



## Business Plan Executive Summary

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### EXECUTIVE SUMMARY

#### **Private and Confidential**

The information and data embodied in this business plan are strictly confidential and are supplied on the understanding that they will be held in confidence and not disclosed to third parties without the prior written consent of the principals of HazNet.

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## **Memorandum of Risk**

The following business plan represents management's best current estimate of the future potential of the business described. It must be recognized that no business is free of major risks and few business plans are free of errors of omission or commission. It is a reflection of the information available and reviewed by its authors at the time of its writing. Therefore investors should be aware that this business plan has inherent risks that must be evaluated, discussed with management and experts fully capable of interpreting the information prior to any investment.

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## 1.0 Executive Summary



*Indeed as a matter of mathematics any multiple failure chain of circumstances is probably going to look improbable before it happens. As systems get more complex and tightly coupled, there are more combinations that can lead to failure. Think of it as the PowerBall lottery's evil twin. Many of the mishaps that we prefer to think as impossible aren't impossible at all – they just take longer.*

Excerpt from  
James R. Chiles'

*Inviting Disaster – Lessons from the Edge of Technology*

With this thought in mind consider that on any given day the following is being played out on the highways, rail and water ways of America.

- Over 817,000 hazardous materials (hazmats) are shipped daily
- Over 11.6 billion tons of hazmats shipped annually
- Over 50 billion tons of hazmats are being stored daily
- Over 34,000 hazmat incidents reported annually
- Over 15,000 Serious hazmat incidents recorded annually



*Cooperative Research for Hazardous Materials Transportation  
Special Report 203*

Transportation Research Board of the National Academies

Statistically the United States has been relatively fortunate. So far this country has avoided a catastrophic event such as the one that occurred in Bhopal India in 1984. However, the dice keep rolling and at some point there will be a major hazmat event in a populated area. It's not a question of "if", merely when.

That notwithstanding, each year lives are lost and millions of tons of hazmats are spilled into the environment. **Billions** of insurance premium dollars are paid each year to guarantee the safe delivery and storage of these materials and correspondingly **billions** of dollars are paid out in claims to cover the loss when a hazmat incident occurs.

*"An ounce of prevention is worth a pound of cure."*

Benjamin Franklin's "Poor Richard's Almanac"



To that end HazNet has been **created to significantly reduce the risk and subsequent claims loss in the transport and storage of hazardous materials**. What follows is an explanation of how this will be done, what the cost will be to accomplish these tasks and what revenues may be derived from this enterprise.

## 1.1 Premise

There is a current national need for the design, development and implementation of a real time first response network system dedicated to the tracking, and predictive monitoring of hazardous materials (hazmats). This document lays out the economic rationale and feasibility for establishing such a network and proposes a program for a scalable network that can be launched in the next nine months.

## 1.2 HazNet Overview

It is possible using existing off-the-shelf hardware and technology to create a network system that can continuously monitor and track hazardous materials from transit to storage. This will allow the system to provide first responders and emergency management with critical information to assist in minimizing loss of life and mitigate environmental remediation in the event of an accident or terrorist incident.

The network in essence will work as a national security system with remote sensors and databases being monitored and managed from a central location. In the event of an emergency situation the technicians overseeing the system will coordinate communications with the appropriate emergency responders, public authorities and medical community facilitating delivery of critical information to the appropriate people in a timely and accurate manner.\*

In addition, to assisting in emergency situations, the system will provide continuous tracking of HazMats allowing timely notification in the event of an undetected leak, missing or delayed delivery.

While mitigating the threat to life and property is HazNet's most dramatic feature, on a more practical level, the rapid notification and reduction in response time that it will provide environmental claims companies and pre-qualified locally available environmental remediation crews, will substantially reduce the cost of losses in the frequent occurrence of hazmat spills. It will also serve as a permanent and verifiable record of the history of the shipment and storage of hazmats. In the event of an occurrence, the HazNet records will provide a cost effective snapshot of the extent and circumstances of the incident. This will effectively head off nuisance litigation before it begins. With time as the data accumulates it will serve as a primary research database for Hazmat related businesses and regulatory agencies.

\* A demonstration of how the HazNet network system works may be seen by going to: [www.scuddercom.com](http://www.scuddercom.com) it will be necessary to obtain an user name and password either on-line or by telephone.

# HazNet Architecture Overview



**Real-time Cargo &  
Static Tank Monitoring**

**3rd Party satellite  
tracking centers**

**Insurance Carrier/Broker  
Claims /Environmental Remediation**

- Email
- Voice Phone
- Text Phone

**Media Communications**

- Email
- Automated Phone Releases

**Emergency Management  
Response Coordination**

- Email
- Voice Phone
- Text Phone
- Video Conference

**Encrypted Internet**

**Network Operation Center**

**Local Emergency  
Call Center**

**Client Contact**

**Confirmations  
& Notification  
Approvals**

**Local Municipal - Federal Agency  
Specific Data and Active  
HazMat Operational Support**

**HazNet**

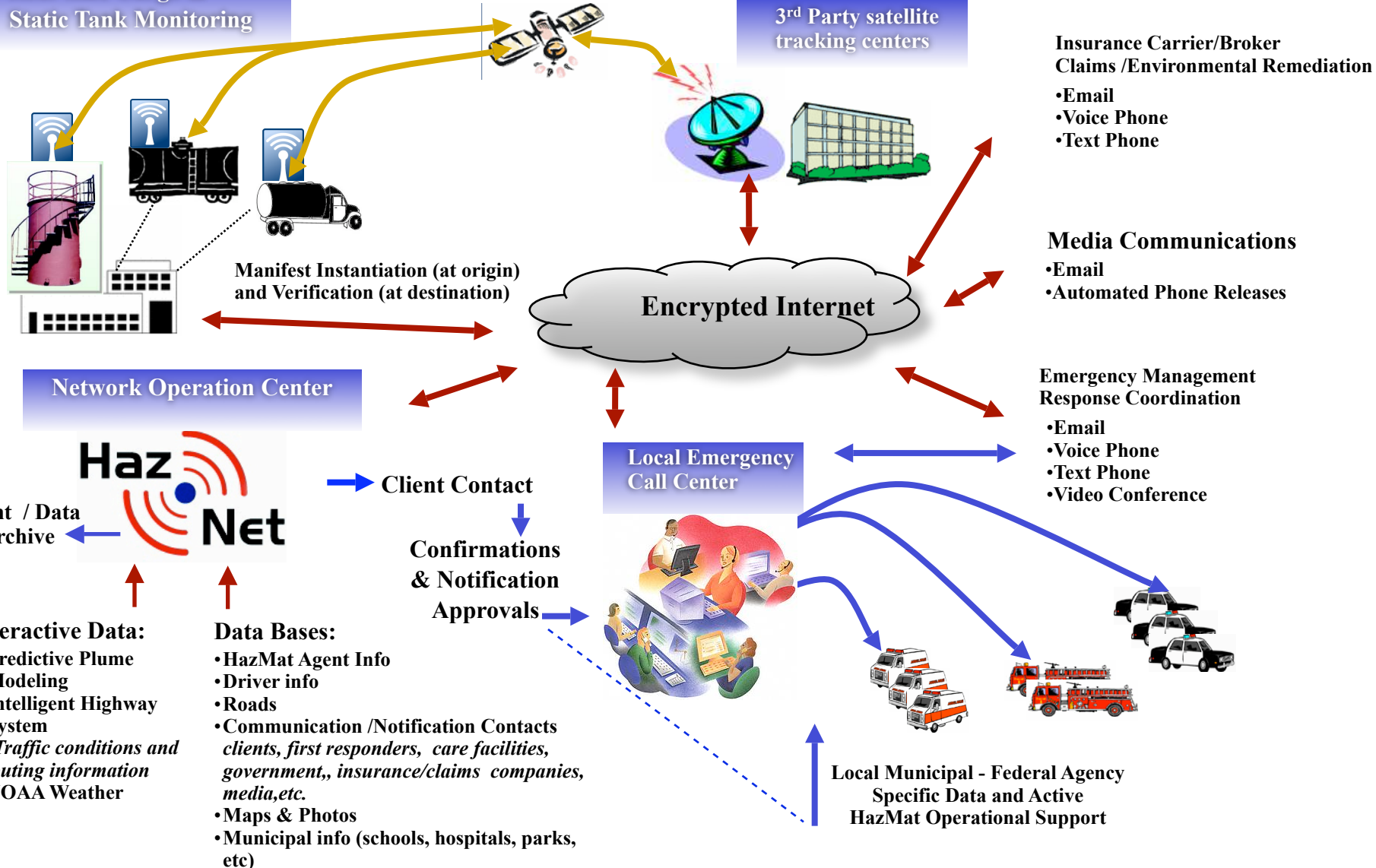
**Client / Data  
Archive**

**Interactive Data:**

- Predictive Plume Modeling
- Intelligent Highway System  
*Traffic conditions and routing information*
- NOAA Weather

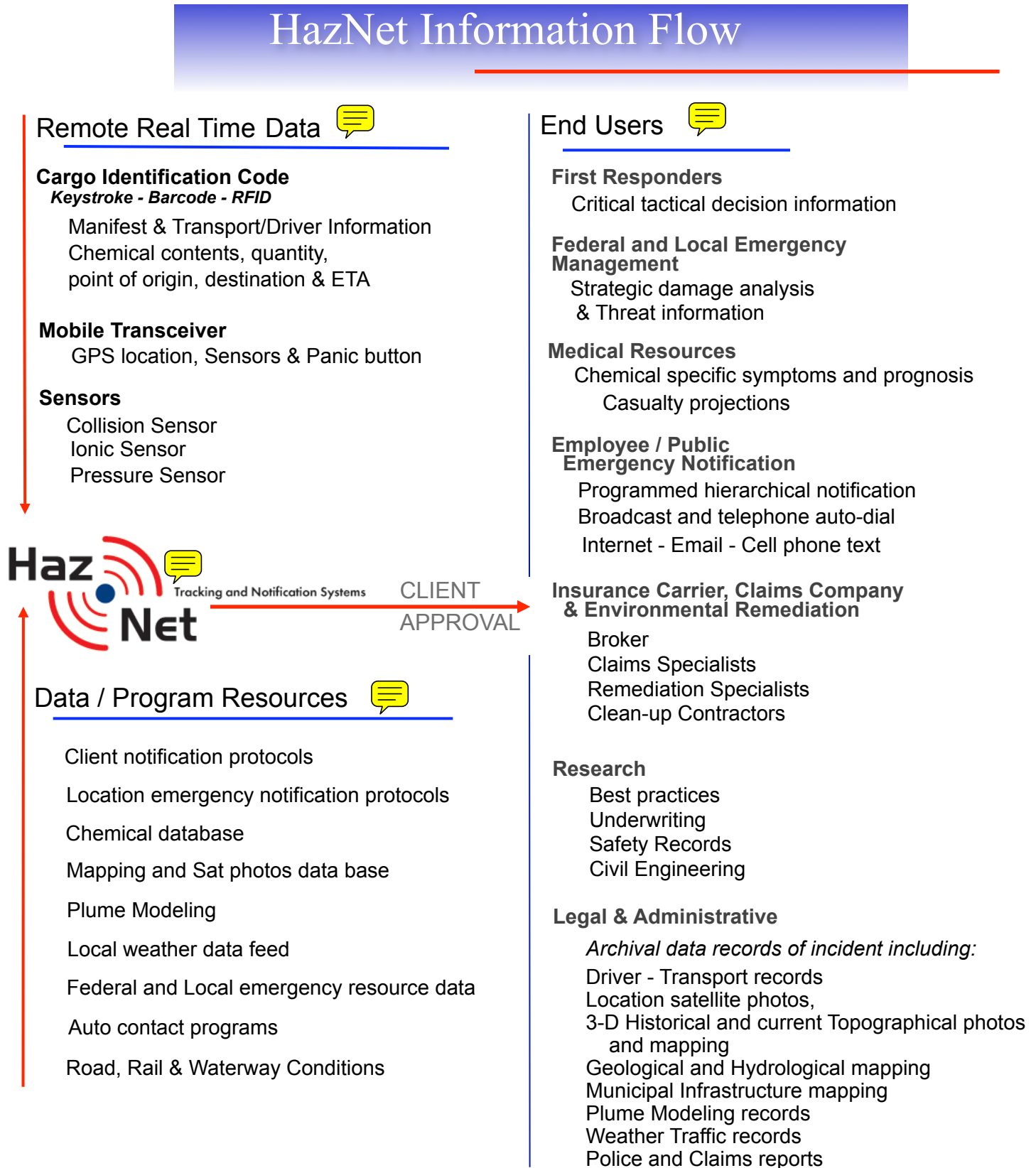
**Data Bases:**

- HazMat Agent Info
- Driver info
- Roads
- Communication /Notification Contacts  
*clients, first responders, care facilities, government,, insurance/claims companies, media,etc.*
- Maps & Photos
- Municipal info (schools, hospitals, parks, etc)



### 1.2.1 HazNet Concept Diagram

As the chart below illustrates the hazmat cargo manifest information is assigned an ID number or RFID tag, the cargo is then monitored until delivered or the ID is terminated. In the event one of the sensors are activated, the transceiver immediately notifies the HazNet Op Center. After confirmation of an incident, all pertinent manifest information, as well as location and predicative modeling of the hazmat's path, are passed along to pre-authorized personnel. All data is archived for subsequent administrative and litigation purposes.



### 1.3 Objectives



- Identify and establish affiliation with strategic partners and financing
- Establish and operate a cost effective Hazardous Materials tracking and emergency notification system that can effectively reduce the risk involved in transporting and storing Hazardous Materials.

### 1.4 Mission

- HazNet is dedicated to mitigating the risk of moving and managing Hazardous Materials through the efficient integration of security programming and commercially available communications. HazNet will establish and maintain the standard for tracking and emergency notification of all hazardous materials transported and stored in North America.

### 1.5 Business Rationale

- **Insurance underwriting relations drives the marketing of HazNet service**
- HazNet developed from an extensive period of research with environmental and P&C insurance underwriters, insurance brokers, chemical and transport risk managers, as well as leading authorities in the Dept. of Transportation and Homeland Security.
- Without exception it has been universally acknowledged and agreed that a functional tracking and notification service for HazMats would **dramatically reduce the insurance costs attendant to transporting and storing hazardous materials**. It is estimated that the degree of mitigation provided by HazNet could impact insurance programs by **lowering environmental insurance premiums between 10 – 20 percent and reduce insurance losses between 20 – 30 percent**. The degree of success of HazNet will be measured by the net difference between the reductions of insurance premium, claims and the cost of providing the service. A study conducted by the Transportation Research Board, National Academies entitled *Benefits and Costs of Technology in HazMat Transportation, July 2004\** verifies the risk mitigation value in applying similar technologies to the transport of hazmats.

\*A summary of the TRB study may be reviewed by going to:

<http://www.fmcsa.dot.gov/safety-security/hazmat/fot/eval-rpt-summary-part4.htm>

for a complete PDF copy of the study go to:

<http://www.fmcsa.dot.gov/documents/hazmat/fot/FINAL-Volume-I-Executive-Summary-11-10-04.pdf>