**Project Development:** TFA is engaged to raise approximately \$50mm of equity from one or more Tribes for a contemplated corporate gaming project development.

**Flexing Your Financial Modeling Muscle**

By Aaron Mugg

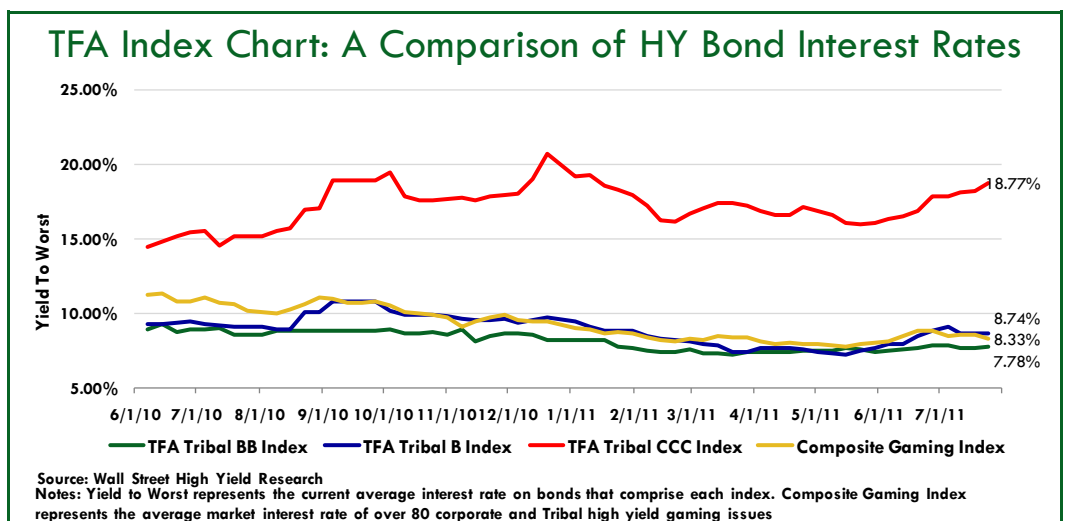
In the realm of a financial transaction, the financial model is an important tool – it allows all parties involved to communicate clearly via a universal mathematical language. 'Seeing the numbers' allows bankers or investors to understand a transaction and analyze anticipated performance, risk, returns, timing of cash flows, etc. Likewise, a financial model allows business operators to better understand the implications of making a critical decision, such as raising new debt to fund a project or refinancing existing debt.

At the heart of any model are the three major financial statements: Income Statement, Balance Sheet and Cash Flow Statement.

Models are typically set up to forecast five years into the future and run on a quarterly or yearly basis. In some situations, such as one that involves a construction project, a monthly model might be most appropriate. The model is generally built by the borrower's finance staff or financial advisor and is almost always created in Excel.

Central to any model is the input section. In the case of gaming, model inputs include the number of slot machines and the win per unit per day. Capital expenditures and other cash flow items are important, as are accurate estimates of expenses. Typically, for a Tribe, the most important

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inputs relate to the regular distributions needed by the government. All of these assumptions work together to form the premise for the business case - and the cash flows that result.

Once the base cash flow model is set up, the ability to run scenarios makes the model a powerful tool. For example, in the case of a refinancing, the debt schedule can be expanded to accommodate new debt structures. The model can then be used to forecast the impact of alternative structures and terms, and the impact such alternatives will have on interest expense, cash position, debt balances and ultimately, distribution levels. A borrower can use its financial model to evaluate the relative merits of lender proposals.

While at times a financial model is created specifically for a transaction and then set aside, benefits exist to revisiting the model on a periodic basis. Keeping the model current can be as simple as replacing projections with actual performance and revising future operating projections based on new budgets. Models allow operators to evaluate the impact of external events or significant business decisions. Some examples:

Decreased business performance - If EBITDA is projected to be off by 5% due to an eco-

nomie downturn or the opening of a new competitor, what is the impact to distributions? How are cash balances impacted? If this continues over a prolonged period, what is the impact to covenant compliance?

Increased business performance – If the business is outperforming expectations and cash is building, what options exist to maximize value? Do the benefits of a prepayment, refinancing or an amendment outweigh the cost or allow for increased distributions?

Evaluating a project – What is the impact of pursuing a particular project, such as a slot floor expansion or a hotel renovation? Should cash be used from the balance sheet or should the project be financed with debt? How does this impact distributions?

Finally, when working with models, always scrutinize the inputs. Like any analysis tool, a model is only as good as the inputs and assumptions built into it - the old adage "Garbage in, Garbage out" certainly applies here. If the assumptions have errors or are inaccurate, the output can be misleading or worse, suggest the wrong course of action. Every modeling exercise is an iterative process, but flexing your financial modeling muscle can yield valuable insights.

Kristi Jackson  
(310) 341-2335  
kjackson@tribaladvisors.com

David Howard  
(310) 341-2795  
dhoward@tribaladvisors.com

Jeffrey Heimann  
(310) 341-2518  
jheimann@tribaladvisors.com

William Crader  
(310) 341-2336  
wcrader@tribaladvisors.com

Aaron Mugg  
(310) 341-2337  
amugg@tribaladvisors.com

Dan Ziegler  
(310) 341-2339  
dziejler@tribaladvisors.com

Ellie Escamilla  
(310) 341-2338  
eescamilla@tribaladvisors.com