

Power Torque, Inc.

Introduction

This Business Plan is written for the purposes of securing proper funding for our Phase II project, and to explain why the need for this project is obvious.

Why the NEED?

The need for a better method of Power Transfer to the bike's rear wheel became obvious when it was learned how the BMX sanctioning bodies awarded points to the racers, and discovering that they receive zero points unless they cross the finish line with a fully functional bike.

Most BMX racers have been in a race, at one time or another, when their bike's chain has failed them... either it de-railed or broke, thus, they walked their bike across the finish-line with a non-functioning bike and received zero points for that race.

This scenario has been problematic for the entire BMX industry since its very inception.

To date, no manufacturer has been able to provide pedal bikes with a belt drive that can withstand the rigors of BMX racing. Some BMX racers are able to deliver over 350 pounds of force to the pedal. To properly transfer that power, a very aggressive belt tooth design and a stronger-than-Kevlar core-membrane for the drive belt was needed.

The very heart of any drive system is the link between the Driver (Motor) and the Driven (wheel).

Why Phase II requires Funding

Since its inception in 2001 and subsequent incorporation in 2004, Power Torque, Inc. has endeavored to bring a workable timing-belt drive system to the world of BMX racing.

Our **Phase I** venture successfully developed and manufactured a much stronger timing belt, having a "Twaron" core-membrane and an aggressively modified RPP tooth configuration (*a smooth yet aggressive timing-belt tooth*). We also developed and manufactured Front and Rear Sprockets to accept the more aggressive belt tooth.

Our Super-Strong Drive Belt system will certainly set a new precedent in the BMX industry and in the entire Bicycling Industry itself. It has yet to break or fail under every strength test given it.

Our Phase I Project was designed to fund our Phase II project.

On August 13, 2005, at the Great Lakes National BMX Race event, which was the very onset of our Phase I Marketing Campaign, a Lexan-molded Front Sprocket, manufactured here in Michigan, ruptured while a dozen or more BMX officials, including the CEO of BMX, Robert Todesco, were viewing our Show-and-Tell bikes.

We immediately suspended our Marketing Campaign and sent the ruptured sprocket to the supplier for corrective action. Several months later we filed a BBB complaint against the supplier for his lack of cooperation in getting the corrective action or FEMA report to us.

At that time we ceased all activities at Power Torque, Inc. (November, 2005)

After months of false communiqués... on February 12, 2006, we entered into a lawsuit against the supplier.

At the pre-trial hearing, the trial judge stated that our case should take no longer than 4 to 6 months to complete. At that time, we were willing to wait that period to achieve our Phase II funding.

However, during the course of the litigation and discovery period:

- * The owner of the sprocket supplier company was killed in a snowmobile accident.
- * Probate did not execute an assignment of the company stock in a timely fashion.
- * The attorney for the supplier company broke his foot.
- * The attorney for the supplier company was dismissed by his law firm... and sabotaged the case files upon his exit, by removing pertinent case documents. The newly appointed attorney was granted an additional 120 days to try to obtain those files and review the case.

Finally, after enduring many delays and set-backs, on February 26, 2009, we won the lawsuit and received a Judgment against the supplier for \$767,700. It became public knowledge Feb. 27, 2009.

While the litigation was ongoing... Power Torque, Inc. prepared for its **Phase II** venture... maintaining the mindset that the case would soon be resolved, affording us proper funding for **Phase II**... and, of course, not knowing that yet another delay was just around the corner.

What is Phase II?

A complete Power Torque, Inc. branded Belt-driven BMX bike, tentatively named "The Whip". It is intended to be Marketed for both the serious and casual BMX Racers... and for street use as well.

All **Phase II** designs are complete; Tooling, Molds, Robot Cell, and Assembly Process.

Due to the continuing delays in our case, we missed the opportunity of having our branded Belt-driven BMX bike at the 2008 Summer Olympics, which held BMX Race events for the first time in its history. We do not want to miss the opportunity of having our sponsored BMX race team at the 2012 London Summer Olympics.

Having representation at the Olympic events is generally regarded as a catalyst to any new sporting product. (i.e. Snow Boarding)

In preparation of our **Phase II Business Plan**, we've recognized that the current U.S.A. and Asian markets are in a state of instability and appear to be headed towards an all-time low before gaining any strength for recovery.

This Business Plan reflects the current economic situation and does not consider U.S.A. nor Global economic recovery until well into 2011. It also reflects an "Ultra-Conservative" position in the first 18 months of marketing... necessary to provide better control of our growth and industry impact. While this Business Plan is designed for U.S.A. markets, we fully intend to capture Asian, Scandinavian and other markets as well.

Thank You for taking the time to read our **Phase II** BP and for your interest in this venture.