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**California Tech
dba
California Transmissions**

Business Plan

01/01/05

This Business Plan (the "BP") contains certain information regarding the current and planned operations and business of California Tech dba California Transmissions. ("Company"), including information regarding the projected financial performance of the Company. This Business Plan has been provided to the recipient solely for the purpose of assisting the recipient in deciding whether to proceed with an in-depth investigation of the Company in accordance with procedures established by the Company.

By accepting a copy of this Business Plan, the recipient hereby agrees, among other things, to keep the information contained herein and the existence of this Business Plan confidential and to restrict the use of any information contained herein to those people within the recipient's organization or its designated representatives who have been informed of the confidential nature of such information and who need to have such information in connection with the organization's evaluation of the Company.

This Business Plan has been prepared by California Transmissions on the basis of internally prepared information, as well as information from public and private sources, including trade and statistical sources commonly used in the industry. The Business Plan does not purport to contain all of the information that may be required to evaluate all of the factors that would be relevant to a recipient in considering a transaction with the Company. The Company makes no warranty or representation, express or implied, as to the accuracy or completeness of either the material contained herein or any other written or oral information provided by the Company to the recipient, and no liability shall attach thereto.

Nothing contained in this Business Plan is, or should be relied on as, a promise or representation as to the future. The projected financial information contained herein was prepared expressly for use herein and is based upon the stated assumptions and the Company's analysis of information available at the time that this Business Plan was prepared. There is no representation, warranty, or other assurance that any of the projections set forth herein will be realized. This Business Plan does not purport to contain all of the information that may be required to evaluate the Company and any recipient hereof should conduct its own independent investigation and analysis of the business described herein.

Any questions regarding the Company should be directed to the following representatives named below.

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I. EXECUTIVE SUMMARY

The Company:

California Transmissions is a U.S. corporation based in California founded in 1999. The Company is a transmission repair shop.

California Transmissions has differentiated itself totally rebuilding transmissions by using new parts. We give a 5 year or 50,000 mile warranty with our work. Currently California Transmissions has 5 employees, and over 2 locations in Southern California, providing local service to over 8 cities.

For the past three months ending 9/30/03, the Company had revenues of \$1,000,000.00 and net earnings of \$250,000.00. For the full fiscal year ending December 31st, California Transmissions is expecting revenues of \$1,750,000.00 and net earnings of \$350,000.00, which represents 25% top line growth versus the previous year.

The Market and Industry:

The Company participates in the rapidly growing transmission repair market, which is expected to grow from nearly \$7 million today to approximately \$11 million in the next 5 years. California Transmissions estimates that with our skilled technicians and reputation for quality work that our share of the market will grow from 12% to 25% in the next 3 years.

In the Los Angeles area alone, the Company estimates approximately 125 competitors. The Company believes that within its specific niche, it currently holds an approximate 03% market share.

Products and services are distributed to this market through our 6 locations. Our reputation is spread primarily through word of mouth and competitive advertising. Our advantage is our quality of work done and our nationwide guarantee of our work, which is second to none in the industry.

Business Model/Strategy:

We charge full price for all parts that we use even though we receive a 15-30% discount on all our parts. We price our labor costs in line with our competitors. We operate with utmost efficiency. Our productivity far exceeds the standard transmission shop. Because of a long history of execution and favorable pricing under this model, the Company has positioned itself as one of the core suppliers for companies such as the local police and sheriff's departments and local Casino's. California Transmissions is currently in the process of becoming a regional powerhouse through expansion to key areas in the local region.

Regarding new markets, California Transmissions has recently penetrated the southern California market, a market niche with significant potential in the short-term due to the seasonal influx of

winter tourist and in the summer foreign visitors.

Product and Services:

We do complete transmission repairs for all types of vehicles. We offer a 10 year or 100,000 mile nationwide warranty that is second to none.

Core Clients:

Local neighbors along with new and used car dealers.

Facilities and Employees:

California Transmissions has 15 full time employees and 6 offices in the Los Angeles area. The office space is leased.

Websites:

Under development

Financing Requirements:

The Company is in the process of raising \$750,000 through a combination of SBA loans and private financing, which will be used for property and equipment acquisitions for the continued expansion of the business.

Financials:

Figures in Thousands of USD

FY ends as of <December>	2002 E	2003	2004 E
Revenues	650	1,003	1,900
Gross Profit	585	795	1,550
Net Earnings			
Net Earnings	56	97	350
Total Assets	407	1,247	1,500
Total Debt	0	0	500
Total Equity			

Sources: California Transmissions

II. INVESTMENT CONSIDERATIONS

- **Significant growth achieved in the past.** California Transmissions has grown at a 25% rate during its second year of operation due to our quality product and reputation for being fair and honest with our customers. Moreover, the Company expects revenues going forward to maintain a sustainable growth rate of 25-30% per year given the potential business that that exists in this area.
- **Valuable relationships with major XYZ.** The Company's relationships with the area police departments and car dealers will translated into a significant source of revenues and new clients. This results from the confidence major manufacturers and distributors have in California Transmissions, given its proven reliability and quality standards.

- **Strong and scalable business model.** Our advantage is service that is complete. We do quality work with a 100,000-mile nationwide warranty, which is second to none in the industry.
- **Profitable.** The company has been profitable for 3years, achieving average gross margins of 90%, and net margins of 4%.
- **Extremely lean organization.** With only 15 employees, the Company has one of the highest returns in the industry given its lean structure. Revenue per employee is expected to be around \$175,000 in FY 2004.
- **Clean balance sheet.** The Company has no debt and functions on a cash basis with no accounts receivable.
- **Affected by economic cycles.** As individuals hold onto their cars longer, these individuals need to keep their cars in running order, which includes transmission repairs. This are also has an influx of tourists in July and August for various events as well as January through March for vacation travel. This provides a constant flow of new customers for our business.

III. THE COMPANY

A. Overview

California Transmissions is a U.S. corporation founded in 2000 and based in Los Angeles, California. Mr. Dan McArthur who identified the need for quality transmission repairs founded the Company. Since the company's inception, California has grown to take a 3% share of the transmission business in the Los Angeles area. We have about 125 know competitors from small to national franchises in the area. We serve about 8 cities in the area and 14 small towns. We have a low overhead that allows us to make a better return on our income. We are the only shop to offer a 10 year or 100,000 mile nationwide warranty on our work. We use only new parts not used or refurbished. We are currently bidding for various government contracts. We are ATRA Certified and compliant with all OSHA and NIOSH regulations. We have a financing relationship with Bank of America to finance our customers' transmission repairs. This business original financing came from GE finance.

As of today, the company's main goal is to become the dominant transmission shop in the Los Angeles area.

The Company provides quality transmission repairs for all makes and models of vehicles. California Transmissions is a supplier of transmission repairs to the local police department.

Most of its current (and/or future) revenues come from the following sources consumers needing transmission repairs and the local neighborhoods and car dealers.

Currently California Transmissions has 15 employees, and 6 locations throughout Los Angeles, providing local support to over 8 cities.

California Transmissions has no current legal action pending and has never been involved in any lawsuits throughout Company history.

B. *Competitive Advantage*

California Transmissions has differentiated itself by offering quality work with a no hassle 10 year/100,000 mile nationwide warranty. We are setting the standard for transmission repairs here in the Los Angeles area of California. Our competitors are unable to offer what we do since they use refurbished parts rather than new parts. Our current customers refer business to us since they receive great service and quality work. Our customer base is expanding with more businesses discovering the California Advantage for their vehicles.

C. *Company Network – Affiliates, Contacts and Partners*

California Transmissions has developed a network of suppliers and employees dedicated to providing the best transmission repair service in the region. This structure is helping assure that repairs are done in a timely and cost efficient manner. On one hand, California Transmissions is able to continue to grow and increase its bottom line.

D. *Expansion Strategy*

The Company is expecting to achieve a 25-30% CAGR in revenues for the next two years based on: cost effective marketing to the general public as well as tourists through selective ad displays. Also going after more local government contracts as well as the large private fleet business contracts. We are going to be hiring additional store clerks and shop laborers in the 1st quarter of 2005. We are planning on another additional location by mid 2005 and to relocate the main facility to our own property when acquisition is completed.

Some of the market niches in which California Transmissions foresees growth potential in the medium term are:

- 1. Government contracts.
- 2. New local car dealer contracts.

Niche 1 – This niche will provide the company with a constant supply of vehicles that need regular maintenance and a steady flow of income.

Niche 2 – These contracts will provide additional sources of revenue by having more vehicles that will need regular service. The car dealerships will provide insurance money for the repairs that they are unable to do. This will also give California more word of mouth advertising and more customers in the end.

In order to achieve the Company's growth potential, management is focused on:

- Increasing penetration of the Los Angeles and southern California market.
- Establishing relations with local and state government agencies.
- Expanding relationships with the major car dealers.

E. *Products and Services*

Include a detailed description of the products and/or services the company currently provides or plans to provide.

Service/Product	Description	Target Market
• A	Complete Transmission Repairs	Southern California

Product/Service A - to repair and rebuild transmissions using new parts only. Our main clients are an assortment of local individuals and the police department. We also have relationships with local car dealerships to do some of their transmission repair work.

E. Sales and Marketing

Our main customers find us in the local phone book. We have a tab insert that makes us easy to find. Our second most effective area of business is customer referrals. We have local advertising at some of the benches at the local golf courses. We also belong to two local chamber of commerce's and serve as ambassadors in both of them. We use our advertising budget wisely and our return so far from advertising is 600%. We go over in detail with each customer what needs to be done to repair their transmission and give them the parts back so that they can feel rest assured that their money was well spent. The warranty has helped also to provide peace of mind for our customers.

Marketing Method 1. Phone book Advertising

California Transmissions has invested \$15,000.00 on this particular marketing strategy. This is expected to bring in about \$300,000 this year in new business.

Marketing Method 2. Golf Course Advertising

California Transmissions has invested \$5,000 on this particular marketing strategy. This involved three people to design and implement this advertising. This is expected to bring in about \$150,000 this year in new business.

Internal Marketing Efforts

California Transmissions has a very lean marketing structure. California Transmissions focuses on "direct marketing," directly approaching potential customers once a need for transmission repairs has been made known. This results in minimum advertising and marketing expenses. In addition, a portion of the team is devoted to following up with current customers in order to penetrate existing accounts and gain a larger share of the market.

F. Current Clients

California Transmissions currently serves over 100 different clients, however, twenty-five of them accounted for 30% of the Company's total revenues for fiscal year 2004. Regarding service/product segmentation, 100% of California Transmissions revenues are generated from transmission repairs.

California Transmissions current and/or potential client base by size and segment:

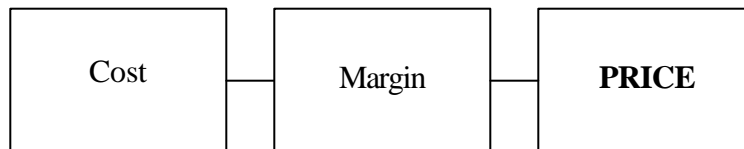
Client Name	Product/Service	% of Revenues
▪ Los Angles PD	A	10%
▪ Used Car dealers	A	10%
▪ County Police	A	10%
▪ State of California	A	10%
▪ New Car dealers	A	20%
▪ Other	A	40%

Sources: California Transmissions

G. Revenue Model and Financial Highlights

California Transmissions revenue model is based on a fixed fee charged to the client based on the type of transmission service. Usually California Transmissions carries a 10% margin when dealing with its parts distributors.

This means that if a part costs California \$100.00 we charge the customer \$110.00 which is the retail price of the part. The customer also pays \$80.00 an hour for labor while our costs are \$60.00. which is a 7.5% mark up. A standard disassemble and evaluation of the transmission costs \$400.00, we charge \$495.00 for this service.



California Transmissions pays its suppliers in 7 days, while most of their clients pay them in 2 days, thus maintaining minimal working capital requirements. We need to have at least \$10,000.00 in daily revenues to pay the daily expenses. We will need extra capital to finance the growth and expansion of the company, which will be paid back within three to five years. The amount needed is \$500,000.

The majority of California Transmissions costs of revenue are related to the cost of parts and labor. Regarding expenses, some 35% of the expenses are related to wages and 50% is related to parts.

On the balance sheet side, the main highlights are:

- The Company holds cash \$30,000.00
- Fixed assets are \$500,000.00, and include, office and shop equipment.
- The Company has no liabilities.

IV. THE INDUSTRY AND MARKET

A. *Market Analysis*

The Company participates in the rapidly growing transmission repair market, which is expected to grow from nearly \$ 7 million today to approximately \$19 million in 2010. The Company estimates the Government contracts is above \$1 million, shared by national, regional, and many local competitors and a CAGR of 8% has been registered for the past 5 years on this segment.

In Los Angeles alone, the Company estimates approximately 125 competitors in the same niche market.

Older cars needing transmission repair drive the transmission repair market's annual growth rate of roughly 8%. Other factors include the local climate and tourism.

Target Market

In today's competitive transmission repair market, California Transmissions reputation for quality workmanship along with the 10-yr/100,000 mile warranty stands well above the competition. This positions California Transmissions for continued growth and market share.

B. *Competition*

IV. Our main competitors are divided into two segments.

V. Segment 1. –Includes the National Franchise chains. They have a lot of broad based marketing as well as name recognition. Their main weakness is their overhead costs are higher and their warranties are either one or two years in length. They control about 75% of the market share.

VI. Segment 2. –Include: local shops that have been in existence for more than 5 years. They have a loyal customer base that they have developed over the years. Their main weakness is that they are satisfied with their current position and are not trying to expand or grow. They control about 15% of the market share.

V. EQUITY STRUCTURE

California Transmissions is a limited liability company solely owned by Dan McArthur. Ownership options are made available to employees after 5 years of service.

VI. MANAGEMENT

Mr. Dan McArthur
*President, CEO and
Founder*

Mr. McArthur founded California Transmissions in 2000 and has been key in orchestrating growth by building critical relationships with customers and vendors to assure the Company's continued viability. Before founding California Transmissions, Mr. McArthur worked for Select Business Services, Inc. and GE Finance. Specific management accomplishments include establishing Select as the local leader in employee leasing and payroll services in California and California and helping Select grow into a \$50 million revenue company in just 4 years. He also has established a small landscape maintenance company that has grown 6000% in 5 years. Mr. McArthur has a BS in Computers from the California State University and a Certificate in Business Administration from Cal Western Community College. Mr. McArthur is also listed in the Business Who's Who in America for 2000-2001.

Mr. John Kerry
General Manager

Mr. John joined California Transmissions in 2001. His main role within the corporation is managing the day to day operations of the shop. Before joining California Transmissions, Mr. John owned and operated several transmissions shops in California and the establishment of a superior staff and the 5yr/50,000 mile warranty. He also managed the turnaround of a Transmission repair company from losing money into a \$3 million a year operation. Mr. John has over 30 years of experience in the transmission repair business. Mr. John has a BA in Business Management from the University of California, Las Vegas.

Ms. Caroline Kennedy
Controller

Ms. Kennedy joined California Transmissions in 2002. Her main role within the corporation is keeping the books in order and strengthening the company's financial position. Before joining California Transmissions, Ms. Kennedy worked for the San Jose local Government. Specific management accomplishments include reorganizing a government agency to save over \$2 million a year and working with other governmental agencies to combine various functions that overlapped to save over \$3 million a year. Ms. Kennedy has a BA in Accounting from the University of California.

Mr. John Edwards
Chief Builder

Mr. Edwards joined California Transmissions in 2003. His main role within the corporation is running the transmission rebuilding and repair department. Before joining California Transmissions, Mr. Edwards worked for Inter-State Transmissions. He has worked in the transmission field for over 20 years. Mr. Edwards has a MA in Auto Mechanics from the California Polytechnic Institute.

VII. FINANCIALS**Balance Sheet**

Figures in Thousands

FY ended 2001	2002	2003	2004E
Cash			
Accounts Receivable			
Deferred Charges			
Due from Employees			
Inventory			
Prepaid Expenses & Other Current Assets			
Current Assets			
Fixed Assets, Net			
Other Assets			
Intangible Assets - Goodwill			
Total Assets			
Liabilities			
Accounts Payable 30 Days			
Accrued Expenses			
Deferred Revenue			
ST Debt			
Current Liabilities			
LT Debt			
Total Liabilities			
Retained Earnings			
Earnings of the Period			
Total Equity			
Equity & Liabilities			

Income Statement

Figures in Thousands

FY ended 2002	2002	2003	2004E	% Growth 2003	% Growth 2004
Revenues					
Cost of Sales					
Gross Profit					
Operating Expenses					
EBITDA					
Depreciation & Amortization					
Operating Profits					
Net Interest Expenses (Gains)					
Other Expenses (Income)					
Earnings Before Taxes					
Extraordinary Exp (Gains)					
Taxes					
Net Earnings					

Cash Flow - Annual

Figures in thousands US Dollars

	2002	2003	2004E
Net Earnings			
Depreciation & Amort.			
Changes in WC			
Other			
Operating Cash Flow			
Capital Expenses			
Change Net Fixed Assets			
Cash paid in acquisition			
Proceeds from sales of securities			
Total Capex			
Financing Sources			
Debt Increases (Decreases)			
Exercise of Options			
Equity Injection			
Total Fin. Sources			
Net Increase in Cash			
Cash Beginning			
Cash End of Period			

Expenses Model - Annual

Figures in thousands US Dollars

Expenses	2002	2003	2004E
Salaries			
Accounting & Services			
Travel Expenses			
Sales and Marketing			
Discontinued Operations			
Total Expenses			

Salaries	2002	2003	2004E
Number of Top Managers			
Average Salary			
Total Salary			
Shop Labor			
Number of Shop Laborers			
Average Salary			
Total Salary			

Total Salaries
Benefits

Total Salaries
