

**Headline News:**

**5/23/11:** Cherokee casino completes first phase of expansion  
([www.newsobserver.com](http://www.newsobserver.com))

**5/21/11:** Rincon lawsuit would limit state's ability to collect cash from Tribes  
([www.nctimes.com](http://www.nctimes.com))

**5/15/11:** Chickasaw subsidiary buys part of racetrack  
([www.newsok.com](http://www.newsok.com))

**5/8/11:** Mohegan and Concord Associates to develop casino in New York  
([www.gamingtoday.com](http://www.gamingtoday.com))

**5/3/11:** St. Regis Mohawk Tribe approves expansion  
([www.indiancountrytoday.com](http://www.indiancountrytoday.com))

**Select TFA Mandates:**

**\$290 million Refinancing:**  
TFA client recently completed a refinancing in the bank market. TFA acted as Financial Advisor and Placement Agent.

**California Tribe:** TFA is engaged as Financial Advisor and Placement Agent in connection with raising approximately \$60 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

**TFA Surpasses \$1 Billion - What This Means For Tribes**

By David Howard

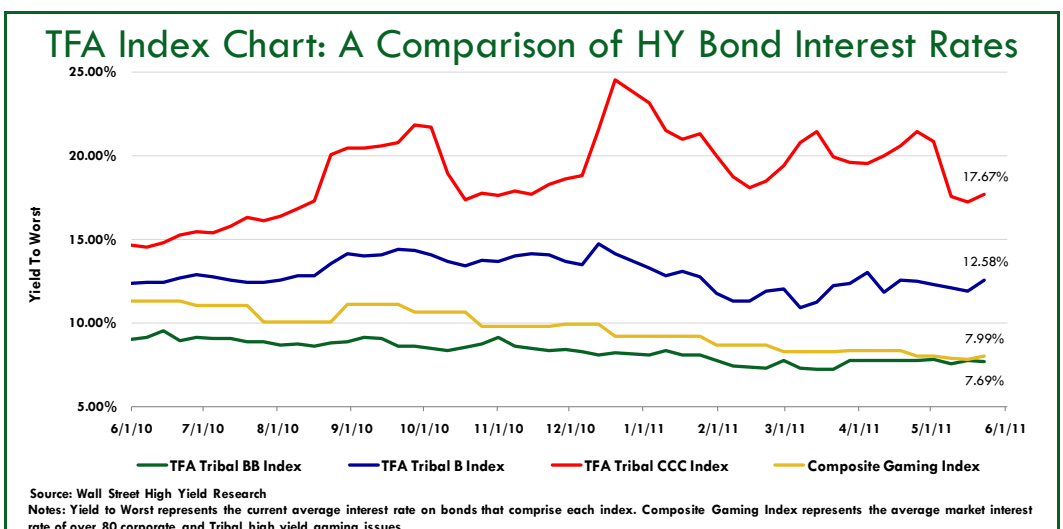
TFA has been busy. Over the past 7 months, Tribal Financial Advisors has helped our clients close over \$1 billion in debt refinancings. New debt has taken several forms: traditional bank debt, high yield and institutional term loans (or commonly referred to as the Term Loan B market). What are some of the key takeaways pertaining to Native American finance from the past several months?

**Markets**

Loan markets are strong, especially the bank market. Existing lending relationships play a strong part in a transaction's ultimate success. Traditional lenders to Indian Country who never wa-

vered during the economic downturn continue to support the market with their balance sheet, and now new lenders are starting to show interest. The good news is with more lenders being aggressive, this is starting to translate into better borrowing rates and fees for Tribes. Just look at the bond market (see graph below): in looking at the TFA Tribal BB Index, average trading levels have fallen in the past year from 9.03% to 7.69%. That change in interest rate is over a 14% reduction in borrowing costs. We are seeing this trend in the bank market as well for Tribes with strong credit profiles.

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## Timing

Once the Tribe or Nation finalizes the decision to approach the financing markets, the time from the point of this authorization to ultimate transaction closing has been approximately 16 weeks. In the past, financings could be completed in 8 weeks or less. The added time today is largely due to the banks' diligence processes becoming more thorough as well as lenders' requirement that loan documentation be submitted to the NIGC for a declination letter (see below) - both of which are adding to the timeline. There are numerous pieces to the financing puzzle and several parties to coordinate. Running an organized and efficient process is essential.

## NIGC Review

As has become the norm since the Lac du Flambeau case, lenders are requiring an NIGC declination letter in order to close. Given that the NIGC must review substantially complete loan documentation before considering a declination letter request, all this has really done is force the lender, borrower and their respective advisors and counsel to speed up the documentation process by a couple of weeks (which isn't

a bad thing). Our experience has been that the NIGC process has gone very smoothly and has been timely. A good Tribal or Nation relationship with the NIGC has been very important. Equally, if not more important, is bringing on Native American counsel that is experienced in the type of financing you want to pursue. They will know how to navigate the process and can draft documents to avoid the pitfalls.

## Key take-away

The debt markets are in great shape and fully open to Native American borrowers, resulting in the reduction of overall borrowing costs. However, this still isn't 2006-2007, and it's not a piece of cake to raise debt capital. Lenders remain highly focused on operating trends, Tribal and Nation fiscal governance and loan structure. Credit departments still control the banks' balance sheets and they must be satisfied before you can get to the finish line. Banks are competing for your business – but you need to approach a transaction as prepared as possible to get the best deal.

We expect that there could be another \$1.5 - \$2.0 billion of Tribal financings yet to come in 2011. The year is on pace to be one of the busiest in recent memory.

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