

March 14, 2019

DEPARTMENT OF TRANSPORTATION
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION



Saleen Automotive Inc.
PETITION
FOR TEMPORARY EXEMPTION
FROM FMVSS 126
TEMPORARY EXEMPTION FROM REQUIREMENT FOR ELECTRONIC STABILITY
CONTROL SYSTEMS FOR LIGHT VEHICLES ON THE BASIS OF
SUBSTANTIAL ECONOMIC HARDSHIP

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Exhibits

- Exhibit 1 – Corporate balance sheets and income statements for fiscal years ended March 31, 2015, 2016, 2017 and 2018 [Confidential]
- Exhibit 2 – Projected balance sheets and income statements for calendar year end 2018 (nine months), 2019 and 2020 (with exemption and without exemption) [Confidential]

1. THE APPLICANT AND VEHICLE

Saleen is a company incorporated in the State of Nevada under the laws of which it is organized and governed. Headquarters for Saleen Automotive is located in the State of California.

The address for Saleen is:
2735 Wardlow Road
Corona, CA 92882
U.S.A.

Correspondence and questions concerning this exemption petition shall be addressed to Mr. GT Martinez at Saleen Automotive Inc. (Tel:+1 (714) 400-2121; Direct: +1 (248) 285-0647 / Email: gtmartinez@saleen.com) who will act as a conduit between Saleen and NHTSA in matters to this petition.

Temporary exemption is being sought for the Saleen 1 (S1) vehicle. The Saleen 1 (S1) is a low-volume, two (2) seat passenger car.

Details of the Saleen 1 (S1) are the following:

Main Vehicle Characteristics

- Coupe – Two (2) Seats / LHD
- Weight - 2,700 lbs. (Target)
- Engine Displacement – 2.5L
- Engine Arrangement – Transverse / Mid-Engine
- Rated Power - 450 HP-336Kw
- Rated Torque – 350lbft- 475 Nm
- Acceleration (0-60 MPH) - ≤ 3.5 (Sport)
- Max. Speed - ≥ 180 MPH(Sport)
- Braking Distance (60-0MPH) - ≤ 31 m (Base)
- Lightweight Tubular Frame Structure
- Carbon Fiber Exterior Panels
- Target MSRP - \$100,000 (Base)
- Initial Target Markets – US / EU
- Future Market - US / EU / CN
- Base Warranty – 36,000 Miles / 3 Years

2. THE REQUESTED EXEMPTION

Saleen is submitting this petition for an exemption from all requirements of standard 126 as described later in this petition, on the basis that full compliance before March 27, 2019, would cause the company substantial economic hardship, reference Title 49 CFR, Part 555.

The exemption is being sought for a period of one (1) year from the date of NHTSA approval or until March 27, 2019, by which time Saleen will be able to fully comply with the requirements of Federal Motors Vehicle Safety Standard 126

3. SALEEN ELIGIBILITY FOR THE EXEMPTION

Petitions for exemption from a Federal Motor Vehicle Safety Standard on the basis of economic hardship are limited to manufacturers that manufacture fewer than 10,000 passenger automobiles in the preceding model year.

The exemption is being sought for a period of one (1) year from the Start of Production (SOP), June 15, 2019 or until June 15, 2020, by which time Saleen will be able to fully comply with the requirements of Federal Motors Vehicle Safety Standard 126.

Saleen has never manufactured in any year (calendar or model) more than 10,000 vehicles. Saleen anticipates that the number of exempted vehicles in the US will be less than 900. Set forth below is the Saleen worldwide production volume figures estimates for the next three years.

a) Production Volume

<u>Year</u> ¹	<u>Production (S1)</u>
FY 2019*	1000
FY 2020*	2500
FY 2021*	5000

* Estimated

Note: Saleen is a registered low-volume manufacturer with NHTSA and is limited to 999 vehicle sales in the United States; 5,000 vehicles may be produced globally.

The total Saleen Automotive Inc. motor vehicle production during the twelve (12) months preceding the filing of this petition was zero (0) vehicles. The 2018 model-year production to date is zero (0) vehicles.

b) NHTSA Exemption Criteria

Timing for a FMVSS 126 compliant ESC system has been quoted as fifteen (15) month duration from the supplier after kickoff until a final validated ESC system is available to install in the S1.

Saleen accepts full responsibility for the expense associated with electric stability control (ESC) technology and is not petitioning financial hardship based on the related costs for development, validation and compliance.

Saleen is submitting this petition based on financial hardship that would be incurred based on potential sales that would be lost due to not having a compliant airbag system at the projected start of production (SOP) (See exhibit 3).

4. BACKGROUND

a) The S1 Design and Development

Design and development of the Saleen 1 (S1) began in fall 2017.

The Saleen 1 (S1) is a completely new passenger car model. The chassis, body and powertrain are being designed and developed by Saleen with assistance from a large number of suppliers, which include [XXXXX]. [Confidential]

Saleen is in the process of developing the Saleen 1 (S1) with the components necessary for compliance with 2018 and subsequent model year EPA, CARB and NHTSA regulations.

b) Business Repositioning

The new vehicle developments will increasingly focus on customer comfort and convenience features while maintaining the traditional Saleen emphasis on vehicle dynamics and driver interaction. Continued focus on performance, safety, light weighting technologies and low emissions will provide Saleen with a competitive advantage in the super premium segment.

5. TECHNICAL OVERVIEW

Saleen works with Tier 1 supplier and engineering partners in the development of the safety systems in the S1; these are [XXXXX]. [Confidential]

a) ESC system consists of the following:

- ESP Controller
- EBCM HW and Hydraulic Unit
- ESP Software

- ESP Sensors

6. SALEEN EXPERIENCING SUBSTANTIAL ECONOMIC HARDSHIP

a) Engineering and Financial Information

Assuming NHTSA's approval of this petition, the projected number of vehicles to be produced during the requested exemption period through June 15, 2020 – will not exceed 3,500 units (1,000 units in 2019 and 2,500 total units through June 15, 2020)

Saleen has estimated a total of 2,000 man-hours for the completion of the ESC certification. [XXXXX] is the projected cost for the complete development, validation and implementation of the ESC system on the Saleen 1 (S1). [Confidential]

The [XXXXX] (testing, pre-production vehicle cost, certification) detailed cost for this part of the vehicle testing is included in the company's total vehicle development cost line item budget spread over several suppliers. [Confidential]

As stated above, the total projected cost for Saleen and the subcontractors to complete development of the occupant crash protection system for the Saleen 1 (S1) is [XXXXX] which includes: [Confidential]

Software Development:	\$ [XXXXX]
Application / Integration Engineering:	\$ [XXXXX]
Tooling:	\$ [XXXXX]
Testing:	\$ [XXXXX]
Pre-production Vehicle Cost:	\$ [XXXXX]
Certification:	\$ [XXXXX]
Total	\$ [XXXXX]

[Confidential]

The ESC system development costs represent a very significant expenditure to the company. The cost will remain the same whether implemented as soon as possible, or within one (1) year, since it will take approximately fifteen (15) months to develop and validate the system.

Expenditures of such magnitude represent a significant drain on the financial resources of a small company such as Saleen. Without a temporary exemption, which will enable the company to generate funds through the sales of vehicles, Saleen may not be able to sustain the vehicle development program, causing substantial financial hardship to the company.

The current Saleen business plan and funding level assumes a Start of Production (SOP) date in June of 2019, with vehicle sales to begin in the same month. A total of 1,000 cars are planned for domestic sales between June 15, 2019 and April 1, 2020. However, vehicle production and sales cannot begin without either NHTSA approval of this petition or complete compliance with the

requirements of FMVSS 208 before June of 2019. The latter is not achievable given the timing associated with early implementation.

If the exemption is approved, based on the projected domestic sales of 1,000 vehicles between June 15, 2019 and April 1, 2020, Saleen would show an operating loss of [XXXXXX] in 2019 and an operating profit of approximately [XXXXXX] in 2020, starting in the second quarter of 2020. [Confidential]

Without the exemption, Saleen would experience an operating loss of [XXXXXX] in 2019 and [XXXXXX] in 2020, which would result in an estimated [XXXXXX] additional loss to the company compared to having the exemption causing a substantial financial hardship for the company. [Confidential]

The corporate balance sheets and income statements for the fiscal years ended March, 31 2015, 2016, 2017 and 2018 (Exhibit 1) and the projected balance sheets and income statements for the calendar year 2018 (nine months), 2019 and 2020 (Exhibit 2), with and without the exemption, are enclosed. Saleen wishes for the balance sheets and income statements to be considered confidential material as permitted by 49 CFR Part 512.

7. DESCRIPTION OF EFFORTS TO COMPLY

As discussed above, compliance can only be achieved by sourcing new components, development and validation of the ESC system. An alternative was considered but found incapable of providing a solution:

- **Using available ESC system from other vehicles in the automotive market:** Saleen investigated using an existing ESC system in the S1 vehicle to reduce timing related to developing an all new system specific to the vehicle. This strategy did not provide a solution as it was stated that ESCs are design to specific geometry of a vehicle based on installation, deployment, occupant arrangement and proprietary styling features. The S1 as stated previously is a totally new vehicle and hence would need a custom ESC development.

8. AN EXEMPTION WILL BE IN THE PUBLIC INTEREST AND CONSISTENT WITH THE OBJECTIVES OF THE SAFETY ACT

Sales of the Saleen 1 (S1) are in the best interest of the US public and the automotive industry. There are numerous companies, both large and small, that are directly or indirectly involved in the development of the Saleen 1 (S1). Saleen currently provides direct employment to approximately 30 employees. Additionally, the current total number of indirect employees exceeds 100. Once manufacturing starts in the US, Saleen estimates an additional 500 direct jobs to support production for US and European sales.

The Saleen 1 (S1) will initially be sold through approximately 50 dealers in the US and an additional 50 European dealers, which will also provide employment for hundreds of additional employees in all facets of sales, services, logistics, financing and marketing, as well as local businesses.

9. CONCLUSION

Saleen will continue the design and development of the Saleen 1 (S1) while this petition is under review by NHTSA. Engineering resources that are assigned to this project will continue to pursue compliance with the requirements of FMVSS 126 during the exemption period.

Saleen estimates that full compliance with FMVSS 126 requirements will be achieved before April 1, 2020.

As of April 1, 2020 the Saleen 1 (S1) will be fully compliant with requirements contained within the FMVSS 208 standard that was in effect for small volume manufacturers.

We hope that NHTSA will take the US economic benefits and overall safety development of the Saleen 1 (S1) into consideration when reviewing this petition for a temporary exemption from standard 126 related to ESC.

Sincerely,



Steve Saleen
Chief Executive Officer
Saleen Automotive

Exhibit 1 - Corporate balance sheets and income statements for 2015, 2016 and 2017
[Confidential]

Exhibit 2 - Projected corporate balance sheets and income statements for 2018, 2019 and 2020
[Confidential]