

**Headline News:**

**6/26/12:** Fitch raises Seminole Tribe of Florida's bonds to BBB- ([www.reuters.com](http://www.reuters.com))

**6/21/12:** Osage Nation upgrading all seven casinos ([www.tulsaworld.com](http://www.tulsaworld.com))

**6/19/12:** Native American casino lawsuit allowed to proceed ([www.lvrj.com](http://www.lvrj.com))

**6/18/12:** Construction begins on Rohnert Park casino hotel ([northbaybusinessjournal.com](http://northbaybusinessjournal.com))

**6/13/12:** Downstream Casino building \$50 million hotel ([www.joplinglobe.com](http://www.joplinglobe.com))

**6/5/12:** NC gaming law changes to allow Cherokee casino games expansion given final House approval ([www.therepublic.com](http://www.therepublic.com))

**6/4/12:** Canterbury Park and tribe cut deal on gambling ([www.startribune.com](http://www.startribune.com))

## Just Because You Can, Doesn't Mean You Should

By Kristi Jackson

You've probably heard the response given by George Mallory, the famous British mountaineer who climbed Mount Everest in the 1920s – when asked why he climbed Everest, he responded “because it's there.” Same can be said for many people when presented with an offer from an enterprising salesperson – I bought it because it was offered.

In an era where everything is on sale, consumers are enticed by marketing tactics and promotional offers to buy more, whether it's “more” car, more clothes or more food. The perception that you're getting a “deal” often detracts from the actual cost of buying something. A nicer car leads to a bigger down payment or larger monthly payments. Money spent unnecessarily on clothes can lead to

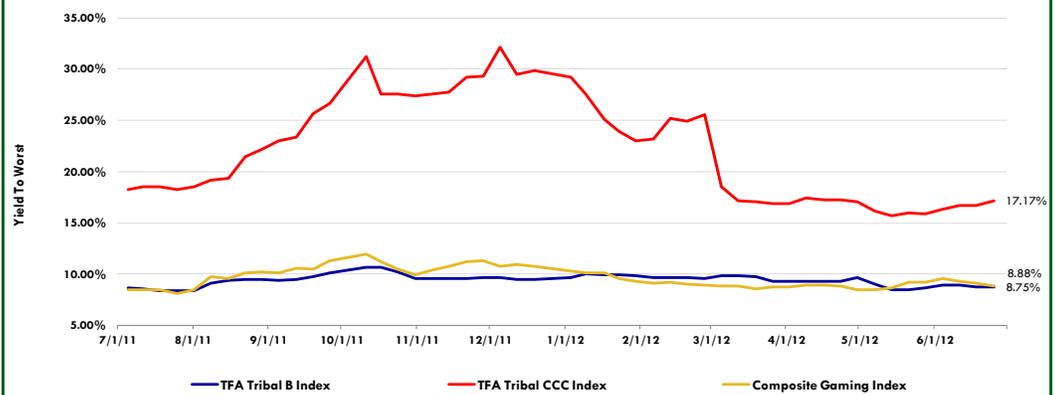
a larger credit card bill. “Value” meals may not hit your wallet so hard, but we all know that we pay for bigger meals with more pounds or more time on the treadmill.

Ironically, with all that's happened since 2008 in the financial markets, right now money is for “sale” again and at prices and terms that are potentially very attractive. Under the right circumstances, tribes have the ability to buy more debt. The question is if a lender offers you financing, should you take it?

The financial markets have been a bit volatile, but the appetite for risk has grown amongst lenders and investors. Tribal gaming bonds have traded to much stronger levels – yields are at attractively low levels. Much of this is driven by the

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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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fact that investors are looking for places to put their money where they can earn a better return. They are willing to take on more risk to get that extra return. This means that more debt is likely available – if a tribe is willing to live to the required terms.

The same can be said right now of the commercial bank marketplace. We have heard many bankers say recently that “it feels like 2006 all over again.” They are referring to the frenzy that occurred in the lead-up to the 2008 financial crisis, where money was available to most any borrower at cheap prices, with little regard for structure and to how that debt was going to be repaid. While today structure is still a concern – the covenants in the deals still make some sense – bankers seem to be knocking doors down in order to put better, larger and lower priced offers out for the taking.

We recently advised a tribe who was looking for a large bank financing. They had several term sheets in hand from top-notch commercial banks. All were offering well more proceeds than the tribe was initially asking for. “We can get you more money for cushion.” “We can raise money in advance for that project you were thinking about undertaking at some point in the future.” “We can

extend the maturity and reduce your debt repayment to increase distributions.” There were multiple reasons offered for providing the Tribe access to more money. Ultimately the question to “buy” more debt should be balanced by a Tribe’s actual needs and its long-term goals.

When we analyzed the situation based on the tribe’s expectations of their business cash flows and incorporated their desire to be debt free – it turned out they needed much less than they had originally asked the banks for. The smaller size of the financing matched the tribe’s current needs with their long-term goals, without the added cost and burden of borrowing more “cheap” money. In the end, borrowing this lower amount saved them millions of dollars in fees and unnecessary credit line expense.

Just because the money was available, in this case, it certainly didn’t mean the tribe should have taken it. There may be cases where taking the extra funds is important – a highly profitable project can finally be undertaken for example – but this is not always the case. Make sure that the right analysis is done before evaluating financing options. Be prepared and know whether you should take advantage of an offer - for the right reasons – not just “because it’s there”.

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