

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-38213

ARCIMOTO, INC.

(Exact name of registrant as specified in its charter)

Oregon

(State or other jurisdiction of  
incorporation or organization)

26-1449404

(IRS Employer  
Identification No.)

2034 West 2nd Avenue, Eugene, OR 97402

(Address of principal executive offices and zip code)

(541) 683-6293

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Trading Symbol(s)

Name of Each Exchange on Which Registered

Common stock, no par value

FUV

Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Non-accelerated filer X

Accelerated filer

Smaller reporting company X

Emerging growth company X

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No X

As of Aug 11, 2022, there were approximately 44,871,492 shares of the registrant's common stock issued and outstanding.

ARCIMOTO, INC.

FORM 10-Q

For the Quarterly Period Ended June 30, 2022

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## PART I - FINANCIAL INFORMATION

ARCIMOTO, INC.  
CONDENSED BALANCE SHEETS  
(Unaudited)

## Item 1. Financial Statements

	June 30, 2022	December 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,013,024	\$ 16,971,320
Accounts receivable, net	324,183	127,860
Inventory	11,440,467	7,856,105
Prepaid inventory	2,749,231	2,637,688
Other current assets	4,574,052	2,440,322
Total current assets	24,100,957	30,033,295
Property and equipment, net	27,413,184	24,338,907
Intangible assets, net	9,464,724	9,885,680
Deferred offering costs	—	24,000
Operating lease right-of-use assets	1,635,928	—
Security deposits	117,468	117,468
Total assets	\$ 62,732,261	\$ 64,399,350
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 2,757,973	\$ 2,016,283
Accrued liabilities	2,711,170	2,352,034
Customer deposits	1,078,927	817,137
Notes payable	1,247,645	2,039,367
Current portion of finance lease obligations	392,476	352,294
Current portion of equipment notes payable	457,967	493,160
Current portion of warranty reserve	428,352	331,485
Current portion of deferred revenue	91,636	111,166
Current portion of operating lease liabilities	671,758	—
Deferred rent	—	101,550
Total current liabilities	9,837,904	8,614,476
Finance lease obligations	546,669	712,511
Equipment notes	1,042,400	1,185,060
Convertible note	6,726,790	—
Warranty reserve	352,567	330,015
Operating lease liabilities	1,043,483	—
Long-term deferred revenue	4,500	9,000
Total long-term liabilities	9,716,409	2,236,586
Total liabilities	19,554,313	10,851,062
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common Stock, no par value, 100,000,000 shares authorized; 41,770,760 and 37,643,591 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	166,999,962	150,502,566
Additional paid-in capital	10,528,288	7,038,124
Accumulated deficit	(134,350,302)	(103,992,402)
Total stockholders' equity	43,177,948	53,548,288
Total liabilities and stockholders' equity	\$ 62,732,261	\$ 64,399,350

See accompanying notes to condensed financial statements.

**ARCIMOTO, INC.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	\$ 1,499,341	\$ 717,379	\$ 2,149,574	\$ 2,111,355
Cost of goods sold	6,104,337	3,248,061	10,151,609	6,472,812
Gross loss	(4,604,996)	(2,530,682)	(8,002,035)	(4,361,457)
Operating expenses:				
Research and development	3,716,431	2,646,071	7,623,016	5,070,511
Sales and marketing	3,070,280	1,589,475	5,996,785	2,554,078
General and administrative	3,785,661	2,586,719	6,484,614	5,010,188
Total operating expenses	10,572,372	6,822,265	20,104,415	12,634,777
Loss from operations	(15,177,368)	(9,352,947)	(28,106,450)	(16,996,234)
Other (income) expense:				
Gain on forgiveness of PPP loan	—	(1,078,482)	—	(1,078,482)
Unrealized loss on convertible note fair value	2,145,540	—	2,145,540	—
Interest expense	124,171	47,348	173,906	99,575
Other income	(45,937)	(75,279)	(71,196)	(89,433)
Loss before income tax benefit	(17,401,142)	(8,246,534)	(30,354,700)	(15,927,894)
Income tax (expense) benefit	(3,200)	(150)	(3,200)	2,938,698
Net loss	<u>\$ (17,404,342)</u>	<u>\$ (8,246,684)</u>	<u>\$ (30,357,900)</u>	<u>\$ (12,989,196)</u>
Weighted average common shares - basic and diluted	39,573,329	36,145,523	38,774,585	35,738,678
Net loss per common share - basic and diluted	\$ (0.44)	\$ (0.23)	\$ (0.78)	\$ (0.36)

See accompanying notes to condensed financial statements.

**ARCIMOTO, INC.**  
**CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Stock Subscription Receivable</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Number of Shares</u>	<u>Amount</u>				
Balance at March 31, 2021	35,758,090	\$ 128,855,849	\$ 4,413,966	\$ —	\$ (61,171,163)	\$ 72,098,652
Issuance of common stock for cash, net of offering costs of \$380,626	873,348	12,856,319	—	—	—	12,856,319
Exercise of warrants	100,000	51,733	(1,733)	—	—	50,000
Exercise of stock options	260,478	1,143,062	(338,851)	—	—	804,211
Stock subscribed on June 29, 2021	—	—	3,534,860	(3,534,860)	—	—
Stock-based compensation	—	—	677,866	—	—	677,866
Net loss	—	—	—	—	(8,246,684)	(8,246,684)
Balance at June 30, 2021	<u>36,991,916</u>	<u>\$ 142,906,963</u>	<u>\$ 8,286,108</u>	<u>\$ (3,534,860)</u>	<u>\$ (69,417,847)</u>	<u>\$ 78,240,364</u>
Balance at March 31, 2022	38,225,674	\$ 154,283,555	\$ 8,434,961	\$ —	\$ (116,945,960)	\$ 45,772,556
Issuance of common stock for cash, net of offering costs of \$392,960	3,506,111	12,602,091	—	—	—	12,602,091
Issuance of common stock for RSU, net of tax	9,202	46,746	(76,200)	—	—	(29,454)
Common stock to external consultant	4,000	—	23,115	—	—	23,115
Equity awards issued to external consultants	—	—	351,572	—	—	351,572
Exercise of warrants	8,000	20,000	—	—	—	20,000
Exercise of stock options	17,773	47,570	(17,179)	—	—	30,391
Stock-based compensation	—	—	1,812,019	—	—	1,812,019
Net loss	—	—	—	—	(17,404,342)	(17,404,342)
Balance at June 30, 2022	<u>41,770,760</u>	<u>\$ 166,999,962</u>	<u>\$ 10,528,288</u>	<u>\$ —</u>	<u>\$ (134,350,302)</u>	<u>\$ 43,177,948</u>

  

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Stock Subscription Receivable</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Number of Shares</u>	<u>Amount</u>				
Balance at December 31, 2020	34,187,555	\$ 100,236,178	\$ 3,876,503	\$ —	\$ (56,428,651)	\$ 47,684,030
Issuance of common stock for settlement of payable	11,000	146,300	—	—	—	146,300
Issuance of common stock for cash, net of offering costs of \$924,149	1,455,130	26,382,831	—	—	—	26,382,831
Issuance of common stock for the acquisition of TMW	436,339	13,038,355	—	—	—	13,038,355
Exercise of warrants	586,429	1,766,397	(58,895)	—	—	1,707,502
Exercise of stock options	315,463	1,336,902	(404,704)	—	—	932,198
Stock subscribed on June 29, 2021	—	—	3,534,860	(3,534,860)	—	—
Stock-based compensation	—	—	1,338,344	—	—	1,338,344
Net loss	—	—	—	—	(12,989,196)	(12,989,196)
Balance at June 30, 2021	<u>36,991,916</u>	<u>\$ 142,906,963</u>	<u>\$ 8,286,108</u>	<u>\$ (3,534,860)</u>	<u>\$ (69,417,847)</u>	<u>\$ 78,240,364</u>
Balance at December 31, 2021	37,643,591	\$ 150,502,566	\$ 7,038,124	\$ —	\$ (103,992,402)	\$ 53,548,288
Issuance of common stock for cash, net of offering costs of \$597,723	4,066,402	16,315,741	—	—	—	16,315,741
Issuance of common stock for RSU, net of tax	9,202	46,746	(76,200)	—	—	(29,454)
Common stock to external consultant	4,000	—	23,115	—	—	23,115
Equity awards issued to external consultants	—	—	351,572	—	—	351,572
Exercise of warrants	8,000	20,000	—	—	—	20,000
Exercise of stock options	39,565	114,909	(31,453)	—	—	83,456
Stock-based compensation	—	—	3,223,130	—	—	3,223,130
Net loss	—	—	—	—	(30,357,900)	(30,357,900)
Balance at June 30, 2022	<u>41,770,760</u>	<u>\$ 166,999,962</u>	<u>\$ 10,528,288</u>	<u>\$ —</u>	<u>\$ (134,350,302)</u>	<u>\$ 43,177,948</u>

See accompanying notes to condensed financial statements.

**ARCIMOTO, INC.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Six Months Ended June 30,	
	2022	2021
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (30,357,900)	\$ (12,989,196)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,727,863	1,018,491
Gain on forgiveness of PPP loan	—	(1,078,482)
Unrealized loss on convertible note	2,145,540	
Non-cash operating lease costs	281,405	—
Common stock to external consultant	23,115	—
Equity awards issued to external consultants	351,572	—
Stock-based compensation	3,223,130	1,338,344
Deferred income tax benefit	—	(2,938,848)
Changes in operating assets and liabilities:		
Accounts receivable	(196,324)	(10,865)
Inventory	(3,584,362)	(821,151)
Prepaid inventory	(111,543)	(1,133,983)
Other current assets	(291,630)	(213,682)
Accounts payable	200,797	1,327,189
Accrued liabilities	410,932	884,322
Customer deposits	261,790	560,381
Operating lease liabilities	(284,946)	—
Warranty reserve	119,419	89,035
Deferred revenue	(24,030)	(52,500)
<b>Net cash used in operating activities</b>	<b>(26,105,172)</b>	<b>(14,020,945)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(5,608,086)	(13,737,013)
Security deposits	—	(24,083)
Cash paid for acquisition of Tilting Motor Works	—	(1,754,083)
<b>Net cash used in investing activities</b>	<b>(5,608,086)</b>	<b>(15,515,179)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from the sale of common stock	16,913,464	27,306,980
Payment of offering costs	(597,723)	(924,149)
Proceeds from exercise of warrants	20,000	1,707,502
Proceeds from the exercise of stock options	83,456	932,198
Proceeds from equipment notes	65,243	293,710
Proceeds from convertible note	4,500,000	—
Payment on finance lease obligations	(194,660)	—
Payment on equipment notes	(245,451)	(329,069)
Payment of notes payable	(789,367)	(429,202)
<b>Net cash provided by financing activities</b>	<b>19,754,962</b>	<b>28,557,970</b>
Net (decrease)/increase in cash and cash equivalents during the period	(11,958,296)	(978,154)
Cash and cash equivalents at beginning of period	16,971,320	39,451,401
Cash and cash equivalents at end of period	<u>\$ 5,013,024</u>	<u>\$ 38,473,247</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for interest	\$ 98,524	\$ 83,009
Cash paid during the period for income taxes	<u>\$ 150</u>	<u>\$ 150</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Common shares issued for Tilting Motor Works acquisition	\$ —	\$ 13,038,355
Issuance of common stock for settlement of accounts payable	\$ —	\$ 146,300
Note payable issued for purchase of property and equipment	\$ —	\$ 1,250,000
Accounts payable for purchase of property and equipment	\$ 522,198	\$ —
Other receivable due from capital lease financing	\$ —	\$ 250,000
Portion of equipment acquired through finance leases	<u>\$ 69,000</u>	<u>\$ —</u>

See accompanying notes to condensed financial statements.

**ARCIMOTO, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1: NATURE OF OPERATIONS**

Arcimoto, Inc. (the “Company”, “We”, “Us”, or “Our”) was incorporated in the State of Oregon on November 21, 2007. The Company’s mission is to catalyze the global shift to a sustainable transportation system. Over the past 15 years, the Company has developed a new vehicle platform designed around the needs of everyday drivers. Having approximately one-third the weight and one-third of the footprint of the average car, the Arcimoto platform’s purpose is to bring the joy of ultra-efficient, pure electric driving to the masses. To date, the Company has introduced six vehicle products built on this platform that target specific niches in the vehicle market: our flagship product, the Fun Utility Vehicle® (“FUV®”), for everyday consumer trips; the Deliverator® for last-mile delivery and general fleet utility; the Rapid Responder™ for emergency services and security; the Cameo™ for film, sports and influencers; the Arcimoto Roadster, an unparalleled pure-electric on-road thrill machine, and the Arcimoto Flatbed that has a pick-up style flatbed instead of an enclosed cargo area.

Concentration risk

The Company is dependent on one supplier for its battery supply that is a key component of its main product line. Any disruption in supply chain or significant price increase may impact Arcimoto's production volume and costs, which will affect the Company's long-term goal of sustainable profitability. Also, the Company may from time to time experience shortages in obtaining materials and parts that are used in our production process as we depend on a limited number of suppliers for our inputs.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Going Concern

The accompanying financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has incurred significant losses since inception and management expects losses to continue for the foreseeable future. The Company has its standing ability to generate additional funds through its remaining at-the-market (“ATM”) offering of up to approximately \$73,798,000 as of August 15, 2022, which is in excess of cash needed for the next twelve months. In the event that additional funding is needed to sustain the business, the Company anticipates being able to obtain such funds through the capital markets and/or by re-financing its long-lived assets.

Basis of Presentation

The accompanying unaudited financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information, and pursuant to the instructions to Form 10-Q promulgated by the United States Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all information and disclosures required by GAAP for complete financial statement presentation. In the opinion of management, the accompanying condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company’s financial position as of June 30, 2022, and the results of its operations for the three and six months ended June 30, 2022 and 2021 and its cash flows for the six months ended June 30, 2022 and 2021. Results for the three and six months ended June 30, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2021 included in the Company’s Annual Report on Form 10-K filed with the SEC on March 31, 2022.

The preparation of financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and its related disclosures. Actual amounts could differ materially from those estimates.

Business Combinations

The Company accounts for business combinations under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 805 “Business Combinations” using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair value of the net assets acquired is recorded as goodwill. All acquisition costs are expensed as incurred. Upon acquisition, the acquired assets and liabilities and results of operations are consolidated beginning at the acquisition date. See Note 3 - TMW Acquisition for additional information related to our acquisition that concluded in the first quarter of 2021.

Inventory

Inventory is stated at the lower of cost ((using the first-in, first-out method (“FIFO”)) or net realizable value. Inventories consist of purchased electric motors, electrical storage and transmission equipment, and component parts.

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 9,773,540	\$ 7,089,033
Work in progress	370,514	70,243
Finished goods	1,296,413	696,829
Total	<u>\$ 11,440,467</u>	<u>\$ 7,856,105</u>

The Company is required to remit partial prepayments for some purchases of its inventories acquired from overseas vendors which are included in prepaid inventory. The Company is currently selling vehicles below the base cost of a finished unit. Accordingly, the Company expensed all labor and overhead as period costs and recorded an adjustment to reduce certain inventories to net realizable value of approximately \$1,140,000 and \$826,000 as of June 30, 2022 and December 31, 2021, respectively. The amount expensed for all labor and overhead was approximately \$4,024,000 and \$2,398,000 for the three months ended June 30, 2022 and 2021, respectively. The amount expensed for all labor and overhead was approximately \$7,073,000 and \$4,183,000 for the six months ended June 30, 2022 and 2021 respectively.

**ARCIMOTO, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)

Intangible Assets

Intangible assets primarily consist of trade names/trademarks, proprietary technology, and customer relationships. These assets are amortized using the straight-line method over a period of 10 to 14 years. The Company assesses the recoverability of its finite-lived intangible assets when there are indications of potential impairment.

Net Loss per Share

The Company's computation of loss per share ("EPS") includes basic and diluted EPS. Basic EPS is measured as the loss available to common shareholders divided by the weighted average number of common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., common stock warrants and common stock options) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

Basic and diluted loss per common share is the same for all periods presented because all common stock warrants and common stock options outstanding were anti-dilutive.

During the three months ended June 30, 2022 and 2021, the Company excluded the outstanding Employee Equity Plans ("EEP") and other securities summarized below calculated using the Treasury Stock Method, which entitled the holders thereof to ultimately acquire shares of common stock, from its calculation of earnings per share, as their effect would have been anti-dilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Options and other instruments under the 2012, 2015, and 2018 Plans to purchase common stock	\$ 814,158	\$ 2,314,891	\$ 1,067,002	\$ 2,600,955
Underwriters and investors warrants issued outside of an EEP	—	43,050	—	63,924
Conversion of convertible note, if-converted method	767,359	—	279,810	—
Total	<u>\$ 1,581,517</u>	<u>\$ 2,357,941</u>	<u>\$ 1,346,812</u>	<u>\$ 2,664,879</u>

Accounting Pronouncements Recently Adopted

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02") which supersedes ASC Topic 840, Leases. ASU 2016-02 requires lessees to recognize a right-of-use asset and a lease liability on their balance sheets for all the leases with terms greater than 12 months. Based on certain criteria, leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. In November 2019, the FASB delayed the effective date for Topic 842 to fiscal years beginning after December 15, 2020 for private companies and emerging growth companies, and interim periods within those years, with early adoption permitted. In June 2020, the FASB issued ASU No. 2020-05 that further delayed the effective date of Topic 842 to fiscal years beginning after December 15, 2021. We adopted this new standard on January 1, 2022. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. In July 2018, the FASB issued ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements" that allows entities to apply the provisions of the new standard at the effective date, as opposed to the earliest period presented under the modified retrospective transition approach and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The modified retrospective approach includes a number of optional practical expedients primarily focused on leases that commenced before the effective date of Topic 842, including continuing to account for leases that commence before the effective date in accordance with previous guidance, unless the lease is modified. Most of the Company's operating lease commitments are subjected to the new standard and recognized as operating lease liabilities and right-of-use assets upon adoption of Topic 842, which increased the total assets and total liabilities that the Company reports relative to such amounts prior to adoption. The adoption of ASU 2016-02 did not have a material impact on Arcimoto's Statement of Operations. Upon adoption on January 1, 2022, the Company recorded an operating lease right-of-use asset for approximately \$1,800,000 and an operating lease liability of approximately \$1,900,000. See Note 8 "Leases" for further disclosures.

In August 2020, the FASB issued ASU No. 2020-06, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)." ("ASU 2020-06"). ASU 2020-06 simplifies the current guidance for convertible instruments and the derivatives scope exception for contracts in an entity's own equity. Additionally, the amendments affect the diluted EPS calculation for instruments that may be settled in cash or shares and for convertible instruments. The Update also provides for expanded disclosure requirements to increase transparency. In summary, this ASU (1) simplifies the accounting for convertible instruments by reducing the number of accounting models by eliminating the models that require separation of a cash conversion or beneficial conversion feature from the host contract; (2) simplifies the derivatives scope exception by removing three of the conditions required to avoid derivative accounting and providing certain clarification regarding certain scenarios and scope exceptions and; (3) provide targeted improvements for calculating EPS by requiring the if-converted method for convertible instruments. The guidance is effective for smaller reporting companies for fiscal periods beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. Arcimoto has elected to adopt the provisions of this ASU effective January 1, 2022 and has applied the modified retrospective method of accounting for prior periods within the financial statements. The adoption has no impact on the Company's financial statements.

Accounting Pronouncements Not Yet Adopted

The Company continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequences of the change to its financial statements and assures that there are proper controls in place to ascertain that the Company's financial statements properly reflect the change.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") which replaces the current incurred loss methodology with an expected loss methodology which is referred to as the current expected credit loss ("CECL") methodology. The measurement of credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loans receivables and trace accounts receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees and other similar instruments) and net investment in leases recognized by a lessor in accordance with Accounting Standards Codification ("ASC") Topic 842 – Leases. ASU 2016-13 also made changes to the accounting for available-for-sale debt securities and requires credit losses to be presented as an allowance rather than as a write-down on such securities management does not intend to sell or believes that it is more likely than not they will be required to sell. The Company is required to adopt ASU 2016-13 on January 1, 2023 and has not completed its assessment of ASU 2016-13's impact on its financial statements.

**ARCIMOTO, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 3: TMW ACQUISITION**

On January 23, 2021, the Company entered into an Asset Purchase Agreement (the "Agreement") with Tilting Motor Works, Inc. ("TMW"), a Washington corporation (the "Seller") and its owner. TMW engages in the design, production, sales, and installation of a bolt on kit that converts a two wheeled motorcycle into a tilting three wheeled motorcycle. TMW was acquired to utilize the tilting technology in new three wheeled micro-mobility vehicles.

Pursuant to the terms and conditions of the Agreement, the Company paid cash of \$1,754,083 and issued 436,339 shares of Company common stock and assumed certain liabilities as consideration for substantially all of TMW's assets. The common shares issued were unregistered and are subject to sales restrictions under the Securities Act of 1933. The Company valued the shares issued in the transaction at the average of opening and closing price on the date of acquisition with a 12.5% discount for lack of marketability. The acquisition closed on February 4, 2021 and was recorded as a business combination as the set of assets and activities acquired met the definition of a business.

The purchase price allocation was finalized in the first quarter of 2021 and is as follows:

Cash	\$ 1,754,083
Add: Fair value of shares issued	13,038,355
<b>Total consideration</b>	<b>\$ 14,792,438</b>

Description	Fair value
<b>Assets acquired:</b>	
Inventory	\$ 342,394
Prepaid expenses and other current assets	4,083
Property, plant, and equipment	4,349
Trade name	2,052,000
Proprietary technology	7,010,000
Customer relationships	1,586,000
Goodwill	6,824,209
<b>Total assets acquired</b>	<b>\$ 17,823,035</b>
<b>Liabilities assumed:</b>	
Customer deposits	\$ 91,749
Deferred tax liability	2,938,848
<b>Total liabilities assumed</b>	<b>3,030,597</b>
<b>Estimated fair value of net assets acquired</b>	<b>\$ 14,792,438</b>

In the fourth quarter of 2021, Arcimoto conducted a goodwill impairment test and consequently wrote-off the entire amount of goodwill to the Company's Statement of Operations for the year ended December 31, 2021.

The following unaudited proforma financial information presents the consolidated results of operations of the Company and TMW for the six months ended June 30, 2021, as if the acquisition had occurred as of the beginning of the first period presented instead of on February 4, 2021. The proforma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during those periods.

The proforma financial information for the Company and TMW is as follows:

	<b>For the Six Months Ended June 30, 2021</b>
Revenues	\$ 2,121,334
Net loss attributable to common stockholders	\$ (13,248,445)
Net loss per basic and diluted common share	\$ (0.37)
Weighted average common shares outstanding:	
Basic and diluted	35,738,678

**ARCIMOTO, INC.**  
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**NOTE 4: PROPERTY AND EQUIPMENT**

As of June 30, 2022 and December 31, 2021, our property and equipment consisted of the following:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Land	\$ 4,743,526	\$ 4,743,526
Buildings	8,006,474	8,006,474
Machinery and equipment	7,965,547	7,282,960
Fixed assets in process	5,698,629	3,269,532
Leasehold improvements	1,193,771	1,165,231
FUV fleet	1,540,922	1,471,534
FUV rental fleet	2,174,885	1,315,980
Computer equipment and software	278,509	258,309
Vehicles	712,130	419,661
Furniture and fixtures	52,007	52,007
Total property and equipment	32,366,400	27,985,214
Less: Accumulated depreciation	(4,953,216)	(3,646,307)
Total	<u>\$ 27,413,184</u>	<u>\$ 24,338,907</u>

Fixed assets in process are primarily comprised of building improvements that have not yet been completed and machinery & equipment. Completed assets are transferred to their respective asset class and depreciation begins when the asset is placed in service. FUV fleet consists of marketing and other non-revenue generating vehicles. FUV rental fleet consists of rental revenue generating vehicles.

On December 23, 2020, the Company entered into an agreement to purchase certain buildings totaling approximately 187,000 square feet, and approximately 6.6 acres of real estate located within the City of Eugene, Oregon for a total purchase price of \$10,250,000 from RLA Holdings, LLC. The addresses of these building are 311 Chambers Street and 1480 West 3rd Avenue. During the first quarter of 2021, an additional 4.1 acres and 33,000 square feet of buildings to the south commonly known as 1593 W. 5th Ave. Eugene, Oregon was added to the purchase agreement totaling \$2,500,000. As a result, the total sales price increased to \$12,750,000. On April 19, 2021, the purchase was completed. \$1,250,000 was deducted at the closing with the due date of this note being one year from the closing date. The payment was deferred to and paid off in July 2022. This note was secured by a zero interest note. The Company intends to utilize these properties to improve its production capabilities. The new facility became operational during the first quarter of 2022 and is expected to be completed by the end of 2023. The purchases described above are allocated to property and equipment as land and buildings.

Depreciation expense was approximately \$810,000 and \$1,307,000 during the three and six months ended June 30, 2022 and \$378,000 and \$677,000 during the three and six months ended June 30, 2021, respectively.

**ARCIMOTO, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 5: INTANGIBLE ASSETS**

The following table summarizes the Company's intangible assets:

	Estimated Useful Life (Years)	June 30, 2022		
		Gross Amount	Accumulated Amortization	Net Book Value
Tradename and trademarks	14	\$ 2,052,000	\$ (202,990)	\$ 1,849,010
Proprietary technology	13	7,010,000	(757,491)	6,252,509
Customer relationships	10	1,586,000	(222,795)	1,363,205
		<u>\$ 10,648,000</u>	<u>\$ (1,183,276)</u>	<u>\$ 9,464,724</u>

  

	Estimated Useful Life (Years)	December 31, 2021		
		Gross Amount	Accumulated Amortization	Net Book Value
Tradename and trademarks	14	\$ 2,052,000	\$ (130,950)	\$ 1,921,050
Proprietary technology	13	7,010,000	(487,875)	6,522,125
Customer relationships	10	1,586,000	(143,495)	1,442,505
		<u>\$ 10,648,000</u>	<u>\$ (762,320)</u>	<u>\$ 9,885,680</u>

Amortization expense was approximately \$210,000 and \$211,000 during the three months ended June 30, 2022 and 2021, respectively. Amortization expense was approximately \$421,000 and \$341,000 during the six months ended June 30, 2022 and 2021, respectively.

**NOTE 6: CUSTOMER DEPOSITS**

The Company has received refundable customer pre-orders ranging from \$100 to \$500 per vehicle for purposes of securing a place in a line to order its utility vehicle. As of June 30, 2022 and December 31, 2021, these refundable pre-orders total \$413,400 and \$424,300, respectively. In addition, Arcimoto also received non-refundable customer deposits of \$2,500, which was reduced to \$500 during the quarter ending June 30, 2022, that are required for the Company to start production of their vehicles. When a customer's order is ready to enter the production process, the customer is notified that if they would like to proceed with the purchase of a vehicle, their pre-orders will no longer be refundable and additional deposit required must be paid prior to the start of the manufacturing process to completion. As of June 30, 2022 and December 31, 2021, these non-refundable deposits total \$443,300 and \$125,000, respectively.

The Company has also received approximately \$83,600 and \$227,400 of refundable deposits related to its TMW product line as of June 30, 2022 and December 31, 2021, respectively. Arcimoto also receives non-refundable deposits as final payment prior to delivery of the final product. These non-refundable deposits total approximately \$38,600 and \$40,400 as of June 30, 2022 and December 31, 2021, respectively.

During the second quarter of 2022, the Company began to receive refundable deposits of \$100 per unit for the recently announced Mean-Lean-Machine ("MLM"), the electric tilting trike. As of June 30, 2022, the balance of such deposits was \$100,000 and is included as part of Customer Deposits on the Company's Condensed Balance Sheets.

As of June 30, 2022 and December 31, 2021, the Company's balance of deposits received was approximately \$1,078,900 and \$817,100, respectively. Deposits are included in current liabilities in the accompanying condensed balance sheets. The Company also has customer deposits from its employees. However, the balances of these deposits as of June 30, 2022 and December 31, 2021 are not material.

**NOTE 7: NOTES PAYABLE**

As of June 30, 2022, the Company has financed a total of approximately \$2,667,000 of its capital equipment purchases with notes payable having monthly payments ranging from approximately \$300 to \$12,000, repayment terms ranging from 60 to 72 months, and effective interest rates ranging from 1.99% to 9.90%. Total monthly payments as of June 30, 2022 are approximately \$52,000. These equipment notes mature ranging from January 2023 through May 2028. The balance of equipment financing notes payable was approximately \$1,500,000 and \$1,678,000 as of June 30, 2022 and December 31, 2021, respectively.

**ARCIMOTO, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 8: LEASES**

*Operating Leases*

The Company has active operating lease arrangements for office space and production facilities. The Company is typically required to make fixed minimum rent payments relating to its right to use the underlying leased asset. In accordance with the adoption of ASC 842, the Company recorded right-of-use assets and related lease liabilities for these leases as of January 1, 2022.

The Company has lease agreements which contain both lease and non-lease components, which it has elected to account for as a single lease component when the payments are fixed. As such, variable lease payments not dependent on an index or rate, such as real estate taxes, common area maintenance, and other costs that are subject to fluctuation from period to period are not included in lease measurement. The Company includes extensions in the determination of the lease term when it is reasonably certain that such options will be exercised.

The Company's lease agreements do not provide an implicit borrowing rate. Therefore, the Company used a benchmark approach to derive an appropriate incremental borrowing rate. The Company benchmarked itself against other companies of similar credit ratings and comparable credit quality and derived an incremental borrowing rate to discount each of its lease liabilities based on the remaining lease term.

The components of operating lease expense recorded in the statement of operations were as follows:

	<b>Three Months Ended June 30, 2022</b>	<b>Six Months Ended June 30, 2022</b>
Operating lease cost	\$ 183,514	\$ 355,979
Short-term lease cost	34,520	52,251
<b>Total lease cost</b>	<b>\$ 218,034</b>	<b>\$ 408,230</b>

Variable lease cost for the three and six months ended June 30, 2022 was not material. The Company previously recorded rent expense on a straight-line basis and recognized rent expense of \$183,000 and \$323,000 for the three and six months ended June 30, 2021, respectively.

Right of use assets and lease liabilities for operating leases were recorded in the condensed balance sheets as follows:

	<b>June 30, 2022</b>
Operating lease right-of-use assets	\$ 1,635,928
Operating lease liabilities, current	\$ 671,758
Operating lease liabilities, long-term	1,043,483
<b>Total operating lease liabilities</b>	<b>\$ 1,715,241</b>

The weighted-average remaining lease term for operating leases was 3.0 years and the weighted-average incremental borrowing rate was 8.2% as of June 30, 2022.

Supplemental cash flow information related to the Company's operating leases was as follows:

	<b>Three Month Ended June 30, 2022</b>	<b>Six Months Ended June 30, 2022</b>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 186,887	\$ 360,396

As of June 30, 2022, future minimum lease payments required under operating leases are as follows:

2022 (remainder)	\$ 391,503
2023	745,288
2024	500,457
2025	230,858
2026	58,433
Thereafter	-
<b>Total minimum lease payments</b>	<b>1,926,539</b>
Less: imputed interest	(211,298)
<b>Total</b>	<b>\$ 1,715,241</b>

**ARCIMOTO, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 8: LEASES (Continued)**

*Finance leases*

As of June 30, 2022, the Company has financed through lease agreements a total of approximately \$1,906,000 of its capital equipment purchases with monthly payments ranging from approximately \$1,500 to \$8,600, repayment terms ranging from 51 to 60 months, and effective interest rates ranging from 3.87% to 8.51%. Total monthly finance lease payments as of June 30, 2022 are approximately \$38,000. These lease obligations mature ranging from June 2023 through September 2026 and are secured by approximately \$2,106,000 in underlying assets which have approximately \$869,000 in accumulated depreciation as of June 30, 2022. The balance of finance lease obligations was approximately \$939,000 and \$1,065,000 as of June 30, 2022 and December 31, 2021, respectively.

Right of use assets and lease liabilities for finance leases were recorded in the condensed balance sheets as follows:

	<b>June 30, 2022</b>
Property and equipment, net	\$ 1,839,561
Finance lease liabilities, current	\$ 392,476
Finance lease liabilities, long-term	546,669
Total finance lease liabilities	\$ 939,145

The weighted-average remaining lease term for finance leases was 3.2 years and the weighted-average incremental borrowing rate was 5.78% as of June 30, 2022.

Supplemental cash flow information related to the Company's finance leases was as follows:

	<b>Six Months Ended June 30, 2022</b>
Operating cash flows from finance leases	\$ 29,978
Financing cash flows from finance leases	\$ (194,660)

Amortization and interest expense information related to the Company's finance leases was as follows:

	<b>Three Months Ended June 30, 2022</b>	<b>Six Months Ended June 30, 2022</b>
Amortization Expense	\$ 50,143	95,105
Interest Expense	\$ 14,703	29,979

As of June 30, 2022, future minimum lease payments required under finance leases are as follows:

2022 (remainder)	\$ 225,525
2023	331,138
2024	184,321
2025	184,321
2026	104,315
Thereafter	-
Total minimum lease payments	\$ 1,029,620
Less: imputed interest	(90,475)
Total	\$ 939,145

**NOTE 9: CONVERTIBLE NOTE**

On April 25, 2022, the Company ("Debtor") entered into a \$4,500,000 convertible promissory note agreement with Ducera Investments LLC - 2022 Series A ("Creditor") whereby the Debtor agrees to pay the Creditor the amount borrowed plus interest accrued at an annual rate of 10% compounded quarterly. Subject to certain conditions, interest on the promissory note accrues as additional principal. The term of this note is five years unless conversion privileges are exercised. Conversion can occur at the option of the Creditor, the Debtor or upon maturity and is described below:

(i) The Creditor has the option to convert the promissory note at any time prior to the maturity date, in full or in part, into the number of shares of common stock ("Common Stock"), no par value, of the Company equal to the amount determined by dividing the principal amount of this note plus the accrued interest by \$7.00, subject to adjustment (as adjusted, the "Conversion Price"); (ii) at any time prior to the maturity date, the Debtor may convert the note, in full or in part, at the Conversion Price provided that, in order to exercise the conversion, the closing share price of the Common Stock on the Nasdaq Stock Market LLC (the "Closing Share Price") for the thirty (30) consecutive trading days prior to, and including, the conversion date exceeds the per share price required to provide the Creditor with shares having a market value of at least 4.5 times \$4,500,000 upon conversion; and (iii) if none of a Creditor's election to convert shares or the Company's election to convert shares has occurred, then upon the Maturity Date, the outstanding principal plus accrued interest on the note shall convert into shares of the common stock at the lesser of the Conversion Price and the greater of (x) the per share price required to provide the Creditor with shares having a market value of at least 4 times \$4,500,000, and (y) \$4.33 (the "Floor Conversion Price"). In the event that the notes are converted at the Floor Conversion Price, the Company shall also pay to the Creditor on the maturity date a cash payment equal to (x) the principal amount of the note at the maturity date minus (y) the Converted Equity Market Value (as defined below) divided by 4. "Converted Equity Market Value" means the value of the shares of common stock delivered to the Creditor based on a share price equal to the lower of: (i) 10-day volume weighted average price of the common stock for the 10-days immediately prior to, but excluding, the maturity date and (ii) the Closing Share Price on the day immediately prior to the maturity date.

Arcimoto has elected to measure the note at fair value under ASC 825-10-25 to account for the convertible debt. In estimating the fair value of this debt, a binomial lattice methodology was used. The required inputs include the risk-free rate, the Company's stock volatility, stock price on valuation date, and a risk premium. The note's fair value measurement is classified as Level 2 under the fair value hierarchy as provided by ASC 820, "Fair Value Measurement." The fair valuation of this convertible note uses inputs other than quoted prices that are observable either directly or indirectly. Under this option, changes in fair value of the convertible debt are recorded as an unrealized loss on convertible

note fair value in the Condensed Statements of Operations. As a result, the Company recorded an unrealized loss of \$2,145,540 for the three and six months ended June 30, 2022.

#### **NOTE 10: STOCKHOLDERS' EQUITY**

##### Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock, no par value, of which 1,500,000 shares were designated as Series A-1 Preferred Stock and 2,000,000 are designated as Class C Preferred Stock. As of June 30, 2022 and December 31, 2021, there were no shares issued or outstanding.

##### Common Stock

The Company has reserved a total of 6,195,913 and 6,262,478 shares of its common stock pursuant to the equity incentive plans (see Note 11) as of June 30, 2022 and December 31, 2021, respectively. The Company has 5,528,585 and 3,973,629 stock units, options, and warrants outstanding under these plans as of June 30, 2022 and December 31, 2021, respectively.

The Company has 122,238 shares of its common stock reserved for warrants issued outside of the equity incentive plans as of June 30, 2022 and December 31, 2021. These warrants expired on August 15, 2022.

##### *Issuance of common stock for settlement of payable*

The Company issued 11,000 common shares to an external party for services related to investor relations activities with a fair value of \$146,300 during the six months ended June 30, 2021. The shares were valued based on the stock price at the time of the grant when the performance commitment was complete. The shares issued during the six months ended June 30, 2021 were to settle existing accounts payable.

**ARCIMOTO, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 10: STOCKHOLDERS' EQUITY (Continued)**

*Exercise of Stock Options and Warrants*

A total of 17,773 employee options, with an exercise price of \$1.71 per share, were exercised for total proceeds to the Company of \$30,391 during the three months ended June 30, 2022. A total of 39,565 employee options, with exercise prices ranging from \$1.71 to \$2.50 per share, were exercised for total proceeds to the Company of \$83,456 during the six months ended June 30, 2022. A total of 260,478 employee options, with exercise prices ranging from \$1.71 to \$4.52 per share, were exercised for total cash proceeds to the Company of \$804,211 during the three months ended June 30, 2021. A total of 315,463 employee options, with exercise prices ranging from \$1.71 to \$4.52 per share, were exercised for total cash proceeds to the Company of approximately \$932,198 during the six months ended June 30, 2021.

A total of 8,000 employee warrants, with exercise with an exercise price of \$2.50 per share, were exercised for total proceeds to the Company of \$20,000 during the three and six months ended June 30, 2022. A total of 100,000 employee warrants, with an exercise price of \$0.50 per share, were exercised for total proceeds to the Company of \$50,000 during the three months ended June 30, 2021. A total of 115,000 employee warrants, with an exercise price of \$0.50 per share, were exercised for total proceeds to the Company of \$57,500 during the six months ended June 30, 2021.

A total of 471,429 warrants issued to an investor, with an exercise price of \$3.50 per share, were exercised for total proceeds to the Company of \$1,650,001 during the six months ended June 30, 2021.

A total of 9,202 employee restricted stock units vested and were converted to common shares during the three and six months ended June 30, 2022.

No director deferred units were converted to common shares during the six months ended June 30, 2022 and 2021

*Offerings of Common Stock*

On January 25, 2021, the Company entered into an Equity Distribution Agreement (“EDA”) with Canaccord Genuity LLC (“Canaccord”) under which we may offer and sell shares of our common stock in connection with the EDA in an aggregate offering amount of up to \$80,000,000 from time to time through Canaccord, acting exclusively as our sales agent (the “Offering”).

We issued and sold 1,455,130 shares of common stock during the six months ended June 30, 2021, in connection with the EDA at per share prices between \$12.36 and \$32.87, resulting in net proceeds to the Company of approximately \$26,400,000 after subtracting offering expenses.

We agreed to sell 200,000 shares of common stock on June 29, 2021, in connection with the ATM at a per share price of \$ 17.67. Payment for the 200,000 shares was not received by the Company until July 1, 2021. As a result, the Company recorded a subscription receivable, which is presented as contra equity, and an increase to additional paid in capital.

On January 14, 2022, the Company entered into an Equity Distribution Agreement (the “Sales Agreement”) with Canaccord, which replaced the EDA discussed above, under which we may offer and sell, from time to time, through or to Canaccord, as sales agent up to \$100,000,000 of its common stock. We intend to use the net proceeds of the Sales Agreement primarily for working capital and general corporate purposes.

We issued and sold 3,506,111 shares of common stock during the three months ended June 30, 2022, in connection with the Sales Agreement at per share prices between \$3.23 and \$4.89, resulting in net proceeds to the Company of \$12,602,091 after subtracting offering expenses. We issued and sold 4,066,402 shares of common stock during the six months ended June 30, 2022, in connection with the Sales Agreement at per share prices between \$3.23 and \$7.18, resulting in net proceeds to the Company of \$16,315,741 after subtracting offering expenses.

**NOTE 11: STOCK-BASED PAYMENTS**

The Company has common stock, common stock units, and common stock purchase options and warrants reserved pursuant to the 2018 Omnibus Stock Incentive Plan (“2018 Plan”), Amended and Restated 2015 Stock Incentive Plan (“2015 Plan”) and the Second Amended and Restated 2012 Employee Stock Benefit Plan (“2012 Plan”).

Stock-based compensation, including stock options, warrants and stock issued for compensation is included in the statements of operations as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Research and development	\$ 292,675	\$ 109,127	\$ 622,576	\$ 271,574
Sales and marketing	408,215	118,969	689,654	217,558
General and administrative	534,479	278,211	939,823	496,834
Cost of goods sold	576,650	171,559	971,077	352,378
<b>Total</b>	<b>\$ 1,812,019</b>	<b>\$ 677,866</b>	<b>\$ 3,223,130</b>	<b>\$ 1,338,344</b>

2018 Omnibus Stock Incentive Plan

The 2018 Plan authorizing 1,000,000 shares was approved by the Board of Directors and then the Company’s shareholders at the Company’s 2018 annual meeting of shareholders held on June 9, 2018. At the 2019 annual meeting, the shareholders approved an additional 1,000,000 shares of common stock to be issued under the 2018 Plan. On April 20, 2020, the board of directors approved an increase from 2,000,000 to 4,000,000 shares; at the annual shareholder meeting on June 20, 2020, the increase was approved by a majority of the shareholders. On June 11, 2021 the Company held its annual meeting of shareholders, and the board of directors approved an increase from 4,000,000 to 6,000,000 shares, the increase was approved by a majority of the shareholders.

**ARCIMOTO, INC.**  
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**(Unaudited)**

**NOTE 11: STOCK-BASED PAYMENTS (Continued)**

The 2018 Plan provides the Company the ability to grant to employees, directors, consultants, or advisors shares of common stock of the Company through the grant of equity awards, including, but not limited to, options that are incentive stock options or non-qualified stock options ("NQSOs") and restricted stock, provided that only employees are entitled to receive incentive stock options in accordance with IRS guidelines. As of June 30, 2022, the Company had 657,049 shares of common stock available to be issued under the 2018 Plan. Awards that are forfeited generally become available for grant under the 2018 Plan.

Stock-based compensation expense under the 2018 Plan for the three and six months ended June 30, 2022 was approximately \$1,809,842 and \$3,202,222, respectively. Stock-based compensation expense under the 2018 Plan for the three and six months ended June 30, 2021 was approximately \$657,000 and \$1,296,000, respectively.

During the first half of 2022, unqualified and qualified options to purchase 1,351,299 shares of common stock were granted to employees and vendors/consultants under the 2018 Plan with a grant date fair value of approximately \$5,803,000. The options were valued using the Black-Scholes option pricing model with approximately a 6.1 year expected term, risk free interest rate of 1.8%, a dividend yield of 0%, and an annualized standard deviation of stock price volatility of 97.14%. These options vest over three years.

During the first half of 2022, 395,276 restricted stock units were issued to certain personnel and outside consultants with a grant date fair value of approximately \$1,406,000. These shares were valued by using the closing price of Arcimoto's stock on the date of the grant. The majority of awards to external consultants vest over a one to three-year period except for 59,276 of the awarded units, which vested immediately upon issuance.

Total compensation cost related to non-vested option awards issued under the 2018 Plan not yet recognized as of June 30, 2022 was approximately \$10,383,000 and will be recognized on a straight-line basis through 2.12 years based on the respective vesting periods. Total compensation cost related to non-vested restricted stock awards issued under the 2018 Plan not yet recognized as of June 30, 2022 was approximately \$1,087,000 and will be recognized on a straight-line basis through 1.35 years based on the respective vesting periods. The amount of future stock compensation expense could be affected by any future grants or forfeitures.

2015 Stock Incentive Plan

The 2015 Plan provides the Company the ability to grant to employees, directors, consultants, or advisors shares of common stock of the Company through the grant of options that are incentive stock options or NQSOs and/or the grant of restricted stock, provided that only employees are entitled to receive incentive stock options in accordance with IRS guidelines. One million shares of common stock were authorized for issuance under the 2015 Plan.

Employee stock-based compensation expense for the three and six months ended June 30, 2022 related to the 2015 Plan was approximately \$2,177 and \$20,908, respectively. Employee stock-based compensation expense for the three and six months ended June 30, 2021 related to the 2015 Plan was approximately \$20,622 and \$42,194, respectively.

Total compensation cost related to non-vested awards not yet recognized as of June 30, 2022 was approximately \$4,100. The amounts will be recognized on a straight-line basis through May 2023 based on the respective vesting periods. The amount of future stock option compensation expense could be affected by any future option forfeitures.

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

Litigation

On March 6, 2020, the Company filed a complaint ("the Complaint") against Ayro, Inc. ("Ayro"), accusing Ayro of patent infringement in Federal District Court for the Western District of Texas, Waco Division (Case No. 6:20-cv-00176-ADA) ("the Ayro Litigation"). In the Complaint, Arcimoto alleged that Ayro's 311 two-seater electric vehicles infringe U.S. Patent 8,985,255 (the "255 Patent"). The Complaint asked for monetary damages and enhanced damages due to willful infringement of the 255 Patent by Ayro. On March 27, 2020, Ayro answered the Complaint, denying liability and asserting counterclaims of noninfringement and patent invalidity. During the first quarter of 2021, the parties reached a settlement and submitted a request to the court to dismiss the case.

The Company, Mark Frohnmayer and Douglas Campoli have been sued in two putative class actions in the United States District Court for the Eastern District of New York, *Barnette v. Arcimoto, Inc. et al.* (Case No. 21-cv-02143 filed on April 19, 2021) and *Gibson v. Arcimoto, Inc. et al.* (Case No. 21-cv-02870 filed on May 20, 2021). The putative class actions purported to be on behalf of all those who purchased the Company's common stock between February 14, 2018 and March 22, 2021. The allegations in the actions are based on the research report dated March 23, 2021 produced by Bonitas Research, LLC, a short seller of the Company's common stock. The *Barnette* and *Gibson* actions were consolidated as *In re Arcimoto, Inc. Securities Litigation* (Case No. 21-cv-02143) on July 14, 2021, and a consolidated amended complaint was filed on September 20, 2021. Briefing on the defendants' motion to dismiss the consolidated amended complaint was completed on March 11, 2022 and the Court has not yet issued a decision. No motion to certify a class has been filed at this time. The company believes it has substantial defenses to the claims asserted in this lawsuit and intends to vigorously defend this action. However, the Company cannot predict the outcome of these matters.

The Company is also a nominal defendant in two shareholder derivative lawsuits filed in the United States District Court for the Eastern District of New York, *Liu v. Frohnmayer et al.* (Case No. 21-cv-03702 filed on June 30, 2021) and *Carranza v. Frohnmayer et al.* (Case No. 21-cv-03888 filed on July 9, 2021), and a shareholder derivative lawsuit filed in the United States District Court for the District of Oregon, *Laguerre v. Frohnmayer et al.* (Case No. 21-cv-00982 filed on June 30, 2021) and *Adams v. Frohnmayer et al.* (Case No. 22-cv-00800 filed on June 1, 2022). Mark Frohnmayer, Douglas Campoli, Terry Becker, Nancy Calderon, Joshua Scherer, and Jesse Eisler are named as defendants in all four shareholder derivative suits. Jeff Curl is named as a defendant in *Laguerre*, *Liu* and *Adams*. The allegations in the shareholder derivative lawsuits largely arise from the Bonitas report referenced above. The *Liu* and *Carranza* actions were consolidated on August 4, 2021 as *In re Arcimoto, Inc. Derivative Litigation* (Lead Case No. 21-cv-03702). An unopposed motion to stay the *Adams* action has been filed and is still pending. The other derivative actions are currently stayed. The Company believes it has substantial defenses to the claims asserted and intends to vigorously defend the actions. However, the Company cannot predict the outcome of these matters.

The Company possesses insurance coverage to cover the litigation expenses with a deductible of \$1,500,000. The Company has an accounting policy to record an accrual of legal costs on the basis of an estimate of future legal costs. The amount of accrued litigation expenses at June 30, 2022 is approximately \$1,179,000.

Additionally, from time to time, we might become involved in lawsuits, claims, investigations, proceedings, and threats of litigation relating to intellectual property, commercial arrangements and other matters arising in the ordinary course of our business.

**ARCIMOTO, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 13: RELATED PARTY TRANSACTIONS**

Arcimoto may, from time to time, sell to its management and employees at a discounted price. Sales to such parties for the three and six months ended June 30, 2022 were not material. Also, from time to time, the Company may make certain purchases from an entity owned by the Chief Operating Officer. During the first half of 2022, the purchases were not material and the amount owed to the related party was zero at June 30, 2022.

On April 25, 2022, the Company entered into a \$4,500,000 convertible promissory note agreement with Ducera Investments LLC, a related party because a partner at Ducera is also a member of the Board of Directors at Arcimoto. Further disclosures are presented in Note 9 - Convertible Note.

**NOTE 14: SEGMENT REPORTING**

**Segment**

Arcimoto has three reportable segments that are identified based on its product lines and services: fun utility vehicles (“FUV”), rental and TMW. The FUV segment consists of the sale of its electric vehicle product lines while the rental segment’s operations involve generating revenue from the short-term rental of its electric vehicles via various channels or networks. The TMW segment, as discussed above, engages in the design, production, sales, and installation of a bolt on kit that converts a two wheeled motorcycle into a tilting three wheeled motorcycle.

The reportable segments were identified based on how the Chief Operations Decision Maker (“CODM”), which in the Company’s case, is the Chief Executive Officer (“CEO”), allocates resources to the various operations. The following tables disclose the financial information used by the CODM in allocating Arcimoto’s resources.

	For the three months ended				For the three months ended			
	June 30, 2022				June 30, 2021			
	FUV	Rental	TMW	Total	FUV	Rental	TMW	Total
Revenues	\$ 1,015,038	53,818	430,485	1,499,341	\$ 670,083	16,618	30,678	717,379
Operating Loss	(14,352,646)	(513,128)	(311,594)	(15,177,368)	(8,952,043)	16,617	(417,521)	(9,352,947)
Gain on forgiveness of PPP loan				-				(1,078,482)
Unrealized loss on convertible note fair value				2,145,540				-
Interest expense, net				124,171				47,348
Other Income				(45,937)				(75,279)
Income tax expense				3,200				150
Net loss				<u>(17,404,342)</u>				<u>(8,246,684)</u>

	For the six months ended				For the six months ended			
	June 30, 2022				June 30, 2021			
	FUV	Rental	TMW	Total	FUV	Rental	TMW	Total
Revenues	\$ 1,530,355	66,317	552,902	2,149,574	\$ 1,964,703	23,868	122,784	2,111,355
Operating Loss	(26,344,494)	(940,494)	(821,462)	(28,106,450)	(16,401,410)	23,868	(618,692)	(16,996,234)
Gain on forgiveness of PPP loan				-				(1,078,482)
Unrealized loss on convertible note fair value				2,145,540				-
Interest expense, net				173,906				99,575
Other Income				(71,196)				(89,433)
Income tax expense (benefit)				3,200				(2,938,698)
Net loss				<u>(30,357,900)</u>				<u>(12,989,196)</u>

**ARCIMOTO, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 15: SUBSEQUENT EVENTS**

The Company evaluates subsequent events that have occurred after the balance sheet date but before the financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) non-recognized, or those that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

The Company has evaluated subsequent events through the date the financial statements were issued and up to the time of filing with the Securities and Exchange Commission. The discussions that follow reflect this evaluation.

On July 29, 2022, Arcimoto's shareholders approved the 2022 Omnibus Stock Incentive Plan (the "2022 Plan"). The 2022 Plan enables the Company to provide additional incentives or awards to Employees, Directors and Consultants. These maximum aggregate number of shares which may be issued pursuant to all awards is 2,000,000 shares.

Subsequent to June 30, 2022, Arcimoto raised approximately \$9,033,370 (net of offering costs) as of August 15, 2022 through its Equity Distribution Agreement (the "Sales Agreement") with Canaccord Genuity LLC (the "Agent"), pursuant to which the Company may offer and sell, from time to time, through or to the Agent, as sales agent up to \$100,000,000 of shares ("Shares") of its common stock.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements that express our strategies, intentions, financial projections, beliefs, expectations, strategies, predictions, or any other statements relating to our future activities or other future events or conditions. Also, any statement that does not describe historical or current facts is a forward-looking statement. These statements generally can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “will”, “could”, “should”, “projects”, “plans”, “goal”, “targets”, “potential”, “estimates”, “pro forma”, “seeks”, “intends”, or “anticipates”, or similar expressions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors discussed from time to time in this report and in other documents which we file with the United States Securities and Exchange Commission (“SEC”). In addition, such statements could be affected by risks and uncertainties related to:

- our ability to identify financing sources to fund our capital expenditure requirements and continue operations until sufficient cash flow can be generated from operations;
- our ability to lower production costs to achieve cost-effective mass production, which we believe will be an important factor affecting adoption of the products;
- our ability to effectively execute our business plan and growth strategy;
- unforeseen or recurring operational problems at our facility, or a catastrophic loss of our manufacturing facility, including the temporary closures of our facility that might be required as a result of the continuing COVID-19 pandemic;
- our dependence on our suppliers, whose ability to supply us may be negatively impacted by, among other things, the measures being implemented to address COVID-19;
- our ability to secure battery cells from a foreign sole sourced vendor in order to maintain production levels due to supply chain constraints;
- changes in consumer demand for, and acceptance of, our products;
- overall strength and stability of general economic conditions and specifically of the automotive industry, both in the United States and globally;
- changes in U.S. and foreign trade policy, including the imposition of tariffs and the resulting consequences;
- changes in the competitive environment, including adoption of technologies and products that compete with our products;
- our ability to generate consistent revenues;
- our ability to design, produce and market our vehicles within projected timeframes given that a vehicle consists of several thousand unique items and we can only go as fast as the slowest item;

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- our experience to date in manufacturing and our ability to manufacture increasing numbers of vehicles at the volumes that we need in order to meet our goals;
- our reliance on us as well as our ability to attract and retain key personnel;
- changes in the price of oil and electricity;
- changes in laws or regulations governing our business and operations;
- our ability to maintain adequate liquidity and financing sources and an appropriate level of debt, if any, on terms favorable to our company;
- the number of reservations and cancellations for our vehicles and our ability to deliver on those reservations;
- our ability to maintain quality control over our vehicles and avoid material vehicle recalls;
- our ability to manage the distribution channels for our products, including our ability to successfully implement our direct to consumer distribution strategy and any additional distribution strategies we may deem appropriate;
- our ability to obtain and protect our existing intellectual property protections including patents;
- changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on earnings or losses;
- interest rates and the credit markets;
- costs and risks associated with litigation; and
- other risks described from time to time in periodic and current reports that we file with the SEC.

The foregoing list does not contain all potential risks and uncertainties. Any forward-looking statements speak only as of the date on which they are made, and except as may be required under applicable securities laws; we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the filing date of this report.

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion and analysis of our financial condition and results of operations for the three and six months ended June 30, 2022 and 2021 should be read together with our unaudited condensed financial statements and related notes included elsewhere in this report and in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2021 included in the Company’s Annual Report on Form 10-K filed with the SEC on March 31, 2022. The following discussion contains “forward-looking statements” that reflect our future plans, estimates, beliefs and expected performance. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those set forth above. We caution that assumptions, expectations, projections, intentions or beliefs about future events may, and often do, vary from actual results and the differences can be material. Please see “Cautionary Note Regarding Forward-Looking Statements.”

**Overview**

Arcimoto, Inc. (the “Company”, “We”, “Us”, or “Our”) was incorporated in the State of Oregon on November 21, 2007, with the mission to catalyze the shift to a sustainable transportation system. We build light, electric, ultra-efficient vehicles that are incredibly fun to drive for a reason. Put simply, our vision is an untouched planet and more livable cities.

Today’s city is dominated by the traditional four-wheeled vehicle. We pave almost half our urban land for these giant, multi-ton, extractive machines that we almost always drive alone or with just one other person and leave parked and rusting for most of their useful lives.

At Arcimoto, we believe that if we rightsize, electrify, and better utilize our vehicles, we can reclaim our shared space, help clean our skies, and make cities more livable for us all.

We have developed a new, human-scale three-wheeled electric vehicle platform, featuring dual-motor front wheel drive, a battery pack sized to meet the range needs of the vast majority of typical trips, and an optimized center of gravity for a nimble, balanced driving experience. On this platform, we currently manufacture a family of products targeting a wide range of everyday uses: the Fun Utility Vehicle® (“FUV®”), for daily driving, rideshare and rental, the Deliverator for last-mile delivery of essential food and goods, the Rapid Responder® for emergency services and security, the Flatbed for general fleet utility, and the Roadster, a pure fun machine that drives like nothing else on the road.

The following table depicts our production, deployment and sales by quarter:

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Overall
Finished Good Inventory	0	8	20	12	10	9	23	61	45	35	18	55	
Deployed into rental	0	0	0	0	0	0	7	12	15	25	19	20	98
Deployed into fixed assets	0	2	1	7	0	11	7	4	15	28	0	4	79
Sales	2	44	27	11	31	28	60	31	64	37	24	41	400
Production	2	54	40	10	29	38	88	85	78	80	26	102	632

The Company’s primary focus is on volume production planning in order to push to sustainable profitability. On April 19, 2021, the Company purchased an approximately 220,000 square foot facility to expand production capabilities. The Company has continued to execute its growth strategy while preparing to secure lower cost non-dilutive financing.

**Platform and Technologies**

Arcimoto is fundamentally a technology company. Its first decade was spent developing and refining eight generations of a new three-wheeled electric vehicle platform: a light-footprint, nimble reverse-trike architecture that features a low center of gravity for stability on the road; dual-motor front-wheel drive for enhanced traction; can be parked three to a space while carrying two large adults comfortably, and is more efficient, by an order of magnitude, than today’s gas-powered cars. The Company has secured 13 utility patents on various constituent technologies and vehicle platform architectures. Arcimoto has teamed with several companies to evaluate Arcimoto’s manufacturing processes and supply chain management in order to drive down costs and increase the volume of production of Arcimoto ultra-efficient electric vehicles. This project progressed significantly, primarily due to the purchase of a new production facility and additional capital manufacturing equipment, continued production ramp planning, and product architecture sourcing-selection across all major vehicle subsystems.

## Products

Arcimoto's vehicle products are based on the Arcimoto Platform, which includes the basic lower framed structure and certain key components of our vehicles. While intended to serve very different market segments, an estimated 90% of the constituent parts are the same between all products currently in production and development.

### *FUV®*

Arcimoto's flagship product is the FUV. The FUV delivers a thrilling ride experience, exceptional maneuverability, comfort for two passengers with cargo, highly-efficient parking (three FUVs to a single parking space), and ultra-efficient operation, all at an affordable price. Over time, we anticipate offering the FUV with several option packages to meet the needs of a variety of customers.

We led with a consumer product because we are a consumer-first brand. We believe individuals should be able to choose more efficient, more affordable, and lighter-footprint mobility solutions, so that more of us can participate in the transition to a sustainable transportation future.

### *Rapid Responder®*

The Rapid Responder® was announced on February 15, 2019. The pure-electric Rapid Responder® is developed on the Arcimoto platform, and designed to perform specialized emergency, security and law enforcement services at a fraction of the cost and environmental impact of traditional combustion vehicles. The Rapid Responder® aims to deliver first responders to incidents more quickly and affordably than traditional emergency response vehicles.

Arcimoto is initially targeting the more than 50,000 fire stations across the United States that use traditional fire engines and large automobiles to respond to calls. Arcimoto also plans to market the Rapid Responder® as a solution for campus security and law enforcement applications.

### *Deliverator®*

Development of the Deliverator was officially announced on March 19, 2019 with the reveal of the first Deliverator prototype. The Deliverator is currently in production.

The Deliverator is a pure electric, last-mile delivery solution designed to more quickly, efficiently, and affordably get goods where they need to go. We plan for the Deliverator to be customizable to carry a wide array of products, from pizza, groceries, and cold goods to the 65 billion parcels delivered worldwide annually.

### *Cameo (™)*

Arcimoto completed a prototype of the Cameo, an FUV equipped with a rear-facing rear seat and a modified roof built for on-road filming in September 2020. We teased the Cameo prototype in several Arcimoto videos in September 2020 and have used the Cameo to shoot all of our own driving footage since its on-boarding. Development of the Cameo is still in the planning stages.

The Cameo is aimed at the film industry, as well as the growing influencer and Do-It-Yourself (“DIY”) film market. The Cameo is currently available to prospective customers as a custom-modified FUV.

### *Arcimoto Roadster*

The Arcimoto Roadster prototype was first introduced in a video released October 30, 2020. Conceived as a pure platform fun machine, the Roadster offers a lower center of gravity, lower overall weight, and potentially improved aerodynamics. We announced the formal development of the Roadster product, in collaboration with industry partners on November 16, 2020. The first production Roadster was unveiled on July 26, 2021.

### *Arcimoto Flatbed*

The Arcimoto Flatbed prototype was introduced at the FUV & Friends Summer Showcase on July 26, 2021. Similar to the Deliverator, it eschews the rear seat, this time for a pickup-style flatbed instead of an enclosed cargo area. Arcimoto announced a collaboration with a Eugene-based industry partner, and displayed a modular, expandable flatbed that could be used for the Flatbed model.

### **Autonomous Driverless Arcimoto**

Our long-term goal is to offer the market one of the lowest cost, most efficient “last mile” human and goods shared transport solutions for the future road. We intend that our platform will provide a ready foundation for remote control and self-driving technology deployment, and have begun to demonstrate that capability.

At the FUV & Friends Summer Showcase on July 26, 2021, Arcimoto demonstrated progress on torque vectoring and other drive system software improvements, including “drive-by-wire” functionality, a foundational layer for a true driverless control system.

The first step toward that driverless control system was also on display at the Summer Showcase. A technology company, based in South San Francisco, demonstrated the first ever driverless FUV using remote control, a step toward ride-on-demand, where riders will be able to summon a vehicle to their location and then hop in and drive.

Development has continued to progress to the point where a vehicle was operated without a human on board.

### **Sales and Distribution Model**

Arcimoto’s sales and distribution model is direct. Customers place vehicle orders on our website, and the vehicle product will be delivered directly to the end user via a common carrier or our own delivery fleet. The website ordering and vehicle configuration system is functional, with additional development planned to further automate the sales process.

We are also developing relationships with commercial fleet management companies to accelerate commercial sales.

On October 26, 2020, we announced a partnership with DHL to provide nationwide home delivery of the FUV. They are currently handling the bulk of our customer deliveries.

## **Rental and Rideshare Model**

We plan to augment this direct web purchase process with experiential rental operations in key markets. This rental model gives prospective customers a direct experience with the physical product before purchasing. We opened our first Company-owned rental operations in San Diego, California and Eugene, Oregon in the second quarter of 2021. The Company-owned rental center in Hawaii is scheduled to open August 20, 2022. Additional rental vehicles are available at our franchise rental location, Arcimoto Key West in Key West, Florida and at revenue sharing partner operators across locations in Washington, Florida, California, and Oregon. We entered into an agreement with the Graduate Hotel in Eugene, Oregon in the third quarter of 2021 to rent FUVs to hotel guests. We have a revenue sharing agreement with GoCars in San Diego with additional locations opening in the second half of 2022.

We plan to open additional Arcimoto-owned and operated rental locations in favorable markets in the future, while also further developing partner rental operations, and aggressively pursuing new partners for those operations.

## **Service**

We are pursuing three different models for service of the FUV:

### *Service-on-demand*

Our initial model is on-demand and on-site vehicle service by Arcimoto technicians or Arcimoto-authorized technicians. Service-on-demand will likely be the primary model during our West Coast release as the majority of the vehicles will be geographically located relatively near the factory or a mobile technician. We intend for customers to request service either through the Arcimoto mobile app or by calling a 24-hour service number.

### *In-market partnership*

We are currently reviewing potential service partners located in our key distribution regions. We have contracted with Agero Driver Assistance Services, Inc. to provide our customers with roadside assistance. We are currently reviewing Agero's network of pre-approved third-party service providers, as well as other third-party service providers, to perform service on Arcimoto vehicles. We are currently selecting, training, and certifying providers as we expand.

### *Rental facility service*

We employ Arcimoto service technicians at some of our rental locations, depending on the dealer laws in the state. Customers near those rental locations are able to deliver their vehicle to that location for service needs.

## **Vehicle Financing**

We have secured multiple partners nationwide to apply for consumer financing on our website. We have expanded financing options for customers to pursue personal financing to purchase our FUVs.

## **Management Opportunities, Challenges and Risks**

### *Sales Funnel, Order Backlog, etc.*

We are focused on building our sales and rental revenue in the states where we have current rental operations and delivery options available for customers: California, Florida, Washington, Oregon, Nevada, and Arizona. We recently added Hawaii which is scheduled to open rentals August 20th 2022. Also, we plan to expand our business in other states as we scale our production. While we expand geographical boundaries of our business operations, we also plan to expand and improve on the customers' retail experiences by including additional rental partnerships and pop-up demo drive experiences through new Customer Experience Centers. Our current conversion rate from our rental operations and demo drives is pacing YTD at approximately 8%. In Q2 we converted 4% of drives to order with anticipation of continued conversion in the months ahead in line with longer selling cycles for vehicle purchases. We aim to increase our conversion rate for both our rental operations and demo drives through increased engagement at each step of our customer journey and grow our drive volume by expanding our geographical footprint through various channels. These various channels include, but are not limited to, our rental operations, pop-up demo centers in high traffic flagship markets, strategic events and shows throughout the country and identifying new markets and expanding our brand awareness.

At June 30, 2022, the order backlog for our vehicles is 41. The conversion rate from order backlog to actual sales is approximately 95%. During the second quarter of 2022, the volume of demo drives made by potential customers is 1,228.

Currently, we are dependent on a single supplier for our battery cells. During the third quarter of 2021, we received two types of battery cells, one of which has been discontinued. In order to use these cells, our engineering team is currently developing a module that will enable the utilization of these battery cell types. Upon development, regulatory testing will be conducted for compliance with government safety standards. This development and testing will occur concurrently with the planned pause in production discussed in the paragraph above. One of the battery cells was certified while another cell is expected to complete certification by the fourth quarter of 2022. We do not expect any challenges in regard to the certification process. We also expect that future battery cell purchases may have to be certified if these purchased cells have different specifications than what already has been certified.

We have contracted with a constellation of industry partners to evaluate Arcimoto's manufacturing processes and supply chain management in order to drive down costs and begin high-volume production of Arcimoto ultra-efficient electric vehicles. To date, substantial progress has been made in understanding the cost models for future vehicles based on current and anticipated supply chain conditions, ergonomic studies, planning for failure modes and effects analysis ("FMEA"), baseline ride-drive characteristics, mapping out European Union ("EU") certification, cost reduction for manufacturing, lean manufacturing analysis, vehicle architecture sourcing-selection for all major subsystems and the technology roadmap for future vehicles and marketing roadmap.

We have conducted multiple pilot programs with various partners to add credence to the business case for a light weight rapid response electric vehicle. Rapid responders have been well received under these pilot programs.

We have several ongoing Deliverator pilot programs with individuals, municipalities, and corporate fleets. We have completed the first phase of tool-up for manufacture and production of the Deliverator, and we will continue to build Deliverators in low volume through the remainder of 2022, to support commercial new pilot programs.

#### Mean-Lean-Machine ("MLM")

We currently have received 1,000 pre-orders or \$100,000 cash, net of cancellations for our MLM product line. The MLM is an electric three-wheeled bicycle that incorporates our tilting technology.

#### *Trends in Cash Flow, Capital Expenditures and Operating Expenses*

Our capital expenditures are typically difficult to project beyond the short term given the number and breadth of our core projects at any given time and may further be impacted by uncertainties in future market conditions. We are simultaneously ramping new products in the Deliverator and Roadster, micro mobility, ramping manufacturing facilities in the new 10-acre campus and piloting the development and manufacture of new battery module technologies, and the pace of our capital spend may vary depending on overall priority among projects, the pace at which we meet milestones, production adjustments to and among our various products, increased capital efficiencies and the addition of new projects. Owing and subject to the foregoing as well as the pipeline of announced projects under development and all other continuing infrastructure growth, we currently expect our capital expenditures to be between \$35,000,000 to \$40,000,000 in 2022 and each of the next two fiscal years.

Our business has been consistently generating negative cash flow from operations, some of this is offset with better working capital management resulting in shorter days sales outstanding than days payable outstanding. We are also likely to see heightened levels of capital expenditures during certain periods depending on the specific pace of our capital-intensive projects and rising material prices and increasing supply chain and labor expenses resulting from changes in global trade conditions and labor availability associated with the COVID-19 pandemic. Moreover, while our stock price was significantly elevated during parts of 2021, we saw higher levels of exercise of investor warrants and options from employee equity plans, which obligates us to deliver shares pursuant to the terms of those agreements. Overall, we expect our ability to be self-funding to be achieved as we approach a sales volume of approximately 7,500 vehicles per year and as long as macroeconomic factors support growth in our sales, and engineering cost reductions and volume pricing improve materials cost.

Operating expenses increased by approximately 55% or \$3,750,000 for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021 and 59%, or \$7,470,000, for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. This increase was primarily due to, among other things, increased sales and marketing costs and research and development ("R&D") expenses. Sales and marketing expenses increased as we ramped up our marketing efforts to achieve higher levels of sales growth. Research and development expenses increased as we pursued new and more efficient methods of production processes and continued to improve our technological design and development of our product lines. The number of employees increased by approximately 46%, from 198 as of June 30, 2021, to 289 employees as of June 30, 2022. The increased staff was needed to build out all parts of the Company for selling and servicing vehicles.

Risks and Uncertainties

In the future, the Company may not have the capital resources necessary to further the development of existing and/or new products.

Our current cost structure, along with other factors including market penetration in the states we are currently doing business, does not allow us to achieve profitability. Although we are constantly trying to improve our cost structure and market penetration, we may not succeed to the point where we can achieve profitability consistently. Also, Arcimoto may not be able to reduce costs to the level necessary to unlock the market potential for our products.

We may, from time to time, be subject to recalls due to, among other things, software glitches and/or faulty parts which may require us to provide warranty repairs to our customers. These additional warranties may have a negative impact on our financial resources, which may in turn, negatively impact our financial results.

Although we expect our acquisition of Tilting Motor Works, Inc. ("TMW") to positively impact our overall financial performance, the results may not justify our intangible asset values. If this occurs, we will have to consider the recoverability of our values placed on our intangible assets.

**New Accounting Pronouncements**

For a description of new accounting pronouncements, please refer to the "Summary of Significant Accounting Policies" in Note 2 to our Condensed Financial Statements under Part I, Item 1 of this Quarterly Report on Form 10-Q and the Company's Annual Report on Form 10-K filed with the SEC on March 31, 2022.

## Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience, as appropriate, and on various other assumptions that we believe are reasonable under the circumstances. Changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by our management. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. See Note 2 to our Condensed Financial Statements under Part I, Item 1 of this Quarterly Report on Form 10-Q.

### Inventory

Inventory is stated at the lower of cost (using the first-in, first-out method ("FIFO")) or net realizable value. We expense all labor and overhead costs as we are currently selling vehicles below the base cost of a finished unit. As such, our inventory costs consist mainly of material costs. Due to external economic conditions, including supply chain issues and inflation, among other things, such costs may fluctuate significantly over time and affect our results of operations. There had been no significant fluctuations in costs of the materials used in our inventory during the first half of 2022.

### Convertible Note

We have elected the fair value option under ASC 825-10-25 to account for the convertible note. We have utilized a binomial lattice methodology in estimating the fair value. The note's fair value measurement is classified as Level 2 under the fair value hierarchy as provided by ASC 820, "Fair Value Measurement". The fair valuation of this convertible note uses inputs other than quoted prices that are observable either directly or indirectly. Under this option, changes in fair value of the convertible debt are recorded as an unrealized gain/loss on convertible note fair value in the Condensed Statements of Operations.

## Results of Operations

### Three Months Ended June 30, 2022 versus Three Months Ended June 30, 2021

The following table summarizes the Company's results of operations:

	Three Months Ended		Change	
	2022	2021	Dollars	Percentage
Revenue	\$ 1,499,341	\$ 717,379	\$ 781,962	109%
Cost of goods sold	6,104,337	3,248,061	2,856,276	88%
Gross loss	(4,604,996)	(2,530,682)	(2,074,314)	82%
Operating expenses:				
Research and development	3,716,431	2,646,071	1,070,360	40%
Sales and marketing	3,070,280	1,589,475	1,480,805	93%
General and administrative	3,785,661	2,586,719	1,198,942	46%
Total operating expenses	10,572,372	6,822,265	3,750,107	55%
Loss from operations	(15,177,368)	(9,352,947)	(5,824,421)	62%
Other (income) expense:				
Gain on forgiveness of PPP loan	—	(1,078,482)	1,078,482	(100)%
Unrealized loss on convertible note fair value	2,145,540	—	2,145,540	NA
Interest expense	124,171	47,348	76,823	162%
Other income	(45,937)	(75,279)	29,342	(39)%
Loss before income tax benefit	(17,401,142)	(8,246,534)	(9,154,608)	111%
Income tax benefit	(3,200)	(150)	(3,050)	2033%
Net loss	\$ (17,404,342)	\$ (8,246,684)	\$ (9,157,658)	111%

## Revenues

Total revenue increased approximately \$782,000 or 109% for the three months ended June 30, 2022, compared to the same period last year. The increase was primarily due to an increase in the number of FUV units sold, partially offset by slightly lower average sales price for the quarter, an increase in TMW revenue and a slight increase in rental revenue. These increases were due to the ramp up of our marketing and sales activities.

We had approximately \$1,499,000 in revenue, comprising approximately \$1,015,000 in net revenue from the sales of our vehicles and related products and accessories, approximately \$430,000 in TMW net revenue and approximately \$54,000 in net revenue from rental operations during the three months ended June 30, 2022. We had approximately \$717,000 in revenue, comprising approximately \$670,000 in revenue from the sales of our vehicles, approximately \$31,000 in TMW revenue and approximately \$17,000 in revenue from our rental operation during the three months ended June 30, 2021.

### ***Cost of Goods Sold***

Cost of goods sold increased by approximately \$2,856,000 or 88%, primarily driven by higher materials cost due to increased production and rising costs due to global supply chain issues, higher payroll costs due to additional hiring and company-wide cost of living payroll increases and higher manufacturing overhead as a result of ramping up our production operations and to a lesser extent, higher inventory losses due to purchase price variance and higher TMW COGS as a result of higher TMW revenues.

We had approximately \$6,104,000 in cost of goods sold (“COGS”), comprising approximately \$999,000 for FUV material and freight costs from the sale of our vehicles, \$151,000 related to our rental operations, \$316,000 related to TMW, \$130,000 in warranty costs, \$486,000 from an adjustment to inventory for purchase price variance, obsolescence and scrap, and approximately \$4,024,000 in manufacturing, labor, and overhead, during the three months ended June 30, 2022. Included in the manufacturing, labor and overhead costs are payroll and employee-related costs of \$2,192,000 while the remaining costs consist of consulting services, freight, and depreciation, among other things.

We had approximately \$3,248,000 in COGS, comprising approximately \$655,000 for FUV material costs from the sale of our vehicles, \$87,000 in warranty reserves, \$26,000 in TMW COGS and \$83,000 in other material-related costs, and approximately \$2,397,000 in manufacturing, labor, and overhead, during the three months ended June 30, 2021

### ***Operating Expenses***

#### ***Research and Development (“R&D”) Expenses***

R&D expenses increased by \$1,070,000 or 40% during the three months ended June 30, 2022 as compared to the same period last year primarily due to higher costs incurred in developing and/or improving new technology in connection with our product lines and also designing production processes in anticipation of future increases in production volume. The increase was due to higher consulting services and payroll costs as a result of additional hiring and cost of living payroll increases. R&D expenses for the three months ended June 30, 2022 and 2021 were approximately \$3,716,000 and \$2,646,000, respectively.

#### ***Sales and Marketing (“S&M”) Expenses***

S&M expenses for the three months ended June 30, 2022 and 2021 were approximately \$3,070,000 and \$1,589,000, respectively. The primary reasons for the increase in sales and marketing expenses during the three months ended June 30, 2022 of approximately \$1,481,000, or 93%, as compared to the prior period were increased costs related to the expansion of the sales and marketing department and higher activities to market our product lines via various forms of customer communications. As markets opened up after the COVID-19 pandemic, we have expanded into new markets, conducted road shows and incurred expenses to increase our brand awareness. We have hired key sales and marketing personnel to support our sales growth strategy which increased our payroll and employee-related costs. The higher levels of marketing activities resulted in higher travel and marketing costs.

#### ***General and Administrative (“G&A”) Expenses***

G&A expenses consist primarily of personnel and facilities costs related to executives, finance, human resources, information technology, as well as legal fees for professional and contract services. G&A expenses for the three months ended June 30, 2022 were approximately \$3,786,000 as compared to approximately \$2,587,000 for the same period last year, representing an increase of approximately \$1,199,000, or 46%. The increase was primarily due to, among other things, higher payroll and payroll-related costs as a result of cost of living payroll increases and additional employees needed to support anticipated business growth, higher consulting costs to support our technology infrastructure, higher insurance costs from higher business activities, higher legal costs, partially offset by lower accounting and professional fees.

### ***Gain on forgiveness of PPP Loan***

On May 5, 2020, the Company received a Paycheck Protection Program (“PPP”) loan in the amount of approximately \$1,069,000, referred to on the balance sheet as Note payable to bank. The loan has an interest rate of 1% and monthly payments of approximately \$60,000 for 18 months beginning December 5, 2020. This loan is eligible for the limited loan forgiveness provisions of Section 1102 of the CARES Act, and the SBA Interim Final Rule dated April 2, 2020. On April 27, 2021 all of the outstanding principal and interest of approximately \$1,069,000 and \$10,000, respectively, were forgiven as of June 30, 2021. No such transaction took place in 2022.

### ***Unrealized Loss on Convertible Note Fair Value***

We recorded an unrealized loss of \$2,145,540 as a result of the mark-to-market to fair value for the convertible note in accordance with ASC 825-10-25.

### ***Interest Expense***

Interest expense for the three months ended June 30, 2022 was approximately \$124,000, as compared to \$47,000 during the three months ended June 30, 2021. The increase in interest expense was primarily due to the interest accrued on the convertible note.

### ***Other Income***

Other income was approximately \$46,000 for the three months ended June 30, 2022 and approximately \$75,000 for the three months ended June 30, 2021. Other income consists primarily of miscellaneous items.

**Six Months Ended June 30, 2022 versus Six Months Ended June 30, 2021**

The following table summarizes the Company's results of operations:

	Six Months Ended June 30,		Change	
	2022	2021	Dollars	Percentage
Revenue:	2,149,574	2,111,355	38,219	2%
Cost of goods sold	10,151,609	6,472,812	3,678,797	57%
Gross loss	(8,002,035)	(4,361,457)	(3,640,578)	83%
Operating expenses:				
Research and development	7,623,016	5,070,511	2,552,505	50%
Sales and marketing	5,996,785	2,554,078	3,442,707	135%
General and administrative	6,484,614	5,010,188	1,474,426	29%
Total operating expenses	20,104,415	12,634,777	7,469,638	59%
Loss from operations	(28,106,450)	(16,996,234)	(11,110,216)	65%
Other (income) expense:				
Gain on forgiveness of PPP loan	—	(1,078,482)	1,078,482	(100)%
Unrealized loss on convertible note fair value	2,145,540	—	2,145,540	NA
Interest expense	173,906	99,575	74,331	75%
Other income	(71,196)	(89,433)	18,237	(20)%
Loss before income tax benefit	(30,354,700)	(15,927,894)	(14,426,806)	91%
Income tax (expense) benefit	(3,200)	2,938,698	(2,941,898)	(100)%
Net loss	<u>\$ (30,357,900)</u>	<u>\$ (12,989,196)</u>	<u>\$ (17,368,704)</u>	<u>134%</u>

**Revenues**

Total revenue increased slightly by approximately \$38,000 or 2% for the six months ended June 30, 2022, compared to the same period last year. The increase was primarily due to an increase in TWM revenue and rental revenue, partially offset by a decline in our FUV sales as we temporarily ceased production in the first quarter of 2022 in order to move into our new production facilities in anticipation of future production growth. TMW was acquired during the first quarter of 2021 and therefore, TMW revenues for the six months ended June 30, 2021 were from the time of acquisition till June 30, 2021.

We had approximately \$2,150,000 in revenue, comprising approximately \$1,530,000 in net revenue from the sales of our vehicles and related products and accessories, approximately \$553,000 in TMW net revenue and approximately \$67,000 in net revenue from rental operations during the six months ended June 30, 2022. We had approximately \$2,111,000 in revenue, comprising approximately \$1,964,000 in revenue from the sales of our vehicles and related products and accessories, approximately \$123,000 and approximately \$24,000 in revenue from rental operations during the six months ended June 30, 2021.

### ***Cost of Goods Sold***

Cost of goods sold increased by approximately \$3,679,000 or 57%, primarily driven by higher payroll costs due to additional hiring and company-wide cost of living payroll increases and higher manufacturing overhead as a result of ramping up our production operations and higher inventory losses due to purchase price variance, higher freight charges as a result of macroeconomic factors related to transportation costs, higher TMW and rental COGS due to increased activity compared to the same period last year. As noted above, TMW was acquired during the first quarter of 2021 and as such, the results of operations for TMW did not fully reflect six months of operations in 2021.

We had approximately \$10,152,000 in cost of goods sold ("COGS"), comprising approximately \$1,492,000 for FUV material and freight costs from the sale of our vehicles, \$287,000 related to our rental operations, \$407,000 related to TMW, \$200,000 in warranty costs, \$692,000 from an adjustment to inventory for purchase price variance, obsolescence and scrap, and approximately \$7,073,000 in manufacturing, labor, and overhead, during the six months ended June 30, 2022. Included in the manufacturing, labor and overhead costs are payroll and employee-related costs of \$3,034,000 while the remaining costs consist of consulting services, freight, and depreciation, among other things.

We had approximately \$6,473,000 in COGS, comprising approximately \$1,931,000 for FUV material and freight costs from the sale of our vehicles, \$93,000 related to TMW, \$237,000 in warranty costs, \$28,000 from an adjustment to inventory for purchase price variance and scrap and other costs, and approximately \$4,184,000 in manufacturing, labor, and overhead, during the six months ended June 30, 2021.

### ***Operating Expenses***

#### *Research and Development ("R&D") Expenses*

R&D expenses increased by \$2,553,000 or 50% during the six months ended June 30, 2022 as compared to the same period last year primarily due to higher costs incurred in developing and/or improving new technology in connection with our product lines and also designing production processes in anticipation of future increases in production volume. The increase was due to higher consulting services and payroll costs as a result of additional hiring and cost of living payroll increases. R&D expenses for the six months ended June 30, 2022 and 2021 were approximately \$7,623,000 and 5,070,511, respectively.

#### *Sales and Marketing ("S&M") Expenses*

S&M expenses for the six months ended June 30, 2022 and 2021 were approximately \$5,997,000 and \$2,554,000, respectively. The primary reasons for the increase in sales and marketing expenses during the six months ended June 30, 2022 of approximately \$3,443,000, or 135%, as compared to the prior period was increased costs related to the expansion of the sales and marketing department and higher activities to market our product lines via various forms of customer communications. As markets opened up after the COVID-19 pandemic, we have expanded into new markets, conducted road shows and incurred expenses to increase our brand awareness. We have hired key sales and marketing personnel to support our sales growth strategy which increased our payroll and employee-related costs. The higher levels of marketing activities resulted in higher travel and marketing costs.

#### *General and Administrative ("G&A") Expenses*

G&A expenses consist primarily of personnel and facilities costs related to executives, finance, human resources, information technology, as well as legal fees for professional and contract services. G&A expenses for the six months ended June 30, 2022 were approximately \$6,485,000 as compared to approximately \$5,010,000 for the same period last year, representing an increase of approximately \$1,474,000, or 29%. The increase was primarily due to, among other things, higher payroll and payroll-related costs as a result of cost of living payroll increases and additional employees needed to support anticipated business growth, higher consulting costs to support our technology infrastructure, higher insurance costs from higher business activities, partially offset by lower legal, accounting and professional fees.

### ***Gain on forgiveness of PPP Loan***

On May 5, 2020, the Company received a Paycheck Protection Program (“PPP”) loan in the amount of approximately \$1,069,000, referred to on the balance sheet as Note payable to bank. The loan has an interest rate of 1% and monthly payments of approximately \$60,000 for 18 months beginning December 5, 2020. This loan is eligible for the limited loan forgiveness provisions of Section 1102 of the CARES Act, and the SBA Interim Final Rule dated April 2, 2020. On April 27, 2021 all of the outstanding principal and interest of approximately \$1,069,000 and \$10,000, respectively, were forgiven as of June 30, 2021. No such transaction took place in 2022.

### ***Unrealized Loss on Convertible Note Fair Value***

We recorded an unrealized loss of \$2,145,540 as a result of the mark-to-market to fair value for the convertible note.

### ***Interest Expense***

Interest expense for the six months ended June 30, 2022 was approximately \$174,000, as compared to \$100,000 during the six months ended June 30, 2021. The increase in interest expense was primarily due to the interest accrued on the convertible note.

### ***Other Income***

Other income was approximately \$71,000 for the six months ended June 30, 2022 and approximately \$89,000 for the six months ended June 30, 2021. Other income consists primarily of miscellaneous items.

### ***Liquidity and Capital Resources***

#### ***Cash Flows from Operating Activities***

Our cash flows from operating activities are significantly affected by our cash outflows to support the growth of our business in areas such as R&D, sales and marketing and G&A expenses. Our operating cash flows are also affected by our working capital needs to support personnel related expenditures, accounts payable, inventory purchases and other current assets and liabilities.

During the six months ended June 30, 2022 cash used in operating activities was approximately \$26,105,000, which included a net loss of approximately \$30,358,000, non-cash charges of \$7,753,000 and changes in net working capital and other items that contributed to cash and cash equivalent reduction of approximately \$3,500,000. Our net loss was primarily due to, among other things, (1) spending on R&D expenditures to develop and improve new technology in connection with our product lines and new designs of our production processes in anticipation of future increases in production volume, and (2) spending on S&M expenses as we increased our sales force in order to ramp up our marketing efforts and activities to increase our brand awareness and conduct road shows. Our inventory increased in anticipation of future sales and production growth while our accounts payable increased, primarily due to timing.

During the six months ended June 30, 2021, cash used in operating activities was approximately \$14,021,000, which included a net loss of approximately \$12,989,000, non-cash charges of approximately \$1,660,000, and changes in net working capital items of approximately \$629,000.

#### ***Cash Flows from Investing Activities***

Cash flows from investing activities primarily relate to the capital expenditures to support our growth in operations, including investments in manufacturing equipment and tooling. During the six months ended June 30, 2022 we paid approximately \$5,608,000 to purchase property and equipment in anticipation of our future production growth.

During the six months ended June 30, 2021, we paid approximately \$13,737,000 to purchase property and equipment, approximately \$24,000 for security deposits, and \$1,754,000 as part of the TMW acquisition.

#### ***Cash Flows from Financing Activities***

During the six months ended June 30, 2022 net cash provided by financing activities was approximately \$19,755,000, compared to net cash provided by financing activities of approximately \$28,558,000 during the six months ended June 30, 2021. Cash flows provided by financing activities during the six months ended June 30, 2022 comprised of proceeds from the issuance of common stock through our registered offerings of approximately \$16,315,000 (net of offering costs of approximately \$598,000, proceeds from exercise of warrants of approximately \$20,000, proceeds from equipment notes of approximately \$65,000, proceeds from the exercise of options of approximately \$83,000, and proceeds from convertible note of \$4,500,000, reduced by payments of notes payable of approximately \$789,000, payments on finance lease obligations of approximately \$195,000 and equipment notes of approximately \$245,000.

During the six months ended June 30, 2021, net cash provided by financing activities was approximately \$28,558,000. Cash flows provided by financing activities during the six months ended June 30, 2021 mainly comprised of proceeds from the issuance of common stock through our S-3 offering of approximately \$26,383,000 (net of offering costs of approximately \$924,000), proceeds from exercise of stock options and warrants of approximately \$932,000, proceeds from equipment notes of approximately \$294,000, reduced by repayments of notes payable of approximately \$429,000, repayment of equipment notes of approximately \$329,000.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Because we are allowed to comply with the disclosure obligations applicable to a “smaller reporting company,” as defined by Rule 12b-2 of the Exchange Act, with respect to this Quarterly Report on Form 10-Q, we are not required to provide the information required by this Item.

#### **Item 4. Controls and Procedures.**

##### **(a) Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Management uses the criteria in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) (2013) to evaluate internal disclosure controls and procedures.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

##### **(b) Changes in Internal Control Over Financial Reporting**

There has not been any material change in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) or Rule 15d-15(f)) during the period ended June 30, 2022, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings.**

The information contained in Note 12 to the Unaudited Condensed Financial Statements under the heading “Litigation” contained in Part I, Item 1 of this report is incorporated herein by this reference.

**Item 6. Exhibits.**

**EXHIBIT INDEX**

Exhibit Number	Exhibit Description	Incorporated by Reference (Unless Otherwise Indicated)			
		Form	File No.	Exhibit	Filing Date
3.1(a)	<a href="#">Second Amended and Restated Articles of Incorporation of Arcimoto, Inc.</a>	10-K	001-38213	3.1(a)	March 29, 2019
3.1(b)	<a href="#">Articles of Amendment to Second Amended and Restated Articles of Incorporation of Arcimoto, Inc.</a>	10-K	001-38213	3.1(b)	March 29, 2019
3.2	<a href="#">Second Amended and Restated Bylaws of Arcimoto, Inc.</a>	1-A	024-10710	2.2	August 8, 2017
10.1	<a href="#">Arcimoto, Inc. 2022 Omnibus Stock Incentive Plan #</a>	—	—	—	Filed herewith
10.2	<a href="#">Form of Notice of Stock Option Grant and Award Agreement #</a>	—	—	—	Filed herewith
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	—	—	—	Filed herewith
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	—	—	—	Filed herewith
32.1	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	—	—	—	Filed herewith
101.INS	Inline XBRL Instance Document.	—	—	—	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	—	—	—	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	—	—	—	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	—	—	—	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	—	—	—	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	—	—	—	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	—	—	—	Filed herewith

# Denotes management contract or compensatory plan or arrangement

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ARCIMOTO, INC.**

Date: August 15, 2022

By: /s/ Douglas M. Campoli  
Douglas M. Campoli  
*Chief Financial Officer (Principal Financial Officer)*

## ARCIMOTO, INC.

## 2022 OMNIBUS STOCK INCENTIVE PLAN

Approved by the Board: April \_\_, 2022

1. **Purposes of the Plan.** The purposes of this Plan are to attract and retain the best available personnel; to provide additional incentives to Employees, Directors and Consultants to contribute to the successful performance of the Company and any Related Entity; to promote the growth of the market value of the Company's Common Stock; to align the interests of Grantees with those of the Company's stockholders; and to promote the success of the Company's business.

2. **Definitions.** The following definitions shall apply as used herein and in all individual Award Agreements except as a term may be otherwise defined in an individual Award Agreement. In the event a term is separately defined in an individual Award Agreement, such definition shall supersede the definition contained in this Section 2.

(a) "**Administrator**" means the Plan Administrator as described in Section 4.

(b) "**Applicable Laws**" means the legal requirements relating to the Plan and the Awards under applicable provisions of federal and state securities laws, the corporate laws of Oregon, and, to the extent other than Oregon, the corporate law of the state of the Company's incorporation, the Code, the rules of any applicable stock exchange or national market system, and the rules of any non-U.S. jurisdiction applicable to Awards granted to residents therein.

(c) "**Assumed**" means, with respect to an Award, that pursuant to a Corporate Transaction either (i) the Award is expressly affirmed by the Company or (ii) the contractual obligations represented by the Award are expressly assumed (and not simply by operation of law) by the successor entity or its Parent in connection with the Corporate Transaction with appropriate adjustments to the number and type of securities of the successor entity or its Parent subject to the Award and the exercise or purchase price thereof which at least preserves the compensation element of the Award existing at the time of the Corporate Transaction as determined in accordance with the instruments evidencing the agreement to assume the Award.

(d) "**Award**" means the grant of an Option, SAR, Dividend Equivalent Right, Restricted Stock, Restricted Stock Unit, or other right or benefit under the Plan.

(e) "**Award Agreement**" means the written agreement evidencing the grant of an Award executed by the Company and the Grantee, including any amendments thereto.

(f) "**Board**" means the Board of Directors of the Company.

(g) "**Cause**" means, with respect to the termination by the Company or a Related Entity of a Grantee's Continuous Service:

(i) that such termination is for "Cause" as such term (or word of like import) is expressly defined in a then-effective written employment agreement, consulting agreement, service agreement or other similar agreement between the Grantee and the Company or such Related Entity, provided, however, that with regard to any agreement that defines "Cause" on the occurrence of or in connection with a Corporate Transaction, such definition of "Cause" shall not apply until a Corporate Transaction actually occurs; or

(ii) in the absence of such then-effective written agreement and definition, is based on, in the determination of the Administrator: (A) the Grantee's performance of any act, or failure to perform any act, in bad faith and to the detriment of the Company or a Related Entity; (B) the Grantee's dishonesty, intentional misconduct or material breach of any agreement with the Company or a Related Entity; (C) the Grantee's material breach of any noncompetition, confidentiality or similar agreement with the Company or a Related Entity, as determined under such agreement; (D) the Grantee's commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person; (E) if the Grantee is an Employee or Consultant, the Grantee's engaging in acts or omissions constituting gross negligence, misconduct or a willful violation of a Company or a Related Entity policy which is or is reasonably expected to be materially injurious to the Company and/or a Related Entity; or (F) if the Grantee is an Employee, the grantee's failure to follow the reasonable instructions of the Board or such grantee's direct supervisor, which failure, if curable, is not cured within ten (10) days after notice to such grantee or, if cured, recurs within one hundred eighty (180) days.

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- (h) "**Code**" means the Internal Revenue Code of 1986, as amended, or any successor statute.
- (i) "**Committee**" means any committee composed of members of the Board appointed by the Board to administer the Plan.
- (j) "**Common Stock**" means the Company's voting common stock, no par value per share.
- (k) "**Company**" means Arcimoto, Inc., an Oregon corporation, or any successor entity that adopts the Plan in connection with a Corporate Transaction.
- (l) "**Consultant**" means any person (other than an Employee or a Director, solely with respect to rendering services in such person's capacity as a Director) who is engaged by the Company or any Related Entity to render consulting or advisory services to the Company or such Related Entity.

(m) "**Continuous Service**" means that the provision of services to the Company or a Related Entity in any capacity of Employee, Director or Consultant is not interrupted or terminated. In jurisdictions requiring notice in advance of an effective termination as an Employee, Director or Consultant, Continuous Service shall be deemed terminated upon the actual cessation of providing services to the Company or a Related Entity notwithstanding any required notice period that must be fulfilled before a termination as an Employee, Director or Consultant can be effective under Applicable Laws. A Grantee's Continuous Service shall be deemed to have terminated either upon an actual termination of Continuous Service or upon the entity for which the Grantee provides services ceasing to be a Related Entity. Continuous Service shall not be considered interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Related Entity, or any successor in any capacity of Employee, Director or Consultant, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Director or Consultant (except as otherwise provided in the Award Agreement). An approved leave of absence for purposes of this Plan shall include sick leave, military leave, or any other authorized personal leave, so long as the Company or Related Entity has a reasonable expectation that the individual will return to provide services for the Company or Related Entity, and provided further that the leave does not exceed six (6) months, unless the individual has a statutory or contractual right to re-employment following a longer leave. For purposes of each Incentive Stock Option granted under the Plan, if such leave exceeds three (3) months, and reemployment upon expiration of such leave is not guaranteed by statute or contract, then the Incentive Stock Option shall be treated as a Non-Qualified Stock Option beginning on the day three (3) months and one (1) day following the expiration of such three (3) month period.

(n) "**Corporate Transaction**" means any of the following transactions, provided, however, that the Administrator shall determine under parts (iv) and (v) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

- (i) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated;
  - (ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company;
  - (iii) the complete liquidation or dissolution of the Company;
  - (iv) any reverse merger or series of related transactions culminating in a reverse merger (including, but not limited to, a tender offer followed by a reverse merger) in which the Company is the surviving entity but (A) the Shares outstanding immediately prior to such merger are converted or exchanged by virtue of the merger into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger or the initial transaction culminating in such merger; or
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(v) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities.

(o) "**Data**" has the meaning set forth in Section 22 of this Plan.

(p) "**Director**" means a member of the Board or the board of directors of any Related Entity.

(q) "**Disability**" means a "disability" (or word of like import) as defined under the long-term disability policy of the Company or the Related Entity to which the Grantee provides services regardless of whether the Grantee is covered by such policy. If the Company or the Related Entity to which the Grantee provides service does not have a long-term disability plan in place, "Disability" means that a Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Grantee will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Administrator.

(r) "**Disqualifying Disposition**" means any disposition (including any sale) of Common Stock received upon exercise of an Incentive Stock Option before either (i) two years after the date the Employee was granted the Incentive Stock Option, or (ii) one year after the date the Employee acquired Common Stock by exercising the Incentive Stock Option. If the Employee has died before such stock is sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.

(s) "**Dividend Equivalent Right**" means a right entitling the Grantee to compensation measured by dividends paid with respect to Common Stock.

(t) "**Employee**" means any person, including an Officer or Director, who is in the employ of the Company or any Related Entity, subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance. The payment of a director's fee by the Company or a Related Entity shall not be sufficient to make such person an "Employee" of the Company or a Related Entity.

(u) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(v) "**Fair Market Value**" means, as of any date, the value of the Common Stock determined as follows.

(i) If the Common Stock is listed on one or more established stock exchanges or national market systems, including without limitation The NASDAQ Global Select Market, The NASDAQ Global Market, or The NASDAQ Capital Market of The NASDAQ Stock Market LLC, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Common Stock is listed (as determined by the Administrator) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such stock as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

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(iii) In the absence of an established market for the Common Stock of the type described in (i) and (ii), above, the Fair Market Value thereof shall be determined by the Administrator in good faith by application of a reasonable valuation method consistently applied and taking into consideration all available information material to the value of the Company in a manner in compliance with Section 409A of the Code, or in the case of an Incentive Stock Option, in a manner in compliance with Section 422 of the Code.

(w) "**Grantee**" means an Employee, Director or Consultant who receives an Award under the Plan.

(x) "**Incentive Stock Option**" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(y) "**Non-Qualified Stock Option**" means an Option not intended to qualify as an Incentive Stock Option.

(z) "**Officer**" means a person who is an officer of the Company or a Related Entity within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(aa) "**Option**" means an option to purchase one or more Shares pursuant to an Award Agreement granted under the Plan.

(bb) "**Parent**" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(cc) "**Performance Period**" means the time period during which specified performance criteria must be met in connection with vesting of an Award as determined by the Administrator, as described in Section 6(d) below.

(dd) "**Plan**" means this Arcimoto, Inc. 2022 Omnibus Stock Incentive Plan, as the same may be amended from time to time.

(ee) "**Post-Termination Exercise Period**" means the period specified in the Award Agreement of not less than thirty (30) days commencing on the date of termination (other than termination by the Company or any Related Entity for Cause) of the Grantee's Continuous Service, or such longer period as may be applicable upon death or Disability.

(ff) "**Related Entity**" means any Parent or Subsidiary of the Company.

(gg) "**Restricted Stock**" means Shares issued under the Plan to the Grantee for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions as established by the Administrator.

(hh) "**Restricted Stock Units**" means an Award which may be earned in whole or in part upon the passage of time or the attainment of performance criteria established by the Administrator and which may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator.

(ii) "**Rule 16b-3**" means Rule 16b-3 promulgated under the Exchange Act or any successor thereto.

(jj) "**SAR**" means a stock appreciation right entitling the Grantee to Shares or cash compensation, as established by the Administrator, measured by appreciation in the value of Common Stock.

(kk) "**Share**" means a share of the Common Stock.

(ll) "**Subsidiary**" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(mm) "**Tax Obligations**" means all income tax, social insurance, payroll tax, fringe benefits tax, or other tax-related liabilities related to a Grantee's participation in the Plan and the receipt of any benefits hereunder, as determined under the Applicable Laws.

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3. Stock Subject to the Plan.

(a) Subject to adjustment as described in Section 13 below, the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Stock Options) is two million (2,000,000) Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

(b) Any Shares covered by an Award (or portion of an Award) which is forfeited, canceled or expires (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the maximum aggregate number of Shares which may be issued under the Plan, except that the maximum aggregate number of Shares which may be issued pursuant to the exercise of Incentive Stock Options shall not exceed the number specified in Section 3(a). Shares that actually have been issued under the Plan pursuant to an Award shall not be returned to the Plan and shall not become available for future issuance under the Plan, except that if unvested Shares are forfeited or repurchased by the Company, such Shares shall become available for future grant under the Plan. In the event any Option or other Award granted under the Plan is exercised through the tendering of Shares (either actually or through attestation), or in the event tax withholding obligations are satisfied by tendering or withholding Shares, any Shares so tendered or withheld shall not again be available for awards under the Plan. To the extent that cash in lieu of Shares is delivered upon the exercise of an SAR pursuant to Section 6(m), the Company shall be deemed, for purposes of applying the limitation on the number of shares, to have issued the number of Shares which it was entitled to issue upon such exercise, notwithstanding that cash was issued in lieu of such Shares. Shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Options shall not be available for awards under the Plan.

4. Administration of the Plan.

(a) Plan Administrator.

(i) Administration with Respect to Directors and Officers. With respect to grants of Awards to Directors or Employees who are also Officers or Directors of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws and to permit such grants and related transactions under the Plan to be exempt from Section 16(b) of the Exchange Act in accordance with Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board.

(ii) Administration With Respect to Consultants and Other Employees. With respect to grants of Awards to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board.

(b) Multiple Administrative Bodies. The Plan may be administered by different bodies with respect to Directors, Officers, Consultants, and Employees who are neither Directors nor Officers.

(c) Powers of the Administrator. Subject to Applicable Laws and the provisions of the Plan (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board, the Administrator shall have the authority, in its discretion:

- (i) to select the Employees, Directors and Consultants to whom Awards may be granted from time to time hereunder;
- (ii) to determine whether and to what extent Awards are granted hereunder;
- (iii) to determine the number of Shares or the amount of other consideration to be covered by each Award granted hereunder;
- (iv) to approve forms of Award Agreements for use under the Plan;
- (v) to determine the type, terms and conditions of any Award granted hereunder;

(vi) to establish additional terms, conditions, rules or procedures to accommodate the rules or laws of applicable non-U.S. jurisdictions and to afford Grantees favorable treatment under such rules or laws; provided, however, that no Award shall be granted under any such additional terms, conditions, rules or procedures with terms or conditions which are inconsistent with the provisions of the Plan;

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(vii) to amend the terms of any outstanding Award granted under the Plan, provided that any amendment that would adversely affect the Grantee's rights under an outstanding Award shall not be made without the Grantee's written consent; provided, however, that an amendment or modification that may cause an Incentive Stock Option to become a Non-Qualified Stock Option shall not be treated as adversely affecting the rights of the Grantee;

(viii) to construe and interpret the terms of the Plan and Awards, including without limitation, any notice of award or Award Agreement, granted pursuant to the Plan;

(ix) to institute an option exchange program;

(x) to make other determinations as provided in this Plan; and

(xi) to take such other action, not inconsistent with the terms of the Plan, as the Administrator deems appropriate.

The express grant in the Plan of any specific power to the Administrator shall not be construed as limiting any power or authority of the Administrator; provided that the Administrator may not exercise any right or power reserved to the Board. Any decision made, or action taken, by the Administrator or in connection with the administration of this Plan shall be final, conclusive and binding on all persons having an interest in the Plan.

(d) Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or as Officers or Employees of the Company or a Related Entity, members of the Board and any Officers or Employees of the Company or a Related Entity to whom authority to act for the Board, the Administrator or the Company is delegated shall be defended and indemnified by the Company to the extent permitted by law on an after-tax basis against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any claim, investigation, action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any Award granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by the Company) or paid by them in satisfaction of a judgment in any such claim, investigation, action, suit or proceeding, except in relation to such liabilities, costs, and expenses as may arise out of, or result from, the bad faith, gross negligence, willful misconduct, or criminal acts of such persons; provided, however, that within thirty (30) days after the institution of such claim, investigation, action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at the Company's expense to defend the same.

5. Eligibility. Awards other than Incentive Stock Options may be granted to Employees, Directors, and Consultants of the Company and any Related Entity. Incentive Stock Options may be granted only to Employees of the Company or a Related Entity. An Employee, Director, or Consultant who has been granted an Award may, if otherwise eligible, be granted additional Awards. Awards may be granted to such Employees, Directors, or Consultants who are residing in non-U.S. jurisdictions as the Administrator may determine from time to time.

#### 6. Terms and Conditions of Awards.

(a) Types of Awards. The Administrator is authorized under the Plan to award any type of arrangement to an Employee, Director or Consultant that is not inconsistent with the provisions of the Plan and that by its terms involves or might involve the issuance of (i) Shares, (ii) cash or (iii) an Option, an SAR, or similar right with a fixed or variable price related to the Fair Market Value of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions. Such awards include, without limitation, Options, SARs, sales or bonuses of Restricted Stock, Restricted Stock Units, and Dividend Equivalent Rights. An Award may consist of one such security or benefit, or two (2) or more of them in any combination or alternative.

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(b) Designation of Award. Each Award shall be evidenced by an Award Agreement in form and substance satisfactory to the Administrator. The type of each Award shall be designated in the Award Agreement. In the case of an Option, the Option shall be designated as either an Incentive Stock Option or a Non-Qualified Stock Option. However, notwithstanding such designation, an Option will qualify as an Incentive Stock Option under the Code only to the extent the \$100,000 dollar limitation of Section 422(d) of the Code is not exceeded. The \$100,000 limitation of Section 422(d) of the Code is calculated based on the aggregate Fair Market Value of the Shares subject to Options designated as Incentive Stock Options which become exercisable for the first time by a Grantee during any calendar year (under all plans of the Company or any Related Entity). For purposes of this calculation, Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the grant date of the relevant Option. Any Option granted which fails to satisfy the requirements of the Applicable Laws for treatment as an Incentive Stock Option shall be a Non-Qualified Stock Option.

(c) Conditions of Award. Subject to the terms of the Plan, the Administrator shall determine the provisions, terms, and conditions of each Award including, but not limited to, the Award vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, Shares, or other consideration) upon settlement of the Award, payment contingencies, and satisfaction of any performance criteria that may be established by the Administrator.

(d) Performance-Based Awards. The Administrator may include in an Award provisions such that the vesting or other realization of an Award by a Grantee will be subject to the achievement of certain performance criteria as the Administrator may determine over the course of a Performance Period determined by the Administrator.

(i) The performance criteria will be established by the Administrator and may include any one of, or combination of, the following criteria:

- (A) Net earnings or net income (before or after taxes);
  - (B) Earnings per share;
  - (C) Net sales growth;
  - (D) Net operating profit;
  - (E) Return measures (including, but not limited to, return on assets, capital, equity, or sales);
  - (F) Cash flow (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital);
  - (G) Cash flow per share;
  - (H) Earnings before or after taxes, interest, depreciation, and/or amortization;
  - (I) Gross or operating margins;
  - (J) Productivity ratios;
  - (K) Share price (including, but not limited to, growth measures and total stockholder return);
  - (L) Expense targets or ratios;
  - (M) Charge-off levels;
  - (N) Improvement in or attainment of revenue levels;
  - (O) Margins;
  - (P) Operating efficiency;
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- (Q) Operating expenses;
- (R) Economic value added;
- (S) Improvement in or attainment of expense levels;
- (T) Improvement in or attainment of working capital levels;
- (U) Debt reduction;
- (V) Capital targets; and
- (W) Consummation of acquisitions, dispositions, projects or other specific events or transactions.

(ii) The Administrator may provide in any grant of an Award that any evaluation of performance may include or exclude any of the following events that occurs during a Performance Period: (A) asset write-downs, (B) litigation or claim judgments or settlements, (C) the effect of changes in tax laws, accounting principles or regulations, or other laws or provisions affecting reported results, (D) any reorganization and restructuring programs, (E) Extraordinary Items for the applicable Performance Period, (F) mergers, acquisitions or divestitures, and (G) foreign exchange gains and losses. For this purpose, "Extraordinary Items" means extraordinary, unusual, and/or nonrecurring items of gain or loss as defined under United States generally accepted accounting principles.

(iii) Before the 90th day of the applicable Performance Period (or, if the Performance Period is less than one year, no later than the number of days which is equal to 25% of such Performance Period), the Administrator will determine the duration of the Performance Period, the performance criteria on which performance will be measured, and the amount and terms of payment/vesting upon achievement of such criteria.

(iv) Following the completion of each Performance Period, the Administrator will certify in writing whether the applicable performance criteria have been achieved for the Awards for such Performance Period. A Grantee will be eligible to receive payment pursuant to an Award for a Performance Period only if the performance criteria for such Performance Period are achieved. In determining the amounts earned by a Grantee pursuant to an Award issued pursuant to this Section 6(d), the Administrator will have the right to (A) reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Administrator may deem relevant to the assessment of individual or corporate performance for the Performance Period, (B) determine what actual Award, if any, will be paid in the event of a Corporate Transaction or in the event of a termination of employment following a Corporate Transaction prior to the end of the Performance Period, and (C) determine what actual Award, if any, will be paid in the event of a termination of employment other than as the result of a Grantee's death or Disability prior to a Corporate Transaction and prior to the end of the Performance Period to the extent an actual Award would have otherwise been achieved had the Grantee remained employed through the end of the Performance Period.

(v) Payment of the Award to a Grantee shall be paid following the end of the Performance Period, or if later, the date on which any applicable contingency or restriction has ended.

(e) Acquisitions and Other Transactions. The Administrator may issue Awards under the Plan in settlement, assumption or substitution for, outstanding awards or obligations to grant future awards in connection with the Company or a Related Entity acquiring another entity, an interest in another entity or an additional interest in a Related Entity whether by merger, stock purchase, asset purchase or other form of transaction.

(f) Deferral of Award Payment. The Administrator may establish one or more programs under the Plan to permit selected Grantees the opportunity to elect to defer receipt of consideration upon exercise of an Award, satisfaction of performance criteria, or other event that absent the election would entitle the Grantee to payment or receipt of Shares or other consideration under an Award. The Administrator may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, Shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Administrator deems advisable for the administration of any such deferral program.

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(g) Separate Programs. The Administrator may establish one or more separate programs under the Plan for the purpose of issuing particular forms of Awards to one or more classes of Grantees on such terms and conditions as determined by the Administrator from time to time.

(h) Individual Award Limit. No Grantee may be granted an Award of Options or SARs in any calendar year with respect to more than one hundred thousand (100,000) Shares, or an Award of Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights, or other Awards that are valued with reference to shares covering more than one hundred thousand (100,000) Shares. The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 13 below.

(i) Early Exercise. An Award Agreement may, but need not, include a provision whereby the Grantee may elect at any time while an Employee, Director or Consultant to exercise any part or all of the Award prior to full vesting of the Award. Any unvested Shares received pursuant to such exercise may be subject to a repurchase right in favor of the Company or a Related Entity or to any other restriction the Administrator determines to be appropriate.

(j) Term of Award. The term of each Award shall be the term stated in the Award Agreement, provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. However, in the case of an Incentive Stock Option granted to a Grantee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Related Entity, the term of the Incentive Stock Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Award Agreement. Notwithstanding the foregoing, the specified term of any Award shall not include any period for which the Grantee has elected to defer the receipt of the Shares or cash issuable pursuant to the Award.

(k) Transferability of Awards. Unless the Administrator provides otherwise, no award may be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Grantee, only by the Grantee. Notwithstanding the foregoing, the Grantee may designate one or more beneficiaries of the Grantee's Award in the event of the Grantee's death on a beneficiary designation form provided by the Administrator.

(l) Time of Granting Awards. The date of grant of an Award shall for all purposes be the date on which the Administrator makes the determination to grant such Award, or such other later date as is determined by the Administrator.

(m) Stock Appreciation Rights. An SAR may be granted (i) with respect to any Option granted under this Plan, either concurrently with the grant of such Option or at such later time as determined by the Administrator (as to all or any portion of the Shares subject to the Option), or (ii) alone, without reference to any related Option. Each SAR granted by the Administrator under this Plan shall be subject to the following terms and conditions. Each SAR granted to any participant shall relate to such number of Shares as shall be determined by the Administrator, subject to adjustment as provided in Section 13. In the case of an SAR granted with respect to an Option, the number of Shares to which the SAR pertains shall be reduced in the same proportion that the holder of the Option exercises the related Option. The exercise price of an SAR will be determined by the Administrator at the date of grant but may not be less than 100% of the Fair Market Value of the Shares subject thereto on the date of grant. Subject to the right of the Administrator to deliver cash in lieu of Shares (which, as it pertains to Officers and Directors of the Company, shall comply with all requirements of the Exchange Act), the number of Shares which shall be issuable upon the exercise of an SAR shall be determined by dividing:

(i) the number of Shares as to which the SAR is exercised multiplied by the amount of the appreciation in such Shares (for this purpose, the "appreciation" shall be the amount by which the Fair Market Value of the Shares subject to the SAR on the exercise date exceeds (1) in the case of an SAR related to an Option, the exercise price of the Shares under the Option or (2) in the case of an SAR granted alone, without reference to a related Option, an amount which shall be determined by the Administrator at the time of grant, subject to adjustment under Section 13); by

(ii) the Fair Market Value of a Share on the exercise date.

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In lieu of issuing Shares upon the exercise of an SAR, the Administrator may elect to pay the holder of the SAR cash equal to the Fair Market Value on the exercise date of any or all of the Shares which would otherwise be issuable. No fractional Shares shall be issued upon the exercise of an SAR; instead, the holder of the SAR shall be entitled to receive a cash adjustment equal to the same fraction of the Fair Market Value of a Share on the exercise date or to purchase the portion necessary to make a whole share at its Fair Market Value on the date of exercise. The exercise of an SAR related to an Option shall be permitted only to the extent that the Option is exercisable under Section 11 on the date of surrender. Any Incentive Stock Option surrendered pursuant to the provisions of this Section 6(m) shall be deemed to have been converted into a Non-Qualified Stock Option immediately prior to such surrender.

7. Award Exercise or Purchase Price, Consideration and Taxes.

(a) Exercise or Purchase Price. The exercise or purchase price, if any, for an Award shall be as follows.

(i) In the case of an Incentive Stock Option:

(1) granted to an Employee who, at the time of the grant of such Incentive Stock Option owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Related Entity, the per Share exercise price shall be not less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant; or

(2) granted to any Employee other than an Employee described in the preceding paragraph, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Non-Qualified Stock Option, the per Share exercise price shall be not less than one-hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(iii) In the case of other Awards, such price as is determined by the Administrator.

(iv) Notwithstanding the foregoing provisions of this Section 7(a), in the case of an Award issued pursuant to Section 6(e), above, the exercise or purchase price for the Award shall be determined in accordance with the provisions of the relevant instrument evidencing the agreement to issue such Award.

(b) Consideration. Subject to Applicable Laws, the consideration to be paid for the Shares to be issued upon exercise or purchase of an Award, including the method of payment, shall be determined by the Administrator. In addition to any other types of consideration the Administrator may determine, the Administrator is authorized to accept as consideration for Shares issued under the Plan the following:

(i) cash;

(ii) check;

(iii) delivery of Grantee's promissory note with such recourse, interest, security, and redemption provisions as the Administrator determines as appropriate (but only to the extent that the acceptance or terms of the promissory note would not violate an Applicable Law); provided, however, that interest shall compound at least annually and shall be charged at the minimum rate of interest necessary to avoid (A) the imputation of interest income to the Company and compensation income to the Grantee under any applicable provisions of the Code, and (B) the classification of the Award as a liability for financial accounting purposes;

(iv) surrender of Shares or delivery of a properly executed form of attestation of ownership of Shares as the Administrator may require which have a Fair Market Value on the date of surrender or attestation equal to the aggregate exercise price of the Shares as to which said Award shall be exercised;

(v) with respect to Options, payment through a broker-dealer sale and remittance procedure pursuant to which the Grantee (A) shall provide written instructions to a broker-dealer acceptable to the Company to effect the immediate sale of some or all of the purchased Shares and remit to the Company sufficient funds to cover the aggregate exercise price payable for the purchased Shares and (B) shall provide written directives to the Company to deliver the certificates (or other evidence satisfactory to the Company to the extent that the Shares are uncertificated) for the purchased Shares directly to such broker-dealer in order to complete the sale transaction;

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(vi) with respect to Options, payment through a "net exercise" such that, without the payment of any funds, the Grantee may exercise the Option and receive the net number of Shares equal to (i) the number of Shares as to which the Option is being exercised, multiplied by (ii) a fraction, the numerator of which is the Fair Market Value per Share (on such date as is determined by the Administrator) less the Exercise Price per Share, and the denominator of which is such Fair Market Value per Share;

(vii) past or future services actually or to be rendered to the Company or a Related Entity;

(viii) any combination of the foregoing methods of payment; or

(ix) any other method approved by the Administrator.

The Administrator may at any time or from time to time, by adoption of or by amendment to the standard forms of Award Agreement described in Section 4(c)(iv), or by other means, grant Awards which do not permit all of the foregoing forms of consideration to be used in payment for the Shares or which otherwise restrict one or more forms of consideration.

8. Notice to Company of Disqualifying Disposition. Each Employee who receives an Incentive Stock Option must agree to notify the Company in writing immediately after the Employee makes a Disqualifying Disposition of any Common Stock acquired pursuant to the exercise of an Incentive Stock Option.

9. Tax Withholding.

(a) Prior to the delivery of any Shares or cash pursuant to an Award (or the exercise thereof), or at such other time as the Tax Obligations are due, the Company, in accordance with the Code and any Applicable Laws, shall have the power and the right to deduct or withhold, or require a Grantee to remit to the Company, an amount sufficient to satisfy all Tax Obligations. The Administrator may condition such delivery, payment, or other event pursuant to an Award on the payment by the Grantee of any such Tax Obligations.

(b) The Administrator, pursuant to such procedures as it may specify from time to time, may designate the method or methods by which a Grantee may satisfy the Tax Obligations. As determined by the Administrator from time to time, these methods may include one or more of the following:

(i) paying cash;

(ii) electing to have the Company withhold cash or Shares deliverable to the Grantee having a Fair Market Value equal to the amount required to be withheld;

(iii) delivering to the Company already-owned Shares having a Fair Market Value equal to the amount required to be withheld or remitted, provided the delivery of such Shares will not result in any adverse accounting consequences as the Administrator determines;

(iv) selling a sufficient number of Shares otherwise deliverable to the Grantee through such means as the Administrator may determine (whether through a broker or otherwise) equal to the Tax Obligations required to be withheld;

(v) retaining from salary or other amounts payable to the Grantee cash having a sufficient value to satisfy the Tax Obligations; or

(vi) any other means which the Administrator determines to both comply with Applicable Laws, and to be consistent with the purposes of the Plan.

The amount of Tax Obligations will be deemed to include any amount that the Administrator determines may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state, local and foreign marginal income tax rates applicable to the Grantee or the Company, as applicable, with respect to the Award on the date that the amount of tax or social insurance liability to be withheld or remitted is to be determined. The Fair Market Value of the Shares to be withheld or delivered shall be determined as of the date that the Tax Obligations are required to be withheld.

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10. Rights As a Stockholder.

(a) Restricted Stock. Except as otherwise provided in any Award Agreement, a Grantee will not have any rights of a stockholder with respect to any of the Shares granted to the Grantee under an Award of Restricted Stock (including the right to vote or receive dividends and other distributions paid or made with respect thereto) nor shall cash dividends or dividend equivalents accrue or be paid in respect of any unvested Award of Restricted Stock, unless and until such Shares vest.

(b) Other Awards. In the case of Awards other than Restricted Stock, except as otherwise provided in any Award Agreement, a Grantee will not have any rights of a stockholder, nor will dividends or dividend equivalents accrue or be paid, with respect to any of the Shares granted pursuant to such Award until the Award is exercised or settled and the Shares are delivered (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company).

11. Exercise of Award.

(a) Procedure for Exercise.

(i) Any Award granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator under the terms of the Plan and as specified in the Award Agreement.

(ii) An Award shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised has been made, including, to the extent selected, use of the broker-dealer sale and remittance procedure to pay the purchase price as provided in Section 7(b)(v).

(b) Exercise of Award Following Termination of Continuous Service. In the event of termination of a Grantee's Continuous Service for any reason other than Disability or death, such Grantee may, but only during the Post-Termination Exercise Period (but in no event later than the expiration date of the term of such Award as set forth in the Award Agreement), exercise the portion of the Grantee's Award that was vested at the date of such termination or such other portion of the Grantee's Award as may be determined by the Administrator. The Grantee's Award Agreement may provide that upon the termination of the Grantee's Continuous Service for Cause, the Grantee's right to exercise the Award shall terminate concurrently with the termination of Grantee's Continuous Service. In the event of a Grantee's change of status from Employee to Consultant, an Employee's Incentive Stock Option shall convert automatically to a Non-Qualified Stock Option on the day three (3) months and one day following such change of status. To the extent that the Grantee's Award was unvested at the date of termination, or if the Grantee does not exercise the vested portion of the Grantee's Award within the Post-Termination Exercise Period, the Award shall terminate.

(c) Disability of Grantee. In the event of termination of a Grantee's Continuous Service as a result of his or her Disability, such Grantee may, but only within twelve (12) months from the date of such termination (or such longer period as specified in the Award Agreement but in no event later than the expiration date of the term of such Award as set forth in the Award Agreement), exercise the portion of the Grantee's Award that was vested at the date of such termination; provided, however, that if such Disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically convert to a Non-Qualified Stock Option on the day three (3) months and one day following such termination. To the extent that the Grantee's Award was unvested at the date of termination, or if Grantee does not exercise the vested portion of the Grantee's Award within the time specified herein, the Award shall terminate.

(d) Death of Grantee. In the event of a termination of the Grantee's Continuous Service as a result of his or her death, or in the event of the death of the Grantee during the Post-Termination Exercise Period or during the twelve (12) month period following the Grantee's termination of Continuous Service as a result of his or her Disability, the Grantee's estate or a person who acquired the right to exercise the Award by bequest or inheritance may exercise the portion of the Grantee's Award that was vested as of the date of termination, within twelve (12) months from the date of death (or such longer period as specified in the Award Agreement but in no event later than the expiration of the term of such Award as set forth in the Award Agreement). To the extent that, at the time of death, the Grantee's Award was unvested, or if the Grantee's estate or a person who acquired the right to exercise the Award by bequest or inheritance does not exercise the vested portion of the Grantee's Award within the time specified herein, the Award shall terminate.

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(e) Extension if Exercise Prevented by Law. Notwithstanding the foregoing, if the exercise of an Award within the applicable time periods set forth in this Section 11 is prevented by the provisions of Section 12 below, the Award shall remain exercisable until one (1) month after the date the Grantee is notified by the Company that the Award is exercisable, but in any event no later than the expiration of the term of such Award as set forth in the Award Agreement.

12. Conditions Upon Issuance of Shares; Manner of Issuance of Shares.

(a) If at any time the Administrator determines that the delivery of Shares pursuant to the exercise, vesting or any other provision of an Award is or may be unlawful under Applicable Laws, the vesting or right to exercise an Award or to otherwise receive Shares pursuant to the terms of an Award shall be suspended until the Administrator determines that such delivery is lawful and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Company shall have no obligation to effect any registration or qualification of the Shares under any Applicable Law.

(b) As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

(c) Subject to the Applicable Laws and any governing rules or regulations, the Company shall issue or cause to be issued the Shares acquired pursuant to an Award and shall deliver such Shares to or for the benefit of the Grantee by means of one or more of the following as determined by the Administrator: (i) by delivering to the Grantee evidence of book entry Shares credited to the account of the Grantee, (ii) by depositing such Shares for the benefit of the Grantee with any broker with which the Grantee has an account relationship, or (iii) by delivering such Shares to the Grantee in certificate form.

(d) No fractional Shares shall be issued pursuant to any Award under the Plan; any Grantee who would otherwise be entitled to receive a fraction of a Share upon exercise or vesting of an Award will receive from the Company cash in lieu of such fractional Shares in an amount equal to the Fair Market Value of such fractional Shares, as determined by the Administrator.

13. Adjustments. Subject to any required action by the stockholders of the Company, the number of Shares covered by each outstanding Award, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, the exercise or purchase price of each such outstanding Award, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued and outstanding Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued and outstanding Shares effected without receipt of consideration by the Company, or (iii) any other transaction with respect to the Company's Common Stock including a corporate merger, consolidation, acquisition of property or stock, separation (including a spin-off or other distribution of stock or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator and its determination shall be final, binding and conclusive. Except as the Administrator determines, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Award. No adjustments shall be made for dividends paid in cash or in property other than Common Stock of the Company, nor shall cash dividends or dividend equivalents accrue or be paid in respect of unexercised Options or unvested Awards hereunder.

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14. Corporate Transactions.

(a) Termination of Award to Extent Not Assumed in Corporate Transaction. Effective upon the consummation of a Corporate Transaction, all outstanding Awards under the Plan shall terminate. However, all such Awards shall not terminate to the extent they are Assumed in connection with the Corporate Transaction.

(b) Acceleration of Award Upon Corporate Transaction. The Administrator shall have the authority, exercisable either in advance of any actual or anticipated Corporate Transaction or at the time of an actual Corporate Transaction, and exercisable at the time of the grant of an Award under the Plan or any time while an Award remains outstanding, to provide for the full or partial automatic vesting and exercisability of one or more outstanding unvested Awards under the Plan and the release from restrictions on transfer and repurchase or forfeiture rights of such Awards in connection with a Corporate Transaction on such terms and conditions as the Administrator may specify. The Administrator also shall have the authority to condition any such Award vesting and exercisability or release from such limitations upon the subsequent termination of the Continuous Service of the Grantee within a specified period following the effective date of the Corporate Transaction. The Administrator may provide that any Awards so vested or released from such limitations in connection with a Corporate Transaction shall remain fully exercisable until the expiration or sooner termination of the Award.

(c) Effect of Acceleration on Incentive Stock Options. Any Incentive Stock Option accelerated under this Section 14 in connection with a Corporate Transaction shall remain exercisable as an Incentive Stock Option under the Code only to the extent the \$100,000 dollar limitation of Section 422(d) of the Code is not exceeded.

15. Effective Date and Term of Plan. The Plan shall become effective at such time as it has been (a) approved by the Company's stockholders and (b) adopted by the Board. Stockholder approval shall be obtained in the degree and manner required under Applicable Laws. The Plan shall continue in effect for a term of ten (10) years unless sooner terminated. Any Award granted before stockholder approval is obtained will be rescinded if stockholder approval is not obtained within the time prescribed, and Shares issued on the grant or exercise of any such Award shall not be counted in determining whether stockholder approval is obtained. Subject to the preceding sentence and the Applicable Laws, Awards may be granted under the Plan upon its becoming effective.

16. Amendment, Suspension or Termination of the Plan.

(a) The Board may at any time amend, suspend or terminate the Plan in any respect, except that it may not, without the approval of the stockholders obtained within twelve (12) months before or after the Board adopts a resolution authorizing any of the following actions, do any of the following:

(i) increase the total number of shares that may be issued under the Plan (except by adjustment pursuant to Section 13);

(ii) modify the provisions of Section 6 regarding eligibility for grants of Incentive Stock Options;

(iii) modify the provisions of Section 7(a) regarding the exercise price at which shares may be offered pursuant to Options (except by adjustment pursuant to Section 13);

(iv) extend the expiration date of the Plan; and

(v) except as provided in Section 13 (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the Company may not amend an Award granted under the Plan to reduce its exercise price per share, cancel and regrant new Awards with lower prices per share than the original prices per share of the cancelled Awards, or cancel any Awards in exchange for cash or the grant of replacement Awards with an exercise price that is less than the exercise price of the original Awards, essentially having the effect of a repricing, without approval by the Company's stockholders.

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- (b) No Award may be granted during any suspension of the Plan or after termination of the Plan.
- (c) No suspension or termination of the Plan shall adversely affect any rights under Awards already granted to a Grantee without his or her consent.

17. Reservation of Shares.

- (a) The Company, during the term of the Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.
- (b) The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18. No Effect on Terms of Employment/Consulting Relationship. The Plan shall not confer upon any Grantee any right with respect to the Grantee's Continuous Service, nor shall it interfere in any way with his or her right or the right of the Company or a Related Entity to terminate the Grantee's Continuous Service at any time, with or without Cause, and with or without notice. The ability of the Company or any Related Entity to terminate the employment of a Grantee who is employed at will is in no way affected by its determination that the Grantee's Continuous Service has been terminated for Cause for the purposes of this Plan.

19. No Effect on Retirement and Other Benefit Plans. Except as specifically provided in a retirement or other benefit plan of the Company or a Related Entity, Awards shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Related Entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Retirement Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

20. Information to Grantees. The Company shall provide to each Grantee, during the period for which such Grantee has one or more Awards outstanding, such information as required by Applicable Laws.

21. Electronic Delivery. The Administrator may decide to deliver any documents related to any Award granted under the Plan through an online or electronic system established and maintained by the Company or another third party designated by the Company or to request a Grantee's consent to participate in the Plan by electronic means. By accepting an Award, each Grantee consents to receive such documents by electronic delivery and agrees to participate in the Plan through an online or electronic system established and maintained by the Company or another third party designated by the Company, and such consent shall remain in effect throughout Grantee's Continuous Service with the Company and any Related Entity and thereafter until withdrawn in writing by Grantee.

22. Data Privacy. The Administrator may decide to collect, use and transfer, in electronic or other form, personal data as described in this Plan or any Award for the exclusive purpose of implementing, administering and managing participation in the Plan. By accepting an Award, each Grantee acknowledges that the Company holds certain personal information about Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, job title, details of all Awards awarded, cancelled, exercised, vested or unvested, for the purpose of implementing, administering and managing the Plan (the "**Data**"). Each Grantee further acknowledges that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan and that these third parties may be located in jurisdictions that may have different data privacy laws and protections, and Grantee authorizes such third parties to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the recipient or the Company may elect to deposit any Shares acquired upon any Award.

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23. Compliance with Section 409A of the Code. Notwithstanding anything to the contrary set forth herein, the Award Agreement evidencing any Award that is not exempt from the requirements of Section 409A of the Code shall contain provisions such that the Award will comply with the requirements of Section 409A of the Code and avoid the consequences specified in Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued or amended after the effective date of the Plan. Notwithstanding any provision of the Plan to the contrary, in the event that following the effective date of the Plan the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the effective date of the Plan), the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (1) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (2) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

24. Unfunded Obligation. Grantees shall have the status of general unsecured creditors of the Company. Any amounts payable to Grantees pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. Neither the Company nor any Related Entity shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Grantee account shall not create or constitute a trust or fiduciary relationship between the Administrator, the Company or any Related Entity and a Grantee, or otherwise create any vested or beneficial interest in any Grantee or the Grantee's creditors in any assets of the Company or a Related Entity. The Grantees shall have no claim against the Company or any Related Entity for any changes in the value of any assets that may be invested or reinvested by the Company with respect to the Plan.

25. Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

ARCIMOTO, INC.  
2022 OMNIBUS STOCK INCENTIVE PLAN

NOTICE OF GRANT

\_\_\_\_\_

You have been granted an option to purchase shares of the Common Stock of Arcimoto, Inc. (the "Company") as follows, subject to the terms of the Arcimoto, Inc. 2022 Omnibus Stock Incentive Plan and the attached Award Agreement.

Date of Grant: \_\_\_\_\_

Vesting Commencement Date: \_\_\_\_\_ (Vesting schedule will be outlined in appendix)

Exercise Price per Share: \_\_\_\_\_

Total Number of Shares Subject to Grant: \_\_\_\_\_

Type of Grant: \_\_\_\_\_

Note: If the Grant is an Option and the Option is designated a Non-Qualified Stock Option above, or if the Option otherwise fails to qualify as an incentive stock option pursuant to Section 422 of the Code, then this Option will not be treated as an incentive stock option within the meaning of Section 422 of the Code.

Term/Expiration Date: \_\_\_\_\_

Vesting Schedule: \_\_\_\_\_

Exercise Period: If eligible, this Grant may be exercised as an ISO for up to three (3) months after the termination of Continuous Service to the Company or a Related Entity, except as set out in Section 4 of the Award Agreement (but in no event later than the Expiration Date); provided that upon a termination for Cause the Option will be immediately terminated.

Upon expiration of the period above, the Option may be exercised as an NSO until its date of expiration.

[SIGNATURE PAGE FOLLOWS]

\_\_\_\_\_

By your signature and the signature of the Company's representative below, you and the Company agree that this Option is granted under and governed by the terms and conditions of the Arcimoto, Inc. 2022 Omnibus Stock Incentive Plan (the "**Plan**") and the Award Agreement, all of which are attached and made a part of this document.

COMPANY:

Arcimoto, Inc.

By: \_\_\_\_\_

Name:

Title:

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

GRANTEE:

\_\_\_\_\_

\_\_\_\_\_





ARCIMOTO, INC.  
2022 OMNIBUS STOCK INCENTIVE PLAN

AWARD AGREEMENT

This Award Agreement (this "**Agreement**") is made by and between Arcimoto, Inc. (the "**Company**") and \_\_\_\_\_ ("**Grantee**") effective as of the Date of Grant shown on the accompanying Notice of Grant (the "**Grant Notice**"). Terms with initial capitalized letters not explicitly defined in this Agreement or the Grant Notice but defined in the Company's 2022 Omnibus Stock Incentive Plan (the "**Plan**") will have the same definition and meaning as in the Plan.

1. **Grant of Option.** The Company has granted to Grantee an option to purchase, on the terms and conditions set forth in the Plan and this Agreement, all or any part of the number of Shares described in the Grant Notice, at the Exercise Price set forth in the Grant Notice (the "**Option**"), subject to adjustment as set forth in Section 13 of the Plan.
2. **Vesting.** Subject to the terms and conditions set forth in the Plan and this Agreement, the Option will vest as provided in the Grant Notice, provided that vesting will cease upon the termination of Grantee's Continuous Service.
3. **Forfeiture; Expiration.** Any unvested portion of the Option will be forfeited immediately, automatically, and without consideration upon a termination of Grantee's Continuous Service for any reason. In the event Grantee's Continuous Service is terminated for Cause, the vested portion of the Option will also be forfeited immediately, automatically, and without consideration upon that termination for Cause. Any unexercised vested portion of the Option will expire on the Expiration Date set forth in the Grant Notice.
4. **Period of Exercise.** Subject to the terms and conditions set forth in the Plan and this Agreement, Grantee may exercise all or any part of the vested portion of the Option at any time prior to the earliest to occur of:
  - (a) the Expiration Date indicated in the Grant Notice; or
  - (b) the effective date of the termination of Grantee's Continuous Service for Cause.
5. **Exercise of Option.** Grantee or, in the case of Grantee's death or Disability, Grantee's representative, may exercise all or any part of the vested portion of the Option by delivering to the Company at its principal office a written notice of exercise in the form attached as Exhibit A or any other form that the Administrator may permit (such notice, a "**Notice of Exercise**"). The Notice of Exercise will be signed by the person exercising the Option. In the event that the Option is being exercised by Grantee's representative, the Notice of Exercise will be accompanied by proof (satisfactory to the Administrator) of the representative's right to exercise the Option. In addition, any exercise of the Option, whether in whole or in part, is subject to the following conditions:

- (a) Grantee (or Grantee's representative, if applicable) will deliver to the Company, at the time of giving the Notice of Exercise, payment in a form permissible under Section 6 below for the full amount of the Purchase Price.
- (b) Grantee (or Grantee's representative, if applicable) may exercise the Option only for whole Shares.
- (c) Grantee (or Grantee's representative, if applicable) may not exercise the Option unless the tax withholding obligations of the Company and/or any Related Entity, as described in Section 9 below, are satisfied.
- (d) In the event that Grantee is an employee eligible for overtime compensation under the Fair Labor Standards Act of 1938, as amended (sometimes referred to as a "non-exempt employee"), then he or she may not exercise the Option until he or she has completed at least six (6) months of Continuous Service measured from the Date of Grant specified in the Grant Notice, notwithstanding any other provision of the Option.

**6. Payment for Shares.** The "**Purchase Price**" will be the Exercise Price multiplied by the number of Shares with respect to which the Option is being exercised. The Purchase Price may be paid as follows:

- (a) in cash;
- (b) by check or money order;
- (c) by surrender to the Company (either by actual delivery or attestation) of already-owned shares of Common Stock that are owned by Grantee free and clear of any liens, claims, encumbrances or security interests, with a Fair Market Value on the date of surrender or attestation equal to the Purchase Price (provided that Grantee may not exercise the Option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock);
- (d) through a formal "net exercise" arrangement adopted by the Company pursuant to which Grantee may exercise the Option and receive the net number of Shares equal to (i) the number of Shares as to which the Option is being exercised, multiplied by (ii) a fraction, the numerator of which is the Fair Market Value per Share (on such date as is determined by the Administrator) less the Exercise Price per Share, and the denominator of which is such Fair Market Value per Share;
- (e) through a broker-dealer sale and remittance procedure pursuant to which Grantee (i) shall provide written instructions to a Company designated brokerage firm to effect the immediate sale of some or all of the purchased Shares and remit to the Company sufficient funds to cover the aggregate Exercise Price payable for the purchased Shares and (ii) shall provide written directives to the Company to deliver the certificates (or other evidence satisfactory to the Company to the extent that the Shares are uncertificated) for the purchased Shares directly to such brokerage firm in order to complete the sale transaction;
- (f) any combination of the foregoing methods of payment; or

(g) any other method approved by the Administrator.

**7. Securities Law Compliance.** No Shares will be issued pursuant to this Agreement unless and until all then applicable requirements imposed by federal and state securities and other laws, rules and regulations and by any regulatory agencies having jurisdiction, and by any exchanges upon which the Shares may be listed, have been fully met. The Company may impose such conditions on any Shares issuable pursuant to this Agreement as it may deem advisable, including, without limitation, restrictions under the Securities Act of 1933, as amended, under the requirements of any exchange upon which shares of the same class are then listed, and under any blue sky or other securities laws applicable to those Shares.

**8. Tax Consequences.** Set forth below is a brief summary as of the date of this Option of some of the U.S. federal income tax consequences of exercise of this Option and disposition of the Shares issued as a result of the exercise thereof. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. THIS SUMMARY DOES NOT INCLUDE ANY DISCUSSION OF STATE, LOCAL, OR FOREIGN TAX CONSEQUENCES OR ANY FEDERAL TAX CONSEQUENCES OTHER THAN INCOME TAX. BESIDES THE INCOME TAX ITEMS SUMMARIZED BELOW, EMPLOYMENT OR SELF-EMPLOYMENT TAXES MAY ALSO APPLY WITH RESPECT TO THE OPTION. GRANTEE SHOULD CONSULT HIS OR HER PERSONAL TAX ADVISOR BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) **Exercise of ISO.** If this Option qualifies as an ISO, there will be no regular federal income tax liability upon the exercise of the Option, although the excess, if any, of the fair market value of the Shares on the date of exercise over the Purchase Price will be treated as an item of adjustment to the alternative minimum tax for federal tax purposes in the year of exercise and may subject Grantee to the alternative minimum tax.

(b) **Exercise of Non-Qualified Stock Option.** If this Option does not qualify as an ISO, there may be a regular federal income tax liability upon the exercise of the Option. Grantee will be treated in such event as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Purchase Price. If Grantee is an employee, the Company will generally be required to withhold from Grantee's compensation or collect from Grantee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise (see Section 9 below).

(c) **Disposition of Shares.** In the case of an NSO, if Shares are held for more than one year after the date of the taxable compensation event, under current law any gain realized on disposition of the Shares will generally be treated as long-term capital gain for federal income tax purposes. In the case of an ISO, if Shares transferred pursuant to the Option are held for more than one year after exercise and are disposed of more than two years after the Date of Grant, any gain realized on disposition of the Shares will generally also be treated as long-term capital gain for federal income tax purposes. If Shares purchased under an ISO are disposed of within the later of (1) the date two years after the Date of Grant, or (2) the date one year after the date of exercise (such disposition a "**Disqualifying Disposition**"), any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) in an amount equal to the excess of (1) the lesser of (A) the fair market value of the Shares on the date of exercise, or (B) the sale price of the Shares over (2) the Purchase Price paid for those Shares. The gain realized in excess of such amount, if any, will generally be eligible for capital gains treatment (either short-term or long-term, depending upon the length of time the Shares were held prior to disposition).

**(d) Notice of Disqualifying Disposition of ISO Shares.** If the Option is designated as an ISO, then in the event of a Disqualifying Disposition, Grantee will immediately, and in any event not later than fifteen (15) days after such disposition, notify the Company in writing of such disposition.

**9. Withholding Obligations.** Grantee may incur Tax Obligations under federal, state, local, and/or foreign law, in connection with the grant, vesting, or exercise of the Option, the ownership of the Shares, and other actions taken pursuant to this Agreement, and the Company may be required to satisfy by withholding from Grantee's compensation or otherwise collect from Grantee. Grantee agrees that the Company (or a Related Entity) may condition the exercise of the Option upon the satisfaction of such withholding tax obligations, and may satisfy such withholding obligations by any of the following means or by a combination of such means, in the Committee's discretion: (i) withholding from any compensation otherwise payable to Grantee by the Company; (ii) causing Grantee to tender a cash payment; or (iii) withholding from the Shares otherwise issuable to Grantee upon exercise of the Option the number of Shares with a Fair Market Value (measured as of the date the tax withholding obligations are to be determined) equal to the amount of such tax withholding; provided, however, that the number of such Shares so withheld will not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the minimum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income (or such lesser amount as may be necessary to avoid classification of the Shares as a liability for financial accounting purposes). Grantee understands that all matters with respect to the total amount of taxes to be withheld in respect of such compensation income will be determined by the Committee in its reasonable discretion. Grantee further understands that, although the Company will pay withheld amounts to the applicable taxing authorities, Grantee remains responsible for payment of all taxes due as a result of income arising under the Agreement.

**10. Rights as a Stockholder.** Neither Grantee nor anyone claiming through him/her will have any rights as a stockholder of the Company with respect to any Shares subject to the Option until Grantee has exercised the Option as described herein and the Shares are delivered (as evidenced by delivery of a certificate for such Shares or the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company).

**11. Transferability.** The Option may not be sold, pledged, assigned, hypothecated, transferred, except by will or by the laws of descent and distribution and in accordance with the Applicable Laws, and is exercisable during Grantee's life only by Grantee. Notwithstanding the foregoing, by delivering written notice to the Company, in a form satisfactory to the Committee, Grantee may designate a third party who, in the event of Grantee's death, will thereafter be entitled to exercise the Option.

**12. Option Not a Service Contract.** Neither the Option nor this Agreement is an employment or service contract, and nothing in this Agreement or the Grant Notice creates or will be deemed to create in any way whatsoever any obligation on Grantee's part to continue in the service of the Company or a Related Entity, or of the Company or a Related Entity to continue Grantee's service.

**13. Governing Plan Document.** This Option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of this Agreement, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. Grantee acknowledges receipt of a copy of the Plan. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan will control.

**14. Miscellaneous.**

(a) Notices. Any notice, demand or request required or permitted to be given pursuant to the terms of this Agreement will be in writing and will be deemed given when delivered personally, one day after deposit with a recognized international delivery service (such as FedEx), or three days after deposit in the U.S. mail, first class, certified or registered, return receipt requested, with postage prepaid, in each case addressed to the parties at the addresses of the parties set forth in the Grant Notice or such other address as a party may designate by notifying the other in writing.

(b) Successors and Assigns. The provisions of this Agreement will inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon Grantee, Grantee's executor, personal representative(s), distributees, administrators, permitted transferees, permitted assignees, beneficiaries, and legatee(s), as applicable, whether or not any such person will have become a party to this Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.

(c) Severability. The provisions of this Agreement are severable, and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, then the remaining provisions will nevertheless be binding and enforceable.

(d) Amendment. Except as otherwise provided in the Plan, this Agreement will not be amended unless the amendment is agreed to in writing by both Grantee and the Company.

(e) Choice of Law. This Agreement will be construed and enforced in accordance with and governed by the laws of the State of Oregon, without giving effect to the choice of law rules of any jurisdiction.

(f) Entire Agreement. This Agreement, along with the Grant Notice and the Plan, constitutes the entire agreement between the parties hereto with regard to the subject matter hereof, and supersedes any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to such subject matter.

**EXHIBIT A**

**ARCIMOTO, INC.  
2022 OMNIBUS STOCK INCENTIVE PLAN**

**NOTICE OF EXERCISE**

Arcimoto, Inc.

\_\_\_\_\_

Attention: Chief Financial Officer

Date of Exercise: \_\_\_\_\_

1. **Exercise of Option.** This constitutes notice to Arcimoto, Inc. (the "**Company**") that, pursuant to the Arcimoto, Inc. 2022 Omnibus Stock Incentive Plan (the "**Plan**") and the Stock Option Award Agreement, dated \_\_\_\_\_, 20\_\_ (the "**Award Agreement**"), I elect to purchase the number of Shares set forth below for the price set forth below.

Number of Shares as to which Option is exercised (the "**Optioned Shares**"): \_\_\_\_\_  
Exercise Price per Share: \_\_\_\_\_  
Total Purchase Price: \_\_\_\_\_

2. **Delivery of Payment.** With this notice, I hereby deliver to the Company the full Purchase Price for the Optioned Shares, in a form permitted by the Award Agreement.

3. **Representations.** By signing and delivering this notice to the Company, I acknowledge that I am the holder of the Option exercised by this notice and have full power and authority to exercise the Option. I further represent that I have received, read, and understood the Plan and the Award Agreement, and I confirm my agreement to abide by and be bound by their terms and conditions. Capitalized terms used and not otherwise defined in this notice will have the meanings ascribed to those terms in the Award Agreement.

4. **Compliance with Securities Laws.** Notwithstanding any other provision of the Award Agreement to the contrary, the exercise of any rights to purchase any Optioned Shares is expressly conditioned upon compliance with the Securities Act of 1933, as amended (the "**Securities Act**"), all applicable state securities laws and all applicable requirements of any stock exchange or over the counter market on which the Company's Common Stock may be listed or traded at the time of exercise and transfer. I agree to cooperate with the Company to ensure compliance with such laws. I further understand that the Optioned Shares cannot be resold and must be held indefinitely unless they are registered under the Securities Act or unless an exemption from such registration is available and that the certificate(s) representing the Optioned Shares may bear a legend to that effect. I understand that the Company is under no obligation to register the Optioned Shares and that an exemption may not be available or may not permit me to transfer Optioned Shares in the amounts or at the times I may desire.

5. Tax Withholding. I acknowledge that my exercise of the Option may result in Tax Obligations which require the Company to withhold certain amounts to satisfy federal, state, local, and/or foreign taxes. I agree to satisfy such tax withholding obligations as described in Section 9 of the Award Agreement.

6. Rights as Stockholder. While the Company will endeavor to process this notice in a timely manner, I acknowledge that, until the issuance of the Optioned Shares (or, in the Company's discretion, in un-certificated form, upon the books of the Company's transfer agent) and my satisfaction of any other conditions imposed by the Company pursuant to the Plan or as set forth in the Award Agreement, no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Optioned Shares, notwithstanding the exercise of my Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance of the Optioned Shares.

7. Tax Consultation. I understand that I may experience adverse tax consequences as a result of my exercise of the Option or my disposition of the Optioned Shares. I represent that I have consulted with any tax consultants I deem advisable in connection with the exercise of the Option and/or the disposition of the Optioned Shares and that I am not relying on the Company or its officers, representatives, or agents for any tax advice.

8. Interpretation. Any dispute regarding the interpretation of this notice will be resolved by the Committee in its discretion, and the Committee's determination will be final and binding on all parties.

9. Entire Agreement. The Plan and the Award Agreement under which the Optioned Shares were granted are incorporated herein by reference and, together with this notice, constitute the entire agreement of the parties with respect to the subject matter of this notice.

**GRANTEE:**

\_\_\_\_\_

Print Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Jesse A. Fittipaldi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arcimoto, Inc. (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2022

By: /s/ Jesse A. Fittipaldi  
Jesse A. Fittipaldi  
*Interim Chief Executive Officer*

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Douglas M. Campoli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arcimoto, Inc. (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2022

By: /s/ Douglas M. Campoli  
Douglas M. Campoli  
Chief Financial Officer (Principal Financial Officer)

**CERTIFICATIONS PURSUANT TO  
18 U.S.C. SECTION 1350**

Each of the undersigned hereby certifies that, to his knowledge:

1. The Quarterly Report on Form 10-Q for the period ended June 30, 2022 (the "Report") of Arcimoto, Inc. (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 15, 2022

By: /s/ Jesse A. Fittipaldi

Jesse A. Fittipaldi  
*Interim Chief Executive Officer*

/s/ Douglas M. Campoli

Douglas M. Campoli  
*Chief Financial Officer (Principal Financial Officer)*