



Construction Development & Real Estate Firm

Black Pearl Development and Real Estate LLC

4432 Alsace Lane
Tazor, TX 78221

Tena M. Harper

This plan raised over \$10 million for a medium-sized West Texas firm planning on developing a 300-lot subdivision with a recreational park, playground and 30 acres of walking and horseback riding trails.

EXECUTIVE SUMMARY

Black Pearl Development and Real Estate LLC (hereafter Black Pearl) is an experienced construction and development firm in Texas. Black Pearl is a full-service firm that owns heavy equipment, and offers "in-house" groundbreaking, infrastructure, concrete, framing and final construction services. Black Pearl has a dedicated and experienced foreman, a valuable core of management, and an excellent reputation in the community.

Black Pearl will purchase and develop 2,500 acres of land in West Texas. We will develop this land into a restricted covenant sub-division containing 300 lots. Two hundred and sixty of these lots will contain residential housing and forty lots will contain commercial buildings. Black Pearl is constructing a one-acre recreational park and playground in the sub-division, and 30 acres of walking and horseback riding trails.

Black Pearl is unlike any other construction or development firm in the area. We are able to control costs and production delays by keeping the majority of our work in-house. We own our heavy equipment, do all our construction, have dependable contractors. In short, we are the only company that can develop a property completely. From original groundbreaking of undeveloped properties to the sales of completed residential housing, Black Pearl maintains complete control. Black Pearl is owned by Jim Wright.

Financial highlights for the fiscal year of operations

Mission

Black Pearl Development and Real Estate LLC is committed to the respectful, thoughtful development of living areas. Our development provides privacy, space, amenities, and preserves the natural beauty of land. Black Pearl is experienced, stable, dependable and reliable with outstanding customer service in the forefront of our building process.

Keys to Success

1. Extensive company experience in all phases of development process.
2. All phases of development are handled in-house reducing overhead costs.
3. Long term, positive relationships with select sub-contractors that insure quality work that meets deadlines.



OPERATIONS

Black Pearl Development and Real Estate LLC (hereafter Black Pearl) is an experienced construction and development firm in Texas. Black Pearl is a full service firm that owns heavy equipment, and offers "in-house" groundbreaking, infrastructure, concrete, framing and final construction services. Black Pearl has a dedicated and experienced foreman, a valuable core of management, and an excellent reputation in the community.

Organization

Black Pearl Development and Real Estate LLC is owned by Jim Wright, who is 100 percent vested. Black Pearl does the majority of our work in-house. This enables us to control costs. We depend on local contractors to install plumbing, electrical, and heating requirements. These contractors have a long-standing relationship with Black Pearl, and their work ethic, dependability and deadline adhesion is unparalleled. The contractors are GB's Plumbing, Harrison's Plumbing, Brad Brown Electric, Luevano Electric, K.P.I. Sheet Metal, and J. Becker Sheet Metal.

Company Location and Facilities

The main office of Black Pearl Development and Real Estate LLC is located at 4432 Alsace Lane, Tazor, Texas. Black Pearl proposes to purchase and develop 2,500 acres of land in West Texas. This acreage affords one mile of river frontage.

PRODUCTS & SERVICES

Black Pearl will purchase and develop 2,500 acres of land in West Texas. We will develop this land into a restricted covenant sub-division containing 300 lots. Two hundred and sixty of these lots will contain residential housing and forty lots will contain commercial buildings. Black Pearl is constructing a one-acre recreational park and playground in the subdivision and 30 acres of walking and horseback riding trails.

Land development requires that all essential infrastructure—sewers, water lines, streets, sidewalks, right of way clearances and lots division—is completed. Black Pearl also will design and build a majority of the residential and commercial structures. Once the land development is complete Black Pearl will offer the lots and houses for sale to retail buyers.

The restricted covenant of the sub-division requires that owners use either Black Pearl Construction to build their homes, submit the plans of proposed dwellings to the planning board, or use construction companies recommended by Black Pearl. This ensures constancy in sub-development land value, and aesthetic appeal.

Consumers have choices regarding lot size or location. River footage lots are offered in five-acre parcels for \$200,000 to \$300,000 a lot, and commercial lots are offered in one-acre parcels for \$100,000 a lot. Non-river frontage lots are offered in parcels of five, three or one acre for a retail price of \$75,000, \$54,000, and \$18,000.

Future Products or Services

Black Pearl has located an area with four miles of river frontage that has the potential for a \$20 million subdivision development. Black Pearl management will acquire a real estate license that will enable them to sell the lots and houses built in their subdivisions.

MARKET ANALYSIS

Tazor lies in one of the fastest growing areas of Texas. Lying in the beautiful Spur Valley, Tazor has been attracting numerous new residents over the past two decades. Tazor was one of the first Texas towns to truly be



hit by an influx of new people. These people were drawn to Tazor primarily by its location in this very scenic area of the state. This area will continue to grow rapidly, attracting both new permanent Texas residents as well as serving as a major place for the building of summer homes and other similar "trophy homes" that are also springing up over the rest of Texas now.

Acton County has experienced annual growth rates of 3 percent from 1990–2000 with even greater growth in the unincorporated areas. The Tazor area population doubled from 1970–2000. Harrison County increased in population 26.6 percent from 1990–2000 and Lenox County increased 32.2 percent from 1990–2000 (US census).

The construction industry in the Tazor area is so strong that it is an economic force within the State. The economic activity generated by home construction does not cease at the end of the construction period. As homes are occupied, the occupants buy goods and services, pay taxes and contribute to the economic viability of an area.

"This on-going critical mass for economic activity is often overlooked when discussing construction impacts" stated Dr. Lisa Slush, economist at the Center for Economic Analysis. "On-going impacts sustain additional jobs in the economy as well as higher business incomes. Single family construction within the nine counties sustains between \$114,000 and \$3.6 million in additional business income and 21 to 640 additional jobs. Multi-family construction sustains from 5 to 217 additional jobs, and \$37,000 to \$1.3 million in additional local business income."

The median price of new home construction in the area is estimated at \$139,4000.

Market analysis

	Growth	2004	2005	2006	2007	2008	CAGR
Billings, Texas	3%	89,847	92,542	95,319	98,178	101,124	3%
Jummot, Texas	3%	57,043	58,754	60,517	62,332	64,202	
Great Lakes, Texas	3%	56,690	58,391	60,142	61,947	63,805	
Black Bow, Texas	3%	33,892	34,909	35,956	37,035	38,146	
Cheater, Texas	3%	53,011	54,601	56,239	57,927	59,664	
Kasping, Texas	2%	49,644	51,133	52,667	54,247	55,875	
Laramie, Texas	2%	27,204	28,020	28,861	29,727	30,618	
Gilbert, Texas	2%	19,646	20,039	20,440	20,848	21,265	2%
Total	2.95%	386,977	398,390	410,141	422,241	434,700	2.95%

Market Segmentation

Black Pearl has segmented their target market for this development as retired couples and families. The river frontage lots target market will attract an economic level of \$500,000 to 1,000,000. The lots that do not have river frontage will attract an economic level of \$50,000 to \$60,000.

Market Needs

The level of development in the Tazor area and the State of Texas indicates a need for experienced development companies. The respectful and thoughtful design of the Black Pearl subdivision reflects an experienced developer who values people, wildlife and the land.



Market Trends

There is an ongoing trend for multi-million homes that showcase both spectacular design and the wondrous natural beauty of the area. The restricted covenant and the location of the planned subdivision tap into this ongoing trend.

Market Growth

Acton County has experienced annual growth rates of 3 percent from 1990–2000 with even greater growth in the unincorporated areas. The target market of families with incomes from \$50,000 to \$60,000 and an additional market of individuals with incomes from \$500,000 and \$1 million continue to rise as the general population rises.

Competition

Black Pearl is unlike any other construction or development firm in the area. We are able to control costs and production delays by keeping the majority of our work in-house. We own our heavy equipment, do all our construction, and have dependable contractors. In short we are the only company that can develop a property completely. From original groundbreaking of undeveloped properties to the sales of completed residential housing, Black Pearl maintains complete control.

There are few development companies that are able to complete projects of this scope that are located in Texas. Many construction contractors are only capable of completing sections of a job and rely heavily on outsourced workers. This can lead to unreliable results, delays and cost overages.

The density of full-scale land developers in Texas is slight. Many companies lack the resources, experience or financing to complete large scale development projects. Black Pearl has the resources and the experience to develop large projects. We control costs and delays by keeping the majority of our project completion in-house. This allows us to control costs, delays and maintain a tight timeline.

People choose building contractors based on the reputation of the contractor and the quality of their customer service. People seek contractors that offer services that complement their time constraints, budget and style. They also choose contractors based on personality compatibility.

There are few contractors that have the resources to complete large development projects. These companies are similar in size and scope. They do not have the strong local reputation of Black Pearl, nor do they complete projects with complete in-house controls. Black Pearl is able to control costs and delays far better than our competitors.

BUSINESS STRATEGY

Black Pearl will seek funding from local resources; our reputation and reliability is established with these firms. Black Pearl provides an outstanding value for their clients and has successful marketing programs in place. The new subdivision will offer an elite living experience for average families, upper-income retired couples and people desiring showcase homes.

Value Proposition

The Black Pearl proposed sub-development offers purchasers extended value. The thoughtful layout of the site allows for privacy and maximum enjoyment of the land. The construction of a park and the extensive walking/riding trail demonstrates a respect for the people who will make this sub-division home. Black Pearl is offering premier living conditions, with scenic views, and access to wildlife and privacy. The commitment to sustained land values and aesthetic appeal is an extra value attraction for the sub-development.



Competitive Edge

The ability of Black Pearl to control all aspects of a development project is a distinct advantage. We can control costs, timelines and guarantee structural soundness, because we are not dependent on many outside contractors.

MARKETING & SALES

Marketing Strategy

Black Pearl is focusing on the target groups of families and upper-income retired people. We will utilize local real estate papers, our successful Internet marketing and P.O.P signage to build brand recognition. Black Pearls value-added services and outstanding customer service is a strong marketing point.

Positioning Statement

For families, retired people or individuals who desire showcase homes, amazing views or simply well designed living areas, Black Pearl Development and Real Estate LLC exceeds expectations with solid design, sound reputation and outstanding customer service. Unlike other land developers, it controls costs and delays by completing the vast majority of all construction needs with experienced in-house staff.

Pricing Strategy

Black Pearl purchases the property for \$3,500 an acre with land development infrastructure costing \$1,667 an acre. These properties are then sold for \$18,000 to \$60,000 an acre. Housing construction costs average \$102 a square foot with selling prices of \$140 a square foot.

Promotion Strategy

The new subdivision will be promoted with P.O.P. signage, and website development. Active participation in the local Chamber of Commerce will build brand recognition for both Black Pearl and the subdivision itself.

Marketing Programs

Black Pearl markets our comprehensive services through the local real estate magazine. We also have huge success with marketing on the Internet. This is the most successful marketing program to date, attracting numerous out of state buyers.

Sales Strategy

Jim Wright will close all sales contacts. He will be assisted by Edward Johnston. Sales costs, timeline and structure standards are negotiated with Wright and a planning board will oversee sub-development esthetics. This planning board will initially contain members of the management team.

SALES FORECAST

Annual sales forecast



Sales	FY 1
Riverfront lots	\$ 6,250,000
Riverview lots	\$ 7,500,000
3 acre lots	\$ 5,400,000
1 acre lots	\$ 630,000
Commercial lots	\$ 400,000
Total sales	\$ 20,180,000
Cost of goods sold	
Land	\$ 4,200,000
Total cost of goods sold	\$ 4,200,000

Sales Programs

Jim Wright is responsible for all sales of developed lots and housing construction. He also negotiates all financing in regards to development.

Strategic Alliances

Black Pearl has formed strong strategic alliances with plumbing, electric and forced air heating/cooling contractors.

OBJECTIVES

Milestones

1. Achieve final financing for development in October 2004
2. Receive approval from local and state officials by February 2005
3. Hire new employees in February 2005
4. Complete infrastructure by late May 2005
5. Receive real estate license by May 2005

MANAGEMENT SUMMARY

Black Pearl has four key management people, a permanent job foreman and five employees. They will hire an additional 25 employees once the sub-division project is underway.

Organizational Structure

- Mark Birmingham is charged with reading blueprints, meeting with architects, engineers and tracking building specifications.
- Frank Steinker provides general management supervision, financing negotiation and manages sales.
- Christy Weams handles the bookkeeping and invoices for the business.
- Roger Miller creates the marketing campaigns.

Management Team

The management team of Black Pearl has worked together profitably for a long time. These people are used to the intricacies of the construction industry and have excellent interpersonal communication skills.



FINANCIAL ANALYSIS

Projected Profit and Loss

The profit and loss table shows positive net profit for the first fiscal year.

Annual pro forma profit and loss

	FY1
Total income	\$ 20,180,000
Cost of goods sold	\$ 4,200,000
Gross profit	\$ 15,980,000
Gross profit %	79.19%
Expenses:	
Payroll	\$ 750,150
Materials	\$ 1,050,210
Accountants	\$ 83,350
Legal	\$ 60,000
Insurance	\$ 24,000
Payroll taxes	15% \$ 112,523
Total operating expenses	\$ 2,080,233
Profit before interest and taxes	\$ 13,899,768
Taxes incurred	\$ 3,850,130
Net profit	\$ 10,049,637
Net profit/sales	49.80%

Projected Cash Flow

Positive cash flows are expected starting in the first year of operation.

Annual pro forma cash flow

	FY1
Cash received	
Cash from operations:	
Cash sales	\$ 19,150,000
Subtotal cash from operations	\$ 19,150,000
Additional cash received	
Subtotal cash received	\$ 19,150,000
Expenditures	
Expenditures from operations	
Land	\$ 4,200,000
Cash Spending	\$ 750,150



	FY1
Payments of accounts payable	\$ 5,216,213
Subtotal spent on operations	\$ 10,166,363
Additional cash spent	
Subtotal cash spent	\$ 10,166,363
Net cash flow	\$ 8,983,637
Cash balance	\$ 14,783,637

Projected Balance Sheet

The projected balance sheet is shown below. Positive net worth is estimated for the first year of operation.

Pro forma balance sheet

	FY1
Assets	
Current assets	
Cash	\$ 14,783,637
Total current assets	\$ 14,783,637
Long-term assets	
Land	\$ 4,200,000
Total long-term assets	\$ 4,200,000
Total assets	\$ 18,983,637
Liabilities and owner's equity	
Long-term liabilities	
Loan	\$ 10,000,000
Total liabilities	\$ 10,000,000
Retained earnings	\$ 8,983,637
Earnings	\$ 8,983,637
Total owner's equity	\$ 8,983,637
Total liabilities and owner's equity	\$ 18,983,637
Net worth	\$ 8,983,637