

ReVolt Battery Exchange Store Opportunity Prospectus - October 2019

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The story of the ReVolt Battery Exchange

Around 2012, I noticed the jump in the price of automotive and RV batteries – it had nearly doubled! Between myself and my children, we had 18 batteries in all our various cars, trucks, boats, trailers and ATVs. With an average life between them of about 3 years, we were buying 6 batteries a year!

I had known that there existed charging methods to extend battery life for many decades because fork-lift battery chargers employed something in them for that. Having practiced electrical engineering for over 20 years and developing consumer electronic products, I decided to start experimenting in my garage with some ideas I had.

After about a year of puttering around I had hit on a method that produced noticeable results. I started buying batteries off craigslist to test and perfect the method. In over a year, I was able to buy and sell about 800 batteries that I used to improve my circuit. I was also able to sell the batteries back on Craigslist and make a little extra money.

I had a college itch to try the Kickstarter.com platform to launch this product on. After my second attempt, it was successfully funded and I spent the summer building and shipping units all over the world and made some money. But, I was quite gainfully employed when I did all this and this was a major distraction and cost me a whole summer of my free time. So, I stopped pursuing the venture any further and focused on my job.

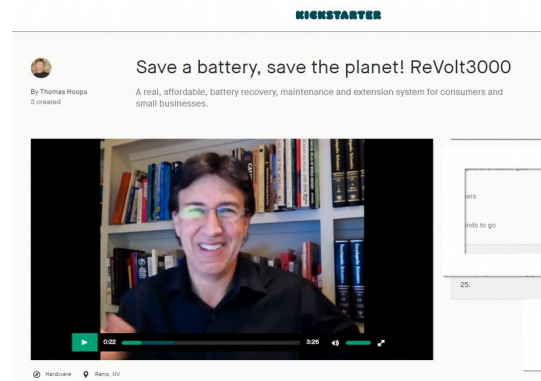
A couple years later, I resigned from the company I had been working for. But I needed an office to continue my work on other projects and I found some inexpensive retail space. I thought I would bring some of the prototypes I had left from my Kickstarter project to repair batteries there and sell them to help cover the overhead.

ReVolt

Battery Exchange & more!

**Home of the
\$25 Car Battery!**

"We don't Over-Charge!" :)



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That quickly became its own business and I was back with my nose against the grindstone to further improve my device for production use.

Being in a small retail location, and having a restaurant just one unit over meant that everything had to be really clean, no toxic chemicals or industrial processes. Power consumption had to be minimized and success rates for battery repairs had to be high. Over the course of the next 2 years, the store continued strong and steady growth, and so did the refinement and development of the ReVolt battery repair systems.

Demand for batteries in the store continued to increase. But the size and available power of the store did not. I had to design a unit that was energy efficient, compact and would save on all the hours that were being spent tending to them. By January of 2019, I had begun production of a unit that fit those needs. It was compact, efficient, very effective, serviceable and automated. The net result was a product which can recover dead or weak but viable batteries with a yield of 60 to 70 percent success rate!

For the most of 3 years, the ReVolt Battery Exchange, which started as just an effort to help cover the rent for a software business, has been changing to focus on what it is in clarity today. During the journey much opportunity for growth was lost even though the growth numbers are strong (mostly double digit percentages month over month). Signs, product groupings, testing, policies, marketing messages, software, procedures, and equipment, all constantly moving toward optimization. But even today (August 2019) it continues to be hampered by the lost opportunity of not having more space. At about 750 Sq ft I would enter it into the category of the world's most compact battery recycling and sales center!



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Also, there remains many additional untapped income opportunities. There is good traffic flow and opportunity to sell other new batteries as well as things like wiper blades, accessories, cables, accepting a wider range of batteries such as those for industrial equipment, cables, connectors, battery chargers and more. Other services could be offered as well, smog, electrical diagnostic, belt changes, etc. The store only has 8 parking spaces which are shared with two other larger tenants.



The ReVolt Battery Exchange as it is today is a good unit of measure for calculating various scaled up versions of it because it is still mostly dependent on the prime revenue center being the battery recycling. I would expect most operations to have at least 1,000 to 2,000 sq ft and thus 3 to 10 times the revenues as this creates other opportunities as well as you will see in further reading. Yet, in April of 2019, this tiny business processed its 10,000th battery! All of about half a million pounds of batteries have come through and gone out Reno RBE's doors!



Why the ReVolt Battery Exchange is uniquely advantaged.

Most other used battery centers have to operate in industrially zoned areas. This is because they often times need to gather many more batteries cores to scavenge viable batteries from that may only need a charge to otherwise be fine. After processing 10,000 batteries, our experience shows that only about 5-10% of the batteries we receive can be resold with only a charge. The rest, need more. Another 5 to 10% may need some distilled water added (for those with caps). The ReVolt Battery Exchange achieves a consistent 60 to over 70% yield. This is 3 times or more what charge and fill will produce.



So, what do the other guys do to overcome lower profits from such a poor yield?

1. Take in more batteries – a lot more. The ReVolt Battery Exchange (RBE) can harvest 60 to 70 batteries out of 100 viable batteries that customers bring to us. Other's would have to bring in 300 or more viable batteries. That takes more space, personnel, heavy equipment machinery to move pallets, trucks, etc. Almost all of RBE's batteries come in one by one through a 36 inch man door.
2. They also can make money off the difference between what they pay for batteries and what they scrap them for. RBE can also do this and has done so in the past. But the supply of batteries is not always steady. Sometimes it is necessary to compete for dead batteries. Again, RBE has an advantage. Because it doesn't depend on scrap brokering for profits. It can actually offer more money than scrap value if necessary. And the battery scavengers are very sensitive to who is paying the most. Also, many of the batteries the other guys scrap out, RBE could have recovered and sold for a hefty profit.
3. They can also use more industrial processes to recover batteries which would not respond to charge and fill alone. The most common is Dump, Flush and Fill. This can improve yield by 15 to 25 percent. However, it's very messy and labor intensive as each battery must be opened and the old acid dumped or filtered. Then the battery must be rinsed well. Then refilled again with new acid. That takes a lot of space, and some specialized handling with so much acid



Figure 1: ReVolt Model AuGoose

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being moved. RBE could benefit from this. However, the RBE's proprietary systems effectively do a majority of this work by clearing out low resistance areas between the battery plates and pushing over-sulfation back into solution – all without a touch.

4. They can open the battery and rebuild it. Wow – right? Yes, actually cut the batteries open, and harvest good plate sets and re-connect them and then seal the battery back up. Again, industrial process and lots of labor.

5. They can use special chemical additives. I'm not talking about Epson salt, aspirin or other internet lore. There are special, expensive chemicals that not only desulfate the battery but help with the recovery of gases. However, the process to introduce these chemicals and then balance the battery is again, laborious and expensive and more industrial.

6. Drilling of sealed and AGM types. Many newer batteries are sealed and/or AGM type. While some can be drilled and filled (which is also an option for RBE), that necessity complicates or blocks the other methods mentioned earlier for increasing yield.

7. This a big one. How else can they make more money from a lesser yield? They can charge more money for their batteries! Well, again this puts them at a disadvantage. Simply put, RBE batteries have a much lower cost than these alternatives afford to the competitors. Lower labor. Lower materials. Less space. Less energy. Less waste. **You may also change pricing above or below what the RBE prices batteries at to help cover differences in overhead, yield or compete harder.**



ReVolt Battery Exchanges are Powered By: 

Another large advantage that RBE has is retail pad compatibility. RBE produces no hazardous waste. It uses a simple residential size dumpster for garbage which is rarely ever full when collected. It doesn't not require large amounts of water or, believe it or not – electricity! All the ReVolt units necessary to process 80 batteries can reside on a single 120VAC 20 Amp breaker! At \$0.12 per KWH, RBE's power bill for ReVolt machines alone is about \$120 per month. And finally, in the same physical building as RBE is a restaurant. RBE is indeed a CLEAN lead-acid battery recycling system. Which is the primary reason it is retail pad compatible.

Why is retail pad compatibility a big advantage? Two answers: traffic and convenience. Traffic means customers, and often without the marketing expense of trying to lure them into an industrial area. RBE's most valuable marketing tool is a simple sandwich board that sits out near the road in front of the store and says "\$25 Car Batteries". Convenience also means customers. Depending on your situation, you can offer customers very short travel and total transaction times because you can be in a location that is convenient for them. The RBE is less than ¼ mile from a Walmart!

Finally, RBE is GREEN popular. Really. People are curious how we do it. They love that it's mostly a non-destructive recycling process. RBE has a single residential sized garbage can that is usually ½ full of cardboard and beverage containers at pickup time... CLEAN! In the triangle of recycling, RBE is at the base - "Re-Use".



The money and projections.

Let's be realistic. There are many factors here which are out of our control that depend on you, your abilities, your judgment, your resources and your opportunity. The best we can do is make our marketing assets, equipment, processes, knowledge, methods, software and training available to you. And also, take our transparent proto-store data and provide it to you in units that you can try to scale to your situation and arrive at some useful projections with for your case.

Sales

First let's cover some adjustments. The differences between where RBE is now and where you're starting is that for the first to second year, RBE did not have:

1. A consistent marketing message or direction.
2. Consistent and clear signage.
3. POS software to track performance and metrics.
4. Successful and clear product categories.
5. Solid store policies.
6. Superior automated ReVolt machines.
7. Enough ReVolt machines.
8. Trained employees who could focus just on the store.

You would be starting from where we are today. My estimate of where RBE would be now had we been given this head start, is that our revenues would be triple or more what they are today and RBE would be in a larger retail space. RBE is currently looking to move to a larger retail spot when its lease ends in 2020.

Deeply connected to your business level is also your business hours. RBE is currently open Monday – Friday 10am to 6pm, Saturday 10am to 4pm and closed on Sunday. As should be obvious by the end of the last sentence, an opportunity exists for 15 to 20% gain in revenues by simply being open a 7th day in the week. Also obvious is that the morning hours don't start soon enough and the Saturday hours could be extended as well. These are adjustments left to the prospective owner to make for a work/life balance.



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Here are the growth numbers for RBE for each quarter since opening as of May 2019:

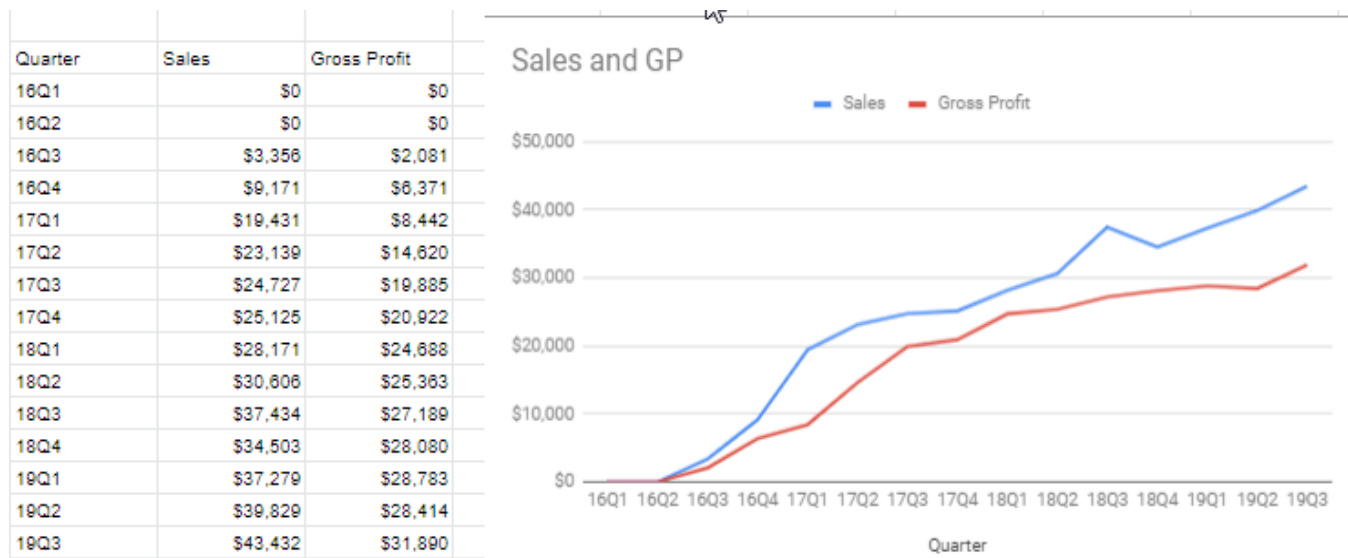


Figure 2: Quarterly Sales & GP (RevoltStore1P&L - All Quarters)

This doesn't mean you can expect to start with a quarter that brings you in excess of \$37K, because you will still have a ramp-up period. Industry standards for this are 6 months to a year. But it's not an unrealistic expectation that this store could have done a \$37K quarter after it's first year had it started with everything that's being offered in the store package today.

Also, specialty and industrial batteries are a market we're just now starting to get into. In the beginning, we had very few machines and so every open slot a precious piece of real estate for the next car or truck battery that could be started processing. But with enough capacity now, we can experiment with recovering equipment and power system batteries like floor buffers, golf carts, rental equipment batteries, construction signs and lighting, heavy equipment, solar, and other types. The ReVolt systems are all capable of working on these with different settings. The income from these could eclipse the auto market if you're in the right area.

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Here are some relevant projection units using actual numbers:

	Actual	Growth%/yr	\$/Sqft	\$/Ppl	\$/Car/Day	\$/1Mile/PP	\$/2Mile/PP	\$/3Mile/PP	\$/5Mile/PP
2018 Q1 GP	\$24,687		\$32.70	\$12,343.50	\$1.65	\$1.73	\$0.39	\$0.19	\$0.10
2018 Q1 Sales	\$28,171		\$37.31	\$14,085.50	\$1.88	\$1.98	\$0.45	\$0.22	\$0.11
2019 Q1 GP	\$28,783	16.59%	\$38.12	\$14,391.50	\$1.92	\$2.02	\$0.46	\$0.22	\$0.12
2019 Q1 Sales	\$40,210	42.74%	\$53.26	\$20,105.00	\$2.68	\$2.82	\$0.64	\$0.31	\$0.16
2018 Q2 GP	\$25,362		\$33.59	\$12,681.00	\$1.69	\$1.78	\$0.40	\$0.20	\$0.10
2018 Q2 Sales	\$30,606		\$40.54	\$15,303.00	\$2.04	\$2.15	\$0.49	\$0.24	\$0.12
2019 Q2 GP	\$28,414	12.03%	\$37.63	\$14,207.00	\$1.89	\$1.99	\$0.45	\$0.22	\$0.11
2019 Q2 Sales	\$37,018	20.95%	\$49.03	\$18,509.00	\$2.47	\$2.60	\$0.59	\$0.29	\$0.15
2018 Q3 GP	\$27,189		\$36.01	\$13,594.26	\$1.81	\$1.91	\$0.43	\$0.21	\$0.11
2018 Q3 Sales	\$37,434		\$49.58	\$18,716.98	\$2.50	\$2.63	\$0.60	\$0.29	\$0.15
2019 Q3 GP	\$31,890	17.29%	\$42.24	\$15,945.00	\$2.13	\$2.24	\$0.51	\$0.25	\$0.13
2019 Q3 Sales	\$43,432	16.02%	\$57.53	\$21,716.00	\$2.90	\$3.05	\$0.69	\$0.34	\$0.17
StoreSqft	755								
Personel	2								
Cars/Day	15000								
Pop 1 Mile	14251								
Pop 2 Mile	62905								
Pop 3 Mile	129330								
Pop 5 Mile	250133								

Factors which improve business as factor increases.

of used car lots nearby
of car repair shops nearby
of people in hardship
Closer to Walmart is better
Autoparts stores nearby

Figure 3: Useful Ratios for projections

Keep in mind that the dollars are per quarter. Of course these are not completely linear, a store above 3,000 sq ft probably won't produce the same \$/sq ft - use common sense with these. You may want to adjust them.

These number may make it appear that this business would thrive in a low income area. That is part is true. But that would overlook the fact that it also does well on the high-end for people who are flipping or trading vehicles and new battery sales opportunities. They like the flexibility of being able to trade in multiple batteries and know they're going to good use. In these cases, the battery recycling is a traffic draw but leads to higher-end sales.

The ReVolt process helps train and substantiate you as battery expert to the public. Higher-end customers will seek your expertise. The RBE also sells Dragon-Fly (Battle Born) RV Lithium batteries which are around \$1,000 each because people trust our expertise.



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Costs

RBE's overhead is pretty basic. Rent, Power/Gas, Internet, Water, Trash, Advertising and Supplies.

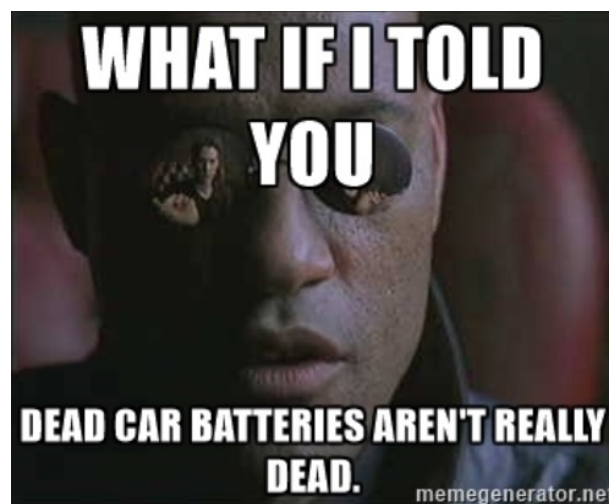
Taxes and Admin expenses have been amortized over the year.

		2019	2019	2019	2019	2019
Expenses		January	February	March	Q1	April
Rent/Water/Sewer	\$850.00	\$850.00	\$850.00	\$850.00	\$2,550.00	\$850.00
Power	\$253.00	\$221.00	\$203.00	\$208.00	\$632.00	\$208.00
Internet	\$85.00	\$85.00	\$85.00	\$85.00	\$255.00	\$85.00
Trash	\$31.39	\$31.39	\$31.39	\$31.39	\$94.17	\$31.39
Phone	\$66.00	\$66.00	\$66.00	\$66.00	\$198.00	\$66.00
CC processing fees	\$136.17	\$176.00	\$144.00	\$182.00	\$502.00	\$182.00
Bank Fees	\$35.00	\$35.00	\$35.00	\$35.00	\$105.00	\$35.00
Payroll						
Licenses & Other Taxes	\$75.00	\$75.00	\$75.00	\$75.00	\$225.00	\$75.00
Supplies	\$50.00	\$50.00	\$50.00	\$50.00	\$150.00	\$50.00
Admin/Prof	\$65.00	\$65.00	\$65.00	\$65.00	\$195.00	\$65.00
Advertising	\$50.00	\$50.00	\$50.00	\$50.00	\$150.00	\$50.00
Insurance	\$125.00	\$125.00	\$125.00	\$125.00	\$375.00	\$125.00
Total Regular Expenses	\$1,821.56	\$1,829.39	\$1,779.39	\$1,822.39	\$5,431.17	\$1,822.39

Figure 4: RBE Typical Expenses

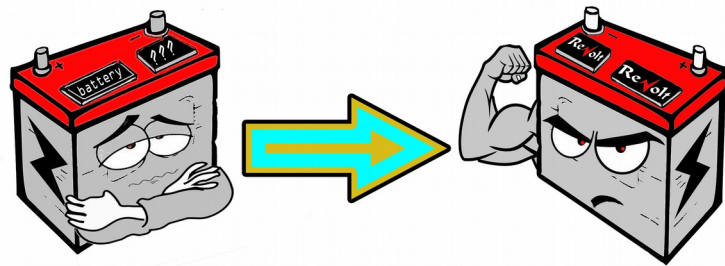
Payroll

Yes, payroll will be your biggest expense. I operated ReVolt Battery Exchange by myself for over a year. It's much easier now with the automated equipment, software and having everything thought out and done. Try to imagine stopping what you're doing every two hours to change settings and take measurements – whoa! Nope, the new machines can be left unattended for up to three days and will just keep doing their jobs by themselves.



Your pay and compensation

As the owner of a business you're building, there's quite a payoff besides the wages from revenues. The adjusted cost of opening the Reno RBE would be about \$45,000. However, in 2018, a professional business broker estimated the market value of the RBE at \$160,000 as a turn-key business sale. Had I sold it at the price and point, my net gain would have been \$115,000 on the sale alone. Today it would sell for more. It's uplifting to consider that compensation along with the pay check.



I'm certain I could run RBE by myself if I wanted to work that hard again. The little Reno RBE could put about \$100K in my pocket each year now if I chose to run it myself with a part-time helper. But it's also nice to have a person or two you can count on to give you some time off. Even the tiny 750 sq ft RBE right now could be owner absentee and still throw off a small living wage to the absentee owner of \$25 to \$40K per year at its current level of business. How you balance your work/life, personal wages, and payrolls is worth thinking about ahead of time, it's up to you. But if you're going to operate a shop as small as RBE, minimally, I recommend a good part-time person to give you some breaks.

Marketing/Advertising

This cost can be substantial but it has never been much for RBE. Why? Because when people want cheap batteries, they want the lowest price. It's next to impossible for competitors to beat RBE because of our low overhead. So, they will look for you, you don't have to look for them. RBE's primary advertising is done with a 28" X 32" sandwich board sign that we set out on the edge of the road each day. But beyond that, consistent advertising in Craigslist and Facebook is all that we do. The cost is usually from nothing to maybe \$50 a month.



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The image on the right is an in-store sign for RBE. This is our low-end battery. Note that \$25 is what the customer pays, OUT-THE-DOOR. The actual retail price is \$23.09! Our 30-day warranty isn't just for an exchange either. It's unconditional, full money-back!

So even if you find someone offering a lesser price, they may be some serious drawbacks for the customer: battery selection, warranty, integrity of the business, location, product knowledge, etc.

But, RBE offers 2 more battery grades, an A grade and an A+ grade, rounding out the Good, Better, Best product categories. The cost on these higher grade batteries is the same as the 'B' grade, so these batteries have more profit!

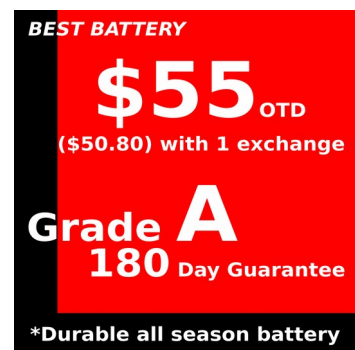
What will this cost me?

\$30,000 for the store battery recycling equipment (15 machines – 60 battery processing capability) and ReVolt Battery Exchange use license which provides and grants use of the name, logos, signs, artwork, forms, business processes, training (in-store hand's on 30-day, your site* 1 week), consultation, support, POS software, and fixture designs, etc. The complete and detailed list will be in the purchase and license agreement. **Any travel expenses billed separately.*

But, that's a "store kit". You will still need everything else a retail business might require: A location, business licensing, utilities accounts, bank accounts, credit card processing, store shelves and fixtures, computers, internet, printers, phones, tools, creature comforts, possibly a pick up truck, a few hand carts, a few months worth of cash to cover things as the business gets going, etc.

Depending on how handy you might be and how you frugal you are at acquiring your facilities (FF&E), what you plan for employee and your own sustenance, most of this might be accomplished with an additional \$10,000. However, an additional \$35,000 would be a better number to plan with.

The Reno RBE cost an additional \$23,000. But many unnecessary expenses and mistakes were made due



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to lack of direction in the beginning. Re-estimating RBE's startup expenses would come in at \$15,000.

Expect to lose money the first few months. The common business metrics of 1 to 2 years to be profitable are good figures to use. Although, The Reno RBE quickly covered its overhead within 3 months of being open, and was paying steady wages after about a year.

OK, what's next?

We can give you advice and opinions on your plans, problems, etc. We provide the equipment and training, business consultation before and after the sale and many things. But you will need to decide these things:

1. *Can you afford this?* If you can barely squeak into the costs outlined above, that's not a good position to be in. If you can negotiate with a landlord, suppliers, etc, to give yourself some room and flexibility, that's better. You need to be able to provide for yourself and maybe others while you may have no income for a period. And your initial work hours will be long in the beginning as you're setting up and solving problems. Perhaps you will keep a job while trying to do this. Many entrepreneurs try to do this. However you plan to do this, make sure you can do it.

2. *Where will you locate?* This is a task you have to take on yourself but we can offer guidance as you go. Find the location, negotiate the lease, etc. Consider traffic and signage opportunities, not just interior space. Again we can offer our opinions, but you must gather the information and find the opportunities.



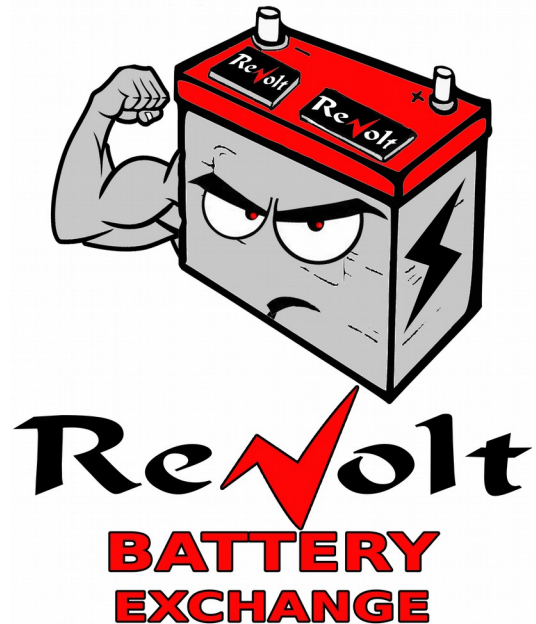
Obviously, this can be a major part of your fixed overhead. If you already have another business location that you can combine this with, you'll be mostly in the gravy! But if you must find one, you may encounter rents which are higher or locations which may not allow automotive related operations.

In the case of higher rents, remember that as noted before, you can change your pricing to increase profits if necessary. A simple \$5 increase above what RBE charges will not likely affect business much but even if you're only half the business level of RBE, that could still mean an extra \$1,000 per month to cover differences in overhead costs.

In the case of locations that may not want an automotive related business. If you plan not to do automotive repair, that may be acceptable to the landlord, then you're just a battery store.

3. *Can you legally operate an RBE where you plan to?* You will have to make sure that you can obtain any licensing and permits you may need. RBE in Reno is technically considered an auto-wrecker because it buys and sells auto parts. Thus it's licensed under the provisions for auto-wreckers. But your municipality may require that you have a buy-sell license or something special for batteries. From the agencies prospective (licensing, insurance, etc.) all you would be doing is buying and selling batteries and/or charging them. If you decide to install or provide other automotive services, consider that also.

4. *Plan at least a month for setup and training.* We will allow you to train at our store (RBE) hand's-on for up to 30 days. It will take about 2 or 3 weeks for your equipment to arrive from ReVolt Research. You can be training, buying/building fixtures, signs and doing footwork in the meantime. But plan at least 30 days out from the time you sign a lease to be open.



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5. *Competition.* While RBE beats most competition, know the lay of the land. How close is your nearest competitor? What is their bargain battery deal? Price, warranty, etc. Although your RBE can probably beat or at least compete, know thy competition and what you have to compete with. And weigh whether it will help or be a problem. Again, you will need to do this but we can answer questions and give you our opinion.

RBE Reno's closest competition is Walmart. With a store less than ¼ mile away. And even though Walmart has new batteries for \$50, there's still tax and core fee on top of that price. Making the Grade B battery less than half their price. It may not seem like much of a difference. However, car dealers are picky about every dime and so are those in hardship. It's also not convenient for them to park and walk the distance, go through their long checkouts, etc.

Presently, the Revolt Battery Exchange is not a franchise. It is franchise-like, offering uniformity, support, cooperation common platforms, etc. But for the early stores, there no franchise fees, rules or restrictions – better for you! Now is the time!

Are you ready? Let's talk. We can give you guidance and help through the process. Feel free to email or call.

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