Utilitip, inc.

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September 10, 1993

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Phillip M. Hayes
D.O.E. Project Officer
U.S. DEPARTMENT OF ENERGY
1000 Independence Avenue, S.W.
Washington, DC 20585

Ref: D.O.E. Recommendation #464 Final Report - TIP STABILIZER FOR A CHAIN SAW

Dear Mr. Hayes:

I am pleased to report to you the very positive position that Utilitip, Inc. is currently in as a result of the \$87,000.00 grant awarded by the Department of Energy to Utilitip, Inc. This grant has allowed us to nearly complete our tooling program, establish a marketing program, create additional jobs and motivate additional investors to this program. We have also since developed a very catchy and descriptive logo and are in the process of making a very detailed and effective video educational program (which is further accompanied by written manuals) describing the product use and the overall benefits of the Utilitip Cutting System.

Attached is a Utilitip, Inc. check for \$365.81 covering the interest that has been received on grant funds. I believe this is required as part of the agreement.

Attached also (Appendix A) is Form 272 (Cash Transactions Report) for the period ending June 30, 1993 and Form 269 (Financial Status Report) which is also required as part of this grant's final report.

In addition, attached (Appendix B) is a more detailed description identifying much of the areas that we have worked on and some of our objectives in the future plus some sales information. The writer thought this may be of interest to you to follow along with our progress. We will keep you apprised.

I have also included some product description and sales information (Appendix C).

Special recognition must be emphasized to Dr. Michael McCabe of the National Institute of Science and Technology for his dedicated search and motivation during the feasibility study phase of this grant. Further, I must emphasize again, not only the financial benefits that have been derived from this program, but also the tremendous advice, concern and dedication on the part of the staff of the Department of Energy.

In summary, as a result of the funding that was made available from the U.S. Department of Energy grant, Utilitip, Inc. now has a much broader and a much more effective base to successfully launch its marketing program. Our designs are now able to hurdle the prior major problems that plagued the Utilitip program. Further, we will now become a competitor in the replacement guide bar and saw chain markets with the Claw device as a very attractive feature of a total kit to be sold.

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Phillip M. Hayes
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Should you require sample parts and components identifying our present product line, we would be most happy to send them to you. We will soon have a video tape and a 48 page manual available which we intend to send to you a complete copy for your interest and records. We sincerely hope, as I know you do, that this product will be one of your shining stars and worthy of receiving recognition as one of your many successes which are the result of this program generated by the Department of Energy. Again, this project was "dead on the rocks" and revived by the D.O.E. We are most grateful for your kind support and advice throughout this program.

Sincerely,

Vincent D. Morabit

P.S. In addition, I have also personally been gratified to serve as a consultant in support of the National Institute of Science and Technology who is currently evaluating other energy related inventions. I have acted as a consultant on behalf of the N.I.S.T. in evaluating a number of different ideas.

cc: Rose Mason, Office of Placement and Administration, Washington, D.C.
Office of Scientific & Technical Information; Oak Ridge, TN

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APPENDIX B

General Information and Progress

APPENDIX B

Utilitip, Inc. has been the recipient of a \$87,000.00 grant from the Department of Energy toward the development of a "Tip Stabilizing Device for chain saws". The grant was awarded in July of 1991 and estimated to take about an 18 month completion period. Actual time of completion was 24 months, due to a number of reasons as set forth below.

Utilitip, Inc. and its inventor, Vince Morabit, are deeply indebted to the Department of Energy for this extremely helpful and timely grant. The project was practically terminated by the inventor, having spent in excess of \$100,000.00 for its development, but lacked the additional funds necessary to complete engineering, tooling, and to develop the initial marketing program. Therefore, the awarding of this contract allowed a total renewal of the concept which was truly heading for termination. In addition to the funding that was provided by the Department of Energy, there was a wealth of information that was provided to Utilitip in the areas of commercialization support, general consultation, etc.

- Initial Problems: Prior to receiving the grant, Utilitip was faced with an idea that truly worked, however only a very limited line of component parts would fit various types of chain saws on the market. It also suffered from a severe problem (when engaged in the ground) of soil penetrating the saw chain area, thus eliminating one of the major benefits of keeping the chain sharp. Consequently, the grant funding was directed towards extending the tooling capabilities to produce parts for a much wider variety of chain saws that are on the market, and further by developing an effective flexible soil shield to prevent abrasive soil entry into the saw chain.
- Design and manufacturing accomplishments: As a result of the grant funding, Utilitip was able to complete a full set of designs for a wide variety of large and small chain saws. This incorporated a design and fabrication of a small Utilitip, as well as a small anti-kickback device. In addition, tooling was also further developed for the large Utilitip and the large anti-kickback device. Accordingly, multiple tools are available for all combinations, as well as back-up provisions.
- Technical problems solved (Soil Shield): Utilitip, Inc. invented a special, flexible attachment to be glued and/or molded to the tip guard. The soil shield prevents abrasive soil from coming into the chain area. In addition, it allows a flexible arrangement to allow the chain saw to be released from brush without binding. Otherwise, a larger, rigid soil shield would hold or restrict the saw in heavy brush. The rubber shield will flex out of the way and reduce, if not eliminate, this harmful binding.
- Incentives Created: With the additional grant funding, the inventor provided additional funding on his own, as well as to establish additional investors in this program. Consequently, an inventory of guide bars, saw chain and finished Utilitip combinations have been financed to meet the initial marketing program. In addition, the inventor has provided a substantial amount of his own time and effort to manage this entire project without compensation.
- Jobs Created: As a result of the funding, which essentially has been matched by outside investors, a number of jobs have been created. We can estimate that there has been at least one full-time job and three part-time jobs created as a result of this input. We are extremely hopeful that the success of this project will make many new jobs available. Individuals that have benefited from the grant and its additional investment have been Mr. Paul Qualtieri, Mr. Ralph Lombard, Mr. Michael Morabito, Mr. Sean Sheeran and Mr. Ralph Conte. Tooling funding has been released to Sunbelt Corporation, WRICO, Inc., Delford Industries, Inc., Hawthorne Rubber Co., McMaster-Carr Supply Co., Washburn Graphics, Inc., The Disston Co. and The Carlton Co. as suppliers whose employees will benefit.
- Product Logo: Utilitip, Inc. has developed a special name that is very descriptive of the invention. The device will be marketed as the "CLAW (TM)". The appendix contains a series of logos and descriptions of the subject product line.

- Utilitip Cutting System: Utilitip, Inc. has also developed a concept of a "Utilitip Cutting System" which essentially identifies all the various choices of attachments to assist the operator in various cutting functions that may be encountered. This description is further identified and described in the 48 page brochure covering the "CLAW Cutting".

- Inventory: Utilitip, Inc. has practically completed its objective of building 1,000 kits which will essentially fit approximately 85% of the chain saw market. These kits will be used to test the various types of sales approaches which will be described below. In addition, they will be used as samples to be given to large, potential customers. These kits will fit different saws and will consist of a quality 16" guide bar, saw chain, anti-kickback device and CLAW.

The Department of Energy has funded 250 of these combinations which have been further supplemented by the additional investor input.

- Selling Price and Cost: At this time, due to low volumes and specialized/crude operations, Utilitip, Inc. expects the manufacturing cost to be in the neighborhood of \$17.00 per kit. However, in the future, with volume increases, we would expect the cost to be close to \$10.00 per kit. Consequently, the initial profitability will be severely diminished, but will be adequate to cover our initial promotional programs. We feel it is our initial purpose at this time to provide a strong marketing effort in order to get the product out into the field without necessarily achieving profit, but more to cover our operating costs. Of course, profit is our long-range motive. Selling price (retail) will begin at about \$45.00 per kit. Retail margins must also be deducted.

- Marketing Plan:

- We now have a product that will essentially fit about 85% of the chain saws that are being sold in the marketplace. Utilitip will offer a 16 inch cutting capacity kit. While there may be future opportunities to provide a greater choice of cutting lengths, Utilitip will investigate such alternatives in the future, such as 12, 14, 16, 18, 20 and 24 inch cutting alternatives.

- Utilitip, Inc. is working with additional suppliers to cover an additional ten percent bringing our coverage to 95%.

- Marketing Targets:

- Direct to end-users.

- Arborists, tree surgeons - Utilitip, Inc. will attempt to sell to Arborists who are professional users of chain saws. These include tree expert companies, townships, utilities and government users.

- Serious chain saw users (homeowners and farmers). Utilitip, Inc. will be directing special efforts towards individuals who burn and depend on firewood for heating. They will find the Utilitip to be particularly helpful in harvesting firewood. Utilitip, Inc. will also be suggesting further routines to properly dry and safely burn wood for heating purposes in addition to updating to the latest high-efficiency alternatives now provided by woodburning stove manufacturers.

- Original Equipment Manufacturers - Utilitip, Inc. will be promoting the product through O.E.M.s as an accessory to their existing line. We feel this will be very attractive to these O.E.M.s, especially if our marketing and sales programs are effective toward the end-user program as directed above. This will open up the Utilitip sale to national dealers who sell to end-users.

- Mass-Merchandisers - The special efforts that will be necessary for mass-merchandisers will be a direct sell program from Utilitip, Inc. to large retailers such as Wal-Mart, K Mart, Sears, Lowes, HQ, Home Depot, and other large retailers. These retailers require special certificates of insurance which has been one of the main barriers to selling this product into this channel due to the excessive product liability insurance costs. Utilitip, Inc. will attempt to establish a partner in distribution who has insurance coverage on their existing product line. Utilitip, Inc. has worked diligently with Homeite, Inc. and The Disston Company for the very purpose of utilizing their liability coverage.

Method of Sale

- Arborists
 - Master Sales Representative Program
 - Direct mail
 - Central Sales (Direct sale to house accounts)
 - Magazine advertising
- Serious Chain Saw Users
 - Utilitip, Inc. will establish video commercials to be shown on cable television networks in select markets. In addition, there will be an 800 number call-in and order taking process conducted by Utilitip, Inc. New items will be video taped and provided with instructional literature. Utilitip, Inc. is nearly complete with an approximate 15 minute video tape program which describes the detailed use of the "Claw Cutting System". This cutting system is further supported by a 48 page manual of the cutting process which would include cutting with a tip guard, as well as without a tip guard and as well as with or without the CLAW. Of course we have designed all of these components to be removed from the saw or additive, depending on the customer's choice.

The Utilitip Cutting System includes information covering the following:

- Assembly of the guide bar and chain saw
- Adjusting the chain tension
- Assembly of the Utilitip components
- Protective chain saw apparel
- Starting the chain saw
- Clearing
- Felling a tree
- Lowering the trunk and the branches to the ground
- Limbing
- Bucking
- Ripping
- Boring
- Preventing pinch
- Pruning
- Hedge cutting
- Sharpening the chain saw
- Adjusting the carburetor
- Dealing with spring poles and branch tension

Special features being sold by Utilitip, Inc.

- The multiple chainsaw operational benefits of using the Utilitip have been previously identified and are further described in Appendix C.
- The CLAW and its Cutting System is now available for 85% of the chain saws in use in the marketplace.
- Guidebar and chain combinations. Utilitip will now fit into the replacement saw chain market as well as replacement guide bars.
- Chain Saw A.N.S.I. Standard Update. The Utilitip cutting kit will support updating an operator's chain saw to the latest safety standards promulgated by A.N.S.I. 3175.1-1990.
- Special cutting techniques. Utilitip, Inc. will identify various alternative methods using conventional chain saw cutting techniques, as well as the additional options offered by Utilitip, Inc. featuring "CLAW Cutting" and "Reverse CLAW Cutting".

- Safety Emphasis

Utilitip, Inc. will emphasize the use of other safety gear, as well as the Claw and its attachments in providing additional safety options for the operator. In addition, Utilitip will show a series of common sense cutting routines that would commonly be used by professional cutters as well experienced chain saw users. This will assist operators harvesting wood for firewood as an example. Utilitip, Inc. will suggest different methods of moving heavy logs, assessing the proper felling techniques, drying of wood for maximum efficiency in wood heating, safety in wood heating, important maintenance areas required for the chain saw and its attachments.

- Video Programs

Utilitip, Inc. is nearly completed with a 15 minute video program that combines much of the information suggested in the overall Utilitip CLAW Cutting System. This interesting video will be of interest to television stations and other media interested in promoting safe use of tools and areas of new technology.

- Instructional Literature

Utilitip, Inc. will provide a detailed condensed instruction brochure which will include graphics identifying the steps from assembly to actual use. Each kit will receive these instructions.

- 48 Page Booklet - Utilitip, Inc. will provide a 48 page booklet describing the use of a chain saw with a CLAW, without a CLAW, with a tip guard (only) and with a tip free combination. This will allow the operator to become familiar with all the aspects of having a choice of the three types of saws now prepared and presented by Utilitip, Inc.

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