

Moller International/Freedom Motors

June 2015 Newsletter

To: All Newsletter Subscribers

From: Paul S. Moller

Re: Update

Neuera 200

As noted in the May newsletter, we are actively upgrading the Neuera 200 with the latest in safety features together with creating production tooling for some of its parts.

The following are recent accomplishments:

- Tooling is being produced to allow the production of injection molded fan blades. The cost of the blades will reduce from \$500 per blade to \$20 per blade in quantities of a few hundred and to \$15 per blade in orders of a few thousand.
- Our original undercarriage was fixed, which would have been problematic in a hard landing. We have replaced it with a high energy absorption undercarriage.
- The body was reconditioned and repainted in a more appropriate color.
- Dual fuel tanks are installed along with dual fuel pumps, where each has the capacity to handle all eight engines.
- We have received the FAA approved tail number (N202MX) for our present Neuera 200.
- The initial custom built starter motors were designed to fit in a very small available space. They were expensive (\$750 each) and required compression release to function. The overall installation has been revised sufficiently to allow an off the shelf starter (\$35 in volume) that is strong enough to start a twin rotor engine without a compression release.
- The most important change is the use of one flight control system assigned to each engine. This is economically possible now that the cost of these computerized stability systems have reduced to less than \$500 each from \$15,000 not very long ago. Under this arrangement if a computer fails (hardware or software) the engine goes to full speed, which does not create a problem because adjacent engines automatically reduce their power accordingly. We can also tolerate a complete engine failure.

- We are installing height holding, position holding and direction holding as part of the overall FCS with an automatic default mode should any of these fail.
- Finally, under the FAA's guidelines we are adding a few changes to our fuel and ignition systems. These upgrades on the Neuera 200 are being done concurrently with our work under contract to integrate our Rotapower engine into various products which can change our priorities. Since some of our employees work for both MI and FM, it is difficult to provide a completion date. I believe it will be between 60 and 90 days.

Freedom Motors Update

The EB5 funding program is progressing well according to our manager Curtis Poling. As an US government approved funding program, the US paperwork has been extensive but completed. All activity is now centered in China and Korea as their competing offers are being evaluated.

Regarding the Reg A filing, we have had another wrinkle develop and are in the process of resolving it. Suffice to say that the present path to Reg A approval is more complicated than we were led to believe by either attorney we have used. It seems that both our original attorney and our recent attorney belatedly discovered this. The government apparently also realized this and as of mid-June, the Reg A regulations are being simplified under a new Reg A plus approval process.

I deeply apologize for the previous delays where our directors and I learned two expensive lessons when undertaking an evolving form of a security offering. Do not pay for legal work upfront and most importantly do not engage an attorney in a one man law firm for something as complicated as a securities offering despite previous good experiences working with them on similar or other matters. Both attorneys were experienced in securities but it sometimes requires a team effort to deal with all the issues.

An example of the need for a team effort is best shown through our experience with Downey Brand, a well-established law firm which now handles all of our legal work. Over the past year we have worked with six of their attorneys with different specialties on various matters including recent help on the Reg A plus offering. I expect to be able to provide a status report on our Reg A plus status within the next two weeks. The recent delay made it necessary to update the financials, although, the form 1A is otherwise complete. The remaining document that needs to be revised under the Reg A plus and be submitted is the offering memorandum.

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