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COMPANY INTERVIEW

PAUL MOLLER
Moller International Inc.

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Moller International Inc. (MLER)



PAUL MOLLER is Chairman of the Board of Moller International Inc. In 1972 Dr. Moller founded Supertrapp Industries and was Chief Executive Officer as Supertrapp became the most recognized international name in high-performance engine silencing systems. Supertrapp Industries was sold in 1988. In 1983 he founded Moller International to develop powered lift aircraft. Dr. Moller has served as the company's President since its formation. Under Dr. Moller's direction, Moller International

completed contracts with NASA, NOSC, DARPA, NRL, Harry Diamond Labs, Hughes Aircraft Company, California Department of Transportation and the U.S. Army, Navy and Air Force. These contracts included the development and deployment of numerous unmanned aerial vehicles and Wankel-based engines. Dr. Moller has received 43 patents including the first US patent on a fundamentally new form of powered lift aircraft. He is a world renowned feature lecturer and guest speaker on next-generation transportation systems. He holds a Master's degree in Engineering and PhD from McGill University. Dr. Moller was a Professor of Mechanical and Aeronautical Engineering at the University of California, Davis, from 1963 to 1975, where he developed the Aeronautical Engineering program.

SECTOR - AEROSPACE/DEFENSE

(ABJ603) TWST: We would like to begin with a brief historical sketch of the company and a picture of the things you are doing at the present time.

Dr. Moller: Moller International was formed in 1983, and incorporated at that time to develop vertical takeoff and landing technology. It could be applied either to UAVs (unmanned aerial vehicles) or, at some point, to create a replacement for the automobile. The company has had a number of government contracts over the years. We have built unmanned vehicles for the Army, Navy, Air Force and California Department of Transportation (Caltrans) for bridge inspection. We have flown a number of these manned vehicles

for application as a personal transport, including an earlier version flown in 1989 before the international press. That particular aircraft flew over 200 times. More recently we have been developing a four-passenger vehicle called a Skycar volantor, which I have tested unmanned and plan to test this summer in a manned version.

The company itself is a relatively small technology-driven company, but it is forming alliances with a number of larger organizations which are better positioned to move this technology into the marketplace. We will continue to be a technology developer, as we have in the past and expect to continue generating numerous patents. In some cases we license our technology; in others we enter joint ventures as we have done

Corporate Profile

Moller International

Ticker (exchange) MLER.PK (OTC)
Price close 3/24/05 0.9800
12 Months Price Range 2.7000 - 0.8000

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Can any automobile give you this scenario? From your garage to your destination, the M400 Skycar can cruise comfortably at 300+ MPH and achieve over 20 miles per gallon. No traffic, no red lights, no speeding tickets. Just quiet direct transportation from point A to point B in a fraction of the time. Three dimensional mobility in place of two dimensional immobility.

No matter how you look at it the automobile is only an interim step on our evolutionary path to independence from gravity. That's all it will ever be.

Moller International's M400 Skycar volantor is the next step.

Technology

vo - lan - tor (vo-lan'ter) n. A vertical takeoff and landing aircraft that is capable of flying in a quick, nimble, and agile manner. --intr. & tr.v. -tored, -toring, tors. To go or carry by volantor. [Lat. volare, to fly. Fr. volant, to move in a nimble and agile manner]

The Skycar volantor developed by Moller International is capable of vertical take-off and landing (VTOL) much as a helicopter and flies from point of departure to destination much like an airplane. However, the Skycar volantor is uniquely qualified to travel short distances on the ground as an automobile as well. All this and incredibly, its easy to fly! Actually a computer does the flying. The pilot need only move the controls in the direction he wants to go so that little skill is required. (Still for the time being, the operator will need to have a private pilot's license until the ease of operation and safety are thoroughly demonstrated.) The Moller Skycar is a volantor capable of these remarkable achievements through the use of an arrangement (array - collection - grouping) of proprietary technologies.

Advantages

Low noise is clearly necessary for a Skycar to operate near or within highly populated areas. The Skycar's multiple ducted fan arrangement is designed to generate low fan noise by using modest thrust loading and tip speeds. Hover tests in the earlier M200X demonstrated a noise level of 85 decibels at 50 feet, less than 30% of the noise level produced by a Cessna 150 during take-off. The company's on-going work in mutual noise cancellation is expected to reduce the M400 Skycar noise level sufficiently to eventually allow urban usage.

The Rotapower engine produces little NOx, the most difficult pollutant to eliminate. In addition, using a stratified charge combustion process greatly reduces the unburned hydrocarbons and carbon monoxide emitted.

The absence of unprotected rotating components such as propellers and rotors makes the Skycar friendlier to both users and by-standers.

The Skycar's fuel-efficient engines and ability to run on regular automotive gasoline result in low fuel costs. The Skycar is significantly more fuel efficient in passenger miles per gallon than the tilt-rotor V22 Osprey, helicopters or many commercial jet airplanes.

Vehicle purchase price is a dominant factor in determining overall cost of ownership. For example, the Skycar's purchase price per passenger seat is projected to be 4% of that for the 30 passenger V22 Osprey. Mechanically complex machines like the V22 Osprey and large helicopters are unlikely to undergo significant reduction in manufacturing costs since mass-production of such a large and expensive aircraft is unlikely.

In addition, the Skycar's operating profile is especially attractive given the user's ability to determine his or her own specific departure time and destination, a great advantage over other mass transportation systems.

Corporate Business Description

Moller International was founded in 1983 as a spin-off of Moller Corporation to continue to design, develop, manufacture and market personal vertical takeoff and landing aircraft (VTOL). The company has developed and integrated the disparate technologies required for small, powered-lift VTOL aircraft. These include electronic stabilization and control systems, efficient ducted fan designs, thrust vectoring mechanisms and aerodynamically stable composite airframe structures. The single most significant spin-off technology is the Rotapower engine, a Wankel rotary engine. This engine is now produced and marketed by Freedom Motors.

Moller International's purpose is to develop and put into use personal transport vehicles that are as safe, efficient, affordable and easy-to-use as automobiles. These would not be constrained by existing transportation networks, and will provide quick and convenient transport to your destination better than any alternative.

The Skycar

Moller International has developed the first and only feasible, affordable, personal vertical takeoff and landing (VTOL) vehicle the world has ever seen.

You've always known it was just a matter of time before the world demanded some kind of flying machine which would replace the automobile. Of course, this machine would have to be capable of VTOL, be easy to maintain, cost effective and reliable. Moller International believes it has come up with the solution. That solution is the M400 Skycar.

Let's compare the M400 Skycar with what's available now, the automobile. Take the most technologically advanced automobile, the Ferrari, Porsche, Maserati, Lamborghini, or the more affordable Acura, Accord, or the like. It seems like all of the manufacturers of these cars are touting the new and greatly improved "aerodynamics" of their cars. Those in the aerospace industry have been dealing with aerodynamics from the start. In the auto industry they boast of aerodynamics, performance-tuned wide-track suspensions, electronic ignition and fuel injection systems, computer controllers, and the list goes on. What good does all this "advanced engineering" do when the speed limit is around 65 MPH and you are stuck on crowded freeways anyway?

recently with Boeing Rocketdyne for engine/generator production.

TWST: When you tested the vehicle in its unmanned version, how well did it fly?

Dr. Moller: The various aircraft we develop are usually designed for the customers' goals. In the case of Caltrans, that was a vehicle that could go up with a camera and inspect bridges. In the case of the Air Force, it was a vehicle that was designed to go out and assess nuclear damage following a nuclear attack where they didn't want to send people in. In the Army's case, it was a commander's observation vehicle, something that could be carried on a tank and used in the field to look over the next hill to see if an enemy tank was there prior to actually bridging the hill. All of these were demonstrated, and they were all successful. In fact, many of them are still in use in those applications. Again, we are technology driven, so we will be partnering with other companies to put those vehicles into volume production.

"The Skycar as a passenger carrying vehicle, one that you and I might access at some point, is probably five to 10 years away before it reaches high volume production."

TWST: As you go forward, which will loom larger in your picture, the unmanned vehicle used by the military or the four-man manned vehicle?

Dr. Moller: In the immediate future, certainly the unmanned simply because we have an easy entree into the market with that technology. There are many places where they are needed right now, such as Iraq and in many civilian applications. You don't have any of the flying complexity and danger to the individual, so we can test much

of the technology and the electronic stabilization systems that make the Skycar easy to fly. We can do all of that without risking anybody's life, so that is a logical approach. Prior to putting a man on board I would say for the next three to five years, unmanned applications of our vehicles, as well as the powerplants that we have developed will become a very attractive product for much of the marketplace and will dominate our activity. The Skycar as a passenger carrying vehicle, one that you and I might access at some point, is probably five to 10 years away before it reaches high volume production.

TWST: Either with the unmanned or with the Skycar, can you describe what takes place?

Dr. Moller: The Skycar itself is a hybrid vehicle in the sense that it is really a combination car, helicopter and airplane. It can fold to an 8.5-foot width, so you can drive it on the street. I wouldn't call it a racecar or anything like that; it is a mobile vehicle that you can drive at city speeds to a vertiport — currently called a heliport. In the fairly near future, you will see a few Skycars in and around the city. Someday you will be able to drive to the vertiport where the Skycar would be coded into an airway network and could then be operated without your input. You would be a passenger reading, playing computer games, or sleeping while you are taken from point A to point B on an airway guide network. That airway guide network is quite advanced, much more than the average person realizes, and within five years it will be pretty much complete. So we will then have the highway in the sky system. We have the vehicle technology now, and that vehicle will be able to be safely in people's hands because of this airway network's existence within the next five years. That is really the time frame I think when you are going to

start seeing a number of Skycars coming into everyday use.

TWST: I have the impression that the Skycar eventually will not be overwhelmingly expensive.

Dr. Moller: Various experts have examined the Skycar in detail, companies like Boeing, and nothing about it is expensive. We have replaced components that traditionally are quite expensive with computer technology, including the flaps, variable pitch fans, ailerons, etc. These are some of the things that make airplanes expensive to build and maintain. Admittedly, we have quite a few computers on board, but computers are now fairly inexpensive. Therefore we are able to provide great redundancy; if one computer fails, another takes over, and if that fails another takes over, so you don't have to worry that it might fail like your typical desktop computer. It is a flying computer, and inexpensive computer technology means the Skycar itself can be quite inexpensive. The other critical component, of course, is the engine, which we have spent enormous time and money developing. It is inexpensive, powerful, light and reliable and as a result has generated a huge potential as a spinoff product.

“The Skycar itself is a hybrid vehicle in the sense that it is really a combination car, helicopter and airplane. It can fold to an 8.5-foot width, so you can drive it on the street. In the fairly near future, you will see a few Skycars in and around the city.”

TWST: Can you tell us something about the guide network? How far advanced is it, and what kind of vehicle will be allowed to work through with it?

Dr. Moller: The network is rapidly going into place and is for use by all types of aircraft.

Commercial airlines use is initially its number one priority, and then it will be flights to and from small airports by charter flights so that they can use all these thousands of local airports. Today these convenient airports really can't be used effectively because it would be too dangerous if they were used in large numbers within our marginally controlled airspace. This developing airway network is most essential for vehicles like ours, which can be totally automated. This network is primarily dependent upon GPS. There are three worldwide GPS networks — two in place and one going in place with the GPS launched by the US, the GLONASS by Russia, and the Galileo in development in Europe. So you have the triple redundancy, which is always a requirement. Then you have support systems called WAAS and LAAS, wide area augmentation system, and local area augmentation system that allow you to know where every vehicle is within inches. WAAS is already in place and LAAS is going into place. In fact, WAAS has worked so well that the FAA feels that they can reduce the need for LAAS. In any case, it really gives you the ultimate protection to you know that central control knows precisely where every commercial airliner, general aviation aircraft and Skycar commuter is located and able to be precisely controlled as well.

TWST: Are accident and fatality rates with general aviation much higher than commercial aviation?

Dr. Moller: They are significantly higher, and that reflects not so much reliability of the light planes (that is a small factor), but it is more of a fact that these airplanes are not easy to fly. Weather is usually the thing that gets them into trouble. When you have an automated system, of course that removes the danger created by inexperienced individuals. Inexperience can simply mean you

don't have the thousands of hours of training that make you an expert. More important, if something goes wrong with the Skycar, you have vertical landing capability; you don't have to find an airport. It is automatically flying IFR (instrument flight rules) and the aircraft is flying itself. You don't depend on personal skill to find your way out of a fog bank, and since you can land vertically anywhere, you have an infinite number of landing sites. It is quite a different world from what we know today. Aviation is dangerous for a number of reasons, mostly because it is relatively uncontrolled; quite frankly, when you are up in the air today, you are advised to look around constantly to see if somebody is coming in your direction.

"That airway guide network is quite advanced, much more than the average person realizes, and within five years it will be pretty much complete. So we will then have the highway in the sky system. We have the vehicle now, and that vehicle will be able to be safely in people's hands because of this airway network's existence within the next five years."

TWST: Can you visualize a time when there will be lots of Skycars up there being very useful and practical?

Dr. Moller: I think it is absolutely inevitable. I am not going to say that it needs to be Skycar; the technology is coming whether my company does it or not, but certainly the Skycar or something like that is emerging. We call them volantors as a generic term, Skycar being our particular form of a volantor. They are called powered-lift aircraft by the FAA. It is so inevitable that the FAA has already generated a private pilot's license called a powered lift pilot's license. We know it is coming. The question really is when.

Our company is speeding up its arrival, but if we didn't do it, it would still happen. If the Wright Brothers hadn't flown, airplanes would have still come about.

TWST: As we look into the future, will the way it happens always be that you have it at home and you drive it to the airport and take off from the airport, or would they be left at airports as well?

Dr. Moller: There is a very broad spectrum of ways that could be used. Boeing Company, for example, thinks that air taxi is going to be the major usage, and they could very well be right. People could lease them or they could rent them. Again, they could land at your local heliport or vertiport or at some point arrive at your home without a pilot on board ready to transport you and your family anywhere you like. You would then climb on board and be delivered to wherever you want without being involved in the flying process.

TWST: That would be airport to airport.

Dr. Moller: That could initially be airport to airport or vertiport to vertiport, which might be a small area in the city or a number of areas in the city, and then you would drive the Skycar from there to your appointment and then return to the vertiport. At some advanced stage, probably within 10 years, many of us will be able to take off from our homes. The only limitation to that right now is noise, and we have ways to bring the noise down to the point where you would be able to take off and fly without disturbing your neighbors. When that happens, you really won't need a vertiport. You will be able to go directly from your home to anywhere within 750 miles non-stop.

TWST: Would you describe in layman's terms the technological breakthrough that you made?

Dr. Moller: The most important one, quite frankly, is the engines. The Skycar is a little like a hummingbird. A hummingbird has a high metabolism, and that means you need a large amount of power and must generate that power in a very small package. So my company has spent almost 40 years and close to \$40 million developing engines that are low cost, extremely reliable, very small, very powerful and can burn any fuel. The Skycar presently uses alcohol, but we can operate on diesel or gasoline as well. Without this engine, there could not be a Skycar.

We have also done a lot of things in material use and concept design, and we have done testing to develop the appropriate computer algorithms, etc., to work with our computers, but if there is one single factor that is most significant, it is our development of these special powerplants. Look at the history of aviation. It has gone forward based upon the powerplant development. The Wright Brothers built their own engine and made it work. The next big step was Glenn Curtis with his motorcycle engine that he ended up expanding into the aviation market, and that has pretty much been the history. Jet planes came along with the jet engine. The rotary engine or the Rotapower® engine, as we call it, is the key to the future of personal aviation.

TWST: Could you sketch out your timetable or your scenario for the next two to four years?

Dr. Moller: In the next two to four years, we are going to be supplying unmanned and manned vehicles for paramilitary, military and other specialized users as well as other spinoff technology for the market. Initially you are not going to see many of these vehicles in the civilian market, but they are going to arrive in fairly large numbers within five to 10 years. I think Dr. Daniel Goldin, the ex-head of NASA, put it really well

when he said that within 10 years, 25% of the American population will have access to this type of vehicle, and within 25 years, 90% of the American population will have access. I think you can accept his view better than mine. Obviously I'm biased and an optimist or I wouldn't be doing what I am doing.

"My company has spent almost 40 years and close to \$40 million developing engines that are low cost, extremely reliable, very small, very powerful and can burn any fuel. The Skycar presently uses alcohol, but we can operate on diesel or gasoline as well. Without this engine, there could not be a Skycar."

TWST: What problems or challenges still lie ahead for you?

Dr. Moller: The major issue for us is finding the right strategic partner to make this happen because clearly this is a technology that is not something you can develop in your garage, and it is not even something you can bring to the marketplace in a small organization. So we are casting about for the right partner to make this happen. It could be a General Electric or a General Motors. It could be some combination of both, but it is clearly a manufacturing entity that knows how to produce product in large volumes economically. That's what the automotive industry can do. It is also what foreign countries like China can do and seem more inclined to do so; therefore, we are talking to businesses and government in that country as well.

TWST: What about the short takeoff type vehicle? It might be one that just goes a few hundred yards and then takes off. We've heard a lot about that, but it doesn't seem to have permeated the whole situation.

Dr. Moller: I think the problem with STOL (short take-off and landing) is that while it may be a vehicle that is more useful than many of the light planes today, it still needs an airport. It is still far removed from that final step of vertical takeoff because vertical takeoff makes it possible to have a flat roofed house in the city and take off from your home. That is a major step. STOL is interesting. It has a lot of specialized uses, but it really doesn't do anything like VTOL will do and that is the big difference. That is why what the humming bird does is quite unique. It is not an easy thing to do in nature and it is certainly equally difficult to do technologically.

"The bottom line is that no matter how successful you are at vertical takeoff, if it's not economic, it doesn't have a market. So that is where we have a great advantage with our engine. It is low-cost and powerful, and makes all our products possible."

TWST: Have you been on this project full time to the exclusion of other things or have you been working on other inventions along the way?

Dr. Moller: You get spinoff technologies when you're working on any major project and, of course, I use those spinoff technologies to help fund the Skycar development. The Skycar is longer range, which many people might consider an impractical goal. Of course, it was an impractical goal to start with considering that it took 40 years to develop. But along the way we've created many other things. At one point we were the world's largest manufacturer of high performance mufflers. I have had personal success in some fairly large real estate projects which has helped create operating capital. We've licensed certain el-

ements of our technology to other companies along the line. At one point we developed an engine for General Electric. So we have done anything necessary to survive financially. In recent years we have had increasing interest in our engine technology from the investor community. Raising capital for technologies like the Skycar continues to be very difficult. Corporations today in America look at the six-month bottom line. They don't look at six years, and that makes it very difficult to raise capital with corporate America's limited vision.

TWST: How are you doing for cash right now?

Dr. Moller: We've always been undercapitalized, but we continue to progress technically despite this. So I suppose persistence is probably our greatest attribute.

TWST: Could you tell us about yourself and perhaps about one or two of your colleagues?

Dr. Moller: My technical background started at trade school where I became an aircraft welder, machinist and a certified aircraft mechanic. I went into industry for a while and then back into graduate school where I got my Master's and PhD. I still felt that because I had not done undergraduate work that I needed to improve my basic background, so I decided to teach as a means of learning. I joined the University of California and taught for approximately 10 years. While there I created the aeronautical curriculum at the University of California in Davis, putting in wind tunnels and a lot of aeronautical tools. In 1967 I formed a small company, almost a garage operation, and began developing various aeronautical products. This activity expanded into a number of businesses, one of which sold about \$100 million of muffler product worldwide.

I've also developed other mechanical products that have been licensed and manufactured.

But even though my company created hundreds of millions of dollars in capital, the problem is that this technology costs hundreds of millions of dollars to develop, so the net consequence of that is zero. Only now are we in a position to move our products into the global economy.

“it is only a matter of time, and someday at some point, everybody in the world is going to have access to Skycars. They may not own it, but they’ll be able to get it and go wherever they want, whenever they want at 300 miles an hour and up to 25,000 feet altitude.”

TWST: And your colleagues?

Dr. Moller: I have, of course, various talented people within my company because while I’m a mechanical and aeronautical engineer, I’m not an electronics engineer. This is a technology that requires expertise in many other areas like materials and composite construction. So I have had some of the best people working with me over the years, and have hired the very best as consultants. Today we probably have every significant expert in rotary engines working for us as consultants except those employed by Mazda.

TWST: Looking back over the years as you’ve worked on these things, has there been any controversy? I read that the SEC issued a complaint.

Dr. Moller: That’s correct.

TWST: Could you explain that?

Dr. Moller: Yes. Any non-public company (which we were early on) that raises money from what we would call angel investors or any investors has to raise it under certain SEC regulations that require you to determine that you are dealing with sophisticated investors. The problem is that sometimes people who want to become in-

vestors in your company will exaggerate their own net worth or sophistication, and it’s really up to us to determine whether that’s valid or not. We did have some investors come on board that the SEC argued were not sophisticated. Normally this kind of issue is resolved by providing a rescission agreement so that the investor can get his money back plus 12% interest. We have used this before successfully when any issue came up. The individual we were dealing with within the SEC resisted this approach. We believe he did so knowing that the investors in question did not want their money back and this would have voided his case. Any small company that has faced off against the SEC will tell you that you do not fight this powerful government agency. You accept a fine to settle. You don’t accept guilt. You’re not claimed to be guilty, but a fine is a way of getting rid of something that you could never win if you really try to defend yourself. If anybody has experienced a fight with the IRS or the SEC, they learn quickly enough that, as a small company, you don’t have the government resources to legally fight it. The few who try always lose.

TWST: Do you get around much lecturing and talking about what you’re doing?

Dr. Moller: I get invited to talk at many different forums, but the only thing I do consistently is give a paper every year at the World Aviation Congress. Periodically during the year, I may give a talk to various groups. I was recently invited to be on a panel of a major FAA sponsored discussion in Atlantic City on the future of aviation. I had to decline because I am scheduled to meet in China to discuss the production of the Skycar there.

TWST: Around the globe I assume there are some people doing things that are somewhat similar.

Dr. Moller: Some smaller companies are trying. But I'm actually protected by the enormous cost of doing this. On one hand, you have the big organizations like the aerospace companies working on military VTOL aircraft, but their solution is always the same one: put a large turbine engine in it, take off vertically, and yes, that's doable, but you have a product that costs \$25 to \$100 million. On the other hand, you have people who, if they do not possess our engine technology, have no serious way of achieving their goals inexpensively. The bottom line is that no matter how successful you are at vertical takeoff, if it's not economic, it doesn't have a market. So that is where we have a great advantage with our engine. It is low-cost and powerful, and makes all our products possible. In addition we have a number of patents that give us a lead. We won't keep this lead forever, but for the time being, we certainly are ahead of everyone else in the world by at least five years.

"We have spun off our engine technology into a separate production corporation called Freedom Motors. Right now we have letters of intent for almost \$1 billion in engines (approximately 500,000 engines). So the engine business is going to be a big part of our investors' future."

TWST: I read that when Skycar is completely ready, in today's money you could purchase one for \$50,000 to \$60,000. Is that correct?

Dr. Moller: Yes, in volume production probably less. I don't promote this potential because it may sound unrealistic. I will state as others have stated after reviewing this technology that it should be as inexpensive as a modest priced car at high production volumes. The basic vehicle itself is not expensive, but its ultimate

cost is colored by the fact that you're dealing with the FAA, and you have maintenance issues, reliability issues and some things that cars don't face. Still it is only a matter of time, and someday at some point, everybody in the world is going to have access to Skycars. They may not own it, but they'll be able to get it and go wherever they want, whenever they want at 300 miles an hour and up to 25,000 feet altitude.

TWST: Very nice for the Boston-Washington corridor.

Dr. Moller: Well, not just there. I can assure you even from a small town like Davis, California, going to San Francisco, which used to be a one-hour drive, can now take five hours. It would make a great difference to cover those 70 miles in 15 minutes.

TWST: What is the ceiling? 29,000 feet?

Dr. Moller: It can go even higher than that, but the engine's become less efficient because we only turbocharge them for operation up to 25,000 feet. The Skycar itself has the aerodynamic capability of flying up to 40,000 feet, but it would take a two-stage turbocharger — something that we haven't developed at this time.

TWST: What will it look like, and what will its dimensions be in terms of wing-spread, etc?

Dr. Moller: When it's folded, it's the size of a big Cadillac; you can park it in a single car garage. When the wings are unfolded, it's still much smaller than a typical light plane, with a wingspan of only 18 feet. In the folded form, it is described as looking like a Batmobile. I suppose that's a reasonable description; I can't do any better than that. When the wings are folded out, it looks somewhat like a canard winged airplane with large knobs on the end of the wings, which are the ducted fan thrust units.

TWST: If it becomes very popular, are the skies going to be too crowded?

Dr. Moller: The best vision I can give you is if you took every car that's on the highway in America today and put it in the air at the same time, they would still be miles apart, except of course near the city where you're coming in to land. So it's something where even if everybody were commuting by air and you looked up, you would see only a very few vehicles. It's remarkable how much air space is available to use. On the ground we have space for a few highways, but in the air we could have an almost infinite number of airways because we can layer them both laterally and vertically. When you're in automated flight, you will be on these airways, but airways can go around cities so even the air over cities wouldn't be something you would normally observe as being crowded.

"We're going to usher in the future personal transportation and are certainly the lead technology at the moment. With a little study it is not difficult to determine that this technology has a tremendous future."

TWST: With everything computerized and guided, human error must be less of a factor.

Dr. Moller: Yes. We always joke about the fact that a drunk could get in the Skycar, and the worse that could happen if he codes in the wrong destination he would end up in the wrong city. But he'd end up there safe and sound because the Skycar will fly you where you think you want to go without you being allowed to be involved as a pilot.

TWST: Regarding the company itself, do you see any reason or need to improve your capital structure right now?

Dr. Moller: We're always in a mode of either finding the right partner to make it happen more quickly or raising capital internally, and of course, raising capital is very difficult for an emerging technology like the Skycar. As a result, we have spun off our engine technology into a separate production corporation called Freedom Motors. Right now we have letters of intent for almost \$1 billion in engines (approximately 500,000 engines). So the engine business is going to be a big part of our investors' future. We're sure to eventually fund the Skycar this way if we don't find the right strategic partner in the near future.

TWST: Regarding finding a partner or alliance, what about also being acquired? Would that be of interest at some point?

Dr. Moller: Neither I, nor my private and public investors are interested in that at the moment. Of course, if we are going to join forces with a company like Boeing, they're not going to sit there and let me control that industry. So clearly, we would give up some measure of control, but not our entire ownership. Besides, as a public company, it would be up to my stockholders what we really ended up doing. I can see a situation where we became a significant stockholder in a very large corporation. I'm not saying we would join a Boeing; Boeing might form a separate company, and we would have a strategic partnership involving our stockholders and Boeing. We're in this for the long haul. We see the future as being so bright that everybody is excited to continue to be a part of it. If you follow our stock, you'll see that people don't really want to sell it. We don't have a lot of people buying it because they're not aware of our company, but it would take a very modest purchase of our stock and the stock price would go through the roof because there are very few of our stockholders who want to sell.

TWST: What would be the two or three best reasons for a long-term investor to take a very good look at Moller International?

Dr. Moller: I think they really have to look at our technology together with the declining state of automobile transportation. They can get comments from experts on our history and technology. They can get detailed information from the company. They need to look at what we have or hear somebody like the Chief Scientist at NASA, Dr. Dennis Bushnell, saying that the Skycar volantor is going to be a trillion-dollar industry within the next few years. A good example of its future is reflected in the vision China has for this technology. They believe that the Skycar can bypass much of the ground-based transportation infrastructure much like cell phones, etc. bypassed ground-based telecommunications. We're going to usher in the future personal transportation and are certainly the lead technology at the moment. With a little study it is not difficult to determine that this technology has a tremendous future.

TWST: Have you reflected on how this will change the character of our lives way down the road? Will people be living very differently because of this?

Dr. Moller: Yes. It is interesting to study the demographics of what could happen with everyone having access to a Skycar. I think San Francisco is a prime example of how things could change. Today in San Francisco you can pay \$1 million for a small apartment because you can't tolerate the commute, and you give up a lot in the process in terms of liquidity for other things. When the Skycar is available, you can buy yourself an impressive country home, buy a Skycar and probably put money in the bank after selling your apartment in San Francisco. You just want to make sure you're one of the first few out because real estate

values are going to fall. I think living conditions would be very different because the world in which we operate is pretty much defined by how far we can travel in a day. When we could only walk, it was 10 miles. When we could ride a horse it might be 100 miles, and today with cars we can go 500 miles. The Skycar expands that by at least a factor of five (covers much of the US), so your operating world becomes much broader and with cars slowing down it's probably even more competitive than what I just described.

TWST: There's a tremendous trend of working remotely these days. If you put that together with what you're doing, the shape of American life could be very different in the future.

Dr. Moller: Absolutely, not only in terms of using the Skycar for getting to work, if that's your first priority, but think about the fact that when you're on that way to work, you could relax, work or even sleep because you aren't flying this vehicle. You're not devoting your energy to operating it or being stuck in traffic like we are today and still having to pay attention as the traffic moves slowly along. The ability to completely remove yourself from that and be productive will change not only your commuting experience, but also your time at work or at home.

TWST: Do you live in Davis now?

Dr. Moller: I live in the country near Davis, California. I grew up on a farm in British Columbia, Canada. I enjoy country living, but also like visiting cities like San Francisco or Sacramento, which is becoming harder to do every year.

TWST: With your background, it would have been a very easy switch for you to work for somebody bigger and make more money and be more secure. How have you sustained yourself psychologically over the years?

Dr. Moller: I've had the satisfaction of creating products and making a lot of money with many different products and on many other projects. That, of course, helps keeps you going. But the thing that really keeps me most excited is probably my optimism for the potential of what I am doing. It's the best way I can put it because anybody who does what I'm doing is going to have to be an extremely optimistic person. There are times when things can get very difficult. We've had many periods over the last 40 years where I have been financially insolvent by most people's standards. I rose from the ashes because I have this absolute commitment to making this technology work. Now, I'm not saying that I'm so noble that I'm doing it for the sake of society. I think society would benefit greatly from it, but

it is a personal drive on my part to have a vehicle that can do what I know the Skycar can do and will do. The fact that society is going to benefit from this is very satisfying as well. But I suppose I'd be doing this whether or not I knew I was going to make money from it or knew that the rest of the world would be using it at some point in time.

TWST: Thank you. (MC)

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