

## The Deal – Equity Based Agreement

### Round 1 Funding - \$1,000,000 or 20% company equity

First round of funding will allow an investor(s) up to a total of \$1,000,000 for a 20% stake of Ducted Vortex, Inc. Round 1 will include 3 phases with a minimum investment of \$150,000 for Phase 1 product advancement to begin development into the systems next outlined goals. Phase 1 will take 6 months to 1 1/2 years to complete. Ducted Vortex, Inc.'s goal is to keep as much equity available so additional rounds of company share based funding are available for potential future investors. Once Phase 1 funds have been obtained, we can start the development process and secure the necessary measures for the full advancement of this innovation moving forward. Vortex energy is a modern area of green energy application that is ecologically clean with no environment pollution.

### Phase 1 – \$150,000

Phase 1 funds will be used to perfect the design and configuration of the proposed system. This will be accomplished by contracting specialized engineers to run extensive tests concentrated on mechanical engineering, fluid dynamics, and electrical schematics. The engineering completed in this phase will give us a detailed look into computer simulation models and results that will include energy input versus output in various environments, hot and cold thermal temperature readings, correct internal part(s) placement for optimal energy savings, and a complete electrical diagram with schematics. This phase will produce CAD files and CAE aided simulation for precise results founded in real time scenarios. In addition, we will build the fifth prototype (DV-5).

Understanding how turbulent airflow and liquid move through, in, and around this innovation is key to its success. This is a very exciting time for aerodynamic and fluid mechanics rapid prototyping. Today's Aerodynamics Analysis software (CFD) allows us to save hundreds of thousands of dollars in trial-and-error prototyping that would otherwise take years by the ability to rapidly simulate scenarios in real time. This allows development and production times constraints to be dramatically reduced. This prototype will have an all 3-D printed interior and be the first prototype we have developed that has an aluminum exterior casing.

This phase will also include a detailed explainer video on the workings of how the fluid dynamics of the project make this act of engineering unique to anything on the current market. The presentation video will always include how the system will work in residential and commercial applications.

By the end of phase 1 funding, we will have a full project presentation with statistics and data depicting exactly how the Ducted Vortex System will work in comparison to anything seen in the current HVAC marketplace and thermal measurement schemes. In addition, we will have our latest prototype to date completed which will be very close to the market-ready version. It will no longer serve as a "proof-of-concept" prototype and have standard controls that are easy for consumers to control. It will be aesthetically pleasing that of a futuristic unit and, this phase will detail expectations on market ready performance with much needed development transpiring along the timeline process.

This is a crucial step and is critical to the foundation of the entire project moving forward. The funds used in phase 1 will keep the company moving forward for 1-1.5 years.

### Phase 2- \$350,000

Once the market-ready configuration of the system is tested and tried, several prototypes with an eye appealing aesthetic design will begin to be developed with features in the works that will meet the needs of the new age consumer.

Each external casing part will be custom-made from lightweight polished aluminum. The tooling for each of these parts will initially be the costliest. Once everything is perfected, multiple units will be produced at a low cost.

This phase of development will encompass the complete advanced electrical system of the Ducted Vortex System. We expect the electrical system development to be in the \$100,000+ range by itself. Even though the Ducted Vortex System has simplified the heating and cooling process, it still needs custom advanced electronics that specifically control its efficiency. The main goal of phase 2 will be to have a finished market-ready version completed that will pass all UL inspections and specifications. A UL-approved prototype will enhance the opportunity for allowing pre-orders to be conducted, raising additional capital to further secure the success of Ducted Vortex, Inc. The funds secured in phase 2 will keep the company moving forward for an additional for about 2 years.

Also in phase 2, mockups of the commercial units for factories, warehouses, and barns will begin to take shape and form. After Phase 2 is complete, company plans are to showcase the Ducted Vortex System with presentations on a nationwide tour displaying this newfound technology and its benefits and advancements for society at large. We anticipate setting up

professional home and patio booths in many states across the country. We will also begin to solicit new construction home builders concerning our residential and commercial systems. Our vision is to have a clear room made of glass with a clear divide between each room. A clear door on both sides will be installed allowing the person to walk into each part of the room divide. One side will feel cold, and the other side will have the hot output. Power input usage and energy output will be on display where everyone can see the data and parameters. We will have it set up as to where independent electrical professionals can use their own equipment to take power consumption measurements. We can possibly take orders for numerous units and get national attention in this fashion through newspaper article disclosure.

Big screen televisions playing on a loop will show the crowds of people a full video presentation and important explainer videos on how the future residential systems will work and the positive implications of instituting such a new and profound green technology. The presentation will include how the Ducted Vortex System can be scaled up to essentially any size to heat and cool a wide range of indoor areas, large warehouses and barns - the current HVAC industry has not been able to do so efficiently.

### **Phase 3 - \$500,000**

\$1,000,000 is ultimately the goal to really get this project developed and moving in the marketplace by year three from the initial start of seeking funds. As mentioned above \$500,000 is the absolute minimum we can pull off a near market ready version. Anyone in business knows that anything new typically costs 2-3 times as much and takes a considerable amount of time. An additional \$500,000 will cover everything we need to complete the 3-year plan and get us ready for the Round 2 funding of \$10,000,000.

We have a three-phase tier-based investor funding approach in which milestones can be accomplished with limited risk. Phase three is to raise a total of \$1,000,000 for operating expenses and product development for the first three years.

**Note:** Please note that we do not need the full \$1,000,000 to start this process. We only need the minimum Phase 1 \$150,000 to get this process started. We can raise the rest of the capital anytime during the first 1 1/2 years of the project. This is a 3-year development project with 3 total phases of funding. It is our intentions to limit the risk for the investor and the company.

### **Managed Risk**

Ducted Vortex, Inc. is offering up to 20% of the company equity for a \$1,000,000 investment. The investor has the option to purchase all 20% of equity shares offered from the beginning or start with phase 1 - for a minimal risk of \$150,000. This is an optional approach for the investor, as we are giving you the opportunity to choose your risk level and cannot start the process without the minimal amount.

**Cap Amount:** Only 20% of company equity is available from Round 1, and the entire 20% of Ducted Vortex, Inc can be obtained for a \$1,000,000 investment.

Each 1% of company equity equates to \$50,000. No more than 20% will be offered initially. The minimum amount is 1.5% or \$150,000.

Example: If you believed in this project and wanted a 10% equity stake in this company from the start, it would cost - 10 X \$50,000 = \$500,000. If you like what we have to offer, but want to take a minimal risk, the investment would be \$150,000 or a 3% equity stake.

No investor will be able to receive any of their investment back until 3 years have matured from the beginning of their investment installment. Each investor will receive a quarterly newsletter on the progress of the Ducted Vortex System.

### **Round 2 Funding**

After 3 years of development, we should have an enormous amount accomplished which will include everything needed to take the window/wall units mainstream across the country. We want to complete most of the manufacturing in-house and create many new jobs in the sector. In order to accomplish this, we will seek a \$10,000,000 million dollar funding round. Shares of this round will be adjusted to the return of the initial shares sold so that any investor that wants an exit on the beginning of the second round can do so at this time.

### **Round 3 – IPO**

Ducted Vortex, Inc. is looking towards the future with an IPO the goal of this entire project. We want to create a completely new industry where the initial investors can compound their initial investment and shareholders are a central focus with company stability in mind.

## Exit & Safety Clause

*There are several possible exits for the investor after three years has transpired. We are confident that the Ducted Vortex System will be one of the most efficient systems in the world based on preliminary tests and research. Our intention is to have an initial public offering after two rounds of funding and create a ground floor manufacturing company in Jacksonville, Florida. Our goal for investors is to go public between year 4-5, however, there will be several ways for the investor to exit.*

**Exit 1:** 3-year investment of 12.5% per year or 37.5% return.

*Initially, there will be the need for a solid three years of development - keep in mind that there will be enormous amounts of progress accomplished only building company and product value.*

*It is very important to us that each investor feels comfortable and will be assured that every possible step will be taken to ensure each investor gets a full return on their initial investment as laid out. As a safety clause and promise to the investor so that everything is fully disclosed in our business plan moving forward, we feel that comprehensive exit strategies for the investor to choose from – in case product does not come to fruition – are in everyone's best interest.*

*Ducted Vortex, Inc. future endeavors are to have an IPO offered so build company growth. After three years the initial investor(s) can hold their percentage of equity or decide to liquidate and exit business relations with our company. The first round of funding will only include up to \$1,000,000. The second round of funding will have an asking amount of \$10,000,000 with an adjusted share price.*

*We will give each initial investor the opportunity to exit with a 37.5% ROI on year three. The new share price will also be 37.5% higher than it is for the Round 2 \$10,000,000 funding endeavor. In year three of development, there will be an enormous amount progress made and unmatched advancements in Ducted Vortex technology that are currently not found amongst other companies pursuing other alternative forms of heating and cooling needs.*

**Exit 2:** The Fail-Safe

*If we get to year three and the project is stalled, Ducted Vortex, Inc. has the option of placing the entire company up for sale with all progress accomplished. This will include placing the patent up for licensing or assignment to pay back all investors first and foremost up to and including the 37.5% return. The intellectual property protection is good for 20 years and we will have a clear vision of where the company is heading after the first three years of development. We feel that the company will not ever have to explore this option, but also must disclose that this option is one that we will take to ensure the investor receives their initial investment back.*

*This clause describes where the inventor is willing to give up everything to pay ground floor investors back first. This is the worst-case scenario, but important to disclose and have a plan of action in place. The fail-safe also tries*

**Exit 3:** The IPO

*Over the next several years each investor will have first-hand knowledge of directly where the company is heading – through quarterly newsletter and company website. The third possible exit strategy is for the investor to hold all their shares and wait for the intended IPO. This will be the most profitable approach and could happen between years 4 and 5.*

*We are very excited about the potential and capability of this project, and what it holds financially and for the advancement of humanity into the New Age. Every step and precaution necessary will be made to ensure each investor is satisfied with participating in this huge undertaking.*