Malcolm Wiener Center for Social Policy

Cedar Pass Lodge

A Teaching Case Study in Tribal Management
For Oglala Lakota College

by

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PRSC-1

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Harvard Project on
American Indian Economic Development

John F. Kennedy School of Government
Harvard University

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This case is for teaching purposes only. It is not intended to be a complete and accurate reporting of relevant events and therefore should not be cited for research purposes. Primary documents may be found by referring to footnotes, and some may be located in the Oglala Lakota College Library archives.

The views expressed in this paper are those of the authors and do not necessarily reflect those of the Managers as Warrior Program, Oglala Lakota College, the Harvard Project on American Indian Economic Development, the Malcolm Wiener Center for Social Policy, or Harvard University.

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CEDAR PASS LODGE

Background

The Pine Ridge Sioux Indian reservation is located in the southwest corner of the state of South Dakota. It is home to more than 20,000[1] members of the Oglala Sioux Tribe, the band of Lakota people who claim among their great the leaders Crazy Horse, Red Cloud and Black Elk.

While in no way comparable to their original lands (e.g. before the onset of Anglo dominance, the Lakota homeland encompassed much of present day North and South Dakota, Montana, Wyoming and Nebraska), the modern reservation area is nonetheless quite large. In physical area it is second only to the Navajo reservation and is larger than three U.S. states (Rhode Island, Delaware and Connecticut). Despite this sizable endowment of land, the aridity of the region and its inaccessibility to major transportation networks has, to date, limited on-reservation productivity and income generation. Hence, the material resources of the Lakota people are slim: 1986 per capita income in Shannon County, South Dakota, which comprises the major part of the reservation, was $3244, making it the poorest county in the United States.[2] According to the 1980 census, 58% of the resident Indians live beneath the poverty line.[3] BIA estimates indicate that approximately 73% of those able to work are unemployed[4], although those living on the reservation often report that the actual figure is higher. Of those who do work, the vast majority hold public sector jobs, as there are very few enterprise-related jobs

[1] Department of the Interior, Bureau of Indian Affairs (BIA), *Indian Service Population and Labor Force Estimates, 1989.* The actual 1989 estimate was 20,206.

[2] D. Johnson, *A Study of the Twenty-five Poorest Counties in the Continental U.S.A in 1986*, United Methodist Church (New York: 1987), page 12.

[3] U.S. Department of Commerce, Bureau of the Census, *1980 Census of the Population American Indian Areas and Alaska Native Villages: 1980 Subject Report*, Government Printing Office (Washington, D.C.: 1984).

[4] *Indian Service Population.*

This case was written by Miriam R. Jorgensen for use at Oglala Lakota College and the Kennedy School of Government at Harvard University; it was prepared under the direction of Professors Stephen Cornell and Joseph Kalt, co-directors of the Harvard Project on American Indian Economic Development. Support was provided by the Kellogg Foundation through the Managers as Warriors Program at Oglala Lakota College. This case was designed to generate class discussion and is not based on actual events. Facts and figures are generally accurate, to allow effective classroom decision-making, but the meeting described herein is entirely fictional.

available. In 1979, for instance, only 7% of the employed were in agriculture, 7% in manufacturing and 3% in retail trade.[5]

Setting the Scene

Norma Turner sat waiting, somewhat apprehensively, for the meeting to begin. While she had joined several other Oglala Sioux Tribe (OST) Parks Authority representatives in demanding the evaluation which would take place that day, she knew that requesting the discussion was a much easier decision than the one she would face at the session's conclusion. The meeting had been called to re-evaluate the desirability of retaining Lois Davidson as manager of Cedar Pass Lodge, a National Park Service concession which was leased by the Oglala Sioux Tribe and administered by the Tribe's Parks Authority. It seemed to Norma Turner that with approximately 80% unemployment on the reservation, it might make more sense to have a local tribal member run the enterprise, rather than someone who was not Lakota Sioux.

Badlands National Park borders the reservation to the north and, since 1976, has formally included nearly 140,000 acres of reservation land as well.[6] The Tribe's proximity to the central Park area, its ownership of part of the Park's land assets, and indeed, the Park's location in a portion of the Tribe's historic homeland makes it seem perfectly appropriate that the Tribe operate the primary concession within Park boundaries. (See maps in Exhibit 1.) Indeed, arguments of this nature -- and also the opportunity to capture some of the tourist dollars which were spent so near, but often not on the reservation -- motivated the Tribal Council to take over the operation when the opportunity arose in the early 1970s. The Tribe pays the Park Service a franchise fee and must abide by national park regulatory standards, but otherwise, and particularity with respect to staffing decisions, it has complete authority over the concession.

Originally, decisions affecting lodge operations were handled by the Executive Committee of the Tribal Council. The original "Plan of Operation" for the Cedar Pass concession, adopted in 1971, granted the Committee this right. Yet the plan also stated that "If the Executive Committee so elects, it may delegate [this] authority ... to a properly formed corporation or

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[5] *American Indian Areas and Alaska Native Villages.*

[6] The authorizing legislation for this addition was actually passed in 1968, but the Tribe did not sign their formal "Memorandum of Agreement" with the National Parks Service until 1976. Much of the negotiation for this agreement was done during the administration of Chairman/President Dick Wilson, from 1972 - 1976. [See Jay Schuler, *A Revelation Called the Badlands* (Badlands Natural History Association, 1989: Interior, South Dakota), as well as official National Parks Service and Oglala Sioux Tribe documents, including the *Memorandum of Agreement.*]

board." (See Exhibit 2.) Such a board was created and given an independent charter[7] in 1973. Thus, along with administrative responsibility for the tribal buffalo herd, authority over decisions relating to Cedar Pass Lodge passed from the Executive Committee to the Tribe's "Parks Board". The Board was renamed "The Oglala Sioux Parks and Recreation Authority" in 1978 to clarify its mission and the scope of its activities; however, the group's administrative role vis-a-vis Cedar Pass was unchanged, and colloquially, the group retained its designation as the "Parks Board". (See organization charts, old and new, Exhibit 3.)

Today, Cedar Pass Lodge is a large tourist complex, including a 4500 square foot gift shop, 120 seat full service restaurant and a 24 cabin motel. The auditor's report for fiscal year 1988 showed gross receipts of $882,194; after costs of sales, fixed and operating expenses, wages and taxes were deducted, the venture showed a net income of $103,995. (See Exhibit 4.) The dividend returned to the Parks Board was nearly $75,000. The 1989 season brought an $85,000 dividend to the Board. Moreover, according to various accounting measures of liquidity, profit generation activity, debt carrying capacity and profitability, Cedar Pass Lodge rates as financially quite strong. (See Exhibit 5.)

In the pre-meeting lull, Norma Turner reflected on what a change those figures represented from the Tribe's original acquaintance with Cedar Pass -- or even from 1982, when Lois Davidson first took the helm as lodge manager. E.N. Nelson, the concessionaire whom the Tribe succeeded in 1971, was an elderly restauranteur and motel manager from Rapid City, South Dakota. Due to his age and failing health, residence in Rapid City and waning interest in Cedar Pass, the operation had declined to little more than a typical, kitschy souvenir shop beside a passable group of tourist cabins. This state of affairs essentially persisted throughout the early seventies, and profits were so low that the concern had difficulty making several annual loan payments of $34,250 -- money which the Tribe owed the Bureau of Indian Affairs (BIA) for its initial purchase of the operation. Given this slack business, the BIA allowed OST to renegotiate its loan, lowered payments to $27,400 annually and spread the pay back period out over several more years. By the 1980s, the lodge was out of debt and making money, but the tribal dividend was nonetheless quite low. Moreover, the plant itself was crumbling: In 1981 the National Park Service threatened to close the cabins because they failed to meet basic standards of adequacy. That, recalled Norma Turner, was the point at which her predecessors on the Parks Board had hired Lois Davidson. Throughout her tenure as manager, Ms. Davidson had returned record profits to the Tribe. She had also overseen the modernization of the cabins, the remodelling of the gift shop, and a complete overhaul of the dining room and kitchen,

[7] This charter guarantees independence from the Tribal Council. Parks Board/Authority members are elected by each of the nine districts on the Pine Ridge reservation, serve terms which are different in length from those of Tribal Council members, and are not answerable to the Council for their policy decisions -- although they are accountable to their districts and communities.

including new wiring, plumbing and other new facilities. Lois Davidson had taken a marginal business and made it successful again.

<u>The Parks Board Meeting</u>

As the meeting opened, the Parks Authority treasurer reviewed Cedar Pass' financial history -- information which Norma Turner already knew quite well. And then the treasurer added some new statistics. Ms. Davidson had recently reported that the July 1990 sales volume was running 18% ahead of the previous year, and since visitation was expected to reach a record level in Badlands National Park that year, the Tribe could well receive their largest dividend ever.

Soon an outspoken Board member interrupted the Treasurer to say that this success was due to Lois Davidson's management skills. "There is no question in my mind," he interjected, "that Lois succeeded because she knows the shop, has an excellent background, is a sound administrator and is committed to making money for this Board. After all, it was because of her knowledge and experience that we first hired Lois -- and I was on the Board then to support her, just as I will support her now -- and it is because of that knowledge and experience that we should renew her contract for as long as she is willing to stay. Lois was with Cedar Pass as a sales clerk for several years before we hired her as manager, she worked her way up through the organization, and it is that long-standing background that we cannot afford to lose." (See Exhibit 6 on Lois Davidson's background.)

Norma Turner watched as reactions to these comments broke out around the room. "If all it takes to run Cedar Pass is experience as a sales clerk, then there are a hundred of our people who have worked at Cedar Pass -- in the restaurant, in the gift shop, at the cash register and in the cabins -- who can take over as the manager of Cedar Pass!" said Jack Merrigan quite adamantly.

"With increased visitorship to the Park," mused Jeannie Running Horse, "it seems like we're asking Lois Davidson to run a 'can't miss' business. If her profit depends on the number of people who come to the Badlands, it doesn't depend as much on how well the manager manages or how much experience the person has. So I don't think her experience is as important as some people make it out to be. The Lodge is next door to the primary National Park Visitor Center; with that location and so many Park visitors, Cedar Pass Lodge cannot fail. Really, I'm not sure that Lois Davidson, or her experience or her background, make the business." (See Exhibit 7, the National Park Service discussion on Park visitation.)

But others jumped to Lois Davidson's support. One argument held that Ms. Davidson had well established contacts with vendors, the business people who often had the power to make or break the tenuous tourist trade. "If those vendors start charging us more money for simple things, like pop delivery or napkins or jewelry or postcards, we could go under," ventured Daniel Knife. "Or," he pointed out, "we could lose money by having to pay up front for goods because these people didn't trust our new manager. Any number of things could happen. But Lois Davidson knows those people, and they know her. She has been a good customer to them, and that means she can run a tighter ship there. Should we be willing to risk those connections, especially when the reservation economy is so delicate? What if we just start to lose money if we get rid of Lois Davidson and put in a Lakota manager?"

Norma Turner felt compelled to speak herself. "Although I was one of the people that pressed for us to consider this issue -- and my mind is far from being made up either way -- I think we do have to consider whether or not we could find someone else to take Lois' place. How many people are there on this reservation who are qualified to manage the Lodge? Is being a sales clerk really all it takes? There are a lot of things that the manager of Cedar Pass has to do, to know about. There is the kitchen and the restaurant, the gift shop and the motel. The manager has to be skilled enough to keep the books and have good experience working with a staff. All of these things mean it will take a very complex person to run Cedar Pass. I'd like that person to be one of us, but is there someone on the reservation who can do all of that?"

"Norma," said one of her colleagues, "you of all people, with your husband Ike on the Board of Trustees, should know that that is exactly what Oglala Lakota College is for! The College trains people to take just these sorts of jobs."

Norma considered this idea. Certainly the local college trained many Lakota people in diverse fields. That past summer, at its seventeenth commencement ceremony, 96 people had graduated with Associate of Arts, Bachelor of Arts and Bachelor of Science degrees. Plus, the College was the fastest growing institution of higher learning in the region. Certainly more and more local Indians were gaining academic qualifications -- many of them learning skills like the ones needed to administrate the operation at Cedar Pass.

Other Board members were assessing the impact of the College as well. "I'm not so sure I agree with the last comment," ventured Joseph Runs Back. "The College trains plenty of people to teach, and to be nurses, and to work in our human services jobs. And it teaches vocational skills. But wouldn't business experience be more helpful than a business degree alone? After all, this is a very complex business, and it's big, too -- Cedar Pass has a lot of employees. And besides, many of the people with business and management educations are already the ones with jobs."

Soon someone else mentioned that it might not be appropriate for the College to train people for such specific management skills. Perhaps, the idea was posed, that training should take place at Cedar Pass itself. It struck several Board members as strange that no assistant manager positions had been retained throughout Lois Davidson's tenure as manager. Some felt that Lois was trying to create a small fiefdom, thus ensuring that she be kept on by keeping others in the dark about Lodge operations. One member merely commented, however, that this lack of an obvious hierarchy might be more reflective of traditional Lakota values.

These comments led other Board members to voice their concerns about Ms. Davidson's employment policies. Norma Turner noticed that the conversation slowly took another turn. "She's never really employed people the way she should, not just with the sorts of jobs they hold," said Jeannie Running Horse. "No, she's never employed enough of us, enough Indians."

Board Chairman Richard White Eagle, in response to these remarks by Running Horse and others, recounted a fact-finding visit he had paid to Cedar Pass shortly after his election to the Board. He told how he had been very worried about reports that there were too many fair skinned people -- non-Indians -- working at the Lodge. "I knew," he said, "that with it being a tribal enterprise, and a business that the Parks Board pays the National Park Service to be allowed to operate, that our people deserve a chance to hold those jobs. So I went to find out how many white people Lois Davidson had employed there." Chairman White Eagle told how Lois Davidson had allowed him to look at the employment records, and to his surprise, how he found that many of the light skinned employees were indeed enrolled members of the Oglala Sioux Tribe. "Some of these people may not act 'as Indian' as I do, but it is difficult for me to begrudge them their jobs when I know that they may be my relatives."

"But how many Lakota does she really hire?" pressed Jack Merrigan. "The times we've called her in here on the carpet, the times we've asked her to show up and justify her policy, she's only ever told us that it's about 70-75% of her staff. We pay that concession fee, we pay the National Parks good money to have that be an Oglala Sioux Tribe Parks and Recreation Authority enterprise, so why shouldn't it be all Lakota Sioux? Even the manager?"

Roland Michaelson, the Superintendent of the Badlands National Park and a frequent visitor at Parks Board meetings, quietly added his opinion. "You do pay the National Park Service for the right to operate the concession. But you cannot receive that right from the federal government and expect to break federal laws. As the manager of a National Park concession, Ms. Davidson is required to abide by federal equal opportunity standards. And with that in mind -- although I do not in any way intend to influence your decision about retaining her -- Lois has done an admirable job of recruiting and hiring Native Americans. In fact, I can see how she might feel that she should, since she herself is Indian."

The Superintendent's last comment was not news to the Parks Board members, but it was an important reminder to some of them. Lois Davidson appeared non-Indian to many, yet in truth, she was an enrolled member of the Crow Tribe. Not only was this a question of Lakota needs, but it also had some bearing upon inter-tribal relationships. Historically, relations between the Sioux and Crow groups had not always been friendly.

Almost as if to thrust this obviously thorny issue aside, a Board member soon began speaking about his niece's work experience as an employee at Cedar Pass. "Lois Davidson would work out a schedule every week, see? And that schedule would put together people on the shifts who needed to ride together with each other. And my niece was one of those people because she didn't have a car at that time. So she told Lois Davidson this when she was hired, and Mrs. Davidson put her together with two other girls from Wanblee. They worked in the kitchen, two of them, and my niece, she worked in the shop." Others soon brought out instances where it appeared that Lois Davidson had gone out of her way to accommodate her Indian employees -- so that they could attend pow-wows and ceremonies, go to doctors appointments and attend to family commitments.

"So she is able to do these things," argued Paul Lawrence. "But wouldn't a Lakota manager at Cedar Pass do them even better, and perhaps be more sensitive to what our Lakota workers need? Lois Davidson has never lived on this reservation and someone who has would know about those things almost instinctively. She has to be told. And besides, wouldn't we as a Board also be able to communicate better with one of our people?" These sorts of comments made it clear that Lois Davidson might manage and communicate with Lakota people quite well, but left some nagging questions about the possibility of a Lakota manager doing an even better job.

Richard White Eagle returned the conversation to some of the statistics he had found in the latest annual report on Cedar Pass Lodge. In 1989, he mentioned that there were 65 total employees at the height of the season. That statistic, along with the 70-75% Indian employment figure, implied that there was a peak of approximately 48 or 49 Indian employees. "If Indian employment is one of this Board's main concerns -- and it is one of mine -- then we must consider what will happen to that figure if we do not renew Lois' contract. With a less experienced manager, business could slack off, revenues would go down and total employment would fall. In my mind, might it not be better to have 48 Sioux employees and 75% Indian employment than 35 employees and 100% Sioux employment?"

Some Board members reacted badly to this question, feeling that the hypothetical situation it proposed put too much stress on the negative possibilities. Some representatives maintained that declines in business, if they did occur, could be tolerated. In short, these members felt that a slackening in the revenues would happen only during the new manager's transition period and that they would not be permanent. Given that the Parks Board was reaping adequate and growing income from its other programs, particularly the profits they were realizing from the buffalo herd, such potential decreases in profit were acceptable if they were the short run costs to be weighed against the gains from Sioux management.

James Yellow Star, who had been quietly observing the discussion so far, now offered the product of his contemplation. "It seems to me that we are discussing two major issues here: whether or not there should be a Lakota manager at Cedar Pass for reasons of principle, and whether or not declining to renew Lois Davidson's contract will affect the profit and employment picture of the operation. And then sometimes, we are not even sure that the profit and employment situations are the same picture -- some people, like our Chairman, seem to think that they are not. But it occurs to me that if Lois Davidson is a really good manager, and if she makes money for us, then we should keep her. Although we have had our minor disagreements, Lois is not a bad person. What we should do is keep her on as manager and make her do more of what we want her to do, like hire more of our Lakota people. If we are worried about Lakota employment, asking Lois to leave and putting one of us in only gives one more Indian a job. But telling her to hire more Lakotas on her staff gives more of our people jobs. All we really have to do is tell her who to hire. Then we keep getting good profits, we don't lose a good manager, and we increase our Indian employment. It seems simple to me."

"We've asked her before to look at her employment practices and she has never taken on many more Indians," said Jack Merrigan. "That's been our biggest concern with her throughout the years -- I'm not sure your idea is new. It's an old idea that does not work. She tries to tell us that she can't hire more Indians because everyone lives so far away from Cedar Pass Lodge -- it's thirty miles from Wanblee, and maybe thirty-five from Kyle. She says she needs a core of people with phones who she can reach quickly, to ask them to come to work in a pinch. She has all kinds of excuses to not do what we ask. Lois Davidson is very tough-minded, she acts very independently from this Board."

Not sure that Jack was being fair in his representation of the situation, Norma again interjected. "Lois Davidson has won that independence, though. She has worked hard for it, and it has paid off for her. It has probably paid off for the Parks Board, too. I think we should consider giving any manager, whether that person be Oglala Sioux or not, that much independence. It is just good business practice."

Chairman White Eagle, at this point seeking to dispel some of the negative feelings which his last comments had engendered and also hoping to get the conversation back on track, noted that the "tolerable loss" analysis used earlier in relationship to profits might apply to another one of his concerns -- that of National Park standards. The myriad of regulations would be difficult for a new manager to grasp immediately, but the ten year concession contract signed with the Park Service in 1989 gave them operating flexibility there, too. Because they had the security of this new contract, they might be able to risk a new manager who was initially less knowledgeable of the rules.

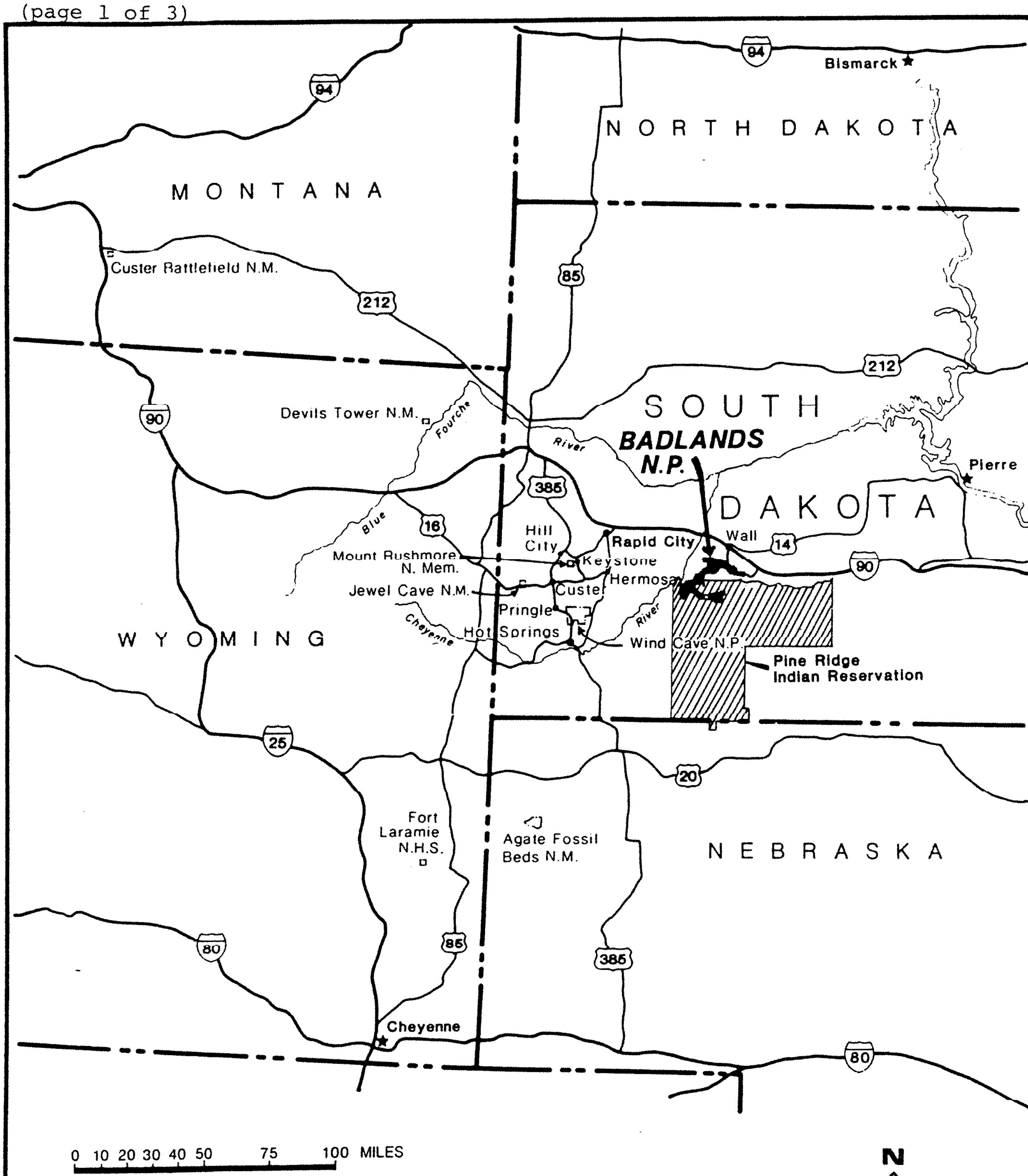
"But we are used to getting all fives in those National Park Service inspections. Those perfect marks would be hard to part with -- especially if the quality of the food drops," laughed Gerald Little Eagle. And with that he moved for a vote. "I move that we end discussion and vote to retain Lois Davidson as the manager of Cedar Pass."

The motion was seconded by Daniel Knife, and Chairman White Eagle then asked for a roll call vote. He reminded the Board that because all members were present, including *ex officio* member Tribal President Martin Phillips, he would not be forced to cast final vote, unless there was an abstention. The Chairman also reminded Board members that a "yes" vote would retain Lois Davidson as manager of Cedar Pass, and that a "no" meant her contract would not be renewed. Norma Turner suddenly realized that she was no closer to a decision than she had been three hours earlier. She would have to quickly review the pros and cons -- and then she became aware of the secretary calling the roll.

Knife? "Yes."
Lawrence? "No."
Little Eagle? "Yes."
Merrigan? "No."
Phillips? "No."
Running Horse? "No."
Runs Back? "Yes."
Turner? "Pass"
Yellow Star? "Yes"
Turner?

Norma knew she was the last to vote. She also felt the pressure of holding the tie breaking vote in her hands.

EXHIBIT 1, MAP A
(page 1 of 3)



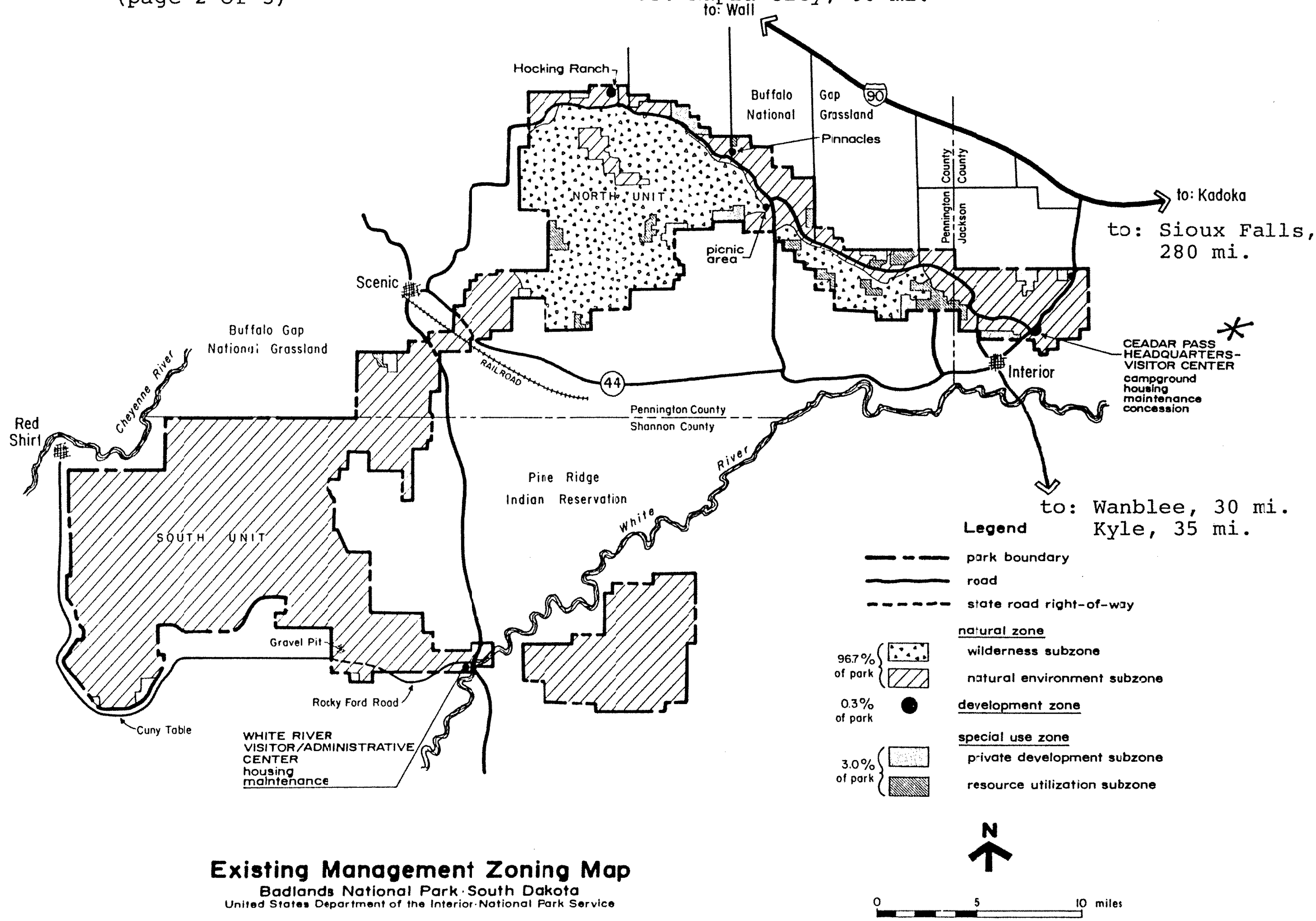
Vicinity Map

Badlands National Park

U.S. Dept. of the Interior – National Park Service

137 | 80,049
July '85 | RMRO

EXHIBIT 1, MAP B
(page 2 of 3)



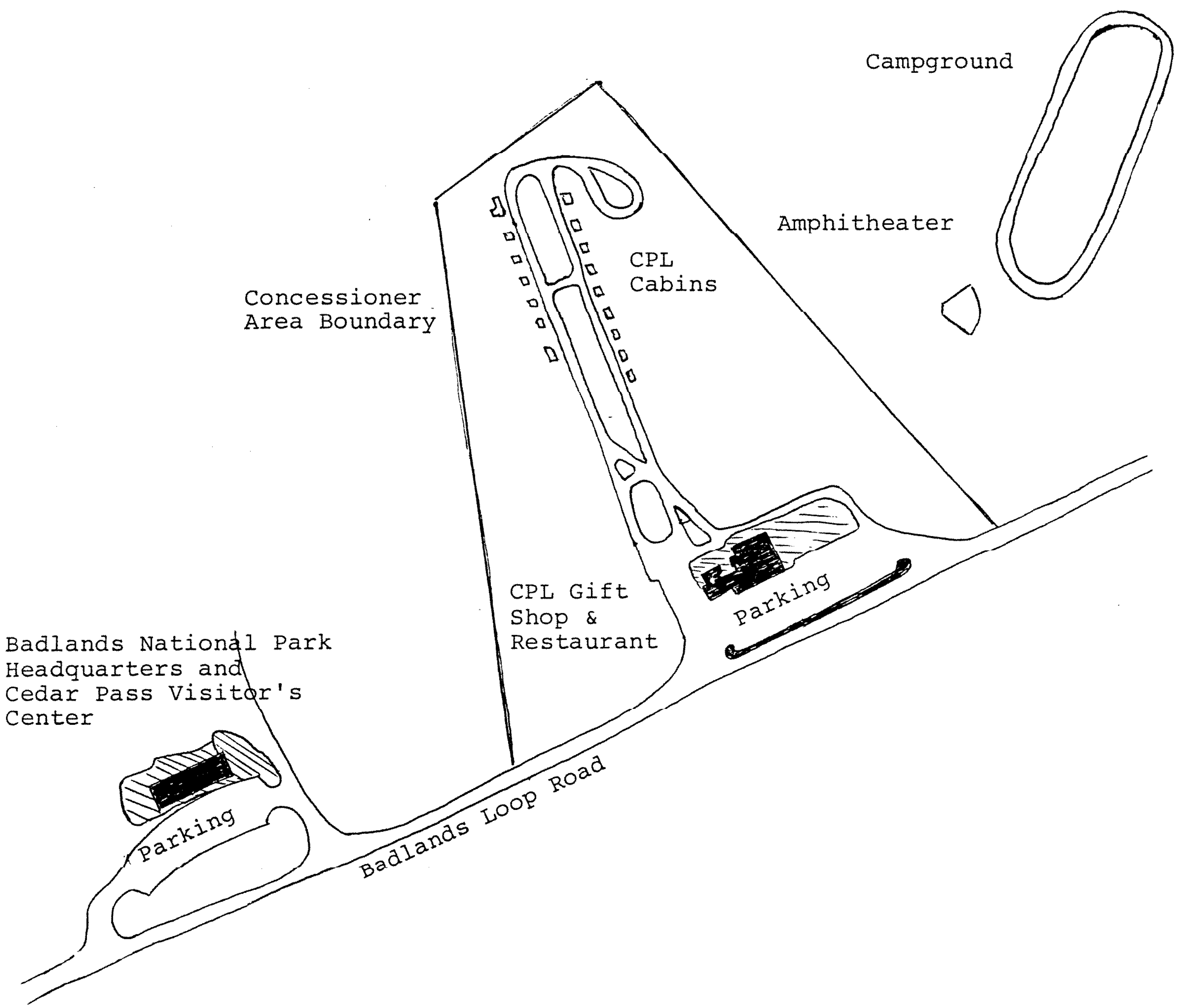
Existing Management Zoning Map

Badlands National Park · South Dakota
United States Department of the Interior · National Park Service

137 | 80,047
July '85 | RMRO

EXHIBIT 1, MAP C
(page 3 of 3)

MAP OF CEDAR PASS CONCESSION AREA



PLAN OF OPERATION FOR THE

OGLALA SIOUX TRIBE

CEDAR PASS CONCESSION

SECTION 1 - NAME AND PURPOSE. The official name of the Enterprise shall be the "OGLALA SIOUX TRIBAL CEDAR PASS CONCESSION."

The Tribe proposes to establish this enterprise (1) to purchase the assets of present Cedar Pass concessionaire; (2) to enter into agreement with the National Park Service for assignment of the present contract; (3) to operate the concession for the benefit of the Oglala Sioux Tribe; (4) to provide more local employment and training for tribal members; and (5) to enable the Tribe to exploit a valuable resource, namely tourism.

SECTION 2 - LOCATION. The concession is located on the Badlands National Monument adjacent to the Cedar Pass Visitor Center. This lies in Jackson County, South Dakota, just two miles from the Reservation's northern boundary, near Interior, South Dakota.

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SECTION 9 - MANAGEMENT.

A - The Executive Committee of the Oglala Sioux Tribal Council is delegated authority to act on matters within the scope of the Enterprise plan. The action of the Executive Committee shall be binding on the Tribe.

B - The Executive Committee shall be composed of five members. Four members hall constitute a quorum for the conduct of business under this plan. One or more members of the Superintendent's staff may be present in an advisory capacity when Enterprise business is to be discussed. The Chairman of the Executive Committee shall require the Secretary (or another member of the Committee in the absence of the Secretary) to keep a full and complete record of all meetings and acts therein which concern, pertain to or may affect the

Enterprise operation, copies of which shall be furnished the Tribal Council and Superintendent.

C - All acts of the Executive Committee shall be by majority vote of the members present.

D - The Executive Committee shall hire a manager who shall operate or effect a businesslike operation of the Enterprise including annual audits, and an annual fiscal report on the business of the enterprise. Copies of the audit and the report will be made available to the Tribal Council, the Superintendent, the Area Director and the Commissioner.

E - The manager shall be responsible for the businesslike operation of the business on a day-to-day basis.

F - If the Executive Committee so elects it may delegate all authority under this section to a properly formed corporation or board.

SECTION 10 - <u>MISCELLANEOUS PROVISIONS</u>.

A - The fiscal year of the Enterprise shall be January 1 to December 31 inclusive.

B - Complete financial records of the Enterprise shall be kept by the Tribe.

C - An annual audit by a certified public accountant or a firm of accountants shall be made.

D - All Enterprise records shall be available for inspection by the Commissioner, the Area Director, the Superintendent, or their authorized representative during regular business hours or when deemed necessary.

Exhibit 2
(page 3 of 3)

RESOLUTION OF THE EXECUTIVE COMMITTEE
OF THE OGLALA SIOUX TRIBE
(AN UNINCORPORATED TRIBE)

A RESOLUTION TRANSFERRING THE DEVELOPMENT AND OPERATIONS OF CEDAR PASS LODGE AND GAME RANGE TO THE OGLALA SIOUX PARKS BOARD, INC.

WHEREAS, the Oglala Sioux Tribe has chartered the Oglala Sioux Parks Board, Inc.;

WHEREAS, the Oglala Sioux Tribe realizes revenue from the concession operation at Cedar Pass Lodge;

WHEREAS, the Oglala Sioux Tribe did pass resolution 72-21 for the development of the Oglala Sioux Game Range;

WHEREAS, the Oglala Sioux Parks Board, Inc. was chartered for the development and operations contributing to the economic development of the Pine Ridge Reservation as per Section (a) ARTICLE 2 of the CHARTER OF THE OGLALA SIOUX PARK BOARD, INC.;

WHEREAS, the Oglala Sioux Tribe included ARTICLE 3 of the CHARTER OF THE OGLALA SIOUX PARKS BOARD, INC.;

NOW THEREFORE, BE IT RESOLVED, that the Oglala Sioux Tribe through Executive Committee action transfers the responsibilities for development and operations of the Oglala Sioux Game Range and Cedar Pass Lodge to the Oglala Sioux Parks Board, Inc.;

BE IT FURTHER RESOLVED, that the Oglala Sioux Parks Board provide the following:

1. Policy guidelines for development and operations of Cedar Pass Lodge and the Game Range System.
2. Prepare a plan of operations for the concessions and Game Range.
3. Establish the procedure and guidelines for hiring of management.
4. Make recommendations to the Council for management operations and to carry out those recommendations.

C E R T I F I C A T I O N

I, the undersigned as Secretary of the Oglala Sioux Tribe, hereby certify that this resolution was adopted by the unanimous vote of the 3 members present during the Special Sessions of the Executive Committee held on the 12th day of November, 1973

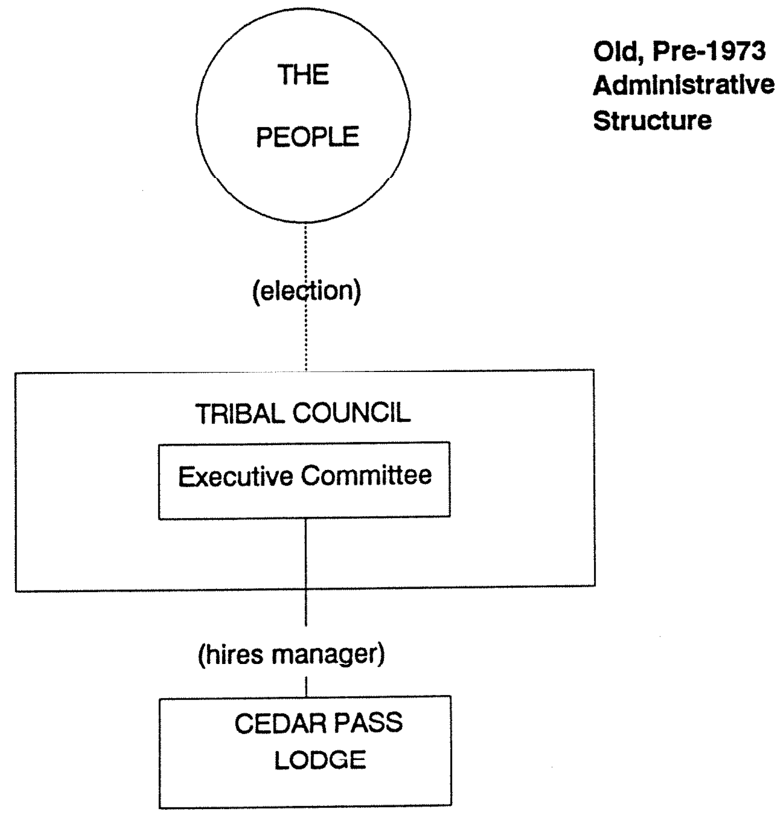
Lloyd W. Eaglebull, Secretary
Oglala Sioux Tribe

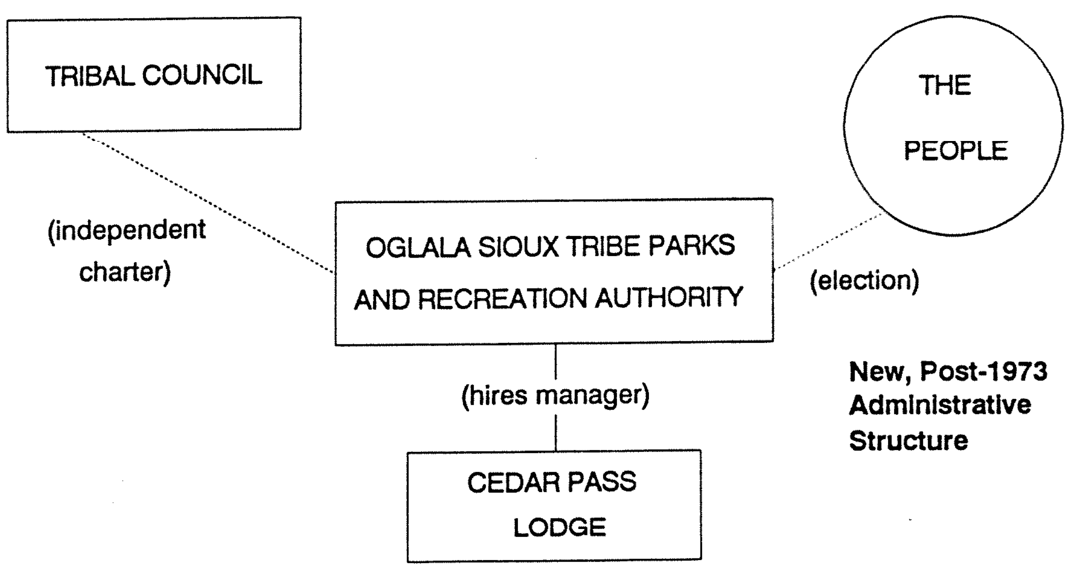
ATTEST:

Dick Wilson, President
Oglala Sioux Tribe

EXHIBIT 3
(page 1 of 1)

The Management of Cedar Pass





CONCESSIONER: Oglala Sioux Tribe (Cedar Pass Lodge)	YEAR ENDING: 10-31-88
STATEMENT OF INCOME	SCHEDULE A

EXHIBIT 4
(page 1 of 3)

	This Year 19 88	Last Year 19 87
DEPARTMENTAL INCOME		
1. GROSS RECEIPTS (Sch. H. Col. A, Line 2)	$882,194	$852,854
2. RETURNS AND ALLOWANCES (Sch. H. Col. A, Line 3)		
3. NET SALES (Sch. H. Col. A, Line 4)	882,194	852,854
4. COST OF SALES (Sch. H. Col. A, Line 8)	430,525	406,496
5. GROSS PROFIT (Sch. H. Col. A, Line 9)	451,669	446,358
6. TOTAL DIRECT EXPENSES (Sch. H. Col. A, Line 30)	180,654	182,689
7. DEPARTMENTAL INCOME (LOSS) (Sch. H. Col. A, Line 31)	271,015	263,669
INDIRECT OPERATING EXPENSES		
8. Administrative and general expenses (Sch. I, Line 21)	122,325	110,532
9. Government franchise fee (Sch. B, Line 29)	23,234	21,929
10. TOTAL INDIRECT OPERATING EXPENSES	145,559	132,461
11. TOTAL INCOME (LOSS) FROM OPERATIONS BEFORE FIXED EXPENSES	125,456	131,208
FIXED EXPENSES		
12. Rent	2,300	
13. Property taxes		
14. Insurance		
15. Interest	2,702	2,952
16. Depreciation (Sch. D, Col. G, Line 6)	32,575	17,688
17. Amortization	1,533	1,533
18.		
19.		
20. TOTAL FIXED EXPENSES	39,110	22,173
21. INCOME (LOSS) BEFORE INCOME TAXES AND OTHER INCOME (EXPENSES)	86,346	109,035
OTHER INCOME (EXPENSES)		
22. Interest and dividend income	6,658	9,280
23. Gain (Loss) on sale of property	(253)	-
24. Commissions/fees/compensation from subconcessioners (Sch. B, Line 27)		
25. Other	11,244	9,476
26. TOTAL OTHER INCOME (EXPENSES)	17,649	18,756
27. INCOME (LOSS) BEFORE INCOME TAXES	103,995	127,791
INCOME TAXES		
28. Federal		
29. State and local		
30. TOTAL INCOME TAXES	-	-
31. NET INCOME (LOSS)	$103,995	$127,791

EXHIBIT 4
(page 2 of 3)

CONCESSIONER: Oglala Sioux Tribe (Cedar Pass Lodge) AS OF: 10-31-88

BALANCE SHEET SCHEDULE C

	This Year 19 88	Last Year 19 87
ASSETS		
Current Assets		
1. Cash	$142,886	$ 52,739
2. Marketable Securities Certificate of deposit	9,985	117,438
3. Inventories—Merchandise	164,709	145,385
4. Accounts Receivable	21,016	13,131
5. Notes Receivable—Related Party		
6. Notes Receivable—Other		
7. ~~Prepaid Expenses~~ Interest receivable	251	1,463
8. Other Employee receivable	3,221	1,444
9. TOTAL CURRENT ASSETS	342,068	331,600
Fixed Assets		
10. Depreciable Fixed Assets (Sch. D, Col. G. Line 4)	327,229	212,230
11. Less: Accumulated Depreciation (Sch. D, Col G. Line 8)	(131,954)	(107,908)
12. Net Depreciable Fixed Assets (Sch. D, Col. G, Line 9)	195,275	104,322
13. Construction in Progress		
14. Land		
15. TOTAL FIXED ASSETS	195,275	104,322
Other Assets (Identify)		
16. Purchase price in excess of underlying assets,		
17. net of amortization	37,046	38,579
18. TOTAL OTHER ASSETS		
19. TOTAL ASSETS	$574,389	$474,501
LIABILITIES		
Current Liabilities		
20. Notes Payable—Related Party	$ -	$ -
21. Notes Payable—Other		
22. Accounts Payable	4,160	7,148
23. Current Maturities on Long-Term Debt		
24. Government Franchise Fee Payable	23,234	21,929
25. Accrued Liabilities - payroll taxes	-	929
26. Advance Deposits		
27. Other Sales tax payable	5,666	7,161
28. TOTAL CURRENT LIABILITIES	33,060	37,167
Long-Term Liabilities		
29. Long-Term Debt, Less Current Maturities		
30. Other		
31. TOTAL LONG-TERM LIABILITIES		
32. TOTAL LIABILITIES	33,060	37,167
EQUITY		
33. Partner's or Proprietor's Capital		
34. (Corporations Only) Preferred Stock, Par Value $___ Authorized: ___ Shares, Issued: ___ Shares		
35. (Corporations Only) Common Stock, Par Value $___ Authorized: ___ Shares, Issued: ___ Shares		
36. (Corporations Only) Less: Treasury Stock		
37. (Corporations Only) Additional Paid-in Capital		
38. (Corporations Only) Retained Earnings	541,329	437,334
39. TOTAL EQUITY	541,329	437,334
40. TOTAL LIABILITIES AND EQUITY	$574,389	$474,501

EXHIBIT 4
-(page 3 of 3)

CONCESSIONER: Oglala Sioux Tribe (Cedar Pass Lodge) YEAR ENDING: 10-31-88

SCHEDULE OF DEPARTMENTAL INCOME SCHEDULE H

	A	B	C	D	E
1. DEPARTMENT	Total All Columns	Lodging	Food	Souvenirs Genl. Mdse.	Vending
2. GROSS RECEIPTS (Sch. A, Line 1)	$882,194	$ 81,216	$250,466	$541,685	$ 7,727
3. RETURNS AND ALLOWANCES (Sch. A, Line 2)					
4. NET SALES (Sch. A, Line 3)	882,194	81,216	250,466	541,685	7,727
COST OF SALES					
5. Inventory, Beginning	145,385	-	-	145,385	-
6. Plus Purchases	449,849	-	104,444	340,228	5,177
7. Less-Inventory, Ending	164,709	-	-	164,709	-
8. TOTAL COST OF SALES (Sch. A, Line 4)	430,525	-	104,444	320,904	5,177
9. GROSS PROFIT (Sch. A, Line 5)	451,669	81,216	146,022	220,781	2,550
DIRECT EXPENSES					
DIRECT LABOR					
10. Salaries and Wages	116,744	14,211	69,792	32,741	-
11. Payroll Taxes and Benefits	18,264	2,231	10,916	5,117	-
12. TOTAL DIRECT LABOR	135,008	16,442	80,708	37,858	-
OTHER DIRECT					
13. Laundry					
14. Uniforms					
15. China, Silver and Glass					
16. Commissions					
17. Music and Entertainment					
18. Operating Supplies	9,188	3,859	4,415	914	-
19. Printing and Stationary					
20. Equipment Rental					
21. Contract Services					
22. Heat, Light, Water	25,490	6,372	12,745	6,373	-
23. Licenses and Fees	1,565	-	1,565	-	-
24. Repair and Maintenance Government-owned Improvements	8,361	2,162	4,025	2,174	-
25. Repair and Maintenance Concessioner-owned Improvements					
Other (Identify)					
26. Freight and postage	1,042	-	-	1,042	-
27.					
28.					
29. TOTAL OTHER DIRECT	45,646	12,393	22,750	10,503	-
30. TOTAL DIRECT (Sch. A, Line 6)	180,654	28,835	103,458	48,361	-
31. DEPARTMENTAL INCOME (Loss) (Sch. A, Line 7)	$271,015	$ 52,381	$ 42,564	$172,420	$ 2,550

RATIO ANALYSIS OF CEDAR PASS LODGE, INTERIOR, SOUTH DAKOTA

There are four main groups of ratios; examples of each have been calculated with information from Cedar Pass Lodge's (CPL) financial report on the fiscal year ending 10/31/88. These are listed below.

I. Liquidity Ratios - indicate a firm's ability to meet short-term financial obligations.

a. Current Ratio = $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

Current Assets - cash on hand and any assets that can be converted into cash within a "normal" operating period of 12 months.
Current Liabilities - any financial obligations expected to fall due within the next year.

1988 342,068/33,060 = 10.35
1987 331,600/37,167 = 8.92

The current ratio indicates an ability to cover current liabilities. While a current ratio of 2.0 is usually standard, CPL can cover its current liabilities 10 times in 1988 and nearly 9 in 1987. Although CPL is in excellent shape, current ratios as high as these could indicate there is excess cash that is not being invested in the most profitable way. In a seasonal business, however, inventory for the summer may accumulate over the winter months; this fact may both explain and justify the high current ratio.

b. Quick Ratio = $\dfrac{\text{Current assets - Inventories}}{\text{Current Liabilities}}$

1988 (342,068 - 164,709)/33,060 = 5.36
1987 (331,600 - 145,385)/37,167 = 5.01

This is a much more stringent measure than in "a". A quick ratio of 1.0 is usually standard. CPL is again in excellent shape and showed improvement from 1987 to 1988. However, the exclusion of inventory costs significantly decreased the ratio (compare current to quick) and policies might be re-evaluated to attempt to decrease inventory carrying costs.

II. Activity or Asset Utilization Ratios - indicate how efficiently a firm is using its assets to generate sales.

a. Average collection period = $\dfrac{\text{Accounts receivable}}{\text{*Annual credit sales/360}}$

*When credit sales figures are not available (which is frequently the case), total sales figures are used. This results in an *overstatement* of average daily sales and an *understatement* of average collection period.

1988 21,016/(882,194/360) = 8.58 days
1987 13,131/(852,854/360) = 5.54 days

For CPL these ratios are somewhat understated since total sales were used instead of credit sales. The seasonality of the business will also cause some variance. However, an approximate average for this ratio is 30 days. CPL is well under this figure, a result which may mean either: a) the credit policy is too strict and is restricting sales, or b) credit sales are not a major factor in this business. The increase in the ratio from 1987 to 1988 may be a positive trend.

b. Inventory Turnover Ratio = $\dfrac{\text{Sales}}{\text{Inventory}}$

1988 Inventory Turnover Ratio = (882,194/164,709) = 5.36 times
1987 Inventory Turnover Ratio = (852,854/145,385) = 5.87 times

This ratio indicates how many times inventory is turned over throughout the operating cycle. The ratio appears to be a little low, as 6-10 times is an approximate guide. This could be due to the seasonality of the business, slow moving items or excess inventory (particularly over the winter months). In this business the low turnover rate may be unavoidable, especially since most stocking for the summer occurs during the winter. The consistency between 1987 and 1988 is positive, however, indicating that this ratio is probably good for this specific business.

c. Fixed Asset Turnover Ratio = $\dfrac{\text{Sales}}{\text{Net fixed assets}}$

1988 = 882,194/195,275 = 4.52
1987 = 852,854/104,322 = 8.18

This ratio indicates the extent to which a firm is using existing property, plant and equipment to generate sales. It is best used for year to year comparisons within a firm, and not to other firms, as fixed assets and depreciation policies can differ significantly even in similar plants. In 1987, less equipment was used and it was more fully depreciated. Even though the ratio decreased in 1988, it was probably a positive step to obtain some new assets for use in the production of income. The 1988 ratio is still very good and shows excellent profitability in correlation with sales.

d. Total Asset Turnover = $\dfrac{\text{Sales}}{\text{Total Assets}}$

1987 = 853,854/474,501 = 1.8 times
1988 = 882,194/574,389 = 1.54 times

This ratio indicates how a firm uses total resources to generate sales. It shows the same downward trend as in "c", above, but still appears to be acceptable. An approximate guideline is the 1.61 industry average.

III. <u>Financial Leverage Ratios</u> - indicate a firm's capacity to meet short and long term debt obligations.

a. Debt ratio = $\dfrac{\text{Total debt}}{\text{Total assets}}$

1988 = 33,060/574,389 = 6%
1987 = 37,167/474,501 = 8%

This ratio measures the proportion of total assets financed with creditor's funds. Total debt includes short term liabilities and long term borrowing. Because CPL owes very little in relation to its assets, its numbers here are very low -- 50 percent is an approximate guide. By this ratio, CPL appears to be very strong financially and improved from 1987 to 1988.

b. Debt-to-equity ratio = $\dfrac{\text{Total debt}}{\text{Total equity}}$

1988 = 33,060/541,329 = 6%
1987 = 37,167/437,334 = 8%

This ratio relates the amount of debt financing to the amount of owner financing. 30-50 percent is an approximate guide. CPL's creditors are in excellent shape vis-a-vis the safety of their loans. CPL again appears to be very sound financially and improved from 1987 to 1988.

c. Times interest earned ratio = $\dfrac{\text{*EBIT}}{\text{Interest charges}}$

*<u>EBIT</u> - earnings before interest and taxes. Here, interest has been added back into earnings before taxes.

1988 = (103,995 + 2,702)/2,702 = 39.49
1987 = (127,791 + 2,952)/2,952 = 44.29

This ratio tells the extent to which a firm's current earnings are able to meet current interest payments. CPL covers interest charges 37.49 and 44.29 times in 1988 and 1987, respectively. 6-10 is an approximate guide. CPL is in excellent shape, and as the other ratios have shown, they could easily support more debt for expansion or investment, if needed.

d. Fixed charge coverage ratio =

$$\frac{\text{(EBIT + lease payments)}}{\text{(Interest + lease payments + preferred dividends before taxes + before tax sinking fund)}}$$

1988 = (103,995 + 2,702 + 2,300)/(2,702 + 2,300 + 0 + 0) = 21.79
1987 = (127,791 + 2,952)/(2,952 + 0 + 0 + 0) = 44.29

The fixed charge coverage ratio measures the firm's ability to meet all fixed obligations rather than interest alone. CPL's only fixed obligation, other than interest, is rent. Again, CPL is in good standing, as 4-8 is an approximate guideline. The large drop form 1987 to 1988 is partly due to the $2,300 rent that was paid in 1988 and not in 1987.

IV. Profitability ratios - measure how effectively a firm's management generates profits on sales, assets and owners' investments.

a. Gross profits margin ratio = $\frac{\text{Sales - Cost of goods sold}}{\text{Sales}}$

1988 (882,194 - 430,525)/882,194 = 51%
1987 (852,854 - 406,496)/852,854 = 52%

This measures the relative profitability of a firm's sales after cost of goods sold (cost of sales) has been deducted. It reveals how effective management is in making decisions about pricing and control of production costs. Both years' figures are good, and the consistency between 1987 and 1988 is a positive sign. The approximate guideline is 20 percent.

b. Net profit margin ratio = $\frac{\text{Earnings after taxes}}{\text{sales}}$

1988 = 103,995/882,194 = 11.7%
1987 = 127,791/852,854 = 14.9%

This measures profitability after expenses including interest and taxes are deducted. The decrease in the ratio in 1988 is due to the decrease in profit, but the ratio is otherwise strong. The approximate guideline is 5-7 percent.

c. Return on investment (total asset ratio)

$$\text{ROI} = \frac{\text{Earnings after taxes}}{\text{Total assets}}$$

1988 103,995/574,389 = 18%
1987 127,791/474,501 = 27%

This measures net income to total assets investment. The decrease from 1987 to 1988 to due to the decrease in net income and the purchases of new assets in 1988. Industry average is 11.71, so CPL is quite strong here.

LOIS RENEE DAVIDSON

P.O. Box 12
Interior, SD 57760

Education:

University of Montana, Missoula, MT
Associate of Arts, Business Management, 1973.

Big Horn High School, Lodge Grass, MT; honors graduate, 1969.

Employment:

Manager, Cedar Pass Lodge, Interior, SD; 1982-90.
Managed all facets of National Park Service concession (cabins, gift shop, and restaurant), employing over forty persons in $500,000+ business. Doubled gross receipts during tenure in position. Directed major re-modelling projects in each area of lodge operation. Guided business to receipt of National Park Service "Five Star" award for high quality service.

Assistant Manager, Cedar Pass Lodge, Interior, SD; 1980-81.
Direct supervisory responsibility over line staff in gift shop, lodge and restaurant. Responsible for the oversight of financial operations, including the supervision of bookkeeping staff. Collaborated on long range plans for overall operation.

Salesclerk, Cedar Pass Lodge, Interior, SD; 1976-1980.
Seasonal sales staff for gift shop. Supervised receipt of merchandise and designed shop displays. Hired to full time staff position in 1979.

Bookkeeper and Evening Manager, Modern Woman, Kadoka, SD; 1973-75.
Managed financial records and supervised sales operations during evening shift.

Winter Stock Clerk and Summer Associate, Custer Battlefield National Park Service Concession, Garryowen, MT; 1967-73.
Conducted post season inventory, re-stocked for summer season and worked as a cashier during peak periods.

Awards:

Recipient of Crow Tribe Merit Scholarship, VFW Auxiliary Community Service Award.

REFERENCES AVAILABLE UPON REQUEST

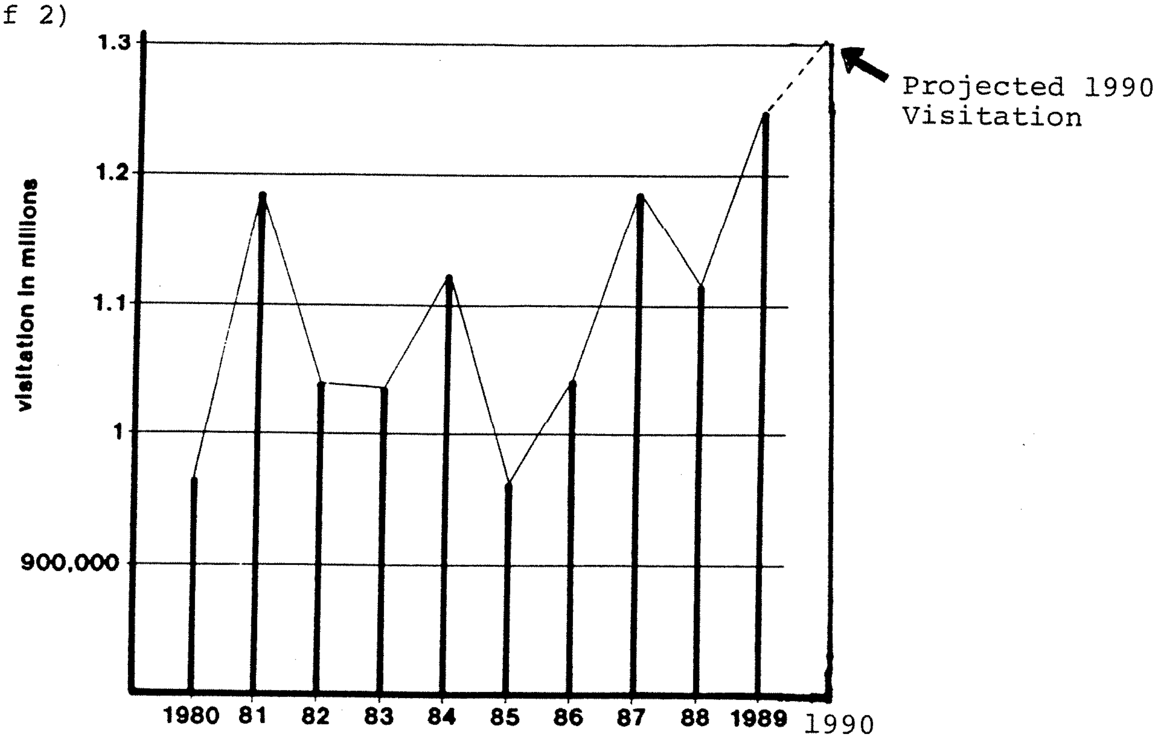
Excerpted from Badlands National Park Statement for Management, March 1990, pages 14 and 15.

VISITOR USE ANALYSIS

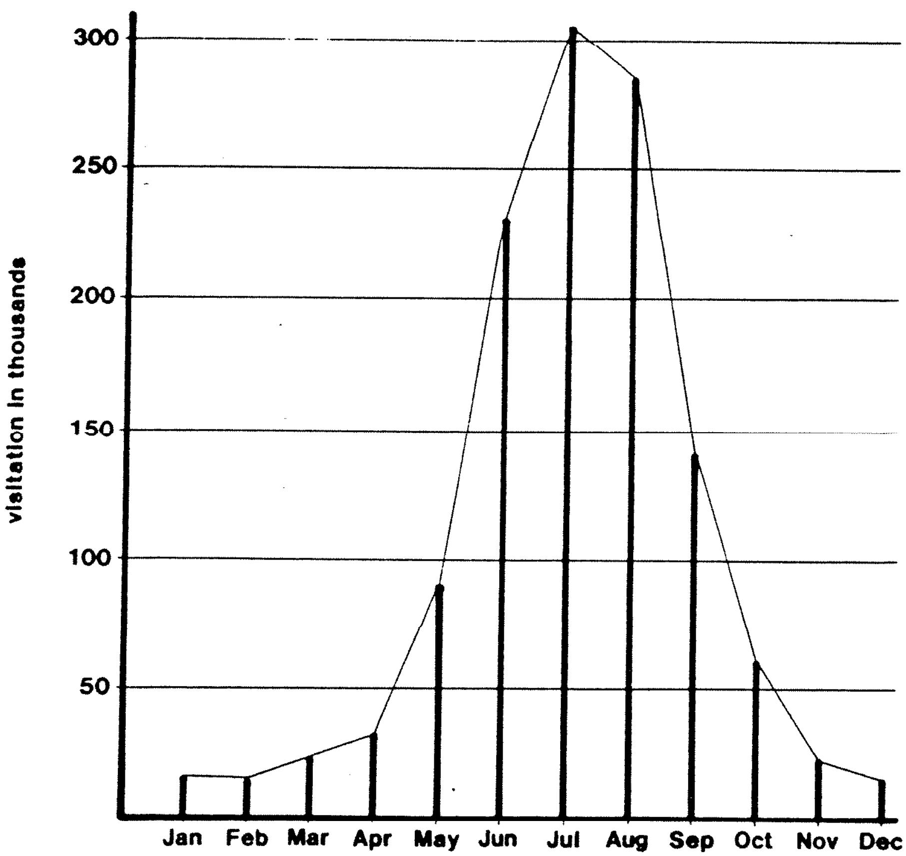
Approximately two thirds of the vehicles entering the park come in through the Northeast Entrance between Cactus Flat and Cedar Pass, and most of them exit through the Pinnacles Entrance. Almost all of these vehicles bring visitors from States east of the park with Minnesota, Iowa, Wisconsin, and Illinois predominating. Less than three percent of park visitors are international.

Since 1962, with the exceptions of 1979, 1980, and 1985, recreational visits have exceeded one million. A maximum of about 1,400,000 was recorded in 1973 when vehicles were detoured through the park for the construction of I-90. In 1989, visits were 1,250,000. Few visitors stay overnight in the park. Most enjoy the scenery as they drive, occasionally stopping for a wayside exhibit at an overlook. A few walk the self-guided trails. Perhaps a fourth go through the Cedar Pass Visitor Center, which is open year-round except on Thanksgiving, Christmas, and New Year's Day. Peak season is June 1 through Labor Day, during which the Cedar Pass Visitor Center is open from 7 a.m. to 8 p.m. The Cedar Pass Lodge is open from mid-April through October, and the White River Visitor Center is open June through August.

EXHIBIT 7
(page 2 of 2)



Annual Visitation



Monthly Visitation – 1989

Badlands National Park