



Moller International / Freedom Motors

October 2016 Newsletter

To: All Newsletter Subscribers
From: Paul S. Moller
Re: Update

Moller International (MI)

Management has concluded that MI is unlikely to raise the amount of capital required to bring one or more of its various volantor aircraft through FAA approval and into volume production. As a result, MI has discussions underway with a number of potential joint venture partners. MI expects that it will be in a position to announce the result of these negotiations by its annual meeting. MI's goal is to ensure that a JV partner has sufficient financial strength to bring one or more volantor aircraft to market, and is talking to companies with this capability.

If you have not done so, please visit our updated Moller International and Freedom Motors websites. We welcome any suggestions you might have for improving either or both. (Please email my Executive Assistant Zack Rabin with any suggestions at Zack@Moller.com). Additionally, you may view an interesting video recently compiled by CNN Money by clicking [this link](#).

Please visit www.Moller.com and www.Freedom-Motors.com

Freedom Motors (FM)

Freedom Motors has been planning for some time to undertake a Regulation A+ offering of its stock in order to raise \$10 million. This would have allowed FM to begin producing two displacement models of its Rotapower® engine. However, this level of funding would have only allowed a modest production capability in, what the engine industry would call, a bootstrap limited production capability. This is a problematic approach to engine production, where economy of scale predominates price and consequently market size. The engine production industry is very mature and, as such, the remaining major engine manufacturers have the enormous advantage of this economy of scale (Honda, Yamaha, and Briggs & Stratton). There are a number of specialized engine manufacturers in the US, but these companies produce a relatively small number of high priced engines for specific applications. This would not allow the full potential of the Rotapower® engine's many attributes to be capitalized on or the 3.5+ million in conditional orders to be addressed.



The US is not labor competitive, and can only overcome this disadvantage in a world market by automating production. The auto industry has done this, and as a result, a car company like Toyota can competitively manufacture models of their automobile in the US despite the lower labor costs in Mexico and elsewhere.

FM has been working with a potential joint venture partner that is a good candidate to provide the capital required to automate the volume production of four displacement models of the Rotapower® engine (which may require up to a \$250 million investment). If this funding does take place, Freedom Motors would become a licensor, contracted R&D provider, and minority owner of this joint venture partnership to be called EcoRotary Inc. In this case, FM would delay the Reg. A offering until the impact of this joint venture can be fully exploited. The outcome of this plan should be known prior to the joint MI/FM annual stockholders meeting that is tentatively set for December 10, 2016. Details regarding this upcoming meeting will be provided no later than 30 days before it is to occur.

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