
Business Plan

SYMAS Custom Log Fencing LTD.

Unique, Durable, Quality fencing products



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Executive Summary

SYMAS is a fencing products company, specializing in custom rustic log fencing and gateways, and a manufacturer of standard fence posts. Our Rustic fencing is unique in style, durable, and aesthetically pleasing. Developed in 2004, SYMAS is currently seeking trying to develop itself into a competitive position, and begin production of products and establish itself in the market.

Rustic Fencing

SYMAS's Rustic fencing line is unique in appearance, developed from specialty character Douglas-fir wood from the BC Interior. Whereas most rustic fencing is saturated with strait, angular and simple designs, SYMAS's Rustic line utilizes natural flaws in the wood to emphasize curves and other timber deformities to crate a beautiful looking. Treated with ACQ, our fencing is an environmentally friendly, durable product that maintains its function of enclosure and enhances the appearance of any property. SYMAS also produces standard fence posts made from high-density Interior Douglas-fir. These posts are also treated for maximum durability with minimal cost.

Marketing and Sales.

The target markets for SYMAS are ranchers, hobby farms, resorts and high-end homes. Products and services are designed with the customers in mind. The segments in this market include structure, function, durability, aesthetics and type of building materials. The market for log fencing is growing, as customers desire the look of rough character post and bream log fences bordering their property lines. SYMAS is pursuing markets in BC, with hopes of stretching through Western Canada, and specialty orders across North America. The 4 P's for marketing are covered intensively in this plan: promotion, price, place and product.

Development

SYMAS is currently seeking property in the Williams Lake area to develop facilities for production. A storage facility for harvested timber, a pressure treatment facility and office space are required. Raw material sources are not a problem, as the nearby Alex Fraser Research Forest has a readily available abundance of desirable small diameter Douglas-fir. Labor is not expected to be an obstacle, as very few of our processes involve a high level of skill.

Operations

Through winter harvesting of Douglas-fir and proper storage, natural drying processes remove bark and save costs. Any additional bark removal is done manually. Once adequately dried in late summer, logs are treated with ACQ preservative, and stored for the following year's construction season. A one year supply of inventory is constantly being created, while another is being sold. Treated logs are shipped to site via truck, and assembled to customer specifications. This individual customization is one of the added benefits of SYMAS's service, tailored to each customer's needs.

Management

A 5 person joint proprietorship between the 5 founding members of SYMAS will control higher-level operations of production. SYMAS will also employ a small number of full-time staff, to be complimented with seasonal employment from local communities during the busy construction months in the summer.

Financial Summary

Short term credit will be required for the successful development and production of SYMAS's products. Within a short period of years, SYMAS is expected to produce significant profit. For a complete list of financial details, please see Appendix F.

1.0 Company Overview

SYMAS is a small business in Williams Lake, British Columbia. We specialize in log fencing, focusing on both general fence post products and our unique Rustic line of finished fencing. Developed in 2004, SYMAS is a sole proprietor company, with a close working relationship to the UBC Alex Fraser Research Forest (AFRF), our main suppliers.

We are a small company, but have ambitions of developing and growing to be able to supply the Pacific Northwest with premier custom fencing, and perhaps beyond.

1.1 History and Current Status

SYMAS is forming to become a leader in custom built fencing. At present we have no sales or products, but expect to be in a competitive position within 1-2 years. SYMAS is organized through joint proprietorship between Greg Schaefer, Natalie Yu, John McCormack, Mike Aldred, and Bill Schulte.

1.2 Markets and Products

SYMAS is pursuing fencing markets, both for commercial use and residential use. We intend on selling both general fence post and fencing material for commercial use, such as for ranching, golf courses, or other large areas of property. For residential and higher-end use, SYMAS offers a very uniquely designed rustic looking fence. This is our premier product, and a design we specialize in. It is a specialty finished product, beautiful in appearance, durable to weather, and creatively designed to accent the appearance of housing, guest ranches, hotels or other higher-end uses. This line of specialty fencing will be defined by boundaries set by our customers, as we will be able to sell to both newly developed and existing residences and properties.

1.3 Objectives

SYMAS has set objectives for development and growth. We expect to:

- Pull market share to our favor,
- Develop new and innovative fencing design products,
- Grow to service additional regions of Canada and North America,
- Maintain a profitable enterprise,
- Become a part of the Williams Lake community and other operating areas.

SYMAS hopes to become a key member in the Williams Lake community, through incorporating local product use and employment. We hope to maintain ourselves as an independent manufacturer of custom fencing. We do not expect to become large enough for public ownership for some time, but will remain flexible with the option of doing so.

2.0 SYMAS Fencing Products

SYMAS major product is custom log fencing consisting of both fencing and entrance gates for farms and acreages, resorts, and high-end residences, utilizing small diameter Interior Douglas-fir trees. All marketed fence posts today are straight and undistinguishable, however, SYMAS fence posts are uniquely curved creating a natural and rustic look for the modern day homeowner. Not only will SYMAS log fencing act as a dependable property divider but they are also a stunning accent to any property. SYMAS custom entrance ways constructed with beautiful Douglas-fir logs offer a great way to welcome family members and guests into your property. Their unique shape and structure guarantee a distinctive look. Small diameter Douglas-fir has close grains with tight knots that give an exquisitely beautiful look. It is widely used in the construction industry for its superior strength-to-weight ratio, which makes it an excellent choice for pressure-treated log fencing.

2.1 Description

There exist copious amounts of uniquely shaped and otherwise valueless timber in British Columbia's forests. Forest fire frequency has been drastically reduced, in large part to changes in land use, which has resulted in very high densities of small diameter trees. These trees offer a great opportunity to capitalize on timber that no one else can utilize.

SYMAS custom log fencing has three distinct products, standard fence posts for large farms or acreages, specialty log fencing using uniquely curved and character logs and finally Douglas-fir entrance gates and entrance ways. While SYMAS fencing will appeal to a wide range of landowners, our primary customers are acreage, ranch, resort and high-end home owners.

The majority of mainstream log fencing is machined to be perfectly round; the shape of SYMAS logs are not modified, with only the branches and bark removed before the log is cut to length. SYMAS Douglas fir fence posts are cut to the customers' specifications depending upon the desired functional use and look. This customization allows the great flexibility so customer needs can be fully met. Customization of SYMAS entrance ways is also an important element for our company. Douglas-fir logs used for entrance ways can reach lengths of up to 20' to allow large trucks and tractors to pass through. However, if the customer requests something smaller SYMAS can easily accommodate their needs. SYMAS standard fence posts are great for large land owners that want to contain livestock using SYMAS fence posts and barbed wire. SYMAS's specialty log fencing will appeal primarily to ranch, acreage or resorts that are looking for a fence that will accent their property or drive way. SYMAS custom log fencing is constructed using and notch and dowel system. Notches on the fence post and crossing logs fit together, secured using a wooden dowel. Dowels will be used from scrap pieces which will lower production costs.

Each log is pressure treated with Alkaline Copper Quaternary (ACQ) to protect against fungi, decay and insects, enabling the life span of these pressure treated logs to reach greater than 20 years. ACQ is one of the most widely used pressure treatment preservatives for timber. ACQ does not color the wood like other preservatives; it leaves a natural look essential for SYMAS's rustic log fencing. Pressure treatment also makes SYMAS log fences extremely durable. These fences will provide both natural beauty as well as the functional purpose of fencing off yards and property. Whether a customer's purpose is to keep livestock contained, or simply to make their home more attractive, SYMAS fencing meets both of these conditions perfectly.

All logs are sorted according to straightness; the straight logs are used as fence posts for both standard and Rustic log fencing. Straight logs are used as fence posts because it allows them to be driven into the ground with ease, cutting down on assembly time. The crossing logs for SYMAS's rustic fencing consist of varying sizes and shapes, from two to

four segments high depending on customer needs. The resulting product brings a time-honored and elegant look for our consumers at an affordable price.

The current market has been exhausted with plain round fence posts. SYMAS fences will open up a market that desires something trendier and aesthetically pleasing. Evidence shows that styles move cyclically; it is time for a traditionally based product to emerge into the market to satisfy these customer needs. SYMAS fence posts give the image of traditional fences with a brand new twist.

2.2 A Superior Fencing Product

While there is direct competition with steel, wood and plastic fencing, SYMAS custom log fencing provides a product that is superior in aesthetic quality and affordability. Whole log fencing will enhance the natural beauty of the landscape by blending seamlessly with the surroundings. This feature is unique to our wood fencing and cannot be found in similar products made of plastic or steel. Furthermore, SYMAS fencing is superior in strength to that made of PVC plastic fences, which are not as strong as Douglas-fir, and in the end costs more. Douglas-fir has a superior strength-to-weight ratio, higher than both steel and plastic. This is an essential quality when dealing with large livestock such as horses and cattle, who may occasionally use the fence as a scratching post.

It may seem as though this type of fence would be very hard to construct, however that is not the case. Our fence posts are straight which makes them comparable to any other fence as far as driving them into the ground. The crossing logs are easily installed using a notch and dowel system. SYMAS Rustic log fencing easily fits together utilizing pre-cut notches on the posts and crossing logs. Once together a Douglas-fir dowel will be drilled through to securely hold the segments together.

Our Rustic line is superior to conventional log fencing in that our production costs are much lower. Cutting out costly production steps, especially milling to size cuts down on

production time and is ultimately more cost efficient for our company. Capital for both SYMAS and our consumers is accumulated because we use all parts of the Douglas-fir tree, maximizing recovery and leaving very little waste. Left over wood chips and bark will be offered to anyone in the community for free. Not only will this act facilitate the community but also aid in marketing our company.

Our fences are distinctive when compared to our closest competitors because of the uniqueness they provide. Every log is different and contributes its own qualities to the whole fence. Consequently, every fence will be unique to its owner. The final product comes out with a natural, rustic look.

2.3 Proprietary Rights

Currently, we are seeking a copyright on the name SYMAS Custom Log Fencing Ltd. Furthermore, we are seeking a trademark on SYMAS's log fencing logo.

2.4 Stage of Development

All SYMAS log fencing products are designed and ready for implementation. Harvesting can commence as soon as sufficient investment is provided. This investment will be used to secure an operation facility; development cannot commence until such facilities are secured. Adequate storage space for harvested timber will be required for a natural drying process. Wood treatment facility will also be required; an option may exist to contract the use of an existing facility in Williams Lake.

3.0 Marketing and Sales

3.1 Market Analysis

Discussion in the market analysis section will cover the market, market trends and customer analysis. The market will discuss what the current market is for the product, how large that market is, the North American Industry Classification System (NAICS) code and what industries and companies currently service this market? Secondly market trends will cover where is the market headed? It will also cover whether the market is growing, Stagnant, Declining? The last item to be looked at in the market analysis section will be customer analysis. This section will find out who the customers are that will fill this market, what can be done marketing wise to get he buyers interest and purchasing power? Lastly discussion will be focused on how the market is segmented and which segments the product is in?

3.2 Our Target Market

The market that SYMAS is pursuing is the custom log fencing market in Western Canada with specialty orders across North America. This is a value-added product that there is a market for but has limited participants at this time. This venture will help fill the demand for custom curved log fencing and our company feels that it is a gateway to a major market for ranchers, homeowners and resorts throughout our distribution area. The NAICS code for this venture is 321114, and covers wood fences (i.e., pickets, poling, rails) and treating (US Census Bureau, 2002). There are no known industries or companies that currently serve this market of custom curved log fencing. This company has an unlimited supply of logs for production and there is little or no competition of the same type of fencing.

3.3 Market Trends

The market of log fencing is growing, as customers like the look of rough character post and bream log fences bordering their property lines. Another reason for the demand of custom curved log fencing is because it is very easy to install, and it is not a solid wall. Our research has shown that people these days want to show off their property and not hide all the work they have put in to it. Our product is not only aesthetically pleasing but it also provides security and boundaries for outside and inside of property people and animals.

Throughout North America, housing starts are up and on average from last year (Appendix 1). This will help SYMAS sales during the year since there are a lot more demand throughout the Northeast and Midwest of the US. In Canada, housing starts are also up significantly from last year, especially in British Columbia and Quebec (Appendix 2). The good thing about SYMAS is that not only people building houses will buy custom curved log fencing. Many fence buyers include people who are installing their first fence or re-doing their existing fence with something more rustic or richer looking.

3.4 Customer Analysis

SYMAS are providing the customer with what they want and need. These products and services are designed with the customers in mind. The customers in this market are people from across Western Canada. They are people who want a rich looking functional fence that is simple yet fine-looking. Our primary customers will be ranchers, hobby farms, acreages and resort owners. Our secondary customers will be homeowners and groups doing small projects.

The segments in this market include structure, function, durability, aesthetics and type of building materials. SYMAS will integrate all of these features into a fully practical multipurpose log fence.

Buying decisions of SYMAS are motivated by the quality of the product, the guarantee, the way the product looks and the way SYMAS markets the product. Another thing that motivates buying decisions is how the product is distributed throughout the market and the availability to order the product via

- World wide web,
- Distributors,
- Print ads,
- Sponsorships,
- Donations,
- Television ads,
- Bill boards,
- Magazines,
- Catalogues,
- Packaging,
- Branding.

3.5 Marketing Strategy

The marketing strategy section will talk about the target market that SYMAS is trying to get in to. Next this section will cover the four P's of market strategy. These are product, price, place and promotion. This marketing mix will help to control all of the variables to meet the customer's needs.

3.6 Target Market

The target markets for SYMAS are people who take pride in their property and landscaping. The product is mostly intended to fill the needs of people that live in small towns and rural areas. These customers own bigger than average properties and are looking for a fence that looks good, is long lasting and is a visible boarder that dose not cut off their property from neighbors and friends. The customers that are interested in these

fences are people that are trying be inviting to their neighbors and friend and are trying to make the people around them feel welcome. These fences are not intended for people who want to close out their neighbors and have privacy.

What differentiates us from the competition is the fact that SYMAS uses curved logs instead of straight log logs. We also use tight grained Douglas-fir that is high quality. These logs are delivered to SYMAS at a cheap price and this reflects in the cost of the product.

3.7 Product/ Price/ Place/ Promotion

Product

The product that is going to be marketed is going to be curved log fencing produced of high density Douglas-fir, and posts for range and farm yard fencing. The straight posts for the fencing are going to be naturally debarked and then treated. The rails for the fencing will be chosen for each application and will be naturally debarked and then treated. These railings come in many different types of curves and sizes depending on what the customer wants and will provide a rustic high value fence made of character Douglas-fir poles.

PRODUCT LEVELS

The product item is going to be wood fencing, the product line will be custom curved log fencing and the product mix will be range and rustic fencing, gates and entranceways.

PRODUCT TYPE

This product is a specialty product. It is a complexly unique customized specialty product. It is also a value added product made from custom Douglas-fir small diameter curved logs.

THE PRODUCT LIFE CYCLE

SYMAS believes that this line of products will steadily increase as it moves through the product life cycle and when other companies try to compete SYMAS will differentiate and the product and still maintain the original product with the same quality or higher as technological advances are made in the production of this product and the techniques used. This differentiation and redefining will occur at the products maturity to ensure that the product stay on top of the market for high-end custom curved log fences.

The length of these products life cycle depends on three things; the market acceptance of substitutes, economic factors and rate of technological advancement. All of these will be planned for and met at each turning point in the products life cycle.

Price

The price is the amount that is charged for a particular good or service. These include fixed costs such as salary, variable costs such as raw materials, taxes and the profit margin. The pricing model used for the pricing of SYMAS is cost-based pricing with profit markup. If the company does really well it will move to a more value-based pricing system. This price will be accepted in the market because of the saved costs of cutting the logs and delivering them the sort. It will be a competitive price because of the deal the company is receiving on the unlimited supply of wood.

Place

The channels of distribution for this product are shorter and straighter because it is a specialty product. There are less intermediaries or middlemen. Our products are sold directly to the customer and can be custom ordered from a representative of the company who knows the product and the best choices for each customer need. Any intermediaries involve in sales and ordering will be agents, meaning they do not take title of the product and therefore have to order it direct when the customer wants the product. This will be for people who live a long ways away from the companies plant and want a special order. It will help them to save on the shipping costs involved will a long distance order.

CHANNEL STRATEGIES

The intensity of the distribution of this product will be intensive, meaning that we will not deal with just one company but who ever wants to purchase our product. The channel ownership is independent between the supplier and SYMAS. The modes of transportation are via truck for short distances and via train for long distances.

The terms of delivery for SYMAS custom log fencing will be that we will deliver on time to what is said to the customer and we will guarantee our delivery times and the quality of our products.

Promotion

Promotionally SYMAS is striving for a market pull. By creating this demand SYMAS will be able to move units fast and get on top of the market using personal selling techniques. SYMAS will move to a personal and mass selling technique once the company is well established. There are four basic types of personal sales. These are order taking, relationship building, missionary sales and technical sales. SYMAS will use all of these types of personal sales to self promote the product and guarantee it through technical help.

This will be done by intense marketing strategies such as advertising. The types of promotion that SYMAS will use to promote the custom curved log fencing and range fence posts will be through avenues such as print ads, sponsorships, donations, television ads, bill boards, packaging, catalogues, magazines, distributors, branding post tops and the world wide web. In addition, subsidized construction of our first few finished set ups will aid in getting our name and product out into the market, and will be considered on a site by site basis during the first few years of business.

3.8 Sales Strategy

In order to insure a sale once the customer has phoned and shown interest in the product SYMAS will push the fact that we have a good guarantee and stand behind our product. SYMAS will also push the fact that their fences are made of high quality, high density and great looking Douglas-fir. The customer for SYMAS will be reached by advertising as discussed in the promotion section. Sales will be close by SYMAS making a follow up call to the customer after the product is installed and discussing how the experience was, if they are satisfied and what can be fixed for future customers.

4.0 Development

Several steps must be taken in order for SYMAS to successfully implement its plans and begin production. From our current status to where we would like to be, the following gives an outline of our requirements for development.

4.1 Current Status

SYMAS is currently is designed and ready for implementation. A 5-person management/research team staffs SYMAS and will be offset with additional permanent and seasonal staff, once we begin to produce finished materials. Through a working association with AFRF, SYMAS has used the detailed information of existing timber types combined with research into non-traditional markets to develop products from timber that traditionally has had little to no value. SYMAS's goal is to maximize the recovery of value from low cost forest products by creating desirable and beautiful fencing products.

This timber type has presented a management difficulty for the staff of the research forest. The timber in these stands is deformed; bent, twisted, damaged, and stunted in growth, it is of little commercial value for the production of dimension lumber and pulp products, their main products. At present, the recovery of merchantable timber from these stands is minimal, yet the costs for harvesting do not differ from other more desirable areas. The challenge for the research forest has been to find a buyer for this timber, and thus is continually selling it at a reduced price. SYMAS sees this supply opportunity as a chance to provide low-cost raw material.

This will be the first major project undertaken by SYMAS. Raw materials are readily available for SYMAS's use. Harvesting can begin almost immediately at our discretion. However, in order to begin production of finished fencing products, several steps must yet be taken.

SYMAS currently has no existing operation facility(s) and development cannot commence until such facilities are secured. Adequate storage space for harvested timber will be required for a natural drying process. Wood treatment facility will also be required; an option may exist to contract the use of an existing facility in Williams Lake.

4.2 Development Plans

In order to develop and launch our company into a competitive position, it will be critical to begin establishing our infrastructure as soon as possible. While an abundance of raw material exists and is readily available, the processes for development of these raw materials do not yet exist. SYMAS is fortunate however, in that the majority of the requirements needed to produce our products is relatively low cost and use free natural processes, keeping costs down. SYMAS believes that we are in a strategic position to begin production and gain market pull.

SYMAS will need to acquire storage for raw logs. It is critical that this storage facility be roofed, to allow for a natural drying process. Logs harvested in the winter will be stored off the ground and air dried. A roof provides the additional benefit of reducing contact with snow and air, elements that delay drying. Stored logs will be allowed to naturally debark as they dry (up to 90% bark removal). Additional remaining bark can be hand removed. SYMAS looks forward to providing employment opportunities to the William's Lake community, especially for younger individuals, in order provide experience in the forest products community.

Treatment of bark removed logs will also be required. A treatment facility will be costly to purchase and maintain, so an option exists to contract existing treatment facilities in Williams Lake. SYMAS feels that the most cost effective way of treating logs will be to construct our own treatment facility.

These facilities will be most effective if they are in the same location. Therefore, SYMAS must acquire land, either through lease or purchase, in the order of approximately 10 hectares. Location for this land is not critical, as long as access for trucking logs and product is simple and efficient. A location within William's Lake would be desirable, in order to remain a part of the community. In addition, this property must be located near existing railway lines within William's Lake, as the ACQ preservative treatment will be shipped via rail, reducing costs and optimizing safe transportation.

A solid market base and access to this market is also necessary. Advertisement, market research and promotions will be required. This will require research has already begun as to where we will sell our product, and will be covered below.

4.3 Development Timetable

Once an infrastructure of property, staff and storage space has been developed, SYMAS foresees itself being able to develop a constructible product within a period of one year. Because of the natural low-cost process of bark removal, and the slow periods of construction during winter months, it will take one year to develop enough finished fencing material to be able to sell and construct. Serious market sales are expected after 2 years.

SYMAS needs to purchase raw timber that has been felled in the winter months, and requirement that can easily be met with the AFRF. Cold and dry temperatures will allow bark from felled timber to begin naturally falling off. SYMAS expects that enough timber will be harvested to sustain the following year's construction period (summer). Harvested timber must be stored under a roofed shelter, to prevent snow and rain from coming in contact with the wood.

As temperatures begin to rise in the spring and summer, continual air drying and summer heat will aid in bark removal. It is anticipated that 90% of the bark on properly stored trees will easily fall off by itself. Summer drying, taking advantage of the naturally high

temperatures in the Cariboo region, will adequately dry stored inventory so that by autumn, preservative/stain treatment can occur. Construction of finished fencing will not be possible until the following year, particularly in the interior, due to poor weather conditions.

Time Period	2005 Inventory	2006 Inventory
Winter 2004-5	Harvesting of timber from AFRF, storage in covered facility	
Spring 2005	Natural debarking of timber from increased temperature and roofed storage	
Summer 2005	Additional debarking and drying	
Autumn 2005	Treatment of wood, storage of finished product	
Winter 2005-6	Storage of finished fencing material	Harvesting of timber from AFRF, storage in covered facility
Spring 2006	Construction of Product	Natural debarking of timber from increased temperature and roofed storage
Summer 2006	Construction of Product	Additional debarking and drying
Fall 2006	Construction of product	Treatment of wood, storage of finished product
Winter 2006-7	Inventory exhausted	Harvesting of timber

4.4 Development Risks

There are minimal technological risks with SYMAS's rustic fencing. It is a simple product with high value, easy to treat, construct and durable.

There are also a few risks associated with the processing of fencing material. The finished product requires very little processing other than skilled forming and treatment.

The only major risks to the rustic fencing are the availability of raw material. Because the AFRF is supplying timber from a centralized location with high forest fire risk, there is a continual threat to our timber supply. Therefore, SYMAS is currently pursuing additional material sources should a disaster occur.

There is some risk in the marketplace for custom fencing. The market for custom fencing is small, and generally quite localized. Established manufacturers may already have advantages through established markets and market saturation. However, SYMAS's

unique fencing design is radically different from other competitors, and we expect to become a strong competitor in the marketplace.

5.0 Operations

5.1 Scope of Operations

Facilities & Operations

SYMAS is on a piece of land approximately 10 hectares large. There is a small office building for the managerial offices, a small woodworking woodshop, lavatories, and a lunch room. The land is laid out to mostly be used as storage areas for different parts of the operation. The only stationary piece of equipment is the wood preservative pressure treating cylinder. This is our most expensive equipment, which also has very high importance in the operational process. The employees are composed of 5 managers, 8 seasonal workers, and 4 full time workers. There will be a need for a highly-skilled worker to operate the pressure treating machine. Forklifts will be the main sources of transportation, therefore, 4 will be needed. A large flatbed truck should be sufficient to transport the finished-treated product to the work site. The largest amount of the customed-fencing work will be done on-site by a few of the workers. They are responsible to cut and join the rails to the posts stably with a dowel joint.

Inventory

Inventory will be controlled by taking logs out of the roof-sheltered log yard only in compliance to the customer's orders. It is assumed that 90% of the logs will be debarked between the logging process and the time in which they will be needed to be treated. To be sure that 100% of the logs are debarked properly, one worker will go through the log yard to hand debark any remaining bark at these beginning processes before the logs are preservative treated.

Order Fulfillment

Customer orders will be full-filled fully to customer's specifications. The fences are all built customed. The sales manager will be responsible to satisfy the customer, and to guarantee our product works best. The time estimate of a project will depend solely on the customer's specifications for a fence. Time estimates can be forecasted for each customer at their own request. The same will occur for final cost.

Technology Plan

The financials included in this report are forecasted for the next 5 years as portrayed above. It can be noted that currently, there is a large amount of labour in this process. If profits are high, and there is a need for higher production rates, there is a possibility of looking at machines to aid in higher production rates (ie. robots). Also, if a larger amount of bark is left on the logs, and it seems to act like a bottleneck in the process, we can look at adding a drum-debarker. The same can be considered for the wood drying. If it is found that the wood is not at the sufficient moisture content of 19% or less to retain the wood preservative, then there will be consideration of buying kiln drier. The waste from all operations will be accessed after the first year and if there is sufficient amount of waste pieces, there is a possibility of making in-house dowels.

6.0 Management

Our company's management philosophy is rooted in responsibility and mutual respect. We will provide a quality working environment using sound organization and appropriate business structuring to encourage productivity as well as respect for customers and fellow employees. These company ideals cannot be underemphasized because both employees and customers are integrally linked to the survival of our firm. However, just as important is the accountability to our shareholders who are also critically linked to the success of our corporation. Fortunately, this business opportunity compliments the skills possessed by our management team. Adaptive management will be adopted as a company philosophy and continuous improvement will be a means of achieving it. This will ensure all aspects of the business, including management, are up to date and functioning efficiently. It will also serve as a tool to promote safety and accountability in the workplace and will ensure a focus on the customer. The details of our management structure are described below.

6.1 Company Organization

Our company management structure will be kept flat, ensuring equal representation of all company interests during key decision making processes. By integrating all aspects of our business we hope to coordinate activities in a way that best serves the company as a whole. This will involve reaching a level of agreement among all relevant parties to achieve a representative decision for which company operations can be focused. It is relevant to note that our company possesses strong ties to the University of British Columbia Alex Fraser Research Forest. In the future we intend on forming a partnership with them to harvest, process, and distribute our product. We will require sufficient capital investment to establish and maintain our business and this will be reliant on our ability to communicate and substantiate our management team's capacities. Our core company values have been organized into a set of operating principles, based on the Mars

Corporation 2003, to guide management decisions and therefore shape the future of our company. These principles are as follows:

1. Quality: We are committed to providing our customers with a quality product at a good value.
2. Responsibility: We will not only expect total responsibility from ourselves, but will also support the responsibilities of others.
3. Mutuality: We will work towards creating an environment of understanding and therefore mutual benefit.
4. Efficiency: We will use our resources to the fullest, leaving as little waste as possible and/or feasible. We will concentrate on those fields that we perform best at and we will divest in areas where we are less capable.
5. Freedom: Financial stability, resulting from company profits, is necessary to provide us with the freedom to gain control over our firm's future and achieve our management goals.

6.2 Management Team

The current members of our management team are in their final years towards completing a degree in forestry from the University of British Columbia. The team has a diverse background from specializing in wood products processing to resources management to forest operations. This broad range in backgrounds will ensure that all aspects of the business will be well represented and well understood. This team is made up of young entrepreneurs with plenty of energy, a capacity for hard work, and a willingness to learn. We are highly motivated and have all had training regarding the importance of good communication and teamwork skills. A brief overview of each member of the management team is provided below.

Mr. Aldred is also in his fourth year of the forest resources management program and has had extensive experience working as a silviculture consultant in the interior of B.C. He will be in charge of research and development and will be working directly with the Alex Fraser Research Forest operations to coordinate resource supply and to foresee any related operational concerns.

Mr. McCormack is in his fourth year as a forest resources management student at the University of British Columbia. He was involved with several research projects at the Alex Fraser Research Forest in past seasons, and is well acquainted with the necessary decision makers in management there. He will be acting on behalf of the company regarding consultations with suppliers and consultants as well as corporate interactions and internal affairs.

Mr. Schaefer is in his 3rd year in the Forest Resources Management program at UBC and will be responsible for managing the company's milling operations. This includes scheduling and maintaining machinery, equipment, and facilities and coordinating the different processes.

Mr. Schulte is in his fourth year towards completing a degree in forest operations from the University of British Columbia. This degree focuses on the financial and operational side of forestry and provides a solid background with which to assess the financial position of the company. He has had 5 summers of forestry experience. This included one summer as a silviculture assistant and four summers as an engineering assistant in coastal BC.

Ms. Yu is in the Wood Products Manufacturing program and is in her 4th year. She has had significant training concerning marketing and business relations. She will be acting as our sales and marketing manager and will be working closely with current and potential customers. This work will be important in providing some direction for our firm with regards to future endeavors.

Detailed resumes are available upon request to serious investors regarding each member presented above.

Consideration will be made for potential additions to the management team in the future should our operations expand. However, at the time of start-up, the management team will be comprised of those members listed above.

7.0 Summary of Financials

Enclosed are copies of the Financial Statements of an Income Statement, Balance Sheet and Cash Flow Statement. It can be seen that there will be a need for some short term and long term credit for land and equipment purchasing. These can all be backed by owner's and manager's equity.

All financial assumptions can be viewed in the Financial Assumption page in Appendix 8.4.

8.0 Appendices

8.1 Financial Assumptions

It is assumed that:

- All equipment assets will have a salvage value of 10% and a useful life of 10 years. Salvage value was calculated using the Straight Line Depreciation Method.
- Management will each make \$40,000/year.
- Sales will begin in 2005 at \$400,000 and will increase by 12.5% the following years.
- Long term repayments will be 25% of Long Term Borrowings. Long term interest rate will be 4% of the principle amount owed at year beginning.
- Short term repayments will be 10% of Short Term Borrowings. Short term interest rate will be 5% of the principle amount owed at year beginning.
- Inventory will increase each year by 3%.
- Employee wages will be \$8.00/hr.
- Regular work hours will be 7 hrs/day, 5 days/wk, all year around
- Land owned is 10 hectares large at a cost of \$300,000 and has a railroad on the property for easy ACQ shipments.

8.2 US Housing Starts

Figure 1. United States Housing Starts (National Association of Home Builders. 2004)

MONTHLY HOUSING STARTS (2001 - CURRENT)

Period		Total	In structures with --			Northeast	Midwest	South	West
			1 unit	2 to 4 units	5 units or more				
2004	Feb (p)	1,855	1,489	30	336	188	349	839	479
	Jan (r)	1,932	1,553	29	350	150	326	938	518
2003	Dec (r)	2,061	1,655	29	377	170	399	963	529
	Nov	2,054	1,673	37	344	187	426	892	549
	Oct	1,977	1,640	29	308	154	389	908	526

	Sep	1,931	1,547	45	339	186	428	861	456
	Aug	1,831	1,490	32	309	152	301	848	430
	Jul	1,890	1,533	36	321	186	392	866	446
	Jun	1,844	1,499	28	317	162	353	822	507
	May	1,745	1,389	27	329	151	357	791	446
	Apr	1,627	1,357	31	239	150	319	724	434
	Mar	1,742	1,393	36	313	155	351	814	422
	Feb	1,640	1,312	30	298	142	279	759	460
	Jan	1,828	1,509	41	278	145	349	820	514
2002	Dec	1,815	1,462	35	318	162	286	792	475
	Nov	1,760	1,403	34	323	144	379	807	430
	Oct	1,653	1,366	33	254	145	321	702	485
	Sep	1,810	1,449	37	324	176	389	805	440
	Aug	1,630	1,249	31	350	169	333	768	360
	Jul	1,666	1,329	31	306	159	367	753	387
	Jun	1,709	1,359	47	303	176	344	779	410
	May	1,752	1,389	37	326	163	364	811	414
	Apr	1,587	1,275	27	285	129	282	801	375
	Mar	1,651	1,284	48	319	168	338	745	400
	Feb	1,817	1,491	44	282	147	380	844	446
	Jan	1,681	1,307	68	306	164	334	800	383
2001	Dec	1,568	1,285	17	266	141	336	703	388
	Nov	1,602	1,244	38	320	169	361	698	374
	Oct	1,540	1,240	34	266	147	327	733	333
	Sep	1,562	1,243	46	273	139	285	731	407
	Aug	1,567	1,286	26	255	156	351	681	379
	Jul	1,670	1,298	41	331	167	319	790	394
	Jun	1,636	1,295	54	287	134	339	768	395
	May	1,605	1,284	28	292	127	348	714	416
	April	1,649	1,311	43	295	179	308	745	417
	March	1,590	1,218	43	329	153	343	706	388
	February	1,625	1,280	26	319	145	326	770	384
	January	1,600	1,275	39	286	125	318	740	417
Average relative standard error (%)*		3	3	xx	10	10	8	4	6

Seasonally adjusted annual rate.

Thousands of units. Detail may not add to total because of rounding.

* Average RSE for the latest 6-month period.

8.3 Canada Housing Starts

Figure 2. Canada Housing Starts (Statistic Canada, 2004)

	2002	2003
	Starts	
Canada	205,034	218,426
Newfoundland and Labrador	2,419	2,692
Prince Edward Island	775	814
New Brunswick	3,862	4,489
Nova Scotia	4,970	5,096
Quebec	42,452	50,289
Ontario	83,597	85,180
Manitoba	3,617	4,206
Saskatchewan	2,963	3,315
Alberta	38,754	36,171
British Columbia	21,625	26,174
Sources: Statistics Canada, CANSIM, table 027-0008 , Canada Mortgage and Housing Corporation (CMHC).		
Last modified: 2004-01-23.		

Projected Profits and Losses

	2004	2005	2006	2007	2008	2009
Sales	\$200,000.00	\$260,000.00	\$338,000.00	\$439,400.00	\$571,220.00	\$742,586.00
Cost of Goods Sold:						
Materials	\$5,000.00	\$6,500.00	\$9,425.00	\$13,666.25	\$19,816.06	\$28,733.29
Labour	\$258,240.00	\$258,240.00	\$258,240.00	\$258,240.00	\$258,240.00	\$258,240.00
Total Cost of Goods Sold	\$263,240.00	\$264,740.00	\$267,665.00	\$271,906.25	\$278,056.06	\$286,973.29
<i>Gross Margin</i>	-\$63,240.00	-\$4,740.00	\$70,335.00	\$167,493.75	\$293,163.94	\$455,612.71
Operating Expenses:						
Depreciation	\$5,208.79	\$4,740.00	\$4,313.40	\$3,925.19	\$3,571.93	\$3,250.45
Utilities	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
Insurance	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
Maintenance	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Other	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00
<i>Total Operating Expenses</i>	\$14,708.79	\$14,240.00	\$13,813.40	\$13,425.19	\$13,071.93	\$12,750.45
<i>Income from Operations</i>	\$248,531.21	\$250,500.00	\$253,851.60	\$258,481.06	\$264,984.14	\$274,222.84
Other Expenses:						
Interest	\$0.00	\$0.00	\$0.00	\$1.00	\$2.00	\$3.00
Selling and Admin	\$258,240.00	\$258,240.00	\$258,240.00	\$258,240.00	\$258,240.00	\$258,240.00
<i>Total Other Expenses</i>	\$258,240.00	\$258,240.00	\$258,240.00	\$258,241.00	\$258,242.00	\$258,243.00
<i>Net Income</i>	-\$9,708.79	-\$7,740.00	-\$4,388.40	\$240.06	\$6,742.14	\$15,979.84
<i>EBIT</i>	-\$77,948.79	-\$18,980.00	\$56,521.60	\$154,068.56	\$280,092.01	\$442,862.26

Projected Cash Flow

	2005	2006	2007	2008	2009	2010
Cash						
Cash Balance Beginning	\$0.00	\$63,760.00	\$293,520.00	\$574,280.00	\$999,040.00	\$1,469,800.00
Cash Collections on Sales	\$400,000.00	\$450,000.00	\$500,000.00	\$650,000.00	\$700,000.00	\$700,000.00
<i>Total Cash Available</i>	\$400,000.00	\$513,760.00	\$793,520.00	\$1,224,280.00	\$1,699,040.00	\$2,169,800.00
Less Disbursements						
Direct Materials	-\$78,000.00	-\$78,000.00	-\$78,000.00	-\$80,000.00	-\$80,000.00	-\$80,000.00
Labour	-\$258,240.00	-\$258,240.00	-\$258,240.00	-\$258,240.00	-\$258,240.00	-\$258,240.00
Selling and Admin	-\$5,000.00	-\$5,000.00	-\$5,000.00	-\$5,000.00	-\$5,000.00	-\$5,000.00
Equipment Purchases	-\$500,000.00	-\$10,000.00	-\$5,000.00	-\$5,000.00	-\$5,000.00	-\$5,000.00
Owners Cash Withdrawal	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<i>Total Disbursements</i>	-\$841,240.00	-\$351,240.00	-\$346,240.00	-\$348,240.00	-\$348,240.00	-\$348,240.00
Excess, (Deficiency), of Cash	-\$441,240.00	\$162,520.00	\$447,280.00	\$876,040.00	\$1,350,800.00	\$1,821,560.00
Financing						
Borrowings Long Term	\$400,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Borrowings Short Term	\$100,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Repayment Long Term	\$0.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
Interest Long Term	\$0.00	\$16,000.00	\$12,000.00	\$8,000.00	\$4,000.00	\$0.00
Repayment Short Term	\$0.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
Interest Short Term	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
<i>Total Financing</i>	\$505,000.00	\$131,000.00	\$127,000.00	\$123,000.00	\$119,000.00	\$115,000.00
Total cash flow	\$63,760.00	\$293,520.00	\$574,280.00	\$999,040.00	\$1,469,800.00	\$1,936,560.00

Projected Balance Sheet

	2004	2005	2006	2007	2008	2009
Assets:						
<i>Current Assets:</i>						
Cash/Accounts Receivable	\$250,000.00	\$325,000.00	\$471,250.00	\$683,312.50	\$990,803.13	\$1,436,664.53
Inventory	\$10,000.00	\$10,300.00	\$10,609.00	\$10,927.27	\$11,255.09	\$11,592.74
<i>Total Current Assets</i>	\$260,000.00	\$335,300.00	\$481,859.00	\$694,239.77	\$1,002,058.21	\$1,448,257.27
<i>Long Term Assets:</i>						
Accumulated depreciation	\$5,875.45	\$52,666.66	\$47,926.66	\$43,613.26	\$39,688.07	\$36,116.14
<i>Total Long Term Assets</i>	\$5,875.45	\$52,666.66	\$47,926.66	\$43,613.26	\$39,688.07	\$36,116.14
<i>Total Assets</i>	\$312,666.66	\$383,226.66	\$525,472.26	\$733,927.84	\$1,038,174.35	\$1,481,122.96
Liabilities:						
<i>Current Liabilities:</i>						
Short Term Notes Payable	\$0.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
<i>Total Current Liabilities</i>	\$0.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
<i>Long Term Liabilities:</i>						
Long Term Notes Payable	\$0.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
<i>Total Long Term Liabilities</i>	\$0.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
<i>Total Liabilities</i>	\$0.00	\$110,000.00	\$110,000.00	\$110,000.00	\$110,000.00	\$110,000.00
Equity:						
Retained Earnings	-\$9,708.79	-\$7,740.00	-\$4,388.40	\$240.06	\$6,742.14	\$15,979.84
<i>Total Equity</i>	-\$9,708.79	-\$7,740.00	-\$4,388.40	\$240.06	\$6,742.14	\$15,979.84
<i>Total Liabilities and Shareholder's Equity</i>	-\$9,708.79	\$102,260.00	\$105,611.60	\$110,240.06	\$116,742.14	\$125,979.84

Financial Ratio Analysis

Ratios	2004	2005	2006	2007	2008	2009
Current	NA	33.53	48.1859	69.42398	100.2058	144.8257
Quick Test	NA	32.5	47.125	68.33125	99.08031	143.6665
Inventory Turnover	26.324	25.70291	25.22999	24.88327	24.70492	24.75457

Controlled Parameters

	2004	2005	2006
Income Statement			
Seasonal Payroll	\$35,840.00	\$35,840.00	\$35,840.00
Floor Payroll	\$58,240.00	\$58,240.00	\$58,240.00
Management Payroll	\$200,000.00	\$200,000.00	\$200,000.00
Total Payroll	\$258,240.00	\$258,240.00	\$258,240.00

minimum wage	\$8.00
number of seasonal	8
number of full time	4
number of forklifts	4
number of conveyors	1

Balance Sheet

Total Longterm Assets	\$57,875.45	\$47,926.66	\$43,613.26
Cash	\$15,000.00	\$22,000.00	\$30,000.00
Total Assets	\$72,875.45	\$69,926.66	\$73,613.26

assume 7 hour work days 5 days a week all year round
ACQ \$2.00 /lb
@ 16%
assume management \$40,000

Cash Flow

Harvesting

Land	\$300,000.00
------	--------------

Logging	\$50.00 /cubic
Land 10 Hectares	