

Extreme Machine 2000

A MANUFACTURING CORPORATION BUILDING THE
ULTIMATE, AMPHIBIOUS, HYBRID, ELECTRIC VEHICLES



Executive Summary

PURPOSE AND SCOPE

The purpose of this executive summary is to generate up to \$5 million from a single investor or group of investors. Extreme Machine Corporation, is dedicated to designing and manufacturing the world's most innovative, ultimate, amphibious, hybrid, electric vehicles that can be used as an all terrain vehicle, snowmobile, amphibious, jet driven, personal watercraft. We will manufacture the vehicles in the USA and strive to continue to do so in the future.

The Team

The Management team is highly motivated, experienced and well qualified. Extreme Machine 2000, Inc., is lead by a committed, competent start up management team of four. Over \$1.8 million has been invested by the primary inventor and builder of the machine, Mr. Minority shares by several other people make up the balance of the company's shares held. The company is currently valued at \$9 million USD due to the trade secrets and other proprietary designs used in the construction. The large investor will receive one seat on the board.

The ATV (All Terrain Vehicle) Market

We had extensive independent research performed to clarify and quantify the market for these vehicles and the results we received back were astounding. The world wide need predicted is many million units expected to be sold and used for various needs. The ATV industry itself is over \$8.5 billion per year and growing at the rate of 6-23% per year depending on the source. The market research indicated that the ATV industry is diligently developing alternate fuel and low emissions products that can seat 2-4 people. EPA laws coming into force by 2007 mandate that ATVs, snowmobiles and other recreational vehicles meet the minimum emissions laws currently

TABLE OF CONTENTS

	Page No.
1.0 Company Summary	4
2.0 Product and Market Analysis	6
3.0 Marketing Plan	10
4.0 Development and Production Plan	12
5.0 Sales Plan	15
6.0 Financial Plan	16
Financial Projections	17
7.0 Management and Leadership	18
8.0 Risks	20

in effect for automobiles. The 2 person, utility ATV market is becoming very popular and is expected to grow substantially. Polaris cannot make them fast enough to keep up with demand.

2

The NEV (Neighborhood Electric Vehicle) Market

The NEV market is just now emerging and is predicted to be a multi billion dollar market in the next two years. As an example, Toyota has just upgraded their production plans for their Prius model that is a hybrid/electric design. The response to the hybrid/electric design has been much better than they anticipated. They said that they are going to be coming out with a hybrid/electric alternate for almost all of their current models over the next seven years (USA Today, Money Section, October 16th, 2003 edition).

Our Products

EM2K The Ultimate Amphibious Vehicle

The *EM2K* model is the world's first, amphibious, hybrid/electric, variable height, ATV that can be used as a snowmobile, jet driven personal watercraft or sportsman's vehicle. The vehicle can be used for a multitude of purposes too numerous to mention here. It is street legal in 45 states.

NEV3K The Ultimate Neighborhood Electric Amphibious Vehicle

The *NEV3K* model is the world's first amphibious, hybrid/electric, commuter vehicle that can be used as a commuter vehicle. Like the *EM2K* it is also amphibious and comes with a jet drive option along with many other accessories. It is street legal in 45 states.

Major Benefits of the Vehicles

- Vehicle responds to market need for multi-purpose, amphibious, 'ALL' terrain vehicle.
- The *EM2K* has the world's first variable ground clearance capability.
- The *EM2K* provides tremendous utility for consumers, recreational needs, law enforcement, military, industrial companies, oil companies, ranchers, etc.
- Provides for very quiet operation due to its hybrid/electric battery power.
- Gives the operator 100 miles per gallon with the hybrid/electric option.
- Electric Jet Drive gives the operator ability to travel over large bodies of water.
- Affordable purchase price is less than \$11,000 plus options available.
- Options include 120V AC power for remote electrical needs in the field.

The Offer

We seek up to \$5 million from investors with experience and understanding in leading edge technology vehicles for consumer or military applications:

- Equity position in Extreme Machine
- Estimated 20 times the original investment by year 5

The funds are required to finance the *EM2K* and *EM2000* production line set up, establish the supply chain and to continue the set up of the marketing, advertising and sales efforts. An investment in Extreme Machine 2000, Inc. offers tremendous balance to an investment portfolio.

The Future

Extreme Machine *2000* initial product offerings, the *EM2K* and the *NEV* will be positioned as a whole niche product that is currently underserved. The company recognizes that this is a huge market and will continue to expand at tremendous rates. We are designing the next generation products for consumers and sportsmen and for military uses in battlefield vehicles. We are very creative and can conceive, develop and implement new product designs before the larger companies can react to the need. The first year sales are expected to exceed 10,000 units.

EXECUTIVE SUMMARY

The Extreme Machine (EMX) is the world's first, hybrid/electric, fully amphibious, all-terrain vehicle. The machine's high versatility, variable ground clearance, low cost, efficient operation, and long range capability provide tremendous competitive advantage over ALL other offerings on the market. The ATV industry is an \$8.5 billion market and growing at roughly 23% annually. This machine will be the first vehicle in the world that can be used as an ATV, snowmobile and water jet driven vehicle. Since it is an electric driven vehicle, it provides 120 volt AC power for remote electric needs in the field. It serves two broad markets: recreational/functional/military users and the NEV (Neighborhood Electric Vehicle) commuters.

Competitive product characteristics are extensive and include the capability of traveling over all types of terrain and large bodies of water. Adaptive accessory packages extend the product line to increase functionality in a variety of markets. Competition is limited due to the proprietary design and 'first-to-market' advantage of this vehicle. Four prototypes and a production model have been fully tested, and the final design is ready for production. Process and assembly design is complete, tooling procured, a supply chain has been initialized, factory space has been leased and work has begun. An experienced, effective start-up team is in place. Several extensive marketing and supplier agreements are well underway.

The first-year sales are projected to be over 10,000 units. Start-up funding in the amount of \$3,000,000 is needed to fund the production, marketing and sales efforts.

in effect for automobiles. The 2 person, utility ATV market is becoming very popular and is expected to grow substantially. Polaris cannot make them fast enough to keep up with demand.

The NEV (Neighborhood Electric Vehicle) Market

The NEV market is just now emerging and is predicted to be a multi billion dollar market in the next two years. As an example, Toyota has just upgraded their production plans for their Prius model that is a hybrid/electric design. The response to the hybrid/electric design has been much better than they anticipated. They said that they are going to be coming out with a hybrid/electric alternate for almost all of their current models over the next seven years (USA Today, Money Section, October 16th, 2003 edition).

Our Products

EM2K The Ultimate Amphibious Vehicle

The EM2K model is the world's first, amphibious, hybrid/electric, variable height, ATV that can be used as a snowmobile, jet driven personal watercraft or sportsman's vehicle. The vehicle can be used for a multitude of purposes too numerous to mention here. It is street legal in 45 states.

NEV3K The Ultimate Neighborhood Electric Amphibious Vehicle

The NEV3K model is the world's first amphibious, hybrid/electric, commuter vehicle that can be used as a commuter vehicle. Like the EM2K it is also amphibious and comes with a jet drive option along with many other accessories. It is street legal in 45 states.

Major Benefits of the Vehicles

- Vehicle responds to market need for multi-purpose, amphibious, 'ALL' terrain vehicle.
- The EM2K has the world's first variable ground clearance capability.
- The EM2K provides tremendous utility for consumers, recreational needs, law enforcement, military, industrial companies, oil companies, ranchers, etc.
- Provides for very quiet operation due to its hybrid/electric battery power.
- Gives the operator 100 miles per gallon with the hybrid/electric option.
- Electric Jet Drive gives the operator ability to travel over large bodies of water.
- Affordable purchase price is less than \$11,000 plus options available.
- Options include 120V AC power for remote electrical needs in the field.

The Offer

We seek up to \$5 million from investors with experience and understanding in leading edge technology vehicles for consumer or military applications:

- Equity position in Extreme Machine
- Estimated 20 times the original investment by year 5

The funds are required to finance the EM2K and NEV3K production line set up, establish the supply chain and to continue the set up of the marketing, advertising and sales efforts. An investment in Extreme Machine 2000, Inc. offers tremendous balance to an investment portfolio.

The Future

Extreme Machine's initial product offerings, the EM2K and the NEV3K will be positioned as a whole niche product that is currently underserved. The company recognizes that this is a huge market and will continue to expand at tremendous rates. We are designing the next generation products for consumers and sportsmen and for military uses in battlefield vehicles. We are very creative and can conceive, develop and implement new product designs before the larger companies can react to the need. The first year sales are expected to exceed 10,000 units.

	Year 1	Year 2	Year 3	Year 4	Year 5
REVENUE					
Distributor/Dealer fees	\$ 24,187,500	\$ 5,186,000	\$ 183,032,232	\$ 265,366,736	\$ 331,745,920
ATV Sales	25,450,500	105,794,161	253,905,967	368,163,681	480,204,601
NEV Sales	9,927,600	38,580,473	87,387,644	126,712,083	158,390,104
Accessories	59,555,600	236,708,840	524,325,882	760,272,500	950,340,625
Total Revenue					

	Year 1	Year 2	Year 3	Year 4	Year 5
COGS					
Material & Parts (ATV)	15,814,796	58,637,061	123,137,827	178,548,849	223,187,312
Material & Parts (NEV)	13,298,385	56,407,676	135,378,422	196,298,712	245,373,391
Payroll for production	1,766,294	2,331,198	2,650,161	1,921,367	1,200,854
Payroll taxes & benefits	441,574	582,800	682,540	480,342	300,214
Rent for assembly	48,040	124,440	328,152	491,900	583,918
Utilities	44,496	86,400	196,443	284,843	356,053
accessory parts	6,949,320	27,013,331	61,171,351	88,698,458	110,873,073
ad for donated machines	(1,568,689)	(5,808,479)	(13,117,727)	(18,901,351)	(23,550,087)
Total COGS	36,734,215	139,274,427	310,408,169	447,824,121	538,324,727
GROSS Margin	22,771,385	97,434,413	213,917,693	312,448,380	392,015,898
Margin %	38%	41%	41%	41%	41%

	Year 1	Year 2	Year 3	Year 4	Year 5
EXPENSES					
Payroll - G&A	359,893	527,718	1,547,576	1,903,341	2,259,106
Benefits & payroll taxes	89,958	131,929	386,894	475,835	584,776
Recruiting / Relocation	22,000	35,000	70,000	35,000	35,000
Travel & Entertainment	121,000	200,000	454,729	659,358	824,197
HQ office rent	3,500	3,000	3,000	3,000	3,000
Office Supplies	24,500	69,000	156,882	227,478	284,348
Insurance - per vehicle	374,526	1,451,147	3,299,396	4,794,124	5,980,155
Insurance - general	11,000	12,000	27,284	39,561	49,452
Legal	15,500	18,000	40,926	59,342	74,178
Web	5,700	6,000	13,642	19,781	24,726
Video	35,000	35,000	79,678	119,368	144,295
Publications	8,690	8,690	19,667	28,517	35,647
Advertising	1,676,000	4,800,000	10,913,507	15,824,586	19,780,792
Security	17,000	24,000	54,568	79,123	98,904
Services	24,600	68,000	154,608	224,182	280,227
R&D	136,111	48,000	48,000	48,000	48,000
Misc	49,000	95,000	215,996	313,195	391,484
Bad Debt Exp	311,100	7,286,451	15,729,776	22,808,175	28,510,219
Property Taxes & Fees	77	924	1,428	3,025	2,198
Duration of eqpt (reverse COGS)	1,568,689	5,908,479	13,117,727	18,901,351	23,550,087
Total Expenses	5,197,192	20,728,298	46,335,185	66,553,162	82,940,619
EBITDA	17,574,193	76,706,116	167,582,508	245,895,218	309,075,279

Interest Expense	-	-	-	-	-
Depreciation / Ammort	36,767	62,339	140,814	191,522	234,089
Taxes	5,281,228	22,993,133	50,232,508	73,711,109	92,652,357
NET INCOME	\$ 12,276,198	\$ 53,690,644	\$ 117,209,186	\$ 171,992,687	\$ 216,188,833
Margin % of Revenue	21%	23%	22%	23%	23%
Cash Flow conversion					
EBITDA	\$ 17,574,193	\$ 76,706,116	\$ 167,582,508	\$ 245,895,218	\$ 309,075,279
Capital Purchases	61,571	95,218	255,000	142,500	142,500
Taxes	4,084,221	21,580,902	47,478,697	70,322,328	88,320,108
Working Capital / Line of Credit	-	-	-	-	-

TOTAL CASH FLOW

Starting up the Extreme Machine factory

The following costs are needed to set up the manufacturing floor and hire personnel to build the units. We will need to hire several people immediately, purchasing, technicians, welder, assembly, etc. but the bulk of them will not be needed until we start to assemble the units in higher volume.

The first step in the start up process is to turn on the supply chain. We will need to start hiring a purchasing agent to get the contracts with the suppliers started. We also need to get the funding in place for our overseas suppliers in the form of letters of credit. We have two primary overseas suppliers and one of them requires three months lead time to get the raw material ordered from his supplier before he starts to build our products for us. Fortunately, he has over 500 units ready for us immediately. By the time those are exhausted, the supplier will be building the others and ready to ship them. Once the sales patterns and volumes are established then we will be able to more accurately predict the needs from the suppliers.

The other domestic location suppliers will be on a 30 – 45 day net with us. This will help us tremendously by not pulling down our cash flow too soon or too often. We will also be collecting for the full price of the machines before shipping to individuals. The dealer arrangement will be similar but not as stringent. This will help our cash flow considerably by requiring most if not all of the money up front.

We will need to immediately kick off our marketing efforts. This will require us to start building the first 6 units. These will be used as demo units for the road shows that we will be doing throughout the country. We will need to get the capital items procured which consists of buying the frame unit materials for the factory and at least one pick up to haul a trailer that we also need to procure for exposing the machine to the public.

When we receive funding, we will be using the money for the following items. These will be needed to build the first 100 machines. After the initial outlay of funds for these items is done and the machines are starting to sell, then we will likely not require more funds in the immediate future. However, we would like approximately an additional \$750,000 + in reserve should we need it.