

Risk Factors Comparison 2025-03-31 to 2024-03-12 Form: 10-K

Legend: **New Text** ~~Removed Text~~ ~~Unchanged Text~~ **Moved Text** **Section**

Risks Related to our Business and Operations Substantial doubt exists regarding ~~our~~ **the Company's** ability to continue as a going concern through the twelve months following the date of the issuance of the ~~Consolidated financial~~ **Financial statements** ~~Statements~~ accompanying this ~~Annual Report on~~ Form 10-K. We have incurred net losses of \$ ~~101.8 million and \$~~ **123.9 million and \$** ~~117.3 million~~ for the fiscal years ended December 31, ~~2023-2024~~ and December 31, ~~2022-2023~~, respectively. As a result of our recurring losses from operations, accumulated deficit, projected working capital needs and delays in bringing our vehicles to market, and, accordingly, slower market demand than previously expected, substantial doubt exists as to ~~our the~~ **the Company's** ability to continue as a going concern over the twelve months from the date of the issuance of the audited financial statements accompanying this Form 10-K. **Our ability to continue as a going concern depends on our ability to receive additional proceeds from our financing relationships, including the release of funds from the lockbox account in which proceeds of our most recent issuance of 2024 Notes under our 2024 Securities Purchase Agreement are held. In addition, our ability to enter into new financing arrangements is significantly limited by the terms of our existing financing arrangements, including our 2024 Securities Purchase Agreement, as well as other factors, such as the so-called "baby shelf" rules under Form S-3.** To the extent we are unable to satisfy these capital needs, we will need to significantly modify or terminate our operations and our planned business activities. **The failure to obtain sufficient financing could adversely affect our ability to achieve our business objectives and continue as a going concern. If we cannot generate or obtain additional capital, we may be unable to meet the needs of our current and prospective customers or to expand our operations. A lack of sufficient capital beyond cash on hand and funds available under our financing arrangements could significantly impair our ability to take on new customers and limit the size of the orders we can take from existing customers.** ~~We had negative cash flow from operating activities~~ **are currently negotiating possible financing to meet our immediate liquidity needs, and the terms of \$** ~~47~~ **the financing, if consummated, may have adverse effects on us and our stockholders.** ~~6 million~~ **As discussed in "Recent Developments," above, a vital component of management's plan to address our liquidity and \$** ~~123.0 million for the years ended December 31, 2024 and 2023, respectively.~~ **Our working capital requirements** ~~needs, and to reduce the short-cash flow provided by future operating activities, if any, will vary greatly from quarter to quarter, depending on the volume of business during the period and payment term-terms risk with our customers and suppliers. We may also underestimate our capital requirements and other expenditures or overestimate our future cash flows. In the event that we receive a purchase order that exceeds our inventory, we may not lack sufficient working capital to purchase the components necessary to fulfill the order on a timely basis, or at all. We also may have to repay previously owed amounts to our suppliers before they sell us new components. If we are unable to purchase components from our suppliers, our vehicle shipments could be prevented or delayed, which could result in a loss of sales. In addition, we have limited experience in high volume manufacture of our vehicles. We cannot provide assurance as to whether we will be able to scale our current production facilities~~ **continue as a going concern, is the consummation of a financing in the immediate future to address** ~~implement efficient processes and reliable sources of component supply that will enable us to meet these-- the requirements for the short term productions standards and volumes required to fill a large purchase order~~ **. Although there** ~~Even if we are successful in developing our high volume production capability and processes and reliably source our component supply, no assurance can be given as to whether we~~ **no assurance that a Possible Financing will be consummated** ~~able to do so in a manner that avoids significant delays and its possible terms-cost overruns, including as a result of factors beyond our control, or to store and deliver parts in sufficient quantities to the manufacturing lines in a manner that enables us to increase production and satisfy the requirements of customers and potential customers. If we are under negotiation~~ **unable to meet existing orders or to enter into new orders because of a shortage in components** ~~, if it is consummated, we expect that it will have a materially higher cost of capital than likely lose net revenue, risk losing customers and risk harm to our reputation in the marketplace, which could adversely affect our business, financial condition~~ **our** ~~or existing financing arrangements and contain provisions that results of operations. In addition, we~~ **may be dilutive to both existing and future stockholders of the Company. A Possible Financing may also contain terms that limit the Company's ability to sell common stock under its ATM Agreement and ELOC and to obtain new debt financing. Further, if a Possible Financing includes a convertibility feature, warrants or both, sales by investors of the underlying common stock may directly or indirectly reduce the market price of the common stock. More generally, expect that we will not be able** ~~unable to implement~~ **maintain the levels of capital and operating expenditures necessary to perform our current business plan, including the development of our W56 variants and WNext truck chassis platforms unless we generate additional cash from operations or** ~~our~~ **obtain additional financing. In light of our operating history and the expected schedule for bringing our W56 variants and WNext platforms to market, we expect that it will be necessary to obtain additional financing, through Possible Financing, and through our ATM Agreement. Our continued access to capital markets is essential for us to meet our current and long-term obligations** ~~business plan~~ **, develop fund operations, and fund our** ~~or strategic initiatives~~ **enhance our product offerings, take advantage of future opportunities or respond to competitive pressures on a timely basis** ~~. We cannot be certain that~~ **In addition, a lack of** ~~additional financing will~~ **could force us to substantially curtail or cease operations. As a result, our business, operating results, liquidity and financial position would** ~~be available to us on favorable terms when required, or at all. An interruption in our access to external financing could affect our business prospects and financial condition. Recent turmoil in the capital markets, including the tightening of credit and rise of interest rates, may~~

cause us to face higher borrowing costs, less available capital, more stringent terms and tighter covenants. In such circumstances, if we cannot raise additional capital, our financial condition, results of operations, business and prospects could be materially and adversely affected. In addition, if we raise additional capital through issuances of equity, through our ATM Agreement, ELOC or otherwise, our stockholders could experience dilution. We are currently out of compliance with the Nasdaq's continuing listing requirements and if we fail to satisfy all such applicable Nasdaq continued listing requirements, our common stock may be delisted from Nasdaq, which could have an adverse impact on the liquidity and market price of our common stock. Our common stock is currently listed on The Nasdaq Capital Market, which has qualitative and quantitative continued listing requirements, including corporate governance requirements, public float requirements and a \$ 1.00 minimum closing bid price requirement. Our common stock price has been and may in the future be below the minimum bid price for continued listing on Nasdaq. On September 22, 2023, we received notice from Nasdaq indicating that the closing bid price for our common stock had fallen below the minimum bid price for continued listing for 30 consecutive trading days and was no longer in compliance with the minimum bid requirement. In order to regain compliance, the closing bid price of our common stock must be equal to or above the minimum bid price for a period of 10 consecutive trading days prior to March 20, 2024. In the event the Company fails to meet this requirement by such date, the Company may be eligible for an additional grace period of another 180 days, so long as it meets the applicable market value of publicly held shares requirement and other applicable listing standards for the Nasdaq Capital Market, other than the minimum bid price requirement, on the trading date prior to the deadline, and informs Nasdaq of its intent to cure this deficiency. If the Company fails to meet these requirements or fails to satisfy any other continued listing requirements, Nasdaq may take steps to delist our common stock. Delisting would likely have an adverse effect on the liquidity of our common stock, decrease the market price of our common stock, result in the potential loss of confidence by investors, suppliers, customers, and employees, and fewer business development opportunities, and adversely affect our ability to obtain financing for our continuing operations. The unavailability, reduction, elimination or adverse application of government subsidies and, incentives and, or any failure by states or other governmental entities to adopt or enforce regulations, could have an adverse effect on our business, prospects, financial condition and operating results. We believe the availability of government subsidies and incentives, including the California Hybrid and Zero- Emission Truck and Bus Voucher Incentive Project (" HVIP "), is an important factor considered by our customers when purchasing our vehicles. Our growth depends in part on the availability and amounts of these subsidies and incentives. Many of our current and prospective customers are seeking to leverage HVIP due to its ease of access and amount of funding available per vehicle. In addition, some of our purchase orders have contingencies related to HVIP funding. If our vehicles fail to qualify for the HVIP, or we experience a material delay in obtaining qualification for the HVIP program, our business, financial condition and results of operations would suffer. Furthermore, any reduction, elimination or discriminatory application of the HVIP or other government subsidies and incentives because of budgetary challenges, policy changes, the reduced need for such subsidies and incentives due to the perceived success of electric vehicles or other reasons may result in the diminished price competitiveness of the alternative fuel vehicle industry. As discussed in Item 1, Business – Regulatory – Emission and fuel economy standards, our strategy and business plan depend on the enforcement of state regulations, such as California's Advanced Clean Fleet regulation. Any failure by states or other governmental agencies to adopt or enforce regulations related to emissions and mileage requirements could have an adverse effect on our business, prospects, financial condition and operating results. **Future federal and state administrations could introduce additional uncertainty for the EV industry. For instance, the new Presidential Administration has issued executive orders and could implement additional policies or modify regulations that could negatively impact the expansion of the EV market, such as by rescinding or modifying certain tax credits, and could take further actions to diminish incentives for the production and purchase of EVs. Consequently, the availability of these tax credits or other government incentives and our ability and that of our customers and competitors to benefit from these credits and incentives, remain uncertain at this time.** Uncertain global macro- economic and political conditions could materially adversely affect our results of operations and financial condition. Electric vehicle sales and production are cyclical and are materially affected by macroeconomic, geopolitical and industry conditions that are outside of our control and the control of our customers and suppliers, including monetary fiscal policy, economic recessions, inflation, deflation, interest rates, **tariffs**, political instability, labor relations issues, energy prices, regulatory requirements, government initiatives, capital and liquidity constraints, acts of war and terrorism, and natural and man- made disasters. Our operational costs are similarly impacted by such macroeconomic, geopolitical and industry conditions, which **has have** and may continue to adversely impact our margins and profitability, **such as the tariffs on imports from China, Canada, Mexico, Europe and elsewhere imposed following the inauguration of the new Presidential Administration, which could have a significant impact on us, particularly our ability to source cost- efficient batteries for use in our trucks**. Current or potential customers may delay or decrease spending on our products and services as their business and / or budgets are impacted by economic conditions. The inability of current and potential customers to pay us for our products and services may adversely affect our earnings and cash flows. In addition, deterioration of conditions in worldwide credit markets could limit our ability to obtain financing to fund our operations and capital expenditures. The current conflicts in Ukraine and **Israel- the Middle East** and any resulting sanctions could have an adverse impact on our current operations. Further, such conflicts are likely to lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions for equipment, which could have an adverse impact on our operations and financial performance. **Our business could be adversely affected by trade tariffs or other trade barriers. Our business is subject to the imposition of tariffs and other trade barriers, which may make it more costly for us to import raw materials and product components for our vehicles and to export our vehicles to Canada or elsewhere. The new Presidential Administration recently imposed new tariffs on imports to the United States from China, Mexico, Canada, and Europe. and has threatened to impose new tariffs on imports from other countries. In addition, these countries have, and in the future other countries may, impose retaliatory tariffs. The resulting**

environment of retaliatory trade or other practices or additional trade restrictions or barriers, if implemented on a broader range of products or raw materials, could harm our ability to obtain necessary raw materials and product components or sell our products and services at prices customers are willing to pay, which could have a material adverse effect on our business, prospects, results of operations, and cash flows. Relatedly, trade policies could lead to an increasing number of competitors entering the United States, thereby creating more competition. If we experience cost increases as a result of existing or future tariffs and are unable to pass on such additional costs to our customers, or otherwise mitigate the costs, or if demand for our planned exportation of vehicles decreases due to the higher cost, our business, prospects, financial condition, results of operations, and cash flows could be materially and adversely affected.

We cannot assure you that we will be successful in executing our business plan, which envisions including selling our recently developed truck W56 vehicle chassis platform and the expansion continued provision of offerings on that platform a new delivery van to customers which commenced in late 2022. Our failure to execute our business plan would have a material adverse effect on our business, financial position, results of operations, cash flows and liquidity. During 2023, we launched the W56, a new truck vehicle chassis platform, which is the foundation of our revised strategic product roadmap. We also intend to introduce a longer During 2024, we continued executing our strategic product roadmap for our electric vehicle offerings, including the production of the W4 CC, W56 and the development of the W56 208 - inch wheelbase and cab-vehicle program in both strip chassis version of the W56 and step van variants. In addition, our product roadmap also includes the WNext, which we will be our second generation, low floor, advanced content offering for the truck vehicle chassis market, expanding our vehicle foundation and is expected to begin production in late 2025 or 2026 or 2027. To accelerate time-to-market for customers seeking delivery of electric vehicles during 2023, we continue to produce and sold sell Class 4 vehicles to be sold in either as a cab chassis version ("W4 CC") or a step van version ("W750") made to haul various cargo and take on both mid and last-mile routes. The W750 was launched into production and sale in 2023, in addition to the W4 CC, which became available for sale in 2022. Product development involves numerous risks and uncertainties. We cannot assure you that we have successfully developed our new truck vehicle platforms or that we have identified any potential issues in their design or use. We may be unable to launch and ramp up production as necessary, we may experience unexpected costs, delays or service burdens, we may be unable to deliver such vehicles on an economical basis and our customers may not find our vehicles are acceptable for their use. Any of the foregoing would have a material adverse effect on our business, financial position, results of operations, cash flows and liquidity. We may experience delays in launching and ramping up production or we may be unable to control our manufacturing costs. We have previously experienced and may in the future experience launch and production ramp-up delays. In addition, we may introduce in the future new or unique manufacturing processes and design features for our products including enhancements under development relating to production assembly efficiency, material component availability, cost reduction and customer feedback. There is no guarantee we will be able to successfully and timely introduce and scale such processes or features. We have relatively limited experience to date in manufacturing electric vehicles at high volumes. To be successful, we will need to implement, maintain, and ramp-up efficient and cost-effective manufacturing capabilities, processes and supply chains and achieve the design tolerances, high quality and output rates planned at our Union City, IN manufacturing facility. We also need to hire, train, and compensate skilled employees for operations. Bottlenecks and other unexpected challenges such as those experienced in the past may arise during our production ramps, and we must address them promptly while continuing to improve manufacturing processes and reducing costs. If we are not successful in achieving these goals, we could face delays in establishing and / or sustaining our vehicle production ramp-ups or be unable to meet our related cost and profitability targets. Any delay or other complication in ramping up the production of our current products or the development, manufacture, launch and production ramp-ups of our future products, features and services, or in doing so cost-effectively and with high quality, may harm our brand, business, prospects, financial condition, and operating results. Our results of operations have not resulted in profitability and we may not be able to achieve profitability going forward. We had an accumulated deficit of \$ 751.853.64 million as of December 31, 2023 2024. Except for the year ended December 31, 2020, we have had incurred net losses every year since our inception and. We expect to we will continue to incur net losses in 2024 2025. We may incur significant losses in the future for a number of reasons, including the other risks described in " Risk Factors ", and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown events. Accordingly, we may not be able to achieve or maintain profitability. Our management is developing plans to alleviate the negative trends and conditions described above and there is no guarantee such plans will be successfully implemented. Our business plan is focused on providing sustainable and cost-effective solutions to the commercial transportation sector but is still unproven. There is no assurance that even if we successfully implement our business plan, we will be able to curtail our losses or ever achieve profitable operations. If we incur additional significant operating losses, our stock price may significantly decline. We have yet to achieve positive cash flow and, given our projected funding needs, our ability to generate positive cash flow is uncertain. We had negative cash flow from operating activities of \$ 123.0 million and \$ 93.8 million for the years ended December 31, 2023 and 2022, respectively. We may continue to have negative cash flow from operating and investing activities for 2024 as we expect to incur research and development, sales and marketing, and general and administrative expenses and make capital expenditures in our efforts to increase sales and ramp-up operations at our Union City, IN facility. Our business also will require significant amounts of working capital to support our growth of additional platforms. An inability to generate positive cash flow for the near term may adversely affect our ability to raise needed capital for our business on reasonable terms, diminish supplier or customer willingness to enter into transactions with us, and have other adverse effects that may decrease our long-term viability. There can be no assurance the Company will achieve positive cash flow in the near future or at all. If our vehicles fail to perform as expected, our ability to develop, market and sell our electric vehicles could be harmed. If our vehicles were to contain design or manufacturing defects that cause them not to perform as expected or that require repair, our ability to develop, market and sell our vehicles could be harmed. We currently have a limited frame of reference by which to

evaluate the long- term quality, reliability and performance characteristics of our ~~trucks~~ **vehicles**, battery packs and other products, particularly our new chassis platforms, the W4 CC, W750, ~~and~~ **W56 and WNext**. There can be no assurance that we will be able to detect and repair any defects in our products before commencing the sale of our vehicles. In addition, the performance specifications of our vehicles may vary from our current estimates and could change over time and from vehicle to vehicle based on a number of factors, including the manner in which the vehicle is used or maintained, driving conditions and weather and other environmental conditions where the vehicle is used. While we perform extensive internal testing on our vehicles, we currently have a limited frame of reference by which to evaluate detailed long- term quality, reliability, durability and performance characteristics of our battery packs, powertrains and vehicles. There can be no assurance that any of our products will perform in accordance with our published specifications, consistently or at all. We currently have a limited number of customers and prospective customers, ~~with we do not~~ **no** have long- term agreements with existing customers, and we expect that a significant portion of our future sales will be from a limited number of customers. The loss of any of these customers could materially harm our business. A significant portion of our projected future revenue is expected to be generated from a limited number of dealers and fleet customers. Additionally, much of our business model is focused on building relationships with a few large dealers and fleet customers. Currently, we have no contracts with customers that include long- term commitments or minimum volumes to ensure future sales of vehicles. As such, a customer may take actions that negatively affect us for reasons we cannot anticipate or control, such as a customer' s financial condition, changes in the customer' s business strategy or operations, or the perceived performance or cost- effectiveness of our vehicles. In addition, as described above, we may not be able to meet customer requirements with the new ~~truck~~ **vehicle** chassis platforms we are developing and plan to offer to them. The loss of or a reduction in sales or anticipated sales to our most significant customers would have a material adverse effect on our business, prospects, financial condition and operating results. Regulatory requirements may have a negative impact upon our business. Our vehicles are subject to substantial regulation under federal, state, and local laws ~~. In addition, these laws are subject to change. To the extent the laws change, or if we introduce new vehicles in the future (including, without limitation, the new truck chassis platforms we are developing), some or all of our vehicles may not comply with applicable federal, state, or local laws. Further, certain federal, state, and local laws and industrial standards currently regulate electrical and electronics equipment.~~ Although standards for electric vehicles are not yet generally available or accepted as industry standards, our products may become subject to federal, state, and local regulation in the future. Compliance with these regulations could be burdensome, time consuming, and expensive. Our products are subject to environmental and safety compliance with various federal and state regulations, including regulations promulgated by the EPA, NHTSA, FAA and various state boards, and compliance certification is required for each new model year. NHTSA is active in requesting information from vehicle manufactures regarding potential product defects and safety measures. The cost of these compliance activities and the risks, delays, and expenses incurred in connection with such compliance could be substantial. **In addition, these laws are subject to change. To the extent the laws change, or if we introduce new vehicles in the future (including, without limitation, the new vehicle chassis platforms we are developing), some or all of our vehicles may not comply with applicable federal, state, or local laws. Further, certain federal, state, and local laws and industrial standards currently regulate electrical equipment. There is also uncertainty regarding the impact of the new Presidential Administration' s policies with respect to the EV industry and government funding, incentives, tax credits, regulatory credits and tariffs, which could have a material adverse effect on our business, results of operations or financial condition. In particular, we face risks associated with changes to regulations related to the EV industry and alternative energy, such as:**

- **The imposition of a carbon tax or the introduction of a cap- and- trade system on electric utilities, either of which could increase the cost of electricity and thereby the cost of operating an EV;**
- **New state regulations of EV fees could discourage consumer demand for EVs;**
- **The increase of subsidies for alternative fuels such as corn and ethanol could reduce the operating cost of vehicles that use such alternative fuels and gasoline, and thereby reduce the appeal of EVs;**
- **Changes to the regulations governing the assembly and transportation of battery cells could increase the cost of battery cells or make such commodities more difficult to obtain;**
- **New regulations regarding the content of battery cells or packs, including mineral composition, mandatory recycling, or take back programs that require us to comply with new sets of laws and regulations;**
- **Changes in regulation that affect vehicle design or engineering, for example relating to the noise required to be emitted by EVs, may impact the design or function of EVs, and thereby lead to decreased consumer appeal; and**
- **Changes in regulations governing the range and miles per gallon of gasoline- equivalent calculations could lower our vehicles' ratings, making EVs less appealing to consumers.**

To the extent the laws change or are interpreted or enforced differently, our vehicles may not comply with applicable federal, state, or local laws, which would have an adverse effect on our business. Compliance with changing regulations could be burdensome, time consuming, and expensive. To the extent compliance with new regulations is costly, our business, prospects, financial condition, results of operations, or cash flows would be materially and adversely affected. We may incur costs, expenses and penalties related to regulatory matters, governmental investigations, legal proceedings and other claims, which could have a material adverse effect on the Company' s business, financial position, results of operations, cash flows or liquidity. We are subject to extensive government regulations. Federal, state and local laws and regulations may change from time to time and our compliance with new or amended laws and regulations in the future may materially increase our costs and could adversely affect our results of operations and competitive position. In addition, violations of the laws and regulations to which we are subject could result in civil and criminal fines, penalties and sanctions against us, our officers or our employees, as well as prohibitions on the conduct of our business, and **could also materially affect our reputation, business and results of operations. On April 19, 2024, Coulomb Solutions Inc. (" CSI "), a supplier to us of certain of the batteries used in our vehicles, filed a complaint against us in the United States District Court for the Eastern District of Michigan. This or other litigation** could also materially affect our reputation, business and results of operations. See Note 15, Commitment and Contingencies, to the Consolidated

Financial Statements included in this Annual Report on Form 10- K . ~~In 2023, we settled a class action lawsuit alleging violation of the securities laws and agreed to create a settlement fund consisting of \$ 15. 0 million in cash and \$ 20. 0 million in shares of our common stock. This settlement could adversely affect the price of our equity securities, thereby exposing us to new securities class action and / or shareholder derivative litigation. New securities class action and / or shareholder derivative suits against us and / or our officers and directors could result in substantial additional costs to us and divert our management’s time and attention, which would otherwise be used to benefit our business.~~ Pandemics, epidemics, disease outbreaks and other public health crises, such as the COVID- 19 pandemic, have disrupted our business and operations, and future public health crises could materially adversely impact our business, financial condition, liquidity and results of operations. Pandemics, epidemics, or disease outbreaks in the U. S. or globally, including the COVID- 19 pandemic, have disrupted, and may in the future, disrupt our business, which could materially affect our financial condition, liquidity, and results of operations as well as future expectations. Any such events may adversely impact our global supply chain in the U. S., China and elsewhere. In particular, we could experience among other things: (1) continued or additional global supply disruptions, including with our third- party manufacturers, upon whom we rely to provide certain parts incorporated into our vehicles; (2) labor disruptions; (3) an inability to manufacture our vehicles; (4) an inability to sell to our customers; (5) a decline in customer demand during and following any pandemic; **and / or** (6) an impaired ability to access credit and capital markets. Any new pandemic or other public health crises, or future public health crises, could have a material impact on our business, financial condition and results of operations going forward. Our limited operating history makes it difficult for us to evaluate our future business prospects and make decisions based on those estimates of our future performance. As we begin to implement and ramp up our manufacturing capabilities, it is difficult, if not impossible, to forecast our future results based upon our historical data. Because of the uncertainties related to our lack of historical operations in a highly regulated and rapidly evolving industry, we may be hindered in our ability to anticipate and adapt to increases or decreases in revenues or expenses. If we make poor budgetary decisions as a result of limited historical data, we could be less profitable or incur losses. We do not receive progress payments on orders of our vehicles, and if a purchaser fails to pay upon delivery, we may not be able to recoup the costs we incurred in producing such vehicles. Our arrangements with existing customers do not provide for progress payments as we begin to fulfill orders. Customers are only required to pay us upon delivery of vehicles. If a customer fails to take delivery of an ordered vehicle or fails to pay for such vehicle, we may not receive cash to offset the production expenses of such vehicle, which could adversely affect our cash flows. Our business, prospects, financial condition and operating results will be adversely affected if we cannot reduce and adequately control the costs and expenses associated with operating our business, including our material and production costs. We incur significant costs and expenses related to procuring the materials, components and services required to develop and produce our electric vehicles. We continually work on cost- down initiatives to reduce our cost structure so we may effectively compete. If we are unable to reduce our costs and expenses, our net losses will continue. The demand for commercial electric vehicles depends, in part, on the continuation of current trends resulting from dependence on fossil fuels. Extended periods of low diesel or other petroleum- based fuel prices could adversely affect demand for our vehicles, which would adversely affect our business, prospects, financial condition, and operating results. We believe much of the present and projected demand for commercial 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 climate change results in part from the burning of fossil fuels. If the cost of petroleum- based fuel decreased significantly, the outlook for the long- term supply of oil to the United States improved, the government eliminated or modified its regulations or economic incentives related to fuel efficiency and alternative forms of energy, or if there is a change in the perception that the burning of fossil fuels negatively impacts the environment, the demand for commercial 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 volatility will persist. Lower diesel or other petroleum- based fuel prices over extended periods of time may lower the 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 would have an adverse effect on our business, prospects, financial condition, and operating results. Our future growth ~~is dependent~~ **depends upon on** the willingness of operators of commercial vehicle fleets to adopt electric vehicles and on our ability to produce, sell and service vehicles that meet their needs. This often depends upon the cost for an operator adopting electric vehicle technology as compared to the cost of traditional internal combustion technology. Our growth ~~is dependent~~ **depends upon on** the adoption of electric vehicles by operators of commercial vehicle fleets and on our ability to produce, sell and service vehicles that meet their needs. The entry of commercial electric vehicles into the medium- duty commercial vehicle market is a relatively new development, particularly in the United States, and is characterized by rapidly changing technologies and evolving government regulation, industry standards and customer views of the merits of using electric vehicles in their businesses. This process has been slow ~~as~~ **because,** without including the impact of government or other subsidies and incentives, the purchase prices for our commercial electric vehicles ~~currently is~~ **would be** higher than the purchase prices for diesel- fueled vehicles. Our growth has also been negatively impacted by the relatively low price of oil in previous years. Our success depends on our ability to develop and market products that are recognized and accepted as reliable, enabling and cost- effective and our ability to convince potential customers that our products and technology are an attractive alternative to existing products and technology. Prior to adopting our products and technology, some customers may need to devote time and effort to testing and validating our systems. Any failure to meet these customer benchmarks could result in potential customers choosing to retain their existing vehicles or to purchase vehicles other than ours. If the market for electric vehicles in general, and our vehicles in particular, do not develop as we expect, develops more slowly than we expect, or if demand for our vehicles decreases in our markets, our business, prospects, financial condition and operating results could be

harm. If the market for commercial electric vehicles does not develop broadly and quickly than it is currently developing, our business, prospects, financial condition and operating results will be adversely affected. As part of our sales efforts, we must educate fleet managers as to the economical savings we believe they will achieve over the life of the vehicle. As such, we believe operators of commercial vehicle fleets should consider a number of factors when deciding whether to purchase our commercial electric vehicles (or commercial electric vehicles generally) or vehicles powered by internal combustion engines, particularly diesel- fueled or natural gas- fueled vehicles. We believe these factors include: • the difference in the initial purchase prices of commercial electric vehicles and vehicles with comparable gross vehicle weight powered by internal combustion engines, both including and excluding the impact of government and other subsidies and incentives designed to promote the purchase of electric vehicles; • the total cost of ownership of the vehicle over its expected life, which includes the initial purchase price and ongoing operating and maintenance costs; • the availability and terms of financing options for purchases of vehicles and, for commercial electric vehicles, financing options for battery systems; • the availability of tax and other governmental incentives to purchase and operate electric vehicles and future regulations requiring increased use of nonpolluting vehicles; • government regulations and economic incentives promoting fuel efficiency and alternate forms of energy; • fuel prices, including volatility in the cost of diesel; • the cost and availability of other alternatives to diesel fueled vehicles, such as vehicles powered by natural gas; • **changes in attitudes toward** corporate sustainability initiatives; • commercial electric vehicle quality, performance and safety (particularly with respect to lithium- ion battery packs); • the quality and availability of service for the vehicle, including the availability of replacement parts; • the range over which commercial electric vehicles may be driven on a single battery charge; • access to charging stations and related infrastructure costs, and standardization of electric vehicle charging systems; • electric grid capacity and reliability; and • macroeconomic factors. If, in weighing these factors, operators of commercial vehicle fleets determine there is not a compelling business justification for purchasing commercial electric vehicles, particularly those we produce and sell, then the market for commercial electric vehicles may not develop as we expect or may develop more slowly than we expect, which would adversely affect our business, prospects, financial condition and operating results. **Further, recent executive orders by the new Presidential Administration indicate an intention to reverse much of the previous administration's policy directives related to clean energy and EVs. This policy shift may reduce governmental incentives and subsidies for EVs, potentially chilling customer demand and impacting our future growth prospects. These recent executive orders may also face legal challenges that could delay or alter their implementation. The possibility of enacting these new policies, including the legal durability of said actions, introduces uncertainty into the regulatory environment, potentially affecting our business, prospects, financial condition, results of operations, and cash flows.** In addition, a significant number of electric vehicle suppliers have reduced their operations, been acquired on terms unfavorable to them or ceased operations in recent years, because demand for such vehicles has not increased in accordance with expectations at the time such suppliers entered the market. Accordingly, the future of the electric vehicle market, particularly the portion of the market in which we operate, is substantially uncertain. If market conditions do not improve significantly, it is unlikely that we will be able to continue to operate in the long term, even if we are able to address the immediate and short- term liquidity needs described in Liquidity and Capital Resources; Going Concern and in these Risk Factors. We currently do not have and do not expect to have a significant number of long- term supply contracts with guaranteed pricing which exposes and will expose us to fluctuations in component, materials and equipment prices. Substantial increases in these prices would increase our operating costs and could adversely affect our business, financial position, results of operations, cash flows or liquidity. Because we currently do not have and do not expect to have long- term supply contracts with guaranteed pricing, we are and will be subject to fluctuations in the prices of the raw materials, parts and components and equipment we use in the production of our vehicles. 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 vehicle prices. Any attempts to increase the announced or expected prices of our vehicles in response to increased costs could be viewed negatively by our customers and could adversely affect our business, financial position, results of operations, cash flows or liquidity. If we are unable to scale our operations at our Union City, IN facility in an expedited manner from our limited low volume production to high volume production, our business, financial position, results of operations, cash flows and liquidity will be adversely affected. We are assembling our vehicles at our Union City, IN facility which has been acceptable for our historical orders. To satisfy increased demand, we will need to quickly scale operations in our Union City, IN facility as well as scale our supply chain including access to batteries. Such a substantial and rapid increase in operations may strain our management capabilities. Our business, financial position, results of operations, cash flows and liquidity could be adversely affected if we experience disruptions in our supply chain, if we cannot obtain materials of sufficient quality at reasonable prices or if we are unable to scale our Union City, IN facility. We depend upon key personnel and need additional personnel. The loss of key personnel or the inability to attract additional personnel may adversely affect our business and results of operations. Our success depends on the continuing services of our executive leadership team and top management. The loss of any of these individuals could have a material and adverse effect on our business operations. Additionally, the success of our operations will largely depend upon our ability to successfully attract and maintain other competent and qualified key management personnel. As with any company with limited resources, there can be no guarantee we will be able to attract such individuals or the presence of such individuals will necessarily translate into profitability for our Company. Our inability to attract and retain key personnel may materially and adversely affect our business operations. Any failure by our management to effectively anticipate, implement, and manage the changes required to sustain our growth would have a material adverse effect on our business and results of operations. We face intense competition. Some of our competitors have substantially greater financial or other resources, longer operating histories and greater name recognition than we do and could use their greater resources and / or name recognition to gain market share at our expense or could make it very difficult for us to establish market share. Companies currently competing in the fleet logistics market offering alternative fuel

medium-duty trucks-vehicles include General Motors, Ford Motor Company and Freightliner. There are also a number of new, well capitalized entrants into the market place. Ford and Freightliner are currently selling alternative fuel fleet vehicles including hybrids and General Motors' subsidiary Brightdrop has recently brought a medium duty electric delivery van to market under its Chevrolet – Brightdrop brand. General Motors, Ford and Freightliner have substantially more financial resources, established market positions, long-standing relationships with customers and dealers, and have more significant name recognition, technical, marketing, sales, financial and other resources than we do. Although we believe that HorseFly, our unmanned aerial system (“UAS”), is unique in the marketplace in that it currently does not have any competitors when it comes to a UAS that works in combination with a truck, there are better-financed competitors in this emerging industry, including Google and Amazon. These competitors have significantly more financial resources, established market positions, long-standing relationships with customers, more significant name recognition and a larger scope of resources including technical, marketing and sales than we do. The resources available to our competitors to develop new products and introduce them into the marketplace exceed the resources currently available to us. As a result, our competitors may be able to compete more aggressively and sustain that competition over a longer period than we can. This intense competitive environment may require us to make changes in our products, pricing, licensing, services, distribution, or marketing to develop a market position. Each of these competitors has the potential to capture significant market share in our target markets, which could have an adverse effect on our position in our industry and on our business and operating results. This competition could have a negative impact on revenues, margins and / or a market share, any of which may adversely affect our business, financial condition and results of operations. Our electric vehicles compete for market share with vehicles powered by other vehicle technologies that may prove to be more attractive than ours. Our target market currently is serviced by manufacturers with existing customers and suppliers using proven and widely accepted fossil fuel technologies. Additionally, our competitors are working on developing technologies that may be introduced in our target market. If any of these alternative technology vehicles can provide lower fuel costs, greater efficiencies, greater reliability or otherwise benefit from other factors resulting in an overall lower total cost of ownership, this may negatively affect the commercial success of our vehicles or make our vehicles uncompetitive or obsolete. Changes in the market for electric vehicles could cause our products to become obsolete or lose popularity. The modern electric vehicle industry is in its infancy and has experienced substantial change in the last few years. Although a significant number of suppliers entered the electric vehicle industry in recent years, demand for electric vehicles has been slower than forecasted by industry experts. As a result, growth in the electric vehicle industry depends on many factors outside our control, including, but not limited to: • continued development of product technology, especially batteries; • perceptions about electric vehicle quality, safety, design, performance and cost; • perceptions about the total cost of ownership of electric vehicles, including the initial purchase price and operating and maintenance costs; • the environmental consciousness of customers; • the ability of electric vehicles to successfully compete with vehicles powered by internal combustion engines; • the availability of other alternative fuel vehicles, including plug-in hybrid electric vehicles; and • the availability of tax and other governmental incentives to purchase and operate electric vehicles or future regulation requiring increased use of nonpolluting vehicles. We cannot assume growth in the electric vehicle industry will continue. Our business will suffer if the electric vehicle industry does not grow or grows more slowly than it has in recent years or if we are unable to maintain the pace of industry demands. **In addition, policy shifts, including those resulting from the new Presidential Administration, may have a material and adverse effect on the demand and market for EVs, including our products.** We may be unable to keep up with changes in electric vehicle technology and, as a result, may suffer a decline in our business and competitive position. Our products and the new products we are developing under our strategic roadmap are designed for use with, and are dependent upon, existing electric vehicle technology. As technologies change, we plan to upgrade or adapt our products to continue to provide products with the latest technology. However, our products may become obsolete or our research and development efforts may not be sufficient to adapt to changes in or to create the necessary technology. Thus, our potential inability to adapt and develop the necessary technology may harm our business and competitive position. The failure of certain key suppliers to provide us with the necessary components of our products according to our schedule and at price, quality levels and volumes acceptable to us could have a severe and negative impact upon our business. We rely and will rely on various suppliers to provide critical components and materials used in our vehicles, including our battery packs. However, we have a limited number of definitive supply agreements. Changes in business conditions, pandemics, wars, including the conflicts in Ukraine and Israel-the Middle East and resulting sanctions, and other factors beyond our control or which we do not presently anticipate could negatively affect our ability to receive components. If component suppliers become unwilling or unable to provide components, there are a limited number of alternative suppliers who could provide them and the price for them could be substantially higher. A failure by our major suppliers to provide these components could severely restrict our ability to manufacture our products and prevent us from fulfilling customer orders in a timely fashion. Continued disruption of supply, shortage of materials or increases in costs, in particular for battery packs or microchips, could harm our business. Our ability to manufacture our vehicles depends on the continued supply of battery packs, including the competent battery cells, used in our products. We have in the past experienced a battery pack supply chain constraint as a result of our existing supplier's inability to keep up with volume requirements. We continue to work with our current supplier to overcome these supply constraints and have also begun collaborating with an additional supplier, subject to appropriate testing, to further expand our battery pack options. **Furthermore, due to the COVID-19 pandemic and increased demand for consumer products, a global shortage of microchips has been reported since early 2021, and the impact to us is yet unknown. As a result, our ability to source semiconductor chips may be adversely affected. Impacts of the shortage may result in increased delivery lead times, delays in the production of our vehicles, and increased costs to source available semiconductor chips.** Product liability or other claims could have a material adverse effect on our business. The risk of product liability claims, product recalls, and associated adverse publicity is inherent in the manufacturing, marketing, and sale of electric vehicles. Although we have product liability insurance for certain of our consumer and

commercial products, that insurance may be inadequate to cover all potential product claims. Any product recall or lawsuit seeking significant monetary damages either in excess of our coverage, or outside of our coverage, may have a material adverse effect on our business and financial condition. We may not be able to secure additional product liability insurance coverage on acceptable terms or at reasonable costs when needed. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product recall, such as the one ~~we~~ initiated ~~by the Company~~ in 2021, could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of other future product candidates. We cannot provide assurance such claims and / or recalls will not be made in the future. Our success may ~~be dependent~~ **depend** on protecting our intellectual property rights. We rely on trade secret protections to protect our proprietary technology as well as ~~several~~ registered patents and patent applications. Our patents and patent applications relate to the vehicle chassis assembly, vehicle header and drive module, manifold for electric motor drive assembly, onboard generator drive system for electric vehicles ~~and the delivery drone~~. Our success will, in part, depend on our ability to obtain additional trademarks and patents. We are working on registering additional patents and trademarks with the United States Patent and Trademark Office. Although we have entered into confidentiality agreements with our employees and consultants, we cannot be certain others will not gain access to these trade secrets. Others may independently develop substantially equivalent proprietary information and technologies or otherwise gain access to our trade secrets. Therefore, **we** may be subject to disputes with our employees over ownership of any new technologies or enhancements such employees help to develop. We may be exposed to liability for infringing upon the intellectual property rights of other companies. Our success will, in part, depend on our ability to operate without infringing on the proprietary rights of others. Although we have conducted searches and are not aware of any patents and trademarks which our products or their use might infringe, we cannot be certain that infringement has not or will not occur. We could incur substantial costs, in addition to the great amount of time lost and negative publicity, in defending any patent or trademark infringement suits or in asserting any patent or trademark rights, in a suit with another party. In the event that a claim relating to intellectual property is asserted against us, we may need to seek licenses to such intellectual property which could result in significant costs, including substantial licensing fees or royalties. Our business may be adversely affected by union activities. Although none of our employees are currently represented by a labor union, it is common throughout the automotive industry for many employees to belong to a union, which can result in higher employee costs and increased risk of work stoppages. Our employees may join or seek recognition to form a labor union, or we may be required to become a union signatory. Our production facility in Union City, ~~Indiana~~ **IN** was purchased from Navistar. Prior employees of Navistar were union members and our future work force at this facility may be inclined to vote in favor of forming a labor union. Furthermore, we are directly or indirectly dependent upon companies with unionized work forces, such as parts suppliers and trucking and freight companies, and work stoppages or strikes organized by such unions could have a material adverse impact on our business, financial condition or operating results. If a work stoppage occurs, it could delay the manufacture and sale of our ~~trucks~~ **vehicles** and have a material adverse effect on our business, prospects, operating results or financial condition. The mere fact our labor force could be unionized may harm our reputation in the eyes of some investors. Consequently, the unionization of our labor force could negatively impact our company. Our electric vehicles make use of lithium- ion battery cells, which, if not appropriately managed and controlled, have occasionally been observed to catch fire or vent smoke and flames. If such events occur in our electric vehicles, we could face liability associated with our warranty, for damage or injury, adverse publicity and a potential safety recall, any of which would adversely affect our business, prospects, financial condition and operating results. The battery packs in our electric vehicles use lithium- ion cells, which have been used for years in laptop computers and cell phones. On occasion, if not appropriately managed or subjected to environmental stresses, lithium- ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials. Highly publicized incidents of electric vehicles, laptop computers and cell phones bursting into flames have focused consumer attention on the safety of these cells. These events also have raised questions about the suitability of these lithium- ion cells for automotive applications. There can be no assurance that a field failure of our battery packs will not occur, which would damage the vehicle or lead to personal injury or death and may subject us to lawsuits. Furthermore, there is some risk of electrocution if individuals who attempt to repair battery packs on our 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 related to the suitability of lithium- ion cells for automotive applications, the social and environmental impacts of mineral mining or procurement associated with the constituents of lithium- ion cells, or any future incident involving lithium- ion cells, such as a vehicle or other fire could adversely affect our reputation, business, prospects, financial condition and operating results **!**

Increasing scrutiny and changing requirements, attitudes or expectations from global regulators, our investors, consumers, employees, and other stakeholders with respect to our environmental, social, and governance (“ ESG ”) practices may impose additional costs on us or expose us to new or additional risks. Companies across many industries are facing increasing scrutiny related to their ESG practices and reporting. U. S. regulators, investors, consumers, employees, and other stakeholders have focused increasingly on ESG practices and placed increasing importance on the implications and social cost of their investments, purchases, and other interactions with companies. With this increased focus, public reporting regarding ESG practices is more broadly expected. Any failure or perceived failure to accomplish or accurately track and report on our ESG initiatives on a timely basis or to meet regulators, investor, consumer, employee or other stakeholder expectations on ESG matters, particularly because our mission is to create innovative and technologically advanced products with the goal of accelerating the global transition to zero- emission electric delivery vehicles, could adversely affect our brand and reputation, our employees’ engagement and retention and the willingness of our customers and partners to do business with us. At the same time, there exists some, and there may be further, softening of ESG support among some stakeholders and government institutions, and we could be criticized by some for the scope or nature of our ESG initiatives or goals or for any revisions to these initiatives or goals. Recent executive

orders by the new Presidential Administration indicate an intention to reverse much of the previous administration's policy directives related to clean energy, the reduction of emissions, and general support for electric vehicles. We could also be subjected to negative responses by governmental authorities (such as anti-ESG legislation or retaliatory legislative treatment) or consumers or business partners (such as boycotts or negative publicity campaigns) targeting us that could adversely affect our business, prospects, financial condition, results of operations, and cash flows. We face risks associated with security breaches through cyber-attacks, cyber intrusions, or otherwise, which could pose a risk to our systems, networks and services. We face risks associated with cyber-attacks, including hacking, viruses, malware, denial of service attacks, ransomware or other data security breaches. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions around the world have increased. Our business requires the continued operation of information systems and network infrastructure. In the event of a cyber-attack that we were unable to defend against or mitigate, we could have our operations and the operations of our customers and others disrupted. We could also have our financial and other information systems and network infrastructure impaired, property damaged and customer and employee information stolen; experience substantial loss of revenues, response costs and other financial loss; and be subject to increased regulation, litigation, penalties and damage to their reputation. While we maintain cyber insurance providing coverages, such insurance may not cover all costs associated with the consequences of personal and confidential proprietary information being compromised. A security breach or other significant disruption involving computer networks and related systems could cause substantial costs and other negative effects, including litigation, remediation costs, costs to deploy additional protection strategies, compromising of confidential information, and reputational damage adversely affecting investor confidence. As a result, in the event of a material cyber security breach, our results of operations could be materially, adversely affected. Risks Related to our Financing Arrangements We did not immediately receive the net proceeds from the Tenth Additional 2024 Note and may never receive certain of such proceeds. Any proceeds received pursuant to the 2024 Notes will be received only upon satisfaction of certain terms and conditions set forth in the Lockbox Letter. The 2024 Note issued on February 12, 2025 in the aggregate principal amount of \$ 35.0 million (the "Tenth Additional 2024 Note") is governed by the Lockbox Letter. Pursuant to the Lockbox Letter, the net proceeds of \$ 30.6 million after 12.5% original issue discount and related fees and expenses, were deposited into a lockbox account under the control of the collateral agent under the 2024 Securities Purchase Agreement. Funds may be released from the lockbox from time to time (i) in an amount corresponding to the principal amount converted, if the investor converts any portion of the Notes issued hereunder; (ii) in the amount of \$ 2.6 million each calendar month, if we satisfy the conditions of a Market Release Event (as defined in the Lockbox Letter), including minimum Common Stock price and trading volume conditions; or (iii) otherwise, with the consent of the Investor. There is no guarantee that we will receive additional proceeds from the issuance of the 2024 Notes. Provisions in our 2024 Notes and 2024 Warrants may deter or prevent a business combination that may be favorable to you. Under the terms of the 2024 Notes and 2024 Warrants, we are prohibited from engaging in certain mergers or acquisitions unless, among other things, the surviving entity in certain circumstances assumes our obligations under the 2024 Notes and 2024 Warrants. Pursuant to the terms of the 2024 Notes, we may be required to redeem the 2024 Notes for cash at a premium in the event of certain change of control transactions or for the Black-Scholes value of the 2024 Warrants. In addition, in the event of a non-stock takeover of our Company, we may be required to redeem the 2024 Notes for cash at a premium. These and other provisions could prevent or deter a third-party from acquiring us, even where the acquisition could be beneficial to our stockholders. Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our obligations under the 2024 Notes. As of December 31, 2024, \$ 10.5 million fair value aggregate principal amount remained outstanding under the 2024 Notes, with an outstanding aggregate principal of \$ 7.6 million. Our ability to make payments of principal or to pay interest on or to refinance the 2024 Notes depends on our future performance, which is subject to economic, financial, competitive and other factors, some of which are beyond our control. Our business may not generate cash flow from operations in the future sufficient to satisfy our obligations under the 2024 Notes. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance the 2024 Notes will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the 2024 Notes. Risks Related to Owning Our Common Stock We are currently out of compliance with the Nasdaq's continuing listing requirements and if we fail to satisfy all such applicable Nasdaq continued listing requirements, our common Common stock Stock may be delisted from Nasdaq, which could have an adverse impact on the liquidity and market price of our common Common stock Stock, and our plan to regain compliance with these requirements may have an adverse effect on the Company and its stockholders. Our common Common stock Stock is currently listed on The Nasdaq Capital Market, which has qualitative and quantitative continued listing requirements, including corporate governance requirements, public float requirements and a \$ 1.00 minimum closing bid price requirement. Our common Common stock Stock price has been and may in the future be below the minimum bid price for continued listing on Nasdaq. On September 22, 2023, we the Company received a written deficiency notice from Nasdaq indicating that the Company was no longer in compliance with closing bid price for our common stock had fallen below the \$ 1.00 minimum bid price for continued listing for 30 consecutive trading requirement. The Company has been provided with a compliance period of 180 calendar days and was no longer in, or until March 31, 2025, to regain compliance with the minimum bid requirement. In order to regain compliance, the closing bid price of our common stock must be equal to or above the minimum bid price. If the Company does not regain compliance by for a period

of 10 consecutive trading days prior to March 31, 2024. In the event we fail to meet this requirement by such date, we the Company may be eligible for an additional grace period of another 180 days subject to certain conditions. On March 17, 2025, we effected so long as it meets the applicable market value 2025 Reverse Stock Split of publicly held our authorized shares requirement and other applicable listing standards issued and outstanding shares of Common Stock at a ratio of 1- for the Nasdaq Capital Market, other than 12.5. The 2025 Reverse Stock Split is intended to allow us to regain compliance with the minimum bid price requirement, for continued listing on the trading date prior to the deadline, and informs Nasdaq, but of its intent to cure this deficiency. If we fail to meet these there can be no assurance that we will regain compliance with the bid price requirements requirement during the 180- day compliance period ending March 31, 2025, secure an extension of the compliance period beyond March 31, 2025 or fail to satisfy maintain compliance with any other Nasdaq listing requirement. In addition, Nasdaq has recently adopted new rules that could hinder our ability to cure our deficiency and maintain the continued listing of our Common Stock. These new rules, which became effective in January 2025, provide for the immediate delisting with no grace period of any listed company that falls out of compliance after the effective date with the minimum bid price requirement for the second time in a twelve- month period, provide for immediate delisting if a listed company effects a reverse stock split that causes it to fall out of compliance with certain other listing requirements, and limit the ratio of reverse Nasdaq may take steps to delist our common stock splits to a cumulative ratio of 1- to- 250 in any two- year period, which would substantially limit the our ability to engage in a reverse split in the near future. Delisting would likely have an adverse effect on the liquidity of our common Common stock Stock, decrease the market price of our common Common stock Stock, result in the potential loss of confidence by investors, suppliers, customers, and employees, and fewer business development opportunities, and adversely affect our ability to obtain financing for our continuing operations. We intend to regain compliance by effecting a reverse split of our common stock (the "Reverse Split") following the 2024 Annual General Meeting of our stockholders. We will be able to effect the Reverse Split only if our stockholders vote to approve it. It is possible that our stockholders will not approve the Reverse Split, and we may not be able to regain compliance with the NASDAQ continuing listing requirements if we do not effect the Reverse Split. The Reverse Split also presents certain other risks to the Company and its stockholders, including the risk of a decline in the aggregate market value of our ability to receive outstanding common stock. In addition additional proceeds from our financing arrangements, for many companies, the company's common stock price declines following a reverse split, resulting in a resulting in a reduction of the value of the company's common stock on an aggregate basis and, accordingly, a decline in the value of common stockholders' investment in the Company as compared to the value of such investment prior to the reverse split. We have identified a material weakness weaknesses in our internal control over financial reporting. If we are unable to remediate the material weakness weaknesses, or if we identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect our business. As more fully described in Item 9A. Controls and Procedures, of this Annual Report on Form 10- K, we have identified a material weakness that existed as of December 31, 2023 related to our review of third- party valuation deliverables regarding our convertible debt and warrant liability. As Furthermore, during the third quarter 2024, we identified a result of this material weakness related to the sufficiency and competency of our accounting personnel due to additional time needed to review technical accounting and financial reporting guidance impacting financial reporting requirements. The remediation plans are actively underway, and management concluded that our disclosure will continue to monitor its effectiveness. Until the identified material weaknesses are fully remediated and operating effectively for a sustained period, management will continue to assess and enhance internal controls and procedures and. While management has taken steps to remediate these control weaknesses, the material weaknesses may still be unresolved. Consequently, our internal control over financial reporting were was not effective as of December 31, 2023-2024. Unless and until this these material weakness weaknesses has have been remediated, or if new material weaknesses arise in the future, material misstatements could occur and go undetected in our interim or annual consolidated Consolidated Financial Statements, and we may be required to restate our financial statements, and we may be required to restate our financial statements. In addition, we may experience delays in satisfying our reporting obligations or to comply with SEC Securities and Exchange Commission rules and regulations, which could result in, among other things, regulatory or enforcement actions, securities litigation, limitations on our ability to access capital markets, debt rating agency downgrades or rating withdrawals, or loss in confidence of our investors, any one of which could adversely affect the valuation of our common Common stock Stock and our business prospects. We can give no assurance that the measures we have taken and plan to take in the future will remediate the material weakness weaknesses identified or that any additional material weaknesses will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting. Our stock price and trading volume may be volatile, which could result in substantial losses for our stockholders. The equity trading markets may experience periods of volatility, which could result in highly variable and unpredictable pricing of equity securities. The market price of our common Common stock Stock could change in ways that may or may not be related to our business, our industry or our operating performance and financial condition. In addition, the trading volume in our common Common stock Stock may fluctuate and cause significant price variations to occur. We have experienced significant volatility in the price of our stock. In addition, the stock markets in general can experience considerable price and volume fluctuations. We have not paid cash dividends in the past and have no immediate plans to pay cash dividends. We plan to reinvest all of our earnings, to the extent we have earnings, in order to develop our products, deliver on our orders and cover operating costs and to otherwise become and remain competitive. We do not plan to pay any cash dividends with respect to our securities in the foreseeable future. We cannot assure common stockholders that we would, at any time, generate sufficient surplus cash that would be available for distribution to the holders of our common Common stock Stock as a dividend. Therefore, common stockholders should not expect to receive cash dividends on our common Common stock Stock.

Stockholders may experience future dilution as a result of **our existing and** future financings. In order to raise additional capital, we may in the future offer additional shares of our **common-Common stock-Stock**, ~~including under our ATM Agreement and ELOC~~, or other securities convertible into or exchangeable for our **common-Common stock-Stock**, **including under our ATM Agreement and the 2024 Securities Purchase Agreement**, at prices that may not be the same as the price per share in our prior offerings. **In addition, the Investor's conversion of 2024 Notes or exercise of 2024 Warrants would likely be highly dilutive to investors in our Common Stock**. We may sell shares or other securities in any future offering at a price per share that is lower than the price per share paid by historical investors, which would result in those newly issued shares being dilutive. In addition, investors purchasing shares or other securities could have rights superior to existing stockholders, which could impair the value of existing stockholders. The price per share at which we sell additional shares of our **common-Common stock-Stock**, or securities convertible or exchangeable into **common-Common stock-Stock**, in future transactions may be higher or lower than the price per share paid by our historical investors. In addition, the expected terms of ~~a Possible~~ **any future Financing-financing** may be dilutive to investors. Among other things, these terms may include convertibility of a debt instrument or preferred instrument into **common-Common stock-Stock** at a discount to current or historical market prices, which may result in substantial dilution to our existing investors, particularly if immediately before any such conversion our stock price is below the price per share paid by historical investors. Other possible terms, such as original issue discount, ~~common-Common stock-Stock~~ - settled redemption premiums or default penalties and substantial warrant coverage, could also have a dilutive effect, especially if our **common-Common stock-Stock** price remains lower than the price paid by our historical investors. Our charter documents and Nevada law may inhibit a takeover that stockholders consider favorable. Provisions of our certificate of incorporation and bylaws and applicable provisions of Nevada law may delay or discourage transactions involving an actual or potential change in control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. The provisions in our certificate of incorporation and bylaws: • **limit-Limit** who may call stockholder meetings; • ~~do~~ **Do** not provide for cumulative voting rights; and • ~~provide-Provide~~ that all vacancies may be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum. There are limitations on director / officer liability. As permitted by Nevada law, our certificate of incorporation limits the liability of our directors and officers for monetary damages for breach of a director's or officer's fiduciary duty except for liability in certain instances. As a result of our charter provision and Nevada law, stockholders may have limited rights to recover against directors or officers for breach of fiduciary duty. In addition, our certificate of incorporation provides that we shall indemnify our directors and officers to the fullest extent permitted by law.