Business Plan

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Confidential

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The Venture

Nubuild was founded in Las Vegas, Nev., in 2005 in order to bring to market new technology, equipment and manufacturing processes that promise to revolutionize the homebuilding industry. Nubuild has developed an assembly-line manufacturing system to construct homes of up to 5,000 square feet within 32 hours.

The company has also developed proprietary, patent-pending vehicles to move one home every 2 hours off the assembly line and transport it safely to its assigned lot. This system will enable the residential building industry to slash home construction times from an average of over 120 days to 4 days or less using the Nubuild system.

This will enable Nubuild customers to reduce costs associated with capital, land, material and labor by more than 20% compared to traditional construction methods. Additionally, the Nubuild system will provide tremendous boosts in quality, productivity, innovation and green technology. The management and founders of Nubuild believe that there are large and varied markets for such a system.

The company is currently seeking $25 million in first-round funding in order to successfully commercialize Nubuild manufacturing technology and fully capture this opportunity. Nubuild has filed 25 patents to date on its Rhodemaster house-moving vehicle and its manufacturing systems, which have been under development and refinement for the past three years by founder Jim Rhodes and his team of engineers.

The founding management team has assembled an initial roster of prospective customers that includes Harmony Homes, Pardee Homes/Weyerhaeuser, Urbi Homes, Emaar, and Eurasia City, among others.

The Manufacturing System and Related Technology

Nubuild has developed a breakthrough system that for the first time brings precision, assembly-line manufacturing and world-class quality to the homebuilding industry. The company will establish a temporary manufacturing facility at a designated master-planned community. This facility will be about the size of a football field and will feature 16 distinct work stations.

Beginning with a precision-cast foundation, each home will move on castors to the next work station. One station will have a crew of framers. The next will complete all plumbing, HVAC and electrical. The next will install all drywall. Additional stations will perform a full range of necessary tasks, including roofing, flooring, carpeting, cabinetry, painting, etc.

Once a home is fully constructed, it will be lifted by its foundation by the Rhodemaster, a unique, patent-pending vehicle that will transport the finished house to its assigned lot. The Rhodemaster will be able install one home every two hours. Developments could be filled with 12 homes per day, producing a 4,380-unit community in one year. (For larger projects or greater production velocity, several factories could be established and operational at one time.)

This breakthrough manufacturing system promises to deliver to the homebuilding industry a quantum leap in quality and productivity. It is a system that generates a virtuous cycle of productivity, from which flows an array of remarkable benefits.

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The Nubuild Whole House Factory comprises 16 work stations. Starting with the foundation, the house moves along the assembly line, stopping for two hours at each station. The Nubuild factory can produce a complete 1,000 s.f. to 5,000 s.f. home in 32 hours. The average production home in the U.S. takes over 120 days to build.

The Rhodemaster is comprised of twin Rhodesters. The Rhodesters are synchronized and operate in unison to lift a complete 1,000-square-foot to 5,000 square-foot home by its foundation. The Rhodemaster then drives the home to its assigned lot, using GPS coordinates to set the home in its correct location within the community development.

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The Problem

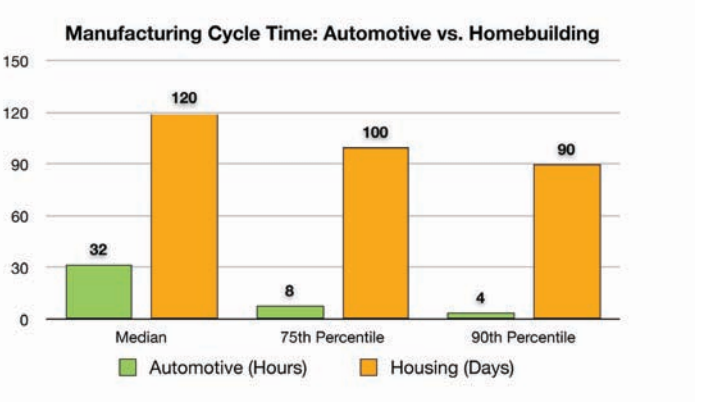
Production homebuilding in the U.S. and throughout the world has evolved little since its introduction following World War II. Compared to other major manufacturing systems utilized in such industries as aerospace, automotive and electronics, methods of production in the homebuilding industry are simply arcane. In virtually every measure of productivity, homebuilding severely lags other industries.

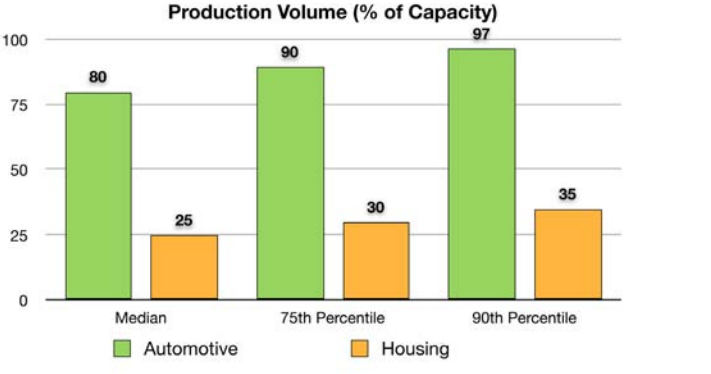
As an example, it takes the average production builder at least 120 days to build a home. A world-class automotive company can build a car in four days. Boeing can complete final assembly of a 787 Dreamliner in 3 days. World-class automotive companies have manufacturing facilities that run at over 90% capacity.

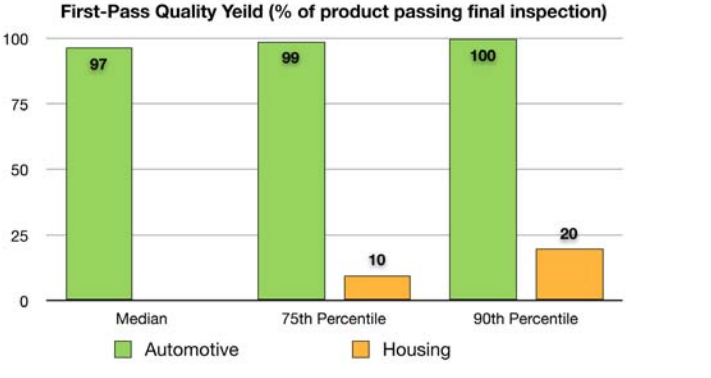
A typical production homebuilder in the U.S. runs at about 25% of capacity. This is illustrated by a research study conducted by Dr. Howard Bashford of the Del Webb School of Construction at Arizona State University. Bashford used research teams to precisely record all work performed at specific lots located in masterplanned developments throughout the Phoenix area. His research showed that work was performed on a typical homesite only 25% of the time during a 9-hour daytime shift. This led Dr. Bashford to conclude: “The activity that occurs most in homebuilding is nothing.”

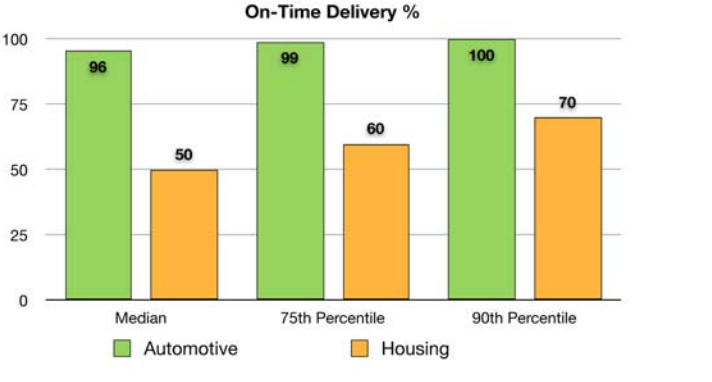
Other productivity metrics are equally appalling. World-class automotive manufacturers have a first-pass quality yield of 99.8%. Typical production builders report that only 10% of their homes pass initial quality inspections. Additionally, world-class auto manufacturers have a 100% on-time delivery rate. Homebuilders typically deliver their homes on schedule 50% of the time. For an industry that comprises 4% of the GDP in the U.S., these statistics are shameful. They are drag on the homebuilding industry in particular and the American economy in general.

This discrepancy in efficiency and quality is depicted in the charts to the right.









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The Problem

The core problems for production homebuilders can be attributed to the following issues inherent in the industry:

- Construction processes are sequential
- Work is performed on a specific home site only 25% of the time
- 30 to 40 trades are involved in the process
- Each trade must wait for the other to finish
- Materials are handled and distributed in relatively small increments
- Materials are distributed to dispersed construction sites
- Materials are subjected to heat, cold, rain, wind and dirt
- Construction waste represents 22% of all landfill volume in California
- Green initiatives fail because trades serve as barrier to innovation
- Work is performed outdoors and is often delayed by weather
- Production home cycle times average over 120 days
- For every home produced, 250 units must be in production

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The Nubuild Value Proposition

Nubuild estimates that it will reduce the cost by $30,000 for producing a typical single-family home that sells for the U.S. average price of $246,000.

In an industry where builders call a savings of $200 per unit a major achievement, the scope and scale of Nubuild's economic benefits are truly impressive. Nubuild will achieve this by delivering world-class manufacturing systems and practices to the production homebuilding industry. It is a system that will slash construction cycle times from over 120 days to under 4 days. Additionally, the Nubuild system will reduce the amount of wood and other building materials required for producing a home by more than 25%. Nubuild plans to unlock economic benefits that cascade throughout the homebuilding value chain.

These benefits are derived from significant savings associated with efficiencies and reduced costs in land, construction, labor, materials, quality and sales.

The following is a list detailing the key components along the homebuilding value chain that the Nubuild system will alter:

Land
- Land inventory reduced
- Holding times slashed
- Cost of capital conserved.

Construction
- Cycle times reduced
- Work-in-progress reduced
- Green systems adopted and integrated
- Trash on site reduced, as well as trash-removal process and labor
- Cords eliminated from job site
- Planning more effective
- Bond repair and improvement reduced

Labor
- Current construction workers average $20+ per hour
- Factory workers average $11 per hour
- Total man hours per home reduced from 1,100 hours to 282 hours
- Fewer foremen and superintendents required
- Vehicle driving time to dispersed sites reduced
- Streamlined communication (superintendents now average 40 phone calls per day)
- Pre-assembled components and mass-cutting of parts reduce labor, increase accuracy
- Higher quality, fewer post-construction defects reduce after-sale rework

Materials
- Materials can be procured in large quantities direct from manufacturer
- Short construction cycles generate more inventory turns
- Materials can be efficiently distributed to single point
- Waste and inaccurate ordering of materials can be dramatically reduced
- Lumber use can be reduced by over 25%
- New construction methods enable use of new, more efficient materials
- Theft and vandalism reduced
- Water use on construction site reduced
- Elimination of generators and temporary power use at construction sites

Quality
- Fewer defects, higher customer satisfaction
- Better materials, higher precision, increased customer satisfaction
- Strengthened brand

Sales
- Short construction cycle increases available selling time
- Increase in pre-orders
- Pricing flexibility enabled by lower costs and higher margins
- Move-in times can be immediate
- Market size increased by attracting buyers who would otherwise purchase resale homes
- Shorter sale-to-move-in cycle will reduce cancellations
- Customers can design and order homes over Internet – mass customization
- Realtor commissions can be reduced

In short, Nubuild delivers to the bottom line. This is clearly illustrated by the following financial comparisons that detail costs for producing 1,000 single-family homes using traditional production homebuilding methods versus using the Nubuild system.

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Pro Forma Varience: Traditional Build vs. Nubuild (1,000 single-family units)

	Traditional	Nubuild	Variance
Sales	$246,000,000.00	$246,000,000.00	$0.00
Option revenues, floor coverings	$14,760,000.00	$27,060,000.00	$12,300,000.00
Option, floor covering costs	$8,856,000.00	$16,236,000.00	-$7,380,000.00
Land costs with commissions and developer fees	$28,287,120.00	$28,287,120.00	$0.00
Vertical costs	$94,000,000.00	$74,000,000.00	$20,000,000.00
Permits	$3,500,000.00	$3,500,000.00	$0.00
Gross Profit	**$126,116,880.00**	**$151,036,880.00**	**$24,920,000.00**
Marketing (1%)	$2,460,000.00	$2,246,000.00	$0.00
Commissions (1% internal) + 3% external on 60% of deals	$7,301,280.00	$7,645,680.00	-$344,400.00
Construction, corporate overhead	$13,038,000.00	$10,922,400.00	$2,115,600.00
Liability and course-of-construction insurance	$3,100,000.00	$2,000,000.00	$1,100,000.00
Property taxes, bonds & HOA fees	$530,600.00	$530,600.00	$0.00
Warranty	$1,230,000.00	$615,000.00	$615,000.00
Closing costs (1%)	$2,607,600.00	$2,730,600.00	-$123,000.00
Upfront development costs	$25,600,000.00	$25,600,000.00	$0.00
Interest on construction loan	$4,095,378.00	$1,251,261.00	$2,844,117.00
Nubuild factory & Rhodemaster lease & operation	$0.00	$850,000.00	-$850,000.00
Total Costs	$59,962,858.00	$54,605,541.00	$5,357,317.00
Net Profit	**$66,154,022.00**	**$96,431,339.00**	**$30,277,317.00**
% Profit	25.40%	35.30%	
Cost savings per unit			$30,277.00

Nubuild Key Financial Metrics vs. Traditional Build (1,000 single-family units)

	Total Savings	% Increase
Reduced Vertical Costs	$20m	21%
Increased Gross Profits	$24.9m	20%
Reduced Labor	$2.1m	16%
Reduced Liability/Insurance	$1.1m	37%
Reduced Warranty	$0.62m	50%
Reduced Construction Loan Interest	$2.8m	69%
Increased net profit	$30.3m	46%

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A Growth Opportunity

A little over two decades ago, major national production homebuilders began emerging on the economic landscape – firms such as KB Home, D.R. Horton, Lennar, Pulte, etc. Their premise was that as they began developing footprints in major metropolitan markets, they would begin to leverage significant economies of scale in procurement, finance, marketing, etc. However, the reality is that these builders have found real estate to be a stubbornly local endeavor. None have been able to achieve the truly national footprint they've been striving for.

The localized nature of everything from materials procurement to land acquisition to construction labor has dampened many of the efficiencies they've hoped to achieve. These and other builders find that a national procurement and finance system isn't enough of a strategic competitive advantage to differentiate between everyone from small, custom homebuilders to entrenched regional builders to other national production builders. As a result, a builder might enjoy a dominant market position in, say, Austin, Tex., but at the same time be barely on the radar in San Antonio.

Nubuild plans to address this market conundrum by completely shifting the paradigm. Nubuild will be a contract manufacturer, not a production homebuilder. It's a simple, but important differentiation. It's a differentiation that will unshackle Nubuild and enable the company to pursue markets throughout the U.S. and the world.

Instead of scraping for marketshare in one or two locations, Nubuild will be able to compete as easily in Atlanta as, say, Sacramento, Dallas, Miami or Phoenix. Additionally, Nubuild will be able to pursue dynamic new markets in cities across the globe from Moscow to Beijing to Dubai – markets unimagined and completely out of reach of the Lennars and Pultes of the world.

This is achievable because Nubuild will be agnostic in regards to which customers/builders it serves. Its factory production system and Rhodemaster technology – with their associated patents, know-how and capital requirements – will serve as a major barrier to entry and strategic competitive advantage in just about any market.

As a result, Nubuild will be able to assist in the development of communities throughout the nation and the world. It will be uniquely poised as a platform for global growth.

U.S. Homebuilding Market

In 2005, there were over 1 million new, single-family homes built in the U.S. While the housing market has slowed dramatically, the country's builders will still produce over 500,000 single-family homes annually, representing a market value of over $120 billion. Nubuild believes that it will initially operate most effectively by producing homes for builders developing communities of 250 single-family units or more. The following data depicts the number of active and planned developments approved in the U.S. that fit within Nubuild's target market.

U.S. Masterplanned Communities

2008	Active	Planned	Total
250 to 500 Units	540	737	1277
500 to 1,000 Units	244	468	812
1,000+ Units	102	224	326
Total	**986**	**1429**	**2415**

The total size of Nubuild's potential U.S. market exceeds $184 billion. This is calculated by assuming that if Nubuild were able to construct every single-family home in every masterplanned community of over 250 units, the company would realize contract manufacturing revenues alone of over $120,000 per unit.

Total U.S. Potential Market Size - $184b