



TFA

Monthly Newsletter

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IN THE NEWS

Rain Rock Casino: A Case Study of a Successful Financing in Indian Country

by William Crader, CFA

On April 19, 2018, Rain Rock Casino opened to the public marking the successful completion of a process years in the making. TFA was fortunate to be included as part of the team that would help to bring the Karuk Tribe's dream to reality. As those in Indian Country can only imagine, the road to opening the doors to Rain Rock Casino were filled with many obstacles and hurdles – and this short narrative only pays credence to the financing portion of this odyssey and does not include the years spent obtaining federal recognition, putting land into trust and a multitude of other efforts that were necessary to having an operating gaming enterprise.

Although the Karuk deal would typically be labeled a "project financing", the transaction offers many guideposts for Tribes seeking financing and how to efficiently do so.

THE TEAM. As with many success stories, it took a number of individuals and organizations to open Rain Rock, including:

- **The Tribe.** The Karuk Tribe is blessed with incredible leadership and staff. Tribal Council has the benefit of not only its current chairman, Russel Atteberry, but several prior chairman have remained on council. Its staff, which includes Laura Mayton, CFO and recipient of NAFOA's 2017 Executive of the Year Award, is one of many who provided a solid foundation for the Tribe to make sound business decisions.
- **ROI Gaming.** Developed the property and came to the table with one goal in mind: maximizing the economic opportunity for the Tribe.
- **Poarch Creek.** Poarch Creek made headlines in March 2018 with the announcement of their \$1.3 billion acquisition of Sands

Table Mountain Rancheria to Build New Casino and Hotel Complex

6/7/18 – FresnoBee.com

Mohegan Gaming Names New Chief Financial Officer

6/11/18 – theDay.com

Initiative to Legalize Sports Betting in California Proposed for 2020 Ballot

6/12/18 – LATimes.com

Shingle Springs Band Prevails in Long-Running Gaming Contract Dispute

6/25/18 – Indianz.com

Not a Sure Thing

6/26/18 – GlobalGamingBusiness.com

2017 Indian Gaming Revenues Increase 3.9% to \$32.4 Billion

6/26/18 – NIGC.com

Arizona Tribe Breaks Ground on \$120 million Casino Project

6/30/18 – theNewsTribune.com

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Bethlehem. Even with this important deal, PCI never lost its focus on assisting with this much smaller endeavor, bringing critical financing support as well as extensive management operating experience.

- **The Bank.** Legendary Indian Country banker Rochanne Hackett recognized immediately the opportunity for this Tribe. Wells Fargo stuck with the Tribe through challenging circumstances to provide project funding.
- **Legal Counsel.** A number of key legal advisors helped guide the Tribe through multiple negotiations to secure funding.
- **Financial Advisory.** TFA assisted in helping the Tribe navigate its financing options and helped negotiate a structure that best fit the Tribe's long-term economic goals.

Each financing will have its own unique "team", but the critical component for this particular situation was that all the respective groups worked together to overcome challenges for a successful outcome for the Tribe.

THE GOOD, THE BAD, AND THE UGLY. We would like to write that this process took eight weeks from start to finish – but things rarely go smoothly

and "smooth" is a particularly relative term in Indian Country finance. The Tribe had hints of the "perfect" deal, which never materialized. Ultimately, Karuk found a deal structure that worked for them – it was good enough for the Tribe to obtain funding for its project and move forward (they avoided the bad outcome of not obtaining funding at all). Most importantly, Karuk avoided the ugly situation of taking on a deal that would have directed most, if not all, of the financial benefits of opening a casino to some third party. The final deal provided all of the required capital, at a relatively low cost and is fully prepayable – a rare mix for project financing.

FLEXIBILITY AND PATIENCE. All members of the team exhibited a high

degree of flexibility and patience to have success. Flexibility was needed to accommodate unanticipated changes to terms and structure. Furthermore, the entire team, but in particular the Tribe's leadership and staff, exhibited enormous amounts of patience as the team worked through these issues. Although the process took much longer than expected to consummate a deal, the Tribe is now positioned for success for years to come.

We want to congratulate the Karuk Tribe again on the success of opening Rain Rock Casino!

If you or your tribe are looking for assistance in raising capital or require strategic advisory services, please contact us today.



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