



## The Door is Open

By William M. Crader, CFA

A relatively modest announcement was made this past week by real estate investment trust Gaming and Leisure Properties Inc. ("GLPI") in their third quarter earnings press release:

*"In September 2024, the Company entered into a \$110 million delayed draw term loan facility with the lone Band of Miwok Indians ("lone") (the "lone Loan") to provide the tribe funding for a new casino development near Sacramento, California. lone has an option at the end of the lone Loan term to satisfy the loan obligation by converting the outstanding principal into a long-term lease with an initial term of twenty-five (25) years and a maximum term of forty-five (45) years. These agreements were entered into subsequent to receiving a declination letter from the National Indian Gaming Commission approving the transaction documents, including the long-term lease."*

This was a culmination of efforts which began over seven years ago when TFA approached GLPI to explore the concept applying REIT-style financing to Indian Country. Working with respected legal counsel with significant experience with IGRA and the NIGC, we collectively began a journey to solve this puzzle.

Of course, this modest announcement by GLPI was a monumental one for lone, a longstanding

TFA client, who issued a press release as well memorializing the transaction. Chairperson Sara Dutschke stated,

*"The Tribe is pleased to have found a partner in GLPI who placed their trust in the Tribe, supporting our efforts toward self-determination and self-sufficiency through the financing of the construction of Acorn Ridge, a Tribal enterprise two decades in the making. We are proud to be part of this innovative financing structure and hope that our work with GLPI to successfully bring this transaction to a close provides new long-term financing opportunities for tribes across the nation."*



# TFA Monthly Newsletter

November 2024

## IN THE NEWS

**Tribal Gaming Roundup: NIGC nominee outlines priorities, California law allows tribes to sue card rooms**

**10/04/2024 – [tribalbusinessnews.com](https://tribalbusinessnews.com)**

**Hard Rock chairman opens the door to a FanDuel or DraftKings partnership in Florida**

**10/09/2024 – [cdcgaming.com](https://cdcgaming.com)**

**A tribal casino breaks ground, after decades in the making**

**10/24/2024 – [abc10.com](https://abc10.com)**

**Unprecedented tribal pact dominates GLPI earnings call**

**10/25/2024 – [cdcgaming.com](https://cdcgaming.com)**

**Native nations secure \$111M in USDA conservation funding to advance Indigenous land management**

**10/27/2024 – [tribalbusinessnews.com](https://tribalbusinessnews.com)**

**Honoring Native American contributions in U.S. military history**

**10/30/2024 – [army.mil](https://army.mil)**

**Virginia: Boyd Gaming president says Norfolk casino will be a \$750 million project**

**10/30/2024 – [cdcgaming.com](https://cdcgaming.com)**

(continued from Page 1)

Simply put, this transaction is a game changer for tribes.

Why? The lone /GLPI transaction has effectively opened the door to Indian Country to the multi-billion-dollar REIT financing market by establishing the precedent of utilizing a long-term lease to access financing. Used correctly, this financing structure could provide the catalyst for tribal economic diversification over the next decade by allowing tribes to monetize their gaming assets in a manner previously unavailable to tribal gaming enterprises. It also places tribes on more equal footing with corporate gaming operators to accelerate expansion or refurbishment projects.

Wall Street has already weighed in on the strengths of the transaction, noting the potential impact on the \$42 billion Indian gaming industry is tremendous. Analysts estimate there could be as much as \$5 billion of rent creation via this structure, which implies an incredible opportunity for tribes to access financing via the lease structure utilized by lone and GLPI. CBRE calls this “one of the most meaningful developments in tribal finance in the last decade.”

The simplest explanation of GLPI’s lease financing structure is that a tribe can obtain a large, upfront payment of cash in exchange for entering into a long-term lease and making rent payments to GLPI during the term of the lease. At the end of the lease term, the tribe owes nothing back to GLPI.

#### What are the primary benefits to tribes?

- **Liquidity:** The lease structure provided by GLPI affords tribes the opportunity to access long-term capital otherwise unavailable to them. The structure effectively allows

tribes to monetize their gaming assets with the ability to use liquidity to either accelerate expansion efforts, refurbish their existing gaming assets, or pursue other high-return economic diversification projects.

- **Long-Term Financing with No Amortization:** Although GLPI’s lease structure requires a “rent” payment (similar to interest expense on a conventional loan or bond), if managed appropriately, the cash flow implications can be significant as there is no required debt amortization if the lease is carried to its full term.
- **Support:** GLPI has a demonstrated track record of working with its lease partners to provide financing flexibility and increased access to capital. What does this mean for tribes? In theory tribes can access capital more efficiently to pursue high-return projects, such as a hotel expansion.

- **Gaming Diversification:** One potential alternative to liquidity would be for tribes to use proceeds to invest in GLPI’s stock, which at its core is a nationally diversified gaming asset with a relatively high dividend. This use would provide an alternative income stream which is not tied to a tribe’s existing gaming market.

#### What are the primary considerations?

- **Long-Term Lease Commitment:** There is no doubt that entering a long-term lease is not something to be taken lightly by tribes, especially those that have fought hard to have land put into trust and reestablish their ancestral lands. Much like many tribes were initially reluctant to waive sovereign immunity to obtain either commercial loans or conduct a bond offering, one could argue that there is no greater assertion of a tribe’s sov-

ereignty than to enter into a long-term lease agreement. Also, keep in mind that even during the term of the lease, a tribe maintains the underlying ownership of the land and are the only ones allowed to operate the casino.

- **Financial Discipline:** Entering into a multi-decade financing commitment also requires significant planning to ensure a tribe’s commitments to its membership are maintained. Use of proceeds will also require a higher level of scrutiny in order to ensure financial risk is managed appropriately. With that in mind, consider corporate gaming operators have successfully employed this structure for years with the benefits far outweighing the cost of entering into a long-term lease commitment.

lone and GLPI have opened the door to new financing possibilities in Indian Country. We at TFA are excited to see who walks through the door to take advantage of this new financing mechanism. As always, please contact us to discuss your financing and economic diversification needs.

*NOTE: TFA Capital Partners, Inc. served as financial advisor to both the lone Band of Miwok Indians and Gaming and Leisure Properties, Inc. in the transaction discussed in this newsletter. TFA believes this transaction has the potential to be transformative for Indian Country by providing tribes with the capital to accelerate economic diversification efforts by years. We stand ready to assist tribes in assessing if this tool can be used to help achieve economic sovereignty. Maier Pfeffer Kim Geary & Cohen LLP served as legal counsel to lone and Drummond Woodsum & MacMahon served as legal counsel to GLPI. Warner Gaming LLC is engaged by lone to develop, manage, and operate Acorn Ridge.*



KRISTI JACKSON  
CHAIRMAN  
310.341.2335  
kjackson@tfacp.com

WILLIAM NEWBY  
PRESIDENT  
310.341.2796  
wnewby@tfacp.com

DAVID HOWARD  
CEO  
310.341.2795  
dhoward@tfacp.com

WILLIAM CRADER, CFA  
MANAGING DIRECTOR  
310.341.2336  
wcrader@tfacp.com

FOLLOW TFA ON:



BRAXTON SATO  
VICE PRESIDENT  
310.341.2339  
bsato@tfacp.com