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## CNI Investment –World Class Vision or Blunder?

by Ed Crittenden

*Stilwell* – Cherokee Nation Industries (CNI) one of Cherokee Nation of Oklahoma's (CNO) solely owned corporations has allegedly invested at least \$2.5 million of tribal funds from an 80% BIA guaranteed loan to purchase 52% of the common stock in a high risk penny stock company that showed only \$350,000 in assets, none which were tangible, and over \$5 million of indebtedness to the preferred stockholders that sold CNI the stock.

Global Energy Group (GEG) reported no tangible assets on the balance sheet for the quarter ending June 30, 2005 with \$231,765 of the total asset value listed as some type of a patent owned by the company.

Linda O'Leary, of Delaware County, the Chair of Executive and Finance (E & F) sits on the Advisory Board of CNI with Joe Crittenden and Jackie Bob Martin both of Adair County.

O'Leary said, "The GEG deal has been under investigation since discovered in December of 2005 but it has been a battle to get any cooperation or documentation out of the upper officials involved. Initially it appeared to be a series of questionable decisions by Jim Majewski, Chief Executive Officer (CEO) of CNI and the Board. But as recent facts have come forth, it continues to become more apparent that someone's funneling money out of the Cherokee Nation," said O'Leary.

According to reports for the past 8 years GEG has lost money and has accumulated \$12 million in losses since its inception in 1998.

Crittenden said, "I have been suspect of this since we first learned about it. Evidence from the internal investigation has continued to grow where I am now concerned that someone may have violated some serious federal laws, which puts this in an entirely different arena," stated Crittenden.

According to Doug Evans, the Tribal Council CPA and Executive Director of Financial Oversight, who answers directly to O'Leary and Bill John Baker, Co-Chair of Executive and

Finance Committee, GEG is carrying \$5.3 million indebtedness, owed to the original 5 preferred stock holders. Those five also hold a written guarantee within the CNI purchase agreement whereby all preferred indebtedness must be paid in full, by company profits, over the next 5 years before any profits or dividends can pass through to the tribe.

A failure for GEG profits to retire a year of debt in a timely manner rolls the debt forward into the next year along with interest on any shortfall. Crittenden said, "When Council approved the \$14.4 million BIA guaranteed loan it was to prevent a massive layoff of tribal employees because of a temporary excess inventory problem that developed within CNI back in 2002. The money was for restructuring of the operations and was not approved by Council for investment or venture capital."

Evans agreed adding, "The dollars for the investment appears to have been carved out of the line of credit which was approved by the Council for re-organization of the operations to keep afloat not speculation."

Since originated and prior to CNI's purchase, GEG has been closely held by only 5 common stock shareholders who are still the only preferred stockholders. Just before the transaction, the 5 shareholders voted to issue to themselves an additional 82 million shares of common stock for a total ownership of 95.8 million shares. Then they sold CNI 49.9 million shares from their personal portfolio at 5 cents a share, which at that time gave CNI 52% ownership of the 5 shareholders' common stock.

In January of 2006, Evans discovered that the actual total issue of common stock within the company was 100 million shares and that 4.2 million shares were mysteriously left unsold at the time of the CNI investment, leaving a sufficient amount of shares to create the danger that CNI could lose their controlling position.

Evans questioned Majewski why CNI left the small block of shares on the table when less than \$7,000 could

have secured absolute control of the company?

Evans said no one has given him a good explanation but that he was assured by Majewski CNI would never lose their controlling position because of their strong voting majority. Majewski, was designated as the voting Board Member by Chief Chad Smith and authorized to vote the entire block of CNI owned common stock.

Within the purchase agreement CNI also negotiated the authority to vote a percentage of the interest of the preferred stockholders voting rights. That gave CNI an overall voting strength of an estimated 67% of the overall voting interest in the company. However as the indebtedness to the preferred stockholders is retired, the additional negotiated voting advantage diminishes back to only what is allowed by the CNI ownership of common stock.

March 21, 2006 GEG sold the 4.2 million remaining shares to a brand new investor which dropped CNI's ownership below 50% to 49.9% of the total common stock.

CNI now owns less than controlling interest in a company that has virtually no assets and an indebtedness of almost three times their original investment. There is little way CNI can protect their interest and even a less chance of liquidating their shares without taking huge losses.

Evans said, "He believes that GEG as a publicly traded company has consistently been reporting highly questionable financial statements to the Security Exchange Commission (SEC)."

Just after CNI's purchase, GEG began reporting to the SEC a Goodwill Asset of \$16 million, showing 95 million shares at an inflated value of 16 cents per share allegedly using a minor stock sale price to set all stock value at 16 cents, which grossly misrepresents to the public the company financial statements. Evans says that

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## Chief Chad Smith Sued \$750,000 Misappropriation of Funds

by Ed Crittenden

Cherokee Nation – A Cherokee citizen and proponent of a recent referendum petition has filed suit against the Chief of the Cherokee Nation of Oklahoma. Principle Chief Chad Smith was served papers during the May Regular Council meeting alleging he had misappropriated \$750,000 in tribal funds that were constitutionally stayed by a referendum petition circulated the previous month.

Smith reportedly cut the largest single expense check in the history of the Cherokee Nation of Oklahoma (CNO). The check, signed by both the Chief and Deputy, was issued to Cherokee Nation Enterprises (CNE), a corporation owned by CNO.

The Observer obtained copies of official documents trailing the movement of the funds, including a Memorandum of Agreement naming CNE as the contractor. The purpose of the funds was to begin a battery of Cherokee Nation TV advertisements, along with a newspaper blitz for an extensive media campaign to boost CNE's image to Oklahoma voters. It is still unclear why the check was issued to CNE as they are not a Television or media contractor. CNE is a named party in the case along with Agents A-X, who are likely to be officials within the Cherokee Nation to be named later.

Phillip Carey, Wagoner, a proponent of the referendum petition said he filed suit and asked the court for a Temporary Restraining Order to stop CNE from spending the money until the court can rule on the matter. Carey said Smith is in violation of the 1975 Constitution because a referendum to stop the action has been legally filed with the Secretary/Treasurer of the Cherokee Nation and signatures are currently being verified by the Election Commission. Carey is being represented by David Cornsilk a Cherokee Lay Advocate.

The JAT, on Wednesday May 24, granted a Temporary Restraining Order against CNE to stop any expenditure of funds out of the \$750,000. The court set a show cause hearing for 1:00 on May 30 to allow the Respondents an opportunity for argument why the order shall not stand until the case is decided.

Carey said, "Smith's actions are an attack on the peoples' constitutional rights and authority to reverse decisions by Council."

"I am outraged," said Carey. "A referendum is one of the reserved powers of the Cherokee people to hold their government accountable and vote on actions they find objectionable. It's not just some unofficial inner office memo giving someone notice that we disagree. Smith has been a lawyer for at least twenty years, an assistant District Attorney, has been prosecutor of the Cherokee Nation and even helped codify the Cherokee law books. He knows the constitution inside and out. His actions are absolutely screaming, Who is going to stop me?"

Within the 1975 Constitution, the first power reserved by the Cherokee people is the power of the initiative to initiate change by proposing law or amendments to the constitution. The second power reserved is the referendum to reverse decisions made by the government. If sufficient signatures are gathered, the question then must be approved by a majority of voters in a special or regular election to make it operative.

According to Carey, the constitution specifies that any forward action on the issue is stayed by filing the referendum until a final decision of the voters or the JAT decides there are insufficient signatures.

Carey stated "A Referendum is the power the people have to stop and reverse chaos or corruption. It is a serious situation when the people must exercise these rights to

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## Slate Decides No Increase In Punishment On Serious Crimes

The Cherokee Council failed by one vote to override, (9-6), Chief Chad Smith's veto, of the Crimes Against Public Justice Act of 2006, during the Full Council meeting in May, which would have increased the possible penalties a judge could order as punishment on crimes such as bribery, forgery, perjury, fraud, embezzlement and stealing to political banishment whereby anyone found guilty or an accessory to such crimes could not hold public office or be employed by the tribe. Ten votes are required for an override.

Linda O'Leary, of Delaware County, brought forth the Act which was approved by the Full Council in April as good legislation. However few vetoed Acts have been overridden this term even though they may have been unanimously supported by Council as good legislation initially. According to Principal Chief Smith, the act as written was too narrow in its overall goal. In addition, the act was open to vague interpretation of who was included in the definition of "department head." **Within Smith's veto he questioned**

The nine Councilor members voting to raise the punishment on serious crimes were: Joe Crittenden of Adair County, Johnny Keener of Mayes County, David Thornton of Sequoyah County, Bill John Baker and Audrey Connors, of Tahlequah, Linda O'Leary and Melvina Shotpouch of Delaware County, Phyllis Yargee of Sequoyah County, and Chuck Hoskins of Craig County.

The six who voted not to increase punishment to discourage and prevent serious crimes were: Jackie Bob Martin of Adair County, Meredith Swimmer Frailey of Mayes County, Cara Cowen of Rogers County, Bill Johnson and Buel Anglen of Tulsa County.

Frailey an attorney, who serves as Chair on the Rules Committee where all new law must originate, stated she didn't understand the Act and voted against it. Since becoming Councilor in 2003 to represent Cherokees in Mayes County, District 6, Frailey has voted straight down the line with the Chief's political slate.

Keener, who also represents District 6, has voted consistently to create better law and more accountability in the tribe however Frailey has voted opposite on almost every important issue.

Keener, an elder full blood, said "It is as if Meredith is representing an entirely different

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**"Is stealing a crime in the Cherokee Nation?"**



IN THE JUDICIAL APPEALS TRIBUNAL OF THE CHEROKEE NATION

PHILLIP CAREY, Petitioner, )  
 v. )  
 CHAD SMITH, CHEROKEE NATION ENTERPRISES, Inc., and AGENTS A-X, Respondent. )

JAT-06-05

**Order Granting Temporary Restraining Order**

On May 15<sup>th</sup>, 2006, Petitioner requested ex parte injunctive relief on the grounds that a referendum petition was filed with the Secretary-Treasurer seeking to disapprove LA 01-06, Section 4 (A) from operation.

Under the factual assertion of the pleadings, Petitioner is entitled to temporary restraining order pending a show-cause hearing at 1:00 pm on May 30, 2006.

This Court hereby orders that the operation of LA 1-06, Section 4(A) be stayed until further order.

IT IS SO ORDERED this 24<sup>th</sup> day of May, 2006.

Darell R. Matlock, Jr., Chief Justice  
 Darrell Dowdy, Justice  
 Stacy V. Leeds, Justice

## Cherokee Nation Uses Weapons of Mass Distraction

Editorial by Ed Crittenden

**For decades a strategy the Cherokee Nation of Oklahoma (CNO) Chiefs have used to maintain control of the perception of the masses, has been to keep Cherokee people oppressed in poverty and ignorance, virtually brain washing the people into confusion, by using weapons of mass distraction.**

The war on poverty can not be won overnight. But we at the Observer know we are winning in the battle to arm Cherokee people with knowledge. Our readers learn facts that will never appear in the tribal newspaper, The Cherokee Phoenix, (CP) because it is one of the administration's main weapons of mass distraction used to keep citizens ignorant.

The ignorance I speak of is not being well informed on the issues within the evolution of the CNO government. Keeping people uninformed handicaps citizens so they are unconfident to speak out and stand up for themselves. **Citizens then are less capable to debate or disagree and fight a Chief's efforts to mold the government toward him ruling and profiting as a King or dictator.**

Hitler, one of the most ruthless dictators in the history of the world said, en do not think.

**The truth is we all know something is terribly wrong with the Cherokee Nation system. But most do not know where to even start in an effort to correct it.** That is exactly the way the administration wants it. If people do not have enough of the facts about a problem, it is impossible to develop an educated opinion about such a situation or to make good decisions concerning a solution. In the long run when citizens are kept igno-

rant, they remain less of a threat to any Ruler because they can not organize because strength comes in numbers.

One way to get informed is for a citizen to attend Council meetings. When the Council Chambers is packed with citizens the Chief's slate has an entirely different attitude than when there is only a handful of people in attendance. Council meetings are always at 6:00 PM on the first Monday after the second Saturday each month. Citizens can also watch that meeting via live video at [www.cherokee.org](http://www.cherokee.org). Attending Council Committee meetings are another good way to get informed as that is where most discussion takes place. They are at various times during the month generally during the day at the Council House. Those times are posted on the website or you can call and ask for the schedule at the Council Office - 918-456-0671.

Many tribal members, especially non-resident Cherokees, feel they are well informed just because they read the tribal newspaper. They believe that all important Cherokee news is faithfully reported to tribal members within that paper. However it can easily be used as a subtle attack on the perception of the masses by steering attention away from the important issues a real newspaper would actually report. The CP is generally full of pretty pictures of buildings being built and colorful stories about people that the administration wants you to know they have helped so it seems as though the money is all going to good causes. But the tribal paper is far from a financial report, which a tribal member would need as a stockholder, to determine an opinion about the op-

eration of the CNO. Resident tribal members of the Cherokee Nation must learn to view themselves as stockholders of this tribe so we all realize that it is our money. The reason I say Resident Cherokees is that all federal program money is mandated to be spent inside the boundaries and almost all tribal money is earmarked with the same mandate. One of the main reasons for the lack of funds within tribal services is that too few of the members are paying enough attention to how the money is being spent or speaking out when they are disappointed with services. **The level of wealth flowing through the tribe is unbelievable because of new gaming developments.** It has become critically important for Cherokee people to realize there is no one really watching their bank. The oversight and ability to be abreast of the operations of the tribe that Council once had, has been restructured and diluted by the current administration to where **Council can not tell how much money is coming in the front door of our casinos, much less what might be going out the back.**

Another problem is Cherokee law has no real teeth in it because for serious crimes we have less than adequate punishment within our system. **The consequences should one get caught stealing a million dollars of tribal money, like our gaming dollars, would likely only be a year in jail and/or a \$5,000 fine.** And if a culprit hides the money well enough before they might be caught, like in a Swiss and/or off-shore bank ac-

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