



TFA Monthly Newsletter

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IN THE NEWS

Could This Happen to You? — Helpful Tips for Avoiding a Scam

by Chance Cross

Recently, news broke that the Northern California Yurok Tribe was the victim of a scam that robbed it of precious resources and affected its ability to develop a casino property in the near future. This shocking story deserves attention.

In summary, Tribal leaders were swayed to trust an investor who approached them with a promise to fund their ground-up casino project. In return for a promise from the investor to fund the \$8mm of project costs, Tribal leaders agreed to first deposit \$250,000 into an account for the benefit of this investor. The Tribe did an admittedly short online background check of the proposed investor and then signed the deal and deposited the funds. The investor withdrew the funds and was never heard from again.

How can this happen in today's day and age? The internet offers us a great resource for diligence and background checking... aren't we all better able to avoid scams and predators? But the internet as a sole resource for diligence has short-comings, and many lessons can be learned from this unfortunate story. When considering any transaction, a Tribe should ask plenty of good questions to ensure it is dealing with trustworthy partners.

Have I heard of them?

While not all partners will come from well-known and established firms, a Tribe should make itself familiar with the company it is dealing with. First and foremost, references are always a good indicator – can you find anyone who has worked with these people in the past, and was the experience a fa-

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Arizona's Q2 Tribal Gaming Revenue Increases, Contributes \$25.8 Million toward State's Operating Costs

8/02/15 – WorldCasinoDirectory.com

Feds Side with Tulalip Tribes in Quil Ceda Tax Fight

8/12/15 – IndianCountryToday.com

The Casino Con: How a 70-year-old Georgian Allegedly Swindled the Yurok Tribe out of \$250k

8/13/15 – NorthCoastJournal.com

Michigan Agency Plans Cuts after Tribe Halts Casino Payments

8/17/15 – TheAlpenaNews.com

United Auburn Tribal Deal Proves Popular with Lawmakers

8/25/15 – SacBee.com

Chumash Tribe Signs New Class III Casino Compact in California

8/27/15 – Indianz.com

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avorable one? In today's social world, every company should be expected to have a detailed website or a legitimate presence on social media channels, such as LinkedIn or Facebook. A Tribe should be able to easily identify and research the legitimacy of their potential partner and understand the experiences of past customers.

What is the source of their cash?

How does the company earn its revenue? If it is an individual, how did they make their money? Know who you are dealing with and that their sources are legitimate. Often, lenders to Tribes need to be licensed if not a federally or state chartered bank – can this proposed lender be licensed?

What am I being asked to fund?

While some transactions may require an initial contribution, if a Tribe is being asked to contribute funds, it needs to know exactly what these funds are being used for and how the other party is able to access and use such funds. Investing "equity" into a project is typically advisable – advancing funds beyond normal transaction costs to a lender is not and should be a red flag.

Is this deal too good to be true?

The process of identifying a new partner who is offering impressive terms can be exciting. While we have seen many cases of a Tribe closing a great transaction, if a new deal has terms that are far from market, some additional diligence must be done to understand why such terms are being presented.

Is this process moving too quickly?

The process of raising capital can be an arduous task filled with many rejections and long wait times. When a new partner presents an intriguing offer, the desire to get the deal moving forward quickly can often lead people to

overlook details that they would otherwise examine closely. Moving quickly on a transaction is very important; however, a Tribe should ask questions when a new partner begins to express increased urgency to get a deal closed.

A borrower should diligence their lender just as lenders conduct diligence on a borrower. In most cases, these debt obligations last many years (sometimes decades) – you should know who your partner will be and make sure you are comfortable.



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