



BUSINESS PLAN

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What's Your Water Footprint?

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1 BUSINESS SUMMARY

THE OPPORTUNITY:

Water... it is the world's most precious natural resource and the cause of \$10 billion a year in insurance claims from internal flooding of homes. Surprisingly it garners little attention in today's technology-inspired smart homes, and businesses. Hydrocom, is the only company to have a product that addresses these two problems.

The Aspen Water Group DBA, as Hydrocom, has designed, engineered and developed a product that monitors and controls domestic and irrigation water through smart technology. This Web-based device prevents catastrophic water damage while providing real-time water usage reports for homes and businesses.

After six years, over \$3 million dollars in product design, engineering, testing, market studies, patents and inventory on the shelf, Hydrocom seeks funding to implement a go to market plan.

Margins:

Hydrocom to Distributor: cgs \$275 Selling price of \$1200 = 78%
Hydrocom to Consumer: cgs \$275 Selling price of \$1595 = 79%
Recurring Revenue = 90%

Capital Requirements:

Hydrocom seeks a \$2.4 million dollar investment to fund the go to market plan. The investment will be made in 3 tranches based upon performance and results. The investor shall receive a 20% equity position as compensation. The use of funds is detailed in the following plan and Cash Flow statement.

Path to Profitability:

Through word of mouth marketing, Hydrocom has sales of \$450,000 of the generation 1 product, and \$175,000 YTD of the generation 2 product. Traction has been well established in key market segments; Property Management, Insurance, Plumbing, and New Home Builders.

Once properly funded and the necessary infrastructure is in place, a conservative estimate of 1000 units per state will yield an estimated net profit of \$20 million per year.



MISSION STATEMENT:

Provide a proactive solution for water conservation and the prevention of internal flooding of properties, in a simple yet technologically advanced way.

MARKET OPPORTUNITY:

Water conservation has become a worldwide necessity and concern. With fresh water being the most precious natural resource, drought, and the threat it imposes, has many regions in the world implementing rationing and imposing large fines for excessive use.

Additionally, internal water damage of homes and businesses is the largest claim, \$10 billion per year.

The Hydrocom Water Control System provides a proactive solution for water damage prevention and enables water conservation.

There are at least nine identified target market segments:

- Insurance
- Property Management
- Home Automation
- New Home/Remodelling
- Home Owner
- Alarm & Security
- Plumbing
- Associations
- Water Purification

Hydrocom's "go to market" short-term strategy addresses the quickest path for the product to achieve traction. The long-term plan demonstrates worldwide opportunities.

The New York Times

U.S.

As California Drought Enters 4th Year, Conservation Efforts and Worries Increase

By ADAM NAGOURNEY MARCH 17, 2015

LOS ANGELES — The rainy season drove into California in December with wet and windy promise: soaking rain, snow, dark gray skies and a flash of hope that the drought that has scorched this region had run its course. And then came January — with record high temperatures and record low rainfall.

And now, as the end of the official rainy season approaches — this state gets 90 percent of its water from December through April, most of it in December and January — California is facing a punishing fourth year of drought. Temperatures in Southern California soared to record-high levels over the weekend, approaching 100 degrees in some places. Reservoirs are low. Landscapes are parched and blighted with fields of dead or dormant orange trees. And the Sierra Nevada snowpack, which is counted on to provide 30 percent of the state's water supply as it melts through early summer, is at its second-lowest level on record.



Dead mandarin orange trees in Terra Bella, Calif.
Credit: Monica Almeida/The New York Times

COMPETITIVE ADVANTAGE:

There are products on the market today that attempt to prevent water damage, and none that enable water conservation. Some of those products rely on remote sensors to detect water damage. Other products monitor water flow over time, a method which has proven to be unreliable and ineffective. Neither of these products does a complete job nor provides true peace of mind, let alone allows for communication and control via the Internet.

To date, Hydrocom has manufactured and installed over 500 units of their first-generation product, which is not Web-based. Customer feedback and product research discovery led to a number of improvements and features that were incorporated into the second-generation product. The redesign greatly extended the features and benefits, thereby increasing market potential and distinguishing Hydrocom from all its competitors.

Additionally, this redesign afforded Hydrocom the ability to value-engineer the product to the highest quality and lowest cost. The valve and actuator assembly provides the highest quality valve available at a tenth of the cost of most competitors' valve. This resulted in the entire Hydrocom system costing less than the competitors' valve alone.

Advanced features of the Hydrocom Water Controller:

- **Dual valve monitoring allowing for indoor and outdoor irrigation control, or for hot and cold lines to be controlled in hotels or commercial applications**
- **Small to large diameter valve and flow meter capabilities**
- **Integration with existing alarm and security systems**
- **2-Way 900 MHz wireless moisture and temperature sensor transmission and communication**
- **Internet connectivity via Ethernet, Cellular or Wi-Fi**
- **Smartphone apps in iTunes and Google play**
- **Water usage reports in real time**

2 ORGANIZATIONAL PLAN

SHORT TERM GOALS:

Once funded, the short term goals are as follows:

LONG TERM GOALS:

After successfully executing the go-to-market plan, the company will endeavour to implement the following goals:

- **Open-Source Platform**
- **Z-Wave Integration (Patent 3)**
- **Sensor Outputs (Patent 3)**
- **Shower/Bath Detection: Elimination of Home & Away (Patent 4)**
- **Integration of Automatic Meter Reading (Patents 3 & 4)**
- **International Expansion**

LONG TERM TARGET MARKETS:

- **Home Alarm & Security**
- **Home Automation**
- **Municipalities- Automatic Meter Reading**
- **Hotels-Commercial**
- **National Wholesaler**
- **Retail-Big Box**
- **Insurance**
- **Plumbing**
- **New Home**
- **HOA**
- **Property Mgmt**
- **Home Automation**
- **Alarm & Security**
- **Water Purification**
- **Municipalities**



\$700 Billion Dollar Industry

46,000 plumbing companies

450,000 new starts per year [®]

60 million live in HOA communities

\$70 billion a year, 744,000 properties

\$7 billion a year

\$14 billion a year - 7000 dealers

\$12 billion a year - 5500 dealers

300 cities with a population over 100,000

STRENGTHS

- Product Quality & Price Point
- Value Engineered & Cost to Produce
- Market Infancy
- High Margins
- Little to No Competition
- Patent Issued: #8130107
- Patents Pending: #14272520, #14272523, #13359272

WEAKNESSES

- Working Capital
- Central Office

OPPORTUNITIES

- Global Demand
- Acquired By A Large Company
- Partnership Alliance for Rapid Growth
- Multiple Market Segments
- Perpetual Demand

THREATS

- Not acting on the opportunity to position Hydrocom as the World leader

PRODUCTS:

The website header features the Hydrocom logo (CONSERVE AND CONTROL) on the left, navigation links for 'Connect to my Device' and 'Contact', and a search bar. The main headline reads 'The Worlds First Water Dashboard'. Below this is a large image of the Hydrocom hardware device, which has a screen displaying various status indicators: WATER, FLOW, SENSOR, ON/OFF, VALVE I, VALVE II, CONNECTION, ETHERNET, WIFI, CELL, ONLINE, RESET, and TEST. A hand is holding a smartphone displaying the Hydrocom mobile app interface. Below the hardware image are buttons for 'Play Video', 'Google play', and 'Available on the App Store'.

On the left side of the website, there is a navigation menu with the following items: HOME, CONTROL, CONSERVE, HOW IT WORKS, SIMPLE INSTALLATION, INSURANCE SAVINGS, PRODUCT INFORMATION, and CONTACT US. Below the menu is a 'Company Info' section with the phone number (888) 502 1102, email info@hydrocom.us.com, and social media icons for Apple, Google Play, and the App Store.

Below the hardware image, the text 'What's your water footprint?' is displayed.

HARDWARE

- 2 Valves
- 2 Flow Meters
- Up to 16 Wireless Leak & Temp Sensors
- Installed Forever
- Virtually service free
- Wi-Fi, Cell and Ethernet

SOFTWARE

- Apple App
- Android App
- Web App
- Water Reports
- Alerts
- Time & Date Stamp

CONTROL PANEL & DASHBOARD

The screenshot shows the Hydrocom control panel and dashboard. At the top, there is a status bar with the time 3:32 PM, date 11/25/2013, and navigation icons for ALERTS, USER, and SETTINGS. The main dashboard is divided into several sections:

- ACTIVE:** A green circle with a house icon and the word 'Home'.
- SELECT:** Two buttons labeled 'AWAY' and 'OVERRIDE'.
- STATUS:** A green circle with a water tap icon and the word 'OK'.
- Valve 1:** A green circle with the text 'ON OFF'.
- My Water:** A circular gauge showing '100 gal. TODAY' and 'MONTHLY 001529 gal.' with a scale from 0 to 9000. Below the gauge is a button for 'Additional Reports'.
- Total Sensors: 2:** A list of sensors with their status and temperature:

Home Office	ENABLED	65.2°C
1st Floor	ENABLED	67.2°C

At the bottom of the dashboard, there is a footer with the text '2014 © Hydrocom. ALL Rights Reserved.' and 'Terms of Service | Help' along with social media icons for Facebook and Twitter.

MANUFACTURING & CUSTOMER SERVICE

Manufacturing is broken down in three sections: Hardware, Electronics and Software. All of the vendors are ISO 2001:2008, Sigma 4 or higher rated, RoHS compliant, and meet California (AB1953) and Vermont act 193

HARDWARE

- **Valves:** VIR
- **Actuators:** Seitz
- **Flow Meter:** GE
- **Plastic:** Display Tech
- **Power Supplies:** Display Tech

ELECTRONICS

- **Sensors Boards:** Ambassador Electronics
- **Control Panels:** Ambassador Electronics

SOFTWARE

- **User Interface:** AMI
- **Source Code:** AMI

ASSEMBLY

Currently, final assembly and packaging are performed in house. All components are boxed and shipped from one central location.

CUSTOMER SERVICE

To best support our early-adopter target market strategy, human support is available and provided at all times.

3 ADMINISTRATIVE PLAN

INTELLECTUAL PROPERTY

Patent # 8130107 has been issued. It covers all of the mechanical and software IP we use in the Generation 1, 2 & future products.

The second patent is Filing #14272520 and further protects the first patent and covers Generation 2.

The third patent is Filing # 14272523. It further protects and addresses the future Generation 3 product not yet discussed. This will use Z-wave technology to integrate hardware and software with any other compatible controller, such as an ADT alarm panel.

The fourth patent, Filing # 13359272, is to fully disclose and protect all of our existing patents, and creates a method by which a property can be monitored and report water usage in a revolutionary way.

TRADEMARKS

The logo, name and positioning statement are all covered by Trademark 4,041,056. This extends to six classes within the U.S. and four classes internationally.



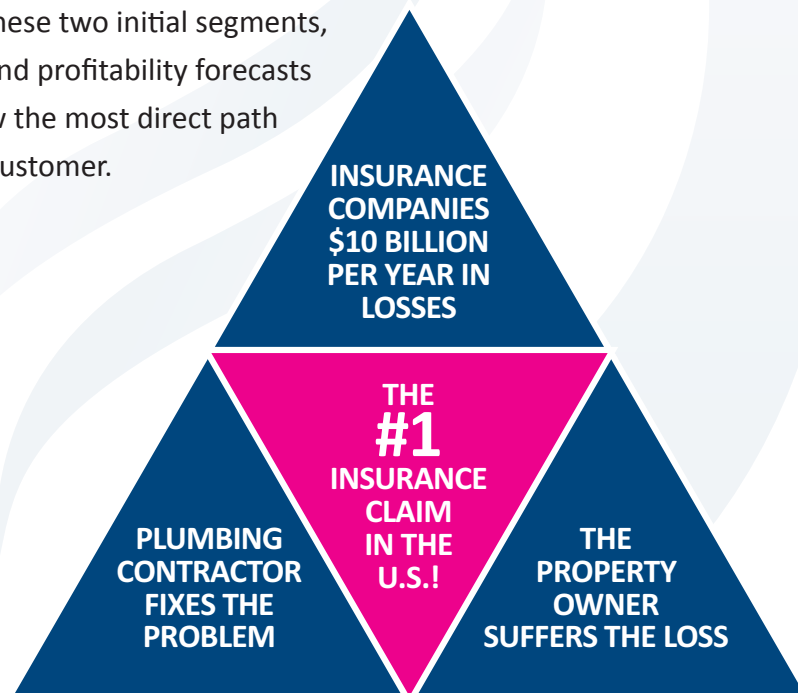
4 MARKETING PLAN

GO TO MARKET: INTRODUCTION

There are nine target market segments identified in the Business Plan. Of these, Insurance and Plumbing segments are the initial target markets. With internal flooding of properties being the top insurance claim, three things happen when water damage occurs:

- A property owner is inconvenienced and suffers a loss.
- A plumbing company fixes the problem.
- An insurance company pays an expensive damage claim.

By targeting early adopters in these two initial segments, market penetration, revenue, and profitability forecasts within the defined budget allow the most direct path to connect the product with a customer.



- Top 15 Insurance companies lose \$12 billion a year to water damage claims
- Most Insurance companies now require a water control device
- Hydrocom has established contacts with CIG, Chubb, Travelers and others

- New home sales in 2014 exceeded 450,000 homes
- Remodeling of aging homes exceeded 385,000 homes
- Builders Liability Coverage



GO TO MARKET: MARKET DEFINITION - DEMOGRAPHICS

INSURANCE

SIZE: There are 6,086 property and casualty companies in the U.S. employing 600,000 people, with agencies employing another 943,000. The total investment by these companies in property and casualty alone is \$1.5 trillion. Water damage claims average over \$10 billion per year.

TRENDS: Since insurance companies are experiencing enormous losses, they are reacting to lower their loss ratios:

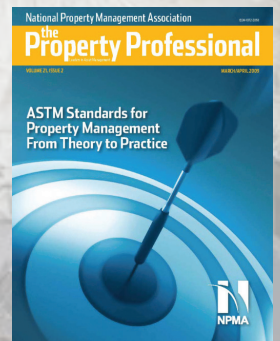
- **Requiring second homes and vacation properties to install automatic water shutoff systems (AWS).**
- **Offering discounts for homes with AWS.**
- **Requiring properties that submit claims to install AWS.**
- **Excluding older properties from water damage coverage.**
- **Non-renewal of properties that have claims for water damage.**
- **Increased rates for water damage coverage.**
- **Requiring properties over a certain value to have AWS.**
- **Properties unoccupied for a month or longer more are excluded from water damage coverage.**

The industry is faced with the realization that its number one loss is a problem that will never disappear and is getting worse every day.



- \$96 billion in revenue, 110,000 companies
- Roto-Rooter has 6000 locations advertising 24 emergency response to water damage
- Ben Franklin has over 500 franchises doing the same

- Over 500,000 Property Management Companies in the United States
- \$69 Billion in Revenue
- 5% growth per year



PLUMBING

SIZE: Net sales in 2014 were \$97 billion, from 105,000 companies employing 730,000 people.

There are three segments within this market:

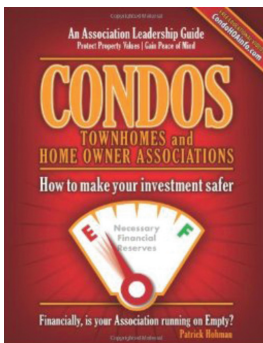
- **New construction/ Remodelling/ Maintenance/Repair**
- **National franchises: 24-hour response, brand awareness**
- **Large-scope projects: pipe fitter unions, high-rise construction**

Roto-Rooter Plumbing, Sewer and Drain Services - Markets Served

Clogged drain? Leaking toilet? Need a plumber fast? No matter where you live, chances are there's a Roto-Rooter near you. Click on a state in the map below or one of the links at the bottom of the page to find the Roto-Rooter location in your area.

Alabama	North Carolina
Alaska	North Dakota
Arkansas	Nebraska
Arizona	New Hampshire
California	New Jersey
Colorado	New Mexico
Connecticut	Nevada
District of Columbia	New York
Delaware	Ohio
Florida	Oklahoma
Georgia	Oregon
Hawaii	Pennsylvania
Iowa	Rhode Island
Idaho	South Carolina
Illinois	South Dakota
Indiana	Tennessee
Kansas	Texas
Kentucky	Utah
Louisiana	Virginia
Massachusetts	Vermont
Maryland	Washington
Maine	Wisconsin
Michigan	West Virginia
Minnesota	Wyoming
Missouri	
Mississippi	
Montana	Canada

- **Plumbing & Mechanical Magazine has 75,000 subscribers.**
- **Roto-Rooter has 600 Franchises in the U.S. and Canada employing 11,000**



- HOA's biggest losses are due to internal flooding
- 310,000 HOA's in the US alone
- Over 62 million people live in HOA communities
- Product Financing for HOA's is available

- 9000 alarm dealers
- Our patented z wave technology is the integrated solution for the Alarm & Security industry
- ADT sells over 45,000 new accounts per year



people, and they are in every town with a population over 20,000.

PLUMBING (CONT.)

TRENDS: The national problem of infrastructure decay and drought give rise to the remodel/repair and conservation segments.

- Replacement of older, failing plumbing systems
- Copper re-piping to replace galvanized piping
- Increasing real estate values driving the demand for remodeling
- Water conservation and Green awareness
- Gray water used for sprinkler systems
- Synthetic lawns
- Automatic meter reading
- Customer service and professionalism
- PEX piping
- Rainwater collection and usage
- Water Sense
- LEED Certification
- Energy Star
- UL Master Certification

REGULATIONS:

- Low lead content fixtures and piping
- Water rationing
- Penalties and fines
- Creation of water police
- LEED Certification
- Water Sense Certifications
- Low-flow laws, efficiencies, incentives
- Fire sprinkler systems
- Reclamation
- Compliance
- Multi-tier billing
- Mandates

49000 architects •
subscribe to Architect
magazine

LEEDS certified •

Green initiatives •

Product specified •
on plans



4500 water dealers in •
the country

18000 subscribers •
to Water Technology

Natural add on •
product



American Water Works •
Association data:

7 billion gallons lost daily •
through leaking pipes

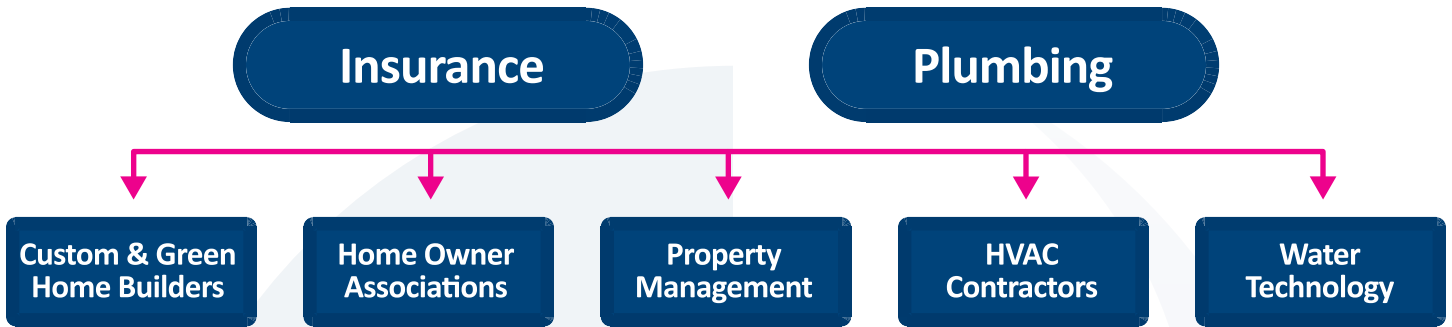
850 water main breaks •
per day

\$1 trillion needed over •
the next 20 years to fix the
aging infrastructure



GO TO MARKET: TARGET MARKETS & CUSTOMERS

MARKET OVERLAP



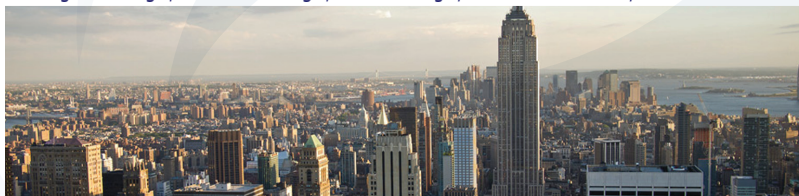
INITIAL TARGET MARKETS

Target early-adopter companies in cities with populations over 100,000 located in the U.S. and Canada. (There are about 300 such population centers.) Cross-correlate the industry trends by concentrating on the following:

- High-value properties
- Second-home properties
- Vacation properties
- Resort properties
- Residential high rises
- Properties that have had a loss
- Properties that have received notice from an insurance carrier
- Green builders
- Custom homes
- Older properties
- Properties that have recently had water damage



Sewage Damage, Water Damage, Fire Damage, Water Extraction, Mold Remediation



Water Damage Restoration in Midtown East Manhattan NY 10022 and NYC
Local Water Damage in Midtown East, New York



Homeowners', co-op boards, managed and controlled residential and resort properties



North America's 540 ski resorts

GO TO MARKET: IMPLEMENTATION

SUPPORT

- Establish central office for assembly, admin customer support
- Establish adequate inventory and shorten lead times
- Hire and train technical support
- Hire a CEO with national sales experience
- Hire and train customer service personnel
- Hire and train inside and outside company salespeople

The revenue plan to enter the market is twofold: direct sales to distributors and recurring revenue

SALES

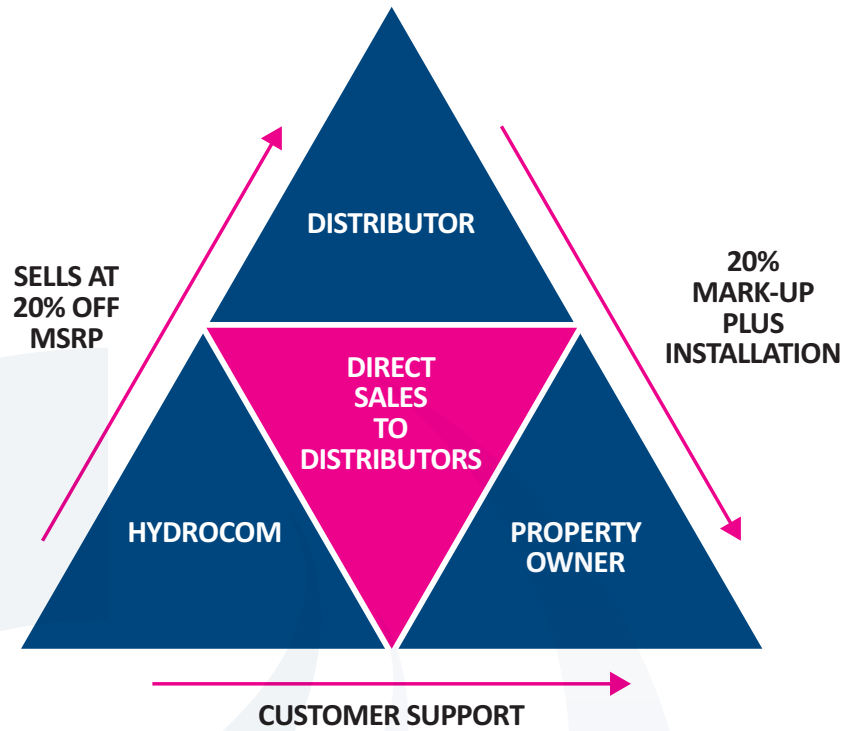
Direct to Distributors

A distributor is defined as a contractor or company who resells the product to an end user. The following promotional methods will be used:

- Direct contact by phone
- E-mail
- Go to meeting conferences
- Webinars
- Tradeshows
- Samples/demo units/displays/marketing materials
- In-person sales calls
- Advertising in specific publications
- Banner ads
- Search engine optimization

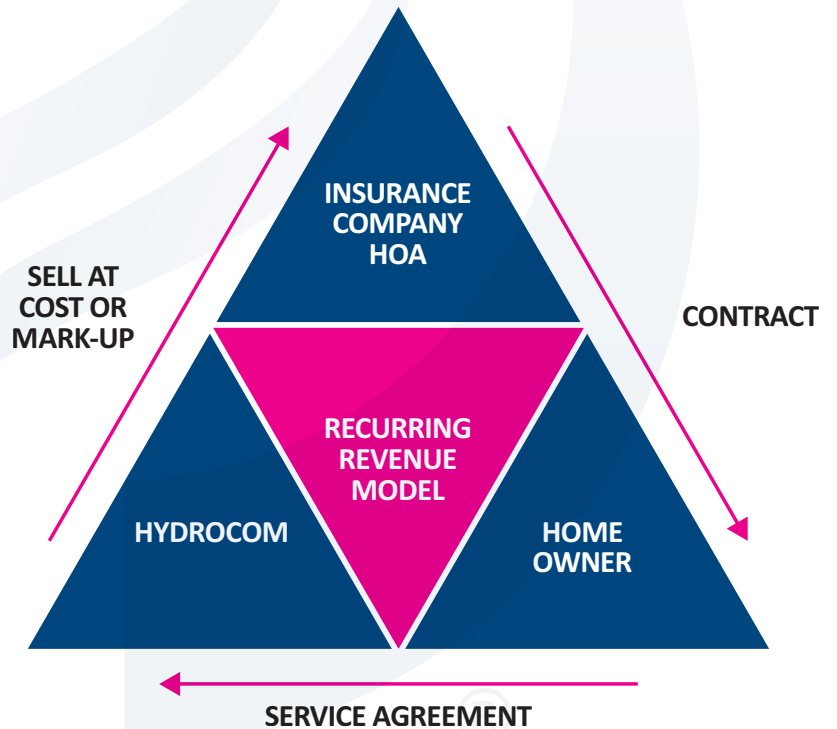


HYDROCOM TO DISTRIBUTOR SALES MODEL



RECURRING REVENUE SALES MODEL

While generating direct sales to distributors, Hydrocom will simultaneously pursue recurring revenue sales to insurance companies and HOAs. The product will be sold at or close to cost, and the reseller will then incentivize their customer to sign a long-term service contract.



HYDROCOM TO CONSUMER SALES MODEL



Once this business model is implemented and the cost savings are substantiated, Hydrocom can then market the program to other insurance companies.

COMPETITION & BRANDING

Hydrocom is a brand. A company who manufactures the product will be more recognizable and trusted than the product itself. This is especially true when you look at the long term plan. We are much more than just a manufacturer of water damage prevention products.

Every market can be broken down into three segments:

- **Premier**
- **Standard**
- **Discount**

A review of the competitors reveals some interesting facts: All of the company names have the same name as their products. Water Cop, Flo-logic, Leak Defense and Pipe Burst Pro. These are very limiting names which fail to create a brand. Additionally, they lack reliability and critical features. In short, Hydrocom has repositioned our competitors as a discount product with premier pricing, and they pale in comparison to Hydrocom.

FEATURE & COST COMPARISON CHART							
Product	Wireless Sensors	Flow Meter	Water Report	Multiple Valves & Flow Meters	Large Valve & Flow Meter	Internet Connectivity	Unit Cost
Water Cop	YES	NO	NO	NO	1.5"	NO	\$1,500
Flo-Logic	NO	YES Time-Based	NO	NO	NO	NO	\$1,595
Leak Defense	NO	YES / Time & Pressure Based	NO	NO	NO	NO	\$2,000
Pipe Burst PRO	YES	YES	YES	NO	YES	YES	\$3,000
Hydrocom	YES	YES	YES	YES	YES	YES	\$1,595

- Sheet 1- Income Statement
- Sheet 2- Balance Sheet
- Sheet 3- Cash Flow & Use of Funds

Hydrocom Income Statement - Pro Forma

For the 12 months ending

	Year 1	Year 2	Year 3	Year 4
Revenues				
Internet Sales	250	500	1000	2000
Premier Plumbers & HVAC contractors	350	700	1500	3000
Plumbing Distributors	200	500	1500	3000
Insurance & Home Warranty	100	500	2000	5000
Property Management	300	600	1500	3000
Home Owners Associations & Co-Ops	200	500	1500	3000
New Home & Green Builders & Remodeling	100	300	600	2000
Disaster Restoration	100	300	600	1500
Alarm & Security & Smart Home	100	300	600	1200
Water Purification	100	300	600	1500
Submetering & Municipalities	0	250	500	2000
Hotels	0	0	500	2000
Assisted Living Facilities	0	0	100	500
College Dormitories	0	0	100	500
Total Units sold	1800	4750	12600	30200
Internet Sales: MSRP	\$ 1595	\$ 797,500	\$ 1,595,000	\$ 3,190,000
Premier Plumbers:	\$ 1276	\$ 446,250	\$ 2,392,500	\$ 4,785,000
Plumbing Distributors:	\$ 1116	\$ 110,000	\$ 2,392,500	\$ 4,785,000
Insurance & Home Warranty	\$ 1276	\$ 127,500	\$ 797,500	\$ 7,975,000
Property Management- Co Op boards	\$ 1276	\$ 382,500	\$ 957,000	\$ 4,785,000
Home Owners Associations	\$ 1276	\$ 255,000	\$ 2,392,500	\$ 4,785,000
New Home & Green Builders & Remodel	\$ 1116	\$ 110,000	\$ 957,000	\$ 3,190,000
Disaster Restoration	\$ 1276	\$ 127,500	\$ 478,500	\$ 2,392,500
Water purification	\$ 1276	\$ 127,500	\$ 478,500	\$ 2,392,500
Sub metering & Smart Home	\$ 1276	\$ -	\$ 398,750	\$ 3,190,000
Hotels	\$ 1116	\$ -	\$ 797,500	\$ 3,190,000
Assisted Living Facilities	\$ 1116	\$ -	\$ 159,500	\$ 797,500
College Dormitories	\$ 1116	\$ -	\$ 159,500	\$ 797,500
	\$ 2,085,000	\$ 7,097,750	\$ 19,140,000	\$ 46,255,000
Cost of Goods				
Total Cost Per Unit	\$ 495,000.0	\$ 1,306,250.0	\$ 3,465,000.0	\$ 8,305,000.0
Total Cost of Goods	\$ 495,000	\$ 1,306,250	\$ 3,465,000	\$ 8,305,000
Gross Margin	\$ 1,590,000	\$ 5,791,500	\$ 15,675,000	\$ 37,950,000
Expenses				
Office				
Rent	\$ 36,000	\$ 36,000	\$ 60,000	\$ 60,000
Insurance	\$ 62,550	\$ 212,933	\$ 574,200	\$ 1,387,650
Utilities	\$ 1,500	\$ 1,500	\$ 3,000	\$ 3,000
Phone	\$ 10,000	\$ 12,000	\$ 20,000	\$ 25,000
Internet Service	\$ 2,000	\$ 2,000	\$ 4,000	\$ 4,000
Office Supplies	\$ 6,000	\$ 7,500	\$ 9,000	\$ 12,000
Website	\$ 2,000	\$ 2,000	\$ 4,000	\$ 4,000
Shipping inbound	\$ 5,000	\$ 7,500	\$ 12,000	\$ 15,000
Travel	\$ 60,000	\$ 140,000	\$ 250,000	\$ 600,000
Certifications- Annual Fees	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Short term loan	\$ 25,000	\$ 25,000	\$ -	\$ -
Debt repayment	\$ 75,000	\$ 100,000	\$ 100,000	\$ 125,000
Brochures- Catalogs-Printing	\$ 10,000	\$ 7,500	\$ 12,000	\$ 15,000
Advertising & Search engine optimization	\$ 250,000	\$ 250,000	\$ 250,000	\$ 350,000
Marketing Demo's	\$ 5,000	\$ 7,500	\$ 15,000	\$ 20,000
Tradeshows	\$ 80,000	\$ 125,000	\$ 200,000	\$ 200,000
Legal	\$ 12,000	\$ 20,000	\$ 30,000	\$ 40,000
Patents	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Accounting	\$ 5,000	\$ 10,000	\$ 15,000	\$ 20,000
Server and IT support contractor	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Payroll				
CEO	\$ 120,000	\$ 132,000	\$ 145,200	\$ 159,720
Product Engineer-Operations	\$ 95,000	\$ 104,500	\$ 114,950	\$ 126,445
Sales Manager	\$ 95,000	\$ 104,500	\$ 114,950	\$ 126,445
Outside Sales	\$ 50,000	\$ 250,000	\$ 350,000	\$ 500,000
Outside sales commissions	\$ 145,950	\$ 496,843	\$ 1,339,800	\$ 3,237,850
Inside sales	\$ 30,000	\$ 60,000	\$ 120,000	\$ 150,000
Tech Support	\$ 60,000	\$ 120,000	\$ 240,000	\$ 240,000
Marketing Support	\$ 20,000	\$ 60,000	\$ 120,000	\$ 150,000
Administration	\$ 30,000	\$ 90,000	\$ 150,000	\$ 200,000
Shipping & Assembly & QC	\$ 30,000	\$ 60,000	\$ 120,000	\$ 150,000
Total Expenses	\$ 1,363,000	\$ 2,484,275	\$ 4,413,100	\$ 7,961,110
Pre -Tax profit	\$ 227,000	\$ 3,307,225	\$ 11,261,900	\$ 29,988,890

Hydrocom Balance Sheet

For the years ending

	2016	2017	2018	2019
ASSETS				
Current Assets				
Cash	\$ 1,600,000	\$ 4,039,725	\$ 11,481,900	\$ 30,033,890
Accounts Receivable	\$ 20,000	\$ -	\$ -	\$ -
Inventory components	\$ 100,000			
Finished Goods	\$ 150,000			
Total Current Assets	<u>\$ 1,870,000</u>	<u>\$ 4,039,725</u>	<u>\$ 11,481,900</u>	<u>\$ 30,033,890</u>
Property and Equipment				
Plant & Equipment	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000
Engineering Electronics	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000
Intellectual Property				
Patent Generation 1	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Patent Generation 2	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Patent Generation 3	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
Depreciation Plant & Equipment	\$ (75,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)
Accumulated Amortization	\$ (36,000)	\$ (36,000)	\$ (36,000)	\$ (36,000)
Use of funds	\$ 485,000	\$ 610,000	\$ 610,000	\$ 610,000
Total Property and Equipment	<u>\$ 1,599,000</u>	<u>\$ 1,749,000</u>	<u>\$ 1,749,000</u>	<u>\$ 1,749,000</u>
Other Assets				
Organizational Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Total Other Assets	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>
Total All Assets	<u>\$ 3,619,000</u>	<u>\$ 5,938,725</u>	<u>\$ 13,380,900</u>	<u>\$ 31,932,890</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 75,000	\$ -	\$ -	\$ -
Total Current Liabilities	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Long Term-Liabilities				
Shareholder Loans	\$ 450,000	\$ -	\$ -	\$ -
Credit Line	\$ 400,000	\$ 225,000	\$ 125,000	\$ -
Total Long Term Liabilities	<u>\$ 850,000</u>	<u>\$ 225,000</u>	<u>\$ 125,000</u>	<u>\$ -</u>
Capital				
Retained Earnings	\$ (125,000)	\$ (175,000)	\$ (175,000)	\$ (175,000)
Paid-In - Capital	\$ 3,250,000	\$ 4,050,000	\$ 4,050,000	\$ 4,050,000
Net Income	\$ 227,000	\$ 3,307,225	\$ 11,261,900	\$ 29,988,890
Total Capital	<u>\$ 3,352,000</u>	<u>\$ 7,182,225</u>	<u>\$ 15,136,900</u>	<u>\$ 33,863,890</u>
Total Liabilities & Capital	<u>\$ 4,277,000</u>	<u>\$ 7,407,225</u>	<u>\$ 15,136,900</u>	<u>\$ 33,863,890</u>
Goodwill	<u>\$ (658,000)</u>	<u>\$ (1,468,500)</u>	<u>\$ (1,756,000)</u>	<u>\$ (1,931,000)</u>
Total Assets	<u>\$ 3,619,000</u>	<u>\$ 5,938,725</u>	<u>\$ 13,380,900</u>	<u>\$ 31,932,890</u>

Hydrocom Cash Flow

For the years ending

Cash Flows from Operations	Year 1	Year 2	Year 3	Year 4
Beginning Cash- Tranche 1- 2 -3	1,600,000	\$ 800,000	\$ -	\$ -
<i>net income reconcile to cash</i>				
Office				
Rent: 2000 ft2 at \$1/ ft	\$ 36,000	\$ 36,000	\$ 60,000	\$ 60,000
Insurance	\$ 62,550	\$ 212,933	\$ 574,200	\$ 1,387,650
Utilities	\$ 1,500	\$ 1,500	\$ 3,000	\$ 3,000
Phone	\$ 10,000	\$ 12,000	\$ 20,000	\$ 25,000
Internet Service	\$ 2,000	\$ 2,000	\$ 4,000	\$ 4,000
Office Supplies	\$ 6,000	\$ 7,500	\$ 9,000	\$ 12,000
Website	\$ 2,000	\$ 2,000	\$ 4,000	\$ 4,000
Shipping inbound	\$ 5,000	\$ 7,500	\$ 12,000	\$ 15,000
Travel	\$ 60,000	\$ 140,000	\$ 250,000	\$ 600,000
Certifications- & Annual Fees	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Short term loan	\$ 25,000	\$ 25,000	\$ -	\$ -
Line of Credit	\$ 50,000	\$ 50,000	\$ 75,000	\$ 100,000
Brochures & Catalogs & Printing	\$ 10,000	\$ 7,500	\$ 12,000	\$ 15,000
Advertising & Search engine optimization	\$ 250,000	\$ 250,000	\$ 250,000	\$ 350,000
Tradeshows	\$ 80,000	\$ 125,000	\$ 200,000	\$ 200,000
Legal	\$ 12,000	\$ 20,000	\$ 30,000	\$ 40,000
Patents	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Accounting	\$ 5,000	\$ 10,000	\$ 15,000	\$ 20,000
Server and IT support contractor	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Payroll				
CEO	\$ 120,000	\$ 132,000	\$ 145,200	\$ 159,720
Product Enginner-Operations	\$ 95,000	\$ 104,500	\$ 114,950	\$ 126,445
Sales Manager	\$ 95,000	\$ 104,500	\$ 114,950	\$ 126,445
Outside Sales	\$ 50,000	\$ 250,000	\$ 350,000	\$ 500,000
Outside sales commissions	\$ 145,950	\$ 496,843	\$ 1,339,800	\$ 3,237,850
Inside sales	\$ 30,000	\$ 60,000	\$ 120,000	\$ 150,000
Tech Support	\$ 60,000	\$ 120,000	\$ 120,000	\$ 240,000
Marketing Support	\$ 20,000	\$ 60,000	\$ 60,000	\$ 150,000
Administration	\$ 30,000	\$ 90,000	\$ 150,000	\$ 200,000
Shipping & Assembly & QC	\$ 30,000	\$ 60,000	\$ 120,000	\$ 150,000
Cost of Goods Sold	\$ 495,000	\$ 1,306,250	\$ 3,465,000	\$ 8,305,000
Total Expenses	\$ 1,828,000	\$ 3,733,025	\$ 7,658,100	\$ 16,221,110
Cash from Sales	\$ 2,085,000	\$ 7,097,750	\$ 19,140,000	\$ 46,255,000
Use of Funds				
Inventory	\$ 200,000			
Social Media	\$ 20,000			
Animation videos for website	\$ 35,000			
Open Central office and Equip- Phones-Computers	\$ 150,000			
IT equipment& Servers & API	\$ -	\$ 125,000		
Current Accounts Payable	\$ 75,000			
New Apps in Apple and Google	\$ 50,000			
Tradeshaw Display	\$ 30,000			
Contingencies	\$ 100,000			
Total Use of funds	\$ 660,000	\$ 125,000	\$ -	\$ -
Available Cash	\$ 1,197,000	\$ 4,039,725	\$ 11,481,900	\$ 30,033,890

6 SUMMARY

Hydrocom is not a start up company. The product is designed, tested, patented and on the shelf. Hydrocom has established market demand on multiple levels for the product. Extremely high profit margins coupled with high demand to solve a problem that never goes away, has created an opportunity for Hydrocom to position itself as the world leader in water conservation and control.

KEY ELEMENTS TO SUCCESS:

- The product solves an expensive problem and provides peace of mind
- Water damage and drought are ever-increasing problems that will never go away
- The product will soon be mandated by local governments and insurance companies
- Timing is excellent
- Marketplace competition is low
- Competition for market share is even lower
- Vastly superior product and features set us apart from the competition
- Profit margins are extremely high
- The market potential is worldwide
- The product is patent-protected





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