



Huge Growth Opportunity in NGVs (Natural Gas Vehicles)

Boone Pickens's TV ads are right about **Natural Gas being our nation's best alternative energy for transportation**, but he has no strategy for getting large numbers of automobiles converted to Natural Gas in a short time frame – WE DO.

It is a grass roots solution that can have REAL, SHORT and LONG TERM BENEFITS for the AVERAGE U.S. citizen (wide consumer appeal), the major corporate players in several industries (oil, natural gas, auto, etc.), environmentalists (it's clean) and all levels of government. The solution can be profitable in even the first implementation phase and is easily scalable and expandable into additional market segments that could quickly become a multi-billion dollar market.

Business: Convert gasoline auto engines to dual fuel using Compressed Natural Gas (CNG). Start with a limited number of popular used car models, quickly jump to a few thousand conversions to provide the critical mass to dramatically reduce the costs on the three primary products (see below) and become the lead player in this new fast growth industry. Expand into more makes/models and non-auto applications as strategic partnering opportunities evolve.

Market: Every market constituency wants REAL solutions to the oil crisis. CNG conversion is the only practical gasoline alternative for the short term and a viable contender for the primary long term solution. The classic "catch 22" barrier is automakers won't make cars without public refueling infrastructure and utilities won't invest in infrastructure without more NGVs (our plan shows how to break this dichotomy). The U.S. has been a small-time player in CNG powered vehicles (130k NGVs versus several third-world countries over 1.5 million NGVs), but has the potential, incentives, capability and early market-demand signals to quickly become a world leader. Natural gas is 99% domestic or Canadian sourced, price-stable (price has been flat for 5 years excepting seasonal fluctuations) and in plentiful supply (won't be materially impacted by vehicle conversions). CNG ranges from \$.86 to \$2.90 per gallon, averaging \$1.30 nationally, so consumers see miles per gallon equivalent (MPGe) of 2 to 4 times gasoline (a Corolla would be 100 MPGe in Utah in August). The market size for anyone able to develop a workable national solution would quickly become a **multi-billion market**. We plan to do \$25 million in Utah within 18 months just validating the entire plan.

Industry: The current industry is small, mostly fleet converters who have been swamped since gasoline prices skyrocketed. A firestorm has been ignited in markets with available public refueling stations and reasonable CNG pricing (used fleet vehicle prices have more than tripled). This has also led to substantial illegal conversions and confusion in the market. There is a multi-layered procurement chain with lots of opportunity for cost reductions. Legal conversions currently cost \$7-12,000, but can be brought under \$5,000. EPA certification costs are high, but if spread across thousands of sales, can be reasonable.

Products: 3 primary products - CNG conversion kits (direct sourcing our own certified design gets costs under \$500 versus the \$3,000+ current installers pay), fuel cylinders (an expensive conversation component but substantial cost reductions are available, possibly even half the current price) and home refueling stations (they have been an Achilles heel for the industry, but are the key for wide-spread acceptance and preventing public CNG refueling stations from cornering and gouging the market). Financing is currently unavailable but is key for mass appeal and has already been arranged for the test marketing phase. Eventually automakers will have more offerings, we will morph from a conversion, engineering and development entity into an industry-leading technology and components supplier.

Profitability: Conversions will have gross margins of 50% from inception, increasing to over 70% unless prices are further reduced for faster growth. There are multiple additional revenue/margin streams available.

Funding: Development costs include getting 5 vehicles certified, fuel cylinder costs down, a more practical inexpensive home refueling station, sales/marketing startup and working capital. An accelerated approach requires \$5-10 million in funding (depending on roll-out speed), but it can be broken into smaller phases with demonstrable targets as defined in the white paper. Take-out would be through a public offering or sale early in the national rollout phase (3-5 yrs.)

To QUICKLY identify whether you are interested in being a potential strategic partner and how you might participate in this solution, request a more comprehensive strategy white paper by contacting brucecollet@comcast.net, call (801)554-3791 or Fax (801)295-7975 or for technical questions, contact c_bringhurst@comcast.net or call (801)949-2139.