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THE WHITE HOUSE
WASHINGTON

701/477-6539

Mr. Jerome
Bucks Electric

N. Dakota



SBA
review by James
McKain of
SBA office.

Called Philbin 1/18
653-6475

Priscilla will
review this. - s
study himself that
it is on the up & up.



MEMORANDUM
OF CALL

BRAD

*Chippewa
Trust Co*

YOU WERE CALLED BY— YOU WERE VISITED BY—

Bucky Jerome

OF (Organization)

PLEASE CALL →

PHONE NO
CODE/EXT.

WILL CALL AGAIN

IS WAITING TO SEE YOU

RETURNED YOUR CALL

WISHES AN APPOINTMENT

MESSAGE

(701) 477-6238

re: SBA loan

Fargo Shafer

*re: deposit
Woodward
personal*

RECEIVED BY

DATE

TIME

John [unclear]

3030-837-2152
Dennis Miller
McRay
M

701-237-5771

117000



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

SEP 1 1976

MEMORANDUM FOR

Honorable Bradley H. Patterson, Jr.
Special Assistant to the President
for Indian Affairs

On August 31, 1976, we received a copy of your letter to Mr. Henry Jacket, Sr., Tribal Treasurer, The Ute Mountain Ute Tribe, Towaoc, Colorado 81334; dated August 27, 1976.

Attached is a copy of our reply to Mr. Jacket.

for Joseph J. Luma
C. Mack Higgins
Associate Administrator
for Minority Small Business

Attachment





U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

Mr. Henry Jacket, Sr.
Tribal Treasurer
The Ute Mountain Ute Tribe
Towaoc, Colorado 81334

Dear Mr. Jacket:

In response to your letter to President Ford, dated August 12, 1976, we would like to submit to you a report submitted by our Regional Office in Denver.

We recognize the frustrations faced by your Tribe in their effort to expedite economic development on their Reservation, but it is also evident that SBA personnel are making a concerted effort to assist the Tribe. I have been assured by Mr. Rivera, Regional Director for SBA Region VIII, that he will personally look into this matter and make every effort to assist your Reservation.

If we can be of any further assistance in this matter, please do not hesitate to let us know.

Sincerely,

[(signed) Joseph J. Luna]

C. Mack Higgins
Associate Administrator
for Minority Small Business

Enclosure





U.S. GOVERNMENT
SMALL BUSINESS ADMINISTRATION
REGION VIII

EXECUTIVE TOWER BUILDING
1408 CURTIS STREET
DENVER, COLORADO 80202

DATE September 3, 1976

REPLY TO

ATTN OF: Victor M. Rivera, Regional Director

SUBJECT: Efforts to Assist Ute Mountain Ute Tribe

TO: Mr. C. Mack Higgins, Associate Administrator
Minority Small Business

On August 12, 1976, the Tribal Treasurer of the Ute Mountain Ute Tribe of Towaoc, Colorado submitted a letter to the President of the United States stating:

"The Small Business Administration tells the American Indian that they are trying to help him, yet they fail to provide any field representatives to fulfill their promises. The only contact they have with the reservations is made by telephone or through the mail. The majority of SBA's employees don't even know what an Indian Reservation looks like."

We must reply to this statement with a chronology of actions taken to assist the tribe.

In February, 1976, the SBA established an Indian Desk at its regional headquarters in Denver. The man named as the Indian Business Development Coordinator for this region is Mr. Al McKay, a member of the Sioux Tribe.

Prior to this appointment, our District Office in Denver reports that Mr. Paul Klinkerman, Loan Officer, made regular visits to the reservation, meeting with Mr. Don Toci, Credit Manager for the Tribe. Mr. Willard Carmody, an Economic Development Specialist, worked with the Tribe for some time, culminating in a local development company loan for a pottery plant made in 1974. Mr. Bob White, Loan Officer, also made field visits both in 1974 and 1975 to the Reservation.

Since the appointment of Mr. McKay, the following activity has occurred on the Ute Mountain Ute Reservation.

On May 6, 1976, Mr. McKay and Ms. Helen Meyers, Management Assistance Officer, presented SBA's Indian Business Development Work Plan for the coming fiscal year to the Ute Mountain Tribal Council. These two individuals also participated in a comprehensive Tribal Planning Committee meeting on May 5, 1976.



They also met with Mr. Don Tripp, BIA Credit Officer. In a follow-up report submitted May 10, 1976, Mr. McKay reported that the Tribe did not have any problems related to SBA and were grateful to SBA for sending Ms. Meyers. He also reported that Mr. Jacket assured SBA that loan applications in accordance with the SBA Indian Business Development Program may be expected in the near future.

On June 29, 1976, Mr. Jacket, Mr. Horace Garcia, Tribal Economic Development Planner, Alfred Long and Ernest Price, Tribal members, visited with Mr. McKay at the Regional Office in Denver. The purpose of the meeting was to discuss the construction of a 20,000 sq. ft. building to house a manufacturing company. Also discussed was the Tribe's desire to have a full time decision making Indian SBA Representative to service the Reservation. Considering a population of 1372 people on the Reservation and the fact that SBA has very limited personnel resources, this request cannot be met by Region at this time.

On July 28, 1976, Mr. Donald Tripp, BIA Credit Officer, Mr. Horace Garcia, Tribal Planner, and Mr. Jerry Folsom, BIA Area Office Credit Officer from Albuquerque, New Mexico, visited with Mr. McKay and Mr. Doug Graves, SBA District Director for Colorado. As a result of this meeting, Mr. Graves scheduled a visit to the Reservation on August 24th to meet with Tribal officials to discuss future projects and to visit existing SBA loan clients. At the request of the delegation, Mr. Graves arranged for Mr. Al Lopez, Minority Small Business Specialist to visit the Reservation on August 11th to discuss a particular loan proposal by Mr. Ernie Price and to discuss the possibility of an SBA loan to the Tribal Council for the purpose of purchasing three businesses on the Reservation. As a result of his visit, Mr. Lopez accepted an application from Mr. Price. After checking with the Assistant District Director for Finance, Mr. Lopez informed the Tribe that a loan to the Tribe was ineligible for SBA assistance.

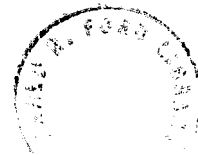
Mr. Graves made his prearranged visit to the Reservation on August 24th, he met with Mr. Garcia, Tribal Planner, who informed him that his meeting with the Tribal Council had been cancelled. Mr. Graves was somewhat disappointed, since he had especially travelled over 500 miles to meet with the Tribe. Mr. Graves then asked Mr. Garcia to call Mr. Price to invite him to come to the office to receive the approval letter for his \$42,600 loan request.

Mr. Graves later submitted a report to the Regional Office indicating that he had learned that the Tribe was displeased with SBA because they had been told that SBA regulations did not permit loans to Tribal governments.

In summary, we are very disappointed with the statement made by the Tribe. We feel that we are making a strong effort to assist them with their business objectives. It is unfortunate that we cannot meet their every need, such as stationing a full time representative on the Reservation or making the loan to the Tribal government, but these actions are beyond our control due to staffing limitations and our legislative authority.

However, we will continue to work with the Tribe, assisting them to develop individually owned businesses on the Reservation and providing follow-up management assistance.

Victor Rivera
Victor M. Rivera
Regional Director



Gregory R. Dallaire
Director

LEGAL SERVICES CENTER
BALLARD OFFICE
5308 Ballard Avenue N.W.
Seattle, Washington 98107
(206) 464-5921

26 October, 1976

Mr. Bradley Patterson
Advisor on Indian Affairs
The White House
Washington, D.C.

Dear Mr. Patterson:

I am writing to you on behalf of the Skokomish Indian Tribe to request your assistance in resolving a matter which affects not only the Skokomish people but Indian tribes throughout the country. For a number of years, Indian tribes have sought assistance from the Small Business Administration in the establishment and operation of small tribal business enterprises. These enterprises have often been the tribe's first venture in the business world. They are viewed by tribes as a means for training and employing Indian people and frequently provide the only opportunity for reservation Indians to acquire business skills. Assistance from the SBA would appear to be clearly consistent with the fundamental purpose of the Small Business Act to help disadvantaged minority persons and groups enter and succeed in the business world. The SBA, however, has refused to provide assistance to business enterprises established and operated by tribal governments, irrespective of how small and unsophisticated in operation they may be.

I have been unable to find any justification in the Small Business Act and regulations for the refusal of assistance to tribes. In corresponding and discussing this problem, over the past year-and-a-half, with a number of persons at the regional and national levels of SBA, I have heard various reasons for the denial of assistance, none of which are compelling and several of which are inconsistent or based on unnecessarily restrictive statutory interpretations. SBA officials have claimed that tribes are ineligible as "non-profit" organizations. This claim is made without factual support and in spite of an express provision in the Indian Reorganization Act for tribes to conduct profit-making business activities under a federal charter. At the same time, certain SBA personnel have claimed that tribes could receive assistance if they incorporated under state law.

However, state incorporation of tribal business would be repugnant to the tribe's exercise of self-government rights

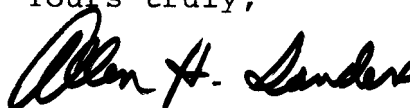
and could undermine federally protected immunities. Tribes have also been advised that their enterprises are not eligible because of "competitive advantages," even though the rural location of many reservations and serious financial, educational, and other impediments faced by reservation people have placed them among the most unlikely to compete successfully in the business world. Now, after over one year of reviewing SBA's position, the Administration's Chief Counsel for Economic Development, Maxine Wood, claims that 16 U.S.C. §632 prohibits tribal eligibility because it requires that small business concerns be "independently owned." This provision was obviously intended to prevent assistance to businesses which are part of large, dominant enterprises and not the first small steps of developing tribes to assist their people in acquiring business skills.

Certain SBA policy guidelines have recognized the unique considerations which should apply to tribally-owned enterprises and have declared tribes eligible for at least one of the programs outlined in the Small Business Act. Yet, SBA maintains an official policy of refusing assistance for other programs under the act and the policy guidelines providing for tribal eligibility appear to be ignored at the regional levels.

Sherman Quinto, an attorney in the General Counsel's office of SBA, has recommended that assistance be given to tribally-chartered businesses. Maxine Wood, Chief Counsel, apparently disagrees. When questioned about possible changes in policy, however, she responds that "the matter is still under consideration." There is no indication that any resolution is forthcoming and, in the meantime, tribal enterprises continue to be excluded from the benefits of federal programs designed to assist the very type of business ventures they are seeking to establish. I, therefore, request your assistance in seeing that SBA finally does respond to the many concerns expressed throughout the country regarding this policy on tribal eligibility by allowing tribes to participate in SBA programs.

I have enclosed several pieces of correspondence which provide additional background information on this problem.

Yours truly,



Allen H. Sanders
Attorney at Law

AHS:jjj
enc:

cc: Gary Peterson, Skokomish Indian Tribe



THE WHITE HOUSE

WASHINGTON

November 1, 1976

MEMORANDUM FOR THE ADMINISTRATOR
SMALL BUSINESS ADMINISTRATION

FROM: BRADLEY H. PATTERSON, JR.

SUBJECT: Eligibility of Indian Tribal
Enterprises for SBA Loan Guaranty
Programs

I am writing to you pursuant to the President's memorandum of August 26, 1976.

It is my understanding that SBA is considering the above question and that a decision is pending in the near future.

Mrs. Kilberg, the Associate Counsel here, and I would appreciate having an opportunity of sitting down with you and some of your staff to review the legal and policy issues before the whole matter is finalized. Would you kindly give me a call so that a session can be arranged?

*Material sent to
Dore Lambert 11/3*



November 1, 1976

MEMORANDUM FOR THE ADMINISTRATOR
SMALL BUSINESS ADMINISTRATION

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cc: Mrs. Kilberg



9 November, 1976

Mr. Bradley Patterson
Special Advisor On Indian Affairs
The White House
Washington, D.C.

Dear Mr. Patterson:

In my previous communications with you I indicated that the SBA is now contending that 16 U.S.C. §632 prohibits tribal eligibility because SBA considers tribal enterprises as not being "independently owned and operated." Any statutory requirement that an enterprise be independently owned and operated obviously was not intended to deny tribal eligibility, but to deny eligibility to those concerns which are affiliated with corporate giants or other large enterprises. An examination of pertinent cases, regulations and legislative history clearly supports this view.

In American Electric Co. v. United States, 270 F. Supp. 689 (1967), the plaintiff was protesting the inclusion of the sales made by its affiliates in its total sales figure, which exceeded SBA limits. The court having reviewed the Act, regulations, and other relevant case law, specifically held that the "independently owned" clause of 16 U.S.C. §632 was intended to be applied to this type of business affiliation. The Court said:

To decide otherwise would destroy the intent of the Small Business Act, for it would mean that corporate giants with small affiliates doing work different from the parent could reap the benefit of small business contracts through its affiliates. By statute, these contracts are now reserved for independently owned and operated small business concerns. 15 U.S.C. §632 at 691, 692.

Further support can be found by looking directly at the relevant provisions of the Code of Federal Regulations. 13 C.F.R. §120(d) (3) provides that:

An otherwise eligible small business concern will not become ineligible because it is owned in whole or in part by a nonprofit organization.

Meanwhile, the only mention of the term "independently owned and

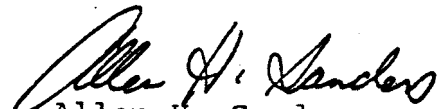


operated" is found in §121.3-2(a) which equates "independently owned and operated" with affiliation with other business enterprises that would not be small business concerns. This subsection is specifically intended to determine when one business concern is affiliated with another concern, not when a tribe is so affiliated.

The entire legislative history of the SBA and more specifically 16 U.S.C. §632 reveals that it was intended to aid small businesses that were endangered by larger concerns. See 104 Cong. Rec. 12789, 12801 (1958). The requirement of "independent ownership" was only intended to prevent indirect aid to these larger concerns. There is no possible basis for inferring that small, developing Indian tribes with few, if any, other business enterprises were intended to be denied assistance which is essential, if any significant number of Indian people are to acquire business skills.

I look forward to hearing from you soon regarding this matter.

Yours truly,



Allen H. Sanders
Attorney at Law

AHS:jjj
cc: Vic Martino



THE WHITE HOUSE

WASHINGTON

November 12

Bill -

It seems to me that you must in your draft response make a very strong case -- citing law, legislative history and regulation -- that Congress did not want any governmental entities to get the benefits of the Act.

If you can't make that case, then Indian tribes -- and their tribally owned businesses -- should be eligible. If you can make that case, then that is that, since Indian tribes do consider themselves as governmental entities.





U.S. GOVERNMENT
SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

DEC 8 1976

Mr. Bradley Patterson
Special Advisor on Indian Affairs
The White House
Washington, D.C. 20500

Dear Mr. Patterson:

This letter replies to your note of November 12, 1976, to my Deputy, William T. Gennetti. Our review of the legislative history of the Small Business Act supports our view that the SBA's present interpretation of its authority is correct, and that it may not extend its financial assistance programs to governmental entities.

Since Indian Tribes are governmental entities, and wish to remain so, the SBA cannot assist them as such. This does not, of course, preclude SBA from rendering financial assistance to individual Indian businesses, state chartered Indian corporations, and other types of Indian enterprises that meet our eligibility requirements with regard to size, non-affiliation with large businesses, and independence of operation and ownership.

SBA recognizes the right of an Indian Tribe, as an independent governmental entity, to issue business charters. However, if that charter results in affiliation with the Tribe through ownership or control, the business entity created will not be eligible for SBA assistance because of affiliation with a governmental entity.

We base our reply on the fact that when SBA was created in 1953 it was clearly the intent of Congress to limit the authority of the agency to the provision of financial aid to small business concerns, and to exclude governmental entities from such aid. An amendment that would have authorized such assistance was deleted in conference. The legislative history shows that the financial assistance previously provided to municipalities by the RFC was to be provided not by SBA, but by separate legislation.



Consistently from 1953 to the present the SBA has limited its financial assistance programs to independently owned and operated small business concerns. It has denied assistance to consumer cooperatives, to big business, to entities so closely affiliated with big businesses as to lose their character as "small business concerns", and to governmental entities.

As early as 1956 SBA published in its Opinion Digest an opinion denying assistance to

"a municipality to engage in sewerage disposal project, on the ground that this Administration is not permitted to make loans to assist municipalities or other political subdivisions" OD NO. 12, December 13, 1956.

There has been no change in SBA's policy on this question in the more than 20 years of its existence.

This letter is based on a legal memorandum setting forth the legislative history at some length. I shall be pleased to provide you a copy of that memorandum if you so desire.

Sincerely,



David M. F. Lambert
General Counsel



THE WHITE HOUSE
WASHINGTON

December 8

Dear Dave -

Thank you for your letter of the 3rd, and for mentioning the legal memorandum. I would like to see a copy.

May either your letter or the legal memorandum or both be made available to Indian people and their legal representatives? If neither can, would you prepare something which I can give them? (I think your letter certainly ought to be made available...)

Cordell
Sund





BUCK'S ELECTRIC

Master Electrician
Licensed & Bonded

SALES & SERVICE

P. O. BOX 357

BELCOURT, NORTH DAKOTA 58316

December 23, 1976

HEATING CONTRACTOR
RESIDENTIAL & COMMERCIAL
FARM & RANCH
WE DO ELECTRIC HEATING

PHONE 477-3222 ~~6278~~

701-477-6539

Mr. Bradley H. Patterson, Jr.
President's Public Liasion Indian Affairs
White House,
Washington, D. C.

Dear Mr. Patterson, Jr:

As per our conversation over the phone the other day about my SBA loan application I am sending copies of material prepared for it's approval by Mr. McKay, of the Denver Regional Office.

Now we understand a Mr. Robert Martinez, Mr. McKay's supervisor dis-agrees with the procedure used to obtain and evaluate the application like he did.

I do not feel, you nor Mr. Richard M. Philbin, let us down and followed the wrong procedures as Mr. Martinez states.

Mr. Martinez, we understand is sending the application back to the Fargo Office, where it came from and was declined in the first place.

All the work we have done is being taken as of having no value. We did not want the application to go back to Fargo as this is where we were discriminated in the first place. We feel the Mr. Martinez is taking the same stand as Mr. Maine Shafer of Fargo has taken and will do anything to prevent my application from being approved.

I do not want Mr. Martinez to evaluate my application which will happen now that he is in control of it and returning it to Fargo.

I just don't know what to do - but I feel they are only trying to bankrupt me which will happen if there is continous change of course and are certainly not as understanding as your self, Mr. Philbin or Mr. McKay.

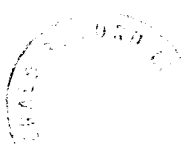
I know time is running out for you too, but is there anything that can be done as long as you are still there so that I can obtain an unbiased decision which I felt I had until Mr. Martinez put a stop to what we were all doing.

Your help and assistance has really been appreciated and I hope something can still be done.

Respectfully Yours
Rerdinand Jerome *Rerdinand Jerome*

12/29

*Philbin
SBA will
check &
call
J.*





SMALL BUSINESS ADMINISTRATION
REGION VIII

EXECUTIVE TOWER BUILDING
1405 CURTIS STREET
DENVER, COLORADO 80202

DATE: December 17, 1976

*Bucky -
So far so good.*

REPLY TO
ATTN OF: MSBS/Indian Desk

*Bob M
12/16/76*

SUBJECT: Declined "ME" Loan Application

TO: Richard M. Philbin, Director
Office of Program Assistance
Office of AA/MSB, SBA, Washington

Thru: Victor M. Rivera, Regional Director

It is determined that Mr. Ferdinand Jerome, a Native American Indian, d/b/a Buck's Electric, an existing minority small business firm, is located on the Turtle Mountain Indian reservation, an economically depressed area with high proportions of unemployed and low income individuals, in the State of North Dakota.

The intent of special criteria in the standard operating procedures of the SBA is to provide the greatest possible commitment be made to assisting minority entrepreneurs and to encourage institutions to participate under the SBA loan guaranty program. Mr. Jerome's bank of account is willing to participate with the SBA in this program.

This being a loan program for the "disadvantaged" there should be room for realistic loan conditions that would allow for some "advantage" to this Indian applicant by establishing a liberal grace period for payments.

A major national goal of the United States is to provide the quantity and quality of federal services and opportunities which will permit Native American Indians to compete and excel in the life areas of their choice, and to achieve the measure of self-determination essential to their social and economic well-being. This goal is strongly emphasized in a Presidential Memorandum to the Departments and Agencies and within the Executive Office of the President, that in carrying out the purposes of the SBA's minority enterprise programs, the President has requested priority attention be given to those Federal programs designed to serve the Indian people.

After scrutinizing the documents presented to me by the SBA and Mr. Jerome's Denver Representative, I, unequivocally approve, Mr. Ferdinand Jerome's application as submitted to the Small Business Administration.

It is the desire of the applicant that Mr. Bradley H. Patterson, Jr., the President's White House Liaison for Indian Affairs be furnished a copy of all documents in this matter.

Alfred McKay

Minority Small Business Specialist
Indian Desk





SMALL BUSINESS ADMINISTRATION
REGION VIII

EXECUTIVE TOWER BUILDING
1405 CURTIS STREET
DENVER, COLORADO 80202

DATE: November 18, 1976

REPLY TO
ATTN OF: MSBS/Indian Desk

SUBJECT: White House Inquiry, Indian loan decline.

to: Regional Director

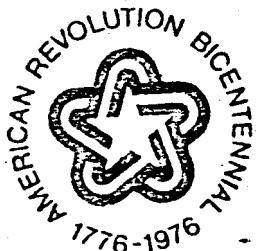
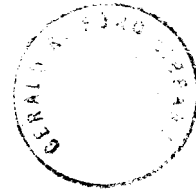
Thru: ARD/MSB

At about 4:15 p.m. on November 17, 1976, Bradley H. Patterson, Jr., the President's Public Liaison Indian Affairs, the White House, called in regard to information received from Ferdinand Jerome, whose loan application had been declined by the ND district SBA office. Mr. Patterson was very concerned and asked if racial prejudice was involved in the action taken by the ND office.

I acknowledged, that on November 10, 1976, I had been told personally by the ND processing loan officer, that the loan application processed for Mr. Jerome was very good and did not foresee any problem in obtaining an approval. Mr. Patterson asked what role I could provide in resolving the matter. I referred to S.O.P. 50-10-E, effective 1-15-76, Appendix 15, par. 2. EXCEPTIONS TO 7(a) POLICY AND CRITERIA. For loans over \$50,000 (SBA share) not to exceed \$350,000 (SBA share), the policy and credit criteria of regular 7(a) loans shall apply, except as follows where necessary to approve the loan., i. Review of Declined ME Loans. When an ME loan is declined, it will be referred to the Minority Enterprise Representative for review. Mr. Patterson indicated that if the S.O.P. was followed it could assist in resolving this case. He further indicated he would contact, Mr. Richard Philbin, Indian Desk, Central Office.

Mr. Jerome, an enrolled member of the Turtle Mountain Band of Chippewa Indians, Belcourt, ND, called me on November 18, 1976, and said he had discussed his problem with the ARD/MSB the previous day, however, a return-called promised never came through. Mr. Jerome then told me, that he suspected the strained relationship existing between himself and the supervisory loan officer from the ND office maybe a factor in the negative action taken on his application.

Alfred McKay
MSBS/Indian Desk



R. C. MILLER & CO.
Over 20 Years of Professional Accounting
621 FOX STREET
DENVER, COLORADO 80204
303-573-3919

LOAN PACKAGING
SYSTEMS
AUDITING
FINANCIAL ANALYSIS

*Bucky -
Al McKay has the
original to obtain
an answer from SBA.
Bob M.*

TAX PLANNING
TAX RETURNS
BUDGETING
PROFIT PLANNING

Ferdinand Jerome
d/b/a Buck's Electric
\$112,000 Loan Application

Mr. Jerome started this business in 1966 on a very modest basis and built it up primarily on the basis of reinvested earnings. Outside financial assistance has been provided primarily by vendors and applicant's bank of account. There have also been small BIA grants and two small loans from the SBA -- an \$11,000 long-term loan made in 1969 which, apparently, is current with a present balance of \$6,101 and a 1974 loan which was paid when the collection on the contract was made (the file does not indicate why an arbitrary maturity of November 1, 1974 was set on this loan instead of an assignment of the contract).

As pointed out by the 406 contractor in 1974, Mr. Jerome had "... the usual problems of obtaining adequate sales to generate a living income for the owner. The problem is accentuated due to low demand for services by a sparsely populated reservation. However, Bucky Jerome has the skills to develop the business within the limits of available local demand." The 406 contractor's comments have been proven prophetic -- Mr. Jerome has indeed built the business to the limit of local demands. Mr. Jerome has also proven himself to be a very frugal and flexible business man. While the demand for electrical work was low, he was investing his time and money in other ventures to supplement his income so that his financial statement as of June 30, 1976 showed

a net worth of \$146,807 as shown below:

Assets

Current Assets:

Cash on Hand & In Banks	\$ 3,556
Accounts Receivable	20,376
Inventory-Electrical	12,000
Inventory-Cattle	3,000
Inventory-Hay	<u>9,000</u>
Total Current Assets	\$47,932

Fixed Assets (Primarily at Estimated Market Value):

Residence including 2½ Acres of land	\$35,000
Rental Houses (2) on 50' X 100' tract	44,000
Shop Buildings	7,500
Personal Automobile	6,000
Equipment-Electrical	24,550
Equipment-Agriculture	3,500
Less-Accumulated Depreciation	<u>(15,000)</u>
Total Fixed Assets	\$105,550

Other Assets (at estimated Market Value):

25% Interest in Belcourt Oil Company (A Partnership)	\$25,000
Household Goods	<u>11,500</u>
Total Other Assets	36,500
Total Assets	<u>\$189,982</u>

Liabilities & Owners Equity

Current Liabilities:

Note Payable-GMC-On Auto	\$ 3,500
Notes Payable-Bank-Unsecured	18,580
Notes Payable-Bank-On Vehicles	4,556
Accounts Payable	10,000
Accrued Taxes	<u>438</u>
Total Current Liabilities	\$ 37,074

Long-Term Note Payable-SBA

Total Liabilities	<u>6,101</u>
	43,175

Owner's Equity

Total Liabilities & Owner's Equity	<u>146,807</u>
	<u>\$189,982</u>

All of the above assets are available for the lender to take a first lien collateral position excepting the household goods, \$11,500, which are generally considered "Non-bankable" and the vehicles which are presently

pledged on notes payable.

Subsequent to June 30, 1976, applicant's bank of account has advanced interim financing of \$35,547 and received payment of \$12,280 on unsecured borrowings so that present unsecured borrowings total \$41,847. These funds and the additional funds requested in the loan application are primarily to finance the growth in accounts receivable and inventories, both of which would be available for collateral.

The increase in accounts receivable and inventory are due primarily to government sponsored housing projects in the area. As a result of this work being available, Mr. Jerome's sales are estimated to be \$347,000 in 1977 and \$162,000 in 1976 as compared to \$143,000 in 1975 and \$93,000 in 1974. It is worthy of note that, with the exception of a \$300,000 school building job to be done in 1977 and 1978, the jobs are all small houses of the type that Mr. Jerome has 10 years proven success. In 1977 Mr. Jerome's forecast includes 132 of these houses. At 30 hours per a house, a very conservative estimate, that is less than two man years of work. It appears that the growth in Mr. Jerome's business is a result of working steady for 12 months rather than doing a great deal more work at one time.

Most of the work that Mr. Jerome forecasts for 1977 will be done under the general contractor's bond so that his obtaining bonding will not be required.

The additional work has made it possible for Mr. Jerome to employ a full-time office manager-accountant so that Mrs. Janice Jerome will no longer have to fit this into her other duties of mother, homemaker, etc. Also the BIA has retained a reputable accounting firm to install an

accounting system and supervise its maintenance, including preparation of quarterly financial statements, through September 1977.

It has been recommended that the present SBA loan be consolidated with this loan. Although the application requested an eight year maturity we suggest that a ten year maturity is more appropriate. This would result in:

Total Loan	\$118,100
Interest Rate	9½%
Term	10 Years
Total Payback	\$183,384
Monthly Payment:	
Principal	\$ 984
Interest	544
Total	\$ 1,528



The cash forecast prepared for Buck's Electric by Keller & Raymo

	<u>1977</u>	<u>1978</u>
shows net income before depreciation in of	<u>\$70,448</u>	<u>\$53,869</u>
Owner's withdrawals	20,000	20,000
Fixed Assets	10,000	10,000
Debt Service on \$118,100	18,338	18,338
Remaining for income taxes and accelerated debt payment	<u>22,110</u>	<u>5,531</u>
	<u>\$70,448</u>	<u>\$53,869</u>

This program appears to be feasible so long as any accelerated debt payments are used to reduce the total debt over the remaining term of the loan, thereby reducing the monthly payments, and not to reduce the term of the loan (accelerate maturity). At the end of the ten year period Bucky's Electric would have converted the \$118,100 of debt to equity and would be a strong viable company.

Mr. Jerome, age 41, married, four children, is an enrolled member of the Turtle Mountain Band of Chippewa Indians, Belcourt, N. D. He served in the U.S. Navy from 1953 to 1956 and is a graduate of the State school of Science at Wahpeton North Dakota and the Haskell Institute at Lawrence,

Kansas. He has owned and operated Bucky's Electric for over 10 years and accumulated a sizeable personal estate in that time.

The government housing program has made an unusually large amount of work available in the area and, since there are only two Indians who are licensed master electricians in the State, if Mr. Jerome is not provided adequate financing this work will have to be done by non-Indians -- another program, well intended & well conceived for the benefit of the Indian, that benefited primarily the non-Indian.

Mr. Jerome is well qualified and has the confidence of the business community. Mr. J. T. Munro of Munro Contractors states that they have "... hired Buck's Electric on multiple projects which included a half million dollar apartment building. All work was excellent". Mr. John Hinton of Thunderboldt Enterprises, Inc. writes that "It is our experience that the risks inherent in the contracting business are minimized in Mr. Jerome's case due to his proven capabilities." The 406 contractor expressed his confidence in Mr. Jerome and recommended that further assistance from him was not necessary. The Security State Bank, Dunseith, N. D., continually worked with Mr. Jerome until the requirements were such that "We just do not have funds available for this large a loan that would require a long payout period." They obviously need the SBA guarantee so that they can sell a participation in the loan to another institution.

Conclusion

The U.S. Government has a number of programs designed to assist minority business men in being successful. The search has always been to

find those who are capable, reliable and have the work available to do.

Mr. Jerome is such a man and should be supported to the fullest.

A handwritten signature in cursive script, appearing to read "R. C. Miller".

R. C. Miller

RCM/lis



U.S. SMALL BUSINESS ADMINISTRATION

P.O. BOX 3086, ROOM 218
FEDERAL BUILDING, U.S. POST OFFICE
653 SECOND AVENUE NORTH
FARGO, NORTH DAKOTA 58102

November 17, 1976

Mr. Alan W. Campbell, President
Security State Bank
Dunseith, ND 58329

Dear Mr. Campbell:

Re: Buck's Electric
Belcourt, ND 58316 *Box 357*

Your request for SBA to guarantee 90 percent of a loan of \$112,000 to the above business has been thoroughly reviewed. We regret that we are unable to approve this loan request under our existing authority and policies.

The Small Business Act and the policies under which we operate require us to be reasonably certain that, with the loan assistance from this Agency, the borrower can operate on a sound financial basis. While requests for loans in small amounts sometimes can be approved on a basis of limited collateral, all requests, regardless of amount sought, must present reasonable assurance of repayment of the loan and other fixed obligations from the profits of the business. Otherwise, we would be providing high risk financing which is not contemplated by the lending authority under which we operate. Rather, it is the intent of our legislation that we fulfill a need for longer term financing, an area in which private lending institutions normally limit their accommodations.

The reason we have been unable to approve your request is as follows:

There is no reasonable assurance that the loan and other obligations could be repaid from earnings. If approved, the loan would require repayments of \$21,200 each year (principal plus interest) to retire the obligation over a term of 8 years. Incidentally a term of 8 years is a year or two longer than we would normally consider for a working capital loan.

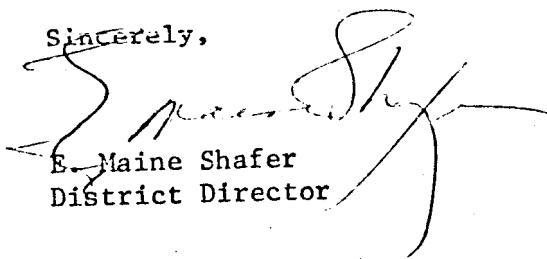
The information developed with the application indicates the business has contracts in progress totaling \$191,700 and verbal commitments totaling an additional \$543,500. Based on the average annual volume of business done in the past we question the advisability of attempting to handle such a substantial increase in volume, especially when the latest financial statement showed the business had no working capital. Our experience has shown that too rapid expansion too often leads to problems for a business.



Two other items should also be pointed out. 1) Experience on existing SBA loan. This loan originated at \$11,000 in 1969 and has a present balance of \$5,500. This is a reduction of only \$5,500 in 7 years and we have had chronic delinquency problems on this loan. 2) Surety Bond requirements. At present SBA is guaranteeing two Surety Bonds totaling \$164,000. Based on the present financial condition of the business it may be difficult for it to obtain additional bonding. One of the primary reasons the business has had difficulty with bonding is the lack of adequately prepared financial statements.

We regret that we were not able to give you a favorable decision on this loan application.

Sincerely,



E. Maine Shafer
District Director