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Tulecom Group - Control 4

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# proposal case

Control 

 *tulecom*  
solutions

## Introduction

First of all, we would like to greet you and thank you for your interest in this business opportunity.

Presenting this proposal case, Tulecom would like to demonstrate its firmed commitmen on becoming Control4's exclusive distributor for Iberian Peninsula (Spain and Portugal).

This document includes a summary of our Market, Product Research and Business Opportunity. Concluding that there is business opportunity in Spain and Portugal, and today is the moment for introducing Control4.

We believe that it is the perfect timing for working together.

## Market Research

Consists in investigating facts and figures of the Real State business. More precisely, telecommunication, promotion and construction sectors; aiming on medium and large companies.

### Spain

Economy - overview: The Spanish economy boomed from 1986 to 1990 averaging 5% annual growth. After a European-wide recession in the early 1990s, the Spanish economy resumed moderate growth starting in 1994. **Spain's mixed capitalist economy supports a GDP that on a per capita basis is equal to that of the leading West European economies.**

The center-right government of former President Jose Maria Aznar successfully worked to gain **admission to the first group of countries launching the European single currency (the Euro) on 1 January 1999**. The Aznar administration continued to advocate liberalization, privatization, and deregulation of the economy and introduced some tax reforms to that end. Unemployment fell steadily under the Aznar administration but remains high at 7.6%. Growth averaging more than 3% annually during 2003-07 was satisfactory given the background of a faltering European economy. The Socialist president, Rodriguez Zapatero, has made mixed progress in carrying out key structural reforms, which need to be accelerated and deepened to sustain Spain's economic growth. Despite the economy's relative solid footing significant downside risks remain including Spain's continued loss of competitiveness, the potential for a housing market collapse, the country's changing demographic profile, and a decline in EU structural funds.

**GDP** (purchasing power parity): \$1.352 trillion (2007 est.)

**GDP** - real growth rate: 3.8% (2007 est.)

**GDP** - per capita (PPP): \$30,100 (2007 est.)

Distribution of family income - Gini index: 32 (2005)

Household income or consumption by percentage share: *lowest 10%: 2.6% highest 10%: 26.6%* (2000)

## Telecommunication

In 2005 the total income by wholesale services, retail or final income, and other services, of the telecommunication sector have ascended to 40,831.72 (1) million Euros, which supposes a growth of 9.8%, that is 1.6 points superior to the registered one in 2004. The income by wholesale services has grown 3.2% ascending to 7,451.99 million Euros, that represents 18.3% of the total invoicing. The final services have grown 9.8% ascending to 32,232.64 million Euros that represents 78.9% of the total. The 2.8% left refers to other ways of income. The invoicing has grown a 131.2% from the date of liberalization of the sector, 1998, and except in 2003, 2004 and 2005 always with inter-annual growth of two digits, with a maximum of 19.1% in 1999, from which the growth has been falling successively until 2005, year from which the growth recovers. In the considered period, the participation of the sector within the GDP has evolved in similar way, except in 2005 that the GDP has grown 13.2%, 3.4% grew over the telecommunication sector (see chart 1.0).

Chart 1.0

	2001	2002	2003	2004	2005	Var(%)
<b>Telecommunication Income<sup>1</sup></b>	28.217,0	31.584,0	34.371,0	37.189,0	40.832,0	9,8
<b>Value Added<sup>1</sup></b>				17.951,0	15.397,0	-14,2
<b>Per Capita Income</b>	686,0	755,0	805,0	861,0	927,0	7,1
<b>Home s`Income</b>	2.118,0	2.279,0	2.430,0	2.584,0	2.881,0	11,5
<b>Employee s`Income</b>	299,0	352,0	404,0	423,0	442,0	4,6
<b>Income by GDP%</b>	4,3	4,6	4,6	4,7	4,5	-4,3
<b>Total Investment<sup>1</sup></b>	8.191,0	5.556,0	4.542,0	4.666,0	5.581,0	19,6
<b>Investment Per Capita</b>	199,0	133,0	106,0	108,0	127,0	17,1

<sup>1</sup> ( million of euros, rest of numbers in euros)



## Domotic

### *Domotic, a succulent business in Spain*

**Intelligent homes that control by an unique computer, aspects like security, lighting and air conditioning; gain a volume of business of 1,200 million Euros in 2005** in Spain only, presented in Barcelona within the framework of the hall the Construmat construction.

Thus, it emphasizes the existence in **Spain of more than 600,000 families connected to asymmetric digital lines (ADSL), number that will ascend to four million in the next years.** Also, it emphasizes the increasing demand of security systems, with more than 300,000 alarms at present, as well as **more than 2.5 million subscribers to the digital platforms.** The forecasts more conservatives consider that at least one of each ten families will have a connected home and the initial average investment will be around one percent of the price of the house. The architects who must design the buildings will incorporate all the technology. By a computer embedded in the wall of the house, the home can be connected to a switchboard of alarms, as well as have access to Internet in all the rooms or be provided with a closed circuit of television that allows the user to monitor its house when it is outside the home

### **Market analysis 2006 and forecasts of growth**

The market of new and digital homes: A data research made by Accedes provided by manufacturers of equipment and installers in new house crossed the facilitated ones by the INE (National Statistic Institute) provides the chart 1.1 below.

Chart 1.1

Year	Total of Homes Built		Homes With Domotics Systems	
	Houses*	Rise	Houses*	Rise
2006	22.9	750000	64	
2007	23.5	600000	142	1180000
2008	24	500000	452	310000
2009	24.5	500000	904	452000

<sup>1</sup> ( Million)

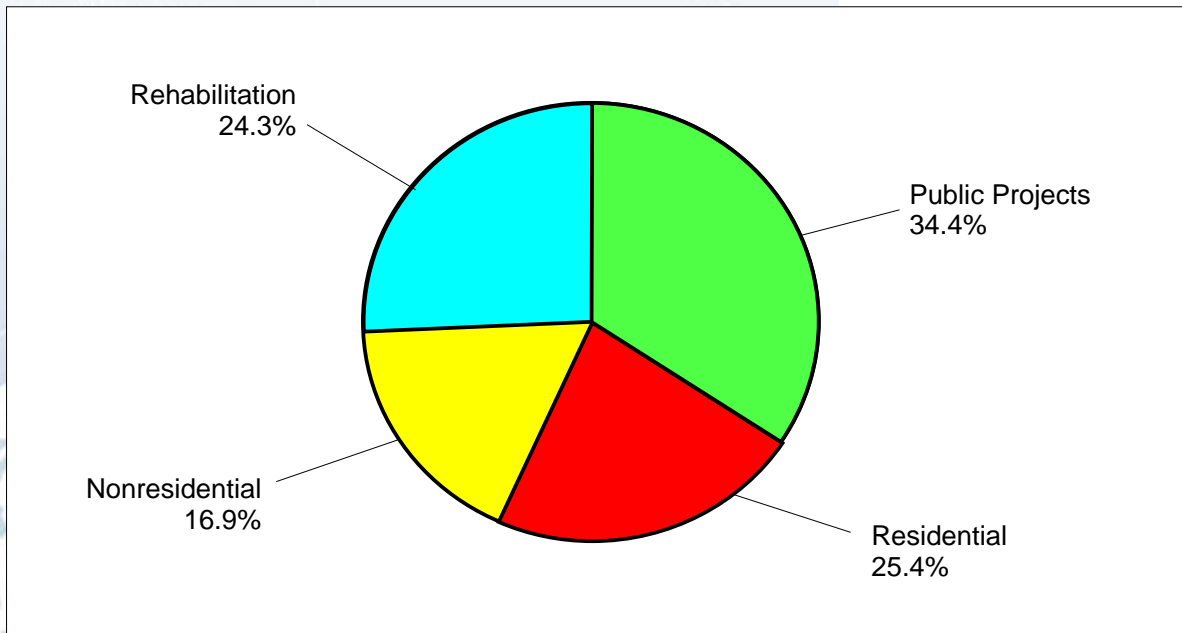
### Construction and equipments

The auxiliary sector of the construction and its industries clearly include two differentiated sectors. On the one hand, the sector of the construction (public construction, residential and nonresidential constructions and rehabilitation and reconstruction) and, on the other, the sector of the construction equipments. First group forms the construction companies, including the subsector of the civil work, promotion of houses and the auxiliary industries. The second, is formed by the manufacture of all the products used in the construction.

### Present situation of the construction

**Construction is one of the most profitable sectors of the Spanish economy.** Its added gross value represents 10% of the GDP, constitutes 13.9% of the total labor force and 58.3% of total investment. **Spain occupies the fifth place, within the EU.** After Germany, France, UK and Italy. In addition, it goes associated with one major industry that is materials and equipment supplies. In 2005 the value of the production of the sector was 165,157 million Euros. During 2005 the sector was of generalized growth, around 5% in VAB (Valor Añadido Bruto) Gross Value, 8% in labor and 7% in invoicing.

Chart 1.2



### Portugal

Economy - overview: Portugal has become a diversified economy since joining the European Community in 1986. Over the past two decades, successive governments have privatized many state-controlled firms and liberalized key areas of the economy, including the financial and telecommunications sectors. **The country qualified for the European Monetary Union (EMU) in 1998 and began circulating the euro on 1 January 2002 along with 11 other EU member economies.**

Economic growth had been above the EU average for much of the 1990s, but fell back in 2001-07. GDP per capita stands at roughly two-thirds of the EU-27 average. A poor educational system, in particular, has been an obstacle to greater productivity and growth. Portugal has been increasingly overshadowed by lower-cost producers in Central Europe and Asia as a target for foreign direct investment. The budget deficit surged to an all-time high of 6% of GDP in 2005, but the government reduced the deficit to 2.6% in 2007 - a year ahead of Portugal's targeted schedule. Nonetheless, the government faces tough choices in its attempts to boost Portugal's economic competitiveness while keeping the budget deficit within the eurozone's 3%-of-GDP ceiling.



**GDP** (purchasing power parity): \$230.5 billion (2007 est.)

**GDP** - real growth rate: 1.9% (2007 est.)

**GDP** - per capita (PPP): \$21,700 (2007 est.)

Distribution of family income - Gini index: 38.5 (2005)

Household income or consumption by percentage share: lowest 10%: 3.1% highest 10%: 28.4% (1995 est.)

## Economic Structure

Based on information by National Statistic Institution, the Portuguese economic structure, at the end of 2005 was: 2.9% of the gross value was generated by primary sector, 18.3% by industry and energy sector, 6.3% by construction, and 72.5% by services (see chart 2.0).

**Chart 2.0**

	%GV	%Var. GV	% of Total Jobs
<b>Agriculture and Fishing</b>	2.90%	-8.50%	11.80%
<b>Industry</b>	15.80%	-1.60%	19.30%
<b>Energy</b>	2.50%	2.10%	0.50%
<b>Constuction</b>	6.30%	-4.00%	10.80%
<b>Commerce and Turism</b>	17.80%	1.90%	20.50%

## Construction

**Construction has always been considered one of the most important sectors in Portugal, because of its revitalizing effect in economy.** During the 90s its participation was close to 10% of GDP, and today it doest exceed 6%.

From January to October of 2006 public construction fell 11% and the confidence in the sector to historical minimums (under 52%).

The actual budgets do not foretell a significant rise, although the number of big projects like the new Lisbon international airport, and new high-speed train lines for the next decade.



The residential market is one of the market sectors where investors and developers have been showing greater prudence in recent years. At the same time, market players are becoming increasingly professional. The Confidencial Imobiliário Index (ICI) has disclosed figures for December 2007.

## Chart 2.1

Real State Market \ Years	80s	90s	2001	2007
Total Growth value				208.00%
Annual Growth Value Average	23.20%	6.40%	5.40%	1.50%

Over the last 4 months, ICI displayed once again a positive performance, with an annual value growth rate of 3.3% reversing the downward trend that had set in between June 2006 and June 2007. In the new housing market such slowdown persisted until November, when the annual average value growth rate hit 1.5%. After that, it started going up again, reaching 1.7% in December. The performance of the used housing market was similar to that of the total ICI index, with the annual average value growth rate going up after July but remaining below the values scored in the new housing market. In 2007, used homes recorded an annual average value growth rate of 1.0%. In 2007, the Lisbon Metropolitan Area recorded an average annual value growth below that of the total index, closing the year at 1.1%. The performance throughout the last quarter was quite positive, with the market recording a change of 1.8% on the corresponding quarter of the previous year, the highest value for the year. In the market for new housing, the annual average value growth was 1.8%, whereas the market for used houses recorded a somewhat lower value growth of 0,8%.

### Residential

License, global and residential, from January to October of 2007. The conjuncture in the private markets of construction continues to evidence two distinct evolutions: a negative evolution of levels of

the residential segment and a trend of favorable evolution in the segment of the not residential buildings. As for the residential buildings the FEPICOP esteem that the production, in 2007, is about 6% below of 2006. On the other hand, **the not residential buildings, the production will be able to register a very reasonable addition in relation to the previous year.**

### Iberian Market: Spain and Portugal

Spain remains as the first client from Portugal Market with a 25% cuota, and the first supplier with a 29% cuota. Because of its similar culture and way of life, besides its geographical proximity (see chart 2.1)

Chart 2.0

Data	2003*	2004*	2005*	%Cuota
World	28,074.30	28,770.10	30,664.90	100.00%
Spain	6,684.00	7,165.20	7,913.70	25.81%
France	3,702.20	4,012.90	3,985.10	13.00%
Germany	4,152.00	3,869.30	3,574.60	11.66%
UK	2,877.60	2,756.80	2,420.40	7.89%
World	41,725.90	44,174.40	49,179.40	100.00%
Spain	12,544.60	12,930.10	14,226.40	28.93%
Germany	6,106.10	6,312.20	6,598.80	13.42%
France	4,085.90	4,121.90	4,162.30	8.46%
Italy	2,675.70	2,688.50	2,553.00	5.19%
Holland	1,957.30	2,032.50	2,101.40	4.27%
UK	2,041.00	2,036.50	2,068.80	4.21%
Automobile	3,979.20	4,007.60	3,925.80	12.80%
Machines, electric appliances	3,403.90	3,094.00	3,192.80	10.40%
Nuclear reactors and machines	2,139.90	2,174.20	2,543.70	8.30%
Clothes and complements	1,990.00	1,884.10	1,697.20	5.54%
Gasoline and oil	675.00	855.30	1,309.40	4.27%
Gasoline and oil	4,221.90	4,941.30	7,235.70	14.70%
Automobile	4,937.50	5,592.30	5,632.30	11.50%
Machines, electric appliances	4,501.70	4,410.80	5,140.30	10.50%
Nuclear reactors and machines	4,316.90	4,423.10	4,672.30	9.50%
Plastics and manufacture	1,439.80	1,564.50	1,730.90	3.52%

\*Million of euros

Spain is the country with the lowest production in the sector of construction during November of 2007 in the EU, with a fall of 3.9% since October, according to the Communitarian Statistic Office (EUROSTAT). In this period, the real estate sector of the Euro zone underwent a productive fall of 0.8%, whereas the set of the Union lowered in a 0.2%. In October of 2007, the statistics aimed at an ascent of 0.6% in the Euro zone and 0.3% in the EU 27.

Among the ten Member States that have facilitated the statistics of November of 2007, Spain has the greatest production fall, followed by Portugal (- 2.8%), Slovenia (- 2.6%), Germany (- 0.7%), France (- 0.4%), and Slovakia and Holland, both with -0,1%.

Statistics by sectors, and also in relation to October, the construction of buildings lowered in a 1.1% in the Euro zone, and a 0.2% in the EU 27, after to have grown a 0.9% and a 0.2%, respectively, during the previous month. The civil work diminished a 0.5%, as much in the Euro zone as in the set of the 27, in November of 2007, whereas in October, the sector had grown in a 0.1% and a 0.4%, respectively. On the other hand, the statistical comparison between the production in the construction of November of 2007 with the one of the same month of 2006 aims also at a fall of 0.8% in the Euro zone, although it raised in the same percentage in the EU 27.

According to the inter-annual comparison, the production fell in four Member States, and it was increased in six. The most important falls were registered in Germany and Slovakia, both with 6.3%, and in Spain (- 6.2%), followed by Portugal (- 2.8%). By sectors, the construction of buildings lowered a 0.7% in the Euro zone, although a 12% raised in the EU, whereas the civil work fell in 1,2% a percent in the Euro zone and raised a 0.15% in the 27.

besides its geographical proximity (see chart 2.1)



## Product Research

Tulecom Group S.L. is interested in Wireless Home Domotic Systems by Control4 and more precisely we analyzed the capabilities of:

Home Controller HC-300  
Home Controller HC-500  
Home Controller HC-1000

System Remote Control

Speaker Point  
Multi-Channel Amplifier  
Multi-Tunner  
Audio Matrix Switch

10.5" Wireless Touch Screen  
3.5" Mini Touch Screen  
LCD Keypad  
Table Dock for the Touch Screen

Wireless Dimmer  
Wireless Switch  
Wireless Outlet Dimmer  
Wireless Button Keypad (2, 3 and 6 button)

Wireless Thermostat





## Opportunity and Potencial

Going through the latest information about the construction sector (see Iberian Market) which shows that there is a slow down in the construction bubble. More specifically, the demand of residential buildings has been affected because an increase on the price of houses and square feet for construction, and a decrease on production. We consider that there is a business opportunity because constructors and agents need to offer added values to new and reconstructed homes in order to attract clients and to close deals.

In order to have a differentiated offer, close to potential clients and to improve our sales' strategy, we are considering two models: First, to have an Open Floor, a complete full equipped apartment, open from Monday to Friday, office hours, and second to get an agreement with constructors in order to implement the system in their open floors.

### Control4's International Network

An assessment of Control4 international distribution network, focusing on geographical and cultural affinities, has been done, taking different aspects into consideration – like place, size, technology, among other – trying to extract distribution patterns.

	UK	BENELUX	SPAIN AND PORTUGAL	MEXICO	ARGENTINA	BRAZIL
<b>Company</b>	Aventure	Control4Be NeluxSP.RL	Tulecom Group	Ampliaudio	Diapasón de Buenos Aires	DISAC
<b>Experience (from)</b>	90s	200s	2005	80s	70s	1996
<b>Size</b>	Big	Small	Small	Big	Small	Big
<b>Distribution Net</b>	126 shops in England, Wales, Scotland, Ireland, North Ireland	4 shops in Holland Belgium	4 delegations between Madrid Lisboa	2004 in Mexico	Buenos Aires	200 shops in Brazil
<b>Technology</b>	Video and audio solutions	Home theater, network devices, control 4	Video audio and connetion solutions	Video audio and connetion solutions	Video and audio	Video and computer tech
<b>Web</b>	<a href="http://www.aventure-europe.com">www.aventure-europe.com</a>	<a href="http://www.control4.be">www.control4.be</a>	<a href="http://www.tulecom.com">www.tulecom.com</a>	<a href="http://www.ampliaudio.com">www.ampliaudio.com</a>	<a href="http://www.rafaelquezada.com">www.rafaelquezada.com</a>	<a href="http://www.disac.com">www.disac.com</a>

This analysis of the descriptive characteristics from Control4's distributors derived from public information, reveal an heterogeneous distribution network, linked to years of experience, distribution network and market size. Based on this, **we consider that Tulecom Group structure is in line with Control4 distribution guidelines**, having the necessary knowhow and sufficient experience to best explore the Iberian Market.

### Tulecom Group

#### ***"your faithful technological company"***

Tulecom is a **socially responsible company** devoted to the **development of tailor-made technological solutions** that are applicable in various fields of use, **based on the paradigm of Ambient Intelligence**.

- It has a vocation for service,
- with the objective of using technology for the benefit of people,
- facilitating the achievements of each company and institution which we work with,
- optimizing available human and technological resources.

Tulecom offers technological solutions of information, communication, and business intelligence based on the paradigm of Ambient Intelligence and technological consultancy services, which are applicable to the academic, health, residential, and mining sectors, and congresses, fairs, exhibitions, and museums, among others.

**For more information please go to our web site:**

[http://www.tulecom.com/about\\_us/we\\_offer.shtml](http://www.tulecom.com/about_us/we_offer.shtml)

This year, Tulecom Group and the University of Salamanca, are organizing “RFID Congress” during, 24-26th, September 2008 and “Artificial Intelligence and Computing Congress” in Salamanca, Spain, during 22-24th, October, 2008. It is a good opportunity for us to show to potential clients and influential people the Control4 technology.

Tulecom Group has signed an agreement with European Academy Of Yuste, for collaborate in social and techonogical projects. One of this projects, is the organization of the ceremony of the European Award Carlos V that will be held on june 18 on 2008 in Cuacos of Yuste (Caceres).

**Some of our clients, collaborators and associatives:**



**Conclusion**

Based on the analysis of the demand, concurrence, culture and way of living of Spain and Portugal (Iberian Market state of art, actual and future projection), connected with Tulecom's business interests, and Control4's philosophy, business expansion strategy and distribution guidelines, we consider the introduction and development of Control4 Products to be a good market opportunity for both companies.



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CONTROL4

[www.control4.com](http://www.control4.com)

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