

**WARM SPRINGS
COMPOSITE
PRODUCTS**

**2021/2022/2023
BUDGET
AND
PROFORMA**

PREPARED JULY 31, 2020

Business Plan of Operation Narrative 2021 2022 2023

Overview

Warm Springs Composite Products (WSCP) has spent the last several years involved in product and market development to diversify product offerings and expand sales opportunities globally. In 2003 WSCP sold one product line to four major customers, all located in the United States. Today WSCP offers five distinct product lines that are sold around the world. In addition, WSCP has developed several proprietary products which have eliminated dependency on other suppliers, lowered costs and created new jobs. Over the next three years WSCP will focus on growth of existing business and new opportunities as products and markets evolve.

Operating environment for the next three years

The consolidation in the domestic market that started taking place 6 plus years ago, due to the global recession, has caused a lot of changes throughout the market. As the market had initially stayed relatively flat, it has taken its toll on several material suppliers in the fire door industry. A couple of the larger consolidated fire door manufacturers have been busy developing alternative products for use that they can produce in-house rather than sourcing from a secondary supplier. At the beginning of 2019 one of the larger mineral core suppliers, Georgia Pacific, announced that they would be transferring their focus to other products instead of mineral products. Due to this transfer of interest, a lot of their current customers are now looking for alternative suppliers, such as Warm Springs Composite Products, to help them replace the products that they have been sourcing from Georgia Pacific for years. This has created a unique opportunity for WSCP to start the process of expanding to capture a portion of this domestic business. To accomplish this, we are currently in the process of the second phase of expansion into the warehouse building, which was purchased from the WSFPI auction, in anticipation of expanding our business.

Offshore markets are also seeing improvement, and WSCP has continued to position itself in previously active markets, with distributors in Saudi Arabia and the UAE to better service these areas. Although we have seen an uptick of business in the Middle East, it is still a relative unknown how much the market will rebound as it is still dependent on an increase in oil prices. We are looking to hedge our business by continuing to develop business in other markets, while also expanding our domestic business. We continue to work with Falcon Panel Products in the UK, while also developing relationships in Portugal. We are also continuing to pursue other markets in Australia, and SE Asia, as there have been pockets of business opportunities in these regions.

Due to the current pandemic, and the uncertainty of suppliers and buyers being able to remain open to full time production, WSCP remains hopeful that current operations will be maintained. We have already closed for a period of 14 days in May, and another 4 days in July due to Covid-19 related issues. These are unprecedented times and as we move forward, we are being optimistically cautious with all our business decisions.

Sales and Marketing

Revenue growth over the next three years is predicated on three factors.

1. Expediting our current expansion efforts to increase our current capacity and capture as much new domestic business in the short term as possible. Then carefully build excess capacity in steps, to continue being able to support efforts for expanding in all markets.
2. Continue efforts to increase our market share of existing products in the Middle East, and Europe, while also working to investigate other potential overseas market opportunities (Portugal, Australia, SE Asia, etc.).
3. Additional R&D, and certified testing of both current products, and new product lines in order to fill some of the gaps left by outside products that have either left the market, or opened up the market for new products, due to increased price points, which has companies looking for alternatives.

Additional revenue may be seen with renewed discussions in the ballistic/blast protection panels, as partner companies we have been working with on testing have narrowed down potential uses to streamline products and focus sales efforts.

Cost of Sales

Overhead costs as a percentage of sales have decreased slightly, even though we are currently running equipment at 100% capacity to keep up with demand. The cost of raw inventory has also increased, this is mainly due to increases in shipping and tariff charges. Employment and labor costs are increasing with

production demand. Jobs have increased from 57 in 2019, to 60 in 2020, most of these jobs have gone to Tribal Members, MIT, and, OI. As production demand increases, all direct costs will also increase. This increase will require a higher reserve of working capital.

Capital Expenditures

WSCP is currently expanding its facilities to handle the increase in sales we have started to capture in 2019 and 2020. Our hope is to increase our current capacity and capture an even larger percentage of the domestic market in late 2020 and into 2021. Initial expansion steps were being funded by a BIRF loan of \$1,250,000, and internal cash reserves. We are currently expanding operations into a new building that was previously being used as a warehouse. The warehouse is currently being upgraded to handle the new equipment that is required to keep up with the increase in sales. To date Capital expenditures have been \$3,425,000, and another \$2,000,000 is needed to finish the project and update current equipment, which have shown their limitations and/or lifecycles while operating at a much higher capacity.

Supporting schedules

Pro-forma income statement 2021-2023

Pro-forma balance sheet 2021-2023

Pro-forma cash flow 2021-2023

Census 2020

WARM SPRINGS COMPOSITE PRODUCTS

2021 2022 2023

BALANCE SHEET - CONSOLIDATED

PRO-FORMA YEAR END SUMMARY

	2021	2022	2023
Cash/Investments	\$2,148,864	\$2,178,256	\$2,903,217
Accounts Receivable Trade	\$800,000	\$800,000	\$800,000
Prepaid Expenses	\$360,000	\$360,000	\$360,000
Inventories	\$1,821,041	\$1,921,041	\$2,021,041
Fixed Assets net	4,863,962.21	\$6,011,962	\$6,652,962
Total Assets	<u>\$9,993,867</u>	<u>\$11,271,260</u>	<u>\$12,737,220</u>
Accounts Payable	\$0	\$0	\$0
Accrued Liabilities	\$360,000	\$360,000	\$360,000
Loans Payable	\$283,068	\$283,068	\$283,068
Long Term Liabilities	\$580,062	\$320,098	\$46,835
Contributed Capital	\$3,631,476	\$3,631,476	\$3,631,476
Dividens paid	(\$500,000)	(\$550,000)	(\$600,000)
Retained Earnings	\$4,234,922	\$5,639,261	\$7,226,617
Current Year income	<u>\$1,404,339</u>	<u>\$1,587,356</u>	<u>\$1,789,224</u>
Total Liabilities and Equity	<u>\$9,993,867</u>	<u>\$11,271,260</u>	<u>\$12,737,220</u>

WARM SPRINGS COMPOSITE PRODUCTS

2021 2022 2023

PROFIT AND LOSS SUMMARY - CONSOLIDATED

PRO-FORMA ANNUAL SUMMARY

	2021	2022	2023
Gross Sales Revenue	\$10,582,932	\$11,112,079	\$11,667,683
Frieght and Discount	(\$84,663)	(\$88,897)	(\$93,341)
Net Sales Revenue	\$10,498,269	\$11,023,182	\$11,574,341
Raw Material Cost	\$2,957,929	\$3,105,826	\$3,261,117
Labor Cost	\$2,472,000	\$2,572,000	\$2,672,000
Mfg. Expense	\$950,000	\$1,000,000	\$1,050,000
Overhead Expense	\$2,580,000	\$2,630,000	\$2,680,000
Sales And Marketing Expen	\$10,000	\$10,000	\$10,000
Administrative Expense	\$130,000	\$136,000	\$142,000
Operating Income	\$1,398,339	\$1,569,356	\$1,759,224
Interest and Other Income	\$6,000	\$18,000	\$30,000
Net Profit / (Loss)	\$1,404,339	\$1,587,356	\$1,789,224

2020

Census	Description	Number of Employees
1	Tribal Member	41
2	Married into Tribe	6
3	Other Indian	8
4	Non-Indian	5
	Total Employees	60

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CASH FLOW - CONSOLIDATED

PRO-FORMA YEAR END SUMMARY

	2021	2022	2023
<i>FUNDS PROVIDED BY OPERATIONS:</i>			
Net Income (loss) for the period	\$1,404,339	\$1,587,356	\$1,789,224
Items not requiring use of funds:			
Depreciation and amortization	\$676,000	\$752,000	\$780,000
Total funds provided by operations	\$2,080,339	\$2,339,356	\$2,569,224
<i>USES OF FUNDS TO SUPPORT OPERATIONS:</i>			
Decrease (increase) in working capital, exclusive of cash and cash equivalents:			
Inventory	(\$100,000)	(\$100,000)	(\$100,000)
Trade accounts receivable	\$0	\$0	\$0
Prepaid Liability	\$120,000	\$0	\$0
Accounts payable	\$0	\$0	\$0
Total funds used by operations	\$20,000	(\$100,000)	(\$100,000)
Net increase (decrease) in funds from operations	\$2,100,339	\$2,239,356	\$2,469,224
<i>FUNDS PROVIDED BY INVESTING:</i>			
Investments in securities	\$4,000	\$12,000	\$20,000
<i>TOTAL FUNDS GENERATED</i>	\$2,104,339	\$2,251,356	\$2,489,224
<i>FUNDS USED BY INVESTING:</i>			
Acquisition of property and equipment	(\$1,000,000)	(\$1,000,000)	(\$500,000)
Investments in securities	(\$200,000)	(\$400,000)	(\$400,000)
<i>FUNDS USED BY FINANCING:</i>			
Short Term Debt	(\$283,032)	(\$283,032)	(\$283,032)
Dividends paid	(\$500,000)	(\$550,000)	(\$600,000)
<i>TOTAL FUNDS USED</i>	(\$1,983,032)	(\$2,233,032)	(\$1,783,032)
<i>INCREASE/(DECREASE) IN CASH</i>	\$121,307	\$18,324	\$706,192
ADD OPENING CASH AND CASH EQUIVALENTS	\$2,000,000	\$2,121,307	\$2,139,631
<i>CLOSING CASH AND CASH EQUIVALENTS</i>	\$2,121,307	\$2,139,631	\$2,845,823