



TFA

Monthly Newsletter

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Human Capital—The Most Important Resource

By Kristi Jackson

2020 has been extraordinary. We mean that in so many ways and not in a particularly positive sense. We have learned many new lessons both personally and through working with our clients.

One take-away has been the importance of holding close the people important to us. Many of our loved ones have never been closer...and those that are farther away we "Zoom" with regularly to keep in touch.

In business, we are also keeping in touch using phone and video calls to help us stay connected with our clients and colleagues. The "human capital" that firms rely on has also never been more precious as we work to keep our teams safe, connected and engaged.

From a finance perspective, the importance of diversification seems to

be at the top of everyone's list. As those invested in the leisure or hospitality industries have experienced, pandemics make it challenging to build wealth. To grow, our clients are exploring opportunities that are far from the center post they've come to know and are looking at myriad industries to accelerate diversification.

TFA has worked with many tribes in identifying and diligencing opportunities. In the analysis of these opportunities, one thing continues to ring true: it takes people to run business. The stronger the team, usually, the stronger the business.

In seeking an acquisition candidate, many will look for growth, synergy or turnaround stories. Each case, clearly, requires a specialized skillset. In its Strategic Secret to Private Equity, the Harvard Business Review plainly asks as one of its key questions, "do you have the skills and experience to

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IN THE NEWS

MGM Growth CEO hints at deal for Las Vegas Sands properties, REIT cash flow tops forecasts
11/3/20 – [CDCGamingReports.com](https://www.cdcgamingreports.com)

Four Natives Win Re-Election to Congress, Plus Longtime General Counsel to Tribes Named to U.S House
11/4/20 – [NativeBusinessMag.com](https://www.nativebusinessmag.com)

Ho-Chunk is prepared to spend \$300 million to build casinos in South Sioux, Omaha, Lincoln
11/5/20 – [NorfolkDailyNews.com](https://www.norfolkdailynews.com)

Michigan's First Tribal Cannabis Store Opens Today
11/6/20 – [NativeBusinessMag.com](https://www.nativebusinessmag.com)

University of Iowa law dean to lead Biden transition agency review team
11/10/20 – [TheGazette.com](https://www.thegazette.com)

Massachusetts Sports Betting Again Rejected by Senate
11/19/20 – [LegalSportsReport.com](https://www.legalsportsreport.com)

Analyst: Gaming REITs continue to be a safe investment despite the pandemic
11/23/20 – [CDCGamingReports.com](https://www.cdcgamingreports.com)

Nevada: Casinos face 25% capacity restrictions over next three weeks to bring down COVID numbers
11/23/20 – [CDCGamingReports.com](https://www.cdcgamingreports.com)

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turn a poorly performing business into a star?" Investors need to take stock of their own management ranks along with those of the target company. The talent must come from one side or another (or be hired new) in order to keep that targeted opportunity from becoming an out-right mistake.

We recently interviewed several active investors in private equity. Some manage multi-billion-dollar portfolios and some were tribal investors – others were legal or other advisors helping with screening and diligence processes. We asked about their opportunity evaluation methodology, and what they thought was most important when looking to make an investment.

At the top (or very near to it) of everyone's list: human capital. Who is making the decisions and managing the investment? What are the skill-sets of those running the business and do they have what it takes to execute the strategy? The stronger the credentials, the quicker the opportunity moved to the next level of serious diligence.

It was not just about a prospective calculated return – but instead, how was the plan going to be achieved and who was in charge of ensuring it happened?



As the investment focus becomes more technical, so too, must the identified management possess similar, highly specific knowledge and experience. Before the decision to invest even takes place – consider the diligence process itself. If the target is a high-tech or otherwise complicated business, are the people doing the analysis of the investment opportunity fully knowledgeable about that type of industry or product?

As Tribes take on more of a principal (active) investor role, these evaluations will become more frequent. Consider the following:

- What are the academic credentials of the team charged with running the business?
- What similar companies have these people worked for in the past, and in

what capacities?

- Is there a key person at the target company with whom much of the institutional knowledge rests and the corollary, without whom, the growth forecast is jeopardized?
- How deep down the organizational chart does the experience run?
- Does your current team have expertise in the specific area of the target?
- Adding a specialist to your diligence team

It is not just about the product, the purchase price or the forecasted growth of the industry. It's about the people. Particularly in times like these in which we are now living, we cannot forget human capital is the most precious of all.

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