

RESOLUTION OF THE GOVERNING BODY OF
THE THREE AFFILIATED TRIBES OF THE
FORT BERTHOLD RESERVATION

WHEREAS, This Nation having accepted the Indian Reorganization Act of June 18, 1934, and the authority under said Act; and

WHEREAS, The Constitution of the Three Affiliated Tribes generally authorizes and empowers the Tribal Business Council to engage in activities on behalf of and in the interest of the welfare and benefit of the Tribes and of the enrolled members thereof; and

WHEREAS, Article VI, Section 5(a) of the Constitution provides that the Council shall have the power to manage all economic affairs and enterprises of the Three Affiliated Tribes, as well as Article VI, Section 5(c) grants the power for the Council to administer funds or property of the Three Affiliated Tribes; and

WHEREAS, The Indian Gaming Regulatory Act, 25 U.S.C. Section 2701 et seq., provides that Tribes and tribal government have an important proprietary and regulatory responsibility in the conduct of gaming activities on the Reservation; and

WHEREAS, The Three Affiliated Tribes is the owner of the Four Bears Casino located on the Fort Berthold Reservation, and under tribal and federal law the tribal government is required to develop and conduct a system of fiscal accountability as to prevent negligent or illegal management of casino funds and property;

NOW, THEREFORE, BE IT RESOLVED, That the Council hereby agrees to employ a reputable accounting firm to help analyze operations and establish a system of reporting relative to internal controls at the Four Bears Casino.

BE IT FURTHER RESOLVED That the Tribal Business Council hereby delegates its authority to the Chairman and Treasurer to negotiate and finalize the Contract with the accounting firm, and that the administration and supervision of the work performed under the contract, as well as all other associated activities shall be the responsibility of the Tribal Gaming Committee.

BE IT FINALLY RESOLVED That the amount to be paid by the Three Affiliated Tribes under the Contract for fiscal year 1996 shall not exceed eighteen thousand dollars (\$18,000).

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

I, the undersigned, as Secretary of the Tribal Business Council of the Three Affiliated Tribes of the Fort Berthold Reservation, hereby certify that the Tribal Business Council is composed of 7 members of whom 5 constitute a quorum, 7 were present at a Regular Meeting thereof duly called, noticed, convened, and held on the 14th day of March, 1996; that the foregoing Resolution was duly adopted at such Meeting by the affirmative vote of 7 members, 0 members opposed, 0 members abstained, 0 members not voting, and that said Resolution has not been rescinded or amended in any way.

Dated the 14th day of March, 1996.

Dayton Spotted Bear
Secretary, Tribal Business Council

ATTEST:

[Signature]
CHAIRMAN, Tribal Business Council

*Attachment to
R # 96-057-DSB
(1 of 6 pages)*

**SCHECHTER
DOKKEN
KANTER**

Certified Public Accountants • Consultants

February 29, 1996

Mark N. Fox
Three Affiliated Tribes
Fort Berthold Indian Reservation
HC3 Box 2
New Town, North Dakota 58763-9402

Dear Mark:

Thank you for the opportunity to submit this proposal to assist the Tribal Business Council with accounting and internal control issues at the Four Bears Casino and its management company. I enjoyed meeting with you recently to discuss these issues and to learn about the wonderful projects that the Three Affiliated Tribes have been able to accomplish with the earnings from their casino. I believe Schechter Dokken Kanter can provide practical advice on the business issues and internal controls of gaming for the Business Council.

SCHECHTER DOKKEN KANTER - A NAME YOU CAN COUNT ON

Accounting firms, like people, have distinctive personalities. Perhaps what best describes Schechter Dokken Kanter is our ability to go beyond the routine to provide an extra dimension in quality, effort, and client service. Our shareholders and associates are directly involved with our clients on a continuing "hands on" basis throughout the year. We believe our clients are served most effectively when our experienced personnel are actively involved. Therefore, a significant percentage of the total hours on our engagements come from our shareholder group.

Our professional staff of approximately 50 people has served our clients nationwide for more than 30 years.

EXPERIENCE WITH INDIAN GAMING

Schechter Dokken Kanter has provided internal control, audit, accounting, and consulting services to Indian gaming throughout the United States. Our experience includes working with large and small Indian Tribes since the early 1980s to establish proper systems of control in their gaming facilities, conduct financial statement audits of the games, prepare feasibility studies, and make recommendations for improvements in the operations of the games. Some examples of recent engagements we have performed include the following:

- We analyzed the internal control accounting system for several major Class III and II gaming facilities in Minnesota, Wisconsin and California. The analyses were performed on behalf of the Tribes in order to provide assurance that the system of controls was properly designed and functioned as intended. Our recommendations resulted in numerous improvements to the Games' controls and procedures.

Schechter • Dokken • Kanter • Andrews & Selcer Ltd
100 Washington Avenue South • Suite 1600 • Minneapolis, Minnesota 55401-2192
(612) 332-5500 • Fax (612) 332-1529

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- We have audited the financial statements of many Games throughout the country. They have included all types of Casino games and bingo facilities in size up to 2,000 seats. In addition to delivering financial statements in a timely manner, we also provide our comments on internal controls and operating procedures.
- We conducted a walk-through of the internal accounting control system relating to the issuance of bingo paper and pull-tabs, busing, and cash controls at the front door and the safe-keeping room for a 1,400 seat Class II facility. Our review resulted in numerous improvements to the system of controls.
- We perform surprise cash counts for several Games in the United States. This provides assurance to the Tribe that internal controls are functioning as intended and demonstrates to employees of the Game that the Tribe is serious about proper accounting.
- We have worked for gaming facilities in Minnesota, Wisconsin, California, Colorado, Oklahoma, Florida, Iowa, and North Carolina.

OTHER GAMING EXPERIENCE

Our gaming experiences also extend beyond Indian Gaming. We provide on-air auditing for the Minnesota State Lottery's games and we also audit a number of lawful gambling organizations in Minnesota.

ACCOUNTING AND AUDITING SERVICES

SDK provides all the traditional services you would expect from a leading firm. We turn financial statements into a management tool and recommend specific plans to help improve the effectiveness and efficiency of organizations. We frequently include graphic presentation of salient financial ratios or relationships as supplementary information to the financial statements. Such presentations can highlight readily discernable trends and data that readers can focus upon.

THE SERVICE TEAM

To provide these high quality services, we have a professional staff that is trained and experienced in Gaming and business matters. We organize our client service team to provide the experience and expertise that you desire. As a result, you receive the highest quality service in the most efficient way.

All engagements include the direct involvement of Russell E. Andrews, Director of Gaming. Mr. Andrews will have overall responsibility for the results of our services and will be in contact with you or any other designated officer and will ensure that all resources necessary to service the Tribe's gaming enterprises are provided on a consistent and timely basis. His resume is shown as Appendix A.

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THE ENGAGEMENT

Background

Based upon our discussions on February 17 in Minneapolis, we understand that the Business Council has a number of concerns relating to the management company of the Four Bears Casino. Those concerns include the management company spending more for Category I costs than was allowed in the contract; Category II- operating costs may include expenses that are not allowed by the contract; and the Council does not get adequate financial information about the Casino in order to properly monitor the facility.

We understand that your facility has about 400 slot machines and 25 blackjack tables; and the Casino opened in July of 1993.

The Services

Based on the information above, we propose the following services for the Four Bears Casino:

- Analyze the system of internal controls over critical gaming operations and accounting.
- Recommend improvements to the system of controls in order to comply with the current management contract and IGRA requirements.
- Develop a schedule of daily, weekly and monthly information that the Tribal Business Council should receive from the management company in order to carry out their responsibilities of overseeing the Casino.
- Make other recommendations, as appropriate, for improving the operations of the Casino.

In order to accomplish these tasks we will need to get copies of the Casino's most recent year end audited financial statements and management letter, and copies of the information that the management company currently provides to you each month. We will also need the Business Council to inform the management company of this engagement and make sure that the management company instructs the employees of the casino to fully cooperate with us on this important engagement.

TIMING

We would start this engagement on or about March 18, and would deliver our report by April 30, 1996. This timing is contingent upon full cooperation of the management company and the employees of the Casino and the availability of the Tribal Business Council for any meetings that are needed. If unusual or unexpected issues are encountered we will inform you and discuss any

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necessary changes to this timetable.

We anticipate approximately two weeks of on site field work followed by two weeks of report drafting in our office. Before our final report is issued, we will meet with the Tribal Business Council or other designated officials to review the report and discuss matters of significance which arose during the course of our engagement. Our final report will include detailed findings and recommendations for improvement in the internal control system and recommendations for the specific types of reports that the Tribal Business Council should receive on a daily, weekly, monthly and annual basis from the management company of the casino.

FEE ESTIMATE

Our fees are based on the time required to do the work and will not exceed \$16,000.

If during the course of our engagement, circumstances arise which will require additional services by our firm, we will consult with the Business Council relative to the nature of those circumstances as well as provide an estimate of the additional time and fees to be incurred before proceeding any further.

Out-of-pocket expenses for lodging and travel will be billed to you every two weeks and will be based on our actual costs. Every attempt will be made to keep travel and lodging to a minimum. Meals will be charged on a per-diem basis of \$30 per day for out-of-town staff only. Payment for our services will be \$5,000 upon commencing fieldwork in March, \$5,000 when we have completed the fieldwork, and the remainder of the balance upon delivery of the final report.

LIMITATIONS

You have the right to terminate our services at any time by written notice to us. We reserve the right to terminate our services to you, by written notice to you, if you fail to pay our invoices, or if we determine our continued relationship would violate the rules of professional responsibility applicable to CPAs or would otherwise be impractical. Our engagement will not include an audit of the financial statements of the Four Bears Casino or any other Tribal Enterprise. The purpose of our engagement is not to detect errors and irregularities and we have no obligation to detect irregularities particularly those involving forgery and collusion.

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SUMMARY

Due to the depth of our experience with Indian Gaming we can provide the Tribal Business Council of Three Affiliated Tribes with thoughtful and useful feedback regarding the internal control systems and types of reports needed to monitor the Four Bears Casino. This is the value in selecting Schechter Dokken Kanter to perform this engagement.

We thank you for the opportunity to submit this letter and welcome the opportunity to work with you.

Sincerely,

Schechter Dokken Kanter
Andrews & Selcer Ltd



Russell E. Andrews
Shareholder

RUSSELL E. ANDREWS, CPA**SCHECHTER DOKKEN KANTER ANDREWS & SELCER LTD.****EXPERIENCE
HIGHLIGHTS:**

Mr. Andrews, a shareholder and director of the Firm, has 20 years of experience in accounting, auditing and tax services with a variety of clients. He devotes substantial time to the gaming industry as shown below.

Indian Gaming

- Audit numerous Indian games around the country.
- Performed internal control reviews for casinos with slots, Blackjack, poker, Keno, bingo, pull-tabs, and video gambling.
- Assisted organizations in establishing internal control and management reporting systems.
- Provided expert testimony at a federal trial on appropriate procedures for a gaming operation.
- Developed financial projections for casino/hotel projects.
- Develop internal control procedures that comply with the NIGA minimum internal control standards.

Charitable Gambling

- Evaluated the accounting and internal control systems.
- Prepared an accounting and control manual for a multi-location operator.
- Performed audit procedures to test the control systems.
- Reviewed the allocation of administrative expenses.

Lottery

- Assisted in the development of controls for the Minnesota State Lottery's "Daily 3" and "Gopher 5" games.
- Provide daily audit services for the Daily 3 game.
- Provide twice-weekly audit services for the Gopher 5 game.

Nevada

- Participated in an internal control study of gaming and computer controls for a Las Vegas casino.

EDUCATION:

Graduated from the University of Wisconsin - Milwaukee in 1976. Major in accounting. Member Beta Gamma Sigma

CERTIFICATION:

Certified Public Accountant, licensed in Minnesota, Wisconsin, California, Colorado, and South Dakota.

**PROFESSIONAL
ASSOCIATIONS:**

American Institute of Certified Public Accountants. Member of EDP Auditing subcommittee of the Auditing Standards Board.

Minnesota Society of Certified Public Accountants. Chairman of the Professional Ethics Committee.