

Software company sees results after working with Ventures

By Maren Cohn
Warm Springs Ventures

Recent events at Bend-based Cort Software are encouraging its parent company, Warm Springs Ventures, to forecast a profitable year for the subsidiary.

Ventures CFO Jeff Anspach says that Cort is reporting drastically improved results over last year. "We're very excited about their prospects," Anspach says. "With a new release of its human resources software almost ready, Cort is poised to bring financial benefit to the Confederated Tribes."

This news marks an important turnaround at Cort, which Ventures acquired in 2003 after several years of flat sales and ineffective management.

Early efforts under Ventures to increase revenues and reverse sales trends made some improvements, but did not sufficiently address core issues.

After focusing Cort resources for two years, Ventures grew restless about continuing its support and contemplated selling it off in 2005.

When the Tribal Council decided to restructure Ventures late last summer, it made addressing the situation at Cort a major priority.

Ventures' new leadership team, led by Clyde Hamstreet, tackled the issue. "The way we looked at it," says Hamstreet, "We could either sell Cort right away at its current value, manage the slow liquidation of the company without attempting to restructure it, or restructure it to build value and then sell it at

a much higher price."

After careful assessment, Ventures recommended the third alternative.

"Selling Cort last year wouldn't have brought in much money," Hamstreet says. "Cort didn't score well in the price criteria that determine the price a buyer is likely to pay for a software company like Cort."

He continued, "Its software didn't meet current web-based standards, revenues were not growing and most importantly the company was losing money."

"At the same time, Cort had a lot of potential, which made the option of restructuring much more attractive than a managed liquidation," Hamstreet added.

Nevertheless, the restructuring task posed a challenge.

The Tribal Council made it clear that Warm Springs would not continue to fund Cort's operations.

Several factors contributed to Ventures' assessment that Cort was well worth this effort.

Starting out 30 years ago with a unique and powerful payroll product, Cort had built up a strong brand image, loyal customer base, and a solid reputation.

It was on the verge of closing its largest sale ever, and had plans to develop a new high value web-based human capital management product.

"The market for what we offer is huge," says Cort president Gary Lawrence. "Every company out there needs payroll and human resources functionality of some kind, and our focus is on a giant segment of

that market, companies with between 200 and 10,000 employees."

"The opportunities for growth are tremendous, and Cort was already working to capitalize on them," he added.

Lawrence's presence at Cort's helm was another reason for Ventures' confidence in moving forward with the restructuring.

Hired during the fall of 2005, Lawrence brought vision and discipline to the flagging company.

Under his leadership, Cort closed the prospective sale and attracted an investment partner, Jim CaJacob of Information Concepts, Inc., to share in developing the new web-based product.

"Making that sale and attracting the development partner were key factors to us in deciding what to do with Cort," says Anspach, who spent six weeks last fall assessing the company and helping to design the reorganization.

"Without that infusion of outside capital, I'm not sure we would have gone forward," he added.

The restructuring plan presented last December limits Ventures contributions to the company in 2006 to under \$100,000, and requires that Cort show positive financial numbers during the year.

Cort was required to cut its costs drastically while developing the new web-based product.

Cort management has applied this strategy vigorously.

Led by Lawrence, the company reduced staff by 40 percent. It reshaped its sales and

marketing approach and managed day-to-day costs aggressively, thereby lowering costs to the breakeven point.

Meanwhile, the software development has proceeded forward and the product is slated for release later this summer.

The new release will continue to offer the flexibility Cort is known for, while answering market demands for increased functionality and the ability to perform operations online. The goal is to make existing web-interfaced products more truly web-based.

"Employers want to be able to advertise jobs and manage applicant pools online," Lawrence explains.

"They want to track employees through hiring and training all the way to retirement. The system serves workers, too, who can go online to file W-4s, get

copies of pay stubs, see how much vacation time they have left, or manage their 401ks," he says.

Lawrence notes that Cort's flexibility in tailoring its product to customer requirements makes its software ideal for native nations in tracking and managing membership data.

The Confederated Tribes is one of his company's many customers.

Professional sports teams offer another good example of what Cort's software can do.

"We have NFL teams on our customer list," Lawrence says. "Every time a team plays, the host city and/or state taxes the players for the money they make there. And every city and state is different in how it structures those taxes and calculates the amounts."

"Our product handles all that

and saves the administrative staff a lot of headaches," he says.


Cort products assist sports organizations in other ways as well. The Denver Broncos, Buffalo Bills, and St. Louis Rams all use Cort products.

Over the past six months, the Ventures team has helped Cort take major strides forward in continuing to provide its distinctive service to customers.

"I've been very pleased with the way Cort is responding to our restructuring efforts," Hamstreet says. "We still have much work to do before we can claim success, but we've come a long way with Cort."

"I expect the value of the Tribes' investments in the company to grow significantly over the next year," he said.

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Issue of casino discussed in governor candidates' debate

WELCHES (AP) — Gov. Ted Kulongoski and GOP rival Ron Saxton scrapped last week over some of the most contentious issues facing the state — including the Columbia gorge casino, proposed government spending limit, and reforms to the state employee pension system.

In the first face-to-face debate between the two leading gubernatorial candidates, Kulongoski criticized Saxton as a tool of corporate interests, while Saxton shot back that Kulongoski is a weak governor who wants to raise Oregonians' taxes.

Both used the occasion to try to define Kulongoski for voters.

Kulongoski said he's always fought for working families, the elderly and the needy. He charged that Saxton, a Portland lawyer, has catered more to corporate interests, as evidenced by his opposition to tougher auto tailpipe emissions standards and moves to rein in payday loan shops.

Saxton, calling the election a referendum on Kulongoski's performance in office, sought to portray the incumbent as a "status quo" figure whose re-

sponse to all problems has been to try to raise taxes and to propose canceling Oregonians' income tax "kicker" refunds.

In their hourlong debate sponsored by the Oregon Newspaper Publishers Association, the two clashed over an initiative measure aimed at this November's ballot to clamp a tight new spending limit on state government.

Kulongoski said the measure would make it impossible to provide adequate funding for schools or to put more Oregon State Police troopers out on the highways to protect public safety.

"It would be a stranglehold on the state," he said.

Saxton, while saying he didn't plan to actively campaign for the measure, said state government has plenty of revenue already and that state officials simply have to be more efficient with taxpayer dollars.

"We have a serious money management problem," not a revenue shortage, Saxton said.

Tribes' casino plan

On the gorge casino topic, Saxton said that as governor, he would not approve a move by the Confederated Tribes of

Warm Springs to build a casino on off-reservation land in Cascade Locks.

Saxton also said the state has become addicted to lottery revenue to fund schools and other programs, and that he would oppose any expansion of the lottery.

Kulongoski noted that the lottery now raises \$1 billion for schools and other programs, money that has helped replace revenue school taxes lost when voters cut property taxes.

The Democratic governor said he intends to allow the Warm Springs tribe to put a casino in Cascade Locks because otherwise the tribe might build a casino on a far less desirable site on tribal land upstream in Hood River.

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