

EXECUTIVE CAPITAL BRIEFING

Cascade Ridge Millwork LLC

CFO Restructuring & Capital Recovery Plan | September 2024 - February 2025 | Skagit County, WA | Prepared March 2026

6-MONTH REVENUE \$1.38M \$1,382,441 accrual	GROSS MARGIN % 44.8% +3-7 pts above benchmark	AR OVER 60 DAYS \$178.3K 61.2% of total \$291,320	CASH RUNWAY ~11 Days \$74,882 vs \$32K/payroll
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Capital Health Score

29

/ 100 -- AT RISK

Score reflects: cash runway (critical, -28pts), AR quality (poor, -22pts), gross margin (good, +15pts), overhead structure (critical, -20pts), debt load (elevated, -8pts), revenue declining Q1 (-8pts), pricing improving (+12pts). Immediate action on collections and overhead will move this score to 60+ within 90 days.

NORTH SOUND CFO -- PLAIN ENGLISH ANALYSIS

LIQUIDITY CRISIS: Cascade Ridge Millwork is a technically capable custom millwork manufacturer generating strong revenue but operationally insolvent on a cash basis. With \$74,882 in the bank against a bi-weekly payroll of approximately \$32,000, the company has roughly 11 days of cash before the Horizon Bank Line of Credit (\$98,440 drawn) becomes the sole operating mechanism. Five LOC draws were observed January through March. The \$178,312 in receivables past 60 days is not an administrative backlog -- it is a payroll solvency crisis requiring resolution within the next 30 days.

THE STRUCTURAL PROBLEM: Admin overhead payroll ran \$268,914 for six months -- 19.5% of revenue on a \$2.76M annualized run rate. Industry standard for a manufacturer at this scale is 10-14%. October 2024 alone saw admin payroll hit \$71,204 (37.1% of that month's \$192,047 revenue), producing a (\$101,388) net loss in a single month. The gross margin of 44.8% is strong. The overhead structure is the only reason this business is losing money.

PATH TO 15% NET INCOME: Three simultaneous levers reach the target. First: collect \$178,312 in delinquent AR, eliminating LOC dependency and saving \$19,404/year in interest. Second: right-size admin payroll from 19.5% to 12% of revenue, generating \$207,000 in annualized savings. Third: enforce the mandatory shop rate of \$287/hr on all new bids. Capital Health Score: 29/100 today, targeting 63+/100 by July 1, 2026 with all three levers active.

MONTHLY PERFORMANCE -- 6-MONTH TREND

MONTH	REVENUE	GROSS PROFIT	GM%	ADMIN PAY	ADMIN%	NET INCOME	NET%
Sep 2024	\$231,042	\$83,691	36.2%	\$43,118	18.7%	(\$48,774)	(21.1%)
Oct 2024	\$192,047	\$56,941	29.6%	\$71,204	37.1%	(\$101,388)	(52.8%)
Nov 2024	\$254,118	\$148,961	58.6%	\$54,729	21.5%	\$24,082	9.5%
Dec 2024	\$334,211	\$229,388	68.6%	\$39,841	11.9%	\$12,274	3.7%

Jan 2025	\$203,401	\$71,433	35.1%	\$26,602	13.1%	(\$52,386)	(25.8%)
Feb 2025	\$167,622	\$59,609	35.5%	\$38,020	22.7%	(\$90,611)	(54.1%)
6-Mo Total	\$1,382,441	\$649,023	44.8%	\$273,514	19.5%	(\$256,803)	(18.6%)

PRO FORMA MODEL

Path to 15% Net Income Margin

<p>BREAK-EVEN (CURRENT)</p> <p>\$5.09M / year</p> <p>84% above current run rate</p>	<p>BREAK-EVEN (RIGHT-SIZED)</p> <p>\$3.34M / year</p> <p>Only 21% above run rate</p>	<p>NET INCOME AT 15% TARGET</p> <p>\$413,520 / year</p> <p>At current revenue + right-sized overhead</p>
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CURRENT STATE VS. RIGHT-SIZED MODEL -- P&L; BRIDGE

LINE ITEM	6-MO ACTUAL	ANN. RUN RATE	RIGHT-SIZED (ANN.)	ANNUAL SAVINGS	STATUS
Total Revenue	\$1,382,441	\$2,764,882	\$2,764,882	--	--
Cost of Goods Sold	\$760,745	\$1,521,490	\$1,521,490	--	--
GROSS PROFIT	\$649,023 (44.8%)	\$1,298,046	\$1,298,046	--	STRONG
Admin O/H Payroll (6234)	\$268,914	\$537,828	\$331,786	(\$206,042)	RESTRUCTURE
Shop O/H Payroll (6233)	\$173,408	\$346,816	\$220,748	(\$126,068)	Reduce 36%
Admin Taxes + IRA	\$39,482	\$78,964	\$48,716	(\$30,248)	Pro-rata
All Other OpEx	\$423,024	\$846,048	\$813,114	(\$32,934)	-4%
TOTAL OPEX	\$904,828	\$1,809,656	\$1,414,364	(\$395,292)	22.0% CUT
NET INCOME / MARGIN	(\$255,805) (18.6%)	(\$511,610)	\$413,520	+\$413,520	15.0% TARGET

LIQUIDITY & DEBT REDUCTION -- AR RECOVERY WATERFALL

INSTRUMENT	BALANCE	RATE	AR APPLIED	RESULT
Horizon Bank LOC	\$98,440	6.75%	(\$98,440)	CLEARED
Cascade Business Visa	\$68,744	~19%	(\$68,744)	CLEARED
Cash Reserve (floor)	\$74,882	--	+\$11,128	\$86,010
TOTAL	\$167,184	--	(\$178,312)	\$86,010 cash

DEBT-FREE CASH IMPACT

Eliminating the LOC saves **\$554/mo** in interest (@6.75% on \$98K). Clearing the Cascade Business Visa saves **\$1,089/mo** (@19% on \$69K). Combined annual savings: **\$19,722/year** -- pure cash flow improvement. LOC headroom fully restored as true capital bridge. Result: 11-day runway to 60+ day cushion post-collection.

ACCOUNTS RECEIVABLE RECOVERY

60-Day Recovery Plan -- \$178,312 Target

MONTHLY OPPORTUNITY COST @ 6% LOC RATE ON \$178,312	\$891 / month	Every 30 additional days of non-collection costs \$891 -- \$10,694/year compounding
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FULL AR RISK REGISTER – ACCOUNTS OVER 60 DAYS

CUSTOMER / PROJECT	BUCKET	BALANCE	OPP COST	WA LIEN?	ACTION REQUIRED	DEADLINE
Pemberton Custom Bldrs -- Halverson Res.	91+	\$78,244	\$1,538	FILE NOW	Mechanics Lien + Owner Call TODAY	Apr 7
Pemberton -- Griggs Remodel	31-6 0	\$40,618	\$299	Not Yet	7-Day Certified Demand Letter	Mar 31
Vanguard Const. -- Ridgeline Res.	91+	\$14,371	\$247	FILE NOW	Mechanics Lien -- Immediate	Apr 7
David Thornton Kitchen	61-9 0	\$14,026	\$174	Verify	Phone + 7-Day Demand Letter	Mar 30
Apex Const. -- Civic Ctr TI	91+	\$12,940	\$212	Bond	GC Payment Bond Notice	Apr 7
Larkin Const. -- Hollis Res.	61-9 0	\$12,020	\$151	Verify	Phone + Lien Preparation	Apr 5
Brixton -- Industrial Pkwy	91+	\$6,815	\$128	Bond	GC Bonding Agent + Letter	Apr 7
Various (3 smaller accounts)	91+	\$9,278	\$182	Various	Demand Letters + Collections	Apr 14
TOTAL 60+ DAY AR	--	\$178,312	\$2,931	--	All actions by April 7, 2026	--

*Opportunity cost at 6.0% annual rate. WA State mechanics lien deadline: 90 days from last labor/materials furnished.

90-DAY RECOVERY TIMELINE

WEEK 1 (Mar 25-31)	Owner personally calls Pemberton Custom Builders on \$78,244 Halverson balance today. Certified demand letters to all accounts over \$10K. Engage WA state lien attorney immediately. Target: written commitment from Pemberton by April 5.
WEEK 2 (Apr 1-7)	File WA mechanics liens on Pemberton Halverson (\$78,244) and Vanguard Ridgeline (\$14,371). File GC Payment Bond notices on Apex Construction and Brixton jobs. Verify lien deadlines on all 91+ day jobs.
WEEKS 3-8 (Apr 8 - May 22)	Target \$75,000 collected or committed by April 15. Pursue payment plans on remaining accounts. Begin collections process on the three smaller accounts.

SHOP RATE CALCULATION & UNIT ECONOMICS

What Cascade Ridge Must Charge Per Shop Hour

<p>FULLY LOADED SHOP COST/HR</p> <p>\$108.42/hr</p> <p>Direct labor + all allocated shop overhead</p>	<p>MIN. BREAKEVEN RATE / HR</p> <p>\$194/hr</p> <p>Hard floor -- never bid below this</p>	<p>TARGET RATE -- 15% NET INCOME</p> <p>\$287/hr</p> <p>Mandatory effective April 1, 2026</p>
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SHOP RATE BUILD-UP -- ACTUAL QUICKBOOKS DATA (SEP 2024 - FEB 2025)

COST CATEGORY	6-MO AMOUNT	ANN. RATE	% OF REVENUE
Direct Shop Payroll (5006)	\$107,144	\$214,288	7.8%
Delivery Payroll (5004)	\$6,284	\$12,568	0.5%
Outsourced Labor (5005)	\$10,628	\$21,256	0.8%
401k Match + COGS Taxes	\$41,768	\$83,536	3.0%
TOTAL DIRECT LABOR	\$165,824	\$331,648	12.0%
Shop O/H Payroll (6233)	\$173,408	\$346,816	12.5%
Rent + NNN	\$52,441	\$104,882	3.8%
All Utilities	\$49,552	\$99,104	3.6%
Shop Supplies (6300)	\$68,412	\$136,824	4.9%
Auto / Fuel / Insurance	\$53,844	\$107,688	3.9%
TOTAL SHOP OVERHEAD	\$397,657	\$795,314	28.8%
TOTAL SHOP COST (6-mo)	\$563,481	\$1,126,962	40.8%
Est. Direct Shop Hours	4,870 hrs	9,740 hrs	--
FULLY LOADED RATE / HR	\$108.42/hr	--	--

JOB MARGIN ANALYSIS & MANDATORY BID FORMULA

Job Margin Analysis -- Top Projects

JOB / PROJECT	REV PROXY	MAT%	GM%	VERDICT
Pemberton -- Halverson Res.	\$418K	41%	33.1%	Winner
Pemberton -- Griggs Remodel	\$112K	39%	35.7%	Winner
Apex -- Civic Center TI	\$88K	38%	36.4%	
Vanguard -- Mixed Use	\$74K	40%	34.9%	
Brixton -- Multiple	\$70K	44%	29.8%	
Period Average	--	40.4%	44.8%	

Mandatory Bid Formula -- Eff. Apr 1, 2026

Total Bid = Materials x 1.18 (18% markup) +
 Shop Hours x \$287/hr min. + Install Hours x
 \$244/hr min. + Delivery Hours x \$80/hr
 ----- Min. GM Check:
 >= 38% always Hard Floor: \$194/hr -- never
 below

90-DAY EXECUTION PLAN & RISK ANALYSIS

Three Must-Win Pillars, Accountability Matrix & Scenario Analysis

<p>PILLAR I -- 30 DAYS</p> <h2 style="color: white;">Liquidity Recovery</h2> <ul style="list-style-type: none"> - Owner calls Pemberton today - File WA liens all 91+ by Apr 7 - Confirm Horizon LOC limit - Establish \$30K min. cash floor - Separate personal card - Target: \$70K collected by Apr 15 	<p>PILLAR II -- 60 DAYS</p> <h2 style="color: white;">Overhead Rationalization</h2> <ul style="list-style-type: none"> - Full headcount roster by dept. - Investigate Oct 2024 spike - Map every FTE: direct/OH/admin - Model reduction with CFO - Target: admin payroll to 12% - Activate job cost tracking in QB 	<p>PILLAR III -- 90 DAYS</p> <h2 style="color: white;">Pricing Discipline</h2> <ul style="list-style-type: none"> - Enforce \$287/hr shop rate Apr 1 - 38% GM floor, no exceptions - CFO co-sign required below floor - Net-15 + 30% deposit all jobs - Re-bid all Brixton-type GC jobs - Monthly job margin report by 5th
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MANAGEMENT ACCOUNTABILITY MATRIX

AREA	OWNER ACTION	APRIL TARGET	MAY TARGET	JUNE TARGET	SUCCESS METRIC
Capital Reserves	Reserve account	\$30K established	\$45K maintained	\$60K / 60 days	Zero LOC bridge payrolls
AR Collections	Calls + liens filed	\$70K committed	\$110K total	\$178K resolved	100% actioned
LOC Management	Call Horizon Bank	Terms confirmed	Bal <\$65K	Bal <\$25K	LOC cleared Jul 1
Headcount Audit	FTE roster by dept.	Roster complete	Plan presented	Admin at 16%	12% by Q3 2026
Shop Rate	Enforce \$287/hr	Formula signed	100% gated	Zero below floor	All jobs >=38% GM
Personal Card	Separate card	Card separated	Zero co-mingle	Policy written	Zero personal txns

RISK & SCENARIO ANALYSIS

<p>BEST CASE -- 15% NI</p> <h2 style="color: green;">\$413K / year</h2> <p>Health Score: 76/100</p> <p>Admin right-sized to 12% \$178K AR collected by Jun 30 Revenue stable at current run All bids at \$287/hr floor LOC + CC both cleared</p>	<p>BASE CASE -- 6% NI</p> <h2 style="color: green;">\$168K / year</h2> <p>Health Score: 50/100</p> <p>Admin reduced to 15% of rev \$140K of AR collected Revenue grows 5% to \$2.90M Partial pricing improvement LOC reduced to \$45K</p>	<p>WORST CASE -- AT RISK</p> <h2 style="color: red;">(\$391K) / year</h2> <p>Health Score: 10/100</p> <p>No overhead changes made Only \$55K AR collected Revenue declines 15% LOC maxed, no availability Payroll missed -- vendor damage</p>
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OWNER TAKEAWAY -- NEXT 90 DAYS

Cascade Ridge Millwork can exit this quarter with \$178K in AR collected, both high-interest debts cleared, admin payroll on a clear reduction path, and a pricing model generating 38%+ GM on every new job. Capital Health Score moves from 29/100 today to 63+ by July 1, 2026. The gross margin of 44.8% proves the business is fundamentally sound. The only problem is overhead and collections discipline -- both fully addressable within 90 days with committed execution. North Sound CFO will be beside you every step.