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COMPANY NOTE

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Pulmatrix, Inc.
(Nasdaq/PULM/$2.54/Not rated)

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Company Announces Registered Direct Offering

This morning, Pulmatrix announced it had entered into a definitive agreement with institutional investors to purchase approximately $5.0 million of shares of common stock in a registered direct offering. An 8K related to the Company's investment presentation was filed on January 27th. As described in today's press release, the offering will consist of approximately 2,000,000 shares of common stock, to be priced at $2.50 per share. The estimated net proceeds from the common stock sale are expected to be approximately $4.5 million. The Company intends to use the net proceeds for general corporate purposes and the pay-down of debt. The placement is expected to close on February 2. Rodman & Renshaw is acting as exclusive placement agent.

This press release comes on the heels of other recent corporate events as well as "touts" through internet-based distribution portals such as *Accesswire* and *The Street.com*. December 20th, when the Company received the first of two separate NASDAQ delisting notices (closing bid price under $1.00 minimum and market value of its publicly-held shares value below $5 million minimum), its shares were trading at $0.62 for a market value of approximately $11 million. Pulmatrix stock went from hitting a low of $0.55 on January 10th to a high of $3.37 on January 27th. Pulmatrix's shares climbed from $0.55 on January 16 to close at $1.55 a share on January 17th, up over 125% percent in one move, before backtracking to $0.92 on January 19th. Part of the move was likely as response to the news its cystic fibrosis (CF) anti-fungal treatment, **PUR1900** had been designated as a "Qualified Infectious Disease Product", but the stock move also coincided with an *Accesswire* report. Volume spiked to 17.49 million shares on the 17th, which is 18% over PULM's total outstanding shares. The stock had an even more "eye-popping" three day rise between January 24 and January 27th, when it rose from $1.11 to $3.37. One-day volume on January was 25.98 million shares, when PULM was touted in *Street.com* by a contributing trading service. Average 3-month volume prior these spikes was in the range of 50,000 shares.

QIDP Designation

On January 17th, PULM announced that **PUR1900**, the Company's **iSPERSE™** formulation of itraconazole for the treatment of certain fungal lung infections common in CF patients, was designated as a "Qualified Infectious Disease Product" (QIDP) by the U.S. Food & Drug Administration. PUR1900 is a 505(b)2 candidate of the first line treatment, itraconazole. The QIDP program, put into place as part of the 2012 GAIN Act, extends the length of time an approved drug is free from competition and clarifies the regulatory pathway for eligible antibiotics. With Orphan Drug Status in hand, received in August 2016, Pulmatrix's PUR1900 will be eligible for an additional five years of market exclusivity, assuming it becomes FDA-approved, on top of that for its Orphan Drug status (a total of 12 years). In the addition, the product, if proven clinically efficacious, will be eligible for priority FDA review upon filing of the new drug application.

Please find Important Disclosures beginning on Page 3.

PUR1900 Status

PUR1900 combines itraconazole with the company's **iSPERSE** dry powder delivery technology platform. By delivering the anti-fungal directly to the lungs, PUR1900 has the potential to alleviate numerous issues with standard-of-care, orally administered itraconazole, including variable efficacy due to poor uptake in the lungs and systemic side effects from the oral drug that leads to poor patient compliance. The Company is completing pre-clinical studies and non-clinical safety testing in advance of filing for Phase I clinical trials, expected to occur in the second half of 2017. Animal data from pre-clinical studies was presented as a poster at this past October's North American Cystic Fibrosis Conference. The initial Phase I trials will take place in asthmatic patients as a surrogate of airway mucus phenotype. Phase II Proof-of-concept trials in CF patients is slated to begin in 2H 2018, with an NDA filing estimated for 2022.

Comment

Many small and micro-cap life science companies experienced significant declines during the months leading up to the election. PULM was no different. Many have begun to recover from election-related lows, and so a rebound in PULM shares would be in line. Positive news, although in this case, not clinical trial result related, is almost always good catalyst. However, while we believe the **iSPERSE** technology is novel and holds promise as a potentially improved delivery system for certain drugs and indications including the CF indication, we are not convinced that the recent volatility in the stock is purely fundamental news-driven. Considering the manner in which the stock broke out, we would be cautious and await evidence of supportive technical trading metrics in the face of the still rather lengthy time horizon for the initiation of PUR1900 clinical trials. *SG*

Company Notes provide current information we believe might be noteworthy to investors regarding the subject companies. Company Notes are not intended to be complete research reports. More detailed information concerning the rated companies referenced in this Note, including the full reports, basis for price targets and other disclosures, may be found at: http://dawsonjames.com/research_coverage.

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Ratings Definitions:

1) **Buy**: the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
2) **Neutra**l: the analyst believes the price of the stock is fairly valued for the next 12-18 months;
3) **Sel**l: the analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	2	33%	1	50%
Market Perform (Neutral)	0	0%	0	0%
Market Underperform (Sell	0	0%	0	0%
Rating Suspensions*	4	67%	4	100%
Total	6	100%	5	83%

*Suspensions are ratings under review for possible change due to unusual market-moving news, and/or analyst departure/change

Analyst Certification:

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