



Private Capital and Indian Country



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Opportunity Overview

- 556 Federally recognized tribes in the US. 227 or 41% are Alaskan Native Corporations



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Economic Profile (BIA Census Data 1999)

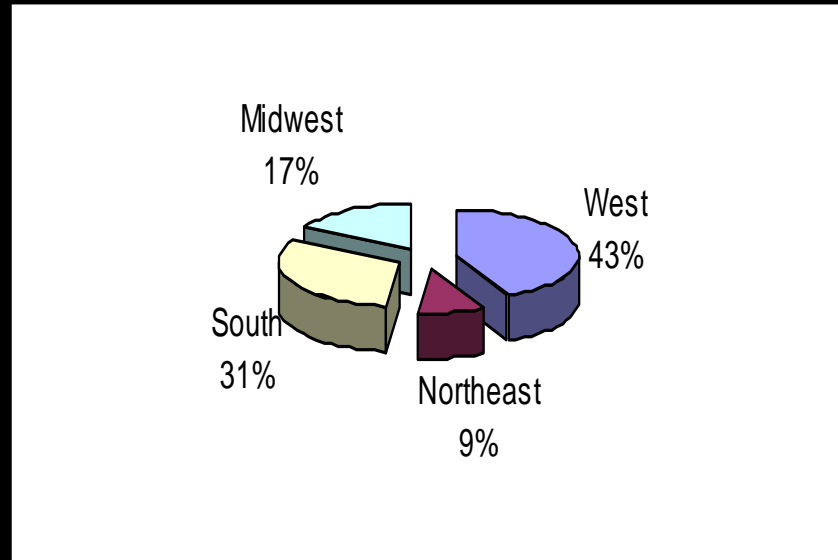
- Total Tribal Enrollment 1,698,483 (3% increase from 1997)
- Total U.S. population 281.4 million - .6% of U.S. population
- Employment statistics
 - Unemployment rate 43% (7.67 x greater than national average)
 - Employed but below poverty guidelines 33%
 - Most recent census data reports per capita income on Indian reservations is \$4,478 Vs U.S per capita income of \$14,420



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Population by Region



1/3 live on the reservation, 1/3 in central cities, 1/3 in suburbs



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Population Characteristics

- Median age 28 years Vs 36 for U.S. as a whole
- 28.1% births per 1,000 , 1.68 times U.S. national average
- 54% born to unwed mothers Vs 17% for Caucasians



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Governmental Characteristics

- Tribes are federally recognized by treaty, executive order, and in the case of Alaska natives – the Alaska Native Settlement claims act of 1971
- Sovereign status in essence – countries within a country
- Each tribe has distinctively different governmental and legal characteristics
- Governmental decisioning while similar, is unique to each tribe



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- Judicial infrastructures vary from comprehensive to non existent

Governmental missions share the aspirations to:

- Protect the real and private property rights of the tribe and individual members

- Provide for the health, education, social, economic well being of members

- Develop and implement economic strategies to enhance economic platform, improve unemployment statistics, attract tribal and private sector business



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Bureau of Indian Affairs

“In the last two centuries the Congress has passed more federal laws affecting Indians than any other group of people”.

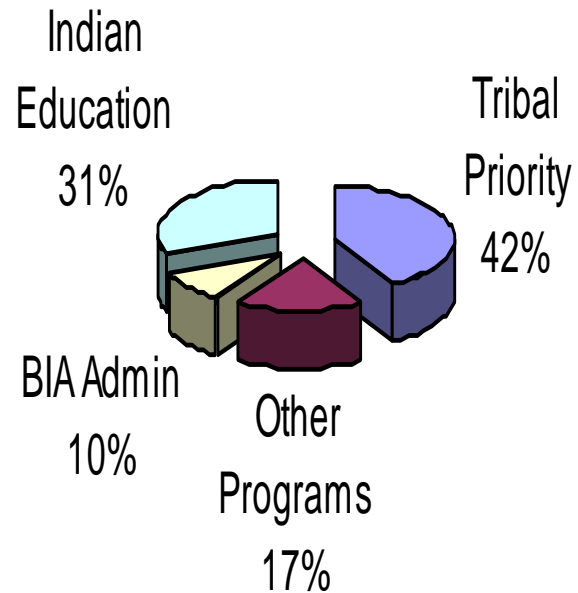
- Established in 1824 as part of the department of war by President James Madison
- 1832 Congress authorizes the president to appoint a commissioner of Indian Affairs
- 1834 Congress enacts bill to organize a Department of Indian Affairs
- 1849 BIA transferred to the newly created Interior Department
- BIA mission is to “fulfill its trust responsibilities and promote self determination on behalf of tribal governments, American Indians, and Alaska Natives”.
- 2003 BIA budget request \$2.3 billion up from \$2.297 billion in 2002



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BIA Budget Breakdown



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- The BIA is the fiduciary for most of Indian Country's assets and approval is required for most private sector financial arrangements with tribes

(negative response/
acknowledgments encouraged)



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Capital Access for Economic/Infrastructure Initiatives

•Federal Grants

- Education
- Health Care
- Infrastructure

•Tax Exempt Debt Issuance

- Infrastructure (water, sewer, roads, etc.)
- Economic enterprises (except gaming)
- Land acquisitions

•Traditional senior debt

•Private placements

•Mezzanine

•Equity



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Sample Deal Facilitated by Key

- Situation N/W Tribe looking to:
 - Reposition existing debt
 - Acquire additional capital for enterprise expansion, acquisition and growth
 - Operate as a separate financial entity (Enterprise Corporation) wholly owned by the tribe



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Issues

- No guaranty by Tribe
- No waiver of Sovereign Immunity by Tribe
- Borrowing entity – The Enterprise Corporation
- Recognize tribal jurisdiction
- Fixed Assets exclude real estate liens (real estate “owned by Tribe”)



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Solution (multi-million dollar senior debt facilities 100% hold position by Key)

- Revolving credit facility secured by trading assets
- Term credit facility with reducing revolver feature
- Collateral “Leasehold mortgage on fixed assets”
 - Buildings
 - Equipment
 - Cross collateralization/cross defaulted with revolver



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- Resource assurance agreement between Tribe and Bank
- BIA approval pursuant to authority from the Secretary of the Interior
- Limited waiver of sovereign immunity by borrowing entity
- No waiver of sovereign immunity by Tribe
 - Dispute resolution facilitated by American Arbitration Association Commercial Arbitration Rules
- Enforcement of AAA award in Tribal Court



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Conditions precedent to solution

- Financial viability of borrowing entity
 - Appropriate balance sheet proportions (working capital, leverage, etc.)
 - Historical profit and loss performance (profit, free cash flow/EBITDA, etc.)
- Collateral perfection
- Governing laws
- Legal infrastructure to facilitate Tribal Court dispute resolution enforcement



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Financial Services and Solutions for Indian Country

Summary



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Access to capital for governmental, enterprise, infrastructure, housing, etc.

- Traditional senior debt (conventional loans, leases)
- Private placements
- Mezzanine
- Taxable and tax exempt bond issues (intermediate long term loans/leases)
- Letters of credit
- Facilitated by single hold, or multi financial institution syndications
- IHA's



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Investments service needs

- Government
- Enterprises
- IIM
- Individual/minor trusts

Other Services

- Foreign exchange
- Cash Management
- International
- E-Commerce

Key's financial service capacity and expertise combine for an idea based relationship with Indian Country



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Indian Tribes all have:

- Unique governmental infrastructure
- Unique cultures
- Unique governmental status
- Varied financial capacity
- Shared – social and economic challenges



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Resource Information

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BIA – DOI.GOV

NCAI – NCAI.ORG

ATNI – ATNITRIBES.ORG

Statistical information derived from

- BIA
- Addressing Poverty in Indian Country, NCAI presentation by Sarah Hicks
- Doctrines of Discovery by Eric Cheyfitz



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