

Projections

Report



GISSER AUTOMOTIVE CONCEPTS
(A United States SEC Approved Public Reporting Company)

FIVE-YEAR PROJECTIONS
GISSER AUTOMOTIVE CONCEPTS, INC.
(A United States SEC Approved Public Reporting Company)

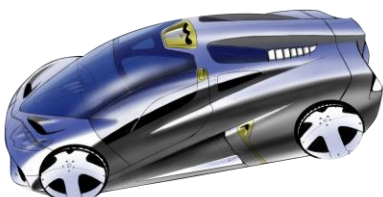
Introduction

These projections were prepared by the Company for internal use by Management and Business Evaluation Systems, NM in their valuation of the Company's equity and not in compliance with the Securities and Exchange Commission's published guidelines regarding financial forecasts. These forecasts have not been audited or reviewed by independent accountants. The forecasts are based on assumptions that may not prove to be reasonable and are subject to significant economic, operational and competitive uncertainties, many of which are beyond the Company's control. Therefore, actual results are likely to vary from the forecasts shown. The inclusion of a forecast should not be regarded as a representation that the forecast results will be achieved. Each investor should satisfy itself as to the reasonableness of the assumptions underlying all forecasts. Prior to investing in the Offering individuals who are considering an investment should review all the details of the Offering with an investment advisor and call the Company with any questions.

GAC's forecasted operating results were made from a clean slate and do not include data from the Company's actual financials to date. The Company's balance sheet reflects assets which consist primarily of inventory, furniture & fixtures, machinery & equipment, tooling molds & fixtures, patterns, prototype vehicle, patent, tools and production drawings. In the normal course of business assets could be acquired or disposed for various reasons but if so have been determined by GAC Management to be in the Company's best interests. The tangible assets have been appraised by Business Evaluation Systems, NM who has set their Fair Market Value at \$5,230,000 while the overall estimated Fair Market Value of the Company was set at \$52,230,000. Certain methods and criteria of BES' valuations have yielded overall Fair Market Values of the Company to be over \$150M. When considering the magnitude of the project, assembling an organization, marketing strategy and Public Company similar to GAC with a Standard Industry Classification (SIC) Code of 3711, Motor Vehicles & Passenger Car Bodies, as stated by Automotive Associates International (AAI) is, "an undertaking usually costing \$50+ million when conducted in a typical OEM business environment".

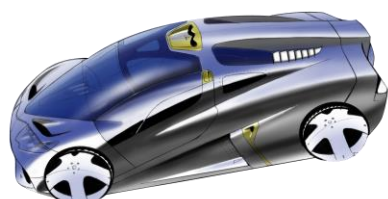
Additional assets that the Company will obtain or produce with the proceeds of this Offering or other means of capital formation are reflected in these Projections being additional inventory, demo vehicles and equipment purchases. The Company also expects additional revenues and the reduction of costs and operational expenses from the following sources that were not included in these projections:

- Volume discounts on purchases of materials and components.
- Costs of goods reduction by using alternative gearboxes.
- Replacement parts sales and vehicle servicing to MEC4 owners.
- Second and future generation vehicles GAC will produce.
- Aftermarket body panels and components for mass produced vehicles.
- Non-automotive composite and fiberglass related products.
- Industrial and automotive design studio services to other companies.
- Mass market, performance and technology oriented consumer products with GAC's "styling" or "branding".
- Merchandising and licensing of the MEC4 and other original exotic auto themed products to the proper companies.
- Federal, state or local incentives that GAC has received in the past and expects to receive such as reduced lease payments, training grants, relocation expenses and tax abatements.



**FORECASTED OPERATING RESULTS
GISSER AUTOMOTIVE CONCEPTS, INC.
FIRST FIVE YEARS**

	First Year	Second Year	Third Year	Fourth Year	Fifth Year
Sales¹					
Vehicles	\$ 6,180,000	\$ 16,960,000	\$ 26,160,000	\$ 35,840,000	\$ 46,000,000
Exclusives ²	100,000	150,000	50,000	50,000	50,000
Optional Equipment ³	608,820	1,639,100	2,636,250	3,729,600	4,930,250
Total Sales	\$ 6,888,820	\$ 18,749,100	\$ 28,846,250	\$ 39,619,600	\$ 50,980,250
Cost of Sales⁴	\$ 2,564,600	\$ 7,007,900	\$ 10,877,500	\$ 14,984,900	\$ 19,333,500
Gross Profits	\$ 4,324,220	\$ 11,741,200	\$ 17,968,750	\$ 24,634,700	\$ 31,646,750
Advertising⁵	496,553	550,000	605,000	665,500	732,050
Accounting Fees	12,000	14,000	16,000	18,000	20,000
Auto Expenses	68,400	12,000	12,000	15,600	15,600
Building Insurance⁷	12,000	13,000	14,000	15,000	16,000
Commissions⁸	344,441	937,455	1,442,313	1,980,980	2,549,013
Contributions	1,200	1,500	1,800	2,100	2,400
Depreciation⁹	24,043	22,895	22,895	22,895	22,895
Dues Subscriptions	600	700	800	900	1,000
Education Seminars	3,000	4,000	5,000	6,000	7,000
Employee Salaries¹⁰	1,385,500	2,498,000	3,713,000	5,032,000	6,389,000
Employee Benefits¹¹	221,680	399,680	594,080	805,120	1,022,240
Equipment Rental¹²	4,000	5,000	6,000	7,000	8,000
Equipment Repair	2,000	3,000	4,000	5,000	6,000
Freight In	2,000	4,000	6,000	8,000	10,000
Freight Out¹³	30,000	80,000	120,000	160,000	200,000
Insurance Vehicles¹⁴	68,888	187,491	288,462	396,196	509,802
Inventory Shrink¹⁵	54,379	105,119	163,163	224,774	290,003
Materials/Tools¹⁶	18,000	20,000	22,000	24,000	26,000
Office Maintenance	6,000	7,000	8,000	9,000	10,000
Office Supplies	12,000	15,000	18,000	21,000	24,000
Printing¹⁷	12,000	18,000	24,000	30,000	36,000
Postage¹⁸	34,444	24,000	30,000	36,000	42,000
Professional Fees¹⁹	18,000	20,000	22,000	24,000	26,000
Rent²⁰	125,000	125,000	300,000	300,000	300,000
R&D²¹	25,000	50,000	50,000	50,000	50,000
Repairs & Maintenance	6,000	7,000	8,000	9,000	10,000
Security²²	12,000	2,000	8,000	3,000	3,000
Telephone²³	13,000	15,000	20,000	25,000	30,000
Travel/Entertainment²⁴	39,559	50,000	60,000	70,000	80,000
Utilities²⁵	12,000	14,000	20,000	22,000	24,000
Miscellaneous/Other²⁶	12,000	14,000	16,000	18,000	20,000
Warranty²⁷	68,888	187,749	288,462	396,196	509,802
Total Expenses	\$ 3,084,576	\$ 5,406,589	\$ 7,908,975	\$ 10,402,261	\$ 12,991,805
Operating Income	\$ 1,239,644	\$ 6,344,611	\$ 10,059,775	\$ 14,232,439	\$ 18,654,945



NOTES TO PROJECTIONS

With a majority of Gisser Automotive Concepts' Offering being subscribed, we should be able to complete research & development as detailed in the Offering for our **MEC4 electric and/or alternative fuel vehicles** and other planned products, commence production and marketing, build the first run of 70 vehicles and generate preliminary sales. We expect to create revenues and profits within the first full year of production.

1. Sales - Based on recent market data and industry analysts in the Mid-Level: Ultra-Luxury/Prestige automotive market segment, sales are 30,000 units annually. Projected Company sales are in units below reflecting projected segment growth over the next five years to 50,000 - 60,000 units. The more conservative analysts' figures of 50,000 units annually were used here.

	First Year	Second Year	Third Year	Fourth Year	Fifth Year
Vehicles	60	160	240	320	400
Market Size	30,000	35,000	40,000	45,000	50,000
Market Share	.20%	.46%	.60%	.71%	.80%

During the first year of production, the Company will produce 70 vehicles of which 10 will be retained for marketing and sales promotion purposes. (see Marketing) The remaining 60 will be sold.

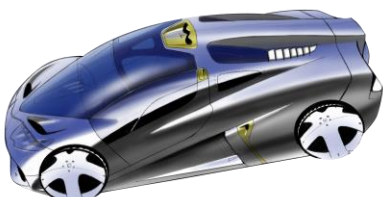
Vehicles will be sold directly to customers during the first year for \$118,000 and to dealers for \$98,000. The direct sales price for years 2 - 5 is \$121,000, \$124,000, \$127,000 and \$130,000. The dealer price for years 2 - 5 is \$101,000, \$104,000, \$107,000 and \$110,000. The Company projects that 75% of all sales will be sold through dealers and 25% as direct sales throughout all years. Some situations may dictate a referral commission to a dealer or other party which would be a percent of the full commission and on a case by case basis. (see Direct and Dealer Sales Program)

The Company will require a 50% deposit when an order is placed, the balance will be due on delivery. This will prevent the generation of true accounts receivable but will avoid collection problems in the early stages of the Company's business.

2. Exclusives - \$10,000 per dealership for a three year contract. These funds will help offset costs for brochures, videos and other sales promotional materials. (Yr. 1 - 10, yr. 2 - 15, yr. 3 - 5, yr. 4 - 5, yr. 5 - 5)

3. Optional Equipment - Vehicle options available are listed and assume 25% of sales by units with 75% of sales through dealers and 25% direct.

	Option Cost	Retail	Profit
Engine (LPE)	\$ 12,600	\$ 18,000	\$ 5,400
Connolly Interior	8,400	12,000	3,600
Custom Paint	1,050	1,500	450
Billet Wheels	1,400	2,000	600
Brake Package	2,100	3,000	900
Gear ratio	840	1,200	360
High-end Stereo	1,400	2,000	600
Luggage Set	700	1,000	300
DVD/HDD	700	1,000	300
GPS/Navigation	1,050	1,500	450
Internet/Phone	400	600	200
Totals	\$ 30,640	\$ 43,800	\$ 13,160



	First Year	Second Year	Third Year	Fourth Year	Fifth Year
Cost of Options	\$30,640	\$31,010	\$33,250	\$35,280	\$37,310
Options (dlrs -10%)	\$39,420	\$39,870	\$42,750	\$45,360	\$47,970
Options (direct)	\$43,800	\$44,300	\$47,500	\$50,400	\$53,300

4. Cost of Sales - Includes cost of materials and options only. In addition, the cost of sale for each exclusive is \$500.

First Year

General Materials for Vehicles	\$ 17,000
US OEM & Offshore Components (net/whsl.)	10,000
Motor Package – 3-Phase Induction Motor	5,000
Computer Control Components	3,000
	\$ 35,000

Total material costs for vehicles are estimated at \$35,000, \$36,000, \$37,000, \$38,000 and \$39,000 for years 1 - 5.

Total costs of options are estimated at \$30,640, \$31,010, \$33,250, \$35,280 and \$37,310 for years 1 - 5.

There is a possible reduction in third through fifth year material costs as a new transaxle is in production and eliminates the need to purchase a separate transaxle and related parts at a cost of \$3,000 per unit. This translates to savings of approximately \$3M for those three years.

5. Advertising - Public relations, media, automobile trade shows, auctions, club events, direct mail and web page. \$500,000 the first year with 10% increases thereafter.

6. Auto Expense - \$4,800 first year is for one truck to be used for pickups of materials and facility maintenance. Also includes vehicles for sales purposes at \$3,600 each over the first five years as follows in units: 1, 2, 2, 3, 3.

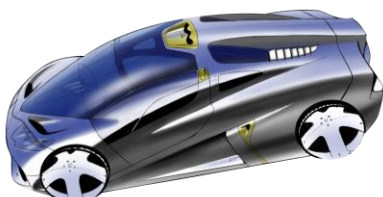
7. Building Insurance - Property, contents and public liability.

8. Commissions - Inside sales reps will retain a small percentage (3%) of the overall margin generated by dealerships they sign and straight commissions (3%) on direct factory sales of individual vehicles. Company executives will retain a lesser override (2%) on all sales. Total commissions on vehicles and exclusives are 5%.

9. Depreciation - Equipment valued at \$285,000 (10 year straight line). First year equipment required to start production.

10. Employee Salaries - The following represents the sales personnel for the first five years. Commissions are in addition to base salaries and annual increases.

	First Year	Second Year	Third Year	Fourth Year	Fifth Year
President/CEO	1 @ \$110K	1 @ \$120K	1 @ \$130K	1 @ \$140K	1 @ \$150K
Vice President	1 @ \$60K	1 @ \$70K	1 @ \$80K	1 @ \$90K	1 @ \$100K
Sales	2 @ \$38K	3 @ \$40K	3 @ \$42K	4 @ \$44K	4 @ \$46K
Reception	1 @ \$18K	1 @ \$20K	2 @ \$22K	2 @ \$24K	2 @ \$26K
Off. Man./Bkpr	1 @ \$36K	1 @ \$38K	1 @ \$40K	1 @ \$42K	1 @ \$44K
Prod. Manager	1 @ \$48K	1 @ \$50K	1 @ \$53K	1 @ \$56K	1 @ \$59K
Production:	70 Units	160 Units	240 Units	320 Units	400 Units
FRP	12 @ \$25K	20 @ \$26K	30 @ \$27K	40 @ \$28K	50 @ \$29K
Steel	12 @ \$25K	20 @ \$26K	30 @ \$27K	40 @ \$28K	50 @ \$29K
Assembly	26 @ \$25K	40 @ \$26K	60 @ \$27K	80 @ \$28K	100 @ \$29K
Total Production	50 @ \$25K	80 @ \$26K	120 @ \$27K	160 @ \$28K	200 @ \$29K



Production workers are broken into three categories: 1) Fiberglass (FRP body panels), 2) Steel production (chassis) and 3) Assembly of vehicles. During the first year, complete body panel fabrication is estimated at 2 months, chassis production at 2 months and assembly at 4 months. The timeframe will be reduced the following years to 1.5 months, 1.5 months and 3 months respectively.

11. Employee Benefits - Payroll taxes (FICA, Workers comp. and unemployment) of an average 16% of salaries was used in calculating benefits. Office and sales at 9% and shop workers at 18%.

12. Equipment Rental - Production and other equipment for occasional use. \$4,000 the first year with annual increases.

13. Freight Out - Assumes \$500 per vehicle sold which is part of overall cost per unit. Customer pays other 50%.

14. Insurance - Product liability on vehicles estimated at 1% of sales with yearly increases.

15. Inventory Shrink - Assumes 1.5% of material costs.

16. Materials/Tools - Expendable materials and replacement handtools with annual increases.

17. Printing - Flyers, full color brochures, posters, t-shirts, direct mail, videos and dealer packages. \$12,000 the first year with increases the following years to promote more sales.

18. Postage - Expenses to cover general mailings and direct mail marketing with annual increases.

19. Professional Fees - Legal, engineering and design. May also include other consultants as deemed necessary.

20. Rent - The facility required for the first two years is a 25,000 square foot building approximately 22,000 s.f. manufacturing and 3,000 s.f. office. The facility required for years three through five is a 60,000 s.f. building approximately 55,000 s.f. manufacturing and 5,000 s.f. office. Cost is based on \$5.00 per square foot. Approximate area per vehicle is 400 square feet (15' x 25'). Additional space will be used for chassis and fiberglass manufacturing as well as parts storage.

Year 1 - 25,000 s.f. \$125,000 annually
Year 2 - 25,000 s.f. \$125,000 annually
Year 3 - 60,000 s.f. \$300,000 annually
Year 4 - 60,000 s.f. \$300,000 annually
Year 5 - 60,000 s.f. \$300,000 annually

21. Research and Development - \$25,000 the first year, \$50,000 thereafter for future vehicles.

22. Security - Equipment includes cameras, time lapse VTR's, monitors, motion sensors, perimeter sensors, smoke detectors and fencing. The company will retain the services of a central monitoring station. The third year will require the addition of more equipment due to a larger facility with yearly increases thereafter.

23. Telephone - \$13,000 for the first year to compliment direct mail program to potential customers and dealers, increases yearly due to increased sales efforts.

24. Travel & Entertainment - \$40,000 for the first year then increases for higher sales volume.

25. Utilities - Heating oil, propane, electric and water proportional to facility size.

26. Miscellaneous Expenses - Unforeseen expenses with increases based on sales volume.

27. Warranty - On non-covered items. Engine and transaxle warranted by supplier. 1% of sales.

