

MIRAGE AUDIO SYSTEM

SALES & MARKETING BRIEF



MIRAGE

THE SOURCE OF PURE SOUND

Technical Background Information

The Mirage Audio System is a combined package of one or more Mirage Media Servers and one or more Mirage Digital Amplifiers.

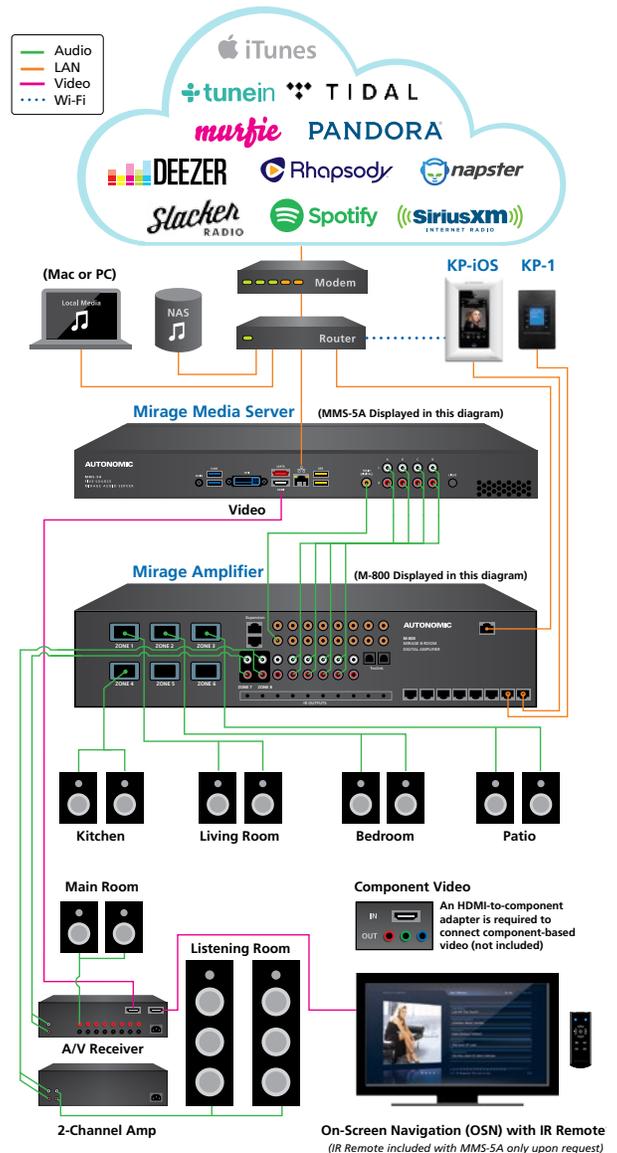
These components work together to organize, receive and transmit audio into our customers' homes.

The Mirage Media Server can be thought of as the "brains" of the system. Its job is to provide a music browsing interface to the customer for streaming music services and music that they own (such as in their iTunes libraries), and then stream the audio to a matrix amplifier (such as a Mirage Digital Amplifiers) for distribution around the home. The MMS-2A can provide three independent streams of music to the system, each of which can be distributed to as many as 96 rooms. The MMS-5A provides six streams of music. The choice between the two is more dependent on the number people living in the home, rather than the number of rooms.

The Mirage Digital Amplifiers receive one or more audio signals from the Mirage Media Server and can distribute each stereo signal to one or more rooms (thus, a matrix amplifier). The M-400 amplifier can deliver music to four separate rooms or areas, and the M-800 can accommodate eight. Mirage amplifiers are "stackable," so any number of each can be combined in a system to support up to 96 rooms.

Business Background Information

Autonomic products are sold globally through a distribution channel of highly specialized independent "custom installers" or "integrators." These professionals sell and install home automation systems ("smart home systems"), lighting automation products, HVAC controls, security equipment, video equipment, home theaters, and of course, multi-room audio systems. Their specialty lies in their ability and experience in making all of these disparate systems work together to create a seamless experience in the home.



For instance, a custom integrator can program systems so that when a home-owner comes home and disarms the alarm system, signals are sent to the other systems in the home to set a comfortable temperature, set lighting to levels appropriate for the time of day, open the blinds, and command the Mirage Audio System to begin playing their favorite SiriusXM radio system. One of the most important distinctions of the Mirage Audio System is its ability to easily integrate with all of this other equipment in a way that mainstream consumer products such as Sonos do not support as easily or robustly.

Autonomic's reputation and success is primarily attributable to the growing popularity of Mirage Media Servers as the music streaming device of choice in these types of installations. Prior to the introduction of our digital amplifiers in 2013, custom installers would use other third-party matrix amplifiers with our servers to amplify and distribute the content around a home.

In 2013, we launched our M-400 and M-800 amplifiers to capture a share of this additional business and to enable installers to deliver a complete whole-home audio system without the need for additional electronics, just speakers and wire. While our attachment rate (the percentage of servers sold with amplifiers) has grown to nearly 25%, we do not feel that we have done an effective enough job communicating the availability of these new components and the advantages of using them.

A primary goal of our advertising campaign when targeting dealers is to drive awareness of the amplifiers as a perfect pairing with our well-known media servers, and to communicate the financial and technical benefits of utilizing them together as the "Mirage Audio System."

Competition: Sonos

Sonos is the overwhelming market leader and our primary competitor. Their products are targeted at mid-level to high-end consumers and can be installed by the end user. Despite its DIY nature, many custom installers choose to use Sonos products as it is an easy sale, and customers frequently ask for the product by name due to their wide market reach.

While competing against a very large, well-funded competitor presents significant challenges, their extensive advertising creates demand for whole-house audio, and therefore enlarges the population of consumers in the market for such a solution. The marketing opportunity for Autonomic is to position our product as a lesser known, but superior alternative and capture the segment of the market that takes satisfaction in knowing they own the best of the best.

Bose Soundlink, Denon Heos, and other wireless speaker manufacturers generally fall into the same category as Sonos as they are emulating the platform without any real innovation.

Key Differentiators for Dealers

Many of the differences between a Mirage Audio System (MAS) and Sonos (and similar systems) result from the fact that the MAS was engineered specifically to be part of a home's infrastructure, while Sonos was designed as a wireless speaker to be placed on a nightstand.

Key points of differentiation to focus on when targeting industry dealers:

1. **Profit Margin.** Autonomic products carry greater profit margins than consumer products.
2. **Control System Support.** Autonomic products are designed from the ground up to integrate with home automation systems, lighting control products, security systems and similar residential electronics systems. Our support staff is knowledgeable about these systems and can offer meaningful assistance when incorporating our products with these systems.
3. **Protected Product Line.** Our products are sold exclusively through our network of professional dealers. This is an important business distinction for dealers, as they do not have to be concerned with competing with the manufacturer, or discount online retail establishments.
4. **Industry Partner.** Related to all points above, Autonomic is a dedicated industry partner, working in partnership with our dealers to advance the success of the industry as a team.
5. **Remote Management.** Our products can be configured, updated and diagnosed remotely using our Online Dealer Portal. This enables dealers to troubleshoot or upgrade systems in the field without making multiple truck rolls.
6. **Form Factor.** Because our products are designed for centralized installations in an equipment rack, their form factors are designed for this task, with rack ears for mounting and industry standard dimensions.

Key Differentiators for Consumers

When targeting consumers, the concepts of "Central Sound," "High-resolution Audio," and "Premium Sound Quality" in the context of the Mirage Audio System should be emphasized.

Consumer purchase decisions for music products is an emotional, and therefore more complex issue. Factors considered include convenience, simple accessibility, and increasingly (again), sound quality.

The demographic target for our products are affluent, professional adults over the age of 30, and their families.

Our target consumer has made a significant investment in their home, and they're proud of it. They spend a great deal of time and money outfitting music systems, audio/video equipment, landscaping, home additions, furnishings, backyard and pool areas, game rooms, home gyms, home theaters, security systems, lighting controls and automation.

They travel frequently, always first class, and stay in the finest hotels and resorts. They dine out more often than not, drive expensive cars, and many own boats and airplanes. They appreciate and desire a higher standard of quality in everything they own and experience.

Our customers all consider their homes to be estates, even if they don't all rise to that level. They are not all "super-rich," but they are accomplished enough to insist on quality all around them. The demographic is populated with ambitious people who are continually striving to advance their position in society and business. We want to present our products as standard equipment for people of fine taste and ample means to go along with Sub-Zero refrigerators, Viking and Wolf kitchen appliances, and wine cellars.

Our goal is to position our products as a more sophisticated, higher quality, and finer option for whole-home music, and in doing so make our competitors look, by comparison, as cheap wireless boom boxes not well paired to their lifestyles.

Key Points of Differentiation to Use in Consumer-facing Advertising

The Mirage Audio system was designed from the ground up to integrate with the types and quality of electronic infrastructure found in larger homes. This is the crux of the "Central Sound" tagline, in that the product is made for the homes of our target demographic. The following features and attributes support this claim.

- 1. High Power Amplifiers.** The M-400 amplifier and M-800 amplifier are rated at 100W per zone, among the highest power ratings available in multi-zone music systems. The higher power rating means that music played at all volumes sounds fuller, less strained, and more refined because the amplifier is able to more effortlessly drive the cones in higher quality speakers, resulting in cleaner sound.
- 2. Internal Storage.** Mirage Music Servers have dedicated, onboard storage for the customers' personal iTunes music libraries. This eliminates the dependency on a particular computer and means that the music is always available for playback, even if the computer is off or drops from the network.
- 3. Cloud Storage.** The Mirage Audio System can synchronize its content across multiple homes through Google Drive. When a customer creates a new playlist, creates favorites, or adds new music at home, it's instantly accessible when they arrive at their vacation home or office.
- 4. Super High-quality USB Output.** In addition to its high quality analog and digital outputs, the Mirage Media Server supports digital audio transmission over USB to provide for the highest fidelity music output to high end audio systems in a dedicated listening room.

5. **TuneBridge®.** This exclusive and patent-pending technology blurs the line between different music services and shifts the focus to music and artists, instead of music services. People don't play "Pandora" or "Spotify," they play music. TuneBridge allows them to discover new music across multiple services, and build a mixed playlist of content they love, without thinking about where it's coming from.
6. **Gracenote.** The Gracenote metadata service adds another level of refinement to the user's music experience by providing crisp, beautiful, high-resolution album art for all content, even songs played on the radio.
7. **AirPlay Direct.** A unique feature of the Mirage Audio System is the sophisticated implementation of AirPlay. Any music can be wirelessly transmitted to a single room or throughout the home from any iOS mobile device. Great for providing access to the system to guests and children without disturbing the homeowner's music library and services.
8. **High-resolution Audio Support.** Most consumers wouldn't purchase a standard definition TV today, yet they're doing the equivalent when they purchase inexpensive wireless speakers that cannot support high-resolution music formats.

It is a growing trend among music studios and music services to provide access to high-resolution recordings and will certainly become more widespread, just as HDTV has, yet products like Sonos, Denon Heos, and Bose cannot support these formats. The Consumer Electronics Association defines high-resolution audio as lossless audio recorded and played back at a resolution greater than CD quality. The Mirage Audio System can play back audio four times higher than this standard.

9. **No Content Limit.** Less expensive wireless speakers have a maximum number of audio tracks that can be indexed on the system. This has nothing to do with storage limits (as those devices don't have their own storage), but rather a limitation of the processors and software running on them. With our expandable storage options, and sophisticated music management software (Mirage OS) the Mirage Audio System has an unlimited track capacity.
10. **Scalability.** The Mirage Audio System effortlessly supports up to 96 individual zones of music. While less capable wireless speakers systems claim no theoretical limit, experienced integrators know that in reality the system starts to bog down with just 8 to 10 rooms. While 96 individual zones is a very large system, the music system in a large home needs to be running well within its limits. Nothing is more frustrating than not being able to play back music because the system is struggling to keep up. Anyone remember dialup modems?

11. Hardwiring is Robust. Wireless music systems are convenient and appeal to some consumers' DIY nature and desire for instant gratification, but there are significant sacrifices that become apparent down the road.

- a. Wireless systems do not support high-resolution music files or streaming. The bandwidth required to transmit this content all around a home in a synchronized fashion would quickly consume the available bandwidth available in a typical home network very quickly.
- b. Wireless systems are competing with wireless phones, cell phones, tablets, cable boxes, computers, cable-tv boxes and even alarm clocks for frequency bandwidth. The number of devices in a typical home that access the wireless network and consume bandwidth is literally exploding. All of this interference on the wireless spectrum means that access to the music system is less assured, and sound quality will suffer more and more.
- c. Wireless music systems slow down your wireless network because they consume copious amounts of precious bandwidth. Every time you download a file, or want to watch a video on demand using a wireless device, you're competing with the music system for bandwidth.
- d. Wireless music devices are less reliable and fragile from an uptime perspective. These devices need frequent rebooting, will drop off the network, and will stop working if the network SSID or password is changed.

Conclusion

The Mirage Audio System is a professionally installed, whole-home audio system that focuses on the custom channel, allowing integrators to increase their bottom lines and deliver the most excellent listening experience to their customers' homes. The extensive feature set combined with its dedication to sound quality and compatibility with full home automation make it a worthy investment.

Centralizing content, hardware and automation delivers an out-of-sight, seamless listening experience and showcases the quality of your work, which customers will transcend to their own networks, creating more opportunities for new business.

Take the time to educate customers on the differentiating features of the Mirage Audio System. Incorporate your professionalism and knowledge of this industry to introduce them to a truly superior whole-home audio solution that stands apart from mass-market consumer products. They'll thank you once they realize the full capacity of the future-proof Mirage Audio System.

To learn more about the Mirage Audio System, visit www.MirageAudioSystem.com