



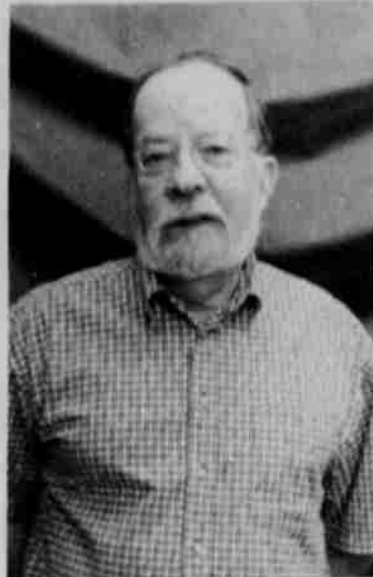
Warm Springs Forest Products 1999 Annual Report



Larry Potts
WSFPI General Manager



Mike Clements
WSFPI Board Chairman



Gene Keane
WSFPI Board Member

John Katchia
WSFPI Board Vice-Chairman

Jim Manion
WSFPI Board Secretary-
Treasurer

Randy Smith
WSFPI Board Member

Bob Macy
WSFPI Board Member

Enos Herkshan
WSFPI Board Member



Balance sheet and Profit & Loss statement

The condensed financial information presented below has been derived from the Enterprise's audited financial statements for the years ended December 31, 1999 and 1998. A copy of the audited financial statements and independent auditor's report, which expressed an opinion that those statements were presented, in all material respects, in conformity with generally accepted accounting principles, is available upon request at the Enterprise's office or by mail at P.O. Box 810, Warm Springs, OR 97761.

Assets

	DECEMBER 31,	
	1999	1998
CURRENT ASSETS		
Cash and cash equivalents	\$ 497,990	\$ 933,477
Investments	2,185,733	2,088,206
Accounts receivable	1,312,555	1,861,161
Current portion of notes receivable	354,000	-
Inventories	11,715,311	9,155,785
Prepaid expenses	163,313	91,757
Total current assets	16,228,902	14,130,386
PROPERTY, PLANT AND EQUIPMENT, at cost,		
less accumulated depreciation	18,985,187	20,430,586
NOTES RECEIVABLE, less current portion, net	1,658,717	-
	\$ 36,872,806	\$ 34,560,972
Liabilities and Retained Earnings		
CURRENT LIABILITIES		
Notes payable	\$ 1,084,966	\$ 1,504,188
Accounts payable	1,762,105	790,168
Stumpage and logging costs payable	659,887	1,659,530
Accrued expenses	949,508	931,769
Total current liabilities	4,456,466	4,885,655
COMMITMENTS (Note 14)		
RETAINED EARNINGS	32,416,340	29,675,317
	\$ 36,872,806	\$ 34,560,972

Statement of Income

	YEAR ENDED DECEMBER 31,	
	1999	1998
NET SALES	\$ 53,304,329	\$ 41,437,490
COST OF GOODS SOLD		
Raw material costs	(36,930,180)	(29,758,897)
Manufacturing costs	(12,453,783)	(11,022,348)
Gross profit	3,920,366	656,245
Selling, general and administrative expenses	(1,482,899)	(1,454,847)
OPERATING INCOME (LOSS)	2,437,467	(798,602)
OTHER INCOME (EXPENSE)		
Interest and dividend income	335,012	132,479
Other investment earnings (losses), net	(30,121)	124,045
Interest expense	(32,947)	(51,428)
Other income (expense), net	31,612	(287,366)
	303,556	(82,270)
NET INCOME (LOSS)	2,741,023	(880,872)

Financial statements

Measurement focus and basis of accounting—The Enterprise is a proprietary fund of the Tribe. The Enterprise utilizes the flow of economic resources measurement focus whereby all assets and liabilities associated with the operation of the Enterprise are included in the balance sheet. The Enterprise is accounted for utilizing the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned. Expenses are recorded at the time liabilities are incurred. The Enterprise has applied all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board pronouncements.

Method of doing business with the Tribe—Enterprise plan facilities are primarily located on Tribal land for which no rent is currently charged. Under a timber cutting contract with the Tribe, the Enterprise has the exclusive right to purchase timber on the Warm Springs Reservation (see Note 2).

Retained earnings from Enterprise operations are maintained by the Enterprise to the extent they are required for operating capital or for the payment of indebtedness, maintenance, repair and replacement or expansion of property, plant and equipment. Any excess funds are required by the approved Plan of Operations to be available to the Tribe for such uses and purposes as the Tribe shall consider appropriate. Distributions are made to the Tribe in the form of dividends. Dividends cannot be paid directly to Tribal members.

Note 2—Stumpage

Substantially all of the Enterprise's stumpage is to be purchased from the Tribe pursuant to a cutting contract that was signed on March 17, 1992. This contract requires a cut of between 44.7 and 57.0 million board feet for the years 1998 through 2001, with an allowable annual variance of ten percent and an allowable five percent variance from defined volumes for the five-year period 1997-2001. Prices for stumpage are to be based on negotiated log market values less defined deductions. Stumpage purchased from the Tribe totaled 56.533 million board feet and \$13,478,678 in 1999, and 57.835 million board feet and \$10,929,999 in 1998. Of stumpage purchased, approximately 53.411 million board feet in 1999 and 53.762 million board feet in 1998, was chargeable to the annual cut under the cutting contract.

At December 31, 1999 and 1998, the Enterprise had accrued stumpage payable to the Tribe of \$9,928 and \$1,177,295, respectively.

