



# TFA

## Monthly Newsletter

### January 2016

IN THE NEWS

## Trends to Watch in 2016

by Kristi Jackson

Happy New Year! We are looking forward to 2016 in earnest. Between the Olympics this summer, the elections leading up to November and even a new hotel opening in space, there will not be a dull moment. What about finance... how will this year shape up? What should you be mindful of as you work your way through this event-filled new year? We offer our team's thoughts to consider:

1. *Interest rates are on the rise* – We have already seen one highly anticipated move upward in December – the Fed's first interest rate hike since 2006. The indications are that there will be several more as the Fed meets throughout this year. The target rate in many forecasts approaches 1.25 to 1.5% by

year end. What does this mean? Cost structures will be impacted – margins may erode and cash flows could decline for the more heavily leveraged borrowers. We will likely see more borrowers hedge their floating rate outstandings to cushion this impact.

2. *Banks are tightening their terms and margins are going higher* – Not only are the base rates higher, the margins are also increasing – a double impact to the rate you pay. In addition, the terms banks lend under are also getting less borrower-friendly. This is due to several new regulations, BASEL 3 being the most frequently blamed, which put more financial requirements on the banks themselves. Banks will continue to be more conserva-

(continued on Page 2)

### Cowlitz Casino Closes on Funding with Mohegan Sun

12/08/15 – [News.WorldCasinoDirectory.com](http://News.WorldCasinoDirectory.com)

### Golden Entertainment Sells Promissory Note Related to Jamul Indian Village

12/10/15 – [BusinessWire.com](http://BusinessWire.com)

### Head of US Bureau of Indian Affairs Announces Resignation

12/10/15 – [DailyHerald.com](http://DailyHerald.com)

### Done Deal in Florida

12/19/15 – [GGBNews.com](http://GGBNews.com)

### Turning Stone Takes Legal Action Against State Gaming Commission

12/22/15 – [TWCNews.com](http://TWCNews.com)

### At Long Last, Chukchansi Casino Reopens on Thursday

12/30/15 – [FresnoBee.com](http://FresnoBee.com)

(continued from page 1)

tive and reserve more capital. The frenzy in the race to the bottom, while fun and beneficial for borrowers, will be coming to an end.

3. *Non-gaming economic development* – We continue to see increasing competitive pressure on Tribal gaming businesses – in most all markets nationwide. This puts obvious downward pressure on gaming profits and is prompting Tribal councils to look at expanding, acquiring or developing non-gaming cash flowing businesses. We have seen Tribes make investments in business ventures that are geographically distant from their home/market – while many such investments have been profitable, we’ve witnessed too many investments that become insolvent quickly. The rush to diversify can be dangerous without careful planning, analysis and structuring.
4. *Continued push to explore businesses that leverage Tribal regulatory advantages* – Whether more regu-

latory clarity around the cannabis business sector is established or legislative support for the framework of Tribes’ online lending operations is achieved, one thing is certain: Tribes with a regulatory advantage need to capitalize on it in order to gain market share versus the non-Tribal competition. The ability to leverage a tax advantage may be one of the most significant opportunities, particularly with regard to mergers and acquisition activity. Tribes do not pay federal income tax on wholly-owned businesses – this will allow

an inherent advantage in an auction. We will see more Tribal interest in exploring how to best leverage the structural/regulatory or tax advantages over the coming year.

Some of these themes are similar to prior years’ trends, as many elements discussed here have begun to emerge and we have seen Tribes move into action. While the trends may be viewed as a risks by some – explore the upcoming changes and work to turn these into opportunities for your Tribe.



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