

INSTITUTIONAL RESEARCH

Emerging GrowthUPDATE REPORT

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Arcimoto, Inc. (NASDAQ: FUV)

February 23, 2023

Neutral: \$6M Loan Bridges Short Term Capital Needs.

Arcimoto signed a \$6 million loan that bridges its short-term capital needs. While Arcimoto continues to face financial and operational challenges, the recent capital raise and resumption of production are the beginning stages of recovery for the company.

Arcimoto signed a \$6 million loan with Hilco Real Estate, secured by the company's real property, that we believe has a book value of at least twice the loan value. The loan carries a 6-month maturity with a 20% annual interest rate, although there is a path for the loan to extend an additional 6 months and the interest rate to be reduced to 10%. Since the company is still not cash flow positive, we expect repayment of this loan will require an additional equity raise, which is already reflected in our estimates. This short-term bridge loan, the recent capital raise and the resumption of production are the beginning stages of recovery for the company.

Earlier this week the company announced it will resume production of its three-wheeled electric vehicles with deliveries expected to begin in March. The company had suspended production earlier this year in order to preserve cash. Our estimates now reflect this updated delivery schedule. While Arcimoto continues to face financial and operational challenges the recent capital raise and resumption of production are the beginning stages of recovery for the company

We recently upgraded our recommendation of Arcimoto to Neutral from Sell. We believe the company used a portion of its recent \$12 million financing to retire its convertible note which had a call on 20% of all equity raises and carried a burdensome interest rate. We also believe the financing signals that the company will refrain from using its equity line of credit, which was a variable-priced instrument that we believe exerted constant pressure on the shares.

There are still significant financial and operational challenges the company must address. We estimate the company needs at least \$30 million to fund operations this year. Cost cutting has occurred, but more will probably be necessary, particularly the cost of manufacturing the vehicle, as the selling price has been below the base cost of a finished unit. In addition, the company will need to refine its marketing, distribution and service strategy in order to grow and sustain sales.

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| Current Price | | | | | | \$1.95 |
|-----------------------------|---------|----------|------|---------|-------|------------|
| Price Target | | | | | | NA |
| Estimates | F20 | 21A | - 1 | F2022E | F | 2023E |
| Revenues (\$M's) | \$ | 4.4 | \$ | 6.6 E | \$ | 11.7 |
| 1Q March | \$ | 1.4 | \$ | 0.7 A | | 1.0 |
| 2Q June | \$ | 0.7 | \$ | 1.5 A | | 2.3 |
| 3Q September | \$ | 1.5 | \$ | 2.0 A | \$ | 3.6 |
| 4Q December | \$ | 0.8 | \$ | 2.4 E | \$ | 4.7 |
| | F20 | | | F2022E | | 2023E |
| EBITDA (\$000s) | \$ | (38.8) | \$ | (49.3)E | | (28.6) |
| 1Q March | \$ | (6.6) | \$ | (10.8)A | | (7.5) |
| 2Q June | \$ | (8.1) | \$ | (12.3)A | | (7.2) |
| 3Q September | \$ | (9.6) | \$ | (16.4)A | | (7.0) |
| 4Q December | \$ | (14.6) | \$ | (9.7)E | \$ | (6.9) |
| 51/6 L | | | | 4.0 | | 2.4 |
| EV/Sales | | NM NM | _ | 4.3 x | | 2.4 x |
| EV/EBITDA | | IVIVI | | (0.6) x | | (1.0) x |
| Stock Data 52-Week Range | | \$1.80 | | | | \$156.40 |
| Shares Outstanding (mil.) | | \$1.00 | | | | 7.3 |
| Market Capitalization (mil | ١ | | _ | | | \$14 |
| Enterprise Value (mil.) | .) | | | | | \$28 |
| Debt to Capital | | | | | | 8% |
| Cash & Equivalents (mil.) | | | | | | \$1.4 |
| Cash/Sh. | | | | | | \$0.19 |
| Average Three Months Tra | ading \ | /olum | e (I | <) | | 49 |
| Insider Ownership | | | | | | 5.6% |
| Institutional Ownership | | | | | | 4.6% |
| Short interest (mil.) | | | | | | 6.1% |
| Dividend / Yield | | | | | \$0. | .00/0.0% |
| Arcimoto, Inc. (FUV- | -US) | | | | | |
| 9,000 Volume (Thousands) | | | | Pri | ce (L | ISD) 160 |
| 8.000 - A ma | | | | | | - 140 |
| 7,000 - 1 | | | | | | 120 |
| 6,000- | | | | | | |
| 5,000- | | | | | | - 100 |
| 4,000 - 3,000 - | | | | | | - 80 |
| 3,000 - | NW/ | | | | | -60 |
| 2,000- | | my | | | | -40 |
| 1,000 | | | ~ | m | | -20 |
| Mar Apr May Jun J | ul Aug | Sep (| Oct | Nov Dec | Jan | Feb |
| | , Inc. | | | Source: | Fact | Set Prices |
| | | | | | | |

Gross margin is negative, as the company is selling vehicles below the base cost of a finished unit. Factory overhead has been running around \$4 million per quarter and we believe this must be reduced to preserve cash. We have cash operating expenses modeled at \$6.5 million per quarter going forward and believe this also must be reduced.

At the end of September, Arcimoto had \$4.2 million in cash. We estimate since then the company raised about \$15 million in equity via its ATM, equity line of credit and the recent financing. As much as \$6 million in cash was required to retire the convertible note leaving the company with about \$13 million to fund operations, which means more capital will be required relatively soon.

We project revenue in 2022 was \$6.5 million and estimate \$11.7 million in 2023. Our estimates reflect the challenges the company faces to lower costs, preserve cash and successfully address the market's desire for electric vehicles. Eliminating the variable-priced equity could be an important step in the company's recovery.



Valuation

Ayro and ElectraMeccanica, like Arcimoto, are producing electric vehicles, Ayro for the delivery market and ElectraMeccanica for the consumer market. Both trade at a negative enterprise value.

| | | | | FTM | | TEV | FTM | EV/ | | -TM | EV/ |
|----------------|--|----|--------------|---------------|----------------|---------------|----------|--------------------|----|-----------------|--------|
| | | F | Price | EPS | P/E | (M) | Sales (N | A) Sales | E | BITDA | EBITDA |
| AYRO SOLO | AYRO, Inc. ElectraMeccanica Vehicles Corp. | \$ | 0.66 0.87 | | \$ | (29.8 | S | | | | |
| GPV-CA WKHS | GreenPower Motor Company Inc. Workhorse Group Inc. | | 2.76 | (0.39) (0.59) | (7.2) (3.4) | 80.2 211.8 | | 0.0 1.4 0.4 2.7 | | (4.9) (94.2) | (16.3) |
| Withio | Average | | 2.01 | (0.00) | (0.4) | 211.0 | , , , , | 2.0 | | (04.2) | (2.2) |
| FUV | Arcimoto, Inc. | \$ | 1.95 | | \$ | 27.9 | \$ 12 | 2.5 2.2 | \$ | (31.4) | (0.9) |

Source: FactSet and Dawson James Securities estimates

The risk to our recommendation includes the company's success at cutting costs, which would increase cash burn, raising funds at onerous terms, or the inability to raise capital altogether. There is also risk the Fed's interest rate hikes could impact consumer balance sheets and spending and result in lower consumer demand for products such as electric vehicles.



Exhibit 1. Income Statement

| (\$ in 000's) | | | | | | | | | | | | | | | | | | |
|-------------------------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|-----------|----|----------|
| (except per share data) | F | Y2019 | F | FY2020 | F | FY2021 | (| Q1 22A | (| Q2 22A | (| Q3 22A | (| Q4 22E | F | Y2022E | F | Y2023E |
| Revenue | \$ | 988 | \$ | 2,176 | \$ | 4,386 | \$ | 650 | \$ | 1,499 | \$ | 2,024 | \$ | 2,396 | \$ | 6,570 | \$ | 11,735 |
| COGS | | 2,911 | | 8,251 | | 17,149 | | 4,047 | | 6,104 | | 6,987 | | 6,809 | | 23,948 | | 18,959 |
| Gross Profit | | (1,924) | | (6,075) | | (12,763) | | (3,397) | | (4,605) | | (4,963) | | (4,414) | | (17,378) | | (7,224) |
| R&D | | 6,032 | | 3,011 | | 12,106 | | 3,907 | | 3,716 | | 6,521 | | 2,500 | | 16,644 | | 10,151 |
| Sales & Marketing | | 1,005 | | 2,239 | | 7,000 | | 2,927 | | 3,070 | | 3,322 | | 2,880 | | 12,199 | | 11,694 |
| G&A | | 5,494 | | 6,091 | | 12,948 | | 2,699 | | 3,786 | | 4,099 | | 2,500 | | 13,084 | | 10,151 |
| Impairment/Other | | | | | | 6,824 | | | | | | 12 | | | | 0 | | 0 |
| Opex | | 12,532 | | 11,341 | | 38,879 | | 9,532 | | 10,572 | | 13,955 | | 7,880 | | 41,927 | | 31,996 |
| Operating Income | | (14,455) | | (17,416) | | (51,642) | | (12,929) | | (15,177) | | (18,918) | | (12,294) | | (59,305) | | (39,220) |
| Interest Income | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 |
| Interest Expense | | (892) | | (721) | | (216) | | (50) | | (124) | | (85) | | (226) | | (484) | | (715) |
| Other | | 5 | | 17 | | 1,360 | | 25 | | (2,100) | | 2,039 | | 2,039 | | 2,004 | | 8,156 |
| Pretax Income | | (15,342) | | (18,120) | | (50,498) | | (12,954) | | (17,401) | | (16,964) | | (10,480) | | (57,786) | | (31,778) |
| Taxes | | 0 | | 0 | | (2,934) | | 0 | | 3 | | 0 | | 0 | | 3 | | 0 |
| Net Income | \$ | (15,342) | \$ | (18,120) | \$ | (47,564) | \$ | (12,954) | \$ | (17,404) | \$ | (16,964) | \$ | (10,480) | \$ | (57,789) | \$ | (31,778) |
| Basic Shares | | 18,130 | | 28,575 | | 36,704 | | 37,967 | | 39,573 | | 44,956 | | 2,806 | | 31,326 | | 12,268 |
| Basic EPS | \$ | (0.85) | \$ | (0.63) | \$ | (1.30) | \$ | (0.34) | \$ | (0.44) | \$ | (0.38) | \$ | (3.74) | \$ | (1.84) | \$ | (2.59) |
| Operating Income | | (14,455) | | (17,416) | | (51,642) | | (12,929) | | (15,177) | | (18,918) | | (12,294) | | (59,318) | | (39,220) |
| Depreciation | | 710 | | 930 | | 2,348 | | 707 | | 1,020 | | 976 | | 1,041 | | 3,744 | | 4,424 |
| Stock Comp | | 635 | | 1,917 | | 3,628 | | 1,411 | | 1,812 | | 1,550 | | 1,550 | | 6,323 | | 6,200 |
| Other | | | | | | 6,824 | | | | | | | | | | | | |
| EBITDA | \$ | (13,109) | \$ | (14,569) | \$ | (38,842) | \$ | (10,811) | \$ | (12,345) | \$ | (16,392) | \$ | (9,703) | \$ | (49, 250) | \$ | (28,596) |

Source: Arcimoto, Inc. and Dawson James Securities estimates



Exhibit 2. Balance Sheet and Cash Flow Statement

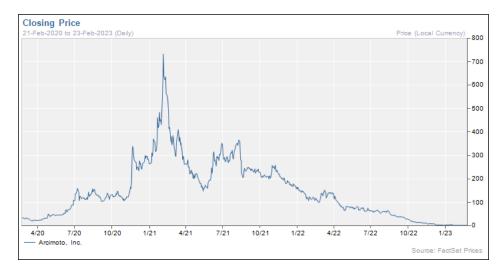
| (\$ in 000's) | lu C | asii r iu | 1 44 1 | Statemen | 11 | | I | | | | | | | | | | | |
|--------------------------------|------|-----------|--------|----------|----|----------|--------|--------|----|----------|----|----------|----|----------|----|----------|----|---------|
| (\$ III 000 S) | F | Y2019 | F | FY2020 | ı | FY2021 | Q1 2 | 22A | (| Q2 22A | (| Q3 22A | Q | 4 22E | F | Y2022E | F | Y2023E |
| Cash | | 5,832 | | 39,451 | | 16,971 | ļ , | 5,228 | | 5,013 | | 4,218 | | 1,429 | | 1,429 | | 10,402 |
| A/R | | 244 | | 17 | | 128 | | 124 | | 324 | | 332 | | 548 | | 548 | | 1,520 |
| Inventory | | 3,734 | | 5,104 | | 7,856 | | 8,987 | | 11,440 | | 12,290 | | 10,000 | | 10,000 | | 7,621 |
| Prepaid Inventory | | 1,195 | | 1,030 | | 2,638 | | 2,896 | | 2,749 | | 3,110 | | 3,110 | | 3,110 | | 3,110 |
| Other | | 665 | | 901 | | 2,440 | | 2,934 | | 4,574 | | 5,392 | | 6,381 | | 6,381 | | 12,649 |
| Current Assets | | 11,671 | | 46,503 | | 30,033 | | 0,169 | | 24,101 | | 25,342 | | 21,468 | | 21,468 | | 35,301 |
| | | | | | | | | | | | | | | | | | | |
| PP&E | | 4,733 | | 6,645 | | 24,339 | 2 | 5,645 | | 27,413 | | 29,441 | | 29,109 | | 29,109 | | 31,520 |
| Intangible Assets | | 0 | | 0 | | 9,886 | 9 | 9,675 | | 9,465 | | 9,256 | | 9,048 | | 9,048 | | 8,213 |
| Operating lease right of use | | 0 | | 0 | | 0 | | 1,675 | | 1,636 | | 1,478 | | 1,478 | | 1,478 | | 1,478 |
| Other | | 42 | | 102 | | 141 | | 117 | | 117 | | 120 | | 120 | | 120 | | 120 |
| Total Assets | \$ | 16,446 | \$ | 53,250 | \$ | 64,399 | \$ 5 | 7,282 | \$ | 62,732 | \$ | 65,637 | \$ | 61,222 | \$ | 61,222 | \$ | 76,631 |
| A/P | | 340 | | 205 | | 2,016 | | 1,025 | | 2,758 | | 2,709 | | 3,206 | | 3,206 | | 6,354 |
| Accrued Liabilites | | 816 | | 431 | | 2,352 | | 2,641 | | 2,711 | | 4,705 | | 5,568 | | 5,568 | | 11,038 |
| Customer Deposits | | 794 | | 606 | | 817 | | 1,104 | | 1,079 | | 1,048 | | 1,048 | | 1,048 | | 1,048 |
| NP (net of discount) | | 3,032 | | 479 | | 2,533 | | 2,150 | | 1,706 | | 415 | | 415 | | 415 | | 415 |
| Leases (finance and capital) | | 434 | | 247 | | 352 | | 964 | | 1,064 | | 1,192 | | 1,192 | | 1,192 | | 1,192 |
| Convertible NP-related Parties | | 1,151 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 |
| Short-term convertible note | | 838 | | 0 | | 0 | | 0 | | 0 | | 8,674 | | 3,928 | | 3,928 | | 0 |
| Other | | 121 | | 289 | | 544 | | 460 | | 520 | | 1,038 | | 1,038 | | 1,038 | | 1,038 |
| Note Payable-Other | | 0 | | 658 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | | 0,000 |
| Current Liabilities | | 7,525 | | 2,914 | | 8,614 | 8 | 8,344 | | 9,838 | | 19,780 | | 16,395 | | 16,395 | | 21,085 |
| - | | 4.400 | | 505 | | 740 | | 500 | | 5.17 | | 004 | | 004 | | 00.4 | | 00.4 |
| Finance Lease | | 1,180 | | 535 | | 713 | | 580 | | 547 | | 934 | | 934 | - | 934 | | 934 |
| Equipment notes/LTD | | 0 | | 2,001 | | 1,185 | | 1,089 | | 1,042 | | 959 | | 959 | | 959 | | 959 |
| Convertible note | | 0 | | 0 | | 0 | | 0 | | 6,727 | | 4,802 | | 4,802 | | 4,802 | | 0 |
| Warranty Reserve | | 45 | | 67 | | 330 | | 312 | | 353 | | 277 | | 277 | | 277 | | 277 |
| Operating lease | | 0 | | 0 | | 0 | | 1,178 | | 1,043 | | 864 | | 864 | | 864 | | 864 |
| Deferred Revenue | | 86 | | 50 | | 9 | | 7 | | 5 | | 2 | | 2 | | 2 | | 2 |
| Equity | | 7,610 | | 47,684 | | 53,548 | 4 | 5,773 | | 43,178 | | 38,019 | | 36,989 | | 36,989 | | 52,510 |
| Total Liabilities & Equity | \$ | 16,446 | \$ | 53,250 | \$ | 64,399 | \$ 5 | 7,282 | \$ | 62,732 | \$ | 65,637 | \$ | 61,222 | \$ | 61,222 | \$ | 76,631 |
| | F | Y2019 | F | FY2020 | | FY2021 | Q1 : | 22Δ | (| Q2 22A | (| Q3 22A | 0 | 4 22E | F | Y2022E | F' | Y2023E |
| | | | | | | | | | | | | | | | | | | |
| Net Income | | (15,342) | | (18,120) | | (47,564) | (1: | 2,954) | | (17,404) | | (16,964) | | (10,480) | | (57,789) | | (31,778 |
| Depreciation | | 710 | | 930 | | 2,348 | | 707 | | 1,020 | | 976 | | 1,041 | | 3,744 | | 4,424 |
| Stock Comp | | 635 | | 1,917 | | 3,628 | | 1,411 | | 1,812 | | 1,550 | | 1,550 | | 6,323 | | 6,200 |
| Other | | 1,186 | | 310 | | 2,807 | | 135 | | 2,667 | | (1,650) | | 0 | | 1,151 | | 0 |
| Working Capital | | (1,481) | | (1,330) | | (511) | (2 | 2,771) | | (729) | | 1,330 | | 2,446 | | 276 | | 3,758 |
| Operating CF | \$ | (14,291) | \$ | (16,294) | \$ | (39,291) | \$ (13 | 3,471) | \$ | (12,634) | \$ | (14,759) | \$ | (5,443) | \$ | (46,295) | \$ | (17,397 |
| Сарх | | (255) | | (2,843) | | (17,356) | (| 1,486) | | (4,123) | | (3,764) | | (500) | | (9,872) | | (6,000 |
| Other | | 0 | | (60) | | (16) | | 0 | | 0 | | (2) | | 0 | | (2) | | 0 |
| Investing Activities | \$ | (255) | \$ | (2,903) | | (19,126) | | 1,486) | \$ | (4,123) | \$ | (3,766) | | (500) | \$ | (9,874) | \$ | (6,000 |
| Equity | | 14,213 | | 54,677 | | 36,540 | | 3,791 | | 12,628 | | 10,209 | | 3,154 | | 29,782 | | 41,100 |
| Debt | | 1,262 | | (1,862) | | (603) | | (577) | | 3,913 | | 7,521 | | 0,104 | | 10,856 | | (8,729 |
| Financing | \$ | 15,475 | \$ | 52,815 | \$ | 35,937 | | 3,214 | \$ | 16,541 | \$ | 17,730 | \$ | 3,154 | \$ | 40,638 | \$ | 32,371 |
| Change in Cash | • | (256) | • | 22 640 | • | (22.490) | e 14 | 1 7421 | • | (24E) | • | (70E) | • | (2 700) | e | (45 E42) | • | 0.074 |
| Change in Cash | \$ | (256) | D | 33,619 | \$ | (22,480) | D (1 | 1,743) | D | (215) | Ф | (795) | Ф | (2,189) | 4 | (15,543) | D | 8,974 |

Source: Arcimoto, Inc. and Dawson James Securities estimates



Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

Initiated – Neutral – March 15, 2022 – Price Target NA

Update - Neutral - April 4, 2022 - Price Target NA

Update – Neutral – April 27, 2022 – Price Target NA

Update - Neutral - May 3, 2022 - Price Target NA

Update - Neutral - May 17, 2022 - Price Target NA

Update – Neutral – June 21, 2022 – Price Target NA

Update – Neutral – July 7, 2022 – Price Target NA

Update - Neutral - August 16, 2022 - Price Target NA

Rating Change – Sell – September 6, 2022 – Price Target \$0.45

Update - Sell - September 30, 2022 - Price Target \$0.45

Update – Sell – October 7, 2022 – Price Target \$0.45

Update – Sell – October 24, 2022 – Price Target \$0.45

Update – Sell – November 3, 2022 – Price Target \$0.45

Update – Sell – November 16, 2022 – Price Target \$0.45

(Price targets prior to November 30, 2022 do not reflect 1:20 reverse split)

Rating Change – Neutral – February 15, 2023 – Price Target NA

Update - Neutral - February 22, 2023 - Price Target NA

Update - Neutral - February 23, 2023 - Price Target NA

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Information about valuation methods and risks can be found in the "Valuation" and "Risk Analysis" sections of this report.

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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) **Neutral**: The analyst believes the price of the stock is fairly valued for the next 12-18 months:
- 3) **Sell**: 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.

| Current | as of | 22-Fe | b-23 |
|---------|-------|-------|------|
| | | | |

| | Company | | Investment | |
|-----------------------------|----------------|------------|----------------|--------|
| | Coverage | | Banking | |
| | | | | % of |
| Ratings Distribution | # of Companies | % of Total | # of Companies | Totals |
| Market Outperform (Buy) | 23 | 68% | 1 | 4% |
| Market Perform (Neutral) | 11 | 32% | 2 | 18% |
| Market Underperform (Sell) | 0 | 0% | 0 | 0% |
| Total | 34 | 100% | 3 | 9% |

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.