

Dealer Operator / General Manager	Sales New Vehicles	Sales Used Vehicles	Business Manager (F&I)	Service	Parts & Accessories	Administration
Date: Bulletin #	Apr 30, 2018 SV-ZMC-018-383 v2	Source: Phone #:	Zero Motorcycle Experience Depa US: (888) 786-93	artment	Program Period Commencing A	

SERVICE BULLETIN (VERSION 2): 2012 SDS Power Pack Recall (Safety Recall TSB Code ZMC-018-383)

NHTSA Campaign Number: 18V-215

Purpose

Zero Motorcycles Inc. has determined that a defect which relates to motor vehicle safety exists on 2012 model year Zero S, DS and DSP motorcycles. The root cause is a design defect by the manufacturer, Energy Innovation Group ("EIG"), with their battery cells and their holders. In the interest of motor vehicle safety and customer satisfaction, Zero Motorcycles has elected to initiate a voluntary recall (NHTSA Campaign 18V-215) to remedy this defect.

The cell pouches within the battery packs of the subject vehicles may wear against their holders, which may lead to a breach of their outer layers, allowing humidity to penetrate the pouch. Should humidity penetrate a pouch, this may lead to cell separator decay, which could allow an internal short within the cell. An electrical short can increase the risk of a fire.

Due to the fact that the design of these Model Year 2012 cells and their holders has not been changed by the manufacturer, EIG, relative to these specific concerns, and these cells and battery pack architecture are unique to the 2012 model year Zero Motorcycles Models S, DS and DSP, Zero is unable to replace the battery pack as a solution. As a result, Zero Motorcycles will repurchase motorcycles based on their fair market value. In the alternative, owners can elect to accept a financial trade-assist, with a value greater than this fair market value, towards a newer model year Zero Motorcycles motorcycle as a solution. Zero Motorcycles is instructing owners of these affected motorcycles to follow the procedure outlined in the Sample Owner Communication letter in Appendix I of this service bulletin and work with their nearest dealer in order to confirm their repurchase or trade-assist choice. Zero Motorcycles has contracted with Urgent.ly to facilitate the collection of these motorcycles in North America at no charge to owners. In the meantime, we strongly urge dealers and owners not to ride or charge these motorcycles.

Due to the nature of this recall, you should neither sell nor deliver any affected motorcycles to customers.

Applicable Models

The recall population of 218 model year 2012 motorcycles includes:

- Quantity 80 2012 model year Zero DS model motorcycles built 10/21/11 through 6/25/12, non-sequential VIN range 538SD3M39CCB00002 to 538SD3M38CCB00248.
- Quantity 130 2012 model year Zero S model motorcycles built 10/21/11 through 6/29/12, non-sequential VIN range 538SM3M32CCA00002 to 538SM3M30CCA00337.
- Quantity 8 2012 model year Zero DSP model motorcycles built 10/21/11 through 7/23/12, non-sequential VIN range 538SD3M30CCB00003 to 538SD3M34CCB00277.

This covers the entire range of motorcycles potentially containing the subject defect.

Description of When Condition was in Production

Zero Motorcycles only used the suspect cell and cell holder manufacturer and battery pack architecture for its 2012 Model Year Zero S, Zero DS and Zero DSP models, and switched to a completely different cell manufacturer and architecture for



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its 2013 and later Model Years. Model year 2011 and earlier Zero Motorcycles also had a completely different architecture and supplier.

Description of Current Battery Packs Versus Recall Battery Packs

The Model Year 2012 Zero S, Zero DS and Zero DSP recall battery packs have a unique architecture where the cells are allowed to move within their holders and are thus subject to their specific vehicle and battery pack dynamics. These cells are also exposed to atmosphere. Since Model Year 2013, Zero Motorcycles has used a different cell manufacturer and a completely different battery pack architecture, which has the cells permanently potted within modules, with no need for individual cell holders. Without the potential for relative motion against a holder or exposure to atmosphere, the cell protective layers cannot wear, nor can humidity come in contact with the cells.

Customer Notification

In accordance with Federal regulations administered by NHTSA, Zero Motorcycles will send a letter to registered owners of affected products, notifying them of this safety-related condition. A sample of the customer letter is attached as Appendix I to this Service Bulletin. Zero will also try to contact these customers via email.

To protect the safety of our riders, it is our mutual responsibility to ensure the recall is communicated to all owners. Therefore, we strongly encourage you reach out to your customers to make sure that they are aware of this program. You are also required by law to perform the recall remedy on all affected motorcycles in your inventory.

If you are aware of any unregistered owners of this affected motorcycle population, please advise us of their names, addresses, and VINs, so that we may mail them the owner's letter, as required by NHTSA.

Cases have been created in our Partner Community (http://partner.zeromotorcycles.com) specific to each affected motorcycle. You may search by VIN to find these cases as necessary. If you remain unsure whether this safety recall applies to a particular motorcycle, please contact Zero Motorcycles Customer Service for verification.

2012 SDS Battery Pack Recall Remedy Instructions for Dealers

Tools Required:

None

Parts Required:

84-08013 International Crate Base

Procedure:

Zero Motorcycles has contracted with Urgent.ly to facilitate the collection of motorcycles in North America at no
cost to the owner. Beginning on May 10, 2018, owners should contact Urgent.ly via phone at (888) 260-5343 and
provide the last seven digits of the VIN of their motorcycle and their Case Number. They will schedule a time with
the owner to have the motorcycle picked up.

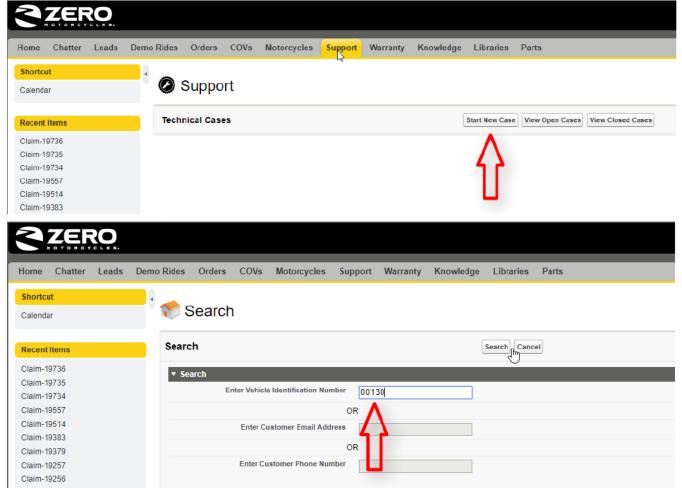


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If they are unable to arrange for the collection of the motorcycle with the owner or would prefer to work with you directly, Zero Motorcycles will reimburse dealers for the reasonable costs of towing or collection of the motorcycle. Please include any towing cost receipt with your warranty claim or a description of the collection costs such as mileage driven or time required.

Once the motorcycle has been received at your location, please continue to step #2.

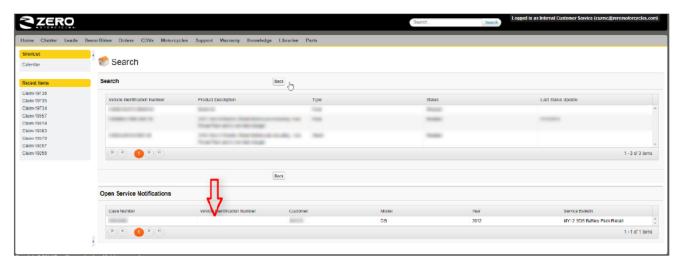
- 2. Verify the owner is in possession of the motorcycle's title. Confirm they are the registered owner of the motorcycle and check whether there is an outstanding lien on the motorcycle.
- Go to the Zero Motorcycles Partner Community (http://partner.zeromotorcycles.com) and start a new Technical
 Case, and search for the last five digits of the VIN. The result page will show a pre-existing Technical Case at the
 bottom of the screen (if more than one appear, verify the full VIN). Note the Case Number.



Search Cancel



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Alternatively, if this is a motorcycle sold by your dealership, you can search for the motorcycle and its open cases using the last five digits of the VIN in the upper global search bar.

4. Confirm whether the owner has submitted the required information including pictures of the motorcycle's left and right sides, the odometer showing the current mileage, the VIN# as etched on the raised plate on the right front of the head tube and the front and the back of the title document. If the owner was unable to submit this information, please take pictures on their behalf and upload them to the Case as shown in the screenshot below.



5. Inspect the motorcycle to ensure that it has a battery pack module, that it's either a ZF6 or a ZF9 version and that it has not been substantially damaged or altered. Review the motorcycle's title to confirm that it was not previously classified as salvaged. Based on your inspection and title review, you will confirm with the owner the amount they will receive depending on their choice of remedy:

If they choose the repurchase remedy, they will receive an amount equal to or better than the fair market value of their motorcycle, which Zero Motorcycles determined using current Kelly Blue Book values for 2012 Zero S and DS motorcycles that are fully reconditioned and in excellent condition. Based on this information from KBB, items (a) or (b) will apply and potentially (c).

(a) If they own a Zero S or DS with the ZF6 battery pack, they will receive \$5,080 unless the motorcycle has a



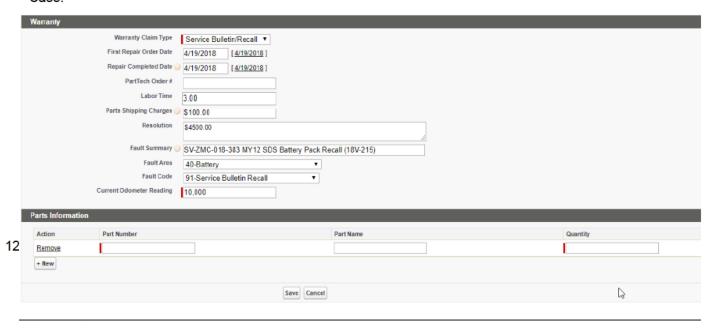
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salvage title or has been substantially damaged or altered, in which case they will receive \$2,540;

- (b) If they own a Zero S or DS with the ZF9 battery pack, they will receive \$6,040 unless the motorcycle has a salvage title or has been substantially damaged or altered, in which case they will receive \$3,020.
- (c) If they purchased any Zero Motorcycles approved accessories and they submit pictures of them, they will receive an additional amount equal to 50% of the original manufacturer's suggested retail price. Please contact Zero Motorcycles Customer Service team to confirm the MSRP and repurchase prices.

For those owners who choose the financial trade assist remedy, they will receive a voucher for the fair market value specified in (a) or (b) and (c) above plus an additional \$1,000 that can be used toward the purchase of a new Zero motorcycle.

- Once you determine the repurchase price of the motorcycle using the information in Step 5. Please inform the owner and confirm their choice of remedy as either a repurchase or trade assist.
- Once the owner confirms their decision, open the Case, and select "Submit Claim".
- 8. Select Service Bulletin/Recall for the Warranty Claim Type. Enter the Repair Order Dates.
- Enter up to three hours for the inspection and crating processes in the "Labor Time" field.
- 10. If you facilitated the collection of the motorcycle, enter the transportation costs in the "Parts Shipping Charges" field. Please attach any receipts for towing costs or description for the basis of the collection costs whether it is mileage driven or time required.
- 11. Enter the owner's choice of remedy (Repurchase or Trade Assist) and repurchase price communicated to owner into the resolution field. Save the Claim. Then attach supporting information if not already included with the Case.





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Repurchase:

- 1. If there is no lien, Zero Motorcycles will send a check to the dealership in the amount provided in the Warranty Claim and in the name of the registered owner as shown on the motorcycle title.
- 2. Once you receive the check, please schedule a time with the owner to sign over the title to Zero Motorcycles, Inc. and please present the check to the owner to complete the repurchase.
- 3. If there is an existing lien on the motorcycle, Zero Motorcycles will send a check to the dealership for any net amount in the name of the registered owner. We will also send a Payoff Authorization Form and a Power of Attorney form. Once the owner signs the Power of Attorney, please present the check to the owner. Zero Motorcycles will separately send a check to the lienholder in the amount of the 15-day payoff authorization along with the completed Payoff Authorization Form.
- 4. You will receive a call tag with the check so that you may Fed Ex the title to us. Please Fed Ex the signed title and original Payoff Authorization and Power of Attorney forms, if required, to Zero Motorcycles to the address below, which should be on the call tag.

Zero Motorcycles, Inc.

Attn: 2012 SDS Battery Pack Recall

380 El Pueblo Rd.

Scotts Valley, CA 95066

Trade Assist:

- Once the owner confirms their choice of the Trade Assist remedy, please send them the 2012 SDS Battery Pack Recall Trade Assist Voucher as provided on Sales Bulletin #SB-ZMC-018-066. Per that program, please order a new motorcycle via Zero Motorcycles normal motorcycle order process in the Partner Community, or confirm the VIN for the motorcycle to be sold in the Warranty Claim above, if the Zero motorcycle to be sold is in dealer inventory.
- 2. If there is no lien on the trade-in motorcycle, Zero Motorcycles will issue a credit to North Point, or the appropriate lender, for the new motorcycle based on the above trade assist price provided in the Warranty Claim.
- 3. If there is an existing lien on the motorcycle, Zero Motorcycles will issue a credit to North Point, or the appropriate lender, for the new motorcycle based on the net trade assist price provided in the Warranty Claim. The net trade assist price will be the difference between the trade assist price and the outstanding lien amount. We will need the owner to provide a signed Payoff Authorization Form and ultimately a Power of Attorney form. Once the owner signs the Payoff Authorization Form. Zero Motorcycles will separately send a check to the lienholder in the amount of the 15-day payoff authorization along with the completed form.
- Deliver the new motorcycle to the customer using normal trade process, with title signed over to Zero Motorcycles, Inc.
- 5. Zero Motorcycles will send a call tag so that you may Fed Ex the title to us. Please Fed Ex the signed title and original Payoff Authorization and Power of Attorney forms, if required, to Zero Motorcycles to the address below, which should be on the call tag.

Zero Motorcycles, Inc.

Attn: 2012 SDS Battery Pack Recall



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380 El Pueblo Rd. Scotts Valley, CA 95066

Motorcycle Recycling:

- 1. After Zero Motorcycles receives your Warranty Claim, we will ship you an International Crate Base (p/n 84-08013) and motorcycles straps. Please strap the motorcycle to the crate.
- 2. Once the motorcycle is prepared for shipment on the crate and ready for collection, notify Zero Motorcycles Dealer Service team at (888) 786-9376 ext 2.
- 3. Zero Motorcycles will coordinate with our freight company, and send a Bill of Lading (BOL) to you to confirm a pickup date. Attach BOL to motorcycle.



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Appendix I - Sample Owner Communication

IMPORTANT SAFETY RECALL NOTICE

This notice applies to your vehicle VIN# XXXXXXXXXX Recall SV-ZMC-018-383 / NHTSA Recall # 18V215

April XX, 2017

Dear Zero Motorcycles Owner,

This notice is being sent to you in accordance with the requirements of the National Traffic and Motor Vehicle Safety Act.

Zero Motorcycles has decided that a defect, which relates to motor vehicle safety, exists on 2012 Model Year Zero S, Zero DS and Zero DSP model motorcycles built between October 21, 2011 and August 24, 2012. Due to a design defect by the cell and cell holder manufacturer, the cell pouches within the battery packs of these subject vehicles may wear against their holders, which may lead to a breach of their outer layers, allowing humidity to penetrate the pouch. Should humidity penetrate a pouch, this may lead to cell separator decay, which could allow an internal short within the cell. An electrical short can increase the risk of a fire.

Our records indicate that you purchased one of the motorcycles listed above.

Due to the fact that the design of these Model Year 2012 cells and their holders has not been changed by the manufacturer, EIG, relative to these specific concerns, and these cells and battery pack architecture are unique to the 2012 Model Year Zero Motorcycles Models S, DS and DSP, Zero is unable to replace the battery pack as a solution. As a result, Zero Motorcycles will repurchase your motorcycle based on its fair market value.

("Fair Market Value" is defined as the "Blue Book Retail Value" calculated by reference to Kelly Blue Book values. It does not include the cost of any modifications you may have made to your motorcycle, unless you can provide verification that the modification was part of your original vehicle purchase. If your motorcycle has any Zero-approved accessories, these will be taken into consideration.)

In the alternative, you can elect to accept a financial trade-assist with a value greater than this fair market value towards a newer Model Year Zero Motorcycles motorcycle. The procedure you should follow to obtain your choice of the above remedies is provided in Appendix A to this letter and includes details related to the collection of your motorcycle at no charge to you. In the meantime, we strongly urge you not to ride or charge your motorcycle.

If you no longer own this motorcycle, please contact us at 1-888-841-8085 so we may update our records and notify the new owner. Federal regulation requires that any vehicle lessor receiving this recall notice must forward a copy of this notice to the lessee within ten days.

If you have had this defect repaired before you received this letter, you may be eligible to receive reimbursement for the cost of obtaining a pre-notification remedy of the problem associated with this recall. For more information contact Zero Motorcycles at 1-888-841-8085.



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If your dealer or Zero Motorcycles fails or is unable to remedy your motorcycle without charge or within a reasonable time, you may submit a complaint to the Administrator, National Highway Traffic Safety Administration, 1200 New Jersey Avenue, SE, Washington, DC 20590, or call the toll-free hotline at 1-888-327-4236 (TTY: 1-800-424-9153); or go to http://www.safercar.gov.

We regret any inconvenience this may cause you, but we are initiating this action in the interest of your personal safety and satisfaction with our products. Thank you for your cooperation.

Sincerely, Aaron Cheatham Director of Customer Service Zero Motorcycles Inc.

APPENDIX A 2012 SDS BATTERY PACK RECALL REMEDY PROCEDURE

In order to receive your choice of remedies as a result of this recall, Zero Motorcycles asks that you follow the steps below. Please note that you must be the current registered owner of the motorcycle, and the motorcycle must include the battery pack in order to be eligible. If you have any questions regarding this process, please contact the Zero Hero or service department at your nearest Zero Motorcycles authorized dealer. If you are unsure of the location of the nearest dealer, please use our dealer locator on our website:

https://www.zeromotorcycles.com/locator/

If you need additional assistance or have unanswered questions, you may also contact our customer service team directly at 1-888-841-8085 or via email at support@zeromotorcycles.com.

Document the current condition, mileage and ownership of your motorcycle	Please take pictures of the motorcycle's left and right sides. Also, take a picture of the current mileage as shown on the odometer and the VIN# as etched on a raised plate on the right front of the head tube. Finally, if you have any Zero Motorcycles approved accessories, please include pictures of those.
	Confirm that you have the current title for the motorcycle and it reflects your ownership. Please take a picture of the front and rear of your title document.
	We ask you to submit these pictures, your Case #000XXXXX and the current odometer reading online via the 2012 SDS Battery Pack Recall link provided on the Owner Resources section of our website at:
	http://www.zeromotorcycles.com/owner-resources/
	If you have any challenges obtaining this information or uploading these pictures, your dealer can assist you with this process, and can help confirm the process of obtaining a duplicate title in your state or province. They can also upload this information to our website on your behalf.



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	If your motorcycle has been financed or is currently the subject of a lien, you will need to provide additional information including contact information for the lienholder and a 15-day payoff amount.
Arrange for collection of your motorcycle	Zero Motorcycles has contracted with Urgent.ly to facilitate the collection of motorcycles in North America at no cost to you. Beginning on May 10, 2018, please contact Urgent.ly via the toll free phone number (833) 260-5343 and provide the last seven digits of the VIN #XXXXXXX of your motorcycle and your Case #000XXXXXX. They will schedule a time with you to have your motorcycle picked up.
Confirm your choice of remedy with the dealer	Once the dealer receives your motorcycle and confirms all required information has been collected and verified, they will contact you to confirm your choice of remedy and the compensation that you will receive.
	If you choose the repurchase remedy, you will receive an amount equal to or better than the fair market value of your motorcycle, which we determined using current Kelly Blue Book values for 2012 Zero S and DS motorcycles that are fully reconditioned and in excellent condition. Based on this information from KBB,
	 if you own a Zero S or DS with the ZF6 battery pack, you will receive \$5,080 unless the motorcycle has a salvage title or has been substantially damaged or altered, in which case you will receive \$2,540;
	if you own a Zero S or DS with the ZF9 battery pack, you will receive \$6,040 unless the motorcycle has a salvage title or has been substantially damaged or altered, in which case you will receive \$3,020.
	If you purchased any Zero Motorcycles approved accessories and you submit pictures of them, you will receive an additional amount equal to 50% of the original manufacturer's suggested retail price.
	For those who choose the financial trade assist remedy, you will receive a voucher for the fair market value specified above plus an additional \$1,000 that can be used toward the purchase of a new Zero motorcycle.
Steps to complete the repurchase remedy	If you chose to have Zero Motorcycles repurchase your motorcycle, your dealer will receive a check in your name within 15 days from the date in which we receive all required information. They will contact you to schedule a time for you to deliver your countersigned title, made out to Zero Motorcycles, Inc. and you will receive the check in return at that time.
	If your motorcycle has an outstanding lien, the amounts owed will be sent to the lienholder according to the 15-day payoff authorization you provide. You will



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	receive a check for the net amount during your dealer visit and a power of attorney will need to be signed to complete the sale.
Steps to complete the trade assist remedy	If you chose to trade your existing motorcycle for a new Zero motorcycle, then you will receive a voucher from your dealer for the fair market value plus an additional \$1,000 that can be used toward the purchase of a new Zero motorcycle.
	Please work with your dealer to complete a trade pursuant to the laws covering such transactions in your state. At your direction they can order a new Zero motorcycle for you. At the time the trade transaction is completed, they will have you countersign the title, made out to Zero Motorcycles, Inc.
	If your motorcycle has an outstanding lien, additional steps may be required to payoff the amounts owed and the voucher value will be applied accordingly.
Report sale of your 2012 Zero motorcycle to your state DMV	Each state has different requirements regarding the owner's responsibilities after selling a vehicle. To ensure the sale is completed smoothly, please be sure to submit any ownership transfer information required. If you are unsure what information is necessary, please contact your state DMV or your Zero motorcycles dealer likely will be able to provide these details.