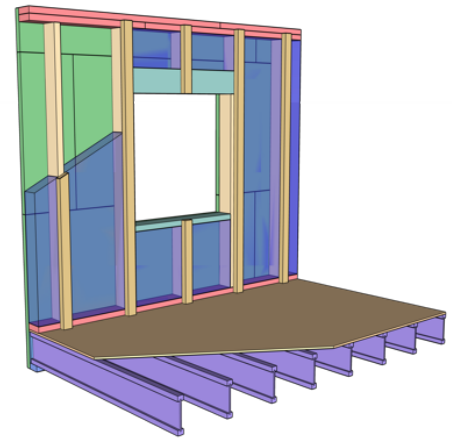


Base Product



Business Plan



Premium Product

InHere Framing

Business Idea: Innovating in residential framing, by manufacturing the wall and floor in our factory in Eugene, Oregon. Selling to home builders who will value our speed and competitive pricing.

Team Members:

Sam Barnes

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Executive Summary

InHere Framing

Jacob Gooch

Address: 90895 Roberts Rd, Eugene Oregon, 97402

Phone: (804) 882-9203

Email: goochjl@dukes.jmu.edu

Management:

Titles:

President, Factory Manager, Engineering Manager

Industry:

Residential Framing

NAICS - 238130

Number of Employees:

Year 2 - 26 Employees

Amount of Financing Sought:

\$1,080,800

Investment Sources:

Owner Contribution: \$500,000

Bank Loans: \$580,800

Use of Funds:

Bank loans will be used for 80% of equipment costs, equity will be used for equipment, raw materials, payroll, marketing, and the building lease.

Product Selling Price:

Base Product: \$48,627.57 - Year 1 Average

Premium Product: \$64,908.80 - Year 1 Average

Panel Product: \$54,170.42 - Year 3 Average

Business Description: InHere produces wall and floor panels for home builders. We build the panels in our factory, reducing costs then ship them to the job site to be assembled. Our process and skilled team reduce the time on site from weeks to days.

Product: We offer a base product which includes floor and wall panels designed like builders are used to as well as a premium product offering higher energy efficiency while remaining easy for the home builder to deal with. In Year 3, we will begin selling our panels to other framing contractors for them to assemble. This will allow us to expand geographically while focusing on our strengths of panel production.

Competitive Advantage: Faster build times and better scheduling reliability is our competitive advantage. Our premium product further differentiated by its energy efficiency.

Markets: We are targeting home builders who build at least 120 homes per year, that are between 2,400 and 3,999 square feet. This market's current size of 30,000 homes per year is growing by an average of 1.2% annually (BizMiner) (U.S. Census, 2020).

Distribution Channels: We are selling directly to home builders and providing the assembly. In year three adding direct sales to other framing contractors. Shipping is done by a combination of our own equipment and outsourcing.

Competition: Our competitors are traditional stick-build framers who operate on narrow margins but offer competitive prices. These firms typically take between 5 and 14 days to complete a job (Taylor, 2015).

Financial Projections: *(dollars in thousands)*

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|----------|----------|---------|---------|----------|----------|
| Revenue: | \$4,166 | \$6,118 | \$8,195 | \$10,442 | \$12,640 |
| EBIT: | \$-16.74 | \$621 | \$898 | \$1,583 | \$2,281 |

Narrative

Elevator Pitch: For the last hundred years, nearly everything inside our homes has come from a factory, leading to better prices and better quality. So, why not the home itself? InHere is a framing contractor; we build the floor and wall structure, and our customer is the home builder. When talking to home builders, we heard that cost and time were their biggest challenges (McNulty, Rogers). We're solving these challenges. By manufacturing wall and floor panels in our factory, we reduce labor costs by 16% and reduce materials costs by 12% (Chaluvadi, 2021). These savings are made possible by our equipment which enables our workers to produce a 2,400 square foot home in just six hours, and assembly on site can be done in 10 hours by a small crew. Compared to traditional framers, who take between 5 and 14 days to build a home, our process takes just three days (Taylor, 2015). Our innovative approach to framing enables us to deliver our product at a competitive price, with a more reliable schedule, and in less time—solving our customers biggest challenges.

Product Description: We're launching with two products: a base product, which is industry standard, and a premium product which provides higher energy efficiency. Both products share the same basic structure for the floor and wall, which is shown in the diagrams on our cover page. The floor system consists of I-joists spaced 16" apart on centers connected to a rim board which wraps around the outside edge. Subfloor board is glued and nailed on top of this structure to create a flat, solid floor. The first level floor requires a moisture resistant sill plate which is bolted down to the foundation wall and supports the floor joists. Homes built on a concrete slab foundation use the concrete as the first level floor, eliminating the need for our floor structure on that first level. A strong wall is made by two parallel pieces of lumber horizontally, supported by many "studs" going vertically. The bottom plate runs horizontally along the bottom of the wall and is nailed down to the floor. The studs run vertically and are spaced 16" on centers. A top plate runs horizontally creating a strong box shape. A second top plate ties wall sections together. Windows and doors vary in dimensions, but all require an engineered header, which is a large piece of wood above the opening that is supported by additional "jack" and "king" studs. For exterior walls, sheathing board is attached to close in the house. Our product design has been reviewed by a licensed electrician and a licensed framing contractor to ensure accuracy and code compliance. At our factory we produce the wall panels in up to 21' long panels and our floors are produced in up to 21' by 9' panels. Our structural engineer evaluates building plans and breaks the home down into panel sections to be assembled on the job site by our assembly crew with the use of a crane. Our base product is designed to compete with the commodity framing structure currently used. It uses 2x4 wall studs and 5/8" AdvanTech® subfloor, both of which are industry standard. We do not provide the insulation in this product. On the exterior, we use ZIP® exterior sheathing which combines the sheathing board and weather barrier into one product for faster and higher quality installation in our factory. Our premium product is differentiated by being 2.5 times more energy efficient than typical construction. We achieve this in three ways. First, we frame the walls using 2x8 studs (instead of 2x4's) spaced on 24" centers giving us more than double the volume to fill with insulation. Second, we fill the walls at our factory with cellulose insulation, which is a more environmentally friendly product. It is also safer than traditional batten insulation both for the workers and for the homeowner and is fire retardant. Third, we use ZIP® Insulated exterior sheathing which

adds insulation to the outside of the house and eliminates heat transfer through the wood structure. All of this adds up to an R value of 36 compared to the typical 13 (Shanahan, 2020). To make this product suitable for our builders, we attach a fabric mesh to the wall to keep the insulation in place and attach 2x3 furring strips to the studs to provide space for electrical and plumbing in accordance with NEC and NSPC code.

Competitive Advantage: We offer our customers competitive prices as well as greater speed and scheduling reliability. Our use of manufacturing equipment from PanelsPlus and IsoCell allow us to produce floor and wall panels, with a small crew and in a shorter time, and our structural engineer uses CAD CAM systems to improve our efficiency and precision.

Value Proposition: InHere will generate revenue by selling home builders the wall and floor frame of new homes. We will sell our product at a weighted average sale price of just under \$50,000 and our efficient operations will result in a net profit margin of 11.4% by Year 5.

Business Strategy: Our business strategy will be to focus on product differentiation while still offering a competitive price. Both our base and premium products can be built much faster than those of our competitors, and our premium product features higher energy efficiency.

Business Location: InHere will be in Lane County, Oregon because of a growing housing market and because of the competitive landscape. Oregon has ~200,000 acres of land, which is being developed quickly to meet the demand of a housing market that is growing at 1.2% per year (BizMiner). Oregon's home prices have increased by 15% compared to last year in response to this growing demand (Redfin.com, 2021). In addition, there is a shortage in construction labor causing labor wages to increase (Moore, 2021). Competing firms frame with a large crew of laborers and currently there are no other prefab framing contractors in Oregon. This makes our core competencies of labor reduction and speed stand out, giving us a competitive advantage.

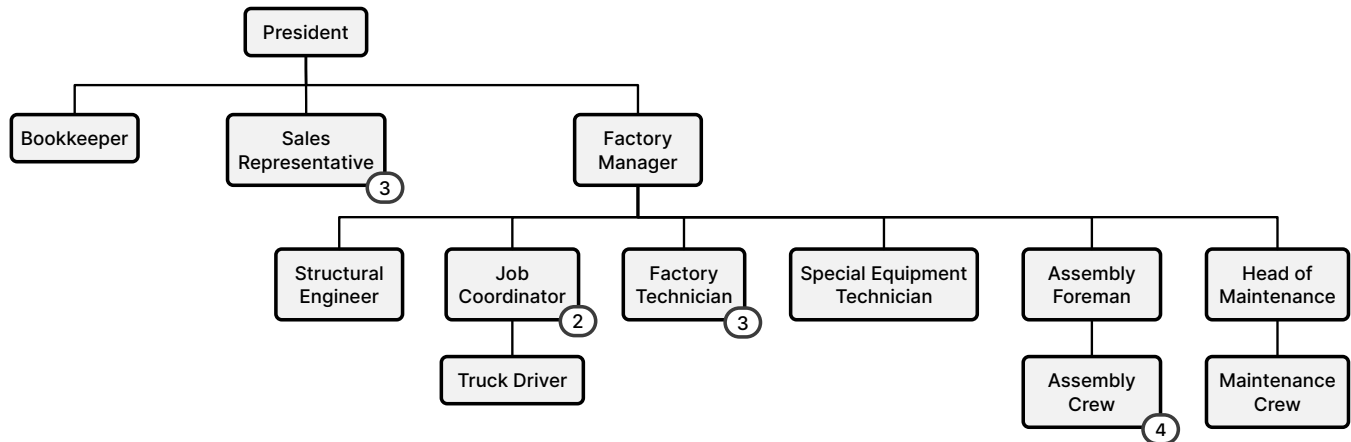
Outsourced Function: We are outsourcing our crane and shipping. Our crane is rented through OldHam Cranes who provide the equipment and operator. This will save us money, according to our analysis, which compared the fixed and variable costs of ownership to their rate. Their business is built around serving construction contractors and can meet our needs. We are using a hybrid approach for our shipping and will be using ArcBest Freight as our primary supplier and ABF Freight as a secondary supplier. We recognize the potential risks of outsourcing and have taken several steps to mitigate the risks. We chose ArcBest Freight, which is almost twice as expensive as their competitors, because they can guarantee us availability when we schedule in advance (arcb.com, 2021). They schedule in 1-hour windows, providing us the timing precision we need. We will own our own flatbed trailers so that we can load and have them ready for the trucks, which eliminates waiting time at the factory. In year two, we will purchase our own truck and hire a driver so that we can further reduce risk as we grow.

Financial Performance: InHere projects profit from our second year onward. Our control of costs gives us a gross profit and net profit margin higher than the industry averages of 6.9% and 4.8% respectively (Readyratios.com, 2020). Our steady cash flows allow us to pay off our loan on equipment by the end of year five, and we project an annual price-to-sales growth rate of 26%. We are seeking \$500,000 of equity investment and bank loans of \$580,800 against 80% of our equipment costs.

Exhibit 1: Organizational Chart

InHere Framing

Year 2 - Year Ended November 19, 2023



Employee Changes Relative to Year 2:

| | |
|--------|---|
| Year 1 | -1 Truck Driver |
| Year 3 | +1 Job Coordinator, +1 Maintenance Crew, +1 Engineering Manager, +1 Human Resource Specialist, +1 Bookkeeper, +1 Factory Tech, +1 Special Equipment Tech, +2 Assembly Foreman, +4 Assembly Crew |
| Year 4 | +1 Maintenance Crew, +1 Job Coordinator |
| Year 5 | +1 Maintenance Crew, +1 Structural Engineer |

Management Statement:

We understand that our employees are our keys to success, and we value their work. To make sure our employees feel valued we'll be offering them competitive pay, paid time off for personal and sick days, holiday bonuses, as well as major holidays off with Christmas being a paid day off and Christmas eve being half a day's pay. All full-time employees will also receive health insurance, access to group rates for vision insurance, as well as a yearly retirement match.

Our manufacturing environment has many advantages for our workers as compared to traditional, job-site construction. Protection from the elements means no sunburns, less sweat, and no cancelled jobs for poor weather. Labor saving equipment and raised worktables protect workers' backs, as well as increasing their productivity. For our assembly crews, safety briefings before each job and clear assembly plans from the engineer make assembly easier and faster. Using cranes to position wall and floor panels also reduces injuries as they no longer must raise the panels by hand or carry lumber.

Our mission is to serve the community to build sturdy, cost-effective and energy efficient homes. Our innovative approach to solving some of the largest building issues such as construction speed and energy efficiency, creates a positive effect on the community around us and will inspire our employees to work hard and feel proud of what they build. In summary, our employees are central to this mission, and we hope they will be inspired every day they come to work and that they feel as valued as they truly are.

Exhibit 2: Employee Costs Chart

InHere Framing

November 19, 2022

| Position | Num of Employees | Salary/Wage Range | | Pay Breakdown | | | Total Pay | |
|---|------------------|------------------------------------|---------------------------|---------------------|--------------------|---------------------|---------------------|----------------------------------|
| | | Salary/Wage Range | Projected Avg Salary/Wage | Salary/Wage Pay | Payroll Deductions | Benefits | Total Projected Pay | Total Projected Pay per Employee |
| <i>General & Administrative</i> | | | | | | | | |
| President | 1 | \$100,000 to \$200,000 | \$112,750.00 | \$112,750.00 | \$12,439.18 | \$9,000.00 | \$134,189.18 | \$134,189.18 |
| Factory Manager | 1 | \$70,000 to \$100,000 | \$82,000 | \$82,000.00 | \$9,471.80 | \$9,000.00 | \$100,471.80 | \$100,471.80 |
| Job Coordinator | 2 | \$23.00 to \$40.00 <i>per hour</i> | \$26.65 | \$110,864.00 | \$20,232.68 | \$20,771.60 | \$151,868.28 | \$75,934.14 |
| Sales Representative | 3 | \$10 to \$16.80 <i>per hour</i> | \$12.30 | \$76,752.00 | \$14,007.24 | \$28,279.20 | \$119,038.44 | \$39,679.48 |
| Bookkeeper | 1 | \$18.00 to \$29.00 <i>per hour</i> | \$21.53 | \$44,772.00 | \$8,170.89 | \$11,238.60 | \$64,181.49 | \$64,181.49 |
| Structural Engineer | 1 | \$65,000 to \$100,000 | \$76,875.00 | \$76,875.00 | \$8,977.24 | \$9,000.00 | \$94,852.24 | \$94,852.24 |
| Head of Maintenance | 1 | \$19.00 to \$26.00 <i>per hour</i> | \$22.04 | \$45,838.00 | \$8,365.44 | \$11,291.90 | \$65,495.34 | \$65,495.34 |
| Maintenance Crew Member | 1 | \$14.00 to \$21.50 <i>per hour</i> | \$17.43 | \$36,244.00 | \$6,614.53 | \$10,812.20 | \$53,670.73 | \$53,670.73 |
| General & Administrative Total | 11 | | | \$586,095.00 | \$88,278.99 | \$112,165.10 | \$786,539.09 | |
| <i>Productive Labor</i> | | | | | | | | |
| Factory Technician | 3 | \$16.00 to \$23.00 <i>per hour</i> | \$19.48 | \$116,850.00 | \$21,325.13 | \$29,025.40 | \$167,200.53 | \$55,733.51 |
| Special Equipment Technician | 1 | \$17.00 to \$24.00 <i>per hour</i> | \$20.50 | \$42,640.00 | \$7,781.80 | \$11,132.00 | \$61,553.80 | \$61,553.80 |
| Truck Driver | 1 | \$75,000 to \$95,000 | \$80,000 | \$80,000.00 | \$9,278.80 | \$9,000.00 | \$98,278.80 | \$98,278.80 |
| Assembly Foreman | 1 | \$19.00 to \$28.00 <i>per hour</i> | \$22.55 | \$46,904.00 | \$8,559.98 | \$11,345.20 | \$66,809.18 | \$66,809.18 |
| Assembly Crew | 4 | \$16.50 to \$23.00 <i>per hour</i> | \$19.48 | \$162,032.00 | \$29,570.84 | \$38,025.40 | \$229,628.24 | \$57,407.06 |
| Productive Labor Total | 10 | | | \$448,426.00 | \$76,516.55 | \$98,528.00 | \$623,470.55 | |
| Sales Commissions | | | | \$123,847.98 | \$22,602.26 | N/A | \$146,450.24 | \$48,816.75 |

Explanation of Benefits:

Health Insurance: Single Coverage, annual premium amount. (\$7,500 per Employee) cost borne by employee (\$1,500) (Copay \$25 PCP \$50 for Specialist, \$2000 Deductible), (Eye Insurance) Single Coverage, annual premium amount (\$200 Per Employee) cost borne by employee (\$200) (\$15 Copay)

Paid Time Off: 10 days of Paid Vacation. Benefits to All Employees (Common Benefits): Leave and Breaks: 5 Paid Sick Days, 5 Unpaid Personal Days (These Rollover) (Daily Breaks) 30 min. Lunch, (2) 15 min. (Paid), (Holidays) Paid: Christmas Day & Christmas Eve Half Day, Unpaid: Thanksgiving and the Next Day, New Years and half day New Years' eve, Memorial Day, Labor Day, July 4th

Retirement: 401k Match up to \$2,500

Bonus: Christmas & Thanksgiving - \$300 and \$200 Respectively

| Deductions | Rate | Cap |
|----------------------|-------|-----------|
| FICA Social Security | 6.20% | \$142,800 |
| FICA Medicare | 1.45% | |
| FUTA | 6.00% | \$7,000 |
| SUTA | 2.60% | \$43,800 |
| WC | 2.00% | |

Sales Representatives will be paid 2.0% commission on all sales at full value. Trial Discounts for new customers will not affect the sales commission, in effect acting as a bonus to our Sales Representatives to gain new customers.

Employees will receive a 2.5% increase in pay per year, starting in year 2.

Exhibit 3: Market Segmentation Analysis / Target Market Selection

| Segment Name | Segment Size | Projected Growth | Segment Description | Priority Level | Justification for Targeting |
|--------------------------------------|---|------------------------------------|--|------------------------|---|
| Residential Green Building | 54 Builders (Builders in Oregon) | 10.5% over the next year (Smart) | Residential construction companies that specialize in building single family energy efficient homes located in Western Oregon. These businesses should build over 120 homes per year and require precise framing and be willing to pay more per square foot for heavier insulation to decrease the amount of electricity it will take to heat and air-condition the homes. | 2 | Our prefab framing methods will allow us to quickly build energy efficient frames with thicker insulation than normal homes. We chose to target builders that build over 120 homes per year because we hope to sell over 40 homes per contract, and it is unlikely that these businesses would completely switch over to us in our first year of operation. We're focusing on Western Oregon so that we can maintain relations with builders and operating expenses low. This segment is our secondary target because even though it has a high rate of expected growth, the market is relatively small currently. |
| Traditional Residential Construction | 1,825 Companies (Mergent Intellect) | 1.2% over the next year (BizMiner) | Residential construction companies that need to produce single family homes quickly and precisely. Located in Western Oregon. These businesses should build over 120 homes per year and require quick and precise framing at a low price. These homes built should have standard specs. | 1 | Our prefab framing methods will allow us to quickly and cheaply build relatively standard frames which will save builders time and reduce liability. This is because prefab construction is done in a factory, so it is much quicker and safer than traditional stick building. We chose to target builders that build over 120 homes per year because we hope to sell over 40 homes per contract, and it seems unlikely that these businesses would completely switch over to us in our first year of operation. We're focusing on Western Oregon so that we can maintain relations with builders and operating expenses low. This segment is our primary target because it is the target with the greatest number of residential homes. |
| Framing Companies (Beginning year 3) | 105 Residential framing companies in Oregon | 1.2% over the next year (BizMiner) | Residential Framing companies located in Oregon that need to produce frames for home builders faster and more precisely than they normally could with traditional framing methods. These framing companies would build homes between 2,400 square feet and 3,999 square feet that have relatively standard specs. | 1 - Starting in year 3 | Our wall and floor panel production will pass savings onto framing contractors, allow them to streamline their own processes, and increase their speed. We will have proven our savings and these framers will buy from us as these typical framers are small and don't have access to the capital and expertise required to build a prefab manufacturing facility. Selling to this market will allow us to expand geographically and scale, while minimizing our overhead and allowing us to focus on our unique strength of panel production. We will not target this market until year three because we need to have proven our savings and built up the capacity. |

Exhibit 4: Market Quantification

| Year | Mkt Potential (\$) | Mkt Potential (Builders) | Mkt Potential (Homes) | Mkt Share % | Number of Jobs | Avg Job Price (\$) | Discounts (\$) | Net Sales (\$) |
|--------|--------------------|--------------------------|-----------------------|-------------|----------------|--------------------|----------------|----------------|
| Year 1 | \$1.49bn | 1,943 | 30,000 | 0.28 | 86 | 49,574 | 97,298 | 4,166,078 |
| Year 2 | \$1.72bn | 1,943 | 30,360 | 0.36 | 109 | 56,629 | 74,332 | 6,118,066 |
| Year 3 | \$1.91bn | 1,943 | 30,724 | 0.43 | 134 | 62,135 | 115,052 | 8,195,726 |
| Year 4 | \$2.04bn | 1,943 | 31,092 | 0.51 | 161 | 65,502 | 78,235 | 10,442,498 |
| Year 5 | \$2.09bn | 1,943 | 31,465 | 0.60 | 190 | 66,621 | 37,912 | 12,640,576 |

Market Potential: We'll be targeting local builders in Oregon developing land in Western Oregon within 100 miles of our factory. They should build homes between 2,400 and 3,999 sq ft. This equates to 30,000 homes built per year according to Census data of the region. Based on a weighted average of our products we estimate a weighted average all-in cost of \$17.80 per square feet. At an average of 2,785 sq ft, that equates to \$49,574 per home. We multiply that number by 30,000 homes and get a market potential of \$1.34 billion for Year 1, and repeat this calculation for each year as the market grows. BizMiner data shows the Oregon housing market, measured in homes built, growing by about 1.2% per year. Our market share was determined by dividing our annual revenue by the market potential.

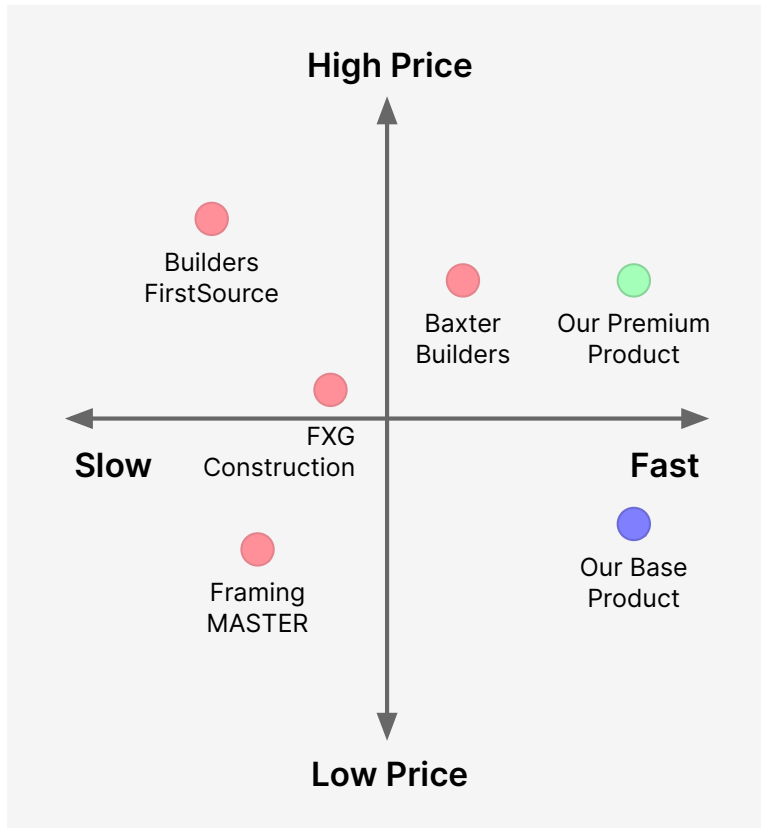
Sales: Our sales staff will handle 10 potential clients at a time. Conversations with the heads of two large home builders, RC-I and Lifestyle builders, helped us inform our forecast. Based on feedback from these large home builders, a builder will be able to decide to try our product within two months, and those who will not convert will be dropped by our sales team, this gives us a 10wk cycle from first conversations to trial sale contract. Industry sales conversion rate of 14% (McNulty) for established businesses has been reduced to 6% based on their maturity (-6%) and a margin of error (-2%). A retention rate of 80% past the trial job has also been reduced to 60% based on their maturity (-15%) and a margin of error (-5%) (McNulty). Based on these figures we expect 3 clients to order trial homes which offer a 30% discount, and we expect 2 clients to remain with us in each year. Based on conversations with McNulty and Rogers we can expect a client to give us one development project contract which would be between 40 and 50 homes. Based on an analysis of 10 representative homes from 2,400-3,500 sqft we calculated our weighted average sales prices at an all-in cost of \$17.46/sqft for our base package and \$23.31 for our premium package in our first year. Growth will slow in year 3 as new clients will be harder to find and competition enters the market, but we will grow our premium product sales and begin selling direct to framing contractors.

| Month | Num of Jobs | Avg Job Price (\$) | Discounts (\$) | Net Sales (\$) |
|--------------|-------------|--------------------|----------------|--------------------|
| Nov | 2 | 49,574 | 29,176 | 68,078 |
| Dec | 2 | 49,574 | 19,472 | 94,063 |
| Jan '22 | 3 | 49,574 | | 145,882 |
| Feb | 3 | 49,574 | | 145,882 |
| Mar | 9 | 49,574 | | 453,929 |
| Apr | 11 | 49,574 | | 551,184 |
| May | 13 | 49,574 | 48,649 | 599,790 |
| Jun | 13 | 49,574 | | 648,439 |
| Jul | 11 | 49,574 | | 534,903 |
| Aug | 11 | 49,574 | | 534,903 |
| Sep | 6 | 49,574 | | 291,765 |
| Oct | 2 | 49,574 | | 97,255 |
| Total | 86 | | 97,298 | \$4,166,078 |

We plan to have our executive team begin talks with builders at least 12 wks before we begin production. When we begin production in Nov. we will have two trial jobs. Over our first year we will build trial homes for 3 builders and retain 2. The two we retain will give us contracts for two small developments which will have a deadline of the end of September (Rogers). Seasonality effects our sales where we have a peak between Mar and Sep (Carliner, 2002). Our first-year clients will be mainly interested in our base product, but we will sell some premium products as trials and as full sales in the first year.

Full cost analysis and forecast calculations can be found in "Integrated Financials" workbook

Exhibit 5: Positioning / Competitive Analysis



Positioning Statement:

Through our investments into innovative production, we will offer a competitively priced product which can be built in less time and with a more reliable schedule. Our base product will serve home builders' existing framing needs while our premium product will offer energy savings and environmental advantages. Advancements in manufacturing technology and the digitization of plans make prefab construction feasible today where it has been difficult in the past. While prefab framing companies are fairly common in the Northeast region of the US and in Europe, the West Coast has been slow to adopt this due to a more traditional culture and a smaller market than the northeast in absolute terms. We will be profitable in this market while having minimal direct competition due to the current housing shortage and high barrier of entry in comparison to traditional stick builders. Compared to our competition, we can deliver a standard base product and differentiated premium product in much less time and at a very competitive price.

Positioning Strategy:

Our products will be differentiated from those of our competitors because of our innovative framing equipment. With only four employees operating it, our equipment from PanelsPlus is able to produce 800 linear feet per 8-hour shift (Kaasa, 2021). Traditional framers take anywhere from five to fourteen days to frame a house, but with our quoted equipment efficiency, we can build and assemble a 2,700 sqft home in just two to three days (Taylor, 2015). Our premium product is differentiated by its thick layer of cellulose insulation, which is made possible by our equipment from IsoCell. Our weighted average price for both products comes out to \$17.80 per sqft based on a representative 2,700 sqft home. This price is on par with our competitors who have a low price \$17.84 and a high price of \$21.80 per square foot.

Exhibit 6: Market Mix

Product Branding: Our brand will be built off speed, precision, and safety. As mentioned previously, our equipment from PanelsPlus and IsoCell allows us to offer much faster rates of construction for our products and more energy efficiency in our premium product. The automation of our construction will also improve consistency and help us maintain quality control. Safety of employees is a priority of any construction company and InHere will be able to save our employees and those of our customers from harm because of factory construction and assembly equipment. As you can see, our innovations will cement our place amongst the Oregon construction community as a business that cares about the needs of our clients and the residents.

Pricing:

Average price per square foot

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|---------|---------|---------|---------|---------|
| <i>Competitor: FramingMASTER</i> | \$17.84 | \$19.48 | \$21.27 | \$23.23 | \$25.39 |
| <i>Competitor: Baxter Builders</i> | \$21.80 | \$23.02 | \$25.14 | \$27.45 | \$29.98 |
| InHere Base Product Customer Price | \$17.46 | \$19.53 | \$21.56 | \$22.81 | \$22.96 |
| InHere Premium Product Customer Price | \$23.31 | \$24.95 | \$27.84 | \$29.85 | \$30.64 |

According to NAHB, framing costs are \$19.83 per square foot on average and rising. Framing Master LLC is competing on cost, and we estimate their all-in cost per square foot to be 10% lower than the framing average at \$17.84. BaxterBuilders LLC is more focused on custom home building and overall quality therefore, we estimate their all-in cost per square foot to be 10% higher than the average at \$21.80.

Pricing Strategy: We will use cost-based pricing and in Year 1 will have introductory pricing to attract our first customers. In Year 1, we will price our product to make a 30% gross profit and in Years 2 through 5, we will price our base product to make 38% gross profit and price our premium product to make 34% gross profit (on a larger sale price). Residential construction costs in Oregon rose 9.2% last year (Shane, 2021), so we have projected continued growth in framing prices at that rate over the next five years. When we begin selling to framers in Year 3, we will continue to use a cost-based pricing strategy which will have to compete with their own internal costs. We will use a cost-based strategy and project a sale price of \$19.45 per square foot, giving us a gross profit of 37%. In addition to our introductory pricing, we will also offer a 30% sales discount on a new customer's first two jobs, intended to reduce perceived risk.

Distribution: Because we are assembling our base and premium products, there is a degree of inseparability in our business, and for that reason we will sell directly to our customers with our sales representatives. In Year 3 our panel product, without assembly, will be sold directly to contractors.

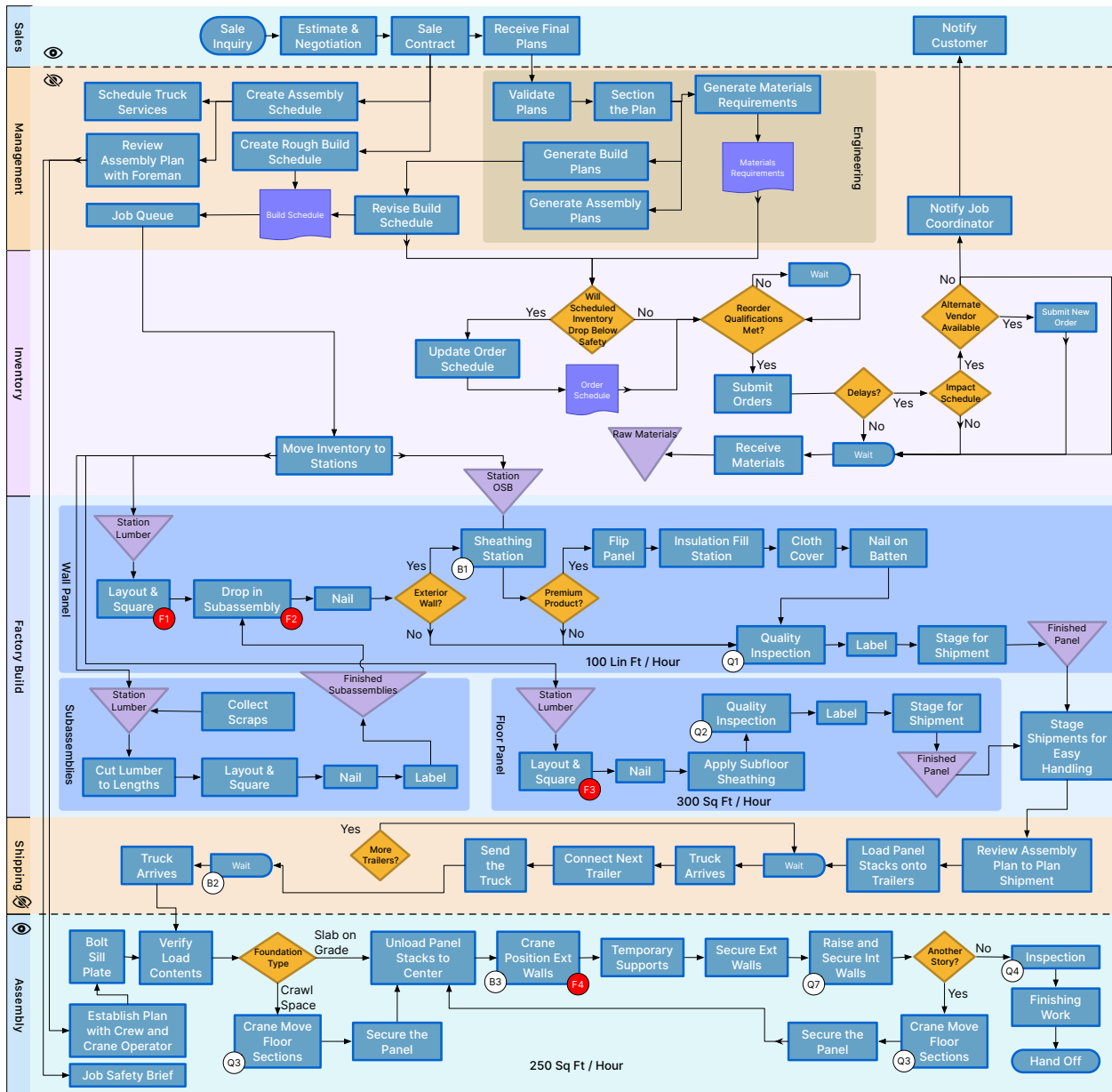
Promotion:

(in thousands of \$)

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-----------------------------------|--------|--------|--------|--------|--------|
| Total IMC Budget | \$40 | \$50 | \$50 | \$50 | \$50 |
| Advertising Expense | \$30 | \$37 | \$37 | \$37 | \$37 |
| Sales Promotional Expense | \$9 | \$11 | \$11 | \$11 | \$11 |
| PR Expense | \$1 | \$2 | \$2 | \$2 | \$2 |
| # of Sales Representatives | 2 | 3 | 3 | 3 | 3 |

Our sales representatives will be crucial in generating our sales and our compensation including 2% sales commission will allow us to hire effective sales representatives. To support them, our advertising and promotions will be aimed at generating interest and awareness. Video ads on YouTube and Facebook aimed at adults in the construction industry will generate awareness and print advertisements in trade publication magazines will generate interest. We will use direct mail to target home builders as well as framing contractors starting in Year 2, before we launch our panel product. We will have sales brochures for our premium product upgrade made available to our home builders and placed in model homes as sales collateral. These brochures will generate interest from the home *buyer* to upgrade to the premium product.

Exhibit 7: Process Map



| Quality Step | What is Measured | Frequency | How we ensure quality |
|---------------|--|---|---|
| Q1, Q2 | Conformance to the engineer's build plan | Every time a panel is finished | If a panel has errors in it, we will have to modify the panel and correct the error. |
| Q3 | Conformance to assembly plan | Every panel at time of installation | Before securing the panel, we will make sure the panel is free of defects and is in the right place. |
| Q4 | Finished assembly meets standards | At the end of each assembly | Job foreman will use checklist to ensure a proper assembly, meeting our specifications. |
| Failure Point | Description | Prevention | How we recover if this failure occurs |
| F1, F3 | Wrong stud spacing or length | Use of automation and having two people check | Catch this issue at our Q1 point and redo the panel if necessary. Document each error for management. |
| F2 | Wrong assembly or wrong location | Clear instructions and labeling | Catch this issue at our Q1 point and redo the panel if necessary. Document each error for management |
| F4 | Placing panel in wrong location | Clear instructions and label each panel | We will have the assembly crew disassemble and correctly assemble the panel |

Exhibit 8: Quality

| Dimensions of Quality | Why is this dimension important? | The Quality Step(s) on the Process Flowchart. |
|-----------------------|--|---|
| Conformance | The home builder (our customer) must manage many trades and many processes which all must work together. If we install a door in a wrong position, the plumbing, electrical, and ultimately the homeowner is going to have serious issues. | Q1 and Q2 will deal with this issue. |
| Time | Part of our positioning and competitive advantage is our ability to serve the customer faster. This promise must be delivered upon by spending much less time assembling on site, usually around 1 day. | Q3 |
| Special Features | For our premium product, our use of insulated sheathing and 8" of cellulose insulation make a more energy efficient home. | Q1 |
| Consistency | Home builders trust us to do each job to a common standard and make sure that jobs are consistent so that the customer knows what they are buying, and the other trades will be able to work efficiently in our framed building. | Q1, Q2, Q3 |

Additional Proactive Quality Assurance Plans not connected to a specific activity on the Process Flowchart:

Our use of squaring tables and semiautomatic nailing guns helps us improve quality compared to the traditional stick-build framer. Guides on the table enable workers to ensure proper stud spacing. Engineers provided build plans and give detailed instruction to the workers which will increase consistency and decrease mistakes. Every panel will be inspected as it is built to spot issues, and workers will check that the frame matches the build plan before nailing, allowing them to make corrections before it is set. At the sheathing station, automated equipment increases our speed but also allow us to build with greater precision.

Reactive Quality Assurance Plans:

When we finish panels, we will inspect them to see if they meet our standards and if they do not, we will rework them or scrap them. At the time of installation, if there is a problem with a panel, we would have to stop the job and send the panel back to be reworked or replaced. After assembly, if a customer is not pleased with some part of the structure, we would subcontract a traditional framer to make the changes to the structure. We would not be able to make massive changes if they were asked for by the builder (customer).

Quality/Process Improvement Methodology: Total Quality Management (TQM)

We are selling two different products and our focus is on our premium product, where the panels are offered in 2x8 instead of the traditional 2x4. Because of the unique width of the wall, we will be careful about choosing the right material and the right insulation for our premium product. We are aiming for "green homes" that are eco-friendly and attract customers who value speed as well as environmentalism. We will ensure long-term success through customer satisfaction by improving the speed of the process, quality of product, and scheduling reliability. Communications will play an important role, not only in clearly describing our product to our customer, but more importantly in maintaining morale and in motivating employees during times of varying demand.

Exhibit 9: Inventory, Suppliers, & Distribution

Raw Materials Inventory & Suppliers

| Items | Supplier Name & Location | Reason for selecting this supplier | Lead Time | Frequency of Replenishment | System of Management | Mode of Transportation |
|---|---------------------------------|---|-----------|----------------------------|----------------------|------------------------|
| <ul style="list-style-type: none"> • Framing lumber (2x4, 2x8, 2x3) • Salt Treated Lumber (sill plate) • AdvanTech® subfloor (5/8" and 1") | Gene Stringfield Eugene, OR | Gene Stringfield offers Spruce Pine Fur (SPF) lumber at very good prices in standard lengths or precut. They keep all items in stock and offer next-day delivery or same day pickup. (Gene Stringfield, 2021) | 1-2 days | When we reach ROP | Fixed Quantity | Highway |
| <ul style="list-style-type: none"> • ZIP® sheathing • ZIP® R5 sheathing • ZIP® flashing tape | L&W Supply Eugene, OR | L&W Supply are the closest supplier carrying ZIP® sheathing products and provide fast delivery. This is not the cheapest product but will improve our quality and process efficiency. (Nelson, 2021) | 2-3 days | When we reach ROP | Fixed Quantity | Highway |
| <ul style="list-style-type: none"> • Fabric Mesh Roll • GreenFiber Cellulose Fill | Service Partners Eugene, OR | Service Partners are a low cost distributor of GreenFiber cellulose insulation. They keep these items in stock, offer next day shipping and low prices. (Service Partners, 2021) | 1 day | When we reach ROP | Fixed Quantity | Highway |
| <ul style="list-style-type: none"> • I-Joists (8" & 10") • LSL Rim Board (8" & 10") | Value Lumber Yard Eugene, OR | Value Lumber Yard provides the lumber needed for our floor system at the best prices. They offer Laminated Strand Lumber (LSL) rim boards which are lower cost. They have fast delivery and good service. (Longworth, 2021) | 1 day | When we reach ROP | Fixed Quantity | Highway |

Finished Goods Inventory

| End of Year | Finished goods produced (per hour) | Frequency of shipping finished goods | Average level of finished goods inventory on site | Amount of safety stock on site |
|-------------|------------------------------------|---|---|--|
| Year 1 | 109 sq ft / hour | Shipped according to job schedule Trucks available during workweek Outsourcing allows us to contract as many trucks as we need at any time Truck carries 836 square feet (average) | 436 square feet | Due to job variability, we are make-to-order and will not have safety stock. We will only keep stock of subassemblies for doors and windows on site. |
| Year 2 | 139.37 sq ft / hour | | 557.48 square feet | |
| Year 3 | 170.47 sq ft / hour | | 681.88 square feet | |
| Year 4 | 204.71 sq ft / hour | | 818.84 square feet | |
| Year 5 | 242.52 sq ft / hour | | 970.08 square feet | |

Distribution

| Transportation provider | Reason for selecting this provider | Frequency of Pick up/Drop off |
|-------------------------|---|---|
| ArcBest Freight | This supplier is not the cheapest, however they are able to offer a higher service availability and more precise timing. They schedule one week in advance so if they don't have availability, we can make other arrangements. (arcb.com, 2021) | Scheduled one week in advance and provide a hour window. Available daily during week. |

Exhibit 10: Capacity

| End of Year | Demand (per hour) | Capacity (per hour) | Utilization | Hours of Operation | Bottleneck name | How will we manage /adjust the bottleneck to ensure we can appropriately serve or supply our customers? |
|-------------|-------------------|---------------------|-------------|--------------------|-------------------------------|---|
| Year 1 | 109 sq ft | 250 sq ft | 43.6% | 2,040 | Crane position exterior walls | We will pace our production to match assembly and avoid building up a WIP inventory at the factory as assembly is the bottleneck. |
| Year 2 | 139.37 sq ft | 250 sq ft | 55.7% | 2,040 | Crane position exterior walls | |
| Year 3 | 170.47 sq ft | 300 sq ft | 56.8% | 2,040 | Sheathing Station | We will have framing workers split their time between wall framing and subassembly so that they are paced correctly. |
| Year 4 | 204.71 sq ft | 300 sq ft | 68.2% | 2,040 | Sheathing Station | |
| Year 5 | 242.54 sq ft | 300 sq ft | 80.8% | 2,040 | Sheathing Station | |

Calculations for the end of Year 1:

| Hours of operation/month | Demand/month | Demand/hour | Capacity/month | Capacity/hour | Utilization |
|--------------------------|--------------|-------------|----------------|---------------|-------------|
| 160 | 18,633 sq ft | 109 sq ft | 40,000 sq ft | 250 sq ft | 43.6% |

Additional resources (beyond bottleneck):

Assembly crews will be able to erect our buildings in 10 hours so we will have only one crew our first year. Engineering is an important resource, and we will have one structural engineer capable of completing build and assembly plans in 2 days. One engineer our first year will allow us to meet demand.

Adjustments to resource requirements over time:

We will be hiring second and third assembly crews to work in parallel on different jobs which will allow us to meet the demand and keep pace with production. This will require more use of our outsourced functions as well (crane and shipping) and will necessitate more job coordinators and an additional engineer to meet our demand.

Seasonality:

We do not lay off any workers, but we will reduce hours during off peak season. During peak season we will be able to supply the demand for the first 5 years but in later years as we continue to grow, we will need more production shifts to meet demand

Equipment:

The basic wall structure is laid out on the PanelsPlus framing table which keeps the wall square and has jigs to space the studs precisely. Two workers will lay out the bottom and top plate, then the studs, and place in any door or window subassemblies. Then they use the semiautomated nail guns to nail the frame together. Exterior walls then move to the PanelsPlus sheathing station which automatically nails sheathing in place and cuts the excess around the outside and in door or window openings. Floor panels are produced on a floor cassette table much like the walls, however subfloor is glued and nailed down by hand. For premium walls, the IsoCell bridge automatically fills wall cavities to precise standards with minimal waste. Forklifts in our factory are used to move raw materials, subassemblies and finished panels around the factory, and to load them onto flatbed trailers.

Exhibit 11: Income Statement

Pro Forma Income Statement

| | Year Ended November 19, 2022 | % of Net Sales | Year Ended November 19, 2023 | % of Net Sales | Year Ended November 19, 2024 | % of Net Sales | Year Ended November 19, 2025 | % of Net Sales | Year Ended November 19, 2026 | % of Net Sales |
|-------------------------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| Sales Revenue: | | | | | | | | | | |
| Sales - Base Installations | \$ 3,938,833.18 | 94.5% | \$ 5,066,554.54 | 82.8% | \$ 6,433,015.27 | 78.5% | \$ 7,826,502.63 | 74.9% | \$ 9,059,752.32 | 71.7% |
| Sales - Premium Installations | 324,544.01 | 7.8% | 1,125,844.69 | 18.4% | 1,444,400.72 | 17.6% | 1,781,364.54 | 17.1% | 2,102,241.62 | 16.6% |
| Sales - Panels | - | - | - | - | 433,363.37 | 5.3% | 912,866.85 | 8.7% | 1,516,495.04 | 12.0% |
| Sales Discounts | (97,298.37) | -2.3% | (74,332.76) | -1.2% | (115,052.53) | -1.4% | (78,235.80) | -7% | (37,912.38) | -3% |
| Net Sales | 4,166,078.83 | 100.0% | 6,118,066.47 | 100.0% | 8,195,726.83 | 100.0% | 10,442,498.22 | 100.0% | 12,640,576.60 | 100.0% |
| Cost of Sales: | | | | | | | | | | |
| Raw Materials | 2,085,119.44 | 50.0% | 2,890,410.77 | 47.2% | 3,712,409.19 | 45.3% | 4,685,526.72 | 44.9% | 5,839,048.89 | 46.2% |
| Productive Labor | 610,744.60 | 14.7% | 623,470.55 | 10.2% | 1,049,711.01 | 12.8% | 1,374,471.39 | 13.2% | 1,401,651.21 | 11.1% |
| Shipping & Other | 305,166.67 | 7.3% | 424,440.00 | 6.9% | 541,439.33 | 6.6% | 667,988.57 | 6.4% | 752,186.85 | 6.0% |
| Cost of Sales | 3,001,030.70 | 72.0% | 3,938,321.31 | 64.4% | 5,303,559.53 | 64.7% | 6,727,986.68 | 64.4% | 7,992,886.95 | 63.2% |
| Gross Profit from Operations | 1,165,048.13 | 28.0% | 2,179,745.16 | 35.6% | 2,892,167.30 | 35.3% | 3,714,511.54 | 35.6% | 4,647,689.66 | 36.8% |
| Expenses: | | | | | | | | | | |
| Administrative Expenses: | | | | | | | | | | |
| Compensation | 596,537.70 | 14.3% | 786,539.09 | 12.9% | 1,173,633.83 | 14.3% | 1,333,326.47 | 12.8% | 1,525,784.97 | 12.1% |
| Office Equipment & Supplies | 10,750.00 | .3% | 13,668.75 | .2% | 16,719.06 | .2% | 20,076.92 | .2% | 23,788.46 | .2% |
| Selling Expenses: | | | | | | | | | | |
| Advertising | 40,000.00 | 1.0% | 50,000.00 | .8% | 50,000.00 | .6% | 50,000.00 | .5% | 50,000.00 | .4% |
| Commissions | 100,828.87 | 2.4% | 146,450.24 | 2.4% | 196,549.93 | 2.4% | 248,815.36 | 2.4% | 299,846.26 | 2.4% |
| Rent | 200,000.00 | 4.8% | 200,000.00 | 3.3% | 200,000.00 | 2.4% | 200,000.00 | 1.9% | 200,000.00 | 1.6% |
| Utilities | 21,500.00 | .5% | 27,337.50 | .4% | 33,438.13 | .4% | 40,153.84 | .4% | 47,576.92 | .4% |
| Repairs & Maintenance | 19,350.00 | .5% | 24,603.75 | .4% | 30,094.31 | .4% | 36,138.46 | .3% | 42,819.23 | .3% |
| Depreciation | 128,322.40 | 3.1% | 262,095.40 | 4.3% | 225,515.40 | 2.8% | 154,911.40 | 1.5% | 108,417.80 | .9% |
| Insurance | 19,500.00 | .5% | 23,000.00 | .4% | 23,000.00 | .3% | 23,000.00 | .2% | 23,000.00 | .2% |
| Taxes, Licenses & Fees | 45,000.00 | 1.1% | 25,000.00 | .4% | 45,000.00 | .5% | 25,000.00 | .2% | 45,000.00 | .4% |
| Total Expenses | 1,181,788.97 | 28.4% | 1,558,694.73 | 25.5% | 1,993,950.66 | 24.3% | 2,131,422.45 | 20.4% | 2,366,233.64 | 18.7% |
| Net Operating Income | (16,740.85) | -4% | 621,050.43 | 10.2% | 898,216.64 | 11.0% | 1,583,089.09 | 15.2% | 2,281,456.01 | 18.0% |
| Interest Expense | 42,464.00 | 1.0% | 34,464.00 | .6% | 22,464.00 | .3% | 10,464.00 | .1% | - | - |
| Income Before Taxes | (59,204.85) | -1.4% | 586,586.43 | 9.6% | 875,752.64 | 10.7% | 1,572,625.09 | 15.1% | 2,281,456.01 | 18.0% |
| Income Tax Expense | - | - | 217,036.98 | 3.5% | 324,028.48 | 4.0% | 581,871.28 | 5.6% | 844,138.72 | 6.7% |
| Net Income (Loss) | \$ (59,204.85) | -1.4% | \$ 369,549.45 | 6.0% | \$ 551,724.16 | 6.7% | \$ 990,753.81 | 9.5% | \$ 1,437,317.29 | 11.4% |

Statement of Retained Earnings

| | | | | | |
|----------------------------------|-----------------------|----------------------|----------------------|------------------------|------------------------|
| Balance Retained Earnings | \$ - | \$ (59,204.85) | \$ 310,344.61 | \$ 862,068.77 | \$ 1,852,822.58 |
| Net Income (Loss) | (59,204.85) | 369,549.45 | 551,724.16 | 990,753.81 | 1,437,317.29 |
| Dividends to Stockholders | - | - | - | - | - |
| Ending Retained Earnings | \$ (59,204.85) | \$ 310,344.61 | \$ 862,068.77 | \$ 1,852,822.58 | \$ 3,290,139.86 |

Exhibit 12: Balance Sheet

Pro Forma Balance Sheet

| | At Inception | | Year Ended November 19, 2022 | % of Total Assets | Year Ended November 19, 2023 | % of Total Assets | Year Ended November 19, 2024 | % of Total Assets | Year Ended November 19, 2025 | % of Total Assets | Year Ended November 19, 2026 | % of Total Assets |
|---|------------------------|---------------|---------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|
| Assets | | | | | | | | | | | | |
| <i>Current Assets:</i> | | | | | | | | | | | | |
| Cash & Cash Equivalents | \$ 194,800.00 | 18.0% | 142,710.05 | 13.9% | 416,221.93 | 31.7% | 1,031,742.86 | 58.9% | 2,023,727.71 | 77.3% | 3,424,517.00 | 87.0% |
| Accounts Receivables | - | | - | | - | | - | | - | | - | |
| Inventory | - | | 123,742.00 | 12.1% | 162,955.00 | 12.4% | 210,242.00 | 12.0% | 240,276.00 | 9.2% | 265,505.00 | 6.7% |
| Total Current Assets | 194,800.00 | 18.0% | 266,452.05 | 26.0% | 579,176.93 | 44.1% | 1,241,984.86 | 70.9% | 2,264,003.71 | 86.4% | 3,690,022.00 | 93.7% |
| <i>Fixed (Long-Term) Assets:</i> | | | | | | | | | | | | |
| Machinery & Equipment | 726,000.00 | 67.2% | 726,000.00 | 70.9% | 726,000.00 | 55.2% | 726,000.00 | 41.4% | 726,000.00 | 27.7% | 726,000.00 | 18.4% |
| Office Equipment | 30,000.00 | 2.8% | 30,000.00 | 2.9% | 30,000.00 | 2.3% | 30,000.00 | 1.7% | 30,000.00 | 1.1% | 30,000.00 | .8% |
| Trailers | 90,000.00 | 8.3% | 90,000.00 | 8.8% | 180,000.00 | 13.7% | 180,000.00 | 10.3% | 180,000.00 | 6.9% | 180,000.00 | 4.6% |
| Semi | - | | - | | 150,000.00 | 11.4% | 150,000.00 | 8.6% | 150,000.00 | 5.7% | 150,000.00 | 3.8% |
| Building Improvements | 40,000.00 | 3.7% | 40,000.00 | 3.9% | 40,000.00 | 3.0% | 40,000.00 | 2.3% | 40,000.00 | 1.5% | 40,000.00 | 1.0% |
| Total Gross Fixed Assets | 886,000.00 | 82.0% | 886,000.00 | 86.5% | 1,126,000.00 | 85.6% | 1,126,000.00 | 64.3% | 1,126,000.00 | 43.0% | 1,126,000.00 | 28.6% |
| Less: Accumulated Depreciation | - | | 128,322.40 | 12.5% | 390,417.80 | 29.7% | 615,933.20 | 35.2% | 770,844.60 | 29.4% | 879,262.40 | 22.3% |
| Net Fixed Assets | 886,000.00 | 82.0% | 757,677.60 | 74.0% | 735,582.20 | 55.9% | 510,066.80 | 29.1% | 355,155.40 | 13.6% | 246,737.60 | 6.3% |
| Total Assets | \$ 1,080,800.00 | 100.0% | \$ 1,024,129.65 | 100.0% | \$ 1,314,759.13 | 100.0% | \$ 1,752,051.66 | 100.0% | \$ 2,619,159.11 | 100.0% | \$ 3,936,759.60 | 100.0% |
| Liabilities | | | | | | | | | | | | |
| <i>Current Liabilities:</i> | | | | | | | | | | | | |
| Accounts Payable | - | | - | | - | | - | | - | | - | |
| Accrued Payroll Taxes & Benefits | - | | 52,534.50 | 5.1% | 73,614.52 | 5.6% | 109,182.89 | 6.2% | 135,536.53 | 5.2% | 146,619.74 | 3.7% |
| Total Current Liabilities | - | | 52,534.50 | 5.1% | 73,614.52 | 5.6% | 109,182.89 | 6.2% | 135,536.53 | 5.2% | 146,619.74 | 3.7% |
| <i>Long Term Liabilities:</i> | | | | | | | | | | | | |
| Bank Loan | 580,800.00 | 53.7% | 530,800.00 | 51.8% | 430,800.00 | 32.8% | 280,800.00 | 16.0% | 130,800.00 | 5.0% | - | |
| Convertible Debt | - | | - | | - | | - | | - | | - | |
| Total Debt | 580,800.00 | 53.7% | 530,800.00 | 51.8% | 430,800.00 | 32.8% | 280,800.00 | 16.0% | 130,800.00 | 5.0% | - | |
| Total Liabilities | 580,800.00 | 53.7% | 583,334.50 | 57.0% | 504,414.52 | 38.4% | 389,982.89 | 22.3% | 266,336.53 | 10.2% | 146,619.74 | 3.7% |
| Owners Equity | | | | | | | | | | | | |
| Common Stock | 500,000.00 | 46.3% | 500,000.00 | 48.8% | 500,000.00 | 38.0% | 500,000.00 | 28.5% | 500,000.00 | 19.1% | 500,000.00 | 12.7% |
| Retained Earnings | - | | (59,204.85) | -5.8% | 310,344.61 | 23.6% | 862,068.77 | 49.2% | 1,852,822.58 | 70.7% | 3,290,139.86 | 83.6% |
| Total Owners Equity | 500,000.00 | 46.3% | 440,795.15 | 43.0% | 810,344.61 | 61.6% | 1,362,068.77 | 77.7% | 2,352,822.58 | 89.8% | 3,790,139.86 | 96.3% |
| Total Liabilities & Owner's Equity | \$ 1,080,800.00 | 100.0% | \$ 1,024,129.65 | 100.0% | \$ 1,314,759.13 | 100.0% | \$ 1,752,051.66 | 100.0% | \$ 2,619,159.11 | 100.0% | \$ 3,936,759.60 | 100.0% |

Exhibit 13: Cash Flow Statement

Pro Forma Statement of Cash Flows

| | Year Ended November 19, 2022 | Year Ended November 19, 2023 | Year Ended November 19, 2024 | Year Ended November 19, 2025 | Year Ended November 19, 2026 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Cash Flows From (For) Operations: | | | | | |
| Net Income | \$ (59,204.85) | \$ 369,549.45 | \$ 551,724.16 | \$ 990,753.81 | \$ 1,437,317.29 |
| Depreciation | 128,322.40 | 262,095.40 | 225,515.40 | 154,911.40 | 108,417.80 |
| Changes in Current Accounts: | | | | | |
| Change in Accounts Receivable | - | - | - | - | - |
| Change in Inventories | 123,742.00 | 39,213.00 | 47,287.00 | 30,034.00 | 25,229.00 |
| Change in Accounts Payable | - | - | - | - | - |
| Change in Accrued Salaries & Wages | <u>52,534.50</u> | <u>21,080.02</u> | <u>35,568.37</u> | <u>26,353.64</u> | <u>11,083.21</u> |
| Net Cash Flow From (For) Operations | (2,089.95) | 613,511.87 | 765,520.93 | 1,141,984.85 | 1,531,589.30 |
| Cash Flow (For) From Investing Activities: | | | | | |
| Fixed Asset Purchases | - | <u>(240,000.00)</u> | - | - | - |
| Net Cash Flow (For) From Investing | - | (240,000.00) | - | - | - |
| Cash Flow From (For) Financing Activities: | | | | | |
| Issuance of Common Stock | - | - | - | - | - |
| Long Term Debt Borrowings | (50,000.00) | (100,000.00) | (150,000.00) | (150,000.00) | (130,800.00) |
| Dividends Paid to Stockholders | - | - | - | - | - |
| Net Cash Flows From (For) Financing | (50,000.00) | (100,000.00) | (150,000.00) | (150,000.00) | (130,800.00) |
| Net Change in Cash | \$ (52,089.95) | \$ 273,511.87 | \$ 615,520.93 | \$ 991,984.85 | \$ 1,400,789.30 |
| Beginning Cash Balance | 194,800.00 | 142,710.05 | 416,221.93 | 1,031,742.86 | 2,023,727.71 |
| Net Change in Cash | <u>(52,089.95)</u> | <u>273,511.87</u> | <u>615,520.93</u> | <u>991,984.85</u> | <u>1,400,789.30</u> |
| Ending Cash Balance | \$ 142,710.05 | \$ 416,221.93 | \$ 1,031,742.86 | \$ 2,023,727.71 | \$ 3,424,517.00 |

Exhibit 14: Financial Statement Notes

| | At Inception | Year Ended April 19, 2022 | Year Ended April 19, 2023 | Year Ended April 19, 2024 | Year Ended April 19, 2025 | Year Ended April 19, 2026 |
|--|---------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Depreciation Summary: | | | | | | |
| Equipment Original Cost Total | \$ 886,000.00 | \$ 886,000.00 | \$ 1,126,000.00 | \$ 1,126,000.00 | \$ 1,126,000.00 | \$ 1,126,000.00 |
| Accumulated Depreciation Beg of Period | - | - | 128,322.40 | 390,417.80 | 615,933.20 | 770,844.60 |
| Depreciation | - | 128,322.40 | 262,095.40 | 225,515.40 | 154,911.40 | 108,417.80 |
| Accumulated Depreciation End of Period | \$ - | \$ 128,322.40 | \$ 390,417.80 | \$ 615,933.20 | \$ 770,844.60 | \$ 879,262.40 |
| Equipment: | | | | | | |
| <i>Forklift</i> | | | | | | |
| Original Cost | \$ 50,000.00 | \$ 50,000.00 | \$ 50,000.00 | \$ 50,000.00 | \$ 50,000.00 | \$ 50,000.00 |
| MACRS Life | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| <i>PanelsPlus Framing Station</i> | | | | | | |
| Original Cost | \$ 125,000.00 | \$ 125,000.00 | \$ 125,000.00 | \$ 125,000.00 | \$ 125,000.00 | \$ 125,000.00 |
| MACRS Life | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| <i>PanelsPlus Sheathing Station</i> | | | | | | |
| Original Cost | \$ 125,000.00 | \$ 125,000.00 | \$ 125,000.00 | \$ 125,000.00 | \$ 125,000.00 | \$ 125,000.00 |
| MACRS Life | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| <i>IsoCell Insulation Fill Station</i> | | | | | | |
| Original Cost | \$ 150,000.00 | \$ 150,000.00 | \$ 150,000.00 | \$ 150,000.00 | \$ 150,000.00 | \$ 150,000.00 |
| MACRS Life | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| <i>PanelsPlus Floor Framing Table</i> | | | | | | |
| Original Cost | \$ 276,000.00 | \$ 276,000.00 | \$ 276,000.00 | \$ 276,000.00 | \$ 276,000.00 | \$ 276,000.00 |
| MACRS Life | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| <i>Renovations</i> | | | | | | |
| Original Cost | \$ 40,000.00 | \$ 40,000.00 | \$ 40,000.00 | \$ 40,000.00 | \$ 40,000.00 | \$ 40,000.00 |
| MACRS Life | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| <i>Office Equipment</i> | | | | | | |
| Original Cost | \$ 30,000.00 | \$ 30,000.00 | \$ 30,000.00 | \$ 30,000.00 | \$ 30,000.00 | \$ 30,000.00 |
| MACRS Life | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| <i>Semi</i> | | | | | | |
| Original Cost | \$ - | \$ - | \$ 150,000.00 | \$ 150,000.00 | \$ 150,000.00 | \$ 150,000.00 |
| MACRS Life | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| <i>Trailers (2)</i> | | | | | | |
| Original Cost | \$ 90,000.00 | \$ 90,000.00 | \$ 90,000.00 | \$ 90,000.00 | \$ 90,000.00 | \$ 90,000.00 |
| MACRS Life | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| <i>Trailers (2)</i> | | | | | | |
| Original Cost | \$ - | \$ - | \$ 90,000.00 | \$ 90,000.00 | \$ 90,000.00 | \$ 90,000.00 |
| MACRS Life | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |

Assumptions

| | | |
|----------------------|---------|--|
| Accounts Payable | 7.692% | Number of weeks of payables outstanding |
| Accrued Wages | 3.846% | Number of weeks of payroll outstanding |
| Bank Loan | 8.000% | Interest rate of bank loan secured by PPE |
| Commission Rate | 2.000% | Commission rate based on sales |
| Convertible Debt | 5.000% | Interest rate of convertible debt |
| Income Tax Rate | 37.000% | Income tax rate |
| | Rate | Cap |
| FICA Social Security | 6.200% | \$142,800 |
| | | Incorporated rate of FICA Social Security, Cap |
| FICA Medicare | 1.450% | |
| | | Incorporated rate of FICA Medicare, Cap |
| FUTA | 6.000% | \$7,000 |
| SUTA | 2.600% | \$43,800 |
| | | Oregon SUTA, Cap |
| WC | 2.000% | |

Our calculations for repairs, office supplies, and utilities are all based on our output.

Our licenses expense varies by \$20,000 every two years because a contracting license costs \$20,000 and must be renewed every two years.

Exhibit 15: Financial Ratios

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> | <u>Industry Median Ratios</u> |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------------|
| Liquidity Ratios | | | | | | |
| Current Ratio | 5.07 | 7.87 | 11.38 | 16.70 | 25.17 | 1.9 |
| Quick Ratio | 2.72 | 5.65 | 9.45 | 14.93 | 23.36 | 1.3 |
| Days sales in inventory | 15.05 | 15.10 | 14.47 | 13.04 | 12.12 | 0.4 |
| Days sales outstanding | NA | NA | NA | NA | NA | 71.6 |
| Operating Cycle | NA | NA | NA | NA | NA | 30 |
| Leverage Ratios | | | | | | |
| Debt/Equity | 1.20 | 0.53 | 0.21 | 0.06 | 0.00 | 0.8 |
| Times Interest Earned | -0.39 | 18.02 | 39.98 | 151.29 | NA | 21.2 |
| Asset Management Ratios | | | | | | |
| Inventory Turnover | 24.25 | 24.17 | 25.23 | 28.00 | 30.10 | 18 |
| Receivables Turnover | NA | NA | NA | NA | NA | 10 |
| Fixed Asset Turnover | 5.50 | 8.32 | 16.07 | 29.40 | 51.23 | 99 |
| Profitability Ratios | | | | | | |
| Gross Profit Margin | 27.97% | 35.63% | 35.29% | 35.57% | 36.77% | 6.90% |
| Operating Profit Margin | -0.40% | 10.15% | 10.96% | 15.16% | 18.05% | 7.00% |
| Return on Assets | -5.78% | 28.11% | 31.49% | 37.83% | 36.51% | 18.90% |
| DuPont Analysis | | | | | | |
| Net Profit Margin | -1.42% | 6.04% | 6.73% | 9.49% | 11.37% | 4.80% |
| Total Asset Turnover | 4.07 | 4.65 | 4.68 | 3.99 | 3.21 | 2.42 |
| Equity Multiplier | 2.32 | 1.62 | 1.29 | 1.11 | 1.04 | 1.90 |
| Return on Equity | -13.43% | 45.60% | 40.51% | 42.11% | 37.92% | 12.80% |

Exhibit 16: Financial Analysis

Capital Structure

| | <u>At Inception</u> | <u>Year Ended November 19, 2022</u> | <u>Year Ended November 19, 2023</u> | <u>Year Ended November 19, 2024</u> | <u>Year Ended November 19, 2025</u> | <u>Year Ended November 19, 2026</u> |
|-------------------------------|---------------------|---|---|---|---|---|
| Convertible Debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bank Loan | 580,800.00 | 580,800.00 | 530,800.00 | 430,800.00 | 280,800.00 | 130,800.00 |
| Principle Payment | - | 50,000.00 | 100,000.00 | 150,000.00 | 150,000.00 | 130,800.00 |
| Bank Loan Outstanding | 580,800.00 | 530,800.00 | 430,800.00 | 280,800.00 | 130,800.00 | - |
| Total Debt | 580,800.00 | 530,800.00 | 430,800.00 | 280,800.00 | 130,800.00 | - |
| Common Stock | 500,000.00 | 500,000.00 | 500,000.00 | 500,000.00 | 500,000.00 | 500,000.00 |
| Retained Earnings | - | (59,204.85) | 310,344.61 | 862,068.77 | 1,852,822.58 | 3,290,139.86 |
| Total Equity | 500,000.00 | 440,795.15 | 810,344.61 | 1,362,068.77 | 2,352,822.58 | 3,790,139.86 |
| Total Capital | \$ 1,080,800.00 | \$ 971,595.15 | \$ 1,241,144.61 | \$ 1,642,868.77 | \$ 2,483,622.58 | \$ 3,790,139.86 |
| Interest on Convertible Debt | - | - | - | - | - | - |
| Interest on Bank Loan | - | 42,464.00 | 34,464.00 | 22,464.00 | 10,464.00 | - |
| Total Interest Expense | - | \$ 42,464.00 | \$ 34,464.00 | \$ 22,464.00 | \$ 10,464.00 | \$ - |
| Dividends | - | - | - | - | - | - |

Valuation

| | <u>Initial Investment</u> | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|---------------------------------------|---------------------------|---------------|---------------|---------------|-----------------|-----------------|
| Discounted Cash Flow Valuation | | | | | | |
| Operating Cash Flow | | \$ (2,089.95) | \$ 613,511.87 | \$ 765,520.93 | \$ 1,141,984.85 | \$ 1,531,589.30 |
| Capital Expenditures | | - | - | - | - | - |
| Free Cash Flow | \$ (1,080,800.00) | \$ (2,089.95) | \$ 613,511.87 | \$ 765,520.93 | \$ 1,141,984.85 | \$ 1,531,589.30 |

| Discount Rate | Net Present Value |
|----------------------|--------------------------|
| 10.00% | \$1,730,469.33 |
| 15.00% | \$1,299,032.32 |
| 20.00% | \$952,755.19 |

Method of Multiples

| | 1.03 | 1.03 | 1.03 | 1.03 | 1.03 |
|----------------------------------|----------------|----------------|----------------|-----------------|-----------------|
| P/S Industry | | | | | |
| Net Sales | \$4,166,078.83 | \$6,118,066.47 | \$8,195,726.83 | \$10,442,498.22 | \$12,640,576.60 |
| Multiples Valuation | \$4,291,061.19 | \$6,301,608.47 | \$8,441,598.64 | \$10,755,773.16 | \$13,019,793.90 |
| Expected Valuation at 20% | \$3,575,884.33 | \$5,251,340.39 | \$7,034,665.53 | \$8,963,144.30 | \$10,849,828.25 |
| Growth in Valuation over 5 Years | 31.98% | | | | |

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Team 5 Bios



My name is Sam Barnes and I am from Richmond Virginia. I am a junior Marketing major with a history minor. I am interested in war history as well as American history. I also enjoy hiking, camping and canoeing.



My name is Trenton Clark and I am a junior management major. I am a member of the fraternity Beta Theta Pi here at James Madison. In my free time, I love to cook for my roommates and play a variety of games with my friends. This coming summer, I am excited to say that I will be an Account Management intern with ALKU here in Harrisonburg.



My name is Jacob Gooch and I'm majoring in Marketing and minoring in Arts. I've had a deep interest in technology since I was young and currently am a freelance web developer and designer. I enjoy doing woodwork, spending time with family, and SCUBA diving. Recently I've started a business selling rope swings with unique designs which I'm enjoying growing.



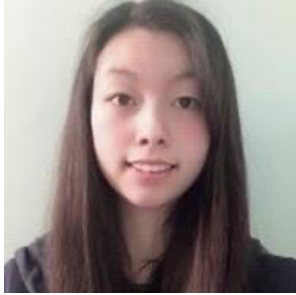
My name is Kevin Jordan and I am from Richmond, Virginia. I am majoring in Business Management. I am a member of Alpha Phi Alpha Fraternity Inc. and the National Association for the Advancement of Colored People (NAACP). I enjoy watching basketball, exercising, and reading in my free time.



My name is Rushabh Patel. I transferred from Blue Ridge Community College last semester. My major is Computer Information Systems. I also enjoy outdoor activities.



My name is Connor Shell and I am from Southern Virginia. I transferred to JMU from SVCC a little over a year ago. My major is Computer Information Systems and I really enjoy spending time at the lake with friends.



My name is Tinna Zhu, and I am from Ottawa, Ontario, Canada. I am majoring in International business and mathematics at James Madison University. I speak Chinese Mandarin, English and little of French, and also in a great interest of learning new language such as Spanish, Korean, German and Japanese. I enjoy painting, especially watercolor painting in my free time, and also love finishing puzzles.