

Headline News:

2/3/14: Gambling Compact between State, Mashpee Wampanoag Tribe to Take Effect as Federal Law (tauntongazette.com)

2/11/14: Turtle Mountain Officials Present Casino Plans to GF Council (prairiebizmag.com)

2/18/14: Interior Approves Mechoopda's Trust Land for Gaming (indiancountrytoday.com)

2/24/14: Deadline is Tuesday for Property Owners to Submit Foxwoods Bids (heraldnews.com)

2/26/14: Lansing Should Stay Hopeful on Casino (lansingstatejournal.com)

2/27/14: Mohegan Sun Casino Proposal Approved in Revere (nashuatelegraph.com)

Comps - Outside of the Casino

by Kristi Jackson

Casino operators use "comps" as an important tool for building repeat business – providing complimentary beverages, meals, hotel rooms, and other services rewards loyal customers and improves the quality of their experience. In many respects, both the casino and the customer "win" by appropriately using comps. In the financing world, using "comps" can prove equally as valuable to both lenders and borrowers – but here we are talking about a completely different kind of comp.

In financing, a "comp" refers to a comparable transaction or company that lenders and borrowers can use to provide some guidance as to what the pricing and other loan provisions should be for a new loan or bond.

If you've ever bought a home, the idea of a "comp" is clearly something you used to help determine what a house may be worth. What is the value

of the other comparable properties that were recently sold in the area?

When considering a financing, a comp is one of the best tools available to offer an indication of what to reasonably expect the price of a deal will be or what terms may be included. While comps may be readily available, knowing the underlying details about the transaction and the credit profile of the borrower is extremely important. It may seem quite simple; however, finding the comp set, selecting the right comps and then adjusting for unique variables is a complex process. Using the wrong comps or making the wrong adjustments will skew the value of the indicated pricing and terms and be no help at all.

Knowing that you are looking at the right information requires that you con-

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TFA will be attending the National Reservation
Economic Summit - March 17-20



Please let us know if you will also be in attendance and would like to set up a meeting with TFA.

\$2 Billion+
Financing Raised
\$250 Million+
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American Tribes**

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sider the five basic questions: how, who, what, why and when.

How: How do you even find comps for Native American deals? Tribal financial information is very private. The knowledge of current trends in Native American financing usually rests in the heads of professionals that are active in Indian Country such as banks, bond investors, financial advisors and attorneys.

Who: What type of borrower is the comp and what is the credit rating or credit profile? Is the company similarly-sized to yours, and importantly, face similar competitive and other opportunities and/or threats? Even if you are provided comps that are disguised, there should be some relevant information confirming that you are looking at something similar to your situation.

What: What sort of financing is being presented as the comp? If your deal size is \$25 million yet the "comparable" information you are being shown is for a \$500 million sized deal, the details may not be as relevant. For example, even with a similar credit profile, your deal may only require one lender to complete it whereas the large deal may need ten lenders. Pricing a deal is typically set to entice the last lender in; there-

fore, a large deal may take more price or a different structure to get done. A lot of elements factor into how a deal gets priced and structured – for example, knowing that a certain deal is a one-year deal can explain a difference in pricing.

Why: The use of proceeds is important. If your loan is being used to finance a new energy project, your deal may not be comparable to one that is for expanding an existing gaming facility.

When: Comparable deal information can only be used currently. Markets and buyer preferences change constantly. A 2009 comp would be useless as financing terms have significantly improved since then.

These are just a few of the many considerations used to determine the validity of a comp. Comparable information can be great - using the wrong comp can lead to unrealistic expectations and delays. There is a saying that there really is no perfect comp - no two companies, and certainly no two tribes, are identical. The trick is to find something as close as possible and understand the nuances between your financing and the comp set identified - the right perspective and adjustments will ensure you are using the information properly for your deal.

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