

## Confidentiality Agreement

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It is acknowledged by reader that information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader, may cause serious harm or damage to South Face Design LLC.

Upon request, this document is to be immediately returned to :

South Face Design LLC  
175 Elkton Road  
Newark, DE 19711  
302-737-7741  
reid@southfacedesign.com

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Name (typed or printed)

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Signature

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Date

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## 1.0 Executive Summary

South Face Design LLC is a Delaware based development company that will offer semi custom homes to the Energy Conscious Buyer. These homes will be upscale in nature; medium sized (not McMansions); modern in design using environmentally preferred materials with an emphasis on renewable energy and water conservation. These homes will offer advanced technology in home design, energy efficiency, comfort and quality of use. We realize that the “Green Building Industry” is in its beginning and, as such, we will not be building homes that are so far out of the norm as not to be marketable. It is our goal to build comfortable energy efficient homes that will have excellent upscale market appeal. In essence, our homes will be comfortable, energy efficient and sellable.

### 1.1 Objectives

1. Develop a parcel of land into 6 to 10 single-family homes. We may take a single parcel and build one unit as a model.
2. Build homes that are extremely energy efficient, modern and comfortable.
3. Advance the understanding of modern energy efficient building practices.
4. Promote consulting partners and add to their expertise in green technology.

### 1.2 Mission

Our mission is to provide residential housing that is at the forefront of energy efficiency while maintaining upscale modern standards, above average amenities and off the grid as much as possible and as off the grid as much as possible.

### 1.3 Keys to Success

- 1.3.1 Provide a unique residence that will have market appeal not only to the energy conscious but also to the non-believer in global warming.
- 1.3.2 Use of top quality materials, vendors, design and construction. These homes will not only be modern and energy efficient but also will have sex appeal and highend amenities.

1.3.3. Develop a marketing plan based around the developments web site in conjunction with a highly marketed schedule of press releases, featured articles and interviews. This project will generate a high amount of publicity via magazines, newspapers and TV.

## 2.0 Company Summary

South Face Design LLC is a startup company and will be founded once all partners have been contacted and are committed to this effort. It will be a Delaware registered LLC company whose primary purpose is to develop upscale energy efficient residential housing in the Delaware area.

## 2.1 Company Ownership

South Face Design LLC will be comprised of no more than 15 members. There will be three levels of partners. Consulting partners will be from the construction industry; Associate partners will be private individuals or companies not from the construction industry and one managing partner. Consulting partners will represent 50%, Associate partners will represent 25% with Reid Rowlands representing the remaining 25%.

## 2.2 Start-up Summary

The total start-up expenses (including legal, stationery, consultants, Domain name and web site, insurance and miscellaneous expenses) will be approximately \$10,000.00 – \$15,000.00.

Source of start-up funds will be comprised of partner's interest. Minimum consulting partnership funding will be \$60,000.00. This will represent 5% interest in the company. For Associate partners the funding is \$40,000.00, also representing 5% interest in the company. The Managing partner will also fund \$40,000.00. The percentage of Consulting verses Associate partners is an unknown. For the purpose of this summary, we will be using a ratio of 10 consulting, 5 Associate and 1 Managing partner. Initial funding will be \$840,000.00.

## 2.3 Company Location and Facilities

South Face Design LLC will be located at 175 Elkton Road in Newark Delaware. This location has very good street visibility for signage directing people to the web site and one-room offices for meeting and displays for marketing.

## 2.4 Strategic Alliances

While one of the main objectives is to return a profit for the partners, it is also to form an alliance with its consulting partners to increase their presence and sales in the forefront of the “Sustainable Housing Design Industry”. We will be calling upon their expertise in their fields not only for supply of materials and/or labor but also for their knowledge and industry contacts to put us on the front edge of this emerging part of the construction industry. Every consulting partner will be the sub-contractor in his or her field. Their part of the project will not be put out for bid. While not quite the honor system, we will require quotes for material and or labor that will include a normal and reasonable markup. Each consulting partner will submit detailed estimates of their materials, labor and profit that will then be reviewed by the general partner. It is the intention that these partners will not only receive a return on their initial investment but also from the supply side of being involved.

## 3.0 Product

Our product will be upscale single-family residences. These homes, while having cutting edge technology, will not be bleeding edge. Some adjectives that will be used to describe our product will be energy efficient, comfortable, modern, carbon neutral, zero energy, sustainable.

## 3.1 Development

We will be developing our product in conjunction with established architects who have a proven record in passive design and environmental engineering. We will also be relying on our consulting partners for input and design as well as cost analysis

## 3.2 Sales Promotion

We will rely almost exclusively on two types of promotion. One will be our web site, which will be our first line. The second will be the large amount of free publicity we will get for this kind of project. We will make considerable efforts pursuing publicity. Our product will command it – it will just be up to us to promote it.

### 3.3 Technology

We will be including in our product a lot of technology, very little of which will be new and unproven. Geothermal is not new, just not cheap. Solar PV systems have a good proven record, just not cheap. Solar hot water systems are not new and are cost effective, just not used much. We will not be installing systems that are so complicated that while they may have the “cool” factor, are really not necessary.

### 4.0 Market Analysis Summary

Our target market will be the single family in the middle to upper income bracket. People who are concerned about the environment and want to live in a house that represents and addresses their concerns. There will also be the group of people who don't truly believe this product will help save the environment that much, but they like the idea of their meter spinning backwards and the increased resale value their homes will have. Maybe empty nesters looking to downsize and upscale.

#### 4.1 Market Needs

While the market is rapidly moving toward more energy efficient housing, our product will be taking things further. While incorporating solar hot water, Solar PV, Geothermal, Green Roof technology, radiant heat and passive solar design, these houses will be designed as modern with a very open feel. In essence, these homes will have mass appeal while being extremely efficient.

#### 4.2 Market research

Market research tells us that energy prices will continue to go up. Consumer demand for more energy efficient homes is increasing at 15% per year and will continue to build at that rate for some time to come. Listed below are references to support this:

[http://www.architecture2030.org/current\\_situation/cutting\\_edge.html](http://www.architecture2030.org/current_situation/cutting_edge.html)

[http://www.architecture2030.org/current\\_situation/building\\_sector.html](http://www.architecture2030.org/current_situation/building_sector.html)

[http://www.architecture2030.org/news/resources\\_design.html](http://www.architecture2030.org/news/resources_design.html)

### 4.3 Market Growth

The market for Energy Efficient homes or Green housing is expected to grow this year by 15% and continue. The cost of energy is not going to come down anytime soon. Buildings consume nearly 1/3 of America's energy – much of it wasted by inefficient design. <http://www.rmi.org/sitepages/pid124.php>

## 5.0 Strategies and Implementation Summary

### 5.1 Alliances

One of the main purposes of this project is to form strategic alliances within the building industry. Through our 25 years of commercial and residential construction, we have already formed good relationships within this industry. We are asking you to join us in this project for mutual benefit. For the consulting partners, you will not only receive a healthy return on your investment, but will gain valuable knowledge in sustainable development and considerable exposure for being part of this project.

### 5.2 Competition

At this time, there is none. The opportunities before us are significant; we have the opportunity to be one of the first in our area to incorporate these systems into one marketable highly efficient home.

We also start with a critical competitive edge: There are no companies that offer the same level of energy reduction advances in their homes. The following is a list of these and other major components that will be included.

- 5.2.1 Solar PV System
- 5.2.2 Solar Hot Water System
- 5.2.3 Geothermal Heat Pump
- 5.2.4 LED Lighting
- 5.2.5 Green Roofing
- 5.2.6 Indoor Air Quality Exchange System
- 5.2.7 Fire Sprinkler System
- 5.2.8 Whole House Security and Smart Wiring
- 5.2.9 Modern Open Design incorporating natural day lighting

### 5.3 Marketing Strategy

We will have three main points of marketing. First we will utilize our website extensively. This will not only be one of the main sources of information for the potential customer, but will also be used in the build-bidding process. Second, our signage will be used to direct people to our website. There will be signage at the office on Elkton Road in Newark and at the site promoting not only the project but our consulting partners. We would also encourage these partners to allow us to install one at their location. Third, will be the high level of free press. Due to the nature of this project, we expect and will aggressively pursue this aspect. You will see articles, TV spots and news reports about our project.

### 5.4 Pricing Strategy

At this time, we do not have a firm target price for these homes. Given high cost of land and our product, we would expect to see a price between \$550,000 and \$650,000.

## 6.0 Management Summary

### 6.1 Organizational Structure

South Face Design will be a Delaware LLC with Reid Rowlands as the managing partner. There will be three levels of partners. Consulting partners who will benefit not only as investors but will be rewarded the contracts to supply material and/or labor for this project. While not quite the honor system, we will require detailed estimates of materials, labor and profit, which will be reviewed by the managing partner. They will also benefit from being involved in green building before their competitors and acquiring this knowledge first hand. The third level will be associate partners.

### 6.2 Management Team

The company will not require many personnel. Reid Rowlands will head up the day to day management, planning and implementation of this project. There will be a need for one person who will help with the day to day office needs. Once a parcel is located and secured there may be a need for

additional members of the team to provide onsite supervision of the process.

## 7.0 Financial Plan

### 7.1 Capital Requirements

We are seeking an initial equity investment of \$840,000. Additional financing will depend upon the targeted project and will come from financial institutions.

### 7.2 Projected Profit and Loss

We will use the funds from the initial capital investors as leverage for the purchase and construction of the project. This plan depends on the assumptions that are made in the following table. These will change once a target land purchase has been made. For investment purposes we will assume a purchase of land that will have a buildable site of 6 homes. We will be looking for a parcel that has already been through the subdivision process and is ready to build. While we will be paying a premium for this “subdivided” parcel, our business is building custom energy efficient homes, not subdividing land.

Land acquisitions	\$1,200,000.00
Per unit \$200,000	
Cost to build	\$2,100,000.00
Total cost of project	\$3,300,000.00
Total sales	\$3,600,000.00
Sales per unit \$600,000	
Profit	\$300,000.00
Initial investment	\$840,000.00
Cash on hand at end of project	\$1,140,000.00
Payout:	
Consulting partner (10)	\$750,000.00
Each partner \$75,000.	
Associate Partner (5)	\$275,000.00
Each partner \$55,000.	
General Partner (1)	\$115,000.00
Total payout	\$1,140,000.00

We project a return of more than 12% per year for consulting partners in addition to the return from being involved in the construction process. For associate partners, we project an 18% return.

### 7.3 Risk/Opportunity

#### Risks

Some of the risks facing our development include limited operating history; high land prices and dependence on key management. Although all business today has its share of risk, we feel we can overcome these risks because of the innovative product we will be offering and our marketing as well as our strategic alliances.

While this company is new and does not have a long operating history, the managing partner has been in the development business for over 25 years and has a good track record for managing various companies. There will be very little need for day to day physical involvement, most components to this project will be subcontracted out. The dependence on having only one key manager will be overcome with the commitment of either an outside company or consulting investor to take over in the extreme case of the managing partner not being able to physically complete the project. We do not believe we will overcome high land prices. The parcel we seek will be a premium piece of land and as such, we will be required to pay a premium price.

#### Opportunities

We have the opportunity to produce a product that not only will be innovative but will be a leader in energy efficient and environmental design. While we will most certainly meet a LEED certification, at this time we are not planning to apply for it.

The timing of this development is prime as not only is the “green building industry growing at 15 percent per year, the housing market is depressed and not expected to recover this year. We will be sourcing land at a good time and then being able to offer our finished product as the market is rebounding with even more focus on energy demand and efficient buildings.

### 8.0 Conclusion

Based on our projections, we feel an investment in this company is a sound business decision. In order to proceed, we are requesting an initial investment

of \$10,000 for consulting partners with the balance of \$50,000 once a parcel has been found. For Associate partners, we are requesting an initial investment of \$10,000 with the balance of \$30,000 within 60 days.

## 9.0 Exhibits

Below are two links that have a short and powerful message – well worth the view.

<http://www.architecture2030.org/news/news.php>

[http://www.architecture2030.org/regional\\_solutions/homeowners.html](http://www.architecture2030.org/regional_solutions/homeowners.html)

Thank you for taking time to review this plan, I look forward to speaking with you in person to further our partnership.

Reid Rowlands