

# THE WALL STREET JOURNAL

## Indian Tribes Seek to Diversify Wealth

In Indian country, demand is growing for financial advisers who can help tribes hedge their bets beyond casinos.

After hundreds of years of poverty, tribes flush with casino cash are eager to branch out into restaurants, real estate and even hedge funds. Wells Fargo & Co. is in discussions with unnamed tribal investors to create a private-equity fund to invest in businesses in the Western U.S. with between \$1 million and \$5 million in earnings before taxes, depreciation and amortization.

"Tribes are looking to diversify into areas where they can make attractive returns, and they also want to be viewed as good tribal corporate citizens by making investments in local communities," says Steve Stallings, director of Native American Banking Services at Wells Fargo, a provider of capital and financial services to more than 150 tribes.

Wells Fargo is managing around \$500 million in tribal assets. Mr. Stallings is a member of the Rincon Band of Luiseno Mission Indians of California.

And it is no longer just tribal casino owners that make for attractive clients. High energy prices have created wind-fall profits for tribally owned energy producers, such as the Southern Ute Growth Fund based in Ignacio, Colo. And tax credits and other incentives designed to ramp up oil and gas production as part of last year's federal energy bill are stimulating further growth, notably in renewable energies. Rising tribal casino profits (gross revenue totaled \$22.6 billion in 2005, up from \$19.6 billion previously, according to the National Indian Gaming Association) also are hiking demand for asset-management services.

Ted Haberfield, a La Jolla, Calif., second vice president of wealth management at Citigroup Inc.'s Smith Barney, says over the past year, interest from the tribal governments for training in investment-policy development has doubled. Tribes want to create funds to underwrite investments and support tribal members. They are looking for guidance on things including endowments, trust funds, health insurance and pension plans. They are looking to construct programs to attract and retain tribal employees, such as deferred executive-compensation plans and 401(k)s.

Some tribes without gaming or natural resources are starting to capitalize on advantages tribally owned businesses have in the lucrative federal-contracting market.

Three years ago, the Northwestern Band of the Shoshone Nation, a tribe in Utah, began mining a local intellectual resource -- the linguistic skills of returned missionaries of the Church of Jesus Christ of Latter Day Saints and current and former military intelligence linguists from the Utah National Guard -- to provide foreign language translation services for U.S. intelligence agencies. The tribe also has landed more than \$600 million in federal information-technology and construction contracts. Now around two dozen venture capitalists, private-equity investors and hedge funds are vying to help the tribe develop these and other projects, including a \$287 million geothermal project in Idaho.

"We're spending a lot of time in Greenwich, Conn.," home to more than 100 hedge funds, says Michael W. Devine, chief operating officer of the Northwestern Band of Shoshone Nation Economic Development Corp.

Mr. Devine, who declines to name the funds, says the tribe is looking for financial advisers to help it weigh its options.

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Merrill Lynch & Co. manages around \$4.5 billion in tribal assets for around 50 tribes. The company's footprint in Indian country dates back more than four decades to William A. Schreyer, a branch manager who secured an asset management account with the Seneca Nation in New York state. Mr. Schreyer served as CEO of Merrill Lynch between 1987 and 1993. Working with tribal businesses presents unique challenges, so Merrill Lynch provides its advisers who have Native American clients -- around 150 across its Private Client Group (25% are American Indian) -- with special training. Advisers, for example, need to show respect for tribes' unusual political and legal status. There are more than 550 federally recognized tribes and each is a domestic sovereign nation with its own distinct culture and history. "Advisers can sometimes forget that the tribe is a government and that the money is flowing back to provide services such as schools, hospitals and housing," says Victoria Wright, director of Merrill Lynch's Native American Banking and Financial Services Group, which provides retail brokerage, institutional and asset-management services to tribes.

Tribes are looking to secure the financial and cultural prosperity of this and future generations, says Ms. Wright, who is a member of the Wampanoag Tribe of Gay Head (Aquinnah) of Massachusetts.

In Indian country, there is often little separating politics and business. Tribal councils typically make decisions about tribal businesses, and tribal elections are held every one to four years. Advisers should identify key decision makers and track their political fortunes -- or risk losing their jobs under new administrations.

"Each tribe is unique, so you need to do your homework," says Elke W. Chenevey, a San Diego financial adviser with Merrill's Native American Banking and Financial Services Group. Ms. Chenevey is a member of the Omaha tribe of Nebraska.

Advisers should read up on American-Indian history and research key events that have affected tribes they are interested in. Much of this information is online. Expertise in tax-exempt entities, such as nonprofit charitable organizations, government services and trust management, can help.

The best way of getting to know clients is by meeting tribal leaders. There are a growing number of forums, such as trade shows and conferences, where advisers can meet them. Another way of breaking into the market is by offering tribes workshops in financial education. Good contacts are crucial as tribes are looking for advisers who can recommend tax attorneys, accounting and audit firms.

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