

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

For the Quarterly Period Ended September 30, 2024

☐ **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: 001-40970

**TRUGOLF HOLDINGS, INC.**

(Exact name of registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**6770**

(Primary Standard Industrial  
Classification Code Number)

**85-3269086**

(Internal Revenue Service  
Employer Identification Number)

**60 North 1400 West  
Centerville, Utah**

(Address of Principal Executive Offices)

**84014**

(Zip Code)

Registrant's telephone number, including area code:  
**(801) 298-1997**

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

<b>Title of each class</b>	<b>Trading Symbol (s)</b>	<b>Name of each exchange on which registered</b>
Class A Common Stock, par value \$0.0001 per share	TRUG	The NASDAQ Stock Market LLC

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 and post 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** ☐  
**Non-accelerated filer** ☒

**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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

State the number of shares of the issuer's common stock outstanding, as of the latest practicable date, 11,887,985 shares of common stock issued and outstanding as of November 7, 2024.

**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

TruGolf Holdings, Inc.

September 30, 2024

Index to the Condensed Consolidated Financial Statements

<a href="#">Condensed Consolidated Balance Sheets as of September 30, 2024 (Unaudited) and December 31, 2023</a>	3
<a href="#">Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2024 and 2023 (unaudited)</a>	4
<a href="#">Condensed Consolidated Statement of Comprehensive Income for the Three and Nine Months Ended September 30, 2024 and 2023 (unaudited)</a>	5

<a href="#">Condensed Consolidated Statements of Stockholder's Deficit for the Three and Nine Months Ended September 30, 2024 and 2023 (unaudited)</a>	6
<a href="#">Condensed Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2024 and 2023 (unaudited)</a>	7
<a href="#">Notes to the Condensed Consolidated Financial Statements (unaudited)</a>	8

**TRUGOLF HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS OF SEPTEMBER 30, 2024 AND DECEMBER 31, 2023**

	<u>2024</u>	<u>2023</u>
	<u>(unaudited)</u>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,452,185	\$ 3,297,564
Restricted cash	-	2,100,000
Marketable investment securities	-	2,478,953
Accounts receivable, net	4,542,097	2,398,872
Inventory, net	2,324,230	2,119,084
Prepaid expenses	99,032	262,133
Total current assets	14,417,544	12,656,606
Property and equipment, net	131,581	234,308
Capitalized software development costs, net	1,738,417	-
Right-of-use assets	721,051	972,663
Other long-term assets	31,097	1,905,983
Total assets	<u>\$ 17,039,690</u>	<u>\$ 15,769,560</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 2,288,208	\$ 2,059,771
Customer deposits	4,600,105	1,704,224
Deferred revenue	575,000	-
Notes payable, current portion	9,854	9,425
Notes payable to related parties, current portion	1,937,000	1,237,000
Line of credit, bank	802,738	802,738
Margin line of credit account	-	1,980,937
Convertible notes payable	954,622	954,622
Notes payable assumed in Merger	1,465,000	-
Accrued interest	1,649,341	459,872
Accrued and other current liabilities	1,201,071	1,125,495
Accrued and other current liabilities - assumed in Merger	295,008	-
Lease liability, current portion	375,660	334,255
Total current liabilities	16,153,607	10,668,339
Non-current liabilities:		
Notes payable, net of current portion	12,290	2,402,783
Note payables to related parties, net of current portion	874,000	861,000
PIPE loan payable, net	4,232,448	-
Dividend notes payable	4,023,923	4,023,923
Gross sales royalty payable	1,000,000	1,000,000
Lease liability, net of current portion	380,386	668,228
Other liabilities	589,619	63,015
Total liabilities	27,266,273	19,687,288
<b>Commitments and Contingencies</b>		
<b>Stockholders' deficit:</b>		
Preferred stock, \$0.0001 par value, 10 million share authorized; zero shares issued and outstanding, respectively	-	-
Common stock - Series A, \$0.0001 par value, 90 million shares authorized; 11,887,985 and 13,098 shares issued and outstanding, respectively.	1,189	120
Common stock - Series B, \$0.0001 par value, 10 million shares authorized; 1,716,860 and 0 shares issued and outstanding, respectively.	172	-
Treasury stock at cost, 4,692 shares of common stock held, respectively	(2,037,000)	(2,037,000)
Additional paid-in capital	7,100,503	10,479,738
Accumulated other comprehensive loss	-	(1,662)
Accumulated deficit / losses	(15,291,447)	(12,358,924)
Total stockholders' deficit	(10,226,583)	(3,917,728)
Total liabilities and stockholders' deficit	<u>\$ 17,039,690</u>	<u>\$ 15,769,560</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**TRUGOLF HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,**  
**(unaudited)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues, net	\$ 6,236,795	\$ 3,431,735	\$ 15,121,980	\$ 13,788,700
Cost of revenues	1,924,093	1,533,691	5,183,328	4,531,429
Gross profit	4,312,702	1,898,044	9,938,652	9,257,271
Operating expenses:				
Royalties	166,631	130,610	719,668	447,366
Salaries, wages and benefits	1,695,678	2,252,848	4,654,560	6,171,878
Selling, general and administrative	1,578,112	1,838,297	5,420,872	9,455,683
Total operating expenses	3,440,421	4,221,755	10,795,100	16,074,927
(Loss) income from operations	872,281	(2,323,711)	(856,448)	(6,817,656)
Other (expenses) income:				
Interest income	38,592	21,197	105,800	71,542
Interest expense	(971,048)	(358,354)	(2,176,810)	(1,265,775)
Loss on investment	-	-	(3,912)	-
Total other expense	(932,456)	(337,157)	(2,074,922)	(1,194,233)
Loss from operations before income taxes	(60,175)	(2,660,868)	(2,931,370)	(8,011,889)
Provision for income taxes	-	-	-	-
Net loss	\$ (60,175)	\$ (2,660,868)	\$ (2,931,370)	\$ (8,011,889)
Basic and diluted net loss per share attributable to common stockholders	\$ (0.00)	\$ (219.38)	\$ (0.28)	\$ (660.56)
Basic and diluted weighted average common shares	13,380,737	12,129	10,550,277	12,129

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

4

**TRUGOLF HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(unaudited)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net loss	\$ (60,175)	\$ (2,660,868)	(2,931,370)	\$ (8,011,889)
Other comprehensive income:				
Unrealized gain in fair value of short-term investments	-	(30,862)	1,662	(64,121)
Comprehensive loss	\$ (60,175)	\$ (2,691,730)	(2,929,708)	\$ (8,076,010)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

5

**TRUGOLF HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
**FOR THE THREE AND NINE MONTHS ENDED September 30, 2024 and 2023**  
**(unaudited)**

	Preferred Stock		Common Stock- Series A		Common Stock- Series B		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Losses	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 31, 2023	-	\$ -	13,098	\$ 120	-	\$ -	(4,692)	\$ (2,037,000)	\$ 10,479,738	\$ (1,662)	\$ (12,358,924)	\$ (3,917,728)
Realized gain in fair value of short term investments	-	-	-	-	-	-	-	-	-	1,662	-	1,662
Common stock exchanged in Merger	-	-	(13,098)	(120)	-	-	-	-	(3,854,573)	-	-	(3,854,693)
Common stock Series A exchanged and issued in Merger	-	-	11,538,252	1,154	-	-	-	-	(1,154)	-	-	-
Common stock Series B issued in Merger	-	-	-	-	1,716,860	172	-	-	(172)	-	-	-
Net loss	-	-	-	-	-	-	-	-	-	-	(1,301,864)	(1,301,864)
Balance, March 31, 2024	-	\$ -	11,538,252	\$ 1,154	1,716,860	\$ 172	(4,692)	\$ (2,037,000)	\$ 6,623,839	\$ (0)	\$ (13,660,788)	\$ (9,072,623)

Revaluation of costs of Merger	-	-	-	-	-	-	-	-	135,000	-	(1,152)	133,848
Net loss	-	-	-	-	-	-	-	-	-	-	(1,569,329)	(1,569,329)
<b>Balance, June 30, 2024</b>	<b>-</b>	<b>\$ -</b>	<b>11,538,252</b>	<b>\$ 1,154</b>	<b>1,716,860</b>	<b>\$ 172</b>	<b>(4,692)</b>	<b>\$(2,037,000)</b>	<b>\$ 6,758,839</b>	<b>\$ (0)</b>	<b>\$(15,231,269)</b>	<b>\$(10,508,104)</b>
Common stock issued for interest	-	-	349,733	35	-	-	-	-	341,664	-	(3)	341,696
Net loss	-	-	-	-	-	-	-	-	-	-	(60,175)	(60,175)
<b>Balance, September 30, 2024</b>	<b>-</b>	<b>\$ -</b>	<b>11,887,985</b>	<b>\$ 1,189</b>	<b>1,716,860</b>	<b>\$ 172</b>	<b>(4,692)</b>	<b>\$(2,037,000)</b>	<b>\$ 7,100,503</b>	<b>\$ (0)</b>	<b>\$(15,291,447)</b>	<b>\$(10,226,583)</b>
<b>Balance, December 31, 2022</b>	<b>-</b>	<b>\$ -</b>	<b>11,308</b>	<b>\$ 100</b>	<b>-</b>	<b>\$ -</b>	<b>(4,692)</b>	<b>\$(2,037,000)</b>	<b>\$ 681,956</b>	<b>\$ -</b>	<b>\$(2,075,815)</b>	<b>\$(3,430,759)</b>
Issuance of common stock for services	-	-	821	9	-	-	-	-	4,493,324	-	-	4,493,333
Unrealized gain in fair value of short term investments	-	-	-	-	-	-	-	-	-	11,914	-	11,914
Net loss	-	-	-	-	-	-	-	-	-	-	(5,351,178)	(5,351,178)
<b>Balance, March 31, 2023</b>	<b>-</b>	<b>\$ -</b>	<b>12,129</b>	<b>\$ 109</b>	<b>-</b>	<b>\$ -</b>	<b>(4,692)</b>	<b>\$(2,037,000)</b>	<b>5,175,280</b>	<b>11,914</b>	<b>(7,426,993)</b>	<b>(4,276,690)</b>
Unrealized gain in fair value of short term investments	-	-	-	-	-	-	-	-	-	(45,173)	-	(45,173)
Net income	-	-	-	-	-	-	-	-	-	-	157	157
<b>Balance, June 30, 2023</b>	<b>-</b>	<b>\$ -</b>	<b>12,129</b>	<b>\$ 109</b>	<b>-</b>	<b>\$ -</b>	<b>(4,692)</b>	<b>\$(2,037,000)</b>	<b>5,175,280</b>	<b>\$(33,259)</b>	<b>\$(7,426,836)</b>	<b>\$(4,321,706)</b>
Unrealized gain in fair value of short term investments	-	-	-	-	-	-	-	-	-	(30,862)	-	(30,862)
Net loss	-	-	-	-	-	-	-	-	-	-	(2,660,868)	(2,660,868)
<b>Balance, September 30, 2023</b>	<b>-</b>	<b>\$ -</b>	<b>12,129</b>	<b>\$ 109</b>	<b>-</b>	<b>\$ -</b>	<b>(4,692)</b>	<b>\$(2,037,000)</b>	<b>5,175,280</b>	<b>\$(64,121)</b>	<b>\$(10,087,704)</b>	<b>\$(7,013,436)</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**TRUGOLF HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30,**  
**(unaudited)**

	2024	2023
Cash flows from operating activities:		
Net loss	\$ (2,931,370)	\$ (8,011,889)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	331,728	45,682
Amortization of PIPE convertible notes original issue discount	47,447	183,695
Amortization of right-of-use asset	251,612	217,101
Bad debt expense	-	665,920
Change in OCI	1,662	-
Stock issued for services	-	4,493,333
Stock issued for interest	341,696	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,143,225)	(1,057,286)
Inventory, net	(205,146)	(1,289,741)
Prepaid expenses	163,101	(76,690)
Other current assets	2,478,953	17,840
Other assets	-	(2,026,082)
Accounts payable	228,437	837,049
Customer deposits	2,895,881	(70,508)
Deferred revenue	575,000	-
Accrued interest	1,208,014	397,517
Accrued and other current liabilities	75,576	(290,484)
Other liabilities	(1,148)	38,357
Lease liability	(246,437)	(194,953)
Net cash provided by (used in) operating activities	3,071,781	(6,121,139)
Cash flows from investing activities:		
Purchase of property and equipment	-	(89,024)
Capitalized software development costs	(1,967,418)	-
Reduction in long term assets	(115)	(2,419,725)
Net cash used in investing activities	(1,967,533)	(2,508,749)

Cash flows from financing activities:		
Proceeds from line of credit	-	1,945,397
Proceeds from notes payable	-	2,499,999
Repayments of notes payable	(7,005)	(89,337)
Repayments of notes payable - related party	(287,000)	(18,500)
Proceeds from notes payable - related party	1,000,000	-
Payments on assumed liabilities in Merger	(15,716)	-
Proceeds from convertible notes	-	185,500
PIPE loan, net of OID discount	4,185,000	-
Cash acquired in Merger	103,818	-
Costs of Merger paid from PIPE loan	(1,947,787)	-
Repayment of line of credit	(1,980,937)	-
Repayment of notes payable assumed in Merger	(100,000)	-
Dividends paid	-	(75,096)
Net cash provided by financing activities	950,373	4,447,963
Net change in cash, cash equivalents, and restricted cash	2,054,621	(4,181,925)
Cash, cash equivalents, and restricted cash, beginning of period	5,397,564	9,656,266
Cash, cash equivalents and restricted cash, end of period	\$ 7,452,185	\$ 5,474,341

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid for income tax	\$ -	\$ -
Cash paid for interest	\$ 548,041	\$ 868,264

**SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING and FINANCING ACTIVITIES:**

Notes payable assumed in Merger	\$ 1,565,000	\$ -
Accrued liabilities assumed in Merger	\$ 310,724	\$ -
Remeasurement of common stock exchanged/issued in Merger	\$ (1,875,724)	\$ -
Right of Use Asset in exchange for lease liability	\$ -	\$ 537,995

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**TruGolf Holdings, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**  
**September 30, 2024**

**Note 1 - Business Organization and Nature of Operations**

On January 31, 2024 we completed the previously announced business combination pursuant to the terms of the Business Combination Agreement, dated as of July 21, 2023, which provided for, TruGolf Nevada being the surviving corporation of the merger and having become a direct, wholly owned subsidiary of Deep Medicine Acquisition Corp. ("DMAC"), a Delaware corporation and our predecessor company ("DMAQ") as a consequence of the merger (together with the other transactions contemplated by the Business Combination Agreement). In connection with the consummation of the Business Combination, DMAQ changed its name to TruGolf Holdings, Inc. TruGolf Holdings, Inc.'s Class A common stock commenced trading on The Nasdaq Capital Market LLC under the ticker symbol "TRUG" on February 1, 2024.

Trugolf Holdings, Inc. (the "Company" or "TruGolf", "we", "us") was incorporated on July 8, 2020 as a Delaware corporation and formed for the purpose of effecting a business combination, with no material operation of its own. Our operations are conducted through our subsidiary TruGolf, Inc., a Nevada Corporation ("TruGolf Nevada"). TruGolf Nevada was formed as a Utah corporation on October 4, 1995, under the name "TruGolf, Incorporated". TruGolf Nevada's original business plan was the creation of golfing video games. On June 9, 1999, the TruGolf Nevada changed its name to "TruGolf, Inc." Effective on April 26, 2016, TruGolf Nevada filed Articles of Merger with the State of Utah, Department of Commerce, and on April 28, 2016, TruGolf Nevada filed Articles of Merger with the Secretary of State of Nevada, pursuant to which TruGolf, Inc., a Utah corporation, merged with and into TruGolf Nevada, pursuant to a Plan of Merger. TruGolf Nevada was the surviving corporation in the merger. In connection with the Plan of Merger, TruGolf Nevada affected a four-for-one forward stock split of its outstanding common stock.

For over 40 years, TruGolf, Incorporated (or "the Company", "we", "us", or "our") has been creating indoor golf software and hardware and are focused on both the residential and commercial golf simulation industries. We design, develop, manufacture and sell golf simulators for residential and commercial applications. We offer portable, professional, commercial and custom simulators. In addition, to bundling our software with our simulators, we offer our E6 Connect software and gaming software on a standalone basis. We have leveraged the power of our hardware and software platform to create a collection of multi-sport games including football, soccer, soccer golf, frisbee golf, zombie dodgeball, and cowboy target practice.

TruGolf Nevada has been creating indoor golf software for 40 years. We began as a subsidiary of Access Software, Inc., a video game developer based in Salt Lake City, Utah ("Access Software"), which was co-founded in November 1982, by Christopher Jones, the Company's largest stockholder, Chief Executive Officer, President and Chairman. In April 1999, Access Software was purchased by Microsoft Corp., for its expertise in golf software development. Following the acquisition, the core programming and graphics team of Links™, which created Links LS 1999, one of the bestselling PC sports games of 1999, were spun out to TruGolf Nevada.

Since 1999, we have focused on establishing residential and commercial golf simulation as a viable industry, and since 2007, we have focused on fabricating custom golf simulators for luxury clients. Part of our initial strategy included partnering with hardware inventors to provide them world class software. Over time, we found that it was not viable to rely on these early hardware inventors alone, we also began building and selling our own hardware. In addition, we are working with a video game company to utilize their new dynamic graphics engine which will enable us to bring photorealistic golf courses to life through our E6 software (discussed below). In addition, we have developed multiple sources and 3<sup>rd</sup> party manufacturers for the raw materials or parts for our products, including but not limited to, steel or aluminum frames, fabric, turf, screens, projectors, PCs, cameras, lasers, infrared sensors, and supporting subsystems. The availability of the frames and fabric from our principal provider, Allied ES&A, has been increased as they have moved into a much larger facility directly located in a large employee base community and we have entered into negotiations with a second supplier in order to provide alternative sourcing if needed. A third supplier, Impact Signs, has also been used in the past and TruGolf Nevada believes that it could purchase turf, and screen supplies from them as well if needed. Both turf (Controlled Products), and screen suppliers (Allied), are so specialized that we have come to rely on one vendor for each, respectively. Turf particularly experienced some delivery delays in 2022 that have been rectified, additional

inventory has been secured locally, and our highest volume portable simulators have been redesigned to use less raw materials from that vendor, while adding an improved hitting surface from a second vendor, Real Feel, to mitigate risk. Negotiations with a second supplier of screen materials is in progress. Projectors (TV Specialists), PCs, lasers, IR sensors and other systems come from multiple suppliers with no historical delay in supply. We have 2 primary suppliers of cameras, IDS and Basler, and have integrated products from both in the new Apogee unit to ensure the greatest availability possible.

The Company is an “emerging growth company” as that term is used in the Jumpstart our Business Startups Act of 2012, and as such, has elected to comply with certain reduced public company reporting requirements.

On May 10, 2024 the Company formed a wholly owned subsidiary in the state of Delaware. TruGolf Links Franchising, LLC (“Links”) has a sole member, TruGolf, Inc. Links was formed to establish and sell franchises that would use the Company’s indoor golf and recreational sports simulators and other equipment. Links offers a Service Area franchise agreement for a single location. It also offers a regional developer franchise agreement that allows the franchisee to sell franchises within its region. The upfront fees range from \$45,000 to \$100,000. Links has received proceeds of \$500,000 from its CEO and \$75,000 from a third party to purchase the franchise rights to some regions yet to be determined. As of September 30, 2024, the Company recorded \$575,000 of deferred revenue and incurred \$ 306,539 of expenses that are included in Selling, general and administrative category.

## Note 2. BUSINESS COMBINATION AND PURCHASE PRICE ALLOCATION

On January 31, 2024 the Company consummated the business combination (the “Closing”) contemplated by the previously announced Amended and Restated Agreement and Plan of Merger, dated as of July 21, 2023 (as amended, the “Merger Agreement”), by and among the Company, DMAC Merger Sub Inc., a Nevada corporation and a wholly-owned subsidiary of the Company (“Merger Sub”), Bright Vision Sponsor LLC, a Delaware limited liability company, in the capacity as the Purchaser Representative thereunder, Christopher Jones, in the capacity as the Seller Representative thereunder, and TruGolf, Inc., a Nevada corporation (“TruGolf”). As a result of the Closing and the transactions contemplated by the Merger Agreement, (i) Merger Sub merged with and into TruGolf (the “Merger”), with TruGolf surviving the Merger as a wholly owned subsidiary of the Company, and (ii) the Company’s name was changed from Deep Medicine Acquisition Corp. (“DMAQ”) to TruGolf Holdings, Inc. The Company’s Class A common stock commenced trading on the Nasdaq Global Market LLC under the ticker symbol “TRUG” on February 1, 2024.

### Accounting for the Business Combination

The Merger is accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, DMAQ was treated as the acquired company for accounting purposes, whereas TruGolf Nevada was treated as the accounting acquirer. In accordance with this method of accounting, the Business Combination has been treated as the equivalent of TruGolf Nevada issuing shares for the net assets of DMAQ, accompanied by a recapitalization. The net assets of DMAQ and TruGolf Nevada were stated at historical cost, with no goodwill or other intangible assets recorded, and operations prior to the Business Combination were those of TruGolf Nevada. TruGolf Nevada has been determined to be the accounting acquirer for purposes of the Business Combination based on an evaluation of the following facts and circumstances:

- Legacy TruGolf Nevada stockholders have a majority of the voting power of New TruGolf,
- TruGolf Nevada comprising the ongoing operations of New TruGolf,
- TruGolf Nevada contributing a majority of the governing body members of New TruGolf, and
- TruGolf Nevada’s senior management comprising the senior management of New TruGolf.

### Exchange of TruGolf Nevada Shares for Shares of New TruGolf

Based on 13,098 TruGolf Nevada ordinary shares outstanding immediately prior to the closing of the Business Combination, the Exchange Ratio determined in accordance with the terms of the Merger Agreement is approximately 570.10. New TruGolf issued 7,467,134 shares of New TruGolf common stock to legacy TruGolf Nevada shareholders in the Business Combination, determined as follows:

	<b>TruGolf Nevada shares outstanding as of immediately prior to the Closing</b>
Ordinary shares, par value \$0.01 per share	13,098
Exchange Ratio	570.10
Estimated shares of New TruGolf common stock issued to TruGolf Nevada shareholders upon Closing	<u>7,467,134</u>

The shares issued to legacy TruGolf Nevada shareholders consists of 5,750,274 shares of New TruGolf Class A common stock and 1,716,860 shares of New TruGolf Class B common stock.

The purchase price for the Merger was allocated to the net assets acquired on the basis of historical costs with no goodwill or other intangible assets recorded. The following summarizes the allocation of the purchase price to net assets acquired in the Merger:

Cash and cash equivalents	\$ 103,818
Net proceeds from investment fund (PIPE)	2,237,213
Accounts payable and accrued expenses	(310,724)
Loans payable	(1,565,000)
Net assets	\$ 465,307
PIPE Convertible Notes payable assumed in Merger	\$ 4,650,000
Less: Original Issue Discount of 10%	(465,000)
PIPE Convertible Notes payable, net	4,185,000
Payment of closing costs and other expenses	(1,947,787)
Net proceeds from PIPE Convertible Notes payable assume in Merger	<u>\$ 2,237,213</u>

On November 2, 2023 and December 7, 2023, Deep Medicine Acquisition Corp. (“DMAQ”) executed loan agreements with certain accredited investors (together, the “Prior Loan Agreements”) pursuant to which such investors agreed to loan DMAQ up to an aggregate \$11,000,000 in exchange for the issuance of convertible notes and warrants. On February 2, 2024, TruGolf Holdings, Inc. (“TruGolf Holdings”) executed a securities purchase agreement



(the "Purchase Agreement") with each of the investors that executed the Prior Loan Agreements, which replaced, in their entirety, the Prior Loan Agreements, and with additional investors (together, the "PIPE Investors"). Pursuant to the terms and conditions of the Purchase Agreement, the PIPE Investors agreed to purchase from the TruGolf Holdings (i) senior convertible notes in the aggregate principal amount of up to \$15,500,000 (the "PIPE Convertible Notes"), (ii) Series A warrants to initially purchase 1,409,091 shares of the Company's Class A common stock (the "Series A Warrants"); and (iii) Series B warrants to initially purchase 1,550,000 shares of the TruGolf Holdings' Class A common stock (the "Series B Warrants," and collectively with the Series A Warrants, the "PIPE Warrants") (the "PIPE Financing").

The Purchase Agreement contemplated the funding of the investment (the "Investment") across multiple tranches. At the first closing (the "Initial Closing") an aggregate principal amount of \$4,650,000 of PIPE Convertible Notes were issued upon the satisfaction of certain customary closing conditions in exchange for aggregate gross proceeds of \$4,185,000, representing an original issue discount of 10%. On such date (the "Initial Closing Date"), TruGolf Holdings also issued the PIPE Investors the Series A Warrants and the Series B Warrants.

As of September 30, 2024, the Company recorded PIPE Convertible Notes payable of \$ 4,650,000 and an original issue discount of \$465,000 resulting in the net balance of \$4,185,000. For the nine months ended September 30, 2024 the Company recorded interest expense on the PIPE Convertible Notes of \$647,047, and interest expense relating to the amortization of the OID of \$ 47,447.

Subject to satisfying the conditions discussed below, TruGolf Holdings, Inc. has the right under the Purchase Agreement, but not the obligation, to require that the PIPE Investors purchase additional Notes at up to two additional closings. Upon notice at any time after the 2nd trading day following the Initial Closing Date, TruGolf Holdings may require that the PIPE Investors purchase an additional aggregate principal amount of \$4,650,000 of PIPE Convertible Notes, in exchange for aggregate gross proceeds of \$4,185,000, if (i) the Registration Statement (as described below) has been filed; and (ii) certain customary closing conditions are satisfied (the "First Mandatory Additional Closing"). Upon notice at any time after the 2nd trading day following the date that the First Mandatory Additional Closing is consummated, TruGolf Holdings may require that the PIPE Investors purchase an additional aggregate principal amount of \$6,200,000 of PIPE Convertible Notes, in exchange for aggregate gross proceeds of \$ 5,580,000, if (i) the shareholder approval is obtained (as described below); (ii) the Registration Statement has been declared effective by the SEC; and (iii) certain customary closing conditions are satisfied (the "Second Mandatory Additional Closing").

In addition, pursuant to the Purchase Agreement, as amended by the Waiver (described below) each PIPE Investor has the right, but not the obligation, to require that, upon notice, TruGolf Holdings sell to such PIPE Investor at one or more additional closings such PIPE Investor's pro rata share of up to a maximum aggregate principal amount of \$10,850,000 in additional PIPE Convertible Notes (each such additional closing, an "Additional Optional Closing"); provided that, the principal amount of the additional PIPE Convertible Notes issued at each Additional Optional Closing must equal at least \$250,000. If a PIPE Investor has not elected to effect an Additional Optional Closing on or prior to August 30, 2025, such PIPE Investor shall have no further right to effect an Additional Optional Closing under the Purchase Agreement.

On August 13, 2024, the Company entered into those certain waiver and amendment agreements (the "Waiver"), pursuant to which the Company and the PIPE Investors agreed to: (i) waive any breaches or defaults caused by the Company's failure to timely file its SEC reports through August 14, 2024; (ii) extend the date by which the Additional Optional Closings may occur until 11 months from the effective date of the initial Registration Statement; (iii) permit the Company to raise debt financing from its affiliates through non-convertible, unsecured notes with a maturity date that is later than the maturity date of the PIPE Convertible Notes; (iv) waive certain registration failures until September 3, 2024 and permit the issuance of common stock to satisfy certain registration failures; and (v) allow the Company to satisfy the interest payments due April 1, 2024, July 1, 2024 and October 1, 2024 from the issuance of common stock or by allowing such amounts to be added to the principal amount of the PIPE Convertible Notes, at the option of the PIPE Investors. In addition, certain PIPE Investors agreed to acquire additional PIPE Convertible Notes without regard to any volume or price requirements in the instruments. In connection with the Waiver, the Company issued an aggregate of 192,151 shares in satisfaction of certain registration statement delay payments and issued an aggregate of 157,582 shares in satisfaction of outstanding interest payments. Such payments were made at the "Alternate Conversion Price" set forth in the PIPE Convertible Notes, which is equal to the lesser of (i) the Conversion Price, and (ii) 90% of the lowest volume weighted average price of the Class A common stock during the five consecutive trading days immediately prior to such conversion.

On November 7, 2024, the Company entered into those certain amendments to the Waivers (the "Amendments"), pursuant to which the Company and the PIPE Investors agreed to: (i) waive any breaches or defaults caused by the Company's failure to timely file its SEC reports through August 21, 2024; and (ii) waive certain registration failures until October 3, 2024. In addition, the PIPE Investors waived any breaches or defaults that may have occurred or will occur solely as a result of the Company's failure to comply with the continued listing requirements of the Nasdaq Stock Market due to: (i) the Company's failure to meet the stockholders' equity requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025, (ii) the Company's failure to meet the market value of publicly held shares requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025, and/or (iii) the Company's failure to meet the minimum bid price requirement for continued listing; provided that the foregoing waiver shall expire on January 15, 2025, provided further that to the extent the Company is in compliance with all other Nasdaq Stock Market listing requirements and has filed a preliminary proxy statement to hold a special meeting to vote on a reverse stock split to remedy the bid price failure, the waiver shall be extended to March 15, 2025. In connection with the Amendment, the Company issued an aggregate of 116,959 shares in satisfaction of certain registration statement delay payments and issued an aggregate of 65,790 shares in satisfaction of outstanding interest payments. Such payments were made at the "Alternate Conversion Price" set forth in the PIPE Convertible Notes, which is equal to the lesser of (i) the Conversion Price, and (ii) 90% of the lowest volume weighted average price of the Class A common stock during the five consecutive trading days immediately prior to such conversion.

On November 7, 2024, certain PIPE Investors agreed to purchase additional PIPE Convertible Notes in aggregate principal amount of \$ 3,300,000 for aggregate proceeds of \$2,970,000. In connection with the foregoing, the Company agreed to repay an aggregate of \$ 2,496,686 in outstanding debt and transaction expenses.

### **Note 3 – Summary of Significant Accounting Policies**

#### ***Basis of Presentation - Unaudited Interim Financial Information***

The accompanying unaudited condensed consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information, and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the "SEC") with respect to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited condensed financial statements reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. Interim results are not necessarily indicative of the results for the full year.

Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or omitted from these interim unaudited condensed consolidated financial statements. Accordingly, these interim unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Registration Statement on Form S-1 effective as of September 30, 2024 and in Form 8-K/A as filed with the SEC on April 17, 2024.

#### ***Basis of Presentation – Accounting for the Business Combination***

The Merger was accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, DMAQ was treated as the acquired company for accounting purposes, whereas TruGolf Nevada was treated as the accounting acquirer. In accordance with this method of accounting, the Business Combination was treated as the equivalent of TruGolf Nevada issuing shares for the net assets of DMAQ, accompanied by a recapitalization. The net assets of DMAQ and TruGolf Nevada were stated at historical cost, with no goodwill or other intangible assets recorded, and operations prior to the Business Combination were those of TruGolf Nevada. TruGolf Nevada has been determined to be the accounting acquirer for purposes of the Business Combination based on an evaluation of the following facts and circumstances:

- Legacy TruGolf Nevada stockholders have a majority of the voting power of New TruGolf,
- TruGolf Nevada comprising the ongoing operations of New TruGolf,
- TruGolf Nevada contributing a majority of the governing body members of New TruGolf, and
- TruGolf Nevada's senior management comprising the senior management of New TruGolf.

#### ***Basis of Presentation – Principles of consolidation***

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intercompany transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

#### ***Use of Estimates***

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which requires management to use its judgment to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of expenses during the reported period. These assumptions and estimates could have a material effect on the financial statements. Actual results may differ materially from those estimates. The Company's management periodically reviews estimates on an ongoing basis based on information currently available, and changes in facts and circumstances may cause the Company to revise these estimates. Significant estimates include estimates used in the valuation allowance related to deferred tax assets and capitalized software costs. Actual results may differ from these estimates.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include all cash on hand, demand deposits and short-term investments with original maturities of three months or less when purchased.

As of September 30, 2024 and December 31, 2023, the Company's cash and cash equivalents consisted of \$ 7,452,185 and \$5,397,564, respectively. The Company maintains its cash in banks insured by the Federal Deposit Insurance Corporation in accounts that at times may exceed the federally insured limit of \$250,000 per bank. The Company minimizes this risk by placing its cash deposits with major financial institutions. At September 30, 2024 and December 31, 2023 the uninsured balances amounted to \$6,125,053 and \$4,251,124 respectively.

#### ***Marketable Investment Securities***

The Company's marketable investment securities are comprised of investments in corporate fixed income securities and U.S. Treasury securities. The Company designates investments in debt securities as available-for-sale. Available-for-sale debt securities with original maturities of three months or less from the date of purchase are classified within cash and cash equivalents. Available-for-sale debt securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of stockholders' equity, net of tax. Realized gains and losses on the sale of marketable securities are determined using the average cost method on a first-in, first-out basis and recorded in total other income (expense), net in the statements of operations and comprehensive loss. The Company sold and liquidated most of its marketable securities during the nine months ended September 30, 2024 resulting in a balance of \$10,114 as of that date and is included with cash and cash equivalents.

#### ***Accounts Receivable, net***

We manage credit risk associated with our accounts receivable at the customer level. Because the same customers typically generate the revenues that are accounted for under both Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (Topic 606) and Accounting Standards Codification Topic 326, Credit Losses (Topic 326), the discussions below on credit risk and our allowances for doubtful accounts address our total revenues from Topic 606 and Topic 326.

We believe the concentration of credit risk, with respect to our receivables, is limited because our customer base is comprised of a number of geographically diverse customers. We manage credit risk through credit approvals and other monitoring procedures.

Pursuant to Topic 326 for our accounts receivables, we maintain an allowance for doubtful accounts that reflects our estimate of our expected credit losses. Our allowance is estimated using a loss rate model based on delinquency. The estimated loss rate is based on our historical experience with specific customers, our understanding of our current economic circumstances, reasonable and supportable forecasts, and our own judgment as to the likelihood of ultimate payment based upon available data. We believe our credit risk is somewhat mitigated by our geographically diverse customer base and our credit evaluation procedures. The actual rate of future credit losses, however, may not be similar to past experience. Our estimate of doubtful accounts could change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, we may be required to increase or decrease our allowance for doubtful accounts. Based on management's evaluation, there is a balance in the allowance for doubtful accounts of \$1,295,533 and \$1,227,136 as of September 30, 2024 and December 31, 2023, respectively.

#### ***Inventory, net***

All of our inventory consists of raw materials and are valued at the lower of historic cost or net realizable value; where net realizable value is considered to be the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal and transportation. Historic inventory costs are calculated on an average or specific cost basis. The Company records inventory write-downs for excess or obsolete inventories based upon assumptions on current and future demand forecasts. As of September 30, 2024 and December 31, 2023, the Company had \$448,360 and \$429,050, respectively, reserved for obsolete inventory.

#### ***Fair Value of Financial Instruments***

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Financial Accounting Standards Board ("FASB") fair value measurement guidance established a fair value hierarchy that prioritizes the inputs used to measure fair value. The three broad levels of the fair value hierarchy are as follows:



Level 1 –	Quoted prices (unadjusted) in active markets for identical assets or liabilities,
Level 2 –	Quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly,
Level 3 –	Unobservable inputs for which little or no market data exists, therefore requiring a company to develop its own assumptions.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. We review the fair value hierarchy classification on a quarterly basis. Changes in the observable inputs may result in a reclassification of assets and liabilities within the three levels of the hierarchy outlined above.

## Property and Equipment

Our property and equipment are recorded at cost and depreciated using the straight-line over the estimated useful lives. Ordinary repair and maintenance costs are included in sales, general and administrative ("SG&A") expenses on our statements of operations. However, expenditures for additions or improvements that significantly extend the useful life of the asset are capitalized in the period incurred. At the time assets are sold or disposed of, the cost and accumulated depreciation are removed from their respective accounts and the related gains or losses are reflected in the statements of operations in gains from sales of property and equipment, net.

We periodically evaluate the appropriateness of remaining depreciable lives assigned to property and equipment. Generally, we assign the following estimated useful lives to these categories:

Category	Estimated Useful Life
Software and computer equipment	3 to 10 years
Furniture and fixtures	3 to 15 years
Vehicles	5 years
Equipment	5 to 10 years

## Capitalized software development costs

We capitalize certain costs related to the development of our software used in our simulators. In accordance with authoritative guidance, including ASC 985-20, *Software-Costs of Software to be Sold, Leased or Marketed*, we began to capitalize these costs when the technological feasibility was established and preliminary development efforts were successfully completed, management authorized and committed project funding, and it was probable that the project would be completed and the software would be used as intended. Such costs are amortized when placed in service, on a straight-line basis over the estimated useful life of the related asset, estimated to be three years beginning on February 1, 2024. Costs incurred prior to meeting these criteria together with costs incurred for training and maintenance are expensed as incurred and recorded in product development expenses on our statements of operations. The Company does not capitalize any testing or maintenance costs. The accounting for these capitalized software costs requires us to make significant judgments, assumptions and estimates related to the timing and amount of recognized capitalized software development costs. For the nine months ended September 30, 2024 we capitalized \$1,967,418 of costs related to the development of software applications. Amortization of capitalized software costs was \$279,001 for the for the nine months ended September 30, 2024.

## Impairment of Long-lived Assets

Our long-lived assets principally consist of property and equipment and right-of-use assets. We review, on a regular basis, our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In reviewing for impairment, the carrying value of such assets is compared to the estimated undiscounted future cash flows expected from the use of the assets and their eventual disposition. If such cash flows are not sufficient to support the asset's recorded value, an impairment charge is recognized to reduce the carrying value of the asset to its estimated fair value. The determination of future cash flows as well as the estimated fair value of long-lived and intangible assets involves significant estimates and judgment on the part of management. Our estimates and assumptions may prove to be inaccurate due to factors such as changes in economic conditions, changes in our business prospects or other changing circumstances. Based on our most recently completed reviews, there were no indications of impairment associated with our long-lived assets.

## Leases

Our lease portfolio is substantially comprised of operating leases related to leases for our corporate headquarters and warehouse.

We determine whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset, and we have the right to control the asset for a period of time in exchange for consideration. Lease arrangements can take several forms. Some arrangements are clearly within the scope of lease accounting, such as a real estate contract that provides an explicit contractual right to use a building for a specified period of time in exchange for consideration. However, the right to use an asset can also be conveyed through arrangements that are not leases in form, such as leases embedded within service and supply contracts. We analyze all arrangements with potential embedded leases to determine if an identified asset is present, if substantive substitution rights are present, and if the arrangement provides the customer control of the asset.

Operating lease right-of-use ("ROU") assets represent our right to use an individual asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide the lessor's implicit rate, we use our incremental borrowing rate ("IBR") at the commencement date in determining the present value of lease payments by utilizing a fully collateralized rate for a fully amortizing loan with the same term as the lease.

Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. For leases with terms greater than 12 months, we record the related asset and obligation at the present value of lease payments over the term. Our leases can include rental escalation clauses, renewal options and/or termination options that are factored into our determination of lease payments when such renewal options and/or termination options are reasonably certain of exercise.

A ROU asset is subject to the same impairment guidance as assets categorized as property and equipment. As such, any impairment loss on ROU assets is presented in the same manner as an impairment loss recognized on other long-lived assets.

A lease modification is a change to the terms and conditions of a contract that changes the scope or consideration of a lease. For example, a change to the terms and conditions to the contract that adds or terminates the right to use one or more underlying assets, or extends or shortens the contractual lease term, is a modification. Depending on facts and circumstances, a lease modification may be accounted for as either: (1) the original lease plus the lease of a separate asset(s) or (2) a modified lease. A lease will be remeasured if there are changes to the lease contract that do not give rise to a separate lease.

## Revenue Recognition

We recognize revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") standards - Topic 606 "Revenue from Contracts with Customers" ("Topic 606"). When entering into contracts with our customers, we review the following five steps of Topic 606:

- i. Identify the contract with the customer.
- ii. Identify the performance obligation.
- iii. Determine the transaction price.
- iv. Allocate the transaction price to the performance obligation.
- v. Evaluate the satisfaction of the performance obligation.

We account for contracts, with our customers, when we have approval and commitment from both parties, the rights of the parties are identified, payment terms are established, the contract has commercial substance and collectability of consideration is probable.

Under Topic 606, we recognize revenue only when we satisfy a performance obligation by transferring a promised good or service to our customer and completion of all performance obligations. A good or service is considered transferred when the customer obtains control. The standard defines control as an entity's ability to direct the use of, and obtain substantially all of the remaining benefits from, an asset. We recognize revenue once control has passed to the customer. The following indicators are evaluated in determining when control has passed to the customer:

- i. We have a right to a payment for the product or service.
- ii. The customer has legal title to the product.
- iii. We have transferred physical possession of the product to the customer.
- iv. The customer has the risk and rewards of ownership of the product.
- v. The customer has accepted the product.

*Revenue Recognition for Golf Simulators.* Revenues from the sale of golf simulators are recognized with the selling price to the customer recorded as revenues and the acquisition cost of the product recorded as cost of revenues. We recognize revenue from these transactions when control has passed to the customer and the performance obligations have been satisfied. Control is considered to have passed to the customer when the simulators has been delivered, installed and accepted by the customer. Golf simulators are bundled and are comprised of both hardware and a software license (for the software to operate the simulator). Our simulator contracts with customers generally do not include multiple performance obligations.

*Revenue Recognition for Content Software Subscriptions.* The Company offers content software subscriptions for one and twelve months. We recognize revenue from these transactions when control has passed to the customer and the performance obligations have been satisfied. Control is considered to have passed to the customer when the software license has been delivered and accepted by the customer. The content software subscription revenue is recognized over the term of the contract.

## Cost of Revenues

Cost of revenue includes direct materials, labor, manufacturing overhead costs and reserves for estimated warranty cost (excluding depreciation). Cost of revenues also includes charges to write down the carrying value of the inventory when it exceeds its estimated net realizable value and to provide for on-hand inventories that are either obsolete or in excess of forecasted demand, as consistently reviewed by the Company. During the nine months ended September 30, 2024 and 2023, the Company recorded an expense of \$123,891 and \$36,992 in inventory write-down, respectively.

## Royalties

We have royalty agreements with certain software suppliers to pay royalties based on the number of units and subscriptions sold. The royalty percentages range between 20% and 30%. Royalty expense for the nine months ended September 30, 2024 and 2023 was \$ 719,668 and \$447,366, respectively.

## Income Taxes

The Company utilizes the asset and liability approach to measure deferred tax assets and liabilities based on temporary differences existing at each balance sheet date using currently enacted tax rates in accordance with ASC 740. ASC 740 considers the differences between financial statement treatment and tax treatment of certain transactions. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement 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. The effect of a change in tax rate is recognized as income or expense in the period that includes the enactment date of that rate. Prior to the Merger, the Company elected to be taxed as an S-Corporation that passes through all income and deductions to its members. The Company did not have any deferred tax benefits or liabilities prior to January 31, 2024.

The Company has no tax positions as of September 30, 2024 and December 31, 2023 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

The Company recognizes any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. For the nine months ending September 30, 2024 and 2023, the Company recognized no interest and penalties.

## Net Earnings (Loss) Per Share

Net income (loss) per share is provided in accordance with FASB ASC 260-10, "Earnings per Share". Basic net income (loss) per common share ("EPS") is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income by the weighted average shares outstanding, assuming all dilutive potential common shares were issued, unless doing so is anti-dilutive. The computation of basic and diluted income (loss) per share for the nine months ended September 30, 2024 and 2023 excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price during the period. There were no potential dilutive shares as September 30, 2023.

Total potential dilutive shares as of September 30, 2024 consisted of the following:

PIPE Convertible Notes (assumes full funding of \$ 15,500,000) (i)	6,700,000
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Common stock – Series A warrants (assumes full funding of \$ 15,500,000)	1,409,091
Common stock – Series B warrants (assumes full funding of \$ 15,500,000)	3,875,000
Earnout shares – Earned in three Tranches over three years (assumes achievement of revenue and VWAP targets)	4,500,000
Underwriter warrants to I-Bankers convertible at \$ 12.00/common share	632,500
Total dilutive	<u>17,116,591</u>

- (i) Does not include shares for interest or make-whole amounts as the number of shares is undeterminable since the calculation is based on variable floating factors.

### Recent Accounting Pronouncements

Management has evaluated all recent accounting pronouncements issued by the Financial Accounting Standards Board (“FASB”) and determined that none of the pronouncements will have a material impact on our financial statements. We will continue to monitor the issuance of any new accounting pronouncements and assess their potential impact on the financial statements in future periods.

### Concentration of Credit and Supplier Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash deposits and trade accounts receivable. Credit risk can be negatively impacted by adverse changes in the economy or by disruptions in the credit markets.

We maintain our cash deposits with established commercial banks. At times, balances may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe that we are exposed to any significant credit risk associated with our cash deposits.

We believe that credit risk with respect to trade accounts receivable is somewhat mitigated by our large number of geographically diverse customers and our credit evaluation procedures. We record trade accounts receivables at sales value and establish specific reserves for certain customer accounts identified as known collection problems due to insolvency, disputes or other collection issues. The amounts of the specific reserves estimated by management are determined by a loss rate model based on delinquency. We maintain reserves for potential losses. There were no customers that accounted for more than 10.0% of our revenues for the nine months ended September 30, 2024 and 2023.

We purchase a significant amount of parts we consume in manufacturing our simulators from nationally known original equipment manufacturers, many of whom we have had over a 10 to 15 year relationship. While we do not have long-term contracts, we do issue purchase orders based on quoted prices terms. We purchase in the normal course of business approximately 50% of our assembly parts from six to eight manufacturers. We believe that while there are alternative suppliers, for the parts and equipment, we purchase in each of the principal product categories, termination of one or more of our relationships with any of our major suppliers of equipment could have a material adverse effect on our business.

### Warrants

The fair value of the warrants is estimated on the date of issuance using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including the expected term of the warrants, expected stock price volatility, and expected dividends. These estimates involve inherent uncertainties and the application of management's judgment. Expected volatilities used in the valuation model are based on the average volatility of the comparable companies publicly traded on recognized stock exchanges. The risk-free rate for the expected term of the option is based on the United States Treasury yield curve in effect at the time of the grant.

### Note 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable and allowance for doubtful accounts consisted of the following as of September 30, 2024 and December 31, 2023:

	2024	2023
Trade accounts receivable	\$ 5,837,630	\$ 3,458,625
Other		167,383
	<u>5,837,630</u>	<u>3,626,008</u>
Less allowance for doubtful accounts	(1,295,533)	(1,227,136)
Total accounts receivable, net	<u>\$ 4,542,097</u>	<u>\$ 2,398,872</u>

Accounts receivable are primarily made up of trade receivables due from customers in the ordinary course of business. In our normal course of business we have four to five customers that accounted for approximately 50% of our balance of accounts receivable as of September 30, 2024 and December 31, 2023, respectively.

### Note 5. INVENTORY, NET

The following summarizes inventory as of September 30, 2024 and December 31, 2023:

	2024	2023
Inventory – raw materials	\$ 2,772,590	\$ 2,548,134
Less reserve allowance for obsolescence	(448,360)	(429,050)
Inventory, net	<u>\$ 2,324,230</u>	<u>\$ 2,119,084</u>

### Note 6. SHORT-TERM INVESTMENTS

In February 2023, we entered into a brokerage agreement and deposited \$ 2,500,000. In February 2023, we purchased \$ 450,751 in corporate fixed income securities (corporate bonds) and \$1,981,061 in government securities (Treasury securities). The Company terminated the brokerage agreement during the nine months ended September 30, 2024, liquidated the vast majority of its investments and has \$10,114 on its balance sheet as of September 30, 2024. As of December 31, 2023, the marketable securities consisted of the following:

Corporate fixed income securities, weighted average yield and maturity of 5.39% and 2.38 years, respectively	459,531
Government securities, weighted average yield and maturity of 4.91% and 3.25 years, respectively	2,051,805
Total short-term investments	<u>\$ 2,511,336</u>

We classify our short-term investments as available-for-sale securities as we may sell these securities at any time for use in operations or for other purposes. We record such securities at fair value on our balance sheet, with unrealized gains or losses reported as a component of accumulated comprehensive loss. The amount of unrealized gains or losses reclassified into earnings is based on specific identification when the securities are sold.

We periodically evaluate if any security has experienced credit-related declines in fair value, which are recorded against an allowance for credit losses with an offsetting entry to interest and other expense, net on the statement of operations. As of September 30, 2024, the Company had \$10,114 of short-term investments in cash and cash equivalents remaining.

#### Note 7. OTHER LONG-TERM ASSETS

The following summarizes other long-term assets as of September 30, 2024 and December 31, 2023:

	2024	2023
Security deposit – Ethos Management loan	\$ -	\$ 1,875,000
Security deposits – leased facilities	31,023	30,983
Other long-term assets	74	
Total other long-term assets	<u>\$ 31,097</u>	<u>\$ 1,905,983</u>

As a condition of funding on the Ethos Management loan, we placed a \$ 1,875,000 security deposit as collateral for the note. The deferred loan fees are being amortized over the term of the Ethos Management loan. Deposits related to the facility leases are generally the last month's payments.

The Ethos Asset Management Loan Agreement ("Loan Agreement") stipulates that fundings should happen approximately every 30 banking days, subject to Ethos completing periodic internal audits to ensure the Company was in compliance with the terms of loan agreement. Ethos Management informed the Company in August 2023, that unrelated to TruGolf, Ethos Management is currently undergoing a routine audit of its loan portfolio, and pending the close of the audit, borrowers may experience delays in drawing on funds when requested. Due to the lack of additional fundings and in accordance with the terms of the Loan Agreement, in February 2024, we sent Ethos a notice of termination for materially breaching the Loan Agreement. Based on the termination for default clause in the Loan Agreement, we are entitled to retain all the funds disbursed by Ethos, and Ethos must release the deposit collateral, which offsets in part the loan payable of \$2,383,059 (Note 10.) and accrued interest of \$ 81,560 as of September 30, 2024.

#### Note 8. PROPERTY AND EQUIPMENT, NET

The following summarizes property and equipment as of September 30, 2024 and December 31, 2023:

	2024	2023
Software and computer equipment	\$ 759,031	\$ 809,031
Furniture and fixtures	230,883	230,883
Vehicles	59,545	59,545
Equipment	15,873	15,873
	<u>1,065,332</u>	<u>1,115,332</u>
Less accumulated depreciation	(933,751)	(881,024)
Property and equipment, net	<u>\$ 131,581</u>	<u>\$ 234,308</u>

Depreciation expense for the nine months ended September 30, 2024 and 2023, was \$ 42,753 and \$35,704 respectively.

The following summarizes capitalized software development costs as of September 30, 2024:

Capitalized software – beginning balance	\$ 50,000
Capitalized software development costs – 2024	1,967,418
Less accumulated amortization	(279,001)
Capitalized software development costs, net	<u>\$ 1,738,417</u>

#### Note. 9. CUSTOMER DEPOSITS

Customer deposits are advance payments from customers prior to manufacturing and shipping a simulator. The prepayment amounts and timing vary depending on the product to be manufactured and delivery location. Customer deposits are included in current liabilities until the balance is applied to an order at the time of invoicing. As of September 30, 2024 and December 31, 2023 customer deposits were \$4,600,105 and \$1,704,224, respectively.

#### Note 10. NOTES PAYABLE

Notes payable consisted of the following as of September 30, 2024 and December 31, 2023:

	2024	2023
Note payable – Ethos Management INC	\$ -	\$ 2,499,999
Note payable – Mercedes-Benz	22,144	29,149
	<u>22,144</u>	<u>2,529,148</u>
Less deferred loan fees – Ethos Management Inc.	-	(116,940)
Less current portion	(9,854)	(9,425)
Long-term portion	<u>\$ 12,290</u>	<u>\$ 2,402,783</u>

#### Note Payable – Ethos Management INC

In January 2023, we entered into a financing agreement with Ethos Asset Management INC (the "Ethos Asset Management Loan" or "Ethos") in the principal amount of up to \$10 million. Pursuant to the terms of the Ethos Asset Management Loan, we may draw down financing proceeds equal to \$833,333 each month beginning in April 2023, up to the \$ 10 million amount. Interest associated with the Ethos Asset Management Loan is fixed at 4% per annum and has a three-year grace period for principal and interest payments. Annual principal and interest payments will commence in 2027 and continue through 2034. As a condition to funding, we provided Ethos Management with a \$1,875,000 deposit as collateral for the note. Ethos Management informed the Company in August 2023, that unrelated to TruGolf, Ethos Management is currently undergoing a routine audit of its loan portfolio, and pending the close of the audit, borrowers may experience delays in drawing on funds when requested.

The Ethos Asset Management Loan Agreement ("Loan Agreement") stipulates that fundings should happen approximately every 30 banking days, subject to Ethos completing periodic internal audits to ensure the Company was in compliance with the terms of loan agreement. Ethos Management informed the Company in August 2023, that unrelated to TruGolf, Ethos Management is currently undergoing a routine audit of its loan portfolio, and pending the close of the audit, borrowers may experience delays in drawing on funds when requested. Due to the lack of additional fundings and in accordance with the terms of the Loan Agreement, in February 2024, we sent Ethos a notice of termination for materially breaching the Loan Agreement. Based on the termination for default clause in the Loan Agreement, we are entitled to retain all the funds disbursed by Ethos and Ethos must release the deposit collateral, which is offset in part by the security collateral of \$1,875,000 (Note 7.). The balance of the Ethos liability after offsetting the collateral deposit and accrued interest payable is \$589,619, which amount is included in 'Accrued and other current liabilities' on the balance sheet as of September 30, 2024.

#### **Note Payable – Mercedes-Benz**

In November 2020, we entered into a \$59,545, 5.90% annual interest rate note payable with Mercedes-Benz for a delivery van. The note matures on November 20, 2026, and is secured by the van. We make a monthly payment of \$ 908.

#### **Note Payable – JP Morgan Chase**

In June 2021, we entered into a \$500,000, 3.00% annual interest rate note payable with JPMorgan Chase Bank, N.A. ("JP Morgan"). The note matures on June 8, 2026. We make a monthly principal and interest payment in the amount of \$ 8,994. There is no prepayment penalty if the loan is paid prior to the maturity date.

In December 2023, we entered into a one-year line of credit facility with JP Morgan. See Note 11 – *Lines of Credit*. The outstanding note payable balance of \$257,113 was transferred to the new line of credit.

#### **Notes Payable – assumed in Merger**

The Company assumed notes payable from the Merger in the amount of \$ 1,565,000, which is comprised of: (i) an unsecured promissory note in the principal amount of \$1,265,000 issued to two affiliates of the Sponsor on October 15, 2022 in connection with the First Extension, from October 29, 2022 to January 29, 2023; and (iii) an unsecured promissory note in the principal amount of \$300,000 issued to an affiliate of the Sponsor on February 9, 2023 in connection with the Second Extension, from January 29, 2023 to July 29, 2023, pursuant to which a monthly payment of \$50,000 had been deposited into the Trust Account after January 29, 2023 for six months. Pursuant to the fully executed Promissory Notes, each of the Promissory Notes bears no interest and is due and payable upon the earlier of the consummation of DMA's initial business combination or the date of the liquidation of DMA. As of September 30, 2024, the balance of the notes payable assumed in the Merger was \$1,465,000 after a payment of \$100,000 to one on the note holders.

#### **Note 11. PIPE Loans**

On February 2, 2024, the Company executed a securities purchase agreement (the "Purchase Agreement") with each of the investors that executed the Prior Loan Agreements, which replaced, in their entirety, the Prior Loan Agreements, and with additional investors (together, the "PIPE Investors"). Pursuant to the terms and conditions of the Purchase Agreement, the PIPE Investors agreed to purchase from the Company (i) senior convertible notes in the aggregate principal amount of up to \$15,500,000 (the "PIPE Convertible Notes"), (ii) Series A warrants to initially purchase 1,409,091 shares of the Company's Class A common stock (the "Series A Warrants"); and (iii) Series B warrants to initially purchase 1,550,000 shares of the Company's Class A common stock (the "Series B Warrants," and collectively with the Series A Warrants, the "PIPE Warrants") (the "PIPE Financing").

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19

As of September 30, 2024, the Company recorded PIPE Convertible Notes payable of \$ 4,650,000 and an original issue discount of \$465,000 resulting in the net balance of \$4,185,000. As of September 30, 2024, the Company recorded interest expense on the PIPE Convertible Notes of \$ 647,047, and interest expense relating to the amortization of the OID of \$47,447. The process for the second tranche of the PIPE Convertible Notes payable has commenced and should be completed in November 2024.

Subject to satisfying the conditions discussed below, TruGolf Holdings, Inc. has the right under the Purchase Agreement, but not the obligation, to require that the PIPE Investors purchase additional Notes at up to two additional closings. Upon notice at any time after the 2nd trading day following the Initial Closing Date, TruGolf Holdings may require that the PIPE Investors purchase an additional aggregate principal amount of \$4,650,000 of PIPE Convertible Notes, in exchange for aggregate gross proceeds of \$4,185,000, if (i) the Registration Statement (as described below) has been filed; and (ii) certain customary closing conditions are satisfied (the "First Mandatory Additional Closing"). Upon notice at any time after the 2nd trading day following the date that the First Mandatory Additional Closing is consummated, TruGolf Holdings may require that the PIPE Investors purchase an additional aggregate principal amount of \$6,200,000 of PIPE Convertible Notes, in exchange for aggregate gross proceeds of \$ 5,580,000, if (i) the shareholder approval is obtained (as described below); (ii) the Registration Statement has been declared effective by the SEC; and (iii) certain customary closing conditions are satisfied (the "Second Mandatory Additional Closing").

In addition, pursuant to the Purchase Agreement, as amended by the Waiver (described below) each PIPE Investor has the right, but not the obligation, to require that, upon notice, TruGolf Holdings sell to such PIPE Investor at one or more additional closings such PIPE Investor's pro rata share of up to a maximum aggregate principal amount of \$10,850,000 in additional PIPE Convertible Notes (each such additional closing, an "Additional Optional Closing"); provided that, the principal amount of the additional PIPE Convertible Notes issued at each Additional Optional Closing must equal at least \$250,000. If a PIPE Investor has not elected to effect an Additional Optional Closing on or prior to August 30, 2025, such PIPE Investor shall have no further right to effect an Additional Optional Closing under the Purchase Agreement.

On August 13, 2024, the Company entered into those certain waiver and amendment agreements (the "Waiver"), pursuant to which the Company and the PIPE Investors agreed to: (i) waive any breaches or defaults caused by the Company's failure to timely file its SEC reports through August 14, 2024; (ii) extend the date by which the Additional Optional Closings may occur until 11 months from the effective date of the initial Registration Statement; (iii) permit the Company to raise debt financing from its affiliates through non-convertible, unsecured notes with a maturity date that is later than the maturity date of the PIPE Convertible Notes; (iv) waive certain registration failures until September 3, 2024 and permit the issuance of common stock to satisfy certain registration failures; and (v) allow the Company to satisfy the interest payments due April 1, 2024, July 1, 2024 and October 1, 2024 from the issuance of common stock or by allowing such amounts to be added to the principal amount of the PIPE Convertible Notes, at the option of the PIPE Investors. In addition, certain PIPE Investors agreed to acquire additional PIPE Convertible Notes without regard to any volume or price requirements in the instruments. In connection with the Waiver, the Company issued an aggregate of 192,151 shares in satisfaction of certain registration statement delay payments and issued an aggregate of 157,582 shares in satisfaction of outstanding interest payments. Such payments were made at the "Alternate Conversion Price" set forth in the PIPE Convertible Notes, which is equal to the lesser of (i) the Conversion Price, and (ii) 90% of the lowest volume weighted average price of the Class A common stock during the five consecutive trading days immediately prior to such conversion.

On November 7, 2024, the Company entered into those certain amendments to the Waivers (the "Amendments"), pursuant to which the Company and the PIPE Investors agreed to: (i) waive any breaches or defaults caused by the Company's failure to timely file its SEC reports through August 21, 2024; and (ii) waive certain registration failures until October 3, 2024. In addition, the PIPE Investors waived any breaches or defaults that may have occurred or will occur solely as a result of the Company's failure to comply with the continued listing requirements of the Nasdaq Stock Market due to: (i) the Company's failure to meet the stockholders' equity requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025,

(ii) the Company's failure to meet the market value of publicly held shares requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025, and/or (iii) the Company's failure to meet the minimum bid price requirement for continued listing; provided that the foregoing waiver shall expire on January 15, 2025, provided further that to the extent the Company is in compliance with all other Nasdaq Stock Market listing requirements and has filed a preliminary proxy statement to hold a special meeting to vote on a reverse stock split to remedy the bid price failure, the waiver shall be extended to March 15, 2025. In connection with the Amendment, the Company issued an aggregate of 116,959 shares in satisfaction of certain registration statement delay payments and issued an aggregate of 65,790 shares in satisfaction of outstanding interest payments. Such payments were made at the "Alternate Conversion Price" set forth in the PIPE Convertible Notes, which is equal to the lesser of (i) the Conversion Price, and (ii) 90% of the lowest volume weighted average price of the Class A common stock during the five consecutive trading days immediately prior to such conversion.

On November 7, 2024, certain PIPE Investors agreed to purchase additional PIPE Convertible Notes in aggregate principal amount of \$ 3,300,000 for aggregate proceeds of \$2,970,000. In connection with the foregoing, the Company agreed to repay an aggregate of \$ 2,496,686 in outstanding debt and transaction expenses.

#### Note 12. RELATED PARTY NOTES PAYABLE

Related party notes payable consisted of the following as of September 30, 2024 and December 31, 2023:

	2024	2023
Notes payable - ARJ Trust	\$ 650,000	\$ 650,000
Note payable - McKettrick	1,050,000	1,300,000
Note payable - Carver	111,000	148,000
Loan - CEO	1,000,000	-
	2,811,000	2,098,000
Less current portion	(1,937,000)	(1,237,000)
Long-term portion	\$ 874,000	\$ 861,000

Future maturities of related party notes payable are as follows as of September 30, 2024:

2024 (three months)	\$ 1,937,000
2025	287,000
2026	287,000
2027	300,000
Total	\$ 2,811,000

#### Note Payable - ARJ Trust

In December 2008, we entered into a \$500,000, 8.50% annual interest rate note payable with a trust ("ARJ Trust") indirectly controlled by the chief executive officer. We make monthly interest-only payments of \$3,541. As of September 30, 2024 and December 31, 2023, the principal balance was \$500,000.

In June 2010, we entered into a second \$150,000, 8.50% annual interest rate note payable with the ARJ Trust. We make monthly interest-only payments of \$1,063. As of September 30, 2024 and December 31, 2023, the principal balance outstanding was \$150,000.

As of September 30, 2024 and December 31, 2023, the principal balance outstanding was \$650,000 and accrued interest was \$4,604. The note was to mature on March 31, 2024 and was extended to March 31, 2025.

The trustee of the ARJ Trust is a related party to the Company's chief executive officer.

#### Note Payable - McKettrick

In May 2019, we entered into a \$1,750,000, zero interest rate note payable with a former shareholder to repurchase all shares in the Company. The note is payable in annual installments of \$250,000 due on December 21 of each year. The note matures on December 1, 2027. There is a late fee of 5%, if not paid within 10 days of the due date. During the nine months ended September 30, 2024, the Company paid the December 2023 installment of \$250,000 and \$50,000 in negotiated extension fee. The balance of the note payable at September 30, 2024 and December 31, 2023 was \$1,050,000 and \$1,300,000, respectively.

#### Note Payable - Carver

In January 2021, we entered into a \$222,000, zero interest rate note payable with a former shareholder to repurchase all shares in the Company. The note is payable in semi-annual installments of \$18,500 due on March 31 and September 30 each year and matures on October 1, 2027. The Company paid \$18,500 on the note on March 31, 2024 and September 30, 2024. The balance of the note payable as of September 30, 2024 and December 31, 2023 was \$111,000 and \$148,000, respectively.

#### Note 13. LINES OF CREDIT

In December 2023, we entered into a \$2,000,000 variable rate line of credit with JP Morgan Chase Bank, N.A. The purpose of the new line of credit was to consolidate the balances outstanding on the note payable and the previous line of credit, which had matured. The line of credit matures on December 31, 2024. The line of credit has an annual interest rate computed at the Adjusted SOFR (Secured Overnight Financing Rate) Rate and at a rate of 3.00% above the SOFR Rate. The Adjusted SOFR rate means the sum of the Applicable margin (3.50% per annum) plus the SOFR rate applicable to the interest period plus the Unsecured to Secured Rate Adjustment.

The line of credit was secured by a pledge of \$2,100,000 in the Company's deposit accounts (restricted cash) at JP Morgan Chase. As of September 30, 2024 and December 31, 2023, the balance outstanding on the line of credit was \$802,738.

During February 2023, the Company entered into a variable rate line of credit with Morgan Stanley which is secured by the marketable securities held in our brokerage account. As of September 30, 2024 and December 31, 2023, the balance outstanding was \$10,114 and \$1,980,937, at a rate of 7.21%, respectively, as the Company paid off the majority of the line of credit during the three months ended March 31, 2024.

#### Note 14. CONVERTIBLE NOTES PAYABLE

In May 2022, we entered into two separate but identical \$300,000 (total \$600,000), 10.00% annual interest rate convertible notes payable ("Convertible



Notes”) with two individual consultants (“Note Holder”) to assist with services including an initial public offering preparation and listing to NASDAQ or other national exchange, assist the Company and its counsel in preparing a code of conduct and employment agreements, franchise development, and valuation increase through growth among other services. The original terms of each note include a 15% original issue discount (“OID”), 292 warrants, no prepayment penalty and a maturity of February 25, 2023.

The warrants are exercisable at \$4,800 per share for five years and a cashless option and a mandatory exercise over \$9,600 with no prepayment penalty. The warrants are non-exercisable for one year from issuance. The valuation assumptions used in the Black-Scholes model to determine the fair value of each warrant awarded in 2022: expected stock price volatility ranged from 40.06% to 80.17%; expected term in years 5.00 with a discount for the one-year lockout period; and risk-free interest rate 2.95%.

The Note Holder has the right, at any time on or after the issuance date and prior to the maturity date, to convert all or any portion of the then outstanding and unpaid principal plus any accrued interest thereon into shares of the Company’s common stock. The per share conversion price will be convertible into shares of common stock equal to 70% multiplied by the lower of (i) the volume weighted average of the closing sales price of the common stock on the date that the Company’s listing on the NASDAQ Global Market or other national exchange (“Uplisting”) is successfully consummated or (ii) the lowest closing price for the five trading days following the date of Uplisting, not including the Uplisting day.

In the event the Company (i) makes a public announcement that it intends to be acquired by, consolidate or merge with any other corporation or entity (other than a merger in which the Company is the surviving or continuing corporation and its capital stock is unchanged) or sell or transfer all or substantially all of the assets of the Company; or (ii) any person, group or entity (including the Company) publicly announces a tender offer to purchase 50% or more of the common stock, then the conversion price will be equal to the lower of the conversion price and a 25% discount to the announced acquisition provided, that, the conversion will never be less than a price that is the lower of (iii) the closing price (as reflected on Nasdaq.com) immediately preceding the signing of these notes; or (iv) the average closing price of the Company’s common stock (as reflected on Nasdaq.com) for the five trading days immediately preceding the signing of these notes.

In 2022 and at the time of issuance, the Company elected to follow the relative fair value method to allocate the proceeds to the warrants, OID, and convertible notes (collectively the “Financial Instruments”). Total estimated fair value of the Financial Instruments was \$1,387,060. The pro-rata allocation of the \$450,000 total proceeds was \$282,109 to the warrants, \$21,899 to the OID and \$145,992 to the convertible notes. The fair value of the warrants exceeded the pro-rata allocation of proceeds to the warrants and the convertible notes by \$445,032, which the Company recorded as interest expense at the time of issuance.

Based on an estimated 70% discounted conversion price, the Company recorded \$192,857 in interest expense and a corresponding increase in the notes payable. The Company has elected to account for the convertible notes at fair market value. The fair market value will be adjusted at each reporting period. The total outstanding balance for each convertible note as of December 31, 2022, was \$225,000 (total \$450,000) and accrued interest was \$16,480. In March 2023, we extended each note’s maturity to July 31, 2023 and increased each note’s borrowing limit to \$375,000.

In July 2023, the Company and Convertible Note Holders entered into Warrant Cancellation Agreements, whereby the warrants were cancelled when the Merger (business combination) with Deep Medicine Acquisition Corp. was completed. Also in July 2023, the convertible notes were modified whereby the maturity date was extended by up to an additional eight months (February 29, 2024), to be in two extensions of four months each. Five days prior to the extension deadline the Company was to issue 9,000 shares (total 18,000 shares if the Company elects the two extensions) of the Company’s stock. The Company did elect the extension. The Company has not issued the shares as of the date of this filing.

There was zero OID related to the Convertible Notes remaining as of September 30, 2024 and December 31, 2023, and there was no OID interest expense or amortization recorded during the nine months ended September 30, 2024 and 2023.

As of September 30, 2024 and December 31, 2023, the balance of the Convertible Notes was \$954,622. The Convertible Notes were paid off in connection with the November 7, 2024, funding of the additional PIPE Convertible Notes referenced in Note 11.

#### Note 15. DIVIDEND NOTES PAYABLE

Prior to the merger, we filed our tax returns as an S Corporation. Historically, all income tax liabilities and benefits of the Company are passed through to the shareholders annually through distributions. No dividends were declared during 2023 or 2022. During 2021, the Board of Directors declared \$7,395,694 in dividends to the shareholders, payable in cash as the Company’s liquidity allows. During 2022, the Company paid the shareholders \$1,965,706. In November 2022, each shareholder agreed to defer the accrued dividends payable by entering into 6.00% interest rate dividend notes payable. All outstanding and accrued interest is due and payable when the dividend notes payable mature on December 31, 2025. Interest commenced accruing on January 1, 2023.

Dividends declared, distributed, and accrued are as follows as of September 30, 2024 and December 31, 2023:

	2024	2023
Accrued interest on dividends payable	\$ 455,318	\$ 274,242
Dividends payable	\$ 4,023,923	\$ 4,023,923

#### Note 16. GROSS SALES ROYALTY PAYABLE

In June 2015, we entered into a Royalty Purchase Agreement (the “Agreement”) with a purchaser (“Purchaser”) for a gross sales royalty. The Purchaser agreed to purchase a sales royalty for the sum of \$1,000,000 plus applicable taxes. Upon mutual agreement the Purchaser may purchase one or more additional royalties in an aggregate amount of up to \$1,000,000. For the period June 2015 through May 2017, the Company paid a monthly payment of \$20,833. Effective June 1, 2017 and all subsequent months, the monthly royalty payment has been equal to the greater of \$20,833 plus the amount determined in accordance with the following and of June 1, 2017:

- If the trailing twelve-month revenue of the Company is equal to or less than \$6,110,000, 3.60% of our monthly revenues, in perpetuity (unless terminated in accordance with the Purchase Agreement);
- If trailing twelve-month revenue of the Company is equal to or greater than \$17,200,000, 1.30% of our monthly revenues, in perpetuity (unless terminated in accordance with the Purchase Agreement); or
- If trailing twelve-month revenue of the Company is greater than \$6,110,000 but less than \$17,200,000, such percentage of monthly revenue determined by dividing \$220,060 by the amount of trailing twelve-month revenue and multiplying the result by 100, in perpetuity (unless terminated in accordance with the Purchase Agreement).



The royalty percentage was fixed at 3.6% based on the trailing twelve-month revenue at the time of executing the Agreement (June 15, 2015). On June 1, 2017, the royalty percentage was changed to 2.4% based on the trailing 12-month revenues at that time as outlined in the table above.

The Agreement contains an option for a one-time buy down of the royalty rate. At any time following the date on which the Purchaser has received royalty payments that are, in the aggregate, equal to two times the then applicable Aggregate Installment Amount (\$1,000,000), we may purchase and extinguish 75% (but no more nor less) of all amounts owing or to become owing to the Purchaser hereunder. In the event we want to exercise the buy down option, we would pay the Purchaser \$750,000 (75% of the \$1,000,000 outstanding amount). The adjusted royalty rate going forward would then be 0.6% (75% of the 2.4%).

The Agreement also contains an option for a buyout upon the change of control. If pursuant to a proposed change of control the acquirer under such transaction requires, as a condition to the completion of such transaction, that the Company purchase and extinguish all amounts owing or to become owing to the Purchaser hereunder, the Company will pay the greater of:

- i. An amount equal to two times the aggregate installment amount as at the date of the change of control buyout notice; and
- ii. An amount equal to A multiplied by B multiplied by C, where:
  - a. A is equal to the aggregate installment amount as at the date of the change of control divided by \$22,500,000;
  - b. B is equal to 0.8; and
  - c. C is equal to the net equity value of the Company; or in the case of a proposed asset sale, the proposed net purchase price of all or substantially all of the Company's assets.

The Agreement has neither a stated maturity nor an interest rate. While the royalty percentage can be reduced via a buydown, as previously explained, the only avenue for terminating the Agreement is a buyout required by an acquirer in a change of control transaction. Absent the change of control, the Agreement will survive in perpetuity at a royalty rate of 2.4% or 0.6% depending on whether or not the royalty rate buydown option has been exercised.

Because the gross sales royalty payable has no stated fixed interest nor maturity, it is considered variable interest perpetual debt. The periodic variable payments to the Purchaser are recorded in interest expense. As of September 30, 2024 and December 31, 2023, the outstanding amount was \$1,000,000. During the nine months ended September 30, 2024 and 2023, we incurred \$ 295,809 and \$402,816, respectively, in interest expense to the Purchaser.

#### Note 17. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities consisted of the following as of September 30, 2024 and December 31, 2023:

	2024	2023
Accrued payroll	\$ 9,123	\$ 326,515
Credit cards	415,514	240,989
Warranty reserve	140,000	140,000
Sales tax payable	34,695	43,891
Other	601,739	374,100
Accrued and other current liabilities	<u>\$ 1,201,071</u>	<u>\$ 1,125,495</u>

Accrued liabilities and other current liabilities assumed in Merger

Accrued tax payable	\$ 45,008	\$ -
Other current liabilities assumed in Merger	250,000	-
Accrued liabilities and other current liabilities assumed in Merger	<u>\$ 295,008</u>	<u>\$ -</u>

#### Note 18. STOCKHOLDERS' EQUITY

Preferred Stock

The Company has authorized preferred stock of 10,000,000 shares, par value of \$0.0001. As of September 30, 2024 and December 31, 2023, there were no shares of preferred stock issued and outstanding.

Common Stock

Common Stock – Series A

The Company has authorized common stock – Series A of 90,000,000 shares, par value of \$0.0001. As of September 30, 2024, there were 11,887,985 shares of common stock – Series A and 1,716,860 shares of common stock – Series B issued and outstanding. The Company issued 349,733 shares of common stock – Series A for interest payment to the PIPE Convertible Note Holders during the nine months ended September 30, 2024. The summary of exchanged and issued shares of common stock – Series A and B resulting from the Merger follows:

Upon closing of the Business Combination, shares of TruGolf Nevada common stock outstanding include the following:

	Accrual Redemptions	
	Number of Shares Owned	% Ownership
TruGolf Nevada shareholders – Series A	5,750,274	43.4%
TruGolf Nevada shareholders – Series B	1,716,860	13.0%
Private Placement Investors (2)	571,450	4.3%
DMAQ Public stockholders (3)	1,460,077	11.0%
DMAQ Directors and officers	280,000	2.1%
DMAQ Sponsor (4)	3,162,500	23.9%
I-Bankers (5)	313,951	2.4%
<b>Total</b>	<u><b>13,255,112</b></u>	<u><b>100%</b></u>

Based on 13,098 TruGolf Nevada ordinary shares outstanding immediately prior to the closing of the Business Combination, the Exchange Ratio determined in accordance with the terms of the Merger Agreement is approximately 570.10. New TruGolf issued 7,467,134 shares of New TruGolf common stock to legacy TruGolf Nevada shareholders in the Business Combination, determined as follows:

	<b>TruGolf Nevada shares outstanding as of immediately prior to the Closing</b>
Ordinary shares, par value \$0.01 per share	13,098
Exchange Ratio	570.10
Shares of New TruGolf common stock issued to TruGolf Nevada shareholders upon Closing	<u>7,467,134</u>

The shares issued to legacy TruGolf Nevada shareholders consists of 5,750,274 shares of New TruGolf Class A common stock and 1,716,860 shares of New TruGolf Class B common stock.

(2) DMAQ's Insiders had an aggregate of 406,500 units, which contain 406,500 Private Placement Shares and 406,500 Private Rights. I-Bankers had an aggregate of 113,000 units, which contain 113,000 Private Placement Shares and 113,000 Private Rights. Each holder of a private right received one-tenth (1/10) of one share of DMAQ Class A common stock upon consummation of initial business combination. Private placement shares were the shares of DMAQ Class A common stock. The 519,500 shares of DMAQ Class A common stock and 519,500 Private Right were exchanged for a total of 571,450 shares of New TruGolf common stock upon the closing of the Business Combination.

(3) Prior to and in connection with the approval of the Business Combination, holders of 378,744 DMAQ Class A Shares properly exercised their right to have such shares redeemed for a full pro rata portion of the trust account holding the proceeds from the IPO. In addition, in connection with the January 26, 2024 meeting to amend certain provisions of DMAQ's corporate documents allowing DMAQ to extend its existence, an additional 943 shares were redeemed, resulting in actual redemptions of 379,687 shares out of the total 574,764 shares of DMAQ common stock subject to redemption. Upon the closing of the Business Combination, 1,265,000 shares of New TruGolf Class A common stock were issued upon the conversion of 12,650,000 public rights.

(4) In connection with the Business Combination, 3,162,500 shares of DMAQ Class A common stock held by the Sponsor and its affiliates were converted into 3,162,500 shares of New TruGolf Class A common stock.

(5) Reflects the payment of transaction fee pursuant to the BCMA Amendment due at Closing, which was paid to I-Bankers a transaction fee equal to (i) \$2,000,000 in cash and (ii) 212,752 New TruGolf Class A Common Shares, and an aggregate of 101,200 Representative Shares issued in connection with the IPO were exchanged to New TruGolf common stock upon the closing of the Business Combination.

In March 2023, the Board of Directors authorized the issuance of 821 shares of common stock to the consultants for the services performed related as outlined in the services agreements. The common shares were issued at fair value and \$4,493,333 was expensed to consulting services.

In April 2022, we secured the services of two consultants (also the Note Holders as described in Note 12 – *Convertible Notes Payable*) to assist with services including assisting the Company's and its counsel in an initial public offering preparation and listing to NASDAQ or other national exchange, assist the Company and its counsel in preparing a code of conduct and employment agreements, franchise development, and valuation increase through growth among other services.

Once services are performed, the first consultant will be provided a 3% stock grant; while the second consultant will be provided up to 7% of stock based on performance deliverables including: 1.75% on consummation of an initial bridge loan agreement, 1.75% on engaging an investment banker, 1.75% upon filing an S-1 including financial statements and footnotes, and 1.75% upon the closing of an initial public offering. The second consultant will be provided warrants at a 20% discount to the then current price per share, for up to 2% for achieving a \$250 million valuation and 3% more for a \$500 million valuation, as well as another 2% for opening the first franchise location, and 3% more once 100 franchise locations have been sold. As of the date of this filing, no stock grants or awards have been issued.

#### **Common Stock – Series B**

The Company has authorized common stock – Series B of 10,000,000 shares, par value of \$0.0001. As of September 30, 2024, there were 1,716,860 shares of common stock – Series B issued and outstanding. The common stock – Series B has voting rights of 25 votes per common stock – Series A held. As of September 30, 2024, three TruGolf insiders own 100% of the 1,716,680 common stock – Series B.

#### **Warrants - Common stock – Series A and B**

As of September 30, 2024, the Company issued warrants to purchase 1,409,091 shares of the Company's common stock – Series A to the PIPE Convertible Notes holders with an initial exercise price of \$13 per share and a term of five years commencing February 1, 2024. The maximum Series A Warrants to be issued for all tranches of the PIPE Convertible Notes is 1,409,091. The value of the Series A Warrants was estimated to be approximately \$2,268,637 (or \$1.61 per warrant) using the Black-Scholes option-pricing model as of the grant date (February 24, 2024) based on the following assumptions:

1. The expected volatility of 227.52%;
2. The risk-free interest rate of 3.99%;
3. The expected life of five years.

As of September 30, 2024, the Company issued warrants to purchase 3,875,000 shares of the Company's common stock – Series B to the PIPE Convertible Notes holders with an initial exercise price of \$10 per share and a term of thirty months commencing February 1, 2024. The maximum Series B Warrants to be issued for all tranches of the PIPE Convertible Notes is 1,550,000. The value of the Series B Warrants was estimated to be approximately \$5,347,500 (or \$1.38 per warrant) using the Black-Scholes option-pricing model as of the grant date (February 24, 2024) based on the following assumptions:

1. The expected volatility of 227.52%;
2. The risk-free interest rate of 3.99%;
3. The expected life of thirty months.

#### **Note 19. INCOME TAXES**

We have adopted the provisions of ASC 740-10-25, which provide recognition criteria and a related measurement model for uncertain tax positions taken

or expected to be taken in income tax returns. ASC 740-10-25 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities.

Tax positions that meet the more likely than not threshold are then measured using a probability weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company had no tax positions relating to open income tax returns that were considered to be uncertain as of September 30, 2024.

Prior to the merger, the Company was an S Corporation for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the stockholders. As such, no recognition of federal or state income taxes for the Company has been provided for prior to January 31, 2024, the date of the consummation of the Merger.

The Company incurred a net loss for the nine months ended September 30, 2024 of \$ 2,931,370, which is available to reduce future taxable income for federal and state income taxes, respectively. The NOL can be carried forward indefinitely and can be used to offset 80% of future taxable income. At the current federal tax rate of 21% and including book to tax differences result in the current tax benefit NOL of approximately \$ 615,000 at September 30, 2024. The Company has no income tax effect due to the recognition of a full valuation allowance on the expected tax benefits of future loss carry forwards based on uncertainty surrounding realization of such assets. During the nine months ended September 30, 2024, the Company increased the valuation allowance from \$0 to \$615,000.

## Note 20. COMMITMENTS AND CONTINGENCIES

### Operating Leases

As of September 30, 2024, we had two operating leases as follows:

- In June 2023, we entered into a five-year lease on the warehouse in North Salt Lake City, Utah. The base monthly lease payment through May 2024 is \$10,849, \$11,163 through May 2025, \$11,486 through May 2026, \$11,819 through May 2027, and \$12,162 through May 2028. As of September 30, 2024, we had 44 months remaining on the lease.

26

- In December 2022, we entered into a three-year lease on the corporate headquarters in Centerville, Utah. The base monthly lease payment through November 2023 is \$20,343, \$20,378 through November 2023 and \$24,616 through November 2025. As of September 30, 2024, we had 33 months remaining on the lease.

We utilize our incremental borrowing rate in determining the present value of lease payments unless the implicit rate is readily determinable. For 2023 and 2022, we used an estimated incremental borrowing rate of 10.00% and 5.90% respectively, to determine the present value of the lease liability.

Other information related to our operating leases is as follows:

Right of use asset:

As of December 31, 2023	\$	972,663
Amortization		82,454
As of March 31, 2024	\$	890,209
Amortization		83,857
As of June 30, 2024	\$	806,352
Amortization		85,301
As of September 30, 2024	\$	721,051

Lease liability:

Lease liability – December 31, 2023	\$	1,002,483
Payments		(80,311)
As of March 31, 2024	\$	922,172
Payments		(82,027)
As of June 30, 2024	\$	840,145
Payments		(84,099)
As of September 30, 2024	\$	756,046

The table below reconciles the fixed component of the undiscounted cash flows for each of five years to the lease liabilities recorded on the Balance Sheet as of September 30, 2024:

Year	Minimum Lease Payments
2024 – (Three Months)	\$ 102,860
2025	406,990
2026	140,163
2027	144,227
2028	60,809
Total	855,049
Less interest	(99,003)
Present value of future minimum lease payments	756,046
Less current portion	(375,660)
Long term lease liability	\$ 380,386

## Note 21. RELATED PARTY

As described in Note 14 – *Dividend Notes Payable*, the following were outstanding on the dividend notes payable to our officers and shareholders as of September 30, 2024 and December 31, 2023:

	2024	2023
Chief executive officer, Director and Shareholder	\$ 1,639,240	\$ 1,639,240
Chief hardware officer, Director and Shareholder	786,976	786,976

Executive vice president, Director and Shareholder	817,457	817,457
Interim chief financial officer, Director and Shareholder	198,519	198,519

The Company's chief executive officer is related to certain lenders of the Company as discussed in Note 12 – *Related Party Notes Payable*.

The Company's chief executive officer paid \$500,000 to purchase franchise regions from TruGolf Links Franchising, LLC during the three months ended June 30, 2024.

During the three months ended September 30, 2024, the Company's chief executive officer provided a cash infusion to the Company in the amount of \$1,000,000 and is recorded under 'Notes payable to related parties, current portion' on the balance sheet.

## **Note 22. TruGolf Links Franchising, LLC**

On May 10, 2024 the Company formed a wholly owned subsidiary in the state of Delaware. TruGolf Links Franchising, LLC ("Links") has a sole member, TruGolf, Inc. Links was formed to establish and sell franchises that would use the Company's indoor golf and recreational sports simulators and other equipment. Links offers a Service Area franchise agreement for a single location. It also offers a regional developer franchise agreement that allows the franchisee to sell franchises within its region. The upfront fees range from \$45,000 to \$100,000. Links has received proceeds of \$500,000 from its CEO and \$75,000 from a third party to purchase the franchise rights to some regions yet to be determined. As of September 30, 2024, the Company recorded \$575,000 of deferred revenue and incurred \$306,539 of expenses that are included in Selling, general and administrative category.

## **Note 23. SUBSEQUENT EVENTS**

On October 4, 2024 the Company filed a Form S-8 to register 1,600,000 shares of the Company's common stock – Series A to participants in the TruGolf Holdings, Inc. 2024 Stock Incentive Plan.

On November 7, 2024, the Company entered into those certain amendments to the Waivers (the "Amendments"), pursuant to which the Company and the PIPE Investors agreed to: (i) waive any breaches or defaults caused by the Company's failure to timely file its SEC reports through August 21, 2024; and (ii) waive certain registration failures until October 3, 2024. In addition, the PIPE Investors waived any breaches or defaults that may have occurred or will occur solely as a result of the Company's failure to comply with the continued listing requirements of the Nasdaq Stock Market due to: (i) the Company's failure to meet the stockholders' equity requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025, (ii) the Company's failure to meet the market value of publicly held shares requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025, and/or (iii) the Company's failure to meet the minimum bid price requirement for continued listing; provided that the foregoing waiver shall expire on January 15, 2025; provided further that to the extent the Company is in compliance with all other Nasdaq Stock Market listing requirements and has filed a preliminary proxy statement to hold a special meeting to vote on a reverse stock split to remedy the bid price failure, the waiver shall be extended to March 15, 2025. In connection with the Amendment, the Company issued an aggregate of 116,959 shares in satisfaction of certain registration statement delay payments and issued an aggregate of 65,790 shares in satisfaction of outstanding interest payments. Such payments were made at the "Alternate Conversion Price" set forth in the PIPE Convertible Notes, which is equal to the lesser of (i) the Conversion Price, and (ii) 90% of the lowest volume weighted average price of the Class A common stock during the five consecutive trading days immediately prior to such conversion.

On November 7, 2024, certain PIPE Investors agreed to purchase additional PIPE Convertible Notes in aggregate principal amount of \$ 3,300,000 for aggregate proceeds of \$2,970,000. In connection with the foregoing, the Company agreed to repay an aggregate of \$ 2,496,686 in outstanding debt and transaction expenses.

We evaluate events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through the date the financial statements were issued.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF TRUGOLF**

*The following discussion and analysis provide information that TruGolf's management believes is relevant to an assessment and understanding of TruGolf's results of operations and financial condition. This discussion should be read in conjunction with the financial statements, together with related notes and other information included elsewhere in this Form 10-Q. Additionally, TruGolf's historical results are not necessarily indicative of the results that may be expected for any period in the future.*

*Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations of TruGolf" to "we", "us", "our", and "the Company" are intended to refer to the business and operations of TruGolf.*

This Form 10-Q contains certain forward-looking statements. Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements.

Forward-looking statements include, but are not limited to, statements about:

- the occurrence of any event, change or other circumstances, including the outcome of any legal proceedings that may be instituted against us;
- the ability to remedy the outstanding listing deficiencies with respect to our common stock and to maintain the listing of our securities on Nasdaq, and the potential liquidity and trading of our securities;
- the risk of disruption to our current plans and operations;
- the ability to recognize the anticipated benefits of our business and the Business Combination, which may be affected by, among other things, competition and the ability to grow, manage growth profitably, and retain key employees;
- costs related to our business;
- changes in applicable laws or regulations;
- our ability to meet its future capital requirements to fund our operations, which may involve debt and/or equity financing, and to obtain such debt and/or equity financing on favorable terms, and our sources and uses of cash;
- our ability to execute on our plans to develop and commercialize our current clinical assets, as well as any future clinical assets that we license, and the timing of any such commercialization;

- our ability to maintain existing license agreements;
  - our estimates regarding expenses, future revenue, capital requirements, and needs for additional financing;
- our ability to achieve and maintain profitability in the future;
- our financial performance; and
  - other factors disclosed under the section entitled "Risk Factors".

## Company Overview

Since 1983, TruGolf has been passionate about driving the golf industry with innovative, indoor golf solutions. We build products that capture the spirit of golf. Our mission is to help grow the game by making it more available, more approachable and more affordable, through technology – because we believe golf is for everyone.

Our team has built award-winning video games (including *Links*, a popular sports game for PC), innovative hardware solutions, and an all-new e-sports platform to connect golfers around the world with TruGolf E6 Connect Software, our premier software engine. Since TruGolf's beginning, we have continued to define and redefine what is possible with golf technology.

In addition to offering a variety of custom, professional, and portable golf simulators, TruGolf's latest launch monitor, Apogee, was created to improve accuracy and to make using the launch monitor easier. Features of Apogee include: a unique Apogee Voice Assistant, a voice command system that allows users to navigate their TruGolf E6 Connect Software gameplay within rounds and practice sessions; Laser Launchpad, a laser indicator that shows users where to place the ball and when the system is ready to record a swing and Point-of-Impact (POI) slow-motion replay video.

Our suite of hardware offerings in the golf technology space is expansive, offering something for virtually everyone from gamers to beginners to professionals, and all consumers in between. Hardware offerings are sold through a global network of authorized resellers, retail outlets and direct-to-consumer through a dedicated TruGolf sales team. Our suite of hardware offerings ranges from entry level pricing at just under \$400, to well over \$100,000 for custom projects, creating a wide range of pricing options for nearly all consumers, and providing TruGolf with a competitive advantage in creating a wide consumer base as compared to its competitors (who often only focus in a narrow consumer price range).

TruGolf creates top golf technology software in the marketplace through its TruGolf E6 Connect Software. Importantly, TruGolf E6 Connect Software is designed not only for use with our suite of hardware offerings in the golf technology space, but also integrates with more than twenty-four third party golf technology hardware manufacturers, translating to a market integration coverage equal to roughly 90% of golf technology hardware in the global market space, which allows peer-to-peer play across these golf technology hardware manufacturers, allowing for a unification of the golf technology space. TruGolf E6 Connect Software records, on average, over 725,000 indoor golf shots per day. TruGolf E6 Connect Software is both PC and iOS compatible and can be used both indoors and outdoors.

TruGolf has leveraged its unique position as one of the industry leaders in both hardware and software golf technology solutions to organize and found the Virtual Golf Association (VGA). The VGA is a gamified virtual economy that takes place inside the TruGolf E6 Connect Software. Users have a chance to earn points through play, practice, and more – providing a worldwide leaderboard of connected indoor golfers. Each shot users take rewards them with points. These points can be used to purchase in-game enhancements, or to enter virtual golf tournaments with real world prizes. The VGA is broken into three models:

- **Game Analysis** – rewards TruGolf E6 Connect Software users who track and measure their game. Users can set specific goals (e.g., shots hit per month, speed and distance gains, dispersion reduction) and earn points for hitting milestones. At the end of each month, users can see how they compared against all other users utilizing the Game Analysis features.

- **Connected Golf** – rewards users for joining with their friends and playing golf online. Earn points for playing a new course or linking up to play nine holes with another player utilizing TruGolf E6 Connect Software.
- **Virtual Golf Association Events** – events are worldwide leaderboard format, flighted by handicap, where users play and compete to shoot the lowest score. These contests include stroke play, closest to the pin, match play, stableford, and more. Users earn points based on how they finish in their division.

In totality, TruGolf's business model is designed to be positioned as the hub of golf technology, with groundbreaking hardware technologies that we believe can become the industry standard and unifying the industry as a whole by serving as the leader of golf technology software solutions through its TruGolf E6 Connect Software.

## Recent Developments

### *Business Combination*

On January 31, 2024, the Company consummated the business combination (the "Closing") contemplated by the previously announced Amended and Restated Agreement and Plan of Merger, dated as of July 21, 2023 (as amended, the "Merger Agreement"), by and among the Company, DMAC Merger Sub Inc., a Nevada corporation and a wholly-owned subsidiary of the Company ("Merger Sub"), Bright Vision Sponsor LLC, a Delaware limited liability company, in the capacity as the Purchaser Representative thereunder, Christopher Jones, in the capacity as the Seller Representative thereunder, and TruGolf, Inc., a Nevada corporation ("TruGolf Nevada"). As a result of the Closing and the transactions contemplated by the Merger Agreement, (i) Merger Sub merged with and into TruGolf (the "Merger"), with TruGolf Nevada surviving the Merger as a wholly-owned subsidiary of the Company, and (ii) the Company's name was changed from Deep Medicine Acquisition Corp. ("DMAQ") to TruGolf Holdings, Inc. The Company's Class A common stock commenced trading on the Nasdaq Global Market LLC under the ticker symbol "TRUG" on February 1, 2024.

### Accounting for the Business Combination

The Merger was accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, DMAQ was treated as the acquired company for accounting purposes, whereas TruGolf Nevada was treated as the accounting acquirer. In accordance with this method of accounting, the Business Combination was treated as the equivalent of TruGolf Nevada issuing shares for the net assets of DMAQ, accompanied by a recapitalization. The net assets of DMAQ and TruGolf Nevada were stated at historical cost, with no goodwill or other intangible assets recorded, and operations prior to the Business Combination were those of TruGolf Nevada. TruGolf Nevada has been determined to be the accounting acquirer for

purposes of the Business Combination based on an evaluation of the following facts and circumstances:

- Legacy TruGolf Nevada stockholders have a majority of the voting power of New TruGolf,
- TruGolf Nevada comprising the ongoing operations of New TruGolf,
- TruGolf Nevada contributing a majority of the governing body members of New TruGolf, and
- TruGolf Nevada's senior management comprising the senior management of New TruGolf.

#### *PIPE Offering*

On November 2, 2023 and December 7, 2023, DMAQ executed loan agreements with certain accredited investors (together, the "Prior Loan Agreements") pursuant to which such investors agreed to loan DMAQ up to an aggregate \$11,000,000 in exchange for the issuance of convertible notes and warrants. On February 2, 2024, the Company executed a securities purchase agreement (the "Purchase Agreement") with each of the investors that executed the Prior Loan Agreements, which replaced, in their entirety, the Prior Loan Agreements, and with additional investors (together, the "PIPE Investors"). Pursuant to the terms and conditions of the Purchase Agreement, the PIPE Investors agreed to purchase from the TruGolf Holdings (i) senior convertible notes in the aggregate principal amount of up to \$15,500,000 (the "PIPE Convertible Notes"), (ii) Series A warrants to initially purchase 1,409,091 shares of the Company's Class A common stock (the "Series A Warrants"); and (iii) Series B warrants to initially purchase 1,550,000 shares of the Company's Class A common stock (the "Series B Warrants," and collectively with the Series A Warrants, the "PIPE Warrants") (the "PIPE Financing").

30

The Purchase Agreement contemplates funding of the investment (the "Investment") across multiple tranches. At the first closing (the "Initial Closing") an aggregate principal amount of \$4,650,000 of PIPE Convertible Notes will be issued upon the satisfaction of certain customary closing conditions in exchange for aggregate gross proceeds of \$4,185,000, representing an original issue discount of 10%. On such date (the "Initial Closing Date"), we also issued the PIPE Investors the Series A Warrants and the Series B Warrants.

Subject to satisfying the conditions discussed below, TruGolf Holdings, Inc. has the right under the Purchase Agreement, but not the obligation, to require that the PIPE Investors purchase additional Notes at up to two additional closings. Upon notice at any time after the 2nd trading day following the Initial Closing Date, TruGolf Holdings may require that the PIPE Investors purchase an additional aggregate principal amount of \$4,650,000 of PIPE Convertible Notes, in exchange for aggregate gross proceeds of \$4,185,000, if (i) the Registration Statement (as described below) has been filed; and (ii) certain customary closing conditions are satisfied (the "First Mandatory Additional Closing"). Upon notice at any time after the 2nd trading day following the date that the First Mandatory Additional Closing is consummated, TruGolf Holdings may require that the PIPE Investors purchase an additional aggregate principal amount of \$6,200,000 of PIPE Convertible Notes, in exchange for aggregate gross proceeds of \$5,580,000, if (i) the shareholder approval is obtained (as described below); (ii) the Registration Statement has been declared effective by the SEC; and (iii) certain customary closing conditions are satisfied (the "Second Mandatory Additional Closing").

In addition, pursuant to the Purchase Agreement, as amended by the Waiver (described below) each PIPE Investor has the right, but not the obligation, to require that, upon notice, TruGolf Holdings sell to such PIPE Investor at one or more additional closings such PIPE Investor's pro rata share of up to a maximum aggregate principal amount of \$10,850,000 in additional PIPE Convertible Notes (each such additional closing, an "Additional Optional Closing"); provided that, the principal amount of the additional PIPE Convertible Notes issued at each Additional Optional Closing must equal at least \$250,000. If a PIPE Investor has not elected to effect an Additional Optional Closing on or prior to August 30, 2025, such PIPE Investor shall have no further right to effect an Additional Optional Closing under the Purchase Agreement.

On August 13, 2024, the Company entered into those certain waiver and amendment agreements (the "Waivers"), pursuant to which the Company and the PIPE Investors agreed to: (i) waive any breaches or defaults caused by the Company's failure to timely file its SEC reports through August 14, 2024; (ii) extend the date by which the Additional Optional Closings may occur until 11 months from the effective date of the initial Registration Statement; (iii) permit the Company to raise debt financing from its affiliates through non-convertible, unsecured notes with a maturity date that is later than the maturity date of the PIPE Convertible Notes; (iv) waive certain registration failures until September 3, 2024 and permit the issuance of common stock to satisfy certain registration failures; and (v) allow the Company to satisfy the interest payments due April 1, 2024, July 1, 2024 and October 1, 2024 from the issuance of common stock or by allowing such amounts to be added to the principal amount of the PIPE Convertible Notes, at the option of the PIPE Investors. In addition, certain PIPE Investors agreed to acquire additional PIPE Convertible Notes without regard to any volume or price requirements in the instruments. In connection with the Waiver, the Company issued an aggregate of 192,151 shares in satisfaction of certain registration statement delay payments and issued an aggregate of 157,582 shares in satisfaction of outstanding interest payments. Such payments were made at the "Alternate Conversion Price" set forth in the PIPE Convertible Notes, which is equal to the lesser of (i) the Conversion Price, and (ii) 90% of the lowest volume weighted average price of the Class A common stock during the five consecutive trading days immediately prior to such conversion.

On November 7, 2024, the Company entered into those certain amendments to the Waivers (the "Amendments"), pursuant to which the Company and the PIPE Investors agreed to: (i) waive any breaches or defaults caused by the Company's failure to timely file its SEC reports through August 21, 2024; and (ii) waive certain registration failures until October 3, 2024. In addition, the PIPE Investors waived any breaches or defaults that may have occurred or will occur solely as a result of the Company's failure to comply with the continued listing requirements of the Nasdaq Stock Market due to: (i) the Company's failure to meet the stockholders' equity requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025, (ii) the Company's failure to meet the market value of publicly held shares requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025, and/or (iii) the Company's failure to meet the minimum bid price requirement for continued listing; provided that the foregoing waiver shall expire on January 15, 2025; provided further that to the extent the Company is in compliance with all other Nasdaq Stock Market listing requirements and has filed a preliminary proxy statement to hold a special meeting to vote on a reverse stock split to remedy the bid price failure, the waiver shall be extended to March 15, 2025. In connection with the Amendment, the Company issued an aggregate of 116,959 shares in satisfaction of certain registration statement delay payments and issued an aggregate of 65,790 shares in satisfaction of outstanding interest payments. Such payments were made at the "Alternate Conversion Price" set forth in the PIPE Convertible Notes, which is equal to the lesser of (i) the Conversion Price, and (ii) 90% of the lowest volume weighted average price of the Class A common stock during the five consecutive trading days immediately prior to such conversion.

On November 7, 2024, certain PIPE Investors agreed to purchase additional PIPE Convertible Notes in aggregate principal amount of \$3,300,000 for aggregate proceeds of \$2,970,000. In connection with the foregoing, the Company agreed to repay an aggregate of \$2,496,686 in outstanding debt and transaction expenses.

#### *TruGolf Links Franchising, LLC*

On May 10, 2024 the Company formed a wholly owned subsidiary in the state of Delaware. TruGolf Links Franchising, LLC ("Links") has a sole member, TruGolf, Inc. Links was formed to establish and sell franchises that would use the Company's indoor golf and recreational sports simulators and other equipment. Links offers a Service Area franchise agreement for a single location. It also offers a regional developer franchise agreement that allows the franchisee to sell franchises within its region. The upfront fees range from \$45,000 to \$100,000. Links has received proceeds of \$500,000 from its CEO and \$75,000 from a third party to purchase the franchise rights to some regions yet to be determined. As of September 30, 2024, the Company recorded \$575,000 of deferred revenue and incurred \$306,539 of expenses that are included in the Selling, general and administrative category.

#### *Capitalized software development cost*



We capitalize certain costs related to the development of our software used in our simulators. In accordance with authoritative guidance, including ASC 985-20, *Software-Costs of Software to be Sold, Leased or Marketed*, we began to capitalize these costs when the technological feasibility was established and preliminary development efforts were successfully completed, management authorized and committed project funding, and it was probable that the project would be completed and the software would be used as intended. Such costs are amortized when placed in service, on a straight-line basis over the estimated useful life of the related asset, estimated to be three years beginning on February 1, 2024. Costs incurred prior to meeting these criteria together with costs incurred for training and maintenance are expensed as incurred and recorded in product development expenses on our statements of operations. The Company does not capitalize any testing or maintenance costs. The accounting for these capitalized software costs requires us to make significant judgments, assumptions and estimates related to the timing and amount of recognized capitalized software development costs. For the nine months ended September 30, 2024 we capitalized \$1,967,418 of costs related to the development of software applications. Amortization of capitalized software costs was \$279,001 for the for the nine months ended September 30, 2024. The balance of capitalized software was \$1,738,417 net of accumulated amortization of \$279,001 at September 30, 2024.

#### *Ethos Management INC*

The Ethos Asset Management Loan Agreement ("Loan Agreement") stipulates that fundings should happen approximately every 30 banking days, subject to Ethos completing periodic internal audits to ensure the Company was in compliance with the terms of loan agreement. Ethos Management informed the Company in August 2023, that unrelated to TruGolf, Ethos Management is currently undergoing a routine audit of its loan portfolio, and pending the close of the audit, borrowers may experience delays in drawing on funds when requested. Due to the lack of additional fundings and in accordance with the terms of the Loan Agreement, in February 2024, we sent Ethos a notice of termination for materially breaching the Loan Agreement. Based on the termination for default clause in the Loan Agreement, we are entitled to retain all the funds disbursed by Ethos and Ethos must release the deposit collateral. The Company has recorded a liability of \$589,619 as of September 30, 2024 which is the amount remaining after applying the security collateral of \$1,875,000 against the loan payable and accrued interest.

#### *Industry Update*

We note that the simulator/screen golf market is growing according to the National Golf Foundation ([www.ngf.org/simulator-golf-sees-real-surge](http://www.ngf.org/simulator-golf-sees-real-surge)), "An estimated 6.2 million Americans hit golf balls with a club in a golf simulator within the past year, a total that surged 73% compared to pre-pandemic levels. Golf's continued evolution includes many new forms of the game and simulated golf is a part of it." Based on the growing golf simulator industry trend, we continue to believe there is a strong demand for our new hardware and software products. Based on the growing industry golf simulator trend noted above, we continue to believe there is a strong demand for our new hardware and software products.

According to recently released data from The National Golf Foundation, 45 million Americans aged 6 and above played golf in 2023. This record-setting total includes 32.9 million people who played off-course golf, with 18.4 million of them who participated exclusively in off-course golf activities at places such as driving ranges, indoor golf simulators, or golf entertainment venues. Only 12.1 million played exclusively on-course, furthering the trend.

#### **Principal External Factors Affecting Our Operating Results**

We believe that our performance and future success depend on many factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the section entitled "Risk Factors".

- **Market acceptance.** The growth of our business depends on our ability to gain broader acceptance of our current products by continuing to make users aware of the significant benefits of our products to generate increased demand and frequency of use, and thus increase our sales. Our ability to grow our business will also depend on our ability to expand our customer base in existing or new target markets, including international markets. Although we have increased the number of users of TruGolf hardware and software product offerings and continue to grow our channels globally through established relationships and focused sales efforts, we cannot provide assurance that our efforts will continue to increase the use of our products.
- **Sales force size and effectiveness.** The rate at which we grow our sales force and expansion channels and the speed at which newly hired salespeople and sales channels become effective can impact our revenue growth and our costs incurred in anticipation of such growth. We intend to continue to make significant investments in our sales and marketing organization and channels by increasing the number of sales representatives and expanding our international programs to help facilitate further adoption of our products as well as broaden awareness of our products to new customers. We are slowly expanding into EMEA through a quickly growing network of distributors that will each slowly develop their respective territories, sales from EMEA are still below 5% of total sales. We have also signed a Joint Venture agreement with a partner in China to manage all distribution needs across Asia. We are not required to invest in any of these markets, and as such take a lower margin on products sold there, therefore we expect slowly growing impacts on top line revenue from these globalization efforts.
- **Product and geographic mix; timing.** Our financial results, including our gross margins, may fluctuate from period to period based on the timing of orders, fluctuations in foreign currency exchange rates and the number of available selling days in a particular period, which can be impacted by a number of factors, such as holidays or days of severe inclement weather in a particular geography, the mix of products sold and the geographic mix of where products are sold.

#### **Principal Components of Revenues, Costs and Expenses**

##### *Revenues*

Our revenues come from the sale of TruGolf software and hardware, which products are sold through a global network of authorized resellers, retail outlets and direct-to-consumer through a dedicated TruGolf sales team.

##### *Cost of Revenues*

Cost of revenues consists primarily of costs that are directly related to the delivery of our TruGolf hardware and software products, excluding depreciation but including direct material, labor, manufacturing overhead, reserves for estimated warranty costs and charges to write-down the inventory carrying value when it exceeds the estimated net realizable value.

##### *Operating Expenses*

##### *Royalties*

We have agreements with certain software golf hardware vendors who bundle our tracking and golf course software with their hardware. We pay them a royalty based on the number of units or subscriptions they sell. The royalty percentages typically range between 20% to 30%. The royalty agreements are



for one year, with automatic renewal unless each party gives a thirty-day written notice of the intent to cancel the contract prior to the renewal date.

#### *Salaries, Wages and Benefits*

Salaries, wages and benefits are expenses earned by our employees in the executive, information technology, finance and accounting, human resources, administrative functions and outside contractors. Also included in salaries, wages and benefits are employer payroll taxes, health, dental and life insurance expenses.

#### *Selling, General and Administrative*

Sales and marketing expenses consist primarily of advertising, training events, brand building, product marketing activities and installation and shipping costs. We expect sales and marketing costs will continue to increase as we expand our international selling and marketing activities, hire additional personnel, and build brand awareness through advertising and training.

General and administrative expenses consist primarily of professional fees paid for legal, accounting, auditing, and consulting services, bad debt, licenses and association dues, facilities (including rent and utilities) bank and credit card processing fees and other expenses related to general and administrative activities.

We anticipate that our general and administrative expenses will continue to increase as we continue hiring to support our growth. We also anticipate that we will incur increased accounting, audit, legal, regulatory, compliance, and investor and public relations expenses associated with operating as a public registrant.

#### *Other Expense*

#### *Interest Expense*

Interest expense consists of interest expenses associated with issuing notes and balances outstanding under our debt obligations and the gross sales royalty payable, the amortization of debt issuance costs and original issue discounts associated with such borrowings.

#### *Principal Cash Flows*

We generate cash primarily from our operating activities and, historically, we have used cash flows from operating activities and available borrowings under certain notes payable as the primary sources of funds to purchase inventory and to fund working capital and capital expenditures, growth and expansion opportunities (see also "Liquidity and Capital Resources" below). The management of our working capital is closely tied to operating cash flows, as working capital can be impacted by, among other things, our accounts receivable activities, the level of inventories, which may increase or decrease in response to current and expected demand, and the size and timing of our trade accounts payable payment cycles.

### **Critical Accounting Estimates**

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America. The application of many accounting principles requires us to make assumptions, estimates and/or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and/or judgments, however, are often subjective and they and our actual results may change based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts first become known. We believe the following critical accounting estimates could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. See also Note 2 for a summary of our significant accounting policies.

#### *Accounts Receivable, net*

We manage credit risk associated with our accounts receivable at the customer level.

We believe the concentration of credit risk, with respect to our receivables, is limited because our customer base is comprised of a number of geographically diverse customers. We manage credit risk through credit approvals and other monitoring procedures.

Our allowance is estimated using a loss rate model based on delinquency. The estimated loss rate is based on our historical experience with specific customers, our understanding of our current economic circumstances, reasonable and supportable forecasts, and our own judgment as to the likelihood of ultimate payment based upon available data. The actual rate of future credit losses, however, may not be similar to past experience. Our estimate of doubtful accounts could change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, we may be required to increase or decrease our allowance for doubtful accounts.

#### *Inventory, net*

All of our inventory consists of raw materials and are valued at the lower of historic cost or net realizable value; where net realizable value is considered to be the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal and transportation. Historic inventory costs are calculated on an average or specific cost basis. The Company records inventory write-downs for excess or obsolete inventories based upon assumptions on current and future demand forecasts.

#### *Warrants*

The fair value of the warrants is estimated on the date of issuance using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including the expected term of the warrants, expected stock price volatility, and expected dividends. These estimates involve inherent uncertainties and the application of management's judgment. Expected volatilities used in the valuation model are based on the average volatility of the comparable companies publicly traded on recognized stock exchanges. The risk-free rate for the expected term of the option is based on the United States Treasury yield curve in effect at the time of the grant.

### **Results of Operations**

#### ***Comparisons of the Three Months ended September 30, 2024 and 2023***

The following table sets forth certain condensed statements of operations data for the periods indicated in dollars. In addition, we note that the period-to-period may not be indicative of future performance.

	Three Months Ended September 30,		Variation	
	2024	2023	\$	%
Revenues, net	\$ 6,236,795	\$ 3,431,735	\$ 2,805,060	81.74%
Cost of revenues	1,924,093	1,533,691	390,402	25.46%
Gross profit	4,312,702	1,898,044	2,414,658	127.22%
Operating expenses	3,440,421	4,221,755	(781,334)	(18.51)%
(Loss) income from operations	872,281	(2,323,711)	3,195,992	137.54%
Net (loss) income	(60,175)	(2,660,868)	2,600,693	97.74%
Net loss income per common share	\$ (0.00)	\$ (219.38)	\$ 219.38	100.00%

#### Revenues

Our revenues were \$6,236,795 for the three months ended September 30, 2024, compared to \$3,431,735 for the three months ended September 30, 2023, an increase of \$2,805,060 or 81.74%. The increase in revenues was due primarily to the increase of our product acceptance and greater penetration in the industry market.

34

#### Cost of Revenues

The cost of revenues for the three months ended September 30, 2024, increased \$390,402 or 25.46% to \$1,924,093 from \$1,533,691 for the three months ended September 30, 2023. The increase was due primarily to the increase in revenues as noted above. The Company's adjustment to inventory included in the cost of revenue, resulted in a reduction of costs of \$115,692 and charged cost of revenues \$267,224 during the three months ended September 30, 2024 and 2023, respectively. Materials and components to manufacture our simulators primarily include fabricated steel, cut cloth, turf, computers, cameras and other high-end electronics which are subject to inflationary pricing pressures. The cost of shipping our finished simulators increased \$36,741 to \$163,232 during the three months ended September 30, 2024 compared to the same period in 2023 due to price increases from our national shipping companies UPS, FedEx and Seko. We are continuously working with our suppliers for volume pricing discounts and extended contract terms.

#### Operating Expenses

Our operating expenses were \$3,440,421 for the three months ended September 30, 2024, compared to \$4,221,755 for the three months ended September 30, 2023, a decrease of \$781,334 or (18.51)%. The decrease for the three months ended September 30, 2024, compared to the three months ended September 30, 2023, was due primarily to:

- i. An increase of \$36,021 in royalty expenses was due to the addition of new distributors and increases in the royalty percentages for certain resellers.
- ii. A \$557,170 decrease in salaries, wages and benefits expenses. The three-month period year over year decrease is a result of the Company's human resource management efforts to reduce payroll expenses.
- iii. A \$260,185 decrease in selling, general and administrative expenses. The three months over the prior year's three months decrease is a result of sales and marketing expenses decreasing by \$323,604 and bad debt expense decreasing by \$450,000. During the same periods, rent and facility costs increased by \$23,917, insurance expenses increased by \$169,126 (principally for liability insurance), professional fees increased by \$63,963 (of which \$148,438 was incurred by Links) and subscription software expense increased by \$128,092. Other general and administrative expenses increased by \$128,321.

#### Interest Income

Our interest income was \$38,592 and \$21,197 for the three months ended September 30, 2024 and 2023, respectively.

#### Interest Expense

Our interest expense was \$971,048 and \$358,354 for the three months ended September 30, 2024 and 2023, respectively, an increase of \$612,694 or 170.97% primarily due to the interest incurred on the PIPE convertible notes.

### Results of Operations

#### Comparisons of the Nine Months ended September 30, 2024 and 2023

The following table sets forth certain condensed statements of operations data for the periods indicated in dollars. In addition, we note that the period-to-period may not be indicative of future performance.

	Nine Months Ended September 30,		Variation	
	2024	2023	\$	%
Revenues, net	\$ 15,121,980	\$ 13,788,700	\$ 1,333,280	9.67%
Cost of revenues	5,183,328	4,531,429	651,899	14.39%
Gross profit	9,938,652	9,257,271	681,381	7.36%
Operating expenses	10,795,100	16,074,927	(5,279,827)	(32.85)%
(Loss) income from operations	(856,448)	(6,817,656)	5,961,208	87.44%
Net loss	(2,931,370)	(8,011,889)	5,080,519	63.41%
Net loss income per common share	\$ (0.28)	\$ (660.56)	\$ 660.28	99.96%

35

#### Revenues

Our revenues were \$15,121,980 for the nine months ended September 30, 2024, compared to \$13,788,700 for the nine months ended September 30, 2023, an increase of \$1,333,280 or 9.67%. The increase in revenues was due primarily to the increase of our product acceptance and greater penetration in the industry market.

#### Cost of Revenues

Cost of revenues for the nine months ended September 30, 2024, increased \$651,899 or 14.39% to \$5,183,328 from \$4,531,429 for the nine months ended September 30, 2023. The increase was due primarily to an increase in revenues as discussed above. The inventory adjustment included in the cost of revenues increased by \$88,786 from \$35,105 to \$123,891 during the nine months ended September 30, 2024 and 2023, respectively. Materials and components to manufacture our simulators primarily include fabricated steel, cut cloth, turf, computers, cameras and other high-end electronics which are subject to inflationary pricing pressures. The cost of shipping our finished simulators increased \$304,505 due to price increases from our national shipping companies UPS, FedEx and Seko. We are continuously working with our suppliers for volume pricing discounts and extended contract terms.

#### *Operating Expenses*

Our operating expenses were \$10,795,100 for the nine months ended September 30, 2024, compared to \$16,074,927 for the nine months ended September 30, 2023, a decrease of \$5,279,827 or (32.85%). The decrease for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, was due primarily to:

- i. An increase of \$272,302 in royalty expenses was due to the addition of new distributors and increases in the royalty percentages for certain resellers.
- ii. A \$1,517,318 decrease in salaries, wages and benefits expenses due primarily to management's efforts to reduce payroll expenses.
- iii. A \$4,034,811 decrease in selling, general and administrative expenses. The nine months over the prior year's nine months decrease is a result of:
  1. In March 2023, the Board of Directors granting and authorizing the issuance 821 shares of common stock two consultants (and holders of the convertible notes described in Note 12 – Convertible Noted Payable in our annual audited financial statements included elsewhere in this Form 8K) in March 2023 for consulting service performed. The Company recorded consulting fee expense (noncash) of \$4,493,333 (estimated fair value of the stock) at the time of grant and issuance.
  2. Selling, general and administrative expenses (such as facilities professional fees, warehouse, travel, office supplies etc.) increased \$360,173 for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 as a result of amortization of capitalized software costs of \$279,001, an increase in professional fees of \$639,941 (of which \$306,539 was incurred by Links), an increase in insurance expense of \$428,627, an increase of facility expense of \$153,400, an increase in software subscriptions and other subscriptions expense of \$379,973, an increase in bank charges of \$28,093, offset in part by a decrease in sales and marketing of \$528,711, a decrease in bad debt expense of \$657,271 and a decrease in general and administrative expenses of \$362,880.

#### *Interest Income*

Our interest income was \$105,800 and \$71,542 for the nine months ended September 30, 2024 and 2023, respectively.

#### *Interest Expense*

Our interest expense was \$2,176,810 and \$1,265,775 for the nine months ended September 30, 2024 and 2023, respectively, an increase of \$911,035 or 71.97% primarily due to the interest on the PIPE convertible notes.

### **Liquidity and Capital Resources**

#### *Business Combination*

The Company consummated the business combination described in Note 1 and Note 2 on January 31, 2024. The Company received proceeds of approximately \$2,237,213, net of closing costs, expenses and commissions. The Company recorded a PIPE Convertible Note, the source of the proceeds from the business combination, of \$4,650,000 with an original issue discount of \$465,000 (or 10%).

The Company received proceeds of \$575,000 from the agreements for franchise regions sold by its wholly owned subsidiary, TruGolf Links Franchising, LLC, which was recorded as deferred revenue. The Company expects to grow this revenue stream in subsequent quarters.

We have primarily obtained cash to fund our operations through the reinvestment of free cash flows generated from our business operations, issuance of common stock to private friend and family investors, issuance of term loans, issuance of notes payable and convertible debt instruments, and royalty structures.

As of September 30, 2024 and December 31, 2023, we had \$7,452,185 and 5,397,564 in cash, cash equivalents and restricted cash and current working capital deficit of \$1,736,0636 and working capital of \$1,988,267, respectively.

In December 2023, we entered into a \$2,000,000 variable rate line of credit with JP Morgan Chase Bank, N.A. The purpose of the new line of credit was to consolidate the balances outstanding on the note payable and the previous line of credit, which had matured. The line of credit matures on December 31, 2024. The line of credit has an annual interest rate computed at the Adjusted SOFR (Secured Overnight Financing Rate) Rate and at a rate of 3.00% above the SOFR Rate. The Adjusted SOFR rate means the sum of the Applicable margin (3.50% per annum) plus the SOFR rate applicable to the interest period plus the Unsecured to Secured Rate Adjustment. The majority of the variable rate line of credit was paid during the three months ended June 30, 2024. As of September 30, 2024, the remaining balance was \$10,114 and was included in the cash balance.

#### *Cash Flow from Operating Activities*

For the nine months ended September 30, 2024 the net cash provided by our operating activities was \$3,071,781 including the liquidation of the marketable securities account of \$2,478,953. The change in the remaining operating assets and liabilities was \$2,550,049, depreciation and amortization of \$331,728, the amortization of the ROU asset of \$251,612 and the amortization of original issue discount of \$47,447.

For the nine months ended September 30, 2023 the net cash used in our operating activities was \$6,121,139. The change in operating assets and liabilities was a decrease of \$3,714,981. Other assets increased due to the \$1,875,000 deposit paid for the Ethos Management Inc loan and \$116,040 in Ethos Management Inc deferred loan fees. The net loss of \$8,011,889 was partially offset by increases to cash from depreciation and amortization of \$45,682, amortization of convertible notes original issue discount of \$183,695, amortization of ROU asset of \$217,101, bad debt expense of \$665,920 and stock-based compensation expense of \$4,493,333.

#### *Cash Flows from Investing Activities*

For the nine months ended September 30, 2024 and 2023, the cash used by our investing activities was \$1,967,533 and \$2,508,749, respectively. For the nine months ended September 30, 2024 the Company capitalized software development costs of \$1,967,418. For the nine months ended September 30, 2023 the Company purchased fixed assets of \$89,024 and purchased short-term investments of \$2,419,725.

#### *Cash Flows from Financing Activities*

The Company consummated the business combination described in Note 1 and Note 2 on January 31, 2024. The Company received proceeds of approximately \$2,325,315, net of closing costs, expenses and commissions. The Company recorded a PIPE Convertible Note, the source of the proceeds from the business combination, of \$4,650,000 less an original issue discount of 465,000 (or 10%).

For the nine months ended September 30, 2024 the cash provided by our financing activities was \$950,373. The Company received net proceeds from the Merger of \$2,325,315, made debt payments of \$294,005, paid \$15,716 of assumed liabilities, paid \$100,000 on a loan assumed in the Merger, and paid off the line of credit of \$1,980,937. The Company received proceeds of \$1,000,000 from the Company's chief executive officer.

For the nine months ended September 30, 2023 we borrowed \$1,945,397 on our Morgan Stanley margin line of credit account, received proceeds of \$2,499,999 from loans, received \$185,500 from convertible note holders and made debt payments of \$107,837. One shareholder returned \$75,096 in overpaid past dividends. The loan proceeds were used for ongoing operations.

The Company has incurred net losses and negative operating cash flows for the nine months ended September 30, 2024 and 2023. As the Company continues to incur losses, successful transition to profitability is dependent on achieving a level of revenues adequate to support the Company's cost structure. Unless and until this occurs, the Company may need to raise capital or issue debt to support ongoing operations.

The Company's financial statements are prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of obligations in the normal course of business. Continuation as a going concern is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations.

Under the rules of ASC Subtopic 205-40 "Presentation of Financial Statements-Going Concern" ("ASC 205-40"), the Company is required to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that these financial statements are issued or available to be issued. This evaluation considers a Company's current available cash and projected cash needs over the one-year evaluation period but may not consider things beyond its control.

The Company believes the recent merger, as described in Note 1 and Note 2, may enable us to raise additional capital through equity offerings and not incur more debt or loans payable.

Our significant projected cash requirements related primarily to operating expenses for the next 12 months include \$7,000,000 to \$8,000,000 for employees' salaries, wages and benefits, \$950,000 to \$1,200,000 for installation and customers service, and \$1,000,000 to \$1,200,000 for development of software and hardware. No assurances can be given that the results anticipated by our projections will occur. With respect to long-term liquidity requirements, approximately \$12,400,000 of our debt contractually matures in the years 2025 to 2033.

In the event the projected results do not occur, we may have to significantly delay, scale back or discontinue the development and commercialization of one or more product offerings and other strategic initiatives. Additionally, we would reduce the number of new hires planned during the remaining months of 2024, and implement cost reduction measures such as a reduction in headcount, reducing the planned sales and marketing expense among other cost reduction measures. We may also issue common stock to potential investors to increase our liquidity.

Management believes the plan outlined above provides an opportunity for the Company to continue as a going concern.

#### **Material Cash Requirements for Known Contractual and Other Obligations**

We have entered into operating leases for our corporate headquarters and a warehouse in Centerville, Utah. The leases have varying terms expiring between 2023 and 2025. In June 2023, we entered into a sixty-month, triple net lease for additional warehouse space in North Salt Lake, Utah. The lease payments range between \$10,457 and \$11,770.

We enter into agreements in the normal course of business with various vendors, which are generally cancellable upon notice. Payments due upon cancellation consist only of payments for services provided or expenses incurred, including non-cancellable obligations of service providers, up to the date of cancellation.

#### **Recent Accounting Pronouncements**

Management has evaluated all recent accounting pronouncements issued by the Financial Accounting Standards Board and determined that none of the pronouncements will have a material impact on our financial statements. We will continue to monitor the issuance of any new accounting pronouncements and assess their potential impact on the financial statements in future periods.

#### **Emerging Growth Company**

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that (i) we are no longer an emerging growth company or (ii) we affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, these financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates. We may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for private companies.

#### **Quantitative and Qualitative Disclosures About Market Risk**

##### *Interest Rate Risk*

We had cash and cash equivalents totaling \$7,452,185 as of September 30, 2024. Cash equivalents were invested primarily in low interest checking or savings accounts. Our investment policy is focused on the preservation of capital and supporting our liquidity needs. Under our investment policy, we will only invest in highly rated securities, issued by the U.S. government or liquid money market funds. We do not invest in financial instruments for trading or

speculative purposes, nor do we use leveraged financial instruments. We may utilize external investment managers who adhere to the guidelines of our investment policy. A hypothetical 10% change in interest rates would not have a material impact on the value of our cash, cash equivalents and restricted cash, net loss or cash flows.

We do not have significant exposure to interest rate risk as only our lines of credit are variable rate. As of September 30, 2024, the variable rate lines of credit had a balance outstanding of \$802,738 compared to the total fixed rate debt outstanding of \$14,509,137. Thus, management believes a hypothetical 10% change in interest rates would not have a material impact on annualized interest expenses.

We maintain our cash in bank deposit accounts which, at times, may exceed any applicable Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of September 30, 2024, the amount exceeding the federally insured limits was \$6,125,053.

#### *Cybersecurity Risk*

We have completed an assessment of our suite of controls including technology hardware and software solutions, regular testing of the resiliency of our systems including penetration and disaster recovery testing as well as regular training sessions on cybersecurity risks and mitigation strategies and have engaged a third party to bring us up to industry best practices. We have established an incident response plan and team to take steps it determines are appropriate to contain, mitigate and remediate a cybersecurity incident and to respond to the associated business, legal and reputational risks. There is no assurance that these efforts will fully mitigate cybersecurity risk and mitigation efforts are not an assurance that no cybersecurity incidents will occur and have had no such breaches of security.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

Not applicable as we are a smaller reporting company.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures designed to ensure that material information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that material information is accumulated and communicated to our management, including our Chief Executive Officer (CEO), who is our principal executive officer, and Chief Financial Officer (CFO), who is our principal financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosures. Our CEO and CFO have evaluated these disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q and have determined that such disclosure controls and procedures were not effective as of September 30, 2024 due to the material weaknesses discussed below.

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39

Notwithstanding the conclusion that our disclosure controls and procedures were not effective as of the end of the period covered by this report, we believe that our consolidated financial statements and other information contained in our quarterly report on Form 10-Q present fairly, in all material respects, our business, financial condition and results of operations for the periods presented.

In connection with the preparation of our financial statements as of and for the three months ended September 30, 2024 and 2023, we identified material weaknesses in our internal control over financial reporting that we are currently working to remediate, which relate to: (a) insufficient segregation of duties in the financial statement close process; (b) a lack of sufficient levels of staff with public company and technical accounting experience to maintain proper control activities and perform risk assessment and monitoring activities; and (c) insufficient information systems controls, including access and change management controls. We have concluded that these material weaknesses in our internal control over financial reporting occurred because we did not have the necessary business processes, personnel and related internal controls to operate in a manner to satisfy the accounting and financial reporting timeline requirements of a public company.

In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (issued in 2013).

We are focused on designing and implementing effective internal control measures to improve our evaluation of disclosure controls and procedures, including internal control over financial reporting, and remediating the material weaknesses. In order to remediate these material weaknesses, we have taken and plan to take the following actions:

- The hiring and planned continued hiring of additional accounting staff with public company experience;
- Implementation of new enterprise resource planning system to replace the prior enterprise resource planning system;
- Implementation of additional review controls and processes requiring timely account reconciliation and analyses of certain transactions and accounts, and
- The planned hiring of a national accounting firm to assist in the design and implementation of controls and remediation of control gaps.

#### **Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15-d-15(f) under the Exchange Act) during the nine months ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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40

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

We are not currently a party to any lawsuit or proceeding which, in the opinion of management, is likely to have a material adverse effect on us or our business.

### **ITEM 1A. RISK FACTORS.**

In addition to the other information set forth in this report, you should carefully consider the factors set forth below and discussed in the section entitled "Risk Factors" in the Form S-1 (file number 333-277068), filed with the SEC on February 14, 2024, which are incorporated herein by reference. The risks

described in such reports are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

**We are currently not in compliance with the listing requirements of The Nasdaq Capital Market, and if we are unable to regain and maintain compliance with the listing requirements of The Nasdaq Capital Market, our common stock will be delisted from The Nasdaq Capital Market which could have a material adverse effect on our financial condition and could make it more difficult for shareholders to sell their shares.**

Our common stock is listed on The Nasdaq Capital Market, and we are therefore subject to its continued listing requirements, including requirements with respect to the market value of publicly-held shares, market value of listed shares, minimum bid price per share, and minimum stockholder's equity, among others, and requirements relating to board and committee independence. If we fail to satisfy one or more of the requirements, we may be delisted from The Nasdaq Capital Market.

On July 15, 2024, we received a deficiency letter from the Listing Qualifications Department (the "Staff") of the Nasdaq Stock Market ("Nasdaq") notifying us that since we had failed to file our Form 10-Q for the period ended March 31, 2024 we no longer complied with Nasdaq Listing Rule 5250(c)(1). We have filed the Form 10-Q, but there is no assurance that we will not incur similar deficiencies in the future.

On August 19, 2024, we received a deficiency letter from the Staff notifying us that we were not in compliance with Nasdaq Global Market's Listing Rule 5450(b)(1)(A), which requires a \$10,000,000 minimum stockholders' equity standard. We have been provided 45 calendar days, or until November 18, 2024, to supply a specific plan to regain compliance with all Nasdaq Global Market listing requirements and our time frame to complete the plan. If the plan is accepted, Nasdaq can grant an extension of up to 180 calendar days from the date of the letter, or until April 1, 2025, to evidence compliance. If the plan is not accepted, we will have the right to appeal and our Class A common stock would remain listed on The Nasdaq Global Market until the completion of the appeal process. To regain compliance, we must have stockholders' equity of at least \$10 million.

On November 5, 2024, we received two additional deficiency letters from the Staff notifying us that we were not in compliance with the requirement to have market value of publicly held shares ("MVPHS") of \$15,000,000 and that we were not in compliance with the requirement to maintain a minimum bid price of \$1.00 per share. We have a compliance period of 180 calendar days (or May 5, 2025) in which to regain compliance with both deficiencies. We can regain compliance with the MVPHS requirement, if at any time during this compliance period our MVPHS closes at \$15,000,000 or more for a minimum of ten consecutive business days. We can regain compliance with the bid price requirement, if at any time during this compliance period our closing bid price is at least \$1.00 for a minimum of ten consecutive business days. In the event we do not regain compliance with these requirements prior to the expiration of the compliance period, we will receive written notification that our securities are subject to delisting.

Delisting from The Nasdaq Capital Market would adversely affect our ability to raise additional financing through the public or private sale of equity securities, may significantly affect the ability of investors to trade our securities and may negatively affect the value and liquidity of our common stock. Delisting also could have other negative results, including the potential loss of employee confidence, the loss of institutional investors or interest in business development opportunities.

**We have required the holders of our PIPE Convertible Notes on two occasions to waive requirements under the instruments and related agreements in order to avoid being in default on the PIPE Convertible Notes, and there is no assurance such holders will agree to future waivers if fall out of compliance with the requirements set forth in such instruments.**

We currently have outstanding an aggregate of \$8,155,625 in principal amount of PIPE Convertible Notes. In August and November 2024, the holders of our PIPE Convertible Notes have agreed to waive requirements under the instruments and related agreements in order to avoid having us be in default on the PIPE Convertible Notes. The waiver we received in November 2024 requires us to comply with the continued listing requirements of the Nasdaq Stock Market before January 15, 2025; provided that with respect to the minimum bid price requirement to the extent we are in compliance with all other Nasdaq Stock Market listing requirements and have filed a preliminary proxy statement to hold a special meeting to vote on a reverse stock split to remedy the bid price failure, the waiver shall be extended to March 15, 2025. As such, we will be required to satisfy the stockholders' equity and MVPHS requirements prior to January 15, 2025 or receive another waiver from the holders of our PIPE Convertible Notes, or we will be in default on the PIPE Convertible Notes, which would accelerate the PIPE Convertible Notes and allow the holders to convert the PIPE Convertible Notes at the "Alternate Conversion Price" which is equal to the lesser of (i) the Conversion Price then in effect, and (ii) 90% of the lowest volume weighted average price of the Class A common stock during the five consecutive trading days immediately prior to such conversion.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Except as set forth below, all sales of unregistered equity securities during the period have been disclosed on Form 8-K.

On August 13, 2024, the Company entered the Waiver with its PIPE Investors as described in Item 5. Other Information below. In connection with the Waiver, the Company issued an aggregate of 192,151 shares in satisfaction of certain registration statement delay payments and issued an aggregate of 157,582 shares in satisfaction of outstanding interest payments. The issuances were made pursuant to an exemption from registration as set forth in Section 4(a)(2) of the Securities Act and/or Rule 506 of Regulation D promulgated under the Securities Act.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

On February 2, 2024, the Company executed a securities purchase agreement (the "Purchase Agreement") with each of the investors that executed the Prior Loan Agreements, which replaced, in their entirety, the Prior Loan Agreements, and with additional investors (together, the "PIPE Investors"). Pursuant to the terms and conditions of the Purchase Agreement, the PIPE Investors agreed to purchase from the TruGolf Holdings (i) senior convertible notes in the aggregate principal amount of up to \$15,500,000 (the "PIPE Convertible Notes"), (ii) Series A warrants to initially purchase 1,409,091 shares of the Company's Class A common stock (the "Series A Warrants"); and (iii) Series B warrants to initially purchase 1,550,000 shares of the Company's Class A common stock (the "Series B Warrants," and collectively with the Series A Warrants, the "PIPE Warrants") (the "PIPE Financing"). For a description of the terms of the PIPE Financing, see Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments – PIPE Offering".

Subject to satisfying the conditions discussed below, TruGolf Holdings, Inc. has the right under the Purchase Agreement, but not the obligation, to require that the PIPE Investors purchase additional Notes at up to two additional closings. Upon notice at any time after the 2nd trading day following the Initial Closing Date, TruGolf Holdings may require that the PIPE Investors purchase an additional aggregate principal amount of \$4,650,000 of PIPE Convertible Notes, in exchange for aggregate gross proceeds of \$4,185,000, if (i) the Registration Statement (as described below) has been filed; and (ii) certain

customary closing conditions are satisfied (the "First Mandatory Additional Closing"). Upon notice at any time after the 2nd trading day following the date that the First Mandatory Additional Closing is consummated, TruGolf Holdings may require that the PIPE Investors purchase an additional aggregate principal amount of \$6,200,000 of PIPE Convertible Notes, in exchange for aggregate gross proceeds of \$5,580,000, if (i) the shareholder approval is obtained (as described below); (ii) the Registration Statement has been declared effective by the SEC; and (iii) certain customary closing conditions are satisfied (the "Second Mandatory Additional Closing").

In addition, pursuant to the Purchase Agreement, as amended by the Waiver (described below) each PIPE Investor has the right, but not the obligation, to require that, upon notice, TruGolf Holdings sell to such PIPE Investor at one or more additional closings such PIPE Investor's pro rata share of up to a maximum aggregate principal amount of \$10,850,000 in additional PIPE Convertible Notes (each such additional closing, an "Additional Optional Closing"); provided that, the principal amount of the additional PIPE Convertible Notes issued at each Additional Optional Closing must equal at least \$250,000. If a PIPE Investor has not elected to effect an Additional Optional Closing on or prior to August 30, 2025, such PIPE Investor shall have no further right to effect an Additional Optional Closing under the Purchase Agreement.

On August 13, 2024, the Company entered into those certain waiver and amendment agreements (the "Waiver"), pursuant to which the Company and the PIPE Investors agreed to: (i) waive any breaches or defaults caused by the Company's failure to timely file its SEC reports through August 14, 2024; (ii) extend the date by which the Additional Optional Closings may occur until 11 months from the effective date of the initial Registration Statement; (iii) permit the Company to raise debt financing from its affiliates through non-convertible, unsecured notes with a maturity date that is later than the maturity date of the PIPE Convertible Notes; (iv) waive certain registration failures until September 3, 2024 and permit the issuance of common stock to satisfy certain registration failures; and (v) allow the Company to satisfy the interest payments due April 1, 2024, July 1, 2024 and October 1, 2024 from the issuance of common stock or by allowing such amounts to be added to the principal amount of the PIPE Convertible Notes, at the option of the PIPE Investors. In addition, certain PIPE Investors agreed to acquire additional PIPE Convertible Notes without regard to any volume or price requirements in the instruments. In connection with the Waiver, the Company issued an aggregate of 192,151 shares in satisfaction of certain registration statement delay payments and issued an aggregate of 157,582 shares in satisfaction of outstanding interest payments. Such payments were made at the "Alternate Conversion Price" set forth in the PIPE Convertible Notes, which is equal to the lesser of (i) the Conversion Price, and (ii) 90% of the lowest volume weighted average price of the Class A common stock during the five consecutive trading days immediately prior to such conversion.

On November 7, 2024, the Company entered into those certain amendments to the Waivers (the "Amendments"), pursuant to which the Company and the PIPE Investors agreed to: (i) waive any breaches or defaults caused by the Company's failure to timely file its SEC reports through August 21, 2024; and (ii) waive certain registration failures until October 3, 2024. In addition, the PIPE Investors waived any breaches or defaults that may have occurred or will occur solely as a result of the Company's failure to comply with the continued listing requirements of the Nasdaq Stock Market due to: (i) the Company's failure to meet the stockholders' equity requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025, (ii) the Company's failure to meet the market value of publicly held shares requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025, and/or (iii) the Company's failure to meet the minimum bid price requirement for continued listing; provided that the foregoing waiver shall expire on January 15, 2025; provided further that to the extent the Company is in compliance with all other Nasdaq Stock Market listing requirements and has filed a preliminary proxy statement to hold a special meeting to vote on a reverse stock split to remedy the bid price failure, the waiver shall be extended to March 15, 2025. In connection with the Amendment, the Company issued an aggregate of 116,959 shares in satisfaction of certain registration statement delay payments and issued an aggregate of 65,790 shares in satisfaction of outstanding interest payments. Such payments were made at the "Alternate Conversion Price" set forth in the PIPE Convertible Notes, which is equal to the lesser of (i) the Conversion Price, and (ii) 90% of the lowest volume weighted average price of the Class A common stock during the five consecutive trading days immediately prior to such conversion.

On November 7, 2024, certain PIPE Investors agreed to purchase additional PIPE Convertible Notes in aggregate principal amount of \$3,300,000 for aggregate proceeds of \$2,970,000. In connection with the foregoing, the Company agreed to repay an aggregate of \$2,496,686 in outstanding debt and transaction expenses.

During the period covered by this Quarterly Report, none of the Company's directors or executive officers has adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408 of Regulation S-K under the Securities Exchange Act of 1934, as amended).

## ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report of Form 10-Q.

Exhibit No.	Exhibit Description
3.1	<a href="#">Form of Amended and Restated Certificate of Incorporation of New TruGolf incorporated by reference to Annex C to the proxy statement/prospectus filed on December 29, 2023.</a>
3.2	<a href="#">Bylaws of New TruGolf (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on February 6, 2024).</a>
10.1*	<a href="#">Form of Waiver and Amendment Agreement.</a>
10.2*	<a href="#">Form of Amendment to Waiver and Amendment Agreement.</a>
31.1*	<a href="#">Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002</a>
32.1*	<a href="#">Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS *	Inline XBRL Instance Document
101.SCH *	Inline XBRL Taxonomy Extension Schema Document
101.CAL *	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF *	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB *	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE *	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Filed herewith.

## SIGNATURES

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

TruGolf Holdings, Inc.



By: /s/ Christopher (Chris) Jones

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Christopher (Chris) Jones  
Chief Executive Officer and Interim Chief Financial Officer  
(Principal Executive Officer, Principal Financial Officer and Principal  
Accounting Officer)

Date: November 14, 2024

## WAIVER AND AMENDMENT AGREEMENT

This Waiver and Amendment Agreement dated as of August 13, 2024 (the "Agreement") is by and between TruGolf Holdings, Inc., a Delaware corporation (the "Company"), and the undersigned Buyers (as defined below) identified on the signature pages hereto.

Capitalized terms not defined herein shall have the meanings assigned to them in that certain (i) Securities Purchase and Exchange Agreement (the "SPA") dated as of February 2, 2024 by and among the Company and each purchaser identified on the signature pages thereto (each, a "Buyer" and collectively, the "Buyers"); (ii) the senior convertible notes dated as of February 6, 2024 (collectively, the "Notes") issued by the Company to each Buyer; (iii) the series A and series B warrants issued pursuant to the SPA (the "Warrants"); and (iv) the registration rights agreement dated February 6, 2024 by and among the Company and each Buyer (the "Registration Rights Agreement").

### WITNESSETH:

**WHEREAS**, the Company is requesting a waiver from, and the amendment of, certain provisions of the SPA, Notes and Registration Rights Agreement, in each case as provided in this Agreement; and

**WHEREAS**, Section 9(e) of the SPA, Section 15 of the Notes and Section 10 of the Registration Rights Agreement provides that the Required Holders may waive and/or amend the terms of the SPA and the Notes, which waiver and/or amendment shall be binding on all Buyers and Note holders.

**NOW, THEREFORE**, in consideration of and for the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Waiver of SPA Covenants. The Buyers representing the Required Holders hereby waive any breach of the representations and warranties set forth in the first sentence of Section 3(k) of the SPA and the covenants set forth in Section 4(c) of the SPA from the Initial Closing Date through the date hereof.

2. Amendment of SPA. The Buyers representing the Required Holders and the Company agree to amend the following provisions of the SPA as follows:

(a) The term "Additional Closing Expiration Date" in the SPA is hereby extended to the date that is eleven (11) months from the initial effective date of the initial registration statement filed pursuant to the Registration Rights Agreement.

(b) Section 4(c) of the SPA is hereby amended and restated as follows:

"Reporting Status. Commencing on August 13, 2024, until the date on which the Buyers shall have sold all of the Registrable Securities (the "Reporting Period"), the Company shall timely file all reports required to be filed with the SEC pursuant to the 1934 Act, and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would no longer require or otherwise permit such termination. Notwithstanding anything to the contrary herein, until August 13, 2024, the representations and warranties set forth in Section 3(k) of the SPA shall be deemed to be true and correct."

(c) The definition of "Excluded Securities" in Section 4(k) of the SPA is hereby amended to include the following new subsection (vii):

"(vii) the issuance to members of the Company's board of directors (or affiliates thereof) of non-convertible, unsecured note payables with a maturity date that is later the Maturity Date of the Notes."

3. Waiver of Note Defaults. The Buyers representing the Required Holders hereby waive any Events of Default that may have occurred or will occur from the Initial Closing Date through August 13, 2024 (or through September 3, 2024 with respect to (iv) below) directly or indirectly due to: (i) the failure to comply with Section 4(c) of the SPA; (ii) the failure to pay interest amounts due pursuant to the Notes; (iii) any defaults on outstanding indebtedness held by High Creek, Greentree, R-Opus Management Inc., any Sponsor (as defined in the Company's SEC Reports), or any affiliates of the foregoing; (iv) any Filing Failure, Effectiveness Failure, Maintenance Failure or Current Public Information failure. For the avoidance of doubt, the waiver of the Event of Default set forth in subsection (iv) above shall not waive the payment of any penalties for such failures, except as set forth in Section 6 below.

4. Amendment of Notes. The Buyers representing the Required Holders and the Company agree to amend Section 2(a) of the Notes to add the following sentence:

"Notwithstanding the existence of an Equity Conditions Failure, at the Holder's election, (i) the Company shall issue Interest Shares in connection with the interest payments due April 1, 2024, July 1, 2024 and October 1, 2024 (of which, the payments due April 1, 2024 and July 1, 2024 shall be paid on or about the date of this Agreement utilizing the Alternate Conversion Price); or (ii) the Company shall be permitted to increase the Principal amount of the Note to include the interest payments that were due on April 1, 2024 and July 1, 2024, and on October 1, 2024 the Company shall be permitted to increase the Principal amount of the Note to include the interest payment due on such date."

5. Amendment of Registration Rights Agreement. The Buyers representing the Required Holders and the Company agree to amend Section 2(e) of the Registration Rights Agreement to add the following sentence:

"Any Registration Delay Payments may be satisfied by the Company by the issuance of Common Stock valued at the Alternate Conversion Price, subject to any limitations set forth in NASDAQ Listing Rule 5635(d).

6. Waiver of Registration Rights Agreement Section 2(e) Failures. The Buyers representing the Required Holders hereby waive the breach under the Registration Rights Agreement due to a Filing Failure, Maintenance Failure, or Current Public Information Failure that may have occurred or will occur from the Initial Closing Date through August 13, 2024. The Buyers representing the Required Holders further waive the breach under the Registration Rights Agreement due to an Effectiveness Failure that may have occurred or will occur from the Initial Closing Date through September 3, 2024. Notwithstanding the foregoing, any Registration Delay Payments due under the Section 2(e) of the Registration Rights Agreement due as a result of the Company's failure to have the Registration Statement declared effective by the Effectiveness Deadline shall not be waived and shall remain enforceable. All outstanding Registration Delay Payments, as of the date hereof, shall be paid on or about the date of this Agreement.

7. Purchase of Additional Notes. Solely with respect to the Buyers so indicated on the signature page hereto, upon effectiveness of a registration statement in accordance with the Registration Rights Agreement, such Buyers hereby waive the following Equity Conditions set forth in the SPA and by

execution of this Agreement such Buyers subscribe for such Additional Notes in the amount set forth opposite their name so indicated on the signature page hereto, subject to compliance with the remaining Equity Conditions:

- (a) The Buyers waive compliance with the Volume Failure and Price Failure requirements of the Equity Conditions;
- (b) The Buyers waive compliance subsection (xii) of the Equity Conditions solely with respect to any Events of Default described in Section 3 above.

For an avoidance of doubt, such waivers of the Equity Conditions within this Section 7 only apply to the amounts set forth opposite their name so indicated on the signature page hereto and not for any other amount of Additional Notes.

8. No Implied Waiver or Consent. Except for the specific waivers and amendments set forth above, nothing herein shall be deemed to be a consent to, amendment of or waiver of any covenant or agreement contained in the SPA, Registration Rights Agreement and Notes, and all covenants and agreements contained in the SPA, Registration Rights Agreement and Notes s are hereby confirmed and ratified in all respects and shall remain in full force and effect in accordance with their respective terms.

9. Entire Agreement. This Agreement constitutes the entire agreement between the Company and the Buyers with respect to the matters covered hereby and supersedes all previous written, oral or implied understandings among them with respect to such matters. The terms set forth in this Agreement may not be amended without the prior written consent of the Company and Required Holders. This Agreement is intended for the benefit of the parties hereto and their respective successors and assigns and is not for the benefit of, nor may any provisions hereof be enforced by, any other person or entity.

10. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware without regard to the choice of law principles thereof.

11. Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains an electronic file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or electronic file signature page (as the case may be) were an original thereof.

12. Non-Accountable Expense Reimbursement. Upon execution of this Agreement, the Company will reimburse SandTrap Opportunities LLC and Greentree Financial Group Inc., respectively, for certain expenses in the amount of \$30,000 and make an additional \$30,000 payment on September 3, 2024.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first stated above.

**TruGolf Holdings, Inc.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BUYER**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Section 7 of Agreement purchase of Additional Notes

\$ \_\_\_\_\_

Common Stock to be issued for Registration Delay Payments

Pursuant to Section 4 of Agreement, Buyer selects to have interest paid as follows:

\_\_\_\_ Issuance of Interest Shares

\_\_\_\_ Adding to Principal Amount

## FORM OF AMENDMENT AGREEMENT

This Amendment Agreement as of November 7, 2024 (the "Agreement") is by and between is by and between TruGolf Holdings, Inc., a Delaware corporation (the "Company"), and the undersigned Buyers (as defined below) identified on the signature pages hereto. Capitalized terms not defined herein shall have the meanings assigned to them in that certain Waiver and Amendment Agreement dated as of August 13, 2024 between the Company and Buyers (the "Waiver Agreement").

**WITNESSETH:**

**WHEREAS**, the parties have agreed to amend the Waiver Agreement pursuant to this Agreement; and

**WHEREAS**, the Waiver Agreement provides that the Required Holders (as defined in the SPA) have the right to amend the Waiver Agreement.

**NOW, THEREFORE**, in consideration of and for the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Amendment of the Waiver Agreement. The Company and the Buyers representing the Required Holders hereby agree effective as of the date of the Waiver Agreement: (i) that the date "September 3, 2024" in Sections 3 and 6 of the Waiver Agreement is amended and restated to be "October 3, 2024"; and (ii) that the date "August 14, 2024" in Sections 2, 3 and 6 of the Waiver Agreement is amended and restated to be "August 21, 2024."
2. Registration Delay Payments. For an avoidance of doubt, any Registration Delay Payments due under the Section 2(e) of the Registration Rights Agreement due as a result of the Company's failure to have the Registration Statement declared effective by the Effectiveness Deadline shall not be waived and shall remain enforceable. All outstanding Registration Delay Payments, as of the date hereof, shall be paid on or about the date of this Agreement.
3. New Waivers. The Buyers representing the Required Holders hereby waive any breach of the representations and warranties set forth in the SPA and the covenants set forth in the SPA, and hereby waive any Events of Default that may have occurred or will occur solely as a result of the Company's failure to comply with the continued listing requirements of the Nasdaq Stock Market due to: (i) the Company's failure to meet the stockholders' equity requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025; (ii) the Company's failure to meet the market value of publicly held shares requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025, and/or (iii) the Company's failure to meet the minimum bid price requirement for continued listing, provided that the foregoing waiver shall expire on January 15, 2025; provided further that to the extent the Company is in compliance with all other Nasdaq Stock Market listing requirements and has filed a preliminary proxy statement to hold a special meeting to vote on a reverse stock split to remedy the bid price failure, the waiver shall be extended to March 15, 2025.
4. Purchase of Additional Notes. Solely with respect to the Buyers that indicated on the signature page of the Waiver Agreement their agreement in purchasing Additional Notes, such Buyers hereby waive the following Equity Conditions set forth in the SPA and by execution of this Agreement such Buyers subscribe for such Additional Notes in the amount set forth opposite their name so indicated on the signature page hereto, subject to compliance with the remaining Equity Conditions (as modified in the Waiver Agreement): (a) The Buyers waive compliance subsection (ii) of the Equity Conditions solely with respect to the Nasdaq Stock Market continued listing deficiencies described in Section 3 above.
5. Entire Agreement. This Agreement constitutes the entire agreement between the Company and the Buyers with respect to the matters covered hereby and supersedes all previous written, oral or implied understandings among them with respect to such matters. The terms set forth in this Agreement may not be amended without the prior written consent of the Company and Required Holders. This Agreement is intended for the benefit of the parties hereto and their respective successors and assigns and is not for the benefit of, nor may any provisions hereof be enforced by, any other person or entity.
6. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware without regard to the choice of law principles thereof.
7. Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains an electronic file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or electronic file signature page (as the case may be) were an original thereof.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first stated above.

**TruGolf Holdings, Inc.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BUYER**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

I, Christopher (Chris) Jones, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TruGolf Holdings, Inc. for the period ended September 30, 2024;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 registrant's board of directors (or persons performing the equivalent function):
  - 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.

Dated: November 14, 2024

By: /s/ Christopher (Chris) Jones  
Christopher (Chris) Jones  
Chief Executive Officer and Interim Chief Financial Officer  
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

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

I, Christopher (Chris) Jones, in my capacity as Chief Executive Officer and Interim Chief Financial Officer of TruGolf Holdings, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of TruGolf Holdings, Inc. for the quarter ended September 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of TruGolf Holdings, Inc.

Dated: November 14, 2024

By: /s/ Christopher (Chris) Jones  
Christopher (Chris) Jones  
Chief Executive Officer and Interim Chief Financial Officer  
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

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