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DELTA REPORT

10-K

EVTV - ENVIROTECH VEHICLES, INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	2566
CHANGES	235
DELETIONS	1319
ADDITIONS	1012

REFINITIV

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

FORM 10-K

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

For the fiscal year ended December 31, 2022 December 31, 2023 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: 001-38078

ENVIROTECH VEHICLES, INC.
(Name of registrant as specified in its charter)

Delaware	46-0774222
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1425 Ohlendorf Road
Osceola, AR 72370
(Address of principal executive offices, including zip code)

Registrant's telephone number including area code: (870) 970-3355

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.00001 par value	EVTV	Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 ☐ ☒ 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ ☒ 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the common stock held by non-affiliates of the registrant, based on the closing price reported by the Nasdaq Stock Market LLC. on June 30, 2022 June 30, 2023, was approximately $76.9 million approximately $30.3 million.

As of September 20, 2023, 15,106,088March 22, 2024, 15,520,637 shares of the registrant’s common stock, $0.00001 par value per share, were issued and outstanding.

ENVIROTECH VEHICLES, INC. AND SUBSIDIARIES

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (“Annual (this “Annual Report”) contains “forward-looking statements” that involve substantial risks and uncertainties. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “should,” “will” and “would” or the negatives of these terms or other comparable terminology intended to identify statements about the future.

You should not place undue reliance on forward-looking statements. The cautionary statements set forth in this Annual Report, including in “Risk Factors” and elsewhere, identify important factors, which you should consider in evaluating our forward-looking statements. These factors include, among other things, our:

- ability to generate demand for our zero-emission commercial fleet vehicles in order to generate revenue;
- dependence upon external sources for the financing of our operations;
- ability to effectively execute our business plan;
- ability and our suppliers’ ability to scale our zero-emission products assembling processes effectively and quickly from low volume production to high volume production;
- ability to manage our expansion, growth and operating expenses and reduce and adequately control the costs and expenses associated with operating our business;
- ability and our manufacturing partners’ ability to navigate the current disruption to the global supply chain and procure the raw materials, parts, and components necessary to produce our vehicles on terms acceptable to us and our customers;
- ability to obtain, retain and grow our customers;
- ability to enter into, sustain and renew strategic relationships on favorable terms;

- ability to achieve and sustain profitability;
- ability to evaluate and measure our current business and future prospects;
- ability to compete and succeed in a highly competitive and evolving industry;
- ability to respond and adapt to changes in electric vehicle technology; and
- ability to protect our intellectual property and to develop, maintain and enhance a strong brand.

You should read this Annual Report and the documents that we reference elsewhere in this Annual Report completely and with the understanding that our actual results may differ materially from what we expect as expressed or implied by our forward-looking statements. Factors that may cause or contribute to such differences include, but are not limited to, those discussed in more detail in Item 1 (Business) and Item 1A (Risk Factors) of Part I and Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of Part II of this Annual Report. In light of the significant risks and uncertainties to which our forward-looking statements are subject, you should not place undue reliance on or regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified timeframe, or at all. These forward-looking statements represent our estimates and assumptions only as of the date of this Annual Report regardless of the time of delivery of this Annual Report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Annual Report.

Unless expressly indicated or the context requires otherwise, references in this Annual Report to "Envirotech," "the Company," "we," "our," and "us" refer to Envirotech Vehicles, Inc., a Delaware Corporation, corporation, and our predecessor, ADOMANI, Inc., a Delaware Corporation, and Envirotech Drive Systems, Inc., a Delaware corporation, and where appropriate, their respective consolidated subsidiaries, unless the context indicates otherwise.

Part I

Item 1. BUSINESS

Overview

We are a provider of purpose-built zero-emission electric vehicles focused on reducing the total cost of vehicle ownership and helping fleet operators unlock the benefits of green technology. We serve commercial and last-mile fleets, school districts, public and private transportation service companies and colleges and universities to meet the increasing demand for light to heavy-duty electric vehicles. Our vehicles address the challenges of traditional fuel price cost instability and local, state and federal environmental regulatory compliance. We currently offer electric Class 2 through 4 logistics vans, cutaway vans, class 4 through 5 urban trucks, school buses, electric forklifts, street sweepers, neighborhood electric vehicles ("NEV") and right-hand drive vans and urban trucks.

Our vehicles are manufactured by outside, Original Equipment Manufacturer original equipment manufacturers ("OEM") partners located in China, Malaysia and the Philippines that and can be marketed, sold, warrantied and serviced through our developing distribution and service network.

Our vehicles can include options for telemetrics for remote monitoring, electric power-export and various levels of grid-connectivity. Pending the completion of the transactions contemplated by our letter of intent to purchase certain battery manufacturing equipment from ProGreens New Energy Technology Co. Ltd. ("ProGreens"), our Our zero-emission products may also grow to include automated charging infrastructure and "intelligent" stationary energy storage that enables fast vehicle charging, emergency back-up facility power, and access to the developing, grid-connected opportunities for the aggregate power available from groups of large battery packs.

For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, our net losses were $43.8 $12.7 million and $7.7 million $43.8 million, respectively. Our Included in the net loss losses for 2023 and 2022 includes a were non-cash goodwill impairment charge charges of $37.1 million. On March 15, 2021 approximately $6.4 million and $38.7 million, we completed our acquisition of EVTDS, a Delaware corporation, a supplier of zero-emission trucks, cargo vans, chassis and other commercial vehicles from which we have previously purchased vehicles designed to meet our specifications. The transaction was completed in accordance with the Agreement and Plan of Merger, with EVTDS and EVT Acquisition Company, Inc. ("EVT"), a Delaware corporation and our wholly owned subsidiary (“Merger Sub”). As a result of this transaction, Merger Sub was merged with and into EVTDS, with EVTDS surviving as our wholly owned subsidiary (the “Merger”). In accordance with the terms of the Merger Agreement, at the effective time of the Merger, each outstanding share of the common stock of EVTDS was automatically converted into the right to receive one share of the common stock of the Company. As a result of the Merger, we issued an aggregate of 7,129,887 shares of our common stock to the former EVTDS stockholders, which shares represented approximately 56% of the total issued and outstanding shares of our common stock as of immediately following the effective time of the Merger. respectively.

Our company was formerly known as ADOMANI, Inc. On May 26, 2021, we filed a Certificate of Amendment of our Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware to change our company’s name from ADOMANI, Inc. to Envirotech Vehicles, Inc.

Market Overview

Concerns regarding climate change and other environmental considerations have led to the implementation of laws and regulations that restrict, cap, or tax, emissions in the automotive industry and throughout other industries. In particular, the Environmental Protection Agency ("EPA"), Tier 4 emission standards, California Air Resources Board ("CARB"), regulations, and recently implemented policies in Europe, generally referred to as Stage I, II, III, IV, V and VI regulations, require significant reductions in the level of emissions and particulate matter produced by diesel power systems and are increasing the costs associated with producing carbon-intensive fuels. On June 25, 2020, the Board of CARB passed a first-in-the-world rule requiring truck manufacturers to transition from diesel trucks and cargo vans to electric zero-emission vehicles beginning in 2024. More recently, in December 2021, President Biden signed an executive order directing the federal government to minimize planet-heating emissions from operations and transition to an all-electric fleet of cars and trucks, with the stated goal of reducing its emissions by 65% by 2030 and reaching carbon neutrality by 2050.

These and other regulations are expected to increase both the cost and size of emission-compliant diesel power products, primarily due to the need to incorporate additional combustion and after-treatment components. A variety of market factors are contributing to the increased use of alternative fuels and growth of alternative fuel technology, including economics, energy independence, environmental concerns, and the widespread availability of alternative fuels. As the price of crude oil remains volatile and the threats of climate change and air pollution increase as public concerns, we believe the search for more cost effective and cleaner fuels has become more important. Electricity has emerged as a cleaner-fuel solution to these challenges. The price of alternative fuels such as electricity is often substantially less than diesel or gasoline, and alternative fuels can result in the production of lower amounts of greenhouse gases and other air pollutants. In addition, several public utilities in California and elsewhere have applied to their states’ public utility commissions for rate increases to be used for the purchase or leasing of electric vehicles and infrastructure. Additional requests have been made by the utilities to offer favorable costs for electric bus charging.

According to the International Energy Agency ("IEA"), approximately 6.6 million 10.5 million passenger electric vehicles (“EVs”) were sold globally in 2021. 2022. This represented just under 10% 14% of 2021 2022 vehicle sales and a doubling 62% increase in EV sales versus the prior year, resulting in a total fleet of approximately 16.5 million units. 27 million units and expected to grow to over 100 million by 2026. Sales are expected to grow by another 35% in 2023 to reach 14 million representing 18% of the overall car market. According to Bloomberg New Energy Finance (“Bloomberg NEF”) per their Electric Vehicle Outlook 2022 2023 report, annual passenger EV sales are estimated to more than triple double between 2021 2022 and 2025 2026 to just below 21 million and increase to almost 80 million in 2050. 26.6 million. China and Europe have been the leaders on electric vehicle adoption and per the same report, are expected to account for nearly 80% 75% of EV sales in 2025, 2026, with the U.S. representing 15% of the global EV market. Government policy, however, remains ever-changing and likely continues to play a foundational role in the rate of adoption around the world.

In China, the government has mandated that electric vehicles make up 40% of all auto sales by 2030. Meanwhile, we believe that tightening emissions standards and high fuel taxes in Europe will result in substantial increases in the market share of electric vehicles. In 2021, 2022, around half of the total growth in electric vehicles sales was in China, according to the Global EV Outlook 2022 report by the IEA. In the U.S., 630,000 new electric vehicles were sold in 2021, reflecting an acceleration in growth as this was about double the sales experienced in 2020. The overall market for electric vehicles consists of multiple, discrete markets for various vehicle types, including passenger cars, buses, two-wheelers and others. Passenger cars are the most prominent, but two-wheelers are far more prevalent, particularly in Asia, and buses and trucks, although smaller in number, are significantly higher in price and often purchased in bulk by major corporate customers or government or transit agencies.

Charging infrastructure is another important factor in electric vehicle adoption rates. According to a report by S&P Global, there were approximately 126,500 Level 2 and just under 20,500 Level 3 charging stations in the United States today as of December 31, 2022. S&P Global estimates that by 2030, the United States will need 2.13 million Level 2 and 172,000 Level 3 chargers, an increase of nearly seventeen times the number of Level 2 chargers and more than eight times the number of Level 3 chargers. In an effort to help address this need, in September 2022, the National Electric Vehicle Infrastructure Program ("NEVI"), established and funded by the Infrastructure Investment and Jobs Act (the "Infrastructure Bill"), which was signed into law on November 15, 2021, approved each state's program to help states install EV chargers along interstate highways. Over the next five years, it will distribute $5 billion to establish EV charging stations every 50 miles on major corridors.

Additionally, the Infrastructure Bill included $7.5 billion to build a national network of 500,000 chargers by 2030. Through a combination of grant and incentive programs for state and local governments and the private sector, it will is expected to support the deployment of a mix of chargers in apartment buildings, in public parking, throughout communities, and across a robust network on our nation's roadways. Some geographic areas have considerably more charging stations than others, contributing to more significant electric vehicle usage in those regions.

Commercial Vehicles

According to the aforementioned IEA report, In 2022, nearly 66,000 electric buses and 60,000 medium- and heavy-duty trucks accounted for just 0.3% were sold worldwide, representing about 4.5% of global all bus sales and 1.2% of truck sales in 2021, with worldwide. China continues to dominate production and sales highly concentrated in China due to government support as the country accounted for 90% of new electric truck (and fuel cell) trucks and bus registrations. buses. However, the global market is growing with an estimated 170 models available outside China and is expected to continue to grow in 2021 according to the IEA.
Because light duty passenger vehicles represent the largest potential market and have received the most attention from both analysts and policymakers, most global forecasts look at light duty electric vehicle sales. As relatively simple as the pricing analysis is for individual consumers, the purchase and deployment of heavy-duty commercial vehicles involves consideration of many more variables. Here, the type of customer is a major determinant, whether it is a commercial customer buying trucks for a fleet, a school district, or a municipal entity purchasing buses for public use. foreseeable future.

Environmental Benefits

Because heavy-duty commercial vehicles consume considerably more fuel than light duty passenger vehicles, the environmental benefits of replacing conventionally fueled commercial vehicles with electric vehicles can also be substantial. Whereas an electric passenger car may reduce greenhouse gas ("GHG") emissions by 3 tons per year as compared to a conventional car, replacing a conventional Class 8 port drayage truck with an electric equivalent can bring an 18 metric ton annual reduction in GHG emissions. Replacing a conventional diesel bus with an all-electric bus can achieve a 78 metric ton (approximately 171,961 pounds) reduction in GHG emissions. Electric buses can also reduce nitrous oxide emissions by 47 kg (approximately 104 pounds) per year compared to a diesel bus and 19 kg (approximately 42 pounds) compared to a clean natural gas ("CNG") bus. As discussed below, we believe these pollution reductions have had the greatest impact in the electric bus market, where municipalities are the principal purchasers.

A first-of-kind, comprehensive study was released in December 2019 assessing the environmental benefits and economics of various alternative fuel truck technologies. The study, conducted by the ICF International research firm ("ICF"), demonstrates that electric trucks and buses are a triple-win in terms of helping meet California's climate and air quality targets; the least cost to own and operate across nearly all truck and bus classes by 2030, and provide the greatest job and economic benefits to the state. The study was commissioned by the Natural Resource Defense Council ("NRDC") and the California Electric Transportation Coalition (an industry group representing utilities and vehicle manufacturers) and was sponsored by the Union of Concerned Scientists, Earthjustice, BYD, Ceres, and NextGen Climate America. Advisory support was provided by East Yard Communities for Environmental Justice and University of California, Davis. The study concluded that the costs of battery packs, and therefore the cost of electric trucks and buses, will decline such that by 2030, they will be the most attractive technology from a total cost of ownership perspective for nearly all truck and bus classes, even without incentives.

Electricity Cost Considerations

Despite higher electricity consumption of electric trucks, more widespread adoption could lead to more efficient utilization of utility and power generation assets and thus not necessarily lead to higher rates. At this point, deployment of electric trucks and buses is still too insignificant to assess their full impact on electricity prices. As a study by the clean transportation nonprofit organization CALSTART emphasizes, evaluating this impact will involve weighing potential efficiency benefits, the impact on utility distribution grids, including the cost of potential upgrades, and the need for additional infrastructure. In this regard, several public utilities have applied to their state's Public Utility Commissions ("PUCs") for rate increases to be used for the purchase or leasing of electric vehicles and infrastructure. Additional requests have been made by the utilities to offer favorable costs for electric school bus charging.

Trucks

Some of the main markets for electric trucks include delivery vans, shuttle buses, and utility or work trucks, each of which has its own set of challenges. Where Plug-In Hybrid Electric Vehicle ("PHEV") have greater operational flexibility, and require less charging infrastructure, Battery Electric Vehicles ("BEV") can be either short range, which can charge quickly and operate with limited interruption, or long range, which requires longer charging times but more intraday operational flexibility. Because of charging needs and restrictions, we believe short-haul fleet vehicles that operate in a limited geographic area and return to central locations, such as delivery vans and shuttle buses, are the best candidates for electrification.

Transit Buses

Some public transportation operators are facing pressure to purchase and operate low-emissions vehicles. For public entities, cleaner transportation systems can provide benefits beyond reduced operating costs, in the form of less pollution and lower abatement and cleanup costs. Electric transit buses are likely to have lower fuel and maintenance costs which is typically a significant cost component for transit operators as compared to conventional diesel buses. Electric buses generally have smoother, faster acceleration and provide a quieter ride, thus benefiting both passengers and the surrounding urban environment.

Similar to other commercial fleet electric vehicles, transit buses have a higher initial acquisition cost than their traditional-fueled counterparts, and the logistics of charging remains a challenge. Electric buses can be two to nearly five times as expensive as conventional buses.

In addition to public health and environmental benefits, school districts and transit agencies are able to experience cost savings due to reduced fuel and maintenance costs of electric buses. While electric transit buses cost approximately $200,000 more than diesel buses (depending on battery pack size) before incentives, lifetime fuel and maintenance savings of electric transit buses approximate $400,000.

Electrification in the medium- and heavy-duty vehicle sector is increasing in the U.S. with California leading the way. Increasing investment in the sector from public and private sources, however, is expected to generate growth and significantly increase the number of electric trucks and buses on the road in the near term. Upfront costs associated with electric trucks and buses are expected to decline significantly through 2030 as battery prices fall, making them competitive on a total cost of ownership ("TCO") basis.

School Buses

School buses present another significant potential market for electrification. The U.S. has approximately 480,000 school buses that are particularly well suited to running solely on electricity. Traditional diesel school buses, which make up over half the total fleet, not only consume large amounts of fuel - more than 800 million gallons of diesel a year in the United States, at a fuel economy of only 4–5 mpg - but also directly impact children with tailpipe emissions. In response, the EPA committed to distributing $5 billion over five years via the Clean School Bus Program. In 2022, the EPA allocated approximately $1 billion in funding and is expected to do so again in 2023 as part of this program. The awards will cover the initial cost of acquiring most buses and will subsidize charging hardware and infrastructure. Districts can apply for up to 25 buses a year.

Market Drivers

A number of factors, including the general world-wide desire to improve the health of people, impact both the supply and demand for various types of electric vehicles and we believe that we are well positioned to benefit from these driving forces. Except for energy storage technologies discussed earlier, subsequent sections will address these market drivers in greater detail.

We believe prominent drivers of supply include:

- the declining cost and higher availability of energy storage technologies, specifically the cost and capacity of rechargeable lithium-ion batteries;
- grants, loans, tax breaks, and other financial support available for energy storage and electric vehicle research and development;
- requirements that a specific percentage of automakers' models be electric or other zero-emission vehicles; and
- fuel economy standards that require automakers to meet certain fleet-wide miles per gallon benchmarks that effectively require them to sell electric or other zero-emission vehicles.

We believe prominent drivers of demand include:

- mandates that government fleets purchase certain percentages of low emission, energy efficient, or other alternative fuel vehicles;
- mandates for transport agencies, ports or school districts to purchase or convert to electric or other alternative fuel vehicles;
- rebates, tax credits, and other incentives for purchasing or leasing electric or other alternative fuel vehicles;
- the availability of charging stations and other charging infrastructure, driven in turn by government funding, tax credits, rebates, and other incentives and regulatory initiatives aimed at increasing the number of charging stations;

- the desire of state agencies to deploy electric vehicles to reduce the effects of climate change and to reduce the impact of pollutants on the health and well-being of their population;
- the cost of electricity to recharge plug-in electric vehicles, impacted by special rates introduced by utilities;
- preferential treatment in registration, emissions testing, and access to highways, city centers, and High Occupancy Vehicles ("HOV") lanes; and
- the cost of traditional petroleum-based fuels compared to the resultant incremental costs of owning and operating an electric vehicle.

U.S.—Federal Laws and Incentives

There are numerous U.S. legislative efforts underway to accelerate the adoption of electric vehicles. In January 2021, President Biden signed into effect the "Buy America" executive order, which among other objectives, will see a transition of U.S. Government fleet to U.S.-manufactured electric vehicles, thus creating a large market opportunity for Class 3, 4 and 5 electric trucks. The order equates to approximately $25 billion in total value and will replace approximately 456,000 government vehicles with U.S. manufactured electric vehicles.

Along with holding many U.S. certifications, we are identified as an eligible manufacturer by the Internal Revenue Service ("IRS") of light to heavy-duty electric vehicles in the United States. This is significant because, as of January 1, 2023, federal tax credits are available for electric cars and trucks from eligible manufacturers. Individuals that purchase electric vehicles weighing less than 14,000 lbs. will receive a credit of $7,500. Commercial operators will receive a tax credit of up to $40,000 for each purchased vehicle over 14,000 lbs. Furthermore, with the Alternative Fuel Infrastructure Tax Credit, depending on the size of the chargers, businesses are eligible for a tax credit of up to 30% of the cost of the chargers and infrastructure, up to $100,000 per unit.Additionally, the Senate passed the Inflation Reduction Act, the budget reconciliation bill that includes $3 billion over five years to establish a new grant program to install electrified equipment and reduce emission at ports.

U.S.—State Laws and Incentives

Among U.S. states, California is notable for pioneering a number of measures that have encouraged electric vehicle production and adoption, and that have since been emulated by other jurisdictions. These incentives include tax credits and rebates for both individual and fleet owners, HOV lane access, and various grant and loan programs. Besides setting the nation's most stringent tailpipe emissions standards, California has required automakers to produce increasing percentages of zero-emission vehicles, of which electric vehicles make up a significant portion, along with creating a market that allows manufacturers to buy and sell credits awarded for selling electric vehicles. California, New York and New Jersey have also implemented voucher programs that significantly reduce the cost to purchase an electric vehicle in their respective states, with additional cost reductions for businesses that meet certain criteria such as minority-, veteran-, or women- owned or locating in a low-income area. Furthermore, California and New York have introduced legislation to completely ban the sale of internal combustion engines and fossil fuel vehicles by 2035. The Governor of California has issued Executive Order N-79-20, which sets 2035 for a 100 percent ban on the sale of internal combustion engines for passenger cars and pickup trucks within California, with later target dates for similar bans on medium- and heavy-duty trucks. In New York, legislation has been passed banning new fossil fuel vehicle sales after 2034 and will require all new cars to produce zero emissions. See "—Governmental Programs and Incentives" for additional discussion of certain relevant incentive programs.

Fleet Operator Challenges**Our Solution**

Fleet operators and their companies face several challenges in the market today, including:

- *Difficulty complying with existing and new federal and state emission restrictions and compliance* requirements. Federal regulatory agencies, such as the EPA, and state regulatory agencies, such as CARB, have set forth mandates designed to reduce emissions from mobile sources. According to CARB, 12 other states and the District of Columbia have adopted California's greenhouse gas emissions standards for vehicles.
- *Finding cost savings while managing high fuel, maintenance and repair costs*. In August 2021, the EPA proposed to revise existing national greenhouse gas ("GHG") emissions standards for passenger cars and light trucks for model years 2023 through 2026. The proposed standards would achieve significant GHG emissions reductions along with reductions in other criteria of pollutants. The proposal would result in substantial public health and welfare benefits, while providing consumers with savings from lower fuel costs.
- *Extending the lives of existing vehicles*. Due to reductions in capital expenditure budgets and legislatively mandated addition of expensive and limiting emission reduction equipment, it is challenging to prolong the lives of existing vehicles because of the increased cost of expensive maintenance, service and repairs.

- *Difficulty planning for the operation of their fleet when fuel supplies are interrupted, such as during a natural* disaster. Existing vehicles rely on fuel that must be pumped (using electricity), which may be a challenge to source when supply is interrupted during natural or man-made disasters. It may be possible for emergency service organizations to use large battery packs of electric-driven, commercial fleet vehicles as a mobile source of stored electrical energy. This electrical energy could supplement traditionally fueled back-up generators.
- *Difficulty in improving the environment around these heavy-duty commercial fleets*. Many studies have shown that the air quality in and around vehicles fueled by fossil fuels poses a health risk not only to drivers of these vehicles but to their passengers and those in and around these vehicles. Especially at risk are children as passengers on older diesel fueled buses, as their lungs, brains and other organs have not fully developed and the air quality surrounding a typical school bus using diesel fuel can pose serious health risks. By using zero-emission buses, trucks and cars, we believe we are creating a healthier environment in and around the vehicles they operate for their employees, customers and the communities they serve. In February 2021, the Office of Environmental Health Hazard Assessment, on behalf of the California Environmental Protection Agency, released Version 4.0 of the CalEnviroScreen. CalEnviroScreen identifies California communities by census tract that are disproportionately burdened by, and vulnerable to, multiple sources of pollution.

Our Solution

We are a provider of purpose-built zero-emission electric vehicles focused on reducing the total cost of ownership. Our vehicles are manufactured by outside, OEM partners located OEMs located in China, Malaysia and the Philippines and marketed, marketed, sold, warrantied and serviced through our developing distribution and service network. Our vehicles are designed to help fleet operators unlock the benefits of technology that reduces GHG, NOx, PM and other pollutants, as well as to address the challenges of local, local, state and federal regulatory compliance and traditional-fuel price cost instability.

We seek to enable our customers to:

- *Add Emission-Compliant Vehicles to Their Fleets*. Our commercial fleet vehicles are designed to reduce or eliminate the use of traditional petroleum-based fuels that create GHG and particulate matter.

- *Reduce Total Cost of Ownership*. Our technology is designed to reduce fuel budgets and maintenance costs by eliminating or reducing reliance on traditional petroleum-based fuels through the use of more energy efficient and less variably priced grid-provided electricity.

- *Prolong Lives of Existing Vehicles*. Zero-emission electric vehicles generally have lower maintenance costs. These reduced maintenance costs may take the form of longer service intervals between brake system maintenance, elimination of internal combustion engine oil and oil filter changes, reduction or elimination of transmission oil and oil filter changes, reduction or elimination of air filter changes, elimination of emissions systems services, elimination of diesel emission fluid use, elimination of emissions and the elimination of certification tests.

- *Plan for Natural Disasters When Fuel Supply May be Interrupted.* Our zero-emissions systems are designed, when optionally equipped, to serve as on-site emergency back-up energy storage if grid power becomes intermittent or fails temporarily during natural or man-made disasters.

- *Improve the Environment Around Vehicles*. As a result of our zero-emission systems, drivers, operators, customers and the communities they serve could have healthier environments in and around these vehicles.

Our Strengths Strategy

We believe the following attributes and capabilities provide us with long-term competitive advantages:

- *Product Diversity*. We have multiple product offerings and, as a result, the ability to scale-up, scale-down or refine a specific product line in response to market demands and the evolving local, state and federal regulatory and incentive programs. Also, within each product area, we have multiple suppliers of key vehicles, allowing price flexibility both for our final products and replacement parts required over the product lifespan. This allows us to meet the expectations and budget constraints of public or private commercial fleet operators.
- *Regulatory Agency Familiarity*. By taking an active role in many trade industry groups and related events, we strive to maintain strong relationships with key local, state and federal regulatory agencies involved in the growing zero-emission vehicle industry. To meet their own aggressive emissions targets, these regulatory agencies have encouraged the growth of zero-emission electric vehicles, especially in connection with heavy-duty commercial fleets.

- *Relationships With Purchasers*. To help shorten the sales cycles for our products, we have identified and built relationships with key commercial operators that have purchasing authority or influence over their organizations. We are also able to leverage past sales and marketing relationships that were built by members of our experienced management team and as a result of the completion of the Merger.
- *Additional Sales Potential*. We have additional future sales potential with commercial fleet customers. These potential additional sales could include: automated charging infrastructure, intelligent stationary energy storage systems that enable higher levels of vehicle fast-charging, emergency back-up facility power for use during grid power outages, enabling technologies to access the developing grid-connected opportunities for the aggregate power available from groups of large battery packs, or enabling technologies that allow for the avoidance of electric utility demand charges.
- *Unique Market Knowledge*. We have specific and tailored sales cycle knowledge based on over 30 years of experience of our management team.

Our Strategy

We intend to capitalize on these opportunities by pursuing the following key strategies:

- *Develop Sales Staff*. Due to COVID-19 coronavirus ("COVID-19") pandemic impacts and to other business challenges in 2020, we had to eliminate our in-house sales team in 2020. We have not been able to reestablish our sales team during 2021, 2022 and 2022 2023 to help our current and future customer base, and instead relied primarily on our executives to work on sales activity. Our executives, on a limited basis, also engaged industry consultants with ties to trucking fleets, county and city transportation managers, as well as school districts and an extensive dealer network to assist with the sales activity.

- *Build Dealership and Service Networks*. Our wholly owned subsidiary, ADOMANI ZEV Sales, Inc., is a licensed vehicle dealer in California. In addition, we We are building an international dealership and service network for the sales and service of our purpose-built zero-emission electric commercial vehicles either manufactured by or for us, via Factory Authorized Representative (“FAR”) Agreements. As an example, we have recently entered into a FAR Agreement with Shine Solar, allowing Shine Solar to promote and sell Envirotech products throughout the United States. us.

- *Develop Third-Party Relationships*. We have completed existing negotiations with partners and are seeking additional partners for sales, service and support.

- *Provide Demonstrations*. We have been and continue to seek out and respond to local, state and federal pilot demonstration opportunities in interest areas for which we have relevant current product offerings or in areas of interest that are congruent with product(s) that are on our product development roadmap, but still in early stage early-stage development. In 2022, 2023, we participated in numerous events across the United States, Canada and Canada Asia that demonstrated our product offerings, which consist of logistic vans, and Class 3, 4, and 5 trucks and chassis. offerings.

- *Obtain Approvals from Incentive Programs.* Our products have been approved for various local, state and federal vehicle designations and incentive programs. For example, the California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (“HVIP”) administered by CARB was meant to accelerate the purchase of cleaner, more efficient trucks and buses in California. Our vehicles products are currently approved for voucher programs in California Oregon, New York, and New Jersey.
  Our class 4 through 8 vehicles also qualify for up to $40,000 of the federally available tax credit.

- *Grow Our Manufacturing, Installation and Service Capability*. In 2022, 2023, we increased our integration efforts and began completing the final assembly of sub-assembly components at our Osceola, Arkansas facility. In 2023, 2024, we also intend to install the manufacturing equipment in Osceola required to begin producing our vehicles ourselves in the United States. As facility space and technician time requirements at partners are exceeded, we intend to consolidate manufacturing, installation and service of our zero-emission vehicles in Osceola as we work towards becoming a fully integrated electric vehicle manufacturer.

- *Technical Support*. We anticipate adding additional technicians to expand our resources for supporting the maintenance, warranty work or repairs that any vehicle we have sold or that contains our vehicles may require.

- *Introduce New Products*. As new markets develop, we plan to expand our zero-emission vehicles and systems into ancillary product verticals, such as charging infrastructure (also called Electric Vehicle Service Equipment), stationary energy storage, vehicle-to-grid hardware and capabilities.

Our Customers

Our current primary focus is Class 3 to Class 5 trucks, and cab and chassis, class 3 and 4 cargo vans and cutaways. school buses. Our target target customers primarily include public and private fleet operators that have an interest in meeting or exceeding local, state and federal emission regulatory guidelines while saving money on fuel and maintenance costs over the lifecycle of their fleet vehicles and that also have an interest in tangible demonstrations of their GHG-reducing efforts. These targets include:

- Public and private schools that operate “white fleet” vehicles for non-student transportation use, such as facility service trucks, food service delivery vans/trucks, campus security vehicles and golf cart-type vehicles.
- Commercial fleet operators that provide high daily mileage vehicles for use on routes in and around airports, hotels and offsite parking facilities.
- Last mile delivery companies with fleets of delivery vans, short haul trucks and distribution/sorting facility center vehicles.
- Large agricultural and food processing industry-focused companies that operate Class 1 through 7 trucks, buses and/or delivery vans.
- Public and private transportation services that are involved in prisoner transportation.
- Large companies that operate shuttle buses, transit style buses and facility-based vehicles, including on and off road-type vehicles for employee transport to/from remote parking areas, to/from special events, and the various vehicles used for facilities maintenance, services and security.
- Private transportation contractors that shuttle large companies’ employees from common public transportation hubs to their campuses.
- Public and private colleges and universities that operate shuttle buses, transit-style buses, facility service vans and trucks and utilize golf cart-type vehicles on their campuses.
- Community-based, public/privately funded shuttle buses serving special-needs community members.
- Retirement communities, municipalities, shopping malls, movie studio lots, and large warehouse facilities that currently use golf cart-type vehicles for moving people and goods.
- The current market of approximately 3.5 million e-trike users in the Philippines, most of which currently operate gasoline or diesel- powered vehicles.
- Public and private K-12 schools that operate Type-A, C and D school buses, and special-needs student buses.

- Student transportation contractors that serve public and private schools.
- Port, railway and distribution center operators that use traditionally-fueled loading equipment, tractors, material handling equipment, forklifts, Class 1 through 7 trucks, delivery vans, yard goats, and other similar vehicles, that could be replaced with zero-emission alternatives.
- Mining companies with fleets of above-ground service vehicles and underground staff transport and support vehicles.
- Oil and gas companies with fleets of field trucks.

- Electric utility companies with fleets of service trucks that are in the public eye.

- Military-based fleet operators that have non-combat fleet vehicles of all sizes.

Our Products and Services

Our products and services primarily include purpose-built, zero-emission vehicles and and chassis of all sizes manufactured by outside OEM partners, but to be OEMs, and are marketed, sold, warrantied and serviced through through our developing distribution and service network.

We engage OEMs to design and supply vehicles for us that meet our specifications. Following the closing of our acquisition of EVT, a manufacturer and a supplier of zero-emission trucks, cargo vans, chassis and other commercial vehicles in various sizes, we intend to utilize EVT's existing supply chain and OEM partners to support our efforts to sell, warranty and supply zero-emission commercial vehicles through our developing distribution and service network.
In addition, our products and services may in the future include some or all of the following:

- Zero-emission electric systems for ship-through integration by outside OEMs into their own privately branded medium to heavy-duty commercial fleet vehicles.

- Automated charging infrastructure for commercial fleet vehicles.

- “Intelligent” stationary energy storage that enables fast vehicle charging.

- “Intelligent” stationary energy storage that enables emergency back-up facility power during grid power outages.

- “Intelligent” stationary energy storage that enables access to the developing grid-connected opportunities for the aggregate power available from groups of large battery packs.

- “Intelligent” stationary energy storage that enables avoidance of electric utility demand charges for commercial customers integrated with or independent of Envirotech-supplied, zero-emission fleet vehicle(s).

- Energy storage systems (battery packs) replacements with better energy density and/or expected lifecycles for existing electric vehicles and equipment that has outlived their OEM-provided energy storage systems. For example, replace flooded lead acid (“FLA”) battery packs of existing industrial forklifts and underground mining equipment with more energy dense and higher cycle-life battery packs composed of lithium-ion cells.

Testing

Our suppliers are vetted before their products are accepted for use in our products. Our drivetrain systems and finished products are inspected, road-tested (when applicable) and receive quality control testing prior to delivery.

Customer Service, Support and Training

Our sales team has historically been used as the first point of customer contact for customer support and training. However, due to COVID-19 impacts and other business challenges in 2020, we eliminated our in-house sales team in 2020. We are in the process of reestablishing our sales team by hiring sales personnel and other internal staff in 2023 staff currently to support support our current and planned operations.

Technology

Zero-emission electric drivetrain systems for purpose-built new vehicles generally include the following: electric traction motor/generator of sufficient kW power for grade, speed, acceleration and efficiency requirements, a motor controller/inverter system that modulates electrical power flow between the battery packs and traction motor, a gear reduction system or multispeed transmission, systems to electrify power steering/brakes, a VCU, high-voltage traction battery packs with integrated BMS, battery disconnect units, thermal management systems, vehicle charging hardware, electric HVAC systems, DC to DC inverter(s) to reduce traction battery pack voltage sufficient to operate on-board, low voltage systems, wiring harnesses, user/driver interface and remote diagnostic/tracking/fault code/data logging systems. Although clear industry power-export standards have not yet been adopted, systems and options for a variety of vehicle-to-other power management options (such as grid, building, stationary energy storage, etc.) are being developed by multiple vendors and their inclusion may be offered as additional cost options in the future.

Sales and Marketing

Sales

Due to COVID-19 impacts and other business challenges in 2020, we eliminated our in-house sales team in 2020. In 2023, weWe intend to build out our marketing and sales network by hiring sales personnel to form a team of dedicated sales employees with responsibility for each of the geographic regions we serve.

Marketing

We plan to focus our marketing efforts on increasing brand awareness, generating demand for our products, communicating product advantages and generating qualified leads for our sales force. We intend to rely on a variety of marketing vehicles, including our website and social media, participation in industry conferences and trade shows, public relations and our collaborative relationships with our business and teaming partners to share our technical message and the benefits of our product offering, with customers.

Manufacturing

We currently contract with third-party suppliers to manufacture our products. In 2022, we increased our integration efforts and began completing the final assembly of sub-assembly components at our Osceola, Arkansas, facility. In 2023, we We also intend to install the manufacturing equipment in Osceola required to begin producing our vehicles ourselves in the United States, which will be a key step towards our longer-term strategy of becoming a fully integrated electric vehicle manufacturer.

Distribution

We intend to distribute our products both inside and outside of our current U.S. market.

Other Agreements

In addition to our FAR Agreements, we have an agreement with Envirotech Electric Vehicles Inc. (“EEVI”). This agreement does not contain any binding purchase or sales minimums.

Envirotech Electric Vehicles Incorporated ("EEVI")

EEVI is a Canadian company engaged in the design, prototyping and certification of electric components and vehicles, including complete drivetrain systems. Prior to the completion of our acquisition of EVTDS, EEVI was the parent company of EVTDS. Prior to the completion of the Merger, Previously, we engaged EEVI to design and supply a series of zero-emission electric Class 3 and 6 trucks, cargo vans and chassis built to our specifications and requirements. The vehicles are initially comprised of a cab, chassis and electric drivetrain system. Any customer can then customize the trucks by adding a box or stake bed to the vehicle in accordance with their needs. We received the first truck and cargo van pursuant to our arrangement with EEVI in December 2018. In 2019, EEVI received the CARB executive order for certification. EEVI. As the dealer for EEVI, we submitted additional information to the HVIP Department of CARB and received our HVIP listing in November 2019, which renders the trucks and vans eligible for buy-down funding based on the gross vehicle weight rating ("GVWR"). These buy-down funds are intended to enable companies to purchase zero-emission electric trucks and receive a discount to aid in the purchase. The HVIP buy-down funding is currently between $60,000 for Class 3 and Class 4 vehicles ($66,000 if used in a disadvantaged area community census tract).

As a result of our acquisition of EVTDS, we acquired EVTDS's We also own certain rights and assumed its obligations under an Exclusive Supply Agreement entered into between EVTDS and with EEVI (the “Exclusive Distribution Agreement”). Pursuant to the Exclusive Distribution Agreement, EEVI appointed EVTDS us as the exclusive distributor of certain all of EEVI’s products in the United States on the terms and subject to the conditions set forth therein. Unless earlier terminated in accordance with the terms thereof, the Exclusive Distribution Agreement will remain in effect for a term expiring on December 17, 2070. The Exclusive Distribution

Agreement provides us certainty of product supply and consistency of design between different classes or type of vehicles; allows us to license the products to third party resellers, distributors and others which should enhance our ability to sell vehicles and permits us to use trademarks associated with the vehicles, all of which we believe is very advantageous to executing our business plan.

Raw Materials and Supply Chain

Prices for the systems, components and raw materials we use in our vehicles and drivetrain systems, many of which are OEM items used by many companies in different applications, can fluctuate depending on market conditions and global demand. Our purchase of raw materials is currently limited due to sales volume, but we attempt to limit our exposure to raw material price increases and availability fluctuations by having relationships with a dynamic group of vendors that sell us value-added hardware, components and systems. We have further mitigated these supply chain risks by establishing purchasing relationships with multiple vendors that are diversified by type of product offered, brand of products offered, country of origin of products (which is relevant for “Buy American” provisions that we encounter with our customers), individual specification requirements, purchase quantity requirements, quality, availability and price. Our drivetrain systems allow for component substitution, which further mitigates our exposure to any one supplier or component. We believe that we have adequate supplies and access to the sources of the systems, components and materials to meet our current and anticipated future production and supply requirements.

Backlog

As of December 31, 2022 December 31, 2023, we had a backlog of 1 5 zero-emission Class 4 trucks and 25 19 zero-emission Class 4 cargo vans, which consists of unfilled firm orders for products under signed undersigned contracts with customers.

Employees

As of December 31, 2022 December 31, 2023, we had 13 had 14 employees in total, which which are all full-time employees. None of our employees are covered by collective bargaining agreements and we believe our employee relations are good.

Competition

The electric vehicle market is highly competitive, and we expect it to become even more so in the future as additional companies launch competing products and vehicle offerings. We also compete with other alternative energy technologies, such as natural gas, propane and hybrid technologies. Our primary direct electric competitors include small- to mid-size companies that produce or plan to produce vans and trucks for commercial use. These direct competitors include companies such as GreenPower Motor Company, which has a broad-based line-up of purpose-built electric vehicles that include low floor transit buses, school buses and minibuses; Canoo, which is developing a battery electric minivan; and Lion Electric Company, a Canadian-based manufacturer of Type C all-electric school buses, mini buses and a Class-8 truck. We also may compete with large traditional vehicle manufacturers such as Ford, Volvo, Mercedes-Benz and Navistar. These traditional vehicle manufacturers have begun producing, or plan to produce, electric vans, buses and trucks for commercial use.

Intellectual Property

The protection of our technology and intellectual property is an important component of our success. We rely on intellectual property laws, including trade secret, copyright, trademark and patent laws in the United States and abroad, and use contracts, confidentiality procedures, non-disclosure agreements, employee disclosure and invention assignment agreements and other contractual rights to protect our intellectual property.

As of December 31, 2022, we own three issued U.S. patents, which will expire in 2030 and 2033. In addition, weWe maintain a trademark portfolio including common law trademarks and service marks and have three service marks registered and two trademark registrations in the United States. We have one pending trademark and service mark application in Ukraine, and one allowed trademark application pending in the Philippines.

Circumstances outside of our control could pose a threat to our intellectual property rights. Effective intellectual property protection may not be available in the United States or other countries in which we provide our solution. In addition, the efforts we have taken to protect our intellectual property rights may not be sufficient or effective. Any impairment of our intellectual property rights could harm our business, our ability to compete and harm our operating results. In addition, as the number of competitors grows and solutions of competitors overlap, we may in the future face claims by third parties that we infringe upon or misappropriate their intellectual property rights, and we may be found to be infringing upon or to have misappropriated such rights. In the future, we, or our customers, may be the subject of legal proceedings alleging that our solutions or underlying technology infringe or violate the intellectual property rights of others.

Governmental Programs and Incentives

We believe that the availability of government subsidies and incentives currently is an important factor considered by our customers when purchasing vehicles that utilize our technology, and that our growth depends in part on the availability and amounts of these subsidies and incentives. This is especially true over the next five to ten years. With the federal government allocating $5 billion for the Clean School Bus Program, another $5 billion for the National Electric Vehicle Infrastructure program, $3 billion over 5 years to establish a new grant program to install electrified equipment and reduce emission at ports and federal tax incentives, there are significant funds available to purchase electric vehicles.

Overview of Incentive Programs Most Applicable to Our Products

We intend to have our products approved for various local, state and federal incentive programs, including those set forth below. In particular, California's zero-emission vehicle mandate, which requires a percentage of an automobile manufacturer's sales to be zero-emission vehicles, has resulted in numerous incentive programs designed to accelerate the purchase and/or repower of cleaner, more efficient vehicles in California. We anticipate that the relevant aggregate funding available in California alone over the next several years may be in excess of $800 million, which includes federal, state and Volkswagen settlement funding sources.

HVIP

HVIP is a CARB program administered by CALSTART, the purpose of which is to help speed the early market introduction of clean, low-carbon hybrid and electric trucks and buses. Under HVIP, dealers and fleet operators may request vouchers from HVIP on a first-come first-served basis, up to the funding amount available for that year, to reduce the cost of purchasing hybrid and zero-emission medium- and heavy-duty trucks and buses. It is a statewide program. On November 17, 2022, CARB approved the Fiscal Year 2022-23 Funding Plan for Clean Transportation Incentives, which included an allocation of over $1.7 billion to be administered by HVIP.

HVIP vouchers range in amounts depending on the gross vehicle weight of the purchased vehicle and the number of vehicles purchased. Zero-emission Class 3 trucks are currently eligible for up to $45,000 per vehicle. Class 4 and Class 5 vehicles are funded at the $60,000 per vehicle level and Class 6 and Class 7 vehicles are eligible for $85,000 per vehicle. Depending on project location (i.e. if in a disadvantaged area community census tract) those amounts can be increased to $49,500, $66,000, and $93,500 per vehicle, respectively. However, HVIP may also be revising per vehicle amounts available for future grant periods.

HVIP funds the purchase of only fully commercialized hybrid and zero-emission trucks and buses. Vehicles still in the demonstration or evaluation stage are not eligible for inclusion in HVIP. Vehicle manufacturers must apply to have their hybrid and zero-emissions trucks and buses included in HVIP's voucher program. Once a make and model is included in the program, the manufacturer is not required to submit a full application for the succeeding year's program unless the vehicle has been modified. We intend to comply with the HVIP guidelines and continue to qualify our vehicles for the HVIP vouchers.

New York Truck Voucher Incentive Program ("NYTVIP")

NYT-VIP is a first-come, first-served incentive program funded by the New York State Energy Research & Development Authority. The structure and process for fleets to secure incentives is similar to that of HVIP discussed above. Eligible vehicles include all-electric, hybrid-electric, and CNG trucks and buses. Funding for eligible vehicles domiciled in New York State can reach $385,000 per vehicle. Class 4 and 5 all electric trucks are eligible for up to $100,000 per vehicle and $110,000 per vehicle in funds respectively (i.e., up to 95% of the incremental cost over diesel). We were named an approved dealership in the summer of 2020, and our vehicles are included on the NYTVIP eligible vehicle list for the program. As of February 10, 2023, the New York State Energy Research & Development Authority website reported $66.3 million in total funding availability under NYTVIP.

New York City Clean Trucks Voucher Program ("NYCCTVP")

In support of the transition to all-electric vehicles, in early February, 2020, New York City Mayor Bill de Blasio signed an executive order requiring electrification of the city's entire municipal vehicle fleet by 2040.

In October 2020, we were named an approved dealership and our vehicles have been listed on the eligible vehicles list for the New York City Clean Trucks Program. This program provides funding for new electric truck purchases by New York City customers to replace and scrap older polluting Internal Combustion Engine ("ICE") vehicles. The rebate incentive funding program provides New York City fleet owners $100,000 per vehicle for an all-electric Class 4 truck sold to them by Envirotech, and $110,000 per vehicle for a Class 5 all-electric truck. The amounts increase for Class 6-Class 8 trucks.

New Jersey Zero Emissions Incentive Program ("NJZIP")

The New Jersey Zero Emissions Incentive Program is a $90 million pilot voucher program that supports businesses and institutions purchasing new, zero-emission vehicles operating in the New Jersey by offering up to $175,000 towards the purchase of battery-electric vehicles. In June 2021, we were named an approved vendor in the Program. The Program will fund vouchers ranging in value from $20,000 to $175,000 for businesses and institutional organizations looking to transition their fleets to zero emissions. Bonuses will be available for small businesses and minority-, women-, and veteran-owned businesses. NJZIP is funded by proceeds allocated to the New Jersey Economic Development Authority by the Regional Greenhouse Gas Initiative (“RGGI”) for the purposes of reducing harmful emissions, especially in communities disproportionately impacted by transportation emissions, and creating economic opportunity within the state.

Volkswagen Environmental Mitigation Trust Funds

Beginning in 2018, all 50 states were eligible for millions in funds per year to on-road vehicle projects. Several states have provided carve outs specifically for electric vehicles and, in some cases, electric school buses. For example, California, Illinois, Indiana, Michigan and Ohio have each allocated funds directly to electric school bus projects. The California program will provide per vehicle incentives of $750,000. These states have been in the process of funding their initial rounds or are developing specific funding plans. We have engaged with several of these states to support the development of such plans, including funding the purchase of other commercial vehicles, provided that the buyer surrenders a qualifying existing fossil-fueled vehicle in order to qualify for the funding.

CARB

CARB gathers air quality data for the State of California, ensures the quality of this data, designs and implements air models, and sets ambient air quality standards for the state, with a particular focus on regulating tailpipe emissions and other mobile sources. CARB compiles the state’s emissions inventory and performs air quality and emissions inventory special studies. CARB uses the Emissions Inventory and Air Quality Models to evaluate air quality and reduce emissions in each of California’s 35 local air districts.

CARB also manages several incentive and rebate programs and awards hundreds of millions of dollars in grants to reduce emissions from on- and off-road vehicles and equipment. CARB is responsible for program oversight. CARB awards grants and funds through the Air Quality Improvement Program (AB 118), the Carl Moyer Program, the Voucher Incentive Program for enhanced fleet modernization and emission reduction, and the Lower- Emission School Bus Program/School Bus Retrofit and Replacement Account. In February 2020, the CARB staff held a workshop to discuss a new fleet rule that will target a 100% zero-emission truck and bus fleet for the state of California by 2045. The rule making being considered enjoys broad political support, and has some precedent (e.g., the Advanced Clean Transit rule). We will monitor future actions on the proposal.

California Energy Commission (“CEC”)

The California Energy Commission has several core responsibilities, including but not limited to setting energy policy, developing renewable energy, achieving energy efficiency, and transforming California’s transportation infrastructure. One goal of the CEC is to mitigate GHG emissions and reduce the impact of climate change. The CEC carries out its responsibilities pursuant to several of California’s landmark environmental laws. In 2006, the Legislature passed and then Governor Arnold Schwarzenegger signed two landmark pieces of legislation with far-reaching implications for energy policy. The most comprehensive is AB 32, the California Global Warming Solutions Act of 2006, which set an economy-wide cap on California GHG emissions at 1990 levels by no later than 2020. At the time, this was an aggressive goal that represented an approximately 11% reduction from then-current emissions levels and nearly a 30% reduction from projected business-as-usual levels in 2020. In 2015, California passed Senate Bill (SB) 350, which further committed California to reducing GHG emissions by establishing a 2030 greenhouse gas reduction target of 40% below 1990 levels and to achieve 100% clean energy by 2045. The transportation sector represents a significant portion of California’s GHG emissions. This bill was amended with respect to implementation, but the targeted goals remain the same as originally passed. In 2007, AB 118 created the Alternative and Renewable Fuel and Vehicle Technology Program. The program is intended to increase the use of alternative and renewable fuels and innovative technologies that will transform California’s fuel and vehicle types to help attain the state’s climate change policies. AB 118 authorizes the CEC to provide approximately $100 million annually as incentives to public agencies, vehicle and technology consortia, businesses, public-private partnerships, workforce training partnerships and collaboratives, fleet owners, consumers, recreational boaters, and academic institutions for projects that: develop and improve alternative and renewable low-carbon fuels; optimize alternative and renewable fuels for existing and developing engine technologies; improve light-, medium-, and heavy-duty vehicle technologies; and retrofit medium-and heavy-duty on-road and non-road vehicle fleets.

Air Quality Management Districts ("AQMD") and Air Pollution Control Districts ("APCD")

California's AQMDs/APCDs are responsible for controlling emissions primarily from stationary sources of air pollution such as large power plants and refineries. They also have a role in distributing funds and administering incentive programs from mobile sources-primarily cars, trucks and buses, construction equipment, ships and trains, from which approximately 75% of emissions are generated. The largest AQMD/ APCDs are the South Coast AQMD, Bay Area AQMD, San Joaquin Valley APCD, and the San Diego APCD. Local AQMDs/APCDs develop and adopt an Air Quality Improvement Plans, which serves as the blueprint to bring the respective areas into compliance with federal and state clean air standards. Rules are adopted to reduce emissions from various sources, including specific types of equipment, industrial processes, paints and solvents, even consumer products. Permits are issued to many businesses and industries to ensure compliance with air quality rules. Local AQMDs award grants to help reduce emissions in their local communities. These grants and incentive programs include programs aimed at reducing emissions from mobile sources such as buses and trucks. For example, the San Joaquin Valley Air District's Truck Replacement Program is a program that is open year-round, and which offers grant funding equal to HVIP. In some cases, air district funding programs such as this can be combined with other sources including state and federal grants.

Clean Cities

Clean Cities is a program administered by the DOE's Office of Efficiency and Renewable Energy, Vehicle Technology Program. According to the DOE, the mission of Clean Cities is to advance the energy, economic, and environmental security of the United States by supporting local decisions to adopt practices that reduce the use of petroleum in the transportation sector. Clean Cities is a government-industry partnership. Under the program, public and private stakeholders from businesses, city and state governments, the automotive industry, fuel providers, and community organizations form coalitions throughout the country, which then work with the DOE to establish a plan for reducing petroleum consumption in their respective geographic areas.

Congestion Mitigation and Air Quality ("CMAQ") Improvement Program

The CMAQ Improvement Program, which is jointly administered by the Department of Transportation Federal Highway Administration and Federal Transit Administration, provides funding to states to support surface transportation projects and other related efforts that contribute air quality improvements and provide congestion relief. CMAQ funding is allocated to the states annually based on a statutory formula that is based on population and air quality classification as designated by the EPA. Each state's transportation department then is responsible for distributing the funds. State transportation departments may spend CMAQ funds on projects that reduce ozone precursors, and at least 16 states have used CMAQ funds for alternative fuel vehicle projects (such as purchasing electric or hybrid vehicles).

Commercial Clean Vehicle Credit

Businesses and tax-exempt organizations that buy a qualified commercial clean vehicle may qualify for a clean vehicle tax credit of up to $40,000 under Internal Revenue Code (IRC) 45W. The maximum credit is $7,500 for qualified vehicles with gross vehicle weight ratings (GVWRs) of under 14,000 pounds and $40,000 for all other vehicles.

Zero Emissions Airport Vehicle ("ZEAV") and Infrastructure Incentives

The Zero Emissions Airport Vehicle and Infrastructure Pilot Program provides funding to airports for up to 50% of the cost to acquire ZEAVs and install or modify supporting infrastructure for acquired vehicles. The program gives priority to applicants located in nonattainment areas, as defined by the Clean Air Act, and projects that achieve the greatest air quality benefits, as measured by the number of emissions reduced per dollar of funds spent under the program.

Bus and Bus Facilities Grants

The U.S. Department of Transportation's Federal Transit Administration (FTA) administers the Grants for Buses and Bus Facilities Competitive Program. Eligible applicants include state, local, and tribal governments, fixed-route bus operators, and private nonprofit organizations engaged in public transportation.

Clean School Bus Program

The EPA's Clean School Bus program provides funding to eligible applicants for the replacement of existing school buses with clean, alternative fuel school buses or zero-emission school buses. EPA may award up to 100% of the cost of the replacement bus, charging equipment, or fueling infrastructure. Eligible applicants are school districts, state and local government programs, federally recognized Indian Native American tribes, non-profit organizations, and eligible contractors.

Heavy-Duty Zero Emission Vehicle ("ZEV") and Infrastructure Grants

By February 12, 2023, the early spring of 2024, the EPA will is expected to create a grant program for heavy-duty ZEVs and associated infrastructure. Grant award amounts vary and may cover up to 100% of total project costs.

The Inflation Reduction Act

The Inflation Reduction Act invests $1 billion to replace dirty heavy-duty vehicles with clean, zero-emission vehicles, support zero-emission vehicle infrastructure, and to train and develop workers. The EPA will be distributing this $1 billion in funding for clean heavy-duty vehicles between now and 2031. $400 million is designated for communities in nonattainment areas.

Diesel Emissions Reduction Act ("DERA")

The EPA established the DERA Program to reduce pollution emitted from diesel engines through the implementation of varied control strategies and the involvement of national, state, and local partners. DERA includes programs for existing diesel fleets, regulations for clean diesel engines and fuels, and regional collaborations and partnerships. DERA plans to distribute $150 million in 2023.

Other State Incentives

EveryMost state provides a variety of electric vehicle incentives, as well as private enterprises incentives. The states with the most significant state-specific incentives include California, New Jersey, New York Massachusetts, Pennsylvania, Texas, Colorado, South Carolina and Oklahoma. Massachusetts.

Government Regulation

Our products are designed to comply with a significant number of governmental regulations and industry standards, some of which are evolving as new technologies are deployed. Government regulations regarding the manufacture, sale and implementation of products and systems similar to ours are subject to future change. We cannot predict what impact, if any, such changes may have upon our business. We believe that vehicles that utilize our technology are in conformity with all applicable laws in all relevant jurisdictions.

Emission and Fuel Economy Standards

Government regulation related to climate change is under consideration at the U.S. federal and state levels. The EPA and National Highway Traffic Safety Administration (“NHTSA”) issued a final rule for greenhouse gas emissions and fuel economy requirements for trucks and heavy-duty engines on August 9, 2011, which had an initial phase-in starting with model year 2014 and a final phase-in occurring in model year 2017. NHTSA standards for model years 2014 and 2015 were voluntary, while mandatory standards first went into effect in 2016. In August 2016, the EPA and NHTSA jointly finalized Phase 2 standards for medium- and heavy-duty vehicles through model year 2027 to improve fleet fuel efficiency and cut carbon emissions.

The rule provides emission standards for carbon dioxide and fuel consumption standards for three main categories of vehicles: (i) combination tractors, (ii) heavy-duty pickup trucks and vans, and (iii) vocational vehicles. According to the EPA and NHTSA, vocational vehicles consist of a wide variety of truck and bus types, including delivery, refuse, utility, dump, cement, transit bus, shuttle bus, school bus, emergency vehicles, motor homes and tow trucks, and are characterized by a complex build process, with an incomplete chassis often built with an engine and transmission purchased from other manufacturers, then sold to a body manufacturer.

The EPA and NHTSA rule also establishes multiple flexibility and incentive programs for manufacturers of alternatively fueled vehicles, including an engine averaging banking and trading (“ABT”) program, a vehicle ABT program and additional credit programs for early adoption of standards or deployment of advanced or innovative technologies. The ABT programs allows for emission and/or fuel consumption credits to be averaged, banked or traded within defined groupings of the regulatory subcategories. The additional credit programs allow manufacturers of engines and vehicles to be eligible to generate credits if they demonstrate improvements in excess of the standards established in the rule prior to the model year the standards become effective or if they introduce advanced or innovative technology engines or vehicles.

Vehicle Safety and Testing

The National Traffic and Motor Vehicle Safety Act of 1966 (“Safety Act”), regulates motor vehicles and motor vehicle equipment in the United States in two primary ways. First, the Safety Act prohibits the sale in the United States of any new vehicle or equipment that does not conform to applicable motor vehicle safety standards established by NHTSA. Meeting or exceeding many safety standards is costly, in part because the standards tend to conflict with the need to reduce vehicle weight in order to meet emissions and fuel economy standards. Second, the Safety Act requires that defects related to motor vehicle safety be remedied through safety recall campaigns. A manufacturer is obligated to recall vehicles if it determines that the vehicles do not comply with a safety standard. Should we or NHTSA determine that either a safety defect or noncompliance exists with respect to any of our modified vehicles, the cost of such recall campaigns could be substantial.

Battery Safety and Testing

We believe our battery packs conform to mandatory regulations that govern transport of “dangerous goods,” which includes lithium-ion batteries that may present a risk in transportation. The governing regulations, which are issued by the Pipeline and Hazardous Materials Safety Administration, are based on the United Nations ("UN") Recommendations on the Safe Transport of Dangerous Goods Model Regulations, and related UN Manual of Tests and Criteria. The requirements for shipments of these goods vary by mode of transportation, such as ocean vessel, rail, truck and air.

Our battery suppliers have completed the applicable transportation tests including: Company Information

- altitude simulation, which involves simulating air transport;

We file electronically with the U.S. Securities and Exchange Commission (the “SEC”) our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. Our website is www.evtvusa.com. The information contained on or that can be accessed through our website is not incorporated by reference into this Annual Report.

- thermal cycling, which involves assessing cell and battery seal integrity;
- vibration, which involves simulating vibration during transport;
- shock, which involves simulating possible impacts during transport;
- external short circuit, which involves simulating an external short circuit; and
- overcharge, which involves evaluating the ability of a rechargeable battery to withstand overcharging.

Item 1A. RISK FACTORS

Investing in our securities involves significant risks, including the potential loss of all or part of your investment. These risks could materially affect our business, financial condition and results of operations and cause a decline in the market price of our common stock. You should carefully consider all of the risks described in this Annual Report, in addition to the other information contained in this Annual Report, before you make an investment in our securities. In addition to other matters identified or described by us from time to time in filings with the SEC, there are several important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or results that are reflected from time to time in any forward-looking statement.

Summary Risk Factors

The following is a summary of the principal risks that could adversely affect our business, operations and financial results. Such risks are discussed more fully below and include, but are not limited to, risks related to:

- Being delinquent in our SEC reporting obligations;
- The review and subsequent restatement of our financial statements;
- Business interruptions resulting from the COVID-19 pandemic;
- Our ability to execute our business plan to generate revenue and create a sustainable growth trajectory;
- Our history of losses and our ability to achieve and/or sustain profitability in the future;
- Difficulty in evaluating our current business and future prospects in light of our limited operating history;
- Our future growth being dependent upon demand for new mid-sized zero-emission trucks and cargo vans, and other fleet vehicles;
- Our ability to compete successfully against current and future competitors;
- Our sales cycle, which can be long and unpredictable and require considerable time and expense before executing a customer agreement, which may make it difficult to project when, if at all, we will obtain new customers and generate revenue from those customers;
- Developments in alternative technologies or improvements in the internal combustion engine, which may materially adversely affect the demand for electric vehicles and our products;
- Our ability to keep up with advances in zero-emission electric vehicle technology, which will impact our ability to obtain or maintain a competitive position in the market;
- The demand for commercial zero-emission electric vehicles depending, in part, on the continuation of current trends resulting from historical dependence on fossil fuels;
- Our ability to reduce and adequately control the costs and expenses associated with operating our business, including our material and production costs;
- Our ability to manage our anticipated growth effectively, which will affect our ability to execute our business plan, maintain high levels of service and adequately address competitive challenges;

- The possible performance of our zero-emission electric vehicles in a manner that is not consistent with our customers' expectations, which could harm our ability to develop, market and sell our vehicles;

- Our dependence on third parties to deliver raw materials, parts, components and services in adequate quantity in a timely manner and at reasonable prices, quality levels, and volumes acceptable to us;

- The possibility that the facilities or operations of our third party third-party providers could be damaged or adversely affected as a result of disasters or unpredictable events;

- Our dependence on information technology and the possibility that any breakdown, interruption or breach of our information technology systems could subject us to liability or interrupt the operation of our business;

- Harm to our brand image that could result from a failure of our suppliers to use ethical business practices and comply with applicable laws and regulations;

- The success of our strategic relationships with third parties and our ability to identify and form adequate strategic relationships in the future;

- The ability of our suppliers to scale their zero-emission vehicle manufacturing and assembling processes effectively and quickly from low volume production to high volume production;

- Our exposure to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims;

- The possibility of being compelled to undertake product recalls;

- The adequacy of our warranty reserves to cover future warranty claims;

- The adequacy of our insurance strategy to protect us from all business risks;

- Our ability to design, develop, market and sell zero-emission electric vehicles and other product offerings that address additional market opportunities;

- The availability and amounts of government subsidies and incentives and the application of regulations that encourage conversion to electric vehicles;

- Our service model, which may be costly for us to operate and may not address the service requirements of our prospective customers;

- Our decentralized assembly, sales and service model;
- Our exposure to substantial regulation and unfavorable changes in such regulations;

- Vehicle dealer and distribution laws, which could adversely affect our ability to sell our commercial zero-emission electric vehicles;

- Environmental laws and regulations that could impose substantial costs upon us and cause delays in opening our sales, service and assembly facilities;

- Failure to protect our intellectual property rights, which could impair our ability to protect our proprietary technology;

- Our exposure to claims of infringement of another party's intellectual property rights;
- Legal proceedings that could result in substantial liabilities;
- Current or future litigation or administrative proceedings;
- Our use of battery packs composed of lithium-ion battery cells, which, if not appropriately managed and controlled, on rare occasions have been observed to catch fire or vent smoke and flames;
- Unfavorable conditions in the global economy, rising interest rates and capital market liquidity issues;
- Our dependence on our Chief Executive Officer and management team, retaining and attracting qualified management, key employees and technical personnel and expanding our sales and marketing capabilities;
- Forecasts of market growth that may prove to be inaccurate, and our ability to grow our business at similar rates, or at all;
- The availability of additional capital on acceptable terms, if at all, to support business growth;
- Our possible pursuit of acquisitions of complementary businesses and technologies;
- Our ability to maintain effective internal control over financial reporting and effective disclosure controls and procedures;
- Our ability to utilize a significant portion of our net operating loss or research and development tax credit carryforwards;
- Changes in accounting principles generally accepted in the United States that may have an adverse impact on our results of operations;
- Volatility in the price of our common stock, which could result in substantial losses for our stockholders;
- Costs and demands upon management as a result of complying with the laws and regulations affecting public companies;
- Securities or industry analysts not publishing research or publishing inaccurate or unfavorable research about our business;
- Our ability to meet our publicly announced guidance or other expectations about our business;
- Our intent to not pay dividends for the foreseeable future; and
- Provisions in our charter documents and under Delaware law that could discourage a takeover that stockholders may consider favorable.
- In the future, we may be subject to additional environmental, social and governance ("ESG") disclosure requirements and these additional disclosures may make our common stock less attractive to investors.

Risks Related to Our Business

Business interruptions resulting from the COVID-19 pandemic have adversely affected, and could continue to adversely affect, our business, results of operations, and financial condition.

In December 2019, a novel strain of a virus named SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2), or coronavirus, which causes coronavirus disease, or COVID-19, was reported to have surfaced in Wuhan, China, and has reached multiple other regions and countries, including the United States. In March 2020, the World Health Organization declared COVID-19 a global pandemic. Since that time, the coronavirus pandemic has continued to spread, and to date has led to the implementation of various responses, including government-imposed quarantines, travel restrictions, and other public health safety measures that have adversely affected workforces, organizations, economies, and financial markets globally, leading to economic uncertainty and increased market volatility. Global health concerns related to the COVID-19 pandemic have resulted in social, economic and labor instability in the countries in which we or the third parties with whom we engage operate, and resulted in unexpected legal and regulatory changes, such as travel, social distancing and quarantine policies, boycotts, curtailment of trade, and other business restrictions that have negatively affected our ability to procure and sell our products and provide our services. More recently, the COVID-19 pandemic has led to a disruption of the global supply chain, which has adversely impacted, and may continue to adversely impact, our ability and that of our manufacturing partners to procure the components needed to produce our vehicles on terms acceptable to us and has resulted in delays in the delivery of our products to customers. If we are unable to effectively address such challenges and mitigate the potentially negative impacts of the pandemic and related supply chain disruptions on our business, it could result in additional delivery delays and canceled orders, reduced demand for our products and solutions, and adversely affect our customers' ability to pay for our products and solutions.

Additionally, the COVID-19 pandemic has negatively impacted our ability to market our vehicles to new and existing customers, increased our production and sales cycle times and harmed our business, results of operations, financial condition, and could have other currently unforeseen negative impacts on us. We expect these negative impacts, among others, will continue due to the ongoing effects of the COVID-19 pandemic. While we have developed, and continue to develop, plans to address such ongoing effects and help mitigate the potential negative impact of the pandemic on our business, these efforts may not be effective, and a protracted economic downturn will likely limit the ability of our mitigation efforts to be successful. Accordingly, our future performance will depend in part upon our ability to successfully respond and adapt to these challenges and we have developed, and continue to develop, plans to address the ongoing effects and help mitigate the potential negative impact of the pandemic on our business. It is not possible for us to predict the duration or magnitude of the adverse results of the COVID-19 pandemic as new strains of the virus emerge and its effects on our business, results of operations, or financial condition at this time. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

We may not successfully execute our business plan to generate revenue and create a sustainable growth trajectory.

We did not generate significant revenues for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, due in part to the combined impact of COVID-19 restrictions and the absence of HVIP funding available to our customers. Our ability to continue to generate revenue and grow our revenue will depend, in part, on our ability to execute our business plan, expand our business model and develop new products in a timely manner. We may fail to do so. A variety of factors outside of our control could affect our ability to generate revenue and our revenue growth. Our success in implementing our strategy of producing and selling new purpose-built zero-emission vehicles could also slow our revenue growth.

We have a history of losses and we may not achieve and/or sustain profitability in the future.

For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, we incurred net losses of $44.1 million $12.7 million and $7.7 million $43.8 million, respectively. The 2023 and 2022 loss includes losses included approximately $39.4 million $5.1 million and $37.1 million of non-cash expenses, including a goodwill impairment charge of $37.1 million. charges, respectively. As of December 31, 2022 December 31, 2023, we had working capital of approximately $16.9 million $10.3 million and accumulated deficit of approximately $52.2 million. $64.6 million. To date, we have financed our operations primarily through capital raises from issuing common stock. We may not achieve profitability in the future as we anticipate that our operating expenses will increase significantly in the foreseeable future as we:

- make investments required to move our assembly operations to our facility in Arkansas;
- design, develop and manufacture our light to medium to heavy-duty fleet vehicles and their components;
- increase our sales and marketing to acquire new customers; and
- increase our general and administrative functions to support our growing operations.

Because we may incur additional costs from these efforts before we receive any significant incremental revenues with respect thereto, our losses in future periods will likely be greater than the losses we would incur if we developed our business at a slower pace. In addition, these efforts may prove more expensive than we currently anticipate and we may not succeed in increasing our revenue sufficiently to offset these higher costs. Even if we are successful in generating revenue and increasing our customer base, we may not become profitable in the future or may be unable to maintain any profitability achieved if we fail to increase our revenue and manage our operating expenses or if we incur unanticipated liabilities. Even if our revenue increases, we may not be able to sustain the rate of revenue growth. Revenue growth may be slower than anticipated or revenue may decline for a number of reasons, including continued problems accessing various incentive programs to assist our customers with their purchase of our vehicles, lack of demand for our zero-emission vehicles and drivetrain systems, increasing competition, lengthening sales cycles, decelerating growth of, or declines in, our overall market, or our failure to capitalize on growth opportunities or to introduce new offerings. Any failure by us to achieve and maintain revenue or profitability could cause the price of our common stock to decline.

While we believe that our existing cash and cash equivalents and our working capital as of December 31, 2022 December 31, 2023 will be sufficient to fund our operations during the next twelve months, we may not successfully execute our business plan, and if we do not, we may need additional capital to continue our operations. In February 2022, we acquired a US manufacturing facility in Osceola Arkansas that will require additional debt and/or equity capital in order to purchase related equipment and set up production lines which is expected to require up to $80 million of additional investment through 2027.

Our limited operating history and the pandemic makes it difficult to evaluate our current business and future prospects.

Our relatively short operating history, recent changes to our business model and the lack of available HVIP funding to assist our customers and our inability to predict the ultimate duration and severity of COVID-19 impacts on our business make it difficult to evaluate our current business and our future prospects. It is difficult to predict our future revenues and appropriately budget for our expenses, although we recently decreased our operating expenses significantly and intend to only increase have recently increased these expenses as we perceive that the COVID-19 pandemic is subsiding and that customers are willing to move forward with our vehicles. We have limited insight into other trends that may emerge and affect our business. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges in forecasting accuracy, determining appropriate investments of our limited resources, market acceptance of our products and services and future products and services, competition from new and established companies, including those with greater financial and technical resources, acquiring and retaining customers and increasing revenue from existing customers, enhancing and developing our products and services. You should consider our business and prospects in light of the risks and difficulties that we will encounter as we continue to develop our business model. We may not be able to address these risks and difficulties successfully, which would materially harm our business and operating results and cause the market price of our common stock to decline.

We may experience quarterly fluctuations in our operating results due to a number of factors, which make our future results difficult to predict and could cause our operating results to fall below expectations.

Our quarterly operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not consider our past results in any projected growth rate or as indicative of our future performance.

We expect our period-to-period operating results to vary based on our operating costs, which we anticipate will increase significantly in future periods as we, among other things, design and develop our zero-emission vehicles and drivetrain systems, open new design, sales and service facilities, hire additional technology staff, increase our travel and operational budgets, increase our facility costs, hire and train service personnel, increase our sales and marketing activities, and increase our general and administrative functions to support our growing operations. As a result of these factors, we believe that quarter-to-quarter comparisons of our operating results, especially in the short-term, are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance. Moreover, our operating results may not meet expectations of equity research analysts or investors. If any of this occurs, the trading price of our stock could decline, either suddenly or over time.

Based upon all of the factors described above, we have a limited ability to forecast our future revenue, costs and expenses and, as a result, our operating results may from time to time fall below our estimates.

Our future growth is dependent upon demand for new mid-sized zero-emission trucks and cargo vans, and other fleet vehicles.

Our growth is highly dependent upon the market acceptance of, and we are subject to an elevated risk of any reduced demand for, new zero-emission trucks and other fleet vehicles. If this market does not develop as we expect or develops slower than expected, our business, prospects, financial condition and operating results will be harmed, and we may need to raise additional capital. This market is relatively new, rapidly evolving, characterized by rapidly changing technologies, price competition, additional competitors, evolving government regulation and industry standards, frequent new vehicle announcements and changing consumer demands and behaviors. Factors that may influence the market acceptance of new zero-emission vehicles include:

- perceptions about zero-emission electric vehicle quality, safety design, performance and cost, especially if adverse events or accidents occur that are linked to the quality or safety of any electric vehicle;
- perceptions about the limitations in the technology resulting in a limited range over which zero-emission electric vehicles may be driven on a single battery charge (increases in distance requires additional batteries, which increases weight, and, at some point, too much weight diminishes the additional distance being sought before requiring a charge);
- perceptions about vehicle safety in general, in particular safety issues that may be attributed to the use of advanced technology;
- the availability of alternative fuel vehicles, including competitive vehicles and improvements in the fuel economy of the internal combustion engine may cause a slow-down in the demand to switch to zero-emission electric vehicles;
- the availability of service for zero-emission electric vehicles;
- the environmental consciousness of owners of diesel- and gasoline-powered buses, truck and other fleet vehicles;
- changes in the cost of oil and gasoline;
- government regulations and economic incentives, including a change in the administrations and legislations of federal and state governments, promoting fuel efficiency and alternate forms of energy;
- access to charging stations both public and private, standardization of electric vehicle charging systems and perceptions about convenience and cost to charge an electric vehicle;
- the availability of tax and other governmental incentives and rebates to purchase and operate electric vehicles or future regulation requiring increased use of zero-emission or hybrid vehicles;
- perceptions about and the actual cost of alternative fuel; and
- macroeconomic factors such as, among other things, inflation and rising interest rates which could diminish our ability to access the capital markets for funding our business.

Additionally, we have limited experience in introducing new products, as we commenced production and deliveries of our products within the most recent few years. To the extent that we are not able to build our products in accordance with customer expectations, our future sales could be harmed.

We may also become subject to regulations that require us to alter the design of our vehicles, which could negatively impact consumer interest in our products.

The influence of any of the factors described above may cause current or potential customers not to purchase our electric vehicles, which would materially adversely affect our business, operating results, financial condition and prospects.

We may not be able to compete successfully against current and future competitors.

The market for commercial zero-emission electric vehicles is relatively new, rapidly evolving, characterized by rapidly changing technologies, price competition, additional competitors, evolving government regulation and industry standards, frequent new vehicle announcements and changing consumer demands and behaviors.

Most of our existing and potential competitors, including Ford, Nissan, Navistar, Freightliner, Mercedes-Benz, Odyne Systems, Lightning Systems, Nordresa, Workhorse, Mitsubishi/Fuso, BYD, Proterra, TransPower, Lion Electric Company, Rivian, GreenPower Motor Company, General Motors, Blue Bird, Tesla, Volkswagen, Volvo, PeterBilt, Nikola, and Motiv, have substantially greater financial resources, more extensive engineering, manufacturing, marketing and customer service and support capabilities, longer operating histories and greater name recognition than we do. They may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. Virtually all of our competitors have more extensive customer bases and broader customer and industry relationships than we do. Our competitors may be in a stronger position to respond quickly to new technologies and may be able to design, develop, market and sell their products more effectively. As a result, our competitors may be able to compete more aggressively and sustain that competition over a longer period of time than we can. Each of these competitors has the potential to capture market share in our target market, which could have an adverse effect on our position in our industry and on our business and operating results.

We expect competition in our industry to intensify in the future in light of anticipated increased demand for alternative fuel vehicles and to continued globalization and consolidation in the worldwide automotive industry.

Factors affecting competition include product quality and features, innovation and development time, pricing, reliability, safety, fuel economy, customer service and financing terms. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in further downward price pressure and adversely affect our business, financial condition, operating results and prospects. Our ability to successfully compete in our industry will be fundamental to our future success in existing and new markets and to our market share. There can be no assurances that we will be able to compete successfully in our markets. If our competitors introduce new products or services that compete with or surpass the quality, price or performance of our products or services, we may be unable to satisfy existing customers or attract new customers at the prices and levels that would allow us to generate attractive rates of return on our investment. A disruptive technology advancement in the electric vehicle industry by a competitor, such as in energy storage, traction motors or power electronics, could affect the sales of our products.

Demand in the zero-emission electric vehicle industry is volatile, which may lead to lower vehicle unit sales, which could adversely affect our operating results. Volatility of demand in the zero-emission electric vehicle industry may materially and adversely affect our business, prospects, operating results and financial condition. The markets in which we currently compete and plan to compete in the future have been subject to considerable volatility in demand in recent periods. As a low volume producer, we have fewer financial resources than more established providers have to withstand changes in the market and disruptions in demand. Volatility in demand may lead to lower vehicle unit sales and increased inventory, which may result in further downward price pressure and adversely affect our business, prospects, financial condition and operating results. These effects may have a more pronounced impact on our business given our relatively smaller scale and financial resources as compared to many incumbent providers.

Competition could result in price reductions and revenue shortfalls, loss of customers and loss of market share. If we cannot compete successfully against current and future competitors, our business, prospects, results of operations and financial condition could be negatively impacted.

Our sales cycle can be long and unpredictable and require considerable time and expense before executing a customer agreement, which may make it difficult to project when, if at all, we will obtain new customers and generate revenue from those customers.

The sales cycle for our business, from initial contact with a potential lead to contract execution and implementation, typically takes significant time and is difficult to predict. Our sales cycle in some cases has lasted up to six to nine months or more. Our sales efforts involve educating our customers about the use, capabilities and benefits of our products and services. Some of our customers undertake a significant evaluation process that frequently involves not only our products and services but also the offerings of our competitors. This process can be costly and time-consuming. In addition, once a customer is inclined to purchase our products, their ability in most cases to issue a purchase order is dependent on being granted funding toward the purchase. It is very difficult for us, or our customers, to predict the timing of the release of such funding, and specifically whether they will receive any of it. As a result, it is difficult to predict when we will obtain new customers and begin generating revenue from these new customers. As part of our sales cycle, we may incur significant expenses before executing a definitive agreement with a prospective customer and before we are able to generate any revenue from such agreement. The substantial time and money spent on our sales efforts may not generate significant revenue. If conditions in the marketplace generally or with a specific prospective customer change negatively, it is possible that no definitive agreement will be executed, and we will be unable to recover any of these expenses. If we are not successful in targeting, supporting and streamlining our sales processes, our ability to grow our business, and our operating results and financial condition may be adversely affected. If our sales cycles lengthen, our future revenue could be lower than expected, which would have an adverse impact on our consolidated operating results and could cause our stock price to decline.

Developments in alternative technologies or improvements in the internal combustion engine may materially adversely affect the demand for electric vehicles and our products.

Significant developments in alternative technologies, such as advanced diesel, ethanol and other renewable fuels, fuel cells or compressed natural gas, or improvements in the fuel economy of the internal combustion engine, may materially and adversely affect our business and prospects in ways we do not currently anticipate. For example, compressed natural gas or propane, which are abundant and relatively inexpensive in North America, may emerge as consumers' preference. Any failure by us to develop new or enhanced technologies or processes, or to react to changes in existing technologies, could materially delay our development and introduction of new and enhanced zero-emission electric vehicles or drivetrain systems, which could result in the loss of competitiveness of our products, decreased revenue and a loss of market share to competitors.

If we are unable to keep up with advances in zero-emission electric vehicle technology, we may suffer an inability to obtain a competitive position in the market or suffer a decline in our competitive position.

There are companies in the zero-emission electric vehicle industry that have developed or are developing vehicles and technologies that compete or will compete with our vehicles. Our competitors could be able to provide products and services similar to ours more efficiently or at greater scale. We may be unable to keep up with changes in zero-emission electric vehicle technology and, as a result, may suffer a decline in our competitive position. Any failure to keep up with advances in zero-emission electric vehicle technology would result in a decline in our competitive position, which would materially and adversely affect our business, prospects, operating results and financial condition. Our research and development efforts may not be sufficient to adapt to changes in zero-emission electric vehicle technology. As technologies change, we plan to upgrade or adapt our vehicles and introduce new vehicles in order to continue to provide vehicles with the latest technology, in particular battery cell technology. However, our vehicles may not compete effectively with alternatives if we are unable to source and integrate the latest technology into our vehicles. For example, we do not currently manufacture the items required to produce our vehicles, including battery cells, which makes us dependent upon other suppliers of technology for our battery packs, motors and other components of our electric vehicles. If for any reason we are unable to keep pace with changes in commercial electric vehicle technology, particularly battery technology, our competitive position may be adversely affected. However, our recently announced plans to acquire certain battery manufacturing equipment from ProGreens mentioned above will mitigate these issues as it pertains to batteries and battery packs.

The demand for commercial zero-emission electric vehicles depends, in part, on the continuation of current trends resulting from historical dependence on fossil fuels. Extended periods of low diesel or other petroleum-based fuel prices could adversely affect demand for vehicles that utilize our technology, which could adversely affect our business, prospects, financial condition and operating results.

We believe that much of the present and projected demand for commercial zero-emission electric vehicles results from concerns about volatility in the cost of petroleum-based fuel, the dependency of the United States on oil from unstable or hostile countries, government regulations and economic incentives promoting fuel efficiency and alternative forms of energy, as well as the belief that poor air quality and climate change results in part from the burning of fossil fuels. If the cost of petroleum-based fuel decreased significantly, or the long-term supply of oil in the United States improved, the government may eliminate or modify its regulations or economic incentives related to fuel efficiency and alternative forms of energy. If there is a change in the perception that the burning of fossil fuels does not negatively impact the environment, the demand for commercial zero-emission electric vehicles could be reduced, and our business and revenue may be harmed. Diesel and other petroleum- based fuel prices have been extremely volatile, and we believe this continuing volatility will persist. Lower diesel or other petroleum-based fuel prices over extended periods of time may lower the current perception in government and the private sector that cheaper, more readily available energy alternatives should be developed and produced. If diesel or other petroleum-based fuel prices remain at deflated levels for extended periods of time, the demand for commercial electric vehicles may decrease, which could have an adverse effect on our business, prospects, financial condition and operating results.

We may not be able to reduce and adequately control the costs and expenses associated with operating our business, including our material and production costs.

If we are unable to reduce and/or maintain a sufficiently low level of costs for designing, manufacturing, marketing, selling and distributing and servicing our zero-emission electric vehicles relative to their selling prices, our operating results, gross margins, business and prospects could be materially and adversely impacted. We have made, and will be required to continue to make, significant investments for the design, manufacture, and sales of our zero-emission vehicles.

We incur significant costs related to procuring the materials and components required to build our vehicles. As a result, without including the impact of government or other subsidies, incentives, or tariffs, our costs and therefore the purchase prices for our commercial zero-emission electric vehicles currently are higher than the purchase prices for gas or diesel-fueled vehicles with comparable features.

Additionally, in the future we may be required to incur substantial marketing costs and expenses to promote our zero-emission vehicles, including the use of traditional media such as television, radio and print even though our marketing expenses to date have been relatively limited. If we are unable to keep our operating costs aligned with the level of revenues we generate, our operating results, business and prospects will be harmed. Many of the factors that impact our operating costs are beyond our control. For example, global demand from all manufacturers of zero-emission vehicles for the same resources could create shortages and drive the costs of our raw materials and certain components, such as lithium-ion battery cells, to a higher level and reduce profit or create or increase losses. Indeed, if the popularity of zero-emission electric vehicles exceeds current expectations without significant expansion in battery cell production capacity and advancements in battery cell technology, shortages could occur which would result in increased material and component parts costs to us and could also negatively impact our ability to meet production requirements if the batteries were simply not available.

If we fail to manage our anticipated growth effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.

Any failure to manage our anticipated growth effectively could materially and adversely affect our business, prospects, operating results and financial condition. During the fourth quarter of 2020 and the first quarter of 2021, we significantly shrunk our operations in response to poor business conditions, but we began expanding our operations in the fourth quarter of 2021 as our business prospects improved and we believe that further expansion will be required, especially in connection with electric vehicle component assembly and manufacturing, service and warranty requirements. The requirements of being a public company have significantly increased our general and administrative costs. Our future operating results depend to a large extent on our ability to manage this expansion and growth successfully. Risks that we face in undertaking this expansion include:

- establishing sufficient sales, service and service facilities in a timely manner;
- forecasting production and revenue;
- training new personnel;
- controlling expenses and investments in anticipation of expanded operations;
- expanding design, manufacturing, sales and service facilities;
- implementing and enhancing administrative infrastructure, systems and processes;
- addressing new markets; and
- expanding operations and finding and hiring a significant number of additional personnel, including manufacturing personnel, design personnel, engineers and service technicians.

We may in the future hire a significant number of additional personnel, including design and manufacturing personnel and service technicians for our zero-emission electric vehicles, the timing of which will depend on the success of our sales efforts. Because vehicles that utilize our technology are based on a different technology platform than traditional internal combustion engines, individuals with sufficient training in zero-emission electric vehicles may not be available to hire, and we may need to expend significant time and expense in training the employees we hire. Competition for individuals with experience designing, manufacturing and servicing zero-emission electric vehicles is intense, and we may not be able to attract, assimilate, train or retain additional highly qualified personnel in the future, which could seriously harm our business and prospects.

In this regard, we will be required to continue to improve our operational, financial and management controls and our reporting procedures and we may not be able to do so effectively. Further, to accommodate our expected growth we must continually improve and maintain our technology, systems and network infrastructure. We therefore may be unable to manage our expenses effectively in the future, which would negatively impact our gross margin or operating expenses in any particular quarter. If we fail to manage our anticipated growth and change in a manner that preserves the quality of our zero-emission vehicles and services and our ability to deliver in a timely manner, it will negatively affect our brand and reputation and harm our ability to retain and attract customers.

Public health crises and other global health pandemics, epidemics or disease outbreaks could adversely impact our business, results of operation and financial condition.

A significant public health crisis, pandemic or disease outbreak, such as COVID-19, could adversely impact our business as well as those of our suppliers and customers. For example, the COVID-19 pandemic disrupted the global vehicle industry and customer sales, production volumes, supply of components critical to our business, and purchases of zero-emission electric vehicles by end-consumers. Any future significant public health crisis could adversely impact the global economy, our industry and the overall demand for our products. In addition, preventative or reactionary measures taken by governmental authorities may disrupt the ability of our employees, suppliers and other business partners to perform their respective functions and obligations relative to the conduct of our business. Our ability to predict and respond to future changes resulting from potential health crises is uncertain as are the ultimate potential impacts on our business. The extent to which a pandemic or similar significant health crises will impact our business in the future is uncertain. In addition, to the extent such significant health crises may adversely affect our business, financial condition, results of operations and cash flows, they may also have the effect of heightening many of the other risk factors in this section.

Unfavorable conditions in the global economy, rising interest rates and capital market liquidity issues could limit our ability to grow our business and negatively affect our operating results.

Revenue growth and potential profitability of our business depends on the level of demand in the markets we serve. To the extent that weak economic conditions cause our customers and potential customers to freeze or reduce their capital expenditure or operational budgets, particularly those for zero-emission electric vehicles, demand for our products and services may be negatively affected. Historically, economic downturns have resulted in overall reductions in these budgets and corresponding spending. If economic conditions deteriorate or do not materially improve, our customers and potential customers may elect to decrease their operational budgets or defer or reconsider product and service purchases, which would limit our ability to grow our business and negatively affect our operating results.

Our business depends on our Chief Executive Officer and management team, retaining and attracting qualified management, key employees and technical personnel and expanding our sales and marketing capabilities.

Our success depends upon the continued service of Mr. Phillip Oldridge, our Chief Executive Officer, as well as other members of our senior management team. It also depends on our ability to continue to attract and retain additional highly qualified management, technical, engineering, operating and sales and marketing personnel. We do not currently maintain key person life insurance policies on any of our employees. We entered into employment agreements with Mr. Oldridge and with Mrs. Susan M. Emry, our Executive Vice President, effective January 1, 2022. Our business also requires skilled technical, engineering, product and sales personnel, who are in high demand and are difficult to recruit and retain. As we continue to innovate and develop our products and services and develop our business, we will require personnel with expertise in these areas. There is increasing competition for talented individuals such as design engineers, manufacturing engineers, and other skilled employees with specialized knowledge of electric vehicles. This competition affects both our ability to retain key employees and hire new ones. Key talent may leave us due to various factors, such as a very competitive labor market for talented individuals with automotive or transportation experience. Our success depends upon our ability to hire new employees in a timely manner and retain current employees. Additionally, we compete with both mature and prosperous companies that have far greater financial resources than we do and start-ups and emerging companies that promise short-term growth opportunities. The loss of Mr. Oldridge or Mrs. Emry or an inability to attract, retain and motivate additional highly skilled employees required for the planned development and expansion of our business, could delay or prevent the achievement of our business objectives and could materially harm our business.

The forecasts of market growth may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, our business may not grow at similar rates, if at all.

Growth forecasts are subject to significant uncertainty and are based on assumptions and estimates, which may not prove to be accurate. Forecasts relating to the expected growth in zero-emission electric vehicles, electric drivetrain systems and conversions and other markets may prove to be inaccurate. Even if these markets experience the forecasted growth, we may not grow our business at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties.

We may selectively pursue acquisitions of complementary businesses and technologies, which could divert capital and our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and adversely affect our operating results.

We may selectively pursue acquisitions of complementary businesses and technologies that we believe could complement or expand our applications, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

In addition, we have limited experience with acquiring other businesses or technologies. If we acquire businesses or technologies, we may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;

- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty integrating the accounting systems, operations and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the customers of the acquired business onto our applications and contract terms, including disparities in the revenue, licensing, support or professional services model of the acquired company;
- diversion of management's attention from other business concerns;
- adverse effects to our existing business relationships with business partners and customers as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to record impairment charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions could also result in dilutive issuances of equity securities and/or the incurrence of debt, which could adversely affect our operating results. We may also unknowingly inherit liabilities from acquired businesses or assets that arise after the acquisition and that are not adequately covered by indemnities. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial position may suffer.

Risks Relating to the Design, Supply and Manufacturing of our Products

If our zero-emission electric vehicles fail to perform as expected, our ability to develop, market and sell our vehicles could be harmed.

Our zero-emission vehicles may not perform in a manner that is consistent with our customers' expectations for a variety of reasons. If our vehicles were to contain defects in design and manufacture that cause them not to perform as expected or that require repair, or experience any other failure to perform as expected, it could harm our reputation and result in delivery delays, product recalls, product liability claims, significant warranty and other expenses, which could have a material adverse impact on our ability to develop, market and sell our zero-emission vehicles. For example, should we have a significant sale of either new vehicles or re-power conversion kits and a defect (from a supplier-purchased product or internally assembled components) were to be discovered after delivery that could not be corrected in a timely manner, we could suffer an adverse public relations event that harms the company in a way that it may not be able to recover from, or which turns out to be so costly as to cause a significant loss. Although we attempt to remedy any issues we observe in our products as effectively and as rapidly as possible, such efforts may not be timely, may hamper production or may not provide satisfaction to our customers. While we have performed extensive internal testing, we currently have a limited frame of reference by which to evaluate the long-term performance of our zero-emission products. There can be no assurance that we will be able to detect and fix any defects in our products prior to their sale to customers. Further, the performance of our zero-emission products may be negatively impacted by other factors, such as limitations inherent in existing battery technology and extreme weather conditions.

Any vehicle product defects or any other failure of our commercial zero-emission electric vehicles to perform as expected could harm our reputation and result in delivery delays, product recalls, product liability claims, significant warranty and other expenses, customer losses and lost revenue, any of which could have a material adverse impact on our business, financial condition, operating results and prospects.

We are dependent on third parties to deliver raw materials, parts, components and services in adequate quantity in a timely manner and at reasonable prices, quality levels and volumes acceptable to us. Our business, prospects, financial condition and operating results could be adversely affected if we experience disruptions in our supply chain.

We provide zero-emission electric vehicles assembled from components supplied by third parties. For example, we rely on third parties for batteries, traction motors, power electronics, connectors, cables, and metal fabrication for battery storage boxes. As a result, we are particularly dependent on those third parties to deliver raw materials, parts, components and services in adequate quality and quantity in a timely manner and at reasonable prices. Some components of our vehicles and drivetrain systems include materials such as copper, lithium, rare-earth and strategic metals that have historically experienced price volatility and supply interruptions. In addition, we do not currently maintain long-term agreements with our suppliers with guaranteed pricing because we cannot at this time guarantee them adequate volume, which exposes us to fluctuations in component, materials and equipment prices and availability.

There have been significant changes to U.S. trade policies, treaties and tariffs, which have resulted in uncertain economic and political conditions that have made it difficult for us and our suppliers to accurately forecast and plan future business activities. For example, the U.S. has imposed tariffs on certain products imported into the U.S. from China, the European Union and other countries, and could impose additional tariffs or trade restrictions. Such changes to U.S. policies related to global trade and tariffs have resulted in uncertainty surrounding the future of the global economy and have resulted in certain retaliatory trade measures and tariffs implemented by other countries. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the United States.

Any of these factors could depress economic activity and have a material adverse effect on the business and financial condition of our suppliers, which, in turn, would negatively impact us.

Furthermore, currency fluctuations weakening the U.S. dollar against foreign currencies may adversely affect our purchasing power for such raw materials, parts and components and manufacturing equipment from foreign suppliers. Substantial increases in the prices for such raw materials, components and equipment would increase our operating costs, and could reduce our margins if we cannot recoup the increased costs through increased prices. We may not be able to recoup these increased costs by increasing the prices of our products.

In addition, the impact of the COVID-19 pandemic has led to a disruption of disrupted the global supply chain, which has adversely impacted and may continue to adversely impact, our ability and that of our manufacturing partners to procure the components needed to produce our vehicles on terms acceptable to us and has resulted in delays in the delivery of our products to customers. If we are unable to effectively address such challenges and mitigate the potentially negative impacts of the pandemic and related supply chain disruptions on our business, it could result in additional delivery delays and canceled orders, reduced demand for our products and solutions, and adversely affect our customers' ability to pay for our products and solutions.

In cases where we rely on a sole supplier for a component or system, if there is an interruption of supply or increased industry demand it may be difficult for us to substitute one supplier for another, increase the number of suppliers or change one component for another in a timely manner or at all. Additionally, many of our current suppliers are small companies that produce a limited number of specialized products. If any of these suppliers were to go out of business or be acquired by a competitor of ours or any other third party that decides to discontinue our supply relationship, we would need to find an alternative supplier, which we may not be able to do.

This limited supply chain exposes us to multiple potential sources of delivery failure or component shortages for the production of our zero-emission electric products. We may experience delays due to supply chain disruptions with respect to any of our zero-emission electric products we may produce. In addition, our currently ongoing transition from low to high volume production tooling for our zero-emission electric products may take longer than expected, which may adversely impact our short-term financial results.

Changes in business conditions, domestic and foreign regulations (including tariffs), labor issues, wars, governmental changes, natural disasters and other factors beyond our control or which we do not presently anticipate, could also affect our suppliers' ability to deliver components to us on a timely basis. Furthermore, if we experience significantly increased demand, or need to replace certain existing suppliers, there can be no assurance that additional supplies of component parts will be available when required on terms that are favorable to us, or that any supplier would allocate sufficient supplies to us in order to meet our requirements or fill our orders in a timely manner, or that we could engineer replacement components ourselves.

Changes in our supply chain may result in increased future costs. We have also experienced cost increases from certain of our suppliers in order to meet our quality targets and development timelines as well as due to design changes that we made, and we may experience similar cost increases in the future. Additionally, we are negotiating with existing suppliers for cost reductions, seeking new and less expensive suppliers for certain parts, and attempting to redesign certain parts to make them less expensive to produce. If we are unsuccessful in our efforts to control and reduce supplier costs, our operating results will suffer.

If we encounter unexpected difficulties with our current suppliers, and if we are unable to fill these needs from other suppliers, we could experience production delays, which could have a material adverse effect on our financial condition and operating results.

The inability of these suppliers to deliver, or their refusal to deliver, necessary raw materials, parts and components of our zero-emission drivetrain systems and services in a timely manner at prices, quality levels, and volumes acceptable to us would have a material adverse effect on our financial condition and operating results. Our business, prospects, financial condition and operating results could be adversely affected if we experience disruptions in our supply chain.

The facilities or operations of our third party third-party providers could be damaged or adversely affected as a result of disasters or unpredictable events.

If major disasters such as earthquakes, tornadoes, fires, floods, hurricanes, wars, terrorist attacks, computer viruses, pandemics or other events occur, the production facilities of some of our third party third-party providers may be seriously damaged, or they may have to stop or delay production and shipment of our products. We may also experience downtime due to a third party third-party provider's delay in production and shipment of our products due to, among other reasons, their inability to obtain supplies and materials. Either of these delays could have a material adverse impact on our business, operating results and financial condition.

We have become increasingly dependent on information technology and any breakdown, interruption or breach of our information technology systems could subject us to liability or interrupt the operation of our business, which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

We are increasingly dependent upon information technology systems and infrastructure in connection with the conduct of our business. We must routinely update our information technology infrastructure and our various information technology systems throughout the organization may not continue to meet our current and future business needs. Furthermore, modification, upgrade or replacement of such systems may be costly. In addition, any breakdown, interruption, corruption or unauthorized access to or cyber-attack on these systems could create system disruptions, shutdowns or unauthorized disclosure of confidential information. While we attempt to take appropriate security and cyber-security measures to protect our data and information technology systems and to prevent such breakdowns and unauthorized breaches and cyber-attacks, these measures may not be successful and these breakdowns and breaches in, or attacks on, our systems and data may not be prevented. Such breakdowns, breaches or attacks may cause business interruption and could have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our common stock to decline, and we may suffer financial damage or other losses as a result of lost or misappropriated information.

If our suppliers fail to use ethical business practices and comply with applicable laws and regulations, our brand image could be harmed due to negative publicity.

We do not control our independent suppliers or their business practices and, as such, they may not comply with ethical or legal business practices, such as environmental responsibility, fair wage practices, appropriate sourcing of raw materials, and compliance with child labor laws, among others. A lack of demonstrated compliance could lead us to seek alternative suppliers, which could increase our costs and result in delayed delivery of our products, product shortages or other disruptions of our operations.

Violation of labor or other laws by our suppliers or the divergence of an independent supplier's labor or other practices from those generally accepted as ethical in the U.S. or other markets in which we do business could also attract negative publicity for us and our brand. This could diminish the value of our brand image and reduce demand for our zero-emission vehicles and drivetrain systems technology if, as a result of such violation, we were to attract negative publicity. If we, or others in our industry, encounter similar problems in the future, it could harm our brand image, business, prospects, financial condition and operating results.

Our business success will depend in part on the success of our strategic relationships with third parties. We may not be able to identify adequate strategic relationship opportunities, or form strategic relationships, in the future.

Our business success will depend in part on our ability to continue to successfully manage and enter into productive strategic relationships with third parties. We depend on various third parties to provide critical parts for our process. We currently maintain strategic relationships with key manufacturers of components we require for our zero-emission electric products. Maintaining and expanding our strategic relationships with third parties is critical to our continued success. Further, our relationships with these third parties are typically non-exclusive and do not prohibit the other party from working with our competitors. These relationships may not result in additional customers or enable us to generate significant revenue. Identifying suitable business partners and negotiating and documenting relationships with them require significant time and resources. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to successfully sell our products and services, compete in the marketplace or to grow our revenue could be impaired and our operating results would suffer.

While we may be able to establish alternate supply relationships or engineer replacement components for any single source components, we may be unable to do so in the short term, or at all, at prices or costs that are favorable to us. In particular, while we believe that we will be able to secure alternate sources of supply for most of our single sourced components in a relatively short time frame, qualifying alternate suppliers or developing our own replacements for certain highly customized components of our products may be time consuming, costly and may force us to make additional modifications to a product's design, or at a minimum require us to delay delivery of orders.

We currently have and are seeking to establish new relationships with third parties to provide alternative parts sources, such as batteries, controllers and battery management systems. For example, we continue to test additional battery manufacturers' products in order to have back-up options should our existing supplier have delivery or quality issues. However, we may not be able to identify or secure suitable business relationship opportunities in the future or to ensure that our competitors will not capitalize on such opportunities before we do. Our strategic relationships for batteries, motors and controllers will keep us competitive if maintained properly. We may not be able to offer benefits to companies that we would like to establish and maintain strategic relationships with. Moreover, identifying such opportunities could demand substantial management time and resources, and negotiating and financing relationships involves significant costs and uncertainties. If we are unable to successfully source and execute on strategic relationship opportunities in the future, our overall growth could be impaired, and our business, prospects and operating results could be materially adversely affected.

Our suppliers must scale their zero-emission vehicle manufacturing and assembling processes effectively and quickly from low volume production to high volume production.

Our existing production model utilizing third parties may not be well suited for the high-volume production required to scale our business. We do not know whether we or our existing suppliers will be able to develop efficient, low-cost manufacturing and assembly capability and processes, and reliable sources of component supply that will enable us to meet the quality, price, engineering, design and production standards, as well as the production volumes required, to successfully develop our business. Any failure by us or our suppliers to develop such manufacturing and assembly processes and capabilities and reliable sources of component supply within our projected costs and timelines could have a material adverse effect on our business, prospects, operating results and financial condition.

The ability of our suppliers to scale their manufacturing and assembling processes is in part dependent on ours and their supply chain and on our collective ability to execute on our decentralized production strategy. Even if we and our suppliers are successful in developing our high-volume manufacturing and assembly capability and processes, and reliable sources of component supply, we do not know whether we will be able to do so in a manner that avoids significant delays and cost overruns, including, as a result of factors beyond our control, such as problems with suppliers and vendors, in time to meet our commercialization schedules or to satisfy the requirements of customers. In addition, certain components we or our third-party suppliers integrate into may not be available on a consistent basis or in large quantities. Our business, prospects, financial condition and operating results could be adversely affected if we or our suppliers experience disruptions in our respective supply chains or if we or they cannot obtain materials of sufficient quality at reasonable prices.

The complexity in our business is expected to grow as we introduce new products and services. We have limited experience in simultaneously designing, testing, manufacturing, upgrading, adapting and selling our zero-emission products as well as limited experience allocating our available resources among the design and production of multiple zero-emission units. As we add complexity to our product line and introduce new products and services, we may experience unexpected delays.

If we and our suppliers are unable to scale our respective existing assembly processes and systems quickly while maintaining our current quality level, including supply chain constraints and the inability to manage complexity in our business, we may be unable to meet our customers' vehicle quality and quantity requirements or our forecasted production schedule or lower our cost of sales. As a result, we may not be able to meet our customers' delivery schedules and could face the loss of customers or be exposed to liability to customers to which we promised delivery, which could adversely affect our business, prospects, financial condition and operating results.

We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.

We may become subject to product liability claims, which could harm our business, prospects, operating results and financial condition if we are not able to successfully defend or insure against such claims. The zero-emission electric vehicle industry may experience significant product liability claims and we face inherent risk of exposure to claims in the event our zero-emission products do not perform as expected or malfunction and personal injury or death results. Our risks in this area are particularly pronounced given the limited field experience of our zero-emission vehicles, number of vehicles delivered to date and limited field experience of those vehicles. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product liability claim could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of other future vehicle candidates, which would have a material adverse effect on our brand, business, prospects and operating results. We have added product liability insurance on a claims-made basis for all our zero-emission products with appropriate annual limits. However, our insurance may not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages either in excess of our coverage, or outside of our coverage, may have a material adverse effect on our reputation, business and financial condition.

In connection with the development and sale of our zero-emission products, we may need to comply with various safety regulations and requirements with which it may be expensive or difficult to comply. For example, we may be subject to compliance from CARB. In addition, we may be subject to various other federal and state-level requirements.

We may be compelled to undertake product recalls.

Any product recall in the future may result in adverse publicity, damage our brand and adversely affect our business, prospects, operating results and financial condition. We may at various times, voluntarily or involuntarily, initiate a recall if any of our zero-emission drivetrain system components prove to be defective. Such recalls, voluntary or involuntary, involve significant expense and diversion of management attention and other resources, which would adversely affect our brand image in our target markets and could adversely affect our business, prospects, financial condition and results of operations.

Our warranty reserves may be insufficient to cover future warranty claims, which could adversely affect our financial performance.

If our warranty reserves are inadequate to cover future warranty claims on vehicles that utilize our technology, our business, prospects, financial condition and operating results could be materially and adversely affected. We provide a three-year warranty on parts and workmanship and a five-year warranty on powertrain and batteries with every zero-emission electric product. Most of our warranty offering, with the exception of workmanship, is covered by the component manufacturers' warranty. In addition, customers have the opportunity to purchase an Extended Service Plan for the period after the end of the standard warranty to cover additional services for an additional three-year period or 100,000 miles, whichever comes first. The warranty is similar to other providers' warranty programs and is intended to cover all parts and labor to repair defects in material or workmanship in the product. We plan to record and adjust warranty reserves based on changes in estimated costs and actual warranty costs. However, because we have only recently begun delivering our first zero-emission vehicles, and we have extremely limited operating experience with them, we therefore have little experience with warranty claims for these zero-emission vehicles or with estimating warranty reserves. We will monitor our warranty reserves based on our actual warranty claim experience. We may be required to provide for increases in warranty reserves in the future. Our future warranty reserves may not be sufficient to cover all claims or our limited experience with warranty claims may not adequately address the needs of our customers to their satisfaction.

Our insurance strategy may not be adequate to protect us from all business risks.

We may be subject, in the ordinary course of business, to claims resulting from products liability, employment-related actions, class-action lawsuits, accidents, acts of God and other actions against us. Additionally, our insurance coverage may be insufficient to cover all existing and future claims against us. We may be compelled to expend significant time and resources defending any such claims, and a loss that is uninsured or which exceeds policy limits may require us to pay substantial amounts, which could adversely affect our financial condition and operating results.

If we are unable to design, develop, market and sell zero-emission electric vehicles and other product offerings that address additional market opportunities, our business, prospects and operating results will suffer.

We may not be able to successfully develop new zero-emission electric vehicles or address new market segments or develop a broader customer base. We will need to address additional markets and expand our customer demographic in order to further grow our business. In particular, we have recently transitioned to target owners of trucks (all classes inclusive of 3–7) and vans between 10,000 pounds GVWR to 19,500 pounds GVWR, commercial fleets, including white fleets of school districts and other fleet users of these vehicles, including government entities. Successfully offering all electric vehicles in this market requires delivering a vehicle with different characteristics than an ICE-powered vehicle at a price that is competitive with other similar vehicles. Because the markets are only recently increasing acceptance of our new all-electric products, it is difficult to project increases in market acceptance and our ability to generate sales in volumes as we currently intend. Our failure to address additional market opportunities would harm our business, financial condition, operating results and prospects.

Our growth depends in part on the availability and amounts of government subsidies and incentives and the application of regulations that encourage conversion to electric vehicles. These subsidies and incentives are limited and unpredictable and could expire or change to benefit competing technologies.

We believe that the availability of government subsidies, rebates, and economic incentives is currently a critical factor considered by our customers when purchasing our zero-emission systems or converting their existing vehicles to zero-emission-electric or hybrids, and that our growth depends in large part on the availability and amounts of these subsidies and economic incentives. Any unavailability, reduction, elimination or adverse application of government subsidies, rebates, and economic incentives because of administrative mistakes made by those in charge of the programs, budgetary challenges, expiration, policy changes, the reduced need for such subsidies, rebates, and incentives due to the perceived success of electric or hybrid vehicles or other reasons may result in the diminished price competitiveness of the alternative fuel vehicle industry generally and our zero-emission electric and hybrid vehicles in particular, especially prior to our ability to significantly reduce our costs. For example, in the United States, we and our customers benefit from significant subsidies in connection with the purchase of our vehicles under the California HVIP, CARB, New York Truck Voucher Incentive Program (“NYTVIP”), New York City Clean Trucks Voucher Program (“NYCCTP”), New Jersey Zero Emissions Incentive Program (“NJ-Zip”), Maryland Clean Fuels Incentive Program (“CFIP”), local air quality management districts, the EV Demonstration Project, and state-level Clean Cities programs. Under these programs, purchasers of qualifying vehicles and those who convert their existing vehicles are eligible to receive subsidies or incentives from $55,000 to $385,000 per qualifying vehicle purchased or converted. Certain regulations and programs that encourage sales of zero-emission electric and hybrid vehicles could expire, be exhausted, be eliminated or applied in a way that adversely impacts sales of our commercial zero-emission electric and hybrid vehicles, either currently or at any time in the future. For example, the U.S. federal government and many state governments, as well as many national governments within the European Union, are facing political changes, fiscal crises and budgetary constraints, which could result in the elimination of programs, subsidies and incentives that encourage the purchase or conversion of zero-emission electric and hybrid vehicles. In addition, grants made by the DOE under the U.S. Recovery and Reinvestment Act of 2009 to clean technology companies, such as the EV Demonstration Project grant, may be subject to a high level of scrutiny in part due to recent financial difficulties experienced by recipients of DOE loan guarantees. In addition, currently some purchase subsidies are limited in total annual amounts and have been exhausted before all willing buyers have been able to consummate a purchase. We currently benefit from certain government and economic incentives supporting the development and adoption of zero-emission electric vehicles. If government subsidies and economic incentives to produce and purchase zero-emission electric vehicles were no longer available to us or our customers, or the amounts of such subsidies and incentives were reduced or eliminated, it would have a negative impact on demand for our vehicles and our business, prospects, financial condition and operating results would be adversely affected.

In addition, we anticipate that in the future there may be new opportunities for us to apply for grants, loans and other incentives from federal, state, local and foreign governments on our own behalf and on behalf of our customers. Our ability to obtain funds or incentives from government sources is subject to the availability of funds under applicable government programs and approval of our applications to participate in such programs.

The application process for these funds and other incentives is and will continue to be highly competitive.

Our service model may be costly for us to operate and may not address the service requirements of our prospective customers.

Our business plan is not to develop company owned and operated service and warranty centers but to leverage existing third-party bus and truck facilities to sell and to service our new vehicles through our FAR network. This plan, while off to a good start, may not prove to be workable and we may be forced to establish our own facilities at some point, resulting in substantial capital expenditures and increased operating costs. Zero-emission electric commercial vehicles incorporate new and evolving technologies and require specialized service. These special service arrangements now and in the future may continue to be costly and we may not be able to recoup the costs of providing these services to our customers. In addition, a number of potential customers may choose not to purchase our commercial zero-emission electric vehicles because of the lack of a more widespread service network. If we are unable to satisfactorily service vehicles that utilize our technology, our ability to generate customer loyalty, grow our business and sell additional vehicles could be impaired. There can be no assurance that these service arrangements or our limited experience servicing vehicles that utilize our technology will adequately address the service requirements of our customers to their satisfaction, or that we will have sufficient resources to meet these service requirements in a timely manner as the volume of vehicles we are able to deliver annually increases. If we do not adequately address our customers’ service needs, our brand and reputation may be adversely affected, which, in turn, could have an adverse effect on our business, prospects, financial condition and operating results.

Traditional providers do not necessarily provide maintenance and repair services directly. Customers must instead service their vehicles through franchised dealerships or through third party maintenance service providers. We are pursuing agreements to provide third party service for us. However, it is unclear when or even whether such third party third-party service providers will be able to acquire the expertise to service our zero-emission electric commercial vehicles. As vehicles that utilize our technology are placed in more locations, we may encounter negative reactions from our customers who are frustrated that they cannot use local service locations to the same extent as they have with their conventional commercial vehicles and this frustration may result in negative publicity and reduced sales, thereby harming our business and prospects.

Our decentralized assembly, sales and service model will present numerous challenges and we may not be able to execute on our plan to establish sales, service and assembly facilities in the urban areas we have targeted and our facilities in any of those markets may underperform relative to our expectations.

Our strategy of establishing sales, service, and assembly facilities in selected urban areas in the United States is substantially different from the prevailing centralized manufacturing and franchised distribution and service model used currently by our zero-emission manufacturing competitors. For example, we may not be able to utilize long established sales channels developed through a traditional franchise system to increase our sales volume, which may harm our business, prospects, financial condition and operating results. Moreover, we will be competing with companies with well established distribution channels. If we determine that our decentralized model is inadequate, opening our own sales, service and assembly facility in any market generally will be capital intensive and require, among other things, establishing a local order volume that is sufficient to support the facility, finding a suitable and available location, negotiating a satisfactory lease agreement for the facility, obtaining permits and approvals from local and state authorities (which, in the case of facilities to be opened in foreign countries, may require obtaining approvals from national governments), building out the facility to our specifications and hiring and training employees to assemble, sell and service our zero-emission electric vehicles and converting existing vehicles to zero-emission electric vehicles. If we decide we must open our own facilities, we plan to seek state and local government incentives to defray the costs of opening facilities in the markets we have selected, but we may not be successful in this effort, or the incentives may not be as significant as we would like. As with any development project, the development and build-out of a facility will subject us to the risk of cost overruns and delays, which may be significant. Once our sales, service and assembly facilities are open for business, we will need to ensure that they maintain a high level of quality in order to satisfy customers and enhance the brand. Even if we are able to address all of the challenges discussed above, we have little experience in sales, service or assembly and our sales, service and assembly facilities in one or more markets may not adequately address customer service needs or be profitable and we may lose sales and our entire investment in such facilities, and therefore, damaging our reputation in the process. If we are unable to establish the local order volume we require in order to open new sales, service and assembly facilities or are unable to successfully assemble, sell, and service our zero-emission electric commercial vehicles adequately for customers and profitably operate these new facilities in our target markets, our business, prospects, financial condition and operating results may be adversely affected. If we do not adequately address our customers' service needs, our brand and reputation will be adversely affected, which in turn could have a material and adverse impact on our business, financial condition, operating results and prospects.

In many of our zero-emission electric vehicles we use battery packs composed of lithium-ion battery cells, which, if not appropriately managed and controlled, on rare occasions have been observed to catch fire or vent smoke and flames. If any such events occur in our commercial electric vehicles, we could face liability for damage or injury, adverse publicity and a potential safety recall.

The battery packs in our manufactured vehicles use lithium-ion cells, which have been used for years in laptop computers, cell phones and electric vehicles. On rare occasions, if not appropriately managed and controlled, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. Highly publicized incidents of laptop computers, cell phones, and Tesla, Inc.'s electric vehicles bursting into flames have focused consumer attention on the safety of these cells. More recently, a limited number of side-impact tests carried out by NHTSA on non-commercial passenger vehicles containing lithium-ion batteries and thermal management systems containing liquid coolant have resulted in post-collision fires under certain conditions. Any failure of a competitor's electric vehicle may cause indirect adverse publicity for us and our electric vehicles. These events have raised questions about the suitability of lithium-ion cells for automotive applications. A field failure of our battery packs may occur, particularly if one of our manufactured or converted vehicles is involved in a collision, which could damage the vehicle or lead to personal injury or death and may subject us to lawsuits, product recalls, or redesign efforts, all of which would be time consuming and expensive. Furthermore, there is some risk of electrocution if individuals who attempt to repair battery packs on our manufactured or converted vehicles do not follow applicable maintenance and repair protocols. Any such damage or injury would likely lead to adverse publicity and potentially a safety recall. Any such adverse publicity or negative public perceptions regarding the suitability of lithium-ion cells for automotive applications or any future incident involving lithium-ion cells such as a vehicle or other fire, even if such incident does not involve vehicles that utilize our technology, could seriously harm our business, prospects, financial condition and operating results.

Risks Relating to the Legal and Regulatory Matters

We are subject to substantial regulation, which is evolving, and unfavorable changes or any failure by us to comply with these regulations could substantially harm our business and operating results.

Our commercial zero-emission electric vehicles, the sale of motor vehicles in general and the electronic components used in vehicles are subject to substantial regulation under international, federal, state and local laws. We may incur in the future increased costs in complying with these regulations. Regulations related to the electric vehicle industry and alternative and renewable energy currently are evolving and we face risks associated with changes to these regulations or new regulations. These risks include the following:

- changes to the regulations governing the assembly, transportation and disposal of lithium-ion batteries;

- revisions in motor carrier safety laws in the United States to further enhance motor vehicle safety generally and to ensure that electric vehicles achieve levels of safety commensurate with other cars, trucks, and buses could increase the costs associated with the component parts and the manufacture, assembly, and conversion of our drivetrain systems; and

- revisions in consumer protection laws to ensure that consumers are fully informed of the particular operational characteristics of vehicles could increase our costs associated with warning labels or other related customer information dissemination.

To the extent the laws governing our business and vehicles change, some or all of our zero-emission electric products may not comply with applicable international, federal, state or local laws, and certain of the competitive advantages of our products may be reduced or eliminated, which could have an adverse effect on our business. Furthermore, compliance with changing regulations could be burdensome, time consuming, and expensive. To the extent compliance with changes in regulations or new regulations is cost prohibitive, our business, prospects, financial condition and operating results will be adversely affected.

Vehicle dealer and distribution laws could adversely affect our ability to sell our commercial zero-emission electric vehicles.

Sales of our zero-emission electric vehicles are and/or may be subject to international, state and local vehicle dealer and distribution laws. To the extent such laws prevent us from selling our vehicles to customers located in a particular jurisdiction or require us to retain a local dealer or distributor or establish and maintain a physical presence in a jurisdiction in order to sell vehicles in that jurisdiction, our business, prospects, financial condition and operating results could be adversely affected. We intend to contract with vehicle dealers to sell and/or service our vehicles, but we have no assurance at this time that we will successfully contract with vehicle dealers and distributors to sell and/or service our vehicles.

We are subject to various environmental laws and regulations that could impose substantial costs upon us and cause delays in opening our sales, service and assembly facilities.

We and our operations are subject to federal, state and/or local environmental laws and regulations, including laws relating to the use, handling, storage, transportation, disposal and human exposure to hazardous substances and wastes. Environmental and health and safety laws and regulations can be complex, and we expect that our business and operations may be affected by future amendments to such laws or other new environmental and health and safety laws which may require us to change our operations. These laws can give rise to liability for investigatory costs, administrative oversight costs, cleanup costs, property damage, bodily injury and fines and penalties. Capital and operating expenses needed to comply with environmental laws and regulations can be significant, and violations may result in substantial fines and penalties, third party damages, responsibilities to investigate and take corrective or remedial actions, suspension of production or a cessation of our operations.

Contamination at our facilities may result in liability for us under environmental laws and regulations, including, but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, which can impose liability for the full amount of remediation-related costs without regard to fault, for the investigation and cleanup of contaminated soil and ground water, for building contamination and impacts to human health and for damages to natural resources. The costs of complying with environmental laws and regulations and any claims concerning noncompliance, or liability with respect to contamination in the future, could have a material adverse effect on our financial condition or operating results. We may face unexpected delays in obtaining the necessary permits and approvals required by environmental laws and regulations in connection with any planned manufacturing or operational facilities that could require significant time and financial resources and delay our ability to operate these facilities, which would adversely impact our business prospects and operating results.

We may be involved in legal proceedings that could result in substantial liabilities.

We may be involved from time to time in various legal and other proceedings, such as title, royalty or contractual disputes, regulatory compliance matters and personal injury or property damage matters, in the ordinary course of business. Such proceedings are inherently uncertain, and their results cannot be predicted. Regardless of the outcome, such proceedings could have an adverse impact on us because of legal costs, diversion of management and other personnel and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in liability, penalties or sanctions, as well as judgments, consent decrees or orders requiring a change in our business practices, which could materially and adversely affect our business, operating results and financial condition. Accruals for such liability, penalties or sanctions may be insufficient, and judgments and estimates to determine accruals or range of losses related to legal and other proceedings could change from one period to the next, and such changes could be material.

Current or future litigation or administrative proceedings could have a material adverse effect on our business, our financial condition and our results of operations.

We may be involved in legal proceedings, administrative proceedings, claims, and other litigation that arise in the ordinary course of business. In addition, we may become involved in securities class action litigation or shareholder litigation in connection with our offering of common stock under Regulation A. Such legal proceedings could result in substantial costs and diversion of management attention and resources, which could significantly harm our profitability and reputation. Further, if any such proceedings were to result in an unfavorable outcome, it could have a material adverse effect on our business, financial position and results of operations.

Our management has determined that our disclosure controls were not effective as of December 31, 2023. If we are unable to maintain effective internal control over financial reporting and effective disclosure controls and procedures, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting designed 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 un the U.S. ("GAAP") Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting. Once we are no longer either a “smaller reporting company,” such report must be attested to by our independent registered public accounting firm.

Based on the evaluation required by Section 404 of the Sarbanes-Oxley Act, our management determined that our internal control over financial reporting was not effective as of December 31, 2023, primarily due to certain staff reductions and voluntary resignations we experienced beginning in the fourth quarter of 2020 and continuing through the closing of our acquisition of Envirotech Drive Systems, Inc. (:EVT") March 2021, during such periods and for all periods thereafter through the date of such determination, we increased our reliance on outsourced accounting help. As a result of such changes, our management concluded that we were unable to maintain the levels of segregation of duties during such periods at the levels of prior periods, and that such changes to our disclosure controls and procedures significantly affected our internal control over financial reporting during the year ended December 31, 2021, 2022 and 2023.

Although we have yet to fully resolve such deficiencies as of the date of this Annual Report, we have engaged, and continue to seek the assistance of additional, experienced accounting professionals with relevant expertise to supplement our efforts and mitigate the negative effects of the above-described deficiencies in the effectiveness of our disclosure controls and procedures.

If we fail to detect errors on a timely basis, our financial statements may be materially misstated and if we are unable to comply with the requirements of Section 404 of the Sarbanes Oxley Act, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, if and when required, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

Risks Related to Intellectual Property

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology.

Our success and ability to compete depend in part upon our intellectual property. We primarily rely on intellectual property laws, including trade secret, copyright, trademark and patent laws in the United States and abroad, and use contracts, confidentiality procedures, non-disclosure agreements, employee disclosure and invention assignment agreements and other contractual rights to protect our intellectual property. However, the steps we take to protect our intellectual property rights may be inadequate or we may be unable to secure intellectual property protection for all of our products and services.

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market products, services or products and services similar to ours and our ability to compete effectively would be impaired. Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property. Any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. The enforcement of our intellectual property rights depends on our legal actions against these infringers being successful, but these actions may not be successful, even when our rights have been infringed. In addition, we might be required to spend significant resources to monitor and protect our intellectual property rights, and our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Litigation to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management, whether or not it is resolved in our favor, and could ultimately result in the impairment or loss of portions of our intellectual property. Any patents issued in the future may not provide us with competitive advantages or may be successfully challenged by third parties.

Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective protection of our intellectual property may not be available to us in every country in which our products and services are available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We could incur substantial costs as a result of any claim of infringement of another party's intellectual property rights.

Companies, organizations or individuals, including our competitors, may hold or obtain patents, trademarks or other proprietary rights that could prevent, limit or interfere with our ability to produce, use, develop or sell our zero-emission electric or hybrid vehicles or components, which could make it more difficult for us to operate our business. Companies in our industry are increasingly bringing and becoming subject to suits alleging infringement of proprietary rights, particularly patent rights, and our competitors may hold patents or have pending patent applications, which could be related to our business. These risks have been amplified by the increase in third parties, or non-practicing entities, whose sole primary business is to assert such claims. We have not received in the past, but may receive in the future, notices that claim we or our customers using our products and services have misappropriated or misused other parties' intellectual property rights. In those cases, we intend to investigate the validity of these claims and, if we believe these claims have merit, to respond through licensing or other appropriate actions. If we are sued by a third party that claims that our technology infringes its rights, the litigation could be expensive and could divert our management resources. We do not currently have an extensive patent portfolio of our own, which may limit the defenses available to us in any such litigation.

In addition, in many instances, we have agreed to indemnify our customers against certain claims that our products and services infringe the intellectual property rights of third parties. The results of any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease offering or using technologies or producing, using, developing or selling vehicles or conversions that incorporate the challenged intellectual property;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms or at all, to sell or use the relevant technology; or
- redesign technology or vehicles that utilize our technology to avoid infringement.

If we are required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against us or any obligation to indemnify our customers for such claims, such payments or costs could have a material adverse effect upon our business and financial results. Furthermore, our business could be adversely affected by any significant disputes between us and our customers as to the applicability or scope of our indemnification obligations to them.

We may be involved in legal proceedings that could result in substantial liabilities.

We may be involved from time to time in various legal and other proceedings, such as title, royalty or contractual disputes, regulatory compliance matters and personal injury or property damage matters, in the ordinary course of business. Such proceedings are inherently uncertain, and their results cannot be predicted. Regardless of the outcome, such proceedings could have an adverse impact on us because of legal costs, diversion of management and other personnel and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in liability, penalties or sanctions, as well as judgments, consent decrees or orders requiring a change in our business practices, which could materially and adversely affect our business, operating results and financial condition. Accruals for such liability, penalties or sanctions may be insufficient, and judgments and estimates to determine accruals or range of losses related to legal and other proceedings could change from one period to the next, and such changes could be material. obligation.

Current or future litigation or administrative proceedings could have a material adverse effect on Risks Related to our business, our financial condition and our results of operations.

We may be involved in legal proceedings, administrative proceedings, claims, and other litigation that arise in the ordinary course of business. In addition, we may become involved in securities class action litigation or shareholder litigation in connection with our offering of common stock under Regulation A. Such legal proceedings could result in substantial costs and diversion of management attention and resources, which could significantly harm our profitability and reputation. Further, if any such proceedings were to result in an unfavorable outcome, it could have a material adverse effect on our business, financial position and results of operations.

In many of our zero-emission electric vehicles we use battery packs composed of lithium-ion battery cells, which, if not appropriately managed and controlled, on rare occasions have been observed to catch fire or vent smoke and flames. If any such events occur in our commercial electric vehicles, we could face liability for damage or injury, adverse publicity and a potential safety recall.

The battery packs in our manufactured vehicles use lithium-ion cells, which have been used for years in laptop computers, cell phones and electric vehicles. On rare occasions, if not appropriately managed and controlled, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. Highly publicized incidents of laptop computers, cell phones, and Tesla, Inc.'s electric vehicles bursting into flames have focused consumer attention on the safety of these cells. More recently, a limited number of side-impact tests carried out by NHTSA on non-commercial passenger vehicles containing lithium-ion batteries and thermal management systems containing liquid coolant have resulted in post-collision fires under certain conditions. Any failure of a competitor's electric vehicle may cause indirect adverse publicity for us and our electric vehicles. These events have raised questions about the suitability of lithium-ion cells for automotive applications. A field failure of our battery packs may occur, particularly if one of our manufactured or converted vehicles is involved in a collision, which could damage the vehicle or lead to personal injury or death and may subject us to lawsuits, product recalls, or redesign efforts, all of which would be time consuming and expensive. Furthermore, there is some risk of electrocution if individuals who attempt to repair battery packs on our manufactured or converted vehicles do not follow applicable maintenance and repair protocols. Any such damage or injury would likely lead to adverse publicity and potentially a safety recall. Any such adverse publicity or negative public perceptions regarding the suitability of lithium-ion cells for automotive applications or any future incident involving lithium-ion cells such as a vehicle or other fire, even if such incident does not involve vehicles that utilize our technology, could seriously harm our business, prospects, financial condition and operating results.

Unfavorable conditions in the global economy, rising interest rates and capital market liquidity issues could limit our ability to grow our business and negatively affect our operating results.

Revenue growth and potential profitability of our business depends on the level of demand in the markets we serve. To the extent that weak economic conditions cause our customers and potential customers to freeze or reduce their capital expenditure or operational budgets, particularly those for zero-emission electric vehicles, demand for our products and services may be negatively affected. Historically, economic downturns have resulted in overall reductions in these budgets and corresponding spending. If economic conditions deteriorate or do not materially improve, our customers and potential customers may elect to decrease their operational budgets or defer or reconsider product and service purchases, which would limit our ability to grow our business and negatively affect our operating results.

Our business depends on our Chief Executive Officer and management team, retaining and attracting qualified management, key employees and technical personnel and expanding our sales and marketing capabilities.

Our success depends upon the continued service of Mr. Phillip Oldridge, our Chief Executive Officer, as well as other members of our senior management team. It also depends on our ability to continue to attract and retain additional highly qualified management, technical, engineering, operating and sales and marketing personnel. We do not currently maintain key person life insurance policies on any of our employees. We entered into employment agreements with Mr. Oldridge and with Mrs. Susan M. Emry, our Executive Vice President, effective January 1, 2022. Our business also requires skilled technical, engineering, product and sales personnel, who are in high demand and are difficult to recruit and retain. As we continue to innovate and develop our products and services and develop our business, we will require personnel with expertise in these areas. There is increasing competition for talented individuals such as design engineers, manufacturing engineers, and other skilled employees with specialized knowledge of electric vehicles. This competition affects both our ability to retain key employees and hire new ones. Key talent may leave us due to various factors, such as a very competitive labor market for talented individuals with automotive or transportation experience. Our success depends upon our ability to hire new employees in a timely manner and retain current employees. Additionally, we compete with both mature and prosperous companies that have far greater financial resources than we do and start-ups and emerging companies that promise short-term growth opportunities. The loss of Mr. Oldridge or Mrs. Emry or an inability to attract, retain and motivate additional highly skilled employees required for the planned development and expansion of our business, could delay or prevent the achievement of our business objectives and could materially harm our business.

The forecasts of market growth may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, our business may not grow at similar rates, if at all.

Growth forecasts are subject to significant uncertainty and are based on assumptions and estimates, which may not prove to be accurate. Forecasts relating to the expected growth in zero-emission electric vehicles, electric drivetrain systems and conversions and other markets may prove to be inaccurate. Even if these markets experience the forecasted growth, we may not grow our business at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Financial Condition

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We need sufficient capital to fund our ongoing operations and continue our development, especially if we begin manufacturing our vehicles in the United States. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, such as keeping pace with technological developments in order to remain competitive in our evolving industry, improve our operating infrastructure or acquire complementary businesses and technologies. While we believe that our existing cash and cash equivalents will be sufficient to fund our operations during the next twelve months, we may need to engage in additional equity or debt financing to secure additional funds. We do not expect to be able to satisfy our cash requirements solely through product sales in the near future, therefore we expect to rely on the net proceeds from our previous offerings and available debt financing to fund our operations. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders will suffer dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when and if we require it, our ability to continue to support our business growth, and to respond to business challenges could be significantly impaired.

We may selectively pursue acquisitions of complementary businesses and technologies, which could divert capital and our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and adversely affect our operating results.

We may selectively pursue acquisitions of complementary businesses and technologies that we believe could complement or expand our applications, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

In addition, we have limited experience with acquiring other businesses or technologies. If we acquire businesses or technologies, we may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty integrating the accounting systems, operations and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the customers of the acquired business onto our applications and contract terms, including disparities in the revenue, licensing, support or professional services model of the acquired company;
- diversion of management's attention from other business concerns;
- adverse effects to our existing business relationships with business partners and customers as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to record impairment charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions could also result in dilutive issuances of equity securities, as in the case of our recent acquisition of EVT per the Merger Agreement, and/or the incurrence of debt, which could adversely affect our operating results. We may also unknowingly inherit liabilities from acquired businesses or assets that arise after the acquisition and that are not adequately covered by indemnities. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial position may suffer.

Our management has determined that our disclosure controls were not effective as of December 31, 2022. If we are unable to maintain effective internal control over financial reporting and effective disclosure controls and procedures, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting designed 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 un the U.S. ("GAAP") Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting. Once we are no longer either an "emerging growth company" or a "smaller reporting company," such report must be attested to by our independent registered public accounting firm. The Sarbanes-Oxley Act also requires that our principal executive officer and principal financial officer conclude as to the effectiveness of our disclosure controls and procedures on a quarterly basis.

Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022, our disclosure controls and procedures (a) were not effective to ensure that information that we are required to disclose in reports that we file or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In making such conclusion, our management determined that such deficiencies were primarily due to certain staff reductions and voluntary resignations we experienced beginning in the fourth quarter of 2020 and continuing through the closing of the Merger in March 2021, during such periods and for all periods thereafter through the date of such determination, we increased our reliance on outsourced accounting help. As a result of such changes, our management concluded that we were unable to maintain the levels of segregation of duties during such periods at the levels of prior periods, and that such changes to our disclosure controls and procedures significantly affected our internal control over financial reporting during the year ended December 31, 2022.

Although we have yet to fully resolve such deficiencies as of the date of this report, we have engaged, and continue to seek the assistance of additional, experienced accounting professionals with relevant expertise to supplement our efforts and mitigate the negative effects of the above-described deficiencies in the effectiveness of our disclosure controls and procedures.

If we fail to detect errors on a timely basis, our financial statements may be materially misstated and if we are unable to comply with the requirements of Section 404 of the Sarbanes Oxley Act, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, if and when required, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

We may not be able to utilize a significant portion of our ***our net operating*** *operating loss or research and development tax credit carryforwards, which could adversely affect our profitability.*

As of December 31, 2022 December 31, 2023, we had federal and state net operating loss carryforwards ("NOLs") due to prior period losses. Federal and state NOLs generated prior to 2018 have a 20-year carryforward and, if not utilized, will begin to expire in 2032. Similarly, state NOLs generated for tax years 2018 and after will also have a 20-year carryforward and, if not utilized, will begin to expire in 2038. These NOLs may go unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

Federal NOLs generated for tax years beginning with 2018 will carryforward indefinitely due to changes in the Coronavirus Aid, Relief and Economic Security ("CARES") Act of 2020. California tax law has not changed to conform to the new federal law on carryforward of NOLs generated in tax years beginning with 2018.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize NOL carryforwards or other tax attributes in any taxable year may be limited if we experience an "ownership change." A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. As discussed elsewhere in this report, the Merger with Envirotech Drive Systems, Inc. acquisition of EVT resulted in their shareholders owning approximately 56% of the Company's outstanding shares at the Merger closing date of the acquisition, which is an ownership change under Section 382. As a result, the future utilization of the ADOMANI, Inc. NOL carryforwards will be limited to a number of factors, which cannot be calculated at this time.

Following the completion of the Merger, our acquisition of EVT, we assessed our ability to use certain deferred tax benefits from net operating losses that were recorded by EVTDS EVT in certain prior periods and determined that, in light of the uncertainty of generating future taxable income against which those losses can be offset in order to realize such benefits, recording a valuation allowance to reduce the deferred income tax assets to the amount that is more likely than not to be realized is appropriate. In making such determination, management considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. The Company recognized a full valuation allowance for all deferred tax assets for the years ended December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022.

In addition, future issuances of our stock could cause an "ownership change." It is possible that any future ownership change could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

Our reported financial results may be adversely affected by changes in GAAP.

GAAP is subject to interpretation by the Financial Accounting Standards Board, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change.

We may be subject to additional environmental, social and corporate governance ("ESG") disclosure requirements which may increase our costs of compliance.

There is an increasing focus from certain investors, employees, partners, and other stakeholders concerning ESG matters. We may be, or be perceived to be, not acting responsibly in connection with these matters, which could negatively impact us. Moreover, the SEC has recently proposed rule changes that would require registrants to include certain climate-related disclosures in their registration statements and periodic reports, including information about climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate-related financial statement metrics in a note to their audited financial statements. If approved, these new disclosure requirements will likely increase our costs of compliance which would then increase our operating expenses. The increase in operating expenses may have a material impact on our financial condition and results of operations.

Risks Related to the Ownership of Our Securities

The price of our common stock is and is likely to continue to be volatile and fluctuate substantially, which could result in substantial losses for our stockholders and may prevent you from reselling your shares at or above the price you paid for your shares.

The market price of our common stock is and is likely to remain volatile and may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets;
- the development and sustainability of an active trading market for our common stock;
- our operating performance and the performance of other similar companies;
- changes in the estimates of our operating results that we provide to the public, our failure to meet these projections or changes in recommendations by securities analysts that elect to follow our common stock;
- press releases or other public announcements by us or others, including our filings with the SEC;
- changes in the market perception of all-electric and hybrid products and services generally or in the effectiveness of our products and services in particular;
- announcements of technological innovations, new applications, features, functionality or enhancements to products, services or products and services by us or by our competitors;
- announcements of acquisitions, strategic alliances or significant agreements by us or by our competitors;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- announcements regarding litigation involving us;
- recruitment or departure of key personnel;
- changes in our capital structure, such as future issuances of debt or equity securities;
- our entry into new markets;
- regulatory developments in the United States or foreign countries;
- the economy as a whole, market conditions in our industry, and the industries of our customers;
- the expiration of market standoff or contractual lock-up agreements;

- the size of our market float; and

- any other factors discussed in this report.

The market price and volume of our common stock could fluctuate, and in the past has fluctuated, relative to our limited public float. We are particularly subject to fluctuations as reported on the NASDAQ Nasdaq Stock Market LLC. LLC ("Nasdaq"). During the period January 1, 2023 through December 31, 2023, the closing price of a share of our common stock reached a high of $3.92 and a low of $1.03, with daily trade volumes reaching a high of 291,200 and a low of 1,500. During the period January 1, 2022 through December 31, 2022, the closing price of a share of our common stock reached a high of $7.40 and a low of $1.98, with daily trade volumes reaching a high of 430,809 and a low of 2,476. During the year ended December 31, 2021, the closing price of a share of our common stock reached a high of $16.20 and a low of $3.80, with daily trade volumes reaching a high of 351,028 and a low of 3,594. In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies.

We have and will continue to incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which adversely affect our operating results.

As a public company, and particularly after we are no longer an emerging growth company, we are incurring and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting, corporate governance requirements, and investor relations expenses. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel have adapted to the requirements of being a public company and devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, these rules and regulations have made it more expensive for us to obtain director and officer liability insurance, and we have incurred substantially higher costs to obtain increased coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as our executive officers.

The increased costs associated with operating as a public company have and will continue to decrease our net income or increase our net loss, and may require us to reduce costs in other areas of our business or increase the prices of our products or services. Additionally, if these requirements divert our management’s attention from other business concerns, they could have a material adverse effect on our business, prospects, financial condition and operating results.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

We may fail to meet our publicly announced guidance or other expectations about our business, which would cause our stock price to decline.

We may provide guidance regarding our expected financial and business performance, such as projections regarding sales and production, as well as anticipated future revenues, gross margins, profitability and cash flows. Correctly identifying key factors affecting business conditions and predicting future events is inherently an uncertain process and our guidance may not ultimately be accurate. Our guidance is based on certain assumptions such as those relating to anticipated production and sales volumes and average sales prices, supplier and commodity costs, and planned cost reductions. If our guidance is not accurate or varies from actual results due to our inability to meet our assumptions or the impact on our financial performance that could occur as a result of various risks and uncertainties, the market value of our common stock could decline significantly.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

- authorize the issuance of “blank check” preferred stock that could be issued by our board of directors to defend against a takeover attempt;
- establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause and only upon a supermajority stockholder vote;
- provide that vacancies on the board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office rather than by stockholders;
- prevent stockholders from calling special meetings; and
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders.

In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder becomes an “interested” stockholder.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 1C. CYBERSECURITY

Risk Management and Strategy

Our risk management strategy comprises of ensuring access controls are in place to prevent unauthorized users from accessing our systems. Our systems are completely cloud-based and our providers have their own security protocols to assist us. We retain audit logs and login records for review, and we use multifactor authentication and username/password management for all of our systems.

Governance

Our cybersecurity program is overseen by our Executive team comprising of the Executive Vice President and the Chief Financial Officer. An experienced information technology personnel identifying, assessing, monitoring, managing and communicating the Company’s cybersecurity risks. In the event of a cybersecurity threat, the IT personnel assesses the threat and determines the course of action to eliminate the threat. Depending on the circumstances, such threat is communicated to the executive team and if warranted to the Audit Committee for further action.

Item 2. PROPERTIES

In February 2022, we announced the acquisition of a manufacturing facility located in Osceola, Arkansas. The facility of approximately 580,000 square feet is currently the headquarters and is planned to become our primary manufacturing facility. The leased warehouse and production facility in Corona, California was assigned to our former sub-lease tenant effective April 1, 2022. We also lease other office and storage space on month-to-month leases or for terms expiring within one year.

In March 2023, the Company entered into an agreement with Berthaphil, Inc. to sublease approximately 3,600 square yards of a warehouse building based in the Clark Freeport Zone in the Philippines. The term of the lease is two years and two months with a turnover date of July 1, 2023 and a rental commencement of September 1, 2023. The Company intends to use the leased space as a production facility as it seeks to expand its business presence in the region and the United States.

Item 3. LEGAL PROCEEDINGS

Except as The information set forth below, we know of no material, existing or pending, legal proceedings against our Company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse under Note 12 to our interest.

GreenPower Actions:

On December 17, 2019, GreenPower Motor Company Inc., a public company incorporated under the laws of British Columbia ("GreenPower"), of which Phillip W. Oldridge, the Company's Chief Executive Officer and Chairman of the Board, and a member of its board of directors, previously served as a senior officer and a member of its board of directors, filed a notice of civil claim, captioned GreenPower Motor Company Inc. v. Phillip Oldridge et al., Action No. S-1914285, consolidated financial statements contained in the Supreme Court of British Columbia, against Phillip Oldridge, his trust, EVTDS and certain other companies affiliated therewith. The notice of civil claim alleges that Mr. Oldridge breached certain fiduciary duties owed to GreenPower by working with certain parties in direct competition with and at the expense of GreenPower. GreenPower alleges that the Company conspired with Mr. Oldridge to build its business, competing products and unfairly compete with GreenPower. GreenPower seeks general damages, special damages and punitive damages, plus interest and costs against EVTDS. On February 2, 2020, the Company and the other companies affiliated therewith named in the notice of civil claim filed a response to the civil claim in which they denied certain of the allegations and asserted that certain other facts were outside of their knowledge. Fact discovery, through document disclosure and examinations for discoveries, in this matter remain ongoing. We believe that the lawsuit is without merit and intend to vigorously defend the action.

On or about July 18, 2021, GreenPower and GP GreenPower Industries Inc. (collectively "the GreenPower entities"), filed a counterclaim against David Oldridge, Phillip Oldridge, the Company and other companies in Supreme Court of British Columbia Action No. S207532. The counterclaim alleges that David Oldridge, Phillip Oldridge, the Company and other companies committed the tort of abuse of process by causing 42 Design Works Inc., to commence a lawsuit against the GreenPower entities. Additionally, the GreenPower entities also advanced claims against David Oldridge, Phillip Oldridge, the Company and other companies for conspiracy. The pleadings in this lawsuit have not closed and we intend to vigorously defend the counterclaim.

On February 8, 2022, GreenPower Motor Company, Inc., a Delaware Corporation, and GreenPower Motor Company Inc., a Canadian Corporation, filed a complaint captioned GreenPower Motor Company, Inc. v. Phillip Oldridge, et al., Case No. 5:22-cv-00252 in the United States District Court for the Central District of California. The complaint names the Company and the following affiliated entities, officers, or directors: Phillip Oldridge, Envirotech Electric Vehicles Inc., Envirotech Drive Systems Incorporated US, Envirotech Drive Systems Incorporated Canada, Sue Emry, David Oldridge, S&P Financial and Corporate Services, Inc. GreenPower also named the Phillip Oldridge Trust and a purported entity called EVT Motors, Inc., but has since dismissed those parties. The complaint alleges (i) RICO violations, (ii) conspiracy to commit RICO violations, (iii) breach of fiduciary duties, (iv) breach of an employment contract, (v) conversion of GreenPower property, (vi) violation of the Defend Trade Secrets Act, and (vii) violations of California's Business and Profession Code. The complaint seeks an undisclosed amount of compensatory and punitive damages, injunctive relief to prevent the alleged anti-Competitive behavior, restitution for harm, an award of treble damages, and associate fees and costs. The complaint's allegations are centered around the same assertions in the pending Canadian litigation.

On May 10, 2022, the Company, together with other defendants, filed a Motion to Dismiss and/or Stay the lawsuit pending the outcome of the Canadian litigation. The Court issued stay Item 8, Part II of this case pending resolution of parallel litigation in Canada between similar parties. GreenPower and defendants have agreed that the U.S. GreenPower case will not proceed while Canadian litigation Annual Report is pending. We believe that the lawsuit is without merit and intend to vigorously defend the action.

Mollik/Electric DriveTrain Action:

On August 23, 2018, a purported class action lawsuit captioned M.D. Ariful Mollik v. ADOMANI, Inc. et al., Case No. RIC 1817493, was filed in the Superior Court of the State of California for the County of Riverside against us, certain of our executive officers, Edward R. Monfort, the former Chief Technology Officer and a former director of ADOMANI, Inc., and the two underwriters of our offering of common stock under Regulation A in June 2017. This complaint alleges that documents related to our offering of common stock under Regulation A in June 2017 contained materially false and misleading statements and that all defendants violated Section 12(a)(2) of the Securities Act, and that we and the individual defendants violated Section 15 of the Securities Act, in connection therewith. The plaintiff seeks on behalf of himself and all class members: (i) certification of a class under California substantive law and procedure; (ii) compensatory damages and interest in an amount to be proven at trial; (iii) reasonable costs and expenses incurred in this action, including counsel fees and expert fees; (iv) awarding of rescission or rescissionary damages; and (v) equitable relief at the discretion of the court.

Plaintiff's counsel subsequently filed a first amended complaint, a second amended complaint, a third amended complaint, and a fourth amended complaint. Plaintiff Mollik was replaced incorporated herein by putative class representatives Alan K. Brooks and Electric Drivetrains, LLC. Alan K. Brooks was subsequently dropped as a putative class representative. On October 27, 2020, the Company answered the fourth amended complaint, generally denying the allegations and asserting affirmative defenses.

On July 13, 2021, Electric Drivetrains' counsel moved to be relieved as counsel and on August 23, 2021, the court granted this motion. On August 23, 2021, the Clerk of Court issued an order to show cause why the complaint should not be stricken and matter dismissed for failure to retain new counsel to Electric Drivetrains. On

October 28, 2021, Electric Drivetrains filed a substitution of attorney, substituting J. Ryan Gustafson of Good Gustafson Aumais LLP as its new counsel. On December 10, 2021, the Court vacated the order to show cause. Over the tenure of the action, Electric Drivetrain has dismissed all defendants in the action except for the Company and two former Company executives. Any and all pending cross claims between or among defendants have been resolved and dismissed.

On August 31, 2022, Electric Drivetrains filed its Fifth Amended Complaint, which: i) drops certain class allegations; ii) adds certain state law claims; iii) and drops certain factual allegations but leaves the remaining claims against defendants intact. On October 6, 2022, the Company and remaining defendants filed their respective answer denying the allegations and asserting counterclaims. On the same day, the Company cross claimed against Electric Drivetrains and its managing member.

On June 19, 2023, counsel for Electric Drivetrains and counsel for the Company participated in a mediation before mediator Mark LeHockey, Esq. At that mediation, Electric Drivetrains and the Company executed a binding term sheet to completely resolve this matter. On July 18, 2023, Electric Drivetrains and all Defendants executed a Settlement Agreement for complete resolution of the case and dismissal against all Defendants with prejudice. No Company proceeds will be used to resolve this matter. Based on the Settlement Agreement, Electric Drivetrains will dismiss this case, with prejudice, on or about August 23, 2023. On September 30, 2023, the Court dismissed this action with prejudice and the matter is completely resolved,

Except as set forth above, we know of no material, existing or pending, legal proceedings against our Company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to our interest. reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable

Part II

Item 5. MARKET FOR REGISTRANT'S REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on the NASDAQ Nasdaq market under the symbol "EVTV." Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Holders

As of September 19, 2023 March 22, 2024, we had approximately 160 157 shareholders of record holders of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. The number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have never declared or paid any dividends on our common stock and do not anticipate that we will pay any dividends to holders of our common stock in the foreseeable future. Instead, we currently plan to retain any earnings to finance the growth of our business. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on our financial condition, results of operations and capital requirements as well as other factors deemed relevant by our board of directors.

Recent Sales of Unregistered Securities

None. None

Repurchases of Equity Securities

We did not purchase any of our equity securities during the period covered by this Annual Report.

Item 6. [Reserved]

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and related notes included in Part II, Item 8 of this Annual Report. This discussion contains forward-looking statements that reflect our plans, estimates, beliefs and expectations that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors including, but not limited to, those discussed in Item 1 (Business) and Item 1A (Risk Factors) of Part I of this Annual Report.

Overview

We are a provider of purpose-built zero-emission electric vehicles focused on reducing the total cost of vehicle ownership and helping fleet operators unlock the benefits of green technology. We serve commercial and last-mile fleets, school districts, public and private transportation service companies and colleges and universities to meet the increasing demand for light to heavy-duty electric vehicles. Our vehicles address the challenges of traditional fuel price instability and local, state and federal regulatory compliance.

As discussed in Item 8, Notes 2 and 3 to the consolidated financial statements of Envirotech Vehicles, Inc. contained in this Annual Report on Form 10-K, as a result of the closing of the Merger on March 15, 2021, the historical results discussed in this section of the Annual Report are those of Envirotech Drive Systems, Inc. ("EVTDS") as of and for the years ended December 31, 2022 and 2021, including the balance sheet accounts of Envirotech Vehicles, Inc. (formerly ADOMANI, Inc.), at December 31, 2022 and 2021, and including the consolidated results of operations of Envirotech Vehicles, Inc. (formerly ADOMANI, Inc.) and EVTDS for the entire annual period ended December 31, 2022. The consolidated results of operations for the fiscal period ended December 31, 2021, include the results of operations of EVTDS for the entire annual period and include the consolidated results of operations of Envirotech Vehicles, Inc. (formerly ADOMANI, Inc.) and its subsidiaries for the post-merger period March 16, 2021 through December 31, 2021. On May 26, 2021, the Company filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company with the Secretary of State of the State of Delaware to change its name from ADOMANI, Inc., to Envirotech Vehicles, Inc., effective as of May 26, 2021.

For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively, we generated sales revenue of approximately $4.5 $2.9 million and $2.0 million $4.5 million, respectively, and our net losses were $43.8 million $12.7 million and $7.7 million $43.8 million, respectively. The 2022 2023 loss includes approximately $39.1 million $6.4 million of non-cash expenses, including a goodwill impairment charge of approximately $37.1 $5.1 million.

Factors Affecting Our Performance

We believe that the growth and future success of our business depend on various opportunities, challenges and other factors, including the following:

- ***COVID-19 pandemic*.** Global health concerns related to the ongoing COVID-19 pandemic have resulted in social, economic and labor instability in the countries in which we or the third parties with whom we engage operate, and resulted in unexpected legal and regulatory changes, such as travel, social distancing and quarantine policies, boycotts, curtailment of trade, and other business restrictions that have negatively affected our ability to procure and sell our products and provide our services. Accordingly, our future performance will depend in part upon our ability to successfully respond and adapt to these challenges. We have developed, and continue to develop, plans to address the ongoing effects and help mitigate the potential negative impact of the pandemic on our business.

- ***Availability of government subsidies, rebates and economic incentives*.** We believe that the availability of government subsidies, rebates, and economic incentives is currently a critical factor considered by our customers when purchasing our zero-emission vehicles, and that our growth depends in large part on the availability and amounts of these subsidies and economic incentives. As an alternative to being dependent on such funding, however, we are exploring the possibility of leasing our vehicles to our customers as well.

- ***New Customers.*** We are competing with other companies and technologies to help fleet managers and their districts/companies more efficiently and cost-effectively manage their fleet operations. Once these fleet managers have decided they want to buy from us, we still face challenges helping them obtain financing options to reduce the cost barriers to purchasing. We may also encounter customers with inadequate electrical services at their facilities that may delay their ability to purchase from us.

- ***Dependence on external sources of financing of our operations.*** We have historically depended on external sources for capital to finance our operations. Accordingly, our future performance will depend in part upon our ability to achieve independence from external sources for the financing of our operations.

- ***Investment in Growth.*** We plan to continue to invest for long-term growth. We anticipate that our operating expenses will increase in the foreseeable future as we invest in research and development to enhance our zero-emission electric vehicles; design, develop and manufacture our commercial fleet vehicles and their components; increase our sales and marketing to acquire new customers; and increase our general and administrative functions to support our growing operations. We believe that these investments will contribute to our long-term growth, although they will adversely affect our results of operations in the near term. In addition, the timing of these investments can result in fluctuations in our annual and quarterly operating results.

- ***Zero-emission electric experience.*** Our dealer and service network is not currently completely established, although we do have certain agreements in place. One issue they may have, and we may encounter, is finding appropriately trained technicians with zero-emission electric fleet vehicle experience. Our performance will depend on having a robust dealer and service network, which will require appropriately trained technicians to be successful. Because vehicles that utilize our technology are based on a different technology platform than traditional internal combustion engines, individuals with sufficient training in zero-emission electric vehicles may not be available to hire, and we may need to expend significant time and expense training the employees we do hire. If we are not able to attract, assimilate, train or retain additional highly qualified personnel in the future, or do so cost-effectively, our performance would be significantly and adversely affected.

- ***Market Growth.*** We believe the market for all-electric solutions for alternative fuel technology, specifically all-electric vehicles, will continue to grow as more purchases of new zero-emission vehicles and as more conversions of existing fleet vehicles to zero-emission vehicles are made. However, unless the costs to produce such vehicles decrease dramatically, purchases of our products will continue to depend in large part on financing subsidies from government agencies. We cannot be assured of the continued availability, the amounts of such assistance to our customers, or our ability to access such funds.

- ***Sales revenue growth from additional products*.** We seek to add to our product offerings additional zero-emission vehicles of all sizes to be marketed, sold, warrantied and serviced through our developing distribution and service network, as well as add other ancillary products discussed elsewhere in this report.

- ***Third-party contractors, suppliers and manufacturers*.** We rely upon third parties to supply us with raw materials, parts, components and services in adequate quantity in a timely manner and at reasonable prices, quality levels, and volumes acceptable to us.

Components of Results of Operations

Sales

Sales are recognized from the sales of new, purpose-built zero-emission electric vehicles and from providing vehicle maintenance and safety inspection services. Sales are recognized in accordance with Accounting Standards Codification (“ASC”) Topic 606, as discussed in Note 2 to our consolidated financial statements included in this Annual Report.

Cost of Sales

Cost of sales includes those costs related to the development, manufacture, and distribution of our products. Specifically, we include in cost of sales each of the following: material costs (including commodity costs); freight costs; labor and other costs related to the development and manufacture of our products; and other associated costs. Cost of sales also includes costs related to the valuation of inventory due to impairment, obsolescence, or shrinkage.

General and Administrative Expenses

Selling, general General and administrative expenses include all corporate and administrative functions that support our company, including personnel-related expense and stock-based compensation costs; costs related to investor relations activities; warranty costs, including product recall and customer satisfaction program costs; consulting costs; marketing-related expenses; and other expenses that cannot be included in cost of sales.

Consulting and Research and Development Costs

These expenses are substantially related to our external consulting and research and development activity.

Goodwill Impairment Charge

In accordance with ASC 350-20 "Intangibles-Goodwill and Other - Goodwill", an impairment test is required at least annually or when a triggering event occurs. An impairment charge is recorded when our fair value is less than the carrying value of our net assets.

Other Income/Expenses, Net

Other income/expenses include non-operating income and expenses, including interest income and expense.

Provision for Income Taxes

We account for income taxes in accordance with Financial Accounting Standards Board ("FASB") ASC 740 "Income Taxes," which requires the recognition of deferred income tax assets and liabilities for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that we will not realize tax assets through future operations. Because we have incurred only losses to this point, no provision for income taxes has been made in 2022, 2023 and the income tax benefit recorded in 2020 has been reversed in 2021 and effectively reserved as well. 2022.

Results of Operations

The following discussion compares operating data for the year ended December 31, 2022 December 31, 2023 to the data for the year ended December 31, 2021 December 31, 2022:

Sales

	Year Ended December 31,						
	2022		2021		$ Change		% Change
Sales	$	4,504,621	$	2,042,844	$	2,461,777	12

	Year Ended December 31,						
	2023		2022		$ Change		% Change
Sales	$	2,862,853	$	4,504,621	$	(1,641,768)	-3

Sales were approximately $4.50 million $2.9 million for the year ended December 31, 2022 December 31, 2023, compared to $2.04 million $4.5 million for the year ended December 31, 2021 December 31, 2022. Sales for the year ended December 31, 2022 December 31, 2023 consisted of [58] 24 logistic cargo vans sold primarily to customers in New Jersey and California through the states incentives programs, 2 cab and chassis trucks sold to other customers. Sales for the year ended December 31, 2022 consisted of 58 logistics cargo vans and trucks sold primarily to customers in New Jersey who utilized a voucher vouchers from the NJ ZIP program, [5] 5 cab and chassis trucks sold to FAR distributors and other customers and three used buses. Sales for the year ended December 31, 2021 consisted of 21 vehicles, (cargo vans and trucks) sold decreased primarily due to, customers and FAR distributors, as well as maintenance and inspection services provided. among other things, less favorable market demand.

Cost of Goods Sold

	Year Ended December 31,			
	2022	2021	$ Change	% Change
Cost of goods sold	$ 2,772,673	$ 1,281,468	$ 1,491,205	11

	Year Ended December 31,			
	2023	2022	$ Change	% Change
Cost of goods sold	$ 1,857,273	$ 2,772,673	$ (915,400)	-3

Cost of sales related to the sales revenue described above were approximately $2.77 million $1.86 million for the year ended December 31, 2023, which resulted in gross profit of $1.01 million and a gross margin percentage of 35%, compared to approximately $2.7 million for the year ended December 31, 2022, which resulted in gross profit of $1.73 million and a gross margin percentage of 38%, compared to $1.28 million for the year ended December 31, 2021, which resulted. The decrease in gross profit of $0.76 million and a gross margin percentage of 37%. was primarily due to higher outbound freight costs in 2023 compared to the same period in 2022.

Operating Expenses

	Year Ended December 31,				Year Ended December 31,			
	2022	2021	$ Change	% Change	2023	2022	$ Change	% Change
General and administrative[1]	$ 7,996,906	$ 8,238,531	$ (241,625)	(3)%				
General and administrative					$ 8,171,344	$ 7,996,906	$ 174,438	2%
Consulting	339,505	188,703	150,802	80%	213,930	339,505	(125,575)	-37%
Research and Development	149,912	58,139	91,773	158%	236,181	149,912	86,269	158%
Goodwill impairment charge	37,093,047	—	37,093,047	N/A	5,098,784	37,093,047	(31,994,263)	N/A
Total operating expenses, net	$ 45,579,370	$ 8,485,373	$ 37,093,997	451%	$ 13,720,239	$ 45,579,370	$ (31,859,131)	451%

[1] Includes stock-based compensation expense as follows:

	Year Ended December 31,			
	2022	**2021**	**$ Change**	**% Change**
Stock-based compensation expense	$ 1,614,845	$ 3,414,440	$ (1,799,595)	(53

	Year Ended December 31,			
	2023	2022	$ Change	% Change
Stock-based compensation expense	$ 1,322,577	$ 1,614,845	$ (292,268)	(18

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2022 December 31, 2023 were $7,996,906, $8,171,344, compared to $8,238,531 $7,996,906 for 2021, a decrease 2022 General and administrative expenses increased slightly by $174,438 primarily due to higher payroll costs due to additional hiring of

$241,625, which certain key management positions and higher rent expense due to our Philippines warehouse that was primarily related to a decrease rented starting in non-cash stock-based compensation expense of $1,799,595 and to the effect of $685,000 of lawsuit settlement expense in 2021, 2023, partially offset by increases in other general administrative expenses which increased in order to prepare for future expected growth. lower bad debt expense and stock-based compensation expense.

Consulting

Consulting expenses were $339,505 $213,930 for the year ended December 31, 2022 December 31, 2023, as compared to $188,703 $339,505 for 2021, 2022. The decrease in consulting expenses was primarily due primarily to payments a decrease in costs related to an Arkansas state relationship and incentive consulting firm that assisted the Company in securing the manufacturing facility in Osceola, Arkansas and payments to another firm that assists the Company with public affairs media and public relations. consulting, partially offset by increased search costs for key employees.

Research and Development

Research and development expenses were $236,181 for the year ended December 31, 2023, compared to $149,912 for the year ended December 31, 2022, compared to $58,139 for the year ended December 31, 2021. The increased expense in 2022 2023 was due to the development of new product lines, which includes a school bus and Class 5 cab over chassis truck. lines.

Goodwill Impairment Charge

Based on the annual impairment test, we recorded a non-cash goodwill impairment charge of $5,098,784 and $37,093,047 as of December 31, 2023 and December 31, 2022. , respectively.

Other Income (Expense)

	Year Ended December 31,				Year Ended December 31,			
	2022	2021	$ Change	% Change	2023	2022	$ Change	% Change
Interest income, net	$ 45,026	$ 4,412	$ 40,614	921 %	$ 34,835	$ 45,026	$ (10,191)	(23)%
Other (expense) income, net	(1,764)	288,185	(289,949)	(101)%	(4,155)	(1,764)	(2,391)	136 %
Total other income	$ 43,262	$ 292,597	$ (249,335)	(85)%	$ 30,680	$ 43,262	$ (12,582)	(29)%

Interest income, net consists primarily of interest earned on short-term investments, partially offset by interest expense on debt. Interest income, net increased to $45,026 for the year ended December 31, 2022 decreased by $10,191 in 2023 compared to $4,412 for the year ended December 31, 2021, 2022, primarily due to higher interest rates earned lower balances on our short-term investments during 2022. 2023.

Other (expense) income, of $288,185 for the year ended December 31, 2021 primarily net consists of a gain of $290,520 on forgiveness of the Company's loan under the Paycheck Protection Program established pursuant to the CARES Act.
Income Tax Expense
Income tax for the year ended December 31, 2021 consists primarily of $218,300 of EVTDS deferred income tax benefits reversed following the Merger. miscellaneous non-operating items.

Liquidity and Capital Resources

As of December 31, 2022 December 31, 2023, we had cash and cash equivalents of $2,765,068 and short-term investments of $2,336,402, a combined total of $5,101,470, $456,719 and working capital of $16,867,201. $10,282,613. We believe that our existing cash, cash equivalents and short-term investments will be sufficient to fund our present operations during the next 12 months and beyond. However, we may not successfully execute our business plan, and if we do not, we may need additional capital to continue our operations and support the increased working capital requirements associated with the fulfillment of purchase orders.

In February 2022, we announced moved into an approximately 580,000 square foot facility in Osceola, Arkansas as Arkansas. This facility is the site of our state-of-the-art manufacturing facility and new corporate offices. We moved into an approximately 580,000 square foot facility and is currently in final stages of due diligence and contract negotiation with the City of Osceola and the Arkansas Economic Development Commission. However, additional debt and/or equity capital will be required in order to purchase related equipment and set up production lines and is expected to require up to $80 million of additional investment through 2027. Investments and employee hiring requirements over the next 10 years will provide an opportunity for us to obtain local tax incentives granted to the Company of up to $27 million, provided that the qualifying expenditures are made. We are not not currently contractually obligated to make the expenditures.

Cash Flows

The following table summarizes our cash flows from operating, investing, and financing activities for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

		Year Ended December 31,		
		2022		202
Cash flows used in operating activities	$	(7,432,087)	$	
Cash flows provided by (used in) investing activities		5,507,719		
Cash flows (used in) provided by financing activities		(156,690)		
Net change in cash, restricted cash and cash equivalents	$	(2,081,058)	$	

		Year Ended December 31,		
		2023		202
Cash flows used in operating activities	$	(4,245,100)	$	
Cash flows provided by (used in) investing activities		2,306,833		
Cash flows (used in) provided by financing activities		(430,481)		
Net change in cash, restricted cash and cash equivalents	$	(2,368,748)	$	

Operating Activities

Cash Net cash used in operating activities is for the year ended December 31, 2023 was $4,245,100, primarily the result due to a net loss of our $12,683,979, partially offset by changes in operating losses, reduced by the impact assets and liabilities, net of $1,857,884 and non-cash expenses, including operating charges of $6,580,995, of which $5,098,784 was related to a non-cash goodwill impairment charges charge and $1,322,577 was related to non-cash stock-based compensation and expense. The changes in the asset operating assets and liability accounts. liabilities, net was due to an increase in accounts receivable of $1,360,660 as cash collections outpaced sales, a decrease of $1,529,545 in inventory deposits, a decrease in prepaid expenses of $298,798, an increase in accounts payable of $111,838 partially offset by an increase in inventory of $1,159,267 as we ramp up for future growth in sales, an increase in other non-current assets of $72,230, an increase in other current assets of $21,806 and a decrease in accrued liabilities of $189,654.

Net cash used in operating activities for the year ended December 31, 2022 was $7,432,087, compared to $12,936,755 for the year ended December 31, 2021, a decrease of cash used of $5,504,668. The decrease in net cash used in operating activities was due primarily to lower cash used by changes in our operating assets and liabilities, primarily related to accounts receivable, inventory and inventory deposits. The net cash used by changes in our operating assets and liabilities was $2,668,276 for the year ended December 31, 2022, due primarily to increases of $890,880 in accounts receivable and $1,820,785 in inventory. This compares to net cash used by changes in our operating assets and liabilities of $8,787,406 for 2021, due primarily to increases of $4,503,079 in inventory deposits, $3,198,877 in inventory and $1,415,657 in accounts receivable. The remainder of the decrease in net cash used in operating activities compared to 2021 was due to a lower net loss in 2022 after accounting for non-cash expenses. Although we reported a net loss of $43,804,160 for the year ended December 31, 2022, the loss included and changes in operating assets and liabilities, net of $2,668,276, partially offset by non-cash operating charges of $39,040,349, of which $37,093,047 was related to a non-cash expenses, including a goodwill impairment charge of $37,093,047 and $1,614,845 was related to stock-based compensation expense. The changes in operating assets and liabilities, net was due to an increase in inventory of $1,614,845. Net loss for 2021 was $7,652,100, which included net non-cash $1,820,785, an increase in accounts receivable of $890,880, a decrease in accrued liabilities of $305,065, an increase in inventory deposits of $326,854 and a decrease in other non-current liabilities of $2,427, partially offset by an increase in accounts payable of $365,284 and a decrease in prepaid expenses of $3,502,751, including stock-based compensation $325,638 and an increase in other assets of $3,414,440. $143,270.

We expect cash used in operating activities to fluctuate significantly in future periods as a result of a number of factors, some of which are outside of our control, including, among others: the success we achieve in generating revenue; the success we have in helping our customers obtain financing to subsidize their purchases of our products; our ability to efficiently develop our dealer and service network; the costs of batteries and other materials utilized to make our products; the extent to which we need to invest additional funds in research and development; and the amount of expenses we incur to satisfy future warranty claims.

Investing Activities

Net cash provided by investing activities during the year ended December 31, 2022 December 31, 2023 was $5,507,719, as compared $2,306,833, primarily due to the sale of our marketable securities of $2,342,643, partially offset by $35,810 of capital expenditures. Net cash used in provided by investing activities of $4,677,839 during the year ended December 31, 2021. Net cash provided in 2022 consisted December 31, 2022 was $5,507,719, primarily due to the net sale of proceeds from sales and maturities of our marketable securities of $9,619,242, $5,676,302, partially offset by purchases $168,583 of marketable securities of $3,942,940 and capital expenditures of $168,583. Net cash used in 2021 consisted of purchases of marketable securities of $16,233,213 and capital expenditures of $27,958, partially offset by proceeds from sales of and maturities of marketable securities of $8,210,000 and cash acquired in the merger of $3,373,332. expenditures.

Financing Activities

Net cash used in financing activities during the year ended December 31, 2023 was $430,481 as a result of repayment of certain notes payable. Net cash used by financing activities during the year ended December 31, 2022 was $156,690, and net cash provided by financing activities in 2021 was $20,590,987. Net cash used in financing for 2022 primarily consisted of principal repayments of debt of $276,690, partially offset by proceeds from the issuance of common stock for options exercised of $120,000. Net cash provided by financing activities in 2021 consisted primarily of the pre-merger $4,621,200 proceeds from the issuance of common stock raised by EVTDS in 2021 in anticipation of the Merger; a second common stock offering post-merger which raised $16,274,991, and $211,219 raised in 2021 from the issuance of stock for stock options that were exercised, $120,000, partially offset by offering costs payments on notes payable of $188,015 and debt repayments of $328,408. $276,690.

Line of Credit

Effective August 4, 2022, the Company we secured a line of credit from Centennial Bank. Borrowings under the line of credit bear interest at 2.75% annually. There is no maturity date for the line, but Centennial Bank may at any time, in its sole discretion and without cause, demand the Company to that we immediately repay any and all outstanding obligations under the line of credit in whole or in part. The line is secured by the cash and cash equivalents maintained by the Company us in its our Centennial Bank accounts. Borrowings under the line may not exceed cash, cash equivalents, and marketable securities balances up to $1,000,000. There was no principal amount outstanding on December 31, 2022 December 31, 2023 and there is no current plan to borrow from it. the line of credit was closed in 2023.

Capital Expenditures

We do not have any contractual obligations for ongoing capital expenditures at this time. We do, however, purchase equipment necessary to conduct our operations on an as needed basis and will begin increasing those expenditures as the Company transfers we transfer assembly and corporate functions to the newly announced Osceola Arkansas facility.

Contractual Obligations

Other than as disclosed in the consolidated financial statements in Item 8 of this Annual Report, on Form 10-K for the year ended December 31, 2022, the Company has we have no contractual obligations.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Indemnification Agreements

As we have generated sales, we have provided customers with indemnification of varying scope against claims of intellectual property infringement by third parties arising from the use of our products. We do not estimate the costs related to these indemnification provisions to be significant and are unable to determine the maximum potential impact of these indemnification provisions on our future results of operations. In addition, we have directors and officers liability coverage to further mitigate our indemnification exposure. No demands have been made upon us to provide indemnification and there are no claims that we are aware of that could have a material effect on our consolidated balance sheet, consolidated statement of operations, or consolidated cash flows.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses, and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

We define our critical accounting policies as those accounting principles generally accepted in the United States of America that require us to make subjective estimates and judgments about matters that are uncertain and are likely to have a material impact on our financial condition and results of operations as well as the specific manner in which we apply those principles. No critical accounting policies existed at December 31, 2022 December 31, 2023.

Smaller Reporting Company Status

We are a “smaller reporting company” as defined in Rule 12b-2 under the Exchange Act. We may continue to be a smaller reporting company if either (i) the market value of our shares held by non-affiliates is less than $250 million or (ii) our annual revenue is less than $100 million during the most recently completed fiscal year and the market value of our shares held by non-affiliates is less than $700 million as of the last business day of our most recently completed second fiscal quarter. We may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not smaller reporting companies, including reduced disclosure about our executive compensation arrangements.

Recent Accounting Pronouncements

Management has considered all recent accounting pronouncements issued, but On January 1, 2023, the Company adopted Accounting Standards Update (“ASU”) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASC 326”). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, such as accounts receivable. The adoption of ASU 2016-13 did not effective, and does not believe that they will have a significant material impact on the Company’s consolidated financial statements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. We do not currently face material market risks such as interest rate fluctuation risk and foreign currency exchange risk. Our cash and cash equivalents include cash in readily available checking and money market accounts. These investments are not dependent on interest rate fluctuations that may cause the principal amount of these investments to fluctuate, and we do not expect such fluctuation will have a material impact on our financial conditions. If we issue additional debt in the future, we will be subject to interest rate risk. The majority of our expenses are denominated in the U.S. dollar.

We may face risks associated with the costs of raw materials, primarily batteries, as we go into production. To the extent these and other risks materialize, they could have a material effect on our operating results or financial condition. We currently anticipate that our international selling, marketing and administrative costs related to foreign sales will be largely denominated in the same foreign currency, which may mitigate our foreign currency exchange risk exposure.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

image01.jpg

Certified Public Accountants and Advisors

A PCAOB Registered Firm

817-721-0341 bartoncpafirm.com Cypress, Texas

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of and Shareholders

Envirotech Vehicles, Inc. and its Subsidiaries

Osceola, Arkansas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet sheets of Envirotech Vehicles, Inc. and its subsidiaries (collectively, the "Company") Subsidiaries as of December 31, 2022, December 31, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years year then ended, and the related notes (collectively referred to as the "financial "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company Envirotech Vehicles, Inc. and its Subsidiaries as of December 31, 2022, December 31, 2023 and 2022, and the results of their its operations and their its cash flows for the years then year ended December 31, 2023 and 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The These consolidated financial statements are the responsibility of the Company's entity's management. Our responsibility is to express an opinion on the Company's these consolidated financial statements based on our audit. audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB" ("PCAOB") and are required to be independent with respect to the Company Envirotech Vehicles, Inc. and its Subsidiaries in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company Envirotech Vehicles, Inc. and its Subsidiaries is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides audits provide a reasonable basis for our opinion.

/s/ Barton CPA, PLLC ***Critical Audit Matters***

www.bartoncpafirm.com

We have served Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the Company's auditor since 2023.

Cypress, Texas

September 25, 2023 critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM *Valuation of Goodwill*

To Description of the Stockholders Matter: As of December 31, 2023, the Company's goodwill was $9,583,836. As disclosed in Note 2 to the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level. For a reporting unit in which the Company concludes, based on the qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount (or if the Company elects to skip the optional qualitative assessment), the Company is required to perform a quantitative impairment test, which includes measuring the fair value of the reporting unit and Board comparing it to the reporting unit's carrying amount. In the year ended December 31, 2023, the Company recorded a goodwill impairment charge of Directors of Envirotech Vehicles, Inc. $5,098,784 as disclosed in Note 2 to the consolidated financial statements.

Osceola, Arkansas Auditing management's quantitative impairment test for goodwill was complex and judgmental due to the significant estimation required to determine the fair value of a reporting unit. In particular, the fair value estimate was sensitive to significant assumptions, such as changes in the weighted average costs of capital, revenue growth rates, operating margins, working capital and terminal value, which are affected by expectations about future market or economic conditions.

Opinion on How We Addressed the Financial Statements *Matter in Our Audit: We performed substantive procedures which included, among others, (i) testing management's process for estimating the fair value of the reporting units; (ii) testing the completeness, accuracy and relevance of the data used in estimating the fair value of the reporting units; and (iii) evaluating the reasonableness of the significant assumptions used by management.*

We have audited the accompanying consolidated balance sheet of served as Envirotech Vehicles, Inc. and its subsidiaries (collectively, the "Company") as of December 31, 2021, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Subsidiaries' auditor since 2023.

Basis for Opinion

image02.jpg

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. Cypress, Texas

March 28, 2024

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ MaloneBailey, LLP

www.malonebailey.com

We served as the Company's auditor from 2021 to 2023.

Houston, Texas

April 26, 2022

ENVIROTECH VEHICLES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,765,068	$ 4,846,490	$ 456,719	$ 2,765,068
Restricted cash	60,399	60,035	—	60,399
Marketable securities	2,336,402	8,002,700	—	2,336,402
Accounts receivable, net of allowance of $271,218 and $0, respectively,	2,073,691	1,428,030		
Accounts receivable, net of allowance of $20,929 and $271,218, respectively,			692,102	2,073,691
Inventory, net	5,671,326	3,850,541	6,830,593	5,671,326
Inventory deposits	4,829,933	4,503,079	3,300,388	4,829,933
Prepaid expenses	445,963	332,514	614,238	445,963
Other current assets	156,457	—	162,119	156,457
Total current assets	18,339,239	23,023,389	12,056,159	18,339,239
Property and equipment, net	368,461	272,113	320,687	368,461
Right-of-use asset			538,932	—
Goodwill	14,682,620	51,775,667	9,583,836	14,682,620
Other non-current assets	93,369	236,639	153,555	93,369
Total assets	$ 33,483,689	$ 75,307,808	$ 22,653,169	$ 33,483,689
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	$ 603,744	$ 238,464	$ 760,802	$ 603,744
Accrued liabilities	652,528	1,280,020	452,236	652,528
Notes payable - Current	215,766	31,788		
Operating lease liability - short-term			291,263	—
Notes payable - current			269,245	215,766
Total current liabilities	1,472,038	1,550,272	1,773,546	1,472,038
Long-term liabilities				
Other non-current liabilities	—	2,427		
Notes payable - Long Term	16,671	13,245		

Operating lease liability - long-term			235,625	—
Notes payable - long-term			10,420	16,671
Total liabilities	1,488,709	1,565,944	2,019,591	1,488,709
Stockholders' equity:				
Preferred stock, 5,000,000 authorized, $0.00001 par value per share, none issued and outstanding as of December 31, 2022 and 2021	—	—		
Common stock, 350,000,000 authorized, $0.00001 par value per share, 15,021,088 and 14,912,189 issued and outstanding as of December 31, 2022 and 2021, respectively	150	149		
Preferred stock, 5,000,000 authorized, $0.00001 par value per share, none issued and outstanding as of December 31, 2023 and 2022			—	—
Common stock, 350,000,000 authorized, $0.00001 par value per share, 15,171,748 and 15,021,088 issued and outstanding as of December 31, 2023 and 2022, respectively			152	150
Additional paid-in capital	83,923,350	81,866,075	85,245,925	83,923,350
Accumulated deficit	(51,928,520)	(8,124,360)	(64,612,499)	(51,928,520)
Total stockholders' equity	31,994,980	73,741,864	20,633,578	31,994,980
Total liabilities and stockholders' equity	$ 33,483,689	$ 75,307,808	$ 22,653,169	$ 33,483,689

See accompanying notes to consolidated financial statements.

ENVIROTECH VEHICLES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		Year Ended December 31,	
	2022	**2021**	**2023**	**2022**
Sales	$ 4,504,621	$ 2,042,844	$ 2,862,853	$ 4,504,621
Cost of sales	2,772,673	1,281,468	1,857,273	2,772,673
Gross profit	1,731,948	761,376	1,005,580	1,731,948
Operating expenses:				
General and administrative	7,996,906	8,238,531	8,171,344	7,996,906
Consulting	339,505	188,703	213,930	339,505
Research and development	149,912	58,139	236,181	149,912
Goodwill impairment charge	37,093,047	—	5,098,784	37,093,047
Total operating expenses, net	45,579,370	8,485,373	13,720,239	45,579,370
Loss from operations	(43,847,422)	(7,723,997)	(12,714,659)	(43,847,422)
Other income (expense):				
Interest income, net	45,026	4,412	34,835	45,026
Other (expense) income, net	(1,764)	288,185	(4,155)	(1,764)
Total other income	43,262	292,597	30,680	43,262
Loss before income taxes	(43,804,160)	(7,431,400)	(12,683,979)	(43,804,160)
Income tax expense	—	(220,700)	—	—
Net loss	$ (43,804,160)	$ (7,652,100)	$ (12,683,979)	$ (43,804,160)
Net loss per share to common stockholders:				
Basic and diluted	$ (2.92)	$ (0.67)	$ (0.84)	$ (2.92)
Weighted shares used in the computation of net loss per share:				
Basic and diluted	14,991,837	11,451,724	15,061,945	14,991,837

See accompanying notes to consolidated financial statements.

ENVIROTECH VEHICLES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		**Additional Paid-In**	**Accumulated**	**Stockholders'**	**Common Stock**		**Additional Paid-In**	**Accumulated**	**Stockholders'**
	Shares	**Amount**	**Capital**	**Deficit**	**Equity**	**Shares**	**Amount**	**Capital**	**Deficit**	**Equity**
Balance, December 31, 2020	1	$ —	$ 100	$ (472,260)	$ (472,160)					
EVTDS common stock issued for cash	7,129,887	72	6,415,038	—	6,415,110					
ADOMANI INC. common stock issued in Merger	5,635,348	56	55,738,323	—	55,738,379					
Post-Merger common stock issued for cash	2,146,953	21	16,486,189	—	16,486,210					
Offering costs netted against proceeds from common stock issued for cash	—	—	(188,015)	—	(188,015)					
Stock based compensation	—	—	3,414,440	—	3,414,440					
Net loss	—	—	—	(7,652,100)	(7,652,100)					
Balance, December 31, 2021	14,912,189	$ 149	$ 81,866,075	$ (8,124,360)	$ 73,741,864	14,912,189	$ 149	$ 81,866,075	$ (8,124,360)	$ 73,741,864
Common stock issued for cash	50,000	1	119,999	—	120,000	50,000	1	119,999	—	120,000

Common stock issued for litigation settlements accrued in 2021	58,899	—	322,431	—	322,431	58,899	—	322,431	—	322,431
Stock based compensation	—	—	1,614,845	—	1,614,845	—	—	1,614,845	—	1,614,845
Net loss	—	—	—	(43,804,160)	(43,804,160)	—	—	—	(43,804,160)	(43,804,160)
Balance, December 31, 2022	15,021,088	$ 150	$ 83,923,350	$ (51,928,520)	$ 31,994,980	15,021,088	$ 150	$ 83,923,350	$ (51,928,520)	$ 31,994,980
Common stock issued for services rendered by external parties						150,660	2	99,998	—	100,000
Unearned compensation issued to external party						—	—	(100,000)	—	(100,000)
Stock based compensation						—	—	1,322,577	—	1,322,577
Net loss						—	—	—	(12,683,979)	(12,683,979)
Balance, December 31, 2023						15,171,748	$ 152	$ 85,245,925	$ (64,612,499)	$ 20,633,578

See accompanying notes to consolidated financial statements.

ENVIROTECH VEHICLES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		Year Ended December 31,	
	2022	**2021**	**2023**	**2022**
Cash flows from operating activities:				
Net loss	$ (43,804,160)	$ (7,652,100)	$ (12,683,979)	$ (43,804,160)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	97,242	70,279	128,801	97,242
Provision for bad debt	245,219	303,879	20,929	245,219
Stock based compensation expense	1,614,845	3,414,440	1,322,577	1,614,845
Goodwill impairment charge	37,093,047	—	5,098,784	37,093,047
Gain on debt forgiveness	—	(290,520)		
Other	(10,004)	4,673	9,904	(10,004)

Changes in assets and liabilities:				
Accounts receivable	(890,880)	(1,415,657)	1,360,660	(890,880)
Inventory	(1,820,785)	(3,198,877)	(1,159,267)	(1,820,785)
Inventory deposits	(326,854)	(4,503,079)	1,529,545	(326,854)
Prepaid expenses	325,638	693,375	298,798	325,638
Other current assets	(156,457)	—	(21,806)	(156,457)
Other non-current assets	143,270	123,343	(72,230)	143,270
Accounts payable	365,284	(235,306)	111,838	365,284
Accrued liabilities	(305,065)	(10,229)	(189,654)	(305,065)
Other non-current liabilities	(2,427)	(240,976)	—	(2,427)
Net cash used in operating activities	(7,432,087)	(12,936,755)	(4,245,100)	(7,432,087)
Cash flows from investing activities:				
Purchase of property and equipment, net	(168,583)	(27,958)	(35,810)	(168,583)
Purchases of marketable securities	(3,942,940)	(16,233,213)	—	(3,942,940)
Proceeds from sales and maturities of marketable securities	9,619,242	8,210,000	2,342,643	9,619,242
Cash acquired in merger	—	3,373,332		
Net cash provided by (used in) investing activities	5,507,719	(4,677,839)		
Net cash provided by investing activities			2,306,833	5,507,719
Cash flows from financing activities:				
Proceeds from issuance of common stock	120,000	21,107,410	—	120,000
Payments for deferred offering costs	—	(188,015)		
Principal advances from (repayments on) debt	(276,690)	(328,408)		
Net cash (used in) provided by financing activities	(156,690)	20,590,987		
Principal repayments on debt			(430,481)	(276,690)
Net cash used in financing activities			(430,481)	(156,690)
Net change in cash, restricted cash and cash equivalents	(2,081,058)	2,976,393	(2,368,748)	(2,081,058)
Cash, restricted cash and cash equivalents at the beginning of the period	4,906,525	1,930,132	2,825,467	4,906,525
Cash, restricted cash and cash equivalents at the end of the period	$ 2,825,467	$ 4,906,525	$ 456,719	$ 2,825,467
Supplemental cash flow disclosures:				
Cash paid for interest expense	$ 16,338	$ 7,705	$ 14,997	$ 16,338
Cash paid for income taxes	$ —	$ 2,400		
Non-cash investing and financing activities:				
Common stock issued in litigation settlements accrued in 2022	$ 322,431	$ —		
Common stock issued in litigation settlements accrued in previous years			$ —	$ 322,431
Common stock issued for services rendered			$ 2	$ —
Notes payable issued to finance prepaid insurance	$ 439,087	$ —	$ 467,074	$ 439,087
Notes payable issued to finance purchase of property and equipment	$ 25,007	$ —	$ —	$ 25,007

See accompanying notes to consolidated financial statements.

ENVIROTECH VEHICLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Operations

Envirotech Vehicles, Inc. ("we," "us," "our" or the "Company") is a provider of purpose-built zero-emission electric vehicles focused on reducing the total cost of vehicle ownership and helping fleet operators unlock the benefits of green technology. The Company serves commercial and last-mile fleets, school districts, public and private transportation service companies and colleges and universities to meet the increasing demand for light to heavy-duty electric vehicles. The Company's vehicles address the challenges of traditional fuel price cost instability and local, state and federal regulatory compliance.

On March 15, 2021, the Company completed its acquisition of Envirotech Drive Systems, Inc., a Delaware corporation ("EVTDS"), a supplier of zero-emission trucks, cargo vans, chassis and other commercial vehicles. The transaction was completed in accordance with an Agreement and Plan of Merger, dated February 16, 2021 (the "Merger Agreement"), by and among the Company, EVTDS and EVT Acquisition Company, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub"). See Note 3 - Merger.

The Company was formerly known as ADOMANI, Inc. On May 26, 2021, the Company filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation the Company with the Secretary of State of the State of Delaware to change its name from ADOMANI, Inc. to Envirotech Vehicles, Inc., effective as of May 26, 2021.

On February 22, 2022, the Company announced Osceola, Arkansas, as the site of its state-of-the-art manufacturing facility and new corporate offices. The Company has moved into an approximately 587,000 square foot facility.

On June 28, 2022, we effected a 1-for-20 reverse stock split of our common stock with no change to authorized shares of common stock. All share, restricted stock unit ("RSU"), and per share or per RSU information through this Annual Report on Form 10-K has been retroactively adjusted to reflect the stock split. The shares of common stock retain a par value of $0.00001 per share. Accordingly, an amount equal to the par value of the decreased shares resulting from the reverse stock split was reclassified from "Common stock" to "Additional paid-in capital."

On March 30 2023, the Company entered into an agreement with Berthaphil, Inc. ("Berthaphil") to sublease approximately 3,600 square yards of a warehouse building based in the Clark Freeport Zone in the Philippines. The term of the lease is two years and two months with a turnover date of July 1, 2023 ("turnover date") and a rental commencement date of September 1, 2023. The Company intends to use the leased space as a production facility as it seeks to expand its business presence both in the region and the United States.

2. Summary of Significant Accounting Policies

Basis of Presentation*—The consolidated financial statementsaccounting and related disclosures asreporting policies of December 31, 2022 include the Consolidated Balance Sheet of Envirotech Vehicles, Inc. (formerly ADOMANI, Inc.) and subsidiaries, including EVTDS (see Note 3 - Merger), and forCompany conform with generally accepted accounting principles in the fiscal period ended December 31, 2022, include the Consolidated Results of Operations of Envirotech Vehicles, Inc. (formerly ADOMANI, Inc. United States ("GAAP") and EVTDS for the entire annual period. The consolidated financial statements and related disclosures as of December 31, 2021 include the Consolidated Balance Sheet of Envirotech Vehicles, Inc. (formerly ADOMANI, Inc.) and its subsidiaries, including EVTDS. The Consolidated Results of Operations for the fiscal period ended December 31, 2021, include the results of operations of EVTDS for the entire annual period and include the consolidated results of operations of Envirotech Vehicles, Inc. (formerly ADOMANI, Inc.) and its subsidiaries for the post-merger period March 16, 2021 through December 31, 2021..*

Principles of Consolidation*—The accompanyingconsolidated financial statements reflectinclude the consolidationaccounts of the financial statements of EVTDS,Company and its wholly-owned subsidiary Envirotech Drive Systems, Incorporated, and, from March 16, 2021 forward, the financial statements of Envirotech Vehicles, Inc., ADOMANI California, Inc., Adomani (Nantong) Automotive Technology Co. Ltd. (dissolved in December, 2021), ADOMANI ZEV Sales, Inc., Zero Emission Truck and Bus Sales of Arizona, Inc., and ZEV Resources, Inc. wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.*

Use of Estimates*—The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.*

Fair Value of Financial Instruments*—The carrying values of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No.820, "FairFair Value Measurement"Measurement ("ASC 820") defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:*

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs that are supported by little or no market data and that require the reporting entity to develop its own assumptions.

The Company does not have any assets or liabilities that are required to be measured and recorded at fair value on a recurring basis.

Revenue Recognition*—The Company recognizes revenue from the sales of zero-emission electric vehicles and vehicle maintenance and inspection services. The Company recognizes revenue in accordance with ASC Topic 606, "Revenue Revenuefrom Contracts with Customers" Customers ("ASC 606"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For the year ended December 31, 2023, eight customers accounted for approximately 75 percent of the annual revenue recorded. At December 31, 2022, three customers accounted for approximately 43 percent of the annual revenue recorded. At The Company had accounts receivable, net of $692,102 and $2,073,691 on December 31, 2021, 2023 the Company did have a concentration of customers; four customers' balances account for approximately 81 percent of the outstanding accounts receivable; for the year ended and December 31, 2021, 2022, four customers accounted for approximately 63 percent of the annual revenue recorded. respectively.*

In applying ASC Topic 606, the Company is required to:

(1) identify any contracts with customers;

(2) determine if multiple performance obligations exist;

(3) determine the transaction price;

(4) allocate the transaction price to the respective obligation; and

(5) recognize the revenue as the obligation is satisfied.

Product revenue consists primarily of the sale of electric trucks and cargo vans. These sales represent a single performance obligation with revenue recognition occurring at the time title transfers. Transfer of title generally occurs when the customer has accepted the vehicle and signed the appropriate documentation acknowledging receipt. At this time, the title of the vehicle is transferred to the customer.

The Company provides the option of financing (flooring) to Factory Authorized Representatives ("FARs") for demo vehicles that are used in their selling process. Flooring agreements are made either expressly or implicitly and last no longer than one year with respect to specific vehicles, as payment for the vehicles is due in full before the first anniversary of the agreement, or upon sale by the FAR of the demo vehicle. The interest rate associated with the flooring agreement is agreed upon at the time of executing the FAR agreement. The Company has elected the practical expedient allowed by ASC Topic 606 where consideration does not need to be adjusted for financing components of the agreement.

Other revenue for the year years ended December 31, 2021 2023 and December 31, 2022 were $29,605 and $36,320 respectively, and primarily included performing basic vehicle maintenance safety inspection and detailing, as well as safety inspections document fees for compliance with United States Department of Transportation guidelines. These sales represent a single performance obligation with revenue recognition occurring at the time services are invoiced. These sales were approximately $118,000 for the year ended December 31, 2021, and did not recur in 2022. The Company has therefore not provided any additional disaggregation information, as all other revenue relates to the sale of vehicles as discussed above.

Cash and Cash Equivalents*—The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The recorded value of our restricted cash and cash equivalents approximates their fair value.*

Restricted Cash*—The Company classifies certain bank balances as restricted cash as these balances are required to support certain minor activities. See Concentration of Credit Risk below in this Note. The Company had $60,399 $0 and $60,035 $60,399 of restricted cash at December 31, 2022 2023and December 31, 202231,2021,, respectively.*

Short-term Investments*—The Company invests in short-term, highly liquid, marketable securities, such as U.S. Treasury notes, U.S. Treasury bonds, and other government-backed securities. The Company also invests in bank certificates of deposit. The Company classifies these short-term investments as held-to-maturity, as the intent is not to liquidate them prior to the respective stated maturity date. These securities had original maturity dates ranging from 158 days to 200 days, and at December 31, 2022 2023, the remaining maturity dates on these securities ranged from 1 day to 90 days. Company had $0 investments in such securities. At December 31, 202231,2021,, the aggregate amount of the Company's investments in marketable securities was $8,002,700.$2,336,402. These securities had original maturity dates ranging from 143 days to 364 days, and at December 31, 2021, 2022, the remaining maturity dates on these securities ranged from 13 days 1 to 167 90 days.*

Accounts Receivable and Allowance for Doubtful Accounts*—The Company establishes an allowance for doubtful accounts through a review of several factors including historical collection experience, current aging status of the customer accounts, and financial condition of its customers. The Company does not generally require collateral for its accounts receivable. A significant portion of the Company's sales are made to customers who qualify for state-sponsored grant programs which can cover a significant portion, up to most of, a vehicle's purchase price. Grant monies are paid directly to vehicle dealers like the Company after the customer and the dealer meet state requirements related to the transaction; reimbursements to the dealer may take two to nine months from the date of request before being received. The Company does estimates its allowance for doubtful accounts using an aging schedule, including a review of customers who not may provide have a likelihood of default. A percentage is applied to the respective portfolio of customers which are grouped by how long their balance has been outstanding. This percentage represents an estimate of credit losses for the remaining estimated life of the accounts receivable balances and is estimated using historical experience, current conditions and reasonable and supportable forecasts that generally applies to accounts receivables, which are measured at amortized costs. The Company had trade accounts receivable of $713,031 and an allowance for doubtful accounts related to sales made utilizing state grant funds, as those funds are guaranteed by the state(s) once awarded. of $20,929 at December 31, 2023. The Company had trade accounts receivable of $2,344,909 and an allowance for doubtful accounts of $271,218 at December 31, 2022. The Company had trade accounts receivable of $1,428,030 as of December 31, 2021 with no allowance for bad debt. The trade accounts receivable balance at December 31, 2022 is primarily from credit-worthy customers many of whom are fully or partially funded through state government sponsored programs and the December 31, 2021 balance was in the collection process for guaranteed state grant funding subsequent to that date. . The Company did have a concentration of customers; customers: four customers' balances account for approximately 90 percent of the outstanding accounts receivable for the year ended December 31, 2023. If the Company is unable to collect from these customers, the Company's write-offs will significantly increase and the write-offs may have a material adverse impact on the Company's financial condition. However, the Company does not believe the receivables balance from these customers represents a significant risk based on past collection experience. At December 31, 2022, three customers' balances account for approximately 37 percent of the outstanding accounts receivable; for the year ended December 31, 2022, At December 31, 2021, four customers' balances account for approximately 81 percent of the outstanding accounts receivable; for the year ended December 31, 2021, four customers accounted for approximately 63 percent of the annual revenue recorded.*

Inventory and Inventory Valuation Allowance*—The Company records inventory at the lower of cost or net realizable value, uses a First In, First Out ("FIFO") accounting valuation methodology and establishes an inventory valuation allowance for vehicles that it does not intend to sell in the future. The Company had finished goods inventory on hand of $5,683,755 $6,843,022 as of December 31, 2022 2023 and recorded an inventory valuation allowance of $12,429 related to three vehicles that the Company does not intend to support in the future, resulting in a net inventory balance of $5,671,326 $6,830,593 at December 31, 2022 2023. The Company had finished goods inventory on hand of $3,862,970 $5,683,755 as of December 31, 2021 2022 and recorded an inventory ,valuation valuation allowance of $12,429 resulting in a net inventory balance of $3,850,541$5,671,326 as of December 31, 2021 2022.*

Inventory Deposits*—Certain of our vendors require the Company to pay upfront deposits before they will commence manufacturing our vehicles, and then require progress deposits through the production cycle and before the finished vehicles are shipped. These deposits are classified as inventory deposits in the Consolidated Balance Sheets. Upon completion of production, acceptance by the Company, and passage of title to the Company, deposits are reclassified to inventory. The Company had inventory deposits of $3,300,388 and $4,829,933 as of December 31, 2023 and December 31, 2022, respectively. Deposits paid to one vendor accounted for 99 percent of the deposits outstanding at December 31, 2023. Deposits paid to three vendors accounted for 70 percent of the deposits outstanding at December 31, 2022. Inventory deposits made in 2021 accounted for $2,731,294 of the balance outstanding at December 31, 2022. The Company had inventory deposits of $4,829,933 and $4,503,079 as of December 31, 2022 and December 31, 2021, respectively. Deposits paid to two vendors accounted for 96 percent of the deposits outstanding at December 31, 2021; one different vendor with an affiliation to the two vendors just mentioned accounted for approximately 85 percent of the cost of sales for the year ended December 31, 2021.2022.*

Income Taxes—*The Company uses the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes.*

EVTDS Envirotech Drive Systems, Inc. ("EVT") previously recorded deferred tax benefits from net operating losses in current and prior periods. The Company, in light of the uncertainty of generating future taxable income against which those losses can be offset in order to realize such benefits, has determined that recording a valuation allowance to reduce the deferred income tax assets to the amount that is more likely than not to be realized is appropriate. In making such determinations, management considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. As of December 31, 2020, EVTDS did not recognize a full valuation allowance for all deferred tax assets. In March 2021, the Company recognized a full valuation allowance for all deferred tax assets, and as a result, recorded income tax expense of $218,300 for the year ended December 31, 2021. A full valuation allowance is also recorded at December 31, 2023 and December 31, 2022.

Accounting for Uncertainty in Income Taxes*—The Company evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. At December 31, 2022 2023 and 2021 2022, respectively, management did not identify any uncertain tax positions.*

Net Loss Per Share*—Basic net loss per share is calculated by dividing the Company's net loss applicable to common stockholders by the weighted average number of shares of common stock outstanding during the period.*

Diluted net loss per share is calculated by dividing the Company's net loss applicable to common stockholders by the diluted weighted average number of shares of common stock outstanding during the period. The diluted weighted average number of shares of common stock outstanding is the basic weighted number of shares of common stock adjusted for any potentially dilutive debt or equity securities. As of December 31, 2023, 1,207,888 shares of the Company's common stock were subject to issuance upon the exercise of stock options then outstanding and 1,389,584 shares of the Company's common stock were subject to issuance upon the exercise of warrants then outstanding. As of December 31, 2022, 608,266 shares of the Company's common stock were subject to issuance upon the exercise of stock options then outstanding and 1,402,417 shares of the Company's common stock were subject to issuance upon the exercise of warrants then outstanding. As of December 31, 2021, 338,500 shares of the Company's common stock were subject to issuance upon the exercise of stock options then outstanding and 1,429,900 1,4202,417 shares of the Company's common stock were subject to issuance upon the exercise of warrants then outstanding. Stock options and warrants were not included in the diluted weighted average number of shares outstanding for the years ended December 31, 2022 2023 and 2021 2022, as the effect would be anti-dilutive.

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Concentration of Credit Risk*—The Company has credit risks related to cash and cash equivalents on deposit with a federally insured bank, as at times it exceeds the $250,000 maximum amount insured by the Federal Deposit Insurance Corporation ("FDIC"). Additionally, the Company maintains cash and short-term securities invested at Arvest Bank, National Association ("Arvest"). Between FDIC and the Securities Investor Protection Corporation ("SIPC") coverage, funds up to $750,000, which may include cash up to $500,000, are insured. In addition, Arvest provides excess insurance acquired by them from SIPC for unlimited per customer securities up to a $1 billion cap.*

The Company's bank requires compensating balances, which are reported as Restricted Cash on the Company's Consolidated Balance Sheets as disclosed above, for a subsidiary's potential lease exposure and for the Company's credit card limit, resulting in restricted cash of $60,399 $0 and approximately $60,000 $60,399 at December 31, 2022 2023 and 2021 2022, respectively.

Impairment of Long-Lived Assets*—Long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company evaluates these assets to determine potential impairment by comparing the carrying amount to the undiscounted estimated future cash flows of the related assets. If the estimated undiscounted cash flows are less than the carrying value of the assets, the assets are written down to their fair value. There was no impairment of long-lived assets, or property and equipment, as of December 31, 2022 2023 and December 31, 2021 2022, respectively.*

Goodwill*—Goodwill represents the excess of acquisition cost over the fair value of the net tangible and intangible assets acquired. Goodwill is not amortized and is subject to annual impairment testing on or between annual tests if an event or change in circumstance occurs that would more likely than not reduce the fair value of a* *reporting unit below its carrying value. In testing for goodwill impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Company concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it can conclude the assessment. If the Company concludes otherwise, the Company is required to perform a quantitative analysis to determine the amount of impairment. A quantitative analysis is performed at the reporting unit level by comparing the estimated fair value of a reporting unit with its respective carrying value to determine the amount of impairment, if any. The Company has determined that it has one reporting unit. In 2023, the Company conducted two impairment test: (1) due to a triggering event that occurred during the quarter of 2023 and (2) the annual impairment test. Based on the annual impairment test, tests, which predominantly utilized the Company's quoted market price and the number of outstanding shares toward at the end of the fourth quarter of 2022periods as inputs, the Company recorded a non-cash goodwill impairment charge of $37,093,047$5,098,784 and $37,093,047 as of December 31, 2023 and December 31, 2022,respectively. . See Note 3 - Merger. Goodwill.*

Research and Development ("R&D")*—Costs incurred in connection with the development of new products and manufacturing methods are charged to operating expenses as incurred. R&D expenses were $149,912 $236,181 and $58,139 $149,912 for the years ended December 31, 2022 2023and December 31, 2021, 2022, respectively.*

Stock-Based Compensation*—The Company accounts for employee stock-based compensation in accordance with the guidance of FASB ASC Topic 718, "Compensation-Stock Compensation"Compensation-Stock Compensation ("ASC 718"), which requires all share-based payments to employees, including grants of employee stock options and restricted shares and stock options to external consultants, to be recognized in the financial statements based on their grant date fair values using the Black-Scholes option pricing model for stock options and is the closing market price on the date of the award for restricted shares and are recognized as compensation expense ratably over the requisite service period, which is generally the option or warrant awards' vesting period. With respect to options to purchase 340,893 shares of common stock issued on January 7, 2022 and options to purchase 3,874 shares of common stock issued on January 31, 2022 (see Note 9 - Stock Options), the The Company recorded non-cash stock-based compensation expense of $1,322,577 and $1,614,845 for the year years ended December 31, 2022 2023 . With respect to the options to purchase 22,000 shares of common stock issued on August 4, 2021 (see Note 9 - Stock Options), non-cash stock-based compensation expense was $121,132 for the year ended and December 31, 2021 2022, . An additional $3,293,308 was recorded related to the value of certain options assumed by the merged entity, bringing the total amount recorded for the year ended December 31, 2021 to $3,414,440.respectively.*

Property and Equipment*—Property and equipment are stated at cost, less accumulated depreciation and amortization. The Company provides for depreciation using the straight-line method over the estimated useful lives of the assets, which range from three to five years, except leasehold improvements, which are being amortized over the shorter of its useful life or the lease term. Major repairs and replacements, which extend the useful lives of equipment, are capitalized and depreciated over the estimated useful lives of the property. All other maintenance and repairs are expensed as incurred.*

Leases*—The Company accounts for leases as required by in accordance with ASC Topic 842, Leases ("ASC 842"). At the inception or modification of a contract, the Company determines whether a lease exists and classifies its leases as an operating or finance lease at commencement. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. See Note 13- Leases. The guidance requires companies to recognize leased assets and liabilities on the balance sheet and to disclose key information regarding leasing arrangements.*

As most of the Company's leases do not provide an implicit interest rate, the lease liability is calculated at lease commencement as the present value of unpaid lease payments using the Company's estimated incremental borrowing rate. The incremental borrowing rate represents the rate of interest that the Company would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term and is determined using a portfolio approach based on information available at the commencement date of the lease.

The lease asset also reflects any prepaid rent, initial direct costs incurred and lease incentives received. The Company's lease terms may include optional extension periods when it is reasonably certain that those options will be exercised.

Leases with an initial expected term of 12 months or less are not recorded in the Balance Sheet and the related lease expense is recognized on a straight-line basis over the lease term. For certain classes of underlying assets, the Company has elected to not separate fixed lease components from the fixed non-lease components.

Recent Accounting Pronouncements Pronouncements—Currently Adopted*—Management has considered all recent accounting pronouncements issued, but*

On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 326'). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, such as accounts receivable. The adoption of ASU 2016-13 did not effective, and does not believe that they will have a significant material impact on the Company's consolidated financial statements.

3. Merger Goodwill

*On The Company conducted March 15, 2021, two impairment tests in 2023: (1) during the Company completedfirst quarter when a triggering event occurred and (2) at year-end during its acquisition of EVTDS, a supplier of zero-emission trucks, cargo vans, chassis and other commercial vehicles. The transaction was completed annual impairment test. in accordance with the Merger Agreement, by and among the ASC 350-20,Goodwill. The Company EVTDS and Merger Sub. conducted its annual impairment test in 2022. As a result of such transaction, Merger Sub was merged with and into EVTDS, with EVTDS surviving as a wholly owned subsidiary of these tests, the Company (the "Merger"). In accordance with the terms recorded goodwill impairment charges of the Merger Agreement, at the effective time of the Merger, each outstanding share of the common stock of EVTDS was automatically converted into the right to receive one share of the common stock of the Company. As a result of the Merger, the Company issued an aggregate of **7,129,887 shares** of its common stock to the former EVTDS stockholders, which shares represented approximately 56% of the total issued $5,098,784 and outstanding shares of common stock of the Company as of immediately following the effective time of the Merger. This exchange of shares and the resulting controlling ownership of EVTDS constitutes a reverse acquisition resulting in a recapitalization of EVTDS and purchase accounting being applied to ADOMANI, Inc. under ASC 805 due to EVTDS being the accounting acquirer and ADOMANI, Inc. being deemed an acquired business. This requires financial reporting from the Merger close date forward to reflect only the historic consolidated results of EVTDS and to include the consolidated results for Envirotech Vehicles, Inc. (formerly ADOMANI, Inc.) and subsidiaries from March 16, 2021 forward.*

The primary reasons EVTDS consummated the merger with ADOMANI, Inc. were the opportunity to immediately become a public company without the process of doing its own initial public offering, affording it the opportunity to more quickly raise capital (see Note 7 - Common Stock) and provide liquidity options to its stockholders, at the same time acquiring the infrastructure required of a public company run by people experienced in investor relations and the public company regulatory compliance issues and filings required. In addition, since ADOMANI, Inc. had been the sole customer of EVTDS, the two management teams had experience working with each other and anticipated a smooth transition in addition to obtaining synergies, chief of which was a layer of profit required when two separate entities were involved in making and selling a vehicle that was immediately eliminated upon the Merger close, enabling the purchase price of vehicles to customers to be reduced. The combined entity also was able to exert more pressure on suppliers to reduce vehicle costs, which also supported the price reductions to customers.

At December 31, 2020, EVTDS had subscription restricted cash of $1,793,910 on its balance sheet as a result of offering a restricted subscription agreement to the stockholders of Envirotech Electric Vehicles, Inc., a Canadian entity ("EVT Canada"), to have the right to purchase two shares of EVTDS for every one common share of EVT Canada they owned. The purpose of this subscription agreement was to raise the necessary capital to close the Merger and to provide working capital for EVTDS so that it could pay off certain liabilities and pay for ongoing expenses through the closing of the Merger. A corresponding liability account was also recorded as of December 31, 2020. The total amount raised just prior to the Merger closing was $6,415,110. At the closing of the Merger, EVTDS satisfied its obligation to deliver $5 million in cash to ADOMANI, Inc. and repaid the majority of the items discussed above. This number has decreased to zero in both categories as of December 31, 2021.

EVTDS entered into an exclusive 50-year distribution agreement as of October 4, 2017 to become the sole USA distributor of EVT Canada. This agreement grants EVTDS the exclusive right in the United States to promote sales, including the right to use trademarks, trade names, service marks and logos and to obtain orders based on sales targets for orders. The agreement also provides that EVT Canada may not independently appoint additional distributors. The Company obtained this agreement in the Merger.

The following table presents the estimated allocation of the purchase price of the assets acquired and liabilities assumed $37,093,047 for the acquisition by EVTDS of ADOMANI, Inc. via the reverse acquisition:

Purchase Price Allocation of ADOMANI, Inc.	
Accounts receivable and other current assets	*$*
Property and equipment	
Right of use asset	
Other assets	
Goodwill	
Accounts payable and accrued expenses	
Lease liability	
Notes payable	
Purchase price, net of $3,373,332 cash acquired	*$*

This allocation is based on management's estimated fair value of the ADOMANI Inc. assets and liabilities at March 15, 2021. ADOMANI, Inc. assets were derived from a total value of $53,509,622, based on 5,635,247 shares of common stock outstanding on March 15, 2021 and the closing price that day of $9.498 per share. The fair value of certain of the stock options assumed by EVTDS in the Merger of $2,228,757 (see Note 9 - Stock Options) was added to reach an adjusted value of $55,738,379. From that amount, total assets acquired of $5,570,628 (including a reduction in the carrying value of finished goods inventory of $26,400 to reflect fair value) was deducted, and total acquired liabilities of $1,607,916 were added, in order to arrive at the $51,775,667 of goodwill recorded, none of which will be deductible for future income tax purposes. The Company incurred approximately $415,472 in transaction costs related to the Merger, which were expensed.

Since the closing of the Merger on March 15, 2021, primarily due to the fact that EVTDS brought no employees or sales people to the merged entity, and that sales and operating activities have been conducted on a company-wide basis, not on the basis of either EVTDS alone or the ADOMANI entities alone, other than nominal expense items related to EVTDS leases assumed in the Merger (see Notes 11 - Commitments and 13 - Leases), all accounting subsequent to the closing of the Merger has been and will continue to be done on a consolidated basis. The Company therefore is not able to segregate the operating results of operations between the formerly separate entities in the current periods.

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information presents the combined results of operations for the Company and gives effect to the Merger discussed above as if it had occurred on January 1, 2021. The pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations for the year years ended December 31, 2021 2023 that would have been realized if the Merger had occurred on January 1, 2021, nor does it purport to project the results of the merged entity in future periods. The pro forma financial information does not give effect to any anticipated integration costs related to the merged entities.

		For the year
		December
Pro forma combined results of operations		***2021***
Sales	*$*	
Net loss	*$*	*(1*

The adjustments for the year ended and December 31, 2021 2022, resulted in a reduction of sales of $319,000 and a $91,800 increase in net loss. The sales adjustment resulted from sale of vehicles by EVTDS to ADOMANI, Inc. However, the actual loss for ADOMANI, Inc. for the period January 1, 2021 through March 15, 2021 that is included in this pro forma information included an adjustment to fully amortize the unamortized stock-based compensation expense related to outstanding stock options that fully vested at the closing of the Merger. This adjustment increased pro forma expenses, and therefore the pro forma net loss for the year ended December 31, 2021 by approximately $1,826,623 more than would otherwise have been recorded absent the consummation of the Merger.

Goodwill*respectively.*

The following table presents a reconciliation of the carrying amount of goodwill for the year ended December 31, 2022 2023:

Goodwill, December 31, 2021	*$*	*5*
Goodwill impairment charge		*(3*
Goodwill, December 31, 2022	*$*	*1*

Balance at January 1, 2022	*$*	*51,775,667*
Impairment charge		*(37,093,047)*
Balance at December 31, 2022	*$*	*14,682,620*
Goodwill impairment charge		*(5,098,784)*
Balance at December 31, 2023	*$*	*9,583,836*

4. Property and equipment, net

Components of property and equipment, net consist of the following as of December 31, 2022 2023 and 2021 2022:

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Furniture and fixtures	$ 56,646	$ 41,799	$ 56,646	$ 56,646
Leasehold improvements	122,711	28,112	136,847	122,711
Machinery & equipment	165,753	86,266	172,527	165,753
Vehicles	252,724	252,724	297,940	252,724
Test/Demo vehicles	15,784	15,784	30,685	15,784
Total property and equipment	613,618	424,685	694,645	613,618
Less accumulated depreciation	(245,157)	(152,572)	(373,958)	(245,157)
Net property and equipment	$ 368,461	$ 272,113	$ 320,687	$ 368,461

Depreciation expense was $97,242 $128,801 and $70,729 $97,242 for the years ended December 31, 2022 2023 and 2021 2022, respectively.

5. Income Taxes

The cumulative estimated net operating loss ("NOL") carry-forward is $44,188,133 and $37,312,984 and $31,347,786 at December 31, 2022 2023 and 2021 2022, respectively. $22,935,645$29,810,794 of this carry-forward may be carried forward indefinitely while $14,377,339 is subject to expiration over a 20-year period. EVTDS recognized a cumulative tax benefit of $218,300 on its financial statements through the year ended December 31, 2020, and therefore did not reserve the deferred tax asset. As mentioned in Note 2, that benefit has been reversed and recorded as income tax expense in the consolidated results of operations for the year ended December 31, 2021, effectively establishing a valuation allowance for it. Due to the enactment of the Tax Cuts and Jobs Act of 2017, the corporate tax rate for those tax years beginning with 2018 has been reduced to 21%. Therefore, the cumulative tax effect of the NOL carryforward at the expected rate of 21% comprising the Company's net deferred tax amount is as follows:

	December 31,		December 31,	
	2022	2021	2023	2022
Tax effected net operating loss	$ 1,169,392	$ 866,991	$ 1,361,609	$ 1,169,392
Deferred tax asset attributable to:				
Net operating loss carryover	6,666,335	5,716,044	7,917,898	6,666,335
Research and development tax credit carryforward	274,891	274,891	274,891	274,891
Sub-total	8,110,618	6,857,926	9,554,398	8,110,618
Valuation allowance	(8,110,618)	(6,857,926)	(9,554,398)	(8,110,618)
Net deferred tax asset	$ —	$ —	$ —	$ —
Cumulative NOL	$ 37,312,984	$ 31,347,786	$ 44,188,133	$ 37,312,984

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryover for federal income tax reporting purposes are subject to annual limitations. The net operating loss carry-forward includes the years 2012 through 2022 for the Envirotech Vehicles, Inc./ADOMANI, Inc. Inc losses, and includes the years 2014 through 2020 for EVTDS, EVT, as the 2021 EVTDS EVT loss is included in the consolidated Envirotech Vehicles, Inc. loss. Because a change in ownership occurred as a result of the Company's acquisition of EVT pursuant to a merger of a wholly owned subsidiary of the Company with and into EVT, with EVT surviving the Merger as a wholly-owned subsidiary of the Company, net operating loss carryover will be limited as to use in future years. Federal tax returns for tax years since 2019 2020 are still open for examination by the Internal Revenue Service.

6. Notes Payable

On June 15, 2021, the Company entered into an equipment financing agreement with Navitas Credit Corp. in connection with the purchase of certain inventory management software. The $63,576 loan is payable over twenty-four months, beginning in July 2021, with monthly payments of $2,649. The balance of this note is $0 *and $13,245 onDecember 31, 2023 and December 31, 2022, is $13,245 and is classified as Notes Payable - Current on the Company's Consolidated Balance Sheets. respectively.*

On August 10, 2022, the Company entered into an equipment financing agreement with Wells Fargo in connection with the purchase of facility grounds equipment. The $25,007 loan is payable over 48 months, beginning in August 2022, with required monthly payments of $521. The balance of this note is $16,671 and $22,923 onDecember 31, 2023 and December 31, 2022, respectively. On December 31, 2023, $6,252 is $22,923 of which $6,252 classified as Notes Payable - current and $10,420 is classified as Notes Payable - long term on the Company's Consolidated Balance Sheets. On December 31, 2022, $6,252 is classified as Notes Payable - current and $16,671 is classified as Notes Payable - Long Term long term on the Company's Consolidated Balance Sheets.

Effective August 4, 2022, EVT secured a line of credit from Centennial Bank. Borrowings under the line of credit bearing interest at 3.25% annually. There is no maturity date for the line, but Centennial Bank may at any time, in its sole discretion and without cause, demand the Company immediately repay any and all outstanding obligations under the line of credit in whole or in part. The line is secured by the cash and cash equivalents maintained by the Company in its Centennial Bank accounts. Borrowings under the line may not exceed cash, cash equivalents, and marketable securities balances up to $1,000,000. There was no principal amount outstanding on December 31, 2022, and there is no current plan to borrow from it.

Effective May 2,2018, ADOMANI, Inc. secured a This line of credit from Morgan Stanley. Borrowings under was closed during the linethird quarter of credit bear interest at 30-day LIBOR plus 2.0%. There is no 2023 maturity date for the line, but Morgan Stanley may at any time, in its sole discretion and without cause, demand the Company immediately repay any and all outstanding obligations under the line of credit in whole or in part. The line is secured by the cash and cash equivalents maintained by the Company in its Morgan Stanley accounts. Borrowings under the line may not exceed 95% of such cash, cash equivalents, and marketable securities balances. The maximum amount the Company could borrow at December 31,2021, was approximately $10.4 million; there was no principal amount outstanding at that date. This line is currently closed. the time of closing.

Effective June 15, 2022, the Company entered into a premium financing agreement with First Insurance Funding to finance certain insurance coverage. The $225,000 loan is payable over nine months, beginning in July 2022, and bears interest at 5.8% with monthly payments of $25,608. The balance of this note is $0 on December 31, 2023. The balance of this note is $76,087 and is classified as Notes Payable - Current on the Company's Consolidated Balance Sheets. Sheets on December 31, 2022.

Effective August 20, 2022, the Company entered into a second premium financing agreement with First Insurance Funding to finance other insurance coverages. The $214,088 loan is payable over nine months, beginning in September 2022, and bears interest at 6.3% with monthly payments of $24,416. The balance of this note is $0 on December 31, 2023. The balance of this note is $120,182 and is classified as Notes Payable - Current on the Company's Consolidated Balance Sheets on December 31, 2022.

Effective August 20, 2023, the Company entered into a third premium financing agreement with First Insurance Funding to finance other insurance coverages. The $467,074 loan is payable over nine months, beginning in September 2023, and bears interest at 8.2% with monthly payments of $53,675. The balance of this note is $262,993 on December 31,2023 and is classified as Notes-Payable - current on the Company's Consolidated Balance Sheets.

The following table depicts the future annual minimum principal payments as of December 31, 2023:

		Amount
2024	$	269,245
2025		6,252
2026		4,167
Total payments	$	279,664

7. Common Stock

On March 15, 2021, in connection The Company has 5,000,000 authorized preferred stock with the closing of the Merger, the Company issued 7,129,887 shares of its common stock to the former stockholders of EVTDS in exchange for their shares of EVTDS (see Note 3), increasing the total number of outstanding shares of common stock of the Company to 12,765,236 as of immediately following the closing of the Merger.

On December 24, 2020, ADOMANI, Inc. entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional and accredited investors, whereby the Company agreed to sell, and the investors agreed to purchase, shares of common stock of the Company, and warrants (the "Warrants") to purchase additional shares of the Company's common stock (the "Financing").

The first closing of the Financing occurred $0.00001 par value per share on December 29, 2020. 31, 2023 ADOMANI, Inc. raised net cash proceeds, net of offering costs, of approximately $5.3 million through the sale and issuance of 575,000 shares of its commonDecember 31, 2022. There was no outstanding preferred stock at *a purchase price equal to $10.00 per share and Warrants to purchase up to an aggregate of 431,250 shares of its common stock at an exercise price of $10.00 per share. The share and Warrant amounts issued include 32,500 shares and 24,375 Warrants issued to the underwriter in lieu of paying $325,000 of fees in cash. Although this ADOMANI, Inc. activity occurred before the close of the Merger, it is discussed here because it was primarily the source of the $3,373,332 cash acquired by EVTDS in the Merger that closed on March 15, 2021. December 31, 2023 See Note and 3. December 31, 2022.*

The second closing of the Financing was completed on May 7, 2021, following the closing of the Merger (see Note 3) and the subsequent effectiveness of the Registration Statement on Form S-3 (File No.333-255341) filed with the SEC on April 19, 2021, registering for resale the shares of the Company's Company has 350,000,000 authorized common stock sold, of which 15,171,748 and the shares issuable under the Warrants issued, in connection with the Financing. At the second closing of the Financing, the Company raised aggregate net cash proceeds of $16,274,991 through the sale and issuance of an additional 1,916,667 shares of its common stock at a purchase price equal to $9.00 per share, and additional Warrants to purchase up to an aggregate of 958,334 shares of its common stock at an exercise price of $20.00 per share. The share and Warrant amounts issued include 108,333 shares and a Warrant to purchase 54,167 shares issued to the underwriter in lieu of paying $975,000 of fees in cash.

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In addition to the $16,274,991 cash equity proceeds received during the year ended 15,021,088 were outstanding on December 31, 2021 2023 discussed in the previous paragraph, the Company also received $120,000 and $211,219 cash equity proceeds from the exercise of various stock option agreements during the years ended December 31, 2022, and respectively. The par value of the Company's common stock is $0.00001. 150,660 shares of the Company's common stock were issued during 2021 2023, respectively, as discussed to external parties in Note 9.
conjunction with certain services rendered during the period.

8. Stock Warrants

As a result of the Merger closing (see Note 3), as of March 15, 2021, the Company had outstanding warrants to purchase an aggregate of 534,067 shares of common stock, 102,817 of which were exercisable. The warrants were previously issued by ADOMANI, Inc. and assumed in the Merger. Of the 534,067 outstanding at the Merger date, 27,483 and 62,500 expired unexercised during 2022 and 2021, respectively. In connection with the second closing of the Financing discussed in Note 7, the Company issued additional warrants to purchase up to 958,334 shares of its common stock. The Company's outstanding warrants as of December 31, 2022 2023 are summarized as follows, and all were exercisable at that date:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding warrants expiring January 9, 2023	12,833	$ 75	0.02			
Outstanding warrants expiring January 28, 2025	431,250	$ 10	2.08	431,250	$ 10.00	1.08
Outstanding warrants expiring May 7, 2026	958,334	$ 20	3.35	958,334	$ 20.00	2.35
Outstanding warrants on December 31, 2022	1,402,417	$ 17	2.93			
Outstanding warrants on December 31, 2023				1,389,584	$ 17.43	1.93

The Warrants warrants issued as part of the Purchase Agreement (see Note 7) contain a call provision whereby the Company, after the 13-month anniversary of the issuance date, and if the volume weighted average price of the common stock for such date exceeds four times the exercise price of the warrants for 20 consecutive trading days, may call the Warrants warrants that have not previously been exercised, and the Warrant warrant holders have ten trading days within which to exercise before the Warrants warrants may be cancelled.

As of December 31, 2022 2023and 2021, 2022, the outstanding warrants have no intrinsic value.

9. Stock Options and Restricted Shares
Stock Options

The following is a summary of stock option activity under the Company's 2017 Equity Incentive Plan for the year ended December 31, 2022 2023:

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding EVTDS at December 31, 2020	-							
Options acquired in Merger	649,643	$	5.80	4.61				
Exercised	(287,536)	$	2.40					
Cancelled/Forfeited at $2.40 Exercise Price	(3,357)	$	2.40					
Cancelled/Forfeited at $9.00 Exercise Price	(10,500)	$	9.00					
Cancelled/Forfeited at $26.20 Exercise Price	(9,750)	$	26.20					
Subtotal, as follows:	338,500							
Outstanding options at $2.40 Exercise Price	50,000	$	2.40					
Outstanding options at at $9.00 Exercise Price	281,750	$	9.00					
Outstanding options at $26.20 Exercise Price	6,750	$	26.20					
Outstanding at December 31, 2021	338,500	$	8.40	6.98	338,500	$	8.40	6.98
Options Granted during 2022:								
Options Granted at $2.00 Exercise Price	250,000	$	2.00		250,000	$	2.00	
Options Granted at $2.40 Exercise Price	90,893	$	2.40		90,893	$	2.40	
Options Granted at $3.62 Exercise Price	2,762	$	3.62		2,762	$	3.62	
Options Granted at $9.00 Exercise Price	1,111	$	9.00		1,111	$	9.00	
Exercised	(50,000)	$	2.40		(50,000)	$	2.40	
Canceled/Forfeited	(25,000)	$	9.00		(25,000)	$	9.00	
Subtotal, as follows:	608,266							
Outstanding at December 31, 2022					608,266			
Outstanding Options at $2.00 Exercise Price	250,000	$	2.00	9.05	250,000	$	2.00	9.05
Outstanding Options at $2.40 Exercise Price	90,893	$	2.40	9.05	90,893	$	2.40	9.05
Outstanding Options at $3.62 Exercise Price	2,762	$	3.62	4.09	2,762	$	3.62	4.09
Outstanding Options at $9.00 Exercise Price	257,861	$	9.00	7.96	257,861	$	9.00	7.96
Outstanding Options at $26.20 Exercise Price	6,750	$	9.00	5.30	6,750	$	9.00	5.30
Outstanding at December 31, 2022	608,266	$	5.30	8.52	608,266	$	5.30	8.52
Options Granted during 2023:								
Options Granted at $2.65 Exercise Price					15,000	$	2.65	
Options Granted at $2.10 Exercise Price					588,495	$	2.10	
Options expired at $9.00 Exercise Price					(1,111)	$	9.00	
Options expired at $3.62 Exercise Price					(2,762)	$	3.62	
Outstanding at December 31, 2023					1,207,888			
Outstanding Options at $2.00 Exercise Price					250,000	$	2.00	8.02
Outstanding Options at $2.40 Exercise Price					90,893	$	2.40	9.05
Outstanding Options at $9.00 Exercise Price					256,750	$	9.00	7.96
Outstanding Options at $26.20 Exercise Price					6,750	$	26.20	5.30
Options Granted at $2.65 Exercise Price					15,000	$	2.65	9.29
Options Granted at $2.10 Exercise Price					588,495	$	2.10	9.53
Outstanding at December 31, 2022					1,207,888	$	3.71	8.53
Exercisable at December 31, 2022	605,101	$	5.30	8.54	1,196,220	$	3.72	8.52

On January 7, 2022, the Company's Compensation Committee granted Phillip W. Oldridge, the Company's Chief Executive Officer, options to purchase 150,000 shares of common stock at an exercise price of $2.00 per share and options to purchase 50,000 shares of common stock at an exercise price of $2.40 per share. The options vested immediately and expire on the tenth anniversary of grant.

On January 7, 2022, the Company's Compensation Committee granted Susan M. Emry, the Company's Executive Vice President, options to purchase 100,000 shares of common stock at an exercise price of $2.00 per share and options to purchase 40,893 shares of common stock at an exercise price of $2.40 per share. The options vested immediately and expire on the tenth anniversary of grant.

On January 31, 2022, the Company's Compensation Committee granted Christian S. Rodich, the Company's former Chief Financial Officer, options to purchase 2,762 shares of common stock at an exercise price of $3.62 per share and options to purchase 1,111 shares of common stock at an exercise price of $9.00 per share. The options vest ratably at 1/60th per month over five years and expire on the tenth anniversary of grant. These options were forfeited three months after Mr. Rodich resigned from his employment with the Company.

On March 15, 2022, options to purchase 50,000 shares of common stock were exercised by the former President and CEO of the Company at a price of $2.40 per share, resulting in a payment to the Company of $120,000. Also on March 15, 2022, options to purchase an aggregate of 25,000 shares of common stock with an exercise price of $9.00 per share were forfeited by the former executive, as they were not exercised prior to their expiration on March 15, 2022.

On August 4, 2021, April 19, 2023 the Company's Compensation Committee granted Phillip W. Oldridge, the Company's Chief Executive Officer and Chairman of the Board, and a member of its board of directors, options to purchase 22,000 15,000 shares of common stock at an exercise price of $5.506 $2.65 per share were granted to two employees. These options vest ratably over three years.
On July 11, 2023, the Company's Compensation Committee granted the Board of Directors options to purchase 588,495 shares of common stock at an exercise price of $2.10 per share. The Committee determined that Mr. Oldridge would be options vested immediately vested in and expire on the options granted. tenth anniversary of grant.

The options granted during 2022 2023 were valued using the Black-Scholes option pricing model, resulting in a weighted average fair market value of approximately $4.71 per option for the years ended December 31, 2022. 2023. The weighted average assumptions used in the valuation of the options are summarized in the following table:

	20222023
Risk-free interest rate	*1.76 3.98 %*
Expected volatility	*146.3 92.1 %*
Expected option term (years)	*9.7 9.8*
Expected dividend yield	*0 %*

As of December 31, 2022 2023, the outstanding options had $0 intrinsic value value. The Company recorded total stock compensation expense of $32,500, all of which was exercisable. $1,095,199 for the year ended December 31, 2023.

Restricted Shares
During the first quarter of 2023, the Company awarded 85,000 restricted shares to a vendor that will vest over a six-month period in exchange for marketing services to be provided over the same period. As a result, the Company recorded stock compensation expense $204,850 during the year ended December 31, 2023. These restricted shares were issued as common stock in the third quarter of 2023.
During the fourth quarter of 2023, the Company awarded 65,660 restricted shares to a vendor in exchange for marketing services to be provided over a six-month period. As a result, the Company recorded stock compensation expense $22,528 during the year ended December 31, 2023.,

10. Related Party Transactions

The Company has entered into lease agreements with SRI Professional Services, Incorporated ("SRI"), pursuant to which the Company leases equipment used in connection with the operation of its business (the "SRI Equipment Leases"). Phillip W. Oldridge, the Company's Chief Executive Officer and Chairman of the Board, and a member of its board of directors, serves as an executive officer and a member of the board of directors of SRI. The SRI Equipment Leases provide for the leasing of two vehicles that commenced on January 1, 2020 and the combined rent under such leases is $3,880 per month, and a separate SRI Equipment Lease provides for a trailer lease that commenced on December 1, 2019, under which the rent is $3,891 per month. The total monthly payment obligation of the Company under the SRI Equipment Leases is $7,771. As a result of these agreements, the Company recorded rent expense of $93,247 for the year ended December 31,2023.

EVTDS The Company has entered into a cancelable month-to-month lease with SRI (the "SRI Office Lease"), pursuant to which EVTDS has leased office and warehouse space in the Porterville, California area for a term that commenced on January 1, 2020. The monthly rent under the SRI Office Lease is $2,730.
In addition to the SRI Equipment Leases and the SRI Office Lease, during 2021, the Company purchased a heavy-duty pick-up truck and a trailer from SRI for $81,293. The Company uses such equipment to transport its electric vehicles to and from customer demonstration sites and to and from equipment outfitters when recorded rent expense of $13,650 for the vehicles have custom bodies and accessories added for specific customers. year ended December 31,2023 in connection with this agreement.

The Company has entered into a commercial lease agreement (the "ABCI Office Lease") with Alpha Bravo Charlie, Inc. ("ABCI") that commenced on April 1, 2020, for the lease of office space in Porterville, California. The monthly rent for this facility was $2,800. On January 13, 2023, based on a review of office and warehousing space in the Porterville market, the Company's audit committee approved an increase in the monthly rent to $5,000 for 2023. See Notes 11 and 13.is approximately $5,000. Phillip W. Oldridge, the Company's Chief Executive Officer and Chairman of the Board, and a member of its board of directors, is a director of ABCI. The Company recorded rent expense of $68,400 for the year ended December 31,2023 in connection with this agreement. The rent included for a short period in 2023, payments of $8,400 for hangar facilities.

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During 2021, 2023, the Company reimbursed Phillip W. Oldridge, the Company's Chief Executive Officer and Chairman of the Board, and a member of its board of directors, $81,269 for use of the CEO's personal airplane for certain business-related activities.
During the second quarter of 2023, the Company purchased two used automobiles a vehicle from Mr. Phillip W. Oldridge for an aggregate purchase price $45,216, which remains unpaid as of $33,250. The Company purchased such vehicles from Mr. Oldridge for use by the Company's employees for sales calls and other business purposes.
In connection with the closing of the Merger in March 2021, the Company purchased two electric trucks from Mr. Oldridge for an aggregate purchase price of $128,000. Prior to the closing of the Merger, Mr. Oldridge had permitted the vehicles to be used by the Company as customer demonstration vehicles for no cost. The purchase price of $64,000 per vehicle was less than the purchase price of $83,000 per vehicle that ADOMANI, Inc. had paid to EVTDS for similar vehicles in prior transactions. One of the vehicles purchased by the Company was subsequently sold to a customer of the Company in March 2021 and the second truck remains in the Company's inventory at December 31, 2022.2023.to

The following table summarizes these related party transactions Company also paid 42Motorsports LTD $150,000 for engineering consulting services, the years ending December 31, 2022 owner of which is a sibling of the Company's Chief Executive Officer and 2021:

	Year Ended December 31,	
	2022	2021
SRI Equipment Leases	$ 93,247	$
SRI Office Lease	26,390	
Truck & trailer purchase from SRI	—	
Total SRI	119,637	
Vehicles purchased from Phillip W. Oldridge	—	
ABCI Office leases	33,600	
Total	$ 153,237	$

Chairman of the Board.

11. Commitments

Other Agreements

On December 31, 2021, the Company entered into employment agreements with Phillip W. Oldridge (the "Oldridge Agreement"), its Chief Executive Officer, and with Susan M. Emry (the "Emry Agreement"), its Executive Vice President. According to the Oldridge Agreement, effective as of March 1, 2021, Mr. Oldridge will receive an annual base salary of $300,000, payable in semi-monthly installments consistent with the Company's payroll practices. Mr. Oldridge will also receive participation in medical insurance, dental insurance, and the Company's other benefit plans. Under the Oldridge Agreement, Mr. Oldridge will also receive an amount equal to five percent of the net income of the Company on an annual basis and will be eligible for a bonus at the sole discretion of the Company's Board of Directors (the "Board"). The Oldridge Agreement also provides for an automobile monthly allowance of $1,500. Mr. Oldridge's employment shall continue until terminated in accordance with the Oldridge Agreement. If Mr. Oldridge is terminated without cause or if he terminates his employment for good reason, Mr. Oldridge will be entitled to receive (i) one-year of base salary, (ii) reimbursement of reimbursable expenses in accordance with the Oldridge Agreement, (iii) any bonus that would have been payable within the twelve months following the date of termination, and (iv) the value of any accrued and unused paid time off as of the date of termination. According to the Emry Agreement, effective on January 1, 2022, Mrs. Emry will receive an annual base salary of $200,000 and will be eligible for a bonus at the sole discretion of the Board. Mrs. Emry will also receive participation in medical insurance, dental insurance, and the Company's other benefit plans. Mrs. Emry's employment shall continue until terminated in accordance with the Emry Agreement. If Mrs. Emry is terminated without cause or if she terminates her employment for good reason, Mrs. Emry will be entitled to receive (i) one-year of base salary, (ii) reimbursement of reimbursable expenses in accordance with the Emry Agreement, and (iii) the value of any accrued and unused paid time off as of the date of termination.

The following table summarizes the Company's There are no future minimum payments under the terms of both agreements as each party has a right to terminate the agreement without any contractual commitments, excluding debt, as payments other than what has been stated in their respective contracts.

In March 2023, the Company entered into an agreement with Berthaphil to sublease approximately 3,600 square yards of a warehouse building based in the Clark Freeport Zone in the Philippines. The term of the lease is two years and two months with a turnover date of December 31, 2021: July 1, 2023

	Payments due by period				
	Total	Less than one year	1-3 years	4-5 years	More than 5 years
Operating lease obligations	$ 46,173	$ 46,173	$ -	$ -	$ -
Employment contracts	2,500,000	500,000	1,500,000	500,000	-
Total	$ 2,546,173	$ 546,173	$ 1,500,000	$ 500,000	$ -

and a rental commencement of September 1, 2023. The Company intends to use the leased space as a production facility as it seeks to expand its business presence in the region and the United States. See Note 13 - Leases for further disclosures.

12. Contingencies

Except as set forth below, we know of no material, existing or pending, legal proceedings against our Company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder of more than 5% of our common stock, or any associate of any of the foregoing persons, is an adverse party or has a material interest adverse to our interest.

GreenPower Litigation

On December 17, 2019, GreenPower Motor Company Inc., a public company incorporated under the laws of British Columbia ("GreenPower"), of which Phillip W. Oldridge, the Company's Chief Executive Officer and Chairman of the Board, and a member of its board of directors, previously served as a senior officer and a member of its board of directors, filed a notice of civil claim, captioned GreenPower Motor Company Inc. v. Phillip Oldridge et al., Action No. S-1914285, in the Supreme Court of British Columbia, against Phillip Oldridge, his trust, EVTDS EVT and certain other companies affiliated therewith. The notice of civil claim alleges that Mr. Oldridge breached certain fiduciary duties owed to GreenPower by working with certain parties in direct competition with and at the expense of GreenPower. GreenPower alleges that the Company conspired with Mr. Oldridge to build its business, competing products and unfairly compete with GreenPower. GreenPower seeks general damages, special damages and punitive damages, plus interest and costs against EVTDS. On February 2, 2020, the Company and the other companies affiliated therewith named in the notice of civil claim filed a response to the civil claim in which they denied certain of the allegations and asserted that certain other facts were outside of their knowledge. allegations. Fact discovery, through document disclosure and examinations for discoveries, in this matter remain ongoing. We believe that the lawsuit is without merit and intend to vigorously defend the action.

On or about July 18, 2021, GreenPower and GP Greenpower GreenPower Industries Inc., (collectively "the GreenPower entities"), filed a counterclaim against David Oldridge, Phillip Oldridge, the Company and other companies in Supreme Court of British Columbia Action No. S207532. The counterclaim alleges that David Oldridge, Phillip Oldridge, the Company and other companies committed the tort of abuse of process by causing 42 Design Works Inc., to commence a lawsuit against the GreenPower entities. Additionally, GreenPower entities also advanced claims against David Oldridge, Phillip Oldridge, the Company and other companies for conspiracy. The pleadings in this lawsuit have not closed and we intend the Company intends to vigorously defend the counterclaim.

On February 8, 2022, GreenPower Motor Company, Inc., a Delaware Corporation, corporation, and GreenPower Motor Company Inc., a Canadian Corporation, corporation, filed a complaint captioned GreenPower Motor Company, Inc. v. Phillip Oldridge, et al., Case No. 5:22-cv-00252 in the United States District Court for the Central District of California. The complaint names the Company and the following affiliated entities, officers, or directors: Phillip Oldridge, Envirotech Electric Vehicles Inc., Envirotech Drive Systems Incorporated US, Envirotech Drive Systems Incorporated Canada, Sue Emry, David Oldridge, S&P Financial and Corporate Services, Inc. GreenPower also named the Phillip Oldridge Trust and a purported entity called EVT Motors, Inc., but has since dismissed those parties. The complaint alleges (i) RICO violations, (ii) conspiracy to commit RICO violations, (iii) breach of fiduciary duties, (iv) breach of an employment contract, (v) conversion of GreenPower property, (vi) violation of the Defend Trade Secrets Act, and (vii) violations of California's Business and Profession Code. The complaint seeks an undisclosed amount of compensatory and punitive damages, injunctive relief to prevent the alleged anti-Competitive behavior, restitution for harm, an award of treble damages, and associate fees and costs. The complaint's allegations are centered around the same assertions in the pending Canadian litigation.

On May 10, 2022, the Company, together with other defendants, filed a Motion to Dismiss and/or Stay the lawsuit in the United States District Court for the Central District of California pending the outcome of the Canadian litigation. The Court issued stay of this case pending resolution of parallel litigation in Canada between similar parties. GreenPower and defendants have agreed that the U.S. GreenPower case will not proceed while Canadian litigation is pending. We believe The Company believes that the lawsuit is without merit and intend to vigorously defend the action.

On August 23, 2018, a purported class action lawsuit captioned M.D. Ariful Mollik v. ADOMANI, Inc. et al., Case No. RIC 1817493, was filed in the Superior Court of the State of California for the County of Riverside against us, certain of our executive officers, Edward R. Monfort, the former Chief Technology Officer and a former director of ADOMANI, Inc., and the two underwriters of our offering of common stock under Regulation A in June 2017. This complaint alleges that documents related to our offering of common stock under Regulation A in June 2017 contained materially false and misleading statements and that all defendants violated Section 12(a)(2) of the Securities Act, and that we and the individual defendants violated Section 15 of the Securities Act, in connection therewith. The plaintiff seeks on behalf of himself and all class members: (i) certification of a class under California substantive law and procedure; (ii) compensatory damages and interest in an amount to be proven at trial; (iii) reasonable costs and expenses incurred in this action, including counsel fees and expert fees; (iv) awarding of rescission or recessionary damages; and (v) equitable relief at the discretion of the court.

Plaintiff's counsel subsequently filed a first amended complaint, a second amended complaint, a third amended complaint, and a fourth amended complaint. Plaintiff Mollik was replaced by putative class representatives Alan K. Brooks and Electric Drivetrains, LLC ("Electric Drivetrains"). Alan K. Brooks was subsequently dropped as a putative class representative. On October 27, 2020, the Company answered the fourth amended complaint, generally denying the allegations and asserting affirmative defenses.

On July 13, 2021, Electric Drivetrains' counsel moved to be relieved as counsel and on August 23, 2021, the court granted this motion. On August 23, 2021, the Clerk of Court issued an order to show cause why the complaint should not be stricken and matter dismissed for failure to retain new counsel to Electric Drivetrains. On October 28, 2021, Electric Drivetrains filed a substitution of attorney, substituting J. Ryan Gustafson of Good Gustafson Aumais LLP as its new counsel. On December 10, 2021, the Court vacated the order to show cause. Over the tenure of the action, Electric Drivetrain has dismissed all defendants in the action except for the Company and two former Company executives. Any and all pending cross claims between or among defendants have been resolved and dismissed.

On August 31, 2022, Electric Drivetrains filed its Fifth Amended Complaint, which: i) drops certain class allegations; ii) adds certain state law claims; iii) and drops certain factual allegations but leaves the remaining claims against defendants intact. On October 6, 2022, the Company and remaining defendants filed their respective answer denying the allegations and asserting counterclaims. On the same day, the Company cross claimed against Electric Drivetrains and its managing member. The Court has set a trial setting conference on December 21, 2022. We believe that the lawsuit is without merit and intend to vigorously defend the action.

On June 19, 2019, Alan K. Brooks, an ADOMANI investor, filed a complaint, captioned Alan K. Brooks v. ADOMANI, Inc., et al., Case No.1-CV-349153 in the Superior Court of California for the County of Santa Clara, against the Company, certain of the Company's executive officers and directors, two of the underwriters of the Company's offering of common stock under Regulation A in June 2017, and certain of the underwriters' personnel, among others (the "Brooks Case"). The complaint alleges that the Company and other defendants breached the terms of an agreement between Mr. Brooks and the Company by refusing to release 1,320,359 shares of ADOMANI, Inc. stock to Mr. Brooks. Mr. Brooks seeks damages of $13,500,000.00 plus interest and attorney's fees. On September 20, 2019, Mr. Brooks filed his first amended complaint ("FAC") reasserting his breach of contract claim and alleging five additional claims for (i) violations of Cal. Corp. Code Section 25401, (ii) fraud, negligent misrepresentation, (iv) elder abuse, and (v) unfair competition. We answered the FAC on November 12, 2019, generally denying the allegations in the FAC and asserting affirmative defenses. Fact discovery in this matter remains ongoing. On August 10, 2021, we filed a motion for summary judgement and dismissal of plaintiff's FAC. The parties participated in two days of mediation with Mark LeHocky. Mr. LeHocky provided the parties with a mediator's proposal. Both parties accepted the proposal and reduced the proposal to a written settlement agreement. Pursuant to the settlement agreement, the Company has agreed to pay plaintiffs $197,500 in cash and $197,500 in shares of common stock. In addition, the Company's insurance carrier has agreed to pay plaintiffs $170,000. On January 14, 2022, the parties filed a joint motion for an order approving the fairness of the terms of the settlement agreement. On March 7, 2022, the Court issued an Order approving the settlement and the parties are in the process of effectuating its terms. On April 5, 2022, the Company and Boustead resolved Boustead's cross claim for indemnification in the Brooks action. This settlement is still subject to court approval. There are no further claims pending in the Brooks action and, if and when the Court approves the settlement, it should be dismissed.

On February 3, 2020, the Company acquired substantially all the assets of Ebus in a foreclosure sale through a credit bid in the amount of $582,000, representing the amount then owed by Ebus to the Company evidenced by a secured promissory note. Following the Company's successful credit bid at the foreclosure sale, Ebus's *obligations under the note were extinguished and the Company was entitled to take possession of substantially all of the assets of Ebus. While the Company was able to take possession of some of the assets, Ebus prevented the Company from taking possession of all of the assets purchased at the foreclosure sale. As a result, on April 13, 2020, the Company filed a complaint captioned ADOMANI, Inc. v. Ebus, Inc., et al., in the Superior Court of California for the County of Los Angeles, Case No.20ST CV 14275, against Ebus and certain of its insiders and affiliates seeking to recover the remainder of the assets and related damages. On January 14, 2021, a cross- complaint was filed against the Company by Ebus, Inc. and Anders B. Eklov for Unjust Enrichment and Conversion of Domain Name, seeking monetary damages and injunctive relief. A settlement agreement was entered into on March 15, 2022.*

13. Leases

In October 2017, ADOMANI, Inc. signed a non-cancellable lease for its former corporate office space in Corona, California, to serve as its corporate headquarters. The lease was for a period of 65 months, terminating February 28, 2023. The base rent for the term of the lease was $568,912. The total amount due monthly is $7,600 at commencement and would have escalated to $10,560 by its conclusion had ADOMANI, Inc. remained a tenant. In November 2020, ADOMANI, Inc. vacated this space following staff reductions and moved remaining staff into the space discussed in the following paragraph. The Company ceased paying the rent on this facility after October 2020, but the expense was accrued. Two of the four suites covered by this lease were re-leased by the building management in March and April 2021, ending the Company's obligation on those two suites. In June 2021, the landlord advised the Company that the remaining two suites were re-leased with a commencement date of September 1,2021. On July 2,2021, a resolution was reached with the landlord, whereby the parties mutually agreed to terminate the lease as of July 31,2021 and the Company would be released from all obligations under the lease, in consideration of the Company's agreement to pay the landlord an amount equal to $60,630, representing the aggregate amount then owed to the landlord under the lease net of the Company's $11,616 security deposit retained by the landlord, which amount was paid in full on July 2,2021.

As of December 31, 2022, the Company is a party to eight operating leases. Five of theseOperating leases are office or warehouse leases; the remaining three are equipment leases (see Note 10). As disclosed in Note 2, the Company accounts for leases as required by ASC Topic 842. The Company has elected to apply the short-term lease exception to all leases of one year or less. In applying the guidance in ASC 842, the Company has determined that all current leases as of December 31, 2022 should be classified as short-term operating leases.

The Company has entered into the SRI Equipment Leases (see Note 10). Rent expense under the SRI Equipment Leases was $93,247active operating lease arrangements for each of the years ended December 31, 2022 and 2021.

The Company has entered into the SRI Office Lease (see Note 10). Rent expense under the SRI Office Lease was $26,390 and $24,711 for the years ended December 31, 2022 and 2021, respectively.

The Company has entered into the ABCI Office Lease (see Note 10). Rent expense under the ABCI Office Lease was $33,600 and $30,800, for the years ended December 31, 2022 and 2021, respectively.

The Company has entered into the Toledo Jet Center Lease for office space in the Ft. Lauderdale, Florida area effective February 15, 2022. The lease has a one-year term with the option to renew after one year. Rent expense for the Toledo Jet Center Lease for the year ended December 31, 2022 was $16,853.

In February 2017, ADOMANI, Inc. signed a lease for storage space in Stockton, California to serve as a location to store vehicles and other equipment utilized for marketing and trade-show purposes. The lease is on a month-to-month basis and can be terminated by either party with 30-days' notice. The total amount due monthly is $1,000.

In December 2019, ADOMANI, Inc. signed a lease for combined office space and warehouse location in Corona, California. facilities. The facility had been usedCompany is typically required to conduct research and development activity, stage materials, assemble and/or manufacture vehicles, perform pre-delivery inspections, test demo vehicles, and securely store vehicles, equipment, parts and finished goods vehicle inventories prior to November 2020 when ADOMANI, Inc. vacated its former corporate office space in Corona, California, and made such facility the new corporate office location in addition make fixed minimum rent payments relating to its prior use. The lease is for a period right to use the underlying leased assets. Although these leases have terms that are either month-to-month or terms that are one year or less (with renewal options), the Company concluded in the fourth quarter of 36 2023 months, commencing on January 1, 2020, and terminating on December 31, 2022. The base rent for that the term renewal options are reasonably certain to be exercised. As a result of changes in certain circumstances related to some of the lease was $495,720, with $265 due per month for fire sprinkler alarm monitoring and landscape maintenance. The base rent amount due monthly was $13,108 at commencement and would have escalated to $13,906 by its conclusion. However, Company's short-term leases, the Company vacated was required to classify such leases as operating leases in accordance with the premises effective March 31, 2022, and the lease was taken over on April 1, 2022 by its sublease tenant, as discussed below.

On February 4, 2020, ADOMANI, Inc. signed a sublease agreement with Masters Transportation, Inc. ("Masters") for Masters to occupy a portion provisions of the Corona, California, facility that the Company occupied effective January 1, 2020 (see above). The effective date of the Masters' sublease was February 1, 2020, and it expires when the Company's lease on the Corona, California facility expires on December 31, 2022. Under the sublease, Masters is obligated to pay the Company monthly rent payments in an amount equal to $6,000 at commencement and thereafter escalating to $6,365 by its conclusion. On April 1, 2022, Masters took over the remaining lease obligation for the facility.

As required by ASC 842 in conjunction with the Corona, California lease, - Leases. Therefore, the Company recognized an operating liability lease liabilities with a corresponding Right-Of-Use ("ROU" ("ROU") asset of the same amounts assets based on the present value of the minimum rental payments of such lease. As leases during the fourth quarter of December 31, 2021 2023., the ROU asset had a balance of $133,672, which is included in other non-current assets in the consolidated balance sheet. Current liabilities relating to the ROU asset, which are included in accrued liabilities in the consolidated balance sheet, were $131,245 at December 31, 2021. Non-current liabilities relating to the ROU asset, which are included in other non-current liabilities in the consolidated balance sheet, were $2,427 as of December 31, 2021. Because the lease was assumed by Masters effective April 1, 2022, and terminated on December 31, 2022, there were no remaining ROU assets or lease liabilities as of December 31, 2022.

Quantitative information regarding the Company's leases is as follows:

	Year Ended December 31,	
	2022	2021
Lease expenses		
Operating lease expenses	$ 61,380	$ 164,
Short-term lease expenses	$ 167,367	$ 88,
Total lease cost	$ 228,747	$ 252,
Other information		
Cash paid for the amounts included in the measurement of lease liabilities for operating leases:		
Operating cash flows	$ 45,767	$ 212,
Weighted-average remaining lease term (in years):		
Operating leases	0.60	1
Weighted-average discount rate:		
Operating leases	14 %	

14. Subsequent Events

EVTV evaluated its subsequent events through September 25, 2023, which is the date the financial statements were issued or available to be issued.

In March 2023, the Company entered into an agreement with Berthaphil, Inc. to sublease approximately 3,600 square yards of a warehouse building based in the Clark Freeport Zone in the Philippines. The term of the lease is two years and two months with a turnover date of July 1, 2023 ("turnover date") and a rental commencement date of September 1, 2023. However, the warehouse building was not available for use to the Company till the early part of the fourth quarter of 2023. Therefore, the commencement date is deferred until the fourth quarter of 2023, which is when the Company was given access to use the warehouse building. There is a grace period of two months for rental payments starting from the turnover date. The monthly rent for the first year is $15,000, escalating to $15,750 for the second year and $16,530 for the remaining term. In addition to the monthly rent, the Company is required to pay an additional 5% of the monthly rent as common area maintenance costs. The sublease may be renewed for an additional period that is mutually agreed upon subject to certain terms and conditions. The Company intends to use the leased space as a production facility as it seeks to expand its business presence both in the region and the United States.

The Company accounted for this lease as an operating lease under ASC Topic 842 and recorded an operating lease liability and a corresponding ROU asset for this lease.

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 terms.

ROU assets at December 31, 2023 were $538,932. Short-term and long-term operating lease liabilities were $291,263 and $235,625 at December 31, 2023, respectively.

As required by ASC 842, in conjunction with the Corona, California lease, the Company recognized an operating liability with a corresponding ROU asset of the same amounts based on the present value of the minimum rental payments of such lease. As of March 31, 2022, the ROU asset and related liability accounts were written off against each other due to the Company leaving the Corona California office and warehouse effective April 1, 2022 and to Masters taking over the remaining lease obligation for the facility.

Quantitative information regarding the Company's leases is as follows:

	Year Ended December 31,

	2023	2022
Lease expenses		
Operating lease expenses	$ 89,268	$ 61,
Short-term lease expenses	$ 188,921	$ 167,
Total lease cost	$ 278,189	$ 228,
Other information		
Cash paid for the amounts included in the measurement of lease liabilities for operating leases:		
Operating cash flows	$ 101,312	$ 45,
Weighted-average remaining lease term (in years):		
Operating leases	1.70	
Weighted-average discount rate:		
Operating leases	14 %	

As of December 31, 2023, future minimum lease payments required under operating leases are as follows:

2024	$ 346,972
2025	248,873
Total payments	$ 595,845

14. Subsequent Events

The Company evaluates subsequent events through March 28, 2024, which is the date the financial statements were issued or available to be 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.

During the first quarter of 2024, the Company issued 348,889 shares of its common stock for proceeds of $585,500 to various parties. The weighted average issue price per share of common stock sold was approximately $1.68. The proceeds will be used to fund the Company's operations.

The Company also entered into a convertible note agreement for $1,000,000 with an unrelated third-party investor. The origination fee of this note was $99,000. The maturity date of the note is the earlier of the next S- 1 filing or September 30, 2024. The investor is entitled to convert the note into common stock at the greater of $1.50 per share or at 90% of the share price on the maturity date. The investor also has a security interest in the Company's assets in the event of non-payment of the debt.

On March 18, 2024, the Company entered into a Sale and Purchase Agreement (the "Agreement") with PlugD Commercial Electric Leasing and Rentals Inc. ("PlugD"), a Texas-based commercial electric vehicle leasing company. Under the terms of the Agreement, the Company will deliver 200 electric high roof vans and trucks to PlugD for a total of approximately $16.2 million. The sale will take place over the next 13 months.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act, of 1934, as amended (Exchange Act)) as of the end of the period covered by this Annual Report. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures (a) were not effective to ensure that information that we are required to disclose in reports that we file or submits submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (b) include, without limitation, controls and *procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.*

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Section 404 of the Sarbanes- Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting. Once we are no longer either an "emerging growth company" or a smaller reporting company, such report must be attested to by our independent registered public accounting firm. The Sarbanes-Oxley Act also requires that

Our management, with the participation of our principal executive officer Chief Executive Officer and principal financial officer conclude as to Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures on a quarterly basis.

internal control over financial reporting as of December 31, 2023 using the framework established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—Integrated Framework (2013 framework). Based on such evaluation, our chief executive officer and chief financial officer management concluded that, as of December 31, 2022 December 31, 2023, our disclosure controls and procedures (a) were internal control over financial reporting was not effective to ensure as of December 31, 2023. Deficiencies existed in the design or operation of our internal control over financial reporting that information adversely affect our internal controls. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that we are required to disclose in reports there is a reasonable possibility that we file a material misstatement of our annual or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (b) include, without limitation, controls and procedures designed to ensure that information required to interim financial statements will not be disclosed by us in reports filed prevented or submitted under the Exchange Act is accumulated and communicated to our management, including chief executive officer and chief financial officer, as appropriate, to allow detected on a timely decisions regarding required disclosure. basis.

In making such conclusion, our management determined that such deficiencies were determined to be material weaknesses that are primarily due to certain staff reductions and voluntary resignations we experienced beginning in the fourth quarter of 2020 and continuing through the date of this filing. During such periods and for all periods thereafter through the date of such determination, we increased our reliance on outsourced accounting help. As a result of such changes, our management concluded that we were unable to maintain the levels of segregation of duties during such periods at the levels of prior periods, and that such changes to our disclosure controls and procedures significantly affected our internal control over financial reporting during the year ended December 31, 2022 December 31, 2023.

Although we have yet to fully resolve such deficiencies as of the date of this prospectus, Annual Report, we have engaged, and continue to seek the assistance of additional, experienced accounting professionals with relevant expertise to supplement our efforts and mitigate the negative effects of the above- described deficiencies in the effectiveness of our disclosure controls and procedures. above-described material weaknesses.

If we fail to detect errors on a timely basis, our financial statements may be materially misstated and if we are unable to comply with the requirements of Section 404 of the Sarbanes Oxley Act, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, if and when required, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

This report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to exemptions available to issuers that are non-accelerated files or qualify as "emerging growth companies," as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act.

Changes in Internal Control over Financial Reporting

Other than the material weakness weaknesses and remediation efforts described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a15(f) 13a1513a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

Other than the material weakness described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION

Not applicable.

Part III

Item 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

MANAGEMENT

The following table sets forth information regarding our executive officers and directors as of at the date of this report:

Name	Age	Position
Executive Officers		
Phillip W. Oldridge	62	Chief Executive Officer, Chairman of the Board and Director
Susan M. Emry	46 47	Executive Vice President and Corporate Secretary and Director
Douglas M. Campoli Franklin Lim	59 62	Chief Financial Officer and Treasurer
Directors		
Melissa Barcellos(1)(2)(3)	39 40	Director
Michael Di Pietro(1)(2)(3)	67 69	Director
Terri White Elk(1)(2)(3)	53 54	Director

(1) Member of our Audit Committee.

(2) Member of our Compensation Committee.

(3) Member of our Nominating and Corporate Governance Committee.

Executive Officers

Phillip W. Oldridge, Chief Executive Officer, Chairman of the Board, and Director

Phillip W. Oldridge has served as our Chief Executive Officer since September 2020 and as our Chairman of the Board and a director since March 2021. Prior to joining us, Mr. Oldridge was the founder and the Chief Executive Officer of GreenPower Motor Company, Inc., a publicly traded designer and manufacturer of passenger transit and shuttle buses, from November 2011 until June 2019, where he also served as a member of the board of directors from December 2012 until June 2019. From November 2006 until January 2010, Mr. Oldridge served as the Chief Executive Officer of Bus and Coach International, a manufacturer of buses and coaches. Before that, Mr. Oldridge was the Chief Executive Officer of Nevada Charter Inc., a bus and coach charter company, from October 1994 until December 2001. Mr. Oldridge holds a Master of Business Administration from Richmond, the American University in London, from which he also received a Bachelor of Science degree. The Board believes that Mr. Oldridge's extensive senior executive management and board experience in private and public companies qualifies him to serve on the Board of Directors.

Susan M. Emry, Executive Vice President and Corporate Secretary and Director

Susan M. Emry has served as our Executive Vice President since December 2021 and as a director since January 7, 2022. Ms. Mrs. Emry has over 30 20 years of experience in the transportation, vehicle manufacturing and financial industries. In April 2021, Ms. Emry was appointed to serve as the Company's Controller. From 2017 until March 2021, Ms. Mrs. Emry was a Director, and the President, Chief Financial Officer and Secretary, of Envirotech Drive Systems, Inc. until we acquired that company upon the closing of the Merger. In addition, from 2006 to 2020, Ms. Mrs. Emry also served as Chief Financial Officer of Sardo Bus and Coach Upholstery, a company specializing in transit vehicle refurbishment. From 1992 to 2020, Ms. Mrs. Emry held various roles of increasing responsibility with Michael Di Pietro, CPA, where she provided management advisory and tax preparation services primarily in the high-net-worth client division. The Board believes that Ms. Emry's extensive experience in transportation, vehicle manufacturing and financial industries experience qualifies her to serve on the Board of Directors.

Douglas M. Campoli, Franklin Lim, Chief Financial Officer and Treasurer

Douglas M. Campoli joined Mr. Lim, 62, has served as the Company as Chief Financial Officer Company's Controller since April 2023. Prior From August 2021 to joining April 2023, he served as the Company, he was the Chief Financial Officer and Treasurer Controller of Arcimoto, Inc., a publicly listed company that manufactures three-wheeled fun utility electric vehicles, Mr. Lim served as Senior Manager of American Credit Acceptance from June 2015 July 2019 to April 2023. He was the Founder July 2021 and Manager of Strategic Financial Consulting Reporting of Diversey from February 2013 January 2018 to June 2015, providing 2019. He began his career as an audit and tax consultant with Deloitte and Touche in 1989 and has extensive financial consulting services for startup and existing businesses. From September 2012 SEC reporting experience with both large multinational corporations and small to September 2013, medium enterprises. Mr. Campoli was Chief Financial Officer Lim has a Master's Degree in Accountancy from the Weatherhead School of ManaFuel, bringing energy independence to Pacific Island Nations. From May 2007 to February 2011, he was Chief Financial Officer Management at Case Western Reserve University in Ohio and a Bachelor's Degree with Honors in Business Economics with concentrations in Mathematics and Philosophy from the College of GarageGames.com, Inc. From 2004 to May 2007, Mr. Campoli was Chief Financial Officer of SeQuential Biofuels, Inc. Prior to 2004, he held various financial positions at Genuity Inc. (previously GTE Internetworking), and AT&T Paradyne Corp. Mr. Campoli Wooster in Ohio. He is a licensed Certified Cash Manager Public Accountant and holds a B.S. has passed both the Certified Management Accountant and Certified in Business and Finance from Financial Management Examinations conducted by the University Institute of South Florida and an M.B.A. with a concentration in Finance from the University of Tampa. Management Accountants.

Non-Employee Directors

Melissa Barcellos, Director

Melissa Barcellos has served as a director since March 2021. Ms. Barcellos is employed in the Manager of Economic Development mining industry and currently works on Environmental, Social and Governance ("ESG") initiatives that focus on community and indigenous business development including involvement in supply chain and construction. She has experience in the clean technology industry, including international government relations and held economic development positions for over 14 years. Her governance experience includes Chairman of the City Board and Director positions on multiple non-profit organizations and being a member of governance, finance, audit and human resources executive committees. She currently sits on the Board of Directors of the Prince George British Columbia, a position she has held since September 2015. She has also served as Principal and Benefit Auctioneer of Melissa Lynn Auctions in Prince George, British Columbia, since May 2011. From February 2013 through September 2015, Ms. Barcellos was an Economic Development Officer of Initiatives of the City of Prince George. Airport Authority. Ms. Barcellos received a Bachelor of Commerce in Marketing and General Business from the University of Northern British Columbia and obtained a Post Graduate Certificate in Economic Development from the University of Waterloo, and a Post Graduate Certificate in Real Property Valuation from the Sauder School of Business of the University of British Columbia. Waterloo. Based on these qualifications, the Board believes that Ms. Barcellos is qualified to serve on the Board of Directors.

Michael Di Pietro, Director

Michael Di Pietro has served as a director since March 2021. Mr. Di Pietro is the President of Michael DiPietro, CPA, Inc., a full-service public accounting firm he founded in 1991. Since July 2018, Mr. Di Pietro has served on the board of directors of Cathedral High School, a private, college preparatory Catholic all-boys school located in Los Angeles, California, where he is currently the chair of the finance committee. Mr. Di Pietro also previously served as a Director of Chino Commercial Bank, a community bank located in Chino, California, from April 2012 until April 2019. Mr. Di Pietro holds a Bachelor of Arts degree in Accounting from the University of South Florida, a Master of Arts in Accounting from the University of Notre Dame, and a Master of Divinity and Biblical Studies from Fuller Theological Seminary. Based on these qualifications, the Board believes that Mr. Di Pietro is qualified to serve on the Board of Directors.

Terri White Elk, Director

Terri White Elk has served as a director since March 2021. Ms. White Elk is a member of the Real Estate Investment Sales team at Keller Williams Realty SW in Las Vegas, Nevada, a position she has held since July 2003. Ms. White Elk also served as Operations Manager of Innovative Real Estate Strategies, a real estate and investment firm based in Las Vegas, Nevada, from July 2009 until May 2018, and was a Sales Executive at Legacy Partners Inc., a real estate development firm, from

March 2005 until September 2008. Ms. White Elk received a Bachelor of Arts degree in Political Science from Arizona State University. Based on these qualifications, the Board believes that Ms. White Elk is qualified to serve on the Board of Directors.

Board Composition and Filling Vacancies

Currently, our board of directors consists of five four directors. The authorized number of directors may be changed only by resolution of our board of directors. Our amended and restated certificate of incorporation provides that our board of directors is divided into three classes, with each class holding office for a three-year term. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company or management. Each director serves until such director's successor is duly elected and qualified or such director's earlier resignation, death or removal. Our board of directors is responsible for our business and affairs and considers various matters that require its approval.

Our amended and restated bylaws provide that directors may be removed only for cause by the affirmative vote of the holders of a majority of the voting power of all the outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class. Furthermore, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of our board of directors, may only be filled by the affirmative vote of a majority of our directors then in office even if less than a quorum.

Director Independence

Our board of directors has undertaken a review of the independence of each director. For purposes of determining director independence, we have applied the definitions set out in NASDAQ Nasdaq Rule 5605(a)(2). Based on information provided by each director concerning his or her background, employment and affiliations, our board of directors has determined that Mr. Di Pietro and Mmes. Barcellos and White Elk do not have a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or responsibilities and that each of these directors is "independent" as that term is defined under the NASDAQ Nasdaq Listing Rules.

Board Leadership Structure and Board's Role in Risk Oversight

The Chairman of our board of directors is Phillip W. Oldridge. The Chairman has authority, among other things, to preside over meetings of our board of directors and set the agenda for meetings of our board of directors. Accordingly, the Chairman has substantial ability to shape the work of our board of directors. Because of the addition of the independent members of our board of directors, we currently believe that separation of the roles of Chairman and Chief Executive Officer is not necessary to ensure appropriate oversight by of our board of directors of our business and affairs. However, no single leadership model is right for all companies and at all times. Our board of directors recognizes that depending on the circumstances, other leadership models, such as the appointment of a lead independent director, might be appropriate. Accordingly, of our board of directors may periodically review its leadership structure. In addition, of our board of directors will hold executive sessions in which only independent directors are present.

Our board of directors is generally responsible for the oversight of corporate risk in its review and deliberations relating to our activities and, either as a whole or through its committees, regularly liaises with management to assess and manage our major risk exposures, the potential impact of such risks on our business and the steps we should take to mitigate or manage such risks. Our board of directors' risk oversight process complements and supplements management's risk assessment and mitigation processes, which include reviews of strategic and operational planning, executive development and evaluation, regulatory and legal compliance, and financial reporting and internal controls. The risk oversight process also includes receiving reports from committees of our board of directors and members of senior management to enable our board of directors to understand our risk identification, management and mitigation strategies with respect to areas of potential material risk.

Our principal sources of risk fall into two categories: (1) financial and (2) product commercialization. The Audit Committee oversees management of financial risks and communications with our independent registered public accounting firm regarding our risk exposures and the actions management has taken to limit, monitor or control such exposures, and our board of directors regularly reviews information regarding our cash position, liquidity and operations, as well as the risks associated with each. Our board of directors also regularly reviews plans, results and potential risks related to our product development and commercialization efforts. Our Compensation Committee is expected to oversee risk management as it relates to our compensation plans, policies and practices for all employees including executives and directors, particularly whether our compensation programs may create incentives for our employees to take excessive or inappropriate risks, which could have a material adverse effect on us. Our Nominating and Corporate Governance Committee manages risks associated with the independence of the Board, board of directors, corporate disclosure practices and potential conflicts of interest. While each of our committees is responsible for evaluating certain risks and overseeing the management of such risks, our entire board of directors is regularly informed about such risks and matters involving significant risk are considered by our board of directors as a whole.

Information Regarding Committees of the Board

Our board of directors has established three standing committees, an Audit Committee, a Compensation Committee and Nominating, and a Corporate Governance Committee, each of which operates under a charter that has been approved by our board of directors. We intend to appoint persons to our board of directors and its committees as required from time to time to satisfy the corporate governance requirements under the NASDAQ Nasdaq Listing Rules.

Audit Committee

Our Audit Committee currently consists of Mr. Di Pietro (Chairperson) and Mmes. Barcellos and White Elk. The Audit Committee operates under a written charter, which is available on our website at www.evtvusa.com. Our board of directors has determined that Mr. Di Pietro is an "audit committee financial expert" as defined by the regulations promulgated by the SEC and within the meaning of the NASDAQ Listing Rules.

Our Audit Committee is responsible for, among other things:

- *appointing, compensating, retaining and overseeing our independent registered public accounting firm;*
- *approving the audit and non-audit services to be performed by our independent registered public accounting firm;*
- *reviewing, with our independent registered public accounting firm, all critical accounting policies and procedures;*
- *reviewing with management the adequacy and effectiveness of our internal control structure and procedures for financial reports;*
- *reviewing and discussing with management and our independent registered public accounting firm our annual audited financial statements and any certification, report, opinion or review rendered by our independent registered public accounting firm;*
- *reviewing and investigating conduct alleged to be in violation of our code of business conduct and ethics;*
- *reviewing and approving related party transactions;*
- *preparing the Audit Committee report required in our annual proxy statement; and*
- *reviewing and evaluating, at least annually, its own performance and the adequacy of the committee charter.*

The Audit Committee met as a committee three seven times during the fiscal year ended December 31, 2022 December 31, 2023.

Compensation Committee

Our Compensation Committee currently consists of Mr. Di Pietro and Mmes. Barcellos and White Elk (Chairperson). The Compensation Committee operates under a written charter, which is available on our website at www.evtvusa.com.

Our Compensation Committee assists our board of directors in the discharge of its responsibilities relating to the compensation of our executive officers and is responsible for, among other things:

- *reviewing and approving corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers;*

- *reviewing and approving the following compensation for our Chief Executive Officer and our other executive officers: salaries, bonuses, incentive compensation, equity awards, benefits and perquisites;*

- *recommending the establishment and terms of our incentive compensation plans and equity compensation plans, and administering such plans;*

- *recommending compensation programs for directors;*

- *preparing disclosures regarding executive compensation and any related reports required by the rules of the SEC;*

- *making and approving grants of options and other equity awards to all executive officers, directors and all other eligible individuals; and*

- *reviewing and evaluating, at least annually, its own performance and the adequacy of the committee charter.*

In carrying out these responsibilities, the Compensation Committee will review all components of executive compensation for consistency with our compensation philosophy and with the interests of our stockholders. The Compensation Committee met as a committee three eight times during the fiscal year ended December 31, 2022 December 31, 2023.

Compensation Committee Interlocks and Insider Participation

There are not currently, and during the fiscal year ended December 31, 2022 December 31, 2023, there were not any, interlocks of any of our executive officers or directors serving on the compensation committee or equivalent committee of another entity that has any director or executive officer serving on our Compensation Committee, any of our other committees, or our board of directors.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee currently consists of Ms. Barcellos (Chairperson), Ms. White Elk and Mr. Di Pietro. The Nominating and Corporate Governance Committee operates under a written charter, which is available on our website at www.evtvusa.com.

Our Nominating and Corporate Governance Committee is responsible for, among other things:

- *determining criteria for selecting new directors, including desired skills, experience and attributes, and identifying and actively seeking individuals qualified to become directors;*

- *evaluating and selecting, or recommending to our board of directors, nominees for each election of directors;*

- *considering any nominations of director candidates validly made by our stockholders;*

- *reviewing and making recommendations to our board of directors concerning qualifications, appointment and removal of committee members;*

- *developing, recommending for approval by our board of directors, and reviewing on an ongoing basis the adequacy of, our corporate governance principles, including director qualification standards, director responsibilities, committee responsibilities, director access to management and independent advisors, director compensation, director orientation and continuing education, management succession and annual performance evaluation of our board of directors and its committees;*

- *assisting our board of directors in developing criteria for the evaluation of the performance of our board of directors and its committees;*

- *if requested by our board of directors, assisting it in its evaluation of the performance of our board of directors and each of its committees; and*

- *reviewing and reassessing the adequacy of its charter.*

The Nominating and Corporate Governance Committee identifies potential director candidates through a variety of sources, including recommendations made by members of our board of directors and members of our executive management. When appropriate, the Nominating and Corporate Governance Committee may retain a search firm to identify director candidates.

In evaluating potential director candidates, the Nominating and Corporate Governance Committee may take into consideration such factors and criteria as it deems appropriate in evaluating a candidate, including:

- *his or her knowledge, expertise, skills, integrity, diversity, judgment, business, leadership or other experience;*

- *his or her reputation in the business community;*

- *the interplay of the candidate's experience with the experience of other members of our board of directors;*

- *the availability of such candidate to perform all responsibilities that will be expected of them as a member of our board and any committees; and*

- *the extent to which the candidate would be a desirable addition to our board of directors and any committees.*

The Nominating and Corporate Governance Committee reviews and assesses at least annually the skills and characteristics of the members of our board of directors, as well as the composition of our board of directors as a whole. The Nominating and Corporate Governance Committee's assessment includes a review of our directors' respective independence qualifications, skills and experience in the context of the needs of our board of directors. Additionally, the Nominating and Corporate Governance Committee considers diversity of experience at policy-making levels in business and technology, and in areas that are relevant to our activities. While we do not have a specific policy regarding diversity, when considering the nomination of directors, the Nominating and Corporate Governance Committee considers the diversity of its directors and nominees in terms of knowledge, experience, background, skills, expertise and other demographic factors.

In assessing the composition of our board of directors, the Nominating and Corporate Governance Committee considers the current and anticipated needs of our board of directors, and seeks to maintain an appropriate balance of different business backgrounds, skills and expertise based on the nature and requirements of our business. In evaluating potential director candidates, the Nominating and Corporate Governance Committee considers all relevant information regarding such candidates, including the membership criteria stated above, and whether such candidates would meet the Nominating and Corporate Governance Committee's objectives for the overall composition of our board of directors, as well as the candidates' ability and willingness to devote adequate time to the related responsibilities. When appropriate, the Nominating and Corporate Governance Committee will recommend qualified candidates for nomination by our entire board of directors. The Nominating and Corporate Governance met as a committee two times during the fiscal year ended December 31, 2022 December 31, 2023.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics, which outlines the principles of legal and ethical business conduct under which we do business. The code is applicable to all of our directors, officers and employees and is available on our website at www.evtvusa.com. We intend to disclose any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website or in filings under the Exchange Act, to the extent required by applicable rules and exchange requirements.

Item 11. EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

Overview

We have opted to comply with the executive compensation disclosure rules applicable to "smaller reporting companies," as such term is defined in the rules promulgated under the Securities Act. The following tables and accompanying narrative disclosure set forth information about the compensation provided to certain of our executive officers during the years ended December 31, 2022 December 31, 2023 and 2021. 2022. These executive officers, who include our current principal executive officer and the two most highly-compensated executive officers (other than our principal executive officers), for the year ended December 31, 2022 December 31, 2023, were:

- Phillip W. Oldridge, our Chief Executive Officer;
- Susan M. Emry, our Executive Vice President; and
- Christian S. Rodich, Douglas M. Campoli, our former Chief Financial Officer. Officer and Treasurer.

We refer to these individuals in this section as our "Named Executive Officers."

Summary Compensation Table (to update)

The following table presents summary information regarding the total compensation that was awarded to, earned by or paid to our Named Executive Officers for services rendered during the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

Name and Principal Position	Year	**Salary ($)**	**Bonus ($)**	**Option Awards ($)(1)**	**All Other Compensation ($)**	**Total ($)**	Year	Salary ($)	Bonus ($)	Option Awards ($)(1)	All Other Compensation ($)	Total ($)
Phillip W. Oldridge	2022	300,000	—	947,321	18,000 (5)	1,265,321	2023	300,000	—	322,073	18,000 (3)	640,073
Chief Executive Officer	2021	250,000 (2)	—	1,835,581	—	2,085,581	2022	300,000	—	947,321	18,000 (3)	1,265,321
Susan M. Emry	2022	200,000	—	667,318	—	867,318	2023	200,000	—	144,605	—	344,605
Executive Vice President	2021	68,000 (3)	—	—	—	68,000	2022	200,000	—	667,318	—	867,318
Christian S. Rodich(4) Former Chief Financial Officer	2022	146,667	20,000	206	—	166,873						
Douglas M. Campoli(2) Former Chief Financial Officer and Treasurer							2023	186,335	10,000	21,167	—	217,502

(1) The amounts shown in this column represent the aggregate grant date fair value of option awards granted in the year computed in accordance with FASB ASC Topic 718. The grant date fair values have been determined based on the assumptions and methodologies set forth in Note 9 to our financial statements included in Item 8 of this Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023. These amounts reflect our accounting expense for these awards and do not correspond to the actual value that may be recognized by our Named Executive Officers.

(2) For the year ended December 31, 2021, Mr. Oldridge was paid $250,000 of the annual $300,000 included in his employment agreement that was effective March 1, 2021.

(3) This amount represents the salary paid to Ms. Emry from her April 16, 2021 hire date as Controller through December 31, 2021. Ms. Emry was an unpaid officer of Envirotech Drive Systems, Inc. from January 1, 2021 through April 15, 2021.

(4) Mr. Rodich Campoli was appointed as Chief Financial Officer and Treasurer on February 3, 2022 April 17, 2023. The reported salary represents the amount paid to Mr. Rodich Campoli from his hire date of February 3, 2022 April 17, 2023 through December 31, 2022 December 31, 2023. Under the terms of his offer letter, Mr. Rodich Campoli received a signing/relocation signing bonus of $20,000. $10,000. Mr. Rodich Campoli resigned as Chief Financial Officer and Treasurer effective February 24, 2023 February 23, 2024.

(5) (3) All other compensation for Mr. Oldridge represents the value of a $1,500 monthly auto allowance paid per the terms of his employment agreement.

Outstanding Equity Awards at 2022 2023 Fiscal Year-End

The following table sets forth information regarding outstanding stock options held by our Named Executive Officers as of December 31, 2022 December 31, 2023. Our Named Executive Officers did not hold any restricted stock or other awards as of December 31, 2022 December 31, 2023:

Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	Option Expiration Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Phillip W. Oldridge	250,000	—	9.00	1/7/2031	250,000	—	9.00	1/7/2031
Chief Executive Officer	150,000	—	2.00	1/7/2032	150,000	—	2.00	1/7/2032
	50,000	—	2.40	1/7/2032	50,000	—	2.40	1/7/2032
					174,257	—	2.10	7/11/2033
Susan M. Emry	100,000	—	2.00	1/7/2032	100,000	—	2.00	1/7/2032
Executive Vice President	40,893	—	2.40	1/7/2032	40,893	—	2.40	1/7/2032
					78,238	—	2.10	7/11/2033
Christian S. Rodich	505	2,257 (1)	3.62	1/31/2032				
Douglas M. Campoli					2,222	7,778 (1)	2.65	1/31/2032
Former Chief Financial Officer	203	908 (1)	9.00	1/31/2032				

(1) The options were granted to Mr. Rodich Campoli on January 31, 2022 April 19, 2023, and vest ratably at 1/60th 36th per month over five three years from the grant date. The options to Mr. Oldridge and Mrs. Emry were fully vested upon grant.

Compensation Arrangements with Named Executive Officers

Phillip W. Oldridge

Mr. Oldridge is our Chief Executive Officer and chairman of our board of directors. We entered into an employment agreement with Mr. Oldridge, dated as of December 31, 2021 (the "Oldridge Agreement"). Mr. Oldridge's base salary increased to $300,000 per year from the previously disclosed $1 per year effective March 31, 2021. He was paid $250,000 of that amount in 2021. is $300,000. The auto allowance of $1,500 per month contained in his contract commenced being paid in 2022. Under the Oldridge Agreement, Mr. Oldridge will also receive an amount equal to five percent of the net income of the Company on an annual basis and will be eligible for a bonus at the sole discretion of the Company's Board of Directors. Mr. Oldridge's employment shall continue until terminated in accordance with the Oldridge Agreement. If Mr. Oldridge is terminated without cause or if he terminates his employment for good reason, Mr. Oldridge will be entitled to receive (i) one-year of base salary, (ii) reimbursement of reimbursable expenses in accordance with the Oldridge Agreement, (iii) any bonus that would have been payable within the twelve months following the date of termination, and (iv) the value of any accrued and unused paid time off as of the date of termination. On January 7, 2021, we granted Mr. Oldridge an option to purchase 250,000 shares of our common stock under the 2017 Equity Incentive Plan (the "2017 Plan") at an exercise price of $9.00 per share with an accounting value of $1,714,449. The shares subject to such option were initially scheduled to vest over a three-year period, with one-third of the shares vesting on the one-year anniversary of the grant date and the remainder vesting in equal monthly installments thereafter, subject to continued service with us through each vesting date; however, upon the closing of our acquisition of Envirotech Drive Systems, Inc. on March 16, 2021, our board of directors elected to accelerate the vesting of all outstanding options, whereupon such option vested in full and became exercisable by Mr. Oldridge. On August 4, 2021, we granted Mr. Oldridge an option to purchase 22,000 shares of our common stock under the 2017 Plan at an exercise price of $5.506 per share, with an accounting value of $121,132. Mr. Oldridge was immediately vested in the option on the grant date, and exercised it on November 30, 2021. On January 7, 2022 July 11, 2023, under the 2017 Plan, we granted Mr. Oldridge options to purchase 150,000 174,257 shares of our common stock at an exercise price of $2.00 $2.10 per share, with an accounting value of $710,729, and options to purchase 50,000 shares of our common stock at an exercise price of $2.40 per share, with an accounting value of $236,592. $322,073. The options granted on January 7, 2022 July 11, 2023 vested immediately and expire on the tenth anniversary of the grant date. All options were vested at December 31, 2023.

Susan M. Emry

Mrs. Emry has been our Executive Vice President since December 1, 2021. She was appointed as a member of our board of directors on January 7, 2022. We entered into an employment agreement, dated as of December 31, 2021 (the "Emry Agreement"), with Mrs. Emry, whose base salary was increased to is $200,000 per year effective on January 1, 2022. Mrs. Emry, formerly an executive with Envirotech Drive Systems, Inc., as described above who did not get paid a salary, joined the Company on April 16, 2021 as Controller. The compensation paid to Mrs. Emry in 2021 reflects the Controller salary for the period April 16, 2021 through December 31, 2021. year. Mrs. Emry's employment shall continue until terminated in accordance with the Emry Agreement. If Mrs. Emry is terminated without cause or if she terminates her employment for good reason, Mrs. Emry will be entitled to receive (i) one-year of base salary, (ii) reimbursement of reimbursable expenses in accordance with the Emry Agreement, and (iii) the value of any accrued and unused paid time off as of the date of termination. On January 7, 2022 July 11, 2023, under the 2017 Plan, we granted Mrs. Emry options to purchase 100,000 78,238 shares of our common stock at an exercise price of $2.00 $2.10 per share, with an accounting value of $473,819, and options to purchase 40,893 shares of our common stock at an exercise price of $2.40 per share, with an accounting value of $193,498. $144,605. The options granted on January 7, 2022 July 11, 2023 vested immediately and expire on the tenth anniversary of the grant date. All options were vested at December 31, 2023.

Christian S. Rodich Douglas M. Campoli

Mr. Rodich was appointed Campoli served as our the Chief Financial Officer on February 3, 2022 and Treasurer from April 17, 2023 to February 23, 2024. The Company entered into an offer letter with Mr. Rodich, pursuant to which Mr. Rodich received an annual base salary of $160,000, payable in semi-monthly installments consistent with the Company's payroll practices. Under the offer letter, Mr. Rodich would also receive stock Campoli was granted options to purchase 3,874 shares of the Company's common stock, vesting over five years, subject to his continued service through the applicable vesting date. Under the offer letter, Mr. Rodich would also receive a signing/relocation bonus of $20,000. On January 31, 2022, under the 2017 Plan, we granted Mr. Rodich options to purchase 2,763 10,000 shares of our common stock at an exercise price of $3.62 $2.65 per share on April 19, 2023, with an accounting value of $150, and options to purchase 1,111 shares of our common stock at an exercise price of $9.00 per share, with an accounting value of $56. $21,167. The options granted on April 19, 2023 vest ratably at 1/60th per month over five 3 years and expire on the tenth anniversary of the grant date. Mr. Rodich resigned as Chief Financial Officer of the Company effective February 24, 2023.

Severance and Change in Control Payments and Benefits

Our Named Executive Officers are not entitled to any severance or change in control payments or benefits, other than as provided in the section entitled "Compensation Arrangements with Named Executive Officers" above and in award agreements that set forth the terms and conditions of the stock options granted to *such individuals pursuant to the 2017 Plan. Each such award agreement provides that, in the event of a "transfer of control," any unvested portion of such option may vest immediately, subject to the Compensation Committee deciding that. For such purposes, a "transfer of control" includes the direct or indirect sale or exchange by our stockholders of all or substantially all of our capital stock, (a) where our stockholders before such sale or exchange do not retain, directly or indirectly, at least a majority of the beneficial interest in our voting stock after such sale or exchange; (b) a merger in which we are not the surviving corporation; (c) a merger in which we are the surviving corporation and our stockholders before such merger do not retain, directly or indirectly, at least a majority of the beneficial interest in the our voting stock after such merger; (d) the sale, exchange, or transfer of all or substantially all of our assets; or (e) our liquidation or dissolution.*

Limitations of Liability; Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a corporation's board of directors to grant, and authorizes a court to award, indemnity to officers, directors and other corporate agents. As permitted by Delaware law, our amended and restated certificate of incorporation provides that, to the fullest extent permitted by Delaware law, no director will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. Pursuant to Delaware law such protection would be not available for liability:

- *for any breach of a duty of loyalty to us or our stockholders;*
- *for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;*
- *for any transaction from which the director derived an improper personal benefit; or*
- *for an act or omission for which the liability of a director is expressly provided by an applicable statute, including unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law.*

Our amended and restated certificate of incorporation also provides that if Delaware law is amended after the approval by our stockholders of the amended and restated certificate of incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law.

Our amended and restated certificate of incorporation and amended and restated bylaws further provide that we must indemnify our directors and officers to the fullest extent permitted by Delaware law. Our amended and restated bylaws also authorize us to indemnify any of our employees or agents and authorize us to secure insurance on behalf of any officer, director, employee or agent for any liability arising out of his or her action in that capacity, whether or not Delaware law would otherwise permit indemnification.

In addition, our amended and restated bylaws provide that we are required to advance expenses to our directors and officers as incurred in connection with legal proceedings against them for which they may be indemnified and that the rights conferred in the amended and restated bylaws are not exclusive.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought, and we are not aware of any threatened litigation that may result in material claims for indemnification. We believe that our indemnity agreements and our amended and restated certificate of incorporation and our amended and restated bylaws provisions are necessary to attract and retain qualified persons as directors and executive officers.

Indemnity Agreements

In addition to the indemnification required in our amended and restated certificate of incorporation and amended and restated bylaws, we have entered into indemnification agreements with each of our directors and executive officers. These agreements generally provide for the indemnification of such persons for all reasonable expenses and liabilities, including attorneys' fees, judgments, penalties, fines and settlement amounts, incurred in connection with any action or *proceeding brought against them by reason of the fact that they are or were serving in such capacity, to the extent indemnifiable under the law. We believe that these charter and bylaw provisions and indemnity agreements are necessary to attract and retain qualified persons as directors and executive officers. Furthermore, as is typical, we have director and officer liability insurance to cover both us and our directors and officers for liabilities that may be incurred in connection with their services to us.*

Employee Benefit and Equity Incentive Plans

We currently maintain the 2017 Plan.

2017 Equity Incentive Plan

On June 9, 2017, we terminated our 2012 Stock Option Plan, at which time our 2017 Plan replaced our 2012 Stock Option Plan. The 2017 Plan is intended to make available incentives that will assist us to attract, retain and motivate employees, including officers, consultants and directors. We may provide these incentives through the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and units and other cash-based or stock-based awards.

Authorized Shares. A total of 15,000,000 shares of our common stock were initially authorized and reserved for issuance under the 2017 Plan. This reserve automatically increased on January 1, 2018 and will continue to increase on each subsequent anniversary through 2027, by an amount equal to the smaller of (a) 3% of the number of shares of common stock issued and outstanding on the immediately preceding December 31, or (b) an amount determined by the Board. Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2017 Plan and in outstanding awards to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to awards, which expire or are cancelled or forfeited will again become available for issuance under the 2017 Plan. The shares available will not be reduced by awards settled in cash or by shares withheld to satisfy tax withholding obligations. Only the net number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the 2017 Plan.

Plan Administration. The 2017 Plan is generally administered by the Compensation Committee of our board of directors. Subject to the provisions of the 2017 Plan, the Compensation Committee will determine in its discretion the persons to whom and the times at which awards are granted, the sizes of such awards and all of their terms and conditions. However, the Compensation Committee may delegate to one or more of our officers the authority to grant awards to persons who are not officers or directors, subject to certain limitations contained in the 2017 Plan and award guidelines established by the committee. The Compensation Committee has the authority to construe and interpret the terms of the 2017 Plan and awards granted under it. The 2017 Plan provides, subject to certain limitations, for indemnification by us of any director, officer or employee against all reasonable expenses, including attorneys' fees, incurred in connection with any legal action arising from such person's action or failure to act in administering the 2017 Plan. The 2017 Plan authorizes the Compensation Committee, without further stockholder approval, to provide for the cancellation of stock options or stock appreciation rights with exercise prices in excess of the fair market value of the underlying shares of common stock in exchange for new options or other equity awards with exercise prices equal to the fair market value of the underlying common stock or a cash payment. The 2017 Plan limits the grant date fair value of all equity awards and the amount of cash compensation that may be provided to a non-employee director in any fiscal year to an aggregate of $300,000.

Awards. Awards may be granted under the 2017 Plan to our employees, including officers, directors or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. All awards will be evidenced by a written agreement between us and the holder of the award.

Merger or Change in Control. In the event of a change in control as described in the 2017 Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the 2017 Plan or substitute substantially equivalent awards. Any awards which are not assumed or continued in connection with a change in control or are not exercised or settled prior to the change in control will terminate effective as of the time of the change in control. The Compensation Committee may provide for the acceleration of vesting of any or all outstanding awards upon such terms and to such extent as it determines, except that the vesting of all awards held by members of the Board who are not employees will automatically be accelerated in full. The 2017 Plan also authorizes the Compensation Committee, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each share subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise price per share, if any, under the award.

Plan Amendment, Termination. The 2017 Plan will continue in effect until it is terminated by the administrator, provided, however, that all awards will be granted, if at all, within 10 years of its effective date. The administrator may amend, suspend or terminate the 2017 Plan at any time, provided that without stockholder approval, the plan cannot be amended to increase the number of shares authorized, change the class of persons eligible to receive incentive stock options, or effect any other change that would require stockholder approval under any applicable law or listing rule.

Non-Employee Director Compensation

Directors who are also our employees receive no additional compensation for their service as a director. During the year ended December 31, 2022 December 31, 2023, our directors who also served as employees were Mr. Oldridge, our Chief Executive Officer, and Mrs. Emry, our Executive Vice President. Their compensation is addressed above under "Executive Compensation."

We have a formal policy pursuant to which our non-employee directors are eligible to receive equity awards and annual cash retainers as compensation for service on our Board and committees of our Board. The policy currently provides for annual compensation of $12,000 and reimbursement for all directors of reasonable expenses incurred during the course of their performance.

The table below sets forth the compensation earned by each of our non-employee directors during the fiscal year December 31, 2022 December 31, 2023:

Name	**Fees earned or paid in cash** *($)*
Terri White Elk	*12,000*
Michael A. DiPietro	*12,000*
Melissa Barcellos	*12,000*
Bradley Dixon	*12,000*

In addition, each non-employee director received 112,000 options (grant date fair value of $207,000) each on July 11, 2023. These options vested immediately.

Item 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information known to us regarding the beneficial ownership of our common stock as of February 28, 2023 March 14, 2024, for:

- *each person, or group of affiliated persons, known to us to beneficially own more than 5% of our common stock;*
- *each of our directors and nominees for election to the Board; directors;*
- *each of our named executive officers named in the summary compensation table included in the Summary Compensation Table included in this Annual Report; and*
- *all of our directors and executive officers as a group.*

Beneficial ownership of shares is determined under the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, and subject to applicable community property laws, we believe each person identified in the table has sole voting and investment power with respect to all shares of our common stock beneficially owned by them. The information does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Section 13(d) and Section 13(g) of the Securities Act.

On June 28, 2022, we effected a 1-for-20 reverse stock split of our common stock with no change to authorized shares of common stock. All share information presented below and elsewhere in this Annual Report on Form 10-K has been retroactively adjusted to reflect the stock split.

Applicable percentage ownership in the following table is based on 15,021,088 15,520,637 shares of our common stock outstanding as of February 28, 2023 March 22, 2024. Shares of our common stock subject to options, warrants or other convertible securities that are currently exercisable or exercisable within 60 days after February 28, 2023 March 22, 2024 are deemed to be outstanding and to be beneficially owned by the person or entity holding such option, warrant or convertible security for the purpose of computing the number and percentage ownership of outstanding shares of that person or entity. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or entity. Consequently, the denominator for calculating beneficial ownership percentages may be different for each beneficial owner. Except as otherwise noted, the address of each person or entity in the following table is c/o Envirotech Vehicles, Inc., 1425 Ohlendorf Road, Osceola, AR 72370.

Name of Beneficial Owner(1)	***Number of Shares***	***Percent of Shares***	*Number of Shares*	*Percent of Shares*
Directors and Executive Officers:				
Phillip W. Oldridge(2)	*472,000*	*3.1%*	*2,046,197*	*12.0%*
Susan M. Emry(3)	*245,995*	*1.6%*	*655,288*	*4.1%*
Christian S. Rodich(4)	*774*	*		
Franklin Lim(4)			*115,159*	*
Melissa Barcellos(5)	*114,200*	*	*233,404*	*1.5%*
Michael A. Di Pietro (6)	*8,830*	*	*147,132*	*
Terri White Elk (7)	*—*	*	*138,302*	*
All directors and executive officers as a group (6 persons)(6)	*841,799*	*5.4%*	*3,335,482*	*18.4%*
5% Stockholders:				
Gerald Douglas Conrod(7) (8)	*2,432,826*	*16.1%*	*1,796,282*	*11.5%*
162315 Family Trust(8)	*1,344,634*	*8.9%*		

* *Represents beneficial ownership of less than 1%.*

(1) *Unless otherwise indicated, all shares are owned directly by the beneficial owner.*

(2) *Consists of (i) 22,000 shares of our common stock held of record by Phillip W. Oldridge, (ii) 486,609 shares owned indirectly through a family relationship and (ii) 450,000 (iii) 1,537,588 shares of our common stock underlying options that are currently exercisable or exercisable within 60 days after February 28, 2023 March 22, 2024.*

(3) *Consists of (i) 105,102 105,100 shares of our common stock held of record by Susan M. Emry and (ii) 140,893 550,188 shares of our common stock underlying options that are currently exercisable or exercisable within 60 days after February 28, 2023 March 22, 2024.*

(4) *Consists of 774 115,159 shares of our common stock underlying options that were vested and are currently exercisable upon Mr. Rodich's employment termination date of February 24, 2023 or exercisable within 60 days after March 22, 2024.*

(5) *Represents (i) 113,792 94,293 shares of our common stock held of record by Provident Trust Group FBO Cornelia P. Doherty ROTH IRA, over which Ms. Barcellos has voting and investment control pursuant to a Voting Trust Agreement dated March 20, 2017 and, (ii) 408 809 shares of our common stock held of record by Melissa Barcellos.*

(6) *Consists of (i) 250,132 shares of our common stock Barcellos and (ii) 591,667 (iii) 138,302 shares of our common stock underlying options that are currently exercisable or exercisable within 60 days after February 28, 2023 March 22, 2024.*

(6) *Consists of (i) 8,830 shares of our common stock held of record by Michael A. Di Pietro and (ii) 138,302 shares of our common stock underlying options that are currently exercisable or exercisable within 60 days after March 22, 2024.*

(7) *Consists of 138,302 shares of our common stock underlying options that are currently exercisable or exercisable within 60 days after March 22, 2024*

(7) (8) The information reported is based in part on, and in reliance upon, and without independent investigation of, information provided by Gerald Douglas Conrod in a Schedule 13G filed with the SEC on March 26, 2021. As reported in such Schedule 13G, Gerald Douglas Conrod is the beneficial owner of 1,088,192 shares of our common stock and has sole voting and dispositive power over such shares. Mr. Conrod serves as co-trustee of 162315 Family Trust and, in such capacity, shares voting and dispositive power over the 1,100,884 626,840 shares held of record by the trust. Mr. Conrod disclaims beneficial ownership of the shares held by the trust. In addition to the information reported in such Schedule 13G, the information set forth above includes: (i) an additional 162,500 shares of our common stock purchased by 162315 Family Trust at the second closing of our previously announced private investment in public equity, or PIPE, transaction, on May 7, 2021, pursuant to that certain Securities Purchase Agreement, dated as of December 24, 2020 (the "Purchase Agreement"), that we entered into with certain institutional and accredited investors and pursuant to which, among other things, we sold and issued, and the investors purchased, shares of our common stock and related warrants to purchase additional shares of our common stock in a series of two closings (the "Financing"); and (ii) an additional 81,250 shares of common stock underlying warrants issued to 162315 Family Trust at the second closing of the Financing that are exercisable. The address of Gerald Douglas Conrod is 1961 Douglas Street, Victoria, British Columbia, V8T 4K7, Canada.

(8) The information reported is based in part on, and in reliance upon, and without independent investigation of, information provided by 162315 Family Trust in a Schedule 13G filed with the SEC on March 26, 2021. As reported in such Schedule 13G, 162315 Family Trust is the beneficial owner of 1,100,884 shares of our common stock, and has sole voting and dispositive power over such shares. In addition to the information reported in such Schedule 13G, the information set forth above includes: (i) an additional 162,500 shares of our common stock purchased by 162315 Family Trust at the second closing of the Financing on May 7, 2021; and (ii) an additional 81,250 shares of common stock underlying warrants issued to 162315 Family Trust at the second closing of the Financing that are exercisable. The address of 162315 Family Trust is 1103 Goldstream Avenue, Victoria, British Columbia, V9B 2Y9, Canada.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Other than compensation arrangements for our directors and Named Executive Officers, which are described in the sections titled "Management" and "Executive Compensation," below we describe transactions since January 1, 2021 January 1, 2022 to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed $120,000; and

- any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of, or person sharing the household with, the foregoing persons, had or will have a direct or indirect material interest.

As more fully discussed in the audited financial statements of Envirotech Vehicles, Inc. for the years ended December 31, 2022 December 31, 2023 and 2021 2022 located at Item 8, Part II of this Annual Report, on Form 10-K, the Company has entered into leases with SRI Professional Services, Incorporated ("SRI"), including the SRI Equipment Leases and the SRI Office Leases. Phillip W. Oldridge, the Company's Chief Executive Officer and Chairman of the Board, and a member of its board of directors, serves as an executive officer and a member of the board of directors of SRI.

In addition to the SRI Equipment Leases, and the SRI Office Leases, during 2021, the Company purchased a heavy-duty pick-up truck and a trailer from SRI for $81,293. The Company uses such equipment to transport its electric vehicles to and from customer demonstration sites and to and from equipment outfitters when the vehicles have custom bodies and accessories added for specific customers.

During 2021, the Company purchased two used automobiles from Mr. Oldridge for an aggregate purchase price of $33,250. The Company purchased such vehicles from Mr. Oldridge for use by the Company's employees for sales calls and other business purposes.

In connection with the closing of the Merger in March 2021, the Company purchased two electric trucks from Mr. Oldridge for an aggregate purchase price of $128,000. The purchase price for such vehicles was paid in full to Mr. Oldridge during 2021.

Prior to the closing of the Merger, Mr. Oldridge had permitted the vehicles to be used by the Company as customer demonstration vehicles for no cost. The purchase price of $64,000 per vehicle was less than the purchase price of $83,000 per vehicle that ADOMANI, Inc. had paid to Envirotech Drive Systems, Inc. for similar vehicles in prior transactions. One of the vehicles purchased by the Company was subsequently sold to a customer of the Company in March 2021 and the second truck remains in the Company's inventory at December 31, 2022.

The Company has also entered into a commercial lease agreement (the "ABCI Office Lease") with Alpha Bravo Charlie, Inc. ("ABCI") that commenced on April 1, 2020, for the lease of office space in Porterville, California. Mr. Oldridge is a director of ABCI.

During the second quarter of 2023, the Company purchased a vehicle from Phillip W. Oldridge for $45,216, which remains unpaid as of December 31, 2023.

The following table summarizes these related party transactions for the years ending December 31, 2022 December 31, 2023 and 2021: 2022:

	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2023	2022
SRI Equipment Leases	$ 93,247	$ 116,559	$ 93,247	$ 93,247
SRI Office Lease	26,390	14,000	13,650	26,390
Truck & trailer purchase from SRI	—	81,293		
Total SRI	119,637	211,852	106,897	119,637
Vehicles purchased from Phillip W. Oldridge	—	161,250	45,216	—
ABCI Office leases	33,600	50,610	68,400	33,600
Total	$ 153,237	$ 423,712	$ 220,513	$ 153,237

Indemnification of Directors and Officers

Our amended and restated bylaws provide that we will indemnify each of our directors and officers to the fullest extent permitted by the Delaware General Corporation Law. Further, we have entered into indemnification agreements with each of our directors and executive officers. These agreements require us, among other things, to indemnify these individuals for certain expenses (including attorneys' fees), judgments, fines and settlement amounts reasonably incurred by such person in any action or proceeding, including any action by or in our right, on account of any services undertaken by such person on behalf of our company or that person's status as a member of our Board of Directors to the maximum extent allowed under Delaware law. We also maintain directors' and officers' liability insurance. For further information, see the section titled "Executive Compensation—Limitations of Liability; Indemnification of Directors and Officers."

Policies and Procedures for Related Person Transactions

All future transactions, if any, between us and our officers, directors and principal stockholders and their affiliates, as well as any transactions between us and any entity with which our officers, directors or principal stockholders are affiliated will be reviewed and approved or ratified in accordance with policies and procedures adopted by our board of directors. Such policies and procedures require that related person transactions be approved by the Audit Committee or our board of directors or otherwise in accordance with the then applicable SEC rules and regulations governing the approval of such transactions. The Audit Committee and the board of directors have adopted policies and procedures for review of, and standards for approval of related party transactions. These policies and procedures have not been and will not be applied to the related party transactions described above.

All future affiliated transactions will be made or entered into on terms that are no less favorable to us than those that can be obtained from any unaffiliated third party. A majority of the independent, disinterested members of our board of directors will approve future affiliated transactions, and we will maintain at least two independent directors on our board of directors to review all material transactions with affiliates.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Barton CPA, PLLC served as our independent registered public accounting firm for the fiscal year ended December 31, 2022. MaloneBailey, LLP served as our independent registered public accounting firm for December 31, 2023for the fiscal year ended December 31, 2021 and served in this capacity for ADOMANI, Inc. each of the eight fiscal years ended December 31, 2020 December 31, 2022 . During this time, through and including December 31, 2022, there were no disagreements between us and Barton CPA, PLLC and MaloneBailey, LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Independent Registered Public Accounting Firm Fees

The following table shows the fees that were billed for audit and other services provided during the fiscal years ended December 31, 2022 endedDecember 31, 2023 and 2021: 2022:

	For the Fiscal Year Ended	For the Fiscal Year Ended

	December 31,				December 31,	
	2022		**2021**		2023	2022
Audit Fees(1)	$	282,500	$	164,000	$ 245,000	$ 282,500
Audit-Related Fees(2)		—		—	—	—
Tax Fees(3)		—		—	—	—
All Other Fees(4)		—		—	—	—
Total	$	225,000	$	189,000	$ 245,000	$ 282,500

(1) Audit Fees consist of professional services rendered in connection with the audit of our annual financial statements, including the audited financial statements presented in our 2022 2023 Annual Report, on Form 10-K, and the review of our financial statements included in 2022 2023 quarterly reports, along with services that are normally provided by the independent registered accountants in connection with statutory and regulatory filings or engagements for those fiscal years and timely review of our quarterly consolidated financial statements.

(2) Audit-related fees consist of fees for professional services rendered for assurance and related services that were reasonably related to the performance of the audit or review of our consolidated financial statements that are not reported under "Audit Fees." There were no separate charges in either period related to such services.

(3) Tax Fees consist of fees for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state, and international tax compliance. No tax services were provided in either period.

(4) All other fees consist of fees billed for products and services provided other than the services reported for the other categories; there were no such fees in either period.

Pre-Approval Policies and Procedures of the Audit Committee

Consistent with the rules and regulations promulgated by the SEC, the Audit Committee approves the engagement of our independent registered public accounting firm and is also required to pre-approve all audit and non-audit expenses. All of the services described above were approved by the Audit Committee in accordance with its procedure.

Part IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report:

(1) **Financial Statements**.

The financial statements filed as part of this Annual Report are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8 of this Annual Report.

(2) **Financial Statement Schedules**.

Schedules are omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule or because the information required is given in the consolidated financial statements or the notes thereto.

(3) **Exhibits**.

The following exhibits are filed (or incorporated by reference herein) as part of this Annual Report:

Exhibit Index

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Date	Exhibit No.	
3.1	Amended and Restated Certificate of Incorporation of the Company	1-A POS	024-10656	6/15/2017	2.7	
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company	8-K	001-38078	6/11/2018	3.1	
3.3	Amended and Restated Bylaws of the Company	1-A POS	024-10656	6/15/2017	2.8	
4.1	Specimen Common Stock Certificate	S-1/A	333-220983	12/15/2017	4.1	
4.2	Form of Secured Promissory Note	1-A	024-10656	12/21/2016	3.1	
4.3	Common Stock Purchase Warrant, dated June 26, 2017, issued to Boustead Securities, LLC	10-Q	001-38078	8/14/2017	4.1	
4.4	Common Stock Purchase Warrant, dated June 19, 2017, issued to Redwood Group International Limited	10-Q	001-38078	8/14/2017	4.2	
4.5	Form of Placement Agent Warrant, dated January 5, 2018	8-K	001-38078	1/8/2018	4.2	
4.6	Form of Unit Certificate	S-1/A	333-220983	1/4/2018	4.7	
4.7	Form of Warrant	8-K	001-38078	12/28/2020	4.1	
4.8	Description of Registrant's Securities	10-K	001-38078	3/31/2021	4.8	
9.1	Voting Trust Agreement, by and among Provident Trust Group FBO Cornelia P. Doherty ROTH IRA, Connie Doherty Living Trust Dated May 1, 1996, Gary Nettles as Voting Trustee, and the Company, dated March 20, 2017	1-A/A	024-10656	4/7/2017	5.1	
10.2+	Form of Indemnity Agreement	1-A	024-10656	12/21/2016	6.8	
10.3	Patent License-Use and Manufacturing Agreement, by and between Silicon Turbine Systems, Inc. and the Company, dated November 7, 2014	1-A	024-10656	12/21/2016	6.9	
10.4+	Employment Agreement, by and between Michael K. Menerey and the Company, dated January 1, 2017	1-A/A	024-10656	1/17/2017	6.15	
10.5+	2017 Equity Incentive Plan	1-A/A	024-10656	4/7/2017	6.17	
10.6+	Form of Stock Option Agreement for 2017 Equity Incentive Plan	1-A/A	024-10656	4/7/2017	6.18	
10.7+	Form of Notice of Grant of Stock Option for 2017 Equity Incentive Plan	1-A/A	024-10656	4/7/2017	6.19	

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Date	Exhibit No.			Form	File No.	Date	Exhibit No.	

10.8	Securities Purchase Agreement, dated January 5, 2018, by and among the Company and certain investors set forth therein	8-K	001-38078	1/8/2018	10.1	Securities Purchase Agreement, dated January 5, 2018, by and among the Company and certain investors set forth therein	8-K	001-38078	1/8/2018	10.1	
10.9	Form of Subscription Agreement	1-A/A	024-10656	2/13/2017	4.1	Form of Subscription Agreement	1-A/A	024-10656	2/13/2017	4.1	
10.10	Form of Escrow Deposit Agreement	1-A/A	024-10656	2/13/2017	8.1	Form of Escrow Deposit Agreement	1-A/A	024-10656	2/13/2017	8.1	
10.12	Paycheck Protection Program Promissory Note and Agreement, dated May 3, 2020, between ADOMANI, Inc. and Wells Fargo Bank, NA	10-Q	001-38078	8/14/2020	10.1	Paycheck Protection Program Promissory Note and Agreement, dated May 3, 2020, between ADOMANI, Inc. and Wells Fargo Bank, NA	10-Q	001-38078	8/14/2020	10.1	
10.13	Loan Authorization and Agreement, dated May 17, 2020, between ADOMANI, Inc. and the U.S. Small Business Administration	10-Q	001-38078	8/14/2020	10.2	Loan Authorization and Agreement, dated May 17, 2020, between ADOMANI, Inc. and the U.S. Small Business Administration	10-Q	001-38078	8/14/2020	10.2	
10.14	Promissory Note, dated May 17, 2020, issued by ADOMANI, Inc. to the U.S. Small Business Administration	10-Q	001-38078	8/14/2020	10.3	Promissory Note, dated May 17, 2020, issued by ADOMANI, Inc. to the U.S. Small Business Administration	10-Q	001-38078	8/14/2020	10.3	

10.15	Security Agreement, dated May 17, 2020, executed by ADOMANI, Inc. in favor of the U.S. Small Business Administration	10-Q	001-38078	8/14/2020	10.4	Security Agreement, dated May 17, 2020, executed by ADOMANI, Inc. in favor of the U.S. Small Business Administration	10-Q	001-38078	8/14/2020	10.4
10.16	Balloon Payment Promissory Note, dated as of October 28, 2020, between ADOMANI, Inc. and Envirotech Drive Systems Incorporated / SRI Professional Services, Incorporated	10-Q	001-38078	11/13/2020	10.1	Balloon Payment Promissory Note, dated as of October 28, 2020, between ADOMANI, Inc. and Envirotech Drive Systems Incorporated / SRI Professional Services, Incorporated	10-Q	001-38078	11/13/2020	10.1
10.17+	Separation Agreement and General Release, dated as of October 30, 2020, between ADOMANI, Inc. and James L. Reynolds	10-Q	001-38078	11/13/2020	10.2	Separation Agreement and General Release, dated as of October 30, 2020, between ADOMANI, Inc. and James L. Reynolds	10-Q	001-38078	11/13/2020	10.2
10.18	Form of Exchange Agreement.	8-K	001-38078	12/03/2020	10.1	Form of Exchange Agreement.	8-K	001-38078	12/03/2020	10.1
10.19	Form of Securities Purchase Agreement, dated December 24, 2020, by and between ADOMANI, Inc. and the parties thereto	8-K	001-38078	12/28/2020	10.1	Form of Securities Purchase Agreement, dated December 24, 2020, by and between ADOMANI, Inc. and the parties thereto	8-K	001-38078	12/28/2020	10.1
10.20	Form of Registration Rights Agreement	8-K	001-38078	12/28/2020	10.2	Form of Registration Rights Agreement	8-K	001-38078	12/28/2020	10.2

10.21	Agreement and Plan of Merger, dated February 16, 2021, by and among Adomani, Inc., EVT Acquisition Company, Inc., and Envirotech Drive Systems, Inc.	8-K	001-38078	2/17/2021	2.1	Agreement and Plan of Merger, dated February 16, 2021, by and among ADOMANI, Inc., EVT Acquisition Company, Inc., and Envirotech Drive Systems, Inc.	8-K	001-38078	2/17/2021	2.1
10.22+	Employment Agreement, dated as of December 31, 2021, by and between the registrant and Phillip W. Oldridge.	8-K	001-38078	1/7/2022	10.1	Employment Agreement, dated as of December 31, 2021, by and between the registrant and Phillip W. Oldridge.	8-K	001-38078	1/7/2022	10.1
10.23+	Employment Agreement, dated as of December 31, 2021, by and between the registrant and Susan M. Emry.	8-K	001-38078	1/7/2022	10.2	Employment Agreement, dated as of December 31, 2021, by and between the registrant and Susan M. Emry.	8-K	001-38078	1/7/2022	10.2
10.24+	Offer Letter with Christian S. Rodich dated February 3, 2022	8-K	001-38078	2/8/2022	10.1	Offer Letter with Christian S. Rodich dated February 3, 2022	8-K	001-38078	2/8/2022	10.1
16.1						Letter of MaloneBailey, LLP, date August 11, 2023.	8-K	001-38078	8/11/2023	16.1

Exhibit Number	Description of Exhibit	Form	Incorporated by Reference File No.	Date	Exhibit No.	Filed Herewith
21.1	Subsidiaries of the Company					X
23.1	Consent of Barton CPA, PLLC, independent registered public accounting firm					X
23.2	Consent of MaloneBailey, LLP, independent registered public accounting firm					X
24.1	Power of Attorney (included on signature page)					X
31.1	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer					X

31.2	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer	X
32.1#	18 U.S.C. Section 1350 Certification of Chief Executive Officer and Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
97.1	[Clawback Policy]68	X
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).*	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document*	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*	X
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document*	X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	

+ Indicates a management contract or compensatory plan.

The information in Exhibit 32.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act (including this report) Annual Report), unless the Registrant specifically incorporates the foregoing information into those documents by reference.

* In accordance with Rule 402 of Regulation S-T, this interactive data file is deemed not filed or part of this Annual Report on Form 10-K for purposes of Sections 11 or 12 of the Securities Act or Section 18 of the Exchange Act and otherwise is not subject to liability under these sections.

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ENVIROTECH VEHICLES INC.

Date: September 25, 2023 March 28, 2024

By: /s/ Phillip W. Oldridge

Phillip W. Oldridge
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Phillip W. Oldridge, Christian S. Rodich Franklin Lim and Susan M. Emry, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any *amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Phillip W. Oldridge Phillip W. Oldridge	Chief Executive Officer and Director (Principal Executive Officer)	September 25, 2023 March 28, 2024
/s/ Douglas M. Campoli Franklin Lim Douglas M. Campoli Franklin Lim	Chief Financial Officer and Treasurer	September 25, 2023 March 28, 2024
/s/ Melissa Barcellos Melissa Barcellos	Director	September 25, 2023 March 28, 2024
/s/ Michael Di Pietro Michael Di Pietro	Director	September 25, 2023 March 28, 2024
/s/ Susan M. Emry Susan M. Emry	Director	September 25, 2023
/s/ Terri White Elk Terri White Elk	Director	September 25, 2023 March 28, 2024

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Name of Subsidiary	State or Other Jurisdiction of Incorporation or Organization
ADOMANI California, Inc.	California
ADOMANI California, Inc.	Arkansas
ADOMANI California, Inc.	Florida
ADOMANI ZEV Sales, Inc.	California
ADOMANI ZEV Sales, Inc.	Arkansas
ZEV Resources, Inc.	California
Zero Emission Truck and Bus Sales of Arizona Inc.	Arizona
Adomani (Nantong) Auto Technology Company	People's Republic of China
Envirotech Drive Systems, Inc.	Delaware

Envirotech Drive Systems Incorporated	*Wyoming*
Envirotech Drive Systems Incorporated	*California*
Envirotech Drive Systems Incorporated	*Arkansas*
Progreens Battery Labs, Inc.	*Arkansas*
1425 Ohlendorf Road, LLC	*Arkansas*
Envirotech Vehicles, Inc.	*Philippines*

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

EXHIBIT 23.1

We consent to the use, in this Registration Statement on Form S-8, of our report dated September 25, 2023March 28, 2024, with respect to our audit of the consolidated financial statements of Envirotech Vehicles, Inc. and Subsidiaries as of December 31, 2022December 31, 2023, and for the year then ended, included in the Annual Report on Form 10-K. We also consent to the reference to us under the heading "Experts" in such Registration Statement, as needed.

Very truly yours,

/s/ Barton CPA PLLC
Cypress, Texas
September 25, 2023

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-224152) of our report dated April 26, 2022 relating to the financial statements of Envirotech Vehicles, Inc. (formerly Adomani, Inc.) (the "Company"), appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2021.

/s/ MaloneBailey, LLP
www.malonebailey.com
Houston, Texas
September 25, 2023March 28, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Phillip W. Oldridge, certify that:

1. *I have reviewed this Annual Report on Form 10-K of Envirotech Vehicles, Inc.;*

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)) 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: September 25, 2023March 28, 2024

/s/ Phillip W. Oldridge

Phillip W. Oldridge
Chief Executive Officer, President and Chairman of the Board
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Douglas M. Campoli, Franklin Lim, certify that:

1. *I have reviewed this Annual Report on Form 10-K of Envirotech Vehicles, Inc.;*

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)) 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: September 25, 2023March 28, 2024

By: /s/ Douglas M. Campoli Franklin Lim

Douglas M. Campoli Franklin Lim

Chief Financial Officer and Treasurer

Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his respective capacity as an officer of Envirotech Vehicles, Inc., that the Annual Report on Form 10-K of Envirotech Vehicles, Inc. for the year ended December 31, 2022 2023 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Envirotech Vehicles, Inc.

Date: September 25, 2023March 28, 2024

By: /s/ Phillip W. Oldridge

Phillip W. Oldridge
Chief Executive Officer, President and Chairman of the Board
(Principal Executive Officer)

Date: *September 25, 2023* *March 28, 2024*

By: */s/ Douglas M. Campoli Franklin Lim*

Douglas M. Campoli Franklin Lim
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 97.1

ENVIROTECH VEHICLES, INC.

Incentive Compensation Recovery Policy (the "Policy")

1. Recovery of Excess Incentive Compensation. *If Envirotech Vehicles, Inc. (the "Company") is required to prepare a Restatement, the Company's board of directors (the "Board") shall, unless the Board's Compensation Committee determines it to be Impracticable, take reasonably prompt action to recover all Recoverable Compensation from any Covered Person. The Company's obligation to recover Recoverable Compensation is not dependent on if or when the restated financial statements are filed. Subject to applicable law, the Board may seek to recover Recoverable Compensation by requiring a Covered Person to repay such amount to the Company; by adding "holdback" or deferral policies to incentive compensation; by adding post-vesting "holding" or "no transfer" policies to equity awards; by set-off of a Covered Person's other compensation; by reducing future compensation; or by such other means or combination of means as the Board, in its sole discretion, determines to be appropriate. This Policy is in addition to (and not in lieu of) any right of repayment, forfeiture or off-set against any Covered Person that may be available under applicable law or otherwise (whether implemented prior to or after adoption of this Policy). The Board may, in its sole discretion and in the exercise of its business judgment, determine whether and to what extent additional action is appropriate to address the circumstances surrounding any Restatement to minimize the likelihood of any recurrence and to impose such other discipline as it deems appropriate.*

2. Administration of Policy. *The Board shall have full authority to administer, amend or terminate this Policy. The Board shall, subject to the provisions of this Policy, make such determinations and interpretations and take such actions in connection with this Policy as it deems necessary, appropriate or advisable. All determinations and interpretations made by the Board shall be final, binding and conclusive. The Board may delegate any of its powers under this Policy to the Compensation Committee of the Board or any subcommittee or delegate thereof.*

3. Acknowledgement by Executive Officers. *The Board shall provide notice to and seek written acknowledgement of this Policy from each Executive Officer; provided that the failure to provide such notice or obtain such acknowledgement shall have no impact on the applicability or enforceability of this Policy.*

4. No Indemnification. *Notwithstanding the terms of any of the Company's organizational documents, any corporate policy or any contract, no Covered Person shall be indemnified against the loss of any Recoverable Compensation.*

5. Disclosures. *The Company shall make all disclosures and filings with respect to this Policy and maintain all documents and records that are required by the applicable rules and forms of the U.S. Securities and Exchange Commission (the "SEC"), (including, without limitation, Rule 10D-1 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) and any applicable Exchange listing standard.*

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6. Definitions. *In addition to terms otherwise defined in this Policy, the following terms, when used in this Policy, shall have the following meanings:*

"Applicable Period*"means the three completed fiscal years preceding the earlier to occur of: (i) the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement; or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement. "Applicable Period" also includes, in addition to the three fiscal year period described in the preceding sentence, any transition period (that results from a change in the Company's fiscal year) within or immediately following that completed three fiscal year period; provided, further, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year.*

"Covered Person*"means any person who receives Recoverable Compensation.*

"Exchange*"means any national securities exchange or national securities association upon which the Company has a class of securities listed.*

"Executive Officer*" includes the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer* *who performs a policy-making function, or any other person (including any executive officer of the Company's subsidiaries or affiliates) who performs similar policy-making functions for the Company. At a minimum, the term "Executive Officer" shall include all executive officers identified in SEC filings pursuant to Item 401(b) of Regulation S-K, 17 C.F.R. §229.401(b).*

"Financial Reporting Measure*" means a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part (including "non-GAAP" financial measures, such as those appearing in earnings releases) from such measures; provided, however, that any such measure need not be presented within the Company's financial statements or included in a filing made with the SEC. Examples of Financial Reporting Measures include measures based on: revenues, net income, operating income, financial ratios, EBITDA, liquidity measures (such as free cash flow), return measures (such as return on assets or return on invested capital), profitability of one or more segments, and cost per employee.Stock price and total shareholder return ("TSR") also are Financial Reporting Measures.*

"Impracticable*" means, after exercising a normal due process review of all the relevant facts and circumstances and taking all steps required by Exchange Act Rule 10D-1 and any applicable Exchange listing standard, the Compensation Committee determines that recovery of the Recoverable Compensation is impracticable because: (i) it has determined that the direct expense that the Company would pay to a third party to assist in enforcing this Policy and recovering the otherwise Recoverable Compensation would exceed the amount to be recovered; (ii) it has concluded that the recovery of the Recoverable Compensation would violate home country law adopted prior to November 28, 2022; or (iii) it has determined that the recovery of the Recoverable Compensation would cause a tax-qualified retirement plan, under which benefits are broadly available to the Company's employees, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder. The Company must: (i) in the case of clause (i) of the preceding sentence, prior to making that determination, make a reasonable attempt to recover any Recoverable Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange; and (ii) in the case of clause (ii) of the preceding sentence, obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation, and provide that opinion to the Exchange.*

"Incentive-Based Compensation*" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure; however it does not include: (i) base salaries; (ii) discretionary cash bonuses; (iii) awards (either cash or equity) that are based upon subjective, strategic or operational standards; and (iv) equity awards that vest solely on the passage of time.*

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"Received*"–Incentive-Based Compensation is deemed "Received" in any Company fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.*

"Recoverable Compensation*" means all Incentive-Based Compensation (calculated on a pre-tax basis) Received after October 2, 2023 by a Covered Person: (i) after beginning service as an Executive Officer; (ii) who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation; (iii) while the Company had a class of securities listed on an Exchange; and (iv) during the Applicable Period, that exceeded the amount of Incentive-Based Compensation that otherwise would have been Received had the amount been determined based on the Financial Reporting Measures, as reflected in the Restatement. With respect to Incentive-Based Compensation based on stock price or TSR, when the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement: (i) the amount must be based on a reasonable estimate of the effect of the Restatement on the stock price or TSR upon which the Incentive-Based Compensation Received by the Covered Person originally was based; and (ii) the Company must maintain documentation of the determination of the reasonable estimate and provide such documentation to the Exchange.*

"Restatement*"means an accounting restatement of any of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (often referred to as a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (often referred to as a "little r" restatement). A Restatement does not include situations in which financial statement changes did not result from material non-compliance with financial reporting requirements, such as, but not limited to retrospective: (i) application of a change in accounting principles; (ii) revision to reportable segment information due to a change in the structure of the Company's internal organization; (iii) reclassification due to a discontinued operation; (iv) application of a change in reporting entity, such as from a reorganization of entities under common control; (v) adjustment to provision amounts in connection with a prior business combination; and (vi) revision for stock splits, stock dividends, reverse stock splits or other changes in capital structure.*

Adopted by the Board of Directors on November 27, 2023

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