CRITICAL RISKS, PROBLEMS, AND OPPORTUNITIES

13.1 Negative Factors

Purchase of the shares of Common Stock of the Company involves a high degree of risk. Among the risk factors, a prospective investor should consider the following:

13.1.1 Limited Operating History/Operating Losses.

The Company is new and has shown no income to date. There is no assurance that the Company will be able to operate profitably. However, the company has acquired the rights to a car which cost $9 million to develop to its current demonstration prototype stage.

13.1.2 Market Development.

The electric car market is new and may not develop as expected. There have been electric automobiles as long as there have been gasoline automobiles. There is limited experience with electric cars in place over an extended period of time, and their acceptance by the public as a specialty vehicle on a broad scale cannot be assured. However, the automobile industry is a large industry in which companies with small market share can have sizeable revenues, particularly with the advances of the EXAR-1 and innovative sales and marketing programs.

13.1.3 Competition.

There are many gasoline automobile companies with larger resources and are able to expend considerably larger sums for research and development and marketing activities. There are other small companies who are engaged in the electric car business. However, the established automobile manufacturers seem to have their hands full in vicious battles to maintain market share in their established markets and seem to have little interest in vehicles which would sell under the 100,000 units per year range.

13.1.4 Technological Changes.

The development of the Company's products involves the application of relatively new technologies, some of which are subject to change. To respond to developments in these technologies, the Company can give no assurance with respect to the product life cycle however products within the EXAR-1 have excellent reputations and life cycles which are excellent while some are exceptional.. The Company's ability to respond adequately to technological changes or market acceptance of any new products is enforced by the simplicity of the EXAR-1.

13.1.5 Dependence Upon Key Personnel.

The company's success will depend in part upon a number of key managerial personnel and technical employees, the loss of whom could adversely affect the Company. The Company believes that its future success will depend in part on its ability to continue to attract and retain highly skilled employees. If the Company should lose the services of some or all of these individuals, then the ability of

the Company to implement its business plan could be curtailed or delayed, however the industry is rich with excellent personnel who can become available with proper inducement. The Company is currently looking to building its operating management team and to arrange for professional assistance from Amectran and the Snow Corp.

13.1.6 Automobile Insurance.

The ability of consumers to obtain automobile insurance could affect sales of the EXAR-1. As electric cars are a relatively new vehicle, their coverage under private and government car insurance plans has not yet been established. The EXAR-1 represents a technology whose repair and maintenance is considerably less than that of gasoline automobiles and should provide insurance incentives.

13.1.7 Regulation.

The Company's products are mechanical devices subject to regulation by the Federal Department of Transport which administers the Canadian Motor Vehicle Safety Standards (CMVSS). Any new products developed by the Company would also be subject to CMVSS review and compliance. It should be noted however that the EXAR-1 has been recommended by the U.S. Department of Commerce and Secretary of Transportation.

13.1.8 Rapid Growth.

The Company plans to continue to expand its business rapidly, the success of which will depend upon its ability to manage such expansion and gear up as demand requires.

13.2 Positive Factors

13.2.1

The Canadian market offers major cost savings from an electric vehicle because of low electricity rates and high gasoline prices. For someone driving 20,000 kilometers per year, the saving in fuel could be as much as $686.00 per year.

13.2.2

The classical Italian styling of the EXAR-1 looks much more expensive than the proposed selling price of $15-18,000.

13.2.3

The strong progress of the development of the electric van in the U.S. suggests that there is growing interest and market support for electric vehicles in larger organizations and companies using fleets. The EXAR-1 has already proved its acceptance in far greater quantities than the company can provide in the next two to three years.

13.2.4

The Washington and Oregon markets have low electricity rates and are among the most attractive states in which to market an electric car, and these two states are very close geographically to B.C./Alberta, should a plant be built there.

13.2.5

The state of California is an attractive market, not because of favorable electricity rates, but because of strong government and utilities interest in a non-polluting vehicle, and the market size.

13.2.6

The proposed regional plant appears to have a relatively low capital cost of $25 million, which could produce in excess of 10,000 cars per year. The current sales forecast utilizes 100% of the plant's capacity, and suggest a profit at this production level.

13.3 Alternate Plans of Action

13.3.1 Alternate Technical Resources

The company has identified several alternate sources of commercialization and production design expertise, and success therefore is not dependent on any one man or any one company. The company has not made any irreversible commitments at this point, and can chose between attractive alternatives. For example, the advisors needed to expedite CMVSS approval could be the VEHMA group, or the FCSA group, or others not yet identified. Drive train design can come from Chloride, Eagle-Picher. Production process expertise can come from FCSA, VEHMA, or local sources such as Freightliner of Canada types of experts. The consulting assistance of Ed Ramirez is invaluable, however it could be equally provided by others since he has designed this project with such detail as to allow almost any group to complete the project although he offers a unique perspective and has been the prime mover for the project over the past 15 years, he has made it possible to proceed without his assistance.

13.3.2 Alternate Utilization of Production Resources

In purchasing the plastic forming system and machinery from the Snow Corporation, the company will have a production resource with broad capabilities. It is conceivable that the company may wish to use the molding system in slack production periods for custom work for others, in producing items such as bathtubs, hot-tubs, and plastic automobile and truck and recreational vehicle components. While this has not been explored in depth and no market study has been undertaken as yet, this could become a separate profit center for the company, thereby reducing overheads and increasing overall profitability.

13.3.3 Alternate Advantages

Since approximately 12 million dollars of approximately 25 million dollars will be spent on factory and equipment and the balance is in non-risk inventory, the exposure is limited only to the ideas to which the factory can be retrofitted into another industry: these opportunities are excellent in diminishing loss.