

RESOLUTION OF THE
WHITE MOUNTAIN APACHE TRIBE OF THE
FORT APACHE INDIAN RESERVATION

WHEREAS, the White Mountain Apache Tribe has been operating two tribal enterprises known as the Apache Mercantile Company and the Fort Apache Sawmill Enterprise, and

WHEREAS, these two tribal enterprises were informally combined in 1953 into a single operation and under one manager, and the assets and liabilities of both enterprises, during the term of the informal combined operations have been so co-mingled as to lose their individual identity, and

WHEREAS, the store activity formerly known as the Apache Mercantile Company has been completely destroyed by fire and the tribe no longer desires to continue in the retail business,

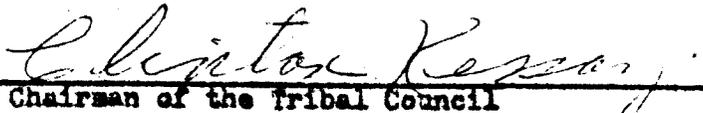
NOW THEREFORE BE IT RESOLVED, that the plan of operation for the Apache Mercantile Company approved July 16, 1948 is hereby rescinded and that the Apache Mercantile Company operated under said plan is hereby terminated; and

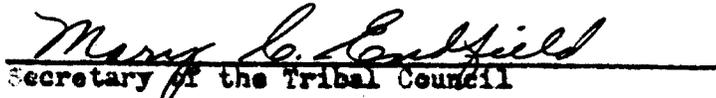
BE IT FURTHER RESOLVED, that the plan of operation for the Fort Apache Sawmill Enterprise approved September 5, 1951 and subsequent amendments thereto, are hereby rescinded and the Fort Apache Sawmill Enterprise operated under said plan is hereby terminated; and

BE IT FURTHER RESOLVED, that the plan of operation, in seven pages, attached hereto and made a part hereof is hereby approved and adopted as the plan of operation for the tribal enterprise "Fort Apache Wholesale Lumber Company"; and

BE IT FURTHER RESOLVED, that the "Fort Apache Wholesale Lumber Company" take over all assets and liabilities now carried on the books of the informally combined operations of the former "Apache Mercantile Company" and the former "Fort Apache Sawmill Enterprise."

The foregoing Resolution was on June 14, 1956 duly adopted by a vote of 7 for and 0 against, by the Tribal Council of the White Mountain Apache Tribe pursuant to authority vested in it by Article VI, Section 1 (n) of the Constitution and By-Laws of the Tribe ratified by the Tribe on August 15, 1933 and approved by the Secretary of the Interior on August 26, 1933 pursuant to Section 16 of the Act of June 18, 1934 (48 Stat. 984).


Chairman of the Tribal Council


Secretary of the Tribal Council

PLAN OF OPERATION
OF THE
FORT APACHE WHOLESALE LUMBER COMPANY
Whiteriver, Arizona

Section A - Identity

1. Name - The official name of this enterprise shall be "Fort Apache Wholesale Lumber Company," hereinafter referred to as the "Company."
2. Place of Business - The principal place of business of this Company shall be at Whiteriver, Arizona on the Fort Apache Indian Reservation.
3. Background of the Company - The Apache Mercantile Company was established under a plan of operation approved July 16, 1948, superseding the old Buying and Selling Enterprise. The Apache Mercantile Company handled the selling of building materials and hardware almost exclusively. The enterprise building and stock was destroyed by fire during February 1954 with the loss covered fully by insurance, then was rebuilt and restocked and again completely destroyed by fire on May 31, 1956. This second loss was also fully covered by insurance.

The Fort Apache Sawmill Enterprise was established under a plan of operation approved September 5, 1951. This enterprise was previously operated in the past by the Fort Apache Agency. On February 19, 1947, the sawmill at the Fort Apache Agency was destroyed by fire, with the exception of the planing mill. The Fort Apache Sawmill Enterprise, operated the planing mill by contracting with sawmill operators in the vicinity to cut tribal lumber, saw it into lumber and deliver the rough lumber to the planing mill. The planing mill re-sawed the lumber into smaller sizes and surfaced the lumber for re-sale.

In early 1953, the governing body of the tribe, informally combined the two enterprises into a single operation under one manager, with a single set of books, records, bank account, etc., and without any distinction as to the assets and liabilities of each former individual enterprise. This intermingling has resulted in a "loss of identity" as to the assets and liabilities of each enterprise.

The tribe decided to not re-establish the mercantile business and to not continue in the retail business of building materials and hardware. By Resolution No. 76-28 dated June 30, 1956 the tribe terminated both former enterprises. This new Company and this new plan of operation will supersede the plans of operation for the former "Fort Apache Sawmill Enterprise" and the former "Apache Mercantile Company."

The demand for lumber products is constant and steady and it is believed that this Company, with proper management, can be operated successfully and prove to be a source of income to the tribe.

Section B - Nature of Business

1. Purpose - The purpose of the Company shall be to promote the economic development of the White Mountain Apache Tribe and its members, through utilization of the tribal timber resources; to provide business training to the governing body of the tribe and other members; to supply employment opportunities for members of the tribe; and to retain any profits for the tribe.

2. Nature of Business - The general nature of the business to be carried on by the Company shall be to buy, store, sell, manufacture, process and produce, for the members of the tribe or for other patrons, lumber and forest products. The business shall include the operation of a sawmill, planing mill, yards, and other related activities. The business of the Company shall primarily be that of a wholesale lumber company, but retail sales of lumber may be made on a strictly cash basis for the convenience of members of the tribe and patrons within the vicinity of the Company operations.

3. Effective Date - This plan of operation shall become effective as of July 1, 1956.

Section C - Management

1. Board of Directors - The general business policies, plans, and procedures of the Company shall be determined by a Board of Directors composed of three members. The Tribal Council shall select the members of the Board either from within or without the Tribal Council membership. The Board will determine the policies to be followed by the Manager, such policies to be evidenced in writing, and the Board shall be responsible to see that the policies are being followed.

2. Board Meetings - The Board shall hold meetings at least once every three months to discuss in general the operations of the Company and shall record its proceedings. Other meetings shall be called whenever deemed necessary by the members of the Board or the Tribal Council. Two members of the Board shall constitute a quorum. The Board shall meet with the Manager the first week of each November to discuss and review the budget as prepared by the Manager for the Company for the following fiscal year beginning January 1, for the purpose of formulation recommendations to the Tribal Council pertaining to the budget. The members of the Board shall be compensated for time spent and expenses incurred in connection with Board meetings concerning Company business at the rate authorized in annual budgets of the Company. Total amounts of all Board compensation shall be considered an operating expense of the Company.

3. Manager - A manager for the Company shall be employed by the Tribal Council under written contract. The manager selected and the contract shall be subject to approval of the Secretary of the Interior or

his authorized representative. The Manager shall be responsible to the Board of Directors for the operation of the Company. The Manager, insofar as possible will confine his activities to management of the Company. Specific conditions of the Manager's employment, including the period, amount of salary and surety bond, leave and amount of liquidated damages, if any, will be included in the written contract. Premiums on the Manager's bond will be paid by the Company. Surety bonds in favor of the Tribe shall be satisfactory to the Tribal Council, Superintendent, and the Area Director. Copies of the contract shall be furnished both parties thereto, the Superintendent, Area Director and the Commissioner.

4. Selection of Other Employees - The Manager of the Company shall be responsible for and have complete authority for the employing, directing, training, and discharging of all other employees of the Company. In hiring, he shall give preference to qualified members of the tribe. The Manager shall exercise care to prevent overstaffing and shall be responsible that employment shall not exceed the economic requirements of the Company operations. The Manager may require subordinate employees to be bonded to the Tribe. Premiums on these bonds shall be paid by the Company and shall be considered an operating expense of the Company.

Section D - Capital

1. Source of Funds - The capital of the Company shall be composed of (a) the assets and liabilities now carried on the books of the informally combined operations of the former "Apache Mercantile Company" and the former "Fort Apache Sawmill Enterprise," (b) such funds and property as may be advanced, given or loaned to the Company by the White Mountain Apache Tribe (which is the legal owner of the Company) or other sources, and (c) the accumulated profits or losses from the Company operations. See Exhibit "A" attached for operating and financial statements for the period January 1, 1956 to June 30, 1956 for the assets and liabilities being taken over by the Company.

2. Tribal Funds - The Fort Apache Sawmill Enterprise is indebted to the tribe for \$30,000 of tribal funds advanced through the revolving credit fund, with no definite repayment schedule and no interest charges. The Apache Mercantile Company is indebted to the tribe for \$6,500 of tribal funds advanced through the revolving credit fund, with repayments scheduled at \$500.00 per year at an interest rate of 1% per annum. The total of \$36,500 of tribal funds advanced through the tribe's revolving credit fund, and which debt is being taken over by the Company, shall be repaid in accordance with the following schedule and shall bear interest at the rate of 1% per annum. The Company shall execute a promissory note to the tribe as evidence of this indebtedness.

Repayment Schedule

On or before November 1, 1956	\$6,500
On or before November 1, 1957	\$6,000
On or before November 1, 1958	\$6,000
On or before November 1, 1959	\$6,000
On or before November 1, 1960	\$6,000
On or before November 1, 1961	\$6,000

Future advances of tribal funds to the Company shall be scheduled for repayment in not over five equal annual installments from the date of advance of funds, and shall bear interest at an annual rate as may be determined by the Tribal Council, but shall not be less than 2% per annum, nor more than 5% per annum. Promissory notes to the tribe shall be executed by the Company for all future tribal funds advanced to the Company as loans.

3. Plant - The Company is authorized to use without rental the tribally owned buildings in which it is presently housed; however, the Company shall be required to bear all operational, maintenance, and depreciation costs of the plant during its tenancy. Repairs and improvements to the plant costing over \$1,000 shall require the prior written approval of the Board of Directors.

4. Distribution of Profits - The annual net profits shall be distributed as follows:

(a) A reserve for bad debts will be maintained in an amount adequate to cover any losses on those receivables considered doubtful or uncollectible by the management and/or auditors.

(b) Twenty-five per cent of the annual net profits shall be transferred to a reserve for contingencies until such reserve totals twenty five thousand dollars (\$25,000).

(c) The balance of the net profits or the total of any net loss shall be transferred to the Surplus account.

(d) No funds of the Company will be expended by it for any purpose not directly connected therewith; also, no funds will be transferred from the Company to the tribe until all its indebtedness is liquidated and such transfer will not injure the financial structure of the Company.

Section B - Method of Business

1. Depository and Cash Control - Under provision of the Tribal Constitution and By-Laws, all funds of the Company shall be deposited in an Indian Money account of the Fort Apache Agency. The Manager shall be responsible for all income, the depositing of same, and the issuing of pre-numbered receipts to all payors of cash or checks. All disbursements except as hereinafter provided, shall be made by Treasury check on the depository and only upon written authorization of the Manager. The Government disbursing agent is herewith authorized to disburse Company funds upon approval of the Manager. All check receipts shall be made payable to the "Fort Apache Wholesale Lumber Company" without exception, and all income received by the Company shall be deposited intact as to amount daily. All check disbursements from the official depository shall be supported by receipts, vouchers, or statements signed by the payee and bearing the written authorization of the Manager for payment. The foregoing provisions, insofar as the depository is concerned, shall hold forth until such time as the Tribe's Constitution and By-Laws are revised to permit the use of a commercial depository.

A daily statement of transactions shall be prepared by the Company Manager which will account for all cash transactions and also provide for a continuing balance of accounts receivable, and shall be supported by a copy of all pre-numbered receipts issued and a copy of all pre-numbered sales tickets, either cash or charge sales, issued.

2. Petty Cash Fund - An imprest or petty cash fund is authorized for the Manager's use. This fund may be used to pay small obligations which it is not feasible to pay by check and otherwise to facilitate the business of the Company. This fund may be reimbursed periodically from the official depository of the Company, in the amount of and upon the submittal of receipts, vouchers, and statements signed by the payees, or other satisfactory proof of expenditure. Petty cash reimbursement vouchers shall be certified by the Manager.

3. Records and Accounts - The Company shall employ an accountant or firm of accountants to install an adequate and appropriate accounting system and which shall include provisions for cost accounting. The accounting system shall be written up by the accountants employed to install the system and shall be subject to the approval of the Area Director. Copies of the written accounting manual shall be furnished the Manager, Tribal Council, Superintendent, Area Director, and the Commissioner. The system should also provide for the maintenance of a perpetual inventory with inventory cards to account for grade, dimension, and volume of lumber products and in addition various expendable supplies.

4. Inventories - Physical inventories shall be taken on the last day of business of the fiscal year of the Company and at such other times as may be directed by the Board of Directors or the Tribal Council.

5. Audits - An audit of the operations and conditions of the Company shall be made as of the close of each fiscal year and at the expense of the Company or as such other times as may be directed by the Board of Directors or Tribal Council. Such audit shall be made by properly qualified public accountants. It shall be the responsibility of the Manager to arrange for the audits immediately upon the close of the fiscal year of the Company. Audits of the Company operations may also be authorized by the Tribal Council upon changing managers and such audits shall be arranged for by the Tribal Council and shall be made by certified public accountants.

6. Fiscal Year - The fiscal year of the Company shall be January 1 through December 31.

7. Budgets - Budgets of the Company for the ensuing fiscal year shall be prepared by the Manager, prior to November 1. The Manager shall discuss the Budget with the Board of Directors at the November meeting of the Board. The Board shall present the budget, with its recommendations, to the Council. The budget shall require the approval of the Tribal Council, Superintendent, and Area Director, before it shall become effective, and upon approval, shall govern expenditures for the applicable fiscal year. Approval of any items

included in Company budgets on the basis of loans being made to the Company, shall be contingent upon approval of the loan in accordance with 25 CFR 21 and the instructions of the Commissioner. Copies of approved budgets shall be furnished the Superintendent, Area Director, and the Commissioner.

8. Insurance - The Manager will carry adequate fire insurance on the plant, lumber stocks, and other property of the Company. Industrial Compensation insurance will be carried on employees of the Company. All insurance coverages shall be satisfactory to the Tribal Council and all insurance policies shall be deposited with the Tribal Council for safekeeping.

9. Sales and Credit - Except for retail sales to members of the tribe and patrons in the vicinity of the Company, the operations of the Company shall be confined to that of a wholesale operation. All retail sales shall be strictly for cash. Pre-numbered sales tickets shall be issued for each sale, whether cash or on open account. The Manager shall review all accounts receivable at least every 30 days and shall report all delinquent accounts to the Board of Directors for appropriate action. The lumber and other marketable materials obtained from the forests on the Fort Apache Indian Reservation by the Company may be sold in the open market in accordance with generally accepted trade practices, and insofar as practicable should include the use of lumber sales brokers in order to permit the Manager to exert his major efforts toward plant management. Advertising is not required. All sales by the Company shall be f.o.b. mill or other designated point of delivery, and for cash except as follows:

(a) Proposals to sell to Federal, State and Municipal agencies may be made in accordance with the general practices of such agencies.

(b) Shipments of Company products on open account shall be made only to persons or companies of substantial net worth and first-class rating.

(c) Sales to other activities of the White Mountain Apache Tribe.

10. Mark-up - In general, prices charged will be approximately the prevailing market prices for graded lumber as graded by a certified grader and with the Western Pine Association averages to be used as a guide by the Manager. The Manager shall be responsible for keeping informed as to prevailing market prices and shall be expected to follow intelligent trade practices that will result in maximum profits for the Company.

11. Property - Title to all property purchased or acquired by the Company shall be taken in the name of the United States in trust for the White Mountain Apache Tribe, except as follows:

(a) Property acquired or produced for re-sale in the ordinary course of business.

(b) Non-recoverable items or Company supplies normally considered expendable.

(c) Any items costing less than twenty-five dollars.

Purchases of property costing \$1,000 or more and not for re-sale; and the incurring of obligations for repairs, improvements or construction costing \$1,000 or more shall have the prior approval, in writing, of the Board of Directors.

12. Laws and Regulations - The Company shall comply with such Federal and State laws as may be applicable to it. The Company and its employees shall be subject to all tax deductions and payments imposed by the Federal Insurance Contributions Act and the Federal Unemployment Tax Act.

The Company shall be conducted under the applicable provisions of Parts 61 and 64, Title 25, C.F.R. Advertising for the sale of forest products produced and handled by the Company, in lumber and trade journals and newspapers shall not be required; however, if the Company should desire to advertise in this manner, prior approval of the Commissioner or his authorized representative shall be obtained in accordance with Part 64.5 Title 25 C.F.R.

13. Forest Operations - For the time being, it is planned to continue the practice of contracting the logging and sawmill operations necessary to supply the planing mill. Logging may be done in any area designated by the Tribal Council and approved by the Area Director. All trees to be cut shall be marked by a Forestry Officer. The removal of logs shall be carried on in a manner that will protect reproduction and existing ground cover. Cutting agreements shall provide for the payment of stumpage at rates agreed upon by the Tribal Council and the Forestry Branch. The Company shall pay all stumpage in advance, either in full or at definite scheduled installments in advance.

When the financial situation of the Company is adequate and when forest management plans are available, it may be feasible and desirable to expand the operations of the Company to include a sawmill operation; however, before any action is taken to construct or equip a sawmill, the prior approval of the Area Director shall be obtained.

14. Approval - This plan of operation shall become effective upon approval of the Tribal Council and the Secretary of the Interior or his authorized representative. Modifications to this plan may be made as conditions warrant and all such modifications shall require approval as outlined in this section.

Approved this 14 day of June, 1956 in accordance with authority delegated to us by Tribal Resolution No. 56-29 adopted

June 14, 1956.

Christon Kessy
Chairman, White Mountain Apache
Tribal Council