



CHEROKEE NATION™
Businesses

Executive and Finance Report
Consolidated Financial Information
April 2012

Cherokee Nation Businesses

Executive and Finance Report

April 2012

Budget Highlights

- April consolidated net income of \$8.2 million was 7.0% favorable to budget of \$7.6 million.
- Consolidated YTD net income of \$56.9 million was 11.9% favorable to budget of \$50.9 million.
- Consolidated YTD revenue of \$391.8 million was up 6.0% compared to prior year.
- CNE net income of \$10.1 million was \$1.5 million favorable to budget. (YTD Gaming revenue was up 8.2% from 2011)
- Manufacturing and Distribution Services YTD net income decreased \$4.2 million compared to prior year due to lower demand.

Capital Expenditures

April YTD capital expenditures were \$32.3 million for all entities.

- CNE: \$27.0 million – Ongoing expansion construction at Catoosa, Ramona, and Ft. Gibson
- CNB: \$1.7 million – Deltek Government accounting software and facility improvements
- CNI: \$189,000 – Warehouse Management System and machining equipment
- CPM: \$3.2 million – Acquisition of the Mid-America building in Pryor and Interchange facility improvements
- MOB: \$250,000 – Vehicle purchases and facility improvements

Financing

- CNB has no outstanding borrowings as of April 30, 2012.

Cherokee Nation Entertainment

Executive and Finance Report

April 2012

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actuals</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$42,475	\$41,701	\$774	2%
	YTD -	\$297,781	\$287,716	\$10,065	3%
• Operating Expenses	Month -	\$28,459	\$28,817	\$358	1%
	YTD -	\$198,238	\$199,169	\$931	0%
• Net Income	Month -	\$10,051	\$8,512	\$1,539	18%
	YTD -	\$71,699	\$59,636	\$12,062	20%

Operating Highlights

- The favorable net income variance of \$1.5 million for April was driven by gaming revenue of \$36.7 million.
- April revenue totaled \$42.5 million, which was \$774,000 above budget and a record for the month of April.
- YTD EBITDA of \$90.0 million was \$9.4 million, or 11.6%, above budget.
- YTD net income of \$71.7 million increased \$18.0 million, or 35.6%, compared to the prior year.
- Catoosa construction continues on the new hotel tower and gaming floor in the section of the roof-collapse.
- Ft. Gibson and Ramona permanent structure construction continues with an estimated completion date of late 2012.
- Roland's closest competitor, the Choctaw Casino in Pocola, is expanding their gaming floor to 2,500 games, and adding an event center and a hotel.
- The Kialegee Tribal Town efforts to build a casino in Broken Arrow, OK have been halted by order of U.S. District Court.
- Will Rogers Downs will host a 2012 Spring Thoroughbred Meet, running from March 5th through May 19th.
- The renovated Catoosa buffet re-opened on April 25th.
- The Jay laundry facility opened May 17th. The new 5,600 square foot facility eliminates outsourced laundry services for the hotels and created 11 new jobs to the area.

Capital Expenditure Highlights

- Catoosa Casino 3 Rebuild - \$11.2 million
- Ramona Casino - \$5.1 million
- Ft. Gibson Casino - \$3.8 million
- Catoosa Buffet Renovations - \$1.7 million
- Jay Laundry Facility - \$1.2 million

Cherokee Nation Industries

Executive and Finance Report April 2012

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actuals</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$5,628	\$7,371	(\$1,742)	-24%
	YTD -	\$37,046	\$45,640	(\$8,594)	-19%
• Operating Expenses	Month -	\$6,053	\$7,135	\$1,082	15%
	YTD -	\$40,770	\$45,858	\$5,088	11%
• Net Income	Month -	(\$425)	\$235	(\$661)	-281%
	YTD -	(\$3,724)	(\$218)	(\$3,506)	-1609%

Operating Highlights

- Lower net income was driven by reduced revenue and higher expense levels in Manufacturing and Distribution Services.
- April revenue declined \$2.0 million compared the prior year, which included Professional Service revenue of \$1.9 million.
- Military Services monthly revenue increased \$1.1 million compared to prior year due to a ramp up in activity.
- Total operating expenses of \$6.0 million was \$1.1 million less than budget. The decrease in operating expense was associated with lower revenues.
- Operating expenses as a percent of revenue were unfavorable to budget due to inability to flex manpower with demand.
- Management is focused on increasing revenues through increased sales efforts as well as reducing expenses.

Technology Portfolio

Executive and Finance Report

April 2012

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actuals</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$5,672	\$6,361	(\$689)	-11%
	YTD -	\$38,873	\$42,292	(\$3,419)	-8%
• Operating Expenses	Month -	\$1,650	\$1,779	\$129	7%
	YTD -	\$11,660	\$11,826	\$166	1%
• Net Income	Month -	\$368	\$459	(\$91)	-20%
	YTD -	\$1,556	\$3,053	(\$1,497)	-49%

Operating Highlights

- The IT Portfolio generated revenue of \$5.7 million compared prior year revenue of \$5.2 million.
- April EBITDA was \$447,000 compared to budgeted EBITDA of \$543,000. The EBITDA margin of 7.9% trailed the 8.5% budget.
- CSG and CNT revenue of \$3.2 million was favorable to prior year by \$120,000. The favorable budget variance was attributable to successful renewals of existing contracts and a recently awarded contract with the Environmental Protection Agency (EPA).
- CNGS and CNTS generated \$2.5 million of revenue and continued to grow revenue at an increased daily rate compared to recent months. The increase was due to the placement of 17 new task orders within its current contracts.
- CSG began work on recently renewed contracts with National Oceanic and Atmospheric Administration (NOAA) in March. The renewal of these contracts will enable CSG to perform at current or increased revenue levels with NOAA for the next 5 years.
- The IT Portfolio currently has more than 12 outstanding proposals awaiting decision among various potential customers, which exceeds typical levels compared to prior years.

Other Diversified Businesses

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Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actuals</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Cherokee Nation	Month -	(\$40)	\$14	(\$54)	-388%
Security & Defense	YTD -	(\$244)	\$97	(\$341)	-353%
• Cherokee Nation	Month -	\$18	(\$17)	\$35	203%
Construction Services	YTD -	(\$224)	\$74	(\$297)	-403%
• Mobility Plus	Month -	(\$240)	\$60	(\$300)	-500%
	YTD -	(\$1,045)	\$417	(\$1,462)	-351%
• Aerospace Products S.E.	Month -	(\$18)	\$66	(\$84)	-127%
(75% owned)	YTD -	\$58	\$352	(\$294)	-84%
• Cherokee CRC	Month -	\$60	\$163	(\$103)	-63%
(51% owned)	YTD -	\$97	\$595	(\$498)	-84%

Operating Highlights

- **CNSD** generated revenue in the amount of \$88,000 compared to a budget of \$174,000. The Letterkenny subcontract under Tiburon began April 9th and generated a majority of the month's revenue. Profit was impacted for April 2012 by an accounting issue that understated profit by \$62,000. The actual profit for April 2012 should have been \$22,000. This correction will occur in May.
- **CNCS** April revenue included \$275,000 for self-performed work related to recently awarded contracts at Dover AFB. The increase in net income was the result of these self-performed construction projects which have a higher gross margin than other typical construction work for CNCS.
- **Mobility Plus** net loss was generated by higher operating expenses for consulting work related to the Brightree implementation and increased employee cost due to hiring additional employees sooner than budgeted to meet workload demand.
- **APSE** April 2012 revenue was \$464,000; a decrease compared to prior month and lower than April budget of \$1.0 million. Revenue was lower than budget primarily due to a slower than expected parts sales to Boeing under the San Antonio contract, and lower general sales than budgeted. Boeing remains behind schedule at its facility in San Antonio and this has negatively impacted APSE.
- **CCRC** April 2012 revenue was \$801,000 compared to budget of \$2.1 million. Revenue was substantially under budget in all divisions due to slow work start up times and extended contract award release timelines. Operating costs are being controlled tightly and the company has experienced savings through employee attrition.

Group: Career Services-
Employment Month/Year of Report: May, 2012

Group Leader: 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

Activity	April	YTD	Goal	% of Goal
GED Completions	23	202	250	81%
Training Completions	45	328	450	73%
Employment Completions	3	24	300	8%
Unsubsidized Placement	95	508	500	102%
Retention	40	247	200	124%
Job Readiness Training	18	164	500	33%
WorkKey Credentialing	18	264	500	53%
Job Bank	3	105	1,000	11%
Indian Owned Businesses	12	164	100	164%
Major Cherokee Employers	0	0	50	0%
Job Fairs	1	16	15	107%
Community Service	11	49	50	98%

Balanced Scorecard measures for the previous month will be available the 15th of each month.

b. Accomplishments

1. 726 SYEP applications have been submitted and approved. Federal applications - 251 Tribal – 475.
2. Five Day Work Training participants entered employment, three with Cherokee Nation.

3. Five NAHASDA Day Work Training participants entered employment, five with Cherokee Nation.

Initiatives

1. Staff will prepare and submit a request for extension of the NEG-OJT program.
2. SYEP will begin in June.
3. A Health/Job Fair will be on June 7 at Claremore.

Group: Commerce

Month/Year of Report: May 2012

Director: Anna Knight

Phone: 453-5532 Email: aknight@cherokee.org

Budget Highlights None

Program Highlights

a. Balanced Scorecard Measures

Objective	Metric	2012 Goal	Year to Date Achievement Notes/Comments
Investment in Economy	Loan Dollars	\$1,000,000	Commercial: \$295,585.29 Approved Loans Pending Closing <ul style="list-style-type: none"> • Retail \$300,000 • Wrecker Service \$150,000 Pending approval Consumer: \$383,215.63
Investment in Economy	Tourism Dollars		
	a) Community Tourism & Business Development	a) \$125,000	a) \$106,800.00
	b) Tourism Business Income	b) \$50,000	b) \$31,646.00 (income to artists/communities)
Job Creation	# Small Business Jobs Created/Maintained	100	44
	Percentage Cherokee (or Cherokee Family) Employed	100%	73%
Effective Business Training	# Attendees and % Indicating usefulness	1,500/95%	1,396 / 100%
Spring Holiday	1. % Increase Sponsorships	a) 5%	a) TBD
	2. % Increase in Community Games Participation/Holiday Cultural Events	b) 5%	b) TBD

b. Notable accomplishments

1. **Commercial Loans Closed –YTD –** *Bunch*-Service (2 jobs); *Muskogee*-plumbing (2 jobs); *Hulbert*-Ag loan (2 jobs); *Briggs*- salvage (16 jobs); *Westville*-Ag loan (3 jobs); *Rose*-Ag loan (1 job); *Tahlequah*-Mechanic (1 job), artist loan (1 job); *Grove*-Convenience Store (6 jobs); *Sallisaw*-retail/tanning (10 jobs).

2. **Collateral for Commercial Loans Closed –**

Community	Loan Purpose	Project Costs	Loan Amount	Collateral Discounted Value	Owners Equity	Jobs
Rose	Purchase Cattle and Truck	\$30,000	\$25,000	Cattle and vehicle=\$31,000	27%	1

3. **Charged Off Loans –** Commercial: Monthly/YTD Total – 0, Consumer: Monthly/YTD Total – 0

4. Commerce participated in the **Tahlequah Business Fair and ICTC Vendor Fair** servicing 200 individuals at Tahlequah and 50 at ICTC, for **250 total participants**.

5. **Arts Center** has received **140 visitors** (including working artists using the center) since October 2011. Art Center has **two artist tenants and both have stated their retail sales have increased by 100%** since they have been tenants at the Center!

6. **Finalizing business/operational plans for art retail space** in the old Cort Mall in downtown Tahlequah. This space will provide affordable retail space with shared sales area/staff and shared marketing. It is anticipated artists graduating from the incubator program (receiving entrepreneurial assistance) will transition to this space.
7. Submitted **USDA/EDA Jobs Accelerator Grant Application in partnership** with Northeast Oklahoma Rural Alliance and Sustainable Green Country in order to facilitate community based jobs in the food sector.
8. Submitted US Department of Commerce Grant application to run the **Tulsa Native American Business Center** on behalf of the Minority Business Development Agency.

c. Future plans/new initiatives

1. **E-Commerce website for Arts Center Gallery** to increase market opportunities for Cherokee artists.
2. **Kitchen Incubator** for Cherokee farmers and food producers to earn supplemental income by preparing/packaging local foods for sale. **Creation of Food Sector entrepreneurial development and loan programs.**
3. **Subcontractor workshop series** to build capacity and bidding expertise of TERO vendors.
4. **Northeast Oklahoma Regional Summit** to be held at NSU in Tahlequah on October 30 and 31. Special emphasis this year will be on businesses. We will have breakout sessions on food sector businesses and **Google will present a Get Your Business Online workshop** during the summit.

Lending \$'s Available (pending and approved/pending applications not considered)*

▪ IRP:	\$469,559.80	▪ ICDBG Adult:	\$127,334.72
▪ Commercial:	\$544,073.42	▪ ICDBG Youth:	\$81,690.64
▪ CDFI:	\$601,590.29	▪ Consumer Lending:	\$153,195.42

* Bank statements for May are not yet available.

*ICDBG Adult bank account balance will shift to Commercial account once all grant closing procedures are completed.

Business/Entrepreneur Workshops			
Date	Location	Time	Workshop
June 13	Bartlesville, Tri-County Tech Strategy Center	8:30 am to 12:00 pm	E-Commerce – using the web in your business, paypal and online stores
June 27	Muskogee, Indian Capital Technology Center Room 100	8:30 am to 5:00 pm	Using Quickbooks, hosted by REI with \$165 fee
August 29	Claremore, RSU Innovation Center	8:00 am to 5:00 pm	Using Quickbooks, hosted by REI with \$165 fee
September 12	Claremore, CN One Stop Bid Center Red Room Confirmed	8:30 am to 12:00 pm	Minority Procurement – Tribal, Woman-owned, Central Contractor Registration, Oklahoma Bid Assistance Network
September 13	Bartlesville, Tri-County Tech Strategy Center	8:00 am to 5:00 pm	Using Quickbooks, hosted by REI with \$165 fee
October 24	Muskogee Civic Center	1:00 pm to 3:30 pm	Preparing Local Foods for Resale
October 30 – 31	Tahlequah – NSU	All Day	Northeastern Oklahoma Regional Summit
November 1	Catoosa Hard Rock	All Day	CN Indian Owned Business Fair
November 7	Bartlesville, Tri-County Tech Strategy Center	PM TBD	Tax Strategies for Businesses

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

Month/Year of Report: May 2012

Program Highlights

a. Balanced Scorecard Measures

Objective	Metric	2011 Goal	Year to Date Achievement Notes/Comments
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	500/100%	399/100%
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	75%	62.23% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> • CNE – 48.21% • CN Government - 86.54% • Health Entities – 96.88% • CNI – 69.64% • Waste Management - 99.75%
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB - CN – 82.9% Health - CNI – CRC – Aerospace -	Business Entities - 73.28% <ul style="list-style-type: none"> • CNE (CNE, CHL, WRD, CNSS) 69.61% • CNB (CNB, CNT, CSG) 57.43% • CN Government 81.08% (does not include IPA/MOA) • Health Entities 52.63% • CNI 76.32% (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	80	117
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	300/95%	52/100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	43.27% - Dollar Amount Loaned out 30.00% - Number of Loans
Effective Usage of Fees Collected	# Trained	100	0
Effective Monitor of Work Sites – Construction and Housing	# Monitoring Visits	90%	100% - 981 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	100% - 65
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 8 complaints filed; 8 resolved, 0 pending EEOC: 2 complaint filed; 0 resolved, 0 pending

b. Notable accomplishments:

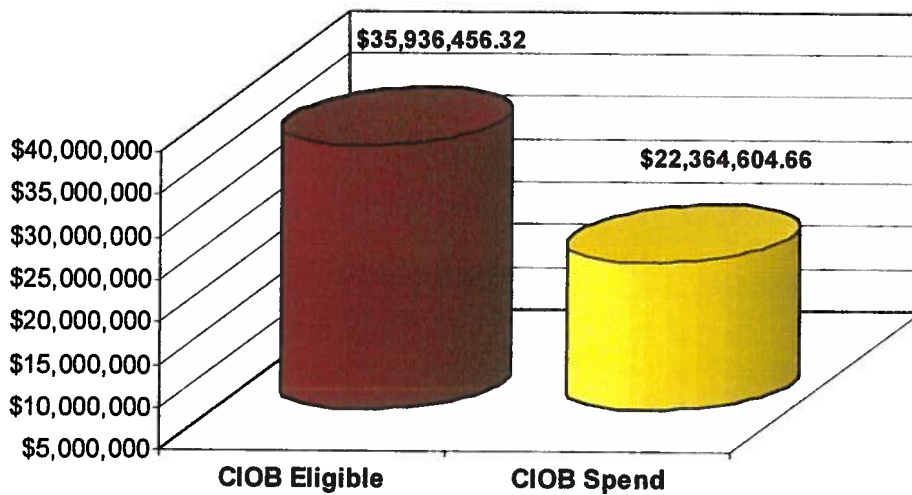
1. Commerce participated with the Tahlequah Business Fair and ICTC Vendor Fair servicing 200 individuals at Tahlequah and 50 at ICTC, for 300 total participants.

c. Future plans/new initiatives:

1. **Changes to TERO Vendor Fair** will provide opportunity for TERO Vendors to meet “one-on-one” with purchasing staff from the government and the business entities. Will also provide a “booth sitter” for vendors with limited booth workers so that more vendors can attend workshops and network with other vendors.
2. **TERO certified CIOB Marketing Plan** to engage other state and tribal entities in accepting CN certification as a minority certification, thereby adding more value to CN certification.
3. **Electronic notification to TERO certified Indian-owned businesses** when a procurement opportunity they qualify for posts on www.cherokeebids.org. Notification will be through email and text messaging. The first step in coding vendors has been complete and Information Systems is working on the notification. Training for departments and testing should be completed this summer with full implementation before the end of the fiscal year.
4. **Entrepreneurial Development workshops to be stored online for easy access** by businesses that cannot attend the live workshop.

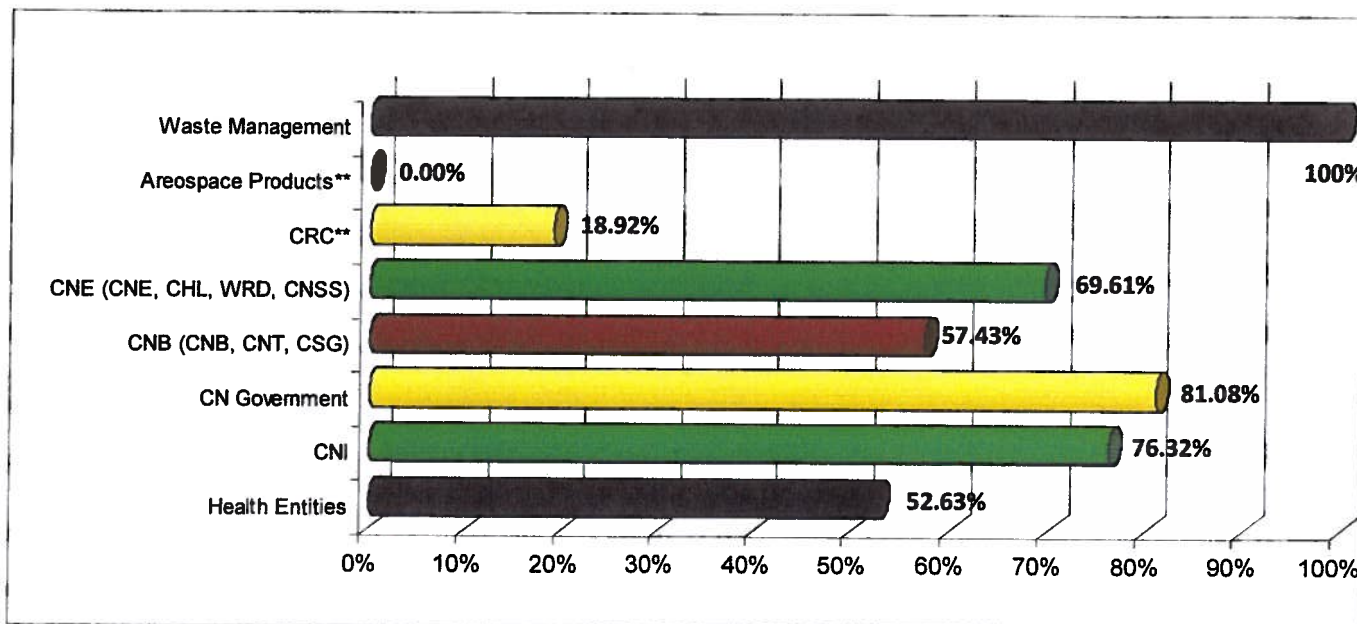
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62.23% of CIOB Eligible Procurement Opportunities were awarded to CIOBs



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

73.28% of Employees are registered Cherokee Nation Citizens



**Companies majority, not wholly, owned