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Business Plan to Launch Tango T200 Commuter Car

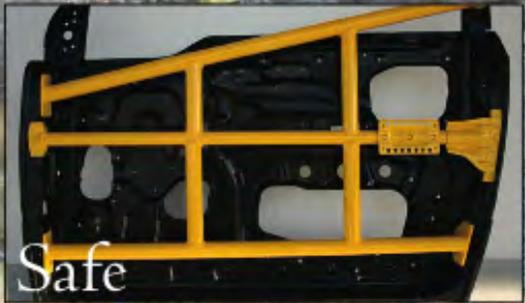
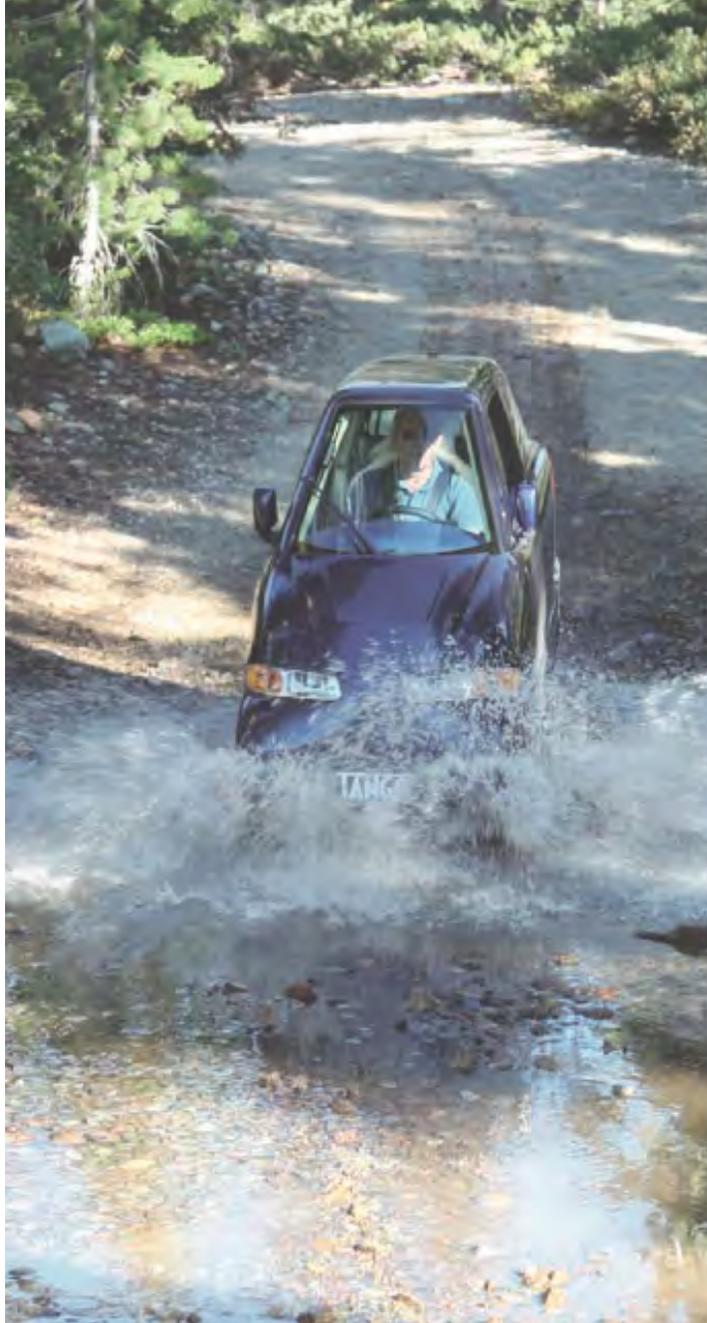


Table of Contents

- Executive Summary:..... 3
 - The Problem:**..... 3
 - The Solution: Commuter Cars’ Tango, the first “Narrow Commuter Vehicle” (NCV)**..... 3
 - Market Size & Market Need**..... 4
 - Competitive Advantage Over Other Means of Commuting**..... 4
 - Competitive Advantage Over Other Manufacturers of NCVs**..... 4
 - Opportunity:**..... 5
 - The Team:**..... 5
 - The Promise:** 6
 - The Ask:**..... 6
 - Exit Strategy:** 6
- Company Analysis..... 7
 - Company Profile**..... 7
 - Past Accomplishments**..... 7
 - Unique Qualifications**..... 8
- Industry Analysis 10
 - Market Size** 10
 - Trends** 11
 - Customers and Competition**..... 14
 - Commuter Cars Corporation’s key customer groups:..... 14
 - Commuter Cars Corporation’s key competitive groups:..... 15
- Customer Analysis..... 16
 - Customer Identification/Definition** 16
 - Customer Type One: The Commuter & City Center Residents 16
 - Customer Demographics..... 16
 - Customer Needs Assessment..... 18
 - Customer Type Two: Fleet and Government Agencies..... 19
 - Customer Demographics..... 19
 - Customer Type Three: Rental car agencies and car share programs..... 20
- Competitive Analysis..... 21
 - Defining the Competition**..... 21
 - Potential direct competitors**..... 23
 - Competitive Barriers**..... 23
- Marketing Plan..... 24
 - Product Detail**..... 24
 - Tango T600**..... 24
 - Tango T200**..... 25
 - Promotions** 25
 - X-Prize..... 25
 - Promotion of the current T600 25
 - Marketing Strategy 26
 - Website and social media 26
 - Incentives 26
 - Infrastructure** 27
 - Fleet Sector - U.S.**..... 27
 - Government Sector** 27
 - Emergency Response Sector** 27
 - Customer Retention**..... 27

Partnerships:	28
Operations Plan.....	29
T600	29
T200	29
Business Milestones	30
Location	30
Key Elements of Production	30
Personnel	31
Inventory	31
Suppliers	31
Management Team.....	33
Rick Woodbury - President and CEO	33
Mark Visconti - COO	33
Charley Zurian - VP of Development	33
Jay Brett - General Manager	34
Bryan Woodbury - VP and IT specialist	34
Radek Havlin - VP International Development,	34
Additional Personnel	35
Board of Directors	35
Exit Strategy.....	36
Initial Public Offering	36
Merger	36
Licensing	36
Acquisition	36
Critical Risks.....	37
Market penetration	37
Legislation	37
Management Team	37
IP Protection & Violation	37
Loss of Early Mover Advantage	37
Financial Plan.....	38
Revenues	38
Accounts Receivable	38
Cost of Living	39
Salaries & Wages	39
Payroll Expenses	39
Rent	39
Office Expenses	39
Legal Services	39
Marketing	40
Travel and Entertainment	40
Appendices.....	40

Executive Summary:

Commuter Cars Corporation manufactures and sells the Tango, a patented, new class of commuter vehicle, the ultra-narrow commuter vehicle (NCV). Today's commuters use the wrong tool for the job and as a result they experience substantial delays due to traffic congestion and have difficulty finding parking. The Tango, with the footprint of a motorcycle, but with the protection and comfort of a car, provides immediate benefits to anyone who drives in a congested city. It is the only car available in the world that can substantially reduce congestion because it can fit in half a lane with more clearance than a truck has in a full lane. The Tango offers commuters a new class of narrow vehicles that are a market-driven solution to global congestion and parking problems, while simultaneously weaning commuters off of fossil fuels.

Millions of people spend hours each day stuck in traffic wasting billions of dollars in lost time and productivity.¹ Single-occupant commuters that have no need for the extra space or seats beside them would naturally prefer not to drive a car that takes up an entire lane, when a faster, nimbler, safer NCV alternative exists. It is capable of fitting into half a lane, and can lane split or filter (drive between lanes of stopped or slow moving traffic) where it is legal as it is in California and most countries around the world.

The Problem:

- Of 140-million workers in the US, 106 million are single-occupant commuters causing \$67-billion in wasted time and fuel each year.²
- Everyone hates to sit in bumper-to-bumper traffic, yet millions of people do it every day because there has never been an alternative that satisfies their safety, comfort, performance, environmental, parking, and economic needs.
- Freeway construction is extremely costly and difficult to expand in major cities where it is needed the most. This leaves cities with the option of building raised or underground light rail / road networks which are prohibitively expensive and don't fully resolve the problem.
- Motorcycles and scooters could double lane capacity, but expose the rider to danger and the elements. Also, the lack of carrying capacity has prevented them from getting more than a 0.7% share of the commuter market in the U.S.³

The Solution: Commuter Cars' Tango, the first "Narrow Commuter Vehicle" (NCV)

- Until the introduction of the Tango, there has never been a safe, fully enclosed vehicle that could double the capacity of existing transportation infrastructure with little to no cost or modification.
- The Tango is the only enclosed and protected vehicle that can lane split, i.e., drive between lanes of stopped or slow-moving traffic.

¹ (Texas Transportation Institute *Urban Mobility Report* shows \$67-billion in wasted time and fuel.
<http://commutercars.com/downloads/urbanMobilityReport.pdf>)

² See note 1 above and (Bureau of Transportation Statistics *Principal means of Transportation to Work*:
<http://commutercars.com/downloads/TransportationWork.pdf>)

³ Ibid.

- The Tango is the only enclosed and protected vehicle that can park perpendicularly to the curb and fit 4 to a single standard metered parking space or park in 4-foot spaces between driveways in dense cities like San Francisco.
- The Tango NCV is the only enclosed and protected vehicle that is not only the most efficient at getting the commuter to their place of work but also offers unmatched maneuverability in the city center, easily maneuvering around delivery vehicles, taxis, couriers, and all other obstacles. It also has the benefit of being able to park almost anywhere.
- The Tango is the perfect second car for downtown residents with limited parking options and commuting to and from events or running errands.

These points accurately describe the Tango T600 kit car that Commuter Cars is currently manufacturing and selling for over \$120,000. It is unequivocally the fastest urban car and can outmaneuver any other car as it cuts through traffic like a motorcycle. This is the ultimate commuter car, a new class of vehicle we call the “narrow commuter vehicle (NCV)”. Some of our customers are George Clooney, and the Google Founders, Sergey Brin and Larry Page who have brought us outstanding press coverage: 3 issues in *Vanity Fair*, Cover story on *Seattle Times*, *Pacific Northwest Magazine*, and now the cover of *Fortune Small Business* (October '09), plus dozens of other articles and magazine covers.

Market Size & Market Need

According to the U.S. Census Bureau, approximately half of the 300 million U.S. population is employed. Half of the United States population can be found in 75 cities that have populations over 100,000 residents. Therefore, of the 106-million single occupant drivers, we can deduce that approximately half of them live in cities with varying degrees of traffic congestion. According to the same report, roughly 53-million commuters are delayed an average of 40 hours per year, due to heavy congestion. For example, Los Angeles commuters average 136 hours of delay per year. As hard as it is to determine market size for a disruptive product like the Tango, these figures definitely show an obvious need for our product.

Competitive Advantage Over Other Means of Commuting

Of the 106-million single-occupant automotive commuters and 900,000 motorcyclists and bicyclists combined, there is not a more satisfactory way of commuting than a Tango. The Tango combines the benefits of both cars and motorcycles, without the drawbacks of either, for the purpose of commuting to and from work as well as around the city center throughout the day.

Competitive Advantage Over Other Manufacturers of NCVs

Commuter Cars' major competitive advantage is that it has worldwide patents protecting the simple, safe, and economical method of building narrow cars. The patent specifically deals with the Tango's low center of gravity ballast. Commuter Cars has been granted broad utility patents in the U.S., eight European countries, China, India, South Korea, Canada, Mexico, and Brazil, with one pending in Japan. These patents define the Tango as an ultra narrow, ballasted vehicle, having a rollover threshold of over 38° for a car approximately 3 feet wide. The T600 has achieved a rollover threshold of 56°, equivalent to a Porsche 911 high performance sports car.

Two other methods of stabilizing a narrow vehicle are to use a tilting mechanism that relies on manual input like a motorcycle, or electro-mechanical controls that have a failure mode that can cause vehicles to tip over, which can be fatal to the passengers.

Designing a vehicle like the Tango is not a simple task. Virtually all of the features of a full-sized car have to be fit into approximately 25% of the space. Our patents cover any fuel source, including gasoline and hydrogen. Battery electric, however, is the easiest way to deliver the power that drivers demand in the space available. The T600s that have been on the road for over 8 years have proven the design works. The Tango delivers on its promise of safety, comfort, maneuverability, fun, performance and hassle-free parking.

Opportunity:

The Tango is simply the most economical solution for traffic congestion all over the world. A market strategy has been developed to supply the first 5,000 T200 production Tangos to those that experience the worst traffic congestion. San Francisco, Los Angeles, Orange County, and London are prime examples. Small factory stores will give potential customers the opportunity to test-drive in the densest and hilliest cities that suffer from parking and congestion problems. Tango customers will enjoy the same parking discounts that motorcyclists currently experience, which includes up to 75% off monthly parking fees.

The Team:

Rick Woodbury, CEO and founder of Commuter Cars, has widespread sales and marketing experience in the high-end car industry. He was Sales Manager at Beverly Hills Porsche Audi, General Manager of Superior VW, Porsche-Audi and Peugeot in Redding, CA, and sales at Vasek Polak Porsche-Audi in Hermosa Beach. He has raced Porsches both in SCCA and professionally in IMSA. He has an extensive mechanical and electrical engineering background. Woodbury has started several businesses, including Dharma Press in the early '70's and Integrated Composition Systems in 1987. ICS is a book composition and prepress business known to its customers as one of the highest quality suppliers in the market. Numerous award winning books from the University of California Press, one of the largest university presses in the country, and numerous other publishers were produced by Integrated Composition Systems.

Once Commuter Cars' has appropriate funding, a CEO with the proper experience in disruptive startups will be sought. Rick will remain as President.

Mark Visconti, COO, may be the most experienced individual for managing small projects to achieve FMVSS (Federal Motor Vehicle Safety Standards) certification at a minimum expense. Mark Visconti and his team, Charley Zurian and Jay Bret have a strong connection to key suppliers such as TRW and MultiMatic. Mark was Vehicle Development Consultant to Mercedes City Car (SMART) for U.S. and Canadian certification and Specialty Vehicle Program Manager for Multimatic Inc., which supported many vehicle development projects. Some projects included Ford's "New" GT and AM305, and Dodge's second generation Viper. Several Aston Martin projects and several other low-volume FMVSS-certified cars are other examples of Visconti's past projects. Visconti and his team have joined Commuter Cars to manufacture the production T200 Tango model.

The Promise:

Survey results and current customers have validated the need for this new class of narrow commuter vehicle. There are few products out there today with more growth potential than the Tango. The increased visibility will create enough interest that most commuters will want to drive Tangos out of pure convenience and fun. When this creates the best opportunity for an IPO, there will be an exit opportunity that will deliver on Commuter Cars huge upside. We estimate that there is a need for 150 million NCV's on the global market. This translates into sales of over \$2-trillion USD with an average price of approximately \$13,500.

The option of licensing a product line extension to a major manufacturer is of high interest to Commuter Cars, as it will ensure that the Tango is built in higher volume. However, Commuter Cars will retain a non-exclusive agreement allowing the company to compete in the low-volume, high-end market.

The Ask:

The production of the T200 will require a total of \$50M USD over 2 years. Four tranches, one every 6 months, will fund the program and keep it going at the most economical speed.

- Month 0: \$5M will bring all of the key players on board and create the design of the new T200 model.
- Month 6: An additional \$5M will create the prototypes, complete crash testing for certification.
- Month 12: Tooling and setup for manufacturing will require \$30M
- Month 18: Setting up factory stores and marketing will require the final tranche of \$10M which will bring us past breakeven as sales will support the production start paying back the initial investment.

Exit Strategy:

Commuter Cars is being built as a long-term business with the view of creating a product which appeals to the masses. The only sensible exit strategy that appeals to a company that is product based, like Apple and Google, is an IPO.

Company Analysis

Company Profile

Commuter Cars Corporation was formed on November 27, 2000 as a C-Corp.

Its offices are located at: 715 E. Sprague Ave. Suite 70
Spokane, WA 99202

It currently serves high-end customers with an extremely high performance, low-production version of the Tango, the T600.

Past Accomplishments

Since the start of Commuter Cars Corp., the following milestones have been achieved:

<u>Date</u>	<u>Milestone Description</u>
June 1998	\$50k invested by founders in order to purchase an electric car conversion to use for parts to start building a proof-of-concept (POC) car, with a target width of 3 feet and a target length of 7 feet, to accommodate 2 persons in tandem.
Nov. 1998	US Utility patent applied for: Ballasted Ultra-narrow Vehicle, issued January 2001.
Aug. 2000	POC Tango was completed with an enclosed body, 25 sealed lead-acid batteries, a 600 kW motor controller, 2 motors delivering over 1,000 ft lbs of torque starting at 0 rpm which allowed the design to prove itself against Corvettes and Ferraris on an autocross circuit.
Sept. 2000	Commuter Cars incorporated as a C corporation in order to secure funding for further development toward a manufacturable vehicle.
Sept. 2000	First investor invested \$240k to secure U.S. patent and to further develop the design as well as seek a partnership with major auto manufacturer to mass-produce the Tango. Took POC to Montreal to EVS-17, an Electric Vehicle Symposium, where GM took a keen interest and soon after requested the Tango's presence in Detroit at their ATV (Advanced Technology Vehicles) division. Subsequently, GM sued CA and got out of the mandate that the Tango would have been used for to save \$400M annually in penalties from CARB.
Nov. 2000 – Dec. 2001	SLP Canada developed new chassis and molds for body panels for a manufacturable Tango. U.S. utility patent received for Ballasted Narrow Vehicle.. Received another \$60k investment from first investor in order to secure foreign patents. By 2009, all patents have been granted, except in Japan where it is pending and expected to be granted within the year.
2002–2003	New prototype shown to U.S. Congress, DOT, and various angel investor and venture capital firms. Garnered lots of interest, however, firms wanted to invest after the company is already making money. Strategy ensued to bootstrap and build cars to sell profitably, no matter what the cost.
Jan. 2004	After receiving \$100k investment from a new investor, The prototype was perfected by Lotus Engineering and Special Projects in Detroit to concours condition and shown at the Los Angeles Auto Show. Deposits of \$10,000 were collected for the T600 and deposits of \$500 and \$1,000 were collected for the T100 and T200 planned future models respectively.
July 2005	\$200k investment received which provided the funds necessary to hire Prodrive in the UK

to build first Tango T600 kit for sale and to engineer for production of up to 100 units per year. First one sold to actor George Clooney, for \$108k in July of 2005.

- 2006 Hired key employees in Spokane to engineer and manufacture the T600 kit in our own production facility.
July 18, 2006. Gave tech talk at Google where Tango was introduced to the founders Sergey Brin and Larry Page. Both of them test drove a T600 and subsequently ordered 3 of them to be equipped with Li-Ion batteries and gave a \$270k deposit with the order. Sergey invested an additional \$250k for battery development, etc.
- 2008 After a complete redesign of the Tango for manufacture, 3 customers take delivery of T600s. First customer Tango manufactured in our own facility delivered to Jorg Brown of Google in March. Nat Simons, of Renaissance Technologies and Keith Logan, formerly Microsoft, received their Tangos by the end of 2008
- 2009 Improved Tango design, produced and delivered 6 more Tangos with 1 more to be completed by September '09. Two to Google founders Sergey Brin and Larry Page, one to Hillsborough customer Lilli Rey/Val Vaden, and one to Lynden WA customer, Thomas Greither. One currently ready for Idaho customer Mike Pearson and Sergey's 3rd Tango. Ewan Fernandes (Surrey England) in final stages of completion.

Unique Qualifications

Commuter Cars Corporation is uniquely qualified to succeed on the global market because we were the first company discover the need for, design, and sell to individuals who benefit from the characteristics of Narrow Commuter Vehicles. We plan to dominate this market because our worldwide patents protect our ballasted, narrow format design. The patented ballast system creates a feeling like any other car except that the door on either side is the same distance from the steering wheel.

- We have assembled a world-class management team that has designed and certified a number of well-know vehicles, including the Series 1 Shelby Cobra, the Saleen S-7, the Ford GT, etc. Mark Visconti, our COO has lead the only team that has accomplished full FMVSS (Federal Motor Vehicle Safety Standards) on vehicles without the backing of a major manufacturer. Charley Zurian and Jay Brett also have extensive low-volume FMVSS design and engineering experience. The team is perfectly matched for the task at hand, to build a run of 5,000 T200 fully-certified cars for the U.S., Canadian, and European markets. Please see their biographies in the management team section or abbreviated ones in the executive summary.
- We have proven operational systems/processes that we have developed over 10 years to do what other manufacturers would consider nearly impossible—to fit all of the components and features of a full-sized car into a quarter of the space, and still have the strength, handling properties, safety and performance of a full-sized car.
- Our management team has key partnerships with all of the major suppliers required to build the systems to meet FMVSS certification.

- Our current customers include high net worth individuals such as George Clooney, Google Founders Sergey Brin and Larry Page, and a number of others who purchased Tango T600s for \$108k to \$148k, and use them for the purpose that they were designed.
- Our most recent customer who has been putting an average of 80 miles a day on his Tango, while on Vacation in Shasta California, has this to say:

It is truly exciting to see a car so well built. Quality is the middle name of the Tango. Everything is perfectly executed in the minutest detail. Finally, an electric car that is fun to drive, practical, and handles like a go-cart with outstanding acceleration. When you roll the windows down it is like driving a convertible with a sunshade over your head.

- For the T200 model, for which this business plan is designed to fund, there will be a focus on fleet markets, including government agencies where the Tango will solve parking and mobility problems, as well as being a minimal impediment to traffic when stopped or double parked.

Industry Analysis

Market Size

Commuter Cars Corporation's target market is the 106-million single occupant commuters in the U.S. and approximately 200-million more throughout the world. We project that only half of these commuters will be interested in the NCV (Narrow Commuter Vehicle), specifically the Tango for the following reasons:

- The need to carry more than one person, or more than 10 cubic feet of storage at some point during the work day.
- Those that can only afford one vehicle per family, or the youngest workers who need a single vehicle to meet all of their needs.

For those, who have more than one vehicle, and are not hindered by the above reasons, the Tango will solve their commute. It will likely take between 15 and 30 years for the NCV to reach a 50% saturation rate. This is due to the fact that many will not purchase a Tango until there are used ones on the market.

A study performed by Booz-Allen-Hamilton (BAH) and the University of California, Berkley, and funded by CalTrans, projects the market adoption of a vehicle of similar dimensions to the Tango.⁴ The study shows market penetration in 15 years, but the vehicle used for the study was a three-wheeler called the Lean Machine, developed by GM. The Lean Machine was much different than the Tango. For example, it was only 48-inches high, resulting in visibility problems among other cars on the highway. Also, the Lean Machine was not as comfortable or safe as the Tango because it did not provide the stability or protection. Nevertheless, BAH, using three methodologies for marketability came up with the following table. This is their analysis of just the California market.

EXHIBIT 13
Summary of Market Estimation Methodologies

	Method 1	Method 2	Method 3	Average
Average Annual Sales				
High	74,466	101,544	144,277	106,762
Low	27,078	36,925	28,834	30,946
Average	50,772	69,235	86,556	68,854
Saturation				
High	893,592	1,218,528	1,731,324	1,281,148
Low	324,936	443,100	346,008	371,348
Average	609,264	830,814	1,038,666	826,248

⁴ <http://commutercars.com/downloads/BHABenefitCostImpacts.pdf>

Using the figure of half of the single-occupant, automotive commuters, market saturation will be 150-million NCVs of which the Tango is expected to dominate at least 50%. At the time of market saturation, if the average price of a Tango is \$15,000, the Tango's share of the market is \$1.12 trillion.

Trends

The market for NCVs has been at a gradual increase since the 1950s. As traffic and parking congestion becomes worse, the market for a solution is growing. The market has been there as long as traffic congestion has existed. With the exception of motorcycles, the product to solve the problem of congestion has not been available until now. Automotive engineers have accepted that in order to achieve stability, a car needs to be as wide as possible. Bob Stempel, automotive engineer, and former Chairman of the Board of General Motors, did not believe enough weight could be amassed under the floor of the Tango to make it stable. We had to show him a video of the Tango taking a hard corner at an autocross before he would take it for a test drive. Herb Adams, famous for developing the Pontiac Trans Am, and author of the bestselling book on suspension geometry, *Chassis Engineering* made a similar comment. As mentioned earlier, the only other way to stabilize a narrow car is by tilting. Many attempts have been made; however, to date none have been successful.

According to the Texas Transportation Institute, the most comprehensive authority on traffic congestion in the U.S., an increase in public transportation infrastructure of 30% per year would be required to keep up with the projected increase in congestion.⁵

As seen in the table below⁶, as the number of workers in the U.S. increased 30% from 1989 to 2007, so did the percentage of single-occupant drivers. This trend is creating congestion faster than infrastructure is keeping up.⁷

	1989		1993		1997		1999		2001		2003		2005		2006		2007	
	Number	Percent																
All workers	106,630	100.0	103,741	100.0	116,469	100.0	118,041	100.0	120,191	100.0	115,342	100.0	123,250	100.0	138,266	100.0	139,260	100.0
Automobile, total	93,943	88.1	91,301	88.0	101,908	87.5	103,467	87.7	105,586	87.8	101,664	88.1	109,005	88.4	119,898	86.7	120,442	86.5
Drives self	81,322	76.3	79,449	76.6	90,207	77.5	92,363	78.2	93,942	78.2	91,607	79.4	97,781	79.3	105,046	76.0	105,955	76.1
Carpool, total	12,621	11.8	11,852	11.4	11,701	10.0	11,104	9.4	11,644	9.7	10,057	8.7	11,224	9.1	14,852	10.7	14,488	10.4
2-person	9,708	9.1	9,105	8.8	9,294	8.0	8,705	7.4	9,036	7.5	7,866	6.8	8,669	7.0	11,408	8.3	11,139	8.0
3-person	1,748	1.6	1,684	1.6	1,526	1.3	1,454	1.2	1,635	1.4	1,351	1.2	1,501	1.2	1,992	1.4	1,963	1.4
4+ person	1,165	1.1	1,063	1.0	881	0.8	945	0.8	973	0.8	840	0.7	1,054	0.9	1,451	1.0	1,385	1.0
Public transportation^a	4,880	4.6	4,740	4.6	5,337	4.6	5,779	4.9	5,627	4.7	5,081	4.4	5,424	4.4	5,933	4.3	6,801	4.9
Taxicab	152	0.1	117	0.1	139	0.1	144	0.1	133	0.1	128	0.1	131	0.1	178	0.1	179	0.1
Bicycle or motorcycle	795	0.7	744	0.7	738	0.6	749	0.6	847	0.7	691	0.6	705	0.6	895	0.6	949	0.7
Walks only	3,634	3.4	3,227	3.1	3,869	3.3	3,627	3.1	3,408	2.8	3,171	2.7	2,875	2.3	3,952	2.9	3,954	2.8
Other means ^b	491	0.5	474	0.5	867	0.7	987	0.8	1,049	0.9	1,072	0.9	962	0.8	1,999	1.4	1,258	0.9
Works at home	2,736	2.6	3,137	3.0	3,611	3.1	3,288	2.8	3,401	2.8	3,536	3.1	4,148	3.4	5,411	3.9	5,677	4.1

⁵ (Texas Transportation Institute *Urban Mobility Report*.

<http://commutercars.com/downloads/urbanMobilityReport.pdf>)

⁶ (Bureau of Transportation Statistics *Principal means of Transportation to Work*:

<http://commutercars.com/downloads/TransportationWork.pdf>)

⁷ (See note 5 above)

The factors that influence the adoption of the Tango are as follows:

- Public must be convinced that the Tango is stable and safe before they will purchase it. Overcoming first impressions will be the focus of our promotional activities.
- General economic factors, i.e., the ability of the market to afford an additional vehicle will influence the adoption of the Tango to the market.
- Changing regulatory conditions affecting the design and production of any highway vehicle, although costly to comply with, creating a high barrier to entry, once met, leave the Tango on a par with any other automobile. Volume production is needed to amortize this expense in order to reach mass-market appeal.
- Regulatory conditions regarding the use of the NCV and Tango in particular are expected to strongly favor the Tango and other NCVs, as it will reduce needs for more freeways and parking.
- Consumer needs are constantly changing on an individual basis. For example, those who are so fed up with traffic that they move to another city or state where there is less congestion is one answer. Other's move into the city so they can walk to work. All make a sacrifice of one kind or another to make their lives easier. The Tango will reduce the pain for all who experience the frustration of traffic and parking congestion. Almost as long as the automobile has existed, there has been a need for more infrastructure; roads, highways and parking. The situation has not changed much in nearly 100 years. The Tango is the first vehicle that can make a substantial change in this age-old problem by increasing capacity without adding additional infrastructure. In addition to the general commuter market, there is growing trend where retiring Baby Boomers are choosing to live in downtown housing. In the City of Seattle Comprehensive Plan, they expect 10,000 new residences between 2004 and 2024.⁸ Many large cities are experiencing this growth, but with it comes parking congestion that is difficult to manage, especially when the residence comes with a single parking spot and most buyers have two vehicles to park. Residents typically have to look for blocks to find a parking space for their second vehicle. The Tango would simplify this process and they may even be able to fit both vehicles in the one provided space.

Government incentivizing of electric cars will be of assistance in bringing the Tango to market. There is a strong trend of government from federal, state and local levels to deal with traffic and parking congestion in the most economical way. Rather than spend funds on infrastructure, we believe it makes more sense to efficiently use existing infrastructure through the use of this new class of commuter vehicle. At the present time, the Tango is the only commercially available NCV product on the market.

Even when a move to smaller more maneuverable NCV's is needed, the reality is that consumers are actually purchasing larger vehicles, due to the misconception that they need a large vehicle to be safe among other larger vehicles. The commercially available Tango T600 comes standard with a full racecar roll cage which represents four times the steel door reinforcement bars of any production car. A further benefit of the Tango is that it can maneuver away from an accident easier than any other car. Since both sides of the car are the driver's side, this gives

⁸ http://www.psrc.org/boards/gmpb/presentations/031209_Seattle_Presentation.pdf

unprecedented visibility and the ability to avoid collisions. The response to steering is quicker with a Tango than a motorcycle because they don't have to be leaned in order to turn, turns are instant.

Although the design of the Tango was specifically developed to alleviate the waste of human and natural resources caused by traffic and parking congestion, there are other markets more accessible at the outset that should not be ignored. A favorite is the rental car market. This would allow airline business travelers who typically travel light and short distances from airports to meetings, to have the advantages of HOV (High Occupancy Vehicle) lane access, much easier parking, and the benefit of not having to fill up the gas tank upon returning the rental. This would be a great way to introduce the Tango to the public without them having to make a commitment at first.

Customers and Competition

Commuter Cars Corporation’s key customer groups:

Key Customer Group	Size	Needs
Single, and some double-occupant commuters with less than 200 miles, round-trip commute	106-million in U.S. alone. Approximately 300-million worldwide	<ul style="list-style-type: none"> • To get from home to work and back in the most efficient [cost and time] and fun manner. • Decreased parking cost • Easier Parking • Year round use in all weather conditions. • Performance & range. • Safety • Maneuverability • Comfort • Economical to purchase and operate
Downtown city dwellers that can benefit from the Tango’s parking advantages	Likely to be in the 100’s of thousands in the US, alone	A vehicle that takes up as little space as possible to facilitate parking in crowded downtown areas. Also needs to navigate easily through dense traffic
Airport-based car rentals	If the 75 largest airports in the U.S. had an average of 5 Tangos for rentals, having 375 demo cars that people pay to try	Business travelers who don’t bring checked luggage with them need just enough room for their briefcase and a carry-on, and would certainly prefer not having to fuel up before returning car
Government and fleet for deliveries or any other single-occupant use	If the 75 largest cities each had 2 Tangos average for emergency rescue work, etc. they might find uses that we never thought of	Emergency vehicles could benefit from getting through traffic easier. Police could have the safety of a car with the size benefits of a motorcycle
Taxis in cities where lane splitting is allowed	This requires a longer design and may make a good future product	Taxis can sell faster transportation for more money
Car share programs	Very experimental at present, but worth investigating further	Car share programs need to maximize the space used for vehicle parking

Commuter Cars Corporation's key competitive groups:

Competition Group	Size	How product meets needs
All other automobiles and trucks used for commuting	106,000,000 single-occupant cars used for commuting in the U.S.	Gives personal transportation with safety, storage, and ability to use at ones own schedule, but takes up too much room for traffic and parking
Motorcycles and scooters used for commuting	420,000 motorcycles commuting in the U.S.	Gives personal transportation with appropriate size for traffic and parking, however sacrifices safety and storage
Possible introduction of Lumeneo Smera and NCV that tilts, holds 2 passengers, and is supposed to be on the market this year	Some part of the 150,000,000 NCV market.	Gives personal transportation with appropriate size for traffic and parking with safety, however, not so intuitive to drive, as it requires tilting like a motorcycle, with dangerous failure modes.
Commuter Cars Tango	Major part of the 150,000,000 NCV market	The best of both worlds. Drives like a car, with equal or better safety, sufficient storage, and fits in the space of a motorcycle.

Customer Analysis

Customer Identification/Definition

Customer Type One: The Commuter & City Center Residents

Commuter Cars' targeted customers are individuals who live in major cities in the United States, Europe, Canada, and Asia where motorcycles, enjoy benefits that are not available for cars. The best potential first customers are those that experience the most frustration with parking and getting through traffic as they commute to and from work each day. Motorcycles and the Tango are the only vehicles to date that can combat congestion and make other various maneuvers that save time. For example, Tangos and motorcycles can filter through traffic stopped at signals, pass to the right of cars to make a right turns where cars cannot fit, or drive between stopped or slow moving cars on the freeway. Motorcycle parking is also available to the Tango. This saves a lot of money in parking fees. For example, in San Francisco, Tangos and motorcycles can park for \$50 a month opposed to cars that cost \$250. With a Tango, there is no fear of not finding a space, as there are 4-foot long spaces between every pair of houses that make perfect spots for a Tango or motorcycle.

Please see competitive analysis chart on page 17.

Customer Demographics

There are millions of potential customers that fit the above definition. This number is increasing as cities become more congested each year. On average, consumers spend over \$5,000 each year on a second car that over-serves its purpose of single-occupant commuting. In addition, much frustration is caused because the size does not permit ease of parking or maneuverability through congested traffic or other obstacles encountered in city centers. The customers are located in the urban and suburban areas throughout the world.

City dwellers and commuters in congested cities need a faster and more convenient way of getting where they want to go. Current modes of transportation leave a lot to be desired. The Tango solves these problems. Below is a table comparing different characteristics of current modes of transportation including the Lumeneo, Naro, Clever, Prius, Insight, Mini Cooper and BMW K1300 GT.

Group	Topic	Tango	Lumeneo	Naro	Clever	Prius	Insight	Mini Cooper	BMW K1300 GT
Safety (9)	NHTSA-Certified as an automobile	Tandem							
	Rollover protection								
	Seatbelts								
	Frontal impact protection								
	Side impact protection								
	Driver's side view on both sides								
	More room in your lane to avoid encroachment								
	Quick agility to move to avoid a collision								
	Motorcycle agility without helmets and gear								
Maneuverability (5)	Cutting through traffic like a motorcycle								
	Ability to lane share								
	Ability to lane split in nearly stopped traffic								
Parking (3)	Can use the carpool lane with one person								
	Superior acceleration to avoid other drivers								
	Park in 4 to a parallel stall and share same meter								
	Park in 4 foot spaces between driveways								
Comfort (6)	Preferential parking in lots that offer it								
	Can drive in any weather, cold, rainy, snowy								
	Small cabin easy to heat and cool quickly								
	View nearly as good as a motorcycle								
Economy (3)	Roomy cockpit with supersimple controls								
	Drives like car - no training/licensing needed								
	Easy to get in from either side								
	Purchase price	41,000	33,000	concept	concept	27,270	21,200	19,200	18,800
Fun factor (5)	Energy price including batteries								
	Warranty and required maintenance over life								
	Acceleration: 0 to 60 MPH	85	85	125	75	9.8	12.3	7.1	4.5
	Top Speed - great on highway	125	80	85	100	106	112	126	115
Versatility (2)	Ease of fill ups, no oil changes								
	Range between fill ups	80-200	4 options	100	120				150
	Zing factor - head turner, unique	2	1	1	2	5	5	4	2
	Can carry second passenger								
Green (3)	Can carry and store suitcase, golf clubs, cargo								
	Zero emissions ever	EV	EV	EV	natural gas	hybrid	hybrid	GAS	GAS
TOTAL 36	No oil or antifreeze leaks - oil independence								
	Reduce traffic congestion								
	Final Score	300	256	248	244	164	172	168	196
	Percent of Tango	100	85	83	81	55	57	56	65



At the Los Angeles Auto Show in 2004 we surveyed people visiting our exhibit where the Tango T600 prototype was displayed. There was strong support for the attributes of the Tango, despite the fact there was less interest in alternative fuels at that time than exists today. Also, there were few attendees of an environmental demographic. This demonstrates that the value of the Tango attracts mainstream markets and not only to those with an environmental bent.

Highlights of the LA Auto Show Survey (Approximately 300 Responses):

Would rather drive a Tango than current method of commute:	57% Definitely 40% Maybe 3% No
Average commute distance:	39 Miles
Length of commute:	70% commute less than 40 miles 95% less than 100 miles

	Very Important	Somewhat Important	Not Important
Parking perpendicularly to the curb	71%	22%	7%
Parking in small spaces	85%	14%	1%
Lane splitting	66%	23%	11%

These figures show a definite preference for the Tango’s attributes, as well as the viability of a pure battery electric vehicle for this purpose.

Recently we’ve started an ongoing survey on our web page that is worldwide, but predominantly U.S. respondents that confirm the desirability of the Tango nationally and globally. Please see Appendix F for complete survey analysis.

Customer Needs Assessment

Commuter Cars Corporation has identified customer needs by surveying drivers and also studying what they do with their cars. Findings show that 88% of all trips are solo trips to work or for shopping. For these instances, the Tango would not only suffice, but would do a job better than any other car.

Customers want simple transportation. In fact, 86.5% of all workers in the U.S. use a car for transportation to work, and of those cars, 88% of them are single-occupant drivers. That is 106-million commuters in the U.S. alone, who are using the wrong tool for the job.⁹ These underutilized, wide body vehicles carry with them a huge liability. They are also the cause of congestion and parking problems. No other product, except the motorcycle, can solve this problem. The motorcycle has been around for over 100 years, but people are not willing to give up the safety and comfort of a car to get the benefits of a motorcycle. The Tango offers the best of both worlds. The Tango is fun to drive, as it gives the freedom of a motorcycle without the

⁹ Bureau of Transportation Statistics *Principal means of Transportation to Work*:
<http://commutercars.com/downloads/TransportationWork.pdf>

danger and additional equipment, such as a helmet. Also, the Tango provides protection from the elements as the driver is wrapped in a luxurious interior with a complete array of other features wide body vehicles offer. In addition, the Tango can maneuver out of the way of danger quickly and easily. It also decreases the travel time to destinations, because NCVs have the ability to lane split through traffic, where lane splitting is allowed.

In essence, the Tango should be the vehicle of choice, for nearly 90% of all trips for the average commuter. (*See previous reference*) As there is not a lot of data from other Tango owners as yet, I will explain how it works for me. Approximately 90% of my trips are done in the Tango. We also have a Subaru that my wife drives to work, and that is used when transporting children and grandchildren. For me, that amounts to approximately 7% of all trips. We also have a Dodge Ram pickup truck. It is used for approximately 3% of all trips. My commute to the office is only 4 miles; however, if it were 50 or more, the Tango would still be the choice.

People will see how the Tango does the job of commuting better than any other vehicle and that will drive the buying decision. The Tangos on the road, passing others in traffic and finding parking where no other can, will be visible to city dwellers every day.

Customer Type Two: Fleet and Government Agencies

Wherever single-occupant drivers who need 10 cubic feet of storage or less and a range of less than 100 miles between charge opportunities, the Tango will excel. With the rear seat removed the Tango will hold two large standard suitcases and a large computer bag with room left over.

The Tango, the narrowest car in existence, is the least obtrusive car available for double parking. This makes it ideal for police, parking departments, and delivery personnel. The U.S. Post Office would find the Tango quite useful in downtown areas where full-sized trucks are difficult to park. The Tango's 10 cubic feet of storage capacity, which has easy access through the rear hatch, would be quite adequate for dense city deliveries. The Tango can accommodate as many as 7 cartons of paper with the front seat in its most rearward position.

First response vehicles (police, fire, and ambulance) are often delayed due to traffic gridlock. The only solution is to have a vehicle narrow enough that allows it to travel between stopped cars. In Japan, a specially equipped motorcycle was designed as a tow vehicle so that it could lane split through the gridlock that was caused by an accident and incapacitated cars. Once it arrives at the scene the special motorcycle can move the cars out of the way. The Tango's torque is so great that its towing capacity can be very useful in this situation. The weight of the Tango is another attribute for this purpose. In many cases, even if first response requires two people and equipment, using two Tangos and towing or attaching any equipment that does not fit inside, would still be much faster than getting a full-sized vehicle through traffic.

Customer Demographics

City governments all over the world are burdened with the task of solving the congestion problem in a cost effective way that also makes commuters happy (no new taxes, or tolls that use negative reinforcement to convince people to car pool or find alternative transportation). What better way to set the example by city governments using the best tools for the job? —the Tango. The fact that the Tango is electric also benefits the image of the city governments. Many city

governments are mandated to use a certain percentage of alternatively fueled vehicles. Using the Tango allows them benefits that other alt-fueled vehicles do not have; decrease pollution (smog), increase parking capacity, increase road infrastructure capacity, 365 day per year use, comfort, performance and fun factor.

Customer Type Three: Rental car agencies and car share programs

Airport rentals are full of customers that travel light and solo and need transportation to meetings in various cities. The Tango can be a valuable tool for rental agencies to get more market share for themselves. They can offer the customer a unique and exciting rental experience. Also, they have the benefit of returning the car empty, because the cost of electricity to charge the Tango is a small fraction of the cost of gasoline; typically about 1/6th the cost. For Commuter Cars, rental agencies are like having showrooms because it provides people the opportunity to test-drive the cars for a fairly low cost.

Competitive Analysis

Defining the Competition

The following is a subset of the Bureau of Transportation Statistics table cited previously.¹⁰ It demonstrates what the competition is in the U.S. In order of preference, commuters use the following modes of transportation:

Automobile	86.5%
Public Transportation	5.8% Includes “other means” from chart; ferries, etc.
Work at home	4.1%
Walks only	2.8%
Motorcycles and Bicycles	0.7%
Taxicabs	0.1%

As those who work at home, or walk to work are unlikely to need a specialized vehicle except for shopping, our focus will be on the other forms of transportation, which, depending on situation may compete favorably with the Tango.

¹⁰ Bureau of Transportation Statistics *Principal means of Transportation to Work*:
<http://commutercars.com/downloads/TransportationWork.pdf>

Competitor	Product/Service	Customers	Strengths	Weaknesses
All automotive manufacturers	Automobiles	120-million commuters	<ul style="list-style-type: none"> • Independence • Ability to go on one's own schedule • Portable locker for belongings that can always travel with one. 	<ul style="list-style-type: none"> • Subject to severe traffic delays • Difficulty finding parking • Parking is costly in congested cities • Maneuverability limited in heavy traffic
All providers of public transportation	Subways, busses, streetcars, trains, ferries, vanpools, etc.	5.8-million commuters	<ul style="list-style-type: none"> • No need to find or pay for parking • Can read, sleep, or do other things while commuting 	<ul style="list-style-type: none"> • Commuter must walk or use other means of transportation to and from public transit stops • Must adhere to a strict schedule that if missed, leaves one late for work • Wastes a lot of time stopping for others • No portable locker must carry everything by hand • Subject to delays if provider is not on schedule, or overfilled
All motorcycle and bicycle manufacturers	Motorcycles and bicycles	949-thousand commuters	<ul style="list-style-type: none"> • Extreme ease of parking • Come and go on one's own schedule • Often more than double the speed of a car in dense traffic, especially where lane splitting is legal 	<ul style="list-style-type: none"> • Extremely dangerous • No protection from the elements • Little or no storage, or portable locker capability.
Yellow Cab and all other taxi companies	Taxi service	179-thousand commuters	<ul style="list-style-type: none"> • No need to find parking • Relatively easy to go one one's own schedule • Can read while traveling 	<ul style="list-style-type: none"> • Very costly • No portable storage • Stuck at the pace of automotive traffic.
Tango	NCV with motorcycle convenience and a cars safety	106-million single-occupant commuters	<ul style="list-style-type: none"> • Extreme ease of parking • Come and go on one's own schedule • Often double the speed of a car in dense traffic, especially where lane splitting is legal 	<ul style="list-style-type: none"> • More costly until volume increases.

Potential direct competitors

There are 3 developing direct competitors on the horizon that have identified the need, market size and lack of competition for this new class of commuter vehicle and are taking steps to enter the NCV market. They are as follows:

Competitors	Product/Service	Customers	Strengths	Weaknesses
Lumineo Smera, France	Leaning 4-wheeled tandem NCV	Just introduced in France, none delivered yet	<ul style="list-style-type: none"> • Very narrow and short, excellent for lane splitting and parking 	<ul style="list-style-type: none"> • Depends on electromechanical tilting mechanism with dangerous failure mode • Feels unnatural to a car driver as the mechanism is always tilting to compensate for turning forces
Prodrive, UK	Naro, a manually leaning NCV Certified as a Quadracycle in Europe	Still in development	<ul style="list-style-type: none"> • Narrow and short NCV that can lane split and park like a motorcycle 	<ul style="list-style-type: none"> • Limited to 400 kg and 15 kW (20 hp) Must be leaned manually like a motorcycle • Requires more than motorcycle skills to balance the additional weight
Clever	The Clever is a three-wheeled cabin tilter, one-meter wide, two-person tandem	Still in development	<ul style="list-style-type: none"> • Narrow for lane splitting or doubling lane capacity 	<ul style="list-style-type: none"> • Depends on electromechanical tilting mechanism with dangerous failure mode • Feels unnatural to a car driver as the mechanism is always tilting to compensate for turning forces • Not short enough for parking perpendicularly
Tango	Ballasted ultra-narrow, 4-wheeled car	Over 300-million single-occupant automotive commuters in the world	<ul style="list-style-type: none"> • Extreme safety • Drives like any other car 	<ul style="list-style-type: none"> • More costly until high volumes are achieved

Competitive Barriers

Commuter Cars has broad worldwide patents protecting the unique, ballasted, ultra-narrow vehicle. *There is no simple way of coupling narrowness and passenger safety, without encroaching on Commuter Cars' world-wide patents.* As a result, every other narrow car prototype relies on a tilt mechanism that is complex, expensive, and potentially dangerous. Tilting does not alter the high center of gravity. It moves the center of gravity temporarily off center to avoid tipping over. With the exception of experienced motorcycle drivers, it can be very unnerving for most drivers.

The Tango's low center of gravity makes it extremely stable. Because the batteries and additional ballast are just 4" off of the ground, the Tango has achieved a **NHTSA 5-star equivalent static rollover threshold rating**. This is approximately 56 degrees, about the same as a 911 Porsche. In fact, even though the weight of the Tango is comparable to a midsize sedan, it has stability that exceeds most sport cars.

Marketing Plan

Product Detail

The Tango could provide solutions to all of the following:

- Traffic congestion, that costs the US \$68-billion annually, without the expense of additional infrastructure¹¹
- Parking congestion that wastes valuable time, real estate, and money
- Foreign oil dependence
- Air pollution
- Providing the right tool for 86% of your commuter needs
- Save you money and miles on the gas powered vehicles

The Tango is a new, underserved class of vehicle, which will quickly dominate this quickly emerging market. The term Narrow Commuter Vehicle (NCV) has been discussed for years as a way to alleviate traffic congestion. The hold-up in development is based on the inability to counter-act the narrow car's high center of gravity in relation to its width. Commuter Cars solved this issue with a novel ballast system that is patented worldwide. The Tango may appear small, but it weighs a staggering 3,300 pounds and 2,000 of those pounds are under the floor. The result is unprecedented stability and performance for a Narrow Commuter Vehicle.

Tango T600

The T600, because of federal regulations, has been designed as a kit car with some customer assembly required—typically less than 8 hours. The T600 kit has been designed as a cost-no-object car in order to show the potential of the NCV. It has excellent stability in cornering and has beat Corvettes, head-to-head, on an autocross course. With 1,000 foot/pounds of torque at takeoff, the feeling of stepping on the accelerator and having that incredible rush of power within milliseconds is breathtaking. Many pilots compare it to the feeling of taking off in a fighter jet. The narrowness of the Tango allows one to feel an unprecedented freedom on the road, with or without traffic. In traffic, one has the ability to move through congested areas like no other car in history. An assertive driver can take advantage of getting through tight spots not possible with other cars, including lane splitting.

In addition to its extremely high performance and excitement factor, it has unprecedented safety features for a passenger car. In addition to its ballasting, it has an FIA certified race car roll cage, as required of 200 mph+ race cars. It also has a 4-point jet pilot's harnesses for added security and four times more steel side protection bars in the doors than the largest SUVs.

Eleven T600s have been sold for between \$108k and \$148k, the difference in cost being the type of batteries used. Nine customers bought at the \$148k price and the 2 remaining \$108k customers are upgrading to the lithium batteries. Current pricing starts at \$121k for the lead-acid version with 40 miles of freeway range, up to \$166k for LiFePO4 batteries with 200-mile freeway range and extremely long life expectancy.

¹¹ Texas Transportation Institute *Urban Mobility Report* shows \$67-billion in wasted time and fuel.

<http://commutercars.com/downloads/urbanMobilityReport.pdf>

Tango T200

The Tango T200 is the next planned model. It will be built as a low-production car that can be sold in the U.S., Canada, Europe, and many other countries as a fully-certified automobile. It will be similar to the T600, but with less power and will be modified to meet FMVSS specifications. Although it may not be possible to use racecar technology in a production car, because of FMVSS regulations, every attempt will be made to make it the safest car on the road. Following a two-year development process, the projected production volume is 5,000 units over years three and four.

The first 5,000 Tango T200s will retail for \$44k. An additional input of \$100M in capital would reduce the retail price to \$29k, by building 30,000 Tangos over the same time period at the same profit margin.

The extensive broad patents in all of the major countries of the world protect the Tango's entry into this huge, underserved global market. This gives Commuter Cars a huge competitive advantage over our possible competitors.

Promotions

X-Prize

The Tango has been entered into the Progressive Insurance Automotive X-Prize Games held in the spring/summer of 2010. The goal of the X-PRIZE is to inspire a new generation of viable, super-efficient vehicles that will help break the global addiction to oil and lessen the effects of climate change. At this time, over 100 teams have entered, ranging from students, to start-ups, to large manufacturers. There are two classes and three winners will be chosen. In the Mainstream Class, one winner will receive \$5 million. In the Alternative Class, there will be two winners, splitting the \$5 million purse. One is for side by side, and the other for tandem. The Tango has been entered into the Alternative Class for tandem. Due to limited competition and our patent wall, the Tango has an excellent chance of winning.

This is a major opportunity for Commuter Cars for several reasons, most importantly is the vast amount of press and public interest this event will garner; the financial pay-out, and the chance to show how the Tango can outmaneuver other cars.

Promotion of the current T600

During the period when the T200 is being designed, tested, and manufactured, Commuter Cars will still have the T600 kit car available for purchase, which we will continue to market to high-end buyers. The T600 will serve the purpose of maintaining public visibility, as well as increasing interest for the mid-range T200.

The target market of the T600 will be green celebrities, high-wealth, eco-conscious individuals, and those in the tech industry. Sergey Brin, co-founder of Google, has already bought three Tangos. George Clooney purchased the very first model and we have interest from several other environmentally-conscious celebrities. We plan to target this group by doing a series of one-on-one pushes into this market, with the goal of selling two T600s a month. Since the T600 has not delivered the LiFePO₄ battery packs with ranges of 120 to 200 miles, all current customers have

been limited to 40 miles of freeway range. This has affected word of mouth from penetrating the available market. The lithium cells that will provide this range have already been shipped and will soon be available in the current T600s.

- **Demo Tangos** in both the San Francisco and Los Angeles areas will be available for test drives, with kiosk-style showrooms in both Silicon Valley and Beverly Hills. We have also targeted London where a high-end retailer has shown interest in displaying the Tango.
- **YouTube videos:** We will continue to take advantage of the popularity of YouTube videos to keep the T600 in the public eye. There are currently dozens of YouTube videos of the Tango in action, at least one with over 100,000 hits.

Marketing Strategy

Promote the Tango as:

- The ultimate commuter vehicle.
- The only high quality, year-round, comfortable, high performance vehicle available in the NCV class.
- The only fully enclosed vehicle that can increase the efficiency and capacity of existing infrastructure without a huge infusion of capital.
- The only fully enclosed vehicle that can positively impact traffic congestion on existing infrastructure.
- The vehicle of choice for downtown residents due to its maneuverability and no hassle parking.
- The only fully enclosed, year round vehicle that offers the fun and maneuverability of a motorcycle with none of the danger or exposure to the elements.
- One of the safest vehicles on the road due to maneuverability and crash protection.

Website and social media

Commuter Cars is currently developing social media via websites, blogs, Twitter, Facebook, YouTube, photo-sharing, and LinkedIn. The current website www.commutercars.com offers a survey, sign-ups, video downloads, and gallery photos. Plans include modernizing and making the website extensively interactive, with “design your own Tango pages,” streaming feeds, and animated illustrations.

The survey has already created excitement and brought in hundreds of names to our T200 wait-list. The survey has the added benefits of giving specific information about important Tango attributes, the way purchasers plan to use the Tango, the required range, and what customers are willing to pay for it. The survey also helped us acquire information on what consumers are willing to pay to rent daily or lease monthly. Currently there are several people interested in the T600.

Incentives

To increase sales and word of mouth, Commuter Cars will offer attractive financial incentives for customers and fleet owners. Customers will receive 5% for sale referrals for both the T600 and T200. This encourages our existing customers to spend time showing off the Tango and giving test rides. When the T200 is ready for roll-out, we will unveil it at all major car shows

(both green and regular), hold press conferences and attend consumer events in key, targeted domestic and foreign cities.

Infrastructure

The Tango does not need changes made to the infrastructure, in order to be useful at this moment. It is a logical way to reduce congestion and the need for freeway construction. Traffic congestion is a global problem with no other clear solution. Just as carpool lanes were created to help with the flow of traffic, narrow lanes will be created to double freeway capacity. Once there are enough NCVs in use, a single lane can be split in half, thus taking advantage of current infrastructures.

Fleet Sector - U.S.

Key partnerships will be sought in the U.S. with fleets located in key congested hubs, including San Francisco, Los Angeles, New York, Chicago and Washington, D.C.

Government Sector

The government sector is witnessing a movement toward electric vehicles (EV). Commuter Cars is proactively working to secure partnerships with political officials in key cities and regions. This would entail purchase of a small fleet of Tango T200s for city use.

Many cities have already adopted small fleets of EVs for worker use and public visibility, but what sets the Tango apart is its ability to park in small places and negotiate through heavy traffic, which is crucial in easing congestion in crowded cities.

Emergency Response Sector

We will pursue sales to emergency units (fire, police, SWAT, HazMat). A Tango T200 would be secured as a standby in times of emergency where the narrowness of the Tango allows access to areas when large vehicles cannot get through the traffic.

Customer Retention

Customer retention for the Tango will be accomplished through high quality and customer service. Since the Tango is the only viable option in this up-and-coming NCV market, we oppose planned obsolescence. The Tango has an all-stainless chassis with fiberglass body panels, which are impervious to rust and built to outlast any other car. The simplicity of the electric drive system and motors with only one moving part means the life expectancy can be many times that of internal combustion car. For this reason we can give a ten year unlimited mileage warranty, comfortable that the cost to Commuter Cars will be infinitesimal in comparison with the value to the customer. Ten year warranties are now commonplace for cars that have much more to fail than a Tango. This will ensure the best word of mouth reputation and comfort necessary to penetrate a new market. It is unlikely that a battery-powered commuter car will amass enough miles, in 10 years, to be a factor.

The only component on a Tango that is subject to substantial, recurring cost is the battery. This is being largely ignored by other electric car companies in their advertising. Although the electricity to charge an EV is only one or two cents per mile, battery replacement cost is ranging from five to fifteen cents per mile, which puts it on par with gasoline in the U.S. However, in Europe this is great savings. We believe if this is not discussed at the outset, customers will be very disappointed when they find out the true cost. The Tesla Roadster has a 100,000-mile

warranty on the battery and a \$12,000 replacement cost. That is twelve cents per mile, which is exactly the cost of gasoline at \$3.00 a gallon for a car that gets 25 mpg. The electricity in an EV is less expensive than the maintenance for a gasoline car. Therefore, the only cost of consequence for an EV is battery replacement.

To ensure customer satisfaction, battery replacement should be a monthly expense. We will use LiFePO₄ cells that have a very long life expectancy and a projected \$0.05 per mile replacement cost. We are working with battery and BMS (Battery Management Systems) manufacturers to develop warranties to guarantee a low cost per mile or to lease packs directly to the customers. This allows customers to pay a small monthly fee for the pack, plus a cost per mile. Many different possibilities exist with this model and it will be much better for customer satisfaction if they do not have a big expense hitting them unexpectedly in the future. Although a 10-year unlimited warranty on the entire car with the exception of batteries may seem risky, it is just the opposite because we have mitigated the battery cost and sold it to the customer. In addition, we will have approved battery box manufacturers for the Tango. It is expected that with the new design in the T200, a battery box could be swapped in a matter of minutes. It currently takes half an hour to swap batteries in the T600. It will be open source and you will be able go to any station you like.

The battery manufacturers will be responsible for the BMS that determines how the batteries can be treated and how much it will charge based on the customer's treatment of the batteries.

For example: If a customer buys or leases a 50 kWh pack with a range of 200 miles of normal freeway driving, and the life expectancy is guaranteed by the battery manufacturer at 4,000 cycles at 80% Depth of Discharge (DOD), then the pack will last 640,000 miles under those conditions. If the battery manufacturer feels that their batteries will be degraded severely by driving to 100% DOD, then they have a choice of either selling their pack as a 160 mile range pack, shutting down the car at that point, or they could simply charge more per mile when the pack is discharged further. They could sell 200 mile range with a caveat that after 80% DOD, the cost will increase from 8 cents per mile to 16 cents per mile. This model can work either by selling the pack or by leasing it. The scenario just described is based on actual quotations. The cost based on these numbers is only \$0.04 cents per mile. Even if that is doubled, the battery company makes a better profit, which is still a reasonable \$0.08 a mile.

Partnerships:

We envision developing partnerships with battery companies since their product has the potential to be half the cost of a Tango. We would prefer batteries were leased to customers on a monthly basis by battery companies, utilities, or a third party. This way the customer is paying a monthly payment very similar to their gasoline bill. Careful planning of partnerships with channels that do not fall prey to franchise laws or preclude direct sales to customers will also be investigated.

Operations Plan

The T200 design and engineering will be managed in-house by our highly skilled team, who are experienced at managing suppliers to engineer and produce certified Tangos for US and foreign markets. The T200 will be built by a contract manufacturer. We are already in discussion with candidates.

T600

- A customer orders a T600 by placing a \$60k deposit, which is used for purchasing parts.
- The current T600 kit production begins with stainless steel sheets that are laser cut and bent into shapes that our in-house staff TIG welds into the final chassis. Chrome-moly roll cage tubing is bent and notched in-house.
- Once the chassis is complete, carbon fiber body panels are fitted to it and bonded. OEM doors have their outer skin removed so that 6 additional pieces of roll cage material can be added along with plate steel anchors and pins that attach the race car door protection bars to the rest of the roll cage which supports the entire body. An outer carbon fiber skin is then fitted to replace the original factory outer skin. The front suspension, HVAC, hood, rear hatch and bumper are attached and the car is sent to a local paint shop that paints to match a specific color that the customer has chosen. Next wiring looms and instrumentation are installed, followed by interior panels and glass.
- When the kit is complete, customers are notified that they can have it shipped to them or their mechanic, or are welcome to use our facilities to assemble the drive train and battery box, which are supplied directly to the customer by other vendors.
- Assembly takes only a few hours with a skilled mechanic. If the customer is not skilled, they may use our facility and receive guidance for assembly.
- Customer then pays the balance due and takes delivery, or has it shipped to them.

T200

Customers will typically visit a factory store in a downtown area. After a test drive, if the customer is interested in purchasing a Tango and there is inventory, the customer may choose to pay for the Tango with cash or financing, much like any other dealer, except there will be no negotiating. If the color they want is not available, an order will be placed with the factory. If the customer has test driven another customer's Tango, they can order directly from our web site.

Business Milestones

In executing this business plan of *Commuter Cars* the following milestones will be achieved:

<u>Date</u>	<u>Milestone Description</u>
Oct. 2009–Feb. 2010 (Mo. 1 to 5)	Phase 1: Initial T200 planning; Add staff of 10; Market segments, Certification requirements, preliminary selection of components & suppliers; budget & vehicle cost estimates; Development and Production schedule, finalize financials
Dec. 2009–Aug. 2010 (Mo. 3–11)	Phase 2: CAD Packaging & Development of T200; Benchmark testing & analysis; suspension design; verification of testing
May 2010–Aug. 2010 (Mo. 8–11)	Phase 3: Vehicle Development & Testing of T200; Component sets; 1 st prototype month 10; 2 more prototypes in months 11 & 12
Sept. 2010–June 2011 (Mo. 12–21)	Phase 4: Vehicle Safety, Development and Certification of T100 testing; 6 cars built for crash test (North America and worldwide); Staff added, assuming we build in-house
Dec. 2010–June 2010 (Mo. 15–21)	Phase 5: Production Readiness of T200 Tooling & component sets
July 2011	Phase 6: T200 Production Facilities, facility management, staffing
Sept. 2011–Sept. 2013 (Mo. 24–48)	Sales: 5,000 cars to be sold in U.S., Canada, Mexico, and Europe totaling \$220-million in gross revenue.

Location

Offices and manufacturing space occupying 15,000 sq ft in a building of approximately 100,000 sq ft. are located at 715. E. Sprague Ave., Spokane WA. The facility has both truck docks and ground level ramps in a poured-in-place concrete building with 14-foot ceilings. All areas are heated and offices are air conditioned. More contiguous space is available in the building and ample warehouse space is available for lease in Spokane for \$.25/sf. This space is for corporate offices and T600 production which will be done in house. T200 production will be outsourced.

Key Elements of Production

1. Identify and select additional key players for the T200 project including: the raising of VC funds, the management and use of these funds, implementing the marketing plans required, management of the design effort and FMVSS certification process, qualifying automotive contract manufacturers to build the T200, control and exploitation of the intellectual property of the company, and identifying the proper sales and service channels for the T200 in each market region of the world.
2. Generate the product and performance specifications for the T200.
3. Solidify the design for the T200.
4. Choose our partners for each of the subcomponents that make up the T200 with all related FMVSS, CMVSS, and EU requirements.
5. Start the process of marketing to our key demographic cities so we know the locations of

- the strongest markets and may target them first to establish sales and service channels.
6. Begin T200 distribution to waiting list customers in key, target market locations.
 7. After initial run of 5,000 T200s has commenced, Commuter Cars will continue with higher-volume, lower cost designs to appeal to larger domestic and international markets.
 8. The models to follow will be the T100, which is targeted for the \$18K-\$25K price range, with an aim at 100,000 units per year. We anticipate following the same steps for the T100 model as we follow for the T200 using automotive contract manufacturers to build the cars.
 9. The T50 will then be designed to be the ultra-high volume car that is at the very low end of the automotive price range.
 10. Once volumes warrant multiple assembly plants, the most qualified automotive assemblers in each primary world region will be contracted to produce the Tango T200, T100, and T50 models.
 11. Generate the licensing / supply chain agreements between the CM's and Commuter Cars.
 12. Set up a network for sales and service including commissions/incentives with the selected retail channels.

Commuter Cars will offer ongoing tech support for the life of the car, and key city centers throughout the country will have at least two shops conveniently located where the T200 can be serviced for warranty and post warranty repair. Any auto repair facility—from retail superstores to any independent—can change brake pads, rotors and tires (the only consumables).

Personnel

Mark Visconti, Charley Zurian and Jay Brett—currently working on projects for Aston Martin and other high-end low volume vehicles—all have extensive low-volume and high-volume automotive design and build experience. The three are profiled in our team members section.

Increasing staff as we ramp-up will also entail enlarging and managing areas of design activity, and marketing to each of the chosen target locations. As we get closer to launch, each target location will be set-up with location managers who will recruit sales people, place advertisements, enable test drives, and perform service in their key area.

Inventory

All inventories of parts and product will be warehoused in the key areas where they are being sold and showcased in dealerships at those locations.

Suppliers

Many steel fabricators can build the chassis, and fabricators with tube bending and notching capability can make the roll cage. For high volume, cages can be made by Camoguid in Quebec, who currently uses robots and laser notchers to produce tubing assemblies for ATVs at a rate of over 300,000 units per year.

The electronic components are mass-produced and there are multiple vendors, so no supply problems are anticipated. The Controller for the T600 has an adequate inventory for the near future, and a new supplier can be had when additional production is needed. The electronic controls for the T200 will be custom designed for Tango and contracted out for manufacturing.

Our plan is to have at minimum, two suppliers for every component. For long lead-time items, we will have finished goods inventory at each supplier's location for pull system inventory control. Since we have approximately a two-year lead-time before production is underway, we expect to design custom parts that are simple to manufacture with short lead times while using standard parts wherever possible.

Management Team

Rick Woodbury - President and CEO

Rick is the founder of Commuter Cars and developer of the Tango Narrow Commuter Vehicle. His prior business experience includes the development of two well-regarded publishing-related businesses. He began Dharma Press in the early 1970's, and in 1987 started Integrated Composition Systems—a book composition and prepress business currently being run by his wife, Alice. The company works with some of the most highly regarded university presses in the country. Woodbury also has extensive sales experience in the luxury automobile industry, including serving as sales manager at Beverly Hills Porsche Audi and general manager of Superior VW, Porsche-Audi and Peugeot in Redding, CA.

Mark Visconti - COO

Mark is a consulting engineer with significant experience bringing specialty automobiles to FMVSS-certified production. Mark graduated from the University of Colorado in 1989 with a Bachelor of Science degree in Aerospace Engineering and moved on to earn his Master of Business Administration at Loyola Marymount University. In addition to extensive aerospace experience, Mark has served as Vice President of Engineering for Shelby American where he gained experience managing the market research, prototyping, research and development, and I.S. groups. On top of that experience, Mark also directed the Series 1 sports car project, was a Vehicle Development Consultant to Mercedes City Car (SMART) for U.S. and Canadian certification, and was Specialty Vehicle Program Manager for Multimatic Inc.—where he supported many vehicle development projects, including Ford's "new" GT and AM305, Dodge's second generation Viper, and several Aston Martin efforts. Other valuable experience Mark brings includes holding the title of Vice President of Engineering at Transfx, Inc. where he managed budgets and customer relations, created proposals, performed detailed engineering work, and oversaw the efforts of engineering and fabrication personnel. At Transfx, Mark also oversaw automotive interior and exterior development projects for Volvo, Toyota, General Motors, BMW, many other automobile manufacturers, and a variety of consumer product development programs. He is currently providing consulting services that include creating initial development plans, costing, and scheduling for low volume sports car programs, authoring a testing plan to attenuate rear drive train vibration for the Panoz Esperante coupe, supporting prototype component development the Sean Hyland retrospective Chrysler Charger / Challenger, and supporting the FR500C Mustang program with Ford. Mark will bring access to his established team of experts to assist in the initial development stages of the T200 design and manufacturing process.

Charley Zurian - VP of Development

Having been fortunate to grow up in a product development environment, Charley was producing product models for advertising photography at 15, producing running vehicle body components at 17, and participating in full vehicle design development, prototyping, testing, and productization at 20. Charley then worked on the development, testing, and transition to production of a variety of products including McDonnell-Douglas's Apache and Notar helicopters, night vision systems for military aviators, and various classified programs. General

Motors hired Charley in 1986 to work in its Advanced Concepts Center. At GM, Charley was given the opportunity to focus his efforts on the integration of digital processes into the vehicle design studio environment. Such programs as the GM Ultralite technology demonstrator, the GM EV1 electric vehicle, and scores of other vehicle programs gave Charley the opportunity to refine the processes integrating conventional three-dimensional modeling and analysis procedures with CAD/CAM-driven approaches. Realizing the need in industry for those services, Charley left GM to open Transfx, Inc. in 1994 to supply the entertainment, automotive design and development, aircraft, and consumer product industries with both digital and physical fabrication services directed towards the development of concepts, models, mockups, prototypes, and tooling. In 2000, Charley contracted Transfx to General Motors to open and then operate their GM5350 Design facility that produced such vehicle designs as the Chevrolet Borrego and the Pontiac Solstice. Recently, after transitioning Transfx to a focused aircraft component manufacturing firm, Charley sold his interest in Transfx to once again pursue his lifelong passion—vehicle development.

Jay Brett - General Manager

Jay's passion for automobiles and motorcycles led him to Southern California after leaving his career dealing with the development of consumer products, toys, and product display systems in Rhode Island. Jay spent the ensuing ten years participating in many west coast vehicle design and manufacturing programs that began with conception and carried through production. The programs ranged from film and promotional vehicle development/release to production of such vehicles as the Pontiac Solstice. Though satisfied with his day job, Jay joined two coworkers to create an after-hours team that designed and subsequently manufactured their own three-wheeled high performance "SUB" road vehicle. Jay holds a degree in Industrial Design from the Rhode Island School of Design.

Bryan Woodbury - VP and IT specialist

Bryan will serve as VP and IT specialist for Commuter Cars and has been involved since the beginning of the Tango development. In addition to maintaining computer equipment and software, Bryan performs on-line research for parts, suppliers, and other support for the manufacture of the T600. He majored in Physics at Eastern Washington University where he was admitted at age 16.

Radek Havlin - VP International Development,

Radek is a 2009 MBA candidate at Pepperdine University and a member of the Resident Emerging Leaders Program. Radek graduated from the University of Life Sciences in Prague, Czech Republic with an MSc in Business and Economics. At Pepperdine, he is focusing on entrepreneurial management and global business while working on various business projects in which he channels his passion for technology and sustainability. Prior to attending Pepperdine, Radek held various positions in risk management, marketing, sales and business development at Citigroup for over 10 years in the Czech Republic, United Kingdom and the Netherlands. In his last role, Radek was a Vice President in Citigroup's Corporate Banking Division. This experience helped him strengthen Citigroup's business relationships with some of its top tier Global Corporate Clients across the Europe, Middle East and Africa regions and included some global clients as well.

Additional Personnel

A key element of the initial planning process for the T200 will be to identify other critical management positions and to fill them with highly qualified and enthusiastic people. These positions will include but not be limited to positions in engineering, finance, marketing, and production.

Board of Directors

The Commuter Cars Board of Directors presently consists of Rick and Bryan Woodbury. It is anticipated that the Board will be expanded as individuals who will assist the development of the company are identified.

Exit Strategy

Commuter Cars is being built as a long-term business with the view of creating a product appealing to the masses. As part of the future growth, we foresee the following exit strategies:

Initial Public Offering

With the success of the \$44k T200 model, an obvious market for over a 100,000 vehicle per annum production will be expected. This will require upwards of \$1-billion of capital. An IPO will generate that funding and provide an exit for the initial investors.

Merger

As Commuter Cars and the Tango production grows, we see the possibility of merging with another car manufacturer, with the goal to take advantage of synergies in manufacturing capabilities, capacity and sales & distribution networks.

Licensing

It is obvious that major car manufacturers explore the small electric vehicle market. As a result, we expect their growing interest to lead to a partnership with Commuter Cars through technology licensing.

Acquisition

With the expected growth of Commuter Cars, the company is likely to become an acquisition target for some of the following players:

- Existing car manufacturers
- Venture capital firms
- Battery manufacturers
- Other investors

Critical Risks

Market penetration

As with any disruptive product, there is no way to know for certain which markets will be the strongest. A philosophy of patience for growth and impatience for profit will mitigate a lot of the risk and allow the company to flow with the market, as well as make some mistakes without jeopardizing the investors' funds.

Legislation

While we don't expect any major changes in the legislation, we can never rule out the government's steps that could create obstacles for the Tango. Constant monitoring of the government's efforts will help us anticipate any relevant changes. To date, we have had very positive results in creating legislation in our favor.

Management Team

Execution of our plan will be critical for a success of the company and the Management team will play a major role. We believe that our current management line-up is well experienced and capable of delivering projected results.

IP Protection & Violation

Although Commuter Cars has strong and broad patents throughout the world, it may not stop others from violating our IP protection and tie Commuter Cars efforts and resources in litigation.

Loss of Early Mover Advantage

While Commuter Cars has no direct competitor in the space of NCVs to date, there are narrow tilting vehicles under development. Our swift execution and product roll-out is important to take advantage of the early-mover position we currently enjoy.

Financial Plan

Revenues

Commuter Cars has been developing the high-end Tango T600 for the past several years and has sold a number of them in the United States. Commuter Cars continues to manufacture T600 at small volumes that are expected to remain at the level of one vehicle per month until 2Q2010 and then expand to two per month through the end of 2010. For 2011, we estimate a monthly production of four vehicles of our T600 model. With each T600 model order, a 50% down-payment is required with the remaining 50% to be paid upon delivery.

The T600 is being sold for \$146,000, generating approximately \$30,000 net profit per vehicle.

As the production of T200 commences in the second quarter of 2011, monthly revenue volumes grow from \$600,000 to approximately \$10,000,000, assuming a monthly production (sales) capped at 200 vehicles. Furthermore, as of mid 2012, we expect direct sale of replacement batteries to our customers.

The following tables outline our revenue projections for the next 4 years:

Revenues
Y1

	2010											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
T600	146,000	146,000	146,000	146,000	292,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000
T200	0	0	0	0	0	0	0	0	0	0	0	0
Batteries	0	0	0	0	0	0	0	0	0	0	0	0
Merchandise	750	750	750	1,000	1,000	1,200	1,200	1,500	1,500	1,500	2,000	2,000
TL Revenues	146,750	146,750	146,750	147,000	293,000	261,200	261,200	261,500	261,500	261,500	262,000	262,000

Revenues
Y2-4

	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
T600	1,170,000	1,125,000	1,380,000	1,380,000	1,725,000	1,725,000	1,725,000	1,725,000	2,070,000	2,070,000	2,070,000	2,070,000
T200	0	0	8,617,980	13,132,160	16,004,820	22,160,520	24,622,800	24,622,800	24,622,800	24,622,800	24,622,800	24,622,800
Batteries	0	0	0	0	0	0	80,000	360,000	480,000	600,000	840,000	660,000
Merchandise	7,500	8,500	9,500	11,500	19,500	27,500	41,000	63,000	80,000	100,000	125,000	150,000
TL Revenues	1,177,500	1,133,500	10,007,480	14,523,660	17,749,320	23,913,020	26,468,800	26,770,800	27,252,800	27,392,800	27,657,800	27,502,800

Accounts Receivable

We expect to collect 90% of our receivables within 30 days and nearly 100% within 60 days. Our bad debt portion is estimated to be relatively low—only a 0.1%.

Cost of Living

For financial projection purposes, we are assuming a 5% rate by which the cost of living grows annually. This is reflected in our expenses calculations.

Salaries & Wages

Full-Time	Year 1	Year 2	Year 3	Year 4	Year 5
President	120,000	160,000	180,000	200,000	250,000
CEO	Incl?	Incl?	150,000	180,000	200,000
COO	100,000	125,000	150,000	180,000	200,000
VP of Development	90,000	115,000	140,000	160,000	180,000
General Manager	80,000	95,000	110,000	120,000	135,000
VP, Sales & Marketing	80,000	95,000	140,000	160,000	180,000
IT and	50,000	55,000	55,000	60,000	70,000
Admin Assistant	30,000	36,000	36,000	38,000	40,000
Part-Time	Year 1	Year 2	Year 3	Year 4	Year 5
headcount 1	15,000	15,000	15,000	15,000	15,000
headcount 2	15,000	15,000	15,000	15,000	15,000
Total	354,000	386,000	386,000	418,000	480,000

Payroll Expenses

We assume 30% of the annual salaries and wages to be the payroll expenses, including employee benefits, unemployment insurance and social security taxes.

Rent

Commuter Cars has sufficient facilities to accommodate production of the T600. The T200 will be produced by a contract manufacturer, so only offices will be required. Offices can easily fit in the existing space occupied by Commuter Cars today. The monthly rent for these premises is \$5,000. As of May 2010, Commuter Cars intends to open an international office in Europe, for which a monthly rent of \$3,000 is budgeted.

Office Expenses

Basic office supplies are expected at \$1,000 per month as of year two when the team is complete.

Legal Services

Annual legal fees associated with ordinary conduct of business (contracts, employee relationships, etc.) are estimated at \$1,000 per month, on average. More significant, one-off, legal charges are expected in 2010 and 2012, representing fees for patent renewal, certifications, etc.

Marketing

Most of our marketing expenses will be incurred through advertising and brand development (press, online presence, as well as physical participation in industry conferences, car shows and other events). Furthermore, we plan a redesign of our website.

Annual marketing expenses are estimated as follows:

	2010	2011	2012	2013
Website Design	5,000	7,000	4,000	4000
Advertising & Brand Development	3,480	670,870	240,000	250000
Trade Shows	5,400	40,900	40,000	40000
Total Sales & Marketing	13,880	718,770	284,000	294,000

Travel and Entertainment

Travel and entertainment-related expenses are projected at \$1,500 per month.

Appendices

- A. Full set of financial projections
- B. Technology: Technical drawings, patent information, papers, etc.
- C. Partnership and/or Customer Letters/Contracts
- D. Expanded Competitor Reviews
- E. Customer Lists
- F. Current web survey results