

Initial Report

Rating: BUY

General Automotive
Company

\$0.35

12 Month Target Price:

\$2.00

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Analyst Certification

I, Joseph Noel, hereby certify (1) that the views expressed in this research company report accurately reflect my personal views about any or all of the subject securities or issues reflected in this company report, and (2) no part of my compensation was, is, or will be directly or indirectly related to specific recommendations or views expressed in this company report.

December 4, 2008

General Automotive Company (GNAU)

Capitalizing on the Troubled Automotive Manufacturing Sector – GNAU Compelling Acquirer in the Parts Sector

- General Automotive Company is our favorite small-cap stock name. We are predicting aggressive growth due to the changing dynamics within the automotive sector and an aggressive acquisition program we expect to be launched over the short term. Management has recently indicated its ability to perhaps generate \$100 million in revenue over the next year; we believe the stock works well at 25% to 30% of this level.
- As consumers shy away from new automobile purchases they are increasingly repairing their existing autos, creating strong markets for certain aftermarket products, such as those sold by this Company.
- Having recently divested itself from any highly unprofitable subsidiary, GNAU is now a pure play on replacement aftermarket parts and advanced technologies for fuel cell automobiles.
- We are expecting aggressive growth during 2009 with our conservative case estimating \$27 million and our moderately aggressive case estimating \$38 million, up from \$14 million in 2008.
- We are establishing a 12-month target price of \$2.00, based on our moderate case 2009 \$0.08 EPS estimate and likely more than a doubling of revenues in 2009.

EPS Forecast Conservative Case (\$MMs)

EPS	2009	2010
Q1	(\$0.01)	
Q2	\$0.01	
Q3	\$0.02	
Q4	\$0.02	
Year-End	\$0.05	\$0.10
P/E	7X	3.5X

Market Data

Market Cap (MM)	\$5.3
Shares Outstanding (MM)	15.2
Float	n/a
Dividend Yield	n/a
52-Week Range	\$0.18-\$1.35

EPS Forecast Moderate Case (\$MMs)

EPS	2009	2010
Q1	(\$0.01)	
Q2	\$0.02	
Q3	\$0.03	
Q4	\$0.03	
Year-End	\$0.08	\$0.12
P/E	4.3X	2.9X

Financial Summary

Revenue FY 09(E) (MM)	\$27 to \$37
Cash end of Last Quarter (MM)	\$3.6
Total Assets (MM)	\$5.0
Long-Term Debt (MM)	\$0
Shareholders Equity (MM)	(\$.935)

Please see important disclosures, including analyst certification

GENERAL AUTOMOTIVE COMPANY (GNAU)

Executive Summary

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General Automotive Company, which trades under the symbol “GNAU” is a provider of parts, components and advanced technology to the automobile industry. The Company is currently comprised of two main segments. The OE Source subsidiary competes within the automotive aftermarket, supplying niche, relatively difficult to find “under the hood” automobile components, such as oxygen sensors, throttle position sensors and other parts, which it sources mainly from Asian manufacturers, to a variety of automobile parts distributors and suppliers. These organizations in turn sell the products to various dealerships, automotive repair shops, retail outlets and manufactures.

The Company also is in the beginning stages of a joint venture, called Advanced Composite Technology, LLC, which has been organized in conjunction with SenCer, Inc. to jointly commercialize and market SenCer’s proprietary UltraTemp™ ceramic composite material into the automotive parts and components industry. This technology holds great promise due to its revolutionary heat survivability and bonding characteristics and is being targeted at both near-term opportunities (12 to 18 months) to create a superior oxygen sensor and long-term opportunities (2 to 3 years) relating to the potentially hyper growth field of fuel-cell powered automobiles.

General Automotive has also, until very recently, operated a subsidiary called, Global Parts Direct (GPD), which was involved in the acquisition and repackaging of electrical components, such as DVD players and video screens, for resell into Chrysler, LLC. This

business had been operating at a significant loss mainly due to the many problems being experienced in the automobile industry. During November 2008, the Company terminated this subsidiary treating it as a discontinued operation in Q3 reporting. We consider this to be a wise strategic move that will significantly improve overall financial performance of the organization.

With the GPD business out of the way, we believe the management team will be able to devote significantly more resources to its OE Source business. The team believes additional revenues can be gained and costs can be further reduced by leveraging its Asian sourcing and just in time order fulfillment to take advantage of the current conditions within the automotive marketplace that are causing consumers to keep their current automobiles for longer periods of time, resulting in a growing aftermarket for parts as consumers are forced to make necessary repairs.

Additionally, the Company has the opportunity to expand its number of products provided by this division and to create long-term supply arrangements with existing customers. While we believe there are both opportunities for revenue growth and expense reductions within the OE Source business, we do not believe such opportunities alone are sufficient enough to make General Automotive Company an attractive investment opportunity.

Clearly, it has been management’s plan since the reverse merger in February of 2008 to pursue an aggressive acquisition strategy. Management’s believes that a minimum of \$10 million in acquisition related revenues can be added during full year 2009. In fact, management has recently been so bold as to publicly state, “Since this was the primary focus of ours upon going public in

early 2008, General Automotive plans to emerge from the current annual revenues of \$15 million to something closer to \$100 million within the next twelve months. Existing market conditions are allowing us to do so at potentially remarkable valuation terms for all GNAU shareholders.”

Such statements make our conservative forecast of \$10 million, and our more aggressive forecast of \$21 million, of additive acquisition revenues for 2009 appear to be potentially overly conservative. While we believe management’s aggressive forecast of \$100 million in revenue over the next 12 months may ultimately prove to be too aggressive, we are nevertheless intrigued by their aggressiveness and confidence.

Due to the difficulties in forecasting the number and size of upcoming acquisitions, we are offering two revenue and earnings models to help investors evaluate this investment opportunity. Our very conservative model assumes moderate growth in the Company's legacy business and approximately \$10 million in new acquisition related revenue. This model yields a forecast of \$27 million for full-year 2009 revenues, producing \$0.05 EPS. Our more aggressive set of assumptions also assumes moderate growth for the legacy business, but assumes just over \$21 million in acquisition related revenue. This more aggressive model forecasts revenues for full-year 2009 at \$38 million, which produces \$0.08 per share.

Recent events in the economy and financial sector have caused great upheaval for many automotive related parts manufacturers. We believe the management team may be able to capitalize on this upheaval in order to consummate several highly accretive acquisitions, which will likely produce meaningful earnings for the Company's shareholders for full years 2009 and 2010.

Risk factors to investment include the potential for further deterioration of the economy and the automotive sector, risks associated with raising capital to fund working capital needs, reliance on foreign manufacturers and issues relating to strong competition in this industry sector. We believe these issues are already factored into

the Company's stock price, but we do not believe the upside potential relating to these acquisitions has been included in investor analysis.

We believe some of the best industry and stock purchase opportunities occur during times of great turbulence. The market in which this Company is engaged is clearly experiencing a significant amount of volatility and change, which we believe creates an outstanding opportunity for aggressive management teams to add both product lines and new businesses to their mix. We believe this is exactly the strategy the management team of General Automotive Company plans to invoke over the next few quarters.

Utilizing our conservative set of assumptions, we believe there are compelling reasons to believe General Automotive will be able significantly reducing its losses during Q1:09 and likely turn a profit during Q2:09.

With GNAU shares currently bid at approximately \$0.35, the stock is trading at only 7X our conservative estimate of \$0.05 for full-year 2009 and at only 4.3X our more aggressive forecast of \$0.08 for the year. We believe the risk/reward ratio in acquiring these shares at or near current levels is very positive.

Therefore, we enthusiastically support the purchase of the shares. Simply put, we like this Company’s story, its management team and believe significant growth will be seen over the next few quarters.

Introduction to General Automotive Company



General Automotive Company, which trades over the counter under the symbol GNAU, is a provider of aftermarket parts, components and advanced technology to the automobile industry.

Up until recently the Company operated two wholly-owned subsidiaries, Global Parts Direct, Inc., which is known as “GPD” and OE Source. Of course, the abbreviation “OE” within the segment of the automobile parts industry is an abbreviation for “Original Equipment.” In a major positive development for the Company, it was recently announced that the GPD business was liquidated and will be treated as a discontinued operation for accounting purposes. During mid-2008, the Company signed a joint venture, called Advanced Composite Technology, LLC creating a third business unit within the organization.

The three subsidiaries of General Automotive Company are shown below in Figure 1.

Figure One
General Automotive Company’s Three Subsidiaries



Source: General Automotive Company

GPD was an approved original equipment manufacturer and supplier to Chrysler LLC. The division imported certain electronic devices, such as DVD players, monitors, and backup camera systems, etc. from Asian manufacturers and repackaged these devices for sale and delivery to Chrysler. These units were then installed in the auto manufacturer’s vehicles.

With the sharp reduction in automobile manufacturing levels within North America, sales levels and profitability of the GPD business had been a significant drag on the Company's operations. The elimination of this business should allow the Company to reach profitability rather quickly, in our opinion.

We consider this event to be highly significant to General Automotive and to its investors.

The Company's main subsidiary is called, OE Source. The subsidiary sells conventional auto parts it imports mainly from Asian manufacturers and distributors. This business was started in 2004 and since that time has seen rapid growth.

The vast majority of the parts provided by the OE source business are considered to be in the general category called “engine management products” and include such devices as oxygen sensors, throttle position sensors, brake system components, as well as other “under the hood” devices and parts. The Company supplies these parts to customers, most of which are US-based distributors. The Company's customers then resell the products to various dealerships, automotive repair shops, automobile manufacturers, and retail outlets. Figure Two shows some of the types of parts supplied by OE Source.

Figure Two – Typical OE Source Products



Typical OE source products - From Left to Right - throttle position sensor, oxygen sensor, throttle body – Source: Bosch AG

The management team remains very positive about the OE Source business and believes growth will continue over both the short-term and long-term. Much of this optimism centers on the current issues being experienced in the general economy and in the credit markets, which are both contributing to a rapid deterioration of new automotive sales worldwide. As consumers delay the purchase of new automobiles they are often forced to repair currently owned vehicles, which is likely to ultimately yield a positive effect relative to revenue levels at the Company.

General Automotive Company operates an additional business called Advanced Composite Technology, LLC, which is referred to internally as, ACT. This organization was created in July of 2008 through the signing of a joint venture agreement with Rochester, New York-based, SenCer, Inc., which has developed a series of next-generation ceramic fiber/ceramic matrix composite materials. These materials are expected to be used in a wide variety of automobile related applications.

Under the agreement, General Automotive and SenCer will work together to develop and market SenCer's main product, called UltraTemp™, for automotive applications.

The core technology behind SenCer is an advanced ceramic composite material that possesses some remarkable thermal properties and bonding capabilities. While the technical capabilities of this material are well beyond the scope of this investment oriented research paper, simply put, the main advantages of this advanced material are survivability in extremely high temperature environments and an incredible capability to bond to almost any surface.

The material can be used in high temperatures environments without losing its core properties maintaining a bond to other materials at temperatures up to 1800°C.

This ability to maintain strong bonding characteristics, even under extremely high temperatures makes this material perfect for many automotive applications, especially related to fuel cells and oxygen sensors, both of which operate at extreme temperature ranges

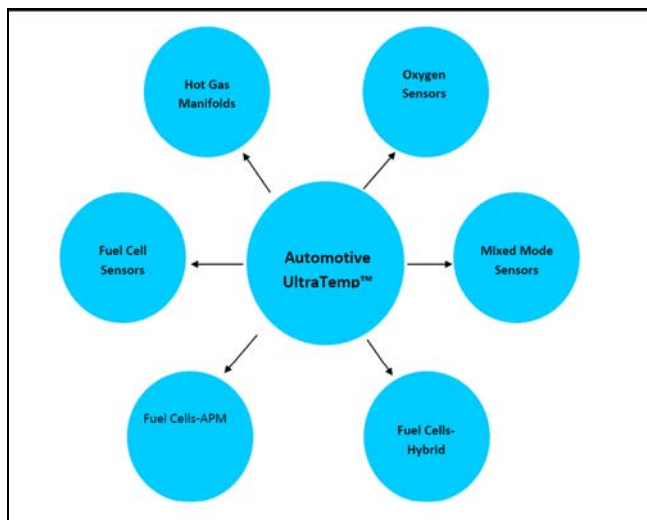
One of the products that could be developed in conjunction with SenCer is an advanced technology oxygen sensor. The management team believes such a product has great promise for the Company, especially considering its already significant distribution of oxygen sensors into some of the largest manufacturers in the world. Using the technology developed by SenCer and the joint venture, General Automotive would have the methods and technologies to meaningfully cut the materials costs of producing oxygen sensors. This would allow the Company to significantly increase its gross margins, while at the same time providing increased functionality to the industry. Such a technology capability would likely not be available to General Automotive until late in 2009 at the earliest. We nevertheless believe its pending potential availability significantly adds to the overall market valuation of the Company, especially considering development could easily work around all existing known patents on oxygen sensor technology, which in many cases are more than 25 years old.

Over the next few years significant advancements in fuel-cell technologies and automobiles are expected by the automobile industry. Fuel cells are a highly efficient; holding the potential to significantly reduce the United States' dependence on foreign oil and hold great promise in helping to reduce greenhouse gas emissions. Fuel cells are currently very expensive to produce, partly due to the very high platinum content inherent to current generations of technologies. The technologies developed by this joint venture could potentially allow fuel cells to be built with little to no platinum, thus significantly reducing overall costs.

General Automotive's joint venture partner has performed some preliminary proof of concept testing through a program funded by New York State Energy Research Agency. Although final fuel-cell output was not demonstrated, this initial work produced promising results and proved that further development is warranted.

Please See Figure Three for other possible UltraTemp applications relative to the automobile parts and manufacturing industries.

Figure Three
Potential Uses for UltraTemp



Source: General Automotive Company

The Strategy to Maximize Shareholder Value in General Automotive Is As Follows:

Strategic Goal Number One - Jettison the Global Parts Direct (GPD) Business

As is explained above, GPD was in the business of repackaging and delivering electrical components manufactured in Asia primarily to Chrysler LLC. With the recent downturn in automobile sales and the issues specific to Chrysler, this business was extremely unprofitable. Through liquidating this business division, the Company has met a major milestone toward creating additional shareholder value.

Strategic Goal Number Two - Increase Profitability of OE Source Business

With the issues related to GPD behind the Company, the management team will now be able to dedicate additional resources toward maximizing the profitability of the OE Source subsidiary. The team believes additional revenues can be gained and costs further reduced by leveraging its Asian sourcing and just in time to capabilities to take advantage of the current conditions within the automotive marketplace that are causing consumers to keep their current automobiles for a longer period of time, resulting in a growing aftermarket parts market as consumers are forced to make necessary repairs. Specific tasks the management team wishes to complete to improve the profitability of the OE source business include: 1) Augment its sourcing capabilities in very low cost producing countries, such as India and China, 2) Expand into other “under the hood” product areas through both working with its current suppliers and by developing new supply arrangements in Asia, and 3) Signing longer-term supply contracts with existing customers.

Strategic Goal Number Three: Establish New Product Categories through Its Joint Venture

It is widely expected that the automobile industry will see a rapid change toward more fuel efficient products over the next few years. Central to this product revolution will be the development of fuel-cell automobiles. Through its joint venture with SenCer, Inc, the Company will have a variety of products to offer this market over the medium and longer terms. We, however, do not believe there are revenue enhancement possibilities relative to the joint venture until sometime in 2010.

Acquisition Strategy

While the management team believes its current OE Source business will continue to grow as a result of the current dynamics within the automotive industry, the team believes it will not be able to meet its shareholder value goals through organic growth alone.

Important to the shareholder maximization strategy will be an aggressive acquisition program. The management team's goal is to acquire multiple companies within the niche automotive parts markets that will act as independent subsidiaries under the General Automotive corporate umbrella. The plan for these acquired subsidiaries is to keep the current management team in place, letting them make most of the operational decisions while the corporate management team at General Automotive provides access to investment capital, additional sales channels for the acquired organization's products, in addition to providing operational and technical support where required.

Due to the extreme fragmentation within the aftermarket automotive parts industry, we, and the management team believe there are numerous companies that will fit the management team's criteria. The management team's goal is to find niche oriented market leaders that hold a number one or number two position within their marketplace segment. Additionally, General Automotive is looking for management teams with demonstrated abilities to both grow and manage the organization's product lines. Ideal candidates will have a strong track record of financial and operational performance.

Paramount to consideration for acquisition will also be the requirement for the acquired organization to be accretive to General Automotive's earnings as a stand-alone business without the benefits of synergies between General Automotive and the acquired organization.

While the management team of General Automotive is careful not to discuss nonpublic information concerning its proposed acquisitions, we believe it is clear that the team is in active discussions. We are modeling in our conservative case an incremental \$10 million of revenue for calendar 2009 for acquisitions, which we estimate will produce approximately \$1 million pretax. We believe this is a very conservative forecast as we believe as many as three acquisitions could be made during the first half of the year.

While we are clearly positive relative to the termination of the unprofitable GPD subsidiary, the Company's ability to grow its OE source business, and the long term revenue prospects for the Advanced Composite Technology joint venture, it is this aggressive acquisition strategy that provides our greatest level of excitement relative to price appreciation of General Automotive Company shares.

As significant turmoil continues to be being experienced in the automotive manufacturing and parts industries, we believe there are many potential accretive acquisitions to be made over the coming months.

Industry Background and Overview

The automotive parts industry can be categorized in three major segments – 1) Original Equipment Manufacturers (OEMs), 2) automotive accessories, and 3) aftermarket parts.

Within the automotive sector, OEM parts are very big business. This category includes parts and components that are designed, developed and manufactured to be included in the automobiles produced by the major automobile manufacturers. The vast majority of parts and components in an automobile are not actually manufactured by the automotive manufacture, but instead are sourced from thousands of small manufacturers that provide components to distributors or directly to the manufacture. As the major auto manufacturers

have experienced difficulties, the manufactures have placed increasing pressure on these thousands of suppliers to reduce costs. Additionally, rapidly advancing safety, emissions, and fuel standards and requirements have added additional pressure on the parts suppliers. With the rapidly deteriorating worldwide market for new automobiles, the suppliers are experiencing increasing difficulties in maintaining margins and profitability.

Automotive Accessories

The market for automotive accessories is extremely competitive and highly fragmented. The area of the automotive accessories market that is germane to General Automotive relates directly to “add-on” and “dealer installed” option packages. As competition within the automobile manufacturing industry has increased over the years, many dealers and manufacturers have adopted practices to add features to automobiles at the distribution center or at the dealer, rather than having these options installed at the factory. Many of the popular options that are installed in this manner include small flat screen televisions that are installed in headdress, upgraded stereo systems, GPS navigation devices and screens, and upgraded seats, in addition to many other types of upgraded components and parts.

The dealerships and service centers that are responsible for installing such upgraded components rely on hundreds of different manufacturers, distributors and suppliers and have considerable power over these organizations. With relatively low barriers to entry, keen competition, and a general lack of negotiating power over the dealerships and service centers, price competition among suppliers is very intense, resulting in extremely thin margins for industry participants. General Automotive’s GPD division, which was recently sold, competed in this category producing significant losses for the parent organization. We would expect General Automotive to generally steer clear of acquisition targets within this sector, instead focusing on companies within the automotive aftermarket category.

Automotive Aftermarket

Whereas the automotive OEM market primarily produces components that are used by automobile manufacturers, the automotive aftermarket primarily produces parts and components that are installed in vehicles after the manufacturing process is completed. The market for automotive aftermarket parts and components is significant and is estimated at nearly \$300 billion per year within the United States and at least four times this amount worldwide. Components of this market include a wide array of products including vehicle parts, tools, chemicals, and certain accessories.

The motor vehicle aftermarket is a significant sector of the US economy employing nearly 5 million people. Over the past five years overall growth in

this market has exceeded that of the overall US economy to a significant degree. During 2007 the automotive aftermarket grew by approximately 4%, with employment in the sector up approximately 2%.

Due to general economic conditions and the ongoing financial crisis, which is making it difficult for consumers to finance purchases, sales of new automobiles are currently at levels not seen since the early 1980s. As consumers are either unwilling or unable to purchase new automobiles they are increasingly being forced to repair their currently owned vehicles, creating a strong market for certain automotive aftermarket parts and components. This is a strong dynamic that is expected to significantly benefit General Automotive throughout 2009.

The General Automotive Management Team

Joseph L. DeFrancisci
President, Chief Executive Officer and Director

Joe DeFrancisci has a 20+-year track record of successfully leading companies through start-up and growth, improving operations and building value. Prior to joining General Automotive to guide its development into a leading provider of aftermarket products to the Tier 1 automotive sector, Mr. DeFrancisci was Senior Vice President of Worldwide Operations for Grindmaster Corporation, a global leader in the beverage dispensing equipment industry with marketing operations in more than 90 different countries. Prior to that, he served as Senior Partner with the Highwood Group LLP, a consulting firm focused on competitive strategy and operational effectiveness. From 1996 - 2000, Mr. DeFrancisci was President and Chief Operating Officer of Pasta Montana LLC, a start-up food company heralded as one of the fastest growing and best-managed food companies of its time.

Mr. DeFrancisci's early career is highlighted by his 15-year tenure with Demaco/Howden Group, a leading manufacturer of highly engineered capital equipment, during which he earned rapid promotions to Vice President-level management roles in sales, marketing and operations. He earned a BS in Industrial Technology Education from the State University of New York and is an alumnus of the Advanced Executive Program of the Kellogg Graduate School of Management - Northwestern University. In addition to belonging to various professional and alumni organizations, he serves on the Advisory Board of Univedant Corporation, a Chicago-based advanced engineering firm.

Dan Valladao
Chairman and Founder
Business Development and Director

One of the founders of General Automotive, Dan Valladao has 25 years of automotive experience, including in the retail, wholesale and OEM sales channels, and was instrumental in increasing the company's sales from just over \$3 million in 2004 to \$15 million in 2007. Prior to co-founding General Automotive, Mr. Valladao served for five years as Vice President of Sales and Marketing for APS International, a global manufacturer and distributor of automotive product. He was previously responsible for sales to OEM companies such as Ford, GM, Chrysler, Honda and Toyota for HSG Corporation, a large manufacturer's representatives firm. In 1988, Mr. Valladao served as Executive Vice President to Mobile Living Corporation, a retailer of vehicle accessories, building the company into a multi-store chain with sales in excess of \$20 million within five years.

Harry Christenson
Chief Financial Officer

Mr. Christenson is an accomplished senior financial executive with more than 30 years' of experience in operating and managing complex international businesses. He recently served as a Director and Chief Financial Officer of LNG Holdings, SA, the parent company of LambdaNet Communications, a pan-European supplier of network-related telecommunications services. Among his achievements was the successful turnaround of the company, concluding with a transfer of ownership by its private equity holders to a U.S. public ISP network operator. Previous positions include Director and Chief Financial Officer of Precell Solutions, Inc.; Chairman of the Board and Chief Financial Officer of Octagon, Inc; and Director, Chief Operating Officer, Chief Financial Officer and Executive Vice President of Penril DataComm Networks.

Mr. Christenson received a Bachelors Degree in Accounting from Fairfield University and a Masters Degree from the University of New Haven, CT.

Tim Alford
President, OE Source

For more than 25 years, Mr. Alford has specialized in sales and marketing of electronic components with both OEM and global distribution channels. He joined General Automotive as President of OE Source, a wholly-owned subsidiary, in 2004. Earlier in his career, he served as Operations and Marketing Manager for multi-billion dollar global electronic distributors such as Arrow Electronics (2000-2004), Future Electronics (1997-2000), and Milgray Electronics (1991-1997). He also served as Regional Distributor Sales Manager for AVX Corporation, a NYSE-listed OEM manufacturer with 20

facilities in 12 countries, from 1979-1984 and from 1987-1991. Mr. Alford's primary responsibilities in these roles were to provide management direction relating to all aspects of product procurement and inventory control. In addition, he provided sales and product expertise to customers and the sales force.

Risk Factors to General Automotive's Business

Competition

The auto parts supply business is extremely fragmented and competitive with many companies in the industry being substantially larger and better financed than is General Automotive. Remaining competitive in this industry requires constant management vigilance in order to assure a niche business is well protected from competitors. We believe this management team has done an excellent job in taking advantage of multiple sourcing opportunities and has been able to build strong relationships throughout the supply chain. By maintaining a specialization in procuring hard-to-find parts within the engine management segment of the industry, the company has been able to carve out a strong niche that is not particularly appealing for the larger competitors to attack.

Limited Number of Valuable Employees

Much of the business developed by the Company relies heavily on the personal relationships of the executives. Loss of one or more key executives could easily negatively affect future revenue growth.

Potential for Further Deterioration in the Automotive Sector

Further deterioration in the overall economy could limit consumer's abilities to provide maintenance on their automobiles and could ultimately negatively affect the Company's sales. We believe such extreme events are unlikely, however.

Inability to Raise Financing

We see great promise for the Company's Advanced Composite Technology joint venture, but for this promise to be realized it is highly likely that additional capital will need to be raised. Current conditions in the financial markets severely limit small Company's ability to raise this type of capital and as a result General Automotive could realize a delay in development activities, resulting in a push out of revenues into future periods.

Working Capital Requirements and Financial Ratios

In our future analysis of the Company we will be closely watching accounts receivable balances and the ratio between current assets and current liabilities.

As of the end of the most recently reported quarter, September 2008, current liabilities, at a \$3.9 million, exceeded, current assets, which stood at \$2.9 million. This means there is a working capital deficit at the Company. Accounts receivable levels as the beginning of the September quarter, at \$1.8 million were up approximately \$300,000 from the previous quarter, which is not particularly remarkable, but is nevertheless something we will be closely watching over future periods. Relative to the issue of working capital, we do believe it is important to point out that on September 22, the Company announced a \$2 million credit line from Presidential Financial Corp. We believe this is a very positive development with advantageous timing, as we believe such a credit line would be much more difficult to sign considering the very recent further deterioration of the financial markets.

Reliance on Foreign Manufactures

General Automotive is not a manufacturer and instead relies on acquiring product from manufacturers, most of which are located in Asia. Disruptions at these manufacturers or in the supply channels could negatively affect the Company's ability to generate revenues.

Difficulties in Locating Attractive Acquisition Candidates and Closing Potential Deals

While it appears that the OE Source business is strengthening and could be profitable on its own during 2009, much of our enthusiasm relative to the recommendation of the shares hinges on the Company's ability to consummate acquisitions during the first half of 2009. Should the Company be unable to produce such acquisitions, our enthusiasm for this stock would likely be negatively impacted.

Recent Loss Due to Discontinued Operation

In November of 2008, the Company discontinued operations of its GPD subsidiary, through the sale of certain assets, resulting in a loss of approximately \$1.2 million during the quarter. While we believe this liquidation was the right thing to do considering the state of GPD's customers, Chrysler LLC in particular, this liquidation may be misunderstood by the casual observer or investor and could limit attention to the Company's stock.

The Most Recently Reported Quarter - September 2008

During the September 2008 quarter the Company reported revenues of approximately \$3.6 million, which was a sequential increase of approximately 6% from the June quarter's \$3.4 million.

Gross profit for the September quarter was approximately \$321,000, which yielded a gross margin of 9%, which was flat with the June quarter. Gross margins during the September quarter were slightly negatively affected due to customer rebates that occurred during the quarter. We do not expect these rebates to continue during future periods and it appears the Company is beginning to make progress in implementing its program to increase the number of domestic sources for its products. We believe that these actions are likely to allow for gross margin expansion over the coming quarters.

SG&A expenses during the September quarter were somewhat lower than those experienced during the June quarter - \$659,000 versus \$524,000. There was some slight impact, which resulted in somewhat higher SG&A during the September quarter relating to the refinancing of the credit line for the OE Source subsidiary. Additionally, during the quarter there were a few one-time expenses that we believe are not likely to be recurring.

The management team has been able to significantly lower its stock compensation related expenses over the past few quarters compared to the comparable quarters during the previous year. We believe such expenses are likely to rise modestly over the next few quarters as the Company seeks to conserve its cash by paying certain outside vendors and contractors in stock.

Interest expense during the September quarter was only \$14,000, which is more than \$26,000 lower than the same quarter during 2007. This occurred as a result of the Company converting debt to equity upon completion of its reverse merger during February 2008.

Loss from operations during the September 2008 was approximately \$229,000, which translates to \$0.02 per share, based on just over 15 million shares. When the net loss from discontinued operations of approximately \$1.3 million is factored into the equation, total loss for the quarter was just under \$1.5 million, which translates to \$0.08 per share.

While this additional loss due to the discontinuance of the GPD business adds to the overall loss, we point out that it is a one-time factor and will not recur in future periods. We believe the termination of the GPD business is a very positive event for the Company and its shareholders.

The Current Balance Sheet

The balance sheet of General Automotive is similar to that of many other similar companies. The firm currently has limited cash (\$327,000), but has a rather substantial amount of accounts receivable outstanding (\$1.9 million). Inventory levels at just under \$200,000 do not cause us concern. Total current assets stand at \$2.9 million with total assets of just over \$3 million.

Relative to liabilities, accounts payable stands at approximately \$1.7 million and the balance owing on the lines of credit at \$1.4 million. With various other current liabilities, total current liabilities equal \$3.9 million, resulting in a working capital deficit of approximately \$1 million. While we, of course, would like to see a positive working capital balance, we believe the current situation is manageable assuming further deterioration not realized. Investors should closely watch this working capital issue for either improvements or deteriorations over future periods.

The Company currently has no long-term liabilities. Accumulated deficit stands at \$9.4 million, although this is a relatively meaningless number considering much of this relates to the predecessor Company prior to the reverse merger. Total shareholder's deficit is approximately \$936,000.

In summary, the Company's balance sheet needs to be strengthened, but considering the current state of the financial markets for small cap companies, we believe it is unlikely the Company will be able to complete an equity offering over the short run. This situation could easily change as a result of meaningful acquisitions or other events that would cause revenues and margins to grow.

Our Revenue and Earnings Model for Future Periods

We are expecting moderate growth out of the Company's legacy OE Source business unit that will be supplemented by new acquisition related revenue, resulting in strong overall revenue growth at the Company through 2009.

For the current December quarter 2008, we are expecting some moderate normal seasonality in the legacy business. For the quarter we are forecasting revenue of \$3.4 million with gross margin of 9.3%, yielding gross margin dollars of approximately \$300,000.

We are expecting relatively flat SG&A expenses during the December quarter, although we are expecting stock-based compensation expenses to rise modestly, resulting in a pretax loss of just under \$300,000. Netting out interest expense and other categories we are forecasting a net loss of \$333,000, which will likely equate to approximately (\$0.02), per share based on approximately 15.2 million fully diluted shares.

Due to the initiatives outlined above in previous sections, we are expecting the OE Source business to grow to approximately \$16.5 million during 2009, up from approximately \$14.3 million during 2008. We are also expecting the gross margins realized by this business unit to rise modestly as the revenues grow and synergies in sourcing and distribution are realized.

As we have stated previously in this report, much of our excitement relative to General Automotive Company relates directly to the aggressive acquisition strategy we expect this management team to employ during 2009. It is, of course, difficult to predict at this time the actual level of acquisition revenue that will be realized during 2009 and 2010. We are comfortable forecasting a minimum of \$10 million in acquisition related revenue, which of course would be additive to the moderately growing legacy OE Source business. We are also comfortable in predicting that the acquired businesses will enjoy gross margins that are superior to those currently experienced by the Company.

Using this conservative set of assumptions, we are forecasting revenue growth to \$26.7 million for 2009, with blended gross margins at approximately 16.3%. With SG&A spending at approximately 11% for the full year, we believe the Company is likely to produce net income of approximately \$1.5 mm, which we calculate at \$0.05 per share, based on approximately 32 million fully diluted shares.

While the above forecast is based on a conservative set of assumptions, we believe it is also interesting to look at a revenue and earnings model based on assumptions that are moderately more aggressive.

We believe the Company is currently reviewing businesses for acquisition that could add more than \$20 million of incremental revenue. Therefore, in our

more aggressive earnings model we are assuming acquisition revenues for 2009 of \$21 million, gross margins rising to approximately 16.6% for the year and approximately 8.5% SG&A spending levels. These assumptions yield EPS of \$0.08 for full-year 2009.

While we all are offering both a conservative forecast for 2009 of \$27 million in revenues and \$0.05 EPS in a more aggressive forecast of \$38 million in revenues and \$0.08 EPS, we believe the more aggressive case is more likely. Additionally, we do see a scenario where the Company is very aggressive relative to acquisitions that produce revenues and earnings per share that significantly exceed even our aggressive forecast.

Our Conclusions and Recommendations

Over the coming quarters we are expecting the Company's legacy business (OE Source) to experience moderate revenue growth and moderately rising gross margins. We do not believe, however, that this growth will be sufficient to bring the Company into a profitable situation over the short run. Additionally, while the Company's Advanced Composite Technology joint venture holds great promise for long-term revenue growth, we believe this growth will not come soon enough to allow for the continued viability of the organization.

Clearly, it has been management plan since the reverse merger in February of 2008 to pursue an aggressive acquisition strategy. Management's belief is that a minimum of \$10 million in annual acquisition revenue will be added during full year 2009. In fact, management has recently been so bold as to publicly state, "Since this was the primary focus of our going public in early 2008, General Automotive plans to emerge from the current annual revenues of \$15 million to something closer to \$100 million within the next 12 months. Existing market conditions are allowing us to do so at potentially remarkable valuation terms for all GNAU shareholders." We believe this is an especially bold statement to which investors should take notice as we believe it signals the beginning of a very aggressive acquisition program by this management team.

Such statements by management make our conservative forecast of \$10 million and our more aggressive forecast of \$21 million of additive acquisition revenue for 2009 seem potentially overly conservative. While we believe management's aggressive forecast of \$100 million of revenue over the next 12 months will likely prove to be too aggressive, we are nevertheless intrigued by management's aggressiveness and confidence. Recent events in the economy and financial sector have caused great upheaval for many automotive related parts manufacturers. We believe the management team may be able to capitalize on this by pulling off some highly accretive acquisitions. It will clearly be fun for us, and investors, to watch this management team in action during the first half of 2009.

We believe some of the best industry and stock purchase opportunities occur during times of great change and turbulence. The market in which this Company operates is clearly experiencing a significant amount of upheaval, which we believe creates an outstanding opportunity for aggressive management teams to add both product lines and new businesses to their mix. We believe this is exactly the strategy the management team of General Automotive plans to invoke over the next few quarters.

If we use only our conservative assumptions, we believe there are compelling reasons to believe General Automotive will be able significantly reducing its losses during Q1:09 and likely turning a profit during Q2:09.

With GNAU shares currently bid at approximately \$0.35, the stock is trading at only 7X our conservative estimate of \$0.05 for full-year 2009 and at only 3.5X our more aggressive forecast of \$0.08 for the year. We believe these valuations are compelling, especially considering the strong likelihood pending acquisition related news.

We believe the risk reward/ratio in purchasing the shares at or near current levels is very positive. We believe there is a strong possibility that this management team will move quickly to acquire their targeted companies, resulting in rapid growth in revenues and earnings.

Therefore, we enthusiastically support purchase of the shares and eagerly await management's next move within this dynamically changing industry.

General Automotive Company (GNAU)
Revenue and Earnings Model
November 2008
Conservative Case

Emerging Growth Research, LLP
San Francisco, Ca (925) 922-2560
jnoel701@yahoo.com

(1,000 \$ except per share amounts)												
	YE:2007A	Q1:2008A	Q2:2008A	Q3:2008A	Q4:2008E	YE:2008E	Q1:2009E	Q2:2009E	Q3:2009E	Q4:2009E	YE:2009E	YE:2010E
Revenue (Legacy)	15,293	4,068	3,212	3,601	3,434	14,315	3,750	3,890	4,200	4,700	16,540	36,200
Proposed Acquisitions							950	2,750	2,950	3,500	10,150	
Total Revenue	15,293	4,068	3,212	3,601	3,434	14,315	4,700	6,640	7,150	8,200	26,690	36,200
Gross Margin	13.2%	8.5%	8.9%	8.9%	9.3%	8.9%	11.9%	15.5%	18.0%	18.0%	16.3%	19.8%
Cost of Goods	13,271	3,723	2,927	3,280	3,115	13,045	4,141	5,611	5,863	6,724	22,339	29,032
Gross Margin	2,022	345	285	321	319	1,270	559	1,029	1,287	1,476	4,352	7,168
SG&A	1,955	719	659	524	552	2,454	600	620	625	640	2,485	3,000
Stock-Based Comp	1,247	28	21	12	65	126	40	35	40	45	160	220
Total Expenses	3,202	747	680	536	617	2,580	640	655	665	685	2,645	3,220
Pre-Tax Profit	-1,180	-402	-395	-215	-298	-1,310	-81	374	622	791	1,707	3,948
Interest Expense	7,881	102	31	14	25	172	25	25	25	25	100	220
Other Net	7,246	0	5		10	15	15	15	15	15	60	120
Income Tax	0	0	0	0	0	0	0	0	0	0	0	0
Net Income Cont Ops	1,751	-504	-421	-229	-333	-1,497	-121	334	582	751	1,547	3,608
EPS Cont Ops		-\$0.07	-\$0.03	-\$0.02	-\$0.02	-\$0.14	-\$0.01	\$0.01	\$0.02	\$0.02	\$0.05	\$0.10
Loss for Discont Ops (Includes Disposal)				1,263								
EPS Discont Ops (Includes Disposal)				-\$0.08		-\$0.08						
EPS (Cont and Discont')		\$0.07	-\$0.03	-\$0.10	-\$0.02	-\$0.22	-\$0.01	\$0.01	\$0.02	\$0.02	\$0.05	\$0.10
Shares Outstanding (1,000s)		7,506	14,641	15,086	15,230	15,230	22,400	25,345	28,900	32,000	32,000	35,000
Gross Margin	13.2%	8.5%	8.9%	8.9%	9.3%	8.9%	11.9%	15.5%	18.0%	18.0%	16.3%	19.8%
GOGS %	86.8%	91.5%	91.1%	91.1%	90.7%	91.1%	88.1%	84.5%	82.0%	82.0%	83.7%	80.2%
SG&A %	12.8%	17.7%	20.5%	14.6%	16.1%	17.1%	12.8%	9.3%	8.7%	7.8%	9.3%	8.3%
Operating Margin	-7.7%	-9.9%	-12.3%	-6.0%	-8.7%	-9.1%	-1.7%	5.6%	8.7%	9.6%	6.4%	10.9%
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Margin	11.4%	-12.4%	-13.1%	-6.4%	-9.7%	-10.5%	-2.6%	5.0%	8.1%	9.2%	5.8%	10.0%

General Automotive Company (GNAU) Revenue and Earnings Model November 2008 Moderate Case		Emerging Growth Research, LLP San Francisco, Ca (925) 922-2560 jnoel701@yahoo.com										
(1,000 \$ except per share amounts)												
	YE:2007A	Q1:2008A	Q2:2008A	Q3:2008A	Q4:2008E	YE:2008E	Q1:2009E	Q2:2009E	Q3:2009E	Q4:2009E	YE:2009E	YE:2010E
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Proposed Acquisitions							950	5,750	6,950	7,500	21,150	
Total Revenue	15,293	4,068	3,212	3,601	3,434	14,315	4,700	9,640	11,150	12,200	37,690	45,600
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Cost of Goods	13,271	3,723	2,927	3,280	3,115	13,045	4,141	8,146	9,143	10,004	31,434	36,571
Gross Margin	2,022	345	285	321	319	1,270	559	1,494	2,007	2,196	6,257	9,029
SG&A	1,955	719	659	524	552	2,454	600	820	825	940	3,185	3,600
Stock-Based Comp	1,247	28	21	12	65	126	40	35	40	45	160	220
Total Expenses	3,202	747	680	536	617	2,580	640	855	865	985	3,345	3,820
Pre-Tax Profit	-1,180	-402	-395	-215	-298	-1,310	-81	639	1,142	1,211	2,912	5,209
Interest Expense	7,881	102	31	14	25	172	25	25	25	25	100	220
Other Net	7,246	0	5		10	15	15	15	15	15	60	120
Income Tax	0	0	0	0	0	0	0	0	0	0	0	0
Net Income Cont Ops	1,751	-504	-421	-229	-333	-1,497	-121	599	1,102	1,171	2,752	4,869
EPS Cont Ops		-\$0.07	-\$0.03	-\$0.02	-\$0.02	-\$0.14	-\$0.01	\$0.02	\$0.03	\$0.03	\$0.08	\$0.12
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SG&A %	12.8%	17.7%	20.5%	14.6%	16.1%	17.1%	12.8%	8.5%	7.4%	7.7%	8.5%	7.9%
Operating Margin	-7.7%	-9.9%	-12.3%	-6.0%	-8.7%	-9.1%	-1.7%	6.6%	10.2%	9.9%	7.7%	11.4%
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Margin	11.4%	-12.4%	-13.1%	-6.4%	-9.7%	-10.5%	-2.6%	6.2%	9.9%	9.6%	7.3%	10.7%

Analyst and Other Important Disclosures

Analyst Certification - I, Joseph Noel, hereby certify (1) that the views expressed in this research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this company report and (2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this company report.

Analyst:

Joseph Noel is a 28-year veteran of the growth company and investment industries. Joe was recently a senior analyst at Pacific Growth Equities, LLC, where he tracked growth companies. Prior to Pacific Growth, he covered technology industries at Hambrecht & Quist and was employed by Gartner/Dataquest as a communications industry analyst. Before becoming an analyst, Mr. Noel received solid industry experience at a number of telecommunications carriers, including MCI, where he was responsible for the frame relay product marketing launch; and British Telecom, where he was involved in strategic planning for the company's Internet access service. He was also employed by various Bell Operating Companies in both marketing and technical roles for nearly ten years. Mr. Noel received his MBA in finance from Wake Forest University, and holds a BS in business and economics. A four-time Wall Street Journal All-Star Analyst, Joe specializes in emerging growth companies in the communications, Internet and advanced industrial equipment sectors.

The coverage analyst uses a relative rating system in which stocks are rated as; BUY, SELL, or HOLD.

Stock Ratings:

BUY - the stock is expected to outperform the unweighted expected total return of the sector over a 12-month investment horizon.

SELL - the stock is expected to underperform the unweighted expected total return of the sector over a-12 month time horizon

HOLD - the stock is expected to perform in line with the unweighted expected total return of the sector over a 12-month investment horizon.

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