

Headline News:

10/31/13: Oklahoma Casinos Growing, Horse Racing, Lottery Declining
(www.tulsaworld.com)

10/24/13: Wind Creek Casino Unveils \$250 Million Expansion
(www.wncftv.com)

10/22/13: Feds Give Final OK to North Fold Indians' Casino on Highway 99
(www.fresnobee.com)

10/17/13: 25th Anniversary Recognize 25 Years Under the Indian Gaming Regulatory Act
(sacbee.com)

10/15/13: Massachusetts House Approves Mashpee Gaming Compact, Next Stop: State Senate
(indiancountrytoday.com)

Keeping it Confidential

by Jeff Heimann

One of the many unique aspects of our niche industry of tribal finance – as compared to nearly every other industry – is the confidential nature of financial information. Nearly every tribe keeps financial information relating to its governments and enterprises out of the public domain. At its high watermark about seven years ago, perhaps six tribes that were high yield bond issuers were required to publicly file financials relating to their gaming operations. That requirement, however, has long been a thing of the past.

While many reasons exist as to why tribes keeps their finances out of the public's eye, the simple fact is that a tribe's financial information is not anybody's business but that of the tribe. Of course, if

a tribe is seeking a grant or a loan for a project, its casino or some other venture, it is commonplace to share financials and other sensitive information with outside parties. In doing so, particularly as it relates to loans or financial investments, the outside party is able to have a more complete view of the risk and opportunity of the loan or investment.

One interesting side effect of the restricted information of tribal operations is that it limits the ability of investment bankers and advisors to proactively review a tribe's financial position and generate ideas to present to tribes for consideration. We recognize that a tribe or tribal casino management team may be reticent to

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TFA will be attending the following upcoming events:



Arizona Indian Gaming Association Trade Show—November 6-8

NCAI Tribal Leaders Summit Preparatory Meeting—November 12

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+
Saved
~
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share its information with outside parties, but any risk of information getting in the wrong hands is easily mitigated by having both parties execute a confidentiality agreement. Equally as strong is the reputation risk that someone would bear by sharing information. Our experience is that reputable bankers and advisors take tribes' confidentiality very seriously and honor their non-disclosure agreements.

Idea generation can come in many shapes and forms, but the primary goal is to provide a tribe an alternative to the status quo that can enhance the financial position of the tribe through increased transfers and/or saving the tribe money. The upside to sharing information with a trusted advisor can be substantial. For example, last year we reviewed the financials and debt agreements of a tribe and determined that they could likely refinance expensive 15% debt with

a much cheaper bank loan. The result? The tribe refinanced approximately \$100 million into the bank market, now pays approximately 3.25% and is saving over \$10 million per year. Had the tribe in this example not shared the information then we would not have been able to discover this opportunity and the tribe would potentially still be paying much more in interest expense than they are paying now.

Banks and advisors typically work for free to provide this type of analysis, with the trade-off being awarded business if the tribe chooses to pursue the suggested course of action. For a tribe then, aside from completing a confidentiality agreement and coordinating information to be delivered, there really isn't any risk, and if the bank or advisor is not able to bring useful ideas, the process serves to validate that the tribe is in the best financial position possible.

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