

**Headline News:**

**2/27/11:** Wildhorse Resort and Casino progressing on \$45 million casino and hotel expansion ([www.oregonlive.com](http://www.oregonlive.com))

**2/24/11:** Point Molate proposed casino project in Richmond, California reaching final approval stages ([www.insidebayarea.com](http://www.insidebayarea.com))

**2/23/11:** Interior Department rejects Wisconsin Tribe's off-reservation casino in New York ([www.IndianCountryToday.com](http://www.IndianCountryToday.com))

**2/15/11:** Seneca Nation forms renewable energy company to invest in green technologies ([www.IndianCountryToday.com](http://www.IndianCountryToday.com))

**2/10/11:** \$165 million Gun Lake Casino in Wayland, Michigan opens ([www.wvmt.com](http://www.wvmt.com))

**Select TFA Mandates:**

**California Tribe:** TFA is engaged as Financial Advisor and Placement Agent in connection with raising up to \$75 million of debt in the bank market.

**California Tribe:** TFA is engaged as Financial Advisor in connection with an amendment to the Tribe's existing debt agreement.

**Mid-West Tribe:** TFA is engaged as Financial Advisor in connection with all of the Tribe's financings, including gaming and natural resources.

**Recent Financings in Indian Country: Tribes Have Options**

By William Crader, CFA

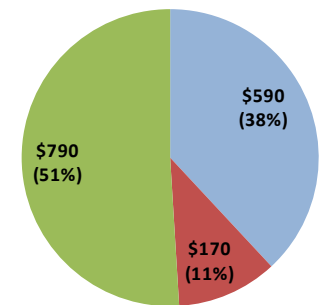
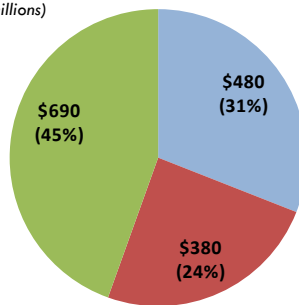
Since the credit market collapse in 2008, Tribes have faced significant hurdles in obtaining capital. But times have changed – in the last twelve months alone, Tribes have issued over \$1.5 billion in capital, an increase of over 40% year over year. Tribes have more financing options to pursue their needs, including greenfield and expansion projects. What has changed? Recent transactions in Indian Country suggest that a combination of (1) the announcement of several Tribal restructur-

ing solutions, (2) the standardization of declination letters from the NIGC to mitigate management contract concerns, and (3) the ongoing stability of the debt capital markets have all helped to enhance Tribal access to the capital markets. It is important for Tribes to know as they explore finding dollars that they have options to meet their financing needs.

The transactions referenced in the pie charts are a sample of transactions occurring in Indian Country. These deals

**Last Twelve Months Summary of Selected Tribal Financings**

(\$ in millions)



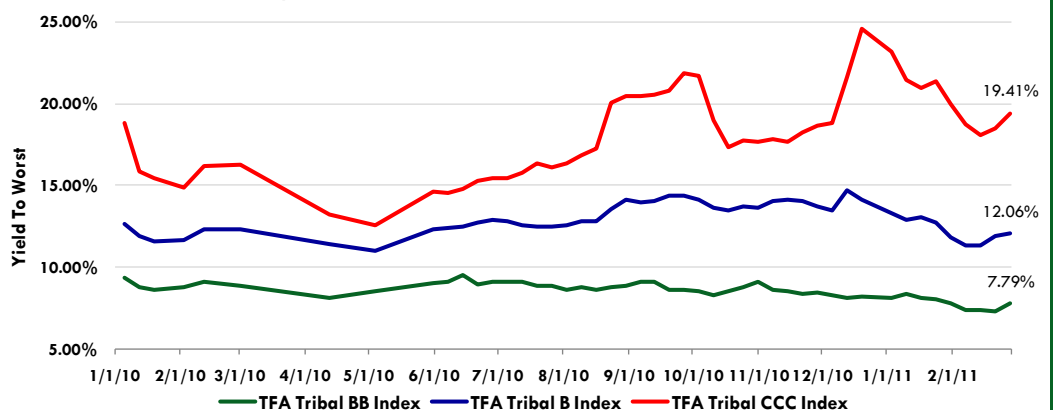
Legend: Bank (blue), Institutional Term Loan (red), Bond (green), Expansion (light blue), Greenfield Project (dark red), Refinance (light green)

Source: TFA estimates and publicly available data

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**TFA Index Chart**

Bond Index Yield to Worst Comparison



Source: Wall Street High Yield Research

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primarily rely on gaming cash flows to support debt service (interest expense and debt repayment) and involve commercial banks and institutional lenders. Some notable exceptions include municipal financings, Tribe-to-Tribe lending, equipment financing, IEED Loan Guarantees (commonly referred to as “BIA Loan Guarantees”), and USDA Loans.

Key takeaways from these transactions include:

- **Tribes Have Options:** With the recent closing of the Kalispel Tribal Economic Authority institutional term loan, it now appears Tribes have access to a distinct alternative to bank or bond financings. This is clearly a positive for Indian Country, as each market has different characteristics that enable a Tribe to access capital from a source able to meet its unique objectives and requirements – evaluating each financing option will ensure a Tribe obtains the financing that best meets their needs.
- **Lenders and Investors are Back – But Borrowing Rules have Changed:** Yes, banks are “open for business” as they have said for the better part of the last year. The key difference is they are typically willing to lend up to 2.0x to 2.5x historical cash flow. That’s a big difference from up to 4.0x projected cash flow back before the credit crisis. Institutional Investors are generally able to lend up to 3.0x to 4.0x historical cash flow, and together with bond investors, are willing to consider projected cash flows from new projects. Bond investors generally are the most risk-taking and are willing to fill the gap up to about 5.0x historical cash flow. In each case, Tribes should have the expectation of paying higher interest expense for investors’ heightened risk perception.

- **Term Loans and Bonds Offer Flexibility to Tribes Refinancing Bank Debt:** Tribes need to be aware that they have options. In today’s market, banks are extremely focused on having their capital returned – often without considering the impact to Tribes, including funds required for tribal government programs and membership per capita payments. A term loan or a bond deal – while generally more expensive - may provide flexibility for spending needs and minimize any negative impact to Tribal members.
- **Expansions and Greenfield Projects are Challenging – But Still Can Get Done:** It’s important to note that several recent deals are for expansion financing and one deal is a greenfield project financing. Institutional investors have indicated that if a Tribe can demonstrate the viability of a project, then financing is available. This capital tends to be more expensive and Tribes should consider what their return on investment is prior to committing to these riskier financings.
- **Stability of Debt Capital Markets cannot be Taken for Granted – Be Prepared:** We have written in the past about the importance of being prepared. “Stability of debt capital markets” is an element that clearly cannot be taken for granted. We believe the Tribes and transactions benefited from having finance teams that are well prepared and able to take advantage of current market conditions.

The takeaways mentioned above suggest now is an opportune time for Tribes to be critical of their financing plans, reassess their options and take advantage of favorable market conditions to help achieve their long-term goals.

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