

Physical Holdings, LLC

"Creating and Supporting Socially Responsible Companies and Consumers"

CONFIDENTIAL BUSINESS PLAN

Contact

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Company Description

This Executive Summary contains "forward looking statements." The words "plans," "will," "believes," "proposed," "estimates," "anticipates," "expects" and similar expressions are intended to identify such forward-looking statements. These statements concern expectations, beliefs, future plans and strategies, anticipated events and trends and similar matters related to the Company concerning matters that are not historical facts. Specifically, this Executive Summary contains forward-looking statements regarding, among other things:

The Company's proposed strategy and plan of operations; products and services; potential customers; future developments in the Company's industry; plans of the Company to implement its strategy; estimates of the capital needed by the Company to implement its strategy; and plan of operations

The Company: Founded in 2011, Physical Holdings is a registered Limited Liability Corporation, in good standing, in the State of New Jersey. (Reference words used herein such as "we", "us" and "our" refer to the Company. Reference words such as "you" and "your" refer to Lenders/Investors.)

The Company was formed to locate, create, develop, sell and distribute socially responsible and environmentally friendly products and services. After careful review and due diligence, we have chosen Peter Kulish's New Advanced Mark 3 Monopole Magnetic Fluid Conditioning Intellectual Property ("Technology"). Based on over three decades of extensively researched and developed Mark 1 technology which met all the technological demands and benefits of complete fluid treatment in all areas of commerce (see sample in Products Appendix), the new technology has a minimum of 200%-1000% more power which gives much stronger benefits.

The Mark 3 Breakthrough Technology is not to be confused with the seemingly similar, run-of-the-mill 'low-performance magnetic conditioning technologies' that have sprung up in the American marketplace, but rather, based on testing results, should rightly be considered one of the most important technological advances in magnetics of our time; a clean, affordable technology that has the potential to positively and greatly impact the energy crisis of our society in a totally green manner. The technology significantly contributes to overcoming the climatic, energy and resource problems created by all of our heating, cooling, transportation and water technologies; literally reducing the cost of living, tremendously reducing the pollution problem, and increasing plant food yields while reducing water needs. It is fully developed, ready and starting to be distributed into the marketplace.

As requests for the product and testing and for its distribution are coming in from various market sectors, the Company has commenced production, product testing and started filling a small segment of distributor start-up orders. The Company is working on programming distribution for the following markets: major transportation, automobile, residential and some commercial natural gas sales (Pizza/Restaurant, etc.), residential hardwater, pools/hot tubs and agriculture.

As distribution is created and sales and revenue streams hit acceptable benchmarks in their qualified divisions, a commercial and industrial program will be instituted as an additional revenue stream.

The following issues are currently in action:

1. Qualcomm integration will commence upon certification and engineering of the GE Controls system. Their US customer base is in excess of 745,000. Qualcomm has a high interest as they will become distributors of the technology upon certification and integration.
2. Calvin Ruehl is testing several small diesel fleets (800 Junk, Airport Shuttle buses) with results oriented sales pending. In addition, he is handling a start-up distribution network for Combustion Energizers in Puerto Rico. Mr. Ruehl has also installed Natural Gas Energizers in several restaurant with excellent results. Numerous contacts of his are said to be awaiting proof of certification.
3. Start-up distribution networking has started in, Ecuador, Brazil, Poland, Germany and Greece. Entities will create immediate sales pending the product certifications.
4. 12 Domino's Pizza locations have installed combustion energizers for natural gas savings. With preliminary data provided, the overall savings are projected at approximately 20% on their utility bills. This program will be taken to Domino's corporate upon certification for legal requirements.
5. Start-up Canadian distributors for the automotive, home and commercial water systems, along with water testing for golf courses in Florida has begun. Several other customers are awaiting certifications.
6. Major industry players including Caterpillar, Turbo-Power, along with several large governmental entities are all awaiting product performance certification to consider purchasing programs. Upon certification, immediate follow-up will commence.

Marketing Strategy

The basic revenue model maximizes and capitalizes on today's internet's marketing and PR reach to support affiliate, direct, organizational, and standard 3-Step Retail Distribution in all the applicable product markets.

Our strategy is designed to generate multiple revenue streams by simply targeting a couple of relevant Technology product markets. The ROI is fast and like its warranty, offers a lifetime of money saving and environmental benefits. Due to its breakthrough in design, high gross profit margins can be maintained while selling at low consumer price points in a standard distribution model. As one market reaches steady revenue, others will be added.

The Company is seeking \$375,000.00 in financing.

The net proceeds from funding are set forth under "Use of Proceeds" and are specifically allocated to equipment tooling, salaries, general working capital including manufacturing, marketing expenses, certification costs, and professional consulting fees sufficient to meet our financing requirements for the next 6 to 8 months. We feel confident this will be enough capital for the company to become abundantly successful.

Use of Proceeds

To fulfill the business plan, the Company presently plans to use the net proceeds from the funding as follows:

Use of Proceeds	Amount	Percent
SAE/EPA/CARB Certification testing for diesel products	\$65,000.00	17.3%
Home Heating Oil, Natural Gas/Propane certification tests	\$16,000.00	4.3%
Patent Attorney Legal Fees (2 patents)	\$15,000.00	4.0%
Consultant fees for Scientist Kita for required patent data	\$6,000.00	1.6%
Tooling upgrade for XHD Air Unit Metal Stamping	\$9,000.00	2.4%
Materials for XHD units	\$7,000.00	1.9%
Engineering Oversight and Consulting fees for E. Graham	\$28,500.00	7.6%
GE Controls Engineering and Qualcomm Integration	\$45,900.00	12.2%
Office System Upgrades/Additions for Advertising Interns	\$5,000.00	1.3%
Affiliate Marketing Software Programming/Integration/Mktg	\$7,000.00	1.9%
Targeted Winter Heating Advertising Program	\$80,000.00	21.3%
Operating Capital (Admin. Costs, Office Exp. Salesperson, Etc)	\$37,600.00	10.0%
Contingency Capital to cover Testing Period & Unknowns	\$53,000.00	14.1%
Total	\$375,000.00	100.0%

The financing/investment will be paid back monthly, preferably with a 36-48 month term.

We are offering a lucrative 30% simple interest ROI included in the monthly payments.

In furtherance, we are also offering a 10% Gross Revenue Payout for an additional 5 years, paid quarterly, starting after the initial investment is paid.

Technology and Product:

Invented and developed by Peter Kulish, the patent pending Monopole Clamp-on Technology was created as a breakthrough—a quantum-level power increase over the inventor’s original Mark 1 magnetic fluid conditioning technology. In a number of product lines, the Mark 3 technology is a minimum of 200%-1000% more powerful than the original Mark 1 technology, delivering the same benefits in a shorter period of time at a lower price point and a smaller size – often a requirement of available installation space. The Mark 1 monopole technology has been tested by the US Air Force, Army and Coast Guard, and multiple governments, laboratories and industry worldwide. The new Mark 3 system tests show greater emissions reduction and better mileage increases and faster water softening.

How Does the Technology Work?

The electromotive energy of properly designed magnetic fields reduces surface tension which makes water softer reversing all hardwater problems and de-scaling all mineral buildup. It also helps to reduce and eliminate chemicals in pools and hot tubs and most HVAC water conditioning. In Agriculture, an average of 40% reduction of water is needed to produce 100-675% increased plant yields depending on type of crop.

With fuels, the system makes the fuel atomize and ionize more efficiently with the oxygen for increased combustion efficiency. At work is the little known NASA science of the normal hydrogen atom being changed into energized hydrogen that increases the BTU output giving more MPGs or greater heat output from less fuel while reducing emissions.

Mission and Vision

The mission of Physical Holdings is to be the most essential product company for consumers, businesses, and the environment itself.

Our vision is to be recognized as the company responsible for dramatically reducing our society's need for fossil fuels, and for eliminating smog produced by caustic emissions. We'll be further recognized for providing the products and services needed to eliminate billions of tons of greenhouse gasses globally, allowing for the halt of ozone depletion and degeneration.

A statement of who we are:

As a global family with a proud heritage passionately committed to providing superior performance and value, we intend to operate as the undisputed marketplace leader committed to our customers' success while consistently exceeding their expectations.

We plan to build strong, profitable relationships with a broad spectrum of consumers and businesses. In seeking to balance our desire for profitable growth with the obligations which we have to various other constituencies, we shall strive to increase organizational capabilities and passions that compete in the present and builds for the future.

We are a symbol of warmth, welcome, and success. We are a pleasure to work with, honest and genuine. The Physical Holdings experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our customers. We anticipate these needs and deliver outstanding products and services that transform customer desires to marketplace and homestead wins.

What we do and how we work is distinctly Physical Holdings. It's a way of thinking and working that is grounded in performance, attention to detail, going the extra mile, and simply being available for any need that enhances the level of service each customer receives.

Our responsibility is not taken lightly - our customers' success is vital to our success. Fulfilling on our responsibility has us be at the leading edge of competition in every aspect of our business. We invest substantial resources - financial, operational, technological, and human – to be employed wisely and evaluated regularly while maintaining flexibility to adapt to changing market conditions and customer needs.

Continuously operating with excellence and delivering outstanding customer service in every segment of our company, we provide an access for our customers to achieve their goals, experience extraordinary results, and be left delighted by the experience of working with us.

We have become known as one of the world's best known go to companies, almost entirely by word of mouth from our global audience of satisfied customers.

Product Description

The fluid conditioning line will be our primary product line. We'll show you one product here, with a product sheet for each other product attached in the appendix.

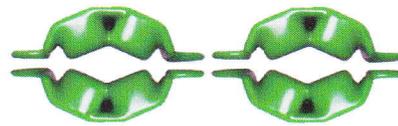
We'll begin with the **Diesel Fuel Super Saver** system, as it will be our leading product to start.

Fuel System

Top View



Side View



Coolant System

Top View



Side View



Air System

Top View



Side View



Model – Medium Duty Diesel Super Saver 3.1-8.0L (MDD-3.1L)

The **Diesel Super Saver** system is the most powerful and effective fuel-saving technology ever designed. Our technology is NOT to be confused with the primitive, single fuel-magnet technology that produces negligible results. The DSS is an engineered system designed for today's technically advanced diesel engines.

Using combined magneto fluid dynamics based on NASA Ortho-hydrogen science, the DSS is a new breakthrough design in engine combustion efficiency by the inventor of the original Monopolar Clamp-on Fluid technologies.

The DSS delivers 20% or more in fuel saving efficiency while reducing emissions by an astounding 80%. In today's economy, these are a must have for any truck owner, or fleet operator.

Industry Analysis

As we approach 2012, we have continued to pay more for fuel with costs rising an average of just under a dollar from last year's prices across the US. In a volatile marketplace where the trucking and manufacturing industries have been hit hardest, private and public sectors are forced to absorb higher costs. Other volatile areas include an unpredictability of product cycles, capital investments, difficult budget planning sessions, and an unstable economy. Larger impacts are being felt worldwide in oil producing sectors by uncertain politics, uncertain leaders, many areas of unrest, and natural disasters.

In light of all these factors logistics is still above 10% of the US GDP, with trucking being one of the largest components at a reported 9.3% increase due mostly to fuel surcharges.

Fuel economy and managing fuel costs have always been an important consideration for vehicle owners, especially business owners and fleet managers. Given that fuel is one of the leading operating costs in any industry that employs fleets of any kind, these mitigation practices are making their way to the top of everyone's list. Reportedly, fleet fuel costs can range anywhere from 10% to as much as 35% of the overall operational costs. Notwithstanding everything we've already covered, fuel economy continues to gain importance with record high fuel prices sprouting, and a continued elevation of engine emissions standards.

Businesses are also facing more outside regulatory agency oversight in certain areas of operation that left unchecked, could lead to major monetary impacts. For example, the California Air Resource Board (CARB) recently issued a \$60,000 fine to a truck company for not meeting emission standards. States across the US are also implementing laws that fine operators and businesses that allow trucks to idle for extended periods of time. For commercial trucks in CA over 10,000 Lbs, idling over a mere 5 minutes can result in fines up to \$1,000.00 per day.

In a heightened arena of global competition, businesses, governments, environmental concerns and ecology, the reduction of a given carbon footprint are blending together in a palette of green. Savvy business owners, fleet managers, and owner/operators know that they must maximize investments, while embracing emerging technologies and management practices to reduce fuel consumption, consequently lowering operating costs.

With a presence of opinion that Americans should use less oil, both for environmental and national security reasons, implementation of fuel saving solutions present a win-win-win scenario for all involved. Let's not forget the PR value that can increase brand visibility and improve consumer relations.

Target Market

With 15.5 million US and over 60 million trucks globally, plus the trends and concerns listed previously, we are strongly choosing our primary target market as full size tractor trailers inside the logistics niche of the transportation industry. These figures do not include the enormous medium to large box truck market. In expanding on our identified target market as just described, we are seeking financing to obtain a certification for the diesel supersavers. Below, we'll describe in detail the potential for this market segment.

Our most immediate and rewarding action upon certification will be adding Qualcomm to our list of distributors. With their impressive presence in the trucking industry, they will prove to be a major player in our rapid ROI scenarios.

Based on the Qualcomm customer base alone, they have over 1.4 million units in operation spread across 39 countries globally. And announced in November of 2011, they will be adding fleet management services in Mexico.

Based on average marketing statistics, which will most likely not apply, as these are warm market existing customers, here are some income projections

1% of Qualcomm's customers = 14,000 trucks @ \$719.99 profit per unit = \$10,079,860.00 GP

3% of Qualcomm's customers = 42,000 trucks @ \$719.99 profit per unit = \$30,239,580.00 GP

According the **American Trucking Association** there are approximately 2.3 million large trucks on the road. Minus 745K for Qualcomm's US trucks leaves 1.5 million potential customers in this category.

1% of Remaining trucks = 15,000 trucks @ \$719.99 profit per unit = \$10,799,850.00 GP

3% of Remaining trucks = 45,000 trucks @ \$719.99 profit per unit = \$32,399,550.00 GP

Primary target market total potentials

1% Qualcomm & US Market = \$20,879,710.00 gross pre-expense profit

3% Qualcomm & US Market = \$62,638,130.00 gross pre-expense profit

These numbers, as mentioned, do NOT include the massive medium and large box truck market segment even though sales to these vehicles will occur naturally because most fleets, especially the larger ones we are specifically targeting, utilize them.

ABIresearch (**Allied Business Intelligence Inc.**) stated that the global commercial telematics shipments will exceed 6.4 million by 2016.

Physical Holdings will be poised to dominate the market share by creating strategic alliances and partnering with various leaders in the telematics industry, (like Qualcomm) since fuel savings is a common leading marketing point for all of them. Our first to market advantage described later on will support the assertion of a large market share.

Marketing/Sales Plan

We have already established customers inside primary target market, many of whom are simply awaiting the certification results.

For all of the other potential customers in this category, We will lead by leveraging relationships our distributors have with their existing customer bases. We will utilize commissioned sales people experienced in the B2B marketplace. We will attend relevant trade shows, and advertise in their publications.

We have also met with, and are working closely with several press professionals and advertisers to launch a press release campaign nationally. All of the pre-work will be complete, and within days of the certification, the campaign will launch fully throughout thousands of media outlets.

We will ongoingly look to create strategic alliances with other related vendors and companies where our products can augment the products and services they offer. (Like other fleet management companies, gas card providers, etc.)

Most of our marketing materials are already in production, and will not generate any additional costs. We will fund further marketing activities through ongoing sales revenues as budgeted.

One other marketing segment we will target is Minnesota for our home fuel super savers. We are well in to the winter heating season, and given Minneapolis is one of the coldest cities in the US by degree days, it is a perfect place to start. The mini-marketing plan is attached in the appendix. This secondary niche was chosen because we will be able to market immediately, and the demographics support it. This will generate immediate additional revenue while the several month certification process is underway. This is currently the only other market segment and secondary product we will market until certain sales and revenue benchmarks are met. If the program is more than marginally effective, we will add targeted cities to continue the additional revenue stream.

We will also use our intern to utilize the social media outlets for awareness, specials, and press attention. They will also employ other internet marketing strategies to develop product awareness.

Every action taken will move to build our reputation, and our brand.

Trends in our market segments are strong and steady. Our technology is already ahead of the curve, and ready to lead the way in to a new trend of eco-friendly commerce.

Competitive Analysis

After extensive research in to the competition, we are excited to enter the marketplace.

There are several direct competitors, but they are small and cannot produce the results our technology provides. We will be the ONLY magnetic system of its kind to carry the EPA, SAE, and CARB standards certifications. This will give us an almost un-measurable market advantage.

Magnetizer is the only direct competitor that produces any significant results. They only have access to the Mark 1 technology, and have not proven to be aggressive in their marketing efforts. They have left several market segments untouched, and not fulfilled on the segment they are in.

There are numerous indirect competitors, of which some have certification, and some do not.

Of the ones who do, we have chosen Aeroflex since they have a high value proposition.

Aeroflex Flaring is applied to trailers for increased aerodynamics for fuel savings. It costs \$1,399.99 + \$75.00 +/- Shipping. It weighs 160-230 lbs, takes 4-6 hours to install, and requires maintenance. This product at maximum and optimal results will produce a 7.45% fuel savings based on SAE testing results. The purchaser can expect an investment ROI within 1 year.

Our most expensive truck magnet system costs \$1,799.97, ships for about \$10.00, weighs about 8 lbs, takes less than 1 hour to install, requires no maintenance. The system will produce a 25% or better fuel savings plus an 80% + reduction in emissions with an investment ROI in typically less than 4 months.

We don't have to tell you that companies are spending money to save fuel, just look at the trailers while you're out driving and you'll see for yourself. In doing the market analysis it is clear that fuel savings is a current major topic that has been and will continue in to the foreseeable future. Manufacturers spend millions improving aerodynamics touting better fuel mileage, and there are too many products to list that make the same claim.

Our products deliver far superior results at comparable costs. The results are verifiable, and with the certification, it will be easy to out maneuver the competition.

Operations Plan

Our primary operation will begin as a home based business to keep initial overhead expenses to a minimum while due diligence is completed to find the appropriate facility that can handle our size and has room for expansion.

Our manufacturing will be done in Pennsylvania by a company that has its own QA process, and is ISO certified. We will schedule visits from time to time to ensure the highest standards are met while producing our products. The plant has one machine row dedicated for our units. Currently one shift is employed, and there is room for two additional machine lines. This is more than adequate for our expansion needs, even at mass market production demands.

Our fulfillment and shipping will be done by a local drop-shipping firm minutes away from the manufacturing plant. This facility is currently shipping our products and has an excellent track record of quality packaging with 100% deliverability to date.

One part of the initial financing will be used to re-tool one of our metal punches. Currently we use a 2 punch process. With the new tooling, we will have a one step punch that will be both time and cost efficient.

Once the appropriate metrics are achieved, we will move to a single location to have the administrative staff, sales, marketing, warehousing, shipping, and customer service all under one roof. This move is anticipated to be scheduled in the late third quarter of 2012.

We are an equal opportunity employer, who will ensure all local, state and federal laws are carefully observed and enforced. Until our staff grows to ten full time employees, we will outsource our human resources needs. When we move in to our single facility we will employ a HR department manager.

To ensure we avoid as many pitfalls as possible, we will continually utilize professionals in various fields to consult and guide our sequencing, expansion, and results.

Management Team

MANAGEMENT OVERVIEW

Physical Holdings's founding management team consists of two experienced executives with a complementary mix of backgrounds, experiences and skills. This is the right team to build the Company now, and guide it profitably into the long term future. Relevant skills among management that benefit the Company include:

- Extensive knowledge of the retail business
- Experienced business people with an in-depth understanding of successful business operations
- Multi-task orientated; able to take on heavy workload
- Flexible; able to adapt to different circumstances
- Understand the importance of consistent, high quality customer service

James Westura – President

Mr. Westura is responsible for generating millions in revenue for various product and service oriented business. His diversified background includes outside sales, network marketing, internet marketing, and overall business operations of a specialized education and training company. While under his lead, the training company's annual sales increased by 100% over a two-year period. Mr. Westura has an uncompromising focus on customer service. His ability to recognize sales trends and fully exploit merchandise opportunities has consistently produced increased sales, increased profits, and customer loyalty. In his capacity of President, Mr. Westura will be responsible for all aspects of the Business' day-to-day operations including purchasing, merchandising, marketing, sales and customer service.

Peter Kulish – COO

Mr. Kulish, founded the intellectual property for the unipolar magnetic clamp-on technology science of MHS (magnetohydrodynamic) fluid treatment and in 1985, as his former company's CEO, he developed the magnetic monopole technology into 60 model applications in 11 markets: consumer hardwater conditioning; residential heating/fuel saving; auto/van fuel saving; pool & spa conditioning; commercial/industrial hardwater conditioning, commercial/industrial heating fuel saving; commercial transportation fuel saving, Commercial pools; agriculture; oil Industry, down-hole & transmission lines. He is recognized worldwide for his many patented applications in magnetic fluid conditioning for increasing energy efficiency and saving money in residential and commercial water process equipment, fuel & energy savings, crop yield increases and environmental benefits of reducing chemical, water and air pollution. He has represented single-pole technology to the US Government, UN, The Royal Society of the Arts, Prince Charles Trust, King and Prime Minister of Malaysia, Ministers of Thailand, Vice President and Minister of the Philippines, Air Force Ministry in Poland, Ministers of Brazil, among many others. He has given numerous talks on the technology at scientific associations, radio and international TV. Mr. Kulish will be responsible for the design, and engineering aspects of the product lines and underwriting of the intellectual property.

Management Team

William Ward – VP of Sales

Mr. Ward comes with a mixed background of sales and training. He has a proven sales ability to have customers take action on a want they didn't even know they had. Mr. Ward's accountabilities will include accounts payable/receivable, vendor relations, sales force management and training, risk management and customer service.

Advisory Board and Consultants

Ed J. Graham – Technical Specialist

Mr. Graham is an Aero/Dynamics Consulting Engineer having over 39 years of System and Project Engineering & Systems Development experience. He has utilized a diverse background of Mechanical, Aero-Acoustics, Vibration, Metallurgical courses (Indiana Institute of Technology-BSME), and MS Electronics courses (University of Florida), where he applies high speed data acquisition and digital signal processing technologies to uniquely solve complex engineering design, development, test, and operational problems, Project/Test/Product Development Systems - Technical Integration - Specialist – Dynamic FFT Analysis/Manufacturing/Marketing Of: Aeronautical, Propulsion Avionics, Acoustics, Mechanical, Electronic, & Environmental - Systems Integration Engineer - Root-Cause Analysis - Technical Leader/Trainer – Hands-on - Problem Solver – Flight and Ground Test Operations.

Mr. Graham was a Consultant to several aerospace organizations involving high-speed data acquisition-telemetry systems and precision fuel flow measurement-delivery. General Dynamics, NASA, Honeywell, Valsan, Lockheed-Martin and Air Forces – around the world. Mr. Graham will be responsible for the GE Controls and Qualcomm integration engineering, and other technical engineering oversight.

Law Firm

Mattleman, Weinroth & Miller, P.C. (NJ, PA & DE)

Financial Planning, Tax Planning & Compliance, Business Consulting

TRAUST SOLLUS Wealth Management

TV Media Specialists

Bob Circosta & Kevin Harrington

Brand Design and Engineering

American Design Co.

Consulting Scientist

RJ Kita

Strategic Planning, Business Development, Sequencing

SynerVision International Inc.

Multimedia and Video Production

White Chocolate Visual Media, LLC

Financial Plan

Physical Holdings, LLC Cash flow Analysis

MARKET SEGMENT	DEMOGRAFS	MKT %	SYSTEMS	Sales @ whls/60% off	TOTALS	
AUTO/Vans/SUVs SYSTEM(Avg sys= \$249.97)	180,000,000	0.0014%	2,520	\$99.98	\$251,949.60	
TRUCKs (Large tractor trailer only)	2,300,000	1.30%	29,900	\$639.99	\$19,135,701.00	
TRUCKs (all others)	13,500,000	0.025%	3,375	\$426.00	\$1,437,750.00	
Natural GAS Home/Com	100,000,000	0.0064%	6,350	\$39.60	\$251,460.00	
HOME OIL Systems	10,522,080	0.121%	12,732	\$39.60	\$504,175.99	
LPG Home/com	10,000,000	0.001%	100	\$39.60	\$3,960.00	
HOME- Water System	91,043,500	0.001%	910	\$103.99	\$94,676.14	
POOL & Hot Tub	3,500,000	0.0005%	18	\$77.99	\$1,364.83	
FLAVORIZER	150,000,000	0.00%	0	\$5.00	\$0.00	
TOTALS	560,865,580		55,905		\$21,681,037.55	
Average Cost of Representation					10.00%	\$2,168,103.75
PRODUCT COST in Package					30.00%	\$6,504,311.26
TOTAL COST OF GOODS					40.00%	\$8,672,415.02
GROSS PROFIT					60.00%	\$13,008,622.53
EXPENSES						
PAYROLL		3.00%			\$650,431.13	
EMPLOY Benefit		2.50%			\$542,025.94	
PAYROLL TAXES		0.70%			\$151,767.26	
PROF & LEGAL		0.50%			\$108,405.19	
R & D, TESTING		1.50%			\$325,215.56	
LOAN / Interest		3.00%			\$650,431.13	
ADV & P. R.		10.00%			\$2,168,103.75	
INTERNET		0.08%			\$17,344.83	
TRADE SHOWS		0.75%			\$162,607.78	
TRAV & ENTERT		0.50%			\$108,405.19	
OFFICE LEASE		0.05%			\$10,840.52	
OFF EQUIP & FURN		0.02%			\$4,336.21	
OFFICE SUPPLIES		0.03%			\$6,504.31	
INSURANCE		0.10%			\$21,681.04	
PRINT, Package, Display		2.00%			\$433,620.75	
WAREHOUSE		3.00%			\$650,431.13	
TELE & COM		0.05%			\$10,840.52	
Kulish Royalty		4.00%			\$867,241.50	
TOTAL EXPENSES		32.78%			\$6,890,234.73	
PRE-TAX PROFIT					27.22%	\$6,118,387.80

(Does not include US Commercial/Industrial / HVAC / Motorcycle / Boat / Ship / Aircraft Markets or any of the Global market segments even though we already have distribution set there)

Sales Forecast (12 Months)

Physical Holdings, LLC

Forecast Begins Upon Financing

Dec-11

12-month Sales Forecast

	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Annual Totals
Home Heating	2490	5079	7968	1806	110	25	0	0	0	15	95	1594	19182
Sale price @	\$99.00	\$99.00	\$99.00	\$99.00	\$99.00	\$99.00	\$99.00	\$99.00	\$129.95	\$129.95	\$129.95	\$129.95	
Cat 1 TOTAL	\$246,510	\$502,821	\$788,832	\$178,794	\$10,890	\$2,475	\$0	\$0	\$0	\$1,949	\$12,345	\$207,140	1,951,757
Diesel Fuel	0	0	0	175	460	720	1100	2820	3640	4880	6450	9655	29900
Sale price @	\$1,599.97	\$1,599.97	\$1,599.97	\$1,599.97	\$1,599.97	\$1,599.97	\$1,599.97	\$1,599.97	\$1,599.97	\$1,599.97	\$1,599.97	\$1,599.97	
Cat 2 TOTAL	\$0	\$0	\$0	\$279,995	\$735,986	\$1,151,978	\$1,759,967	\$4,511,915	\$5,823,891	\$7,807,854	\$10,319,807	\$15,447,710	\$47,839,103
Gas (GSS-5L)	0	0	0	45	70	95	130	190	220	310	375	400	1835
Sale price @	299.97	299.97	299.97	299.97	299.97	299.97	299.97	299.97	299.97	299.97	299.97	299.97	
Cat 3 TOTAL	0	0	0	13,499	20,998	28,497	38,996	56,994	65,993	92,991	112,489	119,988	\$550,445
Gas (GSS-4L)	0	0	0	4	8	21	35	60	85	115	142	215	685
Sale price @	\$199.97	\$199.97	\$199.97	\$199.97	\$199.97	\$199.97	\$199.97	\$199.97	\$199.97	\$199.97	\$199.97	\$199.97	
Cat 4 TOTAL	\$0	\$0	\$0	\$800	\$1,600	\$4,199	\$6,999	\$11,998	\$16,997	\$22,997	\$28,396	\$42,994	\$136,979
Home Water	0	0	0	0	20	110	325	440	15	0	0	0	910
Sale price @	\$259.97	\$259.97	\$259.97	\$259.97	\$259.97	\$259.97	\$259.97	\$259.97	\$259.97	\$259.97	\$259.97	\$259.97	
Cat 5 TOTAL	\$0.00	\$0.00	\$0.00	\$0.00	\$5,199.40	\$28,596.70	\$84,490.25	\$114,386.80	\$3,899.55	\$0.00	\$0.00	\$0.00	\$236,572.70
Pool / Hot-Tub	0	0	0	0	0	2	9	6	1	0	0	0	18
Sale price @	\$194.97	\$194.97	\$194.97	\$194.97	\$194.97	\$194.97	\$194.97	\$194.97	\$194.97	\$194.97	\$194.97	\$194.97	
Cat 6 TOTAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$389.94	\$1,754.73	\$1,169.82	\$194.97	\$0.00	\$0.00	\$0.00	\$3,509.46
Monthly totals:	\$246,510	\$502,821	\$788,832	\$473,087	\$774,673	\$1,216,137	\$1,892,207	\$4,696,465	\$5,910,976	\$7,925,790	\$10,473,036	\$15,817,832	\$50,718,366

Exit Strategy

Physical Holdings has investigated and evaluated several exit strategies.

Remaining Private

The first, depending on revenue, is to keep the company private, and continue to enjoy the benefits of positive cash flow without paying additional dividends to investors or shareholders. This option is solely based on the amount of revenue generated in our first three years of operation.

Taking the Company public

The second, is dependent on how fast the company grows, and how aggressive we choose to be. We may choose to generate large amounts of capital to expand operations exponentially in a rapid manner if self-funding is not meeting our needs.

There are numerous Pros & Cons in becoming a public company. We will, with the support of our advisory team and other qualified professionals, evaluate this option within the first three years of operation.

We have been advised that although going public is not for all companies, we should be in a position to do so if we choose.

Other options

A few of the other options we investigated include Venture Capital, a partner buyout, and the possibility of a merger with other related technology companies.

As mentioned, the management of the company, along with our advisors, will monitor the status of the company's operations, and continually evaluate the different exit strategy options.

Any exit strategy employed would put the initial financing of \$375,000.00 on a first in/first out basis. Upon generating any additional capital, minus generating revenue by staying private, would trigger an automatic payoff of any existing initial financing.

Appendices

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Here is a sample of what the final truck flyer will look like.

Save up to
25% or more
on fuel costs

- Increase MPG / KPL & Horsepower
- Reduce Emissions 80-99%
- Extend Engine Life

The Diesel Fuel Super Saver Monopolar Technology **GUARANTEES** to save you money on fuel and operational costs while reducing emissions and enhancing performance.

Ortho-Hydrogen Technology Over 25 years and \$10 million dollars have gone into the development of this breakthrough technology which is producing substantiated results of fuel economy increases of 20% to 38% & greater. For under a \$1000, a typical Class 8 truck can save thousands per year on fuel and maintenance expenses. The technology can pay for itself in less than 2 months while providing a lifetime of savings.

Emissions Reductions of 80-99% can be achieved without the use of expensive additives or mileage robbing catalysts or filters. International EPA emissions testing shows reduction of 80% which immediately overcomes fines for over limit emissions output. Today's engines only generate usable power from about 70-75% combustion efficiency. The remaining 25-30% wasted fuel is exhausted as polluting emissions.

Our proven advanced technology increases combustion efficiency up to 99% resulting in fuel savings, increased mileage, increased power, cooler operating temperature for longer engine life, and substantially reduced emissions. Most emission technologies are post-combustion systems engineered to work after the fuel is burned and usually restrict the exhaust flow robbing mileage and increasing operating temperature for shorter engine life.

The Diesel Fuel Saver technology provides fuel savings post-combustion systems such as converters cannot provide. The Ortho-Hydrogen Nano-Treatment System (pre-ignition/combustion technology) is considerably less expensive than retrofit converters or filters and gives economy rather than robs economy.

Satisfaction Guaranteed After the stabilization period (large rigs - normally after about 10 tanks of fuel, smaller rigs - 3 to 5 tanks), the Diesel Fuel Super Saver System is guaranteed to work. The Stabilization period is the amount of time it takes for the system to fully saturate the fuel and air lines for full performance. The mileage increase starts to climb until it levels off between 25% to 38% or greater.

Installs in less than an hour without tools Simply straps around fuel lines and cold charged air intake line in less than 30 minutes

Stop wasting fuel money and reduce those emissions without the use of a costly converter/filter which makes the engine run hot and reduces mileage. Contact your distributor to start using the Diesel Super Saver today!

Here is a sample of what the final Oil/Natural Gas flyer will look like.



Testing and Consumers Report

35% - 40% Savings in Heating Cost

- "Saving \$84 a month on yearly budget"
- "Saved \$263 in gas the first month"
- "Saved thousands on fuel oil so far"
- "Saved \$100 in cooking fuel costs first month"
- "Saved + \$500 heating my water in 7 Months"

5 Minute Install – Lifetime of Savings

Fight the high cost of Natural Gas, Fuel Oil or Propane

The COMBUSTION ENERGIZER is an easy to use, fuel-saving device based on NASA rocket science. The COMBUSTION ENERGIZER saves fuel by making it burn better which releases more heat from less fuel – big Dollar Savings. Increasing burning efficiency also reduces carbon emissions into the environment - a win win situation for everyone.

The COMBUSTION ENERGIZER is based on decades of research and application; it uses advanced alloys that provide a very powerful system in a small, easy-to-install design.

Simple to use: Just clamp the COMBUSTION ENERGIZER around your Natural Gas, Fuel Oil, or Propane fuel line and enjoy a lifetime of fuel savings for your home or small business.

Home & Business Owners report Heating & Cooking Savings

Home Fuel Savings Reports:

Gas Savings go from 34% to 40% "My monthly natural gas budget went down from \$205 to \$135 the first season and down to \$121 after the system stabilized. That's a \$84 a month savings or Over \$1000 a year. My wife can't believe it." PR, NY.

Saved over 260 gallons of Fuel Oil the past two seasons That's over \$500. BL, NY

Over 500 gallons saved "Fuel Oil Company reports average 1300 gallons used yearly reduced to under 800; saving over \$1300 a year on my rancher." TK, PA.

41% Gas Savings "November's gas bill was +\$500; December was 27% colder but only cost \$375 with Energizer. I saved \$263 the first month and the savings continued the rest of the winter." Dr. WM, NJ.

Saved Over \$500 on Water Heating Bill

"My gas bill went down over \$500 from April - November. It is the first time my gas bill ever went down." Joe S. NJ



Business Fuel Savings Reports:

20% Pizza Oven Gas Saved at Dominos and other Pizza locations.

Saved \$100 in gas cooking fuel costs the first month. Restaurant, NC.

Saved 20% Cooking Costs "Water on stove boils 20% faster; oven heats 20% quicker; saving a lot of money in gas." CR, NC.

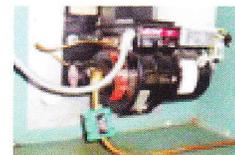
Combustion Energizer for a Lifetime of Savings

Natural Gas/Propane Energizer



- One time purchase
- Simple to install
- No tools or experience
- Nothing will break

Fuel Oil Energizer



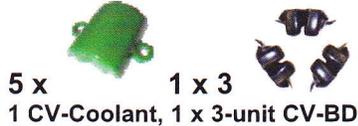
- Won't wear out
- No batteries or electricity
- Moving, take it with you
- Made in USA

High Powered Magnetic Alloys - TS/ISO 9001: 2008

Lifetime Power Warranty • Money-Back Guarantee • Worldwide Patents Pending © 2011

Sample Product List

Mark 3 Auto and Truck Gasoline & Diesel Super Savers November 2011

System	Description	Wt.	Model Units included in kit	MSRP
Gasoline Super Savers				
GSS 4.9L	Engines up to 4.9L Gasoline Super Saver	3.875 Lbs. 1.75 Kg	 <p>2x 2 A CV-Fuel, 3-unit BDN-Air Ring, SS</p>	\$199.97
GSS 5.0L	V8-V10 +5.0 L	4 Lbs. 10 Oz. 2 Kg	 <p>2x 2 A CV-Fuel, 1 x 4-unit BDN Air Ring, SS</p>	\$299.97
GSS 2A	For 2 Air-line Engines	7 Lbs. 10 Oz. 3.5 Kg	 <p>2x 2 A CV-Fuel, 2 x 4-unit BDN Air Ring, SS</p>	\$449.97
Diesel Systems				
LDD-3L	Light Duty Diesel Super Saver up to 3.0L	4.75 lbs 2.2 Kg	 <p>5 x 2 x B CV-Fuel, 1 CV-Coolant, 1 x 3-unit CV-BDN Air Ring, SS</p>	\$399.97
MDD-3.1L	Medium Duty Diesel Super Saver 3.1-8.0L	9.5 Lbs 4.3 Kg	 <p>7 x 2 x B CV-Fuel, 3-unit CV-Coolant Ring, T/S 4-unit BDN Air Rings, SS</p>	\$1,199.97
HDD-8.1L	Heavy Duty Diesel Super Saver +8.1L	11 Lb. 5 Kg	 <p>7 x 2 x B CV-Fuel, 3-unit CV-Coolant Ring, T/S 5-unit BDN Air Rings, SS</p>	\$1,599.97

Legend: "A" system = Magnetic System & back plate. "B" system = two opposing Magnetic Systems. "CV" Ceramic Vinyl [coated]. BDN = Black Double Negative [Air Unit]. "Ring" = three or more Magnetic Systems in a ring. "T/S" = Tandem System (2 Bs or Rings next to each other). SS = Safety Straps used for Installation

Physical Holdings' Combustion Energizer Winter Heating Program

The Product

The **Gas and Oil Super Saver** is a small, inexpensive and powerful technological device that installs in minutes, without tools, on the oil or gas fuel line of the home heater/furnace. At 1/5th the size of the original Mark 1 system, which provided 20% fuel savings, the new Mark 2 Natural Gas/LPG and Fuel super Savers technology has been tested during the last two winter seasons and has consistently produced fuel savings of 25%-40% in both gas and oil applications.

Typical reports: While results depend on such variables as the size of area being heated, temperature settings, weather, and the cost of fuel, families are yearly savings over \$2000. In addition, consumers who heat their water with gas or oil save an additional year-round savings of \$500 a year.

The system has a manufacturer's suggested retail price (MSRP) of \$129.95, but for this launch, it will be offered within the current marketing plan at a special introductory price of \$99, and move up to the MSRP next winter after the generated buzz will guarantee the selling price. (Even at this special price, the Company nets a \$70 gross profit after COG and handling (total of \$29/unit.) Most consumers report recouping their expenditure within the first three weeks of use, which is a powerful selling point.

We've selected Minneapolis (see below, P26) as the largest, coldest city/suburban metropolitan area in the US, because its weather generally obliges its residents to burn a greater amount of fuel than anywhere within the US during the winter season, and they will, therefore, be the most highly motivated to reduce their exceedingly high fuel bills.

Clear Channel's Minneapolis, Minnesota KTLK FM talk radio station is the primary medium we've chosen for advertising. Boasting affluent, educated, and loyal listening audiences, these talk radio programs have a record of "making" the companies, which consistently advertise their products or services on them. The radio advertising program consists of seven initial daily spots from Monday through Friday, for an 12-week run, November 1st -January 2012, at a weekly cost of \$5,375 and will be allocated as follows:

Two spots on the morning drive-time program with popular radio host/comedian Chris Baker and two on the evening drive-time program, hosted by one of Minnesota's most well-known and highly recognizable talk personalities, Jason Lewis.

Appendix B

In addition, we will run one spot on each of three daytime, nationally syndicated, conservative talk shows (Glenn Beck, Rush Limbaugh, and Sean Hannity). Our next goal, as this pilot program shows success, is to replicate it in the Buffalo, N.Y. market, and then, next winter, to roll it out across the nation (in the states that experience winter weather) through the nationally syndicated talk shows of these powerful hosts. The investor in the current program will naturally have the privileged position to invest in the 2012 winter national rollout.

The selected talk radio programs in Minneapolis has a strong base of 249,000 listeners who tune in each week, with 74% of households earning over \$50,000 a year. An eleven-week market test of 7 spots per day (weekdays only) would cost \$60,000 and would be supported by [see below] \$11,000 in a post-it note ad on the front page of the Sunday Minneapolis Tribune for a total marketing expenditure of \$75,500. Out of the \$100,000 in seed money we are seeking, we will reserve \$24,500 to promote the program into the Buffalo market if we meet our projected benchmarks within the first 4 weeks.

The Program Financials

The program will cost \$80,000 to fully implement the Winter Heating Marketing Program. A conservative projection of the targeted market would produce \$ 1,010,940 gross profit (net after cost of goods and handling). Of course, the actual profit could be greater or less than this projected figure depending on actual sales (see below for detailed sales projections).

By coupling our radio advertising program with print advertising in the *Minneapolis Star Tribune* (534k Sunday-\$11,000), we project sales of around 14,442 units by the end of the February with additional non-projected March as the winter starts to draw to a close. Further advertising will be done on a sales results basis and may continue as Minneapolis has long and extremely cold winters with March being one of the coldest and snowiest months.

The 14,442 -unit sales projection (see below) results from the combination of the radio advertising response, supported by the Sunday newspaper 'post-it ad', and is an extremely conservative estimate for a guaranteed money-saving/fuel-saving technology at a time of severe winter weather coupled with rapidly rising fuel prices in a volatile and lack of luxury economic environment.

Appendix B

Based on a radio audience of 249,000 listeners, the frequency of the spot placements, and the former introduction of products like Magic Water that have accomplished market share from this audience, we are conservatively projecting sales at .20 or only 1/5th of 1% (498 units/week) during weeks 1–3. We project a doubling of that figure for units sold during each of the 4th–6th weeks (996 units/week = .40 or 2/5ths of 1%). Then we reasonably expect another doubling for the 7th–12th week (1992 units/week = .80 or 4/5ths of 1%).

Weeks 1-3 :	3 X 498 =	1,494 units	Dec
4-6 :	3 X 996 =	2,988 units	Dec - Jan
7-12 :	5 X 1992 =	9,960 units	Jan - Feb
Total units sold = 14,442 units			
14,442 units X \$70 net pre-tax income = \$1,010,940.00			

With these conservative projections, the breakeven on the program's initial \$80,000 cost, occurs at 1143 systems, projected to occur within the first 3 weeks.

The Radio Ad

Ed Graham, a world-renowned scientist, who worked with NASA on optimizing rocket fuel for space flight, has agreed to read our radio spots, endorsing the product.

The basic 60-second radio advertising spot would read like:

Hi, I'm Ed Graham, a scientist who worked with NASA to optimize rocket fuel for the space program, so you can believe me when I tell you about an invention that will save you a payload of money, because it's based on the same science we used at NASA. This winter Americans face a perfect storm—rapidly increasing prices on home heating fuel—oil, gas, and propane; unusually cold winter weather; and a stagnant economy, plagued by unemployment. But I'll tell you how you can protect yourself against this storm with the Physical Holdings's Fuel Saving Technology Energizer, which will save you a guaranteed minimum 25%-40% on your fuel bill **and** substantially reduce carbon emissions. A win for your pocketbook and the environment! All this for only \$99.00, with free shipping and handling. Snaps on in minutes to the fuel line leading into your furnace. Most people earn back the cost within a few weeks to a month and after that, save serious money, every month, forever. Money-back guarantee. No questions asked. Go to www.saleswebaddress.com that's website a-d-d-r-e-s-s.com. Simply put in the code Minn when you are checking out and the system will be sent immediately.

Appendix B

Market Data about the Minneapolis/St. Paul Metropolitan Winter Weather

Q: What are the coldest cities in the USA?

A: The coldest major city in the USA is Minneapolis, which has an annual average temperature of 45.2 F.

However, several other smaller cities are much colder, including Fairbanks, Alaska (26.7 F), Anchorage (36.2 F), International Falls, Minn. (37.4 F), Duluth, Minn., (39.1 F), and Caribou, Maine (39.2 F). In Fairbanks, for example, the average daily high temperature in January is -0.3°F.

This data was taken from **Extreme Weather**, a weather guide and record book by Christopher C. Burt.

Minneapolis Minnesota Winter days

Average Number of Days Below 32F/0C Years on Record: 51

YEAR	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Days 156	31	27	25	11	1	---	---	---	---	7	23	30

Average Number of Days Below 5/-15C Years on Record: 51

YEAR	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Days 44	17	12	3	---	---	---	---	---	---	---	2	11