Oneida Tribe of Indians of Wisconsin

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Oneidas bringing several hundred bags of corn to Washington's starving army at Valley Forge, after the colonists had consistently refused to aid them.

UGWA DEMOLUM YATEHE
Because of the help of this Oneida Chief in cementing a friendship between the six nations and the colony of Pennsylvania, a new nation, the United States was made possible.

SPECIAL BUSINESS COMMITTEE MEETING
PLEXUS\O.N.E.
February 6, 1996
Norbert Hill Center
2nd Floor Conference Room

Present: Deborah Doxtator, Chair, Loretta V. Metoxen-Vice-Chair, Kathy Hughes-Treasurer, Shirley Hill, Gary Jordan, Ernie Stevens, Jr., Sandra Ninham, Russell Metoxen- Council Members

Others: Artley Skenandore, Jeff House, Pete Strandwitz, James R. Voigt, Sherry King, Ted Gibbs, Attorney Bill Plummer, Kevin Cornelius, Ernie Stevens, Sr., Keith Summers, Francis Skenandore, Mike Lokengaard, Jo Swamp, Chris Doxtator, Bruce King

Called to Order: 10:45 a.m. by Deborah Doxtator, Chair, Oneida Business Committee

Jeff House thanked everyone for the opportunity to meet today and introduced Pete Strandwitz, CEO and Chairman of Plexus Corporation.

Using an overhead projector, Jeff House stated the Oneida Nation Electronics (O.N.E.) objectives, from a tribal standpoint was to generate non-gaming related profits for the Oneida Nation. One of our long term objectives was to foster possible career goals to our high school\college students and grade school students to start looking at electronics, engineering, business management and manufacturing as possible career goals. This related to our Oneida Nation Mission, Vision and National Priorities.

The second goal was to enter the electronic industry. He believed they identified an industry which had a high growth potential, to demonstrate that, in September 29, 1995, Technology Forecast predicted a growth of 22% in the Contract Manufacturing Industry by the end of the decade, in the United States and Canada, the expected growth would go from $15.8 billion in 1994 to $52.3 billion in 1999, that's a rate of over 40% a year. Technology and electronics was a part of our daily lives and was expected to continue growing.

The third goal was to develop products for the market place looking at a 50-100% mark up on products. They'd continue to diversify the Oneida Nation's economy by developing entities of O.N.E., ie. ONE Tech, ONE Computer, ONE Net, those types of subsidiaries or product groups of O.N.E.

He went over what Plexus had to offer O.N.E stating that they brought their expertise, experience and knowledge. Technology was constantly changing, not only was Plexus a part of it, they're helping to shape it.

Plexus started in 1980 but their experience went beyond that sixteen year period. They've established significant relationships with major industries, which would be a major contribution to O.N.E. They could serve as a mentor enabling us to have a strong entry into electronics and at a reasonable cost and at a low risk.

Section 7 of the Business Plan was the start up and acquisition, the figures showed we're doing it at half the cost which allowed us to get into the market place.

What O.NE. brought to Plexus was location, at first glance, Green Bay had been ruled out as a potential area for a new plant, after a closer look, Green Bay was made up of a service industry and mill work, this would be light manufacturing, new opportunities for people to work and grow with Plexus. Regarding increased manufacturing capacity, Plexus had a growth problem, sometimes they grew too fast, and when they did, something happened, when they reached capacity, their revenue didn't increase as fast, in 1993 they opened plant 5, the revenue took a jump up; in 1994-95 they reached capacity again, showing a down trend as far as their revenue increasing. The are in need of a new facility, once the O.N.E.\Plexus plant opened, we'd be seeing that jump going back up because of the latest high tech facility.

Market share could be increased, major companies had divisions that were dedicated to looking for small, aggressive, creative companies that they wanted to do business with, O.N.E. would be that type of company. Plexus offered us 16 years of experience as well as being one of the top five companies, which added to that attraction. This was a unique opportunity for partnership.

One of Plexus' restrictions was as part of their Charter, they couldn't take products to the market place, we could. Together they could identify a product that could help Plexus and O.N.E.

This process had started in April of 1995, we're working on an agreement, Attorney Bill Plummer would give an overview of that. Jeff House invited Pete Strandwitz to address the Business Committee.

Pete Strandwitz showed Plexus' latest annual report. He spoke of trust, integrity, hard work and results and pride. He stated in the process of working together over the past year, they've learned to trust each other. Plexus was a company of integrity, they've never been sued, they honored their commitments and considered themselves a company with a high reputation.

He agreed with Jeff House that this was a very good deal, in his business career, he'd consummated a number of deals, and could honestly state in all the things he's worked on, this was the best easily because the potential with this was extremely large. The electronics industry was a dynamic industry where huge growth and enormous profit could be generated if you had the right combination to come up with a good product idea and were able to apply technology to it.

In the beginning, he had marveled at the accident of geography that existed here. In Neenah, WI, they had tremendous technology in place and the tribe, a short distance away, was looking to expand and he considered this a fortunate break. If this was accomplished today, there would be a lot of hard work in front of them. The way to make it successful was not just in signing a piece of paper, the way to do it was both parties had to work very hard on the marketing and building. They needed to meet the needs of their customers and produce good products for them. That's the way to be successful and get good results, by working together and taking advantage of the opportunities that would exist because of this partnership.

That led to the most important word, pride, the tribe would take pride in the facility which would be easily the highest technology facility that an Indian Nation had and indeed a higher technical facility then anyone because we'd be starting from scratch and would be able to use the latest equipment, this would be a historical opportunity.

Kathy Hughes asked for an overview of Plexus' first quarter performance.

He stated they'd made 11cents a share, the analysist had been surprised at this, they didn't lose money and the stock hadn't suffered at all. Their performance looked extremely good and he thought that when this facility opened they'd start putting work in it right away. One thing to remember was that Plexus was totally different from anyone else in this industry, in that they had the ability to develop products, they had the engineering group to develop products.

Gary Jordan asked what where Plexus' present operating capacities at the facilities in Appleton.

Pete replied that engineering was completely loaded, an addition was being put up and they'd be renting half or all for engineering expansion, building 4 was looking for a 50% revenue jump in the next two months from existing customer base, building 1 and 2 were almost to capacity and building 5 needed a few more jobs which would happen over the next few months. They were at a 75% capacity.

Gary Jordan's concern was in procuring sales for our facility, how would we know what would be differentiated if your making a good faith effort.

He thought they would be procuring customers for the facility and thought it was important using the opportunities that both parties had. If you looked at the growth rate and the new customers coming in, their anticipation based on when a new building went up, it was needed because of existing customer base.

Gary Jordan asked what was the guarantee of percentage of full operating capacity, what would that be from Plexus' projected procuring of new customers.

Pete replied that in this business no customer guaranteed you work, we do not have contracts that guaranteed them work with anyone. The way they got more work was by doing good work. The way to succeed in this was to sit down, look at the opportunities and say o.k. O.N.E., you pursue these opportunities, we'll pursue those opportunities and we'll keep working our existing customer base, let's not forget, Plexus' top eight customers have a combined sales of $407 billion dollars. Looking at the history and growth of Plexus, the development of the relationships with these major companies, these facilities could be filled, particularly with the opportunities that O.N.E. has to market in a unique fashion. The reality is that it could be filled at 100% before it's completed.

Gary Jordan stated the world market growth would be 22%, and asked what was his goal percentage wise.

He replied that they tended to think in terms of gross sales, dollars with good customers. We hoped to be a billion dollar company in four years. This facility would enable us to go to about 800 million from where we are now. He believed if they added a few customers and probably more importantly, take care of our existing customers, they'd get there.

Gary Jordan asked how did he view domestic EMSI's, more cost competitive than Pacific Rim or European manufacturers.

He replied that it was an irrelevant question to them because they were selling a much higher level of technology then they could offer. They are non competitive. We've never competed for example, with the Mexico market. The only thing that's came up in the entire history of Plexus relative to the fair east, was disk drive cards for IBM, we support that vendor from a technology perspective with test equipment. That was not a competitive element. These American Medical companies that are lined up on that table of displays, Abbott, Baxter, Siemens are not going to the far east to get their products built. So multi nationals wouldn't be a worry. What attracts these customers to Plexus was our product development technology.

Loretta V. Metoxen asked when he had commented on technolgy developments, had he made statements on patents?

He replied that they have no patents, the products they develop were their customers property. They pay us to develop the products. If you should be fortunate enough to come up with a patentable idea that you could really protect in a product, that certainly would be yours, not ours. Any product that you use TGI, our engineering group to develop is yours, not Plexus's, you'd have all rights, Plexus would have zero rights.

The Chair thanked Pete Strandwitz for his comments.

Jeff House introduced Mr. James Voight who gave an overview of the Plexus\O.N.E. project.

Mr. James Voight went back to some basics, stating that Pete Strandwitz had told him this morning that he had three points that he wanted to make to the Tribe, which was trust and integrity and working hard to get results to take pride in the project. He spoke of the idea that they're building this high technology infrastructure which included three things, the design of products, the manufacturing of products, and the products themselves. This project with Plexus would address the manufacturing aspect and it also had the ability to help with the design. The Divisions are focused specific product or service, they support this infrastructure that would be built.

He said that others would speak later of the three key documents, the Business Plan, O.N.E.\Plexus master lease, which meant how profit was split, and the land lease. He spoke on the total package, breaking it down into $8 million going into a building which would appreciate as real estate appreciated which could be looked at as low risk or no risk. To get this operating they had a cash requirement of $2 million, or venture capital, and the commitment made to lease equipment which was around $12 million. He wanted them to look at these three segments to realize what they're looking at when they approve this.

He pointed out that this would be a strategic partnership with Plexus, and also the long term objective which related to the tribal diversification plan and the great amount of integrity that Plexus had. He then introduced Sherry King.

Sherry King presented a slide show and asked Pete Strandwitz to say anything he wanted as she went through the slides, stating she'd basically be telling the description he'd provided. The slides included information on the corporate headquarters, equipment, testing and assembling of products.

Attorney Bill Plummer went over the O.N.E\Plexus agreement giving a brief overview of the Master Lease Agreement. He stated this agreement was a ten year agreement which covered the portion of the facility which Plexus would be leasing which would be a great majority of the facility, along with the equipment O.N.E. would be leasing then sub-leasing to Plexus at the facility through this lease. The rent structure was based upon a monthly formula, which was basically a 50\50 split of profits that would be the rent. There are some provisions for each side to get their expenses covered. The master lease contained an Indian Preference section which covered pre-employment training, hiring practices, required job postings and quarterly reports stating the number of applicants, who accepted, who didn't, why offers were made or not made.

He pointed out early termination provisions, it's set up to be a ten year lease however under certain circumstances the lease could be terminated early. O.N.E. could terminate after three years if certain profit measures weren't met, or after four years if 75% or more of the capacity at that facility is represented by O.N.E. products or work for O.N.E. customers.

Plexus' early termination rights are after five years for profitability reasons and they have the same termination right based upon capacity if it's O.N.E. products and customers.

The consequences of early termination by O.N.E. if it's the profitability termination, there was a one year non-compete that would prevent O.N.E. from soliciting business from Plexus customers. If the early termination was because of the 75% capacity reason, then there would be a two year non-compete.

The consequences of early termination by Plexus provisions, there would be no non-compete. The Master Lease also contained a limited waiver or sovereign immunity by O.N.E. O.N.E. is elected as Plexus has agreed that all disputes would be handling through binding arbitration outside of the court system. The Master Lease was very specific that this was a limited waiver by O.N.E., there's no waiver by the tribe involved in it's sovereign immunity.

Loretta V. Metoxen asked questions on taxes on income regarding the 50\50 split, taxes are not taxable by O.N.E. and they are by Plexus, how did that work?

Bill Plummer stated part of the 50\50 rent split, the tax expense, these payments by Plexus to O.N.E. would be treated as rental expenses. As part of the 50\50 split, Plexus' taxes are taken out of that, it's part of the expense.

Loretta V. Metoxen asked if it was an expense before the 50\50 split.

He stated it was netural because it's a deduction because it is a deductable expense.

Gary Jordan asked what risks were involved for Plexus with this endeavor.

(Inaudible, he didn't speak into a mike)

Artley Skenandore (inaudible, he didn't speak into a mike)

The response to Artley Skenandore was that they had started out with a framework of a two year non compete during the lease and at termination saying that O.N.E. would not soliciate business from Plexus' existing customers, they are specified on an Exhibit to the agreement, after discussion, it was parred down to if Plexus terminates the lease under the early termination provisions, the non-compete goes away, if O.N.E. terminates the lease under on it's early terminatinon provisions or the non-profitabilty termination, then it would be one year instead of two years.

(Inaudible who was speaking, no mike was used)

The language was very specific to customers, they were listed, it was not a general non-compete in that industry, only that O.N.E could not soliciate business from specific Plexus customers for a certain period of time.

(Keith, inaudible, didn't speak into a mike)

There was a section in the Master Lease Agreement that talked about what efforts Plexus would make to get a certain type of work here, it talked about factors that Plexus would use it's best efforts to get work into this facility that would be appropriate for the labor force and the technology at this facility.

(Inaudible, didn't speak into a mike)

Loretta V. Metoxen asked a question regarding the 50\50 split of profits, the joint venture arrangement stated the uniquenes of the business arrangement is the tie in of lease payments to the profitability of the plant instead of limited payments to a fixed annual fee, and asked how that related to the building loan ammortization, in other words, if there was no profitability for three months, there'd be no 50\50 split of anything, how would that relate to the ammortization.

Bruce King (inaudible, didn't speak into the mike)

Tedd Gibbs spoke of the business plan, showing a slide that was summary to the key of the plan and return on investment, the capital required in terms of cash was nine point nine million dollars. There was a commitment on a three year lease on production equipment which totaled twelve point five million dollars. Included in the nine point nine million of actual cash requirement, one point five million dollars to cover the first year's lease cost in the event there was not a profit to split. The total commitment in terms of the initial cash requirement and all of the leases would be about twenty two million dollars, however, after the second and third year, all of the lease costs are covered by the operating income before the split, so the actual cash at risk is the nine point nine million not the twenty two million total committment.

The sales projections where made very conservative, first years projection was twenty five million, second year at seventy seven million and third year would be a stabilized year, the three lines operating at 80% capacity with sales at eighty five million a year. The cash to O.N.E. from the profits, the first year would be negative cash flow of one point four million, second year would be one point nine million, and the third year which would be the stabalized year would be three lines of 80%, would be three million, ninety two thousand of cash. It was important to note that would be after recovery of all operating cost for which O.N.E. was responsible.

The return on investment was 21.49%. As shown last time, since there was a reduction in the initial investment of fifty thousand per month committed to paying for the building, the average investment was not the seven point eight million for the building, it averaged four point eight million because there is a continually declining outstanding balance in that committment. If we looked at the return of the investment based on the amount at risk for the average life of the project which was ten years, the return was 34.7%. This was with only three lines operating at 80%, we've not plugged in any provisions for a line operating from time to time at 100%. When that happened, the profits to O.N.E. would jump substanially.

We've also not included the addition of the two lines or the expansion of the plant, we've taken a very conservative approach. It shows without reducing the average initial investment of 21% return and the return of the actual investment for the building was 34.7%. If financing was used for the building, then the investment return goes up even higher.

The second slide was a mini PNL, showing how the split occurred. With three lines at 80%, the monthly sales volume would be seven million, fifty nine thousand. The cost of sales of parts which was totally a Plexus cost, was four point eight million. The cost of sales, labor and other expenses which was a Plexus cost, was eight hundred and twenty seven thousand total. We've negotiated that O.N.E. would pick up thirty eight thousand of those variable costs, they do not happen unless sales are built. The fixed cost which is used to determine the split, for O.N.E was four hundred and sixty seven thousand.

This business operates on the basis that if you have sales, you have gross margin, at worst, you'd break even. The average of sales of seven million a month, the gross margin contribution was one point four million. Out of that one point four million of gross margin contribution, comes the pay back of each parties operating cost. In O.N.E.'s case, it would be four thousand sixty seven thousand for the fixed expenses including all of the lease and service contracts cost. Two thousand would be for O.N.E. offices in the building, which was a negative amount and thirty eight hundred for administrative costs.

O.N.E's fixed total cost would be around four hundred and seventy thousand on the basis of three lines at 80% running. O.N.E. would recover the four hundredand seventy thousand of operating expenses and then they'd share 50\50 in the remaining profit. After recovering four hundred and seventy thousand of operating cost, O.N.E. would be paid three hundred and eighteen thousand per month. So there was a substantially cash income to O.N.E. after recovering all of the cost for which O.N.E. was responsible.

In this example, even though O.N.E.'s expenses on a fixed basis are higher then Plexus, four hundred and seventy thousand vs.three hundred and twenty one thousand, the numbers have been adjusted with Plexus so there would be a truer 50\50 split after each party recovers all of its cost. It's a substantial cash gain for O.N.E. These numbers also don't assume any one proprietary products.

For example, the difference in margins of contract manufacturing like this, you hope to get 5-6% net profit on sales, but the proprietary product, the date this goes public, one of Plexus' customers that produces a bar code printer enjoys a 20% return on sales after tax. So it's a substantial opportunity for O.N.E. and quite an incentive to develop their own proprietary product lines.

Kevin Cornelius went over the payments for the Land Lease Agreement stating that there were two parts, the first being the pre-construction phase which was based on 2% of the administrative cost for the property per month, and secondly, as soon as the construction was complete, they'd move into the operation with the payment changing for a full payment. The value of the land was nine hundred thousand dollars and the cost of money the tribe was using on their leases or with their homes and other mortgages was 6%, so we arrived at a total value of nine hundred and fifty four thousand dollars.

The rate of return or the lease, came to seven thousand, nine hundred andfifty hundred per month. Jim had been concerned with covering a land office cost and wanted at least 2% which was added in. The question they had was over liability insurance and they were trying to get that percentage that would go toward that property. What we received was that the tribe paid a base rate, because this property is in trust, the vacant land is included in the minimum but not rated, so we were unable to get that at this time, but what you had was an eight thousand,one hundred and nine lease payment less the liability insurance. As soon as we have that, we'd add that into the figure. We assume that would be total payment less than eleven thousand. What would go back to the land office right now would be the eight thousand, one hundred and nine. The insurance portion would just go to the insurance company.

Loretta V. Metoxen asked if there where percentages on the cost of money and the rate of return and aked what was this ten cent rate of return.

Kevin Cornelius responded, for example, from a TLC or dream loan, they got a 6% return. The ten cent rate of return was to bring it down into a lease payment. If you had nine hundred thousand dollars, then putting it into a lease payment, that would be done at a cost of what the value of the money was.

It was clarified that it should read ten percent not ten cents.

Bruce King stated that the lease agreements have been continued to be worked on, some of these issues stated have been taken care of and spoke of issues that have been resolved. In addition, on Friday, there's been more negotiation on some of the key issues which he'd address today.

One issue raised was the replacement of the equipment every three years, what they're looking at was continuing changing equipment every three years, the equipment itself wouldn't be obsolete for most of the market, but it would be behind the state of the art. There are companies that specialize in reselling that equipment, after a three year period of time, there'd be a secondary market for that equipment. There are certain key pieces that they'd want to maintain longer then the three years, but in general, every three years we'd turn the equipment over and go with leasing companies that specialize in selling that equipment on a secondary market.

With that, what was looked at was the guarantee on the equipment during the start-up during the first three year lease, after that period of time with the cash flows and operations working, they'd be able to take the lease the second time on their own, O.N.E. would not need the tribe's guarantee on that equipment after the first three year period.

They've worked out the issue of distribution of profits and he felt comfortable that we had the fixed cost we should have in our side on that. On the financing of the project, O.N.E. was proposing a cash injection of nine point eight million. He would not go that strong with the recommendations, he included what he considered a structure that would still work for us and still maintain a fairly strong cash through debt service ratio, it basically required a cash injection of six point one million as opposed to nine point eight million as requested.

The rest of the finance would be guaranteed for the first three year period of time, with the operating flow, they'd assume totally, their own debts at that point. That was a quick overview, the one issue he wanted to bring up, he just saw the language on, he would like a little work on the work flow language that they worked on. It was probably the issue they spoke on the most, it was pretty close and he'd feel more comfortable if they made a slight adjustment to that yet. He would like a little more then what was there right now, it's very close, it's not far off right now.

On the Investment Agreement, he said that they had drafted language on that and that was close to being done as well. There were a couple of additions to the equipment listing, there was a slight adjustment on the equipment listing that he had to build into formulas.

Art Skenandore (inaudible, he didn't speak into the mike)

Jeff House wanted to answer the question asked earlier regarding what risks had Plexus endored. They've already taken on a big one, we've gone through their corporation with a fine tooth comb and we know just about everything we need to know about them, that's a risk they took because they wanted this to happen.

Finally, we've experienced a lot of hard work from the O.N.E. Board, the land office, the law office, from the Chief Finanacial Officer, General Manager, Development Division, Business Committee, Ted Gibbs, Bill Plummer Pete and Plexus. We appreciate their committment to this project, the time and effort showed in the document you have before you today. He reiterated their objectives and goals were the result of viewing the Oneida Nation Mission, Vision Statement and National Priorities.

Ernie Stevens, Sr. had attended a meeting called the Native American Competitive Advantage Conference in San Jose, California, sponsored by Apple Computer, IBM and Motorola. The main feature was that these three major organizations were basically trying to help nineteen tribes of which five tribes had extension experience. Oneida was viewed as having the best view on long range planning, everyone was excited at our strategic industry program. Motorola offered Jeff and Kevin the opportunity to basically start from the beginning in their Chicago office to show them how to approach establishing a company.

Jeff House asked for approval of the project, the request was for twenty two point seven million, they hoped operating cash would cover most of that.

Kathy Hughes summarized that the request when looking at the total project was twenty two point seven million, but when looking at the cash required, building, she thought seven point eight million on the operating capital for lease payment came to one point five million, operating capital for managment came in oversight of the project at six hundred thousand, the total cash required was nine point nine million, referring back to Bruce King's recommendation, based on that, he's looking for a total cash investment of six point one million, O.N.E.'s looking for a cash investment of six point one million, plus the commitment to financing the equipment at three years terms. In addition, O.N.E. was requesting approval of the land lease between O.N.E. and the tribe as well as the business plan.

Loretta V. Metoxen asked Sherry King for clarification on what was requested rather then total cash required of nine point nine million, your requesting six point one million, was that correct, plus a committment for lease of equipment of twelve point seventy eight million, so that would be for the first year.

Jeff House clarified that operating capital lease of payments, we'd cover the first year of lease payments, we could try to cover the first year of lease payments with one point five million, after that, the profits or income, should cover years two and three. But we're still committed to the three year lease, therefore we have to ask for twleve million in the event the plant didn't come up to speed as quickly as the model projected.

Loretta V. Metoxen stated to Bruce King, attached to his memorandum and his explainations, they had a total capital of twenty two point four million, the memo from Jeff House stated twenty two point seven million. In order to take action, they needed to know his specific recommendations item by item.

Deborah Doxtator stated we normally operate with the recommendation from the Land Committee on any leases or other type of recommendations that would go through the Land Committee. They didn't have that in writing today and she asked the Land Committee if they were recommending that lease for approval or not and asked if they could follow up with that.

She asked if it would be necessary for us to approve the Business Plan but she believed they were utilizing that as information to base their decision upon, she thought it was the Boards responsibility to approve or disapprove a business plan.

MOTION BY LORETTA V. METOXEN TO APPROVE AN EQUITY TRANSFER OF \$6.22 MILLION DOLLARS TO ONEIDA NATION ELECTRONICS FOR OPERATING CAPITAL AND A GUARANTEE FOR LEASE EQUIPMENT FOR THREE YEARS AT \$12.78 MILLION BASED ON THE ONEIDA NATION ELECTRONIC, PLEXUS BUSINESS PLAN THAT WAS PROVIDED, SECONDED BY ERNIE STEVENS, JR. MOTION CARRIED UNANIMOUSLY.

MOTION BY GARY JORDAN TO APPROVE THE LEASE WITH RETRO APPROVAL CONTINGENT UPON APPROVAL FROM THE LAND COMMITTEE, SECONDED BY SHIRLEY HILL. MOTION CARRIED UNANIMOUSLY.

The Chair stated this was a very historical moment and she looked forward to our future working relationship.

Gary Jordan thanked everyone for the comprehensive business plan, it was very well done.

Loretta V.Metoxen stated it was a pleasure to take action on things when they are comprehensively done and brought to us.

The Chair thanked everyone for their time.

Respectively submitted.

Julie Barton

Julie Barton, Tribal Secretary
ONEIDA BUSINESS COMMITTEE