



# PHOENIX WOOD

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## **Executive Summary**

Drought, bark beetles, and wildfires: it is the vicious cycle that California endures year round. Resulting from the onslaught of droughts, California's prized forest become vulnerable prey for the swarms of bark beetles. Their infestations leave the trees in an arid state which turns our forests into a match ready for ignition. In 2018, California was once again set ablaze with a total of 8,527 fires burning an area of 1,893,913 acres.

The founders of Phoenix Wood were tired of being passive bystanders of the painful deterioration of California's prized forests. Phoenix Wood was created to design and sell handcrafted, customizable wood products produced by subcontractors utilizing "reclaimed" wood from the 147 million dead and diseased trees in California.

Phoenix Wood allows consumers to mitigate the forests' suffering by purchasing "reclaimed" wood products without sacrificing quality or choice. Phoenix Wood enables all consumers to participate in the environmental revolution by providing products that appeal to consumer needs and desires. Our furniture, accessory, recreational, and kitchen lines are simply generalizations to describe the large product line that Phoenix Wood provides. Skateboards, surfboards, desks, tables, phone cases, cutting boards and many more products are available to consumers in a variety of customizable options and money-saving bundles.

Phoenix Wood anticipates a strong financial future as indicated by the company's growing number of sales and business-to-business contracts. As a new company with rapid expansion in a relatively unexplored market, Phoenix Wood firmly believes that our company's product will be the future of the wood product industry.

Phoenix Wood envisions a future where everyone is a contributor to the improvement of our precious environment. Our planet's future will not lie in the hands of a few environmental funds or a couple of philanthropists, but rather in the hands of all of us. We alone are not the solution, but we together are a part of a new future — a future with hope for our environment.

-Andrew Chaffee  
Chief Executive Officer

## **Business Rationale**

### **Customer Empathy**

The prolonged sustained drought, subsequent infestation of bark beetles, and rampant wildfires have affected Californians economically and emotionally.

Phoenix Wood emerged from the grief countless residents feel for their dying forests. Some 30 million dead trees clog California's forest, victims of Mother Nature's five-year onslaught of drought, beetle infestation and pestilence. Countless Californians despaired that this precious resource would go to waste.

Like the namesake mythical bird, Phoenix Wood rose to the occasion, breathing new life into dead wood. Trees ravaged by drought, pine beetles and disease were reborn as furniture, decorations and utensils.

The company fills a void in consumer's lives by allowing them to purchase the products knowing they are benefiting forest lands by allowing regeneration and putting to good use what Mother Nature took away.

### **Problem Statement**

Phoenix Wood addresses five issues:

- Consumers are upset by the trees dying from five years of drought and bark beetle infestation;
- California's wildfire epidemic is fueled in part by the dead and infested trees;
- The atmosphere is affected by the carbon dioxide emissions from decomposing trees;
- By 2100, the total area in California burned will be between 25 and 53 percent;
- Cross-country winds carried have carried the smoke across the United States, creating poor air quality in locations as far east as Philadelphia.

## **Ideal State**

Through the extraction of dead or diseased pine trees from the Sierra Nevada forests, Phoenix Wood aims to:

- Provide customers with wood products that contribute to the betterment of the environment;
- Create customizable and luxurious wood products;
- Utilize dead trees which otherwise would be useless;
- Aid indirectly California's wildfire epidemic by removing potential fuel from the forest;
- Improve the atmosphere by reducing carbon dioxide from decomposing trees.

## **Company Goals**

- Grow sales by 3-5% each month
  - Strategy : Expand website sales by extending the target market to include other states with extensive V.E economies. As market share grows, add out-of-network contracts.
  - Time : End of the month evaluations of gross income
- Expand outreach by adding a retail storefront
  - Strategy : As website sales grow, add a retail outlet to satisfy local demand
  - Time : After six months of reaching the sales growth goal
- Convert to a C- Corporation and evaluate the feasibility of a B-Corporation overlay
  - Strategy: Expand the company through extended shareholder pool while seeking B-corporation certification from the B-Lab as the company voluntarily meets higher standards of transparency, accountability, and performance.
  - Time : September 2020
- Establish Phoenix Wood as the choice for reclaimed wood products
  - Strategy : Work closely with the company's supplier to maintain the highest standard of quality in all of the products and incorporate endorsements from eco-conscious celebrities such as Leonardo Dicaprio and Penelope Cruz.
  - Time : Continual
- Demonstrate social responsibility and doing good for the environment
  - Strategy : Donate 5% of profit to California Community Foundation's Wildfire Relief Fund and updating customers on the company's impact through the newsletter.
  - Time : Once profitability is achieved

## **About The Business**

### **Company Overview**

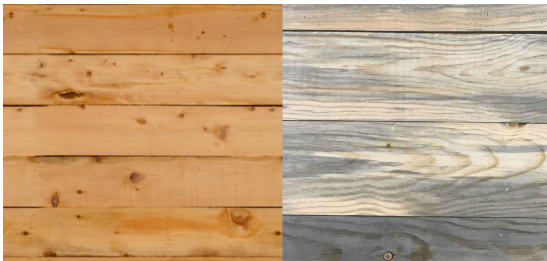
Phoenix Wood filed as an S Corporation September 5th, 2018, whose focus is to harvest dead or diseased trees from the Sierra Nevada Mountains of California and convert it into commercial, recreational, and residential products. While Phoenix Wood did weigh the advantage of being able to have an unlimited amount of shareholders as a C-Corporation, the company decided that being double taxed is not worth the potential expansion that the company does not anticipate utilizing for the near future.

The name of the company is symbolically based on the wood, similar to a phoenix, rebirthing from what was previously dead into a new and useful product. The logo is an artistic representation of a phoenix rising from the ashes.

Phoenix Wood has signed a three-year lease at 2831 Gibson Street, Bakersfield, CA 93308. Property includes 2,593 square feet of office space and 3,507 square feet of warehouse space.

Start-up funds include a loan of \$150,000 for five years at a fixed interest rate of 5.25%. Phoenix Wood has subcontracted with a logging and manufacturing company, Cross Roads Lumber, to harvest the wood and manufacture the product line.

Phoenix Wood will provide its products through the company website, [www.phoenixwoodvei.com](http://www.phoenixwoodvei.com), trade shows in San Diego, Bakersfield, Pasadena, Bay Area, and the New York, and with out-of-network, business-to-business contracts with Stockdale High School and Chaddick Williams Development, and in-network contracts with Nurture.



**Comparison of normal pine and our company's reclaimed pine**

**Mission Statement:** Phoenix Wood's mission is to impact with style by using dead and diseased wood to make natural home and office products, thus promoting forest regeneration.

# Organization Chart



## **SWOT Analysis**

### Internal Strengths

- Hub and spoke management model
- Collaborative work environment
- Highly qualified technology and design staff
- Staff motivated by a prominent local and state issue

### Internal Weakness

- First-year business
- Top-heavy management structure
- Relies on outside subcontractors in production and gathering process

### External Opportunities

- Addresses extreme environmental issue throughout state
- Abundant natural resource of 147 million dead trees as of February 2019
- Appeals to consumer eco-consciousness
- Limited real and virtual world competition
- Not affected by tariff war due to all-American production process

### External Threats

- Limited viability of untreated wood (3 years)
- Fixed resource that limited to what is available
- Wildfires destroying wood source or interrupting harvest
- Inconsistent wood quality
- Decreasing amount of trees dying per year (27 million in 2017, 18.6 million in 2018)

### Strengths

Phoenix Wood is a company founded from a diverse range of highly motivated entrepreneurs who are dedicated towards developing a company that can relieve California of its recent environmental issues. Phoenix Wood's employees also have a wide range of professional skills such as the internal technology department's vast knowledge of programming, which enabled the staff to create from scratch a fully functional website. Phoenix Wood implements a hub-and-spoke organization style that enables efficient communication company-wide. Strong communication is maintained through weekly chief meetings and bi-weekly company meetings. Although import tariffs have adversely affected several industries, Phoenix Wood is not dependent upon imports throughout the supply and manufacturing process. Due to the recent trade war, the United States' overall GDP is expected to flatten by a few tenths of a percent. However, it has resulted in growth for US manufacturing industries, thereby making Phoenix Wood's economic future bold and bright.



### Weaknesses

Phoenix Wood's employees have founded the company with no prior experience, and as a result, it took time to adapt to an optimal work environment. Running a company in which the leader had no expectations or knowledge was a challenge; however, the employees' ambitions to learn have allowed Phoenix Wood to succeed when competing against companies with more experience. The amount of chiefs within Phoenix Wood is susceptible to conflict in management decision and requires chiefs to take on material work due to the lack of staff.

### Opportunities

Phoenix Wood enters a market with immediate consumer appeal because it addresses a significant environmental issue while allowing consumers to positively affect the environment without sacrificing quality or options in their purchases. On the producer side, Phoenix Wood is using an abundant natural resource (more than 30 million dead trees are in California) that is near the company's headquarters in Bakersfield, California. Although other companies have entered the wood-product market using "reclaimed" wood as their material, the competition that Phoenix Wood faces in this sector is scarce and underdeveloped.

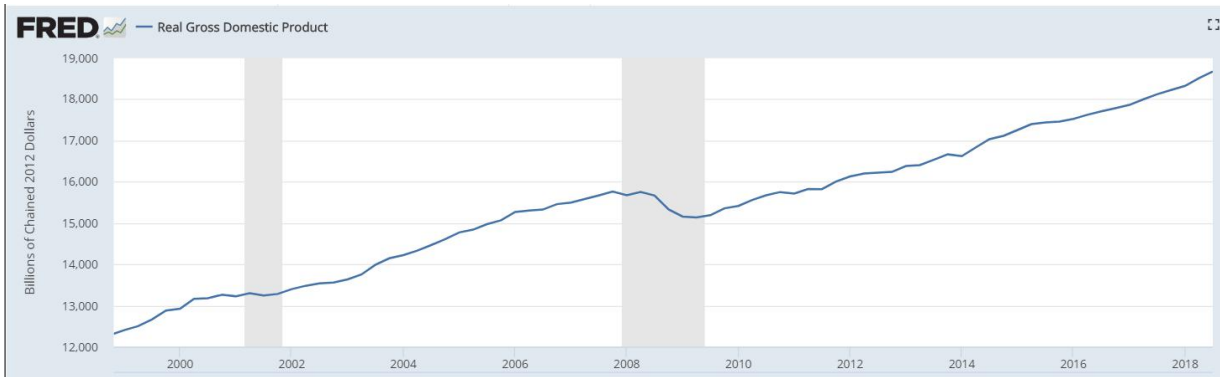
### Threats

Although dead trees are currently an abundant resource, Phoenix Wood could see a rise in competitors. If this sector of the market were to become oversaturated, the resource is fixed and therefore cannot be harvested to meet a rise in consumer demand. Exclusivity contracts with subcontractors or expansion to other states' forests will be Phoenix Wood's long term plans. Wildfires, which have unfortunately become a common seasonal problem for California, could disrupt the extraction of the nearby resource or destroy the dead trees. If this were to happen, Phoenix Wood would have to expand to other forests around or outside California. Due to the degree of infestation or decay, the wood may have an inconsistent quality that may require staining. Because of this, Phoenix Wood has chosen to exclusively use pine trees since they are the easiest tree to stain.

## **External Environment**

### **Current Economic Conditions**

Phoenix Wood is entering into a United States economy that is hot right now. In the past three years, the US economy has leapt upward with a 3.5% Real GDP increase, which indicates rapid expansion for domestic businesses and a perfect time to enter the market.



According to the [Conference Board](#), the current Consumer Confidence Index is at 120.2 with a baseline of 100. With this confidence, consumers are far more likely to purchase more products at a greater price, especially investments in durable goods such as Phoenix Wood furniture, custom cabinetry, and flooring.

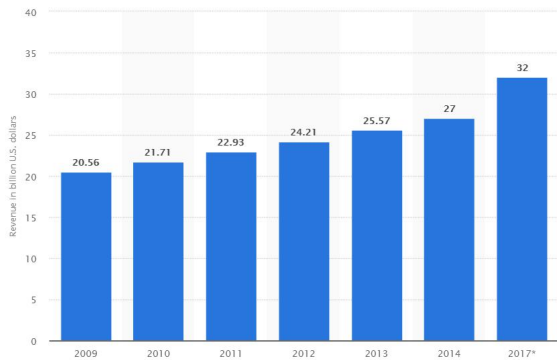
Monthly job gains have averaged 218,000 over the past 3 months according to U.S. Bureau of Labor Statistics, expanding Phoenix Wood's potential consumer base especially with the company's Generation Z and Millennial market segment with the number of employed youth aged 16 to 24 increasing from 2 million to 21 million from April to July 2018. To match this increase in employment, companies must expand the amount of work space which is a growing number of opportunities for contract-to-contract sales in the commercial market for Phoenix Wood.

The current unemployment rate, 3.9%, is lower than what the Federal Reserve considers healthy (4.2%). As a result, gradual increases in interest rates have been instituted by the Federal Reserve Board in hopes of maintaining this period of growth for as long as possible. Despite the rising interest rates, the economy overall is still in a period of immense growth that is now expected to last longer than what was previously believed.

Internationally, the Asian market is currently accounting for two-thirds of global growth, according to the [International Monetary Fund](#). In the EU market, the current economic growth is plateauing and according to the IMF, will continue to soften over the next three years with an expected decrease in growth in 2019. Phoenix Wood is focusing on the domestic market, however opportunities to expand to the Pacific Rim would certainly be entertained.

## Industry Analysis

### Graph shows wood products revenue trends since 2009



Although Phoenix Wood is a design and sales company, the company is dependent upon subcontractors to manufacture products, and is therefore primarily concerned with the wood product manufacturing industry.

The wood product industry has seen an overall increase in growth rates, revenue rates, and net income through the first two quarters of 2018, but as a result of this growth, new wood product manufacturers have entered the market, resulting in a downward pressure on prices. Phoenix Wood will be able to withstand this oversaturation of the market by providing unmatched products in the market with its eco-conscience consumer appeal.

The wood product manufacturing industry's primary revenue source is the construction sector, which has largely benefitted over the past five years from the growth in the housing market. In these newly constructed houses, wood products such as Phoenix Wood's cabinetry and flooring are required.

### This graph shows a growth trend in wood products since the 2010



According to the American Forest & Paper Association, the wood product industry contributes 4.5% of the U.S. manufacturing GDP as of September 2018, on-par with the nation's automotive and plastics industries. By entering a vast industry with a relatively new raw-material concept, the company's expansion potential is immense.

**Virtual** - Although the virtual economy has many companies with an ecological focus, such as Ecocentric or Current Threads, Phoenix Wood is able to stand out in the virtual economy as it addresses a prominent issue in the minds of many of the customers at local trade shows. The heavy concerns in the hearts of many potential customers allows for Phoenix Wood to draw in a high volume of purchasers with a high expendable income.

## **Competitive Analysis**

Phoenix Wood's competitors fall into two primary sectors: wood products and "reclaimed" wood products.

In the general wood product market, Phoenix Wood will provide more customizable and personal wood products than those of large corporations such as IKEA and Woodies. Phoenix Wood anticipates standing out within the growing market by providing consumers with an environmentally friendly product. According to [Nielsen.com](http://Nielsen.com), in 2015, 66% of respondents are willing to pay more for products from environmentally friendly companies, which is an increase from 55% in 2014 and 50% in 2013, indicating an upward trend in consumer tendencies to purchase environmentally friendly products. Phoenix Wood aims to provide its customer with the opportunity to assist in the rejuvenation of California's forest by reclaiming dead wood and using it for wood products.

In the virtual world, Phoenix Wood's main competitor is Ecocentric, a company that uses recycled bamboo wood to create eco-friendly products; however, no specific products they offer are similar to Phoenix Wood. Other competition includes the company Clarity, who makes eco-friendly sunglasses from 100% ocean waste, similar to the eco-friendly sunglass frames Phoenix Wood, which are made of dead wood. Both companies target the younger generation with similar modern-style frames. Altitude Extreme Sports competes with Phoenix Wood in skateboards and surfboards, as they sell all parts needed to go skateboarding or surfing, such as helmets and wetsuits, while Phoenix Wood only sells the initial finished product itself.

In the reclaimed wood product market, Phoenix Wood enters the sector at a time of expansion. In the past three years, Phoenix Wood's research shows at least 14 new companies arriving within the reclaimed wood product market; however, competitors such as Azure Furniture or Colorado Tables focus on specific sectors of the wood product market while Phoenix Wood provides the customer with a wide array of products for both recreational and professional use. Phoenix Wood also differentiates itself from our competitors through the process in which we acquire wood. Our main focus is to repair California's forest aiding the reduction of forest wildfires and therefore deaths by those fires. With reclaimed wood the act of not harvesting the wood is in turn damaging our forest

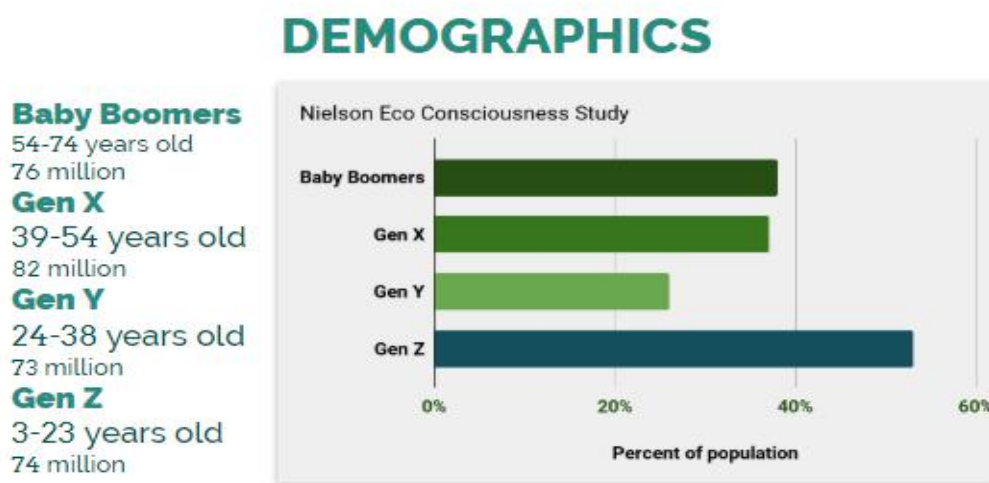
as the carbon sequestration process is halted and the tree begins releasing carbon dioxide which in large quantities harms the environment. Through our focus in California customers are able to build a connection with Phoenix Wood by being able to purchase a majority of their desired wood products from one seller while understanding the impact of their purchases. Brand loyalty and customer relationships will be maintained through Phoenix Wood's customer follow-ups and statistical updates on the customer's environmental impact through email and the website.

## **Marketing Plan**

### **Target Market and Market Segmentation**

Phoenix Wood targets a trifurcated market:

- Millennials (also known as Generation Y, born 1980-1994) and Generation Z (1995-present) with the recreational and accessories lines.
- Generation X (1965-79) and Baby Boomers(1946-64) with the furniture line and to a lesser degree recreational and accessories lines.
- Commercial applications for offices, schools, and industry.



Percent of population willing to pay more for eco friendly products

Millennials and Gen-Z will be the company's focus at the trade shows around California.

Phoenix Wood's booths will provide these products on the trade show floor with a variety of eye catching samples, decorations, and interactive games such as Jenga and cornhole. Phoenix Wood's trade show booth will provide customer a high energy experience that is a large appeal to this target audience.

Baby Boomers and Gen-X will be Phoenix Wood's primary targets on the trade show floors and the showroom for the furniture line because of their greater expendable income and consumer interest towards premium quality furniture. They will find the personal attention offered by the showroom appealing in comparison to the noisy, fast paced experience of the trade show floor; however, grabbing the attention of this audience will be a focus of the sales team at the booth.

Local offices, schools, and businesses will be Phoenix Wood's primary target for sales outside of the trade show floor. These customers will find Phoenix Wood's showroom more convenient and informative; they will appreciate the personal attention of working with a company sales representative. The furniture line will be sold in bulk to local business owners needing updated new furniture.

## **Marketing Mix**

### **Products**

Phoenix Wood offers a wide range of pine products intended for eco-conscious buyers. Most of the products are made from pine because it's easy to work with and takes stain well; it's the wood principally found in California's forest. Currently Phoenix Wood is focusing on three main product lines: recreational, residential, and commercial.

In the recreational line, Phoenix Wood offers stylish and practical products, such as sunglasses, phone cases and water bottles that boldly stand out among the environmentally harmful plastics that are typically used in place of restored wood. As Phoenix Wood's largest line this also includes skateboards, Jenga, cornhole, and surfboards. These products are aimed towards a young, active audience. These products are built for entertainment, but its eco-friendliness cannot be overlooked in the eyes of consumers. Since these products are high investments for those seeking a premium quality, Phoenix Wood separates itself from cheap competitors by proudly putting on display its craftsmanship and superior quality at trade shows.

In the residential line, Phoenix Wood's multi-hued furniture, from polished to rustic, fits perfectly with today's homes that feature open concepts and natural decor. The natural tint that the reclaimed wood has as a result of the beetle infestations boldly stands out among competing furniture. Residential products that Phoenix Wood offers include bed frames, coffee tables, night stands, and dining tables.

The commercial line provides flooring and furniture for commercial enterprises through out-of-network contracts. Products in this line include collaborative desking, custom desking, and wood-panel flooring.

**Below are examples of our products from the recreational line**



Phoenix Wood offers seven different packages:



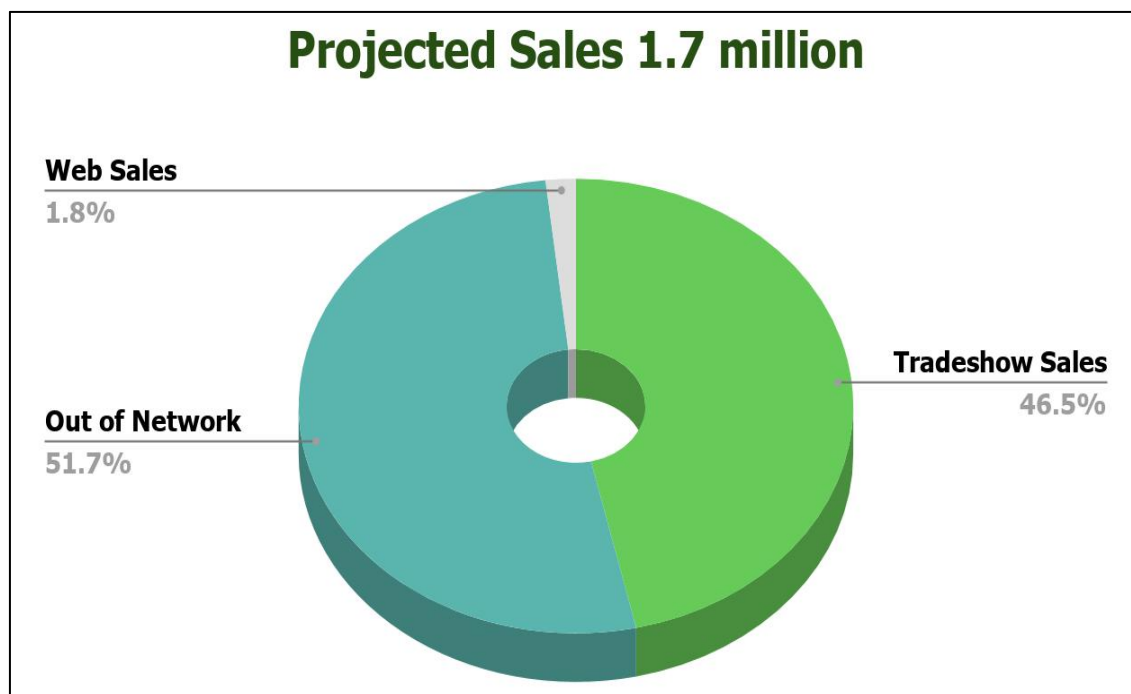
## Price

Phoenix Wood's prices are a mix of competition-based and cost-based. The supplier, Crossroads Recycled Lumber in Madera County, charges \$2.41 a square foot, and a Bakersfield carpenter, Brandon Parks, listed the price to produce the products with customizable and hand-crafted features. From there, market trends were studied to determine the markup on products of similar craftsmanship and quality. The kitchen accessories range from \$25 for a wooden spoon to \$320 for a large bowl. The furniture line ranges from \$120 for a corner desk to a custom wood desk

for \$500 to a pedestal table for \$1350. The recreational line ranges from \$50 for a chess board to \$750 for surfboard. The accessories line ranges from \$25 for a phone case to \$45 for sunglass frames. Shipping cost are dependent upon whether the item can be shipped through U.S Postal Service, FedEx, or common carrier. Items shipped through the U.S Postal Service have a flat rate while items shipped through common carrier or FedEx have a percent rate depending upon the size of the product.

## Placement

Phoenix Wood's projects \$1.7 million annual sales from trade shows, out-of-network contracts, and website sales. Phoenix Wood's primary source of revenue will come from the various trade shows around California at an estimated 46.5% of our revenue. Commercial sales will come from out-of-network contracts at an estimated 51.7% of our revenue. The website is projected to make up around 1.8% of Phoenix Wood's total sales.



## Promotion

Phoenix Wood's promotion will have three limbs: news, social media, and advertising.

**News** — The plight of millions of California's trees have been widely reported, but the solution has not been. The company's public relations department will place news releases with both print and broadcast media. Thus far, Phoenix Wood has had appearances on 23 ABC news. The news releases will be followed with phone calls to promote interest in the company. Radio talk show appearances on local stations such as Richard Beene or Scott Cox shows to further promote interest in Phoenix



Wood's unique solution to the wildfires. The high end older demographic will be targeted through the Bakersfield Lifestyle Magazine as an eye catching article and newspaper articles which will commonly be in close proximity to news articles covering the wildfires.

Social Media — The company's Point of Sale (POS) system and website sales will allow for the collection of email addresses which will be built into the Customer Relationship Software (CRM) for ongoing contact with follow-up surveys and the company's newsletter which will include new promotions, company updates on the efforts in the forest, and merchandise trends. On the company's internally designed website, a semi-weekly blog will be posted to update customers. The company will also will maintain Facebook, Instagram, Snapchat, Twitter account to engage with customers and build interest in new customers. A Yelp page will be maintained to understand and communicate with customers and to track the customer's view on the company over time. Survey Monkey will be used to follow up on customer's experience and how the company can improve going ahead. To incentivize response from outside of those passionate about the company, a giveaway will be promoted.

Advertising — Phoenix Wood's marketing department will work with broadcast media outlets in TV and radio to identify the time frames to reach the company's market segments. Phoenix Wood has opted out of using print media because Phoenix Wood believes its price is fruitless, does not have a good return on investment, holds a reduced segment of the company's market, is retracting by the day, and the company's message does not hold the same impact value as a visual medium. Phoenix Wood currently has online advertisements running on the VEI portal and is exploring further uses of online advertisement to draw more traffic to the website.

Positioning -- Phoenix Wood has positioned itself within the wood product market as a purveyor of reclaimed wood products that are eco-friendly and premium quality. The products have a consumer advantage because in the relatively undeveloped reclaimed wood market, Phoenix Wood will position itself as the provider of a wide variety of quality products. Phoenix Wood's position as a premium brand will be reinforced by celebrity endorsements, customer satisfaction and personalized customer service.

## **Discussion of Business Risks**

Phoenix Wood faces three primary risks: over-reliance on trade show sales, dependence upon consumer trends, and Phoenix Wood's decision to not focus on one particular market.

Phoenix Wood generates 46.5% of its revenue from trade show sales. Should a poor performance at a trade show occur, the company's bottom line could be adversely affected and as a result, the company's ability to meet the required payments could be difficult.

As a result of Phoenix Wood's trifurcated target market and wide range of products, there is a lack of specialization that could result in mediocrity; however, Phoenix Wood has the resources, talent, and dedication needed to maintain a high standard of quality for all products. Phoenix Wood does not create a product line unless the company is confident in its ability to provide customers with products that meet Phoenix Wood's standards for quality.

Finally, the company's dependence on subcontractors could result in our material supplier, Cross-Roads Lumber, failing to provide the necessary supply as a result of a new contract with a competing company or a poor extraction season. As a result, the company is actively pursuing a sole proprietor contract with Cross-Roads Lumber as well as agreements with other suppliers to provide reclaimed wood if Cross Roads Lumber were unable to match the company's demand.

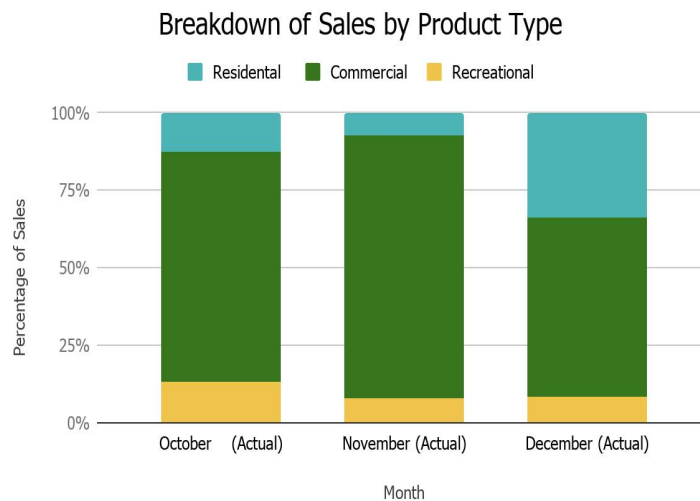
## **Financial Planning**

Phoenix Wood was created in response to the fires which have been burning down California's forests. The company functions by utilizing three sectors: first, it receives the damaged wood from Cross Roads Lumber; second, the wood gets transported to Bakersfield and is "reborn" at Jamison's carpentry; third, it is shipped to the Phoenix Wood warehouse. All of the products, besides furniture, are kept in inventory.

Phoenix Wood filed as an S-corporation in the September of 2018 as a design and sales company working with subcontractors who produce our company's residential, recreational, and commercial products. The company began with a loan of \$150,000 at a fixed interest of 6.75%, \$150,000 from 3 angel investors, and \$20,000 as seed money from VEI for an aggregated \$320,000 initial investment. Products are sold through their website, trade shows they attend throughout California, and out-of-network contracts. The company has secured two out-of-network business contracts for a total of \$138,000 per month. The money from these contracts contributes to 75% of the total payroll, payroll taxes, and cost of goods sold which is permitted per VEI guidelines. Gross sales are expected to be 1.6 million and net sales at 900,000. These estimates are based off of sales from previous months.

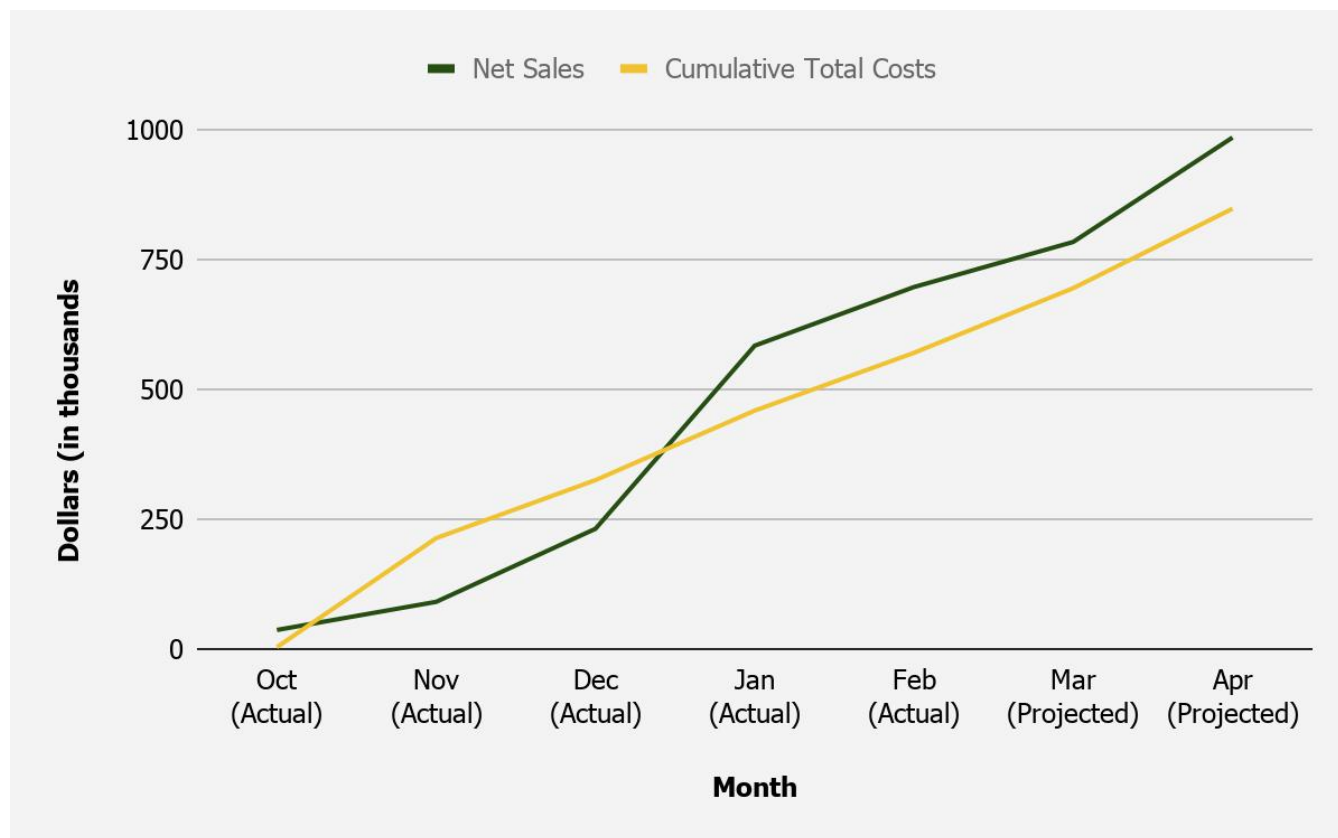
### **Profit Margins**

<b>Recreational</b>	<b>62%</b>
<b>Commercial</b>	<b>36%</b>
<b>Residential</b>	<b>65%</b>



## Break-Even Analysis

For the break even it was assumed all costs are fixed except the cost of goods. It was based on weighted averages. The primary assumption was the proportion of sales would be consistent each month. Profit margins vary from 23% to 95% and as such the company used the weighted average model rather than an average price to show the break even.



## Sales Breakdown

Sales Revenue	Oct 18 (Actual)	Nov 18 (Actual)	Dec 18 (Actual)	Jan 19 (Actual)	Feb 19 (Actual)	Mar 19 (Projected)	Apr 19 (Projected)	Total
Business Contract		75,000	75,000	75,000	75,000	75,000	75,000	450,000
Business Contract		63,000	63,000	63,000	63,000	63,000	63,000	378,000
Web Sales		1,540	5,963	5,640	23,473	5,200	5,400	47,216
Trade Show Sales	47,549	31,892	100,000	352,635	0**	75,000	150,000	757,076
<b>Gross Sales</b>	<b>47,549</b>	<b>171,432</b>	<b>243,963</b>	<b>496,275</b>	<b>161,473</b>	<b>218,200</b>	<b>293,400</b>	<b>1,632,292</b>
<b>Less Cost of Goods</b>	<b>11,150</b>	<b>117,200</b>	<b>103,200</b>	<b>147,200</b>	<b>97,200</b>	<b>131,200</b>	<b>79,200</b>	<b>686,350</b>
<b>Net Sales</b>	<b>36,399</b>	<b>54,232</b>	<b>140,763</b>	<b>349,075</b>	<b>64,273</b>	<b>87,000</b>	<b>214,200</b>	<b>945,942</b>

## Balance Sheet as of February 28, 2019

<b>Current Assets</b>		
Checking Account		737,588
Inventory		10,300
Prepaid Deposit		
		<b>747,888</b>
<b>Fixed (Long-Term) Assets</b>		
Furniture & Fixtures		8,363
	Less Accumulated Depreciation	
Equipment- Office & Computers		8,446
	Less Accumulated Depreciation	
Equipment- Warehouse		20,917
	Less Accumulated Depreciation	
		<b>37,726</b>
<b>Net Assets</b>		<b>785,614</b>
<b>Liabilities and Owner's Equity</b>		
<b>Current Liabilities</b>		
Accounts Payable		407,734
Loan (to fiscal year end)		12,600
Payroll Tax		29,950
Sales Tax (7%)		10,003
		<b>460,287</b>
<b>Long-Term Liabilities</b>		
Loan (balance of loan)		155,327
<b>Total Liabilities</b>		<b>615,614</b>
<b>Equity</b>		
Shareholder's Equity		150,000
VEI Investment		20,000
Retained earnings		
		<b>170,000</b>
<b>Total Liabilities and Equity</b>		<b>785,614</b>

## Summary Profit & Loss Statement

	Oct 18 (Actual)	Nov 18 (Actual)	Dec 18 (Actual)	Jan 19 (Actual)	Feb 19 (Actual)	Mar 19 (Projected)	Apr 19 (Projected)	Total
<b>Sales Revenue</b>								
Business Contract		75,000	75,000	75,000	75,000	75,000	75,000	450,000
Business Contract		63,000	63,000	63,000	63,000	63,000	63,000	378,000
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<b>Gross Sales</b>	<b>47,549</b>	<b>171,432</b>	<b>243,963</b>	<b>496,275</b>	<b>161,473</b>	<b>218,200</b>	<b>293,400</b>	<b>1,632,292</b>
<b>Cost of Goods</b>								
Labor	2,899	30,472	26,832	38,272		34,112	20,592	153,179
Manufacturing Markup	5,241	55,084	48,504	69,184		61,664	37,224	276,901
Shipping	1,450	15,236	13,416	19,136		17,056	10,296	76,590
Wood	1,516	16,408	14,448	20,608		18,368	11,088	82,436
<b>Net Sales</b>	<b>36,444</b>	<b>54,232</b>	<b>140,763</b>	<b>349,075</b>	<b>161,473</b>	<b>87,000</b>	<b>214,200</b>	<b>1,043,187</b>
<b>Monthly Expenses</b>								
Accounting & Legal		3,000					1,750	4,750
Advertising & Promotion		3,500	750	750	750	750	750	7,250
Depreciation							27,152	27,152
Equipment & Fixtures		67,882						67,882
<b>Insurance</b>								
General Liability		600	400	400	400	400	400	2,600
Workman's Comp		3,978	2,652	2,652	2,652	2,652	2,652	17,238
Lease (rent)		5,490	3,660	3,660	3,660	3,660	3,660	23,790
Loan - Interest		2,953	2,953	2,953	2,953	2,953	2,953	17,718
Maintenance & Repairs		400	400	400	400	400	400	2,400
Office Supplies/Printing		1,000	1,000	1,000	1,000	1,000	1,000	6,000
Payroll (net)		52,088	52,088	52,088	52,088	52,088	52,088	312,528
<b>Payroll Taxes</b>								
Federal		23,091	23,091	23,091	23,091	23,091	23,091	138,546
State		6,859	6,859	6,859	6,859	6,859	6,859	41,154
Quarterly				14,455			16,754	31,209
Prepaid Expenses		9,696						9,696
Sales Tax (7% per VEI model)	3,328	20,510	17,077	35,008	17,010	22,960	13,860	129,753
Security		100	100	100	100	100	100	600
Travel		5,800				7,950		13,750
<b>Utilities</b>								
Gas and Electric		2,250	1,700	1,700	1,700	1,700	1,700	10,750
Internet and Phone		280	190	190	190	190	190	1,230
Website		37	25	25	25	25	25	162
<b>Total Expenses</b>	<b>3,328</b>	<b>209,514</b>	<b>112,945</b>	<b>1</b>	<b>112,878</b>	<b>126,778</b>	<b>155,384</b>	<b>720,828</b>
<b>Profit</b>								<b>322,358</b>
<b>Less corporate Tax (Fed &amp; CA)</b>								96,707
<b>Net Profit</b>								<b>225,651</b>

**\*\*Note:** February sales are 0 due to inability to attend the Pasadena trade show because of limiting weather. No inventory was ordered in February because Pasadena's inventory was ordered in January and it was sufficient to cover the Oakland Trade Show in March.

## **The Cost of Goods**

The cost of goods was comprised of four factors: labor, manufacturing markup, shipping of the wood, and the cost of the beetle-killed wood.

- The labor cost was determined by the time estimation to complete a product multiplied by the average hourly wage of a carpenter in the central valley, 22 dollars per hour. (Bureau of Labor Statistics).
- The manufacturing markup accounted for variable costs for the manufacture, Jamieson's Carpentry and a 20% profit markup.
- The shipping of the wood was based off of ratios of weight provided by Crossroads Lumber: 1025 dollars for transportation of 110,000 pounds.
- The cost of the beetle-killed was 2.30 dollars per square foot (provided by Crossroads Lumber).



# **PHOENIX WOOD**

## **APPENDIX**



## Bank Balance as of February 28, 2019 : \$737, 558.22

# US Network Bank

### Account details

Account:	Phoenix Wood (Budget Checking) - 630576416			<a href="#">Download account details (Excel)</a>
Period:	from	02/28/2018	until	02/28/2019
<a href="#">Show</a>				

Date	Name/Description/Acct#	Ref#	Amount	Balance
Feb. 28, 2019	Angie Rosales (US021058), Wilmington, CA VEI Checkout transaction #367898 02/28/2019 11:55 AM CT Acct #630634890	4245200	\$33.17	\$737,558.22

## Out-Of-Network Contract - Stockdale High School

This agreement is effective as of **date of agreement**, between **Stockdale High School** and **Phoenix Wood** from **Dates of Agreement**. The parties hereby agree to the following terms and conditions:

**DESCRIPTION OF SERVICE/SUPPLIES:** We make products from dead wood in California destroyed by beetles that would otherwise be fuel for forest fires.

Stockdale High School hereby agrees to purchase the items below, supplied by Phoenix Wood.

Item 001	Quantity	Unit Price (\$)	Extended Price (\$)
Student Desk Single (Shipping included)	150	500	450,000
<b>Total (Items 001-002)</b>			\$450,000 (6 equal payments of \$75,000 a month)

**TERMS AND CONDITIONS** - This contract agreement may be cancelled with 90 days written notice. The period of this contract is **extends from November 15, 2018 - April 30, 2019**, from the effective date unless modified in writing 90 days in advance on any agreed delivery dates stated in the agreement. Title and ownership of this agreement is non-transferable to any other party.

**Phoenix Wood** guarantees delivery of the quantities and items stated above in accordance with the terms and conditions stated in this agreement. **Phoenix Wood** hereby agrees to honor the firm-fixed prices stated above during the period of the contract agreement without consideration for economic price adjustments.

**CANCELLATION** - The Contract may not be cancelled without the written agreement of both parties. Any party defaulting on the stated terms will incur the costs associated with recovery and all associated litigation fees.

**RENEWABLE OPTIONS** - During the final period of this agreement, either party may offer to negotiate optional years.

**CORPORATE COMMITMENT** - By signing this agreement, the **Stockdale High School**, hereby agrees to offer the expertise of its officers as advisors to **Phoenix Wood**. This mentoring

will assist in the successful operations of **Phoenix Wood**, thus protecting your valued investment in our product.

The signatures below represent the authority to fully execute this agreement.

Tashaun Winston  
Signature of (Stockdale High School) Representative  
Tashaun Winston / Asst. Principal 661-665-2800  
Printed Name / Title Phone Number  
Samir Mody 11/16/2018  
Signature of (Phoenix Wood Representative) Date  
Samir Mody / Chief Operating Officer 661-426-4047  
Printed Name and Title Phone Number  
Contract Received by Virtual Enterprises International, West Region  
Mike Stuebe 3/13/19  
Signature Date

This agreement is effective as of **November 18, 2018**, between **Phoenix Wood** and **Chaddick Williams Development** from November 1, 2018 through April 30, 2018. The parties hereby agree to the following terms and conditions:

**DESCRIPTION OF SERVICE/SUPPLIES: We make products from dead wood in California destroyed by beetles that would otherwise be fuel for forest fires.**

**Chaddick Williams** hereby agrees to purchase the items below, supplied by **Phoenix Wood**.

<b>Item 001</b>	Quantity	Unit Price (\$)	Extended Price (\$)
<i>Cabinets</i> <i>(58 units)</i>	6	63,000	\$378,000
	Quantity	Unit Price (\$)	Extended Price (\$)
<b>Item 002</b>			
<i>Shipping (Free)</i>	1	0.00	N/A

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<b>Total (Items 001-002)</b>			
<i>Cabinets (total of 174)</i>	3	Total: \$63,000.00	
<i>Shipping (Free)</i>	1		

**TERMS AND CONDITIONS** - This contract agreement may be cancelled with 90 days written notice. The period of this contract is monthly purchase November, 2018 - April, 2019, from the effective date unless modified in writing 90 days in advance on any agreed delivery dates stated in the agreement. Title and ownership of this agreement is non-transferable to any other party.

**Phoenix Wood** guarantees delivery of the quantities and items stated above in accordance with the terms and conditions stated in this agreement. **Phoenix Wood** hereby agrees to honor the firm-fixed prices stated above during the period of the contract agreement with no consideration for economic price adjustments.

Signature Jake Huelbe Date 3/13/19

## Letters of Support - Angel Investors

**Craig Holland 9709 Lightner Way  
Bakersfield CA 93311**

November 12, 2018

VE Central Office  
122 Amsterdam Avenue  
New York, NY 10023

Dear Ms. Jones:

Please accept this letter of support as my intention to invest \$50,000 in Phoenix Wood. In exchange for this investment of funds, we understand that I will be taking an equity stake in their business by receiving a commensurate number of shares of stock in their company.

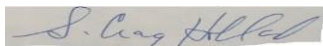
We affirm that we have done the following to review and evaluate this company:

- Listened to a business pitch from the executive team outlining the firm's business plan, including the marketing plan, operating budget, and sales/revenue projections.
- Reviewed company projections and assumptions.
- Engaged in Q&A or discussion to clarify and guide the firm's direction.

I understand that upon approval of this equity investment by the VE Central Office, Phoenix Wood will prepare and send a stock certificate outlining the number of shares awarded based on a \$10 Par Value. I also understand that as a result of my investment, I will be placed on the company's Board of Directors.

I think this company has great potential, and I look forward to a profitable return.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Craig Holland", is shown within a rectangular box.

Craig Holland  
661-706-1655

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# Ability

**Answering/Paging Services**

October 8, 2018

Andrew Chaffee, CEO

Phoenix Wood

2800 Buena Vista Road

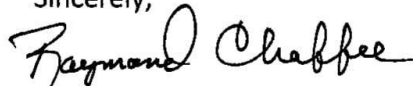
Dear Mr. Chaffee,

I was quite intrigued and impressed with you and your associates' presentation regarding the reclamation, processing and marketing of dead "beetle" wood throughout California. Your marketing to the cross segment of millennials whom wish to purchase eco-friendly low carbon emission products certainly provides a viable alternative to utilizing standardized manufactured wood.

I believe that your projected income and operating expenses are realistic for a startup as well as securing a reputable supplier for the unfinished wood product. I appreciate your team's openness and drive to make your marketing goal succeed. Additionally, it seems that your company has a pragmatic handle of its use of its planned capital investment.

I wish to take advantage of offer to invest in Phoenix Wood for the initial investment of \$50,000. Please prepare the investment paperwork so Ability can tender a check for this investment.

Sincerely,



Raymond Chaffee

President

2105 24th Street, Suite B • Bakersfield, CA 93301  
Office (661) 327-7911 or (800) 897-9880 • Fax (661) 325-1681 or (888) 524-8250

**Claudia & Mike Stepanovich**  
**12700 Longmeadow Way**  
**Bakersfield CA 93312**

November 12, 2018

VE Central Office  
122 Amsterdam Avenue  
New York, NY 10023

Dear Ms. Jones:

Please accept this letter of support as my intention to invest \$50,000 in Phoenix Wood. In exchange for this investment of funds, we understand that I will be taking an equity stake in their business by receiving a commensurate number of shares of stock in their company.


We affirm that we have done the following to review and evaluate this company:

1. Listened to a business pitch from the executive team outlining the firm's business plan, including the marketing plan, operating budget, and sales/revenue projections.
2. Reviewed company projections and assumptions.
3. Engaged in Q&A or discussion to clarify and guide the firm's direction.

I understand that upon approval of this equity investment by the VE Central Office, Phoenix Wood will prepare and send a stock certificate outlining the number of shares awarded based on a \$10 Par Value. I also understand that as a result of my investment, I will be placed on the company's Board of Directors.

Phoenix Wood had clearly defined a substantial ecological and economic crisis in California. We are impressed with the business concept and are confident in its ability to succeed.

Sincerely,



Michael J. Stepanovich



Claudia K. Stepanovich  
661-303-5380  
Claudis@steponwine.com



# Loan Amortization Table

## Loan Information

Loan Amount (Principal) (	150,000)
Annual Interest Rate	0.0675
Term of Loan in Years	5
# of Payments per Year	12
Payment Type	end of period
Monthly Payment	(\$2,952.52)

## Summary

Rate (per period)	0.5625%
Number of Payments	60
Total of Payments	177,151.15
Total Interest	27,151.15

No.	Principal	Interest for the Period	Total Balance Outstanding	Payment for the period	Principal Reduction	Revised Balance Outstanding
Nov -18	( 150,000)	843.75	150,843.75	2952.52	2108.77	( 147,891.23)
Dec -18	147891.23	831.89	148,723.12	2952.52	2120.63	( 145,770.60)
Jan - 19	145770.60	819.96	146,590.56	2952.52	2132.56	( 143,638.04)
Feb 19	143638.04	807.96	144,446.00	2952.52	2144.56	( 141,493.49)
Mar 19	141493.49	795.90	142,289.39	2952.52	2156.62	( 139,336.87)
Apr 19	139336.87	783.77	140,120.64	2952.52	2168.75	( 137,168.12)
May 19	137168.12	771.57	137,939.69	2952.52	2180.95	( 134,987.17)
Jun 19	134987.17	759.30	135,746.47	2952.52	2193.22	( 132,793.95)
Jul 19	132793.95	746.97	133,540.92	2952.52	2205.55	( 130,588.40)
Aug 19	130588.40	734.56	131,322.96	2952.52	2217.96	( 128,370.44)
Sep 19	128370.44	722.08	129,092.52	2952.52	2230.44	( 126,140.01)
Oct 19	126140.01	709.54	126,849.54	2952.52	2242.98	( 123,897.02)
Nov 19	123897.02	696.92	124,593.94	2952.52	2255.60	( 121,641.43)
Dec 19	121641.43	684.23	122,325.66	2952.52	2268.29	( 119,373.14)
Jan - 20	119373.14	671.47	120,044.61	2952.52	2281.05	( 117,092.09)
Feb - 20	117092.09	658.64	117,750.74	2952.52	2293.88	( 114,798.22)
Mar - 20	114798.22	645.74	115,443.96	2952.52	2306.78	( 112,491.44)
Apr - 20	112491.44	632.76	113,124.20	2952.52	2319.75	( 110,171.68)
May - 20	110171.68	619.72	110,791.40	2952.52	2332.80	( 107,838.88)
Jun - 20	107838.88	606.59	108,445.47	2952.52	2345.93	( 105,492.96)
Jul - 20	105492.96	593.40	106,086.35	2952.52	2359.12	( 103,133.83)
Aug - 20	103133.83	580.13	103,713.96	2952.52	2372.39	( 100,761.44)
Sep - 20	100761.44	566.78	101,328.23	2952.52	2385.74	( 98,375.71)
Oct - 20	98375.71	553.36	98,929.07	2952.52	2399.16	( 95,976.55)
Nov - 20	95976.55	539.87	96,516.42	2952.52	2412.65	( 93,563.90)
Dec - 20	93563.90	526.30	94,090.20	2952.52	2426.22	( 91,137.68)
Jan - 21	91137.68	512.65	91,650.33	2952.52	2439.87	( 88,697.81)
Feb - 21	88697.81	498.93	89,196.73	2952.52	2453.59	( 86,244.21)
Mar - 21	86244.21	485.12	86,729.34	2952.52	2467.40	( 83,776.82)
Apr - 21	83776.82	471.24	84,248.06	2952.52	2481.27	( 81,295.54)
May - 21	81295.54	457.29	81,752.83	2952.52	2495.23	( 78,800.31)
Jun - 21	78800.31	443.25	79,243.56	2952.52	2509.27	( 76,291.05)
Jul - 21	76291.05	429.14	76,720.18	2952.52	2523.38	( 73,767.66)
Aug - 21	73767.66	414.94	74,182.61	2952.52	2537.58	( 71,230.09)
Sep - 21	71230.09	400.67	71,630.76	2952.52	2551.85	( 68,678.24)
Oct - 21	68678.24	386.32	69,064.55	2952.52	2566.20	( 66,112.03)
Nov - 21	66112.03	371.88	66,483.91	2952.52	2580.64	( 63,531.39)
Dec - 21	63531.39	357.36	63,888.76	2952.52	2595.16	( 60,936.24)
Jan - 22	60936.24	342.77	61,279.01	2952.52	2609.75	( 58,326.49)
Feb - 22	58326.49	328.09	58,654.57	2952.52	2624.43	( 55,702.05)
Mar - 22	55702.05	313.32	56,015.38	2952.52	2639.20	( 53,062.86)
Apr - 22	53062.86	298.48	53,361.34	2952.52	2654.04	( 50,408.82)
May - 22	50408.82	283.55	50,692.37	2952.52	2668.97	( 47,739.85)
Jun - 22	47739.85	268.54	48,008.39	2952.52	2683.98	( 45,055.87)
Jul - 22	45055.87	253.44	45,309.31	2952.52	2699.08	( 42,356.79)
Aug - 22	42356.79	238.26	42,595.04	2952.52	2714.26	( 39,642.52)
Sep - 22	39642.52	222.99	39,865.51	2952.52	2729.53	( 36,913.00)
Oct - 22	36913.00	207.64	37,120.63	2952.52	2744.88	( 34,168.11)
Nov - 22	34168.11	192.20	34,360.31	2952.52	2760.32	( 31,407.79)
Dec - 22	31407.79	176.67	31,584.46	2952.52	2775.85	( 28,631.94)
Jan - 23	28631.94	161.05	28,792.99	2952.52	2791.46	( 25,840.47)
Feb - 23	25840.47	145.35	25,985.83	2952.52	2807.17	( 23,033.31)
Mar - 23	23033.31	129.56	23,162.87	2952.52	2822.96	( 20,210.35)
Apr - 23	20210.35	113.68	20,324.03	2952.52	2838.84	( 17,371.51)
May - 23	17371.51	97.71	17,469.23	2952.52	2854.80	( 14,516.71)
Jun - 23	14516.71	81.66	14,598.37	2952.52	2870.86	( 11,645.85)
Jul - 23	11645.85	65.51	11,711.36	2952.52	2887.01	( 8,758.84)
Aug - 23	8758.84	49.27	8,808.10	2952.52	2903.25	( 5,855.59)
Sep - 23	5855.59	32.94	5,888.52	2952.52	2919.58	( 2,936.00)
Oct - 23	2936.00	16.52	2,952.52	2952.52	2936.00	( 0.00)
Totals		27,151.15		177,151.15	150,000.00	

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