



# Durango Automotive, Inc.

## Business Plan

**February 2003**

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*This is a business plan. It does not imply an offering of Securities.  
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## 2.0 Executive Summary

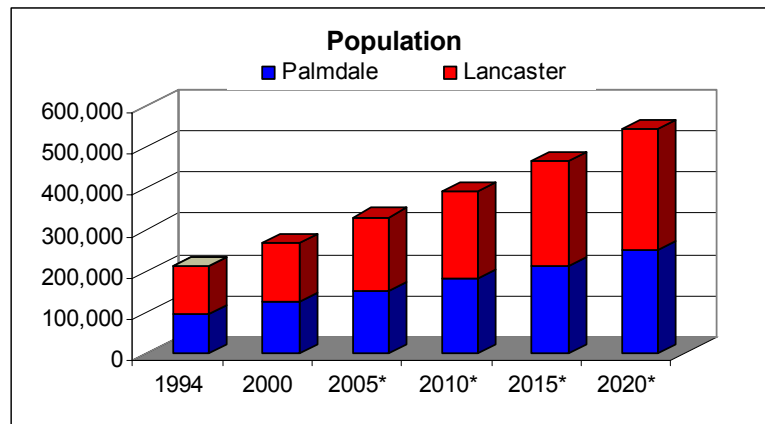
Durango Automotive, Inc. (DA) is a start-up general automotive service and repair business that will be located on Durango Street in Lancaster, California. Lancaster, California is a high growth community and the proposed business is located on a high traffic street that will give the business high visibility to our new customer base. The principals in the business have extensive experience in operating an auto repair businesses and hold many state certifications and licenses for doing repair work.

Initial capitalization will require \$250,000 to purchase building, land, make improvements and purchase equipment. This will also cover the initial startup costs. We are looking for an SBA loan for \$225,000 with the principals contributing \$25,000 in cash. The principals have extensive tools, work benches and other equipment for startup.

The proposed building is a 4 bay repair shop with an office on approximately ½ acre of land. This building has housed successful and profitable automotive repair businesses for the past 25 years. The current business repairs VW cars only and is being sold because owner has severe health problems. The property is zoned M-1 and all permits are current and up to date. This building is a converted gas station that has had all underground tanks removed. The building is located on the corner of Durango Street and J-5. Durango is a busy major street. The corner location gives easy access for customers.

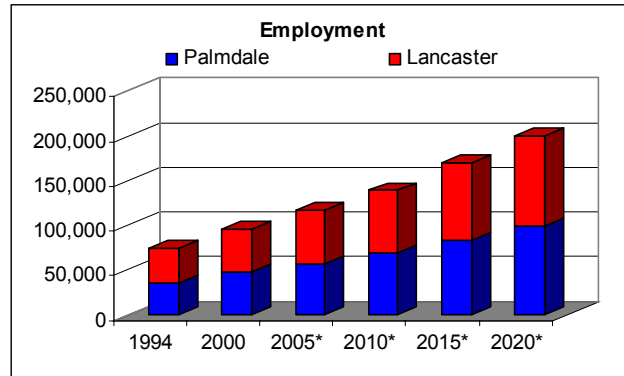
Durango Automotive will be a full service general automotive repair shop offering services on domestic cars, light-medium duty trucks, and Asian import cars. Services will include (1) factory maintenance services (30,000; 60,000 and 90,000 miles); (2) drivability, diagnosis and repair; (3) brake service (4) heating / AC repairs and (5) many other general auto repair services. Durango Automotive is incorporated as an S corporation.

The automotive repair market is growing in the Lancaster / Palmdale area. In general people want to repair their vehicles near where they live or work. Both the population and employment of the Lancaster and Palmdale areas are undergoing high growth. The direction of population growth for the Los Angeles area is into northern Los Angeles County. This is where Lancaster is located.



Our survey results for the Lancaster area show that auto repair customers are looking for: (in this order)

1. Outstanding customer service
2. Competitive pricing.
3. Reputation for honesty.
4. Reputation for quality service.
5. Knowledgeable licensed technicians.
6. Convenient shop location.

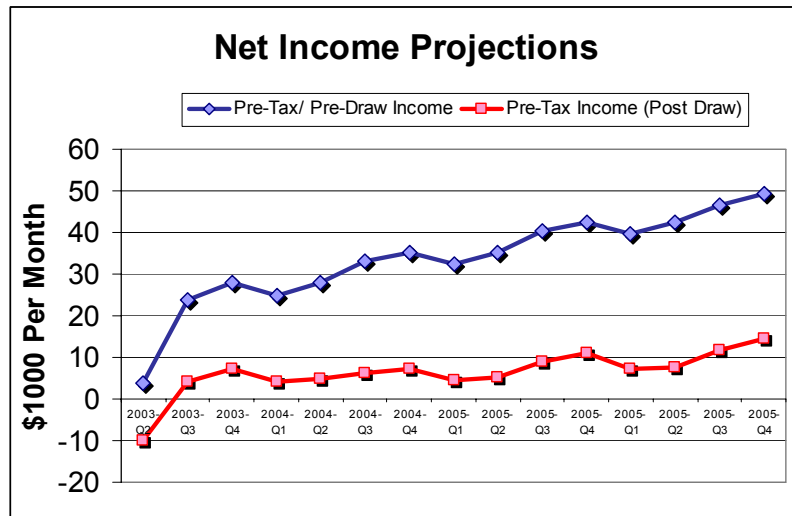


Durango Automotive has formed their approach to customers around this survey.

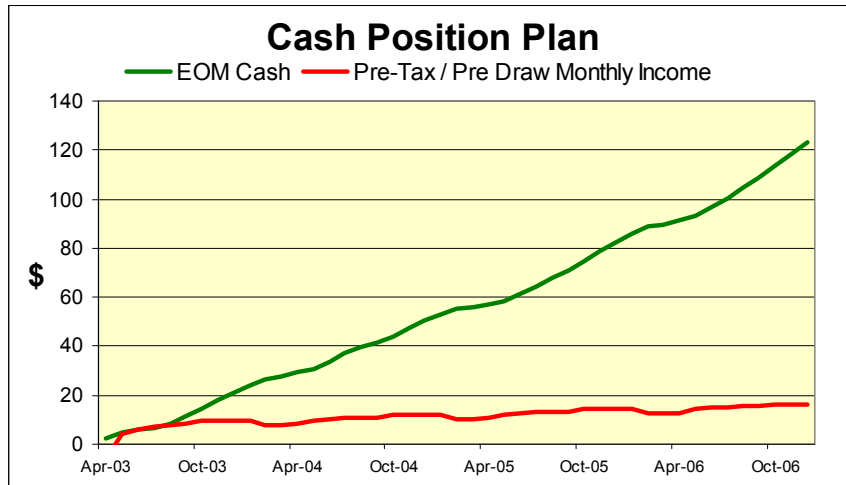
The principals in this business have extensive automotive repair shop experience. Mary, Dave and Robert owned and operated Certified Auto Repair in Newhall, California for 10 years.

- **Mary Jenkins, 54**, owns 51% of DA and has 34 years of accounting and office management experience; 18 years of these are in the automotive repair industry.
- **Dave Jenkins, 54**, owns 39% of DA and has 35 years of automotive repair and automotive repair shop management experience. Holds ASE master technician certification. This requires 8 separate California State certification exams.
- **Robert Jenkins, 23**, owns 10% of DA and has 7 years experience as an automotive technician. Robert holds 6 state certifications for automotive repair.

DA will show a positive cash flow and positive pre-tax income in the first year. All auto repair labor will be done by the principals Dave Jenkins and Robert Jenkins. David and Robert will take their compensation in the form of draws. Shop capacity is estimated at \$30,000 per month before additional mechanics will have to be added. Full capacity for the shop is estimated at \$50,000 per month with the addition of one mechanic and one helper.



After the first month, the cash flow remains positive. The principals will adjust their draws as required to maintain a positive cash flow.



The startup costs for Durango Automotive are primarily to purchase the Real

Estate and building. The purchase price appears to be well below market and is on a heavily traveled street. The principals have significant experience in operating an automotive repair business. The cash flow and income projections appear very healthy. All this together makes for a low risk venture with high returns.

### 3.0 Company Overview

Durango Automotive, Inc (DA) is a startup automotive repair and service business. DA will differentiate itself from its competition by being strongly customer focused; provide high quality service at competitive prices.

DA will offer a variety of customer services to make sure that we are easy and convenient to do business with.

1. Free customer pick up and drop-off within 5 miles.
2. Free rental cars on major repairs and discount car rental on minor repairs through Enterprise Car Rental.
3. Build a reputation for Honesty, do only what is necessary for your car, and advising what repairs can wait until a later visit.
4. Provide courteous and friendly service to earn customers trust for repeat business.
5. Develop a reputation for providing customer with high quality repairs that they can rely on when commuting to and from work.
6. Protect customer vehicles by using protective floor mats and seat covers.
7. Provide free exterior car wash on larger repair or service jobs.
8. Continually looking for customer requested services.

DA will insure high quality work.

1. Technicians are fully trained and have state certifications for the work being performed.
2. A.S.E. State Certified technician/ A.S.E. master technician Manager to provide customers with clear & precise explanations of repairs and recommendations.
3. Setup quality control procedures to insure original customer concern was taken care of and prevent new or related issues from leaving the shop undetected.
4. All work backed by 12 month or 12,000 mile limited warranty.

5. Use the latest computer references and factory technical bulletins to assist technicians in drivability diagnosis and repairs.
6. Technicians have latest Delco training in electrical and drivability repairs to provide the customer first time accurate diagnosis with no guessing.

DA will provide competitive pricing to its customers. Prices will be based on a shop rate of \$62.50. Shop rates in the local area range from \$58-\$70/Hr. Labor time estimates are based on standard flat rate times.

Durango Automotive, Inc is a startup General automotive repair and service that will be located on Durango Street and J-5 in Lancaster, California. The current building is approximately an 1800SF 4 bay repair shop located on ½ acre of land. Durango Automotive is in the process of incorporation with the State of California. DA will operate with a subchapter S election.

Ownership will be with Dave Jenkins (39% ownership) and Mary Jenkins (51% ownership) (husband and wife) and Robert Jenkins (10% ownership) (son). All have extensive experience in successful automotive repair businesses.

Sales and profit projections:

| \$x1000 | Net sales | Net Income Before Owner Draws | Net Income After Owner Draws |
|---------|-----------|-------------------------------|------------------------------|
| 2003    | 138       | 55                            | 1                            |
| 2004    | 238       | 121                           | 23                           |
| 2005    | 274       | 150                           | 30                           |
| 2006    | 309       | 178                           | 41                           |

#### 4.0 Services

Durango Automotive, Inc (DA) is a startup general automotive repair and service business. DA will provide general automobile repair services for mechanical and electrical car repairs. DA will focus on domestic and Asian import cars and trucks (light to medium duty).

- (1) **Factory maintenance services:** These are the 30-60-90K servicing on cars as specified by the factory. DA offers a quality alternative to dealership service departments at a lower cost.
- (2) **Timing belt replacements:** Newer vehicles use timing belts rather than timing chains. These must be replaced periodically. Typically 90K on newer vehicles and 60K on older cars.
- (3) **Fuel injection service & repairs:** Required every 15K miles.
- (4) **Drivability diagnosis and repair:** Check engine light comes on usually as a result of computer / sensor errors. This causes the car to run poorly. We retrieve diagnostic codes and then troubleshoot the system. Repairs are then made.

- (5) **Heating and air conditioning service and repairs:** Routine and general maintenance is needed every 2 years. System failures are repaired and fixed including compressor, condenser and evaporators.
- (6) **Starting and charging system diagnosis and repairs:** Usually come in as a repair item and includes replacing alternators, voltage regulators, computer failures, starters and batteries.
- (7) **Brake service work:** Complete brake service on drum, disc, ABS, master cylinders, etc.
- (8) **Suspension repairs** Typically Mac Pherson type struts & shocks need to be replaced when tires show unusual wear or the car ride becomes uneven.
- (9) **Axle boots/axles & drive train repairs.** Service, grease or replace axles. Manual transmission service, U-Joints, drive axle service.
- (10) **Engine tune up:** Spark plugs, wires, (set timing and idle), computer trouble code analysis.
- (11) **Cooling system maintenance and repairs:** Drain and refill, hoses, radiator (service or replace), water pumps, freeze plugs, heater control valves, head gasket, etc.
- (12) **Automatic Transmission services.** Routine maintenance, replacements (rebuilt or new).
- (13) **Clutch replacement:** On manual transmissions, mill fly wheel, replace pilot or throw out bearings, replace clutch disk, pressure plate, etc.
- (14) **Complete engine repairs:** Any type of engine repair or replacement.
- (15) **Mechanical repairs:** All other miscellaneous repairs.
- (16) **Electrical trouble shooting and diagnostic and repairs:** Able to repair most types of electrical problems.

Barriers to entry for competitors include technical skills required to diagnose and repair today's vehicles. Cars today have one to seven computers that operate and control the various systems. Highly skilled technicians with proper training and certifications are at a premium. DA's approach is to use the best talented repair technicians to give high quality repairs. Highly skilled technicians are able to do repairs much more quickly with very good workmanship. This actually reduces the cost to do a repair.

## 5.0 Market Analysis

Automobile repair and service market has been a changing and evolving market. It used to be that every car owner could service and repair their own car.

Today's "typical" cars are high technology marvels with one to seven computers controlling the engine systems and subsystems. Computer modules control and coordinate ignition systems, fuel injection, suspension, air conditioning and heating, automatic transmission, cruise control, braking systems, air bags, sun roofs, power windows and more. There are computers whose sole function is to coordinate inter-computer communications. The Lexus GS430 has 17 computers, the least expensive of which costs \$3500 to replace. These high tech vehicles use control systems that are almost as sophisticated as military stealth fighters.

The cars of today no longer have carburetors or distributors. The new hybrid cars have dual electric-gasoline technology for high fuel efficiency.

Qualified repair technicians require many years of training classes coupled with on the job supervised experience to be able to repair the newer cars. Many mechanics today have not kept up with this technology growth. Many car owners of today are not aware of how high tech their cars really are.

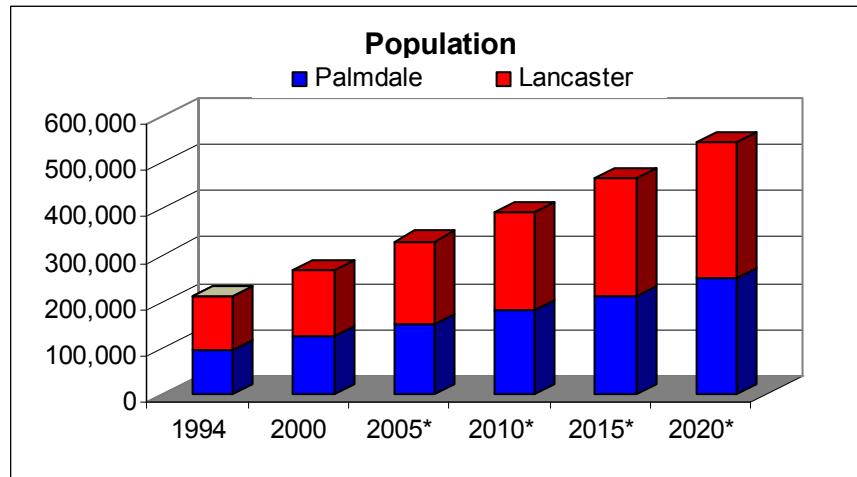
10-15% of the cars that come in to a typical shop today for repair are a result of owners trying to service and repair their own cars.

People look for repair shops that are conveniently located near where they work or where they live. The Lancaster-Palmdale, which is located in northern Los Angeles County, is undergoing high growth. Because of the high cost of living and housing in Los Angeles and the San Fernando Valley, northern LA County is now becoming a desirable place to live and work.

### Population

| Year  | Palmdale | Lancaster | Total   | Annual Growth |
|-------|----------|-----------|---------|---------------|
| 1994  | 94,601   | 115,486   | 210,087 | 6%            |
| 2000  | 123,515  | 145,674   | 269,189 | 5%            |
| 2005* | 151,242  | 179,285   | 330,527 | 5%            |
| 2010* | 180,880  | 212,830   | 393,710 | 4%            |
| 2015* | 212,433  | 252,239   | 464,672 | 4%            |
| 2020* | 249,683  | 293,929   | 543,612 | 3%            |

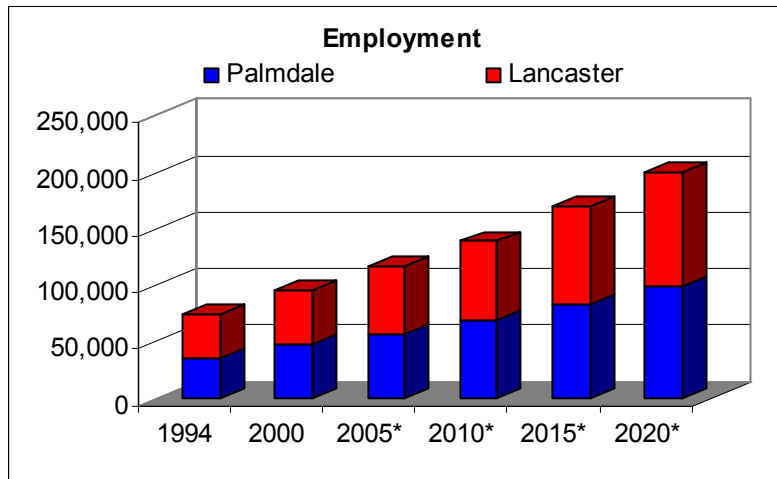
\*Estimates source: Southern California Association of Governments



### Employment

| Year  | Palmdale | Lancaster | Total   | Annual Growth |
|-------|----------|-----------|---------|---------------|
| 1994  | 35,414   | 38,968    | 74,382  | 6%            |
| 2000  | 47,754   | 48,403    | 96,157  | 5%            |
| 2005* | 57,119   | 59,325    | 116,444 | 4%            |
| 2010* | 69,046   | 70,246    | 139,292 | 4%            |
| 2015* | 84,055   | 86,048    | 170,103 | 4%            |
| 2020* | 98,843   | 101,857   | 200,700 | 4%            |

\*Estimates source: Southern California Association of Governments



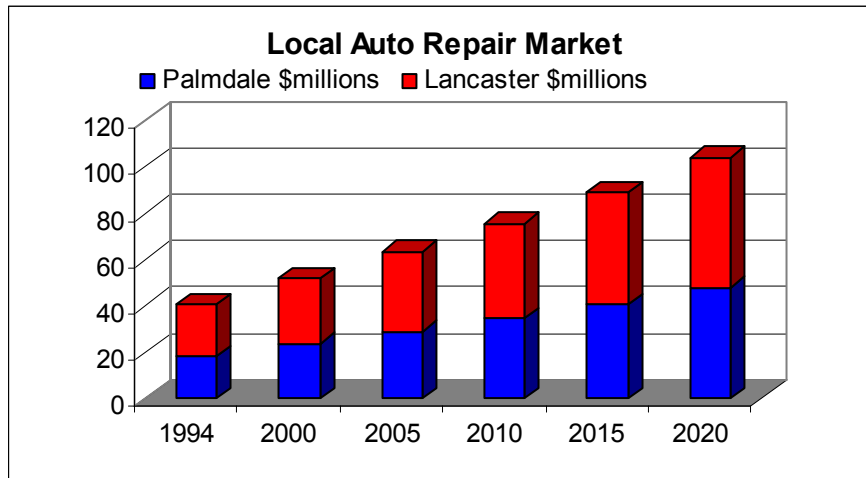
The automotive repair and service market based on 1992 State of California data is \$190.60 per capita. This was based on total auto repair and services expenditures in the state of California divided by the population for the state in 1992. This correlates with other estimates in other parts of the nation found doing internet research on the market. By using the per capita expenditures and applying this against the projected population trends, the market size can be calculated.

The local market is approximately \$58 million today and growing at about 5% per annum. There are 108 repair shops listed in the phone directory for all of Lancaster-Palmdale. This equates to an average annual revenue of \$537K per shop.

Durango Automotive is expected to capture 0.4% of the Lancaster-Palmdale market by the end of their first year and 0.5% by 2005. Realistically the sales market area will be within 5 miles of the shop. Revenue projections in this plan may be conservative and actual sales should exceed the revenue projections Presented here.

### Local Car Repair and Service Market

| Year | Per Capita Spending * | Palmdale \$millions | Lancaster \$millions | Total \$millions | Annual Growth |
|------|-----------------------|---------------------|----------------------|------------------|---------------|
| 1994 | \$191.60              | 18                  | 22                   | 40               | 6%            |
| 2000 | \$191.60              | 24                  | 28                   | 52               | 5%            |
| 2005 | \$191.60              | 29                  | 34                   | 63               | 5%            |
| 2010 | \$191.60              | 35                  | 41                   | 75               | 4%            |
| 2015 | \$191.60              | 41                  | 48                   | 89               | 4%            |
| 2020 | \$191.60              | 48                  | 56                   | 104              | 3%            |



### Competition Analysis

**1. Blue Streak Automotive** 321 W Nugent

Distance from DA: 0.65 miles

# of repair bays: 12

# of repair technicians: 5

Flat rate charge: \$66.75/hour

Estimated Annual Revenue: \$1100K

Strengths: Good size building, good reputation, employ ASE technicians, offer full service general repair.

Weaknesses: Not located on a major street, limited parking, prices high, but not profitable.

**2. Wayne & Dave's Automotive**, 43937 Durango

Distance from DA: 0.27

# of repair bays: 11

# of repair technicians: 5

Flat rate charge: \$64.85/ hour

Estimated Annual Revenue: \$900K

Strengths: Offer complete services, employ ASE certified technicians, located on busy street (but have low visibility from street), advertise in newspaper and direct mail.

Weaknesses: Poor visibility from street, limited parking

- 3. Midas Auto Service**, 44430 N. Sierra Highway  
Distance from DA: 0.59 miles  
# of repair bays: 10  
# of repair technicians: 5  
Flat rate charge: \$69.95 / hour  
Estimated Annual Revenue: \$900K  
Strengths: National reputation and recognition, located on a major street with good visibility, employ ASE technicians  
Weaknesses: Do not offer complete repair services. Focus is on mufflers, brakes and suspension. Technicians are limited in expertise. Very high prices.
- 4. Integrity Car Care Center**, 44267 N. Durango  
Distance from DA: 0.06 miles  
# of repair bays: 5  
# of repair technicians: 3  
Flat rate charge: \$65/hour  
Estimated Annual Revenue: \$500K  
Strengths: Very neat building outside, stays fairly busy, complete auto repair services including diagnostic capabilities, employ ASE technicians.  
Weaknesses: located behind car wash and not visible from street, very limited parking, has old looking equipment.
- 5. McInturff Automotive**, 227 W Pondera St  
Distance from DA: 0.4 miles  
# of repair bays: 5  
# of repair technicians: 3  
Flat rate charge: \$64/hour  
Estimated Annual Revenue: \$400K  
Strengths: On a corner location, employ ASE technicians, shop is clean and organized, offer complete automotive repair  
Weaknesses: Low visibility in a low traffic area, shop doesn't stay very busy
- 6. Frank's Auto Repair**, 208 W Pillsbury  
Distance from DA: 0.44 miles  
# of repair bays: 3  
# of repair technicians: 3  
Flat rate charge: \$58 / hour  
Estimated Annual Revenue: \$300K  
Strengths: Does full service including smog, at least one ASE certified technician.  
Weaknesses: Trashy shop inside and out, poor appearance, unorganized, poor parking, located in low traffic area, poorly equipped.

7. **Bumper To Bumper Auto Repair & Machine Shop**, 44559 North Durango St  
Distance from DA: 0.43 miles  
# of repair bays: 4  
# of repair technicians: 3  
Flat rate charge: \$60  
Estimated Annual Revenue: 300K  
Strengths: Complete service + machine shop, good visibility on a busy street, good clean appearance but disorganized on inside.  
Weaknesses: No ASE technicians, single bay door for all 4 bays, poor building access, and shop has an overall poor appearance inside.
  
8. **T&M Automotive**, 213 W Pondera  
Distance from DA: 0.41 miles  
# of repair bays: 2  
# of repair technicians: 3  
Flat rate charge: \$58/ hour  
Estimated Annual Revenue: \$300K  
Strengths: Employ ASE licensed technicians, good prominent signage, good building appearance, shop stays very busy.  
Weaknesses: Repair domestic only cars, located on a low traffic street, limited space, doing repairs in their parking lot.
  
9. **Lancaster Automotive**, 204 W Ovington Ave  
Distance from DA: 0.54 miles  
# of repair bays: 3  
# of repair technicians: 1  
Flat rate charge: \$58/hour  
Estimated Annual Revenue: \$200 K  
Strengths: Offers full service  
Weaknesses: Very little equipment, poor building appearance, ASE certification, low traffic area
  
10. **Al Smith Auto And Smog**, 104 West Ave J and Durango  
Distance from DA: 0.27 miles  
# of repair bays: 2  
# of repair technicians: 2  
Flat rate charge: Unknown  
Estimated Annual Revenue: \$200K  
Strengths: Excellent location on the corner of two busy streets, ASE certification, complete service offering, good parking, very busy.  
Weaknesses: Messy, trashy, dirty building, poorly equipped shop, very small shop area.

**11. Japanese Auto Service**, 211 W. Ovington Ave

Distance from DA: 0.54 miles

# of repair bays: 2

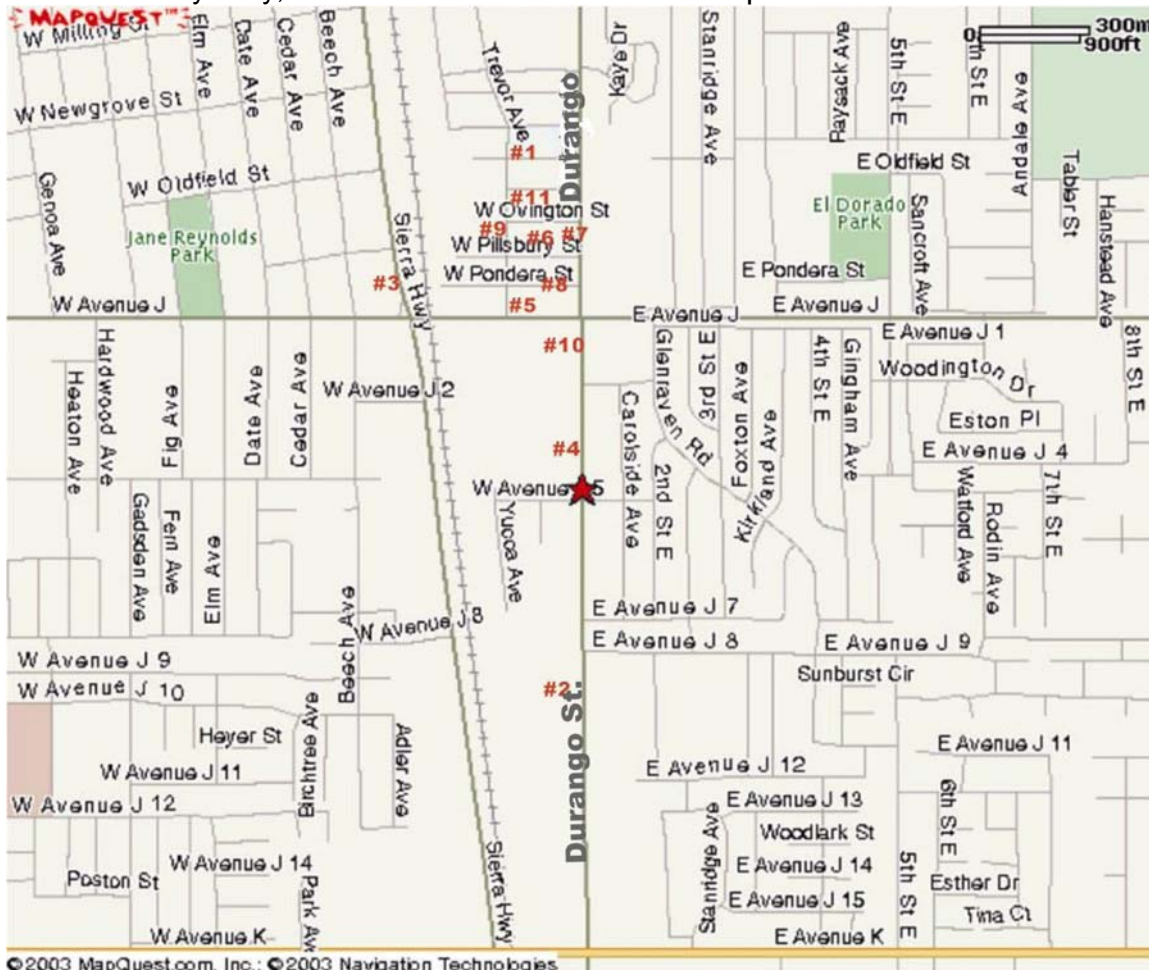
# of repair technicians: 1

Flat rate charge: \$60 / hour

Estimated Annual Revenue: \$150K

Strengths: Clean shop appearance

Weaknesses: Very little equipment, in a low traffic area, did Japanese Imports only, is not very busy, No ASE licenses  
Location of competition:



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**Legend**

|   |                           |    |                              |
|---|---------------------------|----|------------------------------|
| 1 | Blue Streak Automotive    | 7  | Bumper To Bumper Auto Repair |
| 2 | Wayne & Dave's Automotive | 8  | T&M Automotive               |
| 3 | Midas Auto Service        | 9  | Lancaster Automotive         |
| 4 | Integrity Car Care Center | 10 | Al Smith Auto And Smog       |
| 5 | McInturff Automotive      | 11 | Japanese Auto Service        |
| 6 | Frank's Auto Repair       | ★  | <b>Durango Automotive</b>    |

### **What drives the buying behavior of our targeted customer?**

We have surveyed our targeted customer base. We asked what factors would cause them to select an automobile repair shop. They were given 17 factors and asked to select the 5 that were most important to them.

The top 10 selections were:

|  |      |
|--|------|
| 1. Outstanding customer service        | 100% |
| 2. Competitive pricing.                | 100% |
| 3. Reputation for honesty.             | 81%  |
| 4. Reputation for quality service.     | 74%  |
| 5. Knowledgeable licensed technicians. | 48%  |
| 6. Referral from friend                | 44%  |
| 7. Convenient shop location.           | 37%  |
| 8. Offer 12000 mile one year warranty  | 26%  |
| 9. Use original factory parts          | 19%  |
| 10. Wide range of services             | 15%  |

### **6.0 Marketing Plan**

Durango Automotive, Inc is positioning itself as an automotive repair and service facility that is:

- Customer focused.
- Competitively priced
- Reputation for honesty and quality
- Highly trained ASE certified technicians

Our preferred target customer is 28-55 years old and is either middle or upper middle class. This group is most likely to afford repair services for their vehicles.

#### Strategies to Bring Customers into Durango Automotive

Our strategy is to present a clean, high quality, very visible image to street traffic to draw in customers. We plan on taking advantage of the prime location on Durango Street which is a heavily traveled street. The present building is run down and old looking but has a large ½ acre lot. Before moving in, the building will be cleaned, painted a bright white color with blue and red trim and signage. The parking lot will be recoated and the fence replaced. The re-fencing will expand the rear lot. We will create an inviting appearance to our new customer base.

Our advertising strategy is to focus on people who either work or live within 5 miles of Durango Automotive. For local residents we will use:

- PennySaver: Weekly local classified magazine that arrives by mail.
- Antelope Valley Press: Local newspaper that covers the Antelope Valley area. We can use ads placed into the newspaper as well as flyers that are delivered with the newspaper.
- Direct Mail to our targeted group.

For people employed in the local area we will:

- Approach local businesses with flyers to give to their employees and post on their bulletin boards.
- Offer discounts to employees of targeted local businesses

In addition to the above, we will conduct a word of mouth campaign using friends and neighbors to get people to try Durango Automotive. We will make sure that they know DA is a customer focused, competitively priced, high quality repair facility. We will ask these friends and neighbors to contact at least 3 more people and spread the word about Durango Automotive.

#### Strategies to make sure new customers become repeat customers.

We know that our customers are looking for auto repair shops that give fast (same day), high quality service at competitive prices and that are easy to do business with. We will deliver this service and then follow back up with them to make sure they are happy and that they won't forget us. We will:

- Follow up with customer satisfaction surveys. We will use this feedback to keep improving our business.
- Follow up with post cards reminding them that their vehicle is ready for the next scheduled service.
- Keep a mailing list of all customers and send out regular flyers with specials that are targeted at current customers.

We will offer convenience services that make it easier for our customers. Examples of these include:

1. Free customer pick up and drop-off within 5 miles.
2. Free rental cars on major repairs and discount car rental on minor repairs through Enterprise Car Rental.
3. Build a reputation for Honesty, do only what is necessary for your car, and advising what repairs can wait until a later visit.
4. Provide courteous and friendly service to earn customers trust for repeat business.
5. Develop a reputation for providing customer with high quality repairs that they can rely on when commuting to and from work.
6. Protect customer vehicles by using protective floor mats and seat covers.
7. Provide free exterior car wash on larger repair or service jobs.
8. Continually looking for customer requested services.

We present a high quality image so that our customers see us as a high quality organization. We will do this by:

1. The building will be bright, neat, clean and organized from the outside, especially for the drive by traffic.
2. The inside of the shop will be clean and organized using shadow boards and other visual organizing techniques.

3. Repair technicians will wear neat color-coordinated uniforms with company logos.
4. Display late model high tech equipment in a clean organized fashion.

We will insure that the work performed is of the highest possible quality. We will do this by:

1. Technicians are fully trained and have state certifications for the work being performed.
2. A.S.E. State Certified technician/ A.S.E. master technician Manager to provide customers with clear & precise explanations of repairs and recommendations.
3. Setup quality control procedures to insure original customer concern was taken care of and prevent new or related issues from leaving the shop undetected.
4. All work backed by 12 month or 12,000 mile limited warranty.
5. Use the latest computer references and factory technical bulletins to assist technicians in drivability diagnosis and repairs.
6. Use latest computer reference data on all car models. This will be the All Data system.
7. Technicians have latest Delco training in electrical and drivability repairs to provide the customer first time accurate diagnosis with no guessing.

Our sales plan is conservatively planned at:

| \$ x 1000 | 2003 | 2004 | 2005 | 2005 |
|-----------|------|------|------|------|
| Revenue   | 138  | 238  | 274  | 309  |

The capacity for the shop with the two principals doing auto repairs will be \$30,000 per month or \$360K per year. By adding one more repair technician and one helper, the capacity of the shop can be increased to \$50,000 per month or \$600K per year.

### **7.0 Risk/Opportunity**

Risk: Sales are 20% or more, lower than projected.

Solution: Aggressively advertise to increase sales. If for some reason, sales do not materialize (hard to believe), the building could be leased at a rate greater than the SBA loan.

Risk: Sales are greater than the \$30,000 per month capacity that the owners can handle.

Solution: Hire a fully licensed repair technician to increase the shop capacity. A helper can also be added. This will increase the shop capacity to \$50,000 per month.

Risk: Sales are greater than \$50,000 per month and exceed the expanded shop capacity.

Solution: Expand the physical shop building and add space for 2 bays which would increase the shop capacity by 50% to \$75,000 per month. Hire one additional repair technician.

Risk: One of the principals decides that they don't want to continue working in the business.

Solution: Hire a qualified repair technician to replace the principal who wants to leave.

## **8.0 Infrastructure**

Durango Automotive will operate with a small staff made up of the principals. Mary Jenkins will handle the office and accounting responsibilities. Dave Jenkins will handle the service writing and automotive repair technician responsibilities. Robert Jenkins will handle automotive technician repair responsibilities. This team will be able to handle DA to a capacity of \$30,000 per month. The physical shop with 2 additional people will be able to reach a capacity of \$50,000 per month.

Shop management, inventory control, work orders and accounting will be handled on automotive repair shop management software. All records will be computerized.

The shop is approximately 1800 SF which includes about 100 SF of office and the remainder is the repair shop. The shop has room for 4 repair bays, 3 of them with electric lifts. One will be a flat bay.

Shop equipment will include a scanner (electronic diagnosis equipment), oscilloscopes, Vetronics (starting and charging system analysis), brake lathe, 40 ton press, and welders.

## 9.0 Management Team

**David K. Jenkins** Age 54 Shop Manager / Repair Technician  
David has been in the automotive repair field since 1968 (35 years) as a repair technician, service writer and service Manger. Has managed a dealership service department with 36 employees: won Service Excellence Award for Toyota Service. Trained by Firestone as a Certified Manager of Vehicle Services, had over 50 C.F.E. certifications, Co-owned and Operated Certified Auto Repair for 10 years. Has obtained status as A.S.E. Master Technician and also has state licenses in air conditioning by: I.M.A.C.A. and M.A.C.S.

Current A.S.E. Certifications:

- (1)-Engine Repair
- (2)-Engine Performance
- (3)-Heating & Air Conditioning
- (4)-Electrical/Electronic Systems
- (5)-Suspension & Steering
- (6)-Brakes
- (7)-Manual Drive Train & Axles
- (8)-Automatic Trans/Transaxle

Recent Training: Selling Service; Closing Service Sales; Enhanced Electronic Strategies; Ford drivability training; Automotive temperature controls; Toyota training; S.I.N. & S.D.S. computer training;

David has extensive experience and training in automotive management and shop operations and is familiar with customer satisfaction as number one goal. By creating a team atmosphere, higher employee morale will produce superior quality work which will result in repeat customer business.

**Mary E. Jenkins** Age: 54 Office Manager  
Mary has 34 years of accounting and office management experience with 18 years of this in the automotive repair industry. In the areas of accounting, Mary is experienced in A/P, A/R, GL, and payroll processing. She is experienced with a number of computerized accounting systems and business management software. Mary was co-owner of Certified Auto Repair for 10 years and managed all office activities in this profitable business.

|                 |                           |                              |
|-----------------|---------------------------|------------------------------|
| 1967 to 1975    | Exxon Car Care Centers    | Bookkeeper/Accountant        |
| 1975 to 1980    | Leon's Transmissions      | Bookkeeper/Accountant        |
| 1985 to 2000    | Wm. R. Whitson & Assocs.  | Office Manager/Accountant    |
| 1989 to 1998    | Certified Auto Repair     | Office Mgr. /Accountant      |
| 2000 to 2001    | Ellis & Doyle, Inc.       | Office Manager/Administrator |
| 2002 to present | Bookkeeping & Tax Service | Bookkeeper/Payroll Admin.    |

Mary has extensive training and knowledge in all aspects of both the Automotive and Bookkeeping areas.

**Robert D. Jenkins** Age: 23

Automotive Repair Technician

Robert has been working on car engines since he was 12. He worked as an automotive apprentice since the age of 16 in a family owned automotive business of Certified Auto Repair. Robert now works as a lead repair technician and takes on the hardest and most challenging repairs

|                                  |                       |  |
|----------------------------------|-----------------------|--|
| June 96 to Mar. 98<br>Technician | Certified Auto Repair | Apprentice Repair                                |
| June 99 to Aug.00                | A-1 Tune & Lube       | Diagnostic Technician                            |
| Aug. 00 to Aug.02                | One Hour Tune         | Diagnostic/Troubleshooter                        |
| Aug. 02 to present               | Auto Tech             | Diagnostic/Troubleshooter<br>Heavy Line Mechanic |

Robert presently holds ASE certifications in 6 areas:

- Engine Repair
- Suspension & Steering
- Engine Performance
- Brakes
- Electrical/Electronic Systems
- Heating & Air Conditioning

Since 1999, he has been an automotive technician with full skills including ASE certifications in 6 areas and has received extensive Delco Training in Electrical, Starting & Charging Systems, Computer Fuel Control (both basic & advanced), and advanced Electrical Systems.

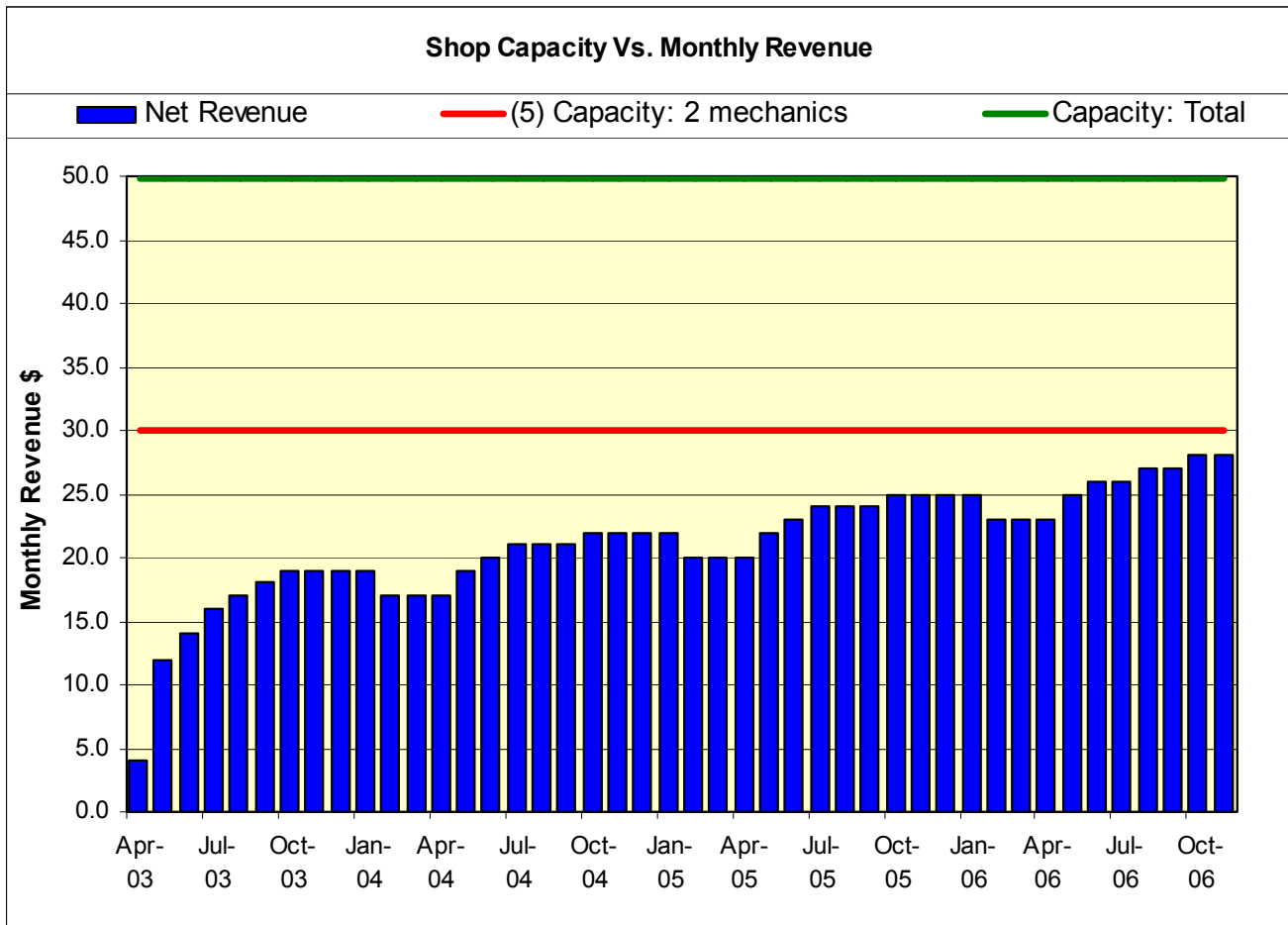
**Outside Support Team For DA:** Doug Williams, Business Consultant  
Maurie Nitsch, CPA  
Gerald Takishman, Attorney-At-Law

**10.0 Capital Requirements**

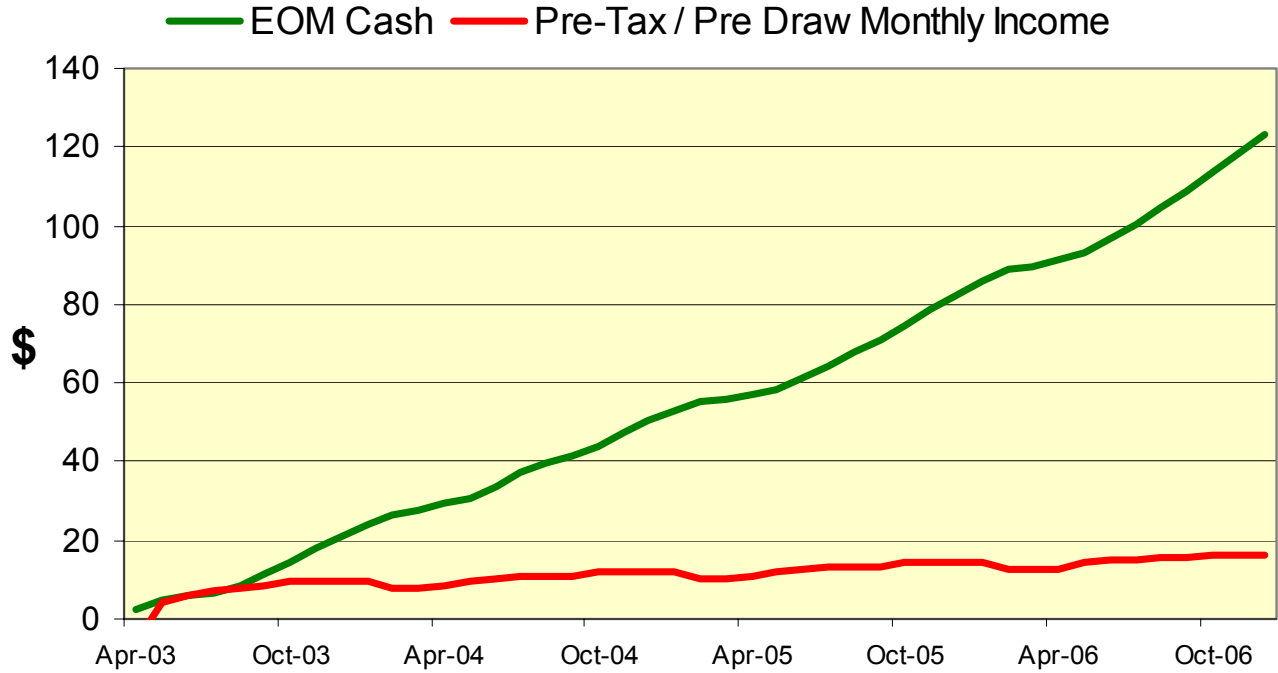
\$250,000 will be required for building and land purchase as well as startup and capital purchases. \$225,000 is to come from the SBA financing and \$25,000 will come from owner contribution. No further capitalization will be required. A positive cash flow will be generated by the end of the second month and a profit will be generated by the end of the second month. This will be enough to fund future growth and expansion.

The exit strategy will be a sale of the business to Robert Jenkins or to a third party. The building will be held and leased to the purchaser. An alternative would be to sale the building and land to a developer at the point land prices increase enough.

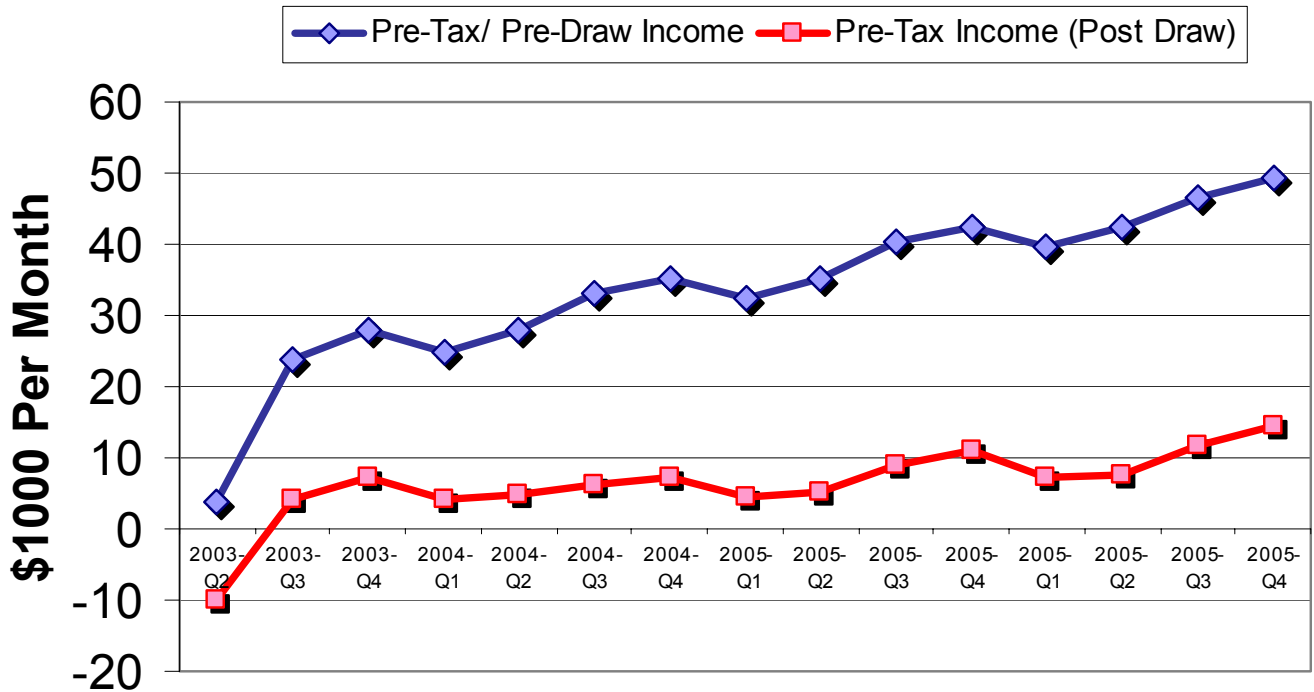
## 11.0 Financial Plan and Analysis



# Cash Position Plan



# Net Income Projections



## Income Statement 2003

\$ x 1000 Pro Forma

|                                   | Apr-03       | May-03       | Jun-03       | Jul-03      | Aug-03      | Sep-03      | Oct-03      | Nov-03      | Dec-03      | Totals       |
|-----------------------------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <b>Net Revenue</b>                | 4.0          | 12.0         | 14.0         | 16.0        | 17.0        | 18.0        | 19.0        | 19.0        | 19.0        | 138.0        |
| <b>COGS (Variable)</b>            |              |              |              |             |             |             |             |             |             |              |
| Materials(1)                      | 1.1          | 3.2          | 3.7          | 4.3         | 4.5         | 4.8         | 5.1         | 5.1         | 5.1         | 36.7         |
| Direct Labor(2)                   | 0            | 0            | 0            | 0           | 0           | 0           | 0           | 0           | 0           | 0.0          |
| <b>Total COGS</b>                 | <b>1.1</b>   | <b>3.2</b>   | <b>3.7</b>   | <b>4.3</b>  | <b>4.5</b>  | <b>4.8</b>  | <b>5.1</b>  | <b>5.1</b>  | <b>5.1</b>  | <b>36.7</b>  |
| <b>Gross Margin</b>               | <b>2.9</b>   | <b>8.8</b>   | <b>10.3</b>  | <b>11.7</b> | <b>12.5</b> | <b>13.2</b> | <b>13.9</b> | <b>13.9</b> | <b>13.9</b> | <b>101.3</b> |
| <b>Gross Margin %</b>             | <b>73%</b>   | <b>73%</b>   | <b>73%</b>   | <b>73%</b>  | <b>73%</b>  | <b>73%</b>  | <b>73%</b>  | <b>73%</b>  | <b>73%</b>  | <b>73%</b>   |
| <b>SG&amp;A (Fixed)</b>           |              |              |              |             |             |             |             |             |             |              |
| Credit Card Verification(3)       | 0.14         | 0.22         | 0.24         | 0.26        | 0.27        | 0.28        | 0.29        | 0.29        | 0.29        | 2.3          |
| Advertising                       | 1.00         | 0.10         | 0.10         | 0.10        | 0.10        | 0.10        | 0.10        | 0.10        | 0.10        | 1.8          |
| Yellow Page Ads                   | 0.25         | 0.25         | 0.25         | 0.25        | 0.25        | 0.25        | 0.25        | 0.25        | 0.25        | 2.3          |
| Uniforms/Towels                   | 0.15         | 0.15         | 0.15         | 0.15        | 0.15        | 0.15        | 0.15        | 0.15        | 0.15        | 1.4          |
| Electrical                        | 0.33         | 0.13         | 0.13         | 0.13        | 0.13        | 0.13        | 0.13        | 0.13        | 0.13        | 1.3          |
| Water                             | 0.14         | 0.04         | 0.04         | 0.04        | 0.04        | 0.04        | 0.04        | 0.04        | 0.04        | 0.5          |
| Telephone                         | 0.60         | 0.15         | 0.15         | 0.15        | 0.15        | 0.15        | 0.15        | 0.15        | 0.15        | 1.8          |
| Trash                             | 0.06         | 0.06         | 0.06         | 0.06        | 0.06        | 0.06        | 0.06        | 0.06        | 0.06        | 0.5          |
| Security Alarm                    | 0.05         | 0.05         | 0.05         | 0.05        | 0.05        | 0.05        | 0.05        | 0.05        | 0.05        | 0.4          |
| Shop Supplies                     | 0.50         | 0.12         | 0.14         | 0.16        | 0.17        | 0.18        | 0.19        | 0.19        | 0.19        | 1.8          |
| Haz Mat Service                   | 0.08         | 0.08         | 0.08         | 0.08        | 0.08        | 0.08        | 0.08        | 0.08        | 0.08        | 0.7          |
| Insurance-Liability               | 1.01         | 0.11         | 0.11         | 0.11        | 0.11        | 0.11        | 0.11        | 0.11        | 0.11        | 1.9          |
| Insurance-Property                | 0.23         | 0.03         | 0.03         | 0.03        | 0.03        | 0.03        | 0.03        | 0.03        | 0.03        | 0.4          |
| Software Expense                  | 0.30         | 0.30         | 0.30         | 0.30        | 0.30        | 0.30        | 0.30        | 0.30        | 0.30        | 2.7          |
| Licenses                          | 0.80         |              |              |             |             |             |             |             |             | 0.8          |
| Property Tax                      | 0.15         | 0.15         | 0.15         | 0.15        | 0.15        | 0.15        | 0.15        | 0.15        | 0.15        | 1.4          |
| Bank Fees                         | 0.03         | 0.03         | 0.03         | 0.03        | 0.03        | 0.03        | 0.03        | 0.03        | 0.03        | 0.2          |
| Misc. Startup Expenses            | 0.90         |              |              |             |             |             |             |             |             | 0.9          |
| Depreciation                      | 1            | 1            | 1            | 1           | 1           | 1           | 1           | 1           | 1           | 12.3         |
| SBA Loan (Interest)               | 1.17         | 1.17         | 1.17         | 1.17        | 1.17        | 1.17        | 1.17        | 1.17        | 1.17        | 10.5         |
| <b>Total SG&amp;A</b>             | <b>9.2</b>   | <b>4.5</b>   | <b>4.5</b>   | <b>4.6</b>  | <b>4.6</b>  | <b>4.6</b>  | <b>4.6</b>  | <b>4.6</b>  | <b>4.6</b>  | <b>45.8</b>  |
| <b>Pre-Tax/ Pre-Draw Income</b>   | <b>-6.29</b> | <b>4.33</b>  | <b>5.76</b>  | <b>7.18</b> | <b>7.90</b> | <b>8.61</b> | <b>9.33</b> | <b>9.33</b> | <b>9.33</b> | <b>55.5</b>  |
| Planned Officer Draws             | 2.00         | 5.00         | 5.00         | 5.00        | 6.00        | 6.00        | 6.00        | 6.00        | 6.00        | 47.0         |
| Payroll Tax (Officers)            | 0.32         | 0.80         | 0.80         | 0.80        | 0.96        | 0.96        | 0.96        | 0.96        | 0.96        | 7.5          |
| <b>Total Draw</b>                 | <b>2.32</b>  | <b>5.80</b>  | <b>5.80</b>  | <b>5.80</b> | <b>6.96</b> | <b>6.96</b> | <b>6.96</b> | <b>6.96</b> | <b>6.96</b> | <b>54.5</b>  |
| <b>Pre-Tax Income (Post Draw)</b> | <b>-8.61</b> | <b>-1.47</b> | <b>-0.04</b> | <b>1.38</b> | <b>0.94</b> | <b>1.65</b> | <b>2.37</b> | <b>2.37</b> | <b>2.37</b> | <b>0.9</b>   |
| Break Even (Pre-Draw)             | 12.57        | 6.10         | 6.16         | 6.21        | 6.24        | 6.27        | 6.29        | 6.29        | 6.29        |              |
| Break Even (Post Draw)            | 15.74        | 14.01        | 14.06        | 14.11       | 15.72       | 15.75       | 15.78       | 15.78       | 15.78       |              |

### Notes

- (1) Materials cost based on two years of data at Certified Auto Repair (1996-1997)
- (2) Owners Dave Jenkins and Robert Jenkins can handle \$30,000 per month in shop work without additional mechanics
- (3) Assume 50% of sales are subject to 2% credit card fee
- (4) Assume SBA Loan is for \$225,000 for 20 years at 6.25%

## Income Statement 2004

| \$ x 1000 Pro Forma         | Jan-04 | Feb-04 | Mar-04 | Apr-04 | May-04 | Jun-04 | Jul-04 | Aug-04 | Sep-04 | Oct-04 | Nov-04 | Dec-04 | Totals |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Net Revenue</b>          | 19.0   | 17.0   | 17.0   | 17.0   | 19.0   | 20.0   | 21.0   | 21.0   | 21.0   | 22.0   | 22.0   | 22.0   | 238    |
| <b>COGS (Variable)</b>      |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Materials(1)                | 5.1    | 4.5    | 4.5    | 4.5    | 5.1    | 5.3    | 5.6    | 5.6    | 5.6    | 5.9    | 5.9    | 5.9    | 63     |
| Direct Labor(2)             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0      |
| Total COGS                  | 5.1    | 4.5    | 4.5    | 4.5    | 5.1    | 5.3    | 5.6    | 5.6    | 5.6    | 5.9    | 5.9    | 5.9    | 63     |
| Gross Margin                | 13.9   | 12.5   | 12.5   | 12.5   | 13.9   | 14.7   | 15.4   | 15.4   | 15.4   | 16.1   | 16.1   | 16.1   | 175    |
| Gross Margin %              | 73%    | 73%    | 73%    | 73%    | 73%    | 73%    | 73%    | 73%    | 73%    | 73%    | 73%    | 73%    |        |
| <b>SG&amp;A (Fixed)</b>     |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Credit Card Verification(3) | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 4      |
| Advertising                 | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 1      |
| Yellow Page Ads             | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 3      |
| Uniforms/Towels             | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 2      |
| Electrical                  | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 2      |
| Water                       | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0      |
| Telephone                   | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 2      |
| Trash                       | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 1      |
| Security Alarm              | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 1      |
| Shop Supplies               | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 2      |
| Haz Mat Service             | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 1      |
| Insurance-Liability         | 0.1    | 0.1    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 2      |
| Insurance-Property          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0      |
| Software Expense            | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 0.3    | 4      |
| Licenses                    | 0.0    | 0.0    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 1      |
| Property Tax                | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 2      |
| Bank Fees                   | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0      |
| Misc. Startup Expenses      | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0      |
| Depreciation                | 1.4    | 1.4    | 1.4    | 1.0    | 1.0    | 1.0    | 1.0    | 1.0    | 1.0    | 1.0    | 1.0    | 1.0    | 13     |
| SBA Loan                    | 1.2    | 1.2    | 1.2    | 1.2    | 1.2    | 1.2    | 1.2    | 1.2    | 1.2    | 1.2    | 1.2    | 1.2    | 14     |
| Total SG&A                  | 4.6    | 4.6    | 4.8    | 4.3    | 4.4    | 4.4    | 4.4    | 4.4    | 4.4    | 4.4    | 4.4    | 4.4    | 54     |
| Pre-Tax/ Pre-Draw Income    | 9.3    | 7.9    | 7.7    | 8.1    | 9.6    | 10.3   | 11.0   | 11.0   | 11.0   | 11.7   | 11.7   | 11.7   | 121    |
| Planned Officer Draws       | 6.0    | 6.0    | 6.0    | 6.0    | 7.0    | 7.0    | 7.0    | 8.0    | 8.0    | 8.0    | 8.0    | 8.0    | 85     |
| Payroll Tax (Officers)      | 1.0    | 1.0    | 1.0    | 1.0    | 1.1    | 1.1    | 1.1    | 1.3    | 1.3    | 1.3    | 1.3    | 1.3    | 14     |
| Total Draw                  | 7.0    | 7.0    | 7.0    | 7.0    | 8.1    | 8.1    | 8.1    | 9.3    | 9.3    | 9.3    | 9.3    | 9.3    | 99     |
| Pre-Tax Income (Post Draw)  | 2.4    | 0.9    | 0.8    | 1.2    | 1.5    | 2.2    | 2.9    | 1.7    | 1.7    | 2.4    | 2.4    | 2.4    | 23     |
| Break Even (Pre-Draw)       | 6.3    | 6.2    | 6.5    | 5.9    | 6.0    | 6.0    | 6.0    | 6.0    | 6.0    | 6.0    | 6.0    | 6.0    |        |
| Break Even (Post Draw)      | 15.8   | 15.7   | 16.0   | 15.4   | 17.0   | 17.0   | 17.1   | 18.7   | 18.7   | 18.7   | 18.7   | 18.7   |        |

### Notes

- (1) Materials cost based on two years of data at Certified Auto Repair (1996-1997)
- (2) Owners Dave Jenkins and Robert Jenkins can handle \$30,000 per month in shop work without adding other mechanics
- (3) Assume 50% of sales are subject to 2% credit card fee
- (4) Assume SBA Loan is for \$225,000 for 20 years at 6.25%

## Income Statements Quarterly

\$ x 1000 Pro Forma

|                             | 2003  |      |      |    |             | 2004 |      |      |      |             | 2005 |      |      |      |              | 2006 |      |      |      |              |
|-----------------------------|-------|------|------|----|-------------|------|------|------|------|-------------|------|------|------|------|--------------|------|------|------|------|--------------|
|                             | Q1    | Q2   | Q3   | Q4 | Total       | Q1   | Q2   | Q3   | Q4   | Total       | Q1   | Q2   | Q3   | Q4   | Total        | Q1   | Q2   | Q3   | Q4   | Total        |
| <b>Net Revenue</b>          | 30    | 51   | 57   |    | <b>138</b>  | 53   | 56   | 63   | 66   | <b>238</b>  | 62   | 65   | 72   | 75   | <b>274</b>   | 71   | 74   | 80   | 84   | <b>309</b>   |
| <b>COGS (Variable)</b>      |       |      |      |    |             |      |      |      |      |             |      |      |      |      |              |      |      |      |      |              |
| Materials(1)                | 8     | 14   | 15   |    | <b>37</b>   | 14   | 15   | 17   | 18   | <b>63</b>   | 16   | 17   | 19   | 20   | <b>73</b>    | 19   | 20   | 21   | 22   | <b>82</b>    |
| Direct Labor(2)             | 0     | 0    | 0    |    | <b>0</b>    | 0    | 0    | 0    | 0    | <b>0</b>    | 0    | 0    | 0    | 0    | <b>0</b>     | 0    | 0    | 0    | 0    | <b>0</b>     |
| Total COGS                  | 8     | 14   | 15   |    | <b>37</b>   | 14   | 15   | 17   | 18   | <b>63</b>   | 16   | 17   | 19   | 20   | <b>73</b>    | 19   | 20   | 21   | 22   | <b>82</b>    |
| Gross Margin                | 22    | 37   | 42   |    | <b>101</b>  | 39   | 41   | 46   | 48   | <b>175</b>  | 46   | 48   | 53   | 55   | <b>201</b>   | 52   | 54   | 59   | 62   | <b>227</b>   |
| Gross Margin %              | 73%   | 73%  | 73%  |    | <b>73%</b>  | 73%  | 73%  | 73%  | 73%  | <b>73%</b>  | 73%  | 73%  | 73%  | 73%  | <b>73%</b>   | 73%  | 73%  | 73%  | 73%  | <b>73%</b>   |
| <b>SG&amp;A (Fixed)</b>     |       |      |      |    |             |      |      |      |      |             |      |      |      |      |              |      |      |      |      |              |
| Credit Card Verification(3) | 0.6   | 0.8  | 0.9  |    | <b>2.3</b>  | 0.8  | 0.9  | 0.9  | 1.0  | <b>3.6</b>  | 0.9  | 1.0  | 1.0  | 1.1  | <b>3.9</b>   | 1.0  | 1.0  | 1.1  | 1.1  | <b>4.3</b>   |
| Advertising                 | 1.2   | 0.3  | 0.3  |    | <b>1.8</b>  | 0.3  | 0.3  | 0.3  | 0.3  | <b>1.2</b>  | 0.3  | 0.3  | 0.3  | 0.3  | <b>1.2</b>   | 0.3  | 0.3  | 0.3  | 0.3  | <b>1.2</b>   |
| Yellow Page Ads             | 0.8   | 0.8  | 0.8  |    | <b>2.3</b>  | 0.8  | 0.8  | 0.8  | 0.8  | <b>3.0</b>  | 0.8  | 0.8  | 0.8  | 0.8  | <b>3.0</b>   | 0.8  | 0.8  | 0.8  | 0.8  | <b>3.0</b>   |
| Uniforms/Towels             | 0.5   | 0.5  | 0.5  |    | <b>1.4</b>  | 0.5  | 0.5  | 0.5  | 0.5  | <b>1.8</b>  | 0.5  | 0.5  | 0.5  | 0.5  | <b>1.8</b>   | 0.5  | 0.5  | 0.5  | 0.5  | <b>1.8</b>   |
| Electrical                  | 0.6   | 0.4  | 0.4  |    | <b>1.3</b>  | 0.4  | 0.4  | 0.4  | 0.4  | <b>1.5</b>  | 0.4  | 0.4  | 0.4  | 0.4  | <b>1.5</b>   | 0.4  | 0.4  | 0.4  | 0.4  | <b>1.5</b>   |
| Water                       | 0.2   | 0.1  | 0.1  |    | <b>0.5</b>  | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.5</b>  | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.5</b>   | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.5</b>   |
| Telephone                   | 0.9   | 0.5  | 0.5  |    | <b>1.8</b>  | 0.5  | 0.5  | 0.5  | 0.5  | <b>1.8</b>  | 0.5  | 0.5  | 0.5  | 0.5  | <b>1.8</b>   | 0.5  | 0.5  | 0.5  | 0.5  | <b>1.8</b>   |
| Trash                       | 0.2   | 0.2  | 0.2  |    | <b>0.5</b>  | 0.2  | 0.2  | 0.2  | 0.2  | <b>0.7</b>  | 0.2  | 0.2  | 0.2  | 0.2  | <b>0.7</b>   | 0.2  | 0.2  | 0.2  | 0.2  | <b>0.7</b>   |
| Security Alarm              | 0.1   | 0.1  | 0.1  |    | <b>0.4</b>  | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.5</b>  | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.5</b>   | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.5</b>   |
| Shop Supplies               | 0.8   | 0.5  | 0.6  |    | <b>1.8</b>  | 0.5  | 0.6  | 0.6  | 0.7  | <b>2.4</b>  | 0.6  | 0.7  | 0.7  | 0.8  | <b>2.7</b>   | 0.7  | 0.7  | 0.8  | 0.8  | <b>3.1</b>   |
| Haz Mat Service             | 0.2   | 0.2  | 0.2  |    | <b>0.7</b>  | 0.2  | 0.2  | 0.2  | 0.2  | <b>1.0</b>  | 0.2  | 0.2  | 0.2  | 0.2  | <b>1.0</b>   | 0.2  | 0.2  | 0.2  | 0.2  | <b>1.0</b>   |
| Insurance-Liability         | 1.2   | 0.3  | 0.3  |    | <b>1.9</b>  | 0.4  | 0.6  | 0.6  | 0.6  | <b>2.3</b>  | 0.6  | 0.6  | 0.6  | 0.6  | <b>2.5</b>   | 0.6  | 0.6  | 0.6  | 0.6  | <b>2.5</b>   |
| Insurance-Property          | 0.3   | 0.1  | 0.1  |    | <b>0.4</b>  | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.3</b>  | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.3</b>   | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.3</b>   |
| Software Expense            | 0.9   | 0.9  | 0.9  |    | <b>2.7</b>  | 0.9  | 0.9  | 0.9  | 0.9  | <b>3.6</b>  | 0.9  | 0.9  | 0.9  | 0.9  | <b>3.6</b>   | 0.9  | 0.9  | 0.9  | 0.9  | <b>3.6</b>   |
| Licenses                    | 0.8   | 0.0  | 0.0  |    | <b>0.8</b>  | 0.1  | 0.3  | 0.3  | 0.3  | <b>0.9</b>  | 0.3  | 0.3  | 0.3  | 0.3  | <b>1.0</b>   | 0.3  | 0.3  | 0.3  | 0.3  | <b>1.0</b>   |
| Property Tax                | 0.5   | 0.5  | 0.5  |    | <b>1.4</b>  | 0.5  | 0.5  | 0.5  | 0.5  | <b>1.8</b>  | 0.5  | 0.5  | 0.5  | 0.5  | <b>1.8</b>   | 0.5  | 0.5  | 0.5  | 0.5  | <b>1.8</b>   |
| Bank Fees                   | 0.1   | 0.1  | 0.1  |    | <b>0.2</b>  | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.3</b>  | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.3</b>   | 0.1  | 0.1  | 0.1  | 0.1  | <b>0.3</b>   |
| Misc. Startup Expenses      | 0.9   | 0.0  | 0.0  |    | <b>0.9</b>  | 0.0  | 0.0  | 0.0  | 0.0  | <b>0.0</b>  | 0.0  | 0.0  | 0.0  | 0.0  | <b>0.0</b>   | 0.0  | 0.0  | 0.0  | 0.0  | <b>0.0</b>   |
| Depreciation                | 4.1   | 4.1  | 4.1  |    | <b>12.3</b> | 4.1  | 2.9  | 2.9  | 2.9  | <b>12.7</b> | 2.9  | 2.1  | 2.1  | 2.1  | <b>9.1</b>   | 2.1  | 1.6  | 1.6  | 1.6  | <b>6.9</b>   |
| SBA Loan Payments           | 3.5   | 3.5  | 3.5  |    | <b>10.5</b> | 3.5  | 3.5  | 3.5  | 3.5  | <b>13.9</b> | 3.5  | 3.4  | 3.4  | 3.4  | <b>13.5</b>  | 3.4  | 3.2  | 3.2  | 3.2  | <b>13.1</b>  |
| Total SG&A                  | 18.2  | 13.7 | 13.9 |    | <b>45.8</b> | 14.0 | 13.1 | 13.2 | 13.3 | <b>53.6</b> | 13.2 | 12.4 | 12.5 | 12.6 | <b>50.8</b>  | 12.5 | 12.0 | 12.1 | 12.2 | <b>48.9</b>  |
| Pre-Tax/ Pre-Draw Income    | 4     | 24   | 28   |    | <b>55.5</b> | 25   | 28   | 33   | 35   | <b>121</b>  | 32.3 | 35.3 | 40.3 | 42.5 | <b>150.4</b> | 39.6 | 42.3 | 46.6 | 49.4 | <b>177.9</b> |
| Planned Officer Draws       | 12.0  | 17.0 | 18.0 |    | <b>47.0</b> | 18.0 | 20.0 | 23.0 | 24.0 | <b>85.0</b> | 24.0 | 24.0 | 24.0 | 25.0 | <b>97.0</b>  | 28.0 | 30.0 | 30.0 | 30.0 | <b>118.0</b> |
| Payroll Tax (Officers)      | 1.9   | 2.7  | 2.9  |    | <b>7.5</b>  | 2.9  | 3.2  | 3.7  | 3.8  | <b>13.6</b> | 3.8  | 3.8  | 3.8  | 4.0  | <b>15.5</b>  | 4.5  | 4.8  | 4.8  | 4.8  | <b>18.9</b>  |
| Total Draw                  | 13.9  | 19.7 | 20.9 |    | <b>54.5</b> | 21   | 23   | 27   | 28   | <b>99</b>   | 28   | 28   | 28   | 29   | <b>112.5</b> | 32.5 | 34.8 | 34.8 | 34.8 | <b>136.9</b> |
| Pre-Tax Income (Post Draw)  | -11.1 | 3.0  | 6.1  |    | <b>0.9</b>  | 3    | 4    | 5    | 6    | <b>18</b>   | 3    | 4    | 8    | 10   | <b>25</b>    | 9    | 6    | 4    | 4    | <b>22</b>    |
| Break Even (Pre-Draw)       | 8.7   | 6.7  | 6.7  |    |             | 6.8  | 6.4  | 6.5  | 6.5  |             | 6.5  | 6.1  | 6.2  | 6.2  |              | 6.2  | 6.0  | 6.1  | 6.1  |              |
| Break Even (Post Draw)      | 15.0  | 15.6 | 16.2 |    |             | 16.3 | 17.0 | 18.6 | 19.2 |             | 19.1 | 19.8 | 20.4 | 20.5 |              | 21.0 | 21.8 | 21.9 | 21.9 |              |

**Notes**

(1) Materials cost based on two years of data at Certified Auto Repair (1996-1997)

(2) Owners Dave Jenkins and Robert Jenkins can handle \$30,000 per month in shop work without adding other mechanics

(3) Assume 50% of sales are subject to 2% credit card fee

(4) Assume SBA Loan is for \$225,000 for 20 years at 6.25%

## Balance Sheet 2003

### Durango Automotive

\$ x 1000 Pro Forma

|   | Apr-03 | May-03 | Jun-03 | Jul-03 | Aug-03 | Sep-03 | Oct-03 | Nov-03 | Dec-03 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b><u>ASSETS</u></b>                              |        |        |        |        |        |        |        |        |        |
| Cash and Cash Equivalents                         | 2      | 5      | 6      | 7      | 9      | 11     | 14     | 18     | 21     |
| Accounts Receivable                               | 0      | 0      | 0      | 1.6    | 1.7    | 1.8    | 1.9    | 1.9    | 1.9    |
| Inventory   | 1      | 2      | 2.5    | 3.2    | 3.4    | 3.6    | 3.8    | 3.8    | 3.8    |
| Total Current Assets                              | 3.2    | 6.6    | 8.5    | 11.3   | 13.7   | 16.5   | 20.0   | 23.6   | 26.8   |
| Equipment, Furniture and Fixtures (Cost)          | 38     | 38     | 38     | 38     | 38     | 38     | 38     | 38     | 38     |
| Building And Land                                 | 185    | 185    | 185    | 185    | 185    | 185    | 185    | 185    | 185    |
| Improvements                                      | 20     | 20     | 20     | 20     | 20     | 20     | 20     | 20     | 20     |
| Accumulated Depreciation                          | 1      | 3      | 4      | 5      | 7      | 8      | 10     | 11     | 12     |
| Net Fixed Assets                                  | 241    | 240    | 238    | 237    | 236    | 234    | 233    | 232    | 230    |
| Total Assets                                      | 244    | 246    | 247    | 248    | 249    | 251    | 253    | 255    | 257    |
| <b><u>LIABILITIES AND SHAREOWNERS' EQUITY</u></b> |        |        |        |        |        |        |        |        |        |
| Accounts Payable                                  | 0      | 4      | 5      | 6      | 6      | 7      | 7      | 7      | 7      |
| Total Current Liabilities                         | 0      | 4      | 5      | 6      | 6      | 7      | 7      | 7      | 7      |
| SBA Loan: Land and Building                       | 225    | 225    | 224    | 224    | 223    | 223    | 222    | 222    | 221    |
| Total Long Term Liabilities                       | 225    | 225    | 224    | 224    | 223    | 223    | 222    | 222    | 221    |
| Total Liabilities                                 | 225    | 229    | 229    | 229    | 229    | 229    | 229    | 229    | 228    |
| Common Stock: Invested Capital                    | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Retained Earnings                                 | 18     | 17     | 17     | 18     | 19     | 21     | 23     | 26     | 28     |
| Total Shareholder Equity                          | 19     | 18     | 18     | 19     | 20     | 22     | 24     | 27     | 29     |
| TOTAL LIABILITIES AND OWNER EQUITY                | 244    | 246    | 247    | 248    | 249    | 251    | 253    | 255    | 257    |

**Notes:**

- (1) Assume AR for commercial accounts = 10% sales and is carried for 30 days.
- (2) Assume Inventory is minimal at 20% of sales
- (3) Assume AP = prior month's expense and part purchases

## Balance Sheet 2004

### Durango Automotive

\$ x 1000 Pro Forma

|   | Jan-04     | Feb-04     | Mar-04     | Apr-04     | May-04     | Jun-04     | Jul-04     | Aug-04     | Sep-04     | Oct-04     | Nov-04     | Dec-04     |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>ASSETS</b>                               |            |            |            |            |            |            |            |            |            |            |            |            |
| Cash and Cash Equivalents                   | 24         | 27         | 28         | 30         | 31         | 34         | 37         | 39         | 42         | 44         | 47         | 50         |
| Accounts Receivable                         | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          |
| Inventory                                   | 4          | 3          | 3          | 3          | 4          | 4          | 4          | 4          | 4          | 4          | 4          | 4          |
| <b>Total Current Assets</b>                 | <b>30</b>  | <b>32</b>  | <b>33</b>  | <b>35</b>  | <b>37</b>  | <b>40</b>  | <b>43</b>  | <b>46</b>  | <b>48</b>  | <b>51</b>  | <b>54</b>  | <b>57</b>  |
| Equipment, Furniture and Fixtures<br>(Cost) | 38         | 38         | 38         | 38         | 38         | 38         | 38         | 38         | 38         | 38         | 38         | 38         |
| Building And Land                           | 185        | 185        | 185        | 185        | 185        | 185        | 185        | 185        | 185        | 185        | 185        | 185        |
| Improvements                                | 20         | 20         | 20         | 20         | 20         | 20         | 20         | 20         | 20         | 20         | 20         | 20         |
| Accumulated Depreciation                    | 14         | 15         | 16         | 17         | 18         | 19         | 20         | 21         | 22         | 23         | 24         | 25         |
| <b>Net Fixed Assets</b>                     | <b>229</b> | <b>228</b> | <b>226</b> | <b>225</b> | <b>224</b> | <b>223</b> | <b>222</b> | <b>221</b> | <b>220</b> | <b>220</b> | <b>219</b> | <b>218</b> |
| <b>Total Assets</b>                         | <b>259</b> | <b>259</b> | <b>259</b> | <b>260</b> | <b>261</b> | <b>263</b> | <b>266</b> | <b>267</b> | <b>268</b> | <b>270</b> | <b>272</b> | <b>274</b> |
| <b>LIABILITIES AND SHAREOWNERS' EQUITY</b>  |            |            |            |            |            |            |            |            |            |            |            |            |
| Accounts Payable                            | 7          | 7          | 7          | 7          | 7          | 7          | 8          | 8          | 8          | 8          | 8          | 8          |
| <b>Total Current Liabilities</b>            | <b>7</b>   | <b>7</b>   | <b>7</b>   | <b>7</b>   | <b>7</b>   | <b>7</b>   | <b>8</b>   | <b>8</b>   | <b>8</b>   | <b>8</b>   | <b>8</b>   | <b>8</b>   |
| SBA Loan: Land and Building                 | 220        | 219        | 219        | 218        | 218        | 217        | 217        | 216        | 216        | 215        | 215        | 214        |
| <b>Total Long Term Liabilities</b>          | <b>220</b> | <b>219</b> | <b>219</b> | <b>218</b> | <b>218</b> | <b>217</b> | <b>217</b> | <b>216</b> | <b>216</b> | <b>215</b> | <b>215</b> | <b>214</b> |
| <b>Total Liabilities</b>                    | <b>227</b> | <b>227</b> | <b>226</b> | <b>225</b> | <b>225</b> | <b>225</b> | <b>225</b> | <b>224</b> | <b>224</b> | <b>223</b> | <b>223</b> | <b>222</b> |
| Common Stock: Invested Capital              | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Retained Earnings                           | 31         | 32         | 32         | 34         | 35         | 37         | 40         | 42         | 44         | 46         | 48         | 51         |
| <b>Total Shareholder Equity</b>             | <b>32</b>  | <b>33</b>  | <b>33</b>  | <b>35</b>  | <b>36</b>  | <b>38</b>  | <b>41</b>  | <b>43</b>  | <b>45</b>  | <b>47</b>  | <b>49</b>  | <b>52</b>  |
| <b>TOTAL LIABILITIES AND OWNER EQUITY</b>   | <b>259</b> | <b>259</b> | <b>259</b> | <b>260</b> | <b>261</b> | <b>263</b> | <b>266</b> | <b>267</b> | <b>268</b> | <b>270</b> | <b>272</b> | <b>274</b> |

Notes:

(1) Assume AR for commercial accounts = 10% sales and is carried for 30 days.

(2) Assume Inventory is minimal at 20% of sales

(3) Assume AP = prior month's expense and part purchases

## Balance Sheet Quarterly

### Durango Automotive

\$ x 1000 Pro Forma

|  | 2003 |     |     |    | 2004 |     |     |     | 2005 |     |     |     | 2006 |     |     |     |
|--|------|-----|-----|----|------|-----|-----|-----|------|-----|-----|-----|------|-----|-----|-----|
|  | Q1   | Q2  | Q3  | Q4 | Q1   | Q2  | Q3  | Q4  | Q1   | Q2  | Q3  | Q4  | Q1   | Q2  | Q3  | Q4  |
| <b>ASSETS</b>                              |      |     |     |    |      |     |     |     |      |     |     |     |      |     |     |     |
| Cash and Cash Equivalents                  | 6    | 11  | 21  |    | 28   | 34  | 42  | 50  | 56   | 61  | 71  | 82  | 90   | 97  | 109 | 123 |
| Accounts Receivable                        | 0    | 2   | 2   |    | 2    | 2   | 2   | 2   | 2    | 2   | 2   | 3   | 2    | 3   | 3   | 3   |
| Inventory                                  | 3    | 4   | 4   |    | 3    | 4   | 4   | 4   | 4    | 5   | 5   | 5   | 5    | 5   | 5   | 6   |
| Total Current Assets                       | 9    | 17  | 27  |    | 33   | 40  | 48  | 57  | 62   | 68  | 78  | 90  | 97   | 105 | 117 | 132 |
| Equipment, Furniture and Fixtures (Cost)   | 38   | 38  | 38  |    | 38   | 38  | 38  | 38  | 38   | 38  | 38  | 38  | 38   | 38  | 38  | 38  |
| Building And Land                          | 185  | 185 | 185 |    | 185  | 185 | 185 | 185 | 185  | 185 | 185 | 185 | 185  | 185 | 185 | 185 |
| Improvements                               | 20   | 20  | 20  |    | 20   | 20  | 20  | 20  | 20   | 20  | 20  | 20  | 20   | 20  | 20  | 20  |
| Accumulated Depreciation                   | 4    | 8   | 12  |    | 16   | 19  | 22  | 25  | 27   | 29  | 31  | 33  | 35   | 36  | 37  | 49  |
| Net Fixed Assets                           | 238  | 234 | 230 |    | 226  | 223 | 220 | 218 | 216  | 213 | 211 | 210 | 208  | 206 | 206 | 194 |
| Total Assets                               | 247  | 251 | 257 |    | 259  | 263 | 268 | 274 | 277  | 281 | 289 | 299 | 305  | 311 | 323 | 325 |
| <b>LIABILITIES AND SHAREOWNERS' EQUITY</b> |      |     |     |    |      |     |     |     |      |     |     |     |      |     |     |     |
| Accounts Payable                           | 5    | 7   | 7   |    | 7    | 7   | 8   | 8   | 8    | 8   | 9   | 9   | 8    | 9   | 10  | 10  |
| Total Current Liabilities                  | 5    | 7   | 7   |    | 7    | 7   | 8   | 8   | 8    | 8   | 9   | 9   | 8    | 9   | 10  | 10  |
| SBA Loan: Land and Building                | 224  | 223 | 221 |    | 219  | 217 | 216 | 214 | 213  | 211 | 209 | 208 | 206  | 204 | 202 | 201 |
| Total Long Term Liabilities                | 224  | 223 | 221 |    | 219  | 217 | 216 | 214 | 213  | 211 | 209 | 208 | 206  | 204 | 202 | 201 |
| Total Liabilities                          | 229  | 229 | 228 |    | 226  | 225 | 224 | 222 | 220  | 219 | 218 | 217 | 214  | 213 | 212 | 211 |
| Common Stock: Invested Capital             | 1    | 1   | 1   |    | 1    | 1   | 1   | 1   | 1    | 1   | 1   | 1   | 1    | 1   | 1   | 1   |
| Retained Earnings                          | 17   | 21  | 28  |    | 32   | 37  | 44  | 51  | 56   | 61  | 70  | 82  | 89   | 97  | 110 | 114 |
| Total Shareholder Equity                   | 18   | 22  | 29  |    | 33   | 38  | 45  | 52  | 57   | 62  | 71  | 83  | 90   | 98  | 111 | 115 |
| TOTAL LIABILITIES AND OWNER EQUITY         | 247  | 251 | 257 |    | 259  | 263 | 268 | 274 | 277  | 281 | 289 | 299 | 305  | 311 | 323 | 325 |

## Startup Costs Schedule

Durango Automotive

| <u>Expense</u>                                       | <u>\$</u>            |
|--|----------------------|
| Telephones   | 250                  |
| Supplies   | 500                  |
| Advertising (Grand Opening)                          | 1000                 |
| Utilities  | 500                  |
| Licenses/permits                                     | 800                  |
| Insurance  | 1000                 |
| INC Formation Fees                                   | 400                  |
| Other Expenses                                       | 500                  |
|  | <hr/>                |
|  | 4950                 |
| <b>Current Assets</b>                                |                      |
| Inventory (Purchase over 3 months)                   | 2500                 |
| <b>Fixed Assets</b>                                  |                      |
| 2 ea Computers, printers                             | 2500                 |
| All Data (troubleshooting, vehicle data, estimating) | 4500                 |
| Shop management software (Automotive)                | 6000                 |
| Furniture  | 1000                 |
| 3 Above Ground Hoists (Lifts)                        | 12000                |
| Brake lathe  | 3500                 |
| Waste oil containment tank                           | 1600                 |
| Waste coolant containment system                     | 400                  |
| Scanner (Engine Diagnosis)                           | 3800                 |
| A/C Recovery Station (Dual)                          | 1500                 |
| Evaporative Coolers                                  | 750                  |
| Building and Land Purchase + Loan Costs              | 185000               |
| Improvements/build-out                               | 20000                |
|  | <hr/>                |
|  | 242550               |
|  | <hr/>                |
| Grand Total  | <u><u>250000</u></u> |

## Statement Of Cash Flows 2003

### Durango Automotive

\$ x 1000

|  | Apr-03 | May-03 | Jun-03 | Jul-03 | Aug-03 | Sep-03 | Oct-03 | Nov-03 | Dec-03 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Cash Flows from Operating Activities</b>                                      |        |        |        |        |        |        |        |        |        |
| Net Income   | -6.3   | 4.3    | 5.8    | 7.2    | 7.9    | 8.6    | 9.3    | 9.3    | 9.3    |
| Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities: |        |        |        |        |        |        |        |        |        |
| Depreciation   | 1.4    | 1.4    | 1.4    | 1.4    | 1.4    | 1.4    | 1.4    | 1.4    | 1.4    |
| Decrease in Accounts Receivable  | 0.0    | 0.0    | 0.0    | -1.6   | -0.1   | -0.1   | -0.1   | 0.0    | 0.0    |
| Increase in Inventory  | -1.0   | -1.0   | -0.5   | -0.7   | -0.2   | -0.2   | -0.2   | 0.0    | 0.0    |
| Increase in Accounts Payable   | 0.0    | 4.0    | 1.1    | 0.6    | 0.6    | 0.3    | 0.3    | 0.3    | 0.0    |
| Decrease in Income Taxes Payable   | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Total Adjustments  | 0.4    | 4.4    | 2.0    | -0.4   | 1.6    | 1.4    | 1.4    | 1.7    | 1.4    |
| <i>Net Cash Flows From Operating Activities</i>                                  | -5.9   | 8.7    | 7.8    | 6.8    | 9.5    | 10.0   | 10.7   | 11.0   | 10.7   |
| <b>Cash Flows from Investing Activities</b>                                      |        |        |        |        |        |        |        |        |        |
| Startup costs (fixed asset portion only)   | 240    |        |        |        |        |        |        |        |        |
| Shareholder Investment   | 25     |        |        |        |        |        |        |        |        |
| SBA Loan 225000  | 225    |        |        |        |        |        |        |        |        |
| Capital Lease Payments (Principal)   | 0.5    | 0.5    | 0.5    | 0.5    | 0.5    | 0.5    | 0.5    | 0.5    | 0.5    |
| <i>Net Cash Flows From Investing Activities</i>                                  | 9.4    | -0.5   | -0.5   | -0.5   | -0.5   | -0.5   | -0.5   | -0.5   | -0.5   |
| <b>Cash Flows from Financing Activities</b>                                      |        |        |        |        |        |        |        |        |        |
| Issue of Common Stock  | 1      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| Less Planned Draws Paid To Officers  | 2.3    | 5.8    | 5.8    | 5.8    | 7.0    | 7.0    | 7.0    | 7.0    | 7.0    |
| <i>Net Cash Flows From Financing Activities</i>                                  | -1.3   | -5.8   | -5.8   | -5.8   | -7.0   | -7.0   | -7.0   | -7.0   | -7.0   |
| <b>Net Increase (Decrease) in Cash</b>   |        |        |        |        |        |        |        |        |        |
| Cash at Beginning of Period  | 0.0    | 2.2    | 4.6    | 6.0    | 6.5    | 8.6    | 11.1   | 14.3   | 17.9   |
| Cash at End of Period  | 2.2    | 4.6    | 6.0    | 6.5    | 8.6    | 11.1   | 14.3   | 17.9   | 21.1   |

## Statement Of Cash Flows 2004

PRO FORMA CASH FLOW STATEMENT  
 DURANGO AUTOMOTIVE, INC  
 \$000

|  | J-04        | F-04        | M-04        | A-04        | M-04        | J-04        | J-04        | A-04        | S-04        | O-04        | N-04        | D-04        |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Cash Flows from Operating Activities</b>                                      |             |             |             |             |             |             |             |             |             |             |             |             |
| Net Income   | 9.3         | 7.9         | 7.7         | 8.1         | 9.6         | 10.3        | 11.0        | 11.0        | 11.0        | 11.7        | 11.7        | 11.7        |
| Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities: |             |             |             |             |             |             |             |             |             |             |             |             |
| Depreciation   | 1.4         | 1.4         | 1.4         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         |
| Decrease in Accounts Receivable  | 0.0         | 0.2         | 0.0         | 0.0         | -0.2        | -0.1        | -0.1        | 0.0         | 0.0         | -0.1        | 0.0         | 0.0         |
| Increase in Inventory  | 0.0         | 0.4         | 0.0         | 0.0         | -0.4        | -0.2        | -0.2        | 0.0         | 0.0         | -0.2        | 0.0         | 0.0         |
| Increase in Accounts Payable   | 0.0         | 0.0         | -0.6        | 0.2         | 0.0         | 0.6         | 0.3         | 0.3         | 0.0         | 0.0         | 0.3         | 0.0         |
| Decrease in Income Taxes Payable   | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Total Adjustments  | 1.4         | 2.0         | 0.8         | 1.1         | 0.4         | 1.2         | 0.9         | 1.2         | 1.0         | 0.7         | 1.2         | 1.0         |
| <i>Net Cash Flows From Operating Activities</i>                                  | <u>10.7</u> | <u>9.9</u>  | <u>8.5</u>  | <u>9.3</u>  | <u>9.9</u>  | <u>11.5</u> | <u>11.9</u> | <u>12.2</u> | <u>12.0</u> | <u>12.4</u> | <u>13.0</u> | <u>12.7</u> |
| <b>Cash Flows from Investing Activities</b>                                      |             |             |             |             |             |             |             |             |             |             |             |             |
| Startup costs (fixed asset portion only)   | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Shareholder Investment   | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| SBA Loan 225000  | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Capital Lease Payments (Principal)   | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         |
| <i>Net Cash Flows From Investing Activities</i>                                  | <u>-0.5</u> | <u>-0.5</u> | <u>-0.5</u> | <u>-0.5</u> | <u>-0.5</u> | <u>-0.5</u> | <u>-0.5</u> | <u>-0.5</u> | <u>-0.5</u> | <u>-0.5</u> | <u>-0.5</u> | <u>-0.5</u> |
| <b>Cash Flows from Financing Activities</b>                                      |             |             |             |             |             |             |             |             |             |             |             |             |
| Issue of Common Stock  | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Less Planned Draws Paid To Officers  | 7.0         | 7.0         | 7.0         | 7.0         | 8.1         | 8.1         | 8.1         | 9.3         | 9.3         | 9.3         | 9.3         | 9.3         |
| <i>Net Cash Flows From Financing Activities</i>                                  | <u>-7.0</u> | <u>-7.0</u> | <u>-7.0</u> | <u>-7.0</u> | <u>-8.1</u> | <u>-8.1</u> | <u>-8.1</u> | <u>-9.3</u> | <u>-9.3</u> | <u>-9.3</u> | <u>-9.3</u> | <u>-9.3</u> |
| <b>Net Increase (Decrease) in Cash</b>   | 3.2         | 2.4         | 1.0         | 1.8         | 1.3         | 2.9         | 3.3         | 2.4         | 2.2         | 2.6         | 3.2         | 2.9         |
| Cash at Beginning of Period  | 21.1        | 24.3        | 26.7        | 27.7        | 29.5        | 30.8        | 33.7        | 37.0        | 39.4        | 41.6        | 44.2        | 47.3        |
| Cash at End of Period  | <u>24.3</u> | <u>26.7</u> | <u>27.7</u> | <u>29.5</u> | <u>30.8</u> | <u>33.7</u> | <u>37.0</u> | <u>39.4</u> | <u>41.6</u> | <u>44.2</u> | <u>47.3</u> | <u>50.2</u> |

## Statement Of Cash Flows Quarterly

### Durango Automotive

\$ x 1000 Pro Forma

|  | 2003  |       |       |    | 2004  |       |       |       | 2005  |       |       |       | 2006  |       |       |       |
|--|-------|-------|-------|----|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|  | Q1    | Q2    | Q3    | Q4 | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    |
| <b>Cash Flows from Operating Activities</b>                                      |       |       |       |    |       |       |       |       |       |       |       |       |       |       |       |       |
| Net Income   | 3.8   | 23.7  | 28.0  |    | 24.9  | 28.0  | 33.0  | 35.2  | 32.3  | 35.3  | 40.3  | 42.5  | 39.6  | 42.3  | 46.6  | 49.4  |
| Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities: |       |       |       |    |       |       |       |       |       |       |       |       |       |       |       |       |
| Depreciation   | 4.1   | 4.1   | 4.1   |    | 4.1   | 2.9   | 2.9   | 2.9   | 2.9   | 2.1   | 2.1   | 2.1   | 2.1   | 1.6   | 1.6   | 1.6   |
| Decrease in Accounts Receivable  | 0.0   | -1.8  | -0.1  |    | 0.2   | -0.3  | -0.1  | -0.1  | 0.2   | -0.3  | -0.1  | -0.1  | 0.2   | -0.3  | -0.1  | -0.1  |
| Increase in Inventory  | -2.5  | -1.1  | -0.2  |    | 0.4   | -0.6  | -0.2  | -0.2  | 0.4   | -0.6  | -0.2  | -0.2  | 0.4   | -0.6  | -0.2  | -0.2  |
| Increase in Accounts Payable   | 5.1   | 1.4   | 0.6   |    | -0.6  | 0.8   | 0.6   | 0.3   | -0.6  | 0.6   | 0.6   | 0.3   | -0.6  | 0.6   | 0.6   | 0.3   |
| Decrease in Income Taxes Payable   | 0.0   | 0.0   | 0.0   |    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Total Adjustments  | 6.7   | 2.6   | 4.4   |    | 4.1   | 2.7   | 3.1   | 2.8   | 2.9   | 1.7   | 2.3   | 2.1   | 2.1   | 1.3   | 1.9   | 1.6   |
| <i>Net Cash Flows From Operating Activities</i>                                  | 10.5  | 26.3  | 32.3  |    | 29.1  | 30.7  | 36.1  | 38.0  | 35.2  | 37.1  | 42.7  | 44.5  | 41.7  | 43.6  | 48.5  | 51.1  |
| <b>Cash Flows from Investing Activities</b>                                      |       |       |       |    |       |       |       |       |       |       |       |       |       |       |       |       |
| Startup costs (fixed asset portion only)   | 0.0   | 0.0   | 0.0   |    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Shareholder Investment   | 0.0   | 0.0   | 0.0   |    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| SBA Loan 225000  | 0.0   | 0.0   | 0.0   |    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Capital Lease Payments (Principal)   | 1.5   | 1.5   | 1.5   |    | 1.6   | 1.6   | 1.6   | 1.6   | 1.6   | 1.7   | 1.7   | 1.7   | 1.7   | 1.8   | 1.8   | 1.8   |
| <i>Net Cash Flows From Investing Activities</i>                                  | 8.4   | -1.5  | -1.5  |    | -1.6  | -1.6  | -1.6  | -1.6  | -1.6  | -1.7  | -1.7  | -1.7  | -1.7  | -1.8  | -1.8  | -1.8  |
| <b>Cash Flows from Financing Activities</b>                                      |       |       |       |    |       |       |       |       |       |       |       |       |       |       |       |       |
| Issue of Common Stock  | 1.0   | 0.0   | 0.0   |    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Less Planned Draws Paid To Officers  | 13.9  | 19.7  | 20.9  |    | 20.9  | 23.2  | 26.7  | 27.8  | 27.8  | 30.2  | 31.3  | 31.3  | 32.5  | 34.8  | 34.8  | 34.8  |
| <i>Net Cash Flows From Financing Activities</i>                                  | -12.9 | -19.7 | -20.9 |    | -20.9 | -23.2 | -26.7 | -27.8 | -27.8 | -30.2 | -31.3 | -31.3 | -32.5 | -34.8 | -34.8 | -34.8 |
| <b>Net Increase (Decrease) in Cash</b>   | 6.0   | 5.1   | 10.0  |    | 6.6   | 6.0   | 7.9   | 8.6   | 5.7   | 5.2   | 9.7   | 11.5  | 7.5   | 7.0   | 11.9  | 14.5  |
| Cash at Beginning of Period  | 0.0   | 6.0   | 11.1  |    | 21.1  | 27.7  | 33.7  | 41.6  | 50.2  | 55.9  | 61.1  | 70.8  | 82.3  | 89.8  | 96.9  | 108.8 |
| Cash at End of Period  | 6.0   | 11.1  | 21.1  |    | 27.7  | 33.7  | 41.6  | 50.2  | 55.9  | 61.1  | 70.8  | 82.3  | 89.8  | 96.9  | 108.8 | 123.3 |

## Depreciation Schedule

Pro Forma  
All amounts in \$

| Fixed Assets   | Depreciation By Year starting 4-03 |               |               |              |              |
|--|------------------------------------|---------------|---------------|--------------|--------------|
|  | Cost                               | 2003          | 2004          | 2005         | 2006         |
| 2 ea Computers, printers                             | 2,500                              | 1,667         | 556           | 28           |              |
| All Data (troubleshooting, vehicle data, estimating) | 4,500                              | 1,800         | 1,080         | 648          | 389          |
| Shop management software (Automotive)                | 6,000                              | 2,400         | 1,440         | 864          | 518          |
| Furniture  | 1,000                              | 286           | 204           | 146          | 104          |
| 3 Above Ground Hoists (Lifts)                        | 12,000                             | 3,429         | 2,449         | 1,749        | 1,249        |
| Brake lathe  | 3,500                              | 1,000         | 714           | 510          | 364          |
| Waste oil containment tank                           | 1,600                              | 457           | 327           | 233          | 167          |
| Waste coolant containment system                     | 400                                | 114           | 82            | 58           | 42           |
| Scanner (Engine Diagnosis)                           | 3,800                              | 1,086         | 776           | 554          | 396          |
| A/C Recovery Station (Dual)                          | 1,500                              | 429           | 306           | 219          | 156          |
| Evaporative Coolers                                  | 750                                | 214           | 153           | 109          | 78           |
| <br>   |                                    |               |               |              |              |
| Building and Land Purchase + Loan Costs              | 185,000                            | 2,500         | 2,375         | 2,256        | 2,143        |
| Improvements/build-out                               | 20,000                             | 1,000         | 950           | 903          | 857          |
|  | <u>242,550</u>                     | <u>16,381</u> | <u>11,411</u> | <u>8,277</u> | <u>6,464</u> |

Depreciation calculated for 12 month periods...2003 adjusted in financials

## Loan Schedule

Durango Automotive,  
Inc  
SBA Loan  
Starting: 225,000

|                    | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|--------------------|-------------|-------------|-------------|-------------|
| Starting Balance   | 225,000     | 220,534     | 214,301     | 207,679     |
| Loan Payments      | 15,012      | 20,017      | 20,017      | 20,017      |
| Principle Payments | 4,466       | 6,233       | 6,623       | 7,037       |
| Interest Payments  | 10,547      | 13,783      | 13,394      | 12,980      |
| Ending Balance     | 220,534     | 214,301     | 207,679     | 200,642     |

Assume loan is \$225000 at 6.25% for 20 years  
Assume Loan begins April 1, 2003

12.0 Appendices

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