



**TFA**  
Monthly  
Newsletter

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IN THE NEWS

## Diversification Opportunities – Staying Close to Home

by David Howard

Last month we noted the trend of Tribes looking to diversify their dependence on gaming-related revenues to support governmental needs, the welfare of their members and their long-term financial sovereignty. Today, we share some observations of potential opportunities for Tribes that may fit well with their financial objectives and that are in business sectors complementary to the gaming industry – those businesses that serve the hospitality, leisure and the tourism consumer. In addition, we see many opportunities across a variety of business sectors where Tribes with relatively more financial expertise are beginning to send in their own “swat teams” of professionals to conduct the necessary due diligence to better understand the potential upside, and

more importantly the downside, of investment opportunities outside the Tribe’s “wheelhouse”. For those with fewer internal resources, it is taking longer to be introduced to these types of opportunities, but in time we’ll see the pipeline extend deeply into Indian Country.

Here are some examples of opportunities that we see.

**Lending to Start-up Native American Casinos.** Clearly, the heyday of large, Vegas-style “greenfield” casino development projects for Tribes is behind us. While certainly several remain on the horizon – Mashpee Wampanoag’s First Light Resort & Casino being the largest – most of today’s new Tribal casinos are a smaller breed, with per-

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### White House Releases Recap of Work with Tribes

1/6/17 – [TheBristolBayTimes.com](http://TheBristolBayTimes.com)

### California Supreme Court Decline to Extend Tribal Sovereign Immunity to Payday Lending Businesses

1/10/17 – [JDSupra.com](http://JDSupra.com)

### Gold King Mine: EPA Refuses to Pay Spill Damages

1/16/17 – [ICMN.com](http://ICMN.com)

### History to Be Made as Native Legislators Take on Leadership Roles Across Country

1/17/17 – [ICMN.com](http://ICMN.com)

### Standing Rock Sioux Tribe Prepares to Push Back Against Trump’s Dakota Access Pipeline Order

1/24/17 – [WorldCasinoDirectory.com](http://WorldCasinoDirectory.com)

### Century Old Tribal Water Dispute Will Be Settled Soon

1/26/17 – [ValleyCenter.com](http://ValleyCenter.com)

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haps \$20-40 million needed to construct, equip and open the casino. Banks, however, are not in the business of lending to start-ups (“equity-risk”) and bond investors generally are not interested in these types of deals because the size is too small (they prefer deals at ~\$200 million or greater) – unless the returns are out-sized (i.e., high teens). This creates an unmet need for Tribes needing to access funds for smaller transactions. Returns on these types of investments for Tribes, particularly when it is combined with a management role, can often be significant and often in line with equity investment returns. And who better to analyze the viability of start-up property than a Tribe who has gone through the same process?

**Investing in Hotel Operations.** Purchasing a hotel is often the first significant investment for a Tribe outside of gaming. The business is very similar to that of the casino, so the “learning-curve” and the comfort factor are high when compared to, say, buying into a banking operation. Some benefits for Tribes investing in hotel operations are that its casino team can recognize the

project’s true asset value and cash flow potential, and the Tribe’s long-term investment horizon matches closely with the long-term nature of most hotel assets.

Expanding a tribe’s existing casino operations may not yield nearly as much as investing those dollars in the same asset class (gaming) in a new geographic area or region.

**Building Convenience Stores/Gas Stations on Tribal Land.** Assuming the Tribe has a well-traveled highway location, a favorable tax compact with the surrounding State and has the ability to retain the excise taxes on gasoline, we see C-Store investments as

typically having a very profitable return on investment. Financing for good locations and credit-worthy Tribes is readily available. Compared to starting up a casino or even a major expansion to a casino property, the initial cost is much lower – in the \$4-5 million range. Many, many Tribes have already invested in C-Store on their trust land and witnessed solid returns on their investment.

As cash flow at existing tribal casino begins to flatline, diversification of a Tribe’s investments will gain more and more importance in the years to come.



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