



EXECUTIVE INFORMATIONAL OVERVIEW®

June 12, 2014



Saleen Automotive, Inc.

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Ticker (Exchange)	SLNN (OTC.BB)
Recent Price (06/11/2014)	\$0.15
52-week Range	\$0.12 – \$1.15
Shares Outstanding*	~129.3 million
Market Capitalization	~\$19.4 million
Average 3-month Volume	107,016
Insider Ownership +>5%	~53%
EPS (Qtr. ended 12/31/2013)	(\$0.01)
Employees	28

*As of February 13, 2014

Saleen S7R (dated 2006 in Spa, Belgium)



Saleen 302 SA-30 Mustang in Pearl White



Company Description

Saleen Automotive, Inc. (“Saleen” or “the Company”) designs and manufactures **mass customized†** American sports cars, **supercars**, and race cars. The Company has also recently entered the electric vehicle (EV) market. Saleen’s primary product line entails high-performance cars built from the base **chassis** of Ford Mustangs, Chevrolet Camaros, and Dodge Challengers, with an expected summer 2014 launch of a Saleen EV built on the chassis of *Consumer Reports’* 2014 car of the year, the Tesla Model S. The Company also plans to launch a new supercar within the next two years to compete against exotic imports. Saleen’s first supercar, the Saleen S7, was built entirely by the Company from initial design concepts to finished production and sale within nine months, and a race-tuned edition went on to win 78 races, including 10 championships and the 2010 **24 Hours of Le Mans**.

Key Points

- In 2013, the U.S. automotive industry had its best year since 2007, and is forecast to expand by another 4.9% during 2014. New companies are entering this market for energy-efficient vehicles and new luxury cars—which is one sector in particular that has seen rapid growth in recent years.
- In March 2014, Saleen entered into an agreement with GreenTech Automotive, Inc. for distribution of the entire line of Saleen vehicles in China, which is the largest national market globally for car sales. The Company is also working to open Saleen retail stores in the U.S. for the sale, installation, and demonstration of its performance parts and vehicles.
- Saleen holds a competitive advantage in rapidly bringing new automotive products to market versus other specialty car companies in part due to its experience in certifying vehicles for sale through Ford, Dodge, and Chevrolet dealers. This can be a complex process due to federal safety and emissions laws and evolving fuel efficiency standards.
- The Saleen S7 was featured in DreamWorks’ March 2014 film, *Need for Speed* starring *Breaking Bad’s* Aaron Paul. The Company also built camera cars used by the crew to keep pace with the movie’s supercars. Saleen’s relationship with DreamWorks has previously included producing cars for the roles of “Bumblebee” and “Barricade” in *Transformers* (2007).
- The Company is led by founder and CEO, Mr. Steve Saleen, who has over 30 years of expertise in the manufacture and distribution of high-performance vehicles. As of December 31, 2013, Saleen held cash of \$10,840, subsequently raising over \$3.2 million to date in 2014. The Company seeks to raise \$15 million.

†BOLD WORDS IN CONTEXT ARE REFERENCED IN THE GLOSSARY ON PAGE 57. See inside for applicable disclosures.

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Executive Overview

- Saleen Automotive Inc. (“Saleen” or “the Company”) is a low-volume, specialist vehicle design, engineering, and manufacturing company. For over 30 years, the Saleen brand has been known for its ability to deliver innovative automotive designs and high-performance vehicles.
- Today, Saleen is in a rapid growth phase and is working to increase its presence in the industry by capitalizing on the Saleen brand’s legacy for new opportunities. During summer 2014, the Company plans to debut a fully built, proprietary electric vehicle (EV) as well as all-new paint colors for its cars.
- Saleen is perhaps best known for its ability to mass customize (creating customized products in an efficient, mass-production manner) high-performance parts and vehicles derived from the base chassis of the Ford Mustang, Dodge Challenger, and Chevrolet Camaro, which lead the class of “American Muscle” cars globally.
- The global automotive market is valued at over \$4 trillion. The largest national market for vehicles is China, followed by the U.S. where 15.6 million cars and trucks were sold in 2013—a nearly 8% increase over 2012. Sales of premium and high-performance vehicles drove U.S. market growth in 2013, with many low-volume luxury manufacturers selling every car they produced or imported during the year, spurred on by stronger economic conditions among other factors.
- Emerging economies in BRIC nations (Brazil, Russia, India, and China) are stimulating increased consumer demand for car ownership, which is encouraging new operators to begin meeting expanding transportation needs. By 2016, China is forecast to overtake the U.S. as the largest market for premium cars, driven by both the super-wealthy and newly affluent consumers.
- Saleen vehicles are sold in the U.S. through franchised dealerships from Ford Motor Co. (F-NYSE), General Motors’ (GM-NYSE) Chevrolet brand, and Chrysler Group LLC’s Dodge brand, and in China through a distribution agreement with GreenTech Automotive, Inc. Saleen aftermarket performance parts and lifestyle accessories are available online through <http://www.smssuperparts.com/> and <http://www.saleenstore.com/>. The Company is also in the process of launching a retail store for showcasing its vehicles and technologies, and for sale and installation of Saleen-branded parts and accessories.
- Saleen uses an extensive conversion process of designing, engineering, tooling, testing, and certifying every vehicle part in order to transform the **original equipment manufacturer (OEM)** chassis into a Saleen vehicle. The Company customizes the **powertrain** which includes a patented Saleen supercharger and also creates the handling and braking systems to support the increase in power. In addition to considerable performance gains, Saleen vehicles have custom interior and exterior styling, inspired by the Company’s racing pedigree.

Figure 1

SALEEN DISPLAY AT THE LOS ANGELES AUTO SHOW (NOVEMBER 2013)



Source: Saleen Automotive, Inc. (<https://www.facebook.com/Saleen>).

- Saleen's core values are power, style, and performance, as can be seen in all of its vehicles. Going forward, these values will also include a focus on designing low- to zero-emissions vehicles that are not dependent on fossil fuels, in effect, bringing Saleen's styling and performance to the electric vehicle (EV) market.
- The Company announced production of a "Saleen Tesla" in January 2014, which is based on the chassis of the Tesla Model S electric sports car (named the best overall car for 2014 by *Consumer Reports* and named *Motor Trend's* Car of the Year in 2013). Saleen's EV is being created in partnership with Pasadena's Art Center College of Design, a school known for its skill in automotive design, and AC Propulsion, an EV technology company, and could be unveiled as early as summer 2014. Renderings of Saleen's EV are provided on pages 37-38.
- Saleen's product line also includes a new American supercar to compete against offerings from exotic car manufacturers such as Porsche and Ferrari. Saleen builds supercars and race cars from the ground up and has in the past successfully built the U.S.'s fastest **production car** (the Saleen S7). The S7 has proven its endurance and speed on the race track by winning the 24 Hours of Le Mans in 2010, among many other races over the past decade.
- The Company has shown over the years that it can develop, innovate, and bring new products to market faster than most single-category automotive companies (which it did with the S7 in only nine months). However, the Saleen business extends beyond solely vehicle manufacture. The Company may generate revenue via a variety of other activities, including a high-margin aftermarket and replacement parts business, lifestyle accessories and apparel lines, vehicle maintenance, brand licensing, design and engineering services, business to business services and consultations, and custom car production for feature films and television shows.
- Auto enthusiasts are estimated to represent approximately 10% to 15% of U.S. drivers, and are a primary customer base for Saleen's vehicles and aftermarket performance parts.
- Sales of street performance parts—parts and accessories designed for sports and muscle cars—reached a 10-year high in 2012, representing roughly \$7.5 billion of the \$31 billion specialty equipment market. Saleen believes that it is well positioned to capitalize on the new and replacement aftermarket part sector, particularly as its performance parts and lifestyle accessories fit not only Saleen vehicles but also the hundreds of thousands of OEM Mustangs, Challengers, and Camaros from Ford, Chevrolet, and Dodge.
- Feature films and television are avenues used by Saleen to promote its brand. The Company's motorsports and engineering teams have performed contract design, engineering, and product development services for a number of Hollywood movies. Notably, this work has included supplying the Saleen S7 as the feature vehicle driven by Jim Carrey in *Bruce Almighty* (2003), creating a Saleen Mustang for the role of "Barricade" and building the Chevrolet Camaro playing "Bumblebee" in *Transformers* (2007), and most recently, supplying supercars for DreamWorks' *Need for Speed* (2014).
- For the nine months ended December 31, 2013, Saleen reported vehicles and parts revenue of over \$3.5 million, up from vehicles and parts sales of close to \$1.3 million in the first three quarters of fiscal year 2012. The increase in sales reflected the Company's expanding sales force, growth through existing car dealerships, and addition of new dealer networks.
- At December 31, 2013, the Company had cash of \$10,840. Subsequently, the Company has raised over \$3.2 million to date in 2014, which includes \$2.5 million from the sale of unsecured 7% Convertible Notes. The Company continues to seek additional funds, which is needed to continue operation and which will likely occur through the issuance of debt or equity securities. Saleen has stated an intention to raise approximately \$15 million, of which roughly \$6.5 million has already been received.
- Saleen is headquartered in Corona, California, near Los Angeles on a four-acre property with space for production, research and development (R&D), and offices. As of March 2014, the Company employed 28 individuals.

History of the Saleen Brand

Racing Heritage

The Saleen brand has been associated with a strong racing heritage since its inception by founder Steve Saleen in 1983. Now CEO of Saleen Automotive, Mr. Saleen began his career in motorsports during the 1970s in **autocross**, after which he moved through the SCCA pro series (Formula Atlantic, Trans-Am Championship, Sport Truck racing) into Indy car racing. While driving for Pontiac Motor Co. in 1981/1982, Mr. Saleen became involved with Pontiac’s special edition vehicles—testing suspensions, advising on design elements, and doing performance evaluations of vehicle components. Subsequently, Mr. Saleen began working with Pontiac’s regional dealer networks to market and merchandise vehicles—a position driven by his automotive knowledge as well as his business degree from the University of Southern California (USC) and prior experience in his father’s manufacturing business.

Over the course of his time on the race track, Mr. Saleen also struck up a relationship with Ford Motor Co. and began to envision a future for a higher-performance Mustang that could be synergistic with Ford’s own plans for the car. Consequently, at the end of the racing season in 1983, Mr. Saleen left his position with Pontiac to start his own special edition car company focused on a “Saleen Mustang.”

Over the next 20 years, Saleen vehicles competed in numerous car and truck races worldwide, which included Saleen Mustangs winning six manufacturers’ championships, and leading to Steve Saleen’s induction into the Mustang Hall of Fame in 1996. In the 1990s, Steve Saleen started a successful race team with actor Tim Allen (of *Home Improvement*) and, in 2001, he created from the ground up America’s “winningest” supercar, the Saleen S7 (racing version: Saleen S7R). The Saleen S7 (pictures on page 35) was the fastest production car built in the U.S. in the early 2000s, which *Car and Driver* (July 2003) called “a sexy American exotic that rivals the best from Europe.” The Company built just under 100 of the Saleen S7 priced at roughly \$400,000 and approximately 15 of the race-tuned S7R. Every aspect of the car was designed in-house by Saleen, from the chassis, aerodynamics, and body styling to the engine design and more. In its first year of competition, the S7R won 19 of 32 races and took pole position in 27 of these. In 2010, the car, driven by French racing team Larbre Competition (www.larbre-competition.com/) won its class at the 24 Hours of Le Mans, a prestigious endurance race (Figure 3 [page 6]).

Figure 5 (page 7) lists many of the defining moments in Saleen’s history, which have led to its status today as a manufacturer of high-performance, fast, and high-quality American sports cars. Note that Figure 5 is *not* an exhaustive listing of the Company’s race history, wins, or new vehicle releases; but as a result of this heritage, Saleen continues to place a heavy emphasis on motorsports and racing in its marketing and promotional activities.

Figure 2
SALEEN/ALLEN "RRR" SPEEDLAB



Source: Saleen Automotive, Inc.

Figure 3

SALEEN S7R WINS GT1 RACE AT 24 HOURS OF LE MANS (2010)

Driven by French autoracing team Larbre Competition



Source: Saleen Owners and Enthusiasts Club (SOEC), June 24, 2010.

Contract Design and Manufacturing Spurs Saleen Evolution Beyond the Mustang

In 2002, Ford Motor Co. selected Saleen to help design, develop, produce, and certify the 2004-2006 model years Ford GT from a factory near Ford's headquarters in Dearborn, Michigan. This contract required Saleen to work through Ford's normal channels, which included establishing a manufacturing facility near Ford's Michigan headquarters with an expensive production line and semi-automated, top-of-the-line paint system designed to achieve a robust and durable finish. When the Ford GT build was complete, Saleen used this facility to perform the subassembly and paint for the Dodge Viper, and to produce Ford's Harley Davidson edition F150 pick-up trucks with Saleen superchargers.

In conjunction with the contract work in Detroit, Steve Saleen was also pursuing relationships in the motion picture and television industry, which has always been one of the avenues used by Saleen for marketing due to the Company's proximity to Hollywood and the entertainment value of the type of cars the Company builds. In the mid-2000s, *Transformers* director Michael Bay was making decisions about the cars to be cast in the first *Transformers* (2007) movie. He ultimately selected a Saleen Mustang for the role of "Barricade," a police vehicle in the movie (pictured in Figure 38 on page 42), and a Chevrolet Camaro for the lead role of "Bumblebee" (Figure 4), built by Saleen. The process of building both the Mustangs and the Camaros for the *Transformers* movie, combined with the ongoing subassembly/paint work Saleen was doing for the Dodge Viper, led Steve Saleen to recognize a wider opportunity for the Company in the performance vehicle segment. He believed the Company's familiarity with Ford, GM, and Dodge would allow it to expand into a variety of **pony cars** beyond the Mustang.

Figure 4

SALEEN-BUILT "BUMBLEBEE" CHEVROLET CAMARO IN *TRANSFORMERS* (2007)



Source: www.IMDB.com (© 2007 DreamWorks LLC and Paramount Pictures).

Figure 5

SALEEN'S NOTABLE ACHIEVEMENTS (**Not intended as a complete list of race wins or new product development*)

1984	Introduces first Saleen Mustang
1986	A race-prepared version of the Saleen Mustang wins 24 Hours of Mosport
1987	Saleen team wins driver, team, manufacturer, and tire championships in SCCA Escort Endurance Championship and wins at the SCCA Coors Race Truck Challenge
1988	Saleen Mustangs finish 1-2-3 at 24 Hours of Mosport (Ford's first 1-2-3 finish since Le Mans in the late 1960s); Introduces Saleen Sportruck
1989	Competes in the PPG Indy Car World Series
1990	Saleen Performance Parts established as an independent operation
1991	Wins SCCA Race Truck championship; Campaigns Trans-Am series with Saleen Scorcher Mustang and secures three top 10 finishes; Introduces the Saleen Mustang S351 with 495 HP (believed to be the world's fastest production vehicle at the time)
1994	Introduces the 351 c.i.d. powered S351 and the 480 HP Saleen SR
1995	Introduces the Speedster featuring a 371 HP Saleen engine with optional supercharger to boost output to 480 HP; Forms the Saleen/Allen "RRR" Speedlab with actor Tim Allen and racing legend Bob Bondurant
1996	Saleen/Allen Speedlab wins the SCCA Manufacturers Championship; Steve Saleen is inducted into the Mustang Hall of Fame with Carroll Shelby
1997	Saleen/Allen Speedlab competes at 24 Hours of Le Mans, marking the Mustang's first return in over 30 years; Saleen wins the SCCA Manufacturers Championship title
1998	Introduces the Saleen Explorer XP8 Performance Utility Vehicle; Saleen/Allen Speedlab wins both the SCCA Manufacturers and Drivers Championship titles
2000	Captures the GTO Driver's Championship and Manufacturer and Team Championships in the season finale at Watkins Glen; Introduces the Saleen S7 supercar at Laguna Seca Raceway
2001	Saleen S7R campaigns in FIA GT, ALMS, Grand-Am, European Le Mans, and 24 Hours of Le Mans series, setting 27 fastest laps, 29 pole positions, and several podium finishes (including 19 1st place wins)
2002	Introduces the S281 Extreme model using the new Saleen Twin Screw Supercharger
2003	Actor Jim Carrey drives the Saleen S7 in the <i>Bruce Almighty</i> movie
2004	Saleen Special Vehicles team assists in the custom build for the Ford Mustang GT-R concept car
2004 - 2006	Selected as a supplier to bring the Ford GT40 prototype into production; Using its niche manufacturing techniques, Saleen performs the assembly and paint production for the 2004-2006 Ford GT
2006	Unveils "The Saleen Store" in Irvine, CA, for automotive retailing and vehicle sales
2007	Ford commissions Saleen to power all supercharged Harley-Davidson Edition F-150 trucks; Saleen begins paint production of the new Dodge Viper under contract from Chrysler, LLC
2007	Saleen S281 Mustang is "Barricade" in <i>Transformers</i> movie, and Saleen builds the "Bumblebee" Camaro
2009	Introduces the Dodge 570 Challenger lineup under the SMS brand, which used the all-new 296 Supercharger, Rear Lightblade Illumination, and Chevron style seating
2010	Unveils the SMS 302 Mustang with a complete body style redesign and supercharged option
2012	Sells first Saleen 620 Camaro for \$100,000 to charity at Barrett-Jackson; Launches a 700 HP 351 Mustang
2014	Saleen vehicles featured in DreamWorks' <i>Need for Speed</i> movie

Source: Saleen Automotive, Inc. (<http://saleen.com/heritage.html> and <http://www.saleenautomotive.com/history.html>).

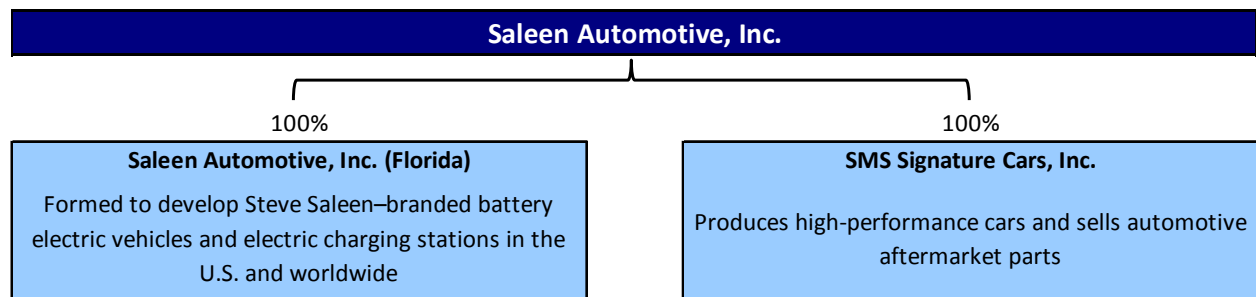
Transition from “Saleen Inc.” to “SMS Signature Cars” to “Saleen Automotive, Inc.” (Current)

During the business’s expansion in the mid-2000s, Saleen raised funding through Hancock Park Associates, a Los Angeles-based private equity firm, which ultimately diluted Steve Saleen’s stake below 50%. The corporate structure worked well for the duration of the Ford GT build, but as that project came to a close, there were internal disagreements over the future direction of the Company. Steve Saleen has stated that, prior to his exit in 2007, he had built Saleen into a company with roughly \$150 million in revenues and high EBITDA, such that most new product development was able to be financed directly out of earnings (Source: Saleen). However, fearing an inevitable decline without the ownership stake to stop it, Mr. Saleen and a number of other senior executives resigned from the Company in 2007, and founded a holding company ultimately designed to acquire the assets of the Saleen brand.

In 2008, Steve Saleen founded another company to produce specialty cars and aftermarket parts under the name “SMS Signature Cars,” which realized the vision of expanding beyond the Ford Mustang to include Chevrolet Camaros and Dodge Challengers. Work also included producing specialty vehicles for the movie *Bullet* and providing support for vehicles produced by the former Saleen company before Steve Saleen left.

While Steve Saleen was producing high-performance American sports cars under the SMS name, the prior Saleen company—which at this time was owned by Hancock Park Associates—dwindled to only producing aftermarket parts and soon ceased operations altogether. The brand name, likeness of Steve Saleen, and intellectual property (IP) were sold off to other start-up ventures. After nearly five years of litigation, Steve Saleen was able to fully repurchase the “Saleen” identity, branding, and IP in 2012, and began combining it with the SMS business and the Saleen Electric Automotive, Inc. business (founded in July 2011 to develop electric vehicles [EVs]) in order to create the new “Saleen Automotive, Inc.,” which is where the business stands today (as depicted in Figure 6). As of mid-2013, SMS cars now also carry the Saleen branding.

Figure 6
SALEEN AUTOMOTIVE CURRENT CORPORATE STRUCTURE (2014)



Source: Saleen Automotive, Inc.

Headquarters and Employees

Saleen Automotive, Inc. was incorporated under the laws of Nevada in June 2011 and currently operates two subsidiaries (as shown in Figure 6 [page 8]): (1) Saleen Automotive, Inc. (Florida) and (2) SMS Signature Cars, Inc. Saleen went public through a reverse merger with W270 Inc. in July 2013 and is presently traded on the Over-the-Counter Bulletin Board (OTC.BB) under the ticker "SLNN."

The Company is headquartered just outside of Los Angeles in Corona, California. In September 2013, Saleen expanded its headquarters to encompass a four-acre campus with separate areas for R&D, production, paint, and offices. The expansion was commemorated with an "open house" and car show at the Company's headquarters, where several hundred vehicles were on display and several thousand people attended. Pictures of the annual Saleen car show and corporate headquarters are available on the Company's Facebook profile at www.facebook.com/Saleen.

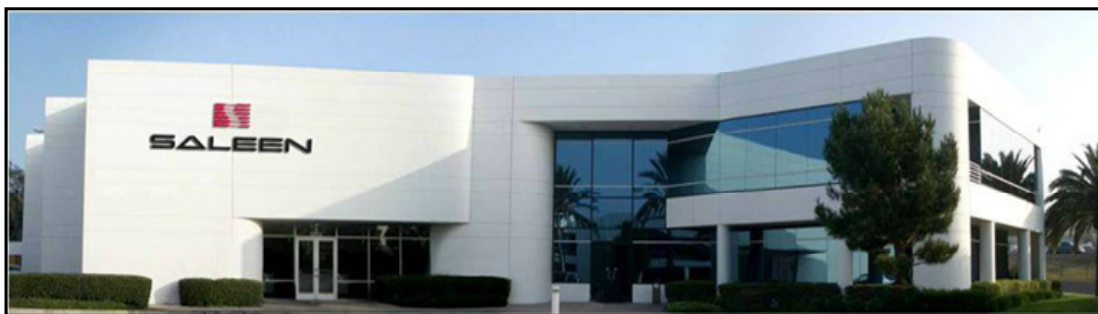
Saleen employed approximately 28 individuals as of March 2014. Several of the Company's skilled engineering and production personnel were hired from another California automotive manufacturer that had recently reduced headcount. As the Company expands production of its high-performance vehicles and continues to refine the development of EVs, management plans to hire additional personnel, specifically within the areas of manufacturing, design, engineering, and service.

Figure 7
SALEEN ANNUAL CAR SHOW (September 14, 2013)



Source: Saleen Automotive, Inc. (www.facebook.com/Saleen).

Figure 8
SALEEN'S CALIFORNIA HEADQUARTERS



Source: Saleen Automotive, Inc.

Growth Strategies

Saleen has set forth a number of strategies to facilitate its return as a global high-performance automobile brand, as outlined below.

- Ramping up production and expanding sales and marketing activities within the U.S. and China and into other international markets as resources are available
- Opening Saleen-branded retail stores
- Marketing its expertise in specialist engineering and design for third-party clients
- Developing a new motorsports program, with the goal of starting competitions in 2015 supporting the Company's cars and race teams
- Introducing a new American supercar within two years
- Introducing a zero-emissions electric vehicle (EV)
- Raising approximately \$15 million in the near term, of which roughly \$6.5 million has already been received

Saleen vehicles are currently sold through a dealer network across the U.S., which the Company is continually expanding, and through a distributor in China (Chinese sales began in spring 2014). High-performance parts and lifestyle accessories are sold online through Saleen websites. Going forward, the Company aims to increase sales, in part, by growing its distribution network to enable vehicle sales over the Internet and by opening Saleen-branded retail stores, as described below.

The Saleen Store

The Saleen retail store could mark a new era of automotive retailing. The Saleen team previously operated a retail outlet in Southern California, led by the efforts of Molly Saleen (biography on page 16), that was designated the "Best Automotive Retail Store" by *Maxim* magazine in November 2006. The concept for the Company's retail exposure going forward is to create a showroom where customers can view and purchase cars as well as purchase parts and accessories and receive technical automotive advice/answers. Customers can meet with sales representatives to ask questions, arrange financing, assess trade-ins, and even test drive cars. Vehicle purchases could be streamlined with the Saleen Store's zip code-based referral service, through which vehicle sales originating at the Saleen Store can be completed at the customer's closest Saleen-certified dealership. A cornerstone in the Company's strategy for these stores is to employ a highly trained staff that can guide and educate consumers as well as install purchased aftermarket parts.

Saleen initially plans to open stores in high-traffic areas within Southern California, with a goal of opening one store per year for the next three years at a cost of roughly \$1 million per store (to open). The first store is scheduled to open in Southern California during 2014. Over a longer time horizon, the Company plans to open approximately 12 U.S. stores.

Ultimately, Saleen aims to build its in-store experience into the primary retail distribution channel for the Company's cars, performance parts, and lifestyle products. Adding to the "experience factor," the Saleen Store is scheduled to include race simulators programmed to simulate the feel of driving a Saleen S7. These simulators are geared to the same specifications as the S7R racecar.

Figure 9
SALEEN STORE IN IRVINE, CALIFORNIA, IN 2006



Source: Saleen Automotive, Inc.

Growth in Marketing and Advertising

Concurrently with new product development (EVs, supercars) and expanding its distribution channels, Saleen is increasing its marketing activities, particularly as it relates to building a strong online presence and brand. The Company seeks to use branded social media sites, mobile apps, digital magazines and brochures, and its website in order to create an engaging and entertaining brand experience, with the ultimate objective of converting interested consumers into sales. To this end, in January 2014, Saleen retained advertising company Havas Edge (<http://www.havasedge.com/>) for a new ad campaign. Havas Edge states on its website that it is the “largest vertically integrated full-service direct response agency in the world.” The firm’s clients have included BlackRock, Citi, Cancer Treatment Centers of America, Visa, the USO, and many other high-profile institutions.

The Company is also heavily involved in event marketing, which entails attending events on the auto show circuit where Saleen can have a trade booth, hold press conferences to announce new vehicle models, and network with customers and car dealers. At present, event marketing is focused largely toward domestic markets—on major shows in Detroit, Pebble Beach, Chicago, New York, and Los Angeles as well as on smaller regional shows—due to high costs of participation per show. However, in April 2014, Saleen attended the Beijing International Auto Show, where the Company showcased its Saleen S7 Supercar, White Label SpeedLab Yellow Challenger, Black Label Lizstick Red Mustang, and 30th Anniversary Pearl White Finish Camaro. Each of the latter three display cars had been pre-sold to Chinese consumers as of March 2014. The Beijing show was anticipated to have over 800,000 attendees, including 4,000 members of the media (Source: Saleen’s March 24, 2014, Press Release).

As Saleen continues to grow and raise more capital, it may expand its event marketing activities to other major international car shows as well.

Recent Milestones

Saleen's vehicles and performance are routinely profiled in leading print and digital publications serving automotive enthusiasts, including *Motor Trend*, *USA Today*, *Road & Track*, *Car and Driver*, etc. The brand has also achieved recognition in local and national newspapers, in books, and on websites, blogs, forums, and social media outlets dedicated to performance, racing, and luxury cars.

Recent Milestones

The following list provides a summary of some of the Company's key recent milestones.

- Entered into an agreement with BASF Corporation (BASFY-OTC) in May 2014 to exclusively use BASF paints at Saleen's California production facilities. The agreement supports the introduction of all-new Saleen colors during summer 2014, which are being specially produced using new technology developed by BASF and Saleen. In addition, the Company reports that the partnership with BASF allows Saleen to streamline operations and produce vehicles with new colors and higher profit margins.

Figure 10
MUSTANGS ACROSS AMERICA ANNIVERSARY DRIVE
KICKS OFF AT SALEEN CAMPUS



Source: Saleen Automotive, Inc.
members.

- Held a kick-off event at its headquarters for a cross-country tour and drive of approximately 550 Mustang owners celebrating the Ford Mustang's 50th anniversary in April 2014—known as the Mustangs Across America Anniversary Drive. In conjunction with the event, Saleen opened its production facilities for tours and hosted a meet-and-greet with Mr. Steve Saleen and the Saleen design team.
- Entered into an agreement with GreenTech Automotive, Inc. (GTA) for the distribution of the full collection of Saleen automobiles in China. Supply of Saleen vehicles to the Chinese market is expected to commence in spring 2014. Marking the Company's entrance to the Chinese market, Saleen displayed its vehicle line at the Beijing International Auto Show in April 2014—a major car show drawing approximately 800,000 attendees and 4,000 media members.
- Commenced development of a "Saleen Tesla" electric car to combine the latest advancements in electric vehicle (EV) technologies with Saleen styling and craftsmanship, and released renderings of the car in April 2014. Saleen announced in an April 14, 2014, press release that it expected to introduce the first-ever-built Saleen Tesla as early as summer 2014.
- Issued unsecured 7% Convertible Notes to five accredited investors from March 28, 2014, through April 1, 2014, for an aggregate cash purchase price of \$2.5 million, including the conversion of \$519,000 of principal and interest underlying an outstanding secured promissory note.
- Was contracted to provide on-screen and behind-the-scenes performance vehicles for DreamWorks' feature film, *Need for Speed* (2014): www.needforspeed.com/movie. The Saleen S7 is one of the featured vehicles driven by the movie's cast on screen. Saleen also produced a special camera car for filmmakers capable of keeping pace with the movie's supercars.

- Issued 2,003,333 shares of restricted common stock to certain accredited individuals at an offering price of \$0.15 per share for total proceeds of \$300,500 in January-February 2014, followed by the sale of 2,953,333 shares of common stock at a per share price of \$0.15 for aggregate net proceeds of \$443,000 from February 17, 2014, to March 24, 2014.
- Celebrated 30 years of automotive innovation with the launch of 30 Saleen Anniversary “SA-30” special edition cars (only 10 each in the Saleen 302 Mustang, 620 Camaro, and 570 Challenger models), most of which were sold by February 2014. Saleen Anniversary series vehicles are known for their exclusivity due to the very low production quantities.
- Profiled in *Motor Trend* (January 2014) in a full-color, multi-photo piece for the new Saleen supercar in development, called “New Saleen Supercar Coming.”
- Reported a significant increase in vehicles and parts revenue in the first nine months of 2013 compared to the first nine months of 2012. Saleen reported vehicles and parts revenue for the nine months ended December 31, 2013, of over \$3.5 million, up from vehicles and parts sales of close to \$1.3 million in the year-ago period. Gross margins on the sales of vehicles and parts are also improving, as presented in the Company’s most recently reported financial results (on pages 48-51) for the three- and nine-month terms ended December 31, 2013.
- Issued a secured promissory note to W-Net for a loan of \$500,000 in October 2013, and in the same month, raised \$200,000 from the sale of 1,333,332 shares of common stock at a price of \$0.15 per share.
- Implemented a cost reduction program in July 2013 that reduced spending by roughly \$50,000/month. This program included changing hiring practices to hire directly without going through outside placement firms, settling pending litigation matters which reduces the Company’s reliance on its legal counsel, and decreasing spending on an outside CFO services provider by negotiating a flat monthly fee for CFO support services and hiring a full-time internal controller.
- Raised \$3 million in June 2013 through a Securities Purchase Agreement of 3% Senior Secured Convertible Notes (cash purchase price of \$2.5 million) and the conversion of existing secured convertible debt (\$500,000).
- Regained control of the Saleen brand, products, and intellectual property in April 2012, ending several years of litigation.

Intellectual Property

Saleen uses a combination of patents and patent applications, trade secrets and know-how, nondisclosure agreements for employees and partners, copyrights, trademarks, licenses, and other contractual rights to protect its technology and processes relating to the SMS brand and Saleen products. Products are currently sold under the Saleen brand and logo and the Company uses the likeness of Steve Saleen for branding and marketing purposes. The right to the Saleen brand and Steve Saleen’s likeness, including his image, signature, full name, voice, and biographical materials, in connection with the business is held under a royalty-free license that can only be terminated in the event of bankruptcy.

Beyond the brand itself, the core of the Company’s intellectual property is centered on its proprietary supercharger and related performance-enhancing products for which Saleen holds various design patents and trademarks.

Figure 11
INTELLECTUAL PROPERTY SNAPSHOT

Issued U.S. Patents		
	Patent Number	Title
1	D483,312	Automobile front flares
2	D482,995	Automobile flares
3	D476,605	Automobile rear bumper
4	D473,831	Automobile wing
5	D472,861	Automobile side skirt
6	D472,855	Automobile front bumper
7	D447,102	Vehicle gas pedal
8	D444,436	Vehicle brake pedal
9	D444,435	Set of pedals for vehicle
10	D444,114	Pair of car pillar inserts
11	D443,570	Mustang car brake/clutch pedal
12	D437,271	Mustang car brake and/or clutch pedal
13	D424,486	Vehicle rear bumper
14	D423,437	Vehicle door filler set
15	D418,464	Vehicle front bumper
16	D417,641	Front bumper for customized automobile body
17	D414,733	Vehicle spoiler
18	D401,201	Gauge pod for customized automobile body

U.S. Patent Applications		
	Published Application Number	Title
1	20100258096	Intercooler cartridge assembly design for improving internal combustion engine performance
2	20070182217	Transparent Vehicle Roof

Source: U.S. Patent and Trademark Office (USPTO).

Company Leadership

Figure 12 summarizes the Company’s executive leadership and Board of Directors, followed by brief biographies.

Figure 12
EXECUTIVES AND DIRECTORS

Steve Saleen	Chief Executive Officer, President, and Director (Board of Directors)
David Fiene	Chief Financial Officer and Secretary
Sven Etzelsberger	Vice President, Advanced Engineering
Jonathan A. Michaels	General Counsel and Director (Board of Directors)
Molly Saleen	Director of the Retail Division of SMS Signature Cars, Inc.
Gary Freeman	Director (Board of Directors)
Jeffrey Kraws*	Director (Board of Directors)
Joe Amato	Director (Board of Directors)

* Mr. Kraws is also CEO of Crystal Research Associates, LLC, the publisher of this Executive Informational Overview®.

Source: Saleen Automotive, Inc.

Steve Saleen, Chief Executive Officer, President, and Director (Board of Directors)

Steve Saleen, the Company’s founder, has been president and chief executive officer (CEO) of Saleen Automotive, Inc.’s SMS subsidiary since its formation in July 2008. He has been Board chairman and CEO of Saleen Automotive since its formation in July 2011. Mr. Saleen is considered a successful and well-known automotive icon, making him a well-qualified candidate to serve on the Company’s Board of Directors in light of its business and structure. Mr. Saleen’s entrepreneurial business plan previously laid the groundwork for a new industry for design, engineering, manufacturing, and sales of high-performance vehicles that were race-proven and marketed for sales through new car dealership showrooms nationwide. Over the past several decades, this has included very successful racing programs featuring himself as a lead driver in vehicles of his design that went on to win numerous national championships. Mr. Saleen is generally recognized for his expertise in small volume vehicle manufacturing, vehicle transformation processes, and mass customization—creating customized products in an efficient mass-production manner. Mr. Saleen has a Bachelor’s degree in business from the University of Southern California.

David Fiene, Chief Financial Officer and Secretary

David Fiene joined the Company in June 2013 as vice president of finance. He has more than 18 years of experience in finance and accounting including with both public and private entities. He previously served as managing director for Advantage Sales and Marketing. Prior to Advantage Sales and Marketing, he served as director of accounting at Multi-Fineline Electronix, Inc. Mr. Fiene also spent 10 years with PricewaterhouseCoopers LLP in a variety of roles, where he participated in numerous audits, corporate finance transactions, IPOs, merger and acquisition transactions, carve out and spinoffs, and many different types of public filings for Fortune 100 companies. Mr. Fiene is a licensed certified public accountant (CPA) in California and has a Bachelor’s degree in business from Benedictine University.

Sven Etzelsberger, Vice President, Advanced Engineering

Sven Etzelsberger has been vice president of advanced engineering since June 2013. Before joining Saleen, he had a global career in automotive engineering, which led to his previous role as chief engineer on the Fisker Karma vehicle development and vehicle line executive for the Fisker Surf car. His background as R&D engineer at Porsche in Germany as well as in the sports car maker's studio in California has given him an insight into luxury performance cars. After graduating with a degree in mechanical engineering in Frankfurt, Germany, Mr. Etzelsberger spent the next decade developing vehicles and components at automotive companies in Germany, Australia, and Brazil before settling in Southern California. He balances a "German Engineering" approach with a focus on hands-on problem solving.

Jonathan A. Michaels, General Counsel and Director (Board of Directors)

Jonathan A. Michaels is a director of Saleen and has served as the general counsel for Saleen Automotive and SMS since its inception. Prior to that, Mr. Michaels served as general counsel for Saleen, Inc., dating back to 2004. Mr. Michaels is the founding member of Michaels Law Group, APLC, a business law firm in Newport Beach that focuses on representing clients in the automotive industry. Mr. Michaels graduated from the USC Marshall School of Business in 1992 and from Whittier Law School in 1995, finishing in the top 4% of his class. While in law school, Mr. Michaels served as an editor of the Whittier Law Review, represented his alma mater in several national Moot Court Honors Board competitions and, among other things, published a winning Law Review article that is permanently housed in the U.S. Library of Congress. Since 1995, Mr. Michaels has represented clients in complex litigation at all levels of state and federal court throughout the U.S., resulting in substantial verdicts and settlements. In particular, he has extensive experience representing clients in the automotive industry against some of the largest car manufacturers in the world. During his tenure, Mr. Michaels has litigated cases against General Motors, Nissan North America, American Honda, AM General, Toyota Motor Sales, DaimlerChrysler, Kia Motors, Land Rover USA, Ford Motor Company, Jaguar Cars, and Chrysler Group. He has also been recognized by his peers for his ability: he has received the AVVO rating of "Excellent" and has been named to Southern California Super Lawyers—a distinction given to no more than 5% of the attorneys in the state. Mr. Michaels has been invited to guest lecture at undergraduate and graduate programs and has written extensively in the legal community, with numerous publications to his credit. In 2012, Mr. Michaels was named "Attorney of the Year" by his law school alma mater. He is a member of the California and Colorado State Bars, and is actively involved in the Southern California community.

Molly Saleen, Director of the Retail Division of SMS Signature Cars, Inc.

Molly Saleen has been director of the retail division of SMS Signature Cars, Inc. since its formation in July 2007. She has been director of Saleen Automotive since June 2012. As Steve Saleen's daughter, Ms. Saleen grew up in an automotive and racing environment, which proved to be a unique and valuable experience. She spent many summers at racetracks around North America and Europe attending her father's races and learning from the ground up about motorsports and marketing. By the age of 15, she had the opportunity to experience everything from kart racing schools to the Bob Bondurant School of High Performance Driving. The first car she learned to drive was a 510 HP Saleen S351, in which she took her test for her driver's license. In July 2006, "The Saleen Store" was opened to the public, which included aftermarket parts, apparel, and accessories as well as Saleen vehicles. Ms. Saleen served as the store's general manager since its inception. Among other honors, the store was named by *Maxim* magazine as the #1 Automotive Store in the U.S. in November 2006. Ms. Saleen's drive and determination made the store a great success and a must-see destination for all car enthusiasts. Determined to learn the family business from the ground up, Ms. Saleen joined her father in 2007 with his SMS Supercars concept. With her at the helm of retail marketing, SMS Supercars successfully implemented production on all new models, and received industry recognition with the release of its patented, ultra-efficient SMS 296 Supercharger system. Ms. Saleen has also designed a women's racing inspired fashion line. Launched in 2012, "Molly Pop" takes its design cues from Ms. Saleen's automotive and racing roots and artfully integrates them into a fun and fashionable form. Ms. Saleen has an Associate's degree from the University of Arizona and a Bachelor's degree from the University of Southern California.

Gary Freeman, Director (Board of Directors)

Gary Freeman is currently a partner in Beach, Freeman, Lim & Cleland's Audit and Accounting Services division. In conjunction with various consulting engagements, Mr. Freeman has assumed interim senior-level management roles at numerous public and private companies during his career, including co-president and CFO of Trestle Holdings, Inc., CFO of Silvergraph International, and CFO of Galorath Inc. Mr. Freeman currently serves as a member of the Board of Directors of AtheroNova Inc. (AHRO-OTC) and Vantage Associates Inc., and has served as a member of the Board of Directors of Blue Holdings, Inc., Trestle Holdings, Inc., and GVI Security Solutions. His previous experience includes 10 years with BDO Seidman, LLP, including two years as an audit partner. Mr. Freeman brings to Saleen's Board of Directors his extensive experience in accounting and financial matters for public companies.

Jeffrey Kraws, Director (Board of Directors)

Since 2003, Jeffrey Kraws has served as CEO and co-founder of Crystal Research Associates, and since February 2012, has served as partner and co-founder of TopHat Capital, LLC. Prior to founding Crystal Research Associates, Mr. Kraws served as co-president of The Investor Relations Group (IRG), a firm representing primarily under-followed, small-capitalization companies. Previously, Mr. Kraws served as a managing director of healthcare research for Ryan Beck & Co. and as director of research/senior pharmaceutical analyst and managing director at Gruntal & Co., LLC (prior to its merger with Ryan Beck & Company). Mr. Kraws has served as managing director of the healthcare research group and senior pharmaceutical analyst at First Union Securities (formerly EVEREN Securities); as senior U.S. pharmaceutical analyst for the Swedish-Swiss conglomerate Asea Brown Boveri; and as managing director and president of the Brokerage/Investment Banking operation of ABB Aros Securities, Inc. He also served as senior pharmaceutical analyst at Nationsbanc Montgomery Securities, BT Alex Brown & Sons, and Buckingham Research. Mr. Kraws also serves on the Board of Directors of Synthetic Biologics, Inc. (SYN-NYSE). He brings to Saleen's Board of Directors significant strategic, business, and financial expertise. He holds an MBA from Cornell University and a B.S. from the State University of New York-Buffalo. Mr. Kraws serves on the Compensation Committee and the Audit Committee of Saleen's Board of Directors. Mr. Kraws is also CEO of Crystal Research Associates, the publisher of this Executive Informational Overview® (EIO).

Joe Amato, Director (Board of Directors)

In 24 years of competition as an owner and driver in the National Hot Rod Association's (NHRA) Top Fuel category, Joe Amato has achieved immense success behind the wheel of a dragster. Mr. Amato began racing cars as a teenager, when he worked at his family's auto parts store. He dropped out of high school to help run the store when his father had serious heart problems, and eventually built the business into Keystone Automotive, a large and successful automotive wholesaler and distributor. His racing career spans from 1983 to 2001, and in that time, he set drag racing records that are so far unparalleled in the 54-year history of the NHRA. Between 1982 and 2000, he finished in the Top 10 every year. Eye surgery forced him to retire from competitive driving at the end of the 2000 season. He then participated as a team owner with Amato Racing until selling the business and retiring permanently in 2005. Since 2005, Mr. Amato has owned and operated multiple commercial real estate properties through Joe Amato Properties, comprising over 400,000 square feet of rental space, vacant land destined for further commercial development, and local housing developments. Mr. Amato's experience in the automotive racing industry makes him a valuable addition to Saleen's Board of Directors.

Core Story

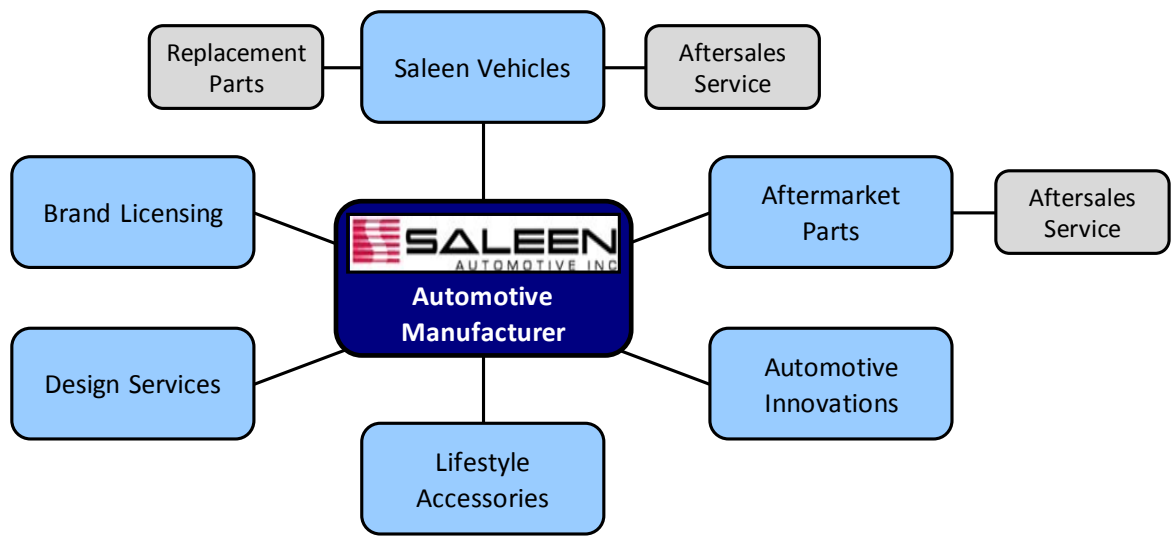
California-based Saleen Automotive Inc. (“Saleen” or “the Company”) is a low-volume specialty vehicle manufacturer with a rich history of producing high-performance American Muscle cars. For over 30 years, Saleen vehicles have been widely recognized for their power and style.

The Company’s experience and skill in certifying vehicles for commercial sale through franchised Ford, Dodge, and Chevrolet dealerships across the U.S. is a major competitive advantage for Saleen today. In order to be offered for sale in the U.S., Saleen’s vehicles must comply with the same laws as cars offered for sale by the major manufacturers (e.g., Honda, Toyota, Ford), meaning that every vehicle Saleen produces has to be put through the gamut of tests, from crash (occupant safety) tests and wind tunnel testing to tailpipe emissions checks. From when Steve Saleen first reimagined the Mustang in the early 1980s and made it into a new car, he has been working with various state and federal agencies for vehicle certifications and compliance—and believes today that this skillset and understanding places Saleen in a different category from many custom car companies. Saleen vehicles meet Federal Motor Vehicle Safety Standards from the National Highway Traffic Safety Administration (NHTSA), federal emission standards from the U.S. Environmental Protection Agency (EPA), registration regulations from the U.S. Department of Transportation (DOT), Theft Prevention Act requirements, consumer information labeling and owner’s manual requirements, Corporate Average Fuel Economy (CAFE) standards, state-level laws such as the California Air Resources Board’s (CARB) tailpipe emissions standards, and many other automotive regulations.

Altogether, Saleen has had 30 years of first-hand experience in all aspects of automobile manufacture, such as in certification, DMV registration, developing a dealer network, developing how the cars are distributed, working with labor unions, Lemon Laws, franchise laws by state, knowing what is required to sell and resell vehicles, price points, warranties, after-sales warranties, serviceability, and so on. Because of this experience, the Company believes that it is well positioned to move quickly to develop new automotive products in a cost-effective manner. Further, the combination of Saleen’s sales and administration capabilities with its four-acre campus for building products could give the Company a competitive advantage in designing, testing, and producing for sale new vehicles using emerging automotive technologies, such as in the electric vehicle (EV) and supercar sectors.

Figure 13 overviews the Company’s operations, followed by details of its market, vehicles in production and under development, parts/accessories business, and design, engineering, and manufacturing processes on pages 19-44.

Figure 13
SALEEN'S OPERATIONS



Source: Saleen Automotive, Inc.

Automotive Market Opportunities and Trends

Global Automotive Market Snapshot

The global automotive industry is a highly fragmented, but huge, market. It is estimated to have a total value of well over \$4 trillion at present, with the potential to top \$5 trillion in 2015 (Sources: IBISWorld’s *Global Car & Automobile Sales* market research report, August 2013, and Reportlinker.com’s *Automotive Industry: Market Research Reports, Statistics and Analysis*). Industry analyst IBISWorld reports that no one company or brand holds a dominant share in this market, thus while most people could quickly name the world’s major car manufacturers, even within this group there is a relatively level playing field when it comes to market share. Moreover, new manufacturers are constantly entering the market in both the U.S. and globally. Emerging economies in BRIC nations (Brazil, Russia, India, and China) have stimulated increased consumer demand for car ownership, which is encouraging new operators to begin meeting expanding transportation needs. The U.S. is seeing new companies enter the market to develop energy-efficient hybrid and electric vehicles (EVs) as well as new luxury cars—a sector of the global automotive market that has seen rapid growth in recent years.

U.S. Auto Sector Resumes Growth

After several years of a depressed economy for new car sales, the U.S. automotive sector in 2013 had its best year since 2007 (Source: Bloomberg’s “Frigid End Can’t Stop Best U.S. Auto Sales Year Since ’07,” January 3, 2014). During 2013, approximately 15.6 million cars and trucks were sold in the U.S., up nearly 8% from 2012. Market drivers included the launch of new car models, pent-up consumer demand combined with a better-performing economy, and cheaper credit available to consumers. If these factors continue, Kelley Blue Book analysts forecast a continued growth in auto sales during 2014 to reach a total of 16.3 million units, a 4.9% increase over 2013.

Figure 14 notes year-end performance of key U.S. automakers in 2013, noting that Detroit’s “Big 3” (General Motors [GM], Ford, and Chrysler) are among the top vehicle suppliers in the U.S. After significant restructuring and federal assistance, Detroit’s automakers have revamped their product lines in recent years—a move which has paid off as GM, Chrysler, and Ford have each improved their popularity with consumers and taken back market share from Asian car manufacturers.

Ford in particular posted a 10.8% annual increase in the number of its cars and trucks sold in 2013 versus 2012, due in large part to the success of the Ford Fusion midsize sedan. In addition to selling more cars, the Big 3 were also able to increase their vehicles’ average selling prices in 2013 (Source: Bloomberg, January 3, 2014) and expand their combined U.S. market share to approximately 45.3%, as illustrated in Figure 15 (page 20).

Figure 14
U.S. CAR MANUFACTURERS: UNITS SOLD (2013)

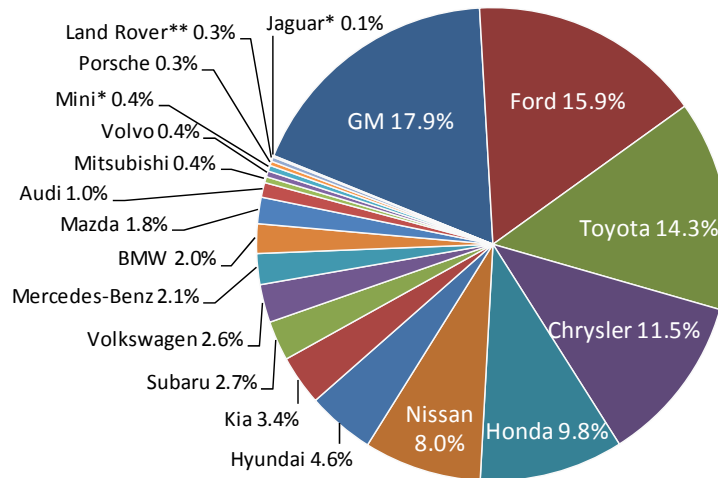
Automakers	2013	Year-over-Year Change (%)
General Motors	2,786,078	7.3%
Ford	2,493,918	10.8%
Toyota	2,236,042	7.4%
Chrysler	1,800,368	9.0%
Honda	1,525,312	7.2%
Hyundai/Kia	1,255,958	-0.4%
Nissan	1,248,420	9.4%
Volkswagen	407,704	-6.9%

Source: International Business Times, January 3, 2014.

Globally, the U.S. is the second-largest national market for car sales, behind China. Accordingly, there are numerous other car companies aside from those listed in Figure 14 that are producing vehicles for the American market, including Saleen, other specialty car companies such as Shelby and Tesla, and an array of luxury and supercar manufacturers (as listed in Figure 16 [page 21]). Likewise, the Detroit automakers, GM, Ford, and Chrysler, have also penetrated overseas markets, with Ford’s U.S. deliveries only totaling 40% of its global sales for example.

Figure 15

U.S. AUTOMOTIVE MARKET SHARE, BY MANUFACTURER (2013)



Some companies not listed due to negligible market share, e.g., Saab, Ferrari, Maserati, Bentley, Rolls Royce, Maybach, etc.

* Imported cars only ** Imported trucks only

Source: Data from www.motorintelligence.com.

As detailed in this Executive Informational Overview® (EIO), one of Saleen’s core activities is to produce high-performance parts and vehicles based on the chassis of the Ford Mustang, Dodge Challenger, and Chevrolet Camaro. An introduction to the market for these types of vehicles, based on their original equipment manufacturer (OEM) versions, is presented below, followed by a description of the specialty automotive markets where Saleen operates.

Ford Mustang, Chevrolet Camaro, and Dodge Challenger

The Ford Mustang has long been a staple of the Ford Motor Co. vehicle line-up. Ford sold 77,186 Mustangs in 2013, a slight decline from 2012, which analysts believed was due to enthusiasts waiting for the all-new 2015 Ford Mustang (Source: *Motor Trend’s* “Ford Sales Rise 2 Percent in December, up 11 Percent in 2013,” January 3, 2014). Auto “enthusiasts” are estimated to represent approximately 10% to 15% of U.S. drivers (Source: the Specialty Equipment Market Association’s [SEMA] Consumer Demand Index for Performance Products and Accessories [CDI], December 2013), and are a primary customer base for Saleen’s products, including its vehicles as well as the Company’s aftermarket performance parts.

The Camaro has been leading the class of modern American Muscle cars, with GM selling 80,567 Camaros in the U.S. during 2013, which was only slightly more than what the Ford Mustang sold (Source: “Will Ford’s Risky New 2015 Mustang Decimate Chevy’s Camaro?,” February 22, 2014). The Dodge family of cars is owned by Chrysler Group, which merged with Italy’s Fiat SpA in January 2014. In 2013, Dodge had a significant role in Chrysler’s performance, as deliveries of Dodge vehicles were up by 27% during the year (Source: Bloomberg, January 3, 2014). Contributing to this performance was the Dodge Challenger, which had unit sales of 51,462 during 2013, a 19% increase over 2012 (Source: Chrysler Group, LLC, January 3, 2014).

In February 2014, *Consumer Reports* announced that Ford and Chevrolet (and Tesla Motors, for which Saleen is developing a “Saleen Tesla” EV) were each ranked among the top five automotive brands in terms of overall brand perception. Ford remains a well-liked brand at number two on *Consumer Reports’* list for 2014, and both Chevrolet and Tesla penetrated the top five with recent boosts in brand perception of 13 points and 47 points, respectively.

High-performance Cars and Supercars

Saleen’s high-performance 302 and 351 Mustangs, 570 Challengers, and 620 Camaros could be considered specialty cars in comparison to the OEM base models from Ford, Dodge, and Chevrolet. In addition, the Company is presently developing a new supercar for launch within the next two years to compete with exotic car manufacturers such as Porsche and Lamborghini.

In the wake of global economic uncertainty and amid discussions of a disappearing middle class, it may seem counterintuitive to expect sales growth among these classes of premium and specialty cars. However, premium and high-performance vehicles drove market growth and new car sales in 2013, as illustrated in Figure 16. Compared to the auto industry as a whole in the U.S., which was up 8% in 2013 versus 2012, manufacturers that focused on higher-end vehicles experienced double-digit increases in sales volumes. Many of these brands sold every car they built or imported in 2013 (Source: Yahoo! Autos, January 3, 2014). For instance, Dodge introduced the 2014 Dodge Challenger R/T Shaker in January 2014, and within four days, all 2,000 of these special edition Challengers that Dodge planned to produce for the year had already been reserved by dealerships around the U.S. (Source: Chrysler Group LLC, February 26, 2014).

Figure 16
LUXURY VEHICLE SALES IN THE U.S. (2013)

Brand	Vehicles Sold (2013)	Annual Increase Over 2012
Audi	158,061	14%
Bentley	2,964	28%
BMW	309,280	10%
Cadillac	182,543	22%
Jaguar	16,952	41%
Lamborghini	552	33%
Land Rover	50,010	15%
Lexus	273,847	12%
Maserati	4,768	75%
Mercedes	334,344	13%
Porsche	42,324	21%
Rolls-Royce	470	60%

Source: Yahoo! Autos’ “Wall Street boom powers luxury car sales into the fast lane in 2013” (January 3, 2014).

Owner Value

What defines a luxury vehicle is often debated among auto enthusiasts. With some luxury offerings (e.g., from Mercedes) now priced below certain Hyundai cars, Hondas, and Toyotas, price is no longer the sole determinant of “luxury.” Consensus suggests that there are many factors today contributing to a standard of luxury vehicle, including the feel of the car, the emotion behind the purchase, the dealer, the reputation of the brand, and the satisfaction of owning that brand (Source: *USA Today*, December 1, 2011). Each of these attributes can positively influence a consumer’s willingness to purchase a high-performance vehicle over a more affordable option due to the expectation of, and owner’s pride in, receiving a higher quality product with a good reputation.

Similarly, the “story” behind the car influences sales. Executives from Rolls-Royce have discussed that many of its customers purchase its vehicles because they are considered a smart investment, since three-quarters of the company’s cars are still on the road. Other companies, like McLaren and Saleen, draw on their rich racing heritage in order to sell fast, powerful vehicles that are fun to drive. A newer manufacturer like Tesla offers vehicles built on a Silicon Valley tech start-up story.

With these dynamics in mind, Saleen specifically offers potential buyers a high degree of owner value, as is required of luxury brands. The Company's cars are designed to offer greater power and precision handling but also come with a championship heritage and the exclusivity of limited production. In addition to offering a power-to-price ratio that is among the best in the industry (see pages 26-38 for details of Saleen's cars' pricing and horsepower), Saleen vehicles are individually serialized and signed and are part of a documented and recorded Saleen Owners registry. The Company's customers are looking for cars that are unique but also aggressive with a true driving "experience."

Growth Drivers

There are various factors increasing adoption of high-end luxury vehicles and supercars, with two major drivers described below.

- The population of ultra-high net worth individuals who are capable of purchasing the world's supercars is expanding, both in terms of individual wealth and in population size. This group is expected to grow by 3% to 5% in the coming years (Source: the *Economist's* "Dreams on wheels: Why everyone wants to be in the top end of the market," April 20, 2013).
- Elite buyers focus less on the price of the car and more on its novelty and performance. These individuals seek out new supercars, some of which are priced in the millions of dollars like the \$2 million Bugatti Veyron Grand Sport Vitesse convertible, in part to avoid being seen driving another Ferrari or Bentley (Source: *USA Today's* "Supercar mania drives on among the wealthy," September 12, 2011). This market is not limited to the U.S.; newly wealthy elite in emerging countries are a prime consumer base driving continuous development of new supercars.

Luxury cars are also selling well in BRIC countries and Asian markets where consumers view vehicles as a desirable status symbol and where premium buyers are increasingly purchasing and driving their own cars rather than being chauffeured (Source: *McKinsey Quarterly's* "Getting to know China's premium-car market," June 2013). By 2016, China is forecast to overtake the U.S. as the largest global market for premium cars, driven by both the super-wealthy and the consumers who are affluent but for whom price is still a factor. The latter is creating a sizeable market for lower-priced but still premium, high-performance models that exhibit advanced powertrains, better fuel efficiency, and luxury vehicle features. Similarly, the *Economist* reports that Tata Motors' inexpensive Nano model has not sold well in India because new car buyers there appear to prefer to save for the better car than to drive a "poor man's car."

In March 2014, Saleen marked its entrance into the lucrative Chinese market by establishing a distribution agreement with GreenTech Automotive, Inc. (www.wmgta.com/) to distribute the full collection of Saleen automobiles in China. In April 2014, the Company brought its Saleen S7 Supercar, White Label SpeedLab Yellow Challenger, Black Label Lizstick Red Mustang, and 30th Anniversary Pearl White Finish Camaro to the Beijing International Auto Show, which was preceded by pre-sales of the Saleen Challenger, Saleen Mustang, and Saleen Camaro display cars to Chinese auto enthusiasts.

The Industry Outlook: Fuel Efficiency Standards

As detailed on the preceding pages, domestic new car sales are at their highest levels in several years and are expected to continue rising. However, to achieve this growth, car companies must operate within an evolving regulatory atmosphere for fuel economy standards and carbon emissions. In addition, governments from the local to the national level are implementing policies to encourage alternative forms of transportation in an effort to reduce **Vehicle Miles Traveled (VMT)**, which is intended to decrease traffic congestion and improve air pollution. Simultaneously, as younger generations favor walkable downtown areas and big cities, the U.S. is becoming more urbanized, leading many analysts to suggest that the U.S. is becoming demographically less inclined to drive. Car manufacturers have begun to address these shifts with more fuel-efficient cars that appeal to tech savvy consumers by incorporating new electronic gadgets, such as in-vehicle personal Wi-Fi hotspots, and by improving the performance of hybrid, electric, natural gas, or other alternatively fueled engines.

Corporate Average Fuel Economy (CAFE) Standards

CAFE standards originated in 1975 as a federal program designed to reduce energy consumption and carbon emissions by increasingly mandating better fuel efficiency in cars and light trucks. Present fuel economy standards will require an average miles per gallon of 35.5 by 2016. In 2012, the U.S. Department of Transportation (DOT) and Environmental Protection Agency (EPA) finalized new CAFE standards for a longer time horizon, which increase fuel economy to the equivalent of 54.5 mpg for cars and light-duty trucks by 2025—nearly double current allowances.

In order to achieve the new standards, government and industry alike will need to encourage innovation and investment in advanced automotive technologies. They will also need to encourage adoption of such technologies by the marketplace through things like incentives for electric vehicles (EVs), plug-in hybrid electric vehicles (PHEVs), fuel cell vehicles, natural gas vehicles, and credits for technologies with the potential to achieve real greenhouse gas reductions and fuel economy improvements.

In the high-performance markets that Saleen targets, the Company sees a rapidly growing consumer interest in fuel-efficient technologies that are packaged into a well-designed and performance-capable platform, and believes that its skilled engineering, design, and production capabilities give its U.S.-based brand an advantage in this area.

Thus, in response to these changing market dynamics, within the past year Saleen has added to its portfolio an EV development program, described on pages 36-38, which is designed to capitalize on the industry’s rapidly growing interest in hybrid technologies with boosted performance.

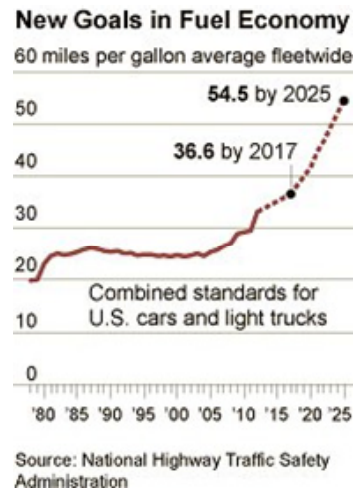
Electric Vehicle (EV) Market

Electrified road transportation has been used in some form for more than a century, though by the 1930s, its use in light-duty passenger cars was displaced almost entirely by the petroleum-fueled internal combustion engine (ICE). Electric cars appeared on the market both in the early 1900s and then briefly in the 1990s. Within the past decade, however, the world has again reconsidered vehicle electrification due to factors that include increasing and volatile oil prices, deteriorating urban air quality, and climate change.

As countries around the world seek to address future energy requirements in rapidly growing and changing environments, achieving sustainable transportation is a key mission. EVs, in particular, have become one of the more promising ways to increase energy security and lower emissions of greenhouse gases and other pollutants. EVs run on electricity—some run 100% on electricity and others (hybrid electric vehicles) run in part on electricity and in part on other types of fuel (e.g., gas or diesel). Vehicles that run in part on electricity and can be plugged in to charge the batteries are called plug-in hybrid electric vehicles (PHEVs). PHEVs and vehicles that are 100% electric powered (which must also be plugged in to recharge) are cleaner on the environment than cars that run on gasoline. Furthermore, using electricity as “fuel” is more cost effective than either gas or diesel. Importantly, EVs lower the dependence on petroleum and employ a source of electricity that is most often domestic and, by comparison, inexpensive. As well, EVs spur innovation, which can lead to job and economic growth.

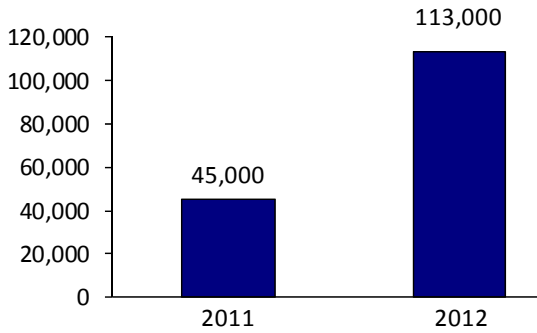
Facilitating the growth in the EV market are strong sales in a number of major markets, new car models reaching the market from a variety of manufacturers, and major cost reductions in components such as batteries. Another contributor is a new network of supportive products and business models, such as wireless charging, car sharing, and workplace charging. Moreover, governments are supplementing the market transformation by providing significant investments in R&D as well as consumer incentives.

Figure 17
RISING FUEL EFFICIENCY STANDARDS



Source: *New York Times*, August 28, 2012.

Figure 18
GLOBAL EV SALES MORE THAN DOUBLED (2011 to 2012)



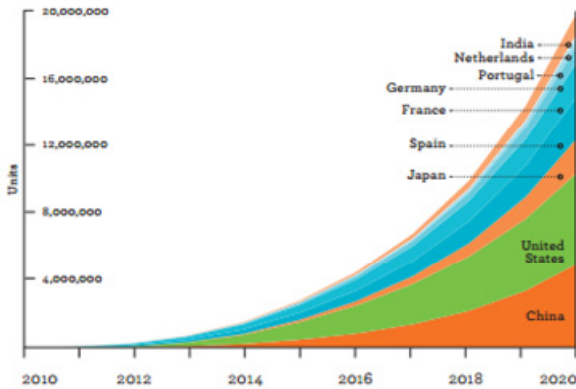
Source: the International Energy Agency's "Global EV Outlook: Understanding the Electric Vehicle Landscape to 2020" (April 2013).

A Trend Here to Stay: Continuous Growth in the Numbers of EVs Entering the Market

Roughly 180,000 passenger car EVs have been sold worldwide through 2012 (with sales more than doubling between the years 2011-2012 [Figure 18]), though this still represents only approximately 0.02% of the total passenger car stock. Thus, in order to meet deployment targets set by a number of countries, higher adoption rates are needed.

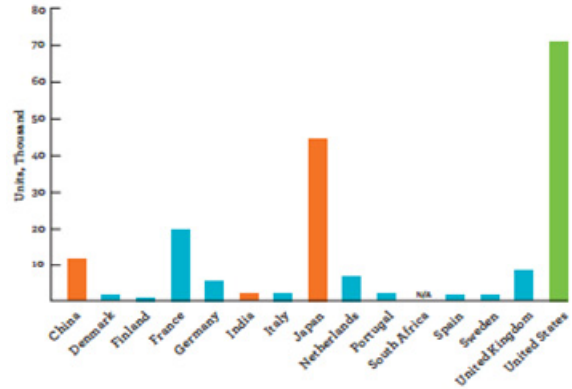
The Figures below show EV targets for key countries by 2020 (Figures 19 and 21), as well as recent stock levels as of 2012 (Figure 20).

Figure 19
EV STOCK TARGETS



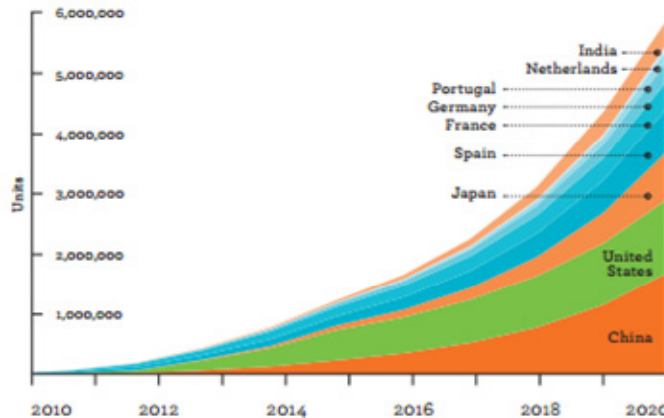
Source: the International Energy Agency's "Global EV Outlook: Understanding the Electric Vehicle Landscape to 2020" (April 2013).

Figure 20
EV STOCK BY COUNTRY (2012)



Source: the International Energy Agency's "Global EV Outlook: Understanding the Electric Vehicle Landscape to 2020" (April 2013).

Figure 21
EV SALES TARGETS



Source: the International Energy Agency's "Global EV Outlook: Understanding the Electric Vehicle Landscape to 2020" (April 2013).

Over the past several years, a rise in both cumulative EV sales and the number of vehicle models offered has demonstrated a strong correlation between sales and product variety—suggesting that more EV models coming to market will result in more choices for the consumer, which could lead to higher sales.

In 2012, roughly 20 EV models were available, up from 16 in 2010; however, only two to three EV models on the market in 2010 were widely available to U.S. consumers, which increased to approximately eight EV models in 2012. Figure 22 summarizes the fuel-efficient vehicles available to consumers in the U.S. today (or soon to be available later in 2014/2015). This list is limited to vehicles that are either solely powered by electricity (plugged-in EVs) or that are a hybrid system of gas and electric still requiring the car to be plugged in to recharge. While electric car choices continue to expand, with almost every manufacturer offering or developing this technology, many available options are still limited to a small range.

Figure 22

A SELECTION OF FUEL-EFFICIENT VEHICLE OPTIONS IN THE U.S. (All-electric or plug-in hybrids)

Make/Model	Range (miles)	Type	Price
Mitsubishi i-MiEV	62	EV	\$23,800
Smart Electric Drive	68	EV	\$25,700
Chevrolet Spark EV	82	EV	\$27,500
Nissan LEAF	84	EV	\$29,800
Toyota Prius	11 + gas	Plug-in Hybrid	\$30,800
Fiat 500e	87	EV	\$32,600
Ford C-Max Energi	21 + gas	Plug-in Hybrid	\$33,700
Chevy Volt	38 + gas	Plug-in Hybrid	\$35,000
Ford Fusion Energi	21 + gas	Plug-in Hybrid	\$35,500
Ford Focus Electric	76	EV	\$36,000
Honda Accord (hybrid)	13 + gas	Plug-in Hybrid	\$40,700
BMW i3	81	EV	\$42,300
Mercedes B-Class Electric Drive	85	EV	\$42,400
Toyota RAV4 EV	100	EV	\$50,700
Cadillac ELR	35 + gas	Plug-in Hybrid	\$76,000
Tesla Model X	230	EV	\$80,000
Tesla Model S	265	EV	\$81,000
Porsche Panamera S E-Hybrid	22 + gas	Plug-in Hybrid	\$100,000
BMW i8	25 + gas	Plug-in Hybrid	\$137,000
Volkswagen E-Golf	85	EV	TBD
Kia Soul EV	90	EV	TBD

Source: Recargo, Inc.'s *PluginCars.com* (as of June 4, 2014).

Saleen Vehicles

Over the past 30 years, Saleen has produced and certified upward of 12,000 vehicles, comprising sports cars, trucks, SUVs, limited-edition and anniversary models, and supercars. In addition to its own vehicle sales, the Company has in the past been contracted to provide design, assembly, and paint services for multiple car and truck models from Ford, GM, and Chrysler and has been commissioned to custom build vehicles specifically for use in major motion pictures and television. Through this work, Steve Saleen has not only gained valuable expertise in total car design, manufacture, certification, and sales, he has also established and affirmed the Saleen reputation and brand.

Since regaining control of the Saleen brand and combining it with the SMS line of Mustangs, Challengers, and Camaros in 2012/2013, Saleen is now producing an average of 35 to 40 cars per month with a goal of ramping up to 1,200 units a year. The Company's vehicle line is detailed on the accompanying pages, in the order presented below.

- **In Production:** High-performance cars built on the base chassis of Ford, Chevrolet, and Dodge vehicles (mass-customized, OEM American muscle cars)
- **Under Development:** A new American supercar (pages 34-35)
- **Under Development:** Hybrid and zero-emission vehicle technologies, starting with an electric car built on the Tesla Model S chassis (pages 36-38)

BUILDING HIGH-PERFORMANCE AMERICAN MUSCLE

Similar to how BMW, Audi, and Mercedes-Benz are associated with German engineering, or how Toyota and Honda are often thought to represent the reliability of Japanese manufacturing, Detroit automakers GM, Ford, and Chrysler (Dodge) are known for their "American Muscle." First popularized from the 1950s to the 1970s, muscle cars are generally understood to include American-made, two-door sports cars equipped with powerful V8 engines. They are small- to intermediate-sized, mass-produced vehicles focused on power and performance. Though designed for high-performance driving, muscle cars are usually affordably priced and are intended mainly for street use (as opposed to racing). Today, the Mustang, the Challenger, and the Camaro lead the class of American Muscle cars.

Saleen Vehicles in Production

Figures 23-26 (pages 27-30) introduce Saleen's line of performance cars. By "high-performance car," it is meant that the vehicle is designed and constructed specifically for speed. The label colors denoting varying models (e.g., the 302 White Label Mustang or the 570 Black Label Challenger) allude to Saleen's racing heritage, "where paint and striping has been traditionally a mix of white, yellow, or black" (Source: *Muscle Mustangs & Fast Fords*, January 13, 2014). Likewise, the Heritage Collection cars (Figure 27 on page 31) are inspired by race cars driven by former winning racecar drivers, **George Follmer**, **Mark Donohue**, and **Swede Savage**.

Saleen utilizes an extensive conversion process of designing, engineering, tooling, testing, and certifying every vehicle part in order to transform the OEM car into a Saleen vehicle. This involves not just providing a capable powertrain but also creating the handling and braking systems to support the increase in power. The Company believes its rigorous conversion process (and consequently, brand reputation) is an important competitive advantage in the market for customized sports cars. By the time a Saleen vehicle is sold, it has likely been modified in each of the following areas: powertrain, air management, suspension, wheels and tires, brakes, exterior trim, interior, and paint (**livery**).

For a complete listing of Saleen's vehicles specs—from powertrain and suspension to the exterior paint color options—refer to <http://saleen.com/vehicles.html>.

Figure 23
SALEEN MUSTANGS

Saleen 302 Mustang



MSRP Starting at \$39,095*

Highlighted Features:

- Includes Saleen suspension, trim, styling, and performance options
- Saleen designed and engineered Supercharger on the 5.0L motor
- Individually serialized front bumper numbers
- Value priced for a performance car (*Muscle Mustangs & Fast Fords* reports this is the only car to achieve 440 HP at a price under \$40,000)
- Offers a full warranty and technical expertise (such as offsetting the 20" wheels to ensure a maximum footprint of tires on the ground), which makes a Saleen Mustang a better value than buying an OEM Mustang and adding aftermarket upgrades

302 Models and Trims	
White Label	440 HP
Yellow Label	625 HP
Black Label	625 HP



* Includes base vehicle. MSRP excludes destination, taxes, title, and registration fees. "Starting at" price refers to the base model; optional equipment not included. Pricing current as of the date of this report, and may change without notification.

Sources: Saleen Automotive, Inc., TopSpeed.com, AutoEvolution.com, and Muscle Mustangs & Fast Fords (January 13, 2014).

Figure 24
SALEEN MUSTANGS

Saleen 351 Mustang



MSRP Starting at \$82,634*

Highlighted Features:

- Available as a coupe or a convertible
- "Crown jewel" of Saleen styling and performance and the most extreme Saleen Mustang to date
- Features the Saleen Red Butterfly™ Induction hood
- Supercharged 351 cubic-inch, 5.75L DOHC V8 Engine with Saleen Signature Series 700HP Engine Upgrade
- Torque: 655 ft-lb
- Saleen Serialized Front Bumper Numbers and Steve Saleen Personally Signed Authentication on interior
- Six-speed manual transmission with 20" alloy wheels

351 Model/Trim	
Black Label	700 HP

* Includes base vehicle. MSRP excludes destination, taxes, title, and registration fees. "Starting at" price refers to the base model; optional equipment not included. Pricing current as of the date of this report, and may change without notification.

Sources: Saleen Automotive, Inc., TopSpeed.com, AutoEvolution.com, and Muscle Mustangs & Fast Fords (January 13, 2014).

Figure 25
SALEEN 570 CHALLENGER



MSRP Starting at \$39,395*

Highlighted Features:

- Based on the Dodge Challenger R/T platform
- Includes a Saleen designed and engineered 296 Supercharger on the 5.7L Hemi
- Aerodynamics, aesthetics, braking, and Saleen-specific suspension components, including Saleen's Red Butterfly™ Induction Hood on the Black Label model

570 Models and Trims	
White Label	400 HP
Yellow Label	570 HP
Black Label	570 HP



* Pricing includes base vehicle. MSRP excludes destination, taxes, title, and registration fees. "Starting at" price refers to the base model; optional equipment not included. Pricing current as of the date of this report, and may change without notification.

Sources: Saleen Automotive, Inc., MotorTrend, StreetLegalTV.com, and the 2014 Chicago Auto Show.

Figure 26
SALEEN 620 CAMARO



620 Models and Trims	
White Label	450 HP
Yellow Label	575 HP
Black Label	575 HP

MSRP Starting at \$41,035*

Highlighted Features:

- Based on the Chevy 1SS Camaro platform
- Includes a Saleen designed and engineered Supercharger on top of the 6.2L motor
- 2014 620 Camaro sports a new taillight design, high down force rear spoiler, and a special edition interior
- A Steve Saleen and Bob Bondurant 620 Camaro featuring a 6.2 Liter V8 engine with over 620 HP and 525 ft/lb of torque was auctioned off for charity at Barrett-Jackson Scottsdale in January 2012, raising six figures for Cox Charities and Arizona's Make-a-Wish Foundation



* Pricing includes base vehicle. MSRP excludes destination, taxes, title, and registration fees. "Starting at" price refers to the base model; optional equipment not included. Pricing current as of the date of this report, and may change without notification.

Sources: Saleen Automotive, Inc. and the 2014 Chicago Auto Show.

Figure 27
HERITAGE COLLECTION



Models and Trims	
George Follmer Mustang	495 HP
Mark Donohue Camaro	485 HP
Swede Savage Barracuda	495 HP



MSRP Starting at \$74,995*

- The first Heritage Collection car, the 2014 Saleen George Follmer Edition Mustang, debuted in August 2013 at the Rolex Monterey Motorsports Reunion at Mazda Raceway Laguna Seca (pictured below)
- Recognizable Saleen styling; inspired by the namesake's famous car, e.g., George Follmer's 1969 Boss 302 racecar
- Includes a 302CI 4-Valve DOHC V8 Engine with 405 ft-lb of torque at 5200 RPM, a race-tuned "high RPM" intake manifold and Saleen Shaker hood intake system, among other upgraded performance parts



* Pricing includes base vehicle. MSRP excludes destination, taxes, title, and registration fees. "Starting at" price refers to the base model; optional equipment not included. Pricing current as of the date of this report, and may change without notification.

Sources: Saleen Automotive, Inc., TopSpeed.com, and AOL's AutoBlog.com (August 17, 2013).

Warranties and Sales

Saleen vehicles come with two warranties: one from Saleen that applies to the Saleen-installed parts and assemblies, and one from the OEM (Ford, Chevrolet, or Dodge) covering the remainder of the original factory vehicle parts. Saleen's warranties range from a one-year, 12,000-mile New Vehicle Limited Warranty to a three-year, 36,000-mile New Vehicle Limited Warranty, depending on the vehicle model.

The cars are available for sale in the U.S. directly from authorized Ford, Chevrolet, and Dodge dealers. As Saleen ramps up production, it is concurrently expanding its distribution network at a rate of two to three new dealerships per month. As of late 2013, Saleen vehicles could be purchased from approximately 25 car dealers across California, Florida, Idaho, Massachusetts, Michigan, New York, Oregon, Rhode Island, South Dakota, Texas, Utah, and Washington.

Saleen has also recently penetrated the Chinese automobile market, which is the largest national market for car sales in the world. In March 2014, the Company announced a distribution agreement with U.S.-based GreenTech Automotive, which has established offices and a sales network in China. Commencing in spring 2014, GreenTech is working to make the entire collection of Saleen vehicles available for sale to Asian consumers.

As described on pages 10-11, Saleen is also in the process of developing another distribution outlet for its vehicles—the Saleen Store. The Company intends for these retail stores, located across the U.S., to sell and service Saleen vehicles and parts in addition to providing technical car expertise and marketing the Company's lifestyle accessories. Once opened, the Saleen store could emerge as the primary sales channel and showroom for the Company's high-performance vehicles, supercars, aftermarket parts, and accessories. The first stores are planned for the Southern California market beginning in 2014.

Importantly, each vehicle produced by Saleen is serialized with a special Saleen VIN (Vehicle Identification Number) and is numbered on the front bumper of the car. Numbering the cars helps maintain their novelty and, as such, collectability and high resale values. It is a strategy that has been employed by many exotic car companies for luxury and special edition cars for years.

30th Anniversary Vehicles

In late 2013, Saleen debuted its 30th Anniversary limited-edition car models, known as the SA-30 series. To commemorate 30 years of building custom vehicles, Saleen produced 10 each of its three main models, the Saleen 620 Camaro, Saleen 570 Challenger, and Saleen 302 Mustang, with a number of special features. Enhancements include but are not limited to features such as a custom "Tire Smoke" pearl white paint with matching wheels, black-and-yellow detailing, an optional panoramic, tint-changing roof (transitions from translucent to opaque at the press of a button), tint-changing rear windows, custom SA-30 emblems and carpeting on the interior, and Saleen superchargers. At 625 HP, the 2014 SA-30 Saleen Mustang's supercharged V8 engine, for example, can reach 0 to 60 mph in 3.5 seconds and achieve an estimated top speed of 200 mph. The top speed for the non-SA-30 edition 302 Mustang, 570 Challenger, and 620 Camaro is approximately 175 miles per hour.

To further distinguish its rare anniversary edition cars, Saleen partnered with Katzkin Leather Interiors (<http://katzkin.com/>) for the provision of custom interior design patterns. Katzkin's unique "snowball black-and-white" leather interiors (illustrated in Figure 28 [page 33]) were on display in the Saleen SA-30 models at the 2014 Chicago Auto Show in February 2014 (one of a series of road shows for Saleen and Katzkin). Saleen also offered an optional package for transforming the SA-30 Mustang into a two-seater by removing the rear seat and deck and replacing it with custom-formed panels, a racing-inspired cross brace, and tailor-made leather.

Figure 28

KATZKIN "SNOWBALL BLACK-AND-WHITE" LEATHER INTERIORS FOR SALEEN'S SA-30 CARS



Source: Saleen Automotive, Inc.

Saleen only produced 10 each of its SA-30 Mustang, Challenger, and Camaro, with starting prices of roughly \$95,000 each. As of February 2014, the Company had already sold all 10 of the 30th anniversary 302 Mustang and only had a few of the limited-production 570 Challenger and 620 Camaros remaining (Source: SEMA eNews Vol. 17, No. 7, February 13, 2014).

Figure 29

SALEEN SA-30 MODELS



Source: Saleen Automotive, Inc.

AMERICAN SUPERCARS

With a history of being able to develop and launch some of the world's fastest production vehicles, from the Saleen S351 in the early 1990s to the Saleen S7 in the early 2000s, Saleen is again developing a new vehicle using its extensive experience in ground-up car design and manufacturing. Work is ongoing on a Saleen supercar to be manufactured through the Company's supercars division. By "supercar," it is meant that this new vehicle will likely have a price point above \$250,000, will be produced only in a limited quantity, and most importantly, will have an incredibly fast and powerful mid-mounted engine. Such a vehicle produced by Saleen would be an American-made model intended to compete against a number of exotic supercars, such as the Ferrari 458, McLaren MP4-12C, Porsche 911 Turbo, and Lamborghini Gallardo.

Figure 30

AMERICAN SUPERCARS: SALEEN S5S RAPTOR CONCEPT CAR



Source: *New York Times*, March 22, 2008.

The new Saleen supercar was first announced as a concept car in late 2013 in various publications, including *Motor Trend*, and is planned for release within two years (as announced by the Company in a January 14, 2014, press release). Engineering is in process, though development continues to be based on the availability of financial resources. The new car, which to date Saleen has kept the details of carefully under wraps, could borrow inspiration from the Saleen S5S Raptor concept car (shown in Figure 30) that debuted at the 2008 New York International Auto Show before being shelved as the former Saleen Inc. closed its doors (see pages 6-8 for details of the Company's history and transition back to Steve Saleen ownership).

Saleen has opted to initially target its new supercar efforts to the U.S. market, believing there to be considerable domestic demand for supercars but few such offerings from U.S. manufacturers. Figure 16 (page 21 under Automotive Market Opportunities and Trends) illustrates the high rate of growth in the U.S. premium car market and lists several of the major manufacturers, most of which are European companies.

The U.S.'s First Supercar: the Saleen S7

The new supercar is also likely to draw on Steve Saleen's experience building the 2001-2007 Saleen S7, the race-tuned S7R, and the 2005 Saleen S7 Twin Turbo. The Saleen S7 proved the Company could internally design, build, test, and certify extremely high-performance, winning supercars. Saleen has repeatedly shown over the years that it can bring new products to market faster than most single-category automotive companies—which it did with the Saleen S7 from the ground up (from initial design concepts to unveiling) in only nine months.

With a 7.0-liter, 550 HP, V-8 engine, the Saleen S7 was a street-legal, emissions-compliant supercar that, at 0 to 60 in 3.3 seconds, could nearly keep pace with the \$1 million McLaren F1 (which notably did not meet U.S. emissions standards at the time) (Source: *Car and Driver*, July 2003). The S7 has been showcased in a number of Hollywood blockbuster films, including as the vehicle driven by Jim Carrey in *Bruce Almighty* (2003) and in *Need for Speed* (2014). The even more powerful 750 HP 2005 Saleen S7 TT has also had its share of movie appearances, including as one of the cars character Tony Stark (*Iron Man*, 2008) keeps in his garage.

The race-tuned S7R has successfully competed at a number of prestigious racetracks, including Daytona, Sebring, and winning the 24 Hours of Le Mans.

With high-end features like a carbon fiber body, scissor doors, and a space frame-designed chassis reinforced with honeycomb composite panels, the base S7 was priced at roughly \$400,000 with the S7 TT nearing \$600,000. The twin turbo model added roughly 200 HP to the already 550 HP S7 and increased its top speed from 200 MPH to nearly 250 MPH. It also included a new fender design, a spoiler/diffuser aerodynamic package, increased torque, and updates in suspension and braking that altogether reduced the vehicle’s drag by an estimated 40% and increased its down force (a car’s downward thrust to create more grip to the road at high speeds) by 60%.

As a result, while the S7 was both America’s first supercar and fastest production car built, the subsequent S7 TT was one of the fastest production cars in the world (Sources: *Motor Trend*; *Car and Driver*). In a 2006 test by *Car and Driver*, the S7 TT was able to reach 160 MPH in 15.6 seconds. Its quarter-mile time was 10.9 seconds at 140 MPH, placing Saleen’s former supercar amid the ranks of the 2011 Porsche 911 Turbo S, 2010 Lamborghini Murcielago LP 670-4 Super Veloce, 2012 Ferrari 458 Italia, and 2012 McLaren MP4-12C (Source: *duPont REGISTRY*, July 19, 2013).

Figure 31
AMERICAN SUPERCARS: SALEEN S7

“Simply the fastest new car built in the United States”

- *Car and Driver*, on the Saleen S7 (July 2003)

“the quickest production car we’ve ever tested” and “one of the most exhilarating rides on the planet”

- *Car and Driver*, on the Saleen S7 TT (April 2006)



(below) Saleen S7 as Jim Carrey's car in *Bruce Almighty* (2003)



(left) ACEMCO Motorsports, LLC's Saleen S7R at the Petit Le Mans (October 1, 2005)

Sources: Saleen Automotive, Inc., MovieCars.it., and Wikimedia Commons (S7R Image from Jeffrey Keeton).

ELECTRIC VEHICLES

In January 2014, Saleen announced that it was producing a Saleen Tesla, based on the Tesla Model S electric sports car. The Model S represents a choice for Saleen that moves the Company into more fuel-efficient, low-emissions vehicles without deviating from its core values of producing vehicles known for their power, style, and performance. The Tesla Model S was named the best overall car for 2014 by *Consumer Reports* and was the 2013 *Motor Trend* Car of the Year. Of 260 cars tested by *Consumer Reports*, the Tesla Model S was the top pick in performance, reliability, and safety. Its fully electric engine has an estimated EPA range of 265 miles on a single charge (though actual use reports vary), yet still manages to complete a quarter-mile in 12.5 seconds at almost 111 MPH and a 0 to 60 MPH time of 3.9 seconds (Source: *Motor Trend*, August 27, 2012).

Figure 32
BASE CHASSIS FOR SALEEN'S ELECTRIC VEHICLE: THE TESLA MODEL S



Source: Tesla Motors.

Partnership with the Art Center College of Design

The design of Saleen's forthcoming "Saleen Tesla" EV is being created in partnership with the Art Center College of Design (Pasadena, California). This school is known for the skills of its alumni in automotive design, which include Mr. J Mays, a former vice president and chief creative officer for Ford; Mr. Ken Okuyama, former chief designer for General Motors, a senior designer for Porsche, and a design director for Pininfarina S.p.A. (where he was responsible for the Ferrari Enzo and Maserati Quattroporte); Mr. Chris Bangle, the first American to head design at BMW; and Mr. Frank Stephenson, who is currently design director at McLaren Automotive; among many others. Saleen employs Art Center College of Design alumni on its team as well, and is capitalizing on the creative talent of this school located only an hour away from the Company's Corona, California, headquarters.

Design Team Also Includes AC Propulsion

Saleen is also working with AC Propulsion to design the first Saleen EV. AC Propulsion has been developing EV technologies since 1992—well before many others in the automotive industry. While AC Propulsion does not build EVs itself, the company has developed considerable expertise in the design and implementation of electric motors. Its technology had a major role in inspiring Tesla Motors, which used the AC Propulsion technology in the Tesla Roadster, a mass-produced version of AC Propulsion's tzero™ concept. BMW has also used AC Propulsion to provide the drivetrain technology for an all-electric version of the BMW Mini.

For the Saleen Tesla, AC Propulsion is responsible for providing the technology and implementation of the car's powertrain and battery. Saleen believes that AC Propulsion's knowledge of and specialization in high-performance, high-efficiency induction motors and integrated high-power battery charging can be particularly beneficial to the Company's EV development.

Renderings of the Saleen Tesla

On April 14, 2014, the Company published the renderings of how its forthcoming Saleen Tesla EV is likely to look. Figures 33 and 34 (page 38) illustrate several of these, with further pictures and details available at the following link: <https://plus.google.com/u/0/photos/+saleen/albums/6002004049278559393>. Of note, Saleen is not expanding solely on the exterior design and aesthetics of the Tesla Model S, but also is incorporating signature Saleen mechanical enhancements, which will likely be announced during summer 2014 when the live vehicle is scheduled to be released.

Figure 33
RENDERINGS OF THE SALEEN TESLA MODEL S ELECTRIC VEHICLE



Source: Saleen Automotive, Inc.

Figure 34

RENDERINGS OF THE SALEEN TESLA MODEL S ELECTRIC VEHICLE (continued)



Source: Saleen Automotive, Inc.

Saleen's EV Competitive Advantages

As detailed on pages 22-24, rising CAFE standards and changing consumer tastes are beginning to favor more fuel-efficient vehicles as well as vehicles that have an improved environmental impact in terms of reducing a dependency on fossil fuels and thus reducing the emission of harmful greenhouse gases. Though Saleen has focused on performance and not gasoline alternatives in the past, the knowledge and skill in automotive development that the Company has already obtained is expected to give Saleen a competitive advantage in the future development of EVs. Saleen believes the Company's advantages stem from its knowledge of the automotive industry, ability to convert existing chassis as well as create ground-up new ones, and ability to successfully move a concept car through production and regulatory certifications into a commercially viable vehicle.

Aftermarket Parts and Lifestyle Accessories

In addition to sales of new and used vehicles, the automotive industry includes another major market—the market for specialty equipment, which entails replacement, cosmetic, performance, racing, and other types of value-added parts and accessories for vehicles. These parts can range from high-performance tires and exhaust systems to custom wheels, turbos or superchargers, or even new electronics, such as a **remote starter**. Moreover, this market is not limited to luxury cars, as specialty equipment can be found on vehicles of every class, including muscle cars, classic cars, trucks, SUVs, compact cars, off-road and recreational vehicles, mid-size cars, sports cars, and more. Saleen is both a manufacturer and retail distributor of aftermarket parts and vehicle accessories designed and engineered exclusively in-house.

The Company is well versed in the economics and opportunities of this market, as Steve Saleen and his team have been producing and selling performance parts for 30 years. Saleen reports that demand for aftermarket performance parts is on the rise for all Saleen vehicles, including legacy cars from the 1980s through the mid-2000s as well as new models. Altogether, the Company estimates that it has a base of approximately 25,000 loyal Saleen enthusiasts worldwide to whom it distributes its specialty aftermarket parts and accessories. This is in addition to the marketing of Saleen performance parts and accessories to OEM Mustang, Camaro, Challenger, and Ford Truck owners—representing hundreds of thousands of potential customers.

Saleen is directly addressing the most popular street performance models (the Ford Mustang, Chevy Camaro, and Dodge Challenger), which are leading industry growth for performance products based on results from the 2012 SEMA Show (by the Specialty Equipment Market Association) and SEMA’s 2013 Annual Market Report. SEMA is a nearly 50-year-old trade association of manufacturers, distributors, retailers, auto restorers, street-rod builders, restylers, car clubs, race teams, and more. The association publishes research and educational information for the automotive industry, as well as hosts trade shows in Las Vegas and informs public policy on automotive issues.

“Models such as the Mustang, Camaro and Dodge Challenger are sparking increased passion for performance products. Fueled by this rebirth of the muscle car, street-performance products lead industry growth.”

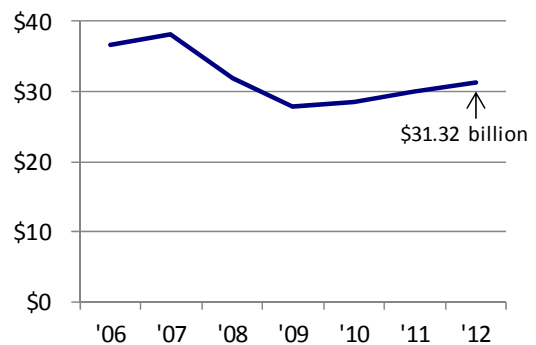
- SEMA Market Research in SEMA eNews Vol. 16, No. 37, September 12, 2013

Source: <http://www.sema.org/sema-eneews/2013/37/street-performance-sales-driving-specialty-equipment-growth>.

As of 2012, total retail sales for the specialty equipment market were over \$31 billion, a 4% increase over sales in 2011 (Source: SEMA’s 2013 Annual Market Report). This data is shown in Figure 35.

This growth has been driven in recent years by an increase in sales of street performance parts, which are performance parts and accessories designed for sports and muscle cars. Sales of such parts—which is an area that Saleen is targeting with its line of aftermarket performance parts—expanded at a growth rate of more than 15% in 2012 to reach its 10-year high (Source: SEMA). As of 2012, the street performance sector totaled nearly \$7.5 billion of the \$31 billion specialty equipment market, and was the largest of the sub-sectors in this market (Source: SEMA 2013 Annual Market Report).

Figure 35
SPECIALTY EQUIPMENT RETAIL SALES (\$ BILLIONS)



Source: data from www.SEMA.org.

With up to 15% of all U.S. drivers purchasing performance parts for their vehicles, Saleen believes that it is well positioned to capitalize on the new and replacement aftermarket part sector.

Saleen's Line of Performance Parts and Lifestyle Accessories

The aftermarket parts side of Saleen is a high-margin revenue stream that offers considerable growth potential for the Company. When Saleen develops a new product used in the conversion of a standard Mustang or Camaro (for example) into a Saleen vehicle, all of the design work, tooling, engineering, and so forth has already been done by the Company in-house at a price structure that is cost effective for Saleen. An added benefit is that these products fit every Mustang that Ford builds, every Challenger that Dodge builds, or every Camaro that Chevrolet builds—creating a built-in customer base for Saleen car parts. Even if a new Camaro owner does not purchase a full Saleen 620 Camaro, he/she might want to install the Saleen supercharger, induction hood, spoiler, tires, wheels, a unique exhaust system, a rear wing, different seats, gauges, or another component.

In addition, this side of the business serves the thousands of Saleen vehicles that have been built over the years, many of which are now considered collectors' vehicles and which are beginning to need replacement parts. By regaining all of the intellectual property of the former Saleen business, the Company aims to be able to supply niche part needs, such as for someone who needs a specific part to fit their '95 Saleen, by going back to the original tooling to reproduce those parts.

Sales and Distribution

The strategy behind Saleen's parts and accessories centers on increasing its range of product offerings in the aftermarket business and pursuing a better distribution of these products, highlighting their ability to fit multiple makes and models and using the brand names to help drive awareness and sales.

Saleen parts are currently sold online through <http://www.smssuperparts.com/> (illustrated in Figure 37 [page 41]) but are expected to soon also be available from the Company's forthcoming retail locations (the Saleen Store). The Company intends to staff its Saleen stores with highly trained, technical employees who are able to educate consumers on Saleen-branded products, provide technical guidance for consumers who want to self-install parts, and even handle the installation of performance parts for consumers.

The brick-and-mortar retail locations are also expected to serve as a showroom for Saleen vehicles and lifestyle accessories and apparel, which includes clothes, driving shoes, watches, eyewear, posters, books, and model cars, among other related products. Currently, Saleen lifestyle accessories and apparel can be ordered online at <http://www.saleenstore.com/>. These products (shirts, hats, gear bags, etc.) include Saleen and Molly Pop brands. The Molly Pop line of women's racing-inspired fashion was founded by Saleen's retail director, Molly Saleen. Figure 36 illustrates a selection of Saleen accessories.

Figure 36

A SELECTION OF SALEEN LIFESTYLE ACCESSORIES FOR SALE



Source: <http://www.saleenstore.com/>.

Figure 37
SALEEN PERFORMANCE PARTS FOR SALE

The screenshot displays the Saleen Performance Parts website. At the top, there is a navigation bar with links for 'ABOUT US', 'VIEW CART', 'MY ACCOUNT', and 'HELP / FAQ'. A search bar is located in the center, and the phone number '800.888.8945' is prominently displayed in red. The Saleen logo and a signature 'Steve Saleen' are also visible.

Below the navigation, there are social media links for Facebook and YouTube, and a 'SALEEN MAIN SITE' link. The main content area is divided into several sections:

- Welcome:** A large image showing several cars in a garage.
- Top Sellers:** A list of popular products:
 - SMS HEMI Supercharger (SMS Price: \$6,550.00)
 - Challenger Gauge Pod (SMS Price: \$300.00)
 - 570 Light Blade (SMS Price: \$300.00)
- VEHICLE MAKE:** A sidebar menu with categories for Dodge and Ford, each with sub-categories like Aerodynamics, Aesthetics, Performance, and Take Off Parts.
- MISC:** A sidebar menu with 'Brochures and Manuals' and a 'Join our mailing list' section with an email address field and a 'Subscribe' button.
- FEATURED PRODUCTS:** A grid of product listings:
 - SMS 570 Challenger Body Package:** SMS Price: \$5,000.00. Description: 'The SMS 570 Body package converts your stock Challenger to the look of the SMS 570 Challenger. Gain the ultimate in styling and functionality with this package. Its GTX style front air dam and integrated brake cooling ducts allow for air to correctly enter the engine bay resulting in a greater cooling capacity in the front. And drastically increases down force over the rear wheels as well as adds overall length to your stock Challenger in the rear.'
 - SMS 570 Dual Side Induction Hood with Butterflies Package:** SMS Price: \$1,895.00. Description: 'The SMS Dual Side Induction Challenger Hood comes with our SMS Red Butterfly System and is completely functional and will blow your competition away every time you hit the throttle. Watch the video below!'
 - Saleen 2005-2009 S281 Body Package:** List Price: \$1,999.99, SMS Price: \$1,599.99, Save \$400.00! Description: 'Genuine Saleen S281 Body Kit High Quality Construction Includes front & rear fascia, turn signal/fog combo lights, grille, side skirts, spoiler w/ extensions Ships unpainted, some prep required Fits 2005 to 2009 GT Mustangs'
 - SMS 302 High Downforce Rear Wing:** SMS Price: \$799.00. Description: 'This SMS 302 High Downforce Rear Wing adds styling and enhances your mustangs aerodynamics.'
 - SMS 570 High Downforce Rear Spoiler:** SMS Price: \$400.00. Description: 'This SMS 570 High Downforce Rear Spoiler adds styling and enhances your challenger aerodynamics.'
 - SMS 570 Signature Series Leather and Alcantara Two-Tone Chevron Performance Seating:** SMS Price: \$3,700.00. Description: 'SMS Signature Series Chevron Seats with Genuine Leather and Perforated Alcantara for the ultimate in spirited driving control and comfort.'

At the bottom of the page, there is a footer with links for 'Company Info', 'Terms of Use', 'Become an Affiliate', 'Product Index', 'Category Index', and 'Help'. A copyright notice reads: 'Copyright © 2014 Saleen Automotive Inc. All Rights Reserved. Shopping Cart Powered by Volusion'.

Source: <http://www.smssuperparts.com/>.

Design, Engineering, and Manufacturing

Contract Services

Saleen's motorsports and engineering teams frequently provide contract design, engineering, and product development services. This work includes creating custom vehicles for third-party use. Movies and shows for which Saleen has been contracted to provide vehicles include but are not limited to *Bruce Almighty*, *Iron Man*, *Bullrun*, and *Transformers*. The Company's most recent Hollywood contract was with DreamWorks SKG for the supply of supercars to be used in the 2014 *Need for Speed* movie starring *Breaking Bad*'s Aaron Paul.

Figure 38

SALEEN MUSTANG AS "BARRICADE" FROM *TRANSFORMERS*



Source: AOL Autos' *Autoblog.com* (August 17, 2009).

In *Need for Speed*, the Saleen S7 is featured on camera driven by the film's cast (as shown in Figure 39). The Company was also contracted to provide special camera cars for use behind the scenes in ensuring filmmakers can keep pace on the road with the movie's supercars. In addition to the Saleen S7, *Need for Speed* cars include the Bugatti Veyron (which holds world records for top speeds) and the McLaren P1, a twin turbocharged plug-in hybrid with 903 HP, among other rare vehicles.

Contracts such as these are particularly beneficial for Saleen, as they bring in a considerable amount of revenue and also put the Company's cars directly in front of consumers as being competitive, fun, and powerful.

Figure 39

SALEEN S7 SPOTTED ON A *NEED FOR SPEED* (2014) MOVIE POSTER



Source: <http://www.theneedforspeedmovie.com/>.

Creating Automotive Innovations through Advanced Design, Engineering, and Manufacturing

Since Steve Saleen first began manufacturing vehicles in 1984, over 12,000 U.S. Environmental Protection Agency (EPA)-certified vehicles have been produced under the Saleen and SMS banners. Globally, the Company has equipped or added function and value to more than 600,000 vehicles throughout its history using Saleen manufacturing and equipment install processes. Saleen believes this is more than any other specialty automobile manufacturer.

Accordingly, Saleen’s core competencies are in vehicle design and engineering, as described below and on page 44. Collaboration between manufacturing and assembly teams with the engineering development group is essential to Saleen’s vehicle development, as regular communication and partnering helps to ensure that the appropriate processes, tooling, sourcing, and timing is considered early in every program.

Design

A major emphasis for Saleen in building its vehicles is the design of the cars. Saleen’s design characteristics are racing inspired and have been since the brand’s inception. The look and feel of these cars has been a driving force supporting their adoption over the years, which the Company states has led to higher-than-average resale values and collectability for Saleen vehicles. As an indication of the Company’s design skill set, the Saleen S7 supercar, which was wholly created in-house from the ground up, was highly regarded for its aerodynamics. The S7’s down force actually exceeded the weight of the car at speeds greater than 160 mph. The down force, a product of the vehicle’s design, holds the car to the ground at high rates of speed and is particularly important when cornering.

Engineering

Saleen is capable of complete vehicle production and focuses on advanced engineering and integration of all vehicle systems in order to achieve a comprehensive design solution. Saleen’s in-house expertise, which contributes to its ability to produce its own line of vehicles as well as fulfill contract special orders, is in the following areas (outlined in Figure 40): the chassis, body, and powertrain; **noise, vibration, harshness (NVH)** engineering; electrical systems; thermal systems; and computer-aided engineering (CAE). The Company’s engineers use computer-aided design and computer-aided manufacturing (CAD/CAM) software; crash, suspension, and fluid simulations; and chassis and powertrain design in order to achieve certification and compliance with regulations from the National Highway Traffic Safety Administration (NHTSA), the EPA, and the California Air Resources Board (CARB). Each Saleen vehicle produced is fully certified and tested to meet state and federal safety and emissions standards.

Figure 40
ENGINEERING EXPERTISE

▪ Engineering Capabilities	▪ Crash Simulation Software
▪ Suspension and Chassis	▪ Suspension Simulation Software
▪ Powertrain	▪ CFD, Fluid Simulation Software
▪ Certification	▪ Design and Prototyping Capabilities
▪ Engineering Tools	▪ Style and Design Center
▪ CAD Systems	▪ Development from first sketch to final production
▪ Data Acquisition Systems	▪ Manufacturing, Assembly, and Production
▪ ETAS Calibration Tools	

Source: Saleen Automotive, Inc.

Manufacturing

Saleen is considered a specialty manufacturer in the high-performance category. With intense collaboration between engineering, design, and manufacturing, the Company has been able to go from concept to production faster than many other car manufacturers. Saleen builds cars on a production line, not individually; thus, its processes are easily scaled up or down to be responsive to changes in demand. Saleen does not typically hold an inventory of finished goods, as the Company builds to order—buying the automobile chassis of the vehicle to be converted and then modifying the vehicle as ordered.

The Company uses a modular manufacturing facility capable of performing multiple vehicle manufacturing and assembly programs concurrently, including Saleen’s own vehicle and part development as well as product development for other OEM manufacturers. Part prototyping using advanced large-scale 3D printers, fabricators, machinists, and paint services are all conducted in-house. In May 2014, Saleen entered into an agreement with BASF to exclusively use BASF’s products at its Corona, California, manufacturing facilities—bringing the BASF paints in house and enabling the introduction of all-new proprietary paint colors in summer 2014 using new technology developed by BASF and Saleen.

Figure 41
MANUFACTURING AND TESTING



Source: Saleen Automotive, Inc.

As of late 2013, Saleen was producing vehicles at a rate of 12 cars per month with plans to continuously ramp-up production to between 500 and 600 cars during its first full year of production since resuming manufacturing under the “Saleen” brand in mid-2013.

In 2013, Saleen’s production costs were high due to start-up costs and manufacturing and logistics inefficiencies in the initial launch period. However, as the Company scales up production, its manufacturing costs are expected to decline. Please refer to the Historical Financial Statements and discussion presented on pages 48-51 for further details. To this end, a cost-reduction program initiated by Saleen in mid-2013 targeted the following areas: (1) negotiating discounts from suppliers as Saleen increases its purchasing volume; (2) implementing more effective hiring practices by advertising directly for engineering and production staff rather than using placement firms; and (3) reducing reliance on outside services providers (law firms and CFO support services) by settling pending litigation, negotiating a flat monthly fee for CFO support, and hiring a full-time internal controller. This program had reduced Saleen’s monthly burn rate by approximately \$50,000 as of November 2013.

Competition

The worldwide automotive market is highly competitive. In particular, the supercar, luxury, and alternative energy sectors are growing due to improved technologies, affluent purchasers globally, and additional product offerings. Global sales of cars which cost more than \$130,000 during 2013 were expected to surpass the 2007 peak and are projected to grow 35% to almost 540,000 units by 2015, according to IHS Automotive. The expected growth is fueled by a 52% surge in North American demand for luxury vehicles (Source: Automotive News's *U.S., Asia driving sales gains in global supercar market*, January 2013).

Saleen faces competition from existing and future specialty or higher-end automobile manufacturers in the premium sedan market, including Audi, BMW, Lexus, and Mercedes, as well third-party companies that specialize in customization and performance enhancements for existing car models.

Most mainstream car manufacturers have also announced plans to enter the alternative fuel market. Large companies, including General Motors, Toyota, Ford and Honda, are each selling hybrid vehicles, with some manufacturers producing plug-in versions of their hybrid vehicles. In addition, the Company expects to compete with new alternative fuel-focused automobile manufacturers, such as Tesla.

Figure 42
SALEEN'S POTENTIAL COMPETITIVE ADVANTAGES

Value	<ul style="list-style-type: none"> ▪ Brand Recognition and Heritage ▪ Existing Customer Base ▪ Existing Distribution ▪ Patent and Trademark Protection
Rarity	<ul style="list-style-type: none"> ▪ In-house Engineering and Design ▪ Scalable Production Capabilities ▪ Strategic Partnerships ▪ Automotive Compliance Experience
Exclusive	<ul style="list-style-type: none"> ▪ Established as an OEM ▪ Exclusive Design ▪ Exclusive Technology ▪ Cost Advantaged
Organized	<ul style="list-style-type: none"> ▪ Concept to Production Capable ▪ Existing Operations ▪ Team Oriented ▪ Process-based Management

Source: Saleen Automotive, Inc.

Tesla's success can be seen as a test for the demand of high-end alternatively fueled vehicles. Just a year into production of its first original design, the Tesla Model S captured 8.4% of the U.S. luxury car market in the first half of 2013, outselling some perennial luxury car favorites such as the Audi A8, BMW 7-series, and Mercedes S-class (Source: AOL Inc.'s *Autobloggreen Tesla's 8.4% market share beats Audi A8, BMW 7 Series*, August 2013).

The Company believes that its operational and industry knowledge, in-house engineering and design, and patent and trademark protection provides a competitive edge when compared to potential competitors in small-volume vehicle manufacture space. In particular, Saleen's brand recognition, existing customer base and distribution network, and current strategic partnerships could help it compete against new and established high-end companies. Figure 42 outlines what the Company believes to be its key competitive advantages.

The following summaries are not intended to be an exhaustive collection of potential competitors to Saleen; however, they are believed to be representative of the type of competition the Company may encounter as it seeks to further increase market share within the automotive industry.

Roush Performance

www.roushperformance.com

Roush Performance, the automotive performance product division of Roush Industries, provides automotive products and services, including completely assembled pre-titled vehicles, aftermarket performance parts and engines, and custom graphics. The company's current vehicle line-up includes an array of configurations for the 5.0L Ford Mustang, ranging from the RS V6 kit (305 HP) to the Stage III top configuration, delivering a total of 675 HP. In addition, Roush Performance's products include aftermarket parts for the Ford Mustang, Focus, Superduty, and F-150. Roush is also involved in the development of alternative fuel vehicles, converting fleets of pickups, vans, and wagons to liquid-propane fuel.

Shelby American, Inc.

www.shelbyamerican.com

Shelby American, a division of Carroll Shelby International, Inc. (CSBI-OTC), manufactures and markets performance vehicles and related products. Shelby American offers the GT500 Super Snake—with expected power levels up to 850 HP—as well as other Ford Mustang-based models, such as the Shelby 1000, GT, and GTS. In addition, Shelby also offers post-title packages for the Ford Focus ST and the Ford Raptor. The company licenses the Shelby brand to third parties in connection with various products, including vehicles, memorabilia, video games, models, toys, branded apparel, styling, and performance parts.

Chrysler Group LLC's SRT (Street and Racing Technology)

www.drivesrt.com

Street & Racing Technology (commonly called SRT) is a high-performance automobile group within Chrysler LLC. Formed in 2002 as an in-house automotive performance groups, SRT produces vehicles for the Chrysler, Dodge, and Jeep brands. The 2014 SRT lineup featured five vehicles: the flagship SRT Viper, the Chrysler 300 SRT, Dodge Challenger SRT, Dodge Charger SRT, and Jeep Grand Cherokee SRT. In 2014, SRT announced an expansion of its 2014 vehicle lineup by offering new Satin Vapor Editions of its Chrysler 300 SRT, Dodge Challenger SRT, and Dodge Charger SRT models.

Equus Automotive, Inc.

www.equus-automotive.com

Equus is an American automobile manufacturer formed in 2009. Equus fully engineered and manufactured the Equus BASS 770, unveiled at the 2014 Detroit North American International Auto Show. The supercar, with a price of \$250,000, was inspired by the 1960s and 1970s American muscle cars and sports a 6.2-liter supercharged V8 engine from Chevrolet Corvette, rated at 640 HP.

Nissan Motor Co, LLC's NISMO®

www.nissanusa.com/performance/

NISMO®, a short form of "Nissan Motorsports," is the in-house racing and performance brand for Nissan and the developer of the Nissan GT-R, an everyday supercar introduced in the U.S. in 2009. The GT-R is available in four configurations: GT-R Premium, GT-R Black Edition, a limited-production 2-seat GT-R Track, and the GT-R Nismo. The GT-R Nismo, the fastest GT-R, was launched in February 2014 and sports a 600 HP engine.

BMW (Bayerische Motoren Werke)

www.bmw.com/com/en/newvehicles/i/i8/2014/showroom/index.html

The BMW i8, BMW's plug-in hybrid sports car, was initially introduced as the BMW Concept Vision Efficient Dynamics concept car. The i8 is part of BMW's "Project I" and is expected to be marketed as a new brand, sold separately from BMW or Mini offerings. The production version of the BMW i8 was unveiled at the 2013 Frankfurt Motor Show. The production version was stated to have an average fuel efficiency of 94.1 mpg, fully recharges in 1.5 hours from a 220-volt Level 2 charger, and delivers a combined power of 362 HP, allowing it to go from 0-60 mph in 4.4 seconds.

Mercedes-AMG GmbH

www.mbusa.com/mercedes/amg

Mercedes-AMG GmbH, commonly known as AMG, engineers, manufactures, and customizes Mercedes-Benz-branded vehicles. Originally an independent engineering firm specializing in performance improvements for Mercedes vehicles, DaimlerChrysler took a controlling interest in 1990, and then became sole owner of AMG in 2005. AMG models are typically the most expensive and highest-performance of each Mercedes class. AMG's top offering is the Mercedes-Benz SLS AMG. The vehicle, which has gull-wing doors and comes in a coupe and roadster versions, was unveiled at the 2009 Frankfurt Motor Show and began selling in mid-2010. AMG also developed an electric version of the car, the Mercedes-Benz SLS AMG Electric Drive, unveiled at the 2012 Paris Motor Show.

Porsche Automobil Holding SE

www.porsche.com/microsite/918/usa.aspx

The Porsche 918 Spyder, a limited edition supercar, is a plug-in hybrid designed by Porsche and first shown as a concept at the 80th Geneva Motor Show in March 2010. The Spyder is powered by a 4.6 liter V8 engine, delivering 608 HP, with two electric motors delivering an additional 279 HP, for a combined output of 887 HP. It is the second plug-in hybrid car from Porsche, after the 2014 Panamera S E-Hybrid. The production version was unveiled at the September 2013 Frankfurt Motor Show. Porsche's 918 hybrid is capable of 16 miles of driving on electric power alone, and can go from 0 to 60 miles per hour in 3.1 seconds.

Historical Financial Results

Figures 43, 44, and 45 (pages 49-51) provide a summary of Saleen's key financial statements: its condensed, consolidated Statements of Operations, Balance Sheets, and Statements of Cash Flows, as presented in the Company's Form 10-Q filed with the U.S. Securities and Exchange Commission (SEC) on February 14, 2014.

Third Quarter 2013 Revenue Generation, Gross Margin, and Net Loss

Saleen reported revenue for the third quarter FY 2013 (ended December 31, 2013) of \$1,076,153 versus \$1,853,475 for the third quarter ended December 31, 2012. The difference was due to Saleen receiving over \$1.2 million in the last three months of 2012 under its contract with DreamWorks to produce the *Need for Speed* vehicles. Payment under this contract was already complete before the end of 2013, thus no contract revenue was reported in the three months ended December 31, 2013, accounting for the decrease in comparable revenue during this time.

Subtracting the impact of the design services revenue in 2012, it is important to note that Saleen's revenue from the sale of its vehicles and parts (not contract revenue) increased 77% from the quarter ended in December 2012 to the quarter ended in December 2013. Saleen reported that this increase in sales reflected the Company's expanding sales force, growth through existing car dealers, and the addition of new dealer networks.

The Company's gross margin is also improving as sales increase and as production ramps up, while becoming more efficient. In the quarter ended December 31, 2013, gross margin for the sale of vehicles and parts was 28%, up from 12% in the year-ago quarter.

Saleen reported a net loss for the quarter of roughly \$1.54 million versus a net loss of approximately \$320,000 in the last three months of 2012, largely due to higher operating expenses stemming from the Company's recent growth. Saleen reported in February 2014 that its recent increases in operating expenses were largely attributable to R&D investment (e.g., design of a proprietary electric vehicle [EV]), expanded marketing efforts, and an expansion in facilities sufficient to support sales growth.

As the Company continues to grow, operating expenses are also likely to increase due to further supercar and EV development and manufacture, increased production capacity, costs for warranty repairs or product recalls (if any), an increase in sales and marketing activities, and increased general and administrative functions to support Saleen's growing operations.

Seasonality

Sales in the automotive industry generally have a high level of seasonality as consumer demand for new vehicles typically declines in winter and increases in spring and summer.

Figure 43

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and nine months ended December 31, 2013 and 2012 (Unaudited)

INCOME STATEMENT	For the Three months ended December 31,		For the Nine months ended December 31,	
	2013	2012	2013	2012
Revenue				
Vehicles and parts	\$ 1,076,153	\$ 607,490	\$ 3,570,722	\$ 1,277,476
Design services	—	1,245,985	—	1,245,985
Total revenue	1,076,153	1,853,475	3,570,722	2,523,461
Costs of goods sold				
Vehicles and parts	773,467	532,932	2,852,665	1,056,141
Design services	—	859,541	—	859,451
Total Costs of Goods Sold	773,467	1,392,473	2,852,665	1,915,592
Gross Margin	302,686	461,002	718,057	607,869
Operating expenses				
Research and development	204,026	3,269	489,723	29,815
Sales and marketing	320,077	74,224	942,238	115,710
General and administrative	1,029,054	646,694	3,576,843	1,984,012
Depreciation and Amortization	18,588	20,391	65,332	60,944
Total operating expenses	1,571,745	744,578	5,074,136	2,190,481
Loss from operations	(1,269,059)	(283,576)	(4,356,079)	(1,582,612)
Other income (expenses)				
Interest expense	(186,004)	(37,595)	(362,784)	(138,281)
Costs of reverse merger transaction	—	—	(365,547)	—
Gain on extinguishment of derivative liability	40,548	—	40,548	—
Change in fair value of derivative liability	(125,026)	—	(73,892)	—
Net Loss	\$ (1,539,541)	\$ (321,171)	\$ (5,117,754)	\$ (1,720,893)
Loss per common share – basic and diluted	\$ (0.01)	\$ 0	\$ (0.04)	\$ (0.01)
Weighted average shares outstanding basic and diluted	120,649,951	120,000,000	120,635,914	120,000,000

Source: Saleen Automotive, Inc.'s Form 10-Q filed with the U.S. Securities and Exchange Commission (SEC) on February 14, 2014.

Figure 44

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2013 (Unaudited)	March 31, 2013
ASSETS		
Current Assets		
Cash	\$ 10,840	\$ 4,434
Cash held in trust by related party	—	175,000
Accounts receivable, net	16,153	5,352
Inventory	447,752	538,224
Prepaid expenses and other current assets	84,291	23,483
Total Current Assets	559,036	746,493
Long Term Assets		
Property and equipment, net	559,977	340,219
Other assets	42,358	37,358
TOTAL ASSETS	\$ 1,161,371	\$ 1,124,070
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts Payable	\$ 1,392,296	\$ 666,782
Accounts Payable - related parties	877,885	709,267
Current portion of notes payable, in default	1,370,437	1,044,074
Current portion of notes payable to Related Parties	684,452	360,500
Payroll Taxes Payable	729,314	246,075
Accrued Interest on Notes Payable	350,630	318,836
Customer Deposits	178,732	942,859
Other current liabilities	473,993	433,706
Derivative liability	1,694,000	—
Total Current Liabilities	7,751,739	4,722,099
Notes payable, net of current portion	—	550,258
Senior Secured Convertible Notes payable, net of discount	1,475,898	—
Total Liabilities	9,227,637	5,272,357
Stockholders' Deficit		
Common stock; \$0.001 par value; 100,000,000 shares authorized 99,837,259 shares issued and outstanding as of December 31, 2013	99,837	—
Super Voting Preferred stock; \$0.001 par value; 1,000,000 shares authorized; 200,000 and 883,822 shares issued and outstanding as of December 31, 2013 and March 31, 2013, respectively	200	10,269
Additional paid in capital	5,694,983	4,584,976
Accumulated deficit	(13,861,286)	(8,743,532)
Total Stockholders' Deficit	(8,066,266)	(4,148,287)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 1,161,371	\$ 1,124,070

Source: Saleen Automotive, Inc.'s Form 10-Q filed with the U.S. Securities and Exchange Commission (SEC) on February 14, 2014.

Figure 45

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine months ended December 31,	
	2013	2012
Cash flows from operating activities		
Net loss	\$ (5,117,754)	\$ (1,720,893)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	65,332	60,944
Change in fair value of derivative liability	73,892	—
Gain in extinguishment of derivative liability	(40,548)	—
Amortization of discount on senior secured convertible notes	215,348	—
Shares issued for value of Saleen S7 Supercar	—	250,000
Shares issued for directors fees	250,000	—
Shares issued for services	279,481	6,250
Changes in working capital:		
(Increase) Decrease in cash held in trust account	175,000	—
(Increase) Decrease in accounts receivable	(10,801)	(6,424)
(Increase) Decrease in inventory	90,472	(131,616)
(Increase) Decrease in prepaid expenses and other assets	(65,808)	(5,605)
Increase (Decrease) in accounts payable	725,514	(206,911)
Increase (Decrease) in accounts payable to related parties	168,618	524,114
Increase (Decrease) in payroll taxes payable	483,239	56,151
Increase (Decrease) in accrued interest	56,491	134,795
Increase (Decrease) in customer deposits	(764,127)	(110,994)
Increase (Decrease) in other liabilities	40,287	100,030
Net cash used in operating activities	<u>(3,375,364)</u>	<u>(1,050,159)</u>
Cash flows from investing activities		
Purchases of property and equipment	(285,090)	(237)
Net cash used in investing activities	<u>(285,090)</u>	<u>(237)</u>
Cash flows from financing activities		
Proceeds from senior secured notes payable	3,000,000	—
Proceeds from notes payable - related parties	550,000	250,000
Principal payments on notes payable – related parties	(203,245)	(25,000)
Principal payments on notes payable	(223,895)	(43,061)
Proceeds from issuance of common stock	544,000	864,573
Net cash provided from financing activities	<u>3,666,860</u>	<u>1,046,512</u>
Net increase (decrease) in cash	6,406	(3,884)
Cash at beginning of period	4,434	6,779
Cash at end of period	<u>\$ 10,840</u>	<u>\$ 2,895</u>
Supplemental schedule of non-cash investing and financing activities:		
Derivative liability related to conversion feature	\$ 1,660,656	\$ —
Issuance of Common Stock on conversion of Secured Convertible Notes Payable	78,794	—
Issuance of Common Stock on payment of interest on Notes Payable	24,697	66,250
Issuance of common stock as principal on Notes Payable to related parties	22,803	—
Issuance of common stock for automotive asset	—	250,000
Supplemental disclosures of cash flow information:		
Cash paid during the period for		
Interest	<u>\$ 32,726</u>	<u>\$ 32,809</u>
Income taxes	<u>\$ —</u>	<u>\$ —</u>

Source: Saleen Automotive, Inc.'s Form 10-Q filed with the U.S. Securities and Exchange Commission (SEC) on February 14, 2014.

Risks and Disclosures

This Executive Informational Overview® (EIO) has been prepared by Saleen Automotive, Inc. (“Saleen” or “the Company”) with the assistance of Crystal Research Associates, LLC (“CRA”) based upon information provided by the Company’s executive management. CRA has not independently verified such information. Some of the information in this EIO relates to future events or future business and financial performance. Such statements constitute forward-looking information within the meaning of the Private Securities Litigation Act of 1995. Such statements can only be predictions and the actual events or results may differ from those discussed due to the risks described in Saleen’s statements on Forms 424B3, 10-K, 10-Q, and 8-K, as well as other forms filed from time to time.

The content of this report with respect to Saleen has been compiled primarily from information available to the public released by the Company through news releases, investor presentations, and U.S. Securities and Exchange Commission (SEC) filings. Saleen’s management is solely responsible for the accuracy of this information. Information as to other companies has been prepared from publicly available information and has not been independently verified by Saleen or CRA. Certain summaries of activities and outcomes have been condensed to aid the reader in gaining a general understanding. CRA assumes no responsibility to update the information contained in this report. In addition, CRA has been compensated by the Company in cash of thirty-five thousand U.S. dollars for its services in creating this report and for updates. For more complete information about the risks involved in an investment in the Company, please see Saleen’s Form 424B3 filed with the SEC on November 8, 2013: http://www.sec.gov/Archives/edgar/data/1528098/000130841113000293/slnnform_s1131105.htm.

Investors should carefully consider the risks and information about Saleen’s business, as summarized below and on pages 53-56. Investors should not interpret the order in which considerations are presented in this or other filings as an indication of their relative importance. The risks and uncertainties overviewed below are detailed in full in Saleen’s Form 424B3, which investors should reference for a complete picture of the Company’s risks. In addition, these risks outlined below are not the only risks that the Company faces. Additional risks and uncertainties not presently known to Saleen or that it currently believes to be immaterial may also adversely affect the Company’s business. If any of such risks and uncertainties develops into an actual event, Saleen’s business, financial condition, and results of operations could be materially and adversely affected, and the trading price of the Company’s shares could decline.

This report is published solely for information purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any state. Past performance does not guarantee future performance. Additional information about Saleen and its public filings, as well as copies of this report, can be obtained in either a paper or electronic format by calling (800) 888-8945.

Defaults on Notes Payable

As of December 31, 2013, Saleen was in default on \$984,465 and \$385,972 of secured and unsecured notes payable, respectively. While the Company is in discussions with the note holders to arrange extended payment terms, the initiation of collection actions by these note holders may severely affect its ability to execute on its business plan. In addition, Saleen Signature Cars received a complaint from its Senior Secured note payable to a bank, which was filed on February 6, 2014, in California Superior Court, Riverside County. The complaint alleges, among others, breach of promissory note due to non-timely payment of November and December 2013 principal amounts owed, which were paid as of December 31, 2013, and change in control as a result of the Company’s merger. The case sought immediate principal payment of \$520,388 plus accrued and unpaid interest. The Company believed that the claim sought by the bank was not accurate and was without merit. The case has been dismissed and settled.

RISKS RELATED TO SALEEN'S BUSINESS

- Saleen may be unable to sustain its current level of production or deliveries of its high-performance cars, both of which could harm the Company's business and prospects.
- Saleen is dependent on suppliers, the vast majority of which are single-source suppliers, and the inability of these suppliers to continue to deliver, or their refusal to deliver, necessary components of the Company's vehicles in a timely manner at prices, quality levels, and volumes acceptable to the Company would have a material adverse effect on Saleen's business, prospects, and operating results.
- If Saleen is unable to adequately reduce the manufacturing costs of high-performance cars and supercars or otherwise control the costs associated with operating its business, Saleen's business, financial condition, operating results, and prospects will suffer.
- Saleen's long-term success will be dependent upon its ability to design and achieve market acceptance of new vehicle models, specifically supercars and new vehicle models such as midline sports cars.
- Saleen's limited operating history makes evaluating its business and future prospects difficult, and may increase the risk of investors' investment.
- Saleen has a history of losses and has to deliver significant cost reductions to achieve profitability in 2014 and long-term commercial success.
- Increases in costs, disruption of supply, or shortage of raw materials, in particular superchargers, could harm Saleen's business.
- Saleen's distribution model is different from the predominant current distribution model for automobile manufacturers, which makes evaluating Saleen's business, operating results, and future prospects difficult.
- Saleen may face regulatory limitations on its ability to sell vehicles directly or over the Internet, which could materially and adversely affect the Company's ability to sell vehicles.
- The automotive market is highly competitive, and Saleen may not be successful in competing in this industry. The Company currently faces competition from new and established competitors and expects to face competition from others in the future.
- The electric vehicle (EV) market is highly competitive, and Saleen may not be successful in competing in this industry. Saleen currently faces competition from new and established competitors and expects to face competition from others in the future.
- Demand in the automobile industry is highly volatile, which may lead to lower vehicle unit sales and adversely affect Saleen's operating results.
- Difficult economic conditions may negatively affect consumer purchases of luxury items, such as Saleen's high-performance vehicles.
- Saleen's financial results may vary significantly from period-to-period due to the seasonality of the Company's business and fluctuations in operating costs.
- If Saleen is unable to establish and maintain confidence in its long-term business prospects among consumers, analysts, and within the automotive industry, then the Company's financial condition, operating results, business prospects, and stock price may suffer materially.

- The Company may not succeed in maintaining and strengthening the Saleen brand, which would materially and adversely affect customer acceptance of Saleen's vehicles and components.
- Saleen's plan to develop a network of Saleen stores will require significant cash investments and management resources and may not meet expectations with respect to additional sales of Saleen's high-performance vehicles. In addition, the Company may not be able to open stores in certain states.
- If Saleen fails to manage future growth effectively as it rapidly grows its business, it may not be able to produce, market, sell, and service its vehicles successfully.
- If Saleen is unable to attract or retain key employees and qualified management, technical engineering, and manufacturing personnel, its ability to compete could be harmed and its stock price may decline.
- Many members of Saleen's management team are new to the Company or to the automobile industry, and execution of the Company's business plan and development strategy could be seriously harmed if integration of Saleen's management team into the Company is not successful.
- Saleen is subject to various environmental and safety laws and regulations that could impose substantial costs upon the Company and negatively impact its ability to operate manufacturing facilities.
- Saleen's business may be adversely affected by union activities.
- Saleen is subject to substantial regulation, which is evolving, and unfavorable changes or failure by the Company to comply with these regulations could substantially harm its business and operating results.
- The Company may become subject to product liability claims, which could harm its financial condition and liquidity if it is not able to successfully defend or insure against such claims.
- Saleen may be compelled to undertake product recalls, which could adversely affect its brand image and financial performance.
- The Company's current and future warranty reserves may be insufficient to cover future warranty claims, which could adversely affect financial performance.
- Saleen may need to defend against patent or trademark infringement claims, which may be time consuming and would cause the Company to incur substantial costs.
- Saleen's business will be adversely affected if the Company is unable to protect its intellectual property rights from unauthorized use or infringement by third parties.
- Saleen's patent applications may not result in issued patents, which may have a material adverse effect on the Company's ability to prevent others from commercially exploiting products similar to its.
- Saleen's facilities or operations could be damaged or adversely affected as a result of disasters or unpredictable events.
- If Saleen's suppliers fail to use ethical business practices and comply with applicable laws and regulations, Saleen's brand image could be harmed due to negative publicity.
- The Company will continue to need additional financing to carry out its business plan.
- Auditors have expressed a going concern opinion on Saleen's financial statements. Saleen may be unable to obtain additional capital required to implement its business plan, which could restrict its ability to grow.
- Saleen has a history of operating losses and there is no assurance that it can achieve or maintain profitability.
- The Company may not be able to effectively manage its growth.

- Saleen will be required to attract and retain top quality talent to compete in the marketplace.
- Saleen’s forecasts are highly speculative in nature and Saleen cannot predict results in a development-stage company with a high degree of accuracy.
- The Company will be subject to evolving and expensive corporate governance regulations and requirements. Saleen’s failure to adequately adhere to these requirements or the failure or circumvention of the Company’s controls and procedures could seriously harm its business.
- Saleen is obligated to develop and maintain proper and effective internal control over financial reporting. Saleen may not complete an analysis of its internal control over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may adversely affect investor confidence in the Company and, as a result, the value of the stock of the combined business.
- Saleen’s limited senior management team size may hamper its ability to effectively manage a publicly traded company while developing products and thus harm its business.
- The failure of the U.S. automotive industry to experience a rebound to pre-recessionary performance could adversely harm Saleen’s business.
- The global economy may continue to experience soft growth over the next several years, reducing demand for Saleen’s products.

RISKS RELATED TO SALEEN’S COMMON STOCK

- There is little trading of shares of Saleen’s common stock. Saleen’s stock price is likely to be highly volatile.
- The Company’s common stock is a “penny stock”; trading therein will be subject to regulatory restrictions.
- Limited future sales of Saleen’s common stock in the public market could make it difficult to generate significant liquidity.
- Saleen has not paid dividends in the past and, except for the dividend paid to Saleen’s existing stockholders at the closing of the merger, does not expect to pay dividends for the foreseeable future, and any return on investment may be limited to potential future appreciation on the value of Saleen’s common stock.
- Saleen’s officers, directors, and principal stockholders are able to exert significant influence over the combined business and may make decisions that are not in the best interests of all stockholders.
- Anti-takeover provisions may limit the ability of another party to acquire the Company, which could cause the stock price to decline.
- The requirements of being a public company, including compliance with the reporting requirements of the Securities Exchange Act of 1934, as amended, and the requirements of the Sarbanes-Oxley Act of 2002, may strain Saleen’s resources, increase costs, and distract management, and Saleen may be unable to comply with these requirements in a timely or cost-effective manner.
- Saleen is an emerging growth company within the meaning of the Securities Act, and as a consequence of taking advantage of certain exemptions from reporting requirements that are available to emerging growth companies, Saleen’s financial statements may not be comparable to companies that comply with public company effective dates.

LEGAL PROCEEDINGS

The Company is involved in certain legal proceedings that arise from time to time in the ordinary course of its business. It is currently party to several legal proceedings related to claims for payment that are accrued for in the Company's financial statements as accounts or notes payable. Except for income tax contingencies (commencing April 1, 2009), Saleen records accruals for contingencies to the extent that management concludes the occurrence is probable and that the related amounts of loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. Legal proceedings that are currently pending are listed below.

- SMS is a defendant in a case filed by ATI Performance Products on October 21, 2011, in the California Superior Court, Riverside County, that claims breach of contract related to the sale of parts. The suit claims \$36,697 in damages plus interest, legal fees, and costs of litigation. The Company has recorded this liability on its books and states that it has been settled and paid.
- Steve Saleen and SMS were defendants in a case filed by Edward Roche on November 28, 2011, in the U.S. District Court in Massachusetts that alleged breach of contract related to a vehicle dispute. The case sought \$75,000 of damages, plus legal fees and costs of litigation. The case has been dismissed and settled.
- SMS is a defendant in a case filed by MSY Trading, Inc. on April 13, 2012, in the California Superior Court, Riverside County, that claims breach of contract related to an engine installed by a third-party vendor. The suit claims \$200,000 in damages plus interest, legal fees, and costs of litigation. The Company believes that the amount sought by the Plaintiff is excessive and without merit. Saleen states that it has been settled.
- SMS is the plaintiff in a case filed against Connects Marketing and Eric Hruza on July 2, 2012, in the United States District Court, Central District of California, Southern Division, for misappropriation of trade secrets, trademark infringement, and other related causes of action. The suit seeks damages in excess of \$1,000,000. Saleen states that it has been settled.
- SMS is the plaintiff in a case filed against Inland Empire Paint on August 10, 2012, in the California Superior Court, Riverside County, for breach of contract as a result of the defendant's defective work. The suit claims \$34,241 in damages.
- SMS is the plaintiff in a case filed against Douglas Lopez & Rumm, LLP, Diana Lopez and Dana Douglas on October 16, 2012, in the California Superior Court, Orange County, for legal malpractice for their failure to adequately represent SMS in its litigation against Connects Marketing for the installation of defective engines in SMS vehicles. The suit seeks damages in excess of \$1,000,000. The defendants have filed a cross-complaint against SMS and Steve Saleen for payment for legal services rendered in the amount of \$10,000. The Company has recorded this liability on its books.
- SMS is a defendant in a case filed on February 21, 2013, in the California Superior Court, Napa County, that claims breach of contract related to a vehicle dispute. The suit claims \$25,586 in damages plus interest and costs of litigation. The Company recorded this liability on its books and states that it has been settled and paid.
- Steve Saleen is a defendant in a case filed on February 26, 2013, in the California Superior Court, Orange County, that claims breach of contract. The suit claims \$100,000 in damages plus interest, legal fees, and costs of litigation. The Company has recorded this liability on its books.
- Saleen Automotive is a defendant in a case filed on April 12, 2013, in the California Superior Court, Orange County, in connection with a breach of contract action. The suit claims \$27,500 in damages plus interest, legal fees, and costs of litigation. The Company has recorded this liability on its books.
- Saleen Signature Cars was a defendant in a case filed on February 6, 2014, in California Superior Court, Riverside County related to the Company's Senior Secured note payable to a bank. The complaint alleged, among others, breach of promissory note due to non-timely payment of November and December 2013 principal amounts owed, which were paid as of December 31, 2013, and change in control as a result of the merger. The case sought immediate principal payment of \$520,388 plus accrued and unpaid interest. The Company believed that the claim sought by the bank was not accurate and was without merit. The case has been dismissed and settled.

Glossary

24 Hours of Le Mans—The world's oldest active sports car race in endurance racing. It has been held annually since 1923 near the town of Le Mans, France.

Autocross—A form of competition in which cars are driven around an obstacle course, typically marked out by cones.

Chassis—The base frame of a motor vehicle or other wheeled conveyance.

George Follmer—An American racecar driver from the 1960s and 1970s who was inducted into the Motorsport Hall of Fame in 1999. He was successful in the following series: 1966-1973 Can-Am, 1969-1981 SCCA Trans-Am, 1967-1971 and 1974 USAC Champ Car, 1969-1971 Indy Car, 1973 Formula One, 1974 NASCAR Winston Cup, 1974-1975 IROC, and 1986 24 Hours of Le Mans. He also drove for Saleen in the 1980s.

Livery—A special design and color scheme used on the vehicles, aircraft, or products of a particular company.

Mark Donohue—A competitive American racecar driver in the SCCA Trans-Am series in the 1960s. Saleen's Mark Donohue edition Camaro is reminiscent of the #6 1969 Camaro raced by Donohue.

Mass Customized—Creating customized products in an efficient, mass-production manner.

Noise, Vibration, Harshness (NVH)—A measure of the noise level in the car during driving, the vibration felt during driving, and the harshness of the vehicle ride during transitions in vehicle motion, such as going over bumps.

Original Equipment Manufacturer (OEM)—The company that supplies equipment to other companies to resell or incorporate into another product using the reseller's brand name.

Pony Car—Though definitions vary, a pony car is generally an affordable, compact, highly styled car with a sporty or performance-oriented image.

Powertrain—The mechanism that transmits the drive from the engine of a vehicle to its axle.

Production Car—A street-legal car produced in a reasonable quantity for commercial sale as opposed to a concept car or modified versions.

Remote Starter—A radio controlled device installed in a vehicle by the factory or an aftermarket installer to start the car's engine and preheat or cool the vehicle before the owner gets into it.

Supercar—Though definitions vary, a supercar is usually priced above \$250,000, is produced in a limited quantity, and is very fast.

Swede Savage—Refers to David Earl "Swede" Savage, Jr., an American racecar driver. Saleen's Swede Savage edition Barracuda honors the #42 1970 Barracuda that Swede Savage drove during the 1970 Trans-Am season.

Vehicle Miles Traveled (VMT)—The number of miles that vehicles are driven.

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Crystal Research Associates is led by Wall Street veterans, Jeffrey Kraws and Karen Goldfarb. Together, Kraws and Goldfarb have built a unique business model, capitalizing on decades of experience as an award-winning sell-side analyst team to produce institutional-quality industry and market research in a manner that is easily understood by investors and consumers. Our firm's approach has been proven successful over the years as our products are published and available on Bloomberg, Thomson Reuters/First Call, Capital IQ, FactSet, Yahoo! Finance, and scores of other popular forums.

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