

Alula JCF Application

Section 3

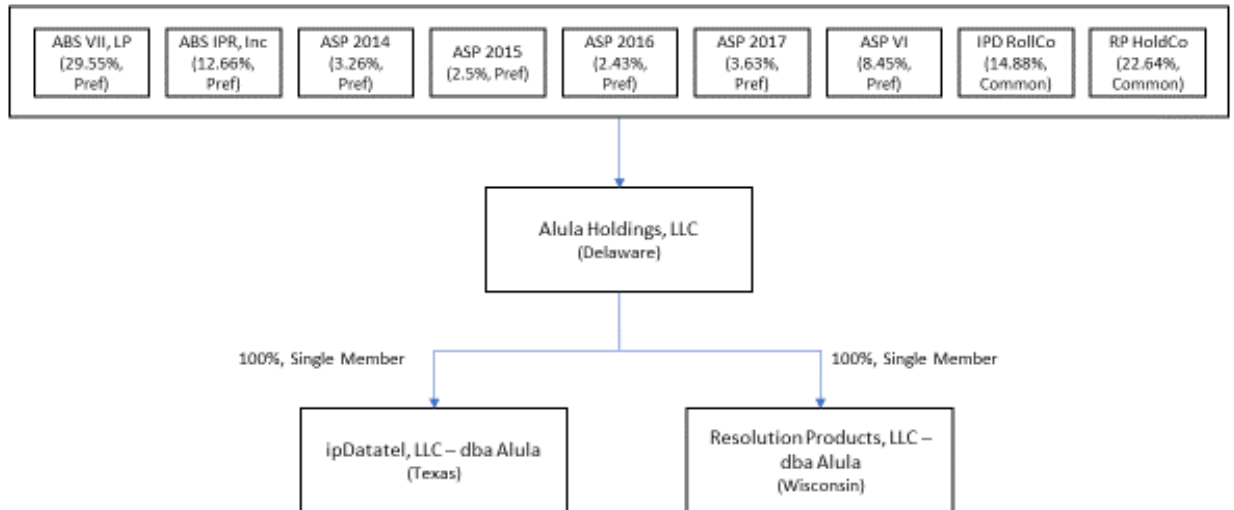
Part A – Business Description Business overview and company history and ownership - include organizational structure, parent company and any affiliates

1. Alula is established as a disruptive leader in the IoT, Connected Premise, and Alarm Monitoring space, offering an end-to-end platform for new systems. Alula products also have the potential to rejuvenate ~26 million existing alarm systems in the U.S., combining the most feature-rich product portfolio with high value, reliable interactive alarm and connected premise cloud services.

“Alula” is the registered dba of two subsidiaries of Alula Holdings, LLC (formerly IPR Holdings, LLC- established in 2017 by ABS Capital):

- ipDatatel, LLC, founded in 2007, leading security network provider based in Houston TX, and
- Resolution Products, LLC (formerly Resolution Products, Inc.), a leading security products/engineering company founded in 2009, and headquartered in Hudson, WI.

Alula Ownership and Entity Structure 2018



Alula has partnered with several security-affiliated distributors in the U.S. and has a distributor base of 100+ distributors and over 300+ locations combined. The Company sells directly to a large dealer base, but leverages distributors to reach those smaller dealers in the industry and where direct sales would be impractical. The Company’s products are then distributed through the value chain to dealers who in turn install the product and utilize the Company’s communications software and automation capabilities.

The Company has two facilities (Houston, TX and Hudson, WI) where it runs sales, operations, marketing, product design and programming, testing, assembly, and other

corporate activities. It also has a number of co-locations for equipment and cloud service.

Alula's products fit professional dealers' needs for new systems, retrofit systems, and the addition of devices to existing product ecosystems, cellular / network upgrades, enhanced security features, and connected premise capabilities. Products include:

- Connect+ - Security & Automation & Platform: Designed to deliver interactive alarm and connected premise automation from an end customer's mobile device
- Communicators & Gateways: Including those for cellular, internet, and cellular + internet
- Translators: Enable legacy sensor products installed to be controlled by a new security system panel / hub
- Compatible Sensors: Full line of intrusion, life safety, and environmental sensors

The Company's products are integrally linked with high margin, recurring revenue solutions such as interactive alarm services, connected premise services, video, and its Alula app.

2. Products and services offered by Alula are rapidly being adopted by more consumers, and market demand for IoT, the Connected Premise and Alarm monitoring are increasing dramatically.

- IoT Market
 - 50 billion connected devices in 2020
 - 50 billion devices estimated in the IoT market by 2020 compared to 15 billion today (CAGR of 27.2%)
- Connected Premise Market
 - 50% of U.S. broadband households will have a smart controller in 2020
 - \$23 billion Connected Premise market is expected to grow to \$60.7 billion in 2024 (CAGR of 12.9%)
- Alarm Monitoring Market
 - \$55 billion industry in 2016
 - \$55 billion Alarm Monitoring industry compared to \$46 billion in 2013 (CAGR of 6.1%)

The Company is uniquely positioned to take advantage of key trends in the market and can deliver solutions for all customer professional (dealer) needs:

- Retrofit market – the large installed base of alarm systems (26 million) that need improved functionality, upgrades to newer cellular networks, and a transition from traditional landlines – ability to use legacy sensors are a big advantage.
- New installation market – one-stop solution for new systems leveraging a wireless security panel and smart connected premise controller – reduces install time, increases customer satisfaction, and improves dealer success!
- Feature-rich, value-added offering creates a strong value proposition for the dealers and reduces account creation costs, maximizes recurring revenue, and lowers attrition.
- Additional, significant opportunities for sales into small and medium-sized business (“SMB”) end customers, do-it-yourself (“DIY”), personal emergence

response systems (“PERS”), non-alarm dealers (audiovisual (“AV”), etc.), and international sales channel.

3. Alula’s projected total revenue for 2018 is \$41M which is 22% YoY growth versus 2017 and we expect to grow revenues annually by 25%+ over the next few years. Projected sales for Minnesota in 2018 is \$500K or 1.1% of total revenue and expect our sales in Minnesota to be in the 1% - 2% range of total revenue over the next years.
4. The JCF project will continue to support our current customer base which includes over 2,900 dealers and distributors (domestically and internationally) who buy our products and services. For 2017 our sales in Minnesota were \$378,000 or 1.1% of total revenues, and we are forecasting revenues in Minnesota within our existing customer base and new customers to be in the 1% - 2% of total revenues in future years.
5. Alula sells products both domestically (all 50 states) and internationally through dealers and distributors. We currently have over 2,900 customers, and for 2017 our total sales by markets were 93% USA (1.1% in Minnesota), 6% Canada/Mexico and 1% international. For 2018 and 2019 we expect roughly the same percentage of sales by market, but by 2020 we do expect to see some modest growth in other markets (Canada and Mexico).
6. Our goal is to bring a viable and growing company to Minnesota that will pay livable wages to our employees and increase the tax base for the state. Our leadership team believes in becoming part of the community and will promote community involvement through charity and community events.
7. Consolidated financials are available for review. Because IPR Holdings (now Alula Holdings) acquired both companies in August 2017, these are compiled internally. Prior year tax returns for each company can be made available.

Part B – Project Description Describe the project for which JCF funds are being requested.

8. Alula is interested in moving its headquarters from Hudson, WI to Saint Paul, MN. This would initially involve moving 70 jobs: 50 administrative, engineering and other jobs, as well as 20 production jobs, and adding 65 additional jobs over the next three years. The current Hudson facility is a lease for 18,000 sq. feet and is a combination of office and warehouse space. We expect to lease the new facility and expand to 50,000-60,000 sq. feet of both office and warehouse space. The new facility would be renovated and will include leasehold improvements within the office and warehouse areas. We are currently estimating construction/leasehold improvement costs to be \$500,000 - \$750,000 (still in process, but will confirm once done)
9. If this is a lease scenario, explain how the JCF applicant will pay for tenant improvements, including amount, timing, and upfront expenses vs. lease payments. For more information see Job Creation Fund Benefits Explained.

Answer: Alula will be executing a lease that will include an allowance for tenant improvements currently estimated in the TBD...

10. By bringing Alula headquarters to Minnesota, we will be bringing a combination of jobs at varying pay ranges and levels of experience. Alula's workforce is diverse and we have a commitment to the local community. By locating in Saint Paul, we will be strengthening the City's tech cluster and helping to build the State's strengths in IoT and the Connected Space sectors.

11. **TBD**

12. Attach line-item construction cost estimates for real property improvements for the JCF project

Answer: **TBD**

13. If available, attach a commitment letter from each financing source (ie Financial Institutions), including a letter of commitment for any business equity

Answer: **TBD**

PART C – Business Competitors. Identify the competitors of the business within local community (city and county), the adjacent counties, and in the state of Minnesota. Include:

14. The name of each major competitor and the location of each competitor by city (headquarter)

Answer: Our top competitors include:

- Alarm.com Holdings (NasdaqGS: ALRM)– Tysons, Virginia
- Napco Security Technologies, Inc. (NasdaqGS:NSSC) – Amityville, NY
- Johnson Controls, Inc. (NYSE: JCI) – Cork, Ireland
- Honeywell (NYSE: HON) – Morris Plains, NJ
- Nortek Security & Control, LLC – Carlsbad, CA
- Simplisafe – Boston, MA

15. How the products or services are different than the JCF business'

Answer: What sets us apart from our competitors is providing dealers our end-to-end platform through our IP-centric Connect Plus hardware and services solution. Our Hub-first modular design allows for our dealers to adapt to an ever-changing competitive landscape in the security and connected home space. We are committed to the success of professional security dealers vs. going direct to the end user which allows us to focus exclusively on the needs of this channel. Our products empower dealers to leverage emerging Do It Yourself (DIY) smart home trends, and we offer tightly integrated service and equipment for reliability and centralized support.

16. How the markets are different from the JCF business'

Answer: Our core market focus is dealers who serve the security and connected home automation needs of residential homes (85%), builders (5%) ,SMB (10%). Our competitors also sell into these markets, so we look to differentiate ourselves by being the champion of professional security dealers, allowing them to leverage the smart home revolution to reach new levels of growth. Alula's advanced IP-centric solution empowers our partners with the fastest installs, dramatically lower maintenance costs and powerful smart home connectivity that creates loyal customers.

PART D – Detailed job & wage information.

17. If applicable, provide quarterly payroll reports from the last year for current permanent full-time employees who will be located at the JCF project site

Answer: See attached additional support labeled S3, Part D-17

18. For new full-time permanent employees, complete the form on Page 5 of this application or attach a listing of jobs that includes the information from the form on Page 5.

Answer: See attached additional support labeled S3, Part D-18