

**Headline News:**

**4/29/13:** Seminole Tribe Gaming Gets \$750 million loan  
([www.bizjournals.com](http://www.bizjournals.com))

**4/26/13:** Sports Book Bill Passes Through Committee  
([www.bizjournals.com](http://www.bizjournals.com))

**4/18/13:** Pinal County Board of Supervisors Supports San Carlos Apache Tribe New Gaming Facility  
([www.sacbee.com](http://www.sacbee.com))

**4/11/13:** Eastern Band to Build Second Casino  
([www.citizen-times.com](http://www.citizen-times.com))

**4/08/13:** Fairchild said to have concerns about proposed casino  
([www.spokesman.com](http://www.spokesman.com))

**4/06/13:** Penn National plans to build Hollywood-brand casino in San Diego  
([www.tdn.com](http://www.tdn.com))

**Sequester - Hitting Too Close to Home**

by Kristi Jackson

By now everyone is unfortunately all too familiar with the term sequester. We've been hearing about it since the fiscal cliff conversations emerged last year. Prior to this recent national budget related usage of the term, sequester most often seemed to be used in connection with a jury: the jury was sequestered, put in isolation, away from other people to avoid accidental or deliberate tainting. It conjures up images of unpleasant days and nights, away from family, in a bare hotel room with no access to any form of current entertainment - depressing and definitely a condition to avoid.

The turn of events nationally has us feeling similarly about this current federally-imposed budget sequestration. Across the board cuts are emerging and becoming a more frequent excuse for a negative occurrence. The news is blanketed with

anecdotes – many of which are hitting way too close to home. It is giving service-oriented industries a convenient excuse to blame a higher power. Flight delayed? The FAA has cut back on air traffic controllers' hours.

There are two recent examples we've come across where Indian Country is being particularly affected. Tough news in an environment where tribal programs are already at risk – sequestration is making matters worse.

The timing of payments coming from the federal government is being delayed. This has massive implications for Tribes that depend on these grants and subsidies. In one particular instance, we are working with a Tribe that has seen casino cash flows fall substantially, thereby impacting the distribution stream to the govern-

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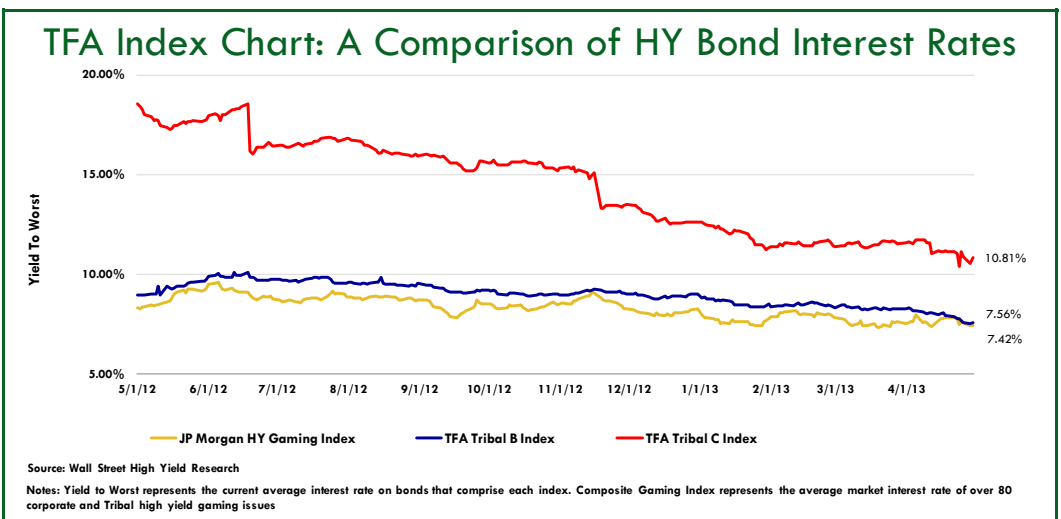
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ment. With income already down, the Tribe was notified by the federal government that several of its grants, while approved, will be delayed in funding. Unfortunately, the Tribe had already begun spending on the related programs. A few solutions exist: spend cash reserves for the various underfunded programs, borrow a line of credit, stop the particular unfunded project until grants materialize or make significant cuts from elsewhere in the Tribe's budget. None of these is ideal.

Another situation exists as a warning for all Tribes looking to raise capital. As has been often discussed and written about, lenders for nearly all Tribal gaming financings require the NIGC to review the final form of credit documents and issue a declination letter prior to funding. We've heard that the NIGC timeline may approach 8 weeks for the turnaround of this necessary letter. A lender that called to inquire about timing was informed that planned furloughs will be the cause of the logjam and delay in turnaround. In the case of one of our clients, if true, this delay will literally cost them close to a million dollars in added interest expense as they are refinancing high cost bonds with a bank transaction. (As a bright spot, one of our board members was able to reach out to the NIGC and explain the urgency with this particular deal, resulting in an NIGC effort to

dramatically improve the turnaround for this particular tribe.)

A few lessons come from these observations. First, nothing is certain in these times – it is highly advisable not to spend the money until it is received and in the bank. Second, plan for the contingencies in your timing. In the case of a financing, factor in this added time to your schedule for closing. A well planned process can expedite your timetable and help make up for the impacts caused by federal policies. As frustrating as it is, we are all affected by this sequester so our advice is accept it, deal with it, and to plan accordingly.

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