Risk Factors Comparison 2024-03-28 to 2023-09-25 Form: 10-K

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The following is a summary of the principal risks that could adversely affect our business, operations and financial results. Such risks are discussed more fully below and include, but are not limited to, risks related to: ● Being delinquent in our SEC reporting obligations; ● The review and subsequent restatement of our financial statements ~~; ● Business interruptions resulting from the COVID- 19 pandemic~~ ; ● Our ability to execute our business plan to generate revenue and create a sustainable growth trajectory; ● Our history of losses and our ability to achieve and / or sustain profitability in the future; ● Difficulty in evaluating our current business and future prospects in light of our limited operating history; ● Our future growth being dependent upon demand for new mid- sized zero- emission trucks and cargo vans, and other fleet vehicles; ● Our ability to compete successfully against current and future competitors; ● Our sales cycle, which can be long and unpredictable and require considerable time and expense before executing a customer agreement, which may make it difficult to project when, if at all, we will obtain new customers and generate revenue from those customers; ● Developments in alternative technologies or improvements in the internal combustion engine, which may materially adversely affect the demand for electric vehicles and our products; ● Our ability to keep up with advances in zero- emission electric vehicle technology, which will impact our ability to obtain or maintain a competitive position in the market; ● The demand for commercial zero- emission electric vehicles depending, in part, on the continuation of current trends resulting from historical dependence on fossil fuels; ● Our ability to reduce and adequately control the costs and expenses associated with operating our business, including our material and production costs; ● Our ability to manage our anticipated growth effectively, which will affect our ability to execute our business plan, maintain high levels of service and adequately address competitive challenges; ● The possible performance of our zero- emission electric vehicles in a manner that is not consistent with our customers' expectations, which could harm our ability to develop, market and sell our vehicles; ● Our dependence on third parties to deliver raw materials, parts, components and services in adequate quantity in a timely manner and at reasonable prices, quality levels, and volumes acceptable to us; ● The possibility that the facilities or operations of our third **-** party providers could be damaged or adversely affected as a result of disasters or unpredictable events; ● Our dependence on information technology and the possibility that any breakdown, interruption or breach of our information technology systems could subject us to liability or interrupt the operation of our business; ● Harm to our brand image that could result from a failure of our suppliers to use ethical business practices and comply with applicable laws and regulations; ● The success of our strategic relationships with third parties and our ability to identify and form adequate strategic relationships in the future; ● The ability of our suppliers to scale their zero- emission vehicle manufacturing and assembling processes effectively and quickly from low volume production to high volume production; ● Our exposure to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims; ● The possibility of being compelled to undertake product recalls; ● The adequacy of our warranty reserves to cover future warranty claims; ● The adequacy of our insurance strategy to protect us from all business risks; ● Our ability to design, develop, market and sell zero- emission electric vehicles and other product offerings that address additional market opportunities; ● The availability and amounts of government subsidies and incentives and the application of regulations that encourage conversion to electric vehicles; ● Our service model, which may be costly for us to operate and may not address the service requirements of our prospective customers ~~; ● Our decentralized assembly, sales and service model~~ ; ● Our exposure to substantial regulation and unfavorable changes in such regulations; ● Vehicle dealer and distribution laws, which could adversely affect our ability to sell our commercial zero- emission electric vehicles; ● Environmental laws and regulations that could impose substantial costs upon us and cause delays in opening our sales, service and assembly facilities; ● Failure to protect our intellectual property rights, which could impair our ability to protect our proprietary technology; ● Our exposure to claims of infringement of another party' s intellectual property rights; ● Legal proceedings that could result in substantial liabilities; ● Current or future litigation or administrative proceedings; ● Our use of battery packs composed of lithium- ion battery cells, which, if not appropriately managed and controlled, on rare occasions have been observed to catch fire or vent smoke and flames; ● Unfavorable conditions in the global economy, rising interest rates and capital market liquidity issues; ● Our dependence on our Chief Executive Officer and management team, retaining and attracting qualified management, key employees and technical personnel and expanding our sales and marketing capabilities; ● Forecasts of market growth that may prove to be inaccurate, and our ability to grow our business at similar rates, or at all; ● The availability of additional capital on acceptable terms, if at all, to support business growth; ● Our ~~possible pursuit of acquisitions of complementary businesses and technologies; ● Our~~ ability to maintain effective internal control over financial reporting and effective disclosure controls and procedures; ● Our ability to utilize a significant portion of our net operating loss or research and development tax credit carryforwards; ● Changes in accounting principles generally accepted in the United States that may have an adverse impact on our results of operations; ● Volatility in the price of our common stock, which could result in substantial losses for our stockholders ~~; ● Costs and demands upon management as a result of complying with the laws and regulations affecting public companies~~ ; ● Securities or industry analysts not publishing research or publishing inaccurate or unfavorable research about our business; ● Our ability to meet our publicly announced guidance or other expectations about our business; ● Our intent to not pay dividends for the foreseeable future; and ● Provisions in our charter documents and under Delaware law that could discourage a takeover that stockholders may consider favorable. ● In the future, we may be subject to additional environmental, social and governance (" ESG") disclosure requirements and these additional disclosures may make our common stock less attractive to investors. Risks Related to Our Business ~~Business interruptions resulting from the COVID- 19 pandemic have adversely affected, and could continue to~~

~~adversely affect, our business, results of operations, and financial condition. In December 2019, a novel strain of a virus named SARS- CoV- 2 (severe acute respiratory syndrome coronavirus 2), or coronavirus, which causes coronavirus disease, or COVID- 19, was reported to have surfaced in Wuhan, China, and has reached multiple other regions and countries, including the United States. In March 2020, the World Health Organization declared COVID- 19 a global pandemic. Since that time, the coronavirus pandemic has continued to spread, and to date has led to the implementation of various responses, including government- imposed quarantines, travel restrictions, and other public health safety measures that have adversely affected workforces, organizations, economies, and financial markets globally, leading to economic uncertainty and increased market volatility. Global health concerns related to the COVID- 19 pandemic have resulted in social, economic and labor instability in the countries in which we or the third parties with whom we engage operate, and resulted in unexpected legal and regulatory changes, such as travel, social distancing and quarantine policies, boycotts, curtailment of trade, and other business restrictions that have negatively affected our ability to procure and sell our products and provide our services. More recently, the COVID- 19 pandemic has led to a disruption of the global supply chain, which has adversely impacted, and may continue to adversely impact, our ability and that of our manufacturing partners to procure the components needed to produce our vehicles on terms acceptable to us and has resulted in delays in the delivery of our products to customers. If we are unable to effectively address such challenges and mitigate the potentially negative impacts of the pandemic and related supply chain disruptions on our business, it could result in additional delivery delays and canceled orders, reduced demand for our products and solutions, and adversely affect our customers' ability to pay for our products and solutions. Additionally, the COVID- 19 pandemic has negatively impacted our ability to market our vehicles to new and existing customers, increased our production and sales cycle times and harmed our business, results of operations, financial condition, and could have other currently unforeseen negative impacts on us. We expect these negative impacts, among others, will continue due to the ongoing effects of the COVID- 19 pandemic. While we have developed, and continue to develop, plans to address such ongoing effects and help mitigate the potential negative impact of the pandemic on our business, these efforts may not be effective, and a protracted economic downturn will likely limit the ability of our mitigation efforts to be successful. Accordingly, our future performance will depend in part upon our ability to successfully respond and adapt to these challenges and we have developed, and continue to develop, plans to address the ongoing effects and help mitigate the potential negative impact of the pandemic on our business. It is not possible for us to predict the duration or magnitude of the adverse results of the COVID- 19 pandemic as new strains of the virus emerge and its effects on our business, results of operations, or financial condition at this time. To the extent the COVID- 19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this " Risk Factors " section.~~ We may not successfully execute our business plan to generate revenue and create a sustainable growth trajectory. We did not generate significant revenues for the years ended December 31, **2023 and** 2022 ~~and 2021~~, due in part to the combined impact of COVID- 19 restrictions and the absence of HVIP funding available to our customers. Our ability to continue to generate revenue and grow our revenue will depend, in part, on our ability to execute our business plan, expand our business model and develop new products in a timely manner. We may fail to do so. A variety of factors outside of our control could affect our ability to generate revenue and our revenue growth. Our success in implementing our strategy of producing and selling new purpose- built zero- emission vehicles could also slow our revenue growth. We have a history of losses and we may not achieve and / or sustain profitability in the future. For the years ended December 31, **2023 and** 2022 ~~and 2021~~, we incurred net losses of $ ~~44~~ **12. 7 million and $ 43. 8 million, respectively. The 2023 and 2022 losses included approximately $ 5** . 1 million and $ ~~7~~ **37** . **1** ~~7 million, respectively. The 2022 loss includes approximately $ 39. 4~~ million of non- cash ~~expenses, including a~~ goodwill impairment ~~charge~~ **charges , respectively** ~~of $ 37. 1 million~~. As of December 31, ~~2022~~ **2023** , we had working capital of approximately $ ~~16~~ **10** . ~~9~~ **3** million and accumulated deficit of approximately $ ~~52~~ **64** . ~~2~~ **6** million. To date, we have financed our operations primarily through capital raises from issuing common stock. We may not achieve profitability in the future as we anticipate that our operating expenses will increase significantly in the foreseeable future as we: • make investments required to move our assembly operations to our facility in Arkansas; • design, develop and manufacture our light to medium to heavy- duty fleet vehicles and their components; • increase our sales and marketing to acquire new customers; and • increase our general and administrative functions to support our growing operations. Because we may incur additional costs from these efforts before we receive any significant incremental revenues with respect thereto, our losses in future periods will likely be greater than the losses we would incur if we developed our business at a slower pace. In addition, these efforts may prove more expensive than we currently anticipate and we may not succeed in increasing our revenue sufficiently to offset these higher costs. Even if we are successful in generating revenue and increasing our customer base, we may not become profitable in the future or may be unable to maintain any profitability achieved if we fail to increase our revenue and manage our operating expenses or if we incur unanticipated liabilities. Even if our revenue increases, we may not be able to sustain the rate of revenue growth. Revenue growth may be slower than anticipated or revenue may decline for a number of reasons, including continued problems accessing various incentive programs to assist our customers with their purchase of our vehicles, lack of demand for our zero- emission vehicles and drivetrain systems, increasing competition, lengthening sales cycles, decelerating growth of, or declines in, our overall market, or our failure to capitalize on growth opportunities or to introduce new offerings. Any failure by us to achieve and maintain revenue or profitability could cause the price of our common stock to decline. While we believe that our existing cash and cash equivalents **and our working capital** as of December 31, ~~2022~~ **2023** will be sufficient to fund our operations during the next twelve months, we may not successfully execute our business plan, and if we do not, we may need additional capital to continue our operations. In February 2022, we acquired a US manufacturing facility in Osceola Arkansas that will require additional debt and / or equity capital in order to purchase related equipment and set up production lines which is expected to require up to $ 80 million of additional investment through 2027. Our limited operating history ~~and the pandemic~~ makes it difficult to evaluate our current business and future prospects. Our relatively short operating history, recent changes to our business model ~~,~~ **and** the lack of available HVIP funding to assist our customers ~~, and our inability to predict the ultimate duration and severity of COVID- 19 impacts on our business~~ make it difficult to evaluate our current business and our future prospects. It is difficult to predict our future revenues and appropriately budget for our expenses, although we ~~recently~~ decreased our operating expenses significantly and **have recently** ~~intend to only increase~~ **increased** these expenses as we perceive that the COVID- 19 pandemic is subsiding and that customers are willing to move forward with our vehicles. We have limited insight into other trends that may emerge and affect our business. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges in forecasting accuracy, determining appropriate investments of our limited resources, market acceptance of our products and services and future products and services, competition from new and established companies, including those with greater financial and technical resources, acquiring and retaining customers and increasing revenue from existing customers, enhancing and developing our products and services. You should consider our business and prospects in light of the risks and difficulties that we will encounter as we continue to develop our business model. We may not be able to address these risks and difficulties successfully, which would materially harm our business and operating results and cause the market price of our common stock to decline. We may experience quarterly fluctuations in our operating results due to a number of factors, which make our future results difficult to predict and could cause our operating results to fall below expectations. Our quarterly operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period- to- period basis may not be meaningful. You should not consider our past results in any projected growth rate or as indicative of our future performance. We expect our period- to- period operating results to vary based on our operating costs, which we anticipate will increase significantly in future periods as we, among other things, design and develop our zero- emission vehicles and drivetrain systems, open new design, sales and service facilities, hire additional technology staff, increase our travel and operational budgets, increase our facility costs, hire and train service personnel, increase our sales and marketing activities, and increase our general and administrative functions to support our growing operations. As a result of these factors, we believe that quarter- to- quarter comparisons of our operating results, especially in the short- term, are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance. Moreover, our operating results may not meet expectations of equity research analysts or investors. If any of this occurs, the trading price of our stock could decline, either suddenly or over time. Based upon all of the factors described above, we have a limited ability to forecast our future revenue, costs and expenses and, as a result, our operating results may from time to time fall below our estimates. Our future growth is dependent upon demand for new mid- sized zero- emission trucks and cargo vans, and other fleet vehicles. Our growth is highly dependent upon the market acceptance of, and we are subject to an elevated risk of any reduced demand for, new zero- emission trucks and other fleet vehicles. If this market does not develop as we expect or develops slower than expected, our business, prospects, financial condition and operating results will be harmed, and we may need to raise additional capital. This market is relatively new, rapidly evolving, characterized by rapidly changing technologies, price competition, additional competitors, evolving government regulation and industry standards, frequent new vehicle announcements and changing consumer demands and behaviors. Factors that may influence the market acceptance of new zero- emission vehicles include: • perceptions about zero- emission electric vehicle quality, safety design, performance and cost, especially if adverse events or accidents occur that are linked to the quality or safety of any electric vehicle; • perceptions about the limitations in the technology resulting in a limited range over which zero- emission electric vehicles may be driven on a single battery charge (increases in distance requires additional batteries, which increases weight, and, at some point, too much weight diminishes the additional distance being sought before requiring a charge); • perceptions about vehicle safety in general, in particular safety issues that may be attributed to the use of advanced technology; • the availability of alternative fuel vehicles, including competitive vehicles and improvements in the fuel economy of the internal combustion engine may cause a slow- down in the demand to switch to zero- emission electric vehicles; • the availability of service for zero- emission electric vehicles; • the environmental consciousness of owners of diesel- and gasoline- powered buses, truck and other fleet vehicles; • changes in the cost of oil and gasoline; • government regulations and economic incentives, including a change in the administrations and legislations of federal and state governments, promoting fuel efficiency and alternate forms of energy; • access to charging stations both public and private, standardization of electric vehicle charging systems and perceptions about convenience and cost to charge an electric vehicle; • the availability of tax and other governmental incentives and rebates to purchase and operate electric vehicles or future regulation requiring increased use of zero- emission or hybrid vehicles; • perceptions about and the actual cost of alternative fuel; and • macroeconomic factors such as, among other things, inflation and rising interest rates which could diminish our ability to access the capital markets for funding our business. Additionally, we have limited experience in introducing new products, as we commenced production and deliveries of our products within the most recent few years. To the extent that we are not able to build our products in accordance with customer expectations, our future sales could be harmed. We may also become subject to regulations that require us to alter the design of our vehicles, which could negatively impact consumer interest in our products. The influence of any of the factors described above may cause current or potential customers not to purchase our electric vehicles, which would materially adversely affect our business, operating results, financial condition and prospects. We may not be able to compete successfully against current and future competitors. The market for commercial zero- emission electric vehicles is relatively new, rapidly evolving, characterized by rapidly changing technologies, price competition, additional competitors, evolving government regulation and industry standards, frequent new vehicle announcements and changing consumer demands and behaviors. Most of our existing and potential competitors, including Ford, Nissan, Navistar, Freightliner, Mercedes- Benz, Odyne Systems, Lightning Systems, Nordresa, Workhorse, Mitsubishi / Fuso, BYD, Proterra, TransPower, Lion Electric Company, Rivian, GreenPower Motor Company, General Motors, Blue Bird, Tesla, Volkswagen, Volvo, PeterBilt, Nikola, and Motiv, have substantially greater financial resources, more extensive engineering, manufacturing, marketing and customer service and support capabilities, longer operating histories and greater name recognition than we do.

They may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. Virtually all of our competitors have more extensive customer bases and broader customer and industry relationships than we do. Our competitors may be in a stronger position to respond quickly to new technologies and may be able to design, develop, market and sell their products more effectively. As a result, our competitors may be able to compete more aggressively and sustain that competition over a longer period of time than we can. Each of these competitors has the potential to capture market share in our target market, which could have an adverse effect on our position in our industry and on our business and operating results. We expect competition in our industry to intensify in the future in light of anticipated increased demand for alternative fuel vehicles and to continued globalization and consolidation in the worldwide automotive industry. Factors affecting competition include product quality and features, innovation and development time, pricing, reliability, safety, fuel economy, customer service and financing terms. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in further downward price pressure and adversely affect our business, financial condition, operating results and prospects. Our ability to successfully compete in our industry will be fundamental to our future success in existing and new markets and to our market share. There can be no assurances that we will be able to compete successfully in our markets. If our competitors introduce new products or services that compete with or surpass the quality, price or performance of our products or services, we may be unable to satisfy existing customers or attract new customers at the prices and levels that would allow us to generate attractive rates of return on our investment. A disruptive technology advancement in the electric vehicle industry by a competitor, such as in energy storage, traction motors or power electronics, could affect the sales of our products. Demand in the zero- emission electric vehicle industry is volatile, which may lead to lower vehicle unit sales, which could adversely affect our operating results. Volatility of demand in the zero- emission electric vehicle industry may materially and adversely affect our business, prospects, operating results and financial condition. The markets in which we currently compete and plan to compete in the future have been subject to considerable volatility in demand in recent periods. As a low volume producer, we have fewer financial resources than more established providers have to withstand changes in the market and disruptions in demand. Volatility in demand may lead to lower vehicle unit sales and increased inventory, which may result in further downward price pressure and adversely affect our business, prospects, financial condition and operating results. These effects may have a more pronounced impact on our business given our relatively smaller scale and financial resources as compared to many incumbent providers. Competition could result in price reductions and revenue shortfalls, loss of customers and loss of market share. If we cannot compete successfully against current and future competitors, our business, prospects, results of operations and financial condition could be negatively impacted. Our sales cycle can be long and unpredictable and require considerable time and expense before executing a customer agreement, which may make it difficult to project when, if at all, we will obtain new customers and generate revenue from those customers. The sales cycle for our business, from initial contact with a potential lead to contract execution and implementation, typically takes significant time and is difficult to predict. Our sales cycle in some cases has lasted up to six to nine months or more. Our sales efforts involve educating our customers about the use, capabilities and benefits of our products and services. Some of our customers undertake a significant evaluation process that frequently involves not only our products and services but also the offerings of our competitors. This process can be costly and time- consuming. In addition, once a customer is inclined to purchase our products, their ability in most cases to issue a purchase order is dependent on being granted funding toward the purchase. It is very difficult for us, or our customers, to predict the timing of the release of such funding, and specifically whether they will receive any of it. As a result, it is difficult to predict when we will obtain new customers and begin generating revenue from these new customers. As part of our sales cycle, we may incur significant expenses before executing a definitive agreement with a prospective customer and before we are able to generate any revenue from such agreement. The substantial time and money spent on our sales efforts may not generate significant revenue. If conditions in the marketplace generally or with a specific prospective customer change negatively, it is possible that no definitive agreement will be executed, and we will be unable to recover any of these expenses. If we are not successful in targeting, supporting and streamlining our sales processes, our ability to grow our business, and our operating results and financial condition may be adversely affected. If our sales cycles lengthen, our future revenue could be lower than expected, which would have an adverse impact on our consolidated operating results and could cause our stock price to decline. Developments in alternative technologies or improvements in the internal combustion engine may materially adversely affect the demand for electric vehicles and our products. Significant developments in alternative technologies, such as advanced diesel, ethanol and other renewable fuels, fuel cells or compressed natural gas, or improvements in the fuel economy of the internal combustion engine, may materially and adversely affect our business and prospects in ways we do not currently anticipate. For example, compressed natural gas or propane, which are abundant and relatively inexpensive in North America, may emerge as consumers' preference. Any failure by us to develop new or enhanced technologies or processes, or to react to changes in existing technologies, could materially delay our development and introduction of new and enhanced zero- emission electric vehicles or drivetrain systems, which could result in the loss of competitiveness of our products, decreased revenue and a loss of market share to competitors. If we are unable to keep up with advances in zero- emission electric vehicle technology, we may suffer an inability to obtain a competitive position in the market or suffer a decline in our competitive position. There are companies in the zero- emission electric vehicle industry that have developed or are developing vehicles and technologies that compete or will compete with our vehicles. Our competitors could be able to provide products and services similar to ours more efficiently or at greater scale. We may be unable to keep up with changes in zero- emission electric vehicle technology and, as a result, may suffer a decline in our competitive position. Any failure to keep up with advances in zero- emission electric vehicle technology would result in a decline in our competitive position, which would materially and adversely affect our business, prospects, operating results and financial condition. Our research and development efforts may not be sufficient to adapt to changes in zero- emission electric vehicle technology. As technologies change, we plan to upgrade or adapt our vehicles and introduce new vehicles in order to continue to provide vehicles with the latest technology, in particular battery cell technology. However, our vehicles may not compete effectively with alternatives if we are unable to source and integrate the latest technology into our vehicles. For example, we do not currently manufacture the items required to produce our vehicles, including battery cells, which makes us dependent upon other suppliers of technology for our battery packs, motors and other components of our electric vehicles. If for any reason we are unable to keep pace with changes in commercial electric vehicle technology, particularly battery technology, our competitive position may be adversely affected. However, our recently announced plans to acquire certain battery manufacturing equipment from ProGreens mentioned above will mitigate these issues as it pertains to batteries and battery packs. The demand for commercial zero- emission electric vehicles depends, in part, on the continuation of current trends resulting from historical dependence on fossil fuels. Extended periods of low diesel or other petroleum- based fuel prices could adversely affect demand for vehicles that utilize our technology, which could adversely affect our business, prospects, financial condition and operating results. We believe that much of the present and projected demand for commercial zero- emission electric vehicles results from concerns about volatility in the cost of petroleum- based fuel, the dependency of the United States on oil from unstable or hostile countries, government regulations and economic incentives promoting fuel efficiency and alternative forms of energy, as well as the belief that poor air quality and climate change results in part from the burning of fossil fuels. If the cost of petroleum- based fuel decreased significantly, or the long- term supply of oil in the United States improved, the government may eliminate or modify its regulations or economic incentives related to fuel efficiency and alternative forms of energy. If there is a change in the perception that the burning of fossil fuels does not negatively impact the environment, the demand for commercial zero- emission electric vehicles could be reduced, and our business and revenue may be harmed. Diesel and other petroleum- based fuel prices have been extremely volatile, and we believe this continuing volatility will persist. Lower diesel or other petroleum- based fuel prices over extended periods of time may lower the current perception in government and the private sector that cheaper, more readily available energy alternatives should be developed and produced. If diesel or other petroleum- based fuel prices remain at deflated levels for extended periods of time, the demand for commercial electric vehicles may decrease, which could have an adverse effect on our business, prospects, financial condition and operating results. We may not be able to reduce and adequately control the costs and expenses associated with operating our business, including our material and production costs. If we are unable to reduce and / or maintain a sufficiently low level of costs for designing, manufacturing, marketing, selling and distributing and servicing our zero- emission electric vehicles relative to their selling prices, our operating results, gross margins, business and prospects could be materially and adversely impacted. We have made, and will be required to continue to make, significant investments for the design, manufacture, and sales of our zero- emission vehicles. We incur significant costs related to procuring the materials and components required to build our vehicles. As a result, without including the impact of government or other subsidies, incentives, or tariffs, our costs and therefore the purchase prices for our commercial zero- emission electric vehicles currently are higher than the purchase prices for gas or diesel- fueled vehicles with comparable features. Additionally, in the future we may be required to incur substantial marketing costs and expenses to promote our zero- emission vehicles, including the use of traditional media such as television, radio and print even though our marketing expenses to date have been relatively limited. If we are unable to keep our operating costs aligned with the level of revenues we generate, our operating results, business and prospects will be harmed. Many of the factors that impact our operating costs are beyond our control. For example, global demand from all manufacturers of zero- emission vehicles for the same resources could create shortages and drive the costs of our raw materials and certain components, such as lithium- ion battery cells, to a higher level and reduce profit or create or increase losses. Indeed, if the popularity of zero- emission electric vehicles exceeds current expectations without significant expansion in battery cell production capacity and advancements in battery cell technology, shortages could occur which would result in increased material and component parts costs to us and could also negatively impact our ability to meet production requirements if the batteries were simply not available. If we fail to manage our anticipated growth effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately. Any failure to manage our anticipated growth effectively could materially and adversely affect our business, prospects, operating results and financial condition. During the fourth quarter of 2020 and the first quarter of 2021, we significantly shrunk our operations in response to poor business conditions, but we began expanding our operations in the fourth quarter of 2021 as our business prospects improved and we believe that further expansion will be required, especially in connection with electric vehicle component assembly and manufacturing, service and warranty requirements. The requirements of being a public company have significantly increased our general and administrative costs. Our future operating results depend to a large extent on our ability to manage this expansion and growth successfully. Risks that we face in undertaking this expansion include: • establishing sufficient sales, service and service facilities in a timely manner; • forecasting production and revenue; • training new personnel; • controlling expenses and investments in anticipation of expanded operations; • expanding design, manufacturing, sales and service facilities; • implementing and enhancing administrative infrastructure, systems and processes; • addressing new markets; and • expanding operations and finding and hiring a significant number of additional personnel, including manufacturing personnel, design personnel, engineers and service technicians. We may in the future hire a significant number of additional personnel, including design and manufacturing personnel and service technicians for our zero- emission electric vehicles, the timing of which will depend on the success of our sales efforts. Because vehicles that utilize our technology are based on a different technology platform than traditional internal combustion engines, individuals with sufficient training in zero- emission electric vehicles may not be available to hire, and we may need to expend significant time and expense in training the employees we hire. Competition for individuals with experience designing, manufacturing and servicing zero- emission electric vehicles is intense, and we may not be able to attract, assimilate, train or retain additional highly qualified personnel in the future, which could seriously harm our business and prospects. In this regard, we will be required to continue to improve our operational, financial and management controls and our reporting procedures and we may not be able to do so effectively. Further, to accommodate our expected growth we must continually improve and maintain our technology, systems and network infrastructure. We therefore may be unable to manage our expenses effectively in the future, which would negatively impact our gross margin or operating expenses in any particular quarter. If we fail to manage our anticipated growth and change in a manner that preserves the quality of our zero- emission vehicles and services and our ability to deliver in a timely manner, it will negatively affect our brand and reputation and harm our ability to retain and attract customers. could divert capital and our management' s attention,result in additional dilution to our stockholders and otherwise disrupt our operations and adversely affect our operating results.We may selectively pursue acquisitions of complementary businesses and technologies that we believe could complement or expand our applications,enhance our technical capabilities or otherwise offer growth opportunities.The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying,investigating and pursuing suitable acquisitions,whether or not they are consummated.In addition,we have limited experience with acquiring other businesses or technologies.If we acquire businesses or technologies,we may not be able to integrate the acquired personnel,operations and technologies successfully,or effectively manage the combined business following the acquisition.We also may not achieve the anticipated benefits from the acquired business due to a number of factors,including:• inability If our zero- emission electric vehicles fail to perform as expected, our ability to develop, market and sell our vehicles could be harmed. Our zero- emission vehicles may not perform in a manner that is consistent with our customers' expectations for a variety of reasons. If our vehicles were to contain defects in design and manufacture that cause them not to perform as expected or that require repair, or experience any other failure to perform as expected, it could harm our reputation and result in delivery delays, product recalls, product liability claims, significant warranty and other expenses, which could have a material adverse impact on our ability to develop, market and sell our zero- emission vehicles. For example, should we have a significant sale of either new vehicles or re- power conversion kits and a defect (from a supplier- purchased product or internally assembled components) were to be discovered after delivery that could not be corrected in a timely manner, we could suffer an adverse public relations event that harms the company in a way that it may not be able to recover from, or which turns out to be so costly as to cause a significant loss. Although we attempt to remedy any issues we observe in our products as effectively and as rapidly as possible, such efforts may not be timely, may hamper production or may not provide satisfaction to our customers. While we have performed extensive internal testing, we currently have a limited frame of reference by which to evaluate the long- term performance of our zero- emission products. There can be no assurance that we will be able to detect and fix any defects in our products prior to their sale to customers. Further, the performance of our zero- emission products may be negatively impacted by other factors, such as limitations inherent in existing battery technology and extreme weather conditions. Any vehicle product defects or any other failure of our commercial zero- emission electric vehicles to perform as expected could harm our reputation and result in delivery delays, product recalls, product liability claims, significant warranty and other expenses, customer losses and lost revenue, any of which could have a material adverse impact on our business, financial condition, operating results and prospects. We are dependent on third parties to deliver raw materials, parts, components and services in adequate quantity in a timely manner and at reasonable prices, quality levels and volumes acceptable to us. Our business, prospects, financial condition and operating results could be adversely affected if we experience disruptions in our supply chain. We provide zero- emission electric vehicles assembled from components supplied by third parties. For example, we rely on third parties for batteries, traction motors, power electronics, connectors, cables, and metal fabrication for battery storage boxes. As a result, we are particularly dependent on those third parties to deliver raw materials, parts, components and services in adequate quality and quantity in a timely manner and at reasonable prices. Some components of our vehicles and drivetrain systems include materials such as copper, lithium, rare- earth and strategic metals that have historically experienced price volatility and supply interruptions. In addition, we do not currently maintain long- term agreements with our suppliers with guaranteed pricing because we cannot at this time guarantee them adequate volume, which exposes us to fluctuations in component, materials and equipment prices and availability. There have been significant changes to U. S. trade policies, treaties and tariffs, which have resulted in uncertain economic and political conditions that have made it difficult for us and our suppliers to accurately forecast and plan future business activities. For example, the U. S. has imposed tariffs on certain products imported into the U. S. from China, the European Union and other countries, and could impose additional tariffs or trade restrictions. Such changes to U. S. policies related to global trade and tariffs have resulted in uncertainty surrounding the future of the global economy and have resulted in certain retaliatory trade measures and tariffs implemented by other countries. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the United States. Any of these factors could depress economic activity and have a material adverse effect on the business and financial condition of our suppliers, which, in turn, would negatively impact us. Furthermore, currency fluctuations weakening the U. S. dollar against foreign currencies may adversely affect our purchasing power for such raw materials, parts and components and manufacturing equipment from foreign suppliers. Substantial increases in the prices for such raw materials, components and equipment would increase our operating costs, and could reduce our margins if we cannot recoup the increased costs through increased prices. We may not be able to recoup these increased costs by increasing the prices of our products. In addition, the impact of the COVID- 19 pandemic **disrupted** ~~has led to a disruption of~~ the global supply chain, which ~~has~~ adversely impacted ~~, and may continue to adversely impact,~~ our ability and that of our manufacturing partners to procure the components needed to produce our vehicles on terms acceptable to us and ~~has~~ resulted in delays in the delivery of our products to customers. If we are unable to effectively address such challenges and mitigate the potentially negative impacts of the pandemic and related supply chain disruptions on our business, it could result in additional delivery delays and canceled orders, reduced demand for our products and solutions, and adversely affect our customers' ability to pay for our products and solutions. In cases where we rely on a sole supplier for a component or system, if there is an interruption of supply or increased industry demand it may be difficult for us to substitute one supplier for another, increase the number of suppliers or change one component for another in a timely manner or at all.

Additionally, many of our current suppliers are small companies that produce a limited number of specialized products. If any of these suppliers were to go out of business or be acquired by a competitor of ours or any other third party that decides to discontinue our supply relationship, we would need to find an alternative supplier, which we may not be able to do. This limited supply chain exposes us to multiple potential sources of delivery failure or component shortages for the production of our zero-emission electric products. We may experience delays due to supply chain disruptions with respect to any of our zero- emission electric products we may produce. In addition, our currently ongoing transition from low to high volume production tooling for our zero- emission electric products may take longer than expected, which may adversely impact our short- term financial results. Changes in business conditions, domestic and foreign regulations (including tariffs), labor issues, wars, governmental changes, natural disasters and other factors beyond our control or which we do not presently anticipate, could also affect our suppliers' ability to deliver components to us on a timely basis. Furthermore, if we experience significantly increased demand, or need to replace certain existing suppliers, there can be no assurance that additional supplies of component parts will be available when required on terms that are favorable to us, or that any supplier would allocate sufficient supplies to us in order to meet our requirements or fill our orders in a timely manner, or that we could engineer replacement components ourselves. Changes in our supply chain may result in increased future costs. We have also experienced cost increases from certain of our suppliers in order to meet our quality targets and development timelines as well as due to design changes that we made, and we may experience similar cost increases in the future. Additionally, we are negotiating with existing suppliers for cost reductions, seeking new and less expensive suppliers for certain parts, and attempting to redesign certain parts to make them less expensive to produce. If we are unsuccessful in our efforts to control and reduce supplier costs, our operating results will suffer. If we encounter unexpected difficulties with our current suppliers, and if we are unable to fill these needs from other suppliers, we could experience production delays, which could have a material adverse effect on our financial condition and operating results. The inability of these suppliers to deliver, or their refusal to deliver, necessary raw materials, parts and components of our zero-emission drivetrain systems and services in a timely manner at prices, quality levels, and volumes acceptable to us would have a material adverse effect on our financial condition and operating results. Our business, prospects, financial condition and operating results could be adversely affected if we experience disruptions in our supply chain. The facilities or operations of our third - party providers could be damaged or adversely affected as a result of disasters or unpredictable events. If major disasters such as earthquakes, tornadoes, fires, floods, hurricanes, wars, terrorist attacks, computer viruses, pandemics or other events occur, the production facilities of some of our third - party providers may be seriously damaged, or they may have to stop or delay production and shipment of our products. We may also experience downtime due to a third - party provider' s delay in production and shipment of our products due to, among other reasons, their inability to obtain supplies and materials. Either of these delays could have a material adverse impact on our business, operating results and financial condition. We have become increasingly dependent on information technology and any breakdown, interruption or breach of our information technology systems could subject us to liability or interrupt the operation of our business, which could have a material adverse effect on our business, financial condition, cash flows and results of operations. We are increasingly dependent upon information technology systems and infrastructure in connection with the conduct of our business. We must routinely update our information technology infrastructure and our various information technology systems throughout the organization may not continue to meet our current and future business needs. Furthermore, modification, upgrade or replacement of such systems may be costly. In addition, any breakdown, interruption, corruption or unauthorized access to or cyber- attack on these systems could create system disruptions, shutdowns or unauthorized disclosure of confidential information. While we attempt to take appropriate security and cyber-security measures to protect our data and information technology systems and to prevent such breakdowns and unauthorized breaches and cyber- attacks, these measures may not be successful and these breakdowns and breaches in, or attacks on, our systems and data may not be prevented. Such breakdowns, breaches or attacks may cause business interruption and could have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our common stock to decline, and we may suffer financial damage or other losses as a result of lost or misappropriated information. If our suppliers fail to use ethical business practices and comply with applicable laws and regulations, our brand image could be harmed due to negative publicity. We do not control our independent suppliers or their business practices and, as such, they may not comply with ethical or legal business practices, such as environmental responsibility, fair wage practices, appropriate sourcing of raw materials, and compliance with child labor laws, among others. A lack of demonstrated compliance could lead us to seek alternative suppliers, which could increase our costs and result in delayed delivery of our products, product shortages or other disruptions of our operations. Violation of labor or other laws by our suppliers or the divergence of an independent supplier' s labor or other practices from those generally accepted as ethical in the U. S. or other markets in which we do business could also attract negative publicity for us and our brand. This could diminish the value of our brand image and reduce demand for our zero- emission vehicles and drivetrain systems technology if, as a result of such violation, we were to attract negative publicity. If we, or others in our industry, encounter similar problems in the future, it could harm our brand image, business, prospects, financial condition and operating results. Our business success will depend in part on the success of our strategic relationships with third parties. We may not be able to identify adequate strategic relationship opportunities, or form strategic relationships, in the future. Our business success will depend in part on our ability to continue to successfully manage and enter into productive strategic relationships with third parties. We depend on various third parties to provide critical parts for our process. We currently maintain strategic relationships with key manufacturers of components we require for our zero- emission electric products. Maintaining and expanding our strategic relationships with third parties is critical to our continued success. Further, our relationships with these third parties are typically non- exclusive and do not prohibit the other party from working with our competitors. These relationships may not result in additional customers or enable us to generate significant revenue. Identifying suitable business partners and negotiating and documenting relationships with them require significant time and resources. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to successfully sell our products and services, compete in the marketplace or to grow our revenue could be impaired and our operating results would suffer. While we may be able to establish alternate supply relationships or engineer replacement components for any single source components, we may be unable to do so in the short term, or at all, at prices or costs that are favorable to us. In particular, while we believe that we will be able to secure alternate sources of supply for most of our single sourced components in a relatively short time frame, qualifying alternate suppliers or developing our own replacements for certain highly customized components of our products may be time consuming, costly and may force us to make additional modifications to a product' s design, or at a minimum require us to delay delivery of orders. We currently have and are seeking to establish new relationships with third parties to provide alternative parts sources, such as batteries, controllers and battery management systems. For example, we continue to test additional battery manufacturers' products in order to have back- up options should our existing supplier have delivery or quality issues. However, we may not be able to identify or secure suitable business relationship opportunities in the future or to ensure that our competitors will not capitalize on such opportunities before we do. Our strategic relationships for batteries, motors and controllers will keep us competitive if maintained properly. We may not be able to offer benefits to companies that we would like to establish and maintain strategic relationships with. Moreover, identifying such opportunities could demand substantial management time and resources, and negotiating and financing relationships involves significant costs and uncertainties. If we are unable to successfully source and execute on strategic relationship opportunities in the future, our overall growth could be impaired, and our business, prospects and operating results could be materially adversely affected. Our suppliers must scale their zero- emission vehicle manufacturing and assembling processes effectively and quickly from low volume production to high volume production. Our existing production model utilizing third parties may not be well suited for the high- volume production required to scale our business. We do not know whether we or our existing suppliers will be able to develop efficient, low- cost manufacturing and assembly capability and processes, and reliable sources of component supply that will enable us to meet the quality, price, engineering, design and production standards, as well as the production volumes required, to successfully develop our business. Any failure by us or our suppliers to develop such manufacturing and assembly processes and capabilities and reliable sources of component supply within our projected costs and timelines could have a material adverse effect on our business, prospects, operating results and financial condition. The ability of our suppliers to scale their manufacturing and assembling processes is in part dependent on ours and their supply chain and on our collective ability to execute ~~on~~ our decentralized production strategy. Even if we and our suppliers are successful in developing our high- volume manufacturing and assembly capability and processes, and reliable sources of component supply, we do not know whether we will be able to do so in a manner that avoids significant delays and cost overruns, including, as a result of factors beyond our control, such as problems with suppliers and vendors, in time to meet our commercialization schedules or to satisfy the requirements of customers. In addition, certain components we or our third- party suppliers integrate **into** may not be available on a consistent basis or in large quantities. Our business, prospects, financial condition and operating results could be adversely affected if we or our suppliers experience disruptions in our respective supply chains or if we or they cannot obtain materials of sufficient quality at reasonable prices. The complexity in our business is expected to grow as we introduce new products and services. We have limited experience in simultaneously designing, testing, manufacturing, upgrading, adapting and selling our zero- emission products as well as limited experience allocating our available resources among the design and production of multiple zero- emission units. As we add complexity to our product line and introduce new products and services, we may experience unexpected delays. If we and our suppliers are unable to scale our respective existing assembly processes and systems quickly while maintaining our current quality level, including supply chain constraints and the inability to manage complexity in our business, we may be unable to meet our customers' vehicle quality and quantity requirements or our forecasted production schedule or lower our cost of sales. As a result, we may not be able to meet our customers' delivery schedules and could face the loss of customers ~~,~~ or be exposed to liability to customers to which we promised delivery, which could adversely affect our business, prospects, financial condition and operating results. We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims. We may become subject to product liability claims, which could harm our business, prospects, operating results and financial condition if we are not able to successfully defend or insure against such claims. The zero- emission electric vehicle industry may experience significant product liability claims and we face inherent risk of exposure to claims in the event our zero- emission products do not perform as expected or malfunction and personal injury or death results. Our risks in this area are particularly pronounced given the limited field experience of our zero- emission vehicles, number of vehicles delivered to date and limited field experience of those vehicles. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product liability claim could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of other future vehicle candidates, which would have a material adverse effect on our brand, business, prospects and operating results. We have added product liability insurance on a claims- made basis for all our zero- emission products with appropriate annual limits. However, our insurance may not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages either in excess of our coverage, or outside of our coverage, may have a material adverse effect on our reputation, business and financial condition. In connection with the development and sale of our zero- emission products, we may need to comply with various safety regulations and requirements with which it may be expensive or difficult to comply. For example, we may be subject to compliance from CARB. In addition, we may be subject to various other federal and state- level requirements. We may be compelled to undertake product recalls. Any product recall in the future may result in adverse publicity, damage our brand and adversely affect our business, prospects, operating results and financial condition. We may at various times, voluntarily or involuntarily, initiate a recall if any of our zero- emission drivetrain system components prove to be defective. Such recalls, voluntary or involuntary, involve significant expense and diversion of management attention and other resources, which would adversely affect our brand image in our target markets and could adversely affect our business, prospects, financial condition and results of operations. Our warranty reserves may be insufficient to cover future warranty claims, which could adversely affect our financial performance. If our warranty reserves are inadequate to cover future warranty claims on vehicles that utilize our technology, our business, prospects, financial condition and operating results could be materially and adversely affected. We provide a three- year warranty on parts and workmanship and a five- year warranty on powertrain and batteries with every zero- emission electric product. Most of our warranty offering, with the exception of workmanship, is covered by the component manufacturers' warranty. In addition, customers have the opportunity to purchase an Extended Service Plan for the period after the end of the standard warranty to cover additional services for an additional three- year period or 100, 000 miles, whichever comes first. The warranty is similar to other providers' warranty programs and is intended to cover all parts and labor to repair defects in material or workmanship in the product. We plan to record and adjust warranty reserves based on changes in estimated costs and actual warranty costs. However, because we have only recently begun delivering our first zero- emission vehicles, and we have extremely limited operating experience with them, we therefore have little experience with warranty claims for these zero- emission vehicles or with estimating warranty reserves. We will monitor our warranty reserves based on our actual warranty claim experience. We may be required to provide for increases in warranty reserves in the future. Our future warranty reserves may not be sufficient to cover all claims or our limited experience with warranty claims may not adequately address the needs of our customers to their satisfaction. Our insurance strategy may not be adequate to protect us from all business risks. We may be subject, in the ordinary course of business, to claims resulting from products liability, employment- related actions, class- action lawsuits, accidents, acts of God and other actions against us. Additionally, our insurance coverage may be insufficient to cover all existing and future claims against us. We may be compelled to expend significant time and resources defending any such claims, and a loss that is uninsured or which exceeds policy limits may require us to pay substantial amounts, which could adversely affect our financial condition and operating results. If we are unable to design, develop, market and sell zero- emission electric vehicles and other product offerings that address additional market opportunities, our business, prospects and operating results will suffer. We may not be able to successfully develop new zero- emission electric vehicles or address new market segments or develop a broader customer base. We will need to address additional markets and expand our customer demographic in order to further grow our business. In particular, we have recently transitioned to target owners of trucks (all classes inclusive of 3 – 7) and vans between 10, 000 pounds GVWR to 19, 500 pounds GVWR, commercial fleets, including white fleets of school districts and other fleet users of these vehicles, including government entities. Successfully offering all electric vehicles in this market requires delivering a vehicle with different characteristics than an ICE- powered vehicle at a price that is competitive with other similar vehicles. Because the markets are only recently increasing acceptance of our new all- electric products, it is difficult to project increases in market acceptance and our ability to generate sales in volumes as we currently intend. Our failure to address additional market opportunities would harm our business, financial condition, operating results and prospects. Our growth depends in part on the availability and amounts of government subsidies and incentives and the application of regulations that encourage conversion to electric vehicles. These subsidies and incentives are limited and unpredictable and could expire or change to benefit competing technologies. We believe that the availability of government subsidies, rebates, and economic incentives is currently a critical factor considered by our customers when purchasing our zero- emission systems or converting their existing vehicles to zero- emission- electric or hybrids, and that our growth depends in large part on the availability and amounts of these subsidies and economic incentives. Any unavailability, reduction, elimination or adverse application of government subsidies, rebates, and economic incentives because of administrative mistakes made by those in charge of the programs, budgetary challenges, expiration, policy changes, the reduced need for such subsidies, rebates, and incentives due to the perceived success of electric or hybrid vehicles or other reasons may result in the diminished price competitiveness of the alternative fuel vehicle industry generally and our zero- emission electric and hybrid vehicles in particular, especially prior to our ability to significantly reduce our costs. For example, in the United States, we and our customers benefit from significant subsidies in connection with the purchase of our vehicles under the California HVIP, CARB, New York Truck Voucher Incentive Program (" NYTVIP "), New York City Clean Trucks Voucher Program (" NYCCTP "), New Jersey Zero Emissions Incentive Program (" NJ- Zip "), Maryland Clean Fuels Incentive Program (" CFIP "), local air quality management districts, the EV Demonstration Project, and state- level Clean Cities programs. Under these programs, purchasers of qualifying vehicles and those who convert their existing vehicles are eligible to receive subsidies or incentives from $ 55, 000 to $ 385, 000 per qualifying vehicle purchased or converted. Certain regulations and programs that encourage sales of zero- emission electric and hybrid vehicles could expire, be exhausted, be eliminated or applied in a way that adversely impacts sales of our commercial zero- emission electric and hybrid vehicles, either currently or at any time in the future. For example, the U. S. federal government and many state governments, as well as many national governments within the European Union, are facing political changes, fiscal crises and budgetary constraints, which could result in the elimination of programs, subsidies and incentives that encourage the purchase or conversion of zero- emission electric and hybrid vehicles. In addition, grants made by the DOE under the U. S. Recovery and Reinvestment Act of 2009 to clean technology companies, such as the EV Demonstration Project grant, may be subject to a high level of scrutiny in part due to recent financial difficulties experienced by recipients of DOE loan guarantees. In addition, currently some purchase subsidies are limited in total annual amounts and have been exhausted before all willing buyers have been able to consummate a purchase. We currently benefit from certain government and economic incentives supporting the development and adoption of zero- emission electric vehicles. If government subsidies and economic incentives to produce and purchase zero- emission electric vehicles were no longer available to us or our customers, or the amounts of such subsidies and incentives were reduced or eliminated, it would have a negative impact on demand for our vehicles and our business, prospects, financial condition and operating results would be adversely affected. In addition, we anticipate that in the future there may be new opportunities for us to apply for grants, loans and other incentives from federal, state, local and foreign governments on our own behalf and on behalf of our customers. Our ability to obtain funds or incentives from government sources is subject to the availability of funds under applicable government programs and approval of our applications to participate in such programs. The application process for these funds and other incentives is and will continue to be highly competitive. Our service model may be costly for us to operate and may not address the service requirements of our prospective customers. Our business plan is not to develop company owned and operated service and warranty centers but to leverage existing third- party bus and truck facilities to sell and to service our new vehicles through our FAR network. This plan, while off to a good start, may not prove to be workable and we may be forced to establish our own facilities at some point, resulting in substantial capital expenditures and increased operating costs. Zero- emission electric commercial vehicles incorporate new and evolving technologies and require specialized service. These special service arrangements now and in the future may continue to be costly and we may not be able to recoup the costs of providing these services to our customers. In addition, a number of potential customers may choose not to purchase our commercial zero- emission electric vehicles because of the lack of a more widespread service network. If we are unable to satisfactorily service vehicles that utilize our technology, our ability to generate customer loyalty, grow our business and sell additional vehicles could be impaired. There can be no assurance that these service arrangements or our limited experience servicing vehicles that utilize our technology will adequately address the service requirements of our customers to their satisfaction, or that we will have sufficient resources to meet these service requirements in a timely manner as the volume of vehicles we are able to deliver annually increases. If we do not adequately address our customers' service needs, our brand and reputation may be adversely affected, which, in turn, could have an adverse effect on our business, prospects, financial condition and operating results. Traditional providers do not necessarily provide maintenance and repair services directly. Customers must instead service their vehicles through franchised dealerships or through third party maintenance service providers. We are pursuing agreements to provide third party service for us. However, it is unclear when or even whether such third - party service providers will be able to acquire the expertise to service our zero- emission electric commercial vehicles. As vehicles that utilize our technology are placed in more locations, we may encounter negative reactions from our customers who are frustrated that they cannot use local service locations to the same extent as they have with their conventional commercial vehicles and this frustration may result in negative publicity and reduced sales, thereby harming our business and prospects. Our decentralized assembly, sales and service model will present numerous challenges and we may not be able to execute on our plan to establish sales, service and assembly facilities in the urban areas we have targeted and our facilities in any of those markets may underperform relative to our expectations. Our strategy of establishing sales, service, and assembly facilities in selected urban areas in the United States is substantially different from the prevailing centralized manufacturing and franchised distribution and service model used currently by our zero- emission manufacturing competitors. For example, we may not be able to utilize long established sales channels developed through a traditional franchise system to increase our sales volume, which may harm our business, prospects, financial condition and operating results. Moreover, we will be competing with companies with well established distribution channels. If we determine that our decentralized model is inadequate, opening our own sales, service and assembly facility in any market generally will be capital intensive and require, among other things, establishing a local order volume that is sufficient to support the facility, finding a suitable and available location, negotiating a satisfactory lease agreement for the facility, obtaining permits and approvals from local and state authorities (which, in the case of facilities to be opened in foreign countries, may require obtaining approvals from national governments), building out the facility to our specifications and hiring and training employees to assemble, sell and service our zero- emission electric vehicles and converting existing vehicles to zero- emission electric vehicles. If we decide we must open our own facilities, we plan to seek state and local government incentives to defray the costs of opening facilities in the markets we have selected, but we may not be successful in this effort, or the incentives may not be as significant as we would like. As with any development project, the development and build- out of a facility will subject us to the risk of cost overruns and delays, which may be significant. Once our sales, service and assembly facilities are open for business, we will need to ensure that they maintain a high level of quality in order to satisfy customers and enhance the brand. Even if we are able to address all of the challenges discussed above, we have little experience in sales, service or assembly and our sales, service and assembly facilities in one or more markets may not adequately address customer service needs or be profitable and we may lose sales and our entire investment in such facilities, and therefore, damaging our reputation in the process. If we are unable to establish the local order volume we require in order to open new sales, service and assembly facilities or are unable to successfully assemble, sell, and service our zero- emission electric commercial vehicles adequately for customers and profitably operate these new facilities in our target markets, our business, prospects, financial condition and operating results may be adversely affected. If we do not adequately address our customers' service needs, our brand and reputation will be adversely affected, which in turn could have a material and adverse impact on our business, financial condition, operating results and prospects . We are subject to substantial regulation......, financial position and results of operations . In many of our zero- emission electric vehicles we use battery packs composed of lithium- ion battery cells, which, if not appropriately managed and controlled, on rare occasions have been observed to catch fire or vent smoke and flames. If any such events occur in our commercial electric vehicles, we could face liability for damage or injury, adverse publicity and a potential safety recall. The battery packs in our manufactured vehicles use lithium- ion cells, which have been used for years in laptop computers, cell phones and electric vehicles. On rare occasions, if not appropriately managed and controlled, lithium- ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium- ion cells. Highly publicized incidents of laptop computers, cell phones, and Tesla, Inc.' s electric vehicles bursting into flames have focused consumer attention on the safety of these cells. More recently, a limited number of side- impact tests carried out by NHTSA on non- commercial passenger vehicles containing lithium- ion batteries and thermal management systems containing liquid coolant have resulted in post- collision fires under certain conditions. Any failure of a competitor' s electric vehicle may cause indirect adverse publicity for us and our electric vehicles. These events have raised questions about the suitability of lithium- ion cells for automotive applications. A field failure of our battery packs may occur, particularly if one of our manufactured or converted vehicles is involved in a collision, which could damage the vehicle or lead to personal injury or death and may subject us to lawsuits, product recalls, or redesign efforts, all of which would be time consuming and expensive. Furthermore, there is some risk of electrocution if individuals who attempt to repair battery packs on our manufactured or converted vehicles do not follow applicable maintenance and repair protocols. Any such damage or injury would likely lead to adverse publicity and potentially a safety recall. Any such adverse publicity or negative public perceptions regarding the suitability of lithium- ion cells for automotive applications or any future incident involving lithium- ion cells such as a vehicle or other fire, even if such incident does not involve vehicles that utilize our technology, could seriously harm our business, prospects, financial condition and operating results. **Risks Relating to the Legal and Regulatory Matters We are subject to substantial regulation, which is evolving, and** ~~Unfavorable~~ **unfavorable** ~~conditions in~~ **changes or any failure by us to comply with** ~~the~~ **these regulations** ~~global economy, rising interest rates and capital market liquidity issues~~ could **substantially harm** ~~limit our ability to grow~~ our business and ~~negatively affect our~~ operating results. **Our commercial** ~~Revenue growth and potential profitability of our business depends on the level of demand in the markets we serve. To the extent that weak economic conditions cause our customers and potential customers to freeze or reduce their capital expenditure or operational budgets, particularly those for~~ zero- emission electric vehicles, ~~demand~~ **the sale of motor vehicles in general and the electronic components used in vehicles are subject to substantial regulation under international, federal, state and local laws. We may incur in the future increased costs in complying with these regulations. Regulations related to the electric vehicle industry and alternative and renewable energy currently are evolving and we face risks associated with changes to these regulations** ~~for~~ - or new regulations.These risks include the following:• changes to the regulations governing the assembly,transportation and disposal of lithium- ion batteries;• revisions in motor carrier safety laws in the United States to further enhance motor vehicle safety generally and to ensure that electric vehicles achieve levels of safety commensurate with other cars,trucks,and buses could increase the costs associated with the component parts and the manufacture,assembly,and conversion of our drivetrain systems;and • revisions in consumer protection laws to ensure that consumers are fully informed of the particular operational characteristics of vehicles could increase our costs associated with warning labels ~~our~~ - **or other related customer information dissemination. To the extent the laws governing our business and vehicles change, some or all of our zero- emission electric** products ~~and services~~ may ~~be negatively affected. Historically~~ **not comply with applicable international** , ~~economic downturns~~ **federal, state or local laws, and certain of the competitive advantages of our products may be reduced or eliminated, which could** have ~~resulted in overall reductions in these budgets and~~ - **an adverse effect on** ~~corresponding spending. If economic conditions deteriorate or do not materially improve, our customers and potential customers may elect to decrease their operational budgets or defer or reconsider product and service purchases, which would limit our ability to grow~~ our business **. Furthermore, compliance with changing regulations could be burdensome, time consuming,** and ~~negatively affect~~ **expensive. To the extent compliance with changes in regulations** ~~our~~ - **or new regulations is cost prohibitive, our business, prospects, financial condition and** operating results ~~. Our business depends on our Chief Executive Officer and management team, retaining and attracting qualified management, key employees and technical personnel and expanding our sales and marketing capabilities. Our success depends upon the continued service of Mr. Phillip Oldridge, our Chief Executive Officer, as well~~ **will be adversely affected** ~~as other members of our senior management team~~ . ~~It also depends on~~ **Vehicle dealer and distribution laws could adversely affect** our ability to **sell** continue to attract and retain additional highly...... market for talented individuals with automotive or **our commercial** transportation experience. Our success depends upon...... Forecasts relating to the expected growth in zero- emission electric vehicles ~~,~~ **. Sales of our zero- emission** electric ~~drivetrain systems~~ **vehicles are** and ~~conversions~~ **/ or may be subject to international, state** and **local vehicle dealer and distribution laws. To** ~~other~~ -- **the** ~~markets may prove~~ **extent such laws prevent us from selling our vehicles** to ~~be inaccurate. Even if these markets experience the forecasted growth~~ **customers located in a particular jurisdiction or require us to retain a local dealer or distributor or establish and maintain a physical presence in a jurisdiction in order to sell vehicles in that jurisdiction** , ~~we may not grow~~ our business ~~at similar rates~~ , **prospects** ~~or at all. Our growth is subject to many factors~~ , **financial condition** ~~including our success in implementing our business strategy, which is subject to many risks~~ and ~~uncertainties. We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all. We need sufficient capital to fund our ongoing operations~~ - **operating results could be adversely affected** ~~and continue our development, especially if we begin manufacturing our vehicles in the United States~~ . We intend to ~~continue~~ **contract with vehicle dealers** to ~~make investments~~ **sell and / or service our vehicles, but we have no assurance at this time that we will successfully contract with vehicle dealers and distributors** to ~~support~~ **sell and / or service our vehicles. We are subject to various environmental laws and regulations that could impose substantial costs upon us and cause delays in opening our sales, service and assembly facilities. We and our operations are subject to federal, state and / or local environmental laws and regulations, including laws relating to the use, handling, storage, transportation, disposal and human exposure to hazardous substances and wastes. Environmental and health and safety laws and regulations can be complex, and we expect that** our business ~~growth~~ and **operations may be affected by future amendments to such laws or other new environmental and health and safety laws which** may require **us** ~~additional funds~~ to ~~respond to business challenges~~ ---- **change our operations. These laws can give rise to liability for investigatory costs** , ~~such as keeping pace~~ **administrative oversight costs, cleanup costs, property damage, bodily injury and fines and penalties. Capital and operating expenses needed to comply** with ~~technological developments~~ **environmental laws and regulations can be significant, and violations may result** in ~~order~~ **substantial fines and penalties, third party damages, responsibilities** to ~~remain competitive in~~ **investigate and take corrective** ~~our~~ - **or** ~~evolving industry~~ **remedial actions** , ~~improve~~ **suspension of production** ~~our~~ - **or a cessation of** ~~operating infrastructure or acquire complementary businesses and technologies. While we believe that our existing cash and cash equivalents will be sufficient to fund~~ our operations **. Contamination at** ~~during the next twelve months, we may need to engage in additional equity or~~ **our** debt financing to secure additional funds....... covenants relating to our capital raising activities -

facilities ~~and other financial and operational matters, which~~ may **result in liability** ~~make it more difficult~~ for us **under environmental laws** ~~to obtain additional capital~~ and **regulations** ~~to pursue business opportunities~~ , including ~~potential acquisitions. In addition~~ , **but** ~~we may~~ not **limited** ~~be able~~ to **the Comprehensive Environmental Response** ~~obtain additional financing on terms favorable to us~~ , **Compensation** ~~if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when~~ and ~~if we require it, our ability~~ **Liability Act** ~~to continue to support our business growth, and to respond to business challenges could be significantly impaired. We may selectively pursue acquisitions of complementary businesses and technologies~~ , which **can impose** could divert capital and our management’...... of factors, including: • inability - **liability** ~~to integrate or~~ **for** ~~benefit from acquired technologies or services in a profitable manner; • unanticipated costs or liabilities associated with~~ the **full amount** ~~acquisition; • incurrence~~ of ~~acquisition~~ **remediation** - related costs **without regard to fault** ~~; • difficulty integrating the accounting systems~~ , **for the investigation and cleanup of contaminated soil and ground water, for building contamination and impacts to human health and for damages to natural resources. The costs of complying with environmental laws and regulations and any claims concerning noncompliance, or liability with respect to contamination in the future, could have a material adverse effect on our financial condition or operating results. We may face unexpected delays in obtaining the necessary permits and approvals required by environmental laws and regulations in connection with any planned manufacturing or** ~~operations~~ **operational** ~~affected by any~~ **facilities that could require** significant **time** ~~disputes between us~~ and **financial resources and delay** our **ability** ~~customers as~~ to **operate** ~~the~~ **these** ~~applicability or scope of~~ **facilities,which would adversely impact** our ~~indemnification obligations to them~~ **business prospects and operating results** .We may be involved in legal proceedings that could result in substantial liabilities.We may be involved from time to time in various legal and other proceedings,such as title,royalty or contractual disputes,regulatory compliance matters and personal injury or property damage matters,in the ordinary course of business.Such proceedings are inherently uncertain,and their results cannot be predicted.Regardless of the outcome,such proceedings could have ~~an adverse impact on us because and~~ - **an adverse impact on us because of legal costs, diversion of management and other** personnel ~~of the acquired business; • difficulties~~ and ~~additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business; • difficulty converting the customers of the acquired business onto our applications and contract terms, including disparities in the revenue, licensing, support or professional services model of the acquired company; • diversion of management’ s attention from~~ other **factors** ~~business concerns; • adverse effects to our existing business relationships with business partners and customers as a result of the acquisition; • the potential loss of key employees; • use of resources that are needed in other parts of our business; and • use of substantial portions of our available cash to consummate the acquisition~~ . In addition, **it is possible that** a **resolution** ~~significant portion~~ of ~~the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets~~ **one or more such proceedings could result in liability, penalties or sanctions, as well as judgments, consent decrees or orders requiring a change in our business practices** , which **could materially and adversely affect** ~~must be assessed for impairment at least annually. In the future, if~~ our **business** ~~acquisitions do not yield expected returns~~ , ~~we may be required to record impairment charges to our~~ operating results ~~based~~ **and financial condition. Accruals for such liability, penalties or sanctions may be insufficient, and judgments and estimates to determine accruals or range of losses related to legal and other proceedings could change from one period to the next, and such changes could be material. Current or future litigation or administrative proceedings could have a material adverse effect** on ~~this impairment assessment process~~ **our business, our financial condition and our results of operations. We may be involved in legal proceedings, administrative proceedings, claims, and other litigation that arise in the ordinary course of business. In addition, we may become involved in securities class action litigation or shareholder litigation in connection with our offering of common stock under Regulation A. Such legal proceedings could result in substantial costs and diversion of management attention and resources** , which could ~~adversely affect~~ **significantly harm** our **profitability and reputation. Further, if any such proceedings were to** ~~results~~ - **result** ~~of operations. Acquisitions~~ **in an unfavorable outcome, it** could **have a material** ~~also result in dilutive issuances of equity securities, as in the case of our recent acquisition of EVT per the Merger Agreement, and / or the incurrence of debt, which could adversely~~ -- **adverse** ~~affect~~ **effect on** ~~our operating results. We may also unknowingly inherit liabilities from acquired businesses or~~ **our** ~~assets that arise after the acquisition and that are not adequately covered by indemnities. In addition, if an acquired~~ business ~~fails to meet our expectations~~ , ~~our operating results, business and~~ financial position ~~may suffer~~ **and results of operations** . Our management has determined that our disclosure controls were not effective as of December 31, ~~2022~~ **2023** . If we are unable to maintain effective internal control over financial reporting and effective disclosure controls and procedures, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected. Our management is responsible for establishing and maintaining adequate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles un the U. S. (" GAAP") Section 404 of the Sarbanes- Oxley Act of 2002 (the “ Sarbanes- Oxley Act ”) requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting. Once we are no longer either ~~an “ emerging growth company ” or~~ a “ smaller reporting company, ” such report must be attested to by our independent registered public accounting firm. ~~The~~ **Based on the evaluation required by Section 404 of the** Sarbanes- Oxley Act ~~also requires that our principal executive officer and principal financial officer conclude as to the effectiveness of our disclosure controls and procedures on a quarterly basis. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022, our disclosure controls and procedures (a) were not effective to ensure that information that we are required to disclose in reports that we file or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is~~

~~accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In making such conclusion~~ , our management determined that ~~such deficiencies were~~ **our internal control over financial reporting was not effective as of December 31, 2023,** primarily due to certain staff reductions and voluntary resignations we experienced beginning in the fourth quarter of 2020 and continuing through the closing of ~~the Merger in~~ **our acquisition of Envirotech Drive Systems, Inc. (: EVT")** March 2021, during such periods and for all periods thereafter through the date of such determination, we increased our reliance on outsourced accounting help. As a result of such changes, our management concluded that we were unable to maintain the levels of segregation of duties during such periods at the levels of prior periods, and that such changes to our disclosure controls and procedures significantly affected our internal control over financial reporting during the year ended December 31, **2021,** 2022 **and 2023** . Although we have yet to fully resolve such deficiencies as of the date of this **Annual** ~~report~~ **Report** , we have engaged, and continue to seek the assistance of additional, experienced accounting professionals with relevant expertise to supplement our efforts and mitigate the negative effects of the above- described deficiencies in the effectiveness of our disclosure controls and procedures. If we fail to detect errors on a timely basis, our financial statements may be materially misstated and if we are unable to comply with the requirements of Section 404 of the Sarbanes Oxley Act, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, if and when required, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources. **debt** financing to secure additional funds.We do not expect to be able to satisfy our cash requirements solely through product sales in the near future,therefore we expect to rely on the net proceeds from our previous offerings and available debt financing to fund our operations.If we raise additional funds through further issuances of equity or convertible debt securities,our existing stockholders will suffer dilution,and any new equity securities we issue could have rights,preferences and privileges superior to those of holders of our common stock.Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities ~~and~~ We may not be able to utilize a significant portion of our net operating loss or research and development tax credit carryforwards, which could adversely affect our profitability. As of December 31, ~~2022~~ **2023** , we had federal and state net operating loss carryforwards (“ NOLs ”) due to prior period losses. Federal and state NOLs generated prior to 2018 have a 20- year carryforward and, if not utilized, will begin to expire in 2032. Similarly, state NOLs generated for tax years 2018 and after will also have a 20- year carryforward and, if not utilized, will begin to expire in 2038. These NOLs may go unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability. Federal NOLs generated for tax years beginning with 2018 will carryforward indefinitely due to changes in the Coronavirus Aid, Relief and Economic Security (" CARES") Act of 2020. California tax law has not changed to conform to the new federal law on carryforward of NOLs generated in tax years beginning with 2018. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize NOL carryforwards or other tax attributes in any taxable year may be limited if we experience an “ ownership change. ” A Section 382 “ ownership change ” generally occurs if one or more stockholders or groups of stockholders who own at least 5 % of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three- year period. Similar rules may apply under state tax laws. As discussed elsewhere in this report, the **acquisition of EVT** ~~Merger with Envirotech Drive Systems, Inc.~~ resulted in their shareholders owning approximately 56 % of the Company’ s outstanding shares at the ~~Merger~~ closing date **of the acquisition** , which is an ownership change under Section 382. As a result, the future utilization of the ADOMANI, Inc. NOL carryforwards will be limited to a number of factors, which cannot be calculated at this time. Following the completion of the ~~Merger~~ **our acquisition of EVT** , we assessed our ability to use certain deferred tax benefits from net operating losses that were recorded by ~~EVTDS~~ -- **EVT** in certain prior periods and determined that, in light of the uncertainty of generating future taxable income against which those losses can be offset in order to realize such benefits, recording a valuation allowance to reduce the deferred income tax assets to the amount that is more likely than not to be realized is appropriate. In making such determination, management considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. The Company recognized a full valuation allowance for all deferred tax assets for the years ended December 31, ~~2022~~ **2023** and December 31, ~~2021~~ **2022** . In addition, future issuances of our stock could cause an “ ownership change. ” It is possible that any future ownership change could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability. Our reported financial results may be adversely affected by changes in GAAP. GAAP is subject to interpretation by the Financial Accounting Standards Board, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change ~~. We may be subject to additional environmental, social and corporate governance (“ ESG ”) disclosure requirements which may increase our costs of compliance. There is an increasing focus from certain investors, employees, partners, and other stakeholders concerning ESG matters. We may be, or be perceived to be, not acting responsibly in connection with these matters, which could negatively impact us. Moreover, the SEC has recently proposed rule changes that would require registrants to include certain climate- related disclosures in their registration statements and periodic reports, including information about climate- related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate- related financial statement metrics in a note to their audited financial statements. If approved, these new disclosure requirements will likely increase our costs of compliance which would then increase our operating expenses. The increase in operating expenses may have a material impact on our financial condition and results of operations~~ . Risks Related to the Ownership of Our Securities The price of our common stock is and is likely to continue to be volatile and fluctuate substantially, which could result in substantial losses for our stockholders and may prevent you from reselling your shares at or above the price you paid for your shares. The market price of our common stock is and is likely to remain volatile and may fluctuate significantly in response to numerous factors, many of which are beyond our control, including: • overall performance of the equity markets; • the development and sustainability of an active trading market for our common stock; • our operating performance and the performance of other similar companies; • changes in the estimates of our operating results that we provide to the public, our failure to meet these projections or changes in recommendations by securities analysts that elect to follow our common stock; • press releases or other public announcements by us or others, including our filings with the SEC; • changes in the market perception of all- electric and hybrid products and services generally or in the effectiveness of our products and services in particular; • announcements of technological innovations, new applications, features, functionality or enhancements to products, services or products and services by us or by our competitors; • announcements of acquisitions, strategic alliances or significant agreements by us or by our competitors; • announcements of customer additions and customer cancellations or delays in customer purchases; • announcements regarding litigation involving us; • recruitment or departure of key personnel; • changes in our capital structure, such as future issuances of debt or equity securities; • our entry into new markets; • regulatory developments in the United States or foreign countries; • the economy as a whole, market conditions in our industry, and the industries of our customers; • the expiration of market standoff or contractual lock- up agreements; • the size of our market float; and • any other factors discussed in this report. The market price and volume of our common stock could fluctuate, and in the past has fluctuated, relative to our limited public float. We are particularly subject to fluctuations as reported on the ~~NASDAQ~~ **Nasdaq** Stock Market LLC **(" Nasdaq"). During the period January 1, 2023 through December 31, 2023, the closing price of a share of our common stock reached a high of $ 3. 92 and a low of $ 1. 03, with daily trade volumes reaching a high of 291, 200 and a low of 1, 500** . During the period January 1, 2022 through December 31, 2022, the closing price of a share of our common stock reached a high of $ 7. 40 and a low of $ 1. 98, with daily trade volumes reaching a high of 430, 809 and a low of 2, 476. During the year ended December 31, 2021, the closing price of a share of our common stock reached a high of $ 16. 20 and a low of $ 3. 80, with daily trade volumes reaching a high of 351, 028 and a low of 3, 594. In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies ~~. We have and will continue to incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which adversely affect our operating results. As a public company, and particularly after we are no longer an emerging growth company, we are incurring and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting, corporate governance requirements, and investor relations expenses. The Sarbanes- Oxley Act, the Dodd- Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel have adapted to the requirements of being a public company and devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and will make some activities more time- consuming and costly. For example, these rules and regulations have made it more expensive for us to obtain director and officer liability insurance, and we have incurred substantially higher costs to obtain increased coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as our executive officers. The increased costs associated with operating as a public company have and will continue to decrease our net income or increase our net loss, and may require us to reduce costs in other areas of our business or increase the prices of our products or services. Additionally, if these requirements divert our management' s attention from other business concerns, they could have a material adverse effect on our business, prospects, financial condition and operating results~~ . If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline. The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline. We may fail to meet our publicly announced guidance or other expectations about our business, which would cause our stock price to decline. We may provide guidance regarding our expected financial and business performance, such as projections regarding sales and production, as well as anticipated future revenues, gross margins, profitability and cash flows. Correctly identifying key factors affecting business conditions and predicting future events is inherently an uncertain process and our guidance may not ultimately be accurate. Our guidance is based on certain assumptions such as those relating to anticipated production and sales volumes and average sales prices, supplier and commodity costs, and planned cost reductions. If our guidance is not accurate or varies from actual results due to our inability to meet our assumptions or the impact on our financial performance that could occur as a result of various risks and uncertainties, the market value of our common stock could decline significantly. We do not intend to pay dividends for the foreseeable future. We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable. Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following: • authorize the issuance of " blank check " preferred stock that could be issued by our board of directors to defend against a takeover attempt; • establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election; • require that directors only be removed from office for cause and only upon a supermajority stockholder vote; • provide that vacancies on the board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office rather than by stockholders; • prevent stockholders from calling special meetings; and • prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders. In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in a broad range of business combinations with any " interested " stockholder for a period of three years following the date on which the stockholder becomes an " interested " stockholder.