

GAINING MOMENTUM

West Michigan tribes open doors to business opportunities

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West Michigan tribes may be relatively new to implementing economic development and diversification plans, but they've quickly established themselves as strategic partners for the local business community because of their focus on investing in companies and real estate.

Moreover, many of the federally-recognized sovereign tribes are looking to engage with non-tribal businesses, spreading the opportunity beyond just tribal members into potentially powerful economic opportunities across the region.

Those were among insights tribal leaders and tribal business executives offered as part of a roundtable discussion hosted by *MiBiz*. Participating in the conversation with this writer and Staff Writer Jessica Young were:

- Deidra Mitchell, president and CEO of Grand Rapids-based **Waséyabek Development Co.**, the non-gaming arm of the Nottawaseppi Huron Band of the Potawatomi
- Levi Rickert, editor of *Tribal Business Journal* and *Native News Online*
- Larry Romanelli, ogea or leader for the last 12 years of the **Little River Band of Ottawa Indians**, headquartered in Manistee
- Fred Schubkegel, partner in the Kalamazoo office of **Varnum LLP**, the law firm that sponsored the roundtable
- Kurtis Trevan, CEO of Grand Rapids-based **Gun Lake Investments**, the non-gaming arm of the Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians

Here are some highlights of the discussion:

How do you see economic development and business investment progressing in Indian Country?

MITCHELL: It's been a topic of conversation within tribes since back in the '70s, but I think it's becoming more prevalent as we realized that gaming ... (as a) source of income won't always be available. There needs to be other diversification initiatives that happen. ... In the next five years as an Indian Country overall, I think you're going to



see more of this in varying forms because economic development means different things to different tribes, depending on what their goals are, what their resources are, and their starting points.

TREVAN: It varies tribe to tribe, and I think that is an important thing to cover in this conversation. We know that we need to be diversified away from gaming to ensure more stability and long-term financial strength and sovereignty within our tribes. But also we found that we can do that through reinvesting back into the community the casino profits that the tribes are generating. ... Not only can we get asset and revenue diversification, but we can also do that through helping to improve the community at the same time.

RICKERT: Locally, I'm really proud of what the tribes have done by taking the revenue from the casinos and trying to diversify the future nation, which is very, very important. ... There are varying degrees of sophistication in that some of the tribes, here in Michigan particularly, weren't even reaffirmed as tribes prior to the mid 1990s. In a sense, they're really in their infant stage when it comes to economic development as opposed to the Cherokee Nation, the Navajo Nation. Some of them are doing \$200 million defense contracts and they're very sophisticated because they've been in business for a long, long time.

ROMANELLI: The tribes are individual nations. That's one thing when we're working in the business community that they have to understand: We're not a one size fits all or one description fits all. You have tribes that have smaller enrollment and larger pocketbooks, while (the Little River Band) has 4,200 members throughout 50 states. We are actually a smaller tribe and a smaller casino, so we have different goals and objectives.

SCHUBKEGEL: What we have seen ... is diversification, tribes wanting to move beyond gaming,

to the extent that they have gaming. I don't think we can make the assumption that all tribes do have gaming. I'll speak to a national conference and a tribe will come to me and say, 'We've got 60 acres, we're in California in the mountains. We've got no casino, no natural resources. What can we do with economic development?' And that's a much different answer than some of our Michigan tribes that are closer to manufacturing and other things. The real trick for the tribes is taking what they have, the resources they have available, and figuring out where the opportunities are and then applying those tools to the opportunities. There is a great interest in continuing forward. There's lots of momentum, lots of opportunity, but there's a long way to go.

What are some of the best practices for tribes to develop business investment strategies?

TREVAN: The importance of separating the business from the politics, (and) not all tribes are able to do that for a variety of reasons. ... We have taken the approach of creating a very independent board of directors that really takes on the typical board of director roles within organizations. They want to ensure that there's a strategy in place, that there's policies that management has to follow, and they hold management accountable, primarily through the CEO, to ensure that they are meeting the goals that they have committed to.

Gun Lake Investments is very fortunate in that not only do we have an independent board of directors, but we also have our own balance sheet. All of our decisions are able to be made within Gun Lake Investments. We don't have to go to the tribal owner, which is the Gun Lake Tribe, to ask for permission to do anything. It's all outlined within an operating agreement, just like there would be with any other type

of non-tribally owned company. For us, that has allowed us to move as fast as non-tribally-owned businesses and in a way in which we can agree to contracts that are just like contracts for non-tribally-owned businesses. We conduct business in a market way. That has allowed us then to start thinking about what all of the potential opportunities are.

MITCHELL: It sounds like a really logical point, but it took us a year for everybody to be able to verbalize that we need to make good business decisions first. Two of our top priorities are creating jobs for tribal citizens and then running businesses. But there was a lot of talk about, 'Well, we can't create jobs until the businesses are healthy and running well, so let's make good business decisions and the jobs will follow.' ... Once you get all that in place and you have a strategic plan agreed upon, it's important to follow it and remain disciplined to it. There are so many tribes where somebody comes and sells them a great idea. 'I have this great idea, and it's going to look like this and you're going to be millionaires.' Then the tribes build an economic development plan around the idea, rather than building an economic strategy first and going out and finding the right fit for the strategy.

SCHUBKEGEL: I was very surprised at tribes taking a long time to set their investment strategy and their pillars and their criteria for what they were looking for, to the point of thinking this was just government trying to get into business and was moving frustratingly slow. But that investment I have seen pay off because then you can evaluate a proposal based on your criteria. It's not what the business folks want versus what the tribal council wants. We're all looking at the same criteria that we've agreed to and saying, 'How does this fit in? Is this a good idea?' It's time so well spent and has been a pillar of success for the tribes that are doing well on economic development.

ROMANELLI: The Harvard Project talks about the difference of having government and business connected. In Indian tribes, it's a little hard to separate that out because your tribal council or your tribal elected officials have this innate sense that they need to have hands on, and that's really not the best practice a lot of times.

RICKERT: It's been my observation that tribal citizens get confused sometimes. You're not going to get the same return on investment from a business that you would a casino. Casinos are known as cash cows: If you're in the right location, it can be very, very profitable. You're not going to see that so much from opening a convenience store, for instance. That gets confusing to the tribal citizens sometimes. They think, 'Why is it not the Midas touch, that everything you touch is turned into gold?' Historically, tribes have suffered because of that and they've made some pretty poor decisions, but I think this has been an era of reassessing how we really do business well.

How has the West Michigan business community reacted to tribal economic development efforts?

TREVAN: GLI has been in full operation for about two years now. At the beginning of 2017, I was the only employee and under the umbrella today, we

have about 500 employees. By promoting that a little bit, obviously you can talk about growth and that gets the attention of the community. We start talking about employment, and talking about size. We don't do that just to brag about growth, but we do that because this community really responds well to that. ... Starting with the people and developing strategic relationships here in the community, what we've been able to do is now we have a platform to tell the tribal story about the history of the tribe, why we're here ... and how that just doesn't support the tribe and benefit the tribe, but it benefits the entire region and the state.

MITCHELL: It legitimizes us when we can go and say, 'Look, we've contributed \$34 million to the community over the last 24 months (through casino revenue sharing).' We've created, in our case, 28 more jobs over the last 24 months in the Western Michigan area. That causes people to take notice, everybody from your community and your business support partners — which are absolutely fabulous here in Grand Rapids — to even our legislators supporting what we're trying to do.

ROMANELLI: We are good business partners; the tribe is in every community. We work very hard to get what we have and we're overshadowed by the rich casino thing, which is not completely true. ... And I hate to always be the fly in the ointment, but you have to be when you're the underdog and you're not getting the recognition: We're almost invisible in some ways. Other than powwows and casinos, we are left off the table. When (the government tracks) different ethnic groups, for example, Indian is not on there a lot of times, and if we are, sometimes we're listed as 'other.' If we don't have a seat at the table, it's a little harder to put your foot in the door.

TREVAN: The issues that Larry references, those take generations to build up, which then also means it takes generations to tear down. The Gun Lake Tribe, we've had our casino for eight years. Obviously, that's far short of one generation, and so it's going to take multiple generations from this point on to improve the societal challenge that we have as a tribal nation.

When it comes to M&A and business investment strategy, how do the tribes draw the line of when to start up a new business versus to acquire an existing company?

MITCHELL: It was part of our strategic plan that if we were going to invest a large amount of funds, it would be in an existing company that is profitable. We've done that: The companies that we have purchased are profitable and producing revenue. ... Some of those things we're doing from a startup standpoint are where we have individual expertise within our staff or we're doing mentor-protégé agreements with other companies or joint ventures. That's more of a startup field, but when we're actually deploying funds for an acquisition, it's an established company with profitable history and good leadership that wants to stay.

SCHUBKEGEL: Tribes quickly find out that their real strategic advantage in tribal economic development organizations is buying an established

business more than a startup. They don't pay taxes, so as a buyer competing for a business that's for sale, the tribal entity can typically be the highest bidder because any of those profits that will be going to the federal or state governments now can go in pockets of the owner. That's a real strategic advantage at the purchasing stage.

How are you sourcing deals?

TREVAN: Typically, it's not done through an investment banker. It's usually done through a referral, a mutual contact, attorneys or bankers or other advisers, and it's a very slow courting process of getting to know each other. Our first acquisition took 14 months to complete from introduction to close, and we think that that timeline is appropriate for what we're looking for. It's longer, but we think that it's more real and it's more predictable and it's just a better process for us because we have that long-term view.

Do tribal economic development groups look to start or buy companies that can do business with their casinos, or are they trying to diversify away from gaming completely by focusing on businesses that are in totally different sectors?

MITCHELL: That's one of those really fundamental startup questions when you're laying out your strategy. Because we're really trying to prevent a downturn in gaming revenue going away, we've elected to completely diversify away from gaming so we're not connected in any way. However, there are tribes that have a very healthy economy built around gaming and they can leverage that in a very real way. It just depends on what you're starting with and what your ultimate goal is.

SCHUBKEGEL: The two prongs for a lot of tribes in economic development entities is to look at capturing the tribal spend. If the casino is buying this many paper towels, why don't we have a company that sells them paper towels and capture that incremental profit? That can work. It's hard to have a standalone businesses that supplies only one customer, but if you have a very large customer on which to base that business, it of course is a leg up. The other prong is the more independent path with anything that makes sense, within our geography and our niche markets.

As the tribes build their portfolios of companies, what's the pipeline for tribal citizens to participate in those opportunities?

RICKERT: One of the things that I see as a deficit at the current time is the lack of younger American Indians who are going away to get their education, but not necessarily going into business. ... I have seen time and time again: We don't really have farm team. So often in the past, our kids went into human service type jobs, became teachers, became social workers, but not so much business, for whatever reason. As tribes mature in this business, it's incumbent on them to try to get down even at a high school level to identify young people who are sharp and steer them into business. It's saying, 'We're going to need you to run this tribal business operation someday.'

ROMANELLI: I don't think there's a familiarity generationally in tribes with doing business, so it's new to them in so many ways. It's up to the tribes to try and provide that pathway for them, either through our education departments, workforce development and so on to try to encourage them. I see that we could do a much better job, even if it's just with some of the businesses that we have. We need accountants, we need attorneys, we need all these different things. The other thing we're talking about is the trades. ... That was the path that I had to take, because my education wasn't there when I first started out.

TREVAN: There's not been a business focus for tribal citizens for career opportunities. There's a number of reasons for that, but it's so important because tribes are obviously getting more involved in business and investing, versus just human or governmental services. We need good, talented employees, and that's whether you're tribal or you're non-tribal. The drive is that we see the advantages of having some tribal citizens within our businesses because we have the greatest ability to positively affect their lives first. They also understand the culture and the values of tribes, which we think investments and businesses could benefit from.

How are tribal economic development groups looking to partner with non-tribal businesses?

TREVAN: Two of the strategic relationships that we have with the community are with J&H Family Stores with our C-store and Subway business, and then Rockford Construction. That relationship has expanded further, with them being a client of one of our portfolio companies, (Hudsonville-based Commercial Sanitation Management LLC, a commercial custodial services provider), with their property management business. ... It went from us paying Rockford to build us a store — obviously a fee for their services — to them now paying one of our companies a fee for their services back. We get to sit down and talk about how could we better provide services to you and help them with their property management business, and they get to give feedback to us and look at us as a core strategic partner where we want to continue doing business.

MITCHELL: This is related to an acquisition, but we purchased DWH in January of last year, and we have non-tribal partners that still retain equity in that company. They give back to the community every single day by doing business supports, succession planning, turnaround planning. ... It's very aligned with our culture, so that partnership has worked from a community standpoint because they're able to continue to do what they do and expand their footprint a little bit, but they've also helped us. As we were starting up our holding company ... we didn't have enough work for a full-time CFO, and they were able to plug in here and there as we grow.

TREVAN: I'm going to give Deidra some praise for that acquisition. GLI had gotten to know DWH over maybe a two-year period before that transaction — gotten to know the firm, the credibility, the experience. Given our young age, we had started to look at people who could help us with

our strategic planning, both within the parent at GLI and also within our portfolio companies as well. Once we learned about that transaction with DWH, it was a no-brainer for GLI to engage with DWH. ... It was clear that they understood what was important to tribes and also what was important to the general business community and having that investment and business knowledge.

Don't you worry about competitive issues if you're talking investment strategy with a company owned by another tribe?

TREVAN: No, because we're separate tribal nations that are trying to set out on a separate set of goals. The investment world is infinite. There's not many goals that overlap with each other, so our strategies don't overlap with each other. Therefore, we're not pursuing the same investment opportunities, tribe to tribe.

MITCHELL: That came up when you guys wanted to engage DWH in strategic planning. My board was like, 'Whoa, are you going to be giving away all the company secrets?' I said, no, no, no. (The investment opportunities are) infinite. I believe we could have the exact same strategy and still not compete. There's just so much out there to do, and you still have to deal with what are the personal wants, needs, and desires of your membership and your council and your board, and those aren't going to match up.

ROMANELLI: I do think that's the right strategy though, I think you're all set with the right thinking. If you separate the casino, where there is a dog-eat-dog atmosphere that goes on, so you can clearly move within economic development, then you've also separated the political part. That's where I really think tribes need to learn to go.

MITCHELL: A desire of my own, personally, and the tribe's too is to do business with other tribes in Michigan, to find something that we can all work together on. If we have a common, very well connected partner in DWH that's hearing about things and knows our different strategies, I think that's a way to bring one of those opportunities to the forefront that we can all collaborate on.

Are there opportunities to co-invest as tribes into entities or into different opportunities?

MITCHELL: There are. There's models that already exist out there, and we would like to create one here too.

TREVAN: With GLI and Waséyabek, we're having conversations about goals and targets and areas in which we can co-invest and we would open that to any tribe — even those tribes that we've not spoken to yet.

What are some of the obstacles for non-tribal firms to work with tribally-owned businesses?

SCHUBKEGEL: A lot of it is education and familiarity. You'll get an attorney or a business owner on the other side, and they see an entity that's a wholly owned instrumentality of the Pokagon Band of Potawatomi and they don't know what that is. How do we do business with that? It creates just uncertainty that needs to be overcome and that's

a barrier that tribes will always have. Over the generations and years as tribes become more involved in the economy, that barrier should come down.

Sovereign immunity is another obstacle to overcome. How does a business remedy if they think we're not going to live up to our end of the bargain and they can't sue us in state court because we're a government? But overcoming all that and building trust will really be important for tribal businesses over the years. The trust factor just can't be over-emphasized.

MITCHELL: We always communicate that we have a couple levels of approvals in some cases that we need to get through. ... We've got a really streamlined process and a very cooperative board and council, and everything is defined. But there's still going to have to be a couple layers of approvals that we're going to have to get for major decisions. As long as most companies know that, then they relax and they're like, 'OK, we get it.'

ROMANELLI: Once a business has done business with an Indian tribe for the first time and they've actually taken that step, they're more likely to come back and tell others. It's just that fear factor at first.

What should the West Michigan business community know about doing business with tribally-owned companies?

SCHUBKEGEL: My message to the folks considering doing business with the tribes and tribal entities is that there's a real wealth of opportunity here. They're sort of on the front end of the curve and can capture that high value that won't be captured by those that are later adopters to doing business with tribes. To the extent that they can get educated and comfortable with doing business, you're going to have a very ethical, very long-term partner, which is very different than what they're going to be dealing with perhaps in other business opportunities. These tribes will be there, they have a reputational value that they're trying to protect. ... There's a way to do business so that it can be very profitable for them, and has frankly the satisfaction that they wouldn't otherwise get because they are helping to do something of good to their local community as well as the tribal community.

TREVAN: Everything that tribes and tribal EDCs do has a long-term focus. Culturally, we look at seven generations, and that's not just a talking point for us. The right partners are those that are looking for a long-term plan. Long-term plans typically involve longer-term conversations, and it's a longer-term process to get to that point. For those parties that are interested, it's sitting down and talking about not only the financial benefits, but also the community benefits and the environmental benefits and the tribal benefits. Those are the relationships that seem to have the most success within Indian Country. It's not just transactional.

MITCHELL: The relationships are long term, and there's a foundation there that they can count on. The very nature of the culture of looking at seven generations is good for the community they're in as well, because we have to be good business partners. We can't go into a conversation thinking we're here for seven generations and be a bad business partner. **MiBiz**

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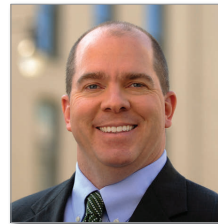
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