

Financial Projections and Assumptions

14.1

The financial projections are comprised of two sections, namely the 1989 and 1990 commercialization and plant construction phase, representing costs to be capitalized and amortized and the second section representing the 5 year operation projection.

The financial projections are driven by the unit sales projections, which have a unit revenue and a unit direct cost initially based on annual volumes of 10,000 vehicles.

The direct cost is based on an itemized component cost projection provided elsewhere in this plan, plus a direct labor cost based on assembly labor and assembly supervision.

Inventory expense assumes a total of 21 days inventory of both raw materials and finished product, based on pre-sold unit with interest reduced by low inventory needs.

The receivable expense is based on 30 days sales, based on next month sales at the same interest.

Administrative expense is direct salary expense and benefits as outlined in the SOP. Operating expenses are built into unit cost.

Promotion and advertising have been set on an estimate basis, balancing profit and promotion spending.

Royalties reflect payments to Ed Ramirez based on \$600 for each EXAR-1 sold.

Amortization expense includes all 1989 and 1990 expenses amortized over 10 years at a 10% rate of interest.

Certification and R&D, and Miscellaneous expenses are estimated.

Note:

The following Pro Formas have taken certain assumptions into account. With the increase of each 10,000 cars sold, a new factory must be constructed. Since each factory is a totally new, fully funded entity, profits are added to the consolidated balance sheet while costs are totally covered by Public Offering, Government involvement or other source. Costs, expenses of all types and even interest rates need not be calculated at this time because: 1) any new factory which is built, will be cost accounted at that time and financing adjusted accordingly; 2) with the additional construction experience, cost will be adjusted to meet conditions also at the time; 3) purchasing power and experience will deflect projections based on location, government regulations, money value and/or a myriad of other elements to diverse to calculate at this time: however, common sense dictates that these figures are basis for profit speculation and the numbers need be accurate only as to form and intent. The object is to show a relationship between the fresh manufacturing technology introduced into this new industry, and improved profitability based on an increased sales price, if necessary, acceptable, and beneficial to the overall corporate structure, which the firm controls.

Pro Forma Selling Price and Cost Estimates

Time Period	1990 Total	1991 Total	1992 Total	1993 Total	1994 Total
Unit Sales EXAR-1	10000	20000	30000	40000	50000
Selling Price \$CDN	\$18,000	\$15,000	\$15,000	\$14,000	\$14,000
Revenue EXAR-1	\$180,000,000	\$300,000,000	\$450,000,000	\$560,000,000	\$700,000,000
Unit Cost EXAR-1	\$15,000	\$12,000	\$12,000	\$11,000	\$11,000
Direct Cost EXAR-1	\$150,000,000	\$240,000,000	\$360,000,000	\$440,000,000	\$550,000,000
Gross Margin EXAR-1	\$30,000,000	\$60,000,000	\$90,000,000	\$120,000,000	\$150,000,000
Inventory Expense*					
Admin. Expense	\$2,736,400	\$2,736,400	\$2,736,400	\$2,736,400	\$2,736,400
Warranty Expense	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000
Promo & Advertising	\$2,000,000	\$100,000	\$1,200,000	\$1,400,000	\$1,400,000
Certification & R&D	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Miscellaneous	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Amortization Exp.	\$2,803,150	\$2,803,150	\$2,803,150	\$2,803,150	\$2,803,150
Royalties	\$5,000,000	\$10,000,000	\$15,000,000	\$20,000,000	\$25,000,000
Total Expense	\$16,439,550	\$19,539,550	\$25,639,550	\$30,839,550	\$35,839,550
Gross Income	\$13,560,450	\$40,460,450	\$64,360,450	\$89,160,450	\$114,160,450

*There is a \$12-14,000,000 in-standing inventory

Capital Cost Projections

Time Period After Funding	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL
Administrative Exp.	\$50,000	\$50,000	\$50,000	\$50,000	\$200,000
Factory Equipment	\$9,000,000	\$0	\$0	\$0	\$9,000,000
Changes to Prototype incl. Design & Eng.	\$180,000	\$180,000	\$180,000	\$180,000	\$720,000
Prototypes for tests	\$0	\$0	\$0	\$0	\$0
Testing	\$0	\$0	\$0	\$0	\$0
Plant Construction	\$0	\$0	\$300,000	\$700,000	\$1,000,000
Plant Start-up	\$0	\$0	\$0	\$0	\$0
Staffing	\$0	\$0	\$0	\$50,000	\$50,000
				\$0	\$0
Inventory Expense	\$0	\$0	\$0	\$13,500,000	\$13,500,000
Warranty Expense	\$0	\$0	\$0	\$0	\$0
Promo & Advertising	\$10,000	\$10,000	\$10,000	\$250,000	\$280,000
Certification & R&D	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$20,000	\$20,000	\$20,000	\$20,000	\$80,000
Amortization Exp.	\$0	\$0	\$0	\$0	\$0
Royalties	\$0	\$0	\$0	\$0	\$0
Total Expense					\$24,830,000

Proforma

2nd Year Time Period After Funding	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL
Unit Sales EXAR-1	2500	2500	2500	2500	10000
Selling Price \$CDN	\$18,000	\$18,000	\$18,000	\$18,000	
Revenue EXAR-1	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000	\$180,000,000
Unit Cost EXAR-1	\$15,000	\$15,000	\$15,000	\$15,000	
* Direct Cost EXAR-1	\$37,500,000	\$37,500,000	\$37,500,000	\$37,500,000	\$150,000,000
Gross Margin EXAR-1	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000	\$30,000,000
Administrative Exp.	\$684,100	\$684,100	\$684,100	\$684,100	\$2,736,400
Factory Equipment	\$0	\$0	\$0	\$0	\$0
Changes to Prototype +incl. Design & Eng.	\$50,000	\$25,000	\$0	\$0	\$75,000
+Prototype for test	\$30,000	\$0	\$0	\$0	\$30,000
+Testing	\$25,000	\$0	\$0	\$0	\$25,000
Plant Construction	\$0	\$0	\$0	\$0	\$0
+Plant Start-up	\$100,000	\$0	\$0	\$0	\$100,000
* Labor	\$441,000	\$441,000	\$441,000	\$441,000	\$1,764,000
Inventory Expense	\$0	\$0	\$0	\$0	\$0
Warranty Expense	\$875,000	\$875,000	\$875,000	\$875,000	\$3,500,000
Promo & Advertising	\$500,000	\$500,000	\$500,000	\$500,000	\$2,000,000
Certification & R&D	\$150,000	\$50,000	\$0	\$0	\$200,000
Miscellaneous	\$50,000	\$50,000	\$50,000	\$50,000	\$200,000
Amortization Expense	\$700,793	\$700,786	\$700,785	\$700,786	\$2,803,150
* Operating Overhead	\$450,000	\$450,000	\$450,000	\$450,000	\$1,800,000
Royalties	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000	\$5,000,000
Total Expense					\$16,669,550
Gross Income					\$13,330,450

Proforma

3rd Year Time Period After Funding	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL
Unit Sales EXAR-1	5000	5000	5000	5000	20000
Selling Price \$CDN	\$15,000	\$15,000	\$15,000	\$15,000	
Revenue EXAR-1	\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$300,000,000
Unit Cost EXAR-1	\$12,000	\$12,000	\$12,000	\$12,000	
Direct Cost EXAR-1	\$60,000,000	\$60,000,000	\$60,000,000	\$60,000,000	\$240,000,000
Gross Margin EXAR-1	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$60,000,000
Administrative Exp.	\$684,100	\$684,100	\$684,100	\$684,100	\$2,736,400
Factory Equipment	\$0	\$0	\$0	\$0	\$0
+Prototype for test	\$10,000	\$20,000	\$0	\$0	\$30,000
+Testing	\$10,000	\$15,000	\$0	\$0	\$25,000
Warranty Expense	\$875,000	\$875,000	\$875,000	\$875,000	\$3,500,000
Promo & Advertising	\$25,000	\$25,000	\$25,000	\$25,000	\$100,000
Certification & R&D	\$150,000	\$50,000	\$0	\$0	\$200,000
Miscellaneous	\$50,000	\$50,000	\$50,000	\$50,000	\$200,000
Amortization Expense	\$700,793	\$700,786	\$700,785	\$700,786	\$2,803,150
Royalties	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$10,000,000
Total Expense					\$19,594,550
+ Gross Income					\$40,405,450

+ Expense reimbursed from Capital Cost

Note:

Capital Cost Projections and 2nd Year Pro Forma - same as first Factory

Proforma

4th Year Time Period After Funding	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL
Unit Sales EXAR-1	7500	7500	7500	7500	30000
Selling Price \$CDN	\$15,000	\$15,000	\$15,000	\$15,000	
Revenue EXAR-1	\$112,500,000	\$112,500,000	\$112,500,000	\$112,500,000	\$450,000,000
Unit Cost EXAR-1	\$12,000	\$12,000	\$12,000	\$12,000	
Direct Cost EXAR-1	\$90,000,000	\$90,000,000	\$90,000,000	\$90,000,000	\$360,000,000
Gross Margin EXAR-1	\$22,500,000	\$22,500,000	\$22,500,000	\$22,500,000	\$90,000,000
Administrative Exp.	\$684,100	\$684,100	\$684,100	\$684,100	\$2,736,400
Factory Equipment	\$0	\$0	\$0	\$0	\$0
+Prototype for test	\$10,000	\$20,000	\$0	\$0	\$30,000
+Testing	\$10,000	\$15,000	\$0	\$0	\$25,000
Warranty Expense	\$875,000	\$875,000	\$875,000	\$875,000	\$3,500,000
Promo & Advertising	\$300,000	\$300,000	\$300,000	\$300,000	\$1,200,000
Certification & R&D	\$150,000	\$50,000	\$0	\$0	\$200,000
Miscellaneous	\$50,000	\$50,000	\$50,000	\$50,000	\$200,000
Amortization Expense	\$700,793	\$700,786	\$700,785	\$700,786	\$2,803,150
Royalties	\$3,750,000	\$3,750,000	\$3,750,000	\$3,750,000	\$15,000,000
Total Expense					\$25,694,550
+ Gross Income					\$64,305,450

+ Expense reimbursed from Capital Cost

Note:

Capital Cost Projections and 2nd Year Pro Forma - same as first Factory

Proforma

5th Year Time Period After Funding	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL
Unit Sales EXAR-1	10000	10000	10000	10000	40000
Selling Price \$CDN	\$14,000	\$14,000	\$14,000	\$14,000	
Revenue EXAR-1	\$140,000,000	\$140,000,000	\$140,000,000	\$140,000,000	\$560,000,000
Unit Cost EXAR-1	\$11,000	\$11,000	\$11,000	\$11,000	
Direct Cost EXAR-1	\$110,000,000	\$110,000,000	\$110,000,000	\$110,000,000	\$440,000,000
Gross Margin EXAR-1	\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000	\$120,000,000
Administrative Exp.	\$684,100	\$684,100	\$684,100	\$684,100	\$2,736,400
Factory Equipment	\$0	\$0	\$0	\$0	\$0
+Prototype for test	\$10,000	\$20,000	\$0	\$0	\$30,000
+Testing	\$10,000	\$15,000	\$0	\$0	\$25,000
Warranty Expense	\$875,000	\$875,000	\$875,000	\$875,000	\$3,500,000
Promo & Advertising	\$350,000	\$350,000	\$350,000	\$350,000	\$1,400,000
Certification & R&D	\$150,000	\$50,000	\$0	\$0	\$200,000
Miscellaneous	\$50,000	\$50,000	\$50,000	\$50,000	\$200,000
Amortization Expense	\$700,793	\$700,786	\$700,785	\$700,786	\$2,803,150
Royalties	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$20,000,000
Total Expense					\$30,894,550
+ Gross Income					\$89,105,450

+ Expense reimbursed from Capital Cost

Note:

Capital Cost Projections and 2nd Year Pro Forma - same as first Factory

Proforma

6th Year Time Period After Funding	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL
Unit Sales EXAR-1	12500	12500	12500	12500	50000
Selling Price \$CDN	\$14,000	\$14,000	\$14,000	\$14,000	
Revenue EXAR-1	\$175,000,000	\$175,000,000	\$175,000,000	\$175,000,000	\$700,000,000
Unit Cost EXAR-1	\$11,000	\$11,000	\$11,000	\$11,000	
Direct Cost EXAR-1	\$137,500,000	\$137,500,000	\$137,500,000	\$137,500,000	\$550,000,000
Gross Margin EXAR-1	\$37,500,000	\$37,500,000	\$37,500,000	\$37,500,000	\$150,000,000
Administrative Exp.	\$684,100	\$684,100	\$684,100	\$684,100	\$2,736,400
Factory Equipment	\$0	\$0	\$0	\$0	\$0
+Prototype for test	\$10,000	\$20,000	\$0	\$0	\$30,000
+Testing	\$10,000	\$15,000	\$0	\$0	\$25,000
Warranty Expense	\$875,000	\$875,000	\$875,000	\$875,000	\$3,500,000
Promo & Advertising	\$350,000	\$350,000	\$350,000	\$350,000	\$1,400,000
Certification & R&D	\$150,000	\$50,000	\$0	\$0	\$200,000
Miscellaneous	\$50,000	\$50,000	\$50,000	\$50,000	\$200,000
Amortization Expense	\$700,793	\$700,786	\$700,785	\$700,786	\$2,803,150
Royalties	\$6,250,000	\$6,250,000	\$6,250,000	\$6,250,000	\$25,000,000
Total Expense					\$35,894,550
+ Gross Income					\$114,105,450
+ Expense reimbursed from Capital Cost					

Note:

Capital Cost Projections and 2nd Year Pro Forma - same as first Factory