



CHEROKEE NATION™
Businesses

Executive and Finance Report
Consolidated Financial Information
September 2014

Cherokee Nation Businesses

Executive and Finance Report

September 2014

Budget Highlights

- September 2014 CNB consolidated net income of \$11.0 million was \$2.1 million above budget and \$6.2 million higher than prior year.
- CNE EBITDA of \$15.5 million was \$1.0 million favorable to budget. Higher revenue was driven by a mix of gaming, food and beverage and retail revenue at the Tahlequah and Hard Rock properties as well as lower operating expense.
- Technology Portfolio EBITDA of \$3.3 million was \$2.6 million above budget. The positive variances in both revenue and EBITDA at the Technology Portfolio are primarily due to various fixed price contracts ending during the last half of FY14. These contracts were managed and completed at much lower costs than what was anticipated, therefore resulting in increased profit at the end of the contract.
- CNI EBITDA loss of \$674,000 was below budget due to lower profitability in the Manufacturing segment.
- The CNB Parent Company EBITDA was \$800,000 unfavorable to budget, which was driven by higher than anticipated operating expense and lower revenue recorded on partially owned subsidiaries.
- Combined, EBITDA at all other entities was \$378,000 below budget.

Capital Expenditures

September YTD capital expenditures were \$62.3 million for all entities.

- CNE: \$39.0 million
 - Expansion: \$19.3 million – Casino III Hard Rock rebuild, South Coffeyville, Roland, Cherokee Springs, WSS Langley Prop Purchase, WSS Water Tower
 - Strategic: \$13.5 million – Roland Structural Improvements, Route 66 Diner, Cherokee Tower Renovation, eGame purchase, Currency Counters, WRD Advantage
 - Maintenance - \$6.3 million
- CPM: \$16.3 million – Health clinic construction / expansion.
- CNB: \$6.1 million – IGT Advantage Enterprise upgrade, IT virtualization.
- CNCS: \$184,000 – Purchase new vehicles.
- CNI: \$384,000 – Relocate Mazak laser from Kellyville to Pryor and maintenance costs, Ditmo Test Unit (CND A&D), Company vehicles

Financing

- CNB has no outstanding borrowings as of September 30, 2014.

Cherokee Nation Entertainment
Executive and Finance Report

September 2014

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$46,226	\$45,439	\$786	2%
• Operating Expenses	Month -	\$30,735	\$30,958	\$223	-1%
• EBITDA	Month -	\$15,491	\$14,481	\$1,009	7%

Operating Highlights

- CNE EBITDA of \$15.5 million in September was \$1.0 million above budget.
- Total revenue of \$46.2 million was \$786,000 above budget due to higher than anticipated gaming, retail, and food and beverage revenue at the Hard Rock and Tahlequah properties.
- Total operating expense of \$30.7 million was \$223,000 million favorable to budget. The primary driver was lower than budgeted gaming commission fees related to a year-end true up.
- Groundbreaking for the South Coffeyville casino took place on August 27th. The 17,000 square foot facility will offer 300 games and will take approximately 6 months to finish.
- CNB has agreed to lease property adjacent to the Hard Rock casino to Woodmont Outlets, which plans to invest \$80 million into premium outlet shops to be called "Cherokee Outlets." The Outlets, along with a new Entertainment area, called "The District," is expected to be completed in 2016.
- CNB also announced plans for the Cherokee Springs Plaza, which will include retail, restaurants, auto sales lots, office space, convention space, two hotels, and a casino adjacent to the Cherokee Springs golf course in Tahlequah.
- The Roland property held a groundbreaking event on April 29, 2014 for a new casino and hotel. The target date to open the casino is late May 2015, with the hotel scheduled to open later in the year.
- The Catoosa property is renovating the Cherokee hotel tower, two floors at a time, which began on September 1st.
- The Creek casino in Tulsa is planning a \$335 million expansion including a 500 room hotel tower, new casino and restaurant, pool bar, theater and event center, with an expected completion date of 2016.

Capital Expenditure Highlights – Year to Date

- Expansion related costs for Tahlequah, South Coffeyville, Roland, Catoosa, and WSS Langley Purchase – \$19.3 million
- Cherokee Tower Renovation - \$3.7 million
- Rogers County Land (Mullen) - \$3.7 million
- Currency Counters - \$1.4 million
- Route 66 Diner at Hard Rock - \$1.2 million
- WSS Water Tower - \$1.5 million
- Backup Power (Tahlequah, Sallisaw, Roland, WRD) - \$1.5 million
- Roland Structural Improvements - \$653,000

Cherokee Nation Industries

Executive and Finance Report

September 2014

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$4,264	\$6,554	(\$2,291)	-35%
• Operating Expenses	Month -	\$4,938	\$6,660	\$1,722	-26%
• EBITDA	Month -	(\$674)	(\$106)	(\$568)	-536%

Operating Highlights

- EBITDA loss of \$674,000 was \$468,000 unfavorable to budget. The negative variance was primarily due to lower than anticipated profitability in the Manufacturing segment of \$673,000.
- CNI's revenue totaled \$4.3 million, which was \$2.3 million below budget. This was driven by lower than budgeted revenue in Distribution Services of \$2.1 million.
- Total operating expenses of \$4.9 million were \$1.7 million lower than budget, primarily driven by lower cost of goods sold associated with lower revenue.

Technology Portfolio

Executive and Finance Report

September 2014

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$16,161	\$8,716	\$7,445	85%
• Operating Expenses	Month -	\$12,816	\$7,993	(\$4,823)	60%
• EBITDA	Month -	\$3,345	\$723	\$2,622	363%

Operating Highlights

- The IT Portfolio generated revenue of \$16.2 million compared a budget of \$8.7 million.
- September EBITDA was \$3.3 million compared to budgeted EBITDA of \$723,000. The positive variances in both revenue and EBITDA are primarily due to various fixed price contracts ending during the last half of FY14. These contracts were managed and completed at much lower costs than what were anticipated, therefore resulting in increased profit at the end of the contract.
- CSG and CNT revenue of \$4.2 million was exceeded the budgeted amount by \$439,000. The positive budget variance was due to additional revenue on the BIA contract in CNT as well as additional revenue on the OHTA contract in CSG.
- CNGS, CNTS, and CNMC revenue was \$10.9 million in September. Revenue was favorable to prior year by \$5.1 million and was favorable to budget by \$6.1 million. The favorable variance to budget was attributable to additional revenue recognized on projects that were managed to higher profit margins than anticipated.
- Cherokee Nation Assurance (CNA) revenue of \$1.0 million was favorable to budget by \$872,000. The favorable variance to budget was attributable to increased revenue on the United States Coast Guard contract.

Other Diversified Businesses

Executive and Finance Report

September 2014

EBITDA Budget Highlights

	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• CNSD	Month -	\$186	\$125	\$61	49%
• Construction	Month -	(\$57)	\$145	(\$201)	-139%
• Mobility Plus	Month -	\$0	\$59	(\$59)	-100%
• CMS / CNHS	Month -	(\$124)	\$69	(\$192)	-280%
• Aerospace Products S.E.*	Month -	(\$9)	\$93	(\$102)	-110%
• CCRC*	Month -	(\$71)	\$50	(\$121)	-242%

APSE and CCRC are reported on net income instead of EBITDA as they are partially owned subsidiaries

Operating Highlights

- **CNSD** EBITDA of \$186,000 was \$61,000 favorable to budget. The favorable variance to budget was due to increased profitability on the Fort Benning, West Point and TSA security contracts.
- **Construction** EBITDA loss of \$57,000 was \$201,000 unfavorable to budget. The unfavorable performance of CNCS was a result of an additional \$61,000 in potential costs recorded on the Freezer/Chiller roof replacement job in Hawaii.
- **Mobility Plus** Sold in May 2014.
- **CMS / CNHS** resulted in an EBITDA loss of \$124,000 which was unfavorable to budget by \$192,000. The unfavorable budget variance was due to several negative adjustments identified during the year-end project reviews, however, on a YTD basis the portfolio has outperformed budget.
- **APSE** net income loss of \$9,000 was \$102,000 below budget. Lower revenue of \$658,000 was due to a reduction in Activity in San Antonio in addition to a hold on the 345 kits.
- **CCRC** net loss of \$71,000 was \$121,000 below budget. Revenue was below budget due to lower than expected revenue recognized on Picatinny projects as well as delays in awarding year-end contracts.

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Group: Financial Resources

Month/Year of Report: October 2014

Treasurer: Lacey Horn

Phone: 207-3902

E-mail: lacey-horn@cherokee.org

- I. Budget Highlights – through September
 - a.) Financial Resources – 92% spent
 - b.) Treasurer – 73% spent
 - c.) IIM – 95% spent
 - d.) Acquisition Management – 90% spent
 - e.) Records Management – 87% spent
 - f.) Support Services – 100% spent
 - g.) Employee Performance Incentive – 100% spent
- II. Program Highlights
 - a.) Balance Scorecard Measures
 - 1. Complete FY14 Audit – 0% Complete
 - 2. Obtain Unqualified Audit Opinion – 0% complete
 - 3. No Material Weaknesses on Single Audit – 0% complete
 - 4. Obtain GFOA Award for FY13 CAFR – 100% complete
 - 5. Reports completed & submitted by due dates – 100% complete for reports due by 10/1/2014
 - b.) Accomplishments
 - 1. Grants Management finalized DOJ audit with OIG
 - 2. Grants Management reviewed new module for eCivics software and prepared new contract for the second phase
 - 3. Hosted “How to Write Subaward Agreements Using OMB’s New Template”
 - 4. Hosted “Procurement Under the OMB Super Circular”
 - 5. SAS Audit underway
 - c.) Upcoming Events
 - 1. FY 2014 year end preparations underway

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Cherokee Nation Acquisition Management Year-To-Date Report Over \$5,000 Transactions October 1, 2013 through September 30, 2014		% of sub-total TERO vendor submitted Bid
Award to TERO Vendor	\$ 19,557,202.28	86.32%
Award to non-TERO Vendor	\$ 3,099,348.06	13.68%
Sub-total bids with a TERO vendor participating	\$ 22,656,550.34	100.0%
Bid - no bids submitted by TERO Vendors	\$ 3,282,199.75	
October 1, 2013 through September 30, 2014		

Group: Career Services-Employment **Month/Year of Report:** October, 2014

Executive Director: Diane Kelley **Phone:** 453-5628 **Email:** dkelley@cherokee.org

I. Budget Highlights – Please refer to Monthly Financial Report

None

II. Program Highlights

a. Balanced Scorecard Measures

	<i>September</i>	<i>YTD</i>	<i>Goal</i>	<i>% of Goal</i>
<i>GED Completions</i> – includes individuals completing and receiving a GED or High School Diploma from Talking Leaves Job Corps and Career Literacy.	11	183	250	73.20%
<i>Training Completions</i> – includes individuals receiving a nationally-recognized certification, credential, or degree while enrolled in one of 11 different vocational training programs.	54	520	450	115.56%
<i>Employment Completions</i> – includes individuals who completed a Work Experience or TERO OJT assignment.	21	591	300	197.00%
<i>Unsubsidized Placement</i> – includes all individuals who entered unsubsidized employment (they got a job!) while enrolled in one of 15 different programs, both employment and vocational.	66	1,019	500	203.80%
<i>Retention</i> – includes individuals who were retained in their unsubsidized employment through assistance from a Career Services Program.	21	205	200	102.50%
<i>Job Readiness Training</i> – includes individuals who completed the Life/Employment Skills Training.	35	368	250	147.20%
<i>WorkKey Credentialing</i> – includes individuals who received a bronze, silver, gold, or platinum WorkKeys credential.	8	156	500	31.20%
<i>Job Bank</i> – includes the number of new individuals entering the TERO Job Bank.	21	248	500	49.60%
<i>Indian Owned Businesses</i> – includes the number of businesses newly certified as an Indian Owned	16	139	100	139.00%

Business.				
<i>Job Fairs</i> – includes the number of Job Fairs held by Career Services.	1	9	15	60.00%
<i>Community Service Projects</i> – this is the number of Community Service Projects completed by youth, both through the Summer Youth Employment Program and Talking Leaves Job Corps.	5	64	50	128.00%

b. Accomplishments

1. Employment Development (TERO) mobilized a total of 26 firedancers on three separate crews to California.
2. Career Services received notification that our appeal of the NEG-OJT audit finding was successful.
3. Twenty-nine staff attended a three-day training on Motivational Interviewing.

c. Initiatives

1. The 6th Annual TERO Vendor Fair and Indian-Owned Business Recognition Banquet is Thursday, November 6th at the Hard Rock Hotel and Casino Tulsa.
2. Additional staff training in Rapid Attachment to Employment will be held the first week of November.

Commerce Group

Securing and enhancing the financial well-being of the Cherokee people, businesses and communities

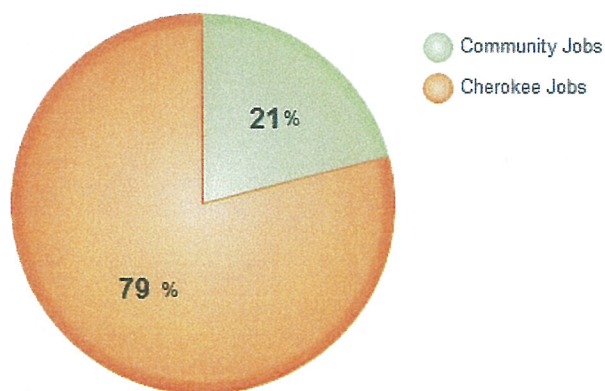
Anna Knight, Executive Director
 918-453-5532
 anna-knight@cherokee.org

Economic Impact

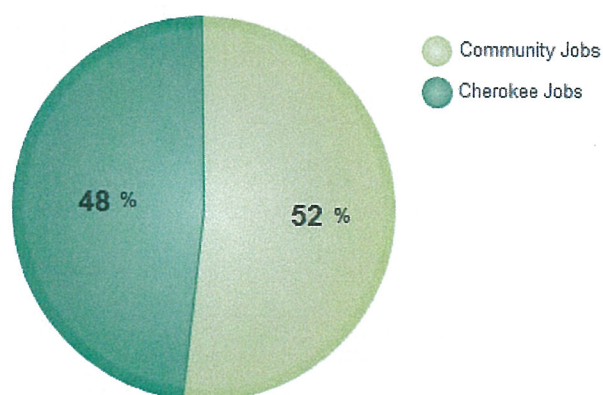
Jobs Created or Retained in Local Communities

Private sector jobs created or retained through small business lending

Community Jobs Created or Retained
 Six Year Period 2010-2015 - 690 Total Jobs

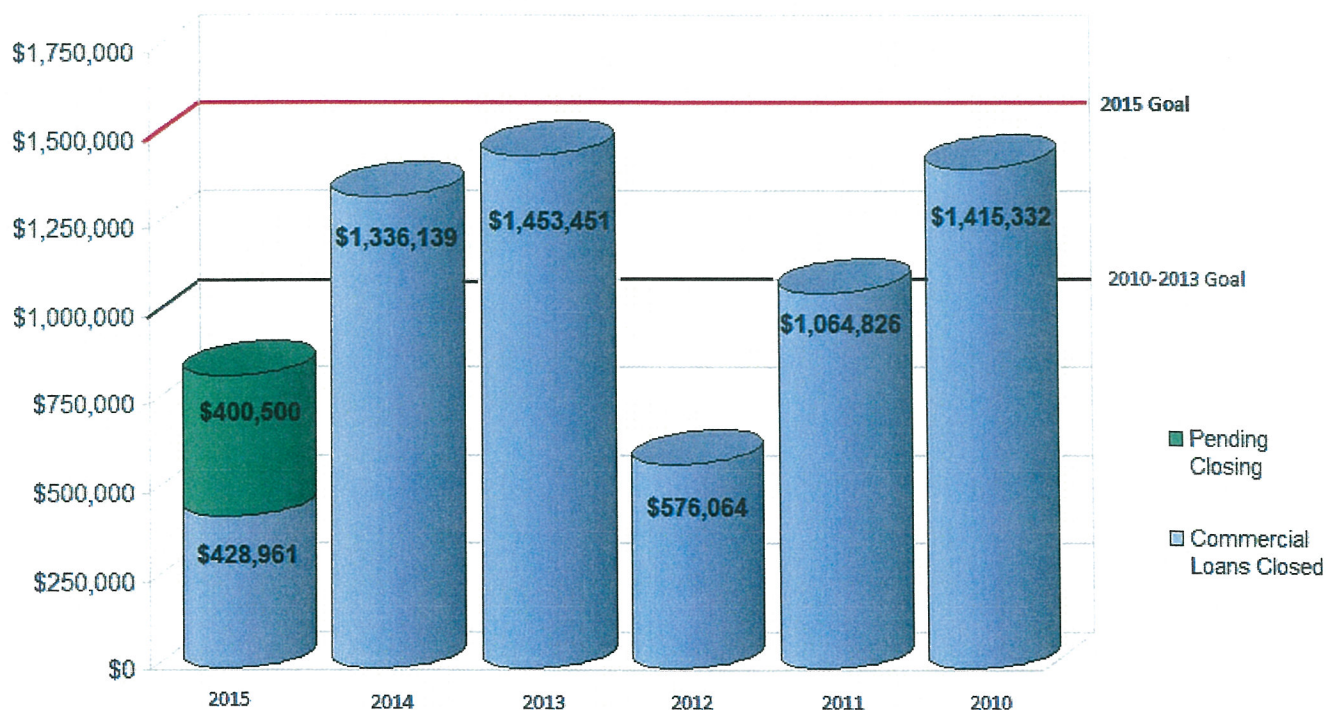


Community Jobs Created or Retained
 Current Year to Date - 50 Total Jobs

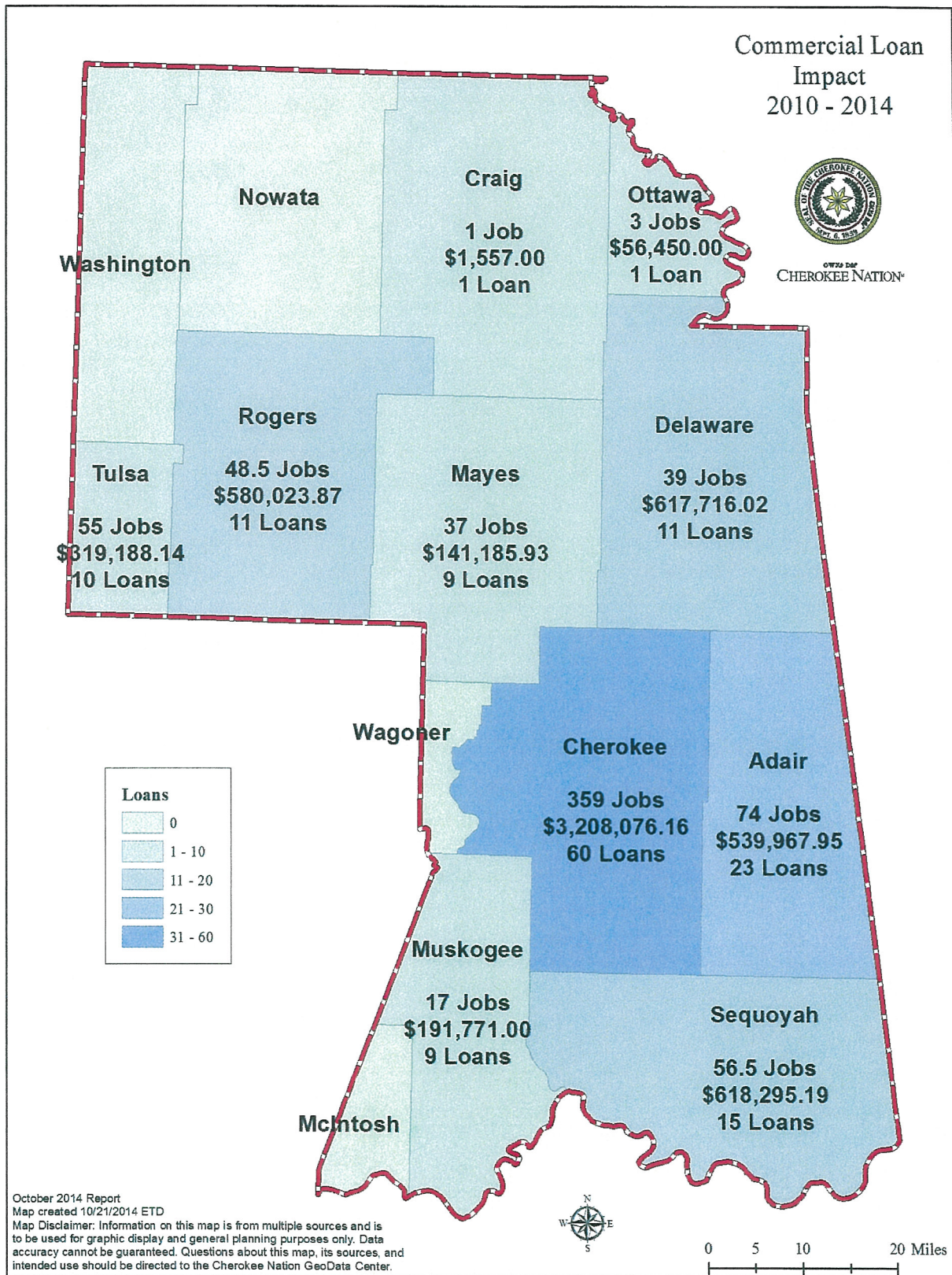


Economic Investment in Local Communities

Business loans made for startup or expanding businesses



Commercial Lending Impact, by County, 2010 through October 2014



Commercial Collateral loans closed October 2014

Community	Loan Purpose	Project Costs	Loan Amount	Collateral Discounted Value	Owner Equity	Jobs
Tahlequah	New equipment for new facility	\$2,326,419.81	\$357,405	1 st on Personal Property=\$355,000	85%	40
Tahlequah	Purchase Existing Business	\$495,000	\$71,555.95	2 nd Lien Building, 1 st UCC Lien, 2 vehicles=\$337,750	86%	10

Available Lending Capital

(Loans pending approval and/or closing are not included in totals)

▪ IRP:	\$457,122.35	▪ CDFI:	\$186,702.76
▪ Commercial:	\$316,423.32	▪ Consumer Lending:	\$302,622.40

Based on Bank Statements ending September 30, 2014 – Bank Statements not available for October
Note: we have received award notifications for \$500,000 in small business fund from USDA and \$400,000 in low income micro-enterprise funds from HUD, which have not yet been drawn down.

Business/Entrepreneur Workshops

Date	Location	Time	Workshop
October 29	Coweta	8:15 am to 12:30 pm	Entrepreneurship 101
November 13	Hard Rock	TBD	TERO Vendor Fair

NOTEWORTHY

The **6th Annual Northeast Oklahoma Regional Summit** was held **October 7** at Northeastern State University with a total attendance of **282** community members.

*"The entrepreneurship program at the Kawi Café has been very influential in my decision making process for my future business. This undertaking would be nearly impossible had I not been given this opportunity." --
Joseph Erik McKee*

Year to date, over **entrepreneurial development and business workshops** have been attended by **228 people**; 100 percent of whom found the training useful to building the capacity of their businesses.

Artists and Community Tourism – Economic Development

Increasing the business capacity of our Artists and tourism capacity of our communities

Cherokee Arts Center

Registration is necessary and all classes are fee based, paid directly to artists

Date	Time	Class
Every Thursday	6:30 pm	Silversmithing Class
Every Wednesday	6:00 pm	Loom Weaving
Every Friday	6:00 pm	Live Drawing
Every Saturday	10:00 am	Basic Assemblage
Every Tuesday	1:00 pm	Cartooning with Story Telling

NOTEWORTHY

The Cherokee Arts Center provides teaching space and specialized equipment for artists to increase their revenues. Year to date, **24 people have attended 6 artist taught classes** and the equipment has been used 96 times. Year to date, **212 people** have taken advantage of the Cherokee Arts Center.

The **Spider Gallery currently represents 74 artists**. The Gallery has participated in 9 events giving Cherokee artists exposure to over 1,000. Total Spider Gallery Sales are \$3,813.62 for year to date.

Artists have earned \$3,579.50 through Cherokee Arts Center and Spider Gallery activities. Tourism related small business and artist loans total \$00.00 year to date.

"I appreciate all the hard work and time spent by the staff at the Cherokee Arts Center / Spider Gallery promoting Cherokee art. I am a relative newcomer to the art world and the staff has been very supportive and beneficial to me and my art. I have even had pieces sell in Washington D.C. and Santa Fe, NM because of the representation of the Spider Gallery at those places. Everyone has always been helpful, courteous, and informative to me any time I have questions or need something. I am very pleased with the performance of everyone associated with the CAC/Spider Gallery.

Wado from a grateful Cherokee artist!-

J. Ross Davis, Graphics and Photography

Group: Certified Indian Owned Businesses (Career and Commerce Services)

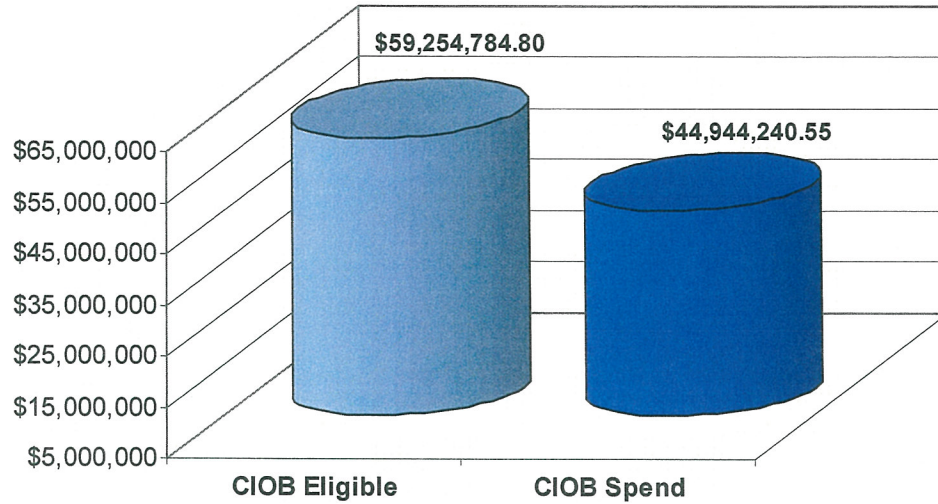
Month/Year of Report: November 2014 (Year End CIOB month ending 9/30/14)

Program Highlights

a. Balanced Scorecard Measures

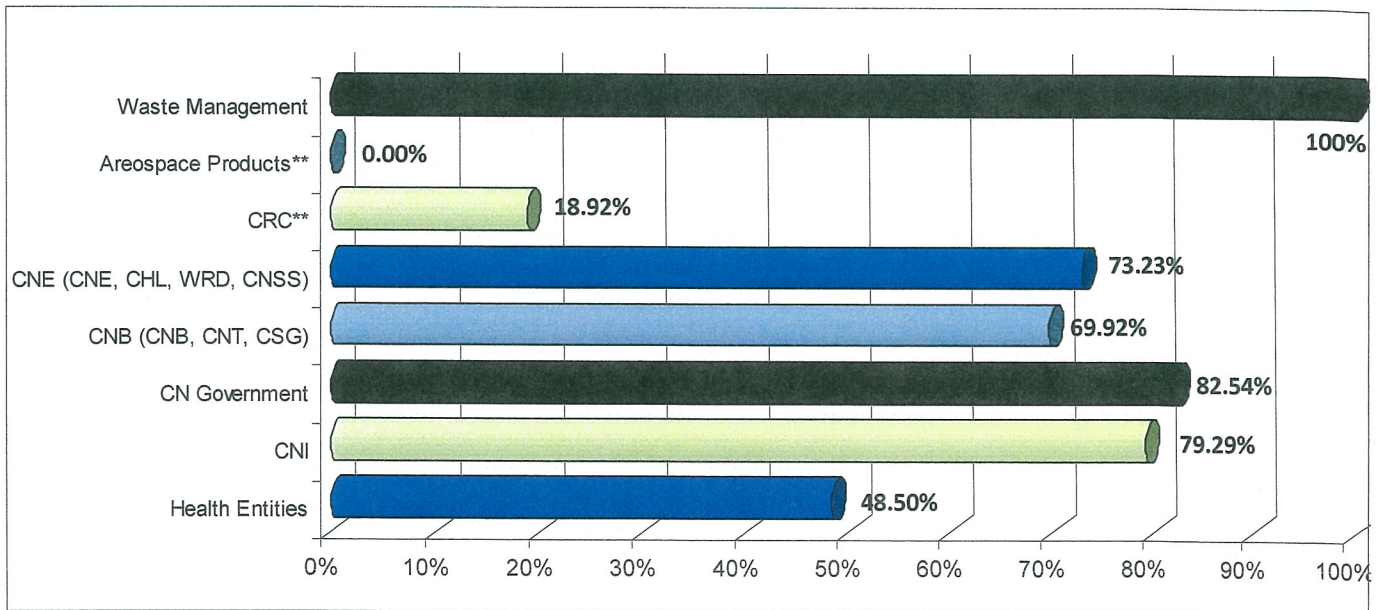
Objective	Metric	2014 Goal	Year to Date Achievement Notes/Comments
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	300/100%	85 /100%
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	80%	75.85% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> • CNE – 70.30% • CN Government - 86.32% • Health Entities – 100% • CNI –44.41% • Waste Management - 0%
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB - CN – 82.9% Health - CNI – CRC – Aerospace -	Business Entities - 75.78% <ul style="list-style-type: none"> • CNE (CNE, CHL, WRD, CNSS) 73.23% • CNB (CNB, CNT, CSG) 69.92% (does not include service contract employees) • CN Government 82.54% (does not include IPA/MOA) • Health Entities 48.50% • CNI 79.29% (does not include service contract employees) • CRC 18.92% (not wholly owned by CN) • Aerospace 0% (not wholly owned by CN) • Waste Management 100%
Increase Indian-Owned Business Certifications	# Newly Certified Indian-Owned Businesses	150	143
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	200/95%	115 /100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	12.85%- based on \$'s loaned 11.11%- based on number of loans made
Effective Usage of Fees Collected	# Trained	100	Information not available
Effective Monitor of Work Sites – Construction and Housing	# Monitoring Visits	90%	100% 2.113 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	95% - 84 out of 89
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 5 complaints filed; 3 resolved, 2 pending EEOC: 0 complaint filed; 0 resolved, 0 pending

75.85% of CIOB Eligible Procurement Opportunities were awarded to CIOBs



**Includes CN Government, CNE, CNI, and Health Entities

75.78% of Employees are registered Cherokee Nation Citizens



**Companies majority, not wholly, owned