



Headquarter News

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Moller International and Freedom Motors **Newsletter September 2014**

To: All Newsletter Subscribers
From: P.S. Moller, President
RE: Business Update

Moller International (MI)

Please understand that as a public company, I am very limited as to what I can say regarding positive developments without doing so through a press release.

MI has had the following changes and additions to its staff:

Kelvin Nelder has replaced Bruce Calkins as general manager. Kelvin has a background in Electrical Engineering, a B.S. in Business, and has extensive experience in management and finance.

Additional Staff added:

Allison Charter – Office Manager

Eradyn Higgins – Executive Assistant

Yue Sung Fung – Aeronautical Engineer

Nathan Buti – Mechanic Technician

Chris Clay – Machinist

Mike Weingart – Fabricator

Liz Martin – Bookkeeper

Let me summarize the present activities that are underway without commenting on their potential for success.

1. In 2013 Moller International entered an MOU with Mr. John Gong, President of Athena Technologies. That MOU involved the potential investment of

approximately \$500 million in a joint venture to produce Skycars in China. For various reasons (including leadership change in China) this project involving government funding is on hold. We are now working with Mr. Gong on a joint venture with a private company in China.

2. MI entered an MOU with Thorntail Aircraft to use our IP to produce a higher payload version of the Skycar 600 under a license agreement. That relationship continues to move forward although the specifics of the design are still evolving. Because the Skycar 600 does not have to be roadable, MI more than doubled payload capacity by using the same power with larger ducted fans. This improves the viability of this aircraft as an on-demand transport aircraft versus the present on-schedule airline system. An earlier Boeing study showed that, even before this improvement, the Skycar 600 was competitive as an air carrier.

3. I recently participated in a meeting in Grand Rapids, Michigan where MI explored a joint venture with Blue World Crete. This company is involved in funding emerging companies in a number of countries and has committed to working with MI (see: www.blueworldcrete.com).

4. With the help of Thorntail Aircraft, MI has identified a need by the military for an aircraft with the capabilities of the Skycar 400. DARPA could become the funding source for the first flight of the M400 Skycar. MI expects to know the outcome of these negotiations shortly.

5. In a previous newsletter I indicated that MI has had substantial interest in Firefly versions of the Neuera. With its higher payload and easy on and off loading the following uses of the Firefly have been identified:

- Border Patrol; The Firefly could be used to capture and retain individuals in a very benign way.
- Rescue situations; The helicopter cannot operate in certain environments. Rescue from a high rise

building, cliff face, low altitude patrol over rough terrain, and fire personnel deployment and collection in a very confined environment are all examples of non-helicopter applications.

- Utility vehicle that operates like an aerial jeep for both military and civilian applications.

MI is creating a remote controlled model of the Firefly.

While demonstrating the M400 Skycar remains at the top of our priority list, the Firefly is being developed because the immediate market needs are tremendous.

Finally, The Skycar model that was to be produced by American Aerospace continues to be delayed without a satisfactory answer. There is now enough interest shown in acquiring this 7 to 1 scale model that if AA does not bring it out shortly, MI will work with one of a number of alternate candidates. Indications are that the model could be sold for less than \$2000 rather than the \$5500 price proposed by Mr. Decker.

Freedom Motors (FM)

As noted in an earlier newsletter Freedom Motors received a letter of intent from Alife Automotive to purchase over one million Rotapower engines. These engines will be delivered over the next four years for use in their motorscooters. Alife provided FM with a substantial contract to install our 150cc Rotapower engine in their motorscooter, which will be produced in Singapore. A market analysis estimates production motorscooters/motorcycles will exceed 75 million units in 2015. Recently, Alife asked FM to install its 530cc engine in their Cabbie Vehicle (half motorcycle, half automobiles that are popular in Asia) Alife is funding this project as well. FM plans to deliver both prototypes back to Alife mid-October for a major show in Singapore.

1. Mr. Bill Black, Freedom Motors attorney, has promised the completed Reg A offering by the end of this month. If this does not occur, FM may have

some of its stock holders contact Mr. Black to emphasize our frustration in getting this done.

2. A significant engine project underway at Freedom Motors includes designing and installing a direct fuel injection system to explore ability to lower fuel consumption. Mazda's rotary engine saw a 20% improvement using direct injection. The FM engine was 15% more fuel efficient than the Mazda rotary engine prior to its use of direct injection. This expected fuel improvement project should make our Rotapower engine even more competitive with the best four stroke piston engine on the market.

3. FM has signed an agreement to pursue EB5 funding. A third party has agreed to provide any advance funds required without a financial obligation by MI to repay these funds. EB5 funding is a job creation program where funds are invested in return for obtaining a green card.

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