The "Separated Business Model" is the most successful Tribal mineral development business arrangement.

The Separated Business Model is the term used to define a Tribal business, wholly owned by the Tribe, but separate from the Tribal government.

How and why would a tribe want the Separated Business Model - a business owned by and separated from the tribal government?

Tribal-owned enterprises that are insulated from political influence are about four times more likely to be profitable than those that are not.

With the separated business model, Tribes have a separation and allocation of governmental powers. Tribes also achieve separation of tribal electoral politics from the day-to-day management of business enterprises.

The creation of a tribal business entity separate from tribal government provides additional advantages:

- Frees the tribal council from the burden of managing tribal businesses on a daily basis
- Allows the tribal council to focus on long-term development strategies and goals
- Assigns responsibility to operate and manage tribal businesses
- Provides a buffer between business managers and tribal politics
- Provides continuity and stability to business management by promoting the development of economic development and business policies that are less subject to change by electoral politics.

DEPARTMENT OF THE INTERIOR

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Office of Indian Energy & Economic Development

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Division of Energy and Mineral Development

Tribal Mineral Development Options

Development and utilization of tribal natural resources, especially mineral and/or energy resources, is one of the most effective methods to diversify Tribal economies and increase Tribal independence.

Mineral production on Tribal lands generates about $150 million and almost 1,000 jobs, on par with Timber and Grazing.*

The 1982 Indian Mineral Development Act (IMDA), provides that Tribes are able to develop their minerals in any manner; no prescribed form of agreement is required. Allottees may be included in an IMDA mineral agreement if they are part of a larger deal with a Tribe.

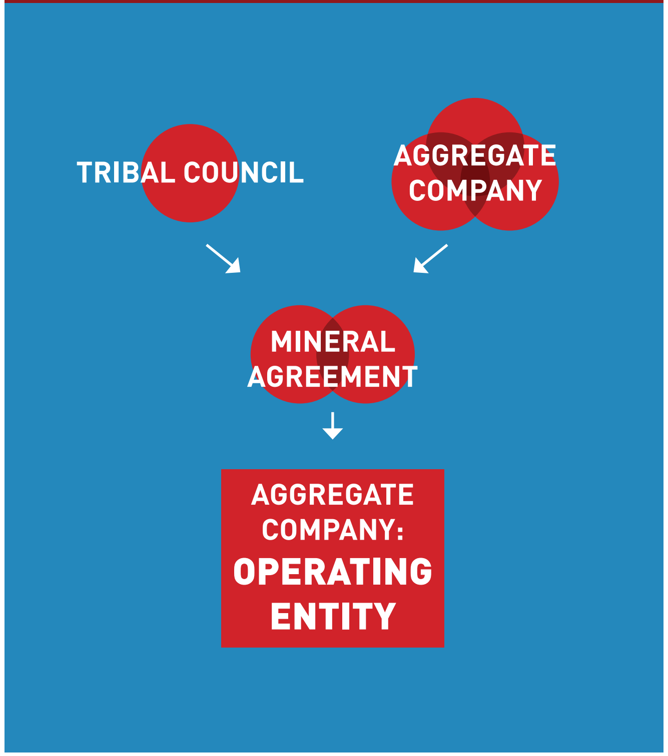
The Division of Energy and Mineral Development is an advisory office that has an experienced staff of technical and business experts who can assist Tribes with the development of their energy and mineral resources. Contact information is on the brochure back.

* In total economic contribution dollars, Mineral production on Tribal lands, ~$150 million. Timber, ~$530 million; Grazing, ~$90 million. Mineral production creates ~1,000 jobs; Timber ~2,300 jobs, Grazing ~1,300 jobs.

Division of Energy and Mineral Development

TYPES OF MINERAL AGREEMENTS

LEASE

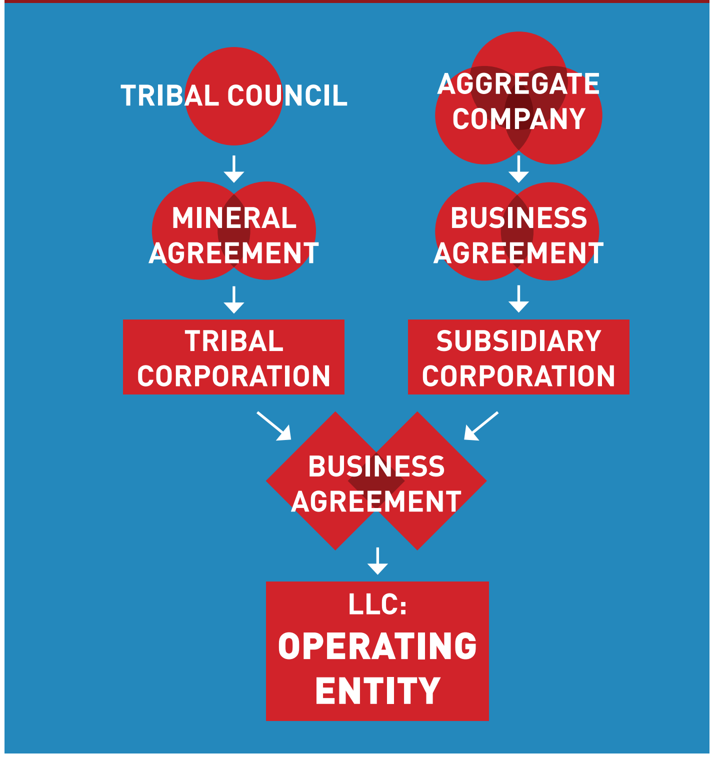


A lease is a contract between a landowner and another, granting the latter the right to search for and produce mineral resources with an agreement of rental, royalty, and/or bonuses. The Tribe has no interest in or control over the operation, except what was negotiated in the mineral lease.

ADVANTAGES: No day-to-day operations, no capital required, no marketing or technical expertise required, no financial risk since royalties are paid whether operation is profitable or not (monthly check).

DISADVANTAGES: Least income to Tribe (but can still be substantial).

JOINT VENTURE



A joint venture is an association of two or more individuals or companies engaged in a solitary business enterprise for profit without actual partnership or incorporation. The costs and profits of the project are typically divided between the joint venturers in relation to their respective participating interests.

ADVANTAGES: Can potentially provide more income to Tribe than a lease agreement, wide flexibility in the structure of the mineral agreement.

DISADVANTAGES: May have to provide capital. Can be harder to negotiate and finalize.

TRIBALLY OWNED & OPERATED

A wholly owned tribal operation is completely owned and financed by the Tribe. The Tribe has complete control over the entity and responsibility for all risk.

ADVANTAGES: Potentially greatest income to Tribe, if profitable. No federal taxes. May be eligible for Small Business Administration (SBA) Small Disadvantaged Business (SDB) status, 8(a) business development program, and/or other state and federal advantages for which non-Tribal companies may not be eligible.

DISADVANTAGES: Tribe assumes all financial risk; Tribe needs money for: exploration, market studies, permits, construction, equipment, infrastructure, working capital; Tribe needs expertise in: marketing, mining & processing, transportation, reclamation, accounting, business. Tribes need to be aware of the risks associated with ownership if they do not have the above capabilities.