

March 14, 2019

DEPARTMENT OF TRANSPORTATION
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION



Saleen Automotive Inc.
PETITION
FOR TEMPORARY EXEMPTION
FROM FMVSS 208
UNDER SECTION 12; TEMPORARY EXEMPTION FROM REQUIREMENT FOR INFLATABLE
RESTRAINT SYSTEM
ON THE BASIS OF
SUBSTANTIAL ECONOMIC HARDSHIP

Contents

Exhibits	2
1. THE APPLICANT AND VEHICLE.....	3
2. THE REQUESTED EXEMPTION	4
3. SALEEN ELIGIBILITY FOR THE EXEMPTION.....	5
a) Production Volume	5
b) NHTSA Exemption Criteria.....	5
4. BACKGROUND	6
a) The S1 Design and Development	6
b) Business Repositioning	7
5. TECHNICAL OVERVIEW	7
a) Restraint system consists of the following:	7
6. SALEEN EXPERIENCING SUBSTANTIAL ECONOMIC HARDSHIP	7
a) Engineering and Financial Information	7
7. DESCRIPTION OF EFFORTS TO COMPLY	9
8. AN EXEMPTION WILL BE IN THE PUBLIC INTEREST AND CONSISTENT WITH THE OBJECTIVES OF THE SAFETY ACT	9
9. CONCLUSION	10

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]
- Exhibit 3 – Airbag supplier timing duration based on January 1, 2018 [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@saleenauto.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 208 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.

Saleen is seeking a temporary exemption from the requirements of the Federal Motor Vehicle Safety Standard FMVSS 208 as related to the Inflatable Restraint System (airbags) used in occupant crash protection under section S12. *Temporary Exemption from Requirement for Inflatable Restraint System.*

Upon approval from NHTSA, Saleen will comply with section S12.7; Labels and written notice announcing temporary exemption will be provided within the vehicle's owner's manual.

S12.7.1 It shall be a condition of every temporary exemption from the inflatable restraint requirement that the manufacturer of exempted vehicles comply with the provisions of S12.7.2 and S12.7.3.

S12.7.2 (a) The manufacturer of any vehicle granted a temporary exemption from the inflatable restraint requirement shall affix a label within the passenger compartment of such vehicle. The label shall set forth the following information in block capital letters and numerals not less than three thirty-seconds of an inch high:

THIS VEHICLE DOES NOT CONTAIN AN AIR BAG IN CONFORMANCE WITH THE FEDERAL MOTOR VEHICLE SAFETY STANDARD FOR OCCUPANT CRASH PROTECTION. IT WAS EXEMPTED PURSUANT TO NHTSA EXEMPTION NO. (insert number assigned by NHTSA).

This label shall not be removed until after the vehicle manufacturer has recalled the vehicle and installed an inflatable restraint system at those seating positions for which it was granted an exemption.

S12.7.3 The manufacturer of any vehicle that is delivered without an inflatable restraint system, pursuant to a temporary exemption granted under this section, shall, at the time of delivery of the vehicle, provide a written notice to the dealer to whom the vehicle is delivered. The manufacturer shall also provide a written notice by registered mail to the first purchaser of the vehicle for purposes other than resale, within two weeks after purchase unless otherwise provided for by the Administrator in the exemption, such notice shall provide the following information:

(a) This vehicle does not conform to Federal Motor Vehicle Safety Standard No. 208, because it is not equipped with an inflatable restraint at (insert the affected seating positions).

(b) The vehicle was allowed to be sold pursuant to NHTSA Exemption No. (insert appropriate exemption number).

- (c) The reason this vehicle was exempted from the requirement for an inflatable restraint was because of factors beyond the manufacturer's control.
- (d) The manufacturer will recall this vehicle not later than (insert the time set forth in the exemption) and install the missing inflatable restraint at no charge.
- (e) If the reader has any questions or would like some further information, he or she may contact the manufacturer at (insert an address and telephone number).

Saleen is also seeking temporary exemption from S13 – Unbelted Tests, as it relies heavily on an airbag system for compliance.

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 208.

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>	<u>Production (S1)</u>
2019*	1000
2020*	2500
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

Saleen realizes that in the Spring of 2011 NHTSA announced a change in policy as regards the criteria for advanced air bag exemptions:

“Notwithstanding ... previous grants of exemption, NHTSA is considering two key issues--
(1) Whether it is in the public interest to continue to grant [advanced airbag] petitions, particularly in the same manner as in the past, given the number of years these requirements have now been in effect and the benefits of advanced air bags, and
(2) To the extent such petitions are granted, what plans and countermeasures to protect child and infant occupants, short of compliance with the advanced airbags, should be expected.
... NHTSA tentatively concludes that the expense of advanced airbag technology is not now sufficient, in and of itself, to justify the grant of a petition for a hardship exemption from the advanced air bag requirements.
...NHTSA invites comment on whether and in what circumstances (e.g., nature of vehicles, number of vehicles, level of efforts to comply with the requirements, timing as to number of years since the requirements were implemented, etc.) it should continue to grant petitions for first time exemptions from the advanced air bag requirements of FMVSS No. 208 and petitions for renewed exemptions from those requirements.”
76 FR 20082 (April 11, 2011).

Saleen believes that the exemption requested herein does not run counter to the policy announced above. NHTSA’s April 2011 FR notice was directed at high-volume manufacturers petitioning total absence of advanced airbags per our interpretation and not low-volume manufacturers.

Timing for a FMVSS 208 compliant airbag system has been quoted as fifteen (15) month duration from the supplier after kickoff until a final validated airbag system is available to install in the S1.

Saleen accepts full responsibility for the expense associated with advanced airbag 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) Restraint system consists of the following:

- Dual Stage Driver Airbag
- Dual Stage Passenger Airbag
- Door Mounted Head Airbag
- Pretensioner Load Limiting Seat Belts
- Passenger Reinforced Glovebox Door Assembly
- Airbag Control Unit (ACU), Acceleration Satellites and Pressure Satellites

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 3,300 man-hours for the completion of the airbag certification. [XXXXX] is the projected cost for the complete development, validation and implementation of the occupant crash protection 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 [XXXXXX] which includes: [Confidential]

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

The occupant crash protection 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 eighteen (18) 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]

Saleen estimates that the addition of the occupant crash protection system to the Saleen 1 (S1) would add approximately [XXXXXX] to the Bill of Material cost of each vehicle. However, this cost is being included in the total projected initial MSRP for the vehicle. If NHTSA grants Saleen a temporary exemption per section 12 of FMVSS 208, Saleen would recall all vehicles

sold under the temporary exemption and retro-fit the vehicles with compliant airbag systems prior to the expiration of the temporary exemption at no cost to the customer as per section 12.7.3 of FMVSS 208. [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 airbag system. Three alternatives were considered but found incapable of providing a solution:

- **Using available airbag system from other vehicles in the automotive market:** Saleen investigated using an existing airbag 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 airbags 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 airbag development.
- **Exploration of single-stage airbag system for the S1:** Saleen researched if other markets besides U.S. have compliant airbag system that could be adapted to the S1. EU and China only require a single-stage airbag per their safety regulations but do not suffice the requirements within FMVSS 208. Saleen requested timing for implementing a single-stage airbag system prior to filing this petition application to NHTSA. The suppliers all stated that timing would be similar to the advanced airbag (dual-stage) and would not meet Saleen's scheduled SOP.
- **CAE and FEA analysis related to structural safety performance of the S1:** Saleen is currently in the design / engineering phase of the program which utilizes CAE and FEA analysis simulations to develop the structural integrity of the S1. These full vehicle CAE and FEA analyses consist of 49 CFR Part 571; FMVSS 208, 214, 216a, 301 and 49 CFR Part 581 showing high-plausibility that the S1 will comply structurally with the above mentioned regulations. Full vehicle physical testing is scheduled to begin the first quarter of 2019 to correlate the analytical simulations with physical crash testing at an American Association for Laboratory Accreditation (A2LA) accredited test facility to increase the validity of the CAE and FEA models.

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 208 during the exemption period.

Saleen estimates that full compliance with FMVSS 208 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 208 related to airbags.

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]

Exhibit 3 - Airbag supplier timing duration based on January 1, 2018
[Confidential]