

2015

IglooControl Business Plan



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1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

The IglooControl system brings smart home climate control capabilities to the average consumer through its innovative, affordable and easy to use solution. The smart home industry has experienced rapid growth in recent years as there is a growing desire among consumers to make their homes smarter and to utilize their mobile devices to manage their smart home systems. However a sizeable segment of home owners have found that many smart home solutions are too expensive, too complicated or both. IglooControl solves this problem with its innovative climate control solution that works with the home's existing heating and cooling system. No longer are smart climate control and its benefits of energy efficiency and optimal comfort reserved for the wealthy home owner who can afford a whole home system or costly remodeling and retrofitting to accommodate alternative solutions. The IglooControl system works with existing heating and cooling systems, is easy to install and simple to operate. No need for expensive changes or messy remodeling. Nothing complicated.

1.2 PRODUCTS AND SERVICES

IglooControl offers a smart home point solution for climate control and security. The IglooControl system allows users to easily control temperature in each room or zone from their mobile device using their existing heating and cooling system. With the IglooControl system users can achieve maximum energy efficiency and optimized comfort. The innovative system includes all necessary hardware, software and mobile Apps, is easily installed in minutes and simple to operate from the users mobile device.

Simply install wireless dampers in existing vents. Mount temperature sensors in rooms or zones. Set desired temperatures using the control panel from any browser or mobile device. Wireless temperature sensors send temperature readings to the control box every few minutes. The control box communicates with dampers to adjust temperature. Dampers close in zones where temperature is at the desired setting and open to allow hot or cold air to flow into rooms and zones where temperature adjustment is needed. No need for complex installation or costly and messy remodeling.

1.3 MARKET OPPORTUNITY

The market opportunity for the IglooControl.com is significant and growing. Although the smart home industry has been growing rapidly, only 2% of US homes are smart leaving an untapped market and significant opportunity for IglooControl. Factors keeping homeowners from going smart include high cost, complicated installation, extensive retrofitting or remodeling, and unknown return on investment. IglooControl addresses these issues with its lower cost, easy installation, ability to work with existing heating and cooling systems and energy savings.

The IglooControl system, which is considered a point solution as opposed to a whole home system, will in most cases constitute the consumer's first smart home purchase. In fact, point solutions outsold whole-home systems in 2014 by a factor of six to one and generated 59 percent of the combined market revenues in North America and Europe. The most successful point solutions to date include smart thermostats, security systems, smart light bulbs, network cameras and multi-room audio systems.

IglooControl's target market consists of home owners, and to a lesser extent, renters who want to use technology to perform tasks, save time and money but don't need or have the money to invest in a whole-home system or go through a costly remodeling or retrofitting project in order to accommodate a smart home system. IglooControl's target market can be further defined as entry level smart home system buyers, younger consumers who are tech savvy and enthusiasts for using mobile devices to perform tasks, obtain information, manage their lives and enhance their lifestyle. They will most likely be middle income, live in owner occupied housing units with a home value in the mid-range. Based on these definitions a conservative estimate puts the U.S. Total Available Market for IglooControl at 11,809,270 housing units and a value (assuming an average selling price of \$2120) of \$25 billion. Applying the same formula to the Canadian market, we estimate the Canadian Total Available Market to be 1,357,636 households and \$2,878,189,530 value.

1.4 MARKETING STRATEGY

An integrated and aggressive marketing strategy with a focus on the utilization of digital media will be developed. The marketing strategy will integrate an up-to-date website, social networks, mobile apps and other digital media to reach, engage and serve its clients. Primary aims of the marketing strategy will be to attract new customers through a variety of promotional programs, build customer loyalty through engagement campaigns and value add services, retain existing customers and build a reputation within the target audience as the preferred smart home point solution provider.



1.5 MANAGEMENT

Founder, Yuliy Ruzin is a technology expert, entrepreneur, and home automation visionary.

His fifteen years of experience in software development for remote control functionality and the utilities industry gives Yuliy unique insights and skills to drive the success of IglooControl. With his talents and passion Yuliy has the ability to develop innovative solutions to meet current needs and shape the future of remote controlled home automation. He is also an experienced entrepreneur and proven leader. Yuliy founded Xronox, one of the first companies to develop software for mobile devices to allow for remote control functionality for multimedia PC's. He also led a successful team of over 50 employees while serving as Director of Enterprise Business Applications for Just Energy.

1.6 COMPETITIVE ADVANTAGE

The IglooControl.com system has several key advantages that will help it effectively compete and quickly gain traction. These advantages are;

- Works with existing heating and cooling system
- No need for expensive changes or messy remodeling
- Easy and inexpensive installation; DIY (Do It Yourself)
- Simple to operate

1.7 FINANCIAL PROJECTIONS

Financial projections for the first five years of operation have been developed. The financial outlook is extremely promising for IglooControl. Revenue is projected to grow from \$522,400 in Year 1 to \$1.9 million in Year 5. The Company begins turning a profit in Year 1 earning \$57,373 in Net Profit. This increases to \$316,352 in Year 5. Gross margin improves from 46% in Year 1 to 64% in Year 5. Cash flow is typically the most significant financial hurdle for start-ups. In order to maintain a positive cash balance and manage potential fluctuations in revenue and unplanned expenses during the first year, a cash infusion of \$247,743 is needed. With low overhead and rapid ramp up in revenue IglooControl will be able to maintain a positive cash balance and quickly reduce its need for outside capital. Financial highlights are summarized in Figure 1 below.

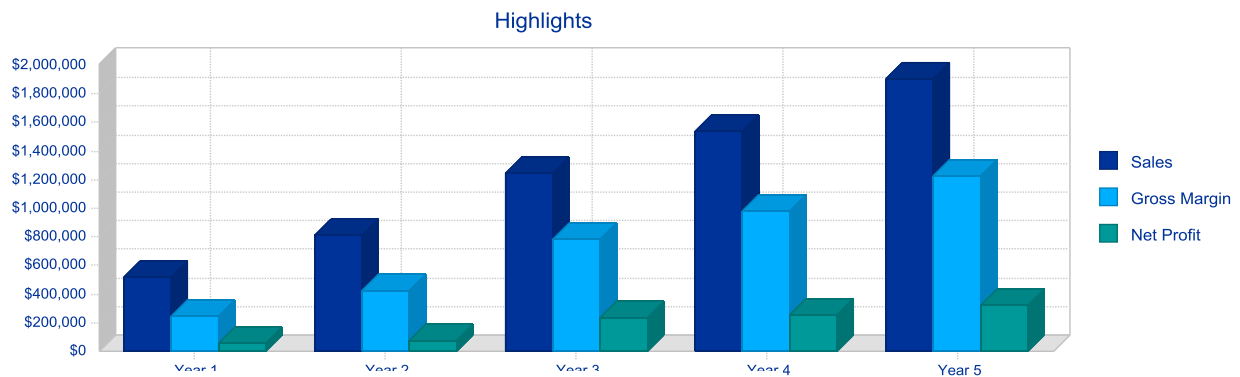


Figure 1: Financial Highlights

2 THE COMPANY

The IglooControl system is developed and marketed by the Ruzoid Corporation. The Company operates from the city of Bradford in Ontario Canada.

2.1 OBJECTIVES

- Obtain funding to move from prototype to full production and cover initial operating expenses.
- Launch IglooControl by [date launch is planned]
- Obtain installed base of 240 IglooControl systems and 120 home monitoring clients during the first 12 months of operation
- Retain 80% of installed base at least 5 years

2.2 MISSION

The mission of IglooControl is to give every home owner/occupant the ability to make their home comfortable, energy efficient and secure by providing an easy to use and cost effective smart home system.

2.3 KEYS TO SUCCESS

Insights from industry best practices as well as a thorough SWOT analysis indicate that the following attributes will be critical for success.

Ease of use. As many competitive options exist and smart climate control will be new to many customers, the system must be easy to use, flexible enough to accommodate different home heating and cooling systems and configurations.

Secure. Consumers have always been concerned with privacy and security when it comes to their home and this has only become more important with the ability and associated risks of controlling your home with a mobile device. The IglooControl system must have controls in place to ensure any customer information is private and secure and is resistant to hacking.

Reliability. Consumers expect and demand reliability. The IglooControl system must have a high level of accuracy with minimal problems and all problems must be resolved quickly.

Customer retention. As with any subscription business, retention of existing subscribers is a critical success factor. IglooControl must hold onto a majority of existing subscribers to be successful.

Anticipate evolving needs. The Company must anticipate and quickly respond to evolving climate control and security needs and smart device technology to address competitive threats and maintain the highest level of customer satisfaction.

3 PRODUCTS AND SERVICES

The Company currently offers a new cost efficient smart home solution for climate control and security. The IglooControl climate control product allows users to easily control temperature in each room or zone from their mobile device using their existing heating and cooling system. The product consists of wireless dampers, wireless temperature sensors and a wireless control box. Through the IglooControl system's innovative control panel users communicate with the control box from any browser or their mobile device.

How it works.

Zoning is the latest advancement in smart home climate control. Zoning means that you divide a house into a number of separate regions or zones based on usage and temperature preferences. Typically there will be a separate zone for bedrooms, main living areas and less-used areas. By dividing a house into zones, residents are able to control heating, air conditioning and ventilation to an exact degree zone by zone. Zoning results in improved comfort for residents and energy efficiency that translates into reduced costs. The IglooControl system makes the set up and control of zones quick and easy as it uses existing heating, air conditioning and ventilation systems.



Simply install wireless dampers in existing vents. Mount temperature sensors in rooms or zones. Set desired temperatures using the control panel from any browser or mobile device. Wireless temperature sensors send temperature readings to the control box every few minutes. The control box communicates with dampers to adjust temperature. Dampers close in zones where temperature is at the desired setting and open to allow hot or cold air to flow into rooms and zones where temperature adjustment is needed. No need for complex installation or costly and messy remodeling.

IglooControl takes into account how many vents are open during each temperature correction cycle to avoid excessive air pressure that could harm your furnace and AC. If too many vents are closed then it uses an algorithm to predict which zones need temperature correction in the near future and opens vents in those zones to alleviate air pressure and minimize temperature correction cycles which translates into less use of energy and longer HVAC system life.

IglooControl also provides users with a dashboard with reports about the system activity and temperature fluctuation. Users will receive detailed information about the system performance with suggestions on how to reduce their energy bill even more.

4 INDUSTRY

IglooControl competes in a sub-segment of the Smart Home systems industry. Smart home systems are generally segmented into six primary categories: energy management and climate control systems; security and access control systems; lighting, window and appliance control systems; home appliances; audio-visual and entertainment systems; and healthcare and assisted living systems. The industry can be further segmented into whole-home systems and point solutions, those designed for one specific function.

According to the recent Berg Insight report¹ North America is the most advanced region in the world for smart home solutions with an installed base of 3.5 million systems at the end of 2012. An estimated 0.7 million of these were multifunction or whole-home systems whereas 2.8 million were point solutions designed for one specific function such as climate control or security. Due to the fact that some homes have more than one system, Berg Insights estimates the installed based represents 2.9 million smart homes or 2.16 percent of households in the U.S. In 2014 there were 133,957,180 million households in U.S.²

Between 2012 and 2017 the installed base is forecasted to grow at a compound annual growth rate (CAGR) of 55.0 percent to reach 31.4 million smart home systems. Berg Insight estimates that the North American market was worth US\$1.6 billion in 2012, including revenues from hardware, services and installation. The market is expected to grow at a CAGR of 42 percent between 2012 and 2017, reaching \$ 9.4 billion in yearly revenues at the end of the forecast period.

As the industry has grown it has evolved to include a whole host of providers for both hardware and software technologies. These include whole-home solution vendors, product OEMs and smart home platform vendors. In the whole-home segment, traditional solution vendors such as Crestron, Control4, Gira and Jung are facing new competition as telecom operators, security service providers, energy companies and new vendors are entering the industry.

The product OEM category consists primarily of incumbents with decades of experience such as Honeywell, Whirlpool, ASSA ABLOY, Somfy, Philips and Sony. However, connectivity is giving birth to new device categories and redefined value propositions in several application areas such as interactive security and smart thermostats, enabling companies such as D-Link, Sonos, Belkin, Ecobee, Nest, and Numera to enter the market.

The smart home software platform category is today led by specialized technology vendors such as iControl, Alarm.com and AlertMe. These vendors have primarily competed against in-house development efforts from smart home solution vendors, but are now also starting to face competition from large technology companies such as Arris, Amdocs and Technicolor that have entered the smart home platform market.

¹ <http://www.reportlinker.com/p01866567-summary/view-report.html>

² Annual Estimates of Housing Units for the United States, Regions, Divisions, States, and Counties: April 1, 2010 to July 1, 2014 Source: U.S. Census Bureau, Population Division Release Date: May 2015

5 MARKET ANALYSIS

IglooControl can be classified as a point solution for climate control. A point solution will in most cases constitute the consumer's first smart home system purchase. Point solutions represent a major part of the smart home category. In fact, point solutions outsold whole-home systems in 2014 by a factor of six to one and generated 59 percent of the combined market revenues in North America and Europe. The most successful point solutions to date include smart thermostats, security systems, smart light bulbs, network cameras and multi-room audio systems.

IglooControl's target market consists of home owners, and to a lesser extent, renters who want to use technology to perform tasks, save time and money but don't need or have the money to invest in a whole-home system. IglooControl's target market can be further defined as entry level smart home system buyers, younger consumers who are tech savvy and enthusiasts for using mobile devices to perform tasks, manage their lives and provide information. They will most likely be middle income, live in owner occupied housing units with a home value in the mid-range (between \$150,000 to \$499,000 U.S.). Based on these definitions a conservative estimate puts the US market size for IglooControl at 11,809,270 housing units. In Canada, the average home price is \$474,600³ and ranges from \$164,000 in New Brunswick to \$632,000 in British Columbia. Looking just at Toronto the average is \$639,000.⁴ Applying the same formula to the Canadian market puts the market size at 1,357,636 households. This estimate was derived as follows;



	US	Canada
Number of owner occupied housing units with value in the middle range (US market \$150,000 to \$499,000⁵)	36,903,968	4,242,614
Percent of population considered technology enthusiasts⁶	32%	32%
Number of housing units in target market	11,809,270	1,357,636

³ <http://www.globalpropertyguide.com/North-America/Canada/Price-History>

⁴ <http://www.livingin-canada.com/house-prices-canada.html>

⁵ Source: U.S. Census Bureau, 2009-2013 5-Year American Community Survey

⁶ Berg Insight M2M Research Series Smart Homes and Home Automation

6 COMPETITION

Competition in the smart home system industry is typically categorized as follows; Whole home systems, Product OEMs, Smart Home Platform Vendors, and emerging specialty category 'Interactive Security and Smart Thermostats'. IglooControl competes most directly with the point solution specialty category vendors. Point solution climate control competitors include; Loxone, Keen Home, Nest, Ecobee and Honeywell. An overview of these competitors is provided below.

Company	web	Products & Services	Strengths, messaging	Comments	Pricing
Loxone	http://Loxone.com	Loxone mini server the modular architecture of the Miniserver ensures the Loxone Smart Home is flexible and fit for the future.	Smart Heating and Cooling Your home. Easily controlled. Intelligently automated. In a Loxone Smart Home, you can control everything from your lighting and heating to your PV system, all from a switch or from your phone. Best of all? Your home knows what to do, because it's intelligently automated.	Software is free. Customers only pay for the hardware	Mini Server \$549 Mini Server Go \$349 Temperature & Humidity Sensor Air \$79
Keen Home	http://keenhome.io/	Smart Vent	More Comfort. More Efficiency. Intelligently Connected.	Need to buy their vents. The Smart Vent retrofits existing floor, wall, and ceiling air vents in just a few simple steps, then wirelessly connects to your home network. The vents communicate with each other, as a Smart Vent System, to regulate airflow in rooms too hot, too cold or not in use for most of the day. The Smart Vent is wirelessly connected and senses temperature and duct pressure to make intelligent airflow decisions. With your phone or tablet, control is at your fingertips.	Pre - order \$270, Retail \$360
Nest	http://nest.com	Thermostats, Smoke and CO alarms, Cameras	Control it from anywhere. The Nest Learning Thermostat programs itself and can be controlled from your phone. Most people install the Nest Thermostat themselves in 30 minutes or less. Just turn it up and turn it down. The Nest Thermostat learns what temperatures you like and builds a personalized schedule. Teach it efficient temperatures for a few days and, within a week, it'll start setting them on its own. Use the Nest	Installation requires removing existing thermostat, reconnecting wires. Also a set-up procedure	Thermostat \$249
Ecobee	https://www.ecobee.com/	Smart thermostat	The smarter wi-fi thermostat with remote sensors. Monitor and adjust your home's temperature. View your remote sensors. Even set your thermostat to Home or Away with a tap. ecobee is an easy way to make life more comfortable, right from your wrist.	Included in the kit: ecobee3 thermostat Remote Sensor Power Extender Kit Screws and drywall plugs Standard and large trim plates Quick Start Guide Installation Guide and wire labels 3 year warranty	\$249
Honeywell Lyric Thermostat	http://lyric.honeywell.com/	Smart thermostat, app	Trusted and well known name. The next generation of smart technology from the Company that invented the round thermostat. Geofencing automatically regulates temperature when you're away Fine Tune considers temperature and humidity Smart Cues keep you informed Shortcuts create custom settings for recurring events Motion-sensing display lights up on approach Control from anywhere with your smart devices	A Honeywell certified contractor can provide you a Lyric Thermostat and install it in your home in no time. Also available at retailers and online.	\$249

7 SWOT

The IglooControl system and its founder have many attributes that will contribute to the successful start-up and expansion in a growing industry. The vision, passion, and expertise of Yuliy will set IglooControl apart from its competitors. We have identified a specific problem – costly and complicated systems - and an underserved niche – tech savvy entry level buyers - and developed a creative solution to serve this market. Threats that could limit success include possible technology advances that could render the platform outdated and competitive copycat products that could erode pricing and market share.

7.1 STRENGTHS

Simple product. The system is easy to install. There is no remodel, retrofit or complicated and costly installation.

Creative solution. We have identified a problem – many systems are unaffordable or too complicated. We have found a niche – consumers who want to use technology to make their home smart but don't want/can't afford a whole-home system. IglooControl addresses the entry level smart home technology buyer.

7.2 WEAKNESSES

New to market. IglooControl is a new system lacking awareness or reputation among the target market. Significant marketing will be required to generate awareness of and a preference for the IglooControl system.

Mitigation. *Aggressive and cost effective marketing programs to generate awareness of and preference for IglooControl system.*

Need funding. The Company requires outside funding to ramp up production and cover early operating expenses.

Mitigation. *Hire consultants to put together professional business plan and pitch deck and crowdfunding campaigns.*

7.3 OPPORTUNITIES

Smart home growth. The internet of things is a growing market. Consumers will be able to control more and more products with their mobile device.

Add on features. IglooControl can offer not only climate control but security, lighting and other smart home functions. Once we have acquired a customer there is an opportunity to add on additional products/services to increase revenue and profit per customer.

7.4 THREATS

Competitors enter the market. Existing point solution providers could introduce similar products with cost advantages and erode market share.

Mitigation: *The Company will continually add new features to stay ahead of the competition and build brand loyalty.*

New home designs. New homes may have built in smart home features including climate control which could reduce the need for after-market systems.

Mitigation: *The Company will diligently monitor trends, technologies and devices and react quickly with new features and services.*

Hacking. The site could get hacked which could have a negative impact on the Company's reputation and customer retention.

Mitigation: *The Company will employ the highest level of security measures and rigorously monitor systems to ensure the highest level of security and minimal risk of security breach.*

8 MARKETING

The Company will focus on digital with some traditional marketing strategies to promote the IglooControl system, generate awareness and create demand among the target audience. The marketing strategy will be focused on building an effective lead generation, nurturing and conversion program. By focusing on technology enthusiasts and wannabes who own a home we will laser in on our target niche market and create demand.

Our Go-to-market strategy will initially target Toronto homeowners in the mid to upper price range with an offering of our climate control system in different size ranges to meet varying home sizes. Pricing ranges from \$1360 to \$3000. We will advertise both online and offline and utilize flyers to generate leads. Leads will be closed through follow-up phone calls, online lead nurturing and in-person demonstrations. Our long-term marketing strategy and supporting tactics are outline below.

- (a) **Branding.** IglooControl will develop branding that clearly communicates the Company's mission. The branding will be utilized consistently across all marketing channels and materials.
- (b) **Customer acquisition.** Programs online and offline will be used to generate leads, nurture and convert.
- (c) **Customer retention.** IglooControl will develop a number of programs aimed specifically at the retention of current customers. Customer retention programs will focus on engaging, educating and rewarding loyalty.

8.1 MARKETING TACTICS

(a) Branding.

- A comprehensive branding strategy including positioning, messaging, logo, color scheme and graphic design will be developed. Branding will be developed to support the Company's mission and strategies and incorporated into all materials and communications. The branding will be built around the Company's mission: to give every home owner/occupant the ability to make their home comfortable, energy efficient and secure by providing an easy to use and cost effective system.

(b) Customer acquisition.

- Several promotion programs will be used to motivate potential customers to try the product. These will include variations of a money back guarantee, a limited time free trial with deposit and lease option and will be a cornerstone of the promotional strategy.
- SEO including detailed keyword research and optimizing content for SEO will be incorporated
- PPC will be utilized to generate leads. The focus will be primarily Google Adwords and relevant social media channels. A primary objective of the PPC ads will be to promote the limited time free trial, money back guarantee and lease option. Traffic will be sent to unique landing pages with offers relevant to the target audience. Leads will be captured and funneled into the lead nurturing program.
- Advertisements will be placed in relevant home remodel, energy savings, do it yourself, tech publications with strong call to action focused on the promotional campaign offers.
- Strategic partnerships will be formed with businesses that provide complementary services to the target market. Targets for the partnership program will include businesses selling complementary services to home owners/occupants such as heating and cooling repair, and others.
- Direct mail campaigns targeted to home owners/occupants will be implemented, driving the recipient to specific landing pages with targeted offers. Seasonal specials will be run to motivate buyers prior to the summer heat and winter cold.
- Email campaigns will be developed to nurture leads, keeping them engaged and convert.
- The Company will exhibit at relevant tradeshow aimed specifically at home remodel and energy efficiency. For example County fairs, Home and Garden Shows, Community Energy conservation events

(c) Customer retention.

- A variety of educational materials and resource tools will be created to provide value add services to customers and build customer loyalty. These will be used to position IglooControl as the expert and trusted resource for all things simple smart home tech. The content focus will include tips on energy efficiency, security, tech.
- Social media will be leveraged to communicate with and engage customers. The most relevant channels for the target audience will be utilized. Content will be developed to position IglooControl as the expert in simple tech solutions for making your home smarter. Social media will also be used to listen to customers and as a secondary customer service channel.
- Cost effective customer retention programs will be developed to thank customers for using IglooControl system. Examples include long-term subscription discounts, exclusive access to smart home and tech best practices tools and resources, VIP customer service access.

9 SALES STRATEGY

Leads generated from advertising and promotional campaigns will be entered into the sales funnel. Leads will be qualified and scored and closed through several channels. Email campaigns will be used to nurture leads and drive to an in-home demonstration, high scoring and qualified leads will be given to sales for follow-up and management and close, warm leads will be given to call center to schedule demonstration visits. Requests for quotes, phone and in-person consultations will be available online.

10 REVENUE FORECAST

A unit based revenue forecast has been built for the first 5 years of operation. We project 240 IglooControl climate control systems and 120 home monitoring systems will be sold during the first year. This results in revenue of \$522,400 for our first 12 months in operation. Going forward we anticipate a 50% increase in units sold in Year 2 and Year 3 and then tapering to 20% increase in Year 4 and Year 5. We also anticipate an annual 3% price increase in Year2 through Year 5. At the same time we expect our costs to decrease 10% in Year 2 and 20% in Year 3 and then flatten out. The result of these assumptions and projections is revenue reaching \$1.9 million in Year 5. The five year revenue forecast is presented in Table 1 below.

Table 1: Revenue Forecast

<i>Sales Forecast</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Unit Sales					
Small System	80	120	180	216	259
Medium System	100	150	225	270	324
Large System	60	90	135	162	194
Home Monitoring	120	180	270	324	389
Total Unit Sales	360	540	810	972	1,166
Unit Prices	Year 1	Year 2	Year 3	Year 4	Year 5
Small System	\$1,360.00	\$1,400.80	\$1,442.82	\$1,486.11	\$1,530.69
Medium System	\$2,120.00	\$2,183.60	\$2,249.11	\$2,316.58	\$2,386.08
Large System	\$3,000.00	\$3,090.00	\$3,182.70	\$3,278.18	\$3,376.53
Home Monitoring	\$180.00	\$185.40	\$190.96	\$196.69	\$202.59
Sales					
Small System	\$108,800	\$168,096	\$259,708	\$320,999	\$396,755
Medium System	\$212,000	\$327,540	\$506,049	\$625,477	\$773,089
Large System	\$180,000	\$278,100	\$429,665	\$531,065	\$656,397
Home Monitoring	\$21,600	\$33,372	\$51,560	\$63,728	\$78,768
Total Sales	\$522,400	\$807,108	\$1,246,982	\$1,541,270	\$1,905,009
Direct Unit Costs	Year 1	Year 2	Year 3	Year 4	Year 5
Small System	\$709.00	\$638.10	\$510.48	\$510.48	\$510.48
Medium System	\$1,061.00	\$954.90	\$763.92	\$763.92	\$763.92
Large System	\$1,463.00	\$1,316.70	\$1,053.36	\$1,053.36	\$1,053.36
Home Monitoring	\$180.00	\$174.60	\$169.36	\$169.36	\$169.36
Direct Cost of Sales					
Small System	\$56,720	\$76,572	\$91,886	\$110,264	\$132,316
Medium System	\$106,100	\$143,235	\$171,882	\$206,258	\$247,510
Large System	\$87,780	\$118,503	\$142,204	\$170,644	\$204,773
Home Monitoring	\$21,600	\$31,428	\$45,728	\$54,873	\$65,848
Subtotal Direct Cost of Sales	\$272,200	\$369,738	\$451,700	\$542,040	\$650,448

A revenue risk analysis and mitigation plan has been developed. We believe the major risks to our revenue plan are;

Selling cycle is longer than anticipated.

Mitigation: *Increase lead generation efforts to fill the funnel quickly.*

Inventory is not aligned with product sales. This could result in both backorders and excess inventory.

Mitigation: *Conduct research to determine system sizes needed in initial inventory purchase. Negotiate with vendors to obtain more favorable inventory purchase terms.*

Uptake is slower than anticipated.

Mitigation: *Increase advertising and lead generation efforts.*

11 MANAGEMENT

Founder, Yuliy Ruzin is a technology expert, entrepreneur, and home automation visionary. He brings to IglooControl experience and talents gained over 15 years in software development and a decade in the utilities industry as well as founding a previous start-up. His fifteen years of experience in software development for remote control functionality and leadership position in the utilities industry gives Yuliy unique insights and skills to drive the success of IglooControl. With his talents and passion Yuliy has the ability to develop innovative solutions to meet current needs and shape the future of remote controlled home automation.

He is also an experienced entrepreneur and proven leader. Yuliy founded Xronox, one of the first companies to develop software for mobile devices to allow for remote control functionality for multimedia PC's. He also led a successful team of over 50 employees while serving as Director of Enterprise Business Applications for Just Energy.

Yuliy's learned and natural ability in performing strategic negotiations, vendor management, and building key business relationships will help to set IglooControl apart and position the Company for success.

12 PERSONNEL PLAN

The IglooControl personnel plan outlines hiring of independent contractors to support the business operations. We anticipate the ability to start paying partner salaries in Year 2 as shown in Table 2 below.

Initially we will manage day to day operations internally. As the Company grows we anticipate the need to add the following independent contractor positions which are captured in the P&L.

- Customer service and support
- Sales Manager

Table 2: Personnel Plan

<i>Personnel Plan</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Partner 1	\$0	\$38,687	\$58,030	\$75,439	\$98,071
Partner 2	\$0	\$38,687	\$58,030	\$75,439	\$98,071
Name or Title or Group	\$0	\$0	\$0	\$0	\$0
Total People	0	2	2	2	2
Total Payroll	\$0	\$77,374	\$116,060	\$150,878	\$196,141

13 OPERATIONS PLAN

The IglooControl system will have regular maintenance, version updates and backup to ensure a reliable, up-to-date and trouble free experience.

Customer service and support will be given the highest priority. Customers will have the ability to obtain support through a variety of methods including responsive ticketing system, FAQ's and Support Forum.

Customers will also have access to a vast knowledge base of tutorials and informative videos through the Support Resource Portal. This will include resources for the consumer on installation, set-up and operating their system and troubleshooting problems.

14 FINANCIAL PLAN

14.1 START-UP REQUIREMENTS

The partners have invested \$50,000 to date to cover initial start-up expenses for design and development work. We estimate that \$247,743 will be required to cover start-up production and initial inventory purchases (first 6 months) as well as to cover the first 12 months of operating expenses with an estimated burn rate of \$13,000 per month. See funding requirements and use of funds in Table 3 and 4 below. We believe there is a moderate probability that a second round of funding will be required.

Table 3: Start-up Requirements

<i>Start-up</i>	
Requirements	
Start-up Expenses	
Start-up expenses (legal, consultants, prototypes)	\$50,000
Total Start-up Expenses	\$50,000
Start-up Assets	
Cash Required	\$160,540
Start-up Inventory	\$87,203
Other Current Assets	\$0
Long-term Assets	\$0
Total Assets	\$247,743
Total Requirements	\$297,743

Table 4: Start-up Funding

<i>Start-up Funding</i>	
Start-up Expenses to Fund	\$50,000
Start-up Assets to Fund	\$247,743
Total Funding Required	\$297,743
Assets	
Non-cash Assets from Start-up	\$87,203
Cash Requirements from Start-up	\$160,540
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$160,540
Total Assets	\$247,743
Liabilities and Capital	
Liabilities	
Current Borrowing	\$0
Long-term Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$0
Capital	
Planned Investment	
Owner	\$50,000
Investor	\$247,743
Additional Investment Requirement	\$0
Total Planned Investment	\$297,743
Loss at Start-up (Start-up Expenses)	(\$50,000)
Total Capital	\$247,743
Total Capital and Liabilities	\$247,743
Total Funding	\$297,743

14.2 PROFIT AND LOSS

The five-year P&L projections indicate a very strong performance with revenue growing from \$522,400 to \$1.9 and Net Profit growing from \$57,373 to \$316,352 in Years 1 to 5, respectively. Key assumptions in building the P&L are;

- Other Direct Cost of sales = Credit Card Processing Fee. 6 transactions per customer per year. \$5.34 per transaction.
- Marketing 15% of system revenue
- Sales 10% of system revenue
- Admin 5% of system revenue
- Sales and Marketing strategy consultant \$6,000 Y1.

Table 5: Profit and Loss

<i>Pro Forma Profit and Loss</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	\$522,400	\$807,108	\$1,246,982	\$1,541,270	\$1,905,009
Direct Cost of Sales	\$272,200	\$369,738	\$451,700	\$542,040	\$650,448
Other Costs of Sales	\$7,699	\$10,459	\$15,689	\$20,762	\$24,895
Total Cost of Sales	\$279,899	\$380,197	\$467,389	\$562,802	\$675,343
Gross Margin	\$242,501	\$426,911	\$779,593	\$978,468	\$1,229,667
Gross Margin %	46.42%	52.89%	62.52%	63.48%	64.55%
Expenses					
Payroll	\$0	\$77,374	\$116,060	\$150,878	\$196,141
Marketing/Promotion	\$75,120	\$116,060	\$150,879	\$221,631	\$273,936
Depreciation	\$0	\$0	\$0	\$0	\$0
Sales	\$50,080	\$77,374	\$116,060	\$147,754	\$182,624
Web development	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400
Legal	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Payroll Taxes	\$0	\$11,606	\$17,409	\$22,632	\$29,421
Website hosting	\$900	\$900	\$900	\$900	\$900
Admin	\$25,040	\$30,949	\$34,818	\$73,877	\$91,312
Sales & Mktg Consultant	\$6,000	\$0	\$0	\$0	\$0
Total Operating Expenses	\$160,540	\$317,663	\$439,526	\$621,072	\$777,735
Profit Before Interest and Taxes	\$81,961	\$109,248	\$340,067	\$357,396	\$451,932
EBITDA	\$81,961	\$109,248	\$340,067	\$357,396	\$451,932
Interest Expense	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$24,588	\$32,774	\$102,020	\$107,219	\$135,580
Net Profit	\$57,373	\$76,474	\$238,047	\$250,177	\$316,352
Net Profit/Sales	10.98%	9.48%	19.09%	16.23%	16.61%

14.3 CASH FLOW

Our projections indicate that we will maintain a healthy cash balance and start to generate a positive net cash flow starting Year 2. Assumptions used in building the cash flow projections are;

- Months of inventory on hand = 6 for Year 1. Assume as business grows that more favorable inventory purchase terms are negotiated and months on hand can reduce to 3 months in Year 2, 2 months in Year 3 and 1 month in Year 4 and 5.
- Minimum inventory purchase = \$10,000.

Details on cash received and cash spent are provided in Table 6.

Table 6: Cash Flow

<i>Pro Forma Cash Flow</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Received					
Cash from Operations					
Cash Sales	\$522,400	\$807,108	\$1,246,982	\$1,541,270	\$1,905,009
Subtotal Cash from Operations	\$522,400	\$807,108	\$1,246,982	\$1,541,270	\$1,905,009
Additional Cash Received					
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$522,400	\$807,108	\$1,246,982	\$1,541,270	\$1,905,009
Expenditures	Year 1	Year 2	Year 3	Year 4	Year 5
Expenditures from Operations					
Cash Spending	\$0	\$77,374	\$116,060	\$150,878	\$196,141
Bill Payments	\$542,560	\$568,261	\$834,484	\$1,082,461	\$1,378,624
Subtotal Spent on Operations	\$542,560	\$645,635	\$950,544	\$1,233,339	\$1,574,765
Additional Cash Spent					
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$542,560	\$645,635	\$950,544	\$1,233,339	\$1,574,765
Net Cash Flow	(\$20,160)	\$161,473	\$296,438	\$307,931	\$330,244
Cash Balance	\$140,380	\$301,854	\$598,291	\$906,222	\$1,236,466

14.4 BALANCE SHEET

The five year Pro Forma Balance Sheet indicates Net Worth will grow from \$305,116 in Year 1 to \$1,186,166 in Year 5. See Table 7 for additional details.

Table 7: Balance Sheet

<i>Pro Forma Balance Sheet</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Current Assets					
Cash	\$140,380	\$301,854	\$598,291	\$906,222	\$1,236,466
Inventory	\$221,328	\$125,557	\$91,972	\$54,204	\$65,045
Other Current Assets	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$361,708	\$427,410	\$690,263	\$960,426	\$1,301,510
Long-term Assets					
Long-term Assets	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0	\$0	\$0
Total Assets	\$361,708	\$427,410	\$690,263	\$960,426	\$1,301,510
Liabilities and Capital	Year 1	Year 2	Year 3	Year 4	Year 5
Current Liabilities					
Accounts Payable	\$56,593	\$45,821	\$70,627	\$90,612	\$115,344
Current Borrowing	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$56,593	\$45,821	\$70,627	\$90,612	\$115,344
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$56,593	\$45,821	\$70,627	\$90,612	\$115,344
Paid-in Capital	\$297,743	\$297,743	\$297,743	\$297,743	\$297,743
Retained Earnings	(\$50,000)	\$7,373	\$83,846	\$321,893	\$572,071
Earnings	\$57,373	\$76,474	\$238,047	\$250,177	\$316,352
Total Capital	\$305,116	\$381,589	\$619,636	\$869,814	\$1,186,166
Total Liabilities and Capital	\$361,708	\$427,410	\$690,263	\$960,426	\$1,301,510
Net Worth	\$305,116	\$381,589	\$619,636	\$869,814	\$1,186,166

14.5 RATIO ANALYSIS

We looked at several key ratios and each indicates a healthy financial picture. Table 8 presents several key ratios for IglooControl. The current plan does not include any significant liabilities giving the Company a high Current and Quick Ratio. The high Current and Quick Ratios indicate the Company will be able to easily meet its financial obligations. The Company's emphasis on efficiencies in the production and delivery of products and operations will result in healthy gross margin and net profit. The pre-tax return on Assets indicates profits as a percentage of Total Assets before taxes and measures the Company's ability to manage and allocate resources.

Table 8: Ratios

<i>Ratio Analysis</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Sales Growth	n.a.	54.50%	54.50%	23.60%	23.60%
Percent of Sales					
Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Gross Margin	46.42%	52.89%	62.52%	63.48%	64.55%
Selling, General & Administrative Expenses	35.44%	43.42%	43.43%	47.25%	47.94%
Advertising Expenses	14.38%	14.38%	12.10%	14.38%	14.38%
Profit Before Interest and Taxes	15.69%	13.54%	27.27%	23.19%	23.72%
Main Ratios					
Current	6.39	9.33	9.77	10.60	11.28
Quick	2.48	6.59	8.47	10.00	10.72
Pre-tax Return on Assets	22.66%	25.56%	49.27%	37.21%	34.72%
Additional Ratios					
Net Profit Margin	Year 1	Year 2	Year 3	Year 4	Year 5
Return on Equity	10.98%	9.48%	19.09%	16.23%	16.61%
	18.80%	20.04%	38.42%	28.76%	26.67%
Activity Ratios					
Inventory Turnover	1.96	2.13	4.15	7.42	10.91
Accounts Payable Turnover	10.59	12.17	12.17	12.17	12.17
Payment Days	27	34	25	27	27
Total Asset Turnover	1.44	1.89	1.81	1.60	1.46

14.6 BREAK EVEN ANALYSIS

Our analysis shows the break-even point at 19 units and \$27,933 per month. This is how much revenue we will need to meet both fixed and variable costs. Based on our sales projections this is likely to occur in or near month 4.

Table 9: Break-even

<i>Break-even Analysis</i>	
Monthly Units Break-even	19
Monthly Revenue Break-even	\$27,933
Assumptions:	
Average Per-Unit Revenue	\$1,451.11
Average Per-Unit Variable Cost	\$756.11
Estimated Monthly Fixed Cost	\$13,378