

**Headline News:**

**10/28/11:** Sycuan band seeks room to grow  
([www.signonsandiego.com](http://www.signonsandiego.com))

**10/21/11:** Snoqualmie Casino's credit rating gets a boost from Standard & Poor's  
([www.snovalleystar.com](http://www.snovalleystar.com))

**10/21/11:** DOJ settles Indian Trust Suit for \$380 million  
([legaltimes.typepad.com](http://legaltimes.typepad.com))

**10/13/11:** Most land put in trust for tribes' quality of life  
([www.cbsnews.com](http://www.cbsnews.com))

**10/11/11:** CalShark.com launch raises the stakes for online poker  
([finance.yahoo.com](http://finance.yahoo.com))

**10/3/11:** Lansing Casino Negotiations move ahead  
([www.stateneews.com](http://www.stateneews.com))

**TFA Announcement:**

**10/31/11:** TFA Announces Formation of Tribal Board of Advisors  
([www.prweb.com](http://www.prweb.com))  
([www.IndianCountryToday.com](http://www.IndianCountryToday.com))

**Time to Refinance?**

By David Howard

Even if a Tribe is happy with its existing financing and the maturity is years away, it could pay to review current refinancing options. Regional commercial banks continue to be profitable and their lending programs remain resilient. For the right credit profile, we have seen banks be very competitive and, as a result, interest rates are often being reduced.

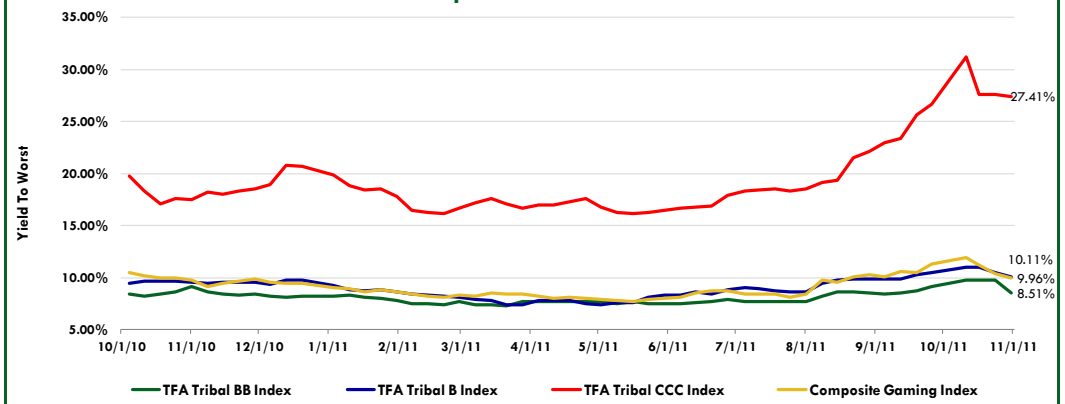
According to the Wall Street Journal, "...banks across the U.S. are being pinched by a combination of low interest rates, weak loan growth, and soaring deposits. While the deposits provide them with funds to lend, banks are struggling to make new loans amid the gloomy economy. What loans they can make are priced

lower, while deposits they can't lend sit idle, earning next to nothing."

Most bank loans are prepayable with no penalties or prepayment fees and therefore can be refinanced at any time. Refinancing into a new bank loan with a lower interest expense will result in savings that often are passed on directly to the Tribe's bottom line. Reducing the interest rate by one half of one percent on \$100,000,000 of debt, for example, would result in annual savings of \$500,000, which could be used to bolster the Tribe's governmental budget and support new programs. In lieu of significant upswings in gaming revenues or cash flow,

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**TFA Index Chart: A Comparison of HY Bond Interest Rates**



Source: Wall Street High Yield Research  
Notes: Yield to Worst represents the current average interest rate on bonds that comprise each index. Composite Gaming Index represents the average market interest rate of over 80 corporate and Tribal high yield gaming issues

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refinancing is another avenue to explore to supplement tribal budgets.

We spoke to Mike Lettig, Director of Native American Financial Services at KeyBank, to get his perspective on the current lending environment. *“A current characteristic of most financial institutions is that they have significant liquidity. This has resulted in a responsible urgency to put this capital to work. Lending into Native America has several positive attributes and therefore, with the current interest rate environment, potentially provides an opportunity for Tribes to lower their cost of capital. For Tribes with leverage profiles less than 3.5x debt to EBTIDA, there is strong potential to create cash flow via refinancing. Proceeds can be used to expand operations, diversify investments, lower debt and provide additional tribal distributions. Given today’s interest rate environment, general bank liquidity, and the appetite for loans, it is sensible to review refinancing potential and opportunities.”*

In addition to the opportunity to reduce interest expense each year, Tribes also have an opportunity to loosen terms and provisions

that, for example, may provide more flexibility for a Tribe’s casino operations or limit the risk a Tribe bears on a financing. While banks and other investors are more disciplined in their lending criteria than they were four to five years ago, most existing bank loans to Tribes were entered into less than four years ago during a time of great economic uncertainty. As a result, banks’ lending criteria were very conservative, often leading to overly restrictive bank loans for which Tribes had no choice but to accept.

With any new financing transaction, fees and expenses associated with the deal are a factor. Given today’s environment, however, we are seeing that most often a Tribe can enjoy savings in its first year of a new deal even after considering any deal-related costs. Together with better terms and conditions of the bank deal, the decision to refinance now into a new deal can provide years of benefits for the Tribe.

Banks are open for business and eager to put money to work—for many tribes, it is a very good time to refinance.

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