

palatov
MOTORSPORT



Lead Customer Program:
For those not satisfied with
just being a passenger.



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Introduction

Performance by Design

For the past six years we have been developing and testing car designs and technologies that are extremely fast, reliable, built to exceed SCCA safety specifications, and at the same time truly lightweight. We have learned a tremendous amount and have developed a wide range of capabilities and processes, all creating a solid technical foundation. Our early customers have been a key part of this process and this program is designed to expand on that experience.

Get in the Driver's Seat

As a company we are now ready to take the next steps—adding refinement and sophisticated style while retaining and building on our core values. To help us make it happen, we are looking for a few enthusiasts who want to be more than just customers but true partners in the development process. Yes, money is a key part of the program with a \$75K deposit required. But just as importantly we're looking for input and feedback on performance, styling, features, and overall character of the cars we are creating. What Lead Customers get in return for their participation is access to our prototypes (including driving them on track!), opportunity to influence the design, flexibility as to if and when they actually purchase a car, and a discount. And, if the end result is not something they want, all of their money back. With interest.

Experience the Process

As part of our performance-driven company culture we always set aggressive targets for ourselves. However, participants in this program should realize that development is a constantly evolving process. Sometimes we exceed our goals, other times schedules slip or goals change as we learn more. Lead Customers will have a front-row seat to the process, with all of its ups and downs.



Be a Part of the Team

Naturally this program is not for everyone, but for a small number of automotive enthusiasts it is a unique and potentially very rewarding opportunity to not just own a car of their dreams but to see it come to life and actually have a hand in creating it.



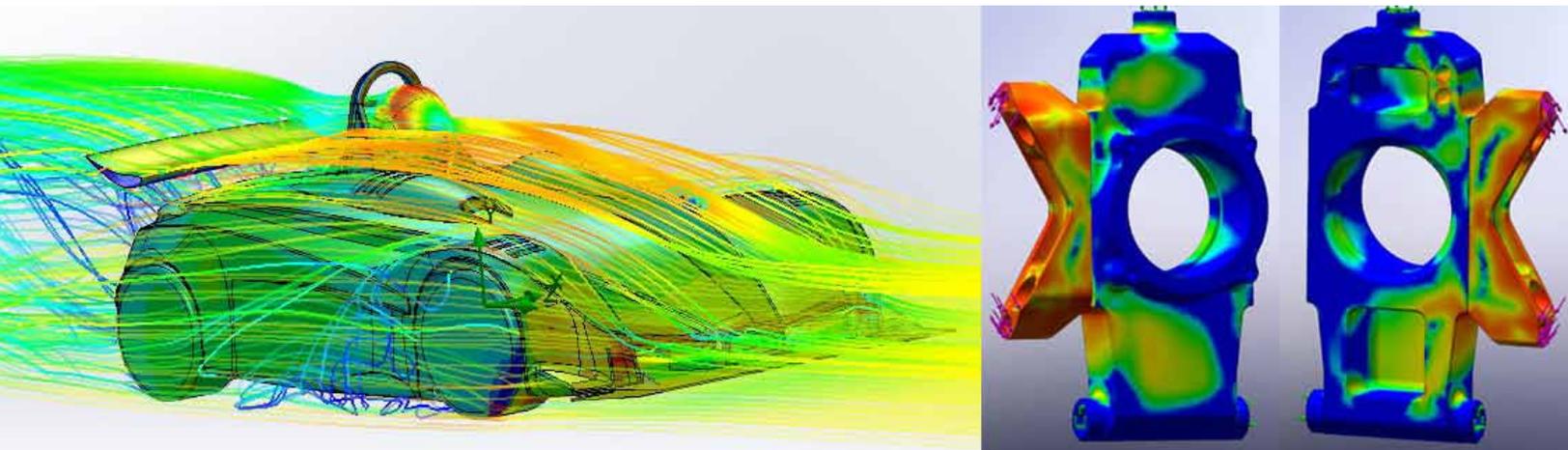
Background

Intelligent Design Refined by Constant Development

Since the company's founding in 2008, we at Palatov Motorsport have spent six years creating, testing, and improving technologies and solutions for truly lightweight sportscar chassis. We have delivered fourteen cars to early customers (a mix of D1, D2 and D4 models). Seven of the D2s are now road registered. A couple of the cars have accumulated over 40 track events and many design revisions and updates have resulted from the total experience gained. We have also done well in competition, winning the Unlimited class in the 2012 Pikes Peak hillclimb and scoring other successes as well.

Production Ready

Our designs have been geared towards production from the beginning. All of our cars and components are fully designed and documented in SolidWorks, with complete multi-level Bills Of Materials right down to bolts and washers. We have nearly 4,000 part numbers in the system. Advanced aerodynamic (CFD) and structural (FEA) analysis is performed as an integral part of the design process.



In-house Precision Manufacturing

With the acquisition of CNC equipment we have brought machining of parts inhouse, giving us control over both costs and schedule.



Lightweight and Overbuilt

In a world where a 6-cylinder 3,200 lb car like the GT3 is “light”, we have built and tested a 6.2L V8 D2 that weighs in at just 1,950 lbs complete. Our track-only D4 is a mere 900 lbs and the 430hp AWD D1 is only 1,100 lbs. All of the designs feature full TIG-welded aircraft alloy steel frames exceeding SCCA specs for cars over 2,500 lbs. Rather than sacrificing safety by leaving out essential structure to save weight, we have applied intelligent design to create cars that are both very light and ‘overbuilt’.



Proven in Competition

From the start of the development process the focus has been on technology and performance. The results are encouraging: a Pikes Peak Unlimited win in 2012, an overall track record in Taiwan, a winning performance at Maryhill Hillclimb in 2014.



Restless Technical Development

But that is just the beginning. In the last two years, as our performance goals were achieved, the focus has progressively shifted to usability, predictability, reliability and refinement. In the process we have developed a unique suspension linkage geometry (now patent pending) which optimizes both mechanical grip and comfort, as well as many other technologies and components.

Continued Refinement

Several iterations of ergonomic packaging, heat management and beginnings of HVAC design all position us for the next step—creating cars that are still very fast and robust but also refined, usable and compelling. To facilitate this we have partnered with Zukun Plan, a design firm with both the talent and the experience in automotive projects that are needed to help us move forward.

Increased Sophistication

Our goal now is to progress from the raw track-focused machines we currently make to cars that offer more style, comfort, and usability while retaining all the performance. This will happen in logical, manageable steps that will create a family of designs sharing key proven parts but each with its own unique style and character. The rest of this document describes the exact proposed steps and designs as well as the fine print of the program.

The Cars

Two Adaptable Platforms

In the development process so far we have created two distinct platforms. The first is the track-oriented D1/D4 that offer weights of around 1,000 lbs and can handle over 400hp with available proprietary all wheel drive. The second is the streetable D2, powered by emissions-legal GM LS series engines. The immediate focus is to further develop and refine the D2 platform with a D2 restyle (spring 2015), a front-engined D3 spinoff (late fall 2015) and then a much refined supercar-level D5 (mid to late 2016). Detail development of D1 and D4 will continue and both lines will eventually produce off-road capable derivatives. Below is the development plan, in order.

D2 restyle



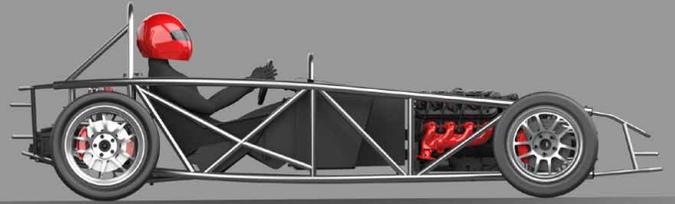
Raising Style to Match Performance

Due to the nature and priorities of initial development, the styling of the D2 has been minimalist. It has won some fans but many prospective customers have asked for more refinement with enclosed wheels, a full cockpit and more sophistication. After a series of internally generated concepts we have teamed up with Zukun Plan to take the design to the next level of refinement. Key aspects of the design are manufacturability and an upgrade



path for existing chassis. Some initial concepts have been generated but Lead Customers will have ample opportunity for input over the next couple of months as the final design takes shape. There will be several versions including an open roadster and a coupe with full HVAC system. Target pricing is around \$70K roller and \$85–100K complete and availability late spring of 2015.

D3



Classic Roadster on D2 Platform

The D3 concept leverages all of the D2 mechanical design, including full front and rear suspension, to create a front-engine car that provides a different and more street-oriented driving experience. Visually the D3 is in the early conceptual stages and none of the styling work has been started, although chassis technology is mature. For Lead Customer program participants this provides a great opportunity to influence the look and character of the final product. Whatever the aesthetics, we know that its D2 running gear will ensure thrilling performance and excellent safety. Pricing will be on par with D2 and availability is targeted for late fall of 2015.

D5



Designed by Michael Young



Designed by Michael Young

Focused Supercar

The D5 is an ambitious project but one we are very excited about. The goal is to take the proven performance of the D2 platform and combine it with sophisticated visual design and refinement to match. It is a car that is intended to surpass the established supercars in performance and match their hard-core variants in refinement and owner experience. It will still have a raw edge and on-track prowess but with enough polish to make it a plausible proposition for a night out on the town. The intended base powerplant is the GM LSA 'E-Rod'



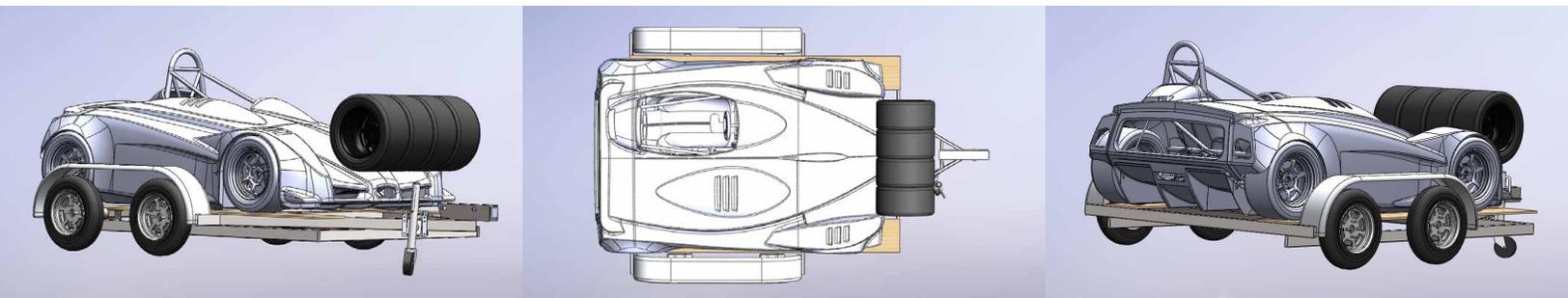
supercharged engine, starting at over 550 hp with readily available upgrade options to much higher power levels. Weight will be kept under 2,250 lbs (a 300 lb gain over the D2) giving it the power-to-weight and overall performance topping that of the iconic McLaren F1. Targeting a \$150K initial MSRP, the D5 is intended as the flagship of our streetable lineup. Projected availability is mid to late 2016.

D1/D4



Continued Development

Development and refinement of the D1/D4 family will continue with emphasis primarily on aerodynamics, electronics, and overall usability, as well as fine-tuning standard engine configurations. Custom trailers are being developed to allow the cars to be towed behind an ordinary sedan and stored in a single parking space, on trailer, when not in use. This will transform a high performance dedicated track car into a powersports “toy” like a jet ski or a snowmobile.



Summary:

Interest-bearing Deposit

To participate in the Lead Customer program, a minimum of \$75K deposit is required. Program is limited to 20 participants. Each deposit qualifies the participant for a 10% discount which is cumulative with multiple deposits up to nine. To provide a level of security for the participants, the deposits received under the program shall be treated as three-year interest bearing convertible loans. Interest shall be paid monthly at the rate of 0.5% per month (6% APR), starting immediately.

No Obligation to buy

For any portion of deposit not applied towards purchase after 12 months, principal refund shall begin in monthly payments on the 13th month, in the amount of 1/24th of the original deposit amount per month. As an additional measure of security any unrefunded deposit principal is convertible into equity at \$6M total valuation (1.25% per \$75K unit) at participant's discretion.

Choose What and When

All or part of a deposit can be applied towards purchase of any Palatov car or kit at the participant's discretion, at any time. A 10% discount from retail price in effect at the time of purchase, per \$75K deposit, shall apply.

This program is not a public equity offering and is open to qualified investors only.

Program benefits:

Participants in the Lead Customer program shall receive the following benefits:

- Free access to private track time at Oregon Raceway Park, where the Company is planning to add a service and storage garage facility.
- VIP access to all company events and races in which company cars participate
- Access to company prototypes, demos, and private testing.
- Opportunity to test, provide feedback on, and directly influence the design and features of company products.
- Option to apply all or part of unrefunded deposit balance towards purchase of one or more cars at 10% discount from retail pricing.
- Monthly interest payments of 0.5% of unrefunded deposit balance.
- Option to convert unrefunded deposit balance into equity at \$6M valuation.

Participants' security interest:

Participants in the Lead Customer program shall, as a group, have first priority security interest in all company assets. In addition to conventional security interest, the discretionary Purchase option effectively gives participants a means to claim inventory without the precondition of default.