

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

FORM 8-K/A

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

Date of Report (Date of earliest event reported): December 15, 2025

WORKHORSE GROUP INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction
of Incorporation)

001-37673
(Commission File Number)

26-1394771
(IRS Employer
Identification Number)

48443 Alpha Drive #190, Wixom, Michigan 48393
(Address of principal executive offices) (zip code)

1 (888) 646-5205
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	WKHS	The Nasdaq Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Explanatory Note

This Current Report on Form 8-K/A (this “Amendment”) is being filed as an amendment to the Current Report on Form 8-K filed by Workhorse Group Inc. (“Company”) with the Securities and Exchange Commission (the “SEC”) on December 15, 2025 (the “Original Report”). In the Original Report, the Company disclosed, among other things, the completion of the previously announced merger pursuant to the Agreement and Plan of Merger (the “Merger Agreement”), dated August 15, 2025, by and among Workhorse, Omaha Intermediate 2, Inc., a Delaware corporation and wholly-owned subsidiary of Workhorse (“Intermediate Parent”), Omaha Intermediate, Inc., a Delaware corporation and wholly-owned subsidiary of Intermediate Parent (“Intermediate”), Omaha Merger Subsidiary, Inc., a Delaware corporation and wholly-owned subsidiary of Intermediate (“Merger Subsidiary”), and Motiv Power Systems, Inc., a Delaware corporation (“Motiv”), pursuant to which Merger Subsidiary merged with and into Motiv (the “Merger”). Upon consummation of the Merger, Merger Sub ceased to exist, and Motiv became a direct, wholly owned subsidiary of Intermediate and an indirect, wholly-owned subsidiary of Workhorse.

This Amendment is being filed to provide the unaudited pro forma condensed combined financial information of the Company and the historical consolidated financial information of Motiv required by Item 9.01 of Form 8-K that were excluded from the Original Report. The unaudited condensed consolidated financial statements of Motiv for the six months ended June 30, 2025 and audited consolidated financial statements of Motiv as of and for the years ended December 31, 2024 and 2023 were previously included in the Company’s Definitive Proxy Statement on Schedule 14A, filed with the SEC on October 8, 2025. Because of an error in Motiv’s calculation of its weighted average shares outstanding as of December 31, 2024, which had the effect of overstating Motiv’s net loss per share attributable to common stockholders as of December 31, 2024 and subsequent periods, was discovered after such filing, the Company is also including restated financial statements of Motiv as of those periods in this Amendment to reflect the correction of the error. All information included in this Amendment should be read in conjunction with the Original Report. Except as set forth herein, this Amendment does not amend, modify or update the disclosure contained in the Original Report.

Item 9.01 Financial Statements and Exhibits

(a) Financial statements of business acquired.

The historical audited restated consolidated financial statements of Motiv Power Systems, Inc. as of and for the years ended December 31, 2024 and 2023 are filed as Exhibit 99.1 to this Amendment and are incorporated herein by reference.

The historical unaudited condensed consolidated financial statements of Motiv Power Systems, Inc. as of and for the nine months ended September 30, 2025 are filed as Exhibit 99.2 to this Amendment and are incorporated herein by reference.

The historical unaudited restated condensed consolidated financial statements of Motiv Power Systems, Inc. as of and for the six months ended June 30, 2025 are filed as Exhibit 99.3 to this Amendment and are incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial information and related notes, including the unaudited pro forma condensed combined balance sheet as of September 30, 2025 and the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2025 and the year ended December 31, 2024, are filed as Exhibit 99.4 to this Amendment and are incorporated herein by reference. This unaudited pro forma condensed combined financial information is provided for illustrative purposes only and does not purport to represent what the Company's financial position or results of operations would have been if the Merger had been consummated on the dates indicated, nor are they necessarily indicative of what the financial position or results of operations of the Company will be in future periods.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of CBIZ CPAs P.C.
99.1	Audited restated consolidated financial statements of Motiv Power Systems, Inc. and the related notes thereto as of and for the years ended December 31, 2024 and 2023.
99.2	Unaudited condensed consolidated financial statements of Motiv Power Systems, Inc. and the related notes thereto as of and for the nine months ended September 30, 2025.
99.3	Unaudited restated condensed consolidated financial statements of Motiv Power Systems, Inc. and the related notes thereto as of and for the six months ended June 30, 2025.
99.4	Unaudited pro forma condensed combined financial information of the Company as of and for the nine months ended September 30, 2025 and for the year ended December 31, 2024.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

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

WORKHORSE GROUP INC.

Date: February 25, 2026

By: /s/ Robert M. Ginnan

Name: Robert M. Ginnan

Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-3/A Forms S-3/A (File No. 333-226923), on Forms S-3 (File No. 333-273357, 333-271434, 333-253679, 333-249707, 333-233199, 333-230553 and 333-229024), and on Forms S-8 (File No. 333-274965, 333-266729, and 333-237162) of Workhorse Group Inc. of our report dated August 29, 2025, except for the effects of the restatement discussed in Note 2, as to which the date is February 25, 2026, with respect to the consolidated financial statements of Motiv Power Systems, Inc. appearing in this Current Report on Form 8-K for the year ended December 31, 2024.

/s/ CBIZ CPAs P.C.

Costa Mesa, California
February 25, 2026



MOTIV POWER SYSTEMS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2024

MOTIV POWER SYSTEMS, INC.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Motiv Power Systems, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Motiv Power Systems, Inc. (the “Company”) as of December 31, 2024, the related consolidated statements of operations, stockholders’ deficit and cash flows for the year ended December 31, 2024, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Explanatory Paragraph – Correction of an Error

As discussed in Note 2 to the financial statements, the Company has restated the financial statements for the year ended December 31, 2024 to correct the calculation of weighted average shares outstanding used in computing loss per share. The error resulted from the omission of shares issued upon the conversion of preferred stock and the subsequent 10-for-1 reverse stock split effected on June 14, 2024. The restatement affects only per-share data (weighted average shares outstanding and loss per share) as the reported amounts of net loss and other financial statement line items are unchanged.

Basis for Opinion

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

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

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

Prior Period Financial Statements

The financial statements of Motiv Power Systems, Inc. as of and for the year ended December 31, 2023, were audited by Marcum LLP whose attest business assets were acquired by CBIZ CPAs P.C. on November 1, 2024, and whose report dated October 17, 2024, expressed an unmodified opinion on those statements, except the emphasis of matter for going concern.

/s/ CBIZ CPAs P.C.
CBIZ CPAs P.C.

We have served as the Company’s auditor from 2018 to 2025 (such date takes into account the acquisition of the attest business of Marcum LLP by CBIZ CPAs P.C. effective November 1, 2024).

Costa Mesa, CA
August 29, 2025, except for the effects of the restatement discussed in Note 2, as to which the date is February 25, 2026

MOTIV POWER SYSTEMS, INC.

**CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2024**

	<u>2023</u>	<u>2024</u>
Assets		
Current assets:		
Cash	\$ 4,257,567	\$ 6,629,092
Accounts receivable	5,105,871	3,590,175
Inventory	18,177,557	21,402,839
Other current assets	2,013,095	2,553,008
Total current assets	29,554,090	34,175,114
Property and equipment, net of accumulated depreciation of \$2,928,533 and \$3,686,552 at December 31, 2023 and 2024, respectively	2,748,021	2,039,794
Intangible assets, net of accumulated amortization of \$129,696 and \$188,316 at December 31, 2023 and 2024, respectively	139,130	80,510
Right of use asset	899,856	973,715
Other assets	142,893	139,000
Total assets	\$ 33,483,990	\$ 37,408,133
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 3,085,408	\$ 2,072,602
Accrued liabilities	6,747,535	4,800,490
Contract liability	639,287	793,744
Current portion of operating lease liabilities	620,439	888,171
Convertible debt - related party	61,281,289	-
Senior Secured Promissory Note – related party	15,000,000	68,363,398
Total current liabilities	87,373,958	76,918,405
Other long-term liabilities	1,371,871	1,223,889
Long term portion of operating lease liabilities	375,348	85,544
Total long-term liabilities	1,747,219	1,309,433
Total liabilities	89,121,177	78,227,838
Commitments and contingencies (Note 10)	-	-
Stockholders' equity (deficit):		
Series A convertible preferred stock – 44,866,071 shares authorized; nil and 44,866,071 shares issued and outstanding as of December 31, 2023 and 2024, respectively	-	44,866
Series C-3 convertible preferred stock – 21,410,000 shares authorized; 18,060,201 and nil shares issued and outstanding as of December 31, 2023 and 2024, respectively	18,060	-
Series C-2 convertible preferred stock – 4,771,156 shares authorized; 4,771,156 and nil shares issued and outstanding as of December 31, 2023 and 2024, respectively	4,771	-
Series C-1 convertible preferred stock – 2,861,739 shares authorized; 2,861,739 and nil shares issued and outstanding as of December 31, 2023 and 2024, respectively	2,862	-
Series B convertible preferred stock – 13,000,000 shares authorized; 13,000,000 and nil shares issued and outstanding as of December 31, 2023 and 2024, respectively	13,000	-
Series A-2 convertible preferred stock – 37,482,042 shares authorized; 37,482,042 and nil shares issued and outstanding as of December 31, 2023 and 2024, respectively	37,482	-
Series A-1 convertible preferred stock – 9,187,014 shares authorized; 9,187,014 and nil shares issued and outstanding as of December 31, 2023 and 2024, respectively	9,187	-
Common stock – par value \$0.001 per share; 175,000,000 and 82,520,000 shares authorized, 776,106 and 9,328,417 shares issued and outstanding as of December 31, 2023 and 2024, respectively	776	9,328
Additional paid-in capital	147,625,157	214,062,633
Accumulated deficit	(203,348,482)	(254,936,532)
Total stockholders' equity (deficit)	(55,637,187)	(40,819,705)
Total liabilities and stockholders' equity (deficit)	\$ 33,483,990	\$ 37,408,133

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

MOTIV POWER SYSTEMS, INC.

CONSOLIDATED RESTATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2024

	<u>2023</u>	<u>2024</u>
Revenues	\$ 16,884,755	\$ 7,043,926
Cost of revenues	<u>29,479,702</u>	<u>13,189,596</u>
Gross profit (loss)	<u>(12,594,947)</u>	<u>(6,145,670)</u>
Operating expenses:		
Product development	13,508,316	12,891,431
Sales and marketing	7,031,045	6,589,406
General and administrative	9,470,324	9,457,559
Impairment loss on discontinued product line investment	-	6,246,181
Total operating expenses	<u>30,009,685</u>	<u>35,184,577</u>
Operating loss	(42,604,632)	(41,330,247)
Other income (expense):		
Interest expense - related parties	(4,162,428)	(10,246,041)
Amortization of debt issuance costs – warrants	(719,097)	-
Amortization of debt issuance costs – cash portion	(172,623)	(14,281)
Employee retention credit	762,093	-
Other income (expense), net	56,793	3,319
Total other income (expense), net	<u>(4,235,262)</u>	<u>(10,257,003)</u>
Loss before provision for income taxes	(46,839,894)	(51,587,250)
Income tax provision	<u>(800)</u>	<u>(800)</u>
Net loss	(46,840,694)	(51,588,050)
Undeclared dividend on Series C-3, C-2, C-1, B, A-2, and A-1 preferred shares	(10,556,724)	-
Net loss attributable to common stockholders	<u>\$ (57,397,418)</u>	<u>\$ (51,588,050)</u>
Net loss per share attributable to common stockholders, basic and diluted (Note 11)	<u>\$ (74.1)</u>	<u>\$ (9.4)</u>
Weighted average number of shares used in calculating basic and diluted net loss per share	<u>775,045</u>	<u>5,468,097</u>

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

MOTIV POWER SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2024

	Series C-3 Convertible Preferred Stock		Series C-2 Convertible Preferred Stock		Series C-1 Convertible Preferred Stock		Series B Convertible Preferred Stock		Series A-2 Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, January 1, 2023	18,060,201	\$ 18,060	4,771,156	\$ 4,771	2,861,739	\$ 2,862	13,000,000	\$ 13,000	37,482,042	\$ 37,482	9,187,014	\$ 9,187	-	-	773,824	\$ 774	\$146,771,562	\$(156,507,788)	\$ (9,650,090)
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 846,291	-	\$ 846,291
Exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,282	\$ 2	7,304	-	\$ 7,306
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ (46,840,694)	(46,840,694)
Balance, December 31, 2023	18,060,201	\$ 18,060	4,771,156	\$ 4,771	2,861,739	\$ 2,862	13,000,000	\$ 13,000	37,482,042	\$ 37,482	9,187,014	\$ 9,187	-	-	776,106	\$ 776	\$147,625,157	\$(203,348,482)	\$ (55,637,187)
Conversion of series A, B and C preferred stock to common stock	(18,060,201)	\$(18,060)	(4,771,156)	\$(4,771)	(2,861,739)	\$(2,862)	(13,000,000)	\$(13,000)	(37,482,042)	\$(37,482)	(9,187,014)	\$(9,187)	-	-	8,536,215	\$ 8,536	\$ 76,826	-	-
Conversion of convertible note to Series A preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	44,642,857	\$ 44,643	-	-	\$ 49,955,357	-	\$ 50,000,000
Debt extinguishment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 15,562,394	-	\$ 15,562,394
Issuance of preferred stock for cash	-	-	-	-	-	-	-	-	-	-	-	-	223,214	\$ 223	-	-	\$ 249,777	-	\$ 250,000
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 554,576	-	\$ 554,576
Exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,096	\$ 16	38,546	-	\$ 38,562
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ (51,588,050)	\$(51,588,050)
Balance, December 31, 2024	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	44,866,071	\$ 44,866	9,328,417	\$ 9,328	\$214,062,633	\$(254,936,532)	\$ (40,819,705)

* The Company effected a 10-for-1 reverse stock split for each share of Common Stock outstanding.

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

MOTIV POWER SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2024

	<u>2023</u>	<u>2024</u>
Cash flows from operating activities:		
Net loss	\$ (46,840,694)	\$ (51,588,050)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	775,666	758,018
Amortization	43,415	58,620
Amortization of debt issuance cost – warrants	719,097	-
Amortization of debt issuance cost – cash	172,623	14,281
Amortization of right of use asset	464,255	579,012
Excess & obsolete inventory	2,335,123	1,609,174
Impairment loss on discontinued product line investment	-	6,246,181
Warranty provision	3,780,301	1,639,031
Stock-based compensation	846,291	554,576
Changes in operating assets and liabilities:		
Accounts receivable	(1,293,756)	1,515,696
Inventory	(2,581,831)	(5,037,181)
Other current assets and other assets	(350,900)	(644,019)
Accounts payable	(152,882)	(1,012,806)
Accrued liabilities and other long-term liabilities	1,536,967	7,881,993
Operating lease liability	(527,146)	(674,941)
Deferred revenue	266,748	(53,352)
Net cash used in operating activities	<u>(40,806,723)</u>	<u>(38,153,767)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,278,546)	(4,760,832)
Purchase of intangible assets	(126,863)	-
Net cash used in investing activities	<u>(1,405,409)</u>	<u>(4,760,832)</u>
Cash flows from financing activities:		
Repayments on secured promissory note- related party	(9,649,694)	-
Proceeds from convertible debt – related party	35,000,000	-
Proceeds from short term senior secured promissory notes – related party	15,000,000	45,000,000
Payments for capital lease obligation	(11,575)	(2,438)
Proceeds from preferred stock issuance	-	250,000
Proceeds from exercise of stock options	7,327	38,562
Net cash provided by financing activities	<u>40,346,058</u>	<u>45,286,124</u>
Increase (decrease) in cash and cash equivalents	(1,866,074)	2,371,525
Cash, beginning of the year	<u>6,123,641</u>	<u>4,257,567</u>
Cash, end of the year	<u>\$ 4,257,567</u>	<u>\$ 6,629,092</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 705,143	\$ -
Cash paid for income taxes	\$ 800	\$ 800
Non cash financing activities:		
ROU assets exchanged for lease liabilities	\$ -	\$ 652,871
Conversion of convertible debt & accrued interest to preferred stock	\$ -	\$ 65,562,394
Reclassification of accrued interest to convertible debt – related party	<u>\$ 1,281,289</u>	<u>\$ -</u>

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

NOTE 1 – FORMATION AND BUSINESS OF THE COMPANY

The accompanying consolidated financial statements include the accounts of Motiv Power Systems, Inc., and MOTIVPS Holdings Canada Ltd. (collectively, the “Company,” “management,” “we,” “us”).

Motiv Power Systems, Inc. (“Parent”) was originally formed and incorporated on July 9, 2010 in the state of California. The Parent was reincorporated on June 3, 2014 in the State of Delaware. The Parent primarily sells electrified chassis and accessories to customers for installation on medium duty transport vehicles such as delivery vehicles, buses and other electric transport vehicles. The Parent’s headquarters are located in Foster City, California.

On October 7, 2021, MOTIVPS Holdings Canada Ltd. was incorporated in Vancouver, BC Canada. The Company relocated one of its employees to Vancouver, BC to work remotely from his home in Vancouver, BC and on May 01, 2024 Company hired a second employee in Quebec, QC to provide “technical training” and “driver training” services in Canada to one of its customers. Besides this the Company does not have a physical presence in Canada.

The consolidated financial statements reflect the accounts and operations of the Parent and entities in which the Parent has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain prior year amounts have been reclassified to conform to current year presentation.

Liquidity, Capital Resources and Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business.

The Company’s financial statements do not reflect any adjustments related to the recoverability and reclassification of assets and liabilities that might be necessary if the Company is unable to continue as a going concern. Since inception, the Company has incurred losses and negative cash flows from operations. For the year ended December 31, 2024, the Company incurred a net loss of \$51.6 million, and used \$38.2 million of cash in operations. The Company anticipates that operating losses will increase in the future due to increased headcount and other costs necessary to develop and release our next generation technology, to increase our manufacturing capacity to accommodate increased demand for our product and to gain market share in a highly competitive environment. These conditions raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued. Funding for the business to date has come primarily through the issuance of equity to related parties, convertible promissory notes to related parties and secured promissory notes. As of December 31, 2024, the Company had cash of \$6.6 million and an accumulated deficit of \$254.9 million.

Although the Company’s objective is to increase its revenues from the sales of its products and to decrease its cost of goods sold per product within the next few years sufficient to generate positive operating and cash flow levels, there can be no assurance that the Company will be successful in this regard. The Company will also need to continue to raise capital in order to fund its operations. There can be no assurance that, in the event that the Company requires additional financing, such financing will be available on terms which are favorable to the Company, or at all. If the Company is unable to raise additional funding to meet its working capital needs in the future, it will be forced to delay or reduce the scope of its operations and/or limit or cease its operations. As a result of the above, substantial doubt exists about the Company’s ability to continue as a going concern within one year after the financial statements are available to be issued.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include all adjustments necessary for the fair presentation of the Company’s financial position for the periods presented.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant accounting estimates and management judgments reflected in the financial statements include items such as accounts receivable valuation and allowances, warranty reserve and valuation of inventory. Estimates are based on historical experience, where applicable, and other assumptions believed to be reasonable by management. Actual results may differ from those estimates under different assumptions or conditions.

Concentration of Credit Risk, Other Risks and Uncertainties

Financial instruments that potentially subject the Company to a concentration of credit risk primarily consist of cash and accounts receivable. The Company’s cash is held by one U.S. financial institution in excess of federally insured limits. The Company has not experienced any losses on its deposits of cash.

The Company’s future results of operations involve a number of risks and uncertainties. Factors that could affect the Company’s future operating results and cause actual results to vary materially from expectations include, but are not limited to, uncertainty of market acceptance of the Company’s products, competition from substitute products and larger companies, securing and protecting proprietary technology, strategic relationships and dependence on key individuals and sole source suppliers. The Company’s operations are subject to new laws, regulation and compliance. Significant changes to regulations governing the way the Company derives revenues could impact the Company negatively. Technological advancements and updates as well as maintaining compliance standards are required to maintain the Company’s operations. The Company expects to incur substantial operating losses for the next several years and will need to obtain additional financing in order to continue launching and commercializing its products. There can be no assurance that such financing will be available or will be at terms acceptable by the Company.

The Company derived 67% of its revenue from two customers for the year ended December 31, 2023 and 69% of its revenue from two customers for the year ended December 31, 2024. The Company had two customers that accounted for approximately 87% of accounts receivable as of December 31, 2023 and one customer that accounted for approximately 93% of accounts receivable as of December 31, 2024. The loss of these customers would have a significant impact on the Company’s operations.

The Company has reliance on specific suppliers for some key components in its products and so the loss or curtailment of those suppliers would have a significant impact on the Company’s operations in the short term. For the years ended December 31, 2023 and 2024, the Company had one and two suppliers that accounted for approximately 13% and 30%, respectively, of the total procurement. For the years ended December 31, 2023 and 2024, the Company had two vendors that accounted for 27% and 35%, respectively, of the total accounts payable.

Fair Value Measurements

The Company's financial instruments consist primarily of cash and accounts receivable during 2024 and also included accounts payable, convertible debt to a related party and secured promissory notes as of December 31, 2024. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments.

Cash

The Company's cash consists of cash maintained in checking and interest-bearing accounts. The Company held no cash equivalents as of December 31, 2023 and 2024.

Accounts Receivable

Accounts receivable is reported at invoice value less estimated allowances for returns and doubtful accounts. The Company continually monitors customer payments and maintains an allowance for estimated losses resulting from customers' inability to make required payments and represents the amount management expects to collect from outstanding balances. In evaluating the Company's ability to collect outstanding receivable balances, the Company considers various factors including the age of the balance, the creditworthiness of the customer, which is assessed based on ongoing credit evaluations and payment history, and the customer's current financial condition. In cases where there are circumstances that may impair the Company's ability to collect its receivable, an allowance is recorded against amounts due, which reduces the net recognized receivable to the amount reasonably believed to be collectible. Taking into consideration the foregoing items, the no allowance for credit losses was recorded as of December 31, 2023 or 2024. Historical returns of products have been insignificant and accordingly no allowance for returns was recorded as of December 31, 2023 and 2024.

Inventory

Inventory is stated at the lower of cost or net realizable value and consists of electrified chassis, batteries and electronic component parts. Cost is determined using the standard cost method which approximates actual cost using the first-in, first-out basis. The Company evaluates inventory for excess and obsolete items, based on management's assessment of future demand for older product lines, market conditions and technological obsolescence of its products. The Company recorded a charge of \$2,335,123 and \$1,609,174 to cost of sales to reduce its inventory to net realizable value in the years ended December 31, 2023 and 2024, respectively.

Lease Accounting

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on their balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU No. 2018-11, *Targeted Improvements*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Company adopted ASC 842 as of January 1, 2022 using the optional transition method to apply the standard as of the effective date. The new standard also provides practical expedients for an entity's ongoing accounting as a lessee. The Company elected to utilize the practical expedient to not separate lease and non-lease components for all its existing leases. The Company has also elected not to present short-term leases on the consolidated balance sheet as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that the Company is reasonably certain to exercise. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because most of the Company's leases do not provide an implicit rate of return, it used its incremental borrowing rate based on the information available at adoption date in determining the present value of lease payments.

Long-Lived Assets

Long-lived assets are recorded at cost less accumulated depreciation and amortization. When long-lived assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation and amortization is provided over the estimated useful lives of the related assets using the straight-line method. Assets recorded under leasehold improvements are amortized using the straight-line method over the lesser of their useful lives or the related lease term.

The estimated useful lives for significant long-lived assets categories are as follows:

Leasehold improvements and vehicles	5 years
Office furniture and equipment	3 to 5 years
Furniture & fixtures	5 years
Intangible assets	3 years

Debt and Embedded Derivatives

The Company applies the accounting standards for derivatives and for distinguishing liabilities from equity when accounting for hybrid contracts. The Company accounts for convertible debt instruments when the Company has determined that the embedded conversion options should not be bifurcated from their host instruments in accordance with ASC 470-20 *Debt with Conversion and Other Options*.

Convertible Preferred Stock

The Company recorded convertible preferred stock at fair value on the dates of issuance, net of issuance costs.

Revenue Recognition

The Company adopted Accounting Standard Codification 606, Revenue from Contracts with Customers (ASC 606) as of January 1, 2021 using the modified retrospective method. Adoption of ASC 606 did not have a significant impact on the Company's financial statements. ASC 606 requires the Company to recognize revenue upon the transfer of goods or services to a customer at an amount that reflects the consideration it expects to be entitled to receive in exchange for those goods or services. It requires that the Company identify the contract, identify the performance obligations required by the contract, measure the transaction price of the contract, allocate the transaction price among performance obligations, and recognize revenue in a way that reflects the transfer of control of the goods or services it provides to the customer.

The Company has two primary revenue streams: revenue from sales to customers and consulting services. Below is a summary of the revenue recognized under these two streams in 2023 and 2024:

<i>Revenue stream</i>	Year Ended December 31,	
	2023	2024
Revenue from sales to customers		
Delivery of product – recognized at a point in time	\$ 16,783,832	\$ 6,975,913
Consulting services – recognized over time	100,923	68,013
Total revenue	\$ 16,884,755	\$ 7,043,926

In most cases, the Company’s sales orders from customers are readily identifiable and consist of a single performance obligation to provide product to customers. The Company typically recognizes revenue related to delivery of product at a point in time when goods are shipped from the upfitter (subcontractor that performs assembly services for the Company) to the bodybuilder (vendor that performs services for the customer), because this is typically when the customer assumes the risk of loss. In certain transactions, the Company takes on the responsibility to deliver a complete vehicle to a customer, versus just an electrified chassis. In these cases, revenue is recognized when the complete vehicle is delivered to the customer after the body build is complete. The Company recognizes revenue related to consulting services over time as the services are provided. The Company had no significant partially satisfied performance obligations related to contracts with customers as of December 31, 2023 or 2024.

Cost of Revenues

Cost of revenues includes the cost of labor, materials and overhead incurred in the manufacture, assembly and installation of products and servicing of customers, including warranty costs.

Product Development

The Company incurs product development costs during the process of developing electrified vehicles. Our product development costs consist primarily of labor, outside engineering costs and related materials and other expenses used in technological research and building prototypes.

The Company (Motiv Power Systems, Inc. “Motiv”) made significant investments and purchase commitments to develop and launch its Argo Class 6 Cab made of composite resin materials on an electrified chassis. The primary purpose of this investment was to go after the significantly larger markets for Class 6 box trucks, which the current Motiv models (EPIC4 and Class 5/6 step vans) cannot address due to the significantly higher payloads. The project was begun in Q4 2023 and a prototype was built in early 2024 for a marketing launch. It was subsequently determined during 2024, that the project as designed and developed was no longer technologically feasible and all Argo related investments of \$6.2 million as of December, 31 2024 were written down to zero as there is no alternative use for the inventory or fixed assets and all non-cancelable purchase commitments were accrued as a liability as they are of no value to the company upon receipt.

Product Warranty

The Company typically provides a five year or 100,000-mile (whichever occurs first) warranty for high voltage traction batteries and a three year or 50,000-mile warranty for all other powertrain components. There is no contractual limit to the costs that the Company may incur in servicing these warranties. The Company records a warranty reserve for the estimated expense that may be incurred if its products require repair within the warranty period. Our warranty reserve as of December 31, 2023 and 2024 was approximately \$3.3 million and \$2.7 million, respectively, and is included in accrued liabilities and other long-term liabilities on the balance sheet (see Note 4 – Accrued liabilities and Other long-term liabilities). The expense relating to the warranty is included in cost of goods sold.

Stock-Based Compensation

The Company accounts for stock options issued to employees under ASC 718 Share-Based Payments. Under ASC 718, share-based compensation cost to employees is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense ratably on a straight-line basis over the requisite vesting period. The standard vesting period is 4-years, with a 1-year cliff. The fair value of each stock option or warrant award is estimated on the grant date.

The calculation of share-based compensation expense requires that the Company make assumptions and judgments about the variables used in the Black-Scholes model, including the expected term, expected volatility of the underlying common stock, risk-free interest rate and dividends are derived from 409A valuation.

The Company recognizes forfeitures as they occur rather than applying a prospective forfeiture rate in advance (see Note 8).

Income Taxes

The Company accounts for income taxes using the asset and liability method under ASC 740 Income Taxes (“ASC 740”). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Deferred income tax assets are reviewed for recoverability, and valuation allowances are established when it is more likely than not that all or some portion of deferred income tax assets will not be realized to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities.

ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position is recognized only if it is “more likely than not” that the position is sustainable upon examination by the relevant taxing authority based on its technical merit.

The Company is subject to tax in the United States (“U.S.”) and Canada and files tax returns in both countries. The Company is subject to Federal, state and local income tax examinations by tax authorities for all periods since inception due to generated net operating losses. The Company currently is not under examination by any tax authority.

Segment Reporting

Operating segments are identified as components of an enterprise about separate discrete financial information is available for evaluation by the chief operating decision maker, (“CODM”). The Company has identified its Chief Executive Officer as the CODM who is responsible for making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business as one operating segment. The Company’s long-lived assets consist primarily of property and equipment, net, which are all held in the United States.

Net Loss per Share of Common Stock

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Because the Company has reported a net loss for the periods presented, diluted net loss per common share is the same as basic net loss per common share for those periods.

Recently Issued Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (“ASU 2023-09”), which will require the Company to disclose specified additional information in its income tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 will also require the Company to disaggregate its income taxes paid disclosure by federal, state and foreign taxes, with further disaggregation required for significant individual jurisdictions.

The Company expects to adopt ASU 2023-09 in 2026 using a prospective transition method.

The Company has reviewed all other recently issued accounting pronouncements and concluded they were either not applicable or not expected to have a material impact on the Company’s consolidated financial statements.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which requires an entity to utilize a new impairment model known as the current expected credit loss (“CECL”) model to estimate its lifetime “expected credit loss” and record an allowance that, when deducted from the amortized cost basis of the financial assets and certain other instruments, including but not limited to available-for-sale debt securities. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down to the security. ASU 2016-13 requires a cumulative effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. The Company adopted ASU 2016-13 as of January 1, 2023. Adoption of ASU 2016-13 did not have a material impact on the Company’s consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (“ASU 2023-07”), which will require the Company to disclose segment expenses that are significant and regularly provided to the Company’s chief operating decision maker (“CODM”). In addition, ASU 2023-07 will require the Company to disclose the title and position of its CODM and how the CODM uses segment profit or loss information in assessing segment performance and deciding how to allocate resources. The Company recently adopted ASU 2023-07 in 2024 using a retrospective transition method.

Restatement

Subsequent to the issuance of the Company’s financial statements for the year ended December 31, 2024, management identified an error in the calculation of the weighted average number of shares outstanding on a basic and diluted basis, which also resulted in an error in the calculation of net loss per share attributable to common stockholders on a basic and diluted basis. Specifically, 8.5 million common shares issued during 2024 were not properly weighted for the portion of the year outstanding.

The error resulted in an overstatement of basic and diluted loss per share for the year ended December 31, 2024. The error did not affect previously reported net income, total equity, cash flows, or total assets and liabilities.

Management evaluated the materiality of the error in accordance with ASC 250, *Accounting Changes and Error Corrections*, and concluded that the error was material to the previously issued financial statements for the year ended December 31, 2024. Accordingly, the accompanying financial statements have been Restated to correct the error.

The following tables present the effects of the Restatement on the Company's previously reported Condensed Consolidated Unaudited Statement of Operations:

Year Ended December 31, 2024	As Previously Reported	Adjustment	As Restated
Net loss	\$ (51,588,050)	-	\$ (51,588,050)
Net loss per share attributable to common stockholders, basic and diluted (Note 11)	\$ (65.3)	\$ 55.9	\$ (9.4)
Weighted average number of shares used in calculating basic and diluted net loss per share	789,702	4,678,395	5,468,097

NOTE 3 – FAIR VALUE MEASUREMENTS

The Company has adopted FASB Accounting Standards Codification (“ASC”) 820-10, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

- Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3 Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

NOTE 4 – BALANCE SHEET ACCOUNTS

Details of the following balance sheet accounts are shown below:

	As of December 31,	
	2023	2024
Other current assets		
Prepays	\$ 413,444	\$ 549,748
Vendor Deposits	1,599,651	1,981,978
Other	-	21,282
Total Other current assets	<u>\$ 2,013,095</u>	<u>\$ 2,553,008</u>

	As of December 31,	
	2023	2024
Inventory		
Raw material	\$ 11,494,701	\$ 14,088,941
Service Inventory	119,957	169,018
Work in process	638,859	885,478
Finished goods	5,924,040	6,259,402
Total inventory	<u>\$ 18,177,557</u>	<u>\$ 21,402,839</u>

	As of December 31,	
	2023	2024
Long-lived assets, net		
Leasehold improvements	\$ 389,242	\$ 389,242
Office equipment	938,352	984,789
Furniture	56,622	76,787
Vehicles	2,685,219	2,559,402
Machinery, equipment and tools	1,115,492	1,289,635
Project in progress	491,627	426,491
Total property and equipment, gross	<u>5,676,554</u>	<u>5,726,346</u>
Less: Accumulated depreciation	(2,928,533)	(3,686,552)
Total property and equipment, net	<u>\$ 2,748,021</u>	<u>\$ 2,039,794</u>

Depreciation expense for the years ended December 31, 2023 and 2024 was \$775,666 and \$758,018, respectively.

	As of December 31,	
	2023	2024
Intangible assets, net		
Software development costs	\$ 268,826	\$ 268,826
Less: Accumulated amortization	(129,696)	(188,316)
Total Intangible assets, net	<u>\$ 139,130</u>	<u>\$ 80,510</u>

Amortization expense for the years ended December 31, 2023 and 2024 was \$43,415 and \$58,620 respectively.

Below is an intangible assets amortization schedule

Year ending December 31:

2025	\$	48,794
2026		31,716
2027		-
2028		-
2029		-
Total minimum amortization payments	\$	<u>80,510</u>

	As of December 31,	
	2023	2024
Accrued liabilities		
Settlement liabilities, current	\$ 492,768	\$ 260,167
Warranty reserve, current	1,895,861	1,519,031
Accrued expenses	735,491	1,762,813
Accrued vacation	886,466	1,050,749
Accrued interest – convertible and promissory notes – related party	2,398,461	-
Other	338,488	207,730
Total accrued liabilities	<u>\$ 6,747,535</u>	<u>\$ 4,800,490</u>

	As of December 31,	
	2023	2024
Other long-term liabilities		
Warranty reserve, non-current	\$ 1,364,010	\$ 1,218,467
Capital leases, non-current	7,861	5,422
Total other long-term liabilities	<u>\$ 1,371,871</u>	<u>\$ 1,223,889</u>

The Company records a warranty reserve for the estimated expense and liability that may be incurred if its product is returned for repair within the warranty period. Details of the reserve roll-forward are shown in the following table:

	As of December 31,	
	2023	2024
Warranty reserve		
Beginning balance	\$ 1,376,960	\$ 3,259,872
Warranty provision for units placed into service during the year	3,780,301	1,639,031
Warranty expenditures	(1,897,390)	(2,161,405)
Ending balance	<u>\$ 3,259,871</u>	<u>\$ 2,737,498</u>

NOTE 5 – NOTES PAYABLE AND CONVERTIBLE DEBT

Notes Payable

On September 29, 2023, the Company executed an Amended and Restated Junior Secured Promissory Note (the "A&R Junior Note") with a related party preferred stockholder that provided for the issuance of up to \$5,000,000 in loan advances with an interest rate of 20% per annum. The A&R Junior Note (now the A&R Senior Note as defined below) is secured by substantially all of the Company's assets. The loan advances under the A&R Junior Note were provided in four advances: (i) \$1,500,000 was issued on September 25, 2023, (ii) \$1,500,000 was issued on September 29, 2023, (iii) \$1,000,000 was issued on October 11, 2023, and (iv) \$1,000,000 was issued on October 27, 2023. All calculations of interest are made on the basis of a 365-day year and are compounding monthly. On December 06, 2023, the A&R Junior Note was amended and restated as a Senior Secured Promissory Note (the "A&R Senior Note") and to increase the loan advance amount and a fifth advance of \$5,200,000 was issued on December 06, 2023, with an interest rate of 20% per annum. On December 27, 2023, the A&R Senior Note was again amended to increase the loan advance amount and a sixth advance of \$4,800,000 was issued on December 27, 2023 with the same interest rate of 20% per annum.

On January 25, 2024, March 01, 2024, April 05, 2024, May 30, 2024, and July 29, 2024, the Company further amended and restated the A&R Senior Note to provide for additional \$5,000,000 loan advances. On August 30, 2024 and November 22, 2024, the Company further amended and restated the A&R Senior Note to provide for additional \$10,000,000 loan advances, with the same interest rate of 20% per annum, compounded monthly. Total aggregated principal and compounded interest balance of the A&R Senior Note at December, 31 2024 is \$68,363,398. The A&R Senior Note is currently scheduled to mature on October 31, 2025 and is subject to acceleration and an additional 5% of interest if certain events of default occur.

Convertible Debt

On August 16, 2022, the Company issued a convertible promissory note to a related party preferred stockholder to finance its operations in the amount of \$5,000,000 with an interest rate of 6% per annum. This note is one of a series of convertible promissory notes issued by the Company (collectively, the "August 2022 Bridge Notes"). Two other \$5,000,000 notes were issued to the same related party on September 15, 2022 and October 18, 2022, for an aggregate principal amount of \$15,000,000. On November 30, 2022, the August 2022 Bridge Notes were amended 1) to reduce the conversion price that would apply in the event of a qualified and non-qualified financing from 75% of the price at which the relevant shares are issued to 70%, 2) to increase the aggregated principal amount from \$15,000,000 to \$25,000,000 (the Company also issued an additional \$10,000,000 convertible promissory note to the same related party on November 30, 2022 and December 21, 2022 with an interest rate of 4.1% and 4.55% respectively), and 3) to reduce the interest rate of August 2022 Bridge Notes issued on August 16, 2022, September 15, 2022 and October 18, 2022 from 6% to 4.1% per annum.

On January 25, 2023, the Company issued a convertible promissory note to a related party preferred stockholder to finance its operations in the amount of \$5,000,000 with an interest rate of 4.5% per annum. This Note is one of a series of convertible promissory notes of the Company in the aggregate principal amount of up to \$25,000,000 (the "Notes") issued from time to time to accredited investors pursuant to that certain Note Purchase Agreement. The Company also issued an additional \$10,000,000 convertible promissory note to the same related party on March 14, 2023 and April 21, 2023 with an interest rate of 4.5% and 4.86% respectively. On May 31, 2023, the "November 2022 Notes" were amended to increase the aggregated principal amount from \$25,000,000 to \$45,000,000, and the Company issued an additional \$5,000,000 convertible promissory note with an interest rate of 4.30% per annum. Two other \$5,000,000 notes were issued to the same related party on June 26, 2023 and July 27, 2023 with an interest rate of 4.8% per annum. On August 21, 2023, a second amendment were made to "November 2022 Notes" (i) all accrued and unpaid interest under such note as of (but not included) August, 21 2023 were automatically rolled into, and made part of, the "Principal Amount" of such note. (ii) The "Principal Amount" of such notes shall accrue interest at a rate of 9% per annum from August, 21 2023, and shall be compounded annually (iii) The "Maturity Date" of such note will be deemed to be the earlier (a) November 15, 2023 (b) the occurrence of an "Event of Default" and the Company issued a \$5,000,000 convertible promissory note with an interest rate of 9% per annum. On November 15, 2023 & December 06, 2023 third and fourth amendments were made to "November 2022 Notes" to extend the "Maturity Date" of such note will be deemed to the earlier (a) December 15, 2023 (b) the occurrence of an "Event of Default" & (a) March 15, 2024 (b) the occurrence of an "Event of Default".

On June 14, 2024, a qualified event occurred (the Series A preferred) and with the approval and consent of the Company’s majority shareholder and lender, \$50 million of outstanding principal and interest under the Convertible Notes was converted (without discount) into 44,642,857 shares of Series A Preferred Stock at a conversion price of \$1.12 per share. The Company determined that the conversion of related party debt into preferred stock was essentially a capital transaction and consequently \$15,562,393 including the principal & compounded interest of debt extinguishment is treated as additional paid in capital.

NOTE 6 – CONVERTIBLE PREFERRED STOCK & WARRANTS

On June 14, 2024, the Company and certain holders of its Series A-1 and A-2 redeemable convertible preferred stock (“Series A”), Series B redeemable convertible preferred stock (“Series B”), and Series C-1, C-2, and C-3 redeemable convertible preferred stock (“Series C”) agreed to convert their securities into shares of the Company’s common stock, par value \$0.001 per share (collectively, the “Equity Conversion”). Such conversions were accomplished pursuant to a stockholder resolution approving the Equity Conversion. Shares of Series A, Series B, and Series C preferred stock were converted based on conversion rates of 1 share of common stock (pre-split) per one share of Series A, Series B, and Series C preferred stock, respectively. All outstanding shares of Series A (46,669,056 shares), Series B (13,000,000 shares), and Series C (25,693,095 shares) preferred stock were converted and a total of 85,362,151 shares of common stock (pre-split) were issued in connection with the Equity Conversion.

Following the Equity Conversion, and upon effectiveness of the Restated Certificate, the Company effected a 10-for-1 reverse stock split for each share of Common Stock outstanding immediately following the Equity Conversion (the “Reverse Stock Split”);

On October 4, 2024, the Company issued 223,214 shares of Series A Preferred Stock at a conversion price of \$1.12 per share to an existing common stock holder.

Convertible preferred stock was as follows:

	As of 31-Dec-23					
	Shares Authorized	Shares Issued and Outstanding	Amount Raised	Aggregate Liquidation Preference	Aggregate Arrearages in Cumulative Preferred Dividends (Included in Aggregate Liquidation Preference)	Per Share Arrearages in Cumulative Preferred Dividends
Series A-1	9,187,014	918,701	\$ 9,187,014	\$ 11,920,151	\$ 2,733,137	\$ 2.98
Series A-2	37,482,042	3,748,204	\$ 37,482,042	\$ 50,225,936	\$ 12,743,894	\$ 3.40
Series B	13,000,000	1,300,000	\$ 13,000,000	\$ 24,472,500	\$ 4,972,500	\$ 3.83
Series C-1 preferred	2,861,739	286,174	\$ 6,410,301	\$ 9,294,936	\$ 1,282,060	\$ 4.48
Series C-2 preferred	4,771,156	477,116	\$ 11,403,068	\$ 16,534,449	\$ 2,280,614	\$ 4.78
Series C-3 preferred	21,410,000	1,806,020	\$ 54,000,000	\$ 75,610,553	\$ 8,110,553	\$ 4.49
Total	88,711,951	8,536,215	\$ 131,482,425	\$ 188,058,525	\$ 32,122,758	\$ 3.76

	As of 31-Dec-24					
	Shares Authorized	Shares Issued and Outstanding	Amount Raised	Aggregate Liquidation Preference	Aggregate Arrearages in Cumulative Preferred Dividends (Included in Aggregate Liquidation Preference)	Per Share Arrearages in Cumulative Preferred Dividends
Series A preferred	44,866,071	44,866,071	\$ 50,250,000	\$ 50,250,000	\$ -	\$ -
Total	44,866,071	44,866,071	\$ 50,250,000	\$ 50,250,000	\$ -	\$ -

Voting

The holder of each share of preferred stock is entitled to one vote for each share of common stock into which such preferred stock could then be converted and, with respect to such vote, such holder has full voting rights and powers equal to the voting rights and powers of the holders of common stock and is entitled to notice of any stockholders' meeting in accordance with the Company's bylaws. The holders of shares of Series A preferred stock & common stock are entitled to elect three of the Company's directors each. In addition, one independent director is designated by mutual agreement of the other members of the Board. The Company has a total of seven director positions.

Conversion

Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing the applicable Original Issue Price by the applicable Conversion Price in effect at the time of conversion.

The "Conversion Price" of the Series A Preferred Stock shall initially be equal to the Original Issue Price. The applicable Conversion Price, and the rate at which shares of Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment.

The conversion price of the convertible preferred stock was initially set at an amount equal to the issue price. The preferred stock conversion price is subject to adjustment for stock dividends, stock splits, recapitalization and upon the occurrence of certain triggering events related to anti-dilution protection rights. In the event that a future preferred stock financing should occur at a price lower than the last preferred financing round, the conversion ratios of the existing preferred stock are changed to protect the ownership position of existing investors. See note 11 for the number of common shares into which each class of preferred share may be converted.

Redemption

The Company must redeem its Series A preferred stock in the case of a deemed liquidation event which includes (a) a merger or consolidation in which: (i) the Company is a constituent party, or (ii) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation; except any such merger or consolidation involving the Company or a subsidiary in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or (b) (i) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all of the assets of the Company and its subsidiaries taken as a whole, or (ii) the sale or disposition (whether by merger, consolidation or otherwise, and whether in a single transaction or a series of related transactions) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company. However, in such an event all classes of shareholders would be entitled to receive the same type of consideration. Consequently, Series A preferred is classified as permanent equity on the Company's balance sheet. The amount to be paid upon redemption is shown as the aggregation liquidation preference in the tables above. There are currently no dividends declared on Series A preferred shares.

Please see Note 5 & 6 – Recapitalization and Conversion of Related Party Convertible Debt Securities

NOTE 7 – COMMON STOCK

The holders of the Company's common stock are entitled to one vote for each share held at all meetings of stockholders. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when and if declared by the board of directors, subject to the prior rights of holders of all classes of preferred stock outstanding. The Company has never declared any dividends on common stock.

On June 14, 2024 following the Equity Conversion, and upon effectiveness of the Restated Certificate, the Company effected a 10-for-1 reverse stock split for each share of Common Stock outstanding immediately following the Equity Conversion (the "*Reverse Stock Split*"); The effect of this stock split has been retrospectively reflected throughout the financial statements and related notes.

NOTE 8 – STOCK BASED COMPENSATION

The Company adopted a Stock Plan in 2010 and an equity incentive plan in 2020, which provide for the grant of equity awards to its employees, outside directors and consultants, including stock options, rights to purchase restricted stock units to purchase shares of our common stock up to 38,189,962 shares of our common stock may be issued pursuant to awards granted under the Stock Plan. The Stock Plan is administered by the Company's Board of Directors and expires ten years after adoption, unless terminated earlier or extended by the Board. Options may be granted at an exercise price per share of not less than 100% of the fair value at the date of grant. If an incentive stock option is granted to a stockholder holding 10% of the Company's outstanding capitalization, then the purchase or exercise price per share must not be less than 110% of the fair market value per share of common stock on the grant date. Options granted are exercisable over a maximum term of 10 years from the date of grant and generally vest over a period of four years. Upon exercise, the Company issues common stock from its authorized shares.

On June 14, 2024 The Company's 2020 Equity Incentive Plan was amended to increase the maximum number of shares of Common Stock that may be issued or subject to stock options issued under the Plan to a new aggregate total of 20,486,031 shares of Common Stock (which 18,323,996 shares of Common Stock of the unallocated portion of the Plan represented approximately 24.5% of the fully diluted post-closing capitalization of the Company as of immediately after giving effect to the Recapitalization).

The following table summarizes the activity in the Company's Stock Option Plan for the years ended December 31, 2023 and 2024:

	<u>Options Outstanding</u>		<u>Weighted Average Contractual Term (years)</u>	<u>Aggregate Intrinsic Value</u>
	<u>Number of Shares</u>	<u>Weighted Average Exercise Price Per Share</u>		
Balances, January 1, 2023	2,976,283	\$ 0.69	7.6	\$ 1,158,547(A)
Options granted	136,812	\$ 0.73		
Options exercised	(2,282)	\$ 0.32		
Options cancelled and/or forfeited	(553,172)	\$ 2.29		
Options expired	(182,467)	\$ 1.14		
Balances, December 31, 2023	2,375,174	\$ 0.29	6.3	\$ 1,151,335(B)
Options granted	24,591,242	\$ 0.06		
Options exercised	(16,096)	\$ 2.34		
Options cancelled and/or forfeited	(7,560,826)	\$ 0.72		
Options expired	(182,546)	\$ 4.32		
Balances, December 31, 2024	19,206,948	\$ 0.11	9.4	\$ 956,455(C)
Options exercisable as of December 31, 2023	1,797,816	\$ 0.25	6.1	\$ 913,130(B)
Options expected to vest after December 31, 2023	577,358	\$ 0.40	7.1	\$ 238,205(B)
Options exercisable as of December 31, 2024	4,242,066	\$ 0.12	8.2	\$ 720,291(C)
Options expected to vest after December 31, 2024	14,964,882	\$ 0.10	9.7	\$ 2,540,997(C)

(A) = 2022 aggregate intrinsic value = \$0.73 - exercise price x no. of shares

(B) = 2023 aggregate intrinsic value = \$0.73 - exercise price x no. of shares

(C) = 2024 aggregate intrinsic value = \$0.06 - exercise price x no. of shares

Stock options granted to employees, outside consultants and non-employees from the Company's Stock Plan generally have a four-year vesting period and expire in ten years. The total fair value of options granted for the years ended December 31, 2023 and 2024, was approximately \$998,729 or \$0.73 per share and \$1,475,475 or \$0.06 per share, respectively.

The stock options were valued using the Black-Scholes option valuation model which requires the use of highly subjective assumptions to determine the fair value of stock-based awards. The assumptions used in the Company's option-pricing model represent management's best estimates. These estimates are complex, involve a number of variables, uncertainties and assumptions and the application of management's judgment. If factors change and different assumptions are used, the Company's stock-based compensation expense could be materially different in the future. The assumptions and estimates that the Company used in the Black-Scholes model are as follows:

	Year Ended December 31,	
	2023	2024
Expected term (years)	5.52 – 6.08	5.27 – 6.08
Risk free interest rate	2.8%	4.67%
Expected volatility	75%	70%
Annual dividend yield	0%	0%

Fair Value of Common Stock. The estimated fair value of the common stock underlying the Company's stock options was determined at each grant date. All options to purchase shares of our common stock are intended to be exercisable at a price per share not less than the per-share fair value of the Company's common stock underlying those options on the date of grant. In the absence of a public trading market for our common stock, on each grant date, we develop an estimate of the fair value of our common stock based on the information known to the Company on the date of grant, upon a review of any recent events and their potential impact on the estimated fair value per share of the common stock and in part on input from an independent third-party valuation. Accordingly, the fair value of common stock used for grants was \$0.73 and \$0.06 per share for grants in 2023 and 2024, respectively.

Risk-Free Interest Rate. The risk-free interest rate assumption for options granted is based upon observed interest rates on the United States government securities appropriate for the expected term of the Company's employee stock options.

Expected Term. The expected term represents the period that the Company's stock-based awards are expected to be outstanding. Because of the limitations on the sale or transfer of the Company's common stock as a privately held company, the Company does not believe its historical exercise pattern is indicative of the pattern it will experience as a publicly traded company. The Company has consequently used the Staff Accounting Bulletin 110, or SAB 110, simplified method to calculate the expected term, which is the average of the contractual term and vesting period. The Company plans to continue to use the SAB 110 simplified method until it has sufficient trading history as a publicly traded company.

Volatility. The Company determined the expected volatility assumption for options granted using the historical volatility of comparable public company's common stock. The Company will continue to monitor peer companies and other relevant factors used to measure expected volatility for future stock option grants, until such time that the Company's common stock has enough market history to use historical volatility.

Dividend Yield. The dividend yield assumption for options granted is based on the Company's history and expectation of dividend payouts. The Company has never declared or paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future, and therefore has used an expected dividend yield of zero.

Total stock-based compensation expense for employees and non-employees recognized in the statements of operations was as follows:

	Year Ended December 31,	
	2023	2024
Cost of revenue	\$ 27,075	\$ 32,295
General and administrative	555,171	310,782
Sales and marketing	112,683	37,394
Product development	151,361	174,105
Total stock-based compensation expense	<u>\$ 846,290</u>	<u>\$ 554,576</u>

As of December 31, 2024, the remaining unrecognized stock-based compensation cost relating to nonvested stock options without performance conditions granted to the Company's employees and consultants was approximately \$1,178,242, which will be recognized over the remaining average vesting period of approximately 3 years.

NOTE 9 – INCOME TAXES

Net loss before income tax provision for the years ended December 31, 2023 and 2024 of \$46.8 million and \$51.6 million respectively, is attributable to the United States and Canada.

The following table presents the current and deferred tax provision for federal and state income taxes for the years ended December 31:

	Year Ended December 31,	
	2023	2024
Current:		
Federal	\$ -	\$ -
State	800	800
Foreign	-	-
Total current	<u>800</u>	<u>800</u>
Deferred:		
Federal	-	-
State	-	-
Foreign	-	-
Total deferred	<u>-</u>	<u>-</u>
Total provision	<u>\$ 800</u>	<u>\$ 800</u>

The following is a reconciliation of the provision for income taxes at the statutory federal income tax rate compared to the Company's provision for income taxes for the years ended December 31:

	Year Ended December 31,	
	2023	2024
Statutory federal income tax rate	\$ (9,836,376)	\$ (10,833,323)
State income taxes, net of federal tax benefits	(2,827,517)	(2,895,476)
Foreign income taxes	(26,036)	(40,688)
Valuation allowance	11,217,820	11,545,302
Stock based compensation	80,006	82,879
Non-deductible interest	649,803	2,151,669
Non-deductible expenses	16,849	19,521
Warrant expense	151,010	-
Foreign rate differential	36,450	56,963
ERC refund	160,039	-
Other	378,752	(86,047)
Tax provision	<u>\$ 800</u>	<u>\$ 800</u>

The components of our deferred tax assets (liabilities) for federal, state, and foreign income taxes consisted of the following as of December 31:

	Year Ended December 31,	
	2023	2024
Net operating loss carryforwards	\$ 47,444,531	\$ 58,065,822
State deferred	(3,443,314)	(4,206,505)
Accrued expenses	487,708	478,803
Warranty reserve	972,746	816,869
Deferred revenue	190,763	236,853
Allowance for inventory reserve	1,666,065	1,737,364
Stock based compensation	286,489	37,256
Fixed assets and intangibles	(8,005)	(11,996)
R&D capitalized costs	4,219,350	6,235,795
Right-of-use asset	(268,517)	(290,557)
Right-of-use lease liability	297,143	290,557
Total	51,844,959	63,390,261
Valuation allowance	(51,844,959)	(63,390,261)
Net deferred tax assets	\$ -	\$ -

As of December 31, 2023 and 2024, the Company had deferred tax assets of approximately \$51.8 million and \$63.4 million, respectively. Realization of the deferred tax assets is dependent upon future taxable income, if any, of which the amount and time are uncertain. Accordingly, the net deferred tax asset has been fully offset by a valuation allowance. The net valuation allowance increased by approximately \$11.2 million and \$11.5 million for the years ended December 31, 2023 and 2024, respectively.

As of December 31, 2023 and 2024, the Company had federal net operating loss carryforwards of approximately \$152.7 million and \$185.3 million, respectively, and California net operating carryforwards of approximately \$173.3 million and \$215.5 million, respectively. The federal and California net operating loss carryforwards will begin expiring in 2029 and 2030, respectively, if not utilized. Further, \$165.4 million of the \$185.3 million federal net operating loss carryforwards at December 31, 2024 is noted to be indefinite and shall not expire.

Utilization of the Company's net operating loss carryforwards may be subject to an annual limitation due to the ownership percentage change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation may result in the expiration of the net operating loss before utilization.

The Company's major tax jurisdictions are the United States and California. The Company is not under examination by the federal or state taxing authorities. The Company generally is no longer subject to tax examinations for years prior to 2022 for federal and 2021 for California purposes. However, if loss carryforwards of tax years prior to 2022 are utilized in the federal jurisdiction or prior to 2021 in California, these tax years may become subject to investigation by the tax authorities.

The Company has not identified any unrecognized tax benefits or uncertain tax positions. No liability on uncertain tax position is recorded on the financial statements as of December 31, 2024. The Company's policy is to include interest and penalties related to unrecognized tax benefits within the provision for income taxes. Management has determined that no accrual for interest and penalties was required as of December 31, 2024. The Company does not expect that its assessment regarding unrecognized tax benefits and uncertain tax positions will materially change over the following 12 months.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office and warehouse space under various non-cancellable operating lease agreements. Total rent expense for all operating leases in the statements of operations was \$916,315 and \$925,521 for the years ended December 31, 2023 and 2024, respectively.

Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Variable lease payments include certain non-lease components (such as parking, maintenance and other services provided by the lessor), and other charges included in the lease. Variable lease payments are excluded from future minimum lease payments and expensed as incurred.

In March 2016, the Company entered into a lease for office space for its corporate headquarters in Foster City, California, with the expiration date of April 2023. The Company amended the lease agreement on December 1, 2021 to extend the period to May 31, 2025. On November 20, 2024 Company amended the lease to extend the lease for an additional 8 months. This lease term shall commence June 1, 2025 and terminates on February 28, 2026.

In November 2014, the Company entered into a lease for office and warehouse space in Hayward, California. The term of the lease commenced in February 2015 and initially expired in January 2018 until subsequently extended until February 2023. On November 23, 2021 Company amended the lease to extend the lease term for an additional 24 months. This lease term shall commence March 1, 2023 and terminates on February 28, 2024. On February 07, 2024 Company amended the lease to extend the lease for an additional 24 months. This lease term shall commence March 1, 2024 and terminates on February 28, 2025. On December 09, 2024 Company amended the lease to extend the lease for an additional 12 months. This lease term shall commence March 1, 2025 and terminates on February 28, 2026.

In November 2019, the Company entered into a three-year, one-month operating lease for office and warehouse space, in Stockton, California, which will expire in November 2023. On July 18, 2023 Company amended the lease to extend the lease term. This lease term shall commence November 15, 2023 and terminates on December 13, 2025.

In September 2024, the Company entered into a one-year, three-month operating lease for an additional warehouse space, in Stockton, California, the lease terms shall commence October 2, 2024 and terminates on January 1, 2026.

In January 2023, the Company entered into a lease for office space for its operations in Novi, Michigan, with the expiration date of December, 31 2025.

In October 2023, the Company entered into a lease for warehouse space in Sturgis, Michigan. The term of the lease is the period of three (3) consecutive calendar months commencing on the Lease Commencement date and each anniversary date during the lease term(s).

As of December 31, 2024, the weighted average remaining lease term was 1.11 years. The weighted average incremental borrowing rate used in calculating operating lease liabilities as of December 31, 2024 was 12.5%.

As of December 31, 2024, the total future minimum payments required under these non-cancellable lease agreements are as follows:

Year ending December 31:

2025	949,482
2026	98,388
2027	-
2028	-
2029	-
Thereafter	-
Total minimum lease payments	1,047,870
Less: interest	(74,155)
Present value of lease obligations	973,715
Less: current portion	(888,171)
Noncurrent portion	\$ 85,544

Legal Matters

In December 2019, the Company and the California Energy Commission (CEC) entered into a settlement agreement whereby the Company would pay CEC \$2.1 million, payable in monthly installments of \$57,409 over a 36-month period. The CEC agreed to defer monthly installments from May 2020 to November 2021 due to the toll of the pandemic on the Company's operations. Further, the Company was required to complete the remaining work and perform data collection under two of the grants at its own expense and the Company will not be compensated for this work. In return, the Company will be allowed to utilize certain equipment purchased with CEC grants. As of December 31, 2022, the Company owed \$461,272 under this settlement agreement, which is included in accrued liabilities and the balance was fully settled in 2023.

On May 8, 2023, the Company filed an administrative Trademark Trial and Appeal Board (TTAB) opposition to Motive Technologies, Inc.'s application(s) to use its "Motive" mark in association with various international classes of goods and services. An adverse decision in the matter would have no direct pecuniary cost to the Company, but could affect the Company's ability to use its marks in the disputed classes of goods and services.

Aside from these matters, the Company is currently not involved with and does not know of any pending or threatened litigation against the Company.

NOTE 11 – NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

	Year Ended December 31,	
	2023	2024
Numerator:		
Net loss	\$ (46,840,694)	\$ (51,588,050)
Undeclared dividend on Series C-3, C-2, C-1, B, A-2, and A-1 preferred shares	(10,556,724)	-
Net loss used in the calculation of basic and diluted loss per share	<u>\$ (57,397,418)</u>	<u>\$ (51,588,050)</u>
Denominator:		
Weighted average number of shares used to compute basic and diluted net loss per common stock	775,045	5,468,097
Net loss per share, basic and diluted	<u>\$ (74.1)</u>	<u>\$ (9.4)</u>

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive:

	As of December 31,	
	2023	2024
Conversion of Series A preferred stock	-	44,866,071
Conversion of Series A-1 preferred stock	918,701	-
Conversion of Series A-2 preferred stock	3,748,204	-
Conversion of Series B preferred stock	1,300,000	-
Conversion of Series C-1 preferred stock	286,174	-
Conversion of Series C-2 preferred stock	477,116	-
Conversion of Series C-3 preferred stock	1,806,020	-
Series C-3 Warrants	334,516	334,516
Exercise of outstanding options	<u>2,375,174</u>	<u>19,206,948</u>
Total	<u>11,245,905</u>	<u>64,407,535</u>

The Company calculates basic and diluted net loss per share by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is the same as basic net loss per share, since the effects of potentially dilutive securities (such as convertible preferred stock, convertible note payable, stock options and warrants) are antidilutive.

NOTE 12 – SEGMENT REPORTING:

ASC 280, “Segment Reporting” establishes standards for reporting information about operating segments on a basis consistent with the Company’s internal organization structure as well as information about services categories, business segments and major customers in financial statements. The Company has only one reportable segment, Motiv Product Segment, as all their research and development activities are related the development of the Motiv Product Segment. Since the Company operates in one operating segment, all required financial segment information can be found in the consolidated financial statements.

The Company adheres to the provisions of ASC 280, Segment Reporting, which establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in financial statements issued to shareholders. As the Company is currently involved in the development of one product, the Platform, the Company has determined that it operates in a single reportable segment. The Company’s Chief Operating Decision Maker (CODM), its Chief Executive Officer (CEO), reviews the consolidated results of operations when making decisions about allocating resources and assessing the performance of the Company as a whole and, hence, the Company has only one reportable segment. The Company’s assets are located in the United States of America.

NOTE 13 – SUBSEQUENT EVENTS

The Company has evaluated all events or transactions that occurred after December 31, 2024 up through August 29, 2025, which is the date that the financial statements were available to be issued.

Senior Secured Promissory Notes

On February 14, 2025, February 21, 2025 and April 23, 2025 the Company amended and restated the A&R Senior Note to provide for additional \$5,000,000 loan advances. On June 23, 2025 and August 11, 2025, the “Company” further amended and restated the A&R Senior Note to provide for additional loan advances of \$3,000,000 and \$4,000,000 respectively, each with an interest rate of 20% per annum, compounded monthly. The A&R Senior Note matures on October 31, 2025 and is subject to acceleration and an additional 5% of interest if certain events of default occur.

Workhorse Group and Motiv Electric Trucks Merger Agreement

On August 15, 2025, the Company and Workhorse Group Inc. (Nasdaq: WKHS) (“Workhorse”) announced that they have entered into a definitive merger agreement. Under the terms of the merger agreement, following the completion of the all-stock transaction, pre-merger Motiv investors will initially own approximately 62.5% of the combined company and Workhorse shareholders will maintain a significant equity stake (approximately 26.5%). The transaction is expected to close in the fourth quarter of 2025, subject to Workhorse shareholder approval and other customary closing conditions. All of the proceeds from the merger with Workhorse are expected to be used to satisfy the outstanding principal and accrued interest on the “A&R notes” (~\$101M at the date the merger agreement was signed). There is expected to be no distribution to the Company’s equity holders.



MOTIV POWER SYSTEMS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2024 and 2025

MOTIV POWER SYSTEMS, INC.

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MOTIV POWER SYSTEMS, INC.

**CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2024 AND SEPTEMBER 30, 2025 - UNAUDITED**

	<u>December 31, 2024</u>	<u>September 30, 2025</u>
Assets		
Current assets:		
Cash	\$ 6,629,092	\$ 3,784,581
Accounts receivable	3,590,175	4,978,446
Inventory	21,402,839	21,672,436
Other current assets	2,553,008	2,529,085
Total current assets	<u>34,175,114</u>	<u>32,964,548</u>
Property and equipment, net of accumulated depreciation of \$3,686,552 and \$4,181,039 at December 31, 2024 and September 30, 2025, respectively	2,039,794	1,548,293
Intangible assets, net of accumulated amortization of \$188,316 and \$320,958 at December 31, 2024 and September 30, 2025, respectively	80,510	251,918
Right of use asset	973,715	323,240
Other assets	139,000	139,000
Total assets	<u>\$ 37,408,133</u>	<u>\$ 35,226,999</u>
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 2,072,602	\$ 5,583,761
Accrued liabilities	4,800,490	4,535,536
Contract liability	793,744	1,304,237
Current portion of operating lease liabilities	888,171	326,567
Senior Secured Promissory Note – related party	68,363,398	103,381,656
Total current liabilities	<u>76,918,405</u>	<u>115,131,757</u>
Other long-term liabilities	1,223,889	988,208
Long term portion of operating lease liabilities	85,544	-
Total long-term liabilities	<u>1,309,433</u>	<u>988,208</u>
Total liabilities	<u>78,227,838</u>	<u>116,119,965</u>
Commitments and contingencies (Note 10)		
Stockholders' equity (deficit):		
Series A convertible preferred stock – 44,866,071 shares authorized; 44,866,071 shares issued and outstanding as of December 31, 2024 and September 30, 2025, respectively	44,866	44,866
Common stock – par value \$0.001 per share; 82,520,000 shares authorized, 9,328,417 and 9,619,903 shares issued and outstanding as of December 31, 2024 and September 30, 2025, respectively	9,328	9,620
Additional paid-in capital	214,062,633	214,366,396
Accumulated deficit	(254,936,532)	(295,313,848)
Total stockholders' equity (deficit)	<u>(40,819,705)</u>	<u>(80,892,966)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 37,408,133</u>	<u>\$ 35,226,999</u>

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

MOTIV POWER SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2024 AND 2025 - UNAUDITED

	<u>2024</u>	<u>2025</u>
Revenues	\$ 1,093,072	\$ 11,468,520
Cost of revenues	<u>4,178,520</u>	<u>15,303,959</u>
Gross profit (loss)	<u>(3,085,448)</u>	<u>(3,835,439)</u>
Operating expenses:		
Product development	8,746,214	9,649,791
Sales and marketing	5,029,232	4,567,509
General and administrative	7,928,622	9,303,186
Total operating expenses	<u>21,704,068</u>	<u>23,520,486</u>
Operating loss	(24,789,516)	(27,355,925)
Other income (expense):		
Interest expense - related parties	(7,231,408)	(13,018,550)
Amortization of debt issuance costs – cash portion	(14,281)	-
Other income (expense), net	(2,471)	(2,841)
Total other income (expense), net	<u>(7,248,160)</u>	<u>(13,021,391)</u>
Net Loss	<u>(32,037,676)</u>	<u>(40,377,316)</u>
Net loss per share attributable to common stockholders, basic and diluted (Note 11)	<u>\$ (7.69)</u>	<u>\$ (4.29)</u>
Weighted average number of shares used in calculating basic and diluted net loss per share	<u>4,167,291</u>	<u>9,420,092</u>

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

MOTIV POWER SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2024 AND SEPTEMBER 30, 2025 - UNAUDITED

	Series C-3 Convertible Preferred Stock		Series C-2 Convertible Preferred Stock		Series C-1 Convertible Preferred Stock		Series B Convertible Preferred Stock		Series A-2 Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, January 1, 2024	18,060,201	\$ 18,060	4,771,156	\$ 4,771	2,861,739	\$ 2,862	13,000,000	\$ 13,000	37,482,042	\$ 37,482	9,187,014	\$ 9,187	-	-	776,106	\$ 776	\$147,625,157	\$(203,348,482)	\$ (55,637,187)
Conversion of series A, B and C preferred stock to common stock	(18,060,201)	\$(18,060)	(4,771,156)	\$(4,771)	(2,861,739)	\$(2,862)	(13,000,000)	\$(13,000)	(37,482,042)	\$(37,482)	(9,187,014)	\$(9,187)	-	-	8,536,215	\$ 8,536	\$ 76,826	-	-
Conversion of convertible note to Series A preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	44,642,857	\$ 44,643	-	-	\$ 49,955,357	-	\$ 50,000,000
Debt Extinguishment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 15,562,394	-	\$ 15,562,394
Issuance of preferred stock for cash	-	-	-	-	-	-	-	-	-	-	-	-	223,214	223	-	-	\$ 249,777	-	\$ 250,000
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 554,576	-	\$ 554,576
Exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,096	\$ 16	\$ 38,546	-	\$ 38,562
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ (51,588,050)	\$ (51,588,050)
Balance, December 31, 2024	-	-	-	-	-	-	-	-	-	-	-	-	44,866,071	\$ 44,866	9,328,417	\$ 9,328	\$214,062,633	\$(254,936,532)	\$ (40,819,705)
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 286,558	-	\$ 286,558
Exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	291,486	\$ 292	\$ 17,205	-	\$ 17,497
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ (40,377,316)	\$ (40,377,316)
Balance, September 30, 2025	-	-	-	-	-	-	-	-	-	-	-	-	44,866,071	\$ 44,866	9,619,903	\$ 9,620	\$214,366,396	\$(295,313,848)	\$ (80,892,966)

* The Company effected a 10-for-1 reverse stock split for each share of Common Stock outstanding.

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

MOTIV POWER SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2024 AND 2025 - UNAUDITED

	<u>2024</u>	<u>2025</u>
Cash flows from operating activities:		
Net loss	\$ (32,037,676)	\$ (40,377,316)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,150,361	547,038
Amortization	45,811	147,638
Amortization of debt issuance cost – cash	14,281	-
Amortization of right of use asset	416,769	650,474
Warranty provision	939,398	1,924,923
Stock-based compensation	286,090	286,558
Changes in operating assets and liabilities:		
Accounts receivable	4,714,142	(1,388,271)
Inventory	(6,823,719)	(269,597)
Other current assets and other assets	(214,856)	23,923
Accounts payable	(1,678,092)	3,511,231
Accrued liabilities and other long-term liabilities	6,059,743	11,105,051
Operating lease liability	(459,207)	(647,148)
Net cash used in operating activities	<u>(27,586,955)</u>	<u>(24,485,496)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,776,046)	(55,537)
Purchase of intangible assets	-	(319,047)
Net cash used in investing activities	<u>(3,776,046)</u>	<u>(374,584)</u>
Cash flows from financing activities:		
Proceeds from short term senior secured promissory notes – related party	35,000,000	22,000,000
Payments for capital lease obligation	(8,680)	(1,929)
Proceeds from exercise of stock options	36,130	17,497
Net cash provided by financing activities	<u>35,027,450</u>	<u>22,015,569</u>
Increase (decrease) in cash and cash equivalents	3,664,449	(2,844,511)
Cash, beginning of period	4,257,567	6,629,092
Cash, end of period	<u>\$ 7,922,016</u>	<u>\$ 3,784,581</u>
Non cash financing activities:		
Conversion of convertible debt & accrued interest to preferred stock	<u>\$ 65,562,394</u>	<u>\$ -</u>

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

NOTE 1 – FORMATION AND BUSINESS OF THE COMPANY

The accompanying consolidated financial statements include the accounts of Motiv Power Systems, Inc., and MOTIVPS Holdings Canada Ltd. (collectively, the “Company,” “management,” “we,” “us”).

Motiv Power Systems, Inc. (“Parent”) was originally formed and incorporated on July 9, 2010 in the state of California. The Parent was reincorporated on June 3, 2014 in the State of Delaware. The Parent primarily sells electrified chassis and accessories to customers for installation on medium duty transport vehicles such as delivery vehicles, buses and other electric transport vehicles. The Parent’s headquarters are located in Foster City, California.

On October 7, 2021, MOTIVPS Holdings Canada Ltd. was incorporated in Vancouver, BC Canada. The Company relocated one of its employees to Vancouver, BC to work remotely from his home in Vancouver, BC and on May 1, 2024, the Company hired a second employee in Quebec, QC to provide “technical training” and “driver training” services in Canada to one of its customers. Besides this the Company does not have a physical presence in Canada.

On August 15, 2025, the Company and Workhorse Group Inc. (Nasdaq: WKHS) (“Workhorse”) announced that they entered into a definitive merger agreement. Under the terms of the merger agreement, following the completion of the all-stock transaction, pre-merger Company investors will initially own approximately 62.5% of the combined company’s outstanding shares and Workhorse shareholders will maintain a approximately 26.5% of the combined company’s shares. The transaction is expected to close in the fourth quarter of 2025, subject to Workhorse shareholder approval and other customary closing conditions. The consideration received in the merger is expected to be used to satisfy the outstanding principal and accrued interest on the “A&R Notes” (approximately \$101 million at the date the merger agreement was signed). There is expected to be no distribution of Workhorse shares to the Company’s equity holders.

The consolidated financial statements reflect the accounts and operations of the Parent and entities in which the Parent has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

Liquidity, Capital Resources and Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business.

The Company’s financial statements do not reflect any adjustments related to the recoverability and reclassification of assets and liabilities that might be necessary if the Company is unable to continue as a going concern. Since inception, the Company has incurred losses and negative cash flows from operations. For the nine-months ended September 30, 2025, the Company incurred a net loss of \$40.4 million, and used \$24.5 million of cash in operations. The Company anticipates that operating losses will continue in the future due to increased headcount and other costs necessary to develop and release our next generation technology, to increase our manufacturing capacity to accommodate increased demand for our product and to gain market share in a highly competitive environment. Funding for the business to date has come primarily through the issuance of equity to related parties, convertible promissory notes to related parties and secured promissory notes. As of September 30, 2025, the Company had cash of \$3.8 million and an accumulated deficit of \$295.3 million.

Although the Company's objective is to increase its revenues from the sales of its products and to decrease its cost of goods sold per product within the next few years sufficient to generate positive operating and cash flow levels, there can be no assurance that the Company will be successful in this regard. The Company will also need to continue to raise capital in order to fund its operations. There can be no assurance that, in the event that the Company requires additional financing, such financing will be available on terms which are favorable to the Company, or at all. If the Company is unable to raise additional funding to meet its working capital needs in the future, it will be forced to delay or reduce the scope of its operations and/or limit or cease its operations. As a result of the above, substantial doubt exists about the Company's ability to continue as a going concern within one year after the financial statements are available to be issued.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include all adjustments necessary for the fair presentation of the Company's financial position for the periods presented.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant accounting estimates and management judgments reflected in the financial statements include items such as accounts receivable valuation and allowances, warranty reserve and valuation of inventory. Estimates are based on historical experience, where applicable, and other assumptions believed to be reasonable by management. Actual results may differ from those estimates under different assumptions or conditions.

Concentration of Credit Risk, Other Risks and Uncertainties

Financial instruments that potentially subject the Company to a concentration of credit risk primarily consist of cash and accounts receivable. The Company's cash is held by one U.S. financial institution in excess of federally insured limits. The Company has not experienced any losses on its deposits of cash.

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, uncertainty of market acceptance of the Company's products, competition from substitute products and larger companies, securing and protecting proprietary technology, strategic relationships and dependence on key individuals and sole source suppliers. The Company's operations are subject to new laws, regulation and compliance. Significant changes to regulations governing the way the Company derives revenues could impact the Company negatively. Technological advancements and updates as well as maintaining compliance standards are required to maintain the Company's operations. The Company expects to incur substantial operating losses for the next several years and will need to obtain additional financing in order to continue launching and commercializing its products. There can be no assurance that such financing will be available or will be at terms acceptable by the Company.

The Company derived 81% of its revenue from four customers for the nine months ended September 30, 2025 and 2024. The Company had four customers that accounted for approximately 90% of accounts receivable as of September 30, 2025 and one customer that accounted for approximately 93% of accounts receivable as of December 31, 2024, respectively. The loss of these customers would have a significant impact on the Company's operations.

The Company has reliance on specific suppliers for some key components in its products and therefore, the loss or curtailment of those suppliers would have a significant impact on the Company's operations in the short term. The Company had three suppliers as of September 30, 2025 that accounted for approximately 39% and two suppliers as of December 31, 2024 that accounted for approximately 30%, of its total purchases. As of September 30, 2025 and December 31, 2024, the Company had two suppliers that accounted for 41% and 35%, respectively, of its total accounts payable.

Fair Value Measurements

The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable and secured promissory notes as of September 30, 2024 and 2025. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments.

Cash

The Company's cash consists of cash maintained in checking and interest-bearing accounts. The Company held no cash equivalents as of September 30, 2024 and 2025. The Company maintains cash balances at a financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, balances may exceed the insured limit. The Company has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect, net of an allowance for credit losses determined in accordance with the Current Expected Credit Loss (CECL) model under ASC 326. The Company estimates lifetime expected credit losses for its accounts receivable based on historical experience, current conditions, and reasonable and supportable forecasts of future economic conditions. Management considers factors such as aging of receivables, customer creditworthiness, historical write-off rates, and current and expected industry and macroeconomic trends when establishing its allowance for credit losses.

Receivables are written off against the allowance when management determines amounts are no longer collectible after all reasonable steps to recover the outstanding amount have been taken. Recoveries of previously written-off amounts are credited to the allowance when received.

Periodically, the Company reassesses its allowance for expected credit losses to ensure it appropriately reflects the risk of loss inherent in its receivable portfolio in accordance with CECL.

Inventory

Inventory is stated at the lower of cost or net realizable value and consists of electrified chassis, batteries and electronic component parts. Cost is determined using the standard cost method which approximates actual cost using the first-in, first-out basis. The Company evaluates inventory for excess and obsolete items, based on management's assessment of future demand for older product lines, market conditions and technological obsolescence of its products. No charge was recorded to cost of sales to reduce its inventory to net realizable value in the nine months ended September 30, 2024 or 2025.

Lease Accounting

The Company accounts for leases in accordance with FASB ASC 842, Leases. The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period and other facts and circumstances. The Company has elected the short-term lease recognition exemption for all leases that qualify. Consequently, for those leases that qualify, the Company will not recognize right-of-use assets or lease liabilities on the consolidated balance sheets. The Company generally does not have access to the rates implicit in their leases, and therefore the Company utilizes a risk-free rate as the discount rate.

The Company recognizes lease liabilities at the present value of the future lease payments and a corresponding right-of-use asset at the lease commencement date. Periods covered by the Company's option to extend or terminate the lease are included in the lease term when it is reasonably certain that the Company will exercise its option to extend or not exercise its option to terminate, as applicable. Lease payments may be fixed or variable; however, only fixed payments or in-substance fixed payments are included in the company's lease liability calculation. Variable lease payments may include costs such as common area maintenance, utilities, real estate taxes or other costs. Variable lease payments are recognized in operating expenses in the period in which the obligations for those payments are incurred. The Company made a policy election not to separate non-lease components from lease components for all of its leases; therefore, it accounts for lease and non-lease components as a single lease component.

Long-Lived Assets

Long-lived assets are recorded at cost less accumulated depreciation and amortization. When long-lived assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation and amortization is recorded over the estimated useful lives of the related assets using the straight-line method. Assets recorded under leasehold improvements are amortized using the straight-line method over the lesser of their useful lives or the related lease term.

The estimated useful lives for significant long-lived assets categories are as follows:

Leasehold improvements and vehicles	5 years
Office furniture and equipment	3 to 5 years
Furniture & fixtures	5 years
Intangible assets	3 years

Debt and Embedded Derivatives

The Company applies the accounting standards for derivatives and for distinguishing liabilities from equity when accounting for hybrid contracts. The Company accounts for convertible debt instruments when the Company has determined that the embedded conversion options should not be bifurcated from their host instruments in accordance with ASC 470-20, Debt with Conversion and Other Options.

Convertible Preferred Stock

The Company recorded convertible preferred stock at fair value on the dates of issuance, net of issuance costs.

Revenue Recognition

The Company accounts for revenue under ASC 606, Revenue from Contracts with Customers. ASC 606 requires the Company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. It requires that the Company identify the contract, identify the performance obligations required by the contract, measure the transaction price of the contract, allocate the transaction price among performance obligations, and recognize revenue in a way that reflects the transfer of control of the goods or services it provides to the customer.

The Company has two primary revenue streams: revenue from sales to customers and consulting services. Below is a summary of the revenue recognized under these two streams:

	Nine months ended September 30,	
	2024	2025
Revenue stream		
Revenue from sales to customers		
Delivery of product – recognized at a point in time	\$ 1,047,494	\$ 11,420,984
Consulting services – recognized over time	45,578	47,536
Total revenue	\$ 1,093,072	\$ 11,468,520

In most cases, the Company’s sales orders from customers are readily identifiable and consist of a single performance obligation to provide product to customers. The Company typically recognizes revenue related to delivery of product at a point in time when goods are shipped from the upfitter (subcontractor that performs assembly services for the Company) to the bodybuilder (vendor that performs services for the customer), because this is typically when the customer assumes the risk of loss. In certain transactions, the Company takes on the responsibility to deliver a complete vehicle to a customer, versus just an electrified chassis. In these cases, revenue is recognized when the complete vehicle is delivered to the customer after the body build is complete. The Company recognizes revenue related to consulting services over time as the services are provided. The Company had no significant partially satisfied performance obligations related to contracts with customers as of September 30, 2024 or 2025.

Cost of Revenues

Cost of revenues includes the cost of labor, materials and overhead incurred in the manufacture, assembly and installation of products and servicing of customers, including warranty costs.

Product Development

The Company incurs product development costs during the process of developing electrified vehicles. Our product development costs consist primarily of labor, outside engineering costs and related materials and other expenses used in technological research and building prototypes.

Product Warranty

The Company typically provides a five year or 100,000-mile (whichever occurs first) warranty for high voltage traction batteries and a three year or 50,000-mile warranty for all other powertrain components. There is no contractual limit to the costs that the Company may incur in servicing these warranties. The Company records a warranty reserve for the estimated expense that may be incurred if its products require repair within the warranty period. The warranty reserve as of December 31, 2024 and September 30, 2025 was approximately \$2.7 million and \$2.9 million, respectively, and is included in accrued liabilities and other long-term liabilities on the balance sheet (see Note 4 – Accrued liabilities and Other long-term liabilities). The expense relating to the warranty is included in cost of goods sold.

Stock-Based Compensation

The Company accounts for stock options issued to employees under ASC 718 Share-Based Payments. Under ASC 718, share-based compensation cost to employees is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense ratably on a straight-line basis over the requisite vesting period. The standard vesting period is 4-years, with a 1-year cliff. The fair value of each stock option or warrant award is estimated on the grant date.

The calculation of share-based compensation expense requires that the Company make assumptions and judgments about the variables used in the Black-Scholes model, including the expected term, expected volatility of the underlying common stock, risk-free interest rate and dividends, which are derived from an independent appraisal of the Company's common stock used to determine its fair value in accordance with Section 409A of the Internal Revenue Code.

The Company recognizes forfeitures as they occur rather than applying a prospective forfeiture rate in advance.

Income Taxes

The Company accounts for income taxes using the asset and liability method under ASC 740 Income Taxes. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Deferred income tax assets are reviewed for recoverability, and valuation allowances are established when it is more likely than not that all or some portion of deferred income tax assets will not be realized to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities.

ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position is recognized only if it is "more likely than not" that the position is sustainable upon examination by the relevant taxing authority based on its technical merit.

The Company is subject to tax in the United States ("U.S.") and Canada and files tax returns in both countries. The Company is subject to Federal, state and local income tax examinations by tax authorities for all periods since inception due to generated net operating losses. The Company currently is not under examination by any tax authority.

Segment Reporting

Operating segments are identified as components of an enterprise about separate discrete financial information is available for evaluation by the chief operating decision maker ("CODM"). The Company has identified its Chief Executive Officer as the CODM who is responsible for making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business as one operating segment. The Company's long-lived assets consist primarily of property and equipment, net, which are all held in the United States.

Net Loss per Share of Common Stock

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Because the Company has reported a net loss for the periods presented, diluted net loss per common share is the same as basic net loss per common share for those periods.

Recently Issued Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which will require the Company to disclose specified additional information in its income tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 will also require the Company to disaggregate its income taxes paid disclosure by federal, state and foreign taxes, with further disaggregation required for significant individual jurisdictions.

The Company expects to adopt ASU 2023-09 in 2026 using a prospective transition method.

On November 4, 2024, the FASB issued ASU 2024-03, which requires disaggregated disclosure of income statement expenses for public business entities (PBEs). The ASU does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. The Company expects to adopt ASU 2024-03 in 2027.

On July 30, 2025, the FASB issued ASU 2025-05, which amends ASC 326-20 to provide a practical expedient (for all entities) and an accounting policy election (for all entities, other than public business entities, that elect the practical expedient) related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606. The Board developed the new guidance in conjunction with the Private Company Council to address concerns from stakeholders that estimating expected credit losses can be costly and complex for such transactions. The Company expects to adopt ASU 2025-05 in 2026.

The Company does not expect that adoption of ASU 2023-09, ASU 2024-03 & ASU 2025-05 will have a material impact on the Company's consolidated financial statements.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which require companies to disclose segment expenses that are significant and regularly provided to the companies. In addition, ASU 2023-07 requires companies to disclose the title and position of its CODM and how the CODM uses segment profit or loss information in assessing segment performance and deciding how to allocate resources. The Company adopted ASU 2023-07 in 2024 using the retrospective transition method.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Company has adopted ASC 820-10, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

- Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3 Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

NOTE 4 – BALANCE SHEET ACCOUNTS

Details of the following balance sheet accounts are shown below:

	As of	
	December 31, 2024	September 30, 2025
Other current assets		
Prepays	\$ 549,748	\$ 481,277
Vendor Deposits	1,981,978	2,011,705
Other	21,282	36,103
Total Other current assets	<u>\$ 2,553,008</u>	<u>\$ 2,529,085</u>

	As of	
	December 31, 2024	September 30, 2025
Inventory		
Raw material	\$ 14,088,941	\$ 15,754,249
Service Inventory	169,018	364,194
Work in process	885,478	2,199,555
Finished goods	6,259,402	3,354,438
Total inventory	<u>\$ 21,402,839</u>	<u>\$ 21,672,436</u>

	As of	
	December 31, 2024	September 30, 2025
Long-lived assets, net		
Leasehold improvements	\$ 389,242	\$ 420,106
Office equipment	984,789	1,085,587
Furniture	76,787	76,787
Vehicles	2,559,402	2,629,567
Machinery, equipment and tools	1,289,635	1,517,285
Project in progress	426,491	-
Total property and equipment, gross	<u>5,726,346</u>	<u>5,729,332</u>
Less: Accumulated depreciation	<u>(3,686,552)</u>	<u>(4,181,039)</u>
Total property and equipment, net	<u>\$ 2,039,794</u>	<u>\$ 1,548,293</u>

Depreciation expense for the nine months ended September 30, 2024 and 2025 was \$1,150,361 and \$547,038, respectively.

	As of	
	December 31, 2024	September 30, 2025
<i>Intangible assets, net</i>		
Software development costs	\$ 268,826	\$ 572,876
Less: Accumulated amortization	(188,316)	(320,958)
Total Intangible assets, net	<u>\$ 80,510</u>	<u>\$ 251,918</u>

Amortization expense for the nine months ended September 30, 2024 and 2025 was \$45,811 and \$147,638 respectively.

	As of	
	December 31, 2024	September 30, 2025
<i>Accrued liabilities</i>		
Accrued payroll expenses	\$ 260,167	\$ 28,750
Warranty reserve, current	1,519,031	1,898,672
Accrued expenses	1,762,813	445,935
Deferred revenue	-	945,939
Accrued vacation	1,050,749	1,099,652
Other	207,730	116,588
Total accrued liabilities	<u>\$ 4,800,490</u>	<u>\$ 4,535,536</u>

	As of	
	December 31, 2024	September 30, 2025
<i>Other long-term liabilities</i>		
Warranty reserve, non-current	\$ 1,218,467	\$ 984,714
Capital leases, non-current	5,422	3,494
Total other long-term liabilities	<u>\$ 1,223,889</u>	<u>\$ 988,208</u>

The Company records a warranty reserve for the estimated expense and liability that may be incurred if its product is returned for repair within the warranty period. Details of the reserve roll-forward are shown in the following table:

	As of	
	December 31, 2024	September 30, 2025
<i>Warranty reserve</i>		
Beginning balance	\$ 3,259,872	\$ 2,737,498
Warranty provision for units placed into service	1,639,031	1,924,922
Warranty expenditures	(2,161,405)	(1,779,034)
Ending balance	<u>\$ 2,737,498</u>	<u>\$ 2,883,386</u>

NOTE 5 – NOTES PAYABLE AND CONVERTIBLE DEBT

Notes Payable

On September 29, 2023, the Company executed an Amended and Restated Junior Secured Promissory Note (the "A&R Junior Note") with a related party preferred stockholder that provided for the issuance of up to \$5,000,000 in loan advances with an interest rate of 20% per annum. The A&R Junior Note (now the A&R Senior Note as defined below) is secured by substantially all of the Company's assets. The loan advances under the A&R Junior Note were provided in four advances: (i) \$1,500,000 was issued on September 25, 2023, (ii) \$1,500,000 was issued on September 29, 2023, (iii) \$1,000,000 was issued on October 11, 2023, and (iv) \$1,000,000 was issued on October 27, 2023. All calculations of interest are made on the basis of a 365-day year and are compounding monthly. On December 6, 2023, the A&R Junior Note was amended and restated as a Senior Secured Promissory Note (the "A&R Senior Note") and to increase the loan advance amount and a fifth advance of \$5,200,000 was issued on December 6, 2023, with an interest rate of 20% per annum. On December 27, 2023, the A&R Senior Note was again amended to increase the loan advance amount and a sixth advance of \$4,800,000 was issued on December 27, 2023 with the same interest rate of 20% per annum.

On each of January 25, 2024, March 1, 2024, April 5, 2024, May 30, 2024, and July 29, 2024, the Company further amended and restated the A&R Senior Note to provide for additional \$5,000,000 loan advances. On each of August 30, 2024 and November 22, 2024, the Company further amended and restated the A&R Senior Note to provide for additional \$10,000,000 loan advances, with the same interest rate of 20% per annum, compounded monthly. On February 14, 2025, February 21, 2025 and April 23, 2025 the Company amended and restated the A&R Senior Note to provide for additional \$5,000,000 loan advances. On June 23, 2025 and August 11, 2025, the Company further amended and restated the A&R Senior Note to provide for additional loan advances of \$3,000,000 and \$4,000,000, respectively, with an interest rate of 20% per annum, compounded monthly. The total aggregated principal and compounded interest balance of the A&R Senior Note at December 31, 2024 was \$60,000,000 and \$8,363,398 and at September 30, 2025 was \$82,000,000 and \$21,381,656. The A&R Senior Note is currently scheduled to mature on October 31, 2025 and is subject to acceleration and an additional 5% of interest if certain events of default occur. The consideration received in the definitive merger agreement announced on August 15, 2025 between Company & Workhorse Group Inc. is expected to be used to satisfy the outstanding principal and accrued interest on the "A&R Notes" (approximately \$101 million at the date the merger agreement was signed).

Convertible Debt

On August 16, 2022, the Company issued a convertible promissory note to a related party preferred stockholder to finance its operations in the amount of \$5,000,000 with an interest rate of 6% per annum. This note is one of a series of convertible promissory notes issued by the Company (collectively, the "August 2022 Bridge Notes"). Two other \$5,000,000 notes were issued to the same related party on September 15, 2022 and October 18, 2022, for an aggregate principal amount of August 2022 Bridge Notes of \$15,000,000. On November 30, 2022, the August 2022 Bridge Notes were amended (i) to reduce the conversion price that would apply in the event of a qualified and non-qualified financing from 75% of the price at which the relevant shares are issued to 70%, (ii) to increase the aggregate principal amount from \$15,000,000 to \$25,000,000 (the Company also issued additional \$10,000,000 convertible promissory notes to the same related party on each of November 30, 2022 and December 21, 2022 with an interest rate of 4.1% and 4.55% respectively), and (iii) to reduce the interest rate of August 2022 Bridge Notes issued on August 16, 2022, September 15, 2022 and October 18, 2022 from 6% to 4.1% per annum.

On January 25, 2023, the Company issued a convertible promissory note to a related party preferred stockholder to finance its operations in the amount of \$5,000,000 with an interest rate of 4.5% per annum. This Note is one of a series of convertible promissory notes of the Company in the aggregate principal amount of up to \$25,000,000 (the “Notes”) issued from time to time to accredited investors pursuant to that certain Note Purchase Agreement. The Company also issued additional \$10,000,000 convertible promissory note to the same related party on each of March 14, 2023 and April 21, 2023 with an interest rate of 4.5% and 4.86% respectively. On May 31, 2023, the “November 2022 Notes” were amended to increase the aggregate principal amount from \$25,000,000 to \$45,000,000, and the Company issued an additional \$5,000,000 convertible promissory note with an interest rate of 4.30% per annum. Two other \$5,000,000 notes were issued to the same related party on June 26, 2023 and July 27, 2023 with an interest rate of 4.8% per annum. On August 21, 2023, a second amendment was made to the “November 2022 Notes” pursuant to which (i) all accrued and unpaid interest under such note as of (but not including) August, 21 2023 were automatically rolled into, and made part of, the principal amount of such note; (ii) the interest rate on such notes was increased to 9% per annum from August, 21 2023, compounded annually; (iii) the maturity date of such notes was be deemed to be the earlier (a) November 15, 2023 and (b) the occurrence of an event of default (as defined in the notes) and the Company issued a \$5,000,000 convertible promissory note with an interest rate of 9% per annum. On November 15, 2023 and December 6, 2023 third and fourth amendments were made to November 2022 Notes to extend the maturity date of such notes to the earlier (a) December 15, 2023 and (b) the occurrence of an event of default and (a) March 15, 2024 and (b) the occurrence of an event of default, respectively.

On June 14, 2024, a qualified event occurred (the Series A preferred) and with the approval and consent of the Company’s majority shareholder and lender, \$50 million of outstanding principal and interest under the Convertible Notes was converted (without discount) into 44,642,857 shares of Series A Preferred Stock at a conversion price of \$1.12 per share. The Company determined that the conversion of related party debt into preferred stock was a capital transaction and consequently \$15,562,392 including the principal and compounded interest of debt extinguishment is treated as additional paid in capital.

NOTE 6 – CONVERTIBLE PREFERRED STOCK & WARRANTS

On June 14, 2024, the Company and certain holders of its Series A-1 and A-2 redeemable convertible preferred stock (“Series A”), Series B redeemable convertible preferred stock (“Series B”), and Series C-1, C-2, and C-3 redeemable convertible preferred stock (“Series C”) agreed to convert their securities into shares of the Company’s common stock, par value \$0.001 per share (collectively, the “Equity Conversion”). Shares of Series A, Series B, and Series C preferred stock were converted based on conversion rates of 1 share of common stock (pre- Reverse Stock Split, as described below) per one share of Series A, Series B, and Series C preferred stock, respectively. All 46,669,056 outstanding shares of Series A, 13,000,000 outstanding shares of Series B, and 25,693,095 shares of Series C preferred stock were converted and a total of 85,362,151 shares of common stock were issued in connection with the Equity Conversion.

Following the Equity Conversion, and upon effectiveness of the Company’s Restated Certificate of Incorporation, the Company effected a 10-for-1 reverse stock split for each share of common stock outstanding immediately following the Equity Conversion (the “*Reverse Stock Split*”);

On October 4, 2024, the Company issued 223,214 shares of Series A preferred stock at a price of \$1.12 per share to an existing common stock holder.

Voting

The holder of each share of preferred stock is entitled to one vote for each share of common stock into which such preferred stock could then be converted and, with respect to such vote, such holder has full voting rights and powers equal to the voting rights and powers of the holders of common stock and is entitled to notice of any stockholders' meeting in accordance with the Company's bylaws. The holders of shares of Series A preferred stock and common stock are entitled to elect three of the Company's directors each. In addition, one independent director is designated by mutual agreement of the other members of the Company's Board of Directors. The Company has a total of seven director positions.

Conversion

Each share of preferred stock is convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of common stock as is determined by dividing the applicable original issue price by the applicable conversion price in effect at the time of conversion.

The conversion price of the Series A preferred stock is initially equal to the original issue price and is subject to adjustment for stock dividends, stock splits, recapitalization and upon the occurrence of certain triggering events related to anti-dilution protection rights. In the event that a future preferred stock financing should occur at a price lower than the last preferred financing round, the conversion ratios of the existing preferred stock are changed to protect the ownership position of existing investors. See note 11 for the number of common shares into which each class of preferred share may be converted.

Redemption

The Company must redeem its Series A preferred stock in the case of a deemed liquidation event which includes (a) a merger or consolidation in which: (i) the Company is a constituent party, or (ii) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation; except any such merger or consolidation involving the Company or a subsidiary in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or (b) (i) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all of the assets of the Company and its subsidiaries taken as a whole, or (ii) the sale or disposition (whether by merger, consolidation or otherwise, and whether in a single transaction or a series of related transactions) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company. However, in such an event all classes of stockholders would be entitled to receive the same type of consideration. Consequently, Series A preferred is classified as permanent equity on the Company's balance sheet. There are currently no dividends declared on Series A preferred shares.

NOTE 7 – COMMON STOCK

The holders of the Company's common stock are entitled to one vote for each share held at all meetings of stockholders. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when and if declared by the Board of Directors, subject to the prior rights of holders of all classes of preferred stock outstanding. The Company has never declared dividends on its common stock.

On June 14, 2024 following the Equity Conversion, the Company effected the Reverse Stock Split. The effect of Reverse Stock Split has been retrospectively reflected throughout the financial statements and related notes.

NOTE 8 – STOCK BASED COMPENSATION

The Company adopted the 2010 Stock Plan and the 2020 Equity Incentive Plan in 2010 and 2020, respectively, which provide for the grant of equity awards to its employees, outside directors and consultants, including stock options, rights to purchase restricted stock, restricted stock units, restricted stock awards and other stock-based awards.

Up to 1,588,615 shares of our common stock were originally available for issuance pursuant to awards granted under the 2010 Stock Plan and up to 17,306,927 shares of common stock were originally available for issuance under the 2020 Equity Incentive Plan, which authorized amounts were increased on September 9, 2020, July 1, 2021, February 11, 2022 and June 14, 2024 and there currently are 20,486,031 shares authorized for issuance under the 2020 Equity Incentive Plan, with 4,959,162 remaining available for issuance as of September 30, 2025. The 2010 Stock Plan expired by its terms in 2020.

Options may be granted at an exercise price per share of not less than 100% of the fair value at the date of grant. If an incentive stock option is granted to a stockholder holding 10% of the Company's outstanding capitalization, then the purchase or exercise price per share must not be less than 110% of the fair market value per share of common stock on the grant date. Options granted are exercisable over a maximum term of 10 years from the date of grant and generally vest over a period of four years. Upon exercise, the Company issues common stock from its authorized shares.

The following table summarizes the activity in the Company's 2010 Stock Plan and 2020 Equity Incentive Plan for the nine months ended September 30, 2025:

	<u>Options Outstanding</u>		<u>Weighted Average Remaining Contractual Term (years)</u>	<u>Aggregate Intrinsic Value</u>
	<u>Number of Shares</u>	<u>Weighted Average Exercise Price Per Share</u>		
Balances, January 1, 2025	19,206,948	\$ 0.11	9.4	\$ 956,455
Options granted	792,857	\$ 0.06		
Options exercised	(291,486)	\$ 0.06		
Options cancelled and/or forfeited	(3,907,947)	\$ 0.15		
Options expired	(401,354)	\$ 0.48		
Balances, September 30, 2025	<u>15,399,018</u>	<u>\$ 0.09</u>	8.5	\$ 453,824(A)
Options exercisable as of September 30, 2025	7,072,150	\$ 0.08	7.9	\$ 1,057,081(A)
Options expected to vest after September 30, 2025	8,326,868	\$ 0.09	9.0	\$ 1,244,625(A)

September, 30 2024 aggregate intrinsic value = \$0.06 - exercise price x no. of shares

September, 30 2025 aggregate intrinsic value = \$0.06 - exercise price x no. of shares

The total fair value of options granted for the nine months ended September 30, 2024 and 2025, was approximately \$718,700 or \$0.06 per share and \$47,571 or \$0.06 per share, respectively.

The stock options were valued using the Black-Scholes option valuation model which requires the use of highly subjective assumptions to determine the fair value of stock-based awards. The assumptions used in the Company's option-pricing model represent management's best estimates. These estimates are complex, involve a number of variables, uncertainties and assumptions and the application of management's judgment. If factors change and different assumptions are used, the Company's stock-based compensation expense could be materially different in the future. The assumptions and estimates that the Company used in the Black-Scholes model are as follows:

	Nine months ended September 30,	
	2024	2025
Expected term (years)	5.52 – 6.08	5.27 – 6.08
Risk free interest rate	4.67%	4.67%
Expected volatility	70%	70%
Annual dividend yield	0%	0%

Fair Value of Common Stock. The estimated fair value of the common stock underlying the Company's stock options was determined at each grant date. All options to purchase shares of our common stock are intended to be exercisable at a price per share not less than the per-share fair value of the Company's common stock underlying those options on the date of grant. In the absence of a public trading market for our common stock, on each grant date, we develop an estimate of the fair value of our common stock based on the information known to the Company on the date of grant, upon a review of any recent events and their potential impact on the estimated fair value per share of the common stock and in part on input from an independent third-party valuation. Accordingly, the fair value of common stock used for grants was \$0.06 per share for grants issued for the year ended December 31, 2024 and nine months ended September 30, 2025, respectively.

Risk-Free Interest Rate. The risk-free interest rate assumption for options granted is based upon observed interest rates on the United States government securities appropriate for the expected term of the Company's employee stock options.

Expected Term. The expected term represents the period that the Company's stock-based awards are expected to be outstanding. Because of the limitations on the sale or transfer of the Company's common stock as a privately held company, the Company does not believe its historical exercise pattern is indicative of the pattern it will experience as a publicly traded company. The Company has consequently used the Staff Accounting Bulletin 110, or SAB 110, simplified method to calculate the expected term, which is the average of the contractual term and vesting period. The Company plans to continue to use the SAB 110 simplified method until it has sufficient trading history as a publicly traded company.

Volatility. The Company determined the expected volatility assumption for options granted using the historical volatility of comparable public company's common stock. The Company will continue to monitor peer companies and other relevant factors used to measure expected volatility for future stock option grants, until such time that the Company's common stock has enough market history to use historical volatility.

Dividend Yield. The dividend yield assumption for options granted is based on the Company's history and expectation of dividend payouts. The Company has never declared or paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future, and therefore has used an expected dividend yield of zero.

Total stock-based compensation expense for employees and non-employees recognized in the statements of operations was as follows:

	Nine months ended September 30,	
	2024	2025
Cost of revenue	\$ 10,310	\$ 11,101
General and administrative	154,212	191,962
Sales and marketing	26,110	22,043
Product development	95,458	61,452
Total stock-based compensation expense	<u>\$ 286,090</u>	<u>\$ 286,558</u>

As of September 30, 2024 and September 30, 2025, the remaining unrecognized stock-based compensation cost relating to nonvested stock options without performance conditions granted to the Company's employees and consultants was approximately \$968,638 and \$542,016, respectively, which will be recognized over the remaining average vesting period of approximately 2.94 and 2.58 years, respectively.

NOTE 9 – INCOME TAXES

As of September 30, 2025 and September 30, 2024, the Company's net deferred tax liability was zero. Cumulative deferred tax assets are fully reserved as there is not sufficient evidence to conclude it is more likely than not the deferred tax assets are realizable. No current liability for federal or state income taxes has been included in these Condensed Consolidated Financial Statements due to the losses for the periods.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office and warehouse space under various non-cancellable operating lease agreements. Total rent expense for all operating leases in the statements of operations was \$701,697 and \$949,708 for the nine months ended September 30, 2024 and 2025, respectively.

Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Variable lease payments include certain non-lease components (such as parking, maintenance and other services provided by the lessor), and other charges included in the lease. Variable lease payments are excluded from future minimum lease payments and expensed as incurred.

In March 2016, the Company entered into a lease for office space for its corporate headquarters in Foster City, California, with an expiration date of April 2023. The Company amended the lease agreement on December 1, 2021 to extend the period to May 31, 2025. On November 20, 2024 Company amended the lease to extend the lease for an additional 8 months. This lease term commenced on June 1, 2025 and terminates on February 28, 2026.

In November 2014, the Company entered into a lease for office and warehouse space in Hayward, California. The term of the lease commenced in February 2015 and initially expired in January 2018 until subsequently extended until February 2023. On November 23, 2021 Company amended the lease to extend the lease term for an additional 24 months. On February 7, 2024 Company amended the lease to extend the lease for an additional 24 months. On December 9, 2024 Company amended the lease to extend the lease for an additional 12 months. This lease term commenced on March 1, 2025 and terminates on February 28, 2026.

In November 2019, the Company entered into a three-year, one-month operating lease for office and warehouse space, in Stockton, California, which expired in November 2023. On July 18, 2023 Company amended the lease to extend the lease term. This lease term commenced on November 15, 2023 and terminates on December 13, 2025.

In September 2024, the Company entered into a one-year, three-month operating lease for an additional warehouse space, in Stockton, California, the lease terms commenced on October 2, 2024 and terminates on January 1, 2026.

In January 2023, the Company entered into a lease for office space for its operations in Novi, Michigan, with an expiration date of December, 31 2025.

In October 2023, the Company entered into a lease for warehouse space in Sturgis, Michigan. The term of the lease is the period of three (3) consecutive calendar months commencing on the Lease Commencement date and each anniversary date during the lease term(s).

As of September 30, 2025, the weighted average remaining lease term was 0.4 years. The weighted average incremental borrowing rate used in calculating operating lease liabilities as of September 30, 2025 was 12.5%.

As of September 30, 2025, the total future minimum payments required under these non-cancellable lease agreements are as follows:

Year ending December 31:

2025 (Oct to December)	\$	237,525
2026		98,388
2027		-
2028		-
2029		-
Thereafter		-
Total minimum lease payments		<u>335,913</u>
Less: interest		<u>(9,346)</u>
Present value of lease obligations		<u>326,567</u>
Less: current portion		<u>(326,567)</u>
Noncurrent portion	\$	<u>-</u>

Legal Matters

On May 8, 2023, the Company filed an administrative Trademark Trial and Appeal Board (TTAB) opposition to Motive Technologies, Inc.'s application(s) to use its "Motive" mark in association with various international classes of goods and services. An adverse decision in the matter would have no direct pecuniary cost to the Company, but could affect the Company's ability to use its marks in the disputed classes of goods and services.

Aside from this matter, the Company is currently not involved with and does not know of any pending or threatened litigation against the Company.

NOTE 11 – NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

	Nine months ended September 30,	
	2024	2025
Numerator:		
Net loss	\$ (32,037,676)	\$ (40,377,316)
Denominator:		
Weighted average number of shares used to compute basic and diluted net loss per common stock	4,167,291	9,420,092
Net loss per share, basic and diluted	\$ (7.69)	\$ (4.29)

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive:

	As of	
	December 31, 2024	September 30, 2025
Conversion of Series A preferred stock	44,866,071	44,866,071
Series C-3 Warrants	334,516	334,516
Exercise of outstanding options	19,206,948	15,399,018
Total	64,407,535	60,599,605

The Company calculates basic and diluted net loss per share by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is the same as basic net loss per share, since the effects of potentially dilutive securities (such as convertible preferred stock, convertible note payable, stock options and warrants) are antidilutive.

NOTE 12 – SEGMENT REPORTING:

The Company adheres to the provisions of ASC 280, Segment Reporting, which establishes standards for the way public business enterprises report information about operating segments in financial statements and requires that those enterprises report selected information about operating segments in financial statements issued to shareholders. As the Company is currently involved in the development of one product, the Platform, the Company has determined that it operates in a single reportable segment. The Company's Chief Operating Decision Maker (CODM), its Chief Executive Officer (CEO), reviews the consolidated results of operations when making decisions about allocating resources and assessing the performance of the Company as a whole. The Company's assets are located in the United States of America.

NOTE 13 – SUBSEQUENT EVENTS

The Company has evaluated all events or transactions that occurred after September 30, 2025 up through December 08, 2025.



MOTIV POWER SYSTEMS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2025

MOTIV POWER SYSTEMS, INC.

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MOTIV POWER SYSTEMS, INC.

CONDENSED CONSOLIDATED UNAUDITED BALANCE SHEETS
AS OF JUNE 30, 2024 AND 2025

	<u>2024</u>	<u>2025</u>
Assets		
Current assets:		
Cash	\$ 4,652,921	\$ 2,645,120
Accounts receivable	611,338	5,340,138
Inventory	22,597,891	25,791,355
Other current assets	1,824,799	2,508,597
Total current assets	<u>29,686,949</u>	<u>36,285,210</u>
Property and equipment, net of accumulated depreciation of \$3,508,828 and \$4,064,628 at June 30, 2024 and 2025, respectively	5,787,737	1,940,629
Intangible assets, net of accumulated amortization of \$152,581 and \$203,767 at June 30, 2024 and 2025, respectively	106,128	54,943
Right of use asset	619,700	542,669
Other assets	139,000	139,000
Total assets	<u>\$ 36,339,514</u>	<u>\$ 38,962,451</u>
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 2,410,540	\$ 2,241,290
Accrued liabilities	3,798,718	6,108,118
Contract liability	712,983	1,428,161
Current portion of operating lease liabilities	640,634	549,232
Senior Secured Promissory Note – related party	38,021,906	93,759,042
Total current liabilities	<u>45,584,781</u>	<u>104,085,843</u>
Other long-term liabilities	1,274,623	987,289
Total long-term liabilities	<u>1,274,623</u>	<u>987,289</u>
Total liabilities	<u>46,859,404</u>	<u>105,073,132</u>
Commitments and contingencies (Note 10)	-	-
Stockholders' equity (deficit):		
Series A convertible preferred stock – 44,642,857 and 44,866,071 shares authorized; 44,642,857 and 44,866,071 shares issued and outstanding as of June 30, 2024 and 2025, respectively	44,643	44,866
Common stock – par value \$0.001 per share; 82,270,000 and 82,520,000 shares authorized, 9,328,084 and 9,331,830 shares issued and outstanding as of June 30, 2024 and 2025, respectively	9,328	9,332
Additional paid-in capital	213,442,470	214,274,683
Accumulated deficit	(224,016,331)	(280,439,562)
Total stockholders' equity (deficit)	<u>(10,519,890)</u>	<u>(66,110,681)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 36,339,514</u>	<u>\$ 38,962,451</u>

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

MOTIV POWER SYSTEMS, INC.

CONDENSED CONSOLIDATED UNAUDITED AND RESTATED STATEMENTS OF OPERATIONS
FOR THE SIX-MONTHS ENDED JUNE 30, 2024 AND 2025

	<u>2024</u>	<u>2025</u>
Revenues	\$ 1,043,672	\$ 1,895,555
Cost of revenues	<u>2,916,885</u>	<u>4,333,634</u>
Gross profit (loss)	<u>(1,873,213)</u>	<u>(2,438,079)</u>
Operating expenses:		
Product development	4,817,997	6,856,747
Sales and marketing	3,433,660	3,066,520
General and administrative	5,626,481	5,742,494
Total operating expenses	<u>13,878,138</u>	<u>15,665,761</u>
Operating loss	(15,751,351)	(18,103,840)
Other income (expense):		
Interest expense - related parties	(4,904,549)	(7,395,644)
Amortization of debt issuance costs – cash portion	(14,281)	-
Other income (expense), net	2,331	(3,546)
Total other income (expense), net	<u>(4,916,499)</u>	<u>(7,399,190)</u>
Loss before provision for income taxes	(20,667,850)	(25,503,030)
Income tax provision	<u>-</u>	<u>-</u>
Net loss	<u>(20,667,850)</u>	<u>(25,503,030)</u>
Net loss per share attributable to common stockholders, basic and diluted (Note 11)	\$ (13.4)	\$ (2.7)
Weighted average number of shares used in calculating basic and diluted net loss per share	<u>1,544,073</u>	<u>9,330,591</u>

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

MOTIV POWER SYSTEMS, INC.

CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE SIX-MONTHS ENDED JUNE 30, 2024 AND 2025

	Series C-3 Convertible Preferred Stock		Series C-2 Convertible Preferred Stock		Series C-1 Convertible Preferred Stock		Series B Convertible Preferred Stock		Series A-2 Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, January 1, 2024	18,060,201	\$ 18,060	4,771,156	\$ 4,771	2,861,739	\$ 2,862	13,000,000	\$ 13,000	37,482,042	\$ 37,482	9,187,014	\$ 9,187	-	-	776,106	\$ 776	\$147,618,173	\$(203,348,481)	\$ (55,644,170)
Conversion of series A, B and C preferred stock to common stock	(18,060,201)	\$(18,060)	(4,771,156)	\$(4,771)	(2,861,739)	\$(2,862)	(13,000,000)	\$(13,000)	(37,482,042)	\$(37,482)	(9,187,014)	\$(9,187)	-	-	8,536,215	\$ 8,536	\$ 76,826	-	-
Conversion of convertible note to Series A preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	44,642,857	\$ 44,643	-	-	\$ 49,955,357	-	\$ 50,000,000
Debt Extinguishment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 15,562,394	-	\$ 15,562,394
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 0
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 186,621	-	\$ 186,621
Exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,763	\$ 16	\$ 43,099	-	\$ 43,115
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ (20,667,850)	\$ (20,667,850)
Balance, June 30, 2024	-	-	-	-	-	-	-	-	-	-	-	-	44,642,857	\$ 44,643	9,328,084	\$ 9,328	\$213,442,470	\$(224,016,331)	\$ (10,519,890)
Balance, January 1, 2025	-	-	-	-	-	-	-	-	-	-	-	-	44,866,071	\$ 44,866	9,328,417	\$ 9,328	\$214,062,633	\$(254,936,532)	\$ (40,819,705)
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 211,841	-	\$ 211,841
Exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,296	\$ 4	\$ 209	-	\$ 213
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ (25,503,030)	\$ (25,503,030)
Balance, June 30, 2025	-	-	-	-	-	-	-	-	-	-	-	-	44,866,071	\$ 44,866	9,331,713	\$ 9,332	\$214,274,683	\$(280,439,562)	\$ (66,110,681)

* The Company effected a 10-for-1 reverse stock split for each share of Common Stock outstanding.

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

MOTIV POWER SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTHS ENDED JUNE 30, 2024 AND 2025

	<u>2024</u>	<u>2025</u>
Cash flows from operating activities:		
Net loss	\$ (20,667,850)	\$ (25,503,030)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	580,295	369,500
Amortization	33,002	25,567
Amortization of debt issuance cost – cash	14,281	-
Amortization of right of use asset	280,157	431,046
Warranty provision	532,824	778,021
Stock-based compensation	186,621	211,841
Changes in operating assets and liabilities:		
Accounts receivable	4,494,533	(1,749,963)
Inventory	(4,420,334)	(4,388,516)
Other current assets and other assets	192,189	44,411
Accounts payable	(674,867)	168,759
Accrued liabilities and other long-term liabilities	3,743,693	6,704,932
Operating lease liability	(355,153)	(424,483)
Deferred revenue	45,630	1,619,995
Net cash used in operating activities	<u>(16,014,977)</u>	<u>(21,711,920)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,620,012)	(270,335)
Net cash used in investing activities	<u>(3,620,012)</u>	<u>(270,335)</u>
Cash flows from financing activities:		
Proceeds from short term senior secured promissory notes – related party	20,000,000	18,000,000
Payments for capital lease obligation	(5,787)	(1,929)
Proceeds from exercise of stock options	36,130	212
Net cash provided by financing activities	<u>20,030,343</u>	<u>17,998,283</u>
Increase (decrease) in cash and cash equivalents	395,354	(3,983,972)
Cash, beginning of the year	4,257,567	6,629,092
Cash, end of the year	<u>\$ 4,652,921</u>	<u>\$ 2,645,120</u>
Non cash financing activities:		
ROU assets exchanged for lease liabilities	\$ 19,397	\$ 652,871
Conversion of convertible debt & accrued interest to preferred stock	<u>\$ 65,562,394</u>	<u>\$ -</u>

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

NOTE 1 – FORMATION AND BUSINESS OF THE COMPANY

The accompanying consolidated financial statements include the accounts of Motiv Power Systems, Inc., and MOTIVPS Holdings Canada Ltd. (collectively, the “Company,” “management,” “we,” “us”).

Motiv Power Systems, Inc. (“Parent”) was originally formed and incorporated on July 9, 2010 in the state of California. The Parent was reincorporated on June 3, 2014 in the State of Delaware. The Parent primarily sells electrified chassis and accessories to customers for installation on medium duty transport vehicles such as delivery vehicles, buses and other electric transport vehicles. The Parent’s headquarters are located in Foster City, California.

On October 7, 2021, MOTIVPS Holdings Canada Ltd. was incorporated in Vancouver, BC Canada. The Company relocated one of its employees to Vancouver, BC to work remotely from his home in Vancouver, BC and on May 1, 2024 Company hired a second employee in Quebec, QC to provide “technical training” and “driver training” services in Canada to one of its customers. Besides this the Company does not have a physical presence in Canada.

The consolidated financial statements reflect the accounts and operations of the Parent and entities in which the Parent has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain prior year amounts have been reclassified to conform to current year presentation.

Liquidity, Capital Resources and Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business.

The Company’s financial statements do not reflect any adjustments related to the recoverability and reclassification of assets and liabilities that might be necessary if the Company is unable to continue as a going concern. Since inception, the Company has incurred losses and negative cash flows from operations. For the six-months ended June 30, 2025, the Company incurred a net loss of \$25.5 million, and used \$21.7 million of cash in operations. The Company anticipates that operating losses will continue in the future due to increased headcount and other costs necessary to develop and release our next generation technology, to increase our manufacturing capacity to accommodate increased demand for our product and to gain market share in a highly competitive environment. These conditions raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued. Funding for the business to date has come primarily through the issuance of equity to related parties, convertible promissory notes to related parties and secured promissory notes. As of June 30, 2025, the Company had cash of \$2.6 million and an accumulated deficit of \$280.4 million.

Although the Company’s objective is to increase its revenues from the sales of its products and to decrease its cost of goods sold per product within the next few years sufficient to generate positive operating and cash flow levels, there can be no assurance that the Company will be successful in this regard. The Company will also need to continue to raise capital in order to fund its operations. There can be no assurance that, in the event that the Company requires additional financing, such financing will be available on terms which are favorable to the Company, or at all. If the Company is unable to raise additional funding to meet its working capital needs in the future, it will be forced to delay or reduce the scope of its operations and/or limit or cease its operations. As a result of the above, substantial doubt exists about the Company’s ability to continue as a going concern within one year after the financial statements are available to be issued.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include all adjustments necessary for the fair presentation of the Company’s financial position for the periods presented.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant accounting estimates and management judgments reflected in the financial statements include items such as accounts receivable valuation and allowances, warranty reserve and valuation of inventory. Estimates are based on historical experience, where applicable, and other assumptions believed to be reasonable by management. Actual results may differ from those estimates under different assumptions or conditions.

Concentration of Credit Risk, Other Risks and Uncertainties

Financial instruments that potentially subject the Company to a concentration of credit risk primarily consist of cash and accounts receivable. The Company’s cash is held by one U.S. financial institution in excess of federally insured limits. The Company has not experienced any losses on its deposits of cash.

The Company’s future results of operations involve a number of risks and uncertainties. Factors that could affect the Company’s future operating results and cause actual results to vary materially from expectations include, but are not limited to, uncertainty of market acceptance of the Company’s products, competition from substitute products and larger companies, securing and protecting proprietary technology, strategic relationships and dependence on key individuals and sole source suppliers. The Company’s operations are subject to new laws, regulation and compliance. Significant changes to regulations governing the way the Company derives revenues could impact the Company negatively. Technological advancements and updates as well as maintaining compliance standards are required to maintain the Company’s operations. The Company expects to incur substantial operating losses for the next several years and will need to obtain additional financing in order to continue launching and commercializing its products. There can be no assurance that such financing will be available or will be at terms acceptable by the Company.

The Company derived 84% of its revenue from three customers for the six months ended June 30, 2025 and 81% of its revenue from four customers for the six months ended June 30, 2024. The Company had two customers that accounted for approximately 80% of accounts receivable as of June 30, 2025 and three customers that accounted for approximately 99% of accounts receivable as of June 30, 2024. The loss of these customers would have a significant impact on the Company’s operations.

The Company has reliance on specific suppliers for some key components in its products and so the loss or curtailment of those suppliers would have a significant impact on the Company’s operations in the short term. For the six months ended June 30, 2025 and 2024, the Company had three suppliers in each period that accounted for approximately 72% and 58%, respectively, of the total procurement. As of June 30, 2025 and 2024, the Company had four suppliers that accounted for 43% and 66%, respectively, of the total accounts payable.

Fair Value Measurements

The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable and secured promissory notes as of June 30, 2025. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments.

Cash

The Company's cash consists of cash maintained in checking and interest-bearing accounts. The Company held no cash equivalents as of June 30, 2025 and 2024.

Accounts Receivable

Accounts receivable is reported at invoice value less estimated allowances for returns and doubtful accounts. The Company continually monitors customer payments and maintains an allowance for estimated losses resulting from customers' inability to make required payments and represents the amount management expects to collect from outstanding balances. In evaluating the Company's ability to collect outstanding receivable balances, the Company considers various factors including the age of the balance, the creditworthiness of the customer, which is assessed based on ongoing credit evaluations and payment history, and the customer's current financial condition. In cases where there are circumstances that may impair the Company's ability to collect its receivable, an allowance is recorded against amounts due, which reduces the net recognized receivable to the amount reasonably believed to be collectible. Taking into consideration the foregoing items, no allowance for credit losses was recorded as of June 30, 2025 or 2024. Historical returns of products have been insignificant and accordingly no allowance for returns was recorded as of June 30 2025 or 2024.

Inventory

Inventory is stated at the lower of cost or net realizable value and consists of electrified chassis, batteries and electronic component parts. Cost is determined using the standard cost method which approximates actual cost using the first-in, first-out basis. The Company evaluates inventory for excess and obsolete items, based on management's assessment of future demand for older product lines, market conditions and technological obsolescence of its products. No charge was recorded to cost of sales to reduce its inventory to net realizable value in the six months ended June 30, 2025 or 2024.

Lease Accounting

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on their balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Company adopted ASC 842 as of January 1, 2022 using the optional transition method to apply the standard as of the effective date. The new standard also provides practical expedients for an entity's ongoing accounting as a lessee. The Company elected to utilize the practical expedient to not separate lease and non-lease components for all its existing leases. The Company has also elected not to present short-term leases on the consolidated balance sheet as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that the Company is reasonably certain to exercise. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because most of the Company's leases do not provide an implicit rate of return, it used its incremental borrowing rate based on the information available at adoption date in determining the present value of lease payments.

Long-Lived Assets

Long-lived assets are recorded at cost less accumulated depreciation and amortization. When long-lived assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation and amortization is provided over the estimated useful lives of the related assets using the straight-line method. Assets recorded under leasehold improvements are amortized using the straight-line method over the lesser of their useful lives or the related lease term.

The estimated useful lives for significant long-lived assets categories are as follows:

Leasehold improvements and vehicles	5 years
Office furniture and equipment	3 to 5 years
Furniture & fixtures	5 years
Intangible assets	3 years

Debt and Embedded Derivatives

The Company applies the accounting standards for derivatives and for distinguishing liabilities from equity when accounting for hybrid contracts. The Company accounts for convertible debt instruments when the Company has determined that the embedded conversion options should not be bifurcated from their host instruments in accordance with ASC 470-20 *Debt with Conversion and Other Options*.

Convertible Preferred Stock

The Company recorded convertible preferred stock at fair value on the dates of issuance, net of issuance costs.

Revenue Recognition

The Company adopted Accounting Standard Codification 606, Revenue from Contracts with Customers (ASC 606) as of January 1, 2021 using the modified retrospective method. Adoption of ASC 606 did not have a significant impact on the Company's financial statements. ASC 606 requires the Company to recognize revenue upon the transfer of goods or services to a customer at an amount that reflects the consideration it expects to be entitled to receive in exchange for those goods or services. It requires that the Company identify the contract, identify the performance obligations required by the contract, measure the transaction price of the contract, allocate the transaction price among performance obligations, and recognize revenue in a way that reflects the transfer of control of the goods or services it provides to the customer.

The Company has two primary revenue streams: revenue from sales to customers and consulting services. Below is a summary of the revenue recognized under these two streams in 2024 and 2025:

	Six Months Ended	
	June 30,	
	2024	2025
Revenue stream		
Revenue from sales to customers		
Delivery of product – recognized at a point in time	\$ 998,502	\$ 1,831,149
Consulting services – recognized over time	45,170	64,406
Total revenue	\$ 1,043,672	\$ 1,895,555

In most cases, the Company's sales orders from customers are readily identifiable and consist of a single performance obligation to provide product to customers. The Company typically recognizes revenue related to delivery of product at a point in time when goods are shipped from the upfitter (subcontractor that performs assembly services for the Company) to the bodybuilder (vendor that performs services for the customer), because this is typically when the customer assumes the risk of loss. In certain transactions, the Company takes on the responsibility to deliver a complete vehicle to a customer, versus just an electrified chassis. In these cases, revenue is recognized when the complete vehicle is delivered to the customer after the body build is complete. The Company recognizes revenue related to consulting services over time as the services are provided. The Company had no significant partially satisfied performance obligations related to contracts with customers as of June 30, 2024 or 2025.

Cost of Revenues

Cost of revenues includes the cost of labor, materials and overhead incurred in the manufacture, assembly and installation of products and servicing of customers, including warranty costs.

Product Development

The Company incurs product development costs during the process of developing electrified vehicles. Our product development costs consist primarily of labor, outside engineering costs and related materials and other expenses used in technological research and building prototypes.

Product Warranty

The Company typically provides a five year or 100,000-mile (whichever occurs first) warranty for high voltage traction batteries and a three year or 50,000-mile warranty for all other powertrain components. There is no contractual limit to the costs that the Company may incur in servicing these warranties. The Company records a warranty reserve for the estimated expense that may be incurred if its products require repair within the warranty period. The warranty reserve as of June 30, 2025 and 2024 was approximately \$2.4 million and \$2.8 million, respectively, and is included in accrued liabilities and other long-term liabilities on the balance sheet (see Note 4 – Accrued liabilities and Other long-term liabilities). The expense relating to the warranty is included in cost of goods sold.

Stock-Based Compensation

The Company accounts for stock options issued to employees under ASC 718 Share-Based Payments. Under ASC 718, share-based compensation cost to employees is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense ratably on a straight-line basis over the requisite vesting period. The standard vesting period is 4-years, with a 1-year cliff. The fair value of each stock option or warrant award is estimated on the grant date.

The calculation of share-based compensation expense requires that the Company make assumptions and judgments about the variables used in the Black-Scholes model, including the expected term, expected volatility of the underlying common stock, risk-free interest rate and dividends are derived from 409A valuation.

The Company recognizes forfeitures as they occur rather than applying a prospective forfeiture rate in advance (see Note 8).

Income Taxes

The Company accounts for income taxes using the asset and liability method under ASC 740 Income Taxes (“ASC 740”). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Deferred income tax assets are reviewed for recoverability, and valuation allowances are established when it is more likely than not that all or some portion of deferred income tax assets will not be realized to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities.

ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position is recognized only if it is “more likely than not” that the position is sustainable upon examination by the relevant taxing authority based on its technical merit.

The Company is subject to tax in the United States (“U.S.”) and Canada and files tax returns in both countries. The Company is subject to Federal, state and local income tax examinations by tax authorities for all periods since inception due to generated net operating losses. The Company currently is not under examination by any tax authority.

Segment Reporting

Operating segments are identified as components of an enterprise about separate discrete financial information is available for evaluation by the chief operating decision maker, (“CODM”). The Company has identified its Chief Executive Officer as the CODM who is responsible for making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business as one operating segment. The Company’s long-lived assets consist primarily of property and equipment, net, which are all held in the United States.

Net Loss per Share of Common Stock

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Because the Company has reported a net loss for the periods presented, diluted net loss per common share is the same as basic net loss per common share for those periods.

Recently Issued Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (“ASU 2023-09”), which will require the Company to disclose specified additional information in its income tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 will also require the Company to disaggregate its income taxes paid disclosure by federal, state and foreign taxes, with further disaggregation required for significant individual jurisdictions.

The Company expects to adopt ASU 2023-09 in 2026 using a prospective transition method.

The Company has reviewed all other recently issued accounting pronouncements and concluded they were either not applicable or not expected to have a material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which will require the Company to disclose segment expenses that are significant and regularly provided to the Company's chief operating decision maker ("CODM"). In addition, ASU 2023-07 will require the Company to disclose the title and position of its CODM and how the CODM uses segment profit or loss information in assessing segment performance and deciding how to allocate resources. The Company recently adopted ASU 2023-07 in 2024 using a retrospective transition method.

Restatement

Subsequent to the issuance of the Company's financial statements for the six months ended June 30, 2025, management identified an error in the calculation of the weighted average number of shares outstanding on a basic and diluted basis, which also resulted in an error in the calculation of net loss per share attributable to common stockholders on a basic and diluted basis. Specifically, 8.5 million common shares issued during 2024 were not properly weighted for the portion of the year outstanding.

The error resulted in an overstatement of basic and diluted loss per share for the six months ended June 30, 2025. The error did not affect previously reported net income, total equity, cash flows, or total assets and liabilities.

Management evaluated the materiality of the error in accordance with ASC 250, *Accounting Changes and Error Corrections*, and concluded that the error was material to the previously issued financial statements for the six months ended June 30, 2025. Accordingly, the accompanying financial statements have been Restated to correct the error.

The following tables present the effects of the Restatement on the Company's previously reported Condensed Consolidated Unaudited Statement of Operations:

Six Months Ended June 30, 2025	As Previously Reported	Adjustment	As Restated
Net loss	(25,503,030)	-	(25,503,030)
Net loss per share attributable to common stockholders, basic and diluted (Note 11)	\$ (32.2)	\$ 29.5	\$ (2.7)
Weighted average number of shares used in calculating basic and diluted net loss per share	791,878	8,538,713	9,330,591

NOTE 3 – FAIR VALUE MEASUREMENTS

The Company has adopted FASB Accounting Standards Codification (“ASC”) 820-10, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

- Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3 Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

NOTE 4 – BALANCE SHEET ACCOUNTS

Details of the following balance sheet accounts are shown below:

	<u>As of June 30,</u>	
	<u>2024</u>	<u>2025</u>
<i>Other current assets</i>		
Prepays	\$ 307,818	\$ 599,494
Vendor Deposits	1,508,266	1,876,879
Other	8,715	32,224
Total Other current assets	<u>\$ 1,824,799</u>	<u>\$ 2,508,597</u>

	<u>As of June 30,</u>	
	<u>2024</u>	<u>2025</u>
<i>Inventory</i>		
Raw material	\$ 12,724,683	\$ 14,640,734
Service Inventory	160,319	364,194
Work in process	1,557,967	2,164,217
Finished goods	8,154,922	8,622,210
Total inventory	<u>\$ 22,597,891</u>	<u>\$ 25,791,355</u>

	<u>As of June 30,</u>	
	<u>2024</u>	<u>2025</u>
<i>Long-lived assets, net</i>		
Leasehold improvements	\$ 389,242	\$ 389,242
Office equipment	938,352	1,050,399
Furniture	56,622	76,787
Vehicles	5,861,244	2,559,402
Machinery, equipment and tools	1,588,878	1,502,936
Project in progress	462,227	426,491
Total property and equipment, gross	<u>9,296,565</u>	<u>6,005,257</u>
Less: Accumulated depreciation	<u>(3,508,828)</u>	<u>(4,064,628)</u>
Total property and equipment, net	<u>\$ 5,787,737</u>	<u>\$ 1,940,629</u>

Depreciation expense for the six months ended June 30, 2024 and 2025 was \$580,295 and \$369,500, respectively.

	As of June 30,	
	2024	2025
<i>Intangible assets, net</i>		
Software development costs	\$ 258,709	\$ 258,709
Less: Accumulated amortization	(152,581)	(203,766)
Total Intangible assets, net	<u>\$ 106,128</u>	<u>\$ 54,943</u>

Amortization expense for the six months ended June 30, 2024 and 2025 was \$33,002 and \$25,567 respectively.

	As of June 30,	
	2024	2025
<i>Accrued liabilities</i>		
Settlement liabilities, current	\$ 191,675	\$ 43,862
Warranty reserve, current	1,481,885	1,465,600
Accrued expenses	1,019,826	3,394,290
Accrued vacation	968,213	1,102,102
Other	137,119	102,264
Total accrued liabilities	<u>\$ 3,798,718</u>	<u>\$ 6,108,118</u>

	As of June 30,	
	2024	2025
<i>Other long-term liabilities</i>		
Warranty reserve, non-current	\$ 1,272,549	\$ 983,796
Capital leases, non-current	2,074	3,493
Total other long-term liabilities	<u>\$ 1,274,623</u>	<u>\$ 987,289</u>

The Company records a warranty reserve for the estimated expense and liability that may be incurred if its product is returned for repair within the warranty period. Details of the reserve roll-forward are shown in the following table:

	As of June 30,	
	2024	2025
<i>Warranty reserve</i>		
Beginning balance	\$ 3,259,871	\$ 2,737,498
Warranty provision for units placed into service during the six months	532,824	778,021
Warranty expenditures	(1,038,260)	(1,066,123)
Ending balance	<u>\$ 2,754,435</u>	<u>\$ 2,449,396</u>

NOTE 5 – NOTES PAYABLE AND CONVERTIBLE DEBT

Notes Payable

On September 29, 2023, the Company executed an Amended and Restated Junior Secured Promissory Note (the “A&R Junior Note”) with a related party preferred stockholder that provided for the issuance of up to \$5,000,000 in loan advances with an interest rate of 20% per annum. The A&R Junior Note (now the A&R Senior Note as defined below) is secured by substantially all of the Company’s assets. The loan advances under the A&R Junior Note were provided in four advances: (i) \$1,500,000 was issued on September 25, 2023, (ii) \$1,500,000 was issued on September 29, 2023, (iii) \$1,000,000 was issued on October 11, 2023, and (iv) \$1,000,000 was issued on October 27, 2023. All calculations of interest are made on the basis of a 365-day year and are compounding monthly. On December 06, 2023, the A&R Junior Note was amended and restated as a Senior Secured Promissory Note (the “A&R Senior Note”) and to increase the loan advance amount and a fifth advance of \$5,200,000 was issued on December 06, 2023, with an interest rate of 20% per annum. On December 27, 2023, the A&R Senior Note was again amended to increase the loan advance amount and a sixth advance of \$4,800,000 was issued on December 27, 2023 with the same interest rate of 20% per annum.

On January 25, 2024, March 01, 2024, April 05, 2024, May 30, 2024, and July 29, 2024, the Company further amended and restated the A&R Senior Note to provide for additional \$5,000,000 loan advances. On August 30, 2024 and November 22, 2024, the Company further amended and restated the A&R Senior Note to provide for additional \$10,000,000 loan advances, with the same interest rate of 20% per annum, compounded monthly. On February 14, 2025, February 21, 2025 and April 23, 2025 the Company amended and restated the A&R Senior Note to provide for additional \$5,000,000 loan advances. On June 23, 2025 the “Company” further amended and restated the A&R Senior Note to provide for additional loan advances of \$3,000,000 with an interest rate of 20% per annum, compounded monthly. Total aggregated principal and compounded interest balance of the A&R Senior Note at June 30, 2025 is \$93,759,042. The A&R Senior Note is currently scheduled to mature on October 31, 2025 and is subject to acceleration and an additional 5% of interest if certain events of default occur.

Convertible Debt

On August 16, 2022, the Company issued a convertible promissory note to a related party preferred stockholder to finance its operations in the amount of \$5,000,000 with an interest rate of 6% per annum. This note is one of a series of convertible promissory notes issued by the Company (collectively, the “August 2022 Bridge Notes”). Two other \$5,000,000 notes were issued to the same related party on September 15, 2022 and October 18, 2022, for an aggregate principal amount of \$15,000,000. On November 30, 2022, the August 2022 Bridge Notes were amended 1) to reduce the conversion price that would apply in the event of a qualified and non-qualified financing from 75% of the price at which the relevant shares are issued to 70%, 2) to increase the aggregated principal amount from \$15,000,000 to \$25,000,000 (the Company also issued an additional \$10,000,000 convertible promissory note to the same related party on November 30, 2022 and December 21, 2022 with an interest rate of 4.1% and 4.55% respectively), and 3) to reduce the interest rate of August 2022 Bridge Notes issued on August 16, 2022, September 15, 2022 and October 18, 2022 from 6% to 4.1% per annum.

On January 25, 2023, the Company issued a convertible promissory note to a related party preferred stockholder to finance its operations in the amount of \$5,000,000 with an interest rate of 4.5% per annum. This Note is one of a series of convertible promissory notes of the Company in the aggregate principal amount of up to \$25,000,000 (the "Notes") issued from time to time to accredited investors pursuant to that certain Note Purchase Agreement. The Company also issued an additional \$10,000,000 convertible promissory note to the same related party on March 14, 2023 and April 21, 2023 with an interest rate of 4.5% and 4.86% respectively. On May 31, 2023, the "November 2022 Notes" were amended to increase the aggregated principal amount from \$25,000,000 to \$45,000,000, and the Company issued an additional \$5,000,000 convertible promissory note with an interest rate of 4.30% per annum. Two other \$5,000,000 notes were issued to the same related party on June 26, 2023 and July 27, 2023 with an interest rate of 4.8% per annum. On August 21, 2023, a second amendment were made to "November 2022 Notes" (i) all accrued and unpaid interest under such note as of (but not included) August, 21 2023 were automatically rolled into, and made part of, the "Principal Amount" of such note. (ii) The "Principal Amount" of such notes shall accrue interest at a rate of 9% per annum from August, 21 2023, and shall be compounded annually (iii) The "Maturity Date" of such note will be deemed to be the earlier (a) November 15, 2023 (b) the occurrence of an "Event of Default" and the Company issued a \$5,000,000 convertible promissory note with an interest rate of 9% per annum. On November 15, 2023 & December 06, 2023 third and fourth amendments were made to "November 2022 Notes" to extend the "Maturity Date" of such note will be deemed to the earlier (a) December 15, 2023 (b) the occurrence of an "Event of Default" & (a) March 15, 2024 (b) the occurrence of an "Event of Default".

On June 14, 2024, a qualified event occurred (the Series A preferred) and with the approval and consent of the Company's majority shareholder and lender, \$50 million of outstanding principal and interest under the Convertible Notes was converted (without discount) into 44,642,857 shares of Series A Preferred Stock at a conversion price of \$1.12 per share. The Company determined that the conversion of related party debt into preferred stock was essentially a capital transaction and consequently \$15,562,393 including the principal & compounded interest of debt extinguishment is treated as additional paid in capital.

NOTE 6 – CONVERTIBLE PREFERRED STOCK & WARRANTS

On June 14, 2024, the Company and certain holders of its Series A-1 and A-2 redeemable convertible preferred stock ("Series A"), Series B redeemable convertible preferred stock ("Series B"), and Series C-1, C-2, and C-3 redeemable convertible preferred stock ("Series C") agreed to convert their securities into shares of the Company's common stock, par value \$0.001 per share (collectively, the "Equity Conversion"). Such conversions were accomplished pursuant to a stockholder resolution approving the Equity Conversion. Shares of Series A, Series B, and Series C preferred stock were converted based on conversion rates of 1 share of common stock (pre-split) per one share of Series A, Series B, and Series C preferred stock, respectively. All outstanding shares of Series A (46,669,056 shares), Series B (13,000,000 shares), and Series C (25,693,095 shares) preferred stock were converted and a total of 85,362,151 shares of common stock (pre-split) were issued in connection with the Equity Conversion.

Following the Equity Conversion, and upon effectiveness of the Restated Certificate, the Company effected a 10-for-1 reverse stock split for each share of Common Stock outstanding immediately following the Equity Conversion (the "*Reverse Stock Split*");

On October 4, 2024, the Company issued 223,214 shares of Series A Preferred Stock at a conversion price of \$1.12 per share to an existing common stock holder.

Voting

The holder of each share of preferred stock is entitled to one vote for each share of common stock into which such preferred stock could then be converted and, with respect to such vote, such holder has full voting rights and powers equal to the voting rights and powers of the holders of common stock and is entitled to notice of any stockholders' meeting in accordance with the Company's bylaws. The holders of shares of Series A preferred stock & common stock are entitled to elect three of the Company's directors each. In addition, one independent director is designated by mutual agreement of the other members of the Board. The Company has a total of seven director positions.

Conversion

Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing the applicable Original Issue Price by the applicable Conversion Price in effect at the time of conversion.

The "Conversion Price" of the Series A Preferred Stock shall initially be equal to the Original Issue Price. The applicable Conversion Price, and the rate at which shares of Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment.

The conversion price of the convertible preferred stock was initially set at an amount equal to the issue price. The preferred stock conversion price is subject to adjustment for stock dividends, stock splits, recapitalization and upon the occurrence of certain triggering events related to anti-dilution protection rights. In the event that a future preferred stock financing should occur at a price lower than the last preferred financing round, the conversion ratios of the existing preferred stock are changed to protect the ownership position of existing investors. See note 11 for the number of common shares into which each class of preferred share may be converted.

Redemption

The Company must redeem its Series A preferred stock in the case of a deemed liquidation event which includes (a) a merger or consolidation in which: (i) the Company is a constituent party, or (ii) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation; except any such merger or consolidation involving the Company or a subsidiary in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or (b) (i) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all of the assets of the Company and its subsidiaries taken as a whole, or (ii) the sale or disposition (whether by merger, consolidation or otherwise, and whether in a single transaction or a series of related transactions) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company. However, in such an event all classes of shareholders would be entitled to receive the same type of consideration. Consequently, Series A preferred is classified as permanent equity on the Company's balance sheet. The amount to be paid upon redemption is shown as the aggregation liquidation preference in the tables above. There are currently no dividends declared on Series A preferred shares.

Please see Note 5 & 6 – Recapitalization and Conversion of Related Party Convertible Debt Securities

NOTE 7 – COMMON STOCK

The holders of the Company's common stock are entitled to one vote for each share held at all meetings of stockholders. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when and if declared by the board of directors, subject to the prior rights of holders of all classes of preferred stock outstanding. The Company has never declared any dividends on common stock.

On June 14, 2024 following the Equity Conversion, and upon effectiveness of the Restated Certificate, the Company effected a 10-for-1 reverse stock split for each share of Common Stock outstanding immediately following the Equity Conversion (the "*Reverse Stock Split*"); The effect of this stock split has been retrospectively reflected throughout the financial statements and related notes.

NOTE 8 – STOCK BASED COMPENSATION

The Company adopted a Stock Plan in 2010 and an equity incentive plan in 2020, which provide for the grant of equity awards to its employees, outside directors and consultants, including stock options, rights to purchase restricted stock units to purchase shares of our common stock up to 38,189,962 shares of our common stock may be issued pursuant to awards granted under the Stock Plan. The Stock Plan is administered by the Company's Board of Directors and expires ten years after adoption, unless terminated earlier or extended by the Board. Options may be granted at an exercise price per share of not less than 100% of the fair value at the date of grant. If an incentive stock option is granted to a stockholder holding 10% of the Company's outstanding capitalization, then the purchase or exercise price per share must not be less than 110% of the fair market value per share of common stock on the grant date. Options granted are exercisable over a maximum term of 10 years from the date of grant and generally vest over a period of four years. Upon exercise, the Company issues common stock from its authorized shares.

On June 14, 2024 The Company's 2020 Equity Incentive Plan was amended to increase the maximum number of shares of Common Stock that may be issued or subject to stock options issued under the Plan to a new aggregate total of 20,486,031 shares of Common Stock (which 18,323,996 shares of Common Stock of the unallocated portion of the Plan represented approximately 24.5% of the fully diluted post-closing capitalization of the Company as of immediately after giving effect to the Recapitalization).

Total stock-based compensation expense for employees and non-employees recognized in the statements of operations was as follows:

	Six Months Ended June 30,	
	2024	2025
Cost of revenue	\$ 6,860	\$ 29,347
General and administrative	97,522	145,614
Sales and marketing	18,492	11,590
Product development	63,747	25,290
Total stock-based compensation expense	\$ 186,621	\$ 211,841

NOTE 9 – INCOME TAXES

As of June 30, 2025 and June 30, 2024, the Company's net deferred tax liability was zero. Cumulative deferred tax assets are fully reserved as there is not sufficient evidence to conclude it is more likely than not the deferred tax assets are realizable. No current liability for federal or state income taxes has been included in these Condensed Consolidated Financial Statements due to the loss for the periods.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office and warehouse space under various non-cancellable operating lease agreements. Total rent expense for all operating leases in the statements of operations was \$410,536 and \$ 662,184 for the six months ended June 30, 2024 and 2025, respectively.

Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Variable lease payments include certain non-lease components (such as parking, maintenance and other services provided by the lessor), and other charges included in the lease. Variable lease payments are excluded from future minimum lease payments and expensed as incurred.

In March 2016, the Company entered into a lease for office space for its corporate headquarters in Foster City, California, with the expiration date of April 2023. The Company amended the lease agreement on December 1, 2021 to extend the period to May 31, 2025. On November 20, 2024 Company amended the lease to extend the lease for an additional 8 months. This lease term shall commence June 1, 2025 and terminates on February 28, 2026.

In November 2014, the Company entered into a lease for office and warehouse space in Hayward, California. The term of the lease commenced in February 2015 and initially expired in January 2018 until subsequently extended until February 2023. On November 23, 2021 Company amended the lease to extend the lease term for an additional 24 months. This lease term shall commence March 1, 2023 and terminates on February 28, 2024. On February 07, 2024 Company amended the lease to extend the lease for an additional 24 months. This lease term shall commence March 1, 2024 and terminates on February 28, 2025. On December 09, 2024 Company amended the lease to extend the lease for an additional 12 months. This lease term shall commence March 1, 2025 and terminates on February 28, 2026.

In November 2019, the Company entered into a three-year, one-month operating lease for office and warehouse space, in Stockton, California, which will expire in November 2023. On July 18, 2023 Company amended the lease to extend the lease term. This lease term shall commence November 15, 2023 and terminates on December 13, 2025.

In September 2024, the Company entered into a one-year, three-month operating lease for an additional warehouse space, in Stockton, California, the lease terms shall commence October 2, 2024 and terminates on January 1, 2026.

In January 2023, the Company entered into a lease for office space for its operations in Novi, Michigan, with the expiration date of December, 31 2025.

In October 2023, the Company entered into a lease for warehouse space in Sturgis, Michigan. The term of the lease is the period of three (3) consecutive calendar months commencing on the Lease Commencement date and each anniversary date during the lease term(s).

As of June 30, 2025, the weighted average remaining lease term was 0.6 years. The weighted average incremental borrowing rate used in calculating operating lease liabilities as of June 30, 2025 was 12.5%.

As of June 30, 2025, the total future minimum payments required under these non-cancellable lease agreements are as follows:

Year ending June 30:	
2025 (July to December)	475,049
2026	98,388
2027	-
2028	-
2029	-
Thereafter	-
Total minimum lease payments	<u>573,437</u>
Less: interest	<u>(24,205)</u>
Present value of lease obligations	<u>549,232</u>
Less: current portion	<u>(549,232)</u>
Noncurrent portion	<u>\$ -</u>

Legal Matters

On May 8, 2023, the Company filed an administrative Trademark Trial and Appeal Board (TTAB) opposition to Motive Technologies, Inc.'s application(s) to use its "Motive" mark in association with various international classes of goods and services. An adverse decision in the matter would have no direct pecuniary cost to the Company, but could affect the Company's ability to use its marks in the disputed classes of goods and services.

Aside from these matters, the Company is currently not involved with and does not know of any pending or threatened litigation against the Company.

NOTE 11 – NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

	Six Months Ended	
	June 30,	
	2024	2025
Numerator:		
Net loss	\$ (20,667,850)	\$ (25,503,030)
Denominator:		
Weighted average number of shares used to compute basic and diluted net loss per common stock	<u>1,544,073</u>	<u>9,330,591</u>
Net loss per share, basic and diluted	<u>\$ (13.4)</u>	<u>\$ (2.7)</u>

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive:

	As of June 30,	
	2024	2025
Conversion of Series A preferred stock	<u>44,642,857</u>	<u>44,866,071</u>
Series C-3 Warrants	<u>334,516</u>	<u>334,516</u>
Exercise of outstanding options	<u>2,160,878</u>	<u>16,083,590</u>
Total	<u>47,138,251</u>	<u>61,284,177</u>

The Company calculates basic and diluted net loss per share by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is the same as basic net loss per share, since the effects of potentially dilutive securities (such as convertible preferred stock, convertible note payable, stock options and warrants) are antidilutive.

NOTE 12 – SEGMENT REPORTING:

ASC 280, “Segment Reporting” establishes standards for reporting information about operating segments on a basis consistent with the Company’s internal organization structure as well as information about services categories, business segments and major customers in financial statements. The Company has only one reportable segment, Motiv Product Segment, as all their research and development activities are related the development of the Motiv Product Segment. Since the Company operates in one operating segment, all required financial segment information can be found in the consolidated financial statements.

The Company adheres to the provisions of ASC 280, Segment Reporting, which establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in financial statements issued to shareholders. As the Company is currently involved in the development of one product, the Platform, the Company has determined that it operates in a single reportable segment. The Company’s Chief Operating Decision Maker (CODM), its Chief Executive Officer (CEO), reviews the consolidated results of operations when making decisions about allocating resources and assessing the performance of the Company as a whole and, hence, the Company has only one reportable segment. The Company’s assets are located in the United States of America.

NOTE 13 – SUBSEQUENT EVENTS

The Company has evaluated all events or transactions that occurred after June 30, 2025 up through September 30, 2025.

Senior Secured Promissory Notes

On August 11, 2025, the “Company” further amended and restated the A&R Senior Note to provide for an additional loan advance of \$4,000,000 with an interest rate of 20% per annum, compounded monthly. The A&R Senior Note matures on October 31, 2025 and is subject to acceleration and an additional 5% of interest if certain events of default occur.

Workhorse Group and Motiv Electric Trucks Merger Agreement

On August 15, 2025, the Company and Workhorse Group Inc. (Nasdaq: WKHS) (“Workhorse”) announced that they have entered into a definitive merger agreement. Under the terms of the merger agreement, following the completion of the all-stock transaction, pre-merger Motiv investors will initially own approximately 62.5% of the combined company and Workhorse shareholders will maintain a significant equity stake (approximately 26.5%). The transaction is expected to close in the fourth quarter of 2025, subject to Workhorse shareholder approval and other customary closing conditions. All of the proceeds from the merger with Workhorse are expected to be used to satisfy the outstanding principal and accrued interest on the “A&R notes” (~\$101,000,000 at the date the merger agreement was signed). There is expected to be no distribution to the Company’s equity holders.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On August 15, 2025, Workhorse Group Inc., a Nevada corporation (“Workhorse” or the “Company”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) by and among Workhorse, Omaha Intermediate 2, Inc., a Delaware corporation and wholly-owned subsidiary of Workhorse (“Intermediate Parent”), Omaha Intermediate, Inc., a Delaware corporation and wholly-owned subsidiary of Intermediate Parent (“Intermediate”), Omaha Merger Subsidiary, Inc., a Delaware corporation and wholly-owned subsidiary of Intermediate (“Merger Subsidiary”), and Motiv Power Systems, Inc., a Delaware corporation (“Motiv”). On December 15, 2025, Merger Subsidiary merged with and into Motiv (the “Merger”), and Motiv became a direct, wholly-owned subsidiary of Intermediate and an indirect, wholly-owned subsidiary of Workhorse. Defined terms included below have the same meaning as terms defined and included elsewhere in the Company’s definitive proxy statement on Form DEFM 14A filed with the Securities and Exchange Commission (the “SEC”) on October 8, 2025 (the “Proxy Statement”).

The following unaudited pro forma condensed combined financial statements and notes thereto present the unaudited pro forma condensed combined balance sheet as of September 30, 2025 and the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2025 and the year ended December 31, 2024. The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X, in order to give effect to the business combination and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements.

The Merger is accounted for as a reverse acquisition, with Motiv treated as the accounting acquirer and Workhorse as the accounting acquiree, in accordance with Financial Accounting Standards Board Accounting Standards Codification 805, *Business Combinations* (“ASC 805”). As such, the pro forma financial information reflects the assets and liabilities of Motiv at historical carrying values and the assets and liabilities of Workhorse measured at estimated fair value as of the assumed acquisition date.

The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2025 and the year ended December 31, 2024, give effect to the Merger as if it had occurred on January 1, 2024. The unaudited pro forma condensed combined balance sheet as of September 30, 2025 gives effect to the Merger as if it had occurred on that date and combines the historical balance sheets of Workhorse and Motiv as of such date.

The unaudited pro forma financial statements, and the related notes thereto, are based on, and should be read in conjunction with:

- The historical audited consolidated financial statements of Workhorse as of and for the year ended December 31, 2024, and the related notes, included in Workhorse’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the SEC on March 31, 2025;
- The historical unaudited condensed consolidated financial statements of Workhorse as of and for the nine months ended September 30, 2025, and the related notes, included in Workhorse’s Quarterly Report on Form 10-Q filed with the SEC on November 10, 2025;
- The historical audited Restated consolidated financial statements of Motiv as of and for the years ended December 31, 2024 and 2023, and the related notes, included elsewhere within this Current Report on Form 8-K/A; and
- The historical unaudited condensed consolidated financial statements of Motiv as of and for the nine months ended September 30, 2025, and the related notes, included elsewhere within this Current Report on Form 8-K/A.

As of the date of this filing, the Company has not completed the detailed valuation study necessary to arrive at the required final estimates of the fair value of the assets to be acquired and the liabilities to be assumed and the related allocations of purchase price. The allocation of the purchase price is preliminary and subject to adjustment during the measurement period, not to exceed one year from the acquisition date, as the Company finalizes valuations for tangible and intangible assets. As a result of the foregoing, the pro forma adjustments are preliminary and are subject to material change as additional information becomes available and as additional analysis is performed.

These unaudited pro forma condensed combined financial statements are prepared for informational purposes only and are based on assumptions and estimates considered reasonable by management. The unaudited pro forma adjustments represent management’s estimates based on information available as of the date of the unaudited pro forma condensed combined financial statements and are subject to material change as additional information becomes available and additional analyses are performed. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects that are directly attributable to the business combination, and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined financial statements do not purport to be indicative of what Workhorse’s financial condition or results of operations actually would have been if the business combination had been consummated as of the dates indicated, nor do they purport to represent Workhorse’s financial position or results of operations for future periods.

WORKHORSE GROUP INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2025

	<u>Motiv Historical</u>	<u>Workhorse Historical</u>	<u>Transactions Adjustments</u>	<u>Item in Note 4</u>	<u>Pro Forma Combined</u>
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 3,630,081	\$ 12,726,147	\$ (14,548,997)	(e)	\$ 18,176,508
			(264,940)	(f)	
			10,000,000	(g)	
			6,634,217	(b)	
Restricted cash	154,500	25,475,596	(24,950,596)	(b)	679,500
Accounts receivable, net	4,978,446	1,151,976	-		6,130,422
Other receivables	-	1,460,100	-		1,460,100
Inventory	21,672,436	29,999,387	-		51,671,823
Prepaid expenses and other current assets	2,529,085	2,148,595	-		4,677,680
Total current assets	<u>32,964,548</u>	<u>72,961,801</u>	<u>(23,130,316)</u>		<u>82,796,033</u>
Property and equipment, net	1,548,293	21,120,568	-		22,668,861
Intangible assets, net	251,918	-	-		251,918
Goodwill	-	-	14,022,338	(a)	14,022,338
Operating leases right-of-use assets, net	323,240	22,236,613	-		22,559,853
Other assets	139,000	416,310	-		555,310
Total assets	<u>\$ 35,226,999</u>	<u>\$ 116,735,292</u>	<u>\$ (9,107,978)</u>		<u>\$ 142,854,313</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable	\$ 5,583,761	\$ 11,225,948	-		\$ 16,809,709
Accrued liabilities and other current liabilities	1,690,925	7,127,368	(829,382)	(b)	7,175,927
			(812,984)	(f)	
Deferred revenue	945,939	1,057,000	-		2,002,939
Contract liability	1,304,237	-	-		1,304,237
Operating lease liability – current portion	326,567	2,707,209	-		3,033,776
ATW rights liability	-	-	7,112,449	(b)	7,112,449
Revolving Credit Facility	-	-	10,000,000	(g)	10,000,000
Senior secured promissory note – related party	103,381,656	-	(103,381,656)	(a)	-
Warranty liability – current portion	1,898,672	1,209,129	-		3,107,801
Warrant liability at fair value	-	9,983,695	(9,983,695)	(b)	-
Convertible notes at fair value	-	27,119,114	(27,119,114)	(b)	-
Total current liabilities	<u>115,131,757</u>	<u>60,429,463</u>	<u>(125,014,382)</u>		<u>50,546,838</u>
Convertible note at fair value – long-term	-	5,148,000	-		5,148,000
Operating lease liability – long-term	-	19,087,603	-		19,087,603
Warranty liability – long-term	984,714	-	-		984,714
Other long-term liabilities	3,494	-	-		3,494
Total liabilities	<u>116,119,965</u>	<u>84,665,066</u>	<u>(125,014,382)</u>		<u>75,770,649</u>
COMMITMENTS AND CONTINGENCIES					
Shareholders' Equity					
Series A convertible preferred stock	44,866	-	(44,866)	(a)	-
Common stock	9,620	2,479	(9,620)	(a)	9,109
			6,630	(a)	
			0	(c)	
Additional paid-in capital	214,366,396	928,679,291	(928,679,291)	(d)	(539,353,254)
			39,506,978	(a)	
			103,381,656	(a)	
			3,260	(c)	
			(896,611,544)	(d)	
Accumulated deficit	(295,313,848)	(896,611,544)	896,611,544	(d)	606,427,809
			928,679,291	(d)	
			54,486	(a)	
			(25,491,270)	(a)	
			(7,112,449)	(b)	
			9,632,117	(b)	
			9,983,695	(b)	
			(3,260)	(c)	
			(14,548,997)	(e)	
			(264,940)	(f)	
			812,984	(f)	
Total shareholders' equity	<u>(80,892,966)</u>	<u>32,070,226</u>	<u>115,906,404</u>		<u>67,083,664</u>
Total liabilities and shareholders' equity	<u>\$ 35,226,999</u>	<u>\$ 116,735,292</u>	<u>\$ (9,107,978)</u>		<u>\$ 142,854,313</u>

WORKHORSE GROUP INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Motiv Historical</u>	<u>Workhorse Historical</u>	<u>Transactions Adjustments</u>	<u>Item in Note 4</u>	<u>Pro Forma Combined</u>
Revenues	\$ 7,043,926	\$ 6,616,358	\$ -		\$ 13,660,284
Cost of revenues	13,189,596	28,842,087	(368,209)	(h)	44,415,872
			2,784,693	(h)	
			(32,295)	(m)	
Gross loss	<u>(6,145,670)</u>	<u>(22,225,729)</u>	<u>(2,384,189)</u>		<u>(30,755,588)</u>
Operating expenses					
Research and development	12,891,431	9,149,055	(174,105)	(m)	21,866,381
Selling, general and administrative	16,046,965	42,512,129	19,008,282	(i)	77,061,317
			(157,884)	(l)	
			(348,176)	(m)	
Impairment loss on discontinued product line investment	6,246,181	-	-		6,246,181
Total operating expenses	<u>35,184,577</u>	<u>51,661,184</u>	<u>18,328,118</u>		<u>105,173,879</u>
Operating loss	(41,330,247)	(73,886,913)	(20,712,307)		(135,929,467)
Interest expense, net	(10,246,041)	(22,241,781)	32,487,822	(j)	(1,324,661)
			(412,161)	(j)	
			(912,500)	(j)	
Amortization of debt issuance costs – cash portion	(14,281)	-	14,281	(j)	-
Fair value loss on warrants	-	(5,778,660)	5,778,660	(k)	-
Gain on sale of assets	-	-	13,805,791	(h)	13,805,791
Other income, net	3,319	-	-		3,319
Income (loss) before taxes	(51,587,250)	(101,907,354)	30,049,586		(123,445,018)
Income tax (provision) benefit	(800)	117,061	-		116,261
Net loss	<u>\$ (51,588,050)</u>	<u>\$ (101,790,293)</u>	<u>\$ 30,049,586</u>		<u>\$ (123,328,757)</u>
Basic and diluted net loss per share of common stock*	\$ (9.43)	\$ (222.15)	\$ -		\$ (17.40)
Basic and diluted weighted average shares outstanding*	5,468,097	458,211	1,161,960	(n)	7,088,268

* Periods presented have been adjusted to reflect the Workhorse March 2025 reverse stock split (1-for-12.5), which was effective March 17, 2025 and the December 2025 reverse stock split (1-for-12), which was effective December 8, 2025.

WORKHORSE GROUP INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

	<u>Motiv Historical</u>	<u>Workhorse Historical</u>	<u>Transactions Adjustments</u>	<u>Item in Note 4</u>	<u>Pro Forma Combined</u>
Revenues	\$ 11,468,520	\$ 8,695,389	\$ -		\$ 20,163,909
Cost of revenues	15,303,959	28,308,743	(212,861)	(h)	45,013,144
			1,624,404	(h)	
			(11,101)	(m)	
Gross loss	<u>(3,835,439)</u>	<u>(19,613,354)</u>	<u>(1,400,442)</u>		<u>(24,849,235)</u>
Operating expenses:					
Research and development	9,649,791	3,852,998	(61,452)	(m)	13,441,337
Selling, general and administrative	13,870,695	20,399,242	(4,459,286)	(i)	28,849,163
			(747,484)	(l)	
			(214,005)	(m)	
Total operating expenses	<u>23,520,486</u>	<u>24,252,240</u>	<u>(5,482,227)</u>		<u>42,290,500</u>
Operating loss	(27,355,925)	(43,865,594)	4,081,784		(67,139,735)
Interest expense, net	(13,018,550)	(6,002,383)	19,020,933	(j)	(1,006,027)
			(323,527)	(j)	
			(682,500)	(j)	
Change in fair value of convertible notes	-	(7,781,029)	7,781,029	(k)	-
Change in fair value of warrants	-	(4,205,035)	4,205,035	(k)	-
Gain on sale of assets	-	13,805,791	(13,805,791)	(h)	-
Other income (expense), net	(2,841)	4,795,250	-		4,792,409
Loss before provision for income taxes	<u>(40,377,316)</u>	<u>(43,253,000)</u>	<u>20,276,963</u>		<u>(63,353,353)</u>
Provision for income taxes	-	-	-		-
Net loss	<u>\$ (40,377,316)</u>	<u>\$ (43,253,000)</u>	<u>\$ 20,276,963</u>		<u>\$ (63,353,353)</u>
Basic and diluted net loss per share of common stock*	\$ (4.29)	\$ (37.52)	\$ -		\$ (8.14)
Basic and diluted weighted average shares outstanding*	9,420,092	1,152,951	(2,790,035)	(n)	7,783,008

* Periods presented have been adjusted to reflect the Workhorse March 2025 reverse stock split (1-for-12.5), which was effective March 17, 2025 and the December 2025 reverse stock split (1-for-12), which was effective December 8, 2025.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1 – Basis of Presentation

The Workhorse and Motiv historical financial information has been derived from, in the case of Workhorse, its condensed consolidated financial statements included in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2025 and Annual Report on Form 10-K for the year ended December 31, 2024, and in the case of Motiv, its condensed consolidated financial statements included elsewhere within this Current Report on Form 8-K/A for the nine months ended September 30, 2025 and for the year ended December 31, 2024. The unaudited pro forma condensed combined financial statements should be read in conjunction with Workhorse's and Motiv's consolidated financial statements and the notes thereto. The unaudited pro forma condensed combined statements of operations give effect to the business combination as if they had been completed on January 1, 2024, and the unaudited pro forma condensed combined balance sheet as of September 30, 2025 gives effect to the Business Combination as if it had occurred on that date.

The historical financial statements of Workhorse and Motiv have been adjusted in the unaudited pro forma condensed combined financial statements to give pro forma effect to the accounting for the business combination under U.S. Generally Accepted Accounting Principles ("U.S. GAAP") ("Pro Forma Transactions Adjustments"). The unaudited pro forma condensed combined financial statements and related notes were prepared using the acquisition method of accounting in accordance ASC 805, with Motiv treated as the accounting acquirer of Workhorse. ASC 805 requires, among other things, that the assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. For purposes of the unaudited pro forma condensed combined financial statements, the estimated preliminary purchase consideration in the business combination has been allocated to the assets acquired and liabilities assumed of Workhorse based upon management's preliminary estimate of their fair values as of the acquisition date. The allocations of the purchase price reflected in these unaudited pro forma condensed combined financial statements have not been finalized and are based upon the best available information at the current time. The allocation of the purchase price is preliminary and subject to material adjustment during the measurement period, not to exceed one year from the acquisition date, as the Company finalizes valuations for tangible and intangible assets. The completion of the final allocation of the purchase price could cause material differences in the information presented.

The unaudited pro forma condensed combined financial statements and related notes herein present unaudited pro forma condensed combined financial condition and results of operations of Workhorse, after giving pro forma effect to the Pro Forma Transactions.

The business combination, the Pro Forma Transactions and the related adjustments are described in these accompanying notes to the unaudited pro forma condensed combined financial statements.

In the opinion of management, all material adjustments have been made that are necessary to present fairly, in accordance with Article 11 of Regulation S-X of the SEC, the unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined financial statements do not purport to be indicative of the combined company's financial position or results of operations of the combined company that would have occurred if the business combination had been completed on the dates indicated, nor are they indicative of the combined company's financial position or results of operations that may be expected for any future period or date.

Note 2 – Conforming Accounting Policies

The accounting policies used in the preparation of these unaudited pro forma condensed combined financial statements are those set out in Motiv’s audited consolidated financial statements as of and for the year ended December 31, 2024, and Motiv’s unaudited condensed consolidated financial statements as of and for the nine months ended September 30, 2025. During the preparation of this unaudited pro forma condensed combined financial information, management performed a preliminary analysis of Workhorse’s financial information to identify differences in accounting policies as compared to those of Motiv. With the information currently available, management has determined that there were no significant accounting policy differences between Workhorse and Motiv and, therefore, no adjustments were made to conform Workhorse’s financial statements to the accounting policies used by Motiv in the preparation of the unaudited pro forma condensed combined financial statements. This conclusion is subject to change as further assessment will be performed and finalized for purchase accounting.

As part of the application of ASC 805, management will continue to conduct a more detailed review of the accounting policies of Motiv and Workhorse in an effort to determine if differences in accounting policies require further reclassification or adjustment of the financial statements to conform accounting policies and classifications. Therefore, management may identify additional differences between the accounting policies of the two companies that, when conformed, could have a material impact on the unaudited pro forma condensed combined financial information.

Note 3 – Estimated Consideration and Preliminary Purchase Price Allocation

The unaudited pro forma condensed combined financial statements reflect the preliminary allocation of the purchase consideration to identifiable net assets acquired. The fair value of Workhorse’s common stock issued as consideration in the amount of approximately 6.6 million shares was calculated using the closing price of \$5.96 per share on December 15, 2025, which was the Merger closing date. The following table summarizes the consideration transferred to acquire Workhorse and preliminary allocation of the purchase price to the identifiable assets acquired and liabilities assumed, based on their estimated fair values as of the acquisition date:

Purchase Price Allocation

Assets acquired	\$ 82,742,380
Goodwill	14,022,338
Liabilities assumed	(57,251,110)
Total purchase price	<u>\$ 39,513,608</u>

The allocation of the purchase price is preliminary and subject to adjustment during the measurement period, not to exceed one year from the acquisition date, as the Company finalizes valuations for tangible and intangible assets. These adjustments may include changes in 1) fair values of property and equipment and inventory, 2) changes in allocations to intangible assets such as customer relationships, intellectual property, and goodwill, and 3) other changes to assets and liabilities.

Note 4 – Adjustments to the Unaudited Pro Forma Condensed Combined Financial Statements

The unaudited pro forma adjustments included in the Unaudited Pro Forma Condensed Combined Financial Statements are as follows:

Balance Sheet

The following pro forma adjustments have been reflected in the Transaction Adjustments column in the accompanying unaudited pro forma condensed combined balance sheet as of September 30, 2025. All adjustments are based on preliminary assumptions and valuations, which are subject to change. The pro forma adjustments give effect to the Merger as if it had occurred on September 30, 2025 and combines the historical balance sheets of Workhorse and Motiv as of such date.

a) *Merger consideration*

In accordance with the terms of the Merger Agreement, all outstanding shares of common stock and preferred stock of Motiv and all of the financial indebtedness of Motiv were cancelled. In accordance with the Merger Agreement, 6.6 million shares were issued to the Motiv Investor (defined below) in exchange for the cancellation of Motiv’s outstanding shares of common stock, preferred stock, and financial indebtedness.

As a result of the Merger and the application of the acquisition method of accounting in accordance with ASC 805, the transaction will give rise to the recognition of goodwill, representing the excess of the total estimated purchase consideration over the preliminary fair value of the net identifiable assets acquired. The amount of goodwill recognized may change materially upon completion of the final purchase price allocation.

b) Waiver, Repayment and Exchange Agreement

The pro forma adjustments reflect the repayment of Workhorse's outstanding principal balance on the 2024 Notes and accrued interest. Additionally, the 2024 Notes holder was issued rights to purchase approximately 1.2 million shares in exchange for the cancellation of all of the Warrants issued to the 2024 Notes holder. A liability for the rights to purchase shares was included as a pro forma adjustment and valued at the number of rights times the fair value of Workhorse common stock as of the transaction date of \$5.96.

c) Stock-based compensation to be settled in equity

The pro forma adjustments reflect the accelerated vesting of all unexercised and outstanding Workhorse stock-based compensation. As of September 30, 2025, there were approximately 257 shares underlying unvested stock-based compensation outstanding that will be settled in equity. The adjustment is calculated using the closing price of \$13.20 per share on September 30, 2025 (shares and share price have been adjusted to reflect the Workhorse December 2025 reverse stock split (1-for-12), effected December 8, 2025).

d) Elimination of Workhorse historical additional paid-in capital and accumulated deficit

Adjustment represents the elimination of Workhorse historical additional paid-in capital and accumulated deficit upon consummation of the Merger.

e) Transaction costs

Adjustment represents the acquisition-related costs expected to be incurred.

f) Director grants and stock-based compensation to be settled in cash

Adjustment represents the issuance of additional grants to the directors of Workhorse and the accelerated vesting of Workhorse stock-based compensation, which will be settled in cash. As of September 30, 2025, there are approximately 44,996 shares underlying stock-based compensation awards outstanding that were settled in cash. Adjustment is calculated using the closing price of \$13.20 per share on September 30, 2025 (shares and share price have been adjusted to reflect the Workhorse December 2025 reverse stock split (1-for-12), effected December 8, 2025).

g) Closing debt financing

The Merger Agreement included a condition to closing that entities affiliated with Motiv's largest investor (the "Motiv Investor") provide Workhorse with up to \$50 million in debt financing at the time of closing. Approximately \$10 million will be available to Workhorse at closing pursuant to a revolving credit facility for general corporate purposes, and approximately \$40 million will be available after closing pursuant to an asset-based lending facility ("ABL facility") to fund vehicle manufacturing activities upon receipt of confirmed purchase orders. The unaudited pro forma condensed combined balance sheet reflects the proceeds of the \$10 million from the revolving credit facility at closing, presented as an increase to revolving credit facility and a corresponding increase to cash and cash equivalents. The unaudited pro forma condensed combined statements of operations reflect interest expense assuming the debt was outstanding for the full periods presented.

Statements of Operations

The following pro forma adjustments have been reflected in the Transaction Adjustments column in the accompanying unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2025 and the year ended December 31, 2024. All adjustments are based on preliminary assumptions and valuations, which are subject to change. The pro forma adjustments reflect the effect of the Pro Forma Transactions on Workhorse's and Motiv's historical consolidated statements of operations as if the business combination occurred on January 1, 2024.

h) Sale leaseback of Union City Facility

The unaudited pro forma condensed combined financial statements include adjustments to reflect the sale and leaseback of Workhorse's Union City, Indiana facility (the "Property"). The pro forma statement of operations reflects the elimination of depreciation expense associated with the sold Property, the addition of lease expense, and the gain on sale of assets, assuming the transaction occurred on January 1, 2024.

i) *Acquisition-related costs*

For the nine months ended September 30, 2025, the Company incurred approximately \$4.5 million of acquisition-related costs. These expenses are included in general and administration expense on the historical condensed consolidated statement of operations for the nine months ended September 30, 2025. The pro forma net loss for the nine months ended September 30, 2025 was adjusted to exclude the acquisition-related costs, and instead, these costs and the remaining expected costs are reflected in pro forma statements of operations for the year ended December 31, 2024 to give effect to the business combination as if it had been completed on January 1, 2024.

j) *Interest expense*

The unaudited pro forma condensed combined statement of operations reflects the elimination of historical interest expense associated with (i) the 2024 Notes that were repaid in full at the Closing and (ii) Motiv debt that was cancelled in exchange for equity consideration pursuant to the terms of the Merger Agreement. The adjustment removes interest expense that would not have been incurred had the repayment and cancellation occurred as of January 1, 2024.

Adjustment also includes estimated interest expense on the new convertible note issued in the amount of \$5 million and the \$10 million revolving credit facility, as if the issuance occurred on January 1, 2024 and assuming the debt was outstanding for the full period presented. The actual interest rate and terms may differ from the assumptions used in these pro forma financial statements.

k) *Change in fair value of warrants and convertible notes*

The unaudited pro forma condensed combined statement of operations reflects the elimination of historical change in fair value of convertible notes and warrants associated with (i) the 2024 Notes that were repaid in full at the Closing and (ii) the warrants that were cancelled. The adjustment removes the change in fair value amounts that would not have been incurred had the repayment and cancellation occurred as of January 1, 2024.

l) *Workhorse stock compensation expense*

The pro forma adjustments reflect the additional stock-based compensation expense incurred and the elimination of excess stock-based compensation expense related to the accelerated vesting of all unexercised and outstanding Workhorse stock options and the issuance of additional grants to the directors of Workhorse as if the transaction occurred on January 1, 2024. These awards were settled in cash at the time of the closing of the Merger.

m) *Motiv stock compensation expense*

Pursuant to the Merger Agreement, all outstanding equity awards under Motiv's equity incentive plan were cancelled without replacement or further obligation upon consummation of the Merger. Accordingly, stock-based compensation expense related to those awards will not recur in the post-Merger combined entity. For pro forma purposes, the Company has eliminated stock-based compensation expense that was included in Motiv's historical financial statements (within Cost of revenues, Research and development, and Selling, general and administrative financial statement line items) for the year ended December 31, 2024 and the nine months ended September 30, 2025.

n) *Weighted average shares outstanding*

As part of the Merger, the Company has adjusted the weighted average shares outstanding to reflect the share-related impacts of the transaction as if it had occurred on January 1, 2024. See calculation of the adjustment below:

	Year Ended 12/31/2024	Nine Months Ended 9/30/2025
Elimination of Motiv historical weighted average shares outstanding	(5,468,097)	(9,420,092)
Issuance of common stock to Motiv investors and Workhorse investors	6,629,800	6,629,800
Accelerated vesting of Workhorse stock options and Director grants	257	257
Adjustment to weighted average shares outstanding	<u>1,161,960</u>	<u>(2,790,035)</u>

The pro forma basic and diluted net loss per share of common stock has been recalculated accordingly.

Note on Motiv historical weighted average shares outstanding as of December 31, 2024

The Motiv historical weighted average shares outstanding of 5,468,097 shown in the table above has been restated from what was originally presented in the unaudited pro forma condensed combined financial statements disclosed in the Proxy Statement. An error in the calculation of weighted average shares outstanding for Motiv for the year ended December 31, 2024 was identified while preparing the Motiv financial statements for the nine months ended September 30, 2025. The weighted average shares outstanding for the year ended December 31, 2024 have been restated as presented here. The restatement had no effect on the pro forma combined weighted average shares outstanding disclosed in the unaudited pro forma condensed combined financial statement of operations for the year ended December 31, 2024 as disclosed in the Proxy Statement.