

Moller International Freedom Motors

September 2015 Newsletter

To: All Newsletter Subscribers

From: Paul S. Moller

Re: Update

Sharing our Present Facility

Moller International and Freedom Motors have for the past 35 years leased its present facility from myself. I recently made arrangements to share space with an associated company that will take over ownership of this facility. By allocating space separately and sharing areas like the machine shop, etc. MI/FM was able to reduce its monthly cost by 75%. This decision is also consistent with Freedom Motors' plans to relocate its operations to West Sacramento (10 miles away) where manufacturing space costs one-third of that in Davis.

Moller International

All of the changes in the Neuera 200 that will allow it to move from a prototype model to a preproduction model are underway or complete. These changes will allow it to be comfortably flown untethered, however, to fly untethered before our annual Moller/Freedom stockholders meeting will require approval by the FAA. Ed De Reyes, our FAA liaison and Chief Test Pilot, is working on this and concurrently working with the FAA to establish a way to get the Neuera and Skycar volantors through a FAA approval process where something similar to a driver's license will be required. The following is a summary of what Ed believes is possible:

"Work continues on the Experimental airworthiness certificate. Looking forward, we are continuing to work with industry and the FAA to establish a certification basis for the Volantor. Initial discussions are encouraging and we hope to be able to set the standard for future VTOLs when it comes to airworthiness, safety and quality."

Specifically the following has been accomplished on the Neuera 200:

- High energy absorption undercarriage is installed
- Larger fuel tanks are being installed
- Components for low noise exhaust system are under construction
- Injection molded tooling for fan blades complete and 300 blades in production (seven required per fan)
- Fan hubs designed and under construction
- FAA mandated record keeping in place
- Light low cost engine starter system completed
- Redundant fuel system designed and under construction
- Airframe refinished including repainting in an appropriate color (not blue)
- FAA mandated construction and instrumentation requirements are being addressed

Other Developments

- The following press release was recently issued.

Moller International gives keynote speech

Moller International made a keynote speech at “The 4th GLOBAL ECONOMIC LEADERS SUMMIT (GEL2015)” held in Changchun City, Jilin Province, China. This conference took place August 30th thru September 1, 2015, and brought together world leaders in economics, technology and politics. The presentation was made by its international marketing director Michael Shanley who described the future of personal airborne transportation utilizing vertical take-off and landing (VTOL) volantors (google search Skycar). The Summit Theme was “Global Technological Innovation and Cooperation, World Restructuring and Upgrading”.

Mike Shanley stated that as a result of his presentation he received numerous requests to discuss business opportunities.

- We have a Firefly promotional program underway to help fund its production. Go to our Website and see a Firefly T-shirt offer.

Freedom Motors

Business Issues

We have engaged a third SEC compliant attorney to complete our Reg A offering. He is being very responsive and expects to have the Form 1A updated shortly. This involves the following:

- Increasing the amount raised from \$2.5 million to \$5 million. This goal is helped by the fact that FM created a profit in fiscal 2015.
- Incorporate the minor changes required under the new Reg A+ rules.
- Address the role that the EB5 funding could play in the FM business plan.

- A significant change will be proceeding under tier 2 of the Reg A+ rules. This will eliminate the costly and time consuming need to seek approval from various states.

FM is also making every effort to engage an underwriter and/or market makers. One of the reasons it has taken so long to complete our Reg A offering was that most legal firms will not take over an offering that they did not start. We fired our first attorney due to his snail paced activity following paying him up front. The subsequent attorney we brought in, developed a very serious health problem which apparently contributed to his unwillingness to file the completed Reg A Form 1A knowing that he probably could not handle the follow up workload. Finding an attorney willing to take over a theoretically completed Form 1A was not easy.

The Reg A+ tier 2 rules that replaced the Reg A rules made it easier to file and raise the amount of the offering from \$2.5 million to \$5 million. This could provide additional capital to ensure that if we are successful in raising \$10 million through our EB5 funding program that we will be in a better position to create over 200 jobs within a two year period (tough EB5 requirement). On the other hand, if \$5 million is raised through the Reg A offering, this would be adequate to initiate a lower level volume production even without EB5 funding. Curtis Poling, our EB5 manager, stated that advertising the offering in Korea is underway. We should know in October whether it is successful.

Marketing the Rotapower Engine

One of the great attributes of the rotary engine is its perfect radial balance. As a result riding a motorscooter with a Rotapower engine is a remarkable experience when compared with a standard piston powered scooter. In recent tests, we documented this difference visually as shown on the www.freedom-motors.com website. Also as noted in an earlier newsletter, the Rotapower engine produces 3 times more power compared to the engine it replaced and had approximately 1/3 the weight and volume of the original engine. Of the 3.5+ million Letters of Intent to purchase (LOI), conditional orders and firm orders, over 30% of these are for scooters where 75 million units will be produced next year.

Anyone seriously interested in knowing more about Freedom Motors, is welcome to receive a copy of its business plan.

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