Zacks Small-Cap Research

January 25, 2017

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Elio Motors, Inc. (ELIO-OTCQX)

Only 811 reservations remain at locked-in base price of $7,300; recent misinformation clarified.

Calculating the net present value of a future target price (which is based on the valuation metric of price-to-sales) at a point when mass production is expected to be achieved indicates a share price target of $49.

Current Price (1/25/17)	$8.08
Valuation	**$49.00**

OUTLOOK

Elio Motors is in the process of designing, developing and soon-to-be manufacturing an ultra-efficient, low-cost, **three-wheeled, two-person vehicle**. With attractive performance, safety, fuel economy and aerodynamic styling characteristics, the *Elio* has the potential to become a game-changer leading to broad market acceptance of economical, three-wheel vehicles. Strong current demand is reflected by **over 64,000 customer reservations**. Management anticipates assembling the 100 S1 prototypes for real-world evaluation with commercial mass production to follow in 2018. Recent misinformation clarified in Recent News section.

SUMMARY DATA

52-Week High	**$60.00**
52-Week Low	**$5.75**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (shrs.)	**20,999**
Shares Outstanding (million)	**26.54**
Market Capitalization ($mil.)	**$214.3**
Short Interest Ratio (days)	**1.96**
Institutional Ownership (%)	**0.0**
Insider Ownership (%)	**88.0**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2016 Estimate	**N/M**
P/E using 2017 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small-Value**
Industry	**Motor Vehicles**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2015	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2016	0.0 A	0.0 A	0.0 A	0.0 E	0.0 E
2017	0.0 E	0.4 E	0.4 E	0.0 E	0.8 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Oct)	Q2 (Jan)	Q3 (Apr)	Q4 (Jul)	Year (Jul)
2014	-$0.25 A	-$0.25 A	-$0.24 A	-$0.24 A	-$0.98 A
2015	-$0.17 A	-$0.20 A	-$0.23 A	-$0.25 A	-$0.85 A
2016	-$0.34 A	-$0.54 A	-$0.46 A	-$0.48 E	-$1.61 E
2017	-$0.36 E	-$0.35 E	-$0.34 E	-$0.36 E	-$1.41 E

Zacks Projected EPS Growth Rate - Next 5 Years % **15**

Quarterly EPS may not equal annual EPS total due to rounding.

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KEY POINTS

- Elio Motors is a development stage company that is in the process of designing, developing and soon-to-be manufacturing an ultra-efficient, low-cost, three-wheeled, two-person vehicle.
- Vehicle has attractive characteristics.
  - Performance (84 MPG - highway), 0-60 under 10 seconds, max. speed over 100 MPH
  - Price: $7,300 with a manual transmission
  - Safety: 3 air bags, 2 seat belts, side intrusion beams, ABS
  - Stylish, aerodynamic design
- Management has targeted several mass target markets:
  - The second and third vehicle segments
  - Clunker replacement segment
  - First-time buyer segment
  - Strong current demand reflected by **over 64,000 customer reservations**, which represents potential sales of over $500 million
- Recent major milestones:
  - November 2015: completed prototype phase (P2-P5)
  - February 2016: closed **Regulation A+ stock offering** in February 2016 raising $**16.92 million**
    - Simultaneously **listed on the OTCQX**
  - June 30, 2016: unveiled hand-built initial engineering prototype (E1-A)
    - being used by Continental Automotive to program ABS software
  - August 12, 2016: **base price of the *Elio* set at $7,300** for non-refundable reservation holders
    - until the number of total reservations reaches 65,000
  - mid- 2016: began shipping E-Series vehicles for testing and engineering
    - Continental Automotive is testing the Anti-Lock Brake system
    - RedDOT is testing the HVAC system
  - Management currently plans to produce 23 E-Series vehicles in order to calibrate certain important systems.
  - **On track to assemble 100 pre-production engineering vehicles (S1) in 2017**.
  - **Management anticipates commercial mass production to begin in 2018**
- Strong business model:
  - Community of at least 35 notable suppliers/partners
  - Sales model for a sales/distribution network of company-owned retail centers
  - Service model utilizes Pep Boys as the company's official service provider
  - Assembly plant located in Shreveport, Louisiana
- Financing
  - Initially, funding delayed the progress in developing the *Elio* up until 2012
  - Regulation A+ equity offering mitigated short-term funding risk in 2016
  - Management anticipates that between $275 million and $300 million is needed to start production
  - Once Elio receives 65,000 reservations, many being non-refundable "all-in," the probability of receiving an ATVM loan increases
- The *Elio* has the **potential to become a game-changer** with its performance and styling characteristics leading to broad market acceptance of economical, three-wheel vehicles.

RECENT NEWS

Comment on Recent Stock Price Action and Misinformation

Since the beginning of November 2016, Elio's stock has been pressured by a variety of factors, specifically by the conversion of Convertible Subordinated Notes into common stock (and subsequent sale of some of that stock), the announcement that commercial production is now expected to commence in 2018 (rather than prior expectations of late 2017) and a series of articles in early January that

highlighted the normal cautionary factors of a start-up company like Elio Motors, along with an inflammatory comment about a certain hearing date.

First, the Elio's stock has succumbed to a wave of selling pressure from the stock issued as a result of the conversion of Convertible Subordinated Notes into common stock. As of the latest filing (November 18, 2016), 109,505 shares have been issued at a conversion price of $5.98. Since then, we estimate almost another 100,000 shares have been issued at the same cost. **These 200,000+ shares created a stock overhang**. Many of these former bond holders obviously chose to lock in profits in $19-to-$12 range during November and December as average daily volume increased over 150% from 3,700 to over 10,000 shares, and increased again to over 20,000 shares daily in January 2017.

Second, on December 31, 2016, the company indicated that **consumer production was now being targeted to start in 2018**. Previously, commercial production had been anticipated by the end of 2017. Though the push out is somewhat disappointing, it is not totally unexpected. The projected timetables relayed by managements of small cap stocks are almost always overly optimistic. Intensifying the issue, Elio Motors is in the process of developing and bringing to market a high-ticket consumer durable product that not only is fraught with complex design and development challenges, but also is required to meet stringent governmental operational and safety requirements. As long as progress is being made with the E-Series vehicles, minor delays in the timetable for commercial production are not overly concerning. Better to ultimately produce a safe and efficient vehicle than increase the risk of future potential recalls.

Third, during the first week of January, many news sources, including local media channels in Shreveport, reported that the company's accumulated deficit was over $123 million (as of September 30, 2016), insinuating that it was debt and also cited that the going concern accounting language requirement in the 10-Q was fact rather than cautionary. Companies bringing an initial product to market always incur start-up costs and an initial accumulated deficit, which represents the accounting measurement of the costs incurred for engineering, research and development. In general, the greater the price of the product results in a larger the accumulated deficit. For example, Tesla (TSLA), the developer of fully electric vehicles, first started generating revenues in 2007. At that time, Tesla had incurred an accumulated deficit of $122 million and was operating with a working capital deficit of almost $29 million, and in the following year the deficits expanded to $205 million and $56 million, respectively. Interestingly, Tesla's latest 10-Q implies that Tesla will have going concern accounting language in its 10-K for the year ending December 31, 2017.

Further exacerbating the concerns, the media **falsely reported** that Elio Motors had missed attending a pre-hearing meeting with the Louisiana Motor Vehicle Commission on January 9, 2017. Elio Motors has put out numerous communications stating that the Louisiana DMV had not notified the company that its attendance was requested.

These news articles (along with the announcement that commercial production is now expected to begin in 2018) weighed heavily on the company's stock, pressuring it down to the $6 range, after which it rebounded to $10 before closing at $8.50 on Friday.

On the other hand, do not under-estimate the importance of future financings to the ultimate success of Elio Motors. **Management anticipates that between $275 million and $300 million will be needed to start production**. Thus far, management has been able to successfully finance the start-up of Elio Motors. During the first nine-months of 2016, over $17.2 million was raised through financing activities, including $5.8 million released from restricted cash, almost $5.3 million from customer deposits, $3.7 million from the issuance of common stock and $2.45 million through advances by related parties. In addition, the Regulation A+ offering closed in February, which had previously provided $14.9 million in net proceeds in December 2015.

Elio Motors has submitted an application for an Advanced Technology Vehicles Manufacturing (ATVM) loan for approximately $185 million. The first of four stages has been completed with the Department of Energy confirming that the technical criteria for the loan have been achieved. As part of the evaluation of

the loan application, the DOE requires that Elio Motors **demonstrate market acceptance** for the *Elio* project. Under revised guidelines that clarify the approval process (which became effective June 24, 2016), the evaluation of market acceptance for start-up companies must "establish to a high level of confidence that adequate future sales will occur." Specifically, "in all but the most extraordinary circumstances, market studies and non-binding customer reservations to purchase vehicles will not be sufficient to establish adequate future sales."

Though management believes that the company's crowd funding and Regulation A+ offering qualify as "most extraordinary circumstances," to further strengthen the case for the ATVM loan program, the company embarked on an effort to seek **binding commitments** to purchase the *Elio* at a locked-in price to further validate market acceptance of the vehicle. Hence, the motivation to set a base price of $7,300 and the incentive of **offering a lower $7,000 price for those who make a binding commitment.**

To date, the ATVM loan program has provided loans to Ford ($5.9 billion), Nissan ($1.45 billion) and Tesla ($465 million). However, if Elio Motors is unable to obtain an ATVM loan, management anticipates funding the company through customer reservations, debt and/or equity offerings and possibly CAFE credits. The company has also identified approximately $1.1 in equipment at the Shreveport plant that it is authorized to sell to raise funds. It should be noted that the company's reservations represents over $500 million in revenues.

Financing News

On September 21, 2016, Stuart Lichter **extended the maturity** of $1,900,500 in 10% promissory notes **to September 30, 2017**. Also, the company received funding by issuing a **$2,450,000 5% convertible note** due September 30, 2022 to Stuart Lichter. The notes are convertible at $15 per share.

In November 2016, Elio Motors entered into an agreement with CH Capital to **extend the maturity** of the senior promissory note **to July 29, 2017**.

In November 2016, Elio Motors entered into a lease amendment that converted $5.5 million of accrued rent, common area maintenance charges, taxes and insurance, along with $4.2 million of these project costs, through December 31, 2017 into **531,416 shares of preferred stock** (issuance value of $16.00 per share) and a 5-year warrant to purchase 25,000 common shares at $20 per share.

3Q Results

On November 18, 2016, Elio Motors filed Form 1-U, which provided financial results for the period ending September 30, 2016. Continuing to be in the developmental phase, the company reported no revenues. Since Elio is ramping up its engineering effort on a path towards production, we are analyzing the income statement lines on a sequential quarter-to-quarter rather that year-over-year (YOY) basis. Operating expenses declined 20.1% sequentially to $9.78 million, as engineering, research and development costs declined 16.3% sequentially even though high level of expenses for soft tooling related to building prototypes for testing & validation purposes (roughly $4.8 million) were incurred. General and administrative expenses decreased 58.0% from $2.06 million to $864,567. Sales & marketing expenses increased 2.3%, as social media, television and print advertisements continued at a high level; also the company incurred significant fees for issuing press releases and processing credit card deposits, along with other promotion-related expenses. Interest expense increased 0.4% sequentially.

The company reported a net loss of $12.1 million ($0.46 per diluted share) compared to $14.3 million ($0.54 per diluted share) in the preceding quarter. As of September 30, 2016, the company's capital deficit was $25,769,911 as compared to $18,478,961 on June 30, 2016.

Vehicle Testing and Production Timetable

On June 30, 2016, Elio Motors **unveiled the first E-Series** (engineering prototype) **testing vehicle**, the **E1-A**, achieving another milestone toward commercial production. The ceremony took place at the company's Pilot Operations Center in Livonia, Michigan in front of more than 200 automotive supplier executives and engineers. The E1-A (in Marshmallow white) was unveiled in front of its predecessors, the P2 (Sour Apple green), P3 (Rocket Silver), the P4 (Creamsicle orange) and P5 (Red Hot) prototypes (see photo below).



Management is planning to build a total of **23 E-Series vehicles** to test the safety, aerodynamics and durability characteristics of the *Elio's* design. With each successive engineering prototype, the design of each of the systems will be tested, and if necessary, re-calibrated, adjusted and/or refined.

Thereafter, the company plans to **sell 100 pre-production E Series vehicles** to one or more fleet customers, rather than test and evaluate them internally. The vehicles are to be built at the Shreveport production facility. Under this revised plan, the vehicles will be evaluated under real-world driving conditions while generating revenue for the company.

Thereafter, after any necessary refinements, management expects to mass produce the *Elio* at the Shreveport production facility. During in the first quarter of commercial production, management anticipates production to be 19,000 vehicles and potentially 62,500 a quarter thereafter. Once production has ramped up, management estimates that approximately 1,500 employees will be working at the facility.

ePlus Personalization Program

On August 11, 2016, Elio Motors added several **new options to the configurator** (aka ePlus mass personalization system or ePlus: My Elio). The new options include a custom **car cover**, roof-top **bike rack** and **Heads-Up Display** (HUD). Elio Motors is providing customers the ability to choose each individual option desired as opposed to other vehicle manufacturers that offer standardized bundled option packages.







OVERVIEW

Based in Phoenix, Arizona, Elio Motors, Inc. (ELIO) is a development stage company that is in the process of designing, developing and soon-to-be manufacturing an ultra-efficient, low-cost, **three-wheeled**, two-person **autocycle**. Though currently classified as a motorcycle (a motor vehicle with three or less wheels)[i], a new classification of autocycle is being sought in Congress[ii] for three-wheeled, enclosed-compartment vehicles with a steering wheel and hard-top and/or roll bar. The vehicle's aerodynamic design and custom engine are engineered to attain up to 84 MPG while providing a high level of safety to the vehicle's driver and passenger.

Since the company's incorporation in October 2009, management, led by CEO Paul Elio, has been pursuing a vision to engineer and manufacture a high quality, American-made, efficient, safe and affordable vehicle dubbed the *Elio*. Five major tenets guide the company's strategy:

- Base price of $7,300 excluding options, delivery charge, taxes, title and registration
- American made - targeting 90% North American content
- Outstanding fuel economy - designed to attain up to 84 MPG
- Engineered to a high level of vehicle safety (3 airbags, ABS, etc.)
- High quality level of quality with AC, stereo and power lock & windows as standard equipment



Between January 2013 and November 2015, Elio Motors developed, built and validated **three successively progressive prototypes** of the *Elio* autocycle (P3-P5) and is currently working on the process manufacturing the first E Series engineering prototype (E1-A). All five engineering component designs for E Series have been completed, and the pilot-build of vehicles for real-world vehicle and destructive safety validations is proceeding.

Corporate Timeline

• October 26, 2009	Elio Motors, Inc. incorporated
• December 2012	Initial design for the *Elio* completed
• January 2013	Began accepting reservations for the *Elio*
• February 28, 2013	Purchased manufacturing facility & equipment in Shreveport, Louisiana
• Through 2013	Worked on removing technical legal requirements for autocycles
• Throughout 2014	Sourced multiple suppliers/partners
• August 2014	Applied for ATVM loan
• July 14, 2015	Effected a 500-for-1 forward stock split
• January 20, 2016	Launched first national advertising campaign
• February 19, 2016	Closed Regulation A+ stock offering raising $16.92 million
• February 24, 2016	Elio Motors began trading on OTCQX
• March 11, 2016	Announced that 100 pre-production S1 prototypes are to be manufactured
• March 24, 2016	Announced ePlus customization program
• August 12, 2016	Announced base price of $7,300

Building Brand Awareness

In order to build awareness, a prototype *Elio* has been at **over 125 events** across the United States since May 2013. At certain occasions, the company has made important announcements concerning milestones being achieved or programs being pursued, specifically,

- January 2015 Consumer Electronics Show in Las Vegas
  - Voted product most want to take home in online poll by CNET.com
- November 2015 Los Angeles Auto Show
  - unveiled the P5 with custom Elio engine
- January 2016 North American International Auto Show in Detroit
  - announced start of E Series development process
- March 2016 New York International Auto Show
  - unveiled plans for ePlus
- June 2016 Barrett-Jackson Car Auctions in Uncasville, Connecticut
  - displayed P5 prototype
- September 2016 5th Annual Liolios Gateway Conference in San Francisco
- October 2016 Barrett-Jackson Car Auctions in Las Vegas
  - displayed P5 prototype
- November 2016 Los Angeles Auto Show
  - displayed E1-C prototype
- January 2017 North American International Auto Show in Detroit
  - displayed E1-C prototype



In January 2016, the company **launched** its first **national television advertising campaign** with two commercials entitled “Own the Future.” The spots will air on national cable networks, including Fox Business Network, Fox News, ESPN News, ESPNU, Fox Sports, Animal Planet, National Geographic and Velocity.

30 second commercial
https://berline.app.box.com/s/zwkh40wkl4bshz917vxw1in2adhgxq38/1/6221709541/50896887801/1

60 second commercial
https://berline.app.box.com/s/u40pzhmt2n8h6n1qt8v4xczyh81h0ra4/1/6173481966/50894567365/1

Brand surveys indicate that awareness of the *Elio* is only 6.5% nationally compared to 70.2% for Tesla, demonstrating that enormous growth potential is obtainable through advertising.

Equity Developments

On February 24, 2016, shares in Elio Motors (ELIO) began being traded on the **OTCQX**.

AUTOCYCLE MARKET

The **mass target market** is composed of those individuals that seek an affordable and safe mode of transportation to commute to work. Along with an unprecedented low base price of $7,300, the *Elio* provides ultra-high fuel economy (estimated 84 MPG) and is designed to exceed safety standards. In addition, the autocycle has a sleek design and nimble handling. **Management is targeting the several segments of the domestic automobile market**: the second/third vehicle, clunker replacement and first-time buyer segments.



The *Elio*, due to its modest price point and high MPG, has the potential to be a viable **second or third vehicle** as an economical addition to a household's current vehicle(s). Management believes that the *Elio* will be an attractive alternative to purchasing a used car for a second vehicle. In 2014, just over 42 million used were sold at an average transaction price of $17,700.[iii] The average price of a ten-year old vehicle was approximately $8,000.

According to the 2009 National Household Travel Survey, over 77.6 million households had one or two vehicles, accounting for 68.6% of all US households. If these households plan on purchasing a used vehicle as a second or third vehicle, the option to buy a new, ultra-economical, two-seat vehicle (with guarantees and warranties) for under $7,000 for commuting to work, running errands or recreation appears to be more attractive than purchasing a used vehicle with over 100,000 miles for around $8,000. The need of the occasional functionality of a pick-up truck, sport utility vehicle or minivan can be served by the first or second vehicle, while an *Elio* is more economical for solo trips.

Number (Thousands) and Percent of Households by Availability of Household Vehicles

Households with –	1969	1977	1983	1990	1995	2001	2009	95% CI
No Vehicle	12,876	11,538	11,548	8,573	7,989	8,716	9,828	49
Percent	*20.6%*	*15.3%*	*13.5%*	*9.2%*	*8.1%*	*8.1%*	*8.7%*	
One Vehicle	30,252	26,092	28,780	30,654	32,064	33,757	36,509	302
Percent	*48.4%*	*34.6%*	*33.7%*	*32.8%*	*32.4%*	*31.4%*	*32.3%*	
Two Vehicles	16,501	25,942	28,632	35,872	40,024	39,938	41,077	274
Percent	*26.4%*	*34.4%*	*33.5%*	*38.4%*	*40.4%*	*37.2%*	*36.3%*	
Three or More Vehicles	2,875	11,840	16,411	18,248	18,914	24,955	25,688	270
Percent	*4.6%*	*15.7%*	*19.2%*	*19.6%*	*19.1%*	*23.2%*	*22.7%*	
ALL	**62,504**	**75,412**	**85,371**	**93,347**	**98,990**	**107,365**	**113,101**	**0**
Percent	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	
Vehicles Per Household	**1.16**	**1.59**	**1.68**	**1.77**	**1.78**	**1.89**	**1.86**	**0.01**

Summary of Travel Trends: 2009 National Household Travel Survey

Another target market for the Elio is the **clunker segment**, approximately 100 million vehicles on American roads that are six years old or older. Many of these vehicles are unreliable and unsafe with low MPG and have high maintenances costs. The *Elio* with its low upfront cost and low operating costs is a low-cost alternative for clunker drivers.

Another target market is the first-time buyer sub-segment composed of **individuals with low or moderate income** who lack transportation to get or hold employment. A study in New Jersey[iv] indicates that roughly 60% of the chronically unemployed had to turn down jobs due to lack of a means of transportation to commute to and from a job. The lack of transportation is a significant barrier to employment, more especially in rural communities and small towns where public transportation is less developed. Also, the logistics of transportation are challenging for the urban poor and the economically disenfranchised. The lack of suitable public transportation, non-ownership of a vehicle and the ownership of an unreliable vehicle are known issues for the chronically unemployed and the poor. In addition, a continuing study at Harvard University[v] shows that the relationship between transportation and social mobility is stronger than several other factors, including crime, elementary-school test scores or the percentage of two-parent families in a community. In other words, the lack of reliable transportation appears to be a greater barrier to gainful employment than insufficient education, criminal environment or the absence of affordable childcare.

Though there are skeptics, management has carefully assessed the **potential market for a two-passenger vehicle**. According to the **2009 National Household Travel Survey** conducted by the Federal Highway Administration of the US Department of Transportation, the **average vehicle occupancy** across all types of trips (work, shopping, family errands and social/recreational) was **1.67**. The average vehicle occupancy in the commuting to **work segment** was **1.13**, while the social/recreational trip segment averaged 2.2. According to the 2013 American Community Survey, 76.4% of Americans drive alone to work.

Through multiple consumer surveys, management believes that initial purchasers of the *Elio* will be **early adopters** with a different demographic profile than the anticipated target market. These auto-enthusiasts, which tend to be wealthier and older than the anticipated target markets, are attracted to the Elio's unique aerodynamic design and uniqueness. In addition, the scarcity value of *Elio* anticipated during the first months of production has added incremental demand for reservation deposits.

RESERVATIONS

Elio Motors began accepting reservations in January 2013. **Reservation deposits**, which secure vehicle production slots, range from $100 to $1,000 at four levels ($100, $250, $500 or $1,000). Reservations are offered on a non-refundable or refundable basis with non-refundable reservations have priority over refundable reservations. The reservation deposits have provided significant short-term liquidity for the company.

Elio Motors, Inc.

	Customer Reservations			Approximate
Date	Non-refundable	Refundable	Total	# of vehicles
12/31/2013	$2,616,200	$200,250	$2,816,450	6,406
12/31/2014	$14,852,183	$913,700	$15,765,883	38,000
9/30/2015	$18,375,034	$1,060,950	$19,435,984	46,000
12/31/2015	$19,587,800	$1,092,750	$20,680,550	47,961
3/31/2016	$20,961,900	$1,114,900	$22,076,800	50,238
4/23/2016	$22,319,000	$1,142,000	$23,461,000	52,404
6/30/2016	$22,941,055	$1,203,550	$24,144,605	55,529
9/30/2016	$24,768,800	$1,201,400	$25,970,200	59,864
1/22/2017	N/A	N/A	N/A	64,008

A sales discount equal to 50% of the nonrefundable deposit up to $500 per deposit was offered by Elio Motors until May 31, 2016. Thereafter, the discount was set at 25%. Then, on August 12, 2016, the base price of the *Elio* was set at $7,300 for non-refundable reservation holders until the number of total reservations reaches 65,000 vehicles. The 25% discount of the deposit amount will be applied at the time of the customer's purchase of a vehicle.

BUSINESS PLAN

Management's mission is to design, develop, mass manufacture, distribute, sell and service the *Elio* and its components. The goal of initial business plan is to sell the vehicle in the United States market.

Business Plan Milestones

- January 2013 Purchased all the existing equipment in the Shreveport facility
- November 2013 Eastern Catalytic is named supplier of exhaust systems & catalytic converters
- April 8, 2014 Flame-Spray to provide PTWA technology for engine cylinder
- April 29, 2014 **PEP Boys** named **official service provider** (over 800 service locations with more than 7,500 service bays in 35 states)
- September 17, 2014 Announced sale of surplus equipment at Shreveport facility
- November 4, 2014 Announced partnerships with DES Group and Infinite Skyz as suppliers for several interior and exterior options
- March 6, 2015 **Unveiled new** 0.9 liter, 3-cylinder **engine prototype** developed by IAV
- November 3, 2015 Announced tire selection: Continental Tire's ProContact GX
- November 5, 2015 MTX Audio to supply audio system
- March 9, 2016 Named Roush as Lead Engineering Partner
- April 20, 2016 Created Pilot Operations Center to assemble E1-A
- May 17, 2016 Linamar Corp. chosen as powertrain partner
- September 14, 2015 RedDOT to supply HVAC system

Production Model

The P3-P5 prototypes were hand-built in Livonia, Michigan with the help of Technosports Creative. After the E Series has been tested for safety and performance, the design of the vehicle will be adjusted to improve vehicle design and better optimize production procedures. Once the final tooling requirements are determined, the production drawing will be finalized and any additional required long lead time equipment will be ordered.

During the **2017**, **management plans to manufacture 100 pre-production, S Series (S1) vehicles** at the company's production facility in Shreveport, Louisiana, which Elio Motors purchased, along with all the in-place manufacturing equipment, in early 2013. The S1s will be delivered to one or more fleet customers to be tested and evaluated under real-world driving conditions. Though the company has not divulged the planned recipients of the vehicles, in the past, it has been disclosed that reservations for fleet vehicles have been made by Griffin Beverage Company (in Michigan), SOS Alarm (Oregon), Peoria Car Rental (Arizona), Treasure Coast Car Wash (Florida) and Edge Auto Rental (New York).

Thereafter, after any necessary refinements, management expects to mass produce the *Elio* at the Shreveport production facility. During in the first quarter of commercial production, management anticipates production to be 19,000 vehicles and potentially 62,500 a quarter thereafter. Once production has ramped up, management estimates that approximately 1,500 employees will be working at the facility.

Suppliers

Elio Motors has partnered with **notable auto suppliers** to collaborate on both engineering the *Elio* and supplying the parts needed for production, maintenance and repairs. The company is striving to utilize off-the-shelf components (parts used in the vehicles of other automakers) in order to accelerate the pace of development, to lower manufacturing/repair costs and to benefit from the durability of parts that were designed for larger vehicles. Suppliers were chosen to be consistent with the company's goal to maintain **high U.S. content** in its vehicles.



Aisin (Japan) - multi-mode manual transmission
Arkansas Bolt Company (AR) – fasteners and specialty products
Continental (SC) – tire supplier
Continental Automotive (SC) – supplier of the Anti-Lock Braking Systems (ABS)
Comau (Italy) – manufacturing production processes (to build assembly process at Shreveport facility)
DES Group (UK) - several interior & exterior options (interior plastic trim pieces and exterior fascias)
Eastern Catalytic (PA) - catalytic converters and related components
Flame-Spray Industries (NY) - plasma-transferred wire arc (PTWA) technology for engine cylinder bore
Genesee Group (TX) - stamping and fabrication services
Guardian (MI) - tempered automotive glass
IAV Automotive Engineering – engineering co. that developed *Elio*'s unique internal combustion engine
Infinite SKYZ (TX) - in-vehicle services (VoIP, Wi-Fi, vehicle alarms, remote start, navigation, etc.)
Kiekert USA (MI) - door and compartment latch closing systems
Lear Corp. (TX) - seating manufacturer
MTX Audio (AZ) - customizable plug-and play audio system
Paslin Company (MI) - welding systems and fixtures for constructing the E Series prototypes
RedDOT Corporation (WA) **HVAC** (heating, ventilation and air conditioning) system
Roush (MI) - lead engineering partner
Schwab Industries (MI) - soft tool prototype development and body framing
Technosports Creative (MI) - product and project development
Tru-Fit Products (OH) – specialty fasteners

In June and November 2015, Elio Motors conducted **Supplier Summits**. In a unique supply chain management technique, Elio's 34 suppliers came together to collaborate on the development of the *Elio* and to further refine its driving characteristics. The suppliers are expected meet on a regular basis to discuss each and every aspect of the vehicle's design and manufacturability.

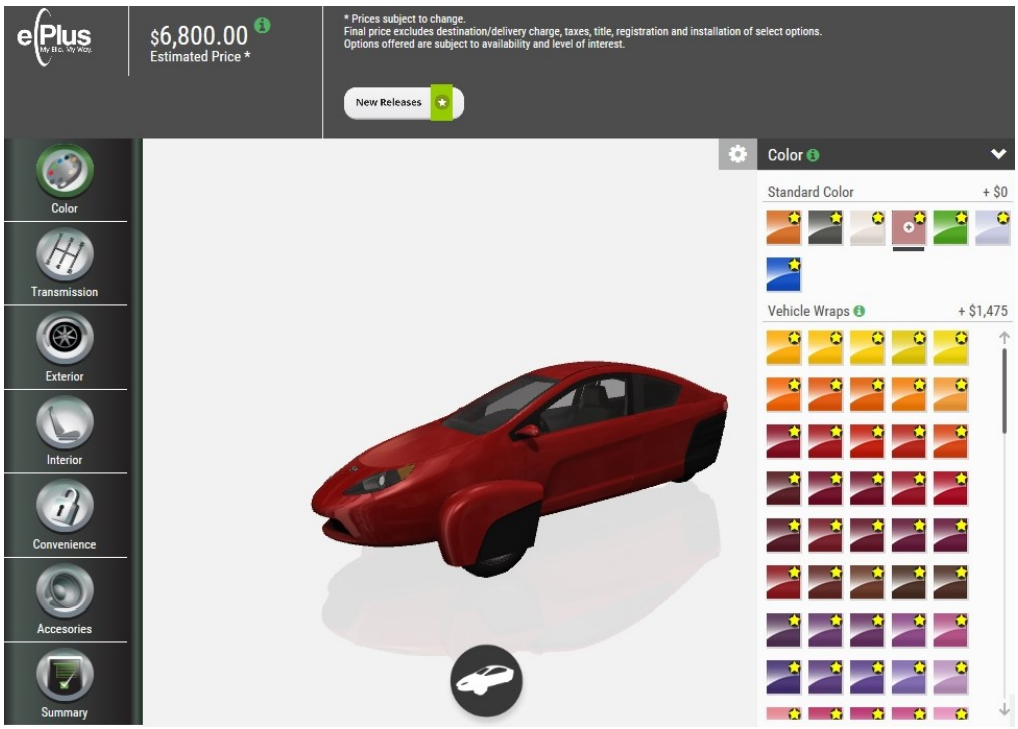
Elio Motors emphasizes the use of off-the-shelf components for the manufacture the *Elio*, such as the chassis, transmission, body and interior. However, when off-the-shelf components cannot satisfy the *Elio*'s unique requirements, the parts will be fabricated specifically for Elio Motors. One example is the engine that was specifically designed for the *Elio* by IAV Automotive Engineering in order to achieve

certain performance characteristics. In this case, the engine block will be specifically manufactured for Elio Motors.

Sales Model

Instead of utilizing a conventional system of factory-authorized dealer franchises, Elio Motors plans to create a **sales/distribution network** of **company-owned retail centers**, somewhat similar to the direct sales model employed by Tesla (TSLA). These small (approximately 4,000 square feet), stand-alone retail stores would be located in highly-visible community shopping centers in major cities, where three *Elio* vehicles are displayed (one on display inside the store and two outside to provide test drives. The initial roll-out of stores is planned to be comprised of locations in the top 60 markets in the United States.





The retail stores will be staffed by Elio-trained certified specialists to answer questions and arrange test drives. Several interactive kiosks in the store will act as the point-of-sale interface, guiding a customer in the selection process of a vehicle and options choices. Through menus on the **Configurator** (**ePlus**), the

customer can select one of seven color choices, be informed of warranty information and service locations and choose the method of payment/financing. The customer will also be able to upgrade and personalize the *Elio* with certain options (e.g. automatic transmission, additional color choices, etc.), add-ons and/or accessories through various other menus that all contain pricing information. Options will not be bundled in pre-set option packages, allowing customers to choose just the specific options and features desired. With pre-set prices for the vehicle and options, customers will encounter a no-haggle, low-pressure sales experience.

Once a vehicle order has been finalized, the custom order information will be transmitted to one of seven Elio marshaling/configuration centers optimally positioned to be within 9 hour of the sales center. The marshaling centers (to be managed by **ADESA** at their auction sites) will maintain a stock of base vehicles in the seven standard colors, which will be customized according to the customer's accessory choices and add-on specifications. In most cases, the vehicle will be delivered to the retail center early the next day by **CarsArrive**.

Service Model

Rather than having direct authorized service centers, Elio Motors named **Pep Boys** as the company's **official service provider**. As a major automotive retailer of aftermarket parts and provider of services, Pep Boys can provide convenient and professional maintenance and repair services at over convenient 800 locations with over 7,500 service bays in 35 states across the U.S. and Puerto Rico. Pep Boys operates in approximately 90% of the areas where the Elio is expected to be owned. In the remaining markets, Elio Motors plans to have its company-owned stores be its factory authorized service provider. The relationship with Pep Boys was announced in April 2014. Subsequently, Pep Boys was acquired by Carl Icahn in February 2016.

Pep Boys
Official Service Centers



DESCRIPTION OF THE *ELIO*

The *Elio* is a front-wheel drive, two-seat, three-wheeled autocycle with a custom inline 0.9 liter (900cc) three-cylinder engine designed to produce 55 horsepower and 55 lb-ft of torque. With a weight of approximately 1,350 pounds (612 kg) and a unique aerodynamic design, it is expected to attain its estimated highway fuel economy of 84 MPG on the highway and other performance objectives. The *Elio* is configured with two wheels in the front and one wheel in the rear, tandem seating for two passengers, one door and 1.68 square-foot trunk (27" x 14" x 10"). Management's base price point is $7,300 for the base model with standard features and a 3-year, 36,000 mile warranty.

Performance:

- 84 MPG (highway), 49 MPG (city)
- 0-60 under 10 seconds
- maximum speed over 100 MPH (160 km/h)

Price:

- $7,300 with a manual transmission plus destination fee of $500-$800

Safety:

- three air bags (one front and two side)
- 2 seat belts
- unibody construction or reinforced-steel full roll cage frame
- side intrusion beams
- Anti-lock Brake System (ABS)
- electronic stability control

Standard Equipment:

- air conditioning/heat
- AM/FM stereo radio
- power windows
- power door lock
- manual 5-speed transmission
- mechanically adjustable cloth seats
- fold-down rear seat for additional space contiguous with trunk creating a 2.44 square-foot trunk
- parking brake
- cruise control

The Elio is available in seven standard colors: True Blue, Sour Apple, Rocket Silver, Red Hot, Mellow Yellow, Licorice, Creamsicle and Marshmallow. There will be the option of personalizing with other



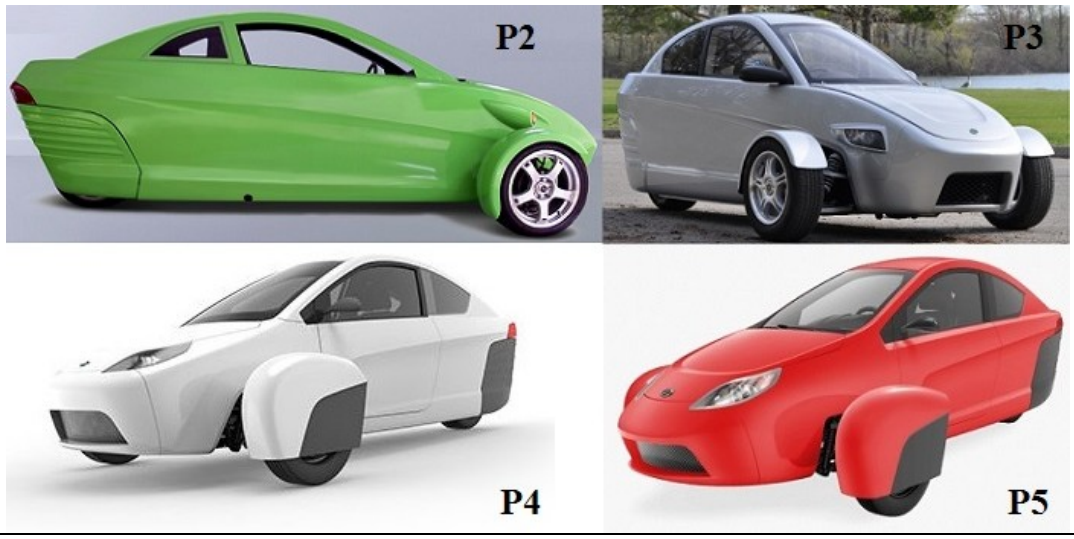
Add-on Options:

- automatic transmission (approximately $800)
- personalized colors (approximately $1,600)
- leather seats
- power seats
- blind spot detecting mirrors
- back-up camera
- cruise control
- GPS-mapping & navigational aids
- radio upgrades (stereo, web radio)
- keyless entry
- remote engine ignition
- tire pressure monitoring (approximately $400)
- exterior body aesthetic options
    - retro fenders (approximately $875)
    - front chin spoiler (approximately $175)
    - rear spoiler (approximately $305)

ENGINEERING AND DEVELOPMENT PROCESS

Since the initial design for the *Elio* was completed in December 2012, a series of four prototypes (**P2 through P5**) have been built with the help of Michigan-based Technosports Creative, a firm that provides support in the design, development and management of vehicle programs to the likes of Ford, GM, NASCAR, Chrysler, etc. Each consecutive hand-built prototype not only advanced the **proof of concept**, but also added **incremental engineering improvements**, first concentrating on **safety** (air bags, anti-

lock braking system, side intrusion beams) and later improving engine **performance** and **aerodynamics**. Each successive prototype helped validate the *Elio*'s design and concept. In addition, the vehicles toured the United States increasing awareness of the brand and stimulating demand through advanced reservations. The photo composite below helps illustrate the changes in the *Elio* during the growth process as management strived to perfect the vehicle.



Engineering and Development Milestones

- December 2012 Initial design for the *Elio* completed
- January 2013 Unveiled second prototype (**P2**)
- May 2013 Revealed **P3**
- January 2014 Launched **P4**
- June 8, 2015 Announced development of 5th prototype (P5)
- November 19, 2015 Unveiled **P5** with ***Elio* engine** designed by IAV
- January 12, 2016 Announced development of E Series
- February 2016 Released **body framing** and **engine cradle** design to suppliers
- March 2016 Completed final **body panel** design for E1-A
- April 28, 2016 Completed **chassis** design for E1-A
- June 30, 2016 Unveiled **E1-A** with unibody construction

Prototype 5 (P5)

The fifth and last prototype in the P Series, the **P5**, was built with the intention of moving quickly towards mass production. Begun in June 2015, the development of the P5 was initially funded by a 506 (c) offering to accredited investors. Since no engine currently on the market met the company's requirements, a custom **engine** was developed by IAV specifically for the *Elio*. The 55 HP, 3 cylinder, 0.9 liter (900cc), liquid-cooled, fuel-injected engine was designed to deliver the optimal blend of power and efficiency to attain the projected specifications for fuel economy (84 MPG), speed (over 100 MPH) and acceleration (goes 0-60 speed in 9.6 seconds). A **multi-mode manual transmission** was provided by Aisin, the world's largest transmission manufacturer, to better achieve additionally-desired driving characteristics.

The **front end** of the P5 was engineered to be slightly longer than the P4, increasing fuel efficiency. This improvement to the vehicle's aerodynamics simultaneously enhanced its futuristic appearance and stylish look, which should bolster its appeal to potential customers.

The **interior** and **instrument panel** were upgraded to improve the driver's and passenger's experience. For example, the arm rest was raised, the rear seat lowered and more foam was added to the rear seat.

Also, brushed metal was added to the dashboard, and the iPad holder was improved to eliminate the need for any vertical adjustment.

Importantly, during the implementation of the improvements to the P5, every effort was made to ensure that all sub-components would 1) fit flawlessly into the vehicle, 2) perform as required for the life of the vehicle and 3) be able to be sourced efficiently during mass production phase.

E Series Engineering/Testing and S Series Soft Tooling Prototypes

The next phase of engineering and development process is the vehicle **test and engineering validation stage** through the E Series, E for Engineering. The goal of the process is to move the *Elio* from the prototype phase to commercial production. First, the **E1-A** has been hand-built at the Pilot Operations Center in Michigan, incorporating all the advancements announced by the eight Product Development teams for the purpose of confirming the vehicle's safety characteristics, gasoline efficiency and cost of manufacturing through a variety of tests. Management plans to produce 23 E-Series vehicles in order to calibrate the vehicle's systems. Soon thereafter, currently anticipated to be in 2017, **100 pre-production S1s** (S for Soft tooling) will be assembled in the Shreveport facility for real-world safety, system-performance and durability tests by one or more of Elio Motors' fleet customers. This phase has been initially funded the Regulation A+ equity offering to accredited and non-accredited investors which closed in February 2016.

Over the last five months, a whirlwind of announcements have revealed the fast-track advancements achieved by the eight Product Development Teams of Elio Motors. Each of these specialized Product Development Teams is responsible for engineering a major module of the *Elio*.

- Power Train (Engine and Transmission) Development Team
- Chassis Development Team
- Body Frame and Engine Cradle Development Team
- Underhood Product Development Team
- Electrical System Development Team
- Exterior Design Development Team
- Body Panel Design Development Team
- Restraint System Development Team

In quick succession during early 2016, the body frame, engine cradle, interior and chassis designs were finalized for the commencement of the initial E Series build. The E1s will be used to evaluate and validate the design, specific systems and attributes, namely:

- Safety (crash test)
- Anti-Lock Braking System (test and calibrate)
- Performance (engine/transmission shift validation, 0-60 mph and maximum speed)
- Ride & handling (vehicle turning, NHTSA Fish Hook and tire wear)
- Aerodynamics (wind tunnel testing)
- Powertrain (emission certification and engine/transmission calibration)
- General vehicle durability
- Manufacturability validation

As the various tests are completed, the engineering teams of Elio Motors and its suppliers will make final adjustments to enhance the vehicle's performance and safety profiles prior to assembling the 100 S1s. In addition, the test results and the resulting alterations will aid in determining the final tooling needs for the production line.

Anticipated Milestones

- mid-2016-2017 — Manufacture/assemble 23 E-Series vehicles for calibration purposes
  - Evaluate and validate design at supplier locations
  - Complete engineering simulations at Pilot Operations Center
- late-2017 — Manufacture/assemble and sell 100 engineering prototypes (S Series)
- late-2017 — Conduct real-world safety, system-performance and durability tests
  - Confirmation of mileage
  - Production validation
  - EPA/CARB certification
- 2018 — Finalize full production-intent prototype
- 2018 — Secure additional funding
- 2018 — Build-out manufacturing facility and hone manufacturing processes
  - Order long lead time equipment
  - Plant integration
  - Hard tool production line
  - Build inventories of parts and components
  - Hire production workers at the Shreveport manufacturing facility
- 2018 — Validate vehicle production costs and guarantee initial sales price
- 2018 — Consumer production launch of the *Elio*
- Future — Establish sales centers and bolster support (G&A) functions

THE THREE-WHEEL AND SPORTS CAR MARKETS

Three-wheel vehicles have been sold in the U.S. and abroad both in the past and today. In addition, two-seat sports cars have been and are popular. Considering these precedents, a three-wheeled vehicle with seating for two should have an avenue for successful market acceptance. A few examples follow.

Designed in 1952, the **Isetta** is an Italian-designed, three-wheel vehicle that became the first mass produced vehicle to achieve 78 MPG. BMW acquired a license to the Isetta and began mass production began in April 1955. Initially powered by 236 cc split-single, two-stroke motorcycle engine, later models were improved with a 298 cc engine. As the vehicle evolved, a fourth wheel was added and the engine was upgraded with a 582 cc twin motorcycle engine. Production continued until 1961 when it succumbed to the competition from the entry-level VW Beetle. With 161,728 units sold, the Isetta became the best-selling single-cylinder car in the world.

The three-wheel **Messerschmitt KR200** is a German-designed, light-weight, fully enclosed, tandem passenger vehicle. Usually called a microcar, the cabin tapered towards the back where the vehicle was propelled by a single rear-wheel drive. Between 1955 and 1960, approximately 40,000 KR200s were manufactured and sold.



Isetta



Messerschmitt KR200

A new three-wheel vehicle in the start-up phase is the electric-powered, three-wheel **Arcimoto SRK.** With a base price of $11,900 and up to $20,000 with upgrades, the vehicle is still in the prototype phase and not yet in production. The targeted performance criteria are 0-to-60 in 7.5 seconds and a top speed of 80 MPH. The Arcimoto SRK has been under development for 10 years, and as of January 2016, about 350 customers have pre-ordered one.

Currently, Polaris is advancing a three wheeled motorcycle, the **Slingshot®**. With four models being offered at price points between $21,499 and $26,999, the open-air cockpit vehicle without airbags is popular among Millennials due to its unique styling and ride experience. The standard Slingshot® is available with a 2.4 L engine and a five-speed manual transmission.



Arcimoto SRK



Slingshot

In the two-seat sports car category, two successful brands were the **Triumph Spitfire** and the **MG**. These light-weight two-seaters were and remain very popular. The MG was introduced in 1924, and over time, over 25 models were produced. Between 1962 and 1980, production of the MGB Roadster alone was 513,272 vehicles. The company has had many owners (Morris Motor Company, British Motor Corporation, British Leyland Motor Corporation, Rover Group, BMW, among others), but became and remains a marque brand. Much of the vehicle's success was derived from being an affordable stylish vehicle that was a pleasure to drive. The Triumph Spitfire was successful but did not achieve the same popularity as the MG. Between 1964 and 1980, approximately 314,332 Spitfires were manufactured and sold.

The *Elio* has styling and performance characteristics to be an iconic vehicle, like the MG, and potentially take the lead in broad market acceptance of economical, three-wheel vehicles.





VALUATION

Due to cyclical characteristics of the automobile and motorcycle manufacturing industries, the valuation methodology that consistently has been applicable over time utilizes the **Price-to-Sales (P/S) metric**. During the up-cycle, profitability (P/E) and cash flow (EV-to-EBITDA and P/CF) approaches tend to overstate the potential of these personal transportation vehicle companies. Conversely, during the down-cycle, negative profitability and, on occasions, negative cash flow causes methodologies based on P/E, EV-to-EBITDA and P/CF to become meaningless.

The mature automobile companies (General Motors, Ford, Honda, Toyota, BMW and Daimler) tend to trade at low P/S ratios, in the 0.1 to 0.8 range with a mean valuation of 0.4 times sales.

A new entrant in the early phases of its life cycles, like Tesla (TSLA), trade at a much higher multiple reflecting the company's potential. As Tesla ramped up sales to the $204 million level in 2011, its stock traded at 13.9 times sales. Subsequently in 2013, when sales reached slightly over $2.0 billion, the P/S valuation of TSLA was 10.3. **Elio Motors with its high growth opportunity is similar to the new entrant comparable**.

Industry Comparables	**Pr Chg YTD**	**P/E CFY**	**EPS Gr 5Yr Est**	**Price/ Book**	**Price/ Sales**	**Price/ CF**	**EV/ EBITDA**
ELIO MOTORS INC.	-35.1	N/M	15.0	N/M	N/M	N/M	N/M
Industry Mean	3.9	8.6	10.7	1.1	0.4	4.0	8.4
Industry Median	2.5	8.6	8.8	1.1	0.4	3.7	9.0
S&P 500	1.1	17.7	10.8	6.7	3.7	16.7	N/A
Majors							
FORD MOTOR COMPANY	2.5	7.5	3.9	1.6	0.3	3.1	10.5
GENERAL MOTORS	7.1	6.1	9.4	1.3	0.4	3.5	6.1
BMW AG	-1.3	9.2	1.0	1.1	0.6	4.5	11.3
DAIMLER AG	1.2	8.6	-1.4	1.3	0.5	3.7	10.2
FIAT CHRYSLER NV	9.0	5.6	21.7	0.7	0.1	1.6	2.2
HONDA MOTOR	4.0	11.5	19.8	0.8	0.5	6.7	9.8
NISSAN ADR	0.4	8.2	8.8	0.9	0.4	3.7	9.0
TOYOTA MOTOR CORP.	1.8	11.3	7.0	1.1	0.8	6.1	8.0
VOLKSWAGEN ADR	10.5	9.5	26.3	0.8	0.4	3.2	8.6
Motorcycles							
HARLEY-DAVIDSON	-0.2	13.8	10.7	5.2	1.7	10.6	13.4
New Entrant							
TESLA MOTORS	14.1	N/M	30.0	13.6	6.6	N/M	N/M

Since Elio Motors is on the cusp of generating revenues through the sale of the S1, and more importantly will then be on the threshold of mass commercial production (with over 64,000 reservations in hand), we estimate that in a few years, the annual run rate of the company's Shreveport plant could approximate 200,000 vehicles with an estimated average sales price of $8,500. Utilizing annual sales of $1.6 billion and with the expectation that Elio Motors can attain a P/S ratio of 5.0 at that time, the share price target would be $151 at the end of 2022. However, to translate that value to a current target price, we employ a net present value (NPV) calculation with the following conservative assumptions:

- a 25% discount rate to reflect the risks associated with this development project
- the capital requirements will cause the number of shares outstanding to double
- it will require five years to attain the 200,000 annual production rate

This valuation methodology indicates **a price target of $49 for ELIO.**

RISKS

- Formed in October 2009, Elio Motors has not yet produced its first commercial vehicle. As a result the company has not yet generated revenues. The *Elio* is still under development, though engineering test vehicles are currently expected to start being delivered to customers in 2017.
- In order for the *Elio* to be commercially successful, the vehicle not only must be successfully developed and sold, but also must achieve market acceptance in order to attain corporate profitability.
- Progress developing the *Elio* up until 2012 was delayed, primarily due to the inability to raise sufficient capital to advance the engineering of the vehicle quickly. The company continues to experience delays of the anticipated date from commercial production to commence.
- The *Elio* is required to comply with many regulatory governmental standards and regulations relating to vehicle safety, fuel economy, emissions control, etc.
- The executive officers and directors continue to beneficially own a vast majority of the outstanding shares (88.0% as of September 23, 2016).
- Paul Elio is a critical person towards developing the *Elio* and advancing the company. The loss of his services would have a material adverse effect on the company.

INSIDER OWNERSHIP

As of September 23, 2016, insiders controlled 88.0% of fully diluted shares. Paul Elio (CEO) beneficially owned 17,995,000 shares (61.6% of the fully diluted shares), including the 12,750,000 shares held by Elio Engineering Inc., and Stuart Lichter beneficially owned 7,436,634 shares (25.4%).

BALANCE SHEET

ELIO MOTORS, INC.

Balance Sheet

(For The Years Ending)	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015	3Q 2016 9/30/2016
ASSETS				
Cash and cash equivalents	869,107	374,652	6,870,044	101,317
Restricted cash held in escrow	876,229	476,055	3,806,378	1,850,181
Restricted cash held for customer deposits	-	-	4,000,000	-
Prepaid expenses and other current assets	360,693	104,383	471,170	1,683,809
Other current assets	-	74,966	336,733	25,239
Assets held for sale	-	6,441,501	2,200,000	1,085,454
Deferred loan costs	-	-	170,628	160,897
Total current assets	**2,106,029**	**7,471,557**	**17,854,953**	**4,906,897**
Restricted cash held for customer deposits	1,095,529	4,855,499	1,816,407	1,932,035
Machinery and equipment, net	20,340,169	12,346,266	12,435,481	12,439,987
Facility under capital sublease, net	7,500,000	7,200,000	5,448,964	5,271,280
Other assets	-	-	-	-
Deferred loan costs			981,103	804,484
Deferred offering costs	-	-	-	77,062
TOTAL ASSETS	**31,041,727**	**31,873,322**	**38,536,908**	**25,431,745**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts payable and accrued liabilities	889,451	4,475,355	3,694,861	8,929,633
Refundable customer deposits	200,250	913,700	1,092,750	1,201,400
Advances due to related party	386,427	164,827	-	-
Interest payable, current portion	57,563	129,661	4,959,444	9,013,694
Derivative liabilities - fair value of warrants	-	-	907,703	1,387,570
Convertible notes payable	285,000	-	-	-
Note payable, net of discount	26,454	1,600,000	-	-
Notes payable due to related party, net of discount	-	9,637,507	9,525,231	10,144,512
Total current liabilities	**1,845,145**	**16,921,050**	**20,179,989**	**30,676,809**
Nonrefundable customer deposits	2,616,200	14,852,183	19,587,800	24,768,800
Interest payable, net of current portion	-	4,234,415	6,757,983	4,670,309
Convertible notes payable, net of discount	-	-	401,013	2,565,312
Notes payable, net of current portion and discount	26,262,674	17,459,638	18,878,146	19,960,662
Notes payable due to related party, net of discount	-	841,391	-	-
Private Funds	-	-	-	-
Capital sublease obligation	7,500,000	7,500,000	6,022,677	6,022,677
Total Liabilities	**38,224,019**	**61,808,677**	**71,827,608**	**88,664,569**
Stockholders' Equity				
Preferred stock	-	-	-	-
Common stock	13,112,506	35,895,082	55,133,932	59,979,608
Convertible share options	-	-	-	-
Accumulated deficit	(20,294,798)	(65,830,437)	(88,424,632)	(123,212,432)
Total shareholder's equity	**(7,182,292)**	**(29,935,355)**	**(33,290,700)**	**(63,232,824)**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**31,041,727**	**31,873,322**	**38,536,908**	**25,431,745**
Shares outstanding	25,077,500	25,077,500	26,320,322	26,512,893

PROJECTED INCOME STATEMENT

ELIO MOTORS, INC.

Income Statement

(For The Years Ending)	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015	2016 E 12/31/2016	2017 E 12/31/2017
Net Revenues	**0**	**0**	**0**	**0**	**840,000**
Cost of goods sold	0	0	0	0	673,680
Gross profit	**0**	**0**	**0**	**0**	**166,320**
Costs and expenses					
Engineering, research and development costs	7,174,601	5,469,895	2,085,590	20,000,000	14,000,000
General and administrative expenses	1,647,797	5,247,581	4,455,831	7,200,000	7,776,000
Sales and marketing expenses	1,321,951	4,264,953	4,611,306	7,200,000	7,560,000
Asset impairment charges	-	-	1,963,448	-	-
Total costs and expenses	**10,144,349**	**14,982,429**	**13,116,175**	**34,400,000**	**29,336,000**
Other income					
Gain on sale of machinery and equipment	-	67,030	1,365,932	-	-
Gain on forgiveness of debt	-	180,000	68,399	-	-
Other income	69,083	213,382	6,119	-	-
Interest income (expense)	(3,965,679)	(10,068,217)	(10,918,470)	(7,700,000)	(10,000,000)
Gain (loss) change in fair value of derivative liability		-	-	(517,662)	0
Other (expense)	(17,350)	(373)	-	-	-
Total Other Income (Expense)	**(3,913,946)**	**(9,608,178)**	**(9,478,020)**	**(8,217,662)**	**(10,000,000)**
Loss before income tax	**(14,058,295)**	**(24,590,607)**	**(22,594,195)**	**(42,617,662)**	**(39,336,000)**
Provision for income tax (expense)	0	0	0	0	0
Net (loss)	**(14,058,295)**	**(24,590,607)**	**(22,594,195)**	**(42,617,662)**	**(39,336,000)**
Net loss per share (basic and diluted)	**($0.56)**	**($0.98)**	**($0.90)**	**($1.61)**	**($1.41)**
Weighted average shares outstanding	25,000,000	25,040,164	25,127,495	26,491,475	27,929,495

ELIO MOTORS, INC.

Income Statement	Year 2014 12/31/2014	1Q 2015 3/31/2015	2Q 2015 6/30/2015	3Q 2015 9/30/2015	4Q 2015 12/31/2015	Year 2015 12/31/2015
Net Revenues	**0**	**0**	**0**	**0**	**0**	**0**
Cost of goods sold	0	0	0	0	0	0
Gross profit	**0**	**0**	**0**	**0**	**0**	**0**
Costs and expenses						
Engineering, research and development co	5,715,716	20,529	235,234	682,401	1,120,402	2,058,566
General and administrative expenses	5,148,108	1,115,274	605,664	1,092,736	2,557,790	5,371,464
Sales and marketing expenses	3,800,353	925,088	1,391,855	1,086,974	297,576	3,701,493
Total costs and expenses	**14,664,177**	**2,060,891**	**2,232,753**	**2,862,111**	**3,975,768**	**11,131,523**
Other income						
Gain on forgiveness of debt	-	-	-	-	68,399	68,399
Gain (loss) on sale of machinery and equipment			658,092	592,039	(1,250,131)	0
Other income	213,382				35,441	35,441
Interest income (expense)	(9,998,630)	(2,207,474)	(3,322,692)	(2,437,866)	(2,480,671)	(10,448,703)
Gain (loss) change in fair value of derivativ	-	-	-	-	-	-
Other (expense)	(32,016)	-	-	-	-	-
Total Other Income (Expense)	**(9,817,264)**	**(2,207,474)**	**(2,664,600)**	**(1,845,827)**	**(3,626,962)**	**(10,344,863)**
Loss before income tax	**(24,481,441)**	**(4,268,365)**	**(4,897,353)**	**(4,707,938)**	**(7,602,730)**	**(21,476,386)**
Provision for income tax (expense)	0	0	0	0	0	0
Net (loss)	**(24,481,441)**	**(4,268,365)**	**(4,897,353)**	**(4,707,938)**	**(7,602,730)**	**(21,476,386)**
Net loss per share (basic and diluted)	**($0.98)**	**($0.17)**	**($0.20)**	**($0.19)**	**($0.30)**	**($0.85)**
Wgtd. avg. shares outstanding	25,040,164	25,077,500	25,077,500	25,077,500	25,280,000	25,127,495

Income Statement	Year 2015 12/31/2015	1Q 2016 3/31/2016	2Q 2016 6/30/2016	3Q 2016 9/30/2016	4Q E 2016 12/31/2016	Year Est. 2016 12/31/2016
Net Revenues	**0**	**0**	**0**	**0**	**0**	**0**
Cost of goods sold	0	0	0	0	0	0
Gross profit	**0**	**0**	**0**	**0**	**0**	**0**
Costs and expenses						
Engineering, research and development co	2,058,566	3,598,364	8,076,566	6,760,216	7,418,391	20,000,000
General and administrative expenses	5,371,464	1,539,136	2,058,845	864,567	800,000	7,200,000
Sales and marketing expenses	3,701,493	1,557,720	2,102,105	2,150,538	2,200,087	7,300,000
Total costs and expenses	**11,131,523**	**6,695,220**	**12,237,516**	**9,775,321**	**10,418,478**	**34,500,000**
Other income						
Gain on forgiveness of debt	68,399	-	-	-	-	-
Gain (loss) on sale of machinery and equipment		-	-	-	-	-
Other income	35,441	-	-	-	-	-
Interest income (expense)	(10,448,703)	(1,528,836)	(2,336,683)	(2,347,077)	(2,357,517)	(7,700,000)
Gain (loss) change in fair value of derivative liability		(826,623)	300,903	8,058	0	(517,662)
Other (expense)	-					
Total Other Income (Expense)	**(10,344,863)**	**(2,355,459)**	**(2,035,780)**	**(2,339,019)**	**(2,357,517)**	**(8,217,662)**
Loss before income tax	**(21,476,386)**	**(9,050,679)**	**(14,273,296)**	**(12,114,340)**	**(12,775,995)**	**(42,717,662)**
Provision for income tax (expense)	0	0	0	0	0	0
Net (loss)	**(21,476,386)**	**(9,050,679)**	**(14,273,296)**	**(12,114,340)**	**(12,775,995)**	**(42,717,662)**
Net loss per share (basic and diluted)	**($0.85)**	**($0.34)**	**($0.54)**	**($0.46)**	**($0.48)**	**($1.58)**
Wgtd. avg. shares outstanding	25,127,495	26,410,717	26,478,204	26,518,374	26,558,605	27,000,000

HISTORICAL STOCK PRICE



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[i] A motorcycle is defined by The National Highway Traffic Safety Administration (NHTSA) as "a motor vehicle with motive power having a seat or saddle for the use of the rider and designed to travel on not more than three wheels in contact with the ground."
[ii] HR 2892 (The Autocycle Safety Act) was introduced in the House of Representatives in June 2015, and S685 (The Autocycle Safety Act) was introduced in the Senate in March 2015. Both Bills have been referred to Committee. Over 26 states have enacted or are developing classifications for autocycles at the state level.
[iii] 2015 Used Vehicle Market Report from Edmunds.com
[iv] Regional Job Access and Reverse Commute Planning: North Jersey Transportation Planning Authority and New Jersey Workfirst Program, http://www.fhwa.dot.gov/environment/environmental_justice/case_studies/case2.cfm
[v] Chetty, Raj and Hendren, Nathaniel, The Impacts of Neighborhoods on Intergenerational Mobility, April 2015