




SUSTAINABLE ENTERPRISE SUMMIT



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CASTLE DOORS, LLC

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12/10/2001



*CAN CORPORATIONS
AND ENTREPRENEURS
DELIVER SUSTAINABLE
ENVIRONMENTAL AND
SOCIAL BENEFITS WITH
OPPORTUNITIES FOR
FINANCIAL GROWTH AND
COMPETITIVE
ADVANTAGE*



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Introduction

- Castle Doors, LLC - an Arizona Corporation founded in 1998
- Headquarters - Scottsdale, Arizona
- Distribution Warehouse – Ontario, California
- We import and distribute solid wood residential doors and components to major retailers, homebuilders and door distributors in the U.S.
- Our doors and related products are manufactured at Bolholz, S.A. our factory in La Paz, Bolivia
- Our primary clients are The Home Depot and upper end home builders



Mission Statement

TO DISTRIBUTE HIGH QUALITY WOOD
PRODUCTS WITH A COMMITMENT TOWARDS
CONTINUOUS IMPROVEMENT OF
"CUSTOMER SERVICE",
"ON TIME DELIVERY",
"VALUE PRICING" AND
"DO IT RIGHT THE FIRST TIME"

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What makes Castle Doors business sustainable?

- Economic factors
 - Price structure
 - Availability of lumber
 - Vertical integration
 - Quality products
 - Customer service
- Environmental factors
 - FSC Certification
- Social factors

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ECONOMIC FACTORS

Price – our factory in La Paz, Bolivia is able to produce quality doors at prices below the cost of comparable products manufactured in the US due to lower labor and material costs. Skilled labor is readily available and lumber is plentiful.

Lumber - we utilize native Bolivian woods - Cedar, Mahogany, Mara Macho, Ochoo, and other select hardwood species for the manufacture of doors and other products. Castle Doors is one of a limited number of US door distributors who offers South American Cedar door products to the US market

Vertical Integration – At present we have the manufacturing and distribution component. The missing component is control of the lumber supply. We plan to accomplish this requirement by obtaining our own forest concession from the Government of Bolivia and develop our own sawmill operation. In this manner we can manage the production of lumber to meet our requirements with better yields and efficiencies than current sources. Lumber would be cut to our specifications when needed thus reducing waste and increasing our profit margins. The principal advantages of vertical integration are: price and availability controls, sustainable forest management and waste reduction.

Quality – Bolholz, has the physical plant, administrative and technical infrastructure and personnel resources including US trained technicians, kilns, modern equipment and sources of lumber to produce quality doors in sufficient quantity to meet our requirements.

Customer Service – Castle Doors has implemented a Customer Service program to provide support to The Home Depot Millworks Department sales associates. The program includes On-going Product Knowledge education, scheduled periodic store visits, a Call Center for product information, pricing assistance and customer support is being planned in the near future.

Bolivia

Bolivia's sustainable forests: 20 MM hectares
 Certified forests: 1 MM hectares
 Forest Law complies with FSC standards

Integration benefits:

- Secure supply & price of certified lumber
- Assure forest sustainability
- Reduce waist

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SURFACE AREA

Bolivia's territory is slightly smaller than the State of Alaska with 1098,000 square kilometers

THE FOREST

Bolivia is a country with vast forest resources, covering 52 million hectares of its territory. Its forests comprise different ecosystems ranging from evergreen moist forests to deciduous dry forests.

Bolivia has a modern forestry legislation promoting a rational and sustainable use of its forests. Harvesting is carried out under strict planning and control.

Bolivia's sustainable forests: 20 Million hectares - 50 Million acres

Bolivia's Certified forests: 1 Million hectares - 2.5 Million acres

Bolholz 5 year forecast needs: 0.03Million hectares - 50 to 100,000 acres

At present, Bolivia has the largest amount of certified forests in Latin America.

The philosophical foundation for Bolivia's forest management laws are based on the premise that the preservation of the Bolivian forest as a renewable resource must be based on economic drivers for its sustainability

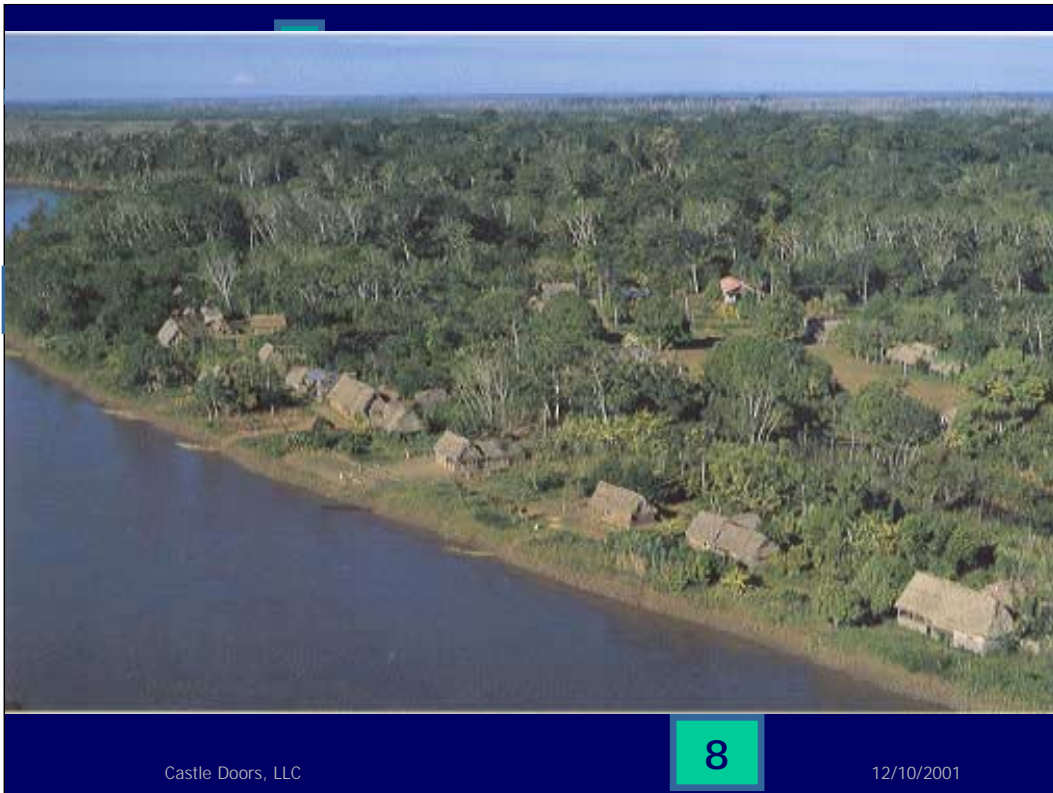


ENVIRONMENTAL FACTORS

Castle Doors' success in establishing a business relationship with The Home Depot was influenced by our ability to provide FSC Certified wood products.

FSC - Forest Stewardship Council is an international organization whose mission is the preservation of the environment and the future of the planet's biodiversity.

At present approximately 85% of our door products are manufactured with FSC certified lumber and our goal is to reach the 100% level. We plan to accomplish this objective by securing our own FSC certified forest concessions from the Government of Bolivia – 50,000 to 100,000 hectares (one hectare equals approximately 2.471 acres)



SOCIAL FACTORS –

To date, we have created 15 new jobs in our US enterprise and 65 sustainable jobs at the factory in La Paz, Bolivia.

Considering our growth plans, the addition of the forest operation and increased manufacturing capacity, we believe the vertically integrated enterprise (sawmill, factory and distribution) could generate between 50 to 150 new jobs within the next 5 years.

Our future forest operation has the greatest potential for economic impact to native communities in the neighborhood of the sawmill operations. Native communities in the Bolivian forest have very low standards of living compared to city dwellers due to limited job opportunities. Most communities are totally isolated during the rainy season and can be reached only by canoes via rivers – the roads are impassable.

By providing job opportunities at all levels of the enterprise and by taking care of our people (training, education, health services, retirement plans, and opportunities for advancement) we enhance our opportunities for profitability and sustainability.

Our people are the most important asset, - we take care of our people and they in turn will take care of our clients.

Sample Door Models



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Sample Door Models



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How did we get here?

- Historical information
- Company Size
- Current Sales level
- Growth plans

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HISTORY

After years of searching for the right opportunity, Eduardo and his wife Sheila Martin-Castillo identified the opportunity to fulfill a lifetime dream - the establishment of a business relationship between Bolivia, Eduardo's native country and the United States.

The opportunity surfaced when Eduardo and his brother Rodolfo, who lives in Bolivia, acquired the controlling interest of BOLHOLZ, an established Bolivian Corporation that owns a 150,000 square feet manufacturing facility in La Paz, Bolivia.

With the acquisition of the factory, Eduardo and Sheila started Castle Doors in 1998 to open the US market for the factory products.

COMPANY SIZE – 15 Associates

CURRENT SALES LEVEL - \$230,000 per month

Size of U.S. market as of 2000

- 13.1 Million Residential Entry doors installed
 - 23% or 3.0 Million Wood Doors
- 32.9 Million Residential Passage doors installed
 - 98% or 32 Million Wood Doors
- Our year 2005 goal – capture 1% of Entry door market or 30,000 units per year

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GROWTH PLANS - \$15 to 20 Million by 2005

Our growth strategy is based primarily on expanding our relationship with The Home Depot throughout the Southwestern States - approximately 195 stores or approximately one quarter of The Home Depot's store network and beyond to ultimately have a presence in practically all stores. (approximately 1150 as of September 2001)

Castle Doors growth strategy will be balanced with the development of other market segments through organic growth and/or mergers and acquisitions. Target market segments are:

- Established regional distributors
- Upper tear home builders – upgrade offerings
- High End residential and Commercial builders – total door packages
- E-Commerce (www product information, sales and marketing, special offerings, possible links to The Home Depot e-commerce initiatives)

SIZE OF MARKET

(see above)



The Home Depot relationship

- Getting started
- FSC Certification
- Significant challenges
- Benefits and Opportunities
- Current performance
- Future plans

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GETTING STARTED

We retained two associates who had extensive knowledge of the door industry and coincidentally had prior experience as employees of competing vendors who supply door product to the Depot.

These associates had earned the Depot's respect and were able to provide us with valuable insight about the product voids in the market place as well as information about competitor's strengths and weaknesses.

Our research revealed that The Home Depot through its Executive Environmental Council had made a corporate commitment to look at global growth issues that affect our environment placing major emphasis on the importance of sustainable forestry and the endorsement of third party independent certification of wood and wood products.

The Home Depot was the first home improvement retailer to pioneer the U.S. market for wood products certified under the principles of the Forest Stewardship Council (FSC).

Also, we learned that The Home Depot's Executive Environmental Council had asked its buyers to take this corporate commitment to purchase FSC certified lumber and wood products to heart and diligently pursue its enforcement.

Based on our findings, we then developed a plan to offer the Depot four (4) door designs not currently offered at the stores using FSC certified Bolivian Cedar. This species was selected due to its versatility, beauty, stability, aromatic characteristics and most important because we could market the product at a very competitive price compared to comparable products.



The Home Depot relationship

- Getting started
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- Significant challenges
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We selected a “Rustic” or weathered / old look for the sample door finishes. In the western states, the architectural style of high end new construction has the Tuscany look and the style of our door line fits well with this trend.

Sample doors were made and displayed to the West coast buying office. The reception to the product was very positive by every one who saw the product and we were given the go-ahead to process the application to become an **approved vendor** and to proceed with the build out of the infrastructure to support the product roll-out to stores in the West Coast Division. Our vendor approval took place in September 2000.

The first store was set-up in November 2000 and to date, we are in approximately 105 stores with plans to continue the roll-out throughout the West Coast region and beyond

FSC CERTIFICATION

Our success in establishing a business relationship with The Home Depot was influenced by our ability to provide FSC Certified wood products. At present approximately 85% of our door products are manufactured with FSC certified lumber and our goal is to reach the 100%. We plan to accomplish this objective by securing our own FSC certified forest concessions from the Government of Bolivia – 50,000 to 100,000 hectares (one hectare equals approximately 2.471 acres)

The process to obtain FSC certification is difficult and time consuming due to numerous requirements that must be met by host country governments and Non-Government Organizations in charge of administering and policing laws and regulations in compliance with the spirit of environmental preservation laws and the spirit of FSC’s goals.



The Home Depot relationship

- Getting started
- FSC Certification
- Significant challenges
- Benefits and Opportunities
- Current performance
- Future plans

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SIGNIFICANT CHALLENGES

The most significant challenge we have had to overcome as a small start up enterprise pursuing business with a major corporation has been the need for operating capital to build the enterprise:

- prepare the factory in Bolivia to meet production volume and product quality requirements
- build Castle Doors' operations, administration and sales infrastructure
- secure facilities and permits to operate
- build the product inventory to support rapid store roll-out plan

We have been fortunate to attract qualified and experienced personnel to the company with industry know how. These team members are totally committed to the make Castle Doors a significant competitor in the market place and to see it succeed.

The Home Depot relationship

- Getting started
- FSC Certification
- Significant challenges
- Benefits and Opportunities
- Future plans

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BENEFITS AND OPPORTUNITIES

The most significant benefit for working with the Depot is access to its distribution channel of over 1150 stores in the U.S. and over 1300 worldwide.

We understand that on average approximately 45,000 customers visit the stores daily. Consequently, the exposure of our products and services to the DUI – “Do It Yourself” and the DIFM – “Do It For Me” segments of the market are enormous

The opportunities for expansion of the business relationship with the Depot for In-Store Stock and Special Order programs are limited to our ability to provide outstanding products and services

Subject to The Home Depot’s approval there are possibilities for:

- Expanded existing product and service offerings
- New product offerings
- Regional, national and international expansion
- other

FUTURE PLANS

Continue to develop the business relationship in a manner that it remains mutually beneficial.

Summary

- Chain of Custody Loop
 - Forest
 - Sawmill
 - Factory
 - Importer – distributor
 - Retailer
 - Consumer
- Conclusion
 - Good business?
 - Sustainable?



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CONCLUSION

Castle Doors is pleased to present an example of how a major US corporations are making a difference by providing new enterprises the opportunity to develop a profitable business that delivers sustainable economic growth to emerging third world economies committed to the preservation of the environment.

By supplying The Home Depot with FSC Certified wood products, the Depot through Castle Doors closes the Chain of Custody loop – **forest + sawmill + factory + distributor + retailer + consumer**

Through the Chain of Custody, The Home Depot provides the consumer the choice to make a difference by purchasing products that meet or exceeds environmental management best practices.

Is it good business?

From Castle Doors perspective, our ability to provide The Home Depot with FSC certified products provided us a significant competitive advantage in the market place

Is it sustainable?

With the commitment and support of major corporations, and their network of vendors, suppliers, consultants, etc. the consumer can be educated and made aware that they can make a difference