

THE COMPANY'S BUSINESS PLAN

6.1 Corporate Mission and Strategy

Statement

The company's mission is to become an electric passenger vehicle manufacturer, which develops a high quality modestly priced marketable electric passenger automobile using decentralized miniplants to produce them on a regional basis, and which sells licenses for regional plants to local owner/operators.

The company's strategy is to use the EXAR-1 as the first vehicle to be produced, and to develop and refine the vehicle and its manufacturing and marketing process in Western Canada before seeking to expand elsewhere. The target customer for the EXAR-1 will be the buyer of normally priced \$CDN 15-18,000 automobiles and someone interested in new automotive technology, environmentally safe transportation and economically basic transportation needs.

The initial primary target market will be Western Canada and the Pacific Northwest, and the secondary market will be the remainder of Canada and California where the EXAR-1 falls into the Intermediate Regular category the price falls within the Compact Regular category. It can be expected that orders for the first EXAR-1 will come from all over the world and sales will far outstretch production capabilities. After the first plant has been built and operated successfully, other plant locations will be considered.

As the company has limited staff and technical expertise, it will retain the leading, recognized industry suppliers to develop the manufacturing and production process. Govern-

ment funding assistance will be sought wherever possible, as each manufacturing plant is expected to create over 400 new jobs and some 800 ancillary jobs.

6.2 Target Market

The primary target consumer market is Western Canada, Washington, and Oregon, because of the proximity to the proposed Western Canada plant location. The secondary market is Canada in general because of the combined beneficial factors of low electricity rates, higher gasoline prices, and market size. California is considered a secondary market because of the market size and environmental sensitivity.

The target customer for the EXAR-1 is estimated to represent about 42% of the automobiles purchased annually, a base number to easily support EXAR-1 production.

Once the company has established the first plant, it will seek to sell licenses for new territories, either in other parts of the U.S. or Canada, or other parts of the world, such as Europe, Australia/New Zealand, China, South America, or other suitable markets.

6.3 Market Penetration Goals

A .025% share of the market of 42%, or a total primary target market share comprising .025% or approximately 9000 units per year is the annual market share objective for the EXAR-1.

6.4 Pricing and Options

The pricing strategy is to be a strategically priced product while the EXAR-1 is still a

Import Car Retail Sales Outlets in the U.S.

Geographical Area & State	Alfa Romeo	Audi	Austin Rover	Buick	Chevrolet	Chrysler/Merch	Daimler	Ford	Honda	Honda Acura	Hyundai	Isuzu	Jaguar	Lincoln-Mercury	Mazda	Mercedes-Benz	Mitsubishi	Nissan	Pontiac	Porsche	Range Rover	Engle/Reynolds	Saab	Subaru	Suzuki	Toyota	Volkswagen	Volvo	Yugo	Total	
Maine	—	4	—	3	36	33	—	39	5	—	1	3	—	5	6	3	—	11	2	22	3	1	17	8	10	—	9	10	5	2	238
New Hampshire	1	4	—	4	29	32	—	29	7	3	2	8	—	6	5	2	—	10	3	19	2	—	14	8	14	—	11	9	7	2	235
Vermont	—	3	—	3	25	20	—	20	5	—	—	—	—	1	—	—	—	3	1	11	2	—	10	5	6	—	6	6	3	1	141
Massachusetts	5	12	7	13	82	98	—	95	24	3	12	14	5	31	16	13	5	30	11	51	12	1	43	18	26	4	35	32	19	6	723
Rhode Island	2	2	1	3	12	12	—	12	4	2	2	2	1	1	3	1	1	4	3	8	2	1	5	3	4	2	7	5	3	2	110
Connecticut	4	8	5	9	55	65	—	53	16	7	6	10	4	17	14	7	6	22	11	29	7	2	25	12	19	4	20	18	11	6	472
New England	12	33	13	35	239	260	—	248	61	15	23	40	11	61	49	30	13	80	31	140	28	5	114	54	79	10	88	80	48	19	1,919
New York	14	27	14	30	246	248	—	231	49	18	20	36	14	56	32	25	12	62	24	149	22	4	87	30	54	10	54	47	28	22	1,655
New Jersey	7	15	11	20	107	122	—	98	28	7	16	19	9	37	14	15	10	35	16	63	14	4	44	16	24	4	27	31	17	19	849
Pennsylvania	8	16	7	24	260	284	—	253	45	15	13	25	6	47	31	24	2	52	12	166	12	2	95	22	53	5	45	50	29	13	1,616
Delaware	1	2	1	2	13	12	—	11	3	1	1	1	—	4	2	2	1	2	—	8	1	—	4	1	2	—	4	2	1	2	84
Maryland	3	9	7	10	60	62	—	60	18	5	5	10	4	18	11	9	4	20	—	34	7	2	19	10	17	5	20	18	10	7	464
Dist. of Columbia	—	—	—	—	1	2	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	17
Virginia	3	8	5	12	111	106	—	115	28	6	9	15	3	22	15	11	7	27	—	70	7	1	35	7	26	6	24	22	16	6	723
W. Virginia	—	3	—	3	63	53	—	52	7	—	—	5	—	5	4	7	—	—	—	39	1	—	18	1	12	—	7	8	3	3	306
N. Carolina	2	11	3	11	152	110	—	145	31	6	9	20	3	20	22	13	6	37	—	84	10	—	31	8	20	5	39	20	13	7	838
S. Carolina	2	4	3	6	74	45	—	73	14	1	3	7	2	8	11	6	3	16	—	39	3	—	8	3	7	3	17	12	3	3	376
Georgia	3	8	2	11	126	97	—	132	21	6	8	15	3	16	19	11	5	31	1	75	5	1	26	7	15	3	30	27	9	12	725
Florida	14	17	15	23	105	114	—	130	43	20	21	35	7	39	31	22	19	55	18	65	13	3	53	16	32	17	53	43	19	27	1,069
Atlantic Coast	57	120	68	152	1,318	1,255	—	1,301	287	85	110	188	51	272	192	145	69	351	71	792	97	17	421	121	263	58	320	281	149	121	8,732
Ohio	5	17	6	16	236	203	—	214	41	10	12	18	7	47	31	14	2	38	6	144	14	3	68	10	31	10	41	37	15	16	1,312
Indiana	1	13	1	8	154	126	—	125	19	2	3	9	3	17	17	10	3	25	3	96	8	1	27	4	13	2	21	16	5	6	738
Illinois	4	13	7	19	254	215	—	266	36	8	11	16	7	47	35	22	8	42	8	140	11	2	50	14	30	5	42	39	20	15	1,386
Michigan	3	12	3	8	195	146	—	188	26	5	—	13	2	28	31	10	—	24	3	128	8	1	57	11	18	—	23	30	9	15	997
Wisconsin	1	9	1	7	162	134	—	160	15	3	—	10	2	12	17	9	1	18	3	114	3	1	45	8	14	3	21	17	6	4	800
Minnesota	2	4	3	5	151	114	—	155	11	3	4	7	1	8	18	6	2	12	1	97	2	1	32	6	9	3	17	13	4	2	693
Iowa	—	4	—	5	167	110	—	153	10	1	—	11	2	7	13	6	—	13	1	105	3	—	21	5	10	—	14	11	3	3	678
Missouri	1	7	4	6	147	110	—	153	15	5	6	10	2	15	20	6	3	20	4	79	6	—	18	6	12	5	20	16	6	1	703
N. Dakota	—	2	—	—	49	28	—	55	5	—	—	3	—	1	6	4	—	5	—	25	2	—	7	2	4	—	6	2	—	1	207
S. Dakota	1	2	—	2	45	28	—	50	3	—	—	2	1	2	4	2	—	5	—	29	1	—	7	2	2	—	4	2	—	1	196
Nebraska	1	4	—	3	77	53	—	77	7	1	—	3	2	3	9	3	—	7	—	54	1	—	11	3	5	—	7	5	2	1	339
Kansas	2	6	—	4	98	65	—	102	9	2	1	7	1	3	14	4	1	—	2	71	3	1	17	3	11	—	13	11	3	4	458
North Central	21	93	25	83	1,735	1,332	—	1,698	197	40	37	109	30	190	215	96	20	209	31	1,082	62	10	360	74	159	28	229	199	74	69	8,507
Kentucky	1	7	2	4	106	80	—	84	13	2	3	8	2	9	13	3	—	21	—	58	4	—	19	3	8	—	17	11	2	2	482
Tennessee	1	5	3	5	100	80	—	102	17	4	7	10	4	15	18	5	5	30	—	55	5	2	21	5	20	2	21	12	5	6	565
Alabama	2	5	2	5	87	65	—	69	16	5	7	10	1	12	11	6	2	22	4	46	4	—	15	4	9	3	20	12	5	7	454
Mississippi	—	3	—	3	81	48	—	82	9	1	1	6	—	8	12	5	1	10	1	48	3	—	9	2	8	—	16	6	2	1	366
Arkansas	1	5	—	2	87	60	—	86	8	1	1	6	—	6	9	3	1	12	1	3	3	—	13	1	8	—	15	11	1	1	345
Louisiana	2	4	3	6	75	69	—	98	12	4	3	9	1	12	12	7	4	18	5	48	4	1	8	4	10	—	21	8	5	4	457
Oklahoma	2	3	2	3	102	65	—	99	14	2	4	6	2	8	12	3	3	17	2	70	3	1	16	2	9	3	16	7	5	5	486
Texas	7	21	15	23	337	227	18	301	47	13	18	31	10	42	49	23	16	57	11	206	17	4	57	18	46	13	63	39	20	18	1,767
South Central	16	53	27	51	975	694	18	921	136	32	42	86	20	112	136	55	32	187	24	534	43	8	158	39	118	21	189	106	45	44	4,922
Montana	—	4	—	3	41	28	—	49	7	—	—	5	—	1	7	3	—	8	—	28	2	1	9	2	7	—	8	4	3	1	221
Idaho	—	5	—	3	34	25	—	31	6	—	1	3	1	2	9	2	—	10	1	27	3	—	9	2	8	—	7	8	1	1	201
Wyoming	—	2	—	—	24	17	—	24	5	—	—	3	—	2	2	—	—	5	—	18	—	—	9	2	7	—	7	7	1	—	137
Colorado	1	7	3	5	52	42	9	118	13	3	6	7	1	8	11	7	6	16	2	37	6	2	23	10	20	6	16	13	7	9	466
New Mexico	1	4	1	2	31	24	3	31	8	1	1	6	1	3	7	5	1	13	1	22	2	1	8	2	8	1	12	6	2	2	210
Arizona	2	4	3	5	34	34	7	38	11	3	4	7	2	5	9	4	3	17	1	61	4	1	10	2	8	4	13	10	3	4	313
Utah	1	3	1	3	32	33	6	31	5	2	3	3	2	4	7	2	2	7	1	21	3	1	7	2	6	2	7	5	2	3	207
Nevada	—	2	2	3	10	12	3	10	5	1	2	2	1	2	4	2	2	4	1	8	2	1	5	2	4	2	6	3	2	3	106
Mountain	5	31	10	24	258	215	28	332	60	10	17	36	8	27	56	27	14	80	7	222	22	7	80	24	68	15	78	56	21	23	1,861
California	22	52	32	56	239	203	79	250	113	41	56	68	26	68	91	51	41	127	35	141	53	11	88	39	76	32	131	98	56	39	2,414
Oregon	2	11	2	7	56	42	—	57	19	5	3	8	1	7	21	5	1	25	3	38	8	1	18	4	19	3	23	16	10	4	419
Washington	4	13	2	7	71	48	—	68	23	5	5	16	2	12	27	7	5	29	5	31	9	1	16	7	22	3	29	21	10	5	503
Alaska	—	2	—	1	5	5	—	7	3	1	—	2	—	1	2	—	1	2	1	4	1	—	3	2	3	—	3	4	2	—	57
Hawaii	—	1	—	2	7	7	4	5	6	1	—	6	1	1	—	1	2	—	—	5	1	—	5	1							

Canada New Car Sales by Months, 1987-1986

1987	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
GM Domestic	16,991	24,896	37,255	40,953	33,753	39,990	25,847	27,425	23,070	33,423	29,906	21,791	355,300
Sprint/Firefly	647	770	1,166	1,566	2,100	2,708	1,897	3,026	3,321	1,588	1,999	984	21,772
Spectrum/Sunburst	63	113	99	95	101	357	166	219	181	358	204	38	1,994
I-Mark	—	—	—	—	—	3	4	6	5	17	12	16	63
Optima	—	—	—	—	—	—	—	—	—	—	7	13	20
Total GM	17,701	25,779	38,520	42,614	35,954	43,058	27,914	30,676	26,577	35,386	32,128	22,842	379,149
Ford Domestic	11,345	13,081	17,592	22,136	19,775	22,564	13,109	13,661	12,992	13,382	12,040	12,069	183,746
Tracer	405	616	833	960	874	1,164	784	829	889	875	613	412	9,254
Merkur	10	37	30	35	65	84	75	119	188	84	60	47	834
Total Ford	11,760	13,734	18,455	23,131	20,714	23,812	13,968	14,609	14,069	14,341	12,713	12,528	193,834
Chrysler Domestic	7,880	8,956	15,417	17,999	13,824	14,514	10,797	10,098	8,679	12,416	8,583	7,970	137,133
Mitsubishi	471	624	997	1,059	1,356	678	1,087	1,187	689	1,270	958	782	11,158
Peugeot	103	60	70	17	17	29	15	15	16	15	11	11	379
Jeep Eagle Domestic	499	353	391	797	497	400	392	518	400	227	437	297	5,208
Import Renault	540	166	381	423	411	356	233	170	298	102	77	174	3,331
Total Chrysler	9,493	10,159	17,256	20,295	16,105	15,977	12,524	11,988	10,082	14,030	10,066	9,234	157,209
Honda Import	3,206	4,591	6,410	6,698	5,883	4,763	4,538	2,754	3,020	5,416	3,853	3,879	55,011
Honda Domestic	88	96	476	986	1,267	1,399	1,685	1,561	1,463	1,479	896	589	11,985
Acura	—	—	471	538	604	555	732	615	583	625	600	657	5,980
Total Honda	3,294	4,687	7,357	8,222	7,754	6,717	6,955	4,930	5,066	7,520	5,349	5,125	72,976
VW Domestic	365	475	653	545	559	496	381	474	485	402	556	199	5,590
VW Import	932	1,272	2,376	2,687	2,823	3,159	3,730	3,348	3,289	3,402	3,025	1,993	32,036
Audi	172	168	228	310	345	390	295	207	329	272	285	294	3,295
Porsche	42	31	125	142	88	101	76	75	61	68	72	37	918
Total VW	1,511	1,946	3,382	3,684	3,815	4,146	4,482	4,104	4,164	4,144	3,938	2,523	41,839
Volvo Domestic	163	118	223	250	219	219	241	210	176	171	177	145	2,312
Volvo Import	402	359	545	663	508	549	453	451	381	245	301	246	5,103
Total Volvo	565	477	768	913	727	768	694	661	557	416	478	391	7,415
Toyota	2,612	3,779	5,868	6,687	6,995	7,864	6,535	5,984	5,799	5,980	5,795	4,855	68,753
Hyundai	4,298	3,511	5,048	6,051	5,027	4,120	4,135	3,816	4,102	3,842	3,687	3,009	50,646
Nissan	1,966	2,413	3,815	4,214	3,280	2,973	3,147	2,862	2,852	3,282	3,038	2,574	36,416
Mazda	1,360	1,520	2,355	2,883	2,645	2,592	2,187	2,021	2,805	2,497	2,345	1,425	26,635
Subaru	460	550	820	501	500	560	700	1,174	1,302	848	604	428	8,447
BMW	225	251	472	568	480	456	425	429	449	446	374	289	4,864
Mercedes Benz	317	300	375	500	437	431	383	375	344	263	331	347	4,403
Suzuki Canada	72	153	234	280	204	268	396	379	459	603	496	266	3,810
Jaguar	170	179	168	127	312	319	290	268	175	215	260	177	2,660
Saab	138	100	151	190	155	167	129	109	112	140	121	127	1,639
Lada	59	61	86	93	72	75	72	71	90	134	131	121	1,065
Skocar (Skoda)	38	54	64	68	65	54	54	47	56	42	36	47	625
Total N. America Cars	37,331	47,975	72,007	83,666	69,894	79,582	52,452	53,947	47,265	61,500	52,595	43,060	701,274
Total Imports	18,708	21,678	33,187	37,355	35,347	34,775	32,538	30,556	31,795	32,629	29,295	23,248	361,111
Grand Total	56,039	69,653	105,194	121,021	105,241	114,357	84,990	84,503	79,060	94,129	81,890	66,308	1,062,385

1986	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
GM Domestic	25,417	31,144	33,948	46,913	41,481	37,756	38,817	30,685	29,629	34,879	27,039	19,700	397,408
Sprint/Firefly	115	87	152	27	69	119	169	121	241	175	441	577	2,293
Spectrum/Sunburst	141	130	111	303	271	263	285	275	369	249	88	111	2,596
Total GM	25,673	31,361	34,211	47,243	41,821	38,138	39,271	31,081	30,239	35,303	27,568	20,388	402,297
Ford Domestic	11,227	14,522	16,651	21,991	21,750	18,191	15,146	13,535	15,000	15,102	11,822	11,710	186,647
Tracer	—	—	—	—	—	—	—	—	—	560	421	348	1,329
Merkur	35	67	62	124	81	97	92	124	75	65	32	32	886
Total Ford	11,262	14,589	16,713	22,115	21,831	18,288	15,238	13,659	15,075	15,727	12,275	12,090	188,862
Chrysler Domestic	9,206	11,080	13,926	16,263	15,820	15,299	12,478	11,554	14,824	12,625	9,520	9,447	152,042
Mitsubishi	872	842	1,038	715	684	967	802	552	697	558	543	543	8,915
Peugeot	28	45	60	72	47	45	37	23	33	77	196	142	805
Eagle Jeep Domestic	716	868	695	875	957	813	599	596	733	558	977	395	8,782
Import Renault	224	323	530	507	637	215	332	401	565	252	468	390	4,844
Total Chrysler	11,046	13,158	16,249	18,432	18,145	17,339	14,248	13,126	16,800	14,209	11,719	10,917	175,388
Honda Import	3,967	3,433	5,024	4,891	6,409	6,136	6,859	6,203	4,963	5,855	5,002	4,693	63,435
Honda Domestic	—	—	—	—	—	—	—	—	—	—	—	66	66
Total Honda	3,967	3,433	5,024	4,891	6,409	6,136	6,859	6,203	4,963	5,855	5,002	4,759	63,501
VW Domestic	837	701	975	1,530	1,052	995	887	653	605	823	566	506	10,130
VW Import	1,560	1,915	2,543	4,010	1,040	2,133	2,108	1,883	1,588	1,733	1,843	1,984	24,340
Audi	266	327	399	703	559	458	697	382	471	786	496	543	6,087
Porsche	55	64	99	198	174	128	107	59	57	102	83	74	1,200
Total VW	2,718	3,007	4,016	6,441	2,825	3,714	3,799	2,977	2,721	3,444	2,988	3,107	41,757
Volvo Domestic	210	172	201	313	256	250	336	205	172	191	160	85	2,551
Volvo Import	372	286	421	517	474	507	425	516	434	407	397	207	4,963
Total Volvo	582	458	622	830	730	757	761	721	606	598	557	292	7,514
Hyundai	4,825	5,642	6,822	7,132	7,157	7,620	7,168	6,717	4,537	4,258	4,089	4,057	70,024
Toyota	3,477	3,678	4,788	4,675	5,968	5,217	4,659	5,024	4,792	5,774	4,926	6,357	59,335
Nissan	1,786	1,863	4,053	3,229	3,322	3,203	3,418	2,830	2,643	3,064	2,924	2,090	34,425
Mazda	1,466	1,235	2,233	1,987	2,304	1,967	2,104	1,877	1,830	1,860	1,448	1,673	21,984
Subaru	659	436	687	892	811	703	830	700	679	691	531	482	8,101
BMW	287	307	353	518	499	420	408	358	412	374	355	273	4,564
Mercedes Benz	278	250	311	406	372	334	375	315	332	313	415	318	4,019
Suzuki Canada	20	63	102	146	113	90	72	63	112	102	68	69	1,020
Jaguar	96	107	157	185	192	208	145	144	201	215	205	177	2,032
Saab	103	120	158	154	144	139	120	101	106	72	87	101	1,405
Lada	135	295	154	179	145	147	128	111	125	78	68	47	1,612
Skocar (Skoda)	57	75	54	55	50	52	74	52	100	71	64	79	783
INCA (Innocenti)	34	15	52	45	28	22	22	15	—	—	—	—	233
Total N.A. Cars	47,613	58,487	66,396	87,885	81,316	73,304	68,263	57,228	60,963	64,178	50,084	41,909	757,626
Total Imports	20,858	21,605	30,363	31,670	31,550	31,190	31,436	28,846	25,310	27,830	25,205	25,367	331,230
Grand Total	68,471	80,092	96,759	119,555	112,866	104,494	99,699	86,074	86,273	92,008	75,289	67,276	1,088,856

Note: N.A. means North American cars, produced either in the U.S. or Canada. *American Motors (Canada) Inc. figures include Renault Encore and Alliance. **Volkswagen Golf/IGT

is U.S.-built only. Source: Ward's Automotive Yearbook and the Automobile Importers of Canada/Canadian Importers Assn. Inc.

"new and unique" phenomena in the market place. This is in keeping with the low initial cost of producing the vehicle, and is exceptional for the luxury sports car design of the EXAR-1.

The proposed base selling price of \$CDN 15-18,000 is estimated to be within the affordable limits of 80% of automobile buyers.

6.5 Sales and Distribution Plan

The plan is to sell the EXAR-1 at the factory, at special automotive shows and regional exhibitions sponsored by the company, and at special sales facilities operated by the company in key markets. The strategy is to avoid the initial expense of a dealer network, dealer inventory, and dealer training and thereby keep the selling price below \$CDN 15-18,000. Thus, the company expects to participate in the various automobile shows, at exhibitions like the Calgary Stampede, the home Show, the Car Show, the P.N.E. and the C.N.E., and at special locations such as Los Angeles or San Francisco.

It should be noted that in Europe a much higher portion of new cars are picked up at the factory. For example, it is reported that 80% of the Porsches sold in Europe are picked up at the factory. Mercedes Benz apparently has a hotel beside its factory, for the benefit of new car owners waiting to pick up their new car. Thus, while the use of a plant-based distribution system is not familiar in North America, it is a proven successful system elsewhere.

This factory-based distribution plan does not preclude the use of dealer networks at a later date, when the initial market interest has been satisfied, when the personal selling and geographic distribution is required to maintain sales objectives, or if the plan is proven unsatisfactory.

6.6 Service and Warranty Policies

The EXAR-1 will be offered with a 60 month limited warranty on parts and labor, and the company has budgeted an amount equal to 8% of selling price for this warranty. A purchaser has the option of buying the vehicle without the warranty to save money, this is done because of the high reliability of electronics vs. Internal Combustion.

6.7 Advertising, Promotions, and

Public Relations

A year 1 advertising and promotion budget of \$CDN 2,000,000 has been established for the introduction and marketing of the EXAR-1 and is considered to be excessive, but not unreasonable in view of the obvious and previous response of the EXAR-1. Shows recently done in Vancouver, Kelowna and Vernon, B.C., also Edmonton, Alberta have simply proved the acceptance expectations for the EXAR-1.

It is expected that there will be a substantial amount of publicity surrounding the introduction of the EXAR-1, as its introduction will be newsworthy and of broad interest. The company proposes to hire a full-time Public Relations Director whose responsibility will encompass preparing Press Releases and organizing media announcement in each of the geographic centers in which the EXAR-1 will be sold.

A detailed media plan has yet to be developed, but it is expected to be based on a series of direct shows linked to editorials or specific articles on the EXAR-1. Regional publications such as Vancouver Life and Western Living, and national publications such as Road and Track, and Car and Driver will provide vast and wide range free publicity. Feature articles in local newspapers coinciding with exhibition events are proposed, as are newspaper reviews by local columnists.