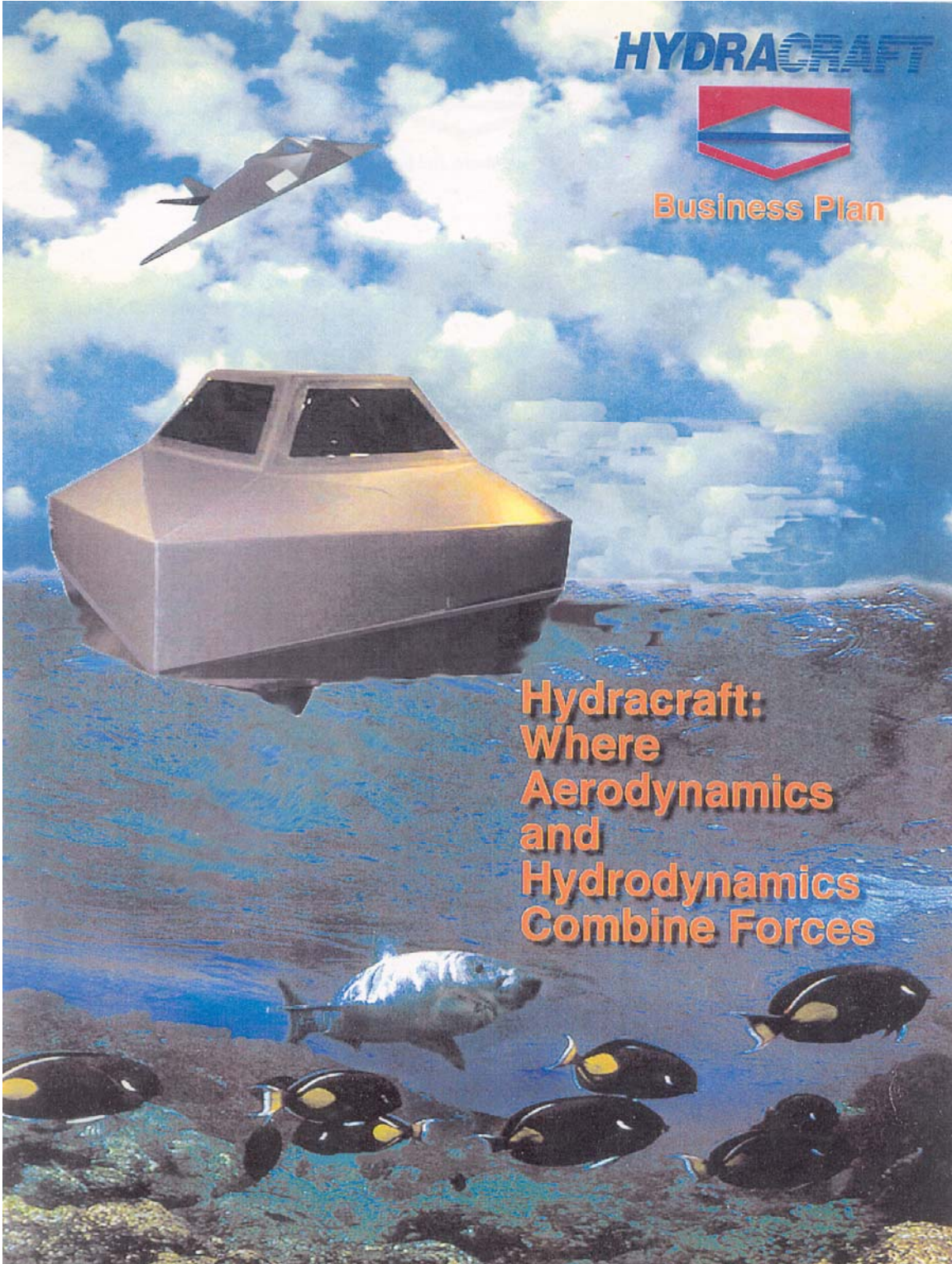


**HYDRACRAFT**



**Business Plan**



**Hydracraft:  
Where  
Aerodynamics  
and  
Hydrodynamics  
Combine Forces**

# Welcome To The Next Generation Of Advanced Combat Reconnaissance Raiding Craft (CRRC)

**HYDRACRAFT**



Variable Hull Modular Watercraft

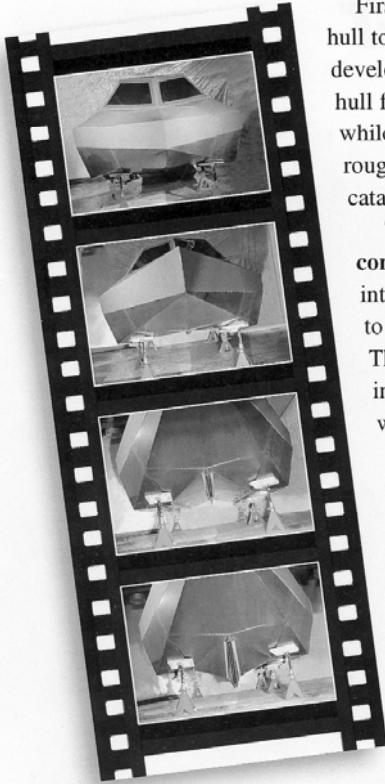


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## Performs Like A Deep-Vee Rib And Packages Like An Inflatable

### Technology

The technology bases for the Hydracraft product line stems from two revolutionary innovations developed for both the **hard hull** and the **rigid inflatable boats (RIB)** as described below.



First, a **variable hull** allows the driver to vary the shape of the hull to match the sea state encountered and the mission's unexpected developments. A turn of the dial enables the crew to have the perfect hull for any condition. This can be achieved in less than one minute while underway. The hulls range from deep-vee for high sea states and rough conditions, to flat bottom for calm or shallow conditions, or to the catamaran multi-hull for increased speed and reduced fuel consumption.

The second prime technological breakthrough is its **modular construction**. The Hydracraft boat is composed of buoyant, interlocking, multi-functional modules. The modules can be used to increase or decrease the size and load capabilities of the vessel. This technology, and its multiple assisting technologies, also results in a much stronger and lighter weight boat, and it also aids in the watercrafts extreme versatility.

Because of its unique construction the Hydracraft CRRC is capable of the high speeds of a strong rib, yet more portable than a comparable sized ordinary inflatable. It is built similar to a light, strong aircraft with an air frame or superstructure. It is an innovative blend of the inflatable components and the rigid structures in such a unique way that provides all of the advantages of the modern ribs and all the advantages of the existing traditional inflatable boats, without their disadvantages. It does not rely upon air for its structural strength and it will not leave the crew and assets stranded in-harms-way if punctured. The Hydracraft will retain its

full size and displacement floatation of any rigid boat. Plus the superstructure adds some special advantages of its own such as gunnel extenders, weapons, or robotic platform, etc.

It will not bend in the surf or high sea-states nor "hog" underway. The tough "hard hull" will not tear or puncture going over dangerous reefs, sharp rocky shores, or by hitting hazardous debris at high speeds. It can be launched and recovered from submarines, the MK-V, or helicopters.



## Let The Bottom Of The Boat Take Up The Shock Instead Of The Crews' Bottoms . . . (and their Back, Knees, Kidneys, etc.)

### Shock Mitigation

With Hydracraft's advanced Marine technology you can not only mitigate the damaging shock but can actually **convert** that energy to useful purposes such as Turbo Chargers to increase the horsepower and speed without increasing engine weight, inject automatic air feed to keep the engine running even if temporarily submerged; jet-pump augmentation; capability to fill dive tanks; wake suppression, and other advantages.



With Hydracraft's advanced Marine technology you can not only mitigate the damaging shock but can actually **convert** that energy to useful purposes such as Turbo Chargers to increase the horsepower and speed without increasing engine weight, inject automatic air feed to keep the engine running even if temporarily submerged; jet-pump augmentation; capability to fill dive tanks; wake suppression, and other advantages.



### Portability

The 16' Hydracraft variable hull, modular Rib packages down to four light weight solid containers that totally enclose and protect the fabric from the elements or from puncture hazards of transportation or portage. Each container weighs less than 100 lbs. and measures 4' x 2' x 2'. One more identical module provides the mission with a 20' special CRRC.

**Hydracraft will package and transport in a smaller, lighter packages than the current CRRC.**

### Ease Of Assembly

Because of Hydracraft's proprietary fasteners and seals, the special CRRC will assemble in less than twenty minutes without tools. These also facilitate quick and easy repair or replacement, as well as adding modules to increase boat size.



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## Section I

### EXECUTIVE SUMMARY

**This is a summary of the information contained in the Hydracraft, Inc. Business Plan.**

- **TECHNOLOGY.** Hydracraft has developed two revolutionary innovations for the boating industry. First is the creation of a variable hull. Second is the development of modular construction. The Hydracraft technology has been developed into various product lines including recreational, racing, commercial, and military.
- **VARIABLE HULL.** Through a dial on the dash, the boater can vary the shape of the hull from a deep-V to flat shaped to the catamaran multi-hull thereby selecting the perfect hull shape to match water surface conditions or the particular sport desired.
- **MODULAR CONSTRUCTION.** The Hydracraft boat is composed of buoyant, interlocking, multi-functional modules. Modularity allows the boat owner to increase or decrease the size and the appearance of the boat as desired thus minimizing storage space eliminating the need for trailers and launch ramps. Modular construction also substantially reduces manufacturing and shipping costs.
- **MARKETING.** The U.S. pleasure boat industry currently generates approximately \$25 billion annually with an annual production of approximately 600,000 boats. The product will be marketed as a watercraft that provides consumers with a much more valuable and useful boat for less cost than a single purpose conventional boat and as a versatile boat that can change and grow with their changing desires and needs. **Projections are based upon a less than 1% market penetration.**
- **DISTRIBUTION.** The domestic market will be initially reached through existing channels of distribution—the 18,000 boating dealerships. An independent market research survey to them indicated the majority have an interest in handling the product line because of the many benefits and cost savings to them. The product will also be marketed through the 36,000 sporting good stores, through mass merchandisers, and through a unique rental/sales program.

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- **MANUFACTURING.** Hydracraft's manufacturing process is revolutionary due to the product's new simplistic modular design. Instead of having to follow the industry's necessity of building one boat at a time, Hydracraft will employ today's advanced repetitive manufacturing principles and technology to mass produce its boats. **This process will result in significant cost savings e.g. 50% savings in labor costs and 90% savings in shipping costs.**
- **MANAGEMENT.** Hydracraft has developed an efficient organizational structure and brought together a quality management team consisting of highly seasoned individuals who possess the professional skills and excitement needed for accomplishing the company's goals and objectives.
- **FINANCIAL.** The Financial Projections Section includes a brief history of Hydracraft's financing to date, a documentation of the planning assumptions used in the financial projections, and the financial projection reports generated by the Hydracraft financial planning model.
- **CORPORATION.** Hydracraft, Inc. is a California corporation formed on October 6, 1986. Hal Syfritt, the founder, owns approximately 80% of the outstanding and issued common stock to date. The company is essentially debt free with over one million dollars having been invested in the successful research and development now completed. The Company is now focusing on the next stages of its operations: licensing, marketing, and manufacturing.
- **CAPITAL.** This Business Plan calls for a capital influx of six million dollars effective January 1, 2005 to fund the company's own full scale manufacturing and marketing operations. Meanwhile, current programs are underway to substantially reduce or even eliminate that capital requirement and replace it with earned income. For additional information on our strategy and activities for capital raise and early revenue generating programs, please see the Overview Summary (page I-6) of this Quick Review Section.

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## SUMMARY

In this overview, we have intended to share with you not only our **product**, the **marketing**, and our **company**, but also to give you a glimpse of our **strategy** for launch, which we are in the process of now. An analysis of our licensing, grant and incentive, and distributorship programs will reveal the strategic value and multiple benefits derived from each single step and single cost expended.

Each of these programs separately can generate substantial earned income during and even prior to the commencement of the manufacturing and marketing of our product line. In addition to providing earned capital, each of these programs satisfies several additional needs that otherwise would require more time and capital to achieve, e.g. global channels of distribution and quite adequate manufacturing capacity to meet the demand.

Implementing all of these programs together has synergistically multiplied our sources and options for capital (particularly from earned income) while further reducing our capital requirements. This strategy also provides us with a quicker and more substantial market penetration, adding additional profits and capital reserves, enhancing the long-term value of our stock and substantially reduces the risk while automatically increasing the rewards.