SECURITIES & EXCHANGE COMMISSION EDGAR FILING

ADOMANI, INC.

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

FORM 10-K

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

For the fiscal year ended December 31, 2020

or

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

For the transition period from _____to_____

Commission file number: 001-38078

ADOMANI, INC.

(Name of registrant as specified in its charter)

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

1215 Graphite Drive
Corona, California 92881
(Address of principal executive offices, including zip code)

Registrant's telephone number including area code: **(951) 407-9860**

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

Common Stock, $0.00001 par value	**OTC Markets Group Inc.**
Title of class	Name of exchange on which registered

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

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

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

The aggregate market value of the common stock held by non-affiliates of the registrant, based on the closing price reported by the OTC Markets Group Inc. on June 30, 2020 was approximately $16.8 million.

As of March 29, 2021, 255,233,558 shares of the registrant's common stock were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information that is required to be included in Part III of this Annual Report on Form 10-K is incorporated by reference to either a definitive proxy statement or an amendment to this Annual Report on Form 10-K to be filed by the registrant within 120 days of December 31, 2020. Only those portions of any such definitive proxy statement that are specifically incorporated by reference herein shall constitute a part of this Annual Report on Form 10-K.

ADOMANI, INC.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Annual Report"), contains "forward-looking statements" that involve substantial risks and uncertainties. Forward-looking statements relate to future events or our future financial performance or condition and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will" and "would" or the negatives of these terms or other comparable terminology.

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

- Our ability to generate demand for our zero-emission commercial fleet vehicles, re-power conversion kits, and drivetrain systems in order to generate revenue.
- Our dependence upon external sources for the financing of our operations.
- Our ability to effectively execute our business plan.
- Our ability and our suppliers' ability to scale our zero-emission products assembling and converting processes effectively and quickly from low volume production to high volume production.
- Our ability to manage our expansion, growth and operating expenses and reduce and adequately control the costs and expenses associated with operating our business.
- Our ability to obtain, retain and grow our customers.
- Our ability to enter into, sustain and renew strategic relationships on favorable terms.
- Our ability to achieve and sustain profitability.
- Our ability to evaluate and measure our current business and future prospects.
- Our ability to compete and succeed in a highly competitive and evolving industry.
- Our ability to respond and adapt to changes in electric vehicle technology; and
- Our ability to protect our intellectual property and to develop, maintain and enhance a strong brand.

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

Unless expressly indicated or the context requires otherwise, references in this Annual Report to "ADOMANI," "the Company," "we," "our," and "us" refer to ADOMANI, Inc. and our consolidated subsidiaries, unless the context indicates otherwise.

Part I

Item 1. BUSINESS

Overview

We are a provider of new purpose-built zero-emission electric vehicles focused on total cost of ownership. The vehicles are manufactured by outside, original equipment manufacturer ("OEM") partners located in China, Malaysia and the Philippines that can be marketed, sold, warrantied and serviced through our developing distribution and service network. We also are a provider of advanced zero-emission electric drivetrain systems for integration in new buses and medium to heavy-duty commercial fleet vehicles. We also provide re-power conversion kits to replace conventional drivetrain systems for combustion powered vehicles with zero-emission electric drivetrain systems. Our vehicles and drivetrain systems are designed to help fleet operators unlock the benefits of technology that reduces greenhouse gases ("GHG"), nitrous oxide ("NOx"), particulate matter ("PM") and other pollutants, as well as to address the challenges of local, state and federal regulatory compliance and traditional-fuel price cost instability.

Our vehicles and drivetrain systems can include options for telemetrics for remote monitoring, electric power-export and various levels of grid-connectivity. Our zero-emission products may also grow to include automated charging infrastructure and "intelligent" stationary energy storage that enables fast vehicle charging, emergency back-up facility power, and access to the developing, grid-connected opportunities for the aggregate power available from groups of large battery packs.

For the years ended December 31, 2020 and 2019, our net losses were approximately $4.4 million and $5.2 million, respectively .

On March 16, 2021, we completed our acquisition of Envirotech Drive Systems, Inc., a Delaware corporation ("EVT"), a supplier of zero-emission trucks, cargo vans, chassis and other commercial vehicles from which we have previously purchased vehicles designed to meet our specifications. The transaction was completed in accordance with an Agreement and Plan of Merger, dated February 16, 2021 (the "Merger Agreement"), with EVT and EVT Acquisition Company, Inc., a Delaware corporation and our wholly owned subsidiary ("Merger Sub"). As a result of such transaction, Merger Sub was merged with and into EVT, with EVT surviving as our wholly owned subsidiary (the "Merger"). In accordance with the terms of the Merger Agreement, at the effective time of the Merger, each outstanding share of the common stock of EVT was automatically converted into the right to receive one share of the common stock of the Company. As a result of the Merger, we issued an aggregate of 142,558,000 shares of our common stock to the former EVT stockholders, which shares represented approximately 56% of the total issued and outstanding shares of our common stock as of immediately following the effective time of the Merger.

Market Overview

Concerns regarding climate change and other environmental considerations have led to the implementation of laws and regulations that restrict, cap, or tax emissions in the automotive industry and throughout other industries. In particular, Environmental Protection Agency ("EPA") Tier 4 emission standards, California Air Resources Board ("CARB") regulations, and recently implemented policies in Europe, generally referred to as Stage I, II, III, IV, V and VI regulations, require a significant reduction in the level of emissions and particulate matter produced by diesel power systems and are increasing the costs associated with producing carbon-intensive fuels.

On June 28, 2018, China officially released the China VI emission standard for new heavy-duty vehicles, which is equivalent to, or in some respects even more stringent than, the Euro VI emission standard. The China VI standard intends to force diesel particulate filters on all new diesel heavy-duty vehicles introduced to the market after July 2021. If effectively implemented, it will transition all new heavy-duty vehicles in China to soot-free emission levels. In February 2018, the Mexican government announced a new policy that focused on reducing air pollution, improving public health and ultimately saving lives. This policy included the first soot-free standard adopted in Latin America, which required that all heavy-duty vehicles sold in Mexico meet the highest filter-based standards that are currently in place in other countries like the United States, Canada and much of the European Union. On June 25, 2020, the Board of CARB passed a first-in-the-world rule requiring truck manufacturers to transition from diesel trucks and cargo vans to electric zero-emission vehicles beginning in 2024.

These regulations are expected to increase both the cost and size of emission-compliant diesel power products, primarily due to the need to incorporate additional combustion and after-treatment components. A variety of market factors are contributing to the increased use of alternative fuels and growth of alternative fuel technology, including economics, energy independence, environmental concerns, and the widespread availability of alternative fuels. As the price of crude oil remains volatile and the threats of climate change and air pollution increase as public concerns, we believe the search for more cost effective and cleaner fuels has become more important. Electricity has emerged as a cleaner-fuel solution to these challenges. The price of alternative fuels such as electricity is often substantially less than diesel or gasoline, and alternative fuels can result in the production of lower amounts of greenhouse gases and other air pollutants. In addition, several public utilities in California and elsewhere have applied to their states' public utilities commissions ("PUCs") for rate increases to be used for the purchase or leasing of electric vehicles and infrastructure. Additional requests have been made by the utilities to offer favorable costs for electric bus charging. In fact, the Invest in America Act being debated in Congress would allocate $1.75 billion to various government entities to support electric and other alternative-type chargers.

According to the International Energy Agency ("IEA"), the world's fleet of electric vehicles grew 41% to about 7.2 million in 2019, and the IEA forecasts electric vehicles will grow from 7 million to 140 million by 2030, with government policy being the linchpin for electric vehicle adoption.

Based on the IEA's view, we believe that existing policies will make China and Europe the biggest adopters. In China, the government has mandated that electric vehicles make up 40% of all auto sales by 2030. Meanwhile, we believe that tightening emissions standards and high fuel taxes in Europe will result in substantial increases in the market share of electric vehicles. However, despite increasing market penetration in places like California and other states that have adopted zero-emission plans, reduced taxes on fuels and the current administration's stated intentions to scale back vehicle emissions standards could suppress growth. Notwithstanding, new electric car sales in China grew by 47%, or by approximately 830,000 units, in 2019, which increased total ownership to over 2.5 million vehicles.

In the United States, 328,000 new electric vehicles were sold in the United States in 2020, compared to approximately 316,000 in 2019, an increase of 3.8%, and more than double the sales from just 5 years ago.

The overall market for electric vehicles consists of multiple, discrete markets for various vehicle types, including passenger cars, buses, two-wheelers and others. Passenger cars are the most prominent, but two-wheelers are far more prevalent, particularly in Asia, and buses and trucks, although smaller in number, are significantly higher in price and often purchased in bulk by major corporate customers or government or transit agencies. Because light duty passenger vehicles represent the largest potential market and have received the most attention from both analysts and policymakers, most global forecasts look at light duty electric vehicle sales.

Charging infrastructure is another important factor in electric vehicle adoption rates. As of March 31, 2020, there were 85,602 Level 2 and DC fast charging units throughout the United States. Of that total, 15.9%, or approximately 13,627 units, were DC fast chargers that make long-distance travel more practical for electric vehicles (EV). A DC fast charger adds 80 to 180 miles of range, while a Level 2 charger adds 10 to 15 miles of range per 30 minutes of charging. California is second to only Vermont nationally in charging stations per 100,000 people. A charging unit refers to a single charge point. An EV charging station may have multiple units.

As of March 2020, there were approximately 25,000 charging stations in the United States. A "charging station" is defined as a non-residential address where Electric Vehicle Supply Equipment ("EVSE") is located, including both public and private stations, some of which may include several charging outlets per station. Level 2 charging stations can be used residentially or commercially to provide electricity faster than a standard 120-volt outlet. ChargePoint has the largest number of non-residential Level 2 charging stations, followed by Tesla. DC Fast Charging stations allow for long distance travel of electric vehicles by providing quick recharge rates along highways and well-traveled corridors between metropolitan areas. The eVgo Network has the largest number of DC Fast Charging stations, followed by Tesla with its SuperCharger network. Some geographic areas have considerably more charging stations than others, contributing to greater electric vehicle usage in those regions.

Commercial Vehicles

As relatively simple as the pricing analysis is for individual consumers, the purchase and deployment of heavy-duty commercial vehicles involves consideration of many more variables. Here, the type of customer is a major determinant, whether it is a commercial customer buying trucks for a fleet, a school district, or a municipal

entity purchasing buses for public use. Navigant Research forecasts global sales of electric drive and electric-assisted medium and heavy -duty commercial vehicles (over 10,000 gross vehicle weight rating ("GVWR")) to grow from 16,000 in 2014 to almost 160,000 in 2023, for total sales of over 800,000 of such vehicles during the period. Navigant Research expects the electric vehicle market share to increase from 0.4% to 2.9% of all medium and heavy-duty commercial vehicle sales over the same period.

Environmental Benefits

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

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

Electricity Cost Considerations

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

Trucks

Some of the main markets for electric trucks include delivery vans, shuttle buses, and utility or work trucks, each of which has its own set of challenges. Where PHEVs (Plug-In Hybrid Electric Vehicle) have greater operational flexibility, and require less charging infrastructure, BEVs (Battery Electric Vehicle) can be either short range, which can charge quickly and operate with limited interruption, or long range, requiring longer charging times but more intraday operational flexibility.

Because of charging needs and restrictions, we believe short-haul fleet vehicles that operate in a limited geographic area and return to central locations, such as delivery vans and shuttle buses, are the best candidates for electrification.

Transit Buses

Some public transportation operators are facing pressure to purchase and operate low-emissions vehicles. For public entities, cleaner transportation systems can provide benefits beyond reduced operating costs, in the form of less pollution and lower abatement and cleanup costs. Electric transit buses are likely to have lower fuel and

maintenance costs, typically a large cost area for transit operators, compared to conventional diesel buses. Electric buses generally have smoother, faster acceleration and provide a quieter ride, benefiting both passengers and the surrounding urban environment.

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

In addition to the public health and environmental benefits, school districts and transit agencies also see cost savings due to the reduced fuel and maintenance costs of electric buses. While electric transit buses cost approximately $200,000 more than diesel buses (depending on battery pack size) before incentives, lifetime fuel and maintenance savings of electric transit buses are around $400,000. And while electric school buses cost around $120,000 more than diesel school buses before incentives, lifetime fuel and maintenance savings of electric school buses are around $170,000.

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

School Buses

School buses present another significant potential market for electrification. The United States has approximately 480,000 school buses in service that are particularly suited to running solely on electricity. Traditional diesel school buses, which make up over half the total fleet, not only consume large amounts of fuel-more than 800 million gallons of diesel a year in the United States, at a fuel economy of only 4–5 mpg-but also directly impact children with tailpipe emissions. In response, a number of states have included school buses in clean transportation mandates, and some school districts, notably in California and Illinois, have begun to replace diesel buses with electric. Incentive programs to help fund the purchase of electric school buses in the United States are significant.

Market Drivers

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

We believe prominent drivers of supply include:

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

We believe prominent drivers of demand include:

- mandates that government fleets purchase certain percentages of low emission, energy efficient, or other alternative fuel vehicles;

- mandates for transport agencies, ports or school districts to purchase or convert to electric or other alternative fuel vehicles;
- rebates, tax credits, and other incentives for purchasing or leasing electric or other alternative fuel vehicles;
- the availability of charging stations and other charging infrastructure, driven in turn by government funding, tax credits, rebates, and other incentives and regulatory initiatives aimed at increasing the number of charging stations;
- the desire of state agencies to deploy electric vehicles to reduce the effects of climate change and to reduce the impact of pollutants on the health and well-being of its population;
- the cost of electricity to recharge plug-in electric vehicles, impacted by special rates introduced by utilities;
- preferential treatment in registration, emissions testing, and access to highways, city centers, and HOV lanes; and
- the cost of traditional petroleum-based fuels compared to the resultant incremental costs of owning and operating an electric vehicle.

United States—Federal Laws and Incentives

As numerous as U.S. policies at the state and federal levels may at first appear, unlike in China and many European nations, few federal and state policies directly single out electric vehicles. More broadly, federal U.S. policies encourage greater use of vehicles that run on some kind of alternative fuel, whether electricity, natural gas, hydrogen, biodiesel or ethanol. In addition, the U.S. federal government has less of a comprehensive, coherent framework aimed at increasing electric vehicle use than do countries like China and many European nations.

United States—State Laws and Incentives

Among U.S. states, California is notable for pioneering a number of measures that have encouraged electric vehicle production and adoption, often later copied by other jurisdictions. These include financial incentives like tax credits and rebates for both individual and fleet owners, HOV lane access, and various grant and loan programs. Besides setting the nation's most stringent tailpipe emissions standards, California has required automakers to produce increasing percentages of zero-emission vehicles, of which electric vehicles make up a significant portion, along with creating a market that allows manufacturers to buy and sell credits awarded for selling electric vehicles. California has also authorized funding for the purchase of new school buses or retrofit of existing buses to accomplish the primary goal of reducing children's exposure to both cancer-causing and smog-forming pollutants. The purchase of new buses is also permitted for fleet expansion as well. See "—Governmental Programs and Incentives" for an additional discussion of certain relevant incentive programs.

Fleet Operator Challenges

Fleet operators and their companies face a number of challenges in the market today, including:

- ***Difficulty complying with existing and new federal and state emission restrictions and compliance requirements*** . Federal regulatory agencies, such as the EPA, and state regulatory agencies, such as CARB, have set forth mandates designed to reduce emissions from mobile sources. According to CARB, 12 other states and the District of Columbia have adopted California's greenhouse gas emissions standards for vehicles.
- ***Finding cost savings while managing high fuel, maintenance and repair costs*** . The federal Global Warming Pollution Reduction Act of 2007 set strict air quality standards for particulate matter, nitrous oxide and GHG reductions from new manufactured vehicles which were further tightened in 2010 to further reduce the amounts of particulate matter, nitrous oxide and GHG emitted by newly manufactured vehicles.
- ***Extending the lives of existing vehicles***. Due to reductions in capital expenditure budgets and the legislatively mandated addition of expensive and limiting emission reduction equipment, it is

challenging to prolong the lives of existing vehicles because of the increased cost of expensive maintenance, service and repairs.

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

Our Solution

We are a provider of new purpose-built zero-emission electric vehicles focused on reducing the total cost of ownership. Our vehicles are manufactured by outside, original equipment manufacturer ("OEM") partners located in China, Malaysia and the Philippines and marketed, sold, warrantied and serviced through our developing distribution and service network. We also are a provider of advanced zero-emission electric drivetrain systems for integration in new buses and medium to heavy-duty commercial fleet vehicles. We also provide re-power conversion kits to replace conventional drivetrain systems for combustion powered vehicles with zero-emission electric drivetrain systems. Our vehicles and drivetrain systems are designed to help fleet operators unlock the benefits of technology that reduces greenhouse gases ("GHG"), nitrous oxide ("NOx"), particulate matter ("PM") and other pollutants, as well as to address the challenges of local, state and federal regulatory compliance and traditional-fuel price cost instability. As of December 31, 2020, we had a backlog of one zero-emission electric Class 5 delivery truck, ten zero-emission Class 4 trucks, 12 zero-emission Class 4 cargo vans, one ICE-powered prison transport bus conversion to a zero-emission all electric bus, and 50 e-trikes, which consists of unfilled firm orders for products under signed contracts with customers.

We seek to enable our customers to:

- ***Add Emission-Compliant Vehicles and Drivetrain Systems to Their Fleets***. Our commercial fleet vehicles and drivetrain systems are designed to reduce or eliminate the use of traditional petroleum-based fuels that create greenhouse gases and particulate matter.
- ***Reduce Total Cost of Ownership***. Our technology is designed to reduce fuel budgets and maintenance costs by eliminating or reducing the reliance on traditional petroleum-based fuels, instead using the more energy efficient and less variably priced grid-provided electricity.
- ***Prolong Lives of Existing Vehicles***. Zero-emission electric vehicles generally have lower maintenance costs. These reduced maintenance costs may take the form of longer service intervals between brake system maintenance, elimination of internal combustion engine oil and oil filter changes, reduction or elimination of transmission oil and oil filter changes, reduction or elimination of air filter changes, elimination of emissions systems services, elimination of diesel emission fluid use, elimination of emissions tests on traditional fuel vehicles (if converted to a zero-emission electric drivetrain system) and the elimination of certification tests of high pressure tanks on propane, liquefied natural gas and compressed natural gas powered vehicles (if converted to a zero-emission electric drivetrain system).

- ***Plan for Natural Disasters When Fuel Supply May be Interrupted***. Our zero-emissions systems are designed, when optionally equipped, to serve as on-site emergency back-up energy storage if grid power becomes intermittent or fails temporarily during natural or man-made disasters.
- ***Improve the Environment Around Vehicles***. As a result of our zero-emission systems, drivers, operators, customers and the communities they serve could have healthier environments in and around these vehicles.

Development of the Business to Date

We have taken an active role in building awareness and support for our zero-emission electric vehicles and drivetrain systems in industry specific target groups and at all levels of government and regulatory agencies and the constituencies they serve. We initially accomplished this through our participation with Blue Bird Corporation ("Blue Bird") in its United States Department of Energy ("DOE") grant program to accelerate the adoption of advanced and alternative fuel vehicles. We have also maintained prior and current memberships in industry groups (private and governmental) and participate in their events, speaking engagements, management interviews, pilot product exhibits, fleet vehicle demonstrations and responses to requests for information and requests for proposals . We regularly engage with electric utility companies across the United States to build awareness of the medium to heavy-duty electric vehicles we currently offer and how their greater adoption could positively increase their customers' electricity usage.

As discussed below under the section entitled "—Partnerships/Teaming Agreements", we have entered into a number of agreements with third parties and continue to explore additional alliances, and to establish our decentralized assembly, sales and service model. We believe we can preserve cash resources while scaling up quickly when demand requires by leveraging the unused or underutilized service technician time, specific vehicle type expertise and service facility equipment of specific partners in ways to off-load some defined tasks, providing seasonal demand adjustments to technician headcount that will partially mitigate the human resource costs and challenges associated with scaling-up or down an employee base.

On March 16, 2021, we completed our acquisition of Envirotech Drive Systems, Inc., a Delaware corporation ("EVT"), a supplier of zero-emission trucks, cargo vans, chassis and other commercial vehicles from which we have previously purchased vehicles designed to meet our specifications. The transaction was completed in accordance with an Agreement and Plan of Merger, dated February 16, 2021 (the "Merger Agreement"), with EVT and EVT Acquisition Company, Inc., a Delaware corporation and our wholly owned subsidiary ("Merger Sub"). As a result of such transaction, Merger Sub was merged with and into EVT, with EVT surviving as our wholly owned subsidiary (the "Merger"). We believe that, as a result of the Merger, we possess one of the most comprehensive product lines in our industry, with multiple new products under development that we anticipate will help fuel our growth. In addition, the resulting combination of our operations with those of EVT, one of our suppliers, will enable us to eliminate a step in the sales process with respect to certain of our product offerings, which cost savings we expect will allow us to reduce the cost of such vehicles to our customers.

Our Strengths

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

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

these regulatory agencies have encouraged the growth of zero-emission electric vehicles and drivetrain systems, especially in connection with heavy-duty commercial fleets.

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

Our Strategy

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

- ***Develop Sales Staff***. Due to COVID-19 impacts discussed elsewhere in this Annual Report and to other business challenges in 2020, we had to eliminate our in-house sales team in 2020. In 2021, we intend to reestablish our sales team by hiring and training in-house sales staff in the electric vehicle differences, benefits, and opportunities for fleet expansion to help our current and future customer base, and engage industry consultants with ties to trucking fleet, county and city transportation managers, as well as school districts and an extensive dealer network.
- ***Build Dealership and Service Networks***. Our wholly owned subsidiary, ADOMANI ZEV Sales, Inc., is a licensed vehicle dealer in California. In addition, we intend to build dealership networks for the local sales and service of our zero-emission new purpose-built zero-emission electric commercial vehicles either manufactured by or for us, and to service any vehicles that we have converted to all-electric operation. As an example, we have entered into an agreement with Central States Bus Sales Inc. ("Central States") pursuant to which Central States has agreed to provide certain warranty and maintenance services for our electric vehicles within the extensive Central States' Midwest service area. In February 2020, we announced the opening of our operations facility in Corona, California, that houses assembly stations for our commercial EV trucks and vans, and also provides space and storage for our warranty and maintenance services.
- ***Develop Third-Party Relationships***. We plan to complete existing negotiations with partners and seek additional partners for dealership sales, service and support as well as for the planned assembly of our zero-emission vehicles.
- ***Provide Demonstrations***. We intend to seek out and respond to local, state and federal pilot demonstration opportunities in interest areas for which we have relevant current product offerings or in areas of interest that are congruent with product(s) that are on our product development roadmap, but still in early stage development. In 2019 and, to the extent COVID-19 restrictions permitted, in 2020, we participated in multiple ride-and-drive events across the United States and Canada that demonstrated our new product offerings, which consist of logistic vans, and Class 3, 4, and 5 trucks and chassis.
- ***Obtain Approvals From Incentive Programs***. We will seek to have our products approved for various local, state and federal vehicle designations and incentive programs, like the California Hybrid Voucher Incentive Program ("HVIP") administered by CARB, meant to accelerate the purchase of cleaner, more efficient trucks and buses in California. Our vehicles are approved for voucher programs in California, Oregon and New York.
- ***Grow Our Manufacturing, Installation and Service Capability*** . As facility space and technician time requirements at partners are exceeded, we intend to expand or relocate to larger owned or leased

facilities dedicated to the manufacture, installation and service of our zero-emission vehicles and drivetrain systems. For example, we lease a facility in Corona, California to support such activities.

- ***Technical Support***. In addition to the technical support we currently provide to our customers, we have assisted in the creation of operator and service manuals, in-field training material, the handling of service inquiries and on-site maintenance technician training. With the expected introduction of our new, purpose-built electric vehicles in 2021, we anticipate adding additional technicians to expand our resources for supporting the maintenance, warranty work or repairs that any vehicle we have sold or that contains our vehicles may require.
- ***Introduce New Products***. As new markets develop, we plan to expand our zero-emission vehicles and systems into ancillary product verticals, such as charging infrastructure (also called Electric Vehicle Service Equipment), stationary energy storage, vehicle-to-grid hardware and capabilities.

Our Customers

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

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

- Port, railway and distribution center operators that use traditionally-fueled loading equipment, tractors, material handling equipment, forklifts, Class 1 through 7 trucks, delivery vans, yard goats, and other similar vehicles, that could be replaced with zero-emission alternatives.
- Mining companies with fleets of above-ground service vehicles and underground staff transport and support vehicles.
- Oil and gas companies with fleets of field trucks.
- Electric utility companies with fleets of service trucks that are in the public eye.
- Military-based fleet operators that have non-combat fleet vehicles of all sizes.

Our Products and Services

Our products and services primarily include:

- Purpose-built, zero-emission vehicles and chassis of all sizes manufactured by outside OEM partners but to be marketed, sold, warrantied and serviced through our developing distribution and service network.
- Zero-emission electric drivetrain systems for use in new buses and medium - to heavy-duty commercial fleet vehicles.
- NEVs that are enclosed vehicles with seatbelts, climate control, fold-down rear seats, windshield wipers, turn signals, a back-up camera, LED/Halogen headlights and LED taillights and storage space for use where golf-cart-type vehicles are currently in uses.
- E-trikes, or three-wheeled all-electric vehicles designed to transport people in crowded municipal areas.
- Optional drivetrain system components that allow for electric power-export and various levels of grid connectivity.

Purpose-built, zero-emission vehicles or chassis of all sizes manufactured by our outside OEM partners but to be marketed, sold, warrantied and serviced through our developing distribution and service network.

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

Zero-emission electric re-power conversion drivetrain systems for use in existing fleet, school buses and medium to heavy-duty commercial fleet vehicles.

This drivetrain system process results in the same zero-emission electric vehicle described immediately above. However, this drivetrain system allows for the removal of the OEM's internal combustion engine ("ICE"), much of the ICE-cooling system, fuel tanks, exhaust and emission systems (manifolds, pipes, mufflers, particulate filters, DEF system, etc.) and, typically, the OEM transmission and any associated transmission cooling system.

Zero-emission electric drivetrain systems for use in new medium to heavy-duty commercial fleet vehicles and in school buses.

This drivetrain system results in a zero-emission electric vehicle with similar performance specifications (except range) to a traditionally fueled version. The major drivetrain system components systems include appropriately sized traction motor/generator(s), motor controller(s) and power-flow set up for either a direct-drive configuration, a single speed gearbox (speed reduction) or, a multi-gear ration transmission system. Other integrated drivetrain system components include lithium-ion battery packs, a battery management system (" BMS"), inverters, chargers, electrically driven systems for power steering and power (hydraulic or air) brakes, a vehicle control unit

("VCU"), wiring harnesses, a flat screen user-interface (dash board) and fleet technician diagnostic tools. Prior to May 31, 2019 and pursuant to our agreement with Blue Bird, we supplied Blue Bird with zero-emission electric drivetrain systems for integration into its Type C and D school buses.

Industry contacts and experience allow for optional drivetrain system components that allow for electric power-export and various levels of grid connectivity.

These systems integrate bi-directional changers and inverters and require additional facility-based, stationary charging hardware and control systems.

In addition, our products and services may in the future include some or all of the following:

- Zero-emission electric drivetrain systems for ship-through integration by outside OEMs into their own privately branded medium to heavy-duty commercial fleet vehicles.
- Automated charging infrastructure for commercial fleet vehicles.
- "Intelligent" stationary energy storage that enables fast vehicle charging.
- "Intelligent" stationary energy storage that enables emergency back-up facility power during grid power outages.
- "Intelligent" stationary energy storage that enables access to the developing grid-connected opportunities for the aggregate power available from groups of large battery packs.
- "Intelligent" stationary energy storage that enables avoidance of electric utility demand charges for commercial customers integrated with or independent of ADOMANI-supplied, zero-emission fleet vehicle(s).
- Energy storage systems (battery packs) replacements with better energy density and/or expected lifecycles for existing electric vehicles and equipment that has outlived their OEM-provided energy storage systems. For example, replace flooded lead acid ("FLA") battery packs of existing industrial forklifts and underground mining equipment with more energy dense and higher cycle-life battery packs composed of lithium-ion cells.

Testing

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

Customer Service, Support and Training

Our sales team has historically been used as the first point of customer contact for customer support and training. However, due to COVID-19 impacts discussed elsewhere in this Annual Report and other business challenges in 2020, we eliminated our in-house sales team in 2020. We currently intend to reestablish our sales team by hiring sales personnel and other internal staff in 2021 to support our current and planned operations.

Technology

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

Re-power drivetrain systems to convert existing traditionally-fueled fleet vehicles with ICEs to zero-emission operation include many of the same components as described above for purpose-built vehicle systems. For simplicity, cost savings and maintenance technician familiarity, some OEM systems of the subject vehicle may be retained and/or utilized, including cooling systems for the engine and transmission, mounting brackets and bolts, power steering and brake systems and 12 and/or 24 volt systems and accessories. Items that are typically not retained/repurposed include the OEM internal combustion engine, transmission, liquid or gaseous fuel tanks and exhaust/treatment systems.

Sales and Marketing

Sales

Due to COVID-19 impacts discussed elsewhere in this Annual Report and other business challenges in 2020, we eliminated our in-house sales team in 2020. In 2021, we intend to efficiently and cost-effectively build out our marketing and sales network by hiring sales personnel to form a team of dedicated sales employees with responsibility for each of the geographic regions we serve.

Marketing

Following the completion of our acquisition of EVT, we began conducting business under the name “Envirotech Vehicles” and intend to formally change the name of the company in the second quarter of 2021. We plan to focus our marketing efforts on increasing brand awareness, generating demand for our products, communicating product advantages and generating qualified leads for our sales force. We intend to rely on a variety of marketing vehicles, including our website and social media, participation in industry conferences and trade shows, public relations and our collaborative relationships with our business and teaming partners to share our technical message and the benefits of our product offering, with customers.

Manufacturing

We currently contract with third-party suppliers to manufacture our products. In 2021 or 2022, we intend to increase our integration efforts and begin completing the final assembly of sub-assembly components at our Corona, California facility.

Distribution

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

Partnerships/Teaming Agreements

We have agreements with Central States Bus Sales Inc., Envirotech Electric Vehicles Inc. (“EEVI”), and GerWeiss EV USA LLC. None of these agreements contain any binding purchase or sales minimums.

Central States Bus Sales Inc.

Central States Bus Sales Inc. (“Central States”) in business for 45 years, is the official Blue Bird bus dealership in Illinois, Tennessee, Kentucky, Arkansas and is headquartered in Fenton, Missouri. They are partnered with many of the best manufacturers and vendors available in the transportation industry to provide dedicated transportation solutions through exceptional service. They sell and service a wide variety of bus manufacturers, and as a result of Blue Bird’s sale of electric school buses powered by ADOMANI drivetrain systems, they have qualified EV technicians on staff. We signed an agreement with Central States and will use them to provide warranty and maintenance services for electric fleet vehicles sold by us in certain Central States service areas.

Envirotech Electric Vehicles Incorporated

EEVI is a Canadian company engaged in the design, prototyping and certification of electric components and vehicles, including complete drivetrain systems. Prior to the completion of our acquisition of EVT, EEVI was the parent company of EVT. Prior to the completion of the Merger, we engaged EEVI to design and supply a series of zero-emission electric Class 3 and 6 trucks, cargo vans and chassis built to our specifications and requirements. The

vehicles are initially comprised of a cab, chassis and electric drivetrain system. Any customer can then customize the trucks by adding a box or stake bed to the vehicle in accordance with their needs. We received the first truck and cargo van pursuant to our arrangement with EEVI in December 2018. In 2019, EEVI received the CARB executive order for certification. As the dealer for EEVI, we submitted additional information to the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project ("HVIP") Department of CARB and received our HVIP listing in November 2019, which renders the trucks and vans eligible for buy-down funding based on the GVWR. These buy-down funds are intended to enable companies to purchase zero-emission electric trucks and receive a discount to aid in the purchase. The HVIP buy-down funding is currently between $50,000 for Class 3 trucks ($55,000 if used in a disadvantaged area community census tract) and up to $90,000 for Class 6 trucks ($100,000 if used in a disadvantaged area community census tract).

As a result of our acquisition of EVT, we acquired EVT's rights and assumed its obligations under an Exclusive Supply Agreement entered into between EVT and EEVI (the "Exclusive Distribution Agreement"). Pursuant to the Exclusive Distribution Agreement, EEVI appointed EVT as the exclusive distributor of certain of EEVI's products in the United States on the terms and subject to the conditions set forth therein. Unless earlier terminated in accordance with the terms thereof, the Exclusive Distribution Agreement will remain in effect for a term expiring on December 17, 2070. The Exclusive Distribution Agreement provides us certainty of product supply and consistency of design between different Classes or type of vehicles; allows us to license the products to third party resellers, distributors and others which should enhance our ability to sell vehicles, and permits us to use trademarks associated with the vehicles, all of which we believe is very advantageous to executing our business plan.

GerWeiss EV USA LLC

GerWeiss EV USA LLC ("GerWeiss") is a manufacturer of zero-emission all-electric vehicles that, to date, has focused on the manufacture of all-electric three-wheeled vehicles in the Philippines. In August 2018, we entered into a non-binding letter of intent with GerWeiss in order to explore, together with EEVI and Amperics, a collaboration to develop and introduce re-powered zero-emission all-electric transit buses in the Philippines. We are still considering the transit buses and the Amperics technology, but in early 2019, we received a purchase order from GerWeiss for 250 new light-weight, shorter range three-wheelers ("e-trikes") and in order to introduce our products to the Philippine markets quickly, authorized production of the first ten e-trikes, which were delivered in the fourth quarter of 2019. The impacts of the COVID-19 pandemic on the GerWeiss supply chain and the restrictions imposed in the Philippines on both the ability to work, and more importantly, on the tourism industry, thereby affecting potential customers as well, prevented completion of additional e-trike units in 2020. The purchase order remains in place.

Raw Materials and Supply Chain

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

Backlog

As of December 31, 2020, our backlog consisted of purchase orders for one zero-emission electric upgraded Class 4 delivery truck, ten zero-emission Class 4 trucks, 12 zero-emission Class 4 cargo vans, one conversion of an ICE powered prison transport bus to a zero-emission all electric bus, and 50 e-trikes for the Philippines. We believe our costs associated with the current backlog will be approximately $1.7 million and that the sale price of the current backlog will be approximately $3 million.

Employees

As of March 25, 2021, we had five full-time employees. None of our employees are covered by collective bargaining agreements and we believe our employee relations are good.

Competition

The electric vehicle market is highly competitive and we expect it to become even more so in the future as additional companies launch competing products and vehicle offerings. We compete with other alternative energy technologies, such as natural gas, propane and hybrid technologies. The electric competitors include Ford, which produces the Ford Transit Connect EV® and has made recent statements about producing an electric F-150 pickup truck and has announced production of the Mustang Mach-E SUV; Nissan, which besides the Leaf EV, produces a small electric delivery van called the NV200; Rivian, which intends to introduce the R1T electric pick-up truck; General Motors, which besides producing the Chevy Bolt EV, has made recent statements about considering the production of an electric pick-up truck and reintroducing an electric Hummer; Blue Bird has electric drivetrain options for their Type-D, C and A school buses; Navistar, which produced the Navistar eStar® and builds the electric drivetrain system for IC Type-C school buses, unveiled a prototype battery-electric version of its medium-duty International MV truck in late 2019 and a regular production eMV model is said to be coming to the market in 2021; Freightliner, which produces the eM2 and eCascadia electric trucks; Mercedes-Benz, producing the eActros electric truck and EQV electric vans; Mitsubishi/Fuso produces the eCanter electric truck; Tesla, producing a Class-8 Semi truck and recently introduced a pick-up truck called the Cybertruck; Bollinger Motors, producing the B2 electric pickup truck; Odyne Systems, which produces plug-in hybrid drivetrain systems for trucks and buses; Lightning Systems, which produces re-power electric drivetrain systems for trucks and buses; Lion Electric Company, a Canadian-based manufacturer of Type C all-electric school buses, mini buses and a Class-8 truck; Nordresa, which produces re-power electric drivetrain systems for cab-forward trucks and package delivery vans; Volkswagen has presented an e-Delivery truck and a Volksbus e-Flex prototypes; Proterra has a full line of electric transit buses and is providing electric drivetrain systems for Thomas Bus, electric school buses; Workhorse, which builds an all-electric walk-in van and an electric prototype pick-up truck called the W-15; Chanje, which produces a large electric package delivery van; Volvo is expected to begin selling its FE Electric and FL Electric semi-trucks by the end of 2021; Peterbilt has said they will have three battery-electric truck models available for sale in 2021; Nikola Motors has said it will produce the Nikola One and Nikola Two model semi-trucks; BYD, which manufactures new electric trucks and transit buses; TransPower, which has converted Type-C and D school buses and trucks; and Motiv, which sells electric drivetrain systems for Type A school buses and package delivery vans.

Intellectual Property

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

As of December 31, 2020, we own three issued U.S. patents, which will expire in 2030 and 2033. In addition, we maintain a trademark portfolio including common law trademarks and service marks, and have three service marks registered and two trademark registrations in the United States. We have one pending trademark and service mark application in the Ukraine, and one allowed trademark application pending in the Philippines.

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

Governmental Programs and Incentives

We believe that the availability of government subsidies and incentives currently is an important factor considered by our customers when purchasing vehicles that utilize our technology, and that our growth depends in part on the availability and amounts of these subsidies and incentives. Over time, we believe that the importance of the availability of government subsidies and incentives will decrease, as we continue to reduce the upfront cost of vehicles that utilize our technology. In order to help ensure that we and our customers benefit from available subsidies and incentive programs in the United States, Canada, and Mexico, we intend to utilize the services of incentive specialists that work directly with our sales team and our customers on these issues providing updates in near real-time as programs become available.

Overview of Incentive Programs Most Applicable to Our Products

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

California Hybrid and Zero-Emissions Truck and Bus Voucher Incentive Project *("HVIP")*

HVIP is a CARB program administered by CALSTART, the purpose of which is to help speed the early market introduction of clean, low-carbon hybrid and electric trucks and buses. Under HVIP, dealers and fleet operators may request vouchers from HVIP on a first-come first-served basis, up to the funding amount available for that year, to reduce the cost of purchasing hybrid and zero-emission medium- and heavy-duty trucks and buses. It is a statewide program. While the HVIP program is currently, as announced in a webinar on January 7, 2021, working on the specific guidelines in an implementation manual to guide the release of the approximate $145 million funding currently reserved for voucher requests, we believe our customers may become eligible to request vouchers for purchase under HVIP when the program reopens in the second or third quarter of 2021.

HVIP vouchers range in amounts depending on the gross vehicle weight of the purchased vehicle and the number of vehicles purchased. Zero-emission Class 3 trucks are currently eligible for up to $50,000; Class 4 vehicles are funded at the $80,000 level and Class 5 vehicles are eligible for $90,000. Depending on project location (i.e. if in a disadvantaged area community census tract) those amounts can be increased to $55,000 and $90,000, and $100,000, respectively. However, HVIP has previously also announced that in addition to previously announced changes with respect to purchase orders that must accompany voucher requests, they may also be revising per vehicle amounts available.

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

New York Truck Voucher Incentive Program ("NYTVIP")

NYT-VIP is a first-come, first-served incentive program funded by the New York State Energy Research & Development Authority. The structure and process for fleets to secure incentives is similar to that of HVIP discussed above. Eligible vehicles include all-electric, hybrid-electric, and CNG trucks and buses. Funding for eligible vehicles domiciled in New York State can reach $150,000 per vehicle. Class 4 and 5 all electric trucks are eligible for up to $100,000 and $110,000 in funds respectively (i.e., up to 95% of the incremental cost over diesel). We were named an approved dealership in the summer of 2020, and our vehicles are included on the NYTVIP eligible vehicle list for the program, which reopened in late 2019 and has $18.4 million in funds available.

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

In support of the transition to all-electric vehicles, in early February, 2020, New York City Mayor Bill de Blasio signed an executive order requiring electrification of the city's entire municipal vehicle fleet by 2040.
In October 2020, we were named an approved dealership and our vehicles have been listed on the eligible vehicles list for the New York City Clean Trucks Program. This program provides funding for new electric truck purchases by New York City customers to replace and scrap older polluting ICE vehicles. The rebate incentive funding program provides New York City fleet owners $100,000 per vehicle for an all-electric Class 4 truck sold to them by ADOMANI, and $110,000 for a Class 5 all-electric truck. The amounts increase for Class 6-Class 8 trucks.

Volkswagen Environmental Mitigation Trust Funds

We anticipate that the 23 states that we have prioritized may allocate approximately $200 million in funds per year for the three years beginning in 2018 to on-road vehicle projects. Several individual states have provided carve outs specifically for electric vehicles and, in some cases, electric school buses. For example, California, Illinois, Indiana, Michigan and Ohio have each allocated funds directly to electric school bus projects. The California program will provide per vehicle incentives of $400,000. These states are currently in the process of funding their initial rounds or are developing specific funding plans. We have engaged with several of these states to support the development of such plans.

California Air Resources Board *("CARB")*

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

CARB also manages several incentive and rebate programs and awards hundreds of millions of dollars in grants to reduce emissions from on- and off-road vehicles and equipment. CARB is responsible for program oversight. CARB awards grants and funds through the Air Quality Improvement Program (AB 118), the Carl Moyer Program, the Voucher Incentive Program for enhanced fleet modernization and emission reduction, and the Lower-Emission School Bus Program/School Bus Retrofit and Replacement Account.

In February 2020, the CARB staff held a workshop to discuss a new fleet rule that will target a 100% zero-emission truck and bus fleet for the state of California by 2045. The rule making being considered enjoys broad political support, and has some precedent (e.g., the Advanced Clean Transit rule). We will monitor future actions on the proposal.

California Energy Commission *("CEC")*

The California Energy Commission has several core responsibilities, including but not limited to setting energy policy, developing renewable energy, achieving energy efficiency, and transforming California's transportation infrastructure. One goal of the CEC is to mitigate GHG emissions and reduce the impact of climate change. The CEC carries out its responsibilities pursuant to several of California's landmark environmental laws. In 2006, the Legislature passed and then Governor Arnold Schwarzenegger signed two landmark pieces of legislation

with far-reaching implications for energy policy. The most comprehensive is AB 32, the California Global Warming Solutions Act of 2006, which sets an economy-wide cap on California GHG emissions at 1990 levels by no later than 2020. At the time, this was an aggressive goal that represented an approximately 11% reduction from then-current emissions levels and nearly a 30 % reduction from projected business-as-usual levels in 2020. In 2015, California passed Senate Bill (SB) 350, which further committed California to reducing GHG emissions by establishing a 2030 greenhouse gas reduction target of 40% below 1990 levels and to achieve 100% clean energy by 2045 . The transportation sector represents a significant portion of California's GHG emissions. This bill was amended with respect to implementation, but the targeted goals remain the same as originally passed. In 2007, AB 118 created the Alternative and Renewable Fuel and Vehicle Technology Program. The program is intended to increase the use of alternative and renewable fuels and innovative technologies that will transform California's fuel and vehicle types to help attain the state's climate change policies. AB 118 authorizes the CEC to provide approximately $100 million annually as incentives to public agencies, vehicle and technology consortia, businesses, public-private partnerships, workforce training partnerships and collaboratives, fleet owners, consumers, recreational boaters, and academic institutions for projects that: develop and improve alternative and renewable low-carbon fuels; optimize alternative and renewable fuels for existing and developing engine technologies; improve light-, medium-, and heavy-duty vehicle technologies; and retrofit medium-and heavy-duty on-road and non-road vehicle fleets.

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

Clean Cities

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

National Clean Diesel Program *and* ***Diesel Emissions Reduction Act***

The National Clean Diesel Funding Assistance Program, which is administered by the EPA National Clean Diesel Campaign, provides funding under the Diesel Emissions Reduction Act for projects that seek to reduce emissions from existing diesel engines. Eligible applicants include U.S. regional, state and local agencies that have jurisdiction over transportation or air quality and certain nonprofit institutions that provide pollution reduction or educational services to owners and operators of diesel fleets or that have as their principal purpose the promotion of transportation or air quality. Among the eligible uses of funding under this program are the purchase of buses and medium and heavy-duty trucks that result in reduced diesel emissions. Funds are administered both at the national level by EPA with a nationwide solicitation for projects as well as at the state level through smaller regional requests for proposals. The national program will have its funding increased in fiscal year 2021 to $90 million, an increase of $3 million over fiscal year 2020.

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

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

Other State Incentives

A number of states and municipalities in the United States, as well as certain private enterprises, offer incentive programs to encourage the adoption of alternative fuel vehicles, including tax exemptions, tax credits, exemptions and special privileges. For example, Maryland has introduced a voucher program that provides financial assistance for the purchase of electric trucks registered in that state, and Arizona exempts use tax and lowers registration fees for the purchase of an electric vehicle. Other states, including Colorado, Georgia, Utah, Florida and West Virginia, provide for substantial state tax credits for the purchase of electric vehicles.

Government Regulation

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

Emission and Fuel Economy Standards

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

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

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

Vehicle Safety and Testing

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

Battery Safety and Testing

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

Our battery suppliers have completed the applicable transportation tests including:

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

Available Information

We were incorporated in Florida on August 6, 2012 and reincorporated in Delaware in November 2016. Our principal executive offices and mailing address are located at 1215 Graphite Drive, Corona, California 92881. Our telephone number is (951) 407-9860. Our corporate website address is www.adomanielectric.com. Information contained on, or that can be accessed through, our website does not constitute part of this Annual Report and inclusion of our website address in this report is an inactive textual reference only. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are accessible free of charge at our website. The Securities and Exchange Commission ("SEC") also maintains an internet site that contains reports, proxy and information statements and other information regarding our filings at www.sec.gov.

Item 1A. RISK FACTORS

Investing in our securities involves significant risks, including the potential loss of all or part of your investment. These risks could materially affect our business, financial condition and results of operations and cause a decline in the market price of our common stock. You should carefully consider all of the risks described in this Annual Report, in addition to the other information contained in this Annual Report, before you make an investment in our securities. In addition to other matters identified or described by us from time to time in filings with the SEC, there are several important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or results that are reflected from time to time in any forward-looking statement. Some of these important factors, but not necessarily all important factors, include the following:

Risks Related to Our Business

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

In December 2019, a novel strain of a virus named SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2), or coronavirus, which causes coronavirus disease, or COVID-19, was reported to have surfaced in Wuhan, China, and has reached multiple other regions and countries, including the United States and, more specifically, Southern California, where our primary office is located. In March 2020, the World Health Organization declared COVID-19 a global pandemic. Since that time, the coronavirus pandemic has continued to spread, and to date has led to the implementation of various responses, including government-imposed quarantines, travel restrictions, and other public health safety measures that have adversely affected workforces, organizations, economies, and financial markets globally, leading to economic uncertainty and increased market volatility. Global health concerns related to the COVID-19 pandemic have resulted in social, economic and labor instability in the countries in which we or the third parties with whom we engage operate. Additionally, the COVID-19 pandemic has negatively impacted our ability to market our vehicles to new and existing customers, increased our production and sales cycle times and harmed our business, results of operations, financial condition, and could have other currently unforeseen negative impacts on us. We expect these negative impacts, among others, will continue due to the ongoing effects of the COVID-19 pandemic. While we have developed, and continue to develop, plans to address such ongoing effects and help mitigate the potential negative impact of the pandemic on our business, these efforts may not be effective and a protracted economic downturn will likely limit the ability of our mitigation efforts to be successful. It is not possible for us to predict the duration or magnitude of the adverse results of the COVID-19 pandemic and its effects on our business, results of operations, or financial condition at this time. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section.

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

We did not generate significant revenues from inception through June 30, 2018, and after generating sales revenue of $5 million for the year ending December 31, 2018 and $12.6 million in 2019, generated only $618,000 in 2020 primarily due to the combined impact of COVID-19 restrictions and the absence of any HVIP funding available to our customers. Our ability to continue to generate revenue and grow our revenue will depend, in part, on our ability to execute on our business plan, expand our business model and develop new products in a timely manner. We may fail to do so. A variety of factors outside of our control could affect our ability to generate revenue and our revenue growth. Our success in implementing our strategy of producing and selling new zero-emission drivetrain systems, buses, trucks, other fleet vehicles and re-power conversion kits could also slow our revenue growth.

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

For the years ended December 31, 2020 and 2019, we incurred net losses of approximately $4.4 million and $5.2 million, respectively. As of December 31, 2020, we had working capital of approximately $4.4 million, an accumulated deficit of approximately $64 million and stockholders’ equity of approximately $5 million. To date, we have financed our operations primarily through issuing equity capital, convertible notes and notes payable. Our products have been recently developed and may not be commercially successful or generate significant revenue. If we are to ever achieve profitability it will be dependent upon the successful development and commercial introduction and acceptance of zero-emission electric vehicles and drivetrain systems such as ours; the demand for new trucks and other fleet vehicles with zero-emission drivetrain systems; and the demand for conversion of existing buses, trucks and other fleet vehicles to zero-emission electric drivetrain systems, any of which may not occur. We may not achieve profitability in the future as we anticipate that our operating expenses will increase significantly in the foreseeable future as we:

- continue to invest in research and development to enhance our zero-emission products and services;
- design, develop and manufacture our medium to heavy-duty fleet vehicles and our drivetrain systems and their components;

- increase our sales and marketing to acquire new customers; and
- increase our general and administrative functions to support our growing operations.

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

While we believe that our existing cash and cash equivalents will be sufficient to fund our operations during the next twelve months, we may not successfully execute our business plan, and if we do not, we may need additional capital to continue our operations.

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

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

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

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

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

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

Our future growth is dependent upon demand for new mid-sized delivery trucks and cargo vans, buses, and other fleet vehicles with zero-emission drivetrain systems and on demand for re-power conversion kits for existing diesel- and gasoline-powered buses, truck and other fleet vehicles to zero-emission electric drivetrain systems.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our zero-emission vehicles may not perform in a manner that is consistent with our customers' expectations for a variety of reasons. If our vehicles were to contain defects in design and manufacture that cause them not to perform as expected or that require repair, or experience any other failure to perform as expected, it could harm our reputation and result in delivery delays, product recalls, product liability claims, significant warranty and other expenses, which could have a material adverse impact on our ability to develop, market and sell our zero-emission vehicles. For example, should we have a significant sale of either new vehicles or re-power conversion kits and a defect (from a supplier-purchased product or internally assembled components) were to be discovered after delivery that could not be corrected in a timely manner, we could suffer an adverse public relations event that harms the company in a way that it may not be able to recover from, or which turns out to be so costly as to cause a significant loss. Although we attempt to remedy any issues we observe in our products as effectively and as rapidly as possible,

such efforts may not be timely, may hamper production or may not provide satisfaction to our customers. While we have performed extensive internal testing, we currently have a limited frame of reference by which to evaluate the long-term performance of our zero-emission products. There can be no assurance that we will be able to detect and fix any defects in our products prior to their sale to customers. Further, the performance of our zero-emission products may be negatively impacted by other factors, such as limitations inherent in existing battery technology and extreme weather conditions.

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

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

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

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

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

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

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

Changes in business conditions, domestic and foreign regulations (including tariffs), labor issues, wars, governmental changes, natural disasters and other factors beyond our control or which we do not presently anticipate, could also affect our suppliers' ability to deliver components to us on a timely basis. Furthermore, if we

experience significantly increased demand, or need to replace certain existing suppliers, there can be no assurance that additional supplies of component parts will be available when required on terms that are favorable to us, or that any supplier would allocate sufficient supplies to us in order to meet our requirements or fill our orders in a timely manner, or that we could engineer replacement components ourselves.

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

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

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

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

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

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

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

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

We do not control our independent suppliers or their business practices and, as such, they may not comply with ethical or legal business practices, such as environmental responsibility, fair wage practices, appropriate sourcing of raw materials, and compliance with child labor laws, among others. A lack of demonstrated compliance

could lead us to seek alternative suppliers, which could increase our costs and result in delayed delivery of our products, product shortages or other disruptions of our operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be compelled to undertake product recalls.

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

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

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

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

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

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

We may not be able to successfully develop new zero-emission electric vehicles or address new market segments or develop a broader customer base. To date, we have primarily focused our business on the sale of zero-emission electric drivetrain systems for school buses. We will need to address additional markets and expand our customer demographic in order to further grow our business. In particular, we have recently transitioned to target owners of trucks (all classes inclusive of 3–7) and vans between 10,000 pounds GVWR to 19,500 pounds GVWR, commercial fleets, including white fleets of school districts, which is a much different market from that of our previous zero-emission drivetrain systems. Successfully offering all electric vehicles in this market requires delivering a vehicle with different characteristics at a price that is competitive with other similar vehicles. We have only recently taken delivery of our initial trucks, chassis and cargo van vehicles, so it is difficult to forecast their eventual cost, manufacturability or quality, and is equally difficult to project market acceptance and our ability to generate sales in volumes as we currently intend. Our failure to address additional market opportunities would harm our business, financial condition, operating results and prospects.

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

We believe that the availability of government subsidies, rebates, and economic incentives is currently a critical factor considered by our customers when purchasing our zero-emission systems or converting their existing vehicles to zero-emission-electric or hybrids, and that our growth depends in large part on the availability and amounts of these subsidies and economic incentives. Any unavailability, reduction, elimination or adverse application of government subsidies, rebates, and economic incentives because of administrative mistakes made by those in charge of the programs, budgetary challenges, expiration, policy changes, the reduced need for such subsidies, rebates, and incentives due to the perceived success of electric or hybrid vehicles or other reasons may result in the diminished price competitiveness of the alternative fuel vehicle industry generally and our zero-emission electric and hybrid vehicles in particular, especially prior to our ability to significantly reduce our costs. For example, in the United States, we and our customers benefit from significant subsidies in connection with the purchase of our vehicles under the California HVIP, CARB, NYTVIP, NYCCTP, local air quality management districts, the EV Demonstration Project, and state-level Clean Cities programs. Under these programs, purchasers of

qualifying vehicles and those who convert their existing vehicles are eligible to receive subsidies or incentives from $55,000 to $220,000, respectively, per qualifying vehicle purchased or converted. Certain regulations and programs that encourage sales of zero-emission electric and hybrid vehicles could expire, be exhausted, be eliminated or applied in a way that adversely impacts sales of our commercial zero-emission electric and hybrid vehicles, either currently or at any time in the future. For example, the U.S. federal government and many state governments, as well as many national governments within the European Union, are facing political changes, fiscal crises and budgetary constraints, which could result in the elimination of programs, subsidies and incentives that encourage the purchase or conversion of zero-emission electric and hybrid vehicles. In addition, grants made by the DOE under the U.S. Recovery and Reinvestment Act of 2009 to clean technology companies, such as the EV Demonstration Project grant, may be subject to a high level of scrutiny in part due to recent financial difficulties experienced by recipients of DOE loan guarantees. In addition, currently some purchase subsidies are limited in total annual amounts and have been exhausted before all willing buyers have been able to consummate a purchase. We currently benefit from certain government and economic incentives supporting the development and adoption of zero-emission electric vehicles. If government subsidies and economic incentives to produce and purchase zero-emission electric vehicles were no longer available to us or our customers, or the amounts of such subsidies and incentives were reduced or eliminated, it would have a negative impact on demand for our vehicles and our business, prospects, financial condition and operating results would be adversely affected.

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

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

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

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

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

Our strategy of establishing sales, service, and assembly facilities in selected urban areas in the United States is substantially different from the prevailing centralized manufacturing and franchised distribution and service model used currently by our zero-emission and conversion manufacturing competitors. For example, we may not be able to utilize long established sales channels developed through a traditional franchise system to increase our sales

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

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

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

- changes to the regulations governing the assembly, transportation and disposal of lithium-ion batteries;
- revisions in motor carrier safety laws in the United States to further enhance motor vehicle safety generally and to ensure that electric vehicles achieve levels of safety commensurate with other cars, trucks, and buses could increase the costs associated with the component parts and the manufacture, assembly, and conversion of our drivetrain systems; and
- revisions in consumer protection laws to ensure that consumers are fully informed of the particular operational characteristics of vehicles could increase our costs associated with warning labels or other related customer information dissemination.

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

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

Sales of our zero-emission electric vehicles are and/or may be subject to international, state and local vehicle dealer and distribution laws. To the extent such laws prevent us from selling our vehicles to customers located in a particular jurisdiction or require us to retain a local dealer or distributor or establish and maintain a physical presence in a jurisdiction in order to sell vehicles in that jurisdiction, our business, prospects, financial condition and operating results could be adversely affected. We intend to contract with vehicle dealers to sell and/or service our

vehicles, but we have no assurance at this time that we will successfully contract with vehicle dealers and distributors to sell and/or service our vehicles .

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our success depends upon the continued service of Mr. Oldridge, our CEO, as well as other members of our senior management team. It also depends on our ability to continue to attract and retain additional highly qualified management, technical, engineering, operating and sales and marketing personnel. We do not currently maintain key person life insurance policies on any of our employees. While we have an employment contract with Mr. Menerey, our Chief Financial Officer, we do not have a fixed term employment agreement with Mr. Oldridge or with Mr. Richard Eckert, our Chief Operating Officer, although we anticipate entering into employment contracts with both in the near term. Until we do, either or both Mr. Oldridge and Mr. Eckert could terminate their relationship with us at any time. Our business also requires skilled technical, engineering, product and sales personnel, who are in high demand and are difficult to recruit and retain. As we continue to innovate and develop our products and services and develop our business, we will require personnel with expertise in these areas. There is increasing competition, especially in California, for talented individuals such as design engineers, manufacturing engineers, and other skilled employees with specialized knowledge of electric vehicles, zero-emission electric drivetrain systems and conversions. This competition affects both our ability to retain key employees and hire new ones. Key talent may leave us due to various factors, such as a very competitive labor market for talented individuals with automotive or transportation experience. Our success depends upon our ability to hire new employees in a timely manner and retain current employees. Additionally, we compete with both mature and prosperous companies that have far greater financial resources than we do and start-ups and emerging companies that promise short-term growth opportunities. The loss of Mr. Oldridge, Mr. Menerey or Mr. Eckert, or an inability to attract, retain and motivate additional highly skilled employees required for the planned development and expansion of our business, could delay or prevent the achievement of our business objectives and could materially harm our business.

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

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

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

We need sufficient capital to fund our ongoing operations and continue our development. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, such as keeping pace with technological developments in order to remain competitive in our evolving industry, improve our operating infrastructure or acquire complementary businesses and technologies. While we believe that our existing cash and cash equivalents will be sufficient to fund our operations during the next eighteen months, we may need to engage in additional equity or debt financings to secure additional funds. We do not expect to be able to satisfy our cash requirements solely through product sales in the near future, therefore we expect to rely on the net proceeds from our previous offerings and available debt financing to fund our operations.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders would suffer dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when and if we require it, our ability to continue to support our business growth, and to respond to business challenges could be significantly impaired.

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

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

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

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

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

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

If we are unable to maintain effective internal control over financial reporting and effective disclosure controls and procedures, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

Section 404 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act) requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting. Once we are no longer either an "emerging growth company" or a smaller reporting company, such report must be attested to by our independent registered public accounting firm. The Sarbanes-Oxley Act also requires that our principal executive officer and principal financial officer conclude as to the effectiveness of our disclosure controls and procedures on a quarterly basis. As of December 31, 2020, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective. Due to our size, we rely heavily on key management for day-to-day operations and internal controls, and our size and correspondingly limited resources give rise to additional internal control weaknesses, including our disclosure controls.

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

We are an emerging growth company and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.

For as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Investors may find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the date on which we are deemed to be a "large accelerated filer," (ii) the end of the fiscal year in which we have total annual gross revenue of $1.07 billion or more during such fiscal year, (iii) the date on which we issue more than $1 billion in non-convertible debt in a three-year period or (iv) the end of the fiscal year in which the fifth anniversary of our initial public offering occurs.

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

As of December 31, 2020, we had federal and state net operating loss carryforwards ("NOLs") due to prior period losses. Federal and state NOLs generated prior to 2018 have a 20-year carryforward and, if not utilized, will begin to expire in 2032. Similarly, state NOLs generated for tax years 2018 and after will also have a 20-year carryforward and, if not utilized, will begin to expire in 2038. These NOLs may go unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

Federal NOLs generated for tax years 2018, 2019 and 2020 will carryover indefinitely due to changes in the CARES act of 2020. California tax law has not changed to conform to the new federal law on NOLs generated in tax years 2018, 2019 and 2020.

Federal NOL Treatment

Year NOL Generated	Taxable Income Limitation	Carryforward
Pre-2018 taxable years (2012-2017)	100% of taxable income	20 years
2018-2020 taxable years	80% of taxable income	Indefinite

California NOL Treatment

Year NOL Generated	Taxable Income Limitation	Carryforward
Pre-2018 taxable years (2012-2017)	100% of taxable income	20 years
2018-2020 taxable years	100% of taxable income	20 years

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize net operating loss carryforwards or other tax attributes in any taxable year may be limited if we experience an “ownership change.” A Section 382 “ownership change” generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws.

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

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

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

Risks Related to the Ownership of Our Securities

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

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

- overall performance of the equity markets;
- the development and sustainability of an active trading market for our common stock;
- our operating performance and the performance of other similar companies;
- changes in the estimates of our operating results that we provide to the public, our failure to meet these projections or changes in recommendations by securities analysts that elect to follow our common stock;
- press releases or other public announcements by us or others, including our filings with the SEC;
- changes in the market perception of all-electric and hybrid products and services generally or in the effectiveness of our products and services in particular;

- announcements of technological innovations, new applications, features, functionality or enhancements to products, services or products and services by us or by our competitors;
- announcements of acquisitions, strategic alliances or significant agreements by us or by our competitors;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- announcements regarding litigation involving us;
- recruitment or departure of key personnel;
- changes in our capital structure, such as future issuances of debt or equity securities;
- our entry into new markets;
- regulatory developments in the United States or foreign countries;
- the economy as a whole, market conditions in our industry, and the industries of our customers;
- the expiration of market standoff or contractual lock-up agreements;
- the size of our market float; and
- any other factors discussed in this report.

The market price and volume of our common stock could fluctuate, and in the past has fluctuated, relative to our limited public float. We are particularly subject to fluctuations as reported on the OTC Markets Group Inc. During the year ended December 31, 2020, the closing price of a share of our common stock reached a high of $0.97 and a low of $0.06, with daily trade volumes reaching a high of 21,076,000 and a low of 15,100. In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies.

In the past, stockholders have filed securities class action litigation following periods of market volatility. In August 2018, a purported class action lawsuit was filed in California against us, certain of our executives officers, and the two underwriters of our offering of common stock under Regulation A in June 2017, which alleges that documents related to our June 2017 offering contained materially false and misleading statements and that all defendants violated Section 12(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and that we and the individual defendants violated Section 15 of the Securities Act, in connection therewith. Plaintiff’s counsel subsequently filed a first amended complaint, a second amended complaint, and a third amended complaint. In October 2019, we answered the third amended complaint, generally denying the allegations and asserting affirmative defenses. In November 2019, Network 1 and Boustead Securities (together the “Underwriters”) filed a cross-complaint against us seeking indemnification under the terms of the underwriting agreement that we entered into with the Underwriters related to our initial public offering (the “Underwriting Agreement”). In December 2019, we filed our answer to the Underwriters’ cross-complaint, generally denying the allegations and asserting affirmative defenses, and we also filed a cross-complaint against the Underwriters seeking indemnification under the terms of the Underwriting Agreement. In January 2020, Edward R. Monfort, our former Chief Technology Officer and former director, filed a cross-complaint against the Underwriters seeking indemnification under the terms of the Underwriting Agreement. In January 2020, Mr. Monfort filed a cross-complaint against us seeking indemnification under the terms of our Amended and Restated Bylaws and Section 145 of the Delaware General Corporation Law. In February 2020, we filed an answer to Mr. Monfort’s cross-complaint, generally denying the allegations and asserting affirmative defenses. Although we believe that the purported class action lawsuit is without merit and intend to vigorously defend the action, such litigation is expensive and diverts our management resources. Additionally, we could in the future be the target of additional litigation. Any such litigation could subject us to substantial additional costs, further divert resources and the attention of management from our business, and adversely affect our business, results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. PROPERTIES

We maintain our principal office and our recently leased warehouse and production facility in Corona, California and additional office and storage space in San Francisco and Stockton, California under a combination of leases and subleases that are month-to-month or expire at various times between now and February 2023. Upon the closing of the Merger in March 2021, we acquired EVT's rights to use a warehouse and storage facility in Porterville, California, subleased by EVT on a month-to-month basis. We believe that our facilities are adequate to meet our needs for the immediate future, and that, should it be needed, we will be able to secure additional space to accommodate any such expansion of our operations.

Item 3. LEGAL PROCEEDINGS

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

On August 2, 2018, Edward R. Monfort, our former Chief Technology Officer and former director, filed a complaint, captioned *Edward R. Monfort v. ADOMANI, Inc., et al*., Case No.: 18CV332757, in the Superior Court of the State of California for the County of Santa Clara, against us and certain of our executive officers, alleging that we and the other defendants (i) breached the terms of certain common stock subscription agreements to which Mr. Monfort is a party, (ii) fraudulently deprived Mr. Monfort of certain purported equity in the Company and (iii) fraudulently induced Mr. Monfort to execute a release of claims in connection with his June 2016 employment agreement. Mr. Monfort sought unspecified monetary damages, declaratory relief regarding the extent of his equity ownership in the Company and other relief. On August 24, 2018, we filed a notice of removal pursuant to which we removed the case to the United States District Court for the Northern District of California. On September 24, 2018, Mr. Monfort filed a motion for remand, seeking to remand the proceeding from the United States District Court for the Northern District of California back to the Superior Court of the State of California for the County of Santa Clara. On January 8, 2019, the United States District Court for the Northern District of California denied the motion for remand. On February 7, 2019, we answered Mr. Monfort's complaint and filed counterclaims against Mr. Monfort alleging counterclaims for: (i) breach of contract; (ii) declaratory judgment; (iii) breach of fiduciary duty; (iv) wrongful dilution; and (v) conversion. On September 12, 2019, we filed a motion for summary judgment, asking the court to dismiss all of Mr. Monfort's claims. On November 25, 2019, the court granted the motion and dismissed all of Mr. Monfort's claims with prejudice. Following the court's ruling, the parties engaged in settlement negotiations regarding, among other things, the Company's counterclaims and Mr. Monfort's appeal rights. The parties reduced their agreement to writing in a Settlement Agreement and Release. This document, executed by all parties and the Company's litigation insurer, StarStone Specialty Insurance Company, became effective on February 4, 2020. The parties agreed, among other things, to the following: (i) Mr. Monfort abandoned all appeal rights; (ii) Mr. Monfort's options to purchase Company stock were terminated; (iii) Mr. Monfort will divest himself of all Company common stock that he, his family, his affiliates, or his businesses own over the ten-week period following the effective date of the Settlement Agreement and Release; (iv) the Company abandoned its counterclaims; and (v) the parties released each other from any and all claims, known or unknown, that existed as of the date of the Settlement Agreement and Release. Neither Mr. Monfort nor any defendant in this action took any financial compensation to settle this matter. On February 5, 2020, consistent with the parties' stipulation, the court dismissed the Company's counterclaims with prejudice. This matter is now closed.

On August 23, 2018, a purported class action lawsuit captioned *M.D. Ariful Mollik v. ADOMANI, Inc. et al.*, Case No. RIC 1817493, was filed in the Superior Court of the State of California for the County of Riverside against us, certain of our executive officers, Mr. Monfort, and the two underwriters of our offering of common stock under Regulation A in June 2017. This complaint alleges that documents related to our offering of common stock under Regulation A in June 2017 contained materially false and misleading statements and that all defendants violated Section 12(a)(2) of the Securities Act, and that we and the individual defendants violated Section 15 of the Securities Act, in connection therewith. The plaintiff seeks on behalf of himself and all class members: (i) certification of a class under California substantive law and procedure; (ii) compensatory damages and interest in an amount to be proven at trial; (iii) reasonable costs and expenses incurred in this action, including counsel fees and expert fees; (iv) awarding of rescission or rescissionary damages; and (v) equitable relief at the discretion of the Court. Plaintiff's counsel has subsequently filed a first amended complaint, a second amended complaint, a third amended complaint, and a fourth amended complaint. Plaintiff Mollik was replaced by putative class representatives Alan K. Brooks and Electric Drivetrains, LLC. Alan K. Brooks was subsequently dropped as a putative class representative. On October 27, 2020, we answered the fourth amended complaint, generally denying the allegations and asserting affirmative defenses. On November 5, 2019, Network 1 and Boustead Securities (together the "Underwriters") filed a cross-complaint against the Company seeking indemnification under the terms of the underwriting agreement the Company and the Underwriters entered for the Company's initial public offering (the "Underwriting Agreement"). On December 10, 2019, the Company filed its answer to the Underwriters' cross-complaint, generally denying the allegations and asserting affirmative defenses. Also on this date, the Company filed a cross-complaint against the Underwriters seeking indemnification under the terms of the Underwriting Agreement. On January 14, 2020, Mr. Monfort filed a cross-complaint against the Underwriters seeking indemnification under the terms of the Underwriting Agreement. On January 15, 2020, Mr. Monfort filed a cross-complaint against the Company seeking indemnification under the terms of the Company's Amended and Restated Bylaws and Section 145 of the Delaware General Corporation Law. On February 18, 2020, we filed an answer to Mr. Monfort's cross-complaint, generally denying the allegations and asserting affirmative defenses. We believe that the purported class action lawsuit is without merit and intend to vigorously defend the action.

On June 19, 2019, Alan K. Brooks, an ADOMANI investor, filed a complaint, captioned *Alan K. Brooks v. ADOMANI, Inc., et al.*, Case No. 1-CV-349153 in the Superior Court of California for the County of Santa Clara, against the Company, certain of the Company's executive officers and directors, two of the underwriters of the Company's offering of common stock under Regulation A in June 2017, and certain of the underwriters' personnel, among others. The complaint alleges that the Company and other defendants breached the terms of an agreement between Mr. Brooks and the Company by refusing to release 1,320,359 shares of ADOMANI, Inc. stock to Mr. Brooks. Mr. Brooks seeks damages of $13,500,000.00 plus interest and attorney's fees. On September 20, 2019, Mr. Brooks filed his first amended complaint ("FAC") reasserting his breach of contract claim and alleging five additional claims for (i) violations of Cal. Corp. Code Section 25401, (ii) fraud, (iii) negligent misrepresentation, (iv) elder abuse, and (v) unfair competition. We answered the FAC on November 12, 2019, generally denying the allegations in the FAC and asserting affirmative defenses. A trial setting conference is scheduled in this matter for March 9, 2021. We believe that the lawsuit is without merit and intend to vigorously defend the action.

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

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

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

Holders

As of March 29, 2021, we had approximately 238 record holders of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. The number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

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

Recent Sales of Unregistered Securities

PIPE Financing

On December 24, 2020, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional and accredited investors, whereby the Company will sell, and the investors will purchase, shares of common stock of the Company, par value $0.00001 (the "Common Stock"), and warrants (the "Warrants") to purchase additional shares of Common Stock (the "Financing").

The first closing of the Financing occurred on December 29, 2020. The Company raised gross cash proceeds of $5,425,000 through the sale and issuance of 11,500,000 shares of Common Stock at a purchase price equal to $0.50 per share and Warrants to purchase up to an aggregate of 8,625,001 shares of Common Stock at an exercise price of $0.50 per share. The share and warrant amounts issued include 650,000 shares and 487,500 warrants issued to the underwriter in lieu of paying $325,000 of fees in cash. Proceeds net of related offering costs were approximately $5.3 million and will be used by the Company for general corporate purposes.

The second closing of the Financing is subject to, and contingent upon, the effectiveness of a registration statement filed with the SEC registering the shares of Common Stock sold, or issuable under the Warrants, in connection with the Financing, and the closing of the Merger with EVT. Upon the second closing, the Company will raise aggregate gross cash proceeds of approximately $16,2750,000 through the sale and issuance of 38,333,334 shares of Common Stock at a purchase price equal to $0.45 per share and Warrants to purchase up to an aggregate of 19,166,670 shares of its Common Stock at an exercise price of $1.00 per share. The share and warrant amounts to be issued include 2,166,667 shares and 1,083,333 warrants to be issued to the underwriter in lieu of paying $975,000 of fees in cash.

In connection with the Financing, the Company's officers and directors agreed not to sell or otherwise dispose of any of the shares of Common Stock or securities convertible into or exchangeable or exercisable for any shares of Common Stock held by them for a period ending 30 days after the Effective Date (as defined in the Purchase Agreement), subject to certain exceptions.

The securities to be sold in the Financing have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration. However, in conjunction with the first closing of the Financing, the Company has also entered into a registration rights agreement (the "Registration Rights Agreement") whereby the Company agreed to register, on behalf of the investors, the shares of Common Stock and the shares of Common Stock underlying the Warrants.

Acquisition of Envirotech Drive Systems, Inc.

On March 16, 2021, the Company completed its acquisition of Envirotech Drive Systems, Inc., a Delaware corporation ("EVT"), a supplier of zero-emission trucks, cargo vans, chassis and other commercial vehicles. The transaction was completed in accordance with an Agreement and Plan of Merger, dated February 16, 2021 (the "Merger Agreement"), by and among the Company, EVT and EVT Acquisition Company, Inc., a Delaware corporation and our wholly owned subsidiary ("Merger Sub"). As a result of such transaction, Merger Sub was merged with and into EVT, with EVT surviving as our wholly owned subsidiary (the "Merger"). In accordance with the terms of the Merger Agreement, at the effective time of the Merger, each outstanding share of the common stock of EVT was automatically converted into the right to receive one share of the common stock of the Company. As a result of the Merger, the Company issued an aggregate of 142,558,000 shares of its common stock to the former EVT stockholders, which shares represented approximately 56% of the total issued and outstanding shares of common stock of the Company as of immediately following the effective time of the Merger. The shares of common stock issued in connection with the Merger were issued in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 of Regulation D promulgated thereunder, and Regulation S promulgated under the Securities Act.

Repurchases of Equity Securities

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

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Overview

We are a provider of new purpose-built zero-emission electric vehicles focused on total cost of ownership. The vehicles are manufactured by outside, original equipment manufacturer ("OEM") partners located in China, Malaysia and the Philippines that can be marketed, sold, warrantied and serviced through our developing distribution and service network. We also are a provider of advanced zero-emission electric drivetrain systems for integration in new buses and medium to heavy-duty commercial fleet vehicles. We also provide re-power conversion kits to replace conventional drivetrain systems for combustion powered vehicles with zero-emission electric drivetrain systems. Our vehicles and drivetrain systems are designed to help fleet operators unlock the benefits of technology that reduces greenhouse gases ("GHG"), nitrous oxide ("NOx"), particulate matter ("PM") and other pollutants, as well as to address the challenges of local, state and federal regulatory compliance and traditional-fuel price cost instability.

For the years ended December 31, 2020 and 2019, respectively, we generated sales revenue of approximately $618,000 and $12.6 million, respectively, and our net losses were approximately $4.4 million and $5.2 million, respectively.

Factors Affecting Our Performance

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

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

- ***Availability of government subsidies, rebates and economic incentives.*** We believe that the availability of government subsidies, rebates, and economic incentives is currently a critical factor considered by our customers when purchasing our zero-emission systems or converting their existing vehicles to zero-emission-electric or hybrids, and that our growth depends in large part on the availability and amounts of these subsidies and economic incentives. In particular, our business and operating results have been and continue to be significantly affected by our inability to resolve the California HVIP funding backlog created by the program's staff that has to-date prevented us and our customers from accessing the funds, creating a significant delay in our ability to deliver products and to obtain new orders. We are working with the California Air Resources Board and the HVIP to resolve the administrative issues.

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

- ***Dependence on external sources of financing of our operations.*** We have historically depended on external sources for capital to finance our operations. Our ability to raise additional capital on terms that are acceptable to us has until very recently depended, in large part, on our ability to mitigate the impact of certain anti-dilution rights contained in our outstanding warrants that have, through December 4, 2020, restricted our ability to obtain such funding. However, on December 2, 2020, as discussed in Note 8 to the consolidated financial statements included in this Annual Report, we entered into Exchange Agreements (the "Exchange Agreements") with the holders (collectively, the "Holders") of outstanding warrants of the Company to purchase 5,499,997 shares of the Company's common stock, $0.00001 par value per share ("Common Stock") issued in January 2018 (the "Warrants"). Pursuant to the Exchange Agreements, the Holders agreed to cancel the Warrants in exchange for the issuance of 27,499,985 shares of Common Stock (the "Exchange"). The closing of the Exchange is occurred on December 4, 2020. The shares of Common Stock were issued in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended. As discussed below in Liquidity and Capital Resources, and in Notes 6 and 7 to the consolidated financial statements included in this Annual Report, we did subsequently raise additional capital.

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

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

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

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

- Third-party contractors, suppliers and manufacturers. We rely upon third parties to supply us with raw materials, parts, components and services in adequate quantity in a timely manner and at reasonable prices, quality levels, and volumes acceptable to us. Significant outbreaks of contagious diseases such as COVID-19, and other adverse public health developments, could have a material impact on our business, financial condition and results of operations. In 2020, the outbreak of COVID-19 has led to

numerous confirmed cases worldwide, including in the Unites States. In addition to those who have been directly affected, millions more have been affected by governmental efforts around the world to slow the spread of the outbreak. Accordingly, our future performance will depend in part upon our third-party resources' ability to respond and adapt to unexpected legal and regulatory changes resulting from the ongoing COVID-19 pandemic, such as shelter-in-place orders, travel, social distancing and quarantine policies, boycotts, curtailment of trade, and other business restrictions affecting their ability to assemble and deliver our products to us so that we can conduct our business .

Components of Results of Operations

Sales

Sales are recognized from the sales of new, purpose-built zero-emission electric vehicles; zero-emission electric drivetrain systems for fleet vehicles; the sale and/or installation of re-power conversion kits to replace conventional drivetrain systems in combustion powered vehicles with zero-emission electric drivetrain systems; and from contracting to provide engineering services. The Company also, in 2020, began providing vehicle maintenance and safety inspection services. Sales are recognized in accordance with Accounting Standards Codification ("ASC") Topic 606, as discussed in Note 2 to our consolidated financial statements included in this Annual Report.

Cost of Sales

Cost of sales includes those costs related to the development, manufacture, and distribution of our products. Specifically, we include in cost of sales each of the following: material costs (including commodity costs); freight costs; labor and other costs related to the development and manufacture of our products; and other associated costs. Cost of sales for long-term contracts are recognized proportionate to the prescribed gross profit of each contract. Cost of sales also includes costs related to the valuation of inventory due to impairment, obsolescence, or shrinkage.

General and Administrative Expenses

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

Consulting and Research and Development Costs

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

Other Income/Expenses, Net

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

Provision for Income Taxes

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

Results of Operations

The following discussion compares operating data for the year ended December 31, 2020 to the data for the year ended December 31, 2019:

Sales

In thousands, except percentages	Year Ended December 31, 2020	Year Ended December 31, 2019	$ Change	% Change
Sales	$ 618	$ 12,561	$ (11,943)	-95.08 %

Sales, severely impacted by the HVIP-created administrative delays and subsequent denying us access to funding, were approximately $618,000 for the year ended December 31, 2020, compared to $12.6 million for the year ended December 31, 2019. Sales for the year ended December 31, 2020 consisted of cargo vans sold to the City of Palmdale in July, SnowCap Community Charities in June, and to the City of Orlando Florida in January, as well as fees due us relating to the Blue Bird termination agreement, as discussed in Note 2 to our consolidated financial statements included in this Annual Report, and maintenance and inspection services provided.

Cost of Goods Sold

In thousands, except percentages	Year Ended December 31, 2020	Year Ended December 31, 2019	$ Change	% Change
Cost of goods sold	$ 303	$ 11,627	$ (11,324)	-97.39 %

Cost of sales related to the sales revenue described above and were approximately $303,000 for the year ended December 31, 2020, compared to $11.6 million for the year ended December 31, 2019.

Operating Expenses

In thousands, except percentages	Year Ended December 31, 2020	Year Ended December 31, 2019	$ Change	% Change
General and administrative [1]	$ 4,422	$ 5,705	$ (1,283)	-22.49 %
Consulting	155	333	(178)	-53.45 %
Research and development	75	109	(34)	-31.19 %
Total operating expenses, net	$ 4,652	$ 6,147	$ (1,495)	-24.32 %

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

In thousands, except percentages	Year Ended December 31, 2020	Year Ended December 31, 2019	$ Change	% Change
Stock-based compensation expense	$ 347	$ 769	$ (422)	-54.88 %

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2020 were approximately $4.4 million, compared to approximately $5.7 million for 2019, a decrease of approximately $1.3 million, which was primarily related to decreases in non-cash stock-based compensation expense of $420,987; a $406,537 decrease in salaries and benefits; a $173,898 decrease in investor relations expenses; a $139,694 decrease in legal expenses and decreases in other general and administrative expenses in the current year period of approximately $159,000. The 2020 general and administrative expenses include approximately $729,000 in non-cash charges, including $347,000 in non-cash stock-based compensation expense, $338,000 in bad debt expense related to notes receivable and $44,000 in depreciation expense. The 2019 general and administrative expenses include approximately $1.1 million in non-cash

charges, including $768,550 in non-cash stock-based compensation expense, $273,972 in bad debt expense, and $48,576 in depreciation expense.

Consulting

Consulting expenses were approximately $155,000 for the year ended December 31, 2020, as compared to $333,000 for 2019, primarily the result of the absence of grant application and tax credit consulting expenses incurred in 2019 that were not incurred in 2020. Consulting expenses include non-cash charges of approximately $76,000 and $55,000 for the years ended December 31, 2020 and 2019, respectively.

Research and Development Expenses

Research and development expenses were $75,000 for the year ended December 31, 2020, as compared to $108,751 for 2019, primarily attributable to a fluctuation in supply chain expenditures made for research and development activity in the two periods.

Interest (Expense) Income

	Year Ended December 31,			
In thousands, except percentages	2020	2019	$ Change	% Change
Interest (expense) income, net	$ (49)	$ 42	$ (91)	(216.67) %

Interest expense in 2019 consisted primarily of payments made for interest incurred on our secured line of credit; interest expense in 2020 includes interest on that line of credit that was paid in full in February 2020; interest accrued on two SBA Covid-19 relief-related loans; as well as interest expense of approximately $78,000 on two short-term working capital loans received and repaid in the fourth quarter of 2020. Interest expense was approximately $94,000 and $155,000 for the years ended December 31, 2020 and 2019, respectively. The decrease is due to the decrease in outstanding debt in 2020 compared to the amount outstanding in 2019, partially offset by the high rates incurred on the two short-term working capital loans. Interest income earned was approximately $45,000 and $197,000 for the years ended December 31, 2020 and 2019, respectively. The decrease in interest income in 2020 was the result of declining cash balances available to be invested as compare to those balances available in 2019 Interest expense, net was therefore approximately $49,000 and interest income, net of interest expense, was approximately $42,000 for the years ended December 31, 2020 and 2019, respectively.

Cash Flows

The following table summarizes our cash flows from operating, investing, and financing activities for the years ended December 31, 2020 and 2019:

	Year Ended December 31,	
In thousands	2020	2019
Cash flows used in operating activities	$ (2,961)	$ (4,582)
Cash flows provided by (used in) investing activities	2,758	1,128
Cash flows provided by financing activities	(93)	4,127
Net (decrease)/increase in cash and cash equivalents	$ (296)	$ 673

Operating Activities

Cash used in operating activities is primarily the result of our operating losses, reduced by the impact of non-cash expenses, including non-cash stock-based compensation.

Net cash used in operating activities decreased by approximately $1.6 million to approximately $3.0 million for the year ended December 31, 2020 compared to net cash used in operating activities of approximately $4.6 million for the year ended December 31, 2019. The decrease in net cash used in operating activities was due to a

decrease in net loss of approximately $767,000 and to approximately $1. 0 million net cash provided by changes in asset and liability accounts, reduced by a reduction in non-cash expenses of approximately $0.2 million.

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

Investing Activities

Net cash provided by investing activities during the year ended December 31, 2020 increased by approximately $1.7 million to approximately $2.8 million, as compared to cash provided by investing activities of approximately $1.1 million during the year ended December 31, 2019. The increase in net cash provided by investing activities during the year ended December 31, 2020 is primarily due to proceeds received from the sale of liquid marketable securities in the amount of approximately $2.8 million, whereas net cash used in investing activities during the year ended December 31, 2019 was primarily due to the purchase of liquid marketable securities in the amount of approximately $1.2 million.

Financing Activities

Net cash used in financing activities during the year ended December 31, 2020 decreased by approximately $4.2 million from cash provided by financing activities in 2019 of $4.1 million to cash used by financing activities of approximately $93,000 in 2020. Net cash used in financing activities during the year ended December 31, 2020 consisted of approximately $5.3 million proceeds from a securities offering, net of offering costs, and $411,244 in proceeds received from SBA loans, reduced by approximately $5.8 million in net principal repayments made under our line of credit with Morgan Stanley.

Liquidity and Capital Resources

As of December 31, 2020, we had cash and cash equivalents of approximately $4.1 million, primarily the result of the approximately $5.3 million net proceeds from the December 29, 2020 closing of the $5.425 million Tranche I of the financing commitments discussed below and in Note 7 and Note 8. The net proceeds were reduced by the repayment of certain debt discussed in Note 6 and reduced further by the payment of certain accrued liabilities.

On December 24, 2020, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain institutional and accredited investors, whereby the Company will sell, and the investors will purchase, shares of common stock of the Company, and warrants (the “Warrants”) to purchase additional shares of the Company’s common stock (the “Financing”).

The first closing of the Financing occurred on December 29, 2020. The Company raised gross proceeds of $5,425,000 through the sale and issuance of 11,500,000 shares of its common stock at a purchase price equal to $0.50 per share and Warrants to purchase up to an aggregate of 8,625,001 shares of its common stock at an exercise price of $0.50 per share. The share and warrant amounts issued include 650,000 shares and 487,500 warrants issued to the underwriter in lieu of paying $325,000 of fees in cash. Net proceeds net of offering costs were approximately $5.3 million.

The second closing of the Financing is subject to, and contingent upon, the effectiveness of a registration statement filed with the SEC registering the shares of common stock sold, or issuable under the Warrants, in connection with the Financing, and the closing of the Merger with EVT, which was completed on March 16, 2021 as further described below. Upon the completion of the second closing, the Company will raise aggregate gross proceeds of approximately $16,275,000 through the sale and issuance of 38,333,333 shares of common stock at a purchase price equal to $0.45 per share and Warrants to purchase up to an aggregate of 19,166,666 shares of its

common stock at an exercise price of $1.00 per share. The share and warrant amounts to be issued include 2,166,667 shares and 1,083,333 warrants to be issued to the underwriter in lieu of paying $975,000 of fees in cash.

On March 16, 2021, the Company completed its acquisition of EVT, a supplier of zero-emission trucks, cargo vans, chassis and other commercial vehicles. The transaction was completed in accordance with an Agreement and Plan of Merger, dated February 16, 2021 (the “Merger Agreement”), by and among the Company, EVT and EVT Acquisition Company, Inc., a Delaware corporation and our wholly owned subsidiary (“Merger Sub”). As a result of such transaction, Merger Sub was merged with and into EVT, with EVT surviving as our wholly owned subsidiary (the “Merger”). Pursuant to the Merger Agreement, it was a condition to the Company’s obligation to close the Merger that EVT have at least $5 million in cash as of immediately following the consummation thereof.

The closing of the Merger is one of the conditions to the completion of the second closing of the Financing, as noted above. In order to satisfy the remaining closing condition, the Company must effect the registration of the shares issued or issuable in connection with the Financing in accordance with the terms of the Securities Purchase Agreement, whereupon the participating investors will be obligated to fund the remaining $17.25 million contemplated to be raised at the second closing of the Financing. In the event that we are able to satisfy the conditions to the completion of the second closing of the Financing described above, we believe that we will have adequate funding for more than twelve months from the date of issuance of the 2020 financial statements, which we believe alleviates substantial doubt about our ability to continue as a going concern.

Options to Purchase Common Stock

As of December 31, 2020, we had outstanding options to purchase 9,685,247 shares of common stock, net of exercises, cancellations, and forfeitures, as discussed below, and 7,465,570 shares of common stock were issuable upon the exercise of options vested at such date. Options to purchase 5,500,000 were issuable upon exercise at a price of $0.10 per share, none were issuable upon exercise at a price of $0.12 per share, 564,266 were issuable upon exercise at a price of $0.45 per share, 1,000,000 were issuable upon exercise at a price of $1.00 per share, and 401,304 were issuable upon exercise at a price of $1.31 per share. If all vested options to purchase common stock were exercised, we would receive proceeds of approximately $2.3 million and we would be required to issue 7,465,570 shares of common stock. There can be no assurance, however, that any such options will be exercised.

On March 6, 2018, Edward R. Monfort ceased serving as the Company’s Chief Technology Officer. Upon Mr. Monfort’s separation from service, the Company’s board of directors suspended Mr. Monfort’s outstanding options. Although such options remained outstanding, they were unexercisable as of December 31, 2019. As of December 31, 2019, outstanding options to purchase an aggregate of 14,297,902 shares of common stock were attributable to Mr. Monfort. Effective as of February 4, 2020, all such options were cancelled by the Company in connection with the settlement of Mr. Monfort’s claims against the Company.

During 2020, Mr. Monfort’s 14,297,902 vested options were cancelled per the discussion above; former officers of the Company forfeited options to purchase an aggregate of 3,500,000 shares of common stock with an exercise price of $0.10 per share; consultants forfeited options to purchase an aggregate of 704,436 shares of common stock with an exercise price of $0.10 per share and 1,000,000 shares of common stock with an exercise price of $0.50 per share. Employees forfeited options to purchase an aggregate of: 86,177 shares of common stock with an exercise price of $1.31 per share; 161,433 shares with an exercise price of $0.45 per share; and 417,143 shares with an exercise price of $0.12 per share.

Debt

On May 6, 2020, the Company received $261,244 in loan funding from the Paycheck Protection Program (the “PPP”) established pursuant to the recently enacted Coronavirus Aid, Relief, and Economic Security Act of 2020 (the “CARES Act”) and administered by the U.S. Small Business Administration (“SBA”). The unsecured loan (the “PPP Loan”) is evidenced by a promissory note of the Company, dated May 3, 2020 (the “PPP Note”) in the principal amount of $261,244 with Wells Fargo Bank, N.A. (Wells Fargo), the lender. The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks, or, if elected by the Company, twenty-four weeks, in either case, as long as the borrower uses the loan proceeds for eligible purposes, including payroll,

benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week or twenty-four week period, as applicable. Under the terms of the PPP Note and the PPP, interest accrues on the outstanding principal at the rate of 1.0% per annum. The term of the PPP Note is two years, though it may be payable sooner in connection with an event of default under the PPP Note. To the extent the loan amount is not forgiven under the PPP, the Company will be obligated to make equal monthly payments of principal and interest beginning on November 1, 2020 through the maturity date of May 3, 2022. The Company filed its forgiveness application on October 16, 2020, and was notified by Wells Fargo on January 6, 2021 that its PPP Loan had been approved internally for 100% forgiveness and had been forwarded to SBA for their approval. The Company anticipates the net amount forgiven will be $251,244, which is the principal amount of $261,244, less $10,000 that was advanced as part of the Company's application for the EIDL loan (see below). Any EIDL advance must be repaid as part of the PPP Loan forgiveness process. As of December 31, 2020, the principal and accrued interest on the PPP Note is $262,979, of which $203,867 and $59,112 is reflected on the consolidated balance sheets as current and long-term liabilities, respectively.

On May 20, 2020, the Company received $150,000 in loan funding from the U.S. SBA under the Economic Injury Disaster Loan ("EIDL") program administered by the SBA, which program was expanded pursuant to the recently enacted CARES Act. The EIDL load is evidenced by a promissory note, dated May 17, 2020 (the "EIDL Note") in the original principal amount of $150,000 with the SBA, the lender. Under the terms of the EIDL Note, interest accrues on the outstanding principal at the rate of 3.75% per annum. The term of the EIDL Note is thirty years, though it may be payable sooner upon an event of default under the EIDL Note. Under the EIDL Note, the Company will be obligated to make equal monthly payments of principal and interest beginning on May 17, 2021 through the maturity date of May 17, 2050. The EIDL Note may be prepaid in part or in full, at any time, without penalty. As of December 31, 2020, the principal and accrued interest on the EIDL Note is $153,789, all of which is reflected on the consolidated balance sheets as a long-term liability.

On October 28, 2020, the Company received $500,000 in loan funding (the "Envirotech Loan #1") from Envirotech Drive Systems, Inc. / SRI Professional Services, Incorporated (collectively, "Lender"). The Envirotech Loan #1 was evidenced by a balloon payment promissory note, dated October 28, 2020, issued by the Company in favor of Lender (the "Envirotech Note #1") in an original principal amount of $500,000. The terms of Envirotech Note #1 provided that no interest will accrue on the unpaid principal amount of the Envirotech Loan #1. In connection with the funding of the Envirotech Loan #1, the Company paid to Lender an origination fee in the amount of $49,999. Under the terms of the Envirotech Note #1, the unpaid principal amount of the Envirotech Loan #1 was payable by the Company in one installment due upon the Company securing additional financing or issuing shares of its capital stock on or before December 31, 2020. The Envirotech Note #1 was repaid in full on December 30, 2020 from proceeds of the PIPE offering that closed on December 29, 2020. See Note 7 to the consolidated financial statements included in this Annual Report.

On November 25, 2020, the Company received an additional $237,840 in loan funding (the "Envirotech Loan #2") from Lender. The funding of this loan was accomplished by Envirotech making a $237,840 payment on behalf of the Company to the manufacturer of ten all-electric trucks previously ordered by the Company, for which the Company did not have sufficient funds to pay for. The Envirotech Loan #2 was evidenced by a balloon payment promissory note, dated November 25, 2020, issued by the Company in favor of Lender (the "Envirotech Note #2") in an original principal amount of $237,840. No interest will accrue on the unpaid principal amount of the Envirotech Loan #2. In connection with the funding of the Envirotech Loan #2, the Company paid to Lender an origination fee in the amount of $23,784. Under the terms of the Envirotech Note #2, the unpaid principal amount of the Envirotech Loan #2 was payable by the Company in one installment due upon the Company securing additional financing or issuing shares of its capital stock on or before December 31, 2020. The Envirotech Note #2 was repaid in full on December 30, 2020 from proceeds of the PIPE offering that closed on December 29, 2020. See Note 7 to the consolidated financial statements included in this Annual Report.

Credit Facilities

Effective May 2, 2018, the Company secured a line of credit from Morgan Stanley Private Bank, National Association ("Morgan Stanley"). Borrowings under the line of credit bear interest at 30-day LIBOR plus 2.0%. There is no maturity date for the line, but Morgan Stanley may at any time, in its sole discretion and without cause, demand the Company immediately repay any and all outstanding obligations under the line of credit in whole or in part. The line is secured by the cash and cash equivalents maintained by the Company in its Morgan Stanley accounts, which was approximately $7.1 million as of December 31, 2019. Borrowings under the line may not exceed 95% of such cash, cash equivalents, and marketable securities balances. The maximum amount the Company could borrow at December 31, 2019, was approximately $6.6 million, and the principal amount outstanding under this line of credit was approximately $5.8 million at that date. The line of credit and related interest expense was repaid in full on February 3, 2020.. The line of credit is still available to the Company, but there is no current plan to borrow from it.

Capital Expenditures

We do not have any contractual obligations for ongoing capital expenditures at this time. We do, however, purchase equipment necessary to conduct our operations on an as needed basis.

Contractual Obligations

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

On October 30, 2020, James L. Reynolds resigned from his employment with the Company, including his positions as the President and Chairman of the Board of the Company, as a member of the board of directors of the Company, and any and all other positions, directorships, and committee memberships that Mr. Reynolds held with the Company or any of its subsidiaries or other affiliated entities, in each case, effective as of October 30, 2020. Mr. Reynolds' resignation did not result from a disagreement with the Company on any matter relating to its operations, policies, or practices. In connection with Mr. Reynolds' resignation, the Company and Mr. Reynolds entered into Separation Agreement and General Release, dated October 30, 2020, pursuant to which Mr. Reynolds will be entitled to receive certain separation benefits see Note 9 and Note 11 to the consolidated financial statements included in this Annual Report.

Off-Balance Sheet Arrangements

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

Indemnification Agreements

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

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with the preparation of the financial statement information presented in this report are not significant because we have not generated any appreciable revenue. Therefore, we have not had to make assumptions or estimates related to a reserve for bad debt expense. As to future warranty costs to be incurred, we recorded a warranty reserve against 2020 revenue and will continue to evaluate the provision for such expenses in the future. These two items will have significant potential impact on our consolidated financial statements in the future. We also have no significant current litigation on which we have to provide reserves or estimate accruals and our investment to date in property, plant and equipment has not been significant. We therefore have not had to rely on estimates related to impairment. We have not generated any taxable income to date, so have not had to make any decisions about future profitability that would impact recording income tax expense. Assuming we are able to generate future profits by executing our business plan, these areas, among others, will most likely be our critical accounting policies and estimates.

On January 1, 2018, we adopted ASC Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC Topic 605. The adoption of ASC Topic 606 did not result in a cumulative impact on us as of January 1, 2018 and the application of ASC Topic 606 had no impact on our statement of operations for the year ended December 31, 2019 or 2018, respectively.

We early-adopted ASU No. 2016-02, Leases (Topic 842). The amendment requires companies to recognize leased assets and liabilities on the balance sheet and to disclose key information regarding leasing arrangements. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early application of this amendment is permitted for all entities. While we do not anticipate that, going forward, leases will be material to our balance sheet, we chose to early-adopt as of December 31, 2017 due to our entering into new leases during the year. These new leases are the only leases required to be included on our balance sheet under the new standard. Consequently, the adoption of the new lease standard did not have any impact to prior period information. Further, these leases are operating leases and, therefore, have no income statement impact resulting from the adoption of this standard.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to us, but which will only be resolved when one or more future events occur or fail to occur. Our management, in consultation with our legal counsel as appropriate, assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims that may result in such proceedings, we, in consultation with our legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in our financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Stock-Based Compensation

We measure the cost of services received in exchange for an award of equity instruments based on the fair value of the award. The fair value of the award is measured on the grant date and is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. The fair value of our common stock was estimated by management based on observations of the cash sales prices of its common shares. Awards granted to directors are treated on the same basis as awards granted to employees.

Fair Value Measurement

The carrying values of our financial instruments, including cash, notes receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. FASB ASC Topic 820, "Fair Value Measurement" defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

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

Level 3: Unobservable inputs for which there is little or no market data, and which require the reporting entity to develop its own assumptions.

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

Jumpstart Our Business Startups Act of 2012 ("JOBS Act")

We are an "emerging growth company," as defined in the JOBS Act. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for emerging growth companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards, and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. We have chosen to rely on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an emerging growth company we are not required to, among other things, (i) being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure, (ii) not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting, (iii) not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, (iv) reduced disclosure obligations regarding executive compensation or (v) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We will retain our emerging growth company status until the first to occur of: (i) the end of the fiscal year in which the fifth anniversary of the completion of our initial public offering occurs, (ii) the end of the fiscal year in which our annual revenues exceed $1.07 billion, (iii) the date on which we issue more than $1 billion in non-convertible debt during any three-year period or (iv) the date on which we qualify.

Recent Accounting Pronouncements

Management has considered all recent accounting pronouncements issued, but not effective, and does not believe that they will have a significant impact on the Company's financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

As we continue our commercialization efforts internationally, we may generate revenue and incur expenses denominated in currencies other than the U.S. dollar, a majority of which we expect to be denominated in Chinese Yuan. As a result, if and when the operations of ADOMANI China, our wholly owned subsidiary organized under the laws of China, expand in the future, our revenue may be significantly impacted by fluctuations in foreign currency exchange rates. We may face risks associated with the costs of raw materials, primarily batteries, as we go into production. To the extent these and other risks materialize, they could have a material effect on our operating results or financial condition. We currently anticipate that our international selling, marketing and administrative costs related to foreign sales will be largely denominated in the same foreign currency, which may mitigate our foreign currency exchange risk exposure.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
ADOMANI, Inc.

Corona, California

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ADOMANI, Inc. and its subsidiaries (collectively, the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. 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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits 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 audits provide a reasonable basis for our opinion.

/s/ MaloneBailey, LLP
www.malonebailey.com
We have served as the Company's auditor since 2014.
Houston, Texas
March 31, 2021

ADOMANI, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,136	$ 4,432
Marketable securities	—	2,771
Accounts receivable	14	661
Notes receivable, net	—	40
Inventory, net	354	494
Prepaid expenses	1,083	1,197
Other current assets	15	41
Total current assets	5,602	9,636
Property and equipment, net	102	112
Other non-current assets	464	569
Total assets	$ 6,168	$ 10,317
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9	$ 418
Accrued liabilities	897	649
Notes payable, net	204	—
Line of credit	—	5,820
Total current liabilities	1,110	6,887
Long-term liabilities		
Other non-current liabilities	216	148
Notes payable, net	207	—
Total liabilities	1,533	7,035
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, 5,000,000 authorized, $0.00001 par value per share, none issued and outstanding as of December 31, 2020, and December 31, 2019	—	—
Common stock, 350,000,000 authorized, $0.00001 par value per share, 112,670,580 and 73,125,538 issued and outstanding as of December 31, 2020, and December 31, 2019, respectively	1	1
Additional paid-in capital	68,198	62,459
Accumulated deficit	(63,564)	(59,178)
Total stockholders' equity	4,635	3,282
Total liabilities and stockholders' equity	$ 6,168	$ 10,317

See accompanying notes to consolidated financial statements.

ADOMANI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,	
	2020	2019
Sales	618	$ 12,561
Cost of sales	303	11,627
Gross profit (loss)	315	934
Operating expenses:		
General and administrative	4,422	5,705
Consulting	155	333
Research and development	75	109
Total operating expenses, net	4,652	6,147
Loss from operations	(4,337)	(5,213)
Other income (expense):		
Interest income (expense), net	(49)	42
Other income	—	18
Total other income (expense)	(49)	60
Loss before income taxes	(4,386)	(5,153)
Income tax expense	—	—
Net loss	$ (4,386)	$ (5,153)
Net loss per share to common stockholders:		
Basic and diluted	$ (0.06)	$ (0.07)
Weighted shares used in the computation of net loss per share:		
Basic and diluted	75,583,936	72,919,333

See accompanying notes to consolidated financial statements.

ADOMANI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except per share data)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Stockholders' Equity (Deficit)
	Shares	Amount			
Balance, December 31, 2018	72,732,292	$ 1	$ 61,628	$ (54,025)	$ 7,604
Common stock issued for services	322,162	—	55	—	55
Common stock issued for stock options exercised	71,084	—	7	—	7
Stock based compensation	—	—	769	—	769
Net loss	—	—	—	(5,153)	(5,153)
Balance, December 31, 2019	73,125,538	$ 1	$ 62,459	$ (59,178)	$ 3,282
Common stock issued for services	545,057	—	76	—	76
Shares issued in exchange for warrants	27,499,985	—	—	—	—
Common stock issued for cash	11,500,000	—	5,425	—	5,425
Offering costs netted against proceeds from common stock issued for cash	—	—	(109)	—	(109)
Stock based compensation	—	—	347	—	347
Net loss	—	—	—	(4,386)	(4,386)
Balance, December 31, 2020	112,670,580	$ 1	$ 68,198	$ (63,564)	$ 4,635

See accompanying notes to consolidated financial statements.

ADOMANI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	(4,386)	(5,153)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	44	48
Amortization of right of use assets	198	—
Provision for bad debt	338	274
Stock based compensation expense	347	769
Common stock issued for services	76	55
Loss on write-down of property and equipment	—	7
Changes in assets and liabilities:		
Accounts receivable	648	335
Notes receivable	(15)	(27)
Inventory	140	(494)
Prepaid expenses	114	(95)
Other current assets	25	(44)
Other non-current assets	(199)	58
Accounts payable	(409)	76
Accrued liabilities	248	(320)
Other non-current liabilities	(130)	(71)
Net cash used in operating activities	(2,961)	(4,582)
Cash flows from investing activities:		
Purchase of property and equipment, net	(12)	(13)
Proceeds from sale of marketable securities	2,770	1,179
Investment in note receivable, net	—	(38)
Net cash provided by investing activities	2,758	1,128
Cash flows from financing activities:		
Proceeds from issuance of common stock	5,425	—
Payments for deferred offering costs	(109)	—
Advances on line of credit	150	5,850
Principal repayments on line of credit	(5,970)	(1,730)
Proceeds from third party notes	738	—
Payments on third party notes	(738)	—
Proceeds from exercise of stock options	—	7
Proceeds from SBA loans	411	—
Net cash provided by financing activities	(93)	4,127
Net change in cash and cash equivalents	(296)	673
Cash and cash equivalents at the beginning of the period	4,432	3,759
Cash and cash equivalents at the end of the period	$ 4,136	$ 4,432
Supplemental cash flow disclosures:		
Cash paid for interest expense	$ 141	$ 146
Cash paid for income taxes	$ —	$ —
Non-cash transactions:		
Other non-current asset reclassified to property & equipment	$ —	$ 7
Assets received offsetting notes receivable	$ 22	$ —
Equipment transferred against note receivable	$ —	$ 2

See accompanying notes to consolidated financial statements.

1. Organization and Operations

ADOMANI, Inc. ("we", "us", "our" or the "Company") is a provider of new purpose-built zero-emission electric vehicles focused on total cost of ownership. We are also a provider of advanced zero-emission electric drivetrain systems for integration in new buses and medium to heavy-duty commercial fleet vehicles. The Company also provides re-power conversion kits to replace conventional drivetrain systems for combustion powered vehicles with zero-emission electric drivetrain systems. The Company's vehicles and drivetrain systems are designed to help fleet operators unlock the benefits of green technology and address the challenges of local, state and federal regulatory compliance and traditional-fuel price cost instability.

2. Summary of Significant Accounting Policies

Basis of Presentation— The Company's consolidated financial statements and related disclosures for the periods ended December 31, 2020 and 2019, have been prepared using the accounting principles generally accepted in the United States ("GAAP").

Going Concern— As of December 31, 2020, we had cash and cash equivalents of approximately $4.1 million, primarily the result of the approximately $5.3 million net proceeds from the December 29, 2020 closing of the $5.425 million Tranche I of the financing commitments discussed below and in Note 7 and Note 8. The net proceeds were reduced by the repayment of certain debt discussed in Note 6 and reduced further by the payment of certain accrued liabilities. As disclosed on December 24, 2020 in a press release, the Company entered into a non-binding letter of intent ("LOI") with Envirotech Drive Systems, Inc. (EVT) a manufacturer of purpose-built all-electric zero-emission Class 3, 4 and 5 vehicles, regarding a potential business combination transaction pursuant to which the Company would merge with and into EVT, whereby EVT would become a wholly-owned subsidiary of ADOMANI, Inc. in exchange for shares of ADOMANI common stock. On March 16, 2021, we completed the merger with EVT. A condition of closing is that EVT brings $5 million cash to the combined company. The merger closing is one condition required to complete the financing commitments; as soon as we satisfy the required SEC registration of the shares issued with respect to the financing commitments we will complete the remaining $17.25 million funding of Tranche II of the financing commitments. We therefore believe that we will have adequate funding for more than twelve months from the date of issuance of the 2020 financial statements, which we believe alleviates substantial doubt about our ability to continue as a going concern.

Principles of Consolidation—The accompanying financial statements reflect the consolidation of the individual financial statements of ADOMANI, Inc., ADOMANI California, Inc., Adomani (Nantong) Automotive Technology Co. Ltd., ADOMANI ZEV Sales, Inc., formerly known as School Bus Sales of California, Inc., Zero Emission Truck and Bus Sales of Arizona, Inc., and ZEV Resources, Inc. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

Level 3: Unobservable inputs for which there is little or no market data, and which require the reporting entity to develop its own assumptions.

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

Revenue Recognition— The Company recognizes revenue from the sales of zero-emission electric vehicles; from the sales of zero-emission electric drivetrain systems for fleet vehicles; and from contracting to provide related engineering and, effective February 2020, vehicle maintenance and inspection services. The Company recognizes revenue in accordance with ASC Topic 606, "Revenue from Contracts with Customers", which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

(1) identify any contracts with customers;

(2) determine if multiple performance obligations exist;

(3) determine the transaction price;

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

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

As part of the termination agreement with Blue Bird, the Company has been paid $5,000 for each electric drivetrain Blue Bird ordered from Cummins Corporation during the period of June 1, 2019 through September 30, 2019. This agreement is a single performance obligation with the Company recognizing revenue upon notification from Blue Bird that delivery has been made to its customer. The final customer delivery by Blue Bird was made in April, 2020; the final payment was made in June, 2020; thus, no additional revenue will be recorded by ADOMANI related to the termination agreement.

Product revenue also includes the sale of electric trucks and cargo vans. These sales represent a single performance obligation with revenue recognition occurring at the time title transfers. Transfer of title occurs when the customer has accepted the van and signed the appropriate documentation acknowledging receipt.

The Company is the recipient of a purchase order issued from GerWeiss EV USA LLC ("GerWeiss") to produce all-electric tricycles ("e-trikes"), or all-electric light weight commercial vehicles. The Company has agreed to provide deposits to GerWeiss to fund the procurement of the supplies and assembly of the tricycles. The purchase order represents a single performance obligation with the Company recognizing revenue upon notification that the assembled units have been completed by GerWeiss. Upon the recording of revenue, the corresponding deposits are recorded as cost of goods sold.

Other revenue includes, effective February 2020, performing basic vehicle maintenance and detailing, as well as safety inspections for compliance with United States Department of Transportation guidelines. These sales represent a single performance obligation with revenue recognition occurring at the time services are invoiced.

Cash and Cash Equivalents— The Company considers all highly liquid investments purchased with an original or remaining maturity of three months or less to be cash equivalents.

Marketable Securities—The Company invests in short-term, highly liquid, marketable securities, such as U.S. Treasury notes, U.S. Treasury bonds, and other government-backed securities. The Company classifies these marketable securities as held-to-maturity, as the intent is not to liquidate them prior to the respective stated maturity date.

Accounts Receivable and Allowance for Doubtful Accounts—The Company establishes an allowance for bad debts through a review of several factors including historical collection experience, current aging status of the customer accounts, and financial condition of its customers. The Company does not generally require collateral for its accounts receivable. The Company had trade accounts receivable of $13,609 and $661,352 as of December 31, 2020 and 2019, respectively. Because the trade accounts receivable balance as of December 30, 2020 is immaterial, and because all but $15,000 of the trade accounts receivable balance as of December 31, 2019 related to two California government agencies, and was paid to ADOMANI during the three months ended June 30, 2020, no allowance has been recorded relative to the trade accounts receivable balance as of December 31, 2020 and 2019, respectively.

Notes Receivables— The Company also had notes receivable of $833,588 and $834,491 as of December 31 2020 and 2019, respectively. The Company provided an allowance for notes receivable of $808,588 and $471,000 as of December 31, 2020 and 2019, respectively (see Note 5).

Inventory and Inventory Valuation Allowance— The Company records inventory at the lower of cost or market, and uses a First In, First Out ("FIFO") accounting valuation methodology. The Company had inventory on hand of $353,730 and $494,158 as of December 31, 2020 and 2019, respectively. The Company provided no inventory allowance as of December 31, 2020 and 2019, respectively.

Inventory Deposits—The Company records all inventory deposits as prepaid assets. Upon completion of production, and acceptance by the Company, deposits are reclassified to either inventory or cost of goods, depending on whether a sale of the product has occurred. The Company had inventory deposits of $965,994 and $935,204 as of December 31, 2020 and 2019, respectively.

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

The Company records a valuation allowance to reduce the deferred income tax assets to the amount that is more likely than not to be realized. In making such determinations, management considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. As of December 31, 2020 and 2019, respectively, the Company recognized a full valuation allowance for all deferred tax assets.

Accounting for Uncertainty in Income Taxes—The Company evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. At December 31, 2020 and 2019, respectively, management did not identify any uncertain tax positions.

Net Loss Per Share—Basic net loss per share is calculated by dividing the Company's net loss applicable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is calculated by dividing the Company's net loss applicable to common stockholders by the diluted weighted average number of shares of common stock outstanding during the period. The diluted weighted average number of shares of common stock outstanding is the basic weighted number of shares of common stock adjusted for any potentially dilutive debt or equity securities. As of December 31, 2020, the Company had 9,685,247 and 10,681,327 stock options and stock warrants outstanding, respectively.

Concentration of Credit Risk—The Company has credit risks related to cash and cash equivalents on deposit with a federally insured bank, as at times it exceeds the $250,000 maximum amount insured by the Federal Deposit Insurance Corporation.

Impairment of Long-Lived Assets—Long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company evaluates these assets to determine potential impairment by comparing the carrying amount to the undiscounted estimated future cash flows of the related assets. If the estimated undiscounted cash

flows are less than the carrying value of the assets, the assets are written down to their fair value . There was no impairment of long-lived assets, or property and equipment, as of December 30, 2020 and 2019, respectively.

Research and Development—Costs incurred in connection with the development of new products and manufacturing methods are charged to operating expenses as incurred. Research and development costs were $75,000 and $108,751 for the years ended December 31, 2020 and 2019, respectively.

Stock-Based Compensation—The Company accounts for employee stock-based compensation in accordance with the guidance of FASB ASC Topic 718, "Compensation-Stock Compensation", which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The fair value of the equity instrument is charged directly to compensation expense and credited to additional paid-in capital over the period during which services are rendered.

Property and Equipment— Property and equipment are stated at cost, less accumulated depreciation and amortization. The Company provides for depreciation using the straight-line method over the estimated useful lives of the assets, which range from three to five years, except leasehold improvements, which are being amortized over the life of the lease term. Property and equipment qualify for capitalization if the purchase price exceeds $2,000. Major repairs and replacements, which extend the useful lives of equipment, are capitalized and depreciated over the estimated useful lives of the property. All other maintenance and repairs are expensed as incurred.

Leases—The Company accounts for leases as required by ASC Topic 842. The guidance requires companies to recognize leased assets and liabilities on the balance sheet and to disclose key information regarding leasing arrangements.

Recent Accounting Pronouncements— Management has considered all recent accounting pronouncements issued, but not effective , and does not believe that they will have a significant impact on the Company's financial statements.

3. Property and equipment, net

Components of property and equipment, net consist of the following as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Furniture and fixtures	$ 41,799	$ 41,799
Leasehold improvements	35,042	23,338
Computers	59,668	59,667
Machinery & equipment	22,440	—
Vehicles	72,299	72,299
Test/Demo vehicles	15,784	15,784
Total property and equipment	247,032	212,887
Less accumulated depreciation	(145,369)	(101,044)
Net property and equipment	$ 101,663	$ 111,843

Depreciation expense was $44,325 and $48,576 for the years ended December 31, 2020 and 2019, respectively.

4. Income Taxes

The cumulative estimated net operating loss ("NOL") carry-forward is $26,932,029 and $22,902,141 at December 31, 2020 and 2019, respectively, and will expire in the years 2040 and 2039, respectively. There is also a research and development ("R & D") tax credit carryforward of $274,891 available to the Company in addition to the NOL carryforward at December 31, 2020 and 2019, respectively (there were no qualifying R & D expenditures in 2020). Due to the enactment of the Tax Cuts and Jobs Act of 2017, the corporate tax rate for those tax years beginning with 2018 has been reduced to 21%. Therefore, the cumulative tax effect of the NOL carryforward at the expected rate of 21% comprising the Company's net deferred tax amount is as follows:

	December 31,	
	2020	2019
Net operating loss	846,276	871,662
Deferred tax asset attributable to:		
Net operating loss carryover	5,655,726	4,809,450
Research and development tax credit carryforward	274,891	274,891
Sub-total	5,930,617	5,084,341
Valuation allowance	(5,930,617)	(5,084,341)
Net deferred tax asset	—	—
Cumulative NOL	26,932,029	22,902,141
Cumulative NOL at 21%	5,655,726	4,809,450

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryover for federal income tax reporting purposes are subject to annual limitations. The net operating loss carry-forward includes the years 2012 through 2020. Should a change in ownership occur, net operating loss carryover may be limited as to use in future years. Federal tax returns for tax years since 2016 are still open for examination by the Internal Revenue Service.

5. Notes Receivable

On February 3, 2020, the Company acquired substantially all of the assets of Ebus in a foreclosure sale through a credit bid in the amount of $582,000, representing the amount then owed by Ebus to the Company on its note receivable. Following the Company's successful credit bid at the foreclosure sale, Ebus's obligations under the note were extinguished and the Company was entitled to take possession of substantially all of the assets of Ebus. In 2020, the Company obtained possession of certain of the assets with an estimated fair market value of approximately $22,440 (see Note 3), and sold various items for $4,500. The Company has taken possession of the majority of the foreclosed assets that it wants and has moved them to a temporary site. However, the Company is still being denied access to the remaining foreclosed assets it desires to remove from the Ebus location. On April 13, 2020, the Company commenced an action in Los Angeles Superior Court against Ebus and certain of its insiders and affiliates seeking to recover the remainder of the assets and related damages (see Note 12). On January 14, 2021, a cross-complaint was filed against the Company by Ebus and Anders B. Eklov for unjust enrichment and conversion of domain name, seeking monetary damages and injunctive relief. The Company intends to pursue its claims set forth in the complaint and defend the claims set forth in the cross-complaint. In 2020, the Company recorded an additional $148,060 allowance as bad debt expense against the amount receivable based on a revised assessment of recoverability from the assets obtained. The Company continues to evaluate several paths to obtaining the remaining assets that were purchased from Ebus at the foreclosure sale and has commenced efforts to dispose of those foreclosed assets it possesses and which it will not use in its daily operations. As a result of the 2020 activity, the net remaining amount estimated to be realizable at December 31, 2020 is $25,000.

The Company loaned $200,000 pursuant to a secured promissory note to an unaffiliated third party in the energy storage technology industry in September 2018. The stated interest rate under the note is 9% per annum and all unpaid interest has become part of the principal balance since September 2019 and compounds accordingly. The amount outstanding under the note will automatically convert into preferred stock of the borrower in connection with a financing that results in aggregate gross proceeds to the borrower of at least $500,000. Additionally, the Company may optionally convert into preferred stock of the borrower any or all of the amount outstanding under the note at any time. The note is secured by substantially all of the assets of the borrower and was scheduled to mature on December 31, 2020 unless conversion of the note occurred prior to that date. Neither repayment nor the conversion into preferred stock has occurred, and the Company is highly uncertain about the viability of the lender's business prospects. In 2019, accrued interest totaling $23,496 on the original $200,000 note, that had accrued

between September 2018 and December 2019, was reclassified to principal, and in 2020, additional unpaid and accrued interest of $ 20,964 was also added to principal, bringing the total outstanding balance to $244,460. In December 2019, the Company recorded a $ 100,000 allowance as bad debt expense against the original $200,000 note based on a preliminary assessment of collectability, and an additional $144,460 allowance has been recorded in 2020 to fully reserve against the loan. The principal and unpaid interest of $244,460 and the corresponding reserve in the same amount remain classified as a non-current asset on the consolidated balance sheet as of December 31, 2020.

In May 2019, the Company loaned an additional $38,000 pursuant to a secured promissory note to the same unaffiliated third party. The note carries the same terms and conditions as the initial note described in the preceding paragraph, but was scheduled to mature on March 31, 2020. The total unpaid principal and accrued interest, as of December 31, 2019, was $39,995. The additional $38,000 has not been repaid as of December 31, 2020, and all unpaid interest has been added to the principal balance since March 31, 2020 when it was not repaid, increasing the outstanding amount at December 31,2020 to $45,068. The company recorded an allowance recorded as bad debt expense of $45,068 in 2020 to fully reserve against the loan. The principal and unpaid interest of $45,068 and the correspond reserve in the same amount have been reclassified as a non-current asset.

The combined principal and unpaid interest of both of these notes was $289,528 and $263,491 as of December 31, 2020 and December 31, 2019, respectively.

6. Debt

As of December 31, 2019, the principal amount outstanding under the Morgan Stanley line of credit was approximately $5.8 million, and the undrawn borrowing availability was $820,948. On February 3, 2020, the Company sold marketable securities and paid off the balance, including accrued interest, of the line of credit.

The line of credit is still available to the Company, but there is no current plan to borrow from it.

On May 6, 2020, the Company received $261,244 in loan funding from the Paycheck Protection Program (the “PPP”) established pursuant to the recently enacted Coronavirus Aid, Relief, and Economic Security Act of 2020 (the “CARES Act”) and administered by the U.S. Small Business Administration (“SBA”). The unsecured loan (the “PPP Loan”) is evidenced by a promissory note of the Company, dated May 3, 2020 (the “PPP Note”) in the principal amount of $261,244 with Wells Fargo Bank, N.A. (Wells Fargo), the lender. The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks, or, if elected by the Company, twenty-four weeks, in either case, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week or twenty-four week period, as applicable. Under the terms of the PPP Note and the PPP, interest accrues on the outstanding principal at the rate of 1.0% per annum. The term of the PPP Note is two years, though it may be payable sooner in connection with an event of default under the PPP Note. To the extent the loan amount is not forgiven under the PPP, the Company will be obligated to make equal monthly payments of principal and interest beginning on November 1, 2020 through the maturity date of May 3, 2022. The Company filed its forgiveness application on October 16, 2020, and was notified by Wells Fargo on January 6, 2021 that its PPP Loan had been approved internally for 100% forgiveness and had been forwarded to SBA for their approval. The Company anticipates the net amount forgiven will be $251,244, which is the principal amount of $261,244, less $10,000 that was advanced as part of the Company’s application for the EIDL loan (see below). Any EIDL advance must be repaid as part of the PPP Loan forgiveness process. As of December 31, 2020, the principal and accrued interest on the PPP Note is $262,979, of which $203,867 and $59,112 is reflected on the consolidated balance sheets as current and long-term liabilities, respectively.

On May 20, 2020, the Company received $150,000 in loan funding from the U.S. SBA under the Economic Injury Disaster Loan (“EIDL”) program administered by the SBA, which program was expanded pursuant to the recently enacted CARES Act. The EIDL load is evidenced by a promissory note, dated May 17, 2020 (the “EIDL Note”) in the original principal amount of $150,000 with the SBA, the lender. Under the terms of the EIDL Note, interest accrues on the outstanding principal at the rate of 3.75% per annum. The term of the EIDL Note is thirty years, though it may be payable sooner upon an event of default under the EIDL Note. Under the EIDL Note, the Company will be obligated to make equal monthly payments of principal and interest beginning on May 17, 2021 through the maturity date of May 17, 2050. The EIDL Note may be prepaid in part or in full, at any time, without

penalty. As of December 31, 2020, the principal and accrued interest on the EIDL Note is $ 153,789, all of which is reflected on the consolidated balance sheets as a long-term liability.

On October 28, 2020, the Company received $500,000 in loan funding (the “EVT Loan #1”) from Envirotech Drive Systems Incorporated / SRI Professional Services, Incorporated (“EVT”). The EVT Loan #1 was evidenced by a balloon payment promissory note, dated October 28, 2020, issued by the Company in favor of Lender (the “EVT Note #1”) in an original principal amount of $500,000. No interest will accrue on the unpaid principal amount of the EVT Loan #1. In connection with the funding of the EVT Loan #1, the Company paid to EVT an origination fee in the amount of $49,999. Under the terms of the EVT Note #1, the unpaid principal amount of the EVT Loan #1 was payable by the Company in one installment due upon the Company securing additional financing or issuing shares of its capital stock on or before December 31, 2020. The EVT Note #1 was repaid in full on December 30, 2020 from proceeds of the PIPE offering that closed on December 29, 2020. See Note 7.

On November 25, 2020, the Company received an additional $237,840 in loan funding (the “EVT Loan #2”) from EVT. The funding of this loan was accomplished by EVT making a $237,840 additional deposit for ADOMANI required by the manufacturer of ten all-electric trucks previously ordered by ADOMANI, for which ADOMANI did not have sufficient funds to pay for. The EVT Loan #2 was evidenced by a balloon payment promissory note, dated November 25, 2020, issued by the Company in favor of Lender (the “EVT Note #2”) in an original principal amount of $237,840. No interest will accrue on the unpaid principal amount of the EVT Loan #2. In connection with the funding of the EVT Loan #2, the Company paid to EVT an origination fee in the amount of $23,784. Under the terms of the EVT Note #2, the unpaid principal amount of the EVT Loan #2 was payable by the Company in one installment due upon the Company securing additional financing or issuing shares of its capital stock on or before December 31, 2020. The EVT Note #2 was repaid in full on December 30, 2020 from proceeds of the PIPE offering that closed on December 29, 2020. See Note 7.

7. Common Stock

Effective January 1, 2020, the Company renewed its agreement with a consultant to provide sales and marketing expertise. The consultant was to be paid $8,200 per month, consisting of $3,200 in cash and $5,000 of common stock. The number of shares of common stock to be issued was determined by the Company’s closing stock price on the last market day of the respective preceding month. Effective August 31, 2020, the Company terminated its agreement with the consultant. For the years ended December 31, 2020 and 2019, respectively, the Company issued 336,574 and 322,162 shares of common stock to the consultant, respectively. As of December 31, 2020, the Company has issued a total of 658,736 shares of common stock to the consultant.

Effective March 31, 2020, the Company hired a consultant with expertise in the public funding process for the State of California. The consultant was to be paid $5,000 per month in common stock, and was entitled to a $9,000 bonus should the Company receive public funding appropriate to it completing $2 million in transactions as of June 30, 2020. The number of shares of common stock to be issued was determined by the Company’s closing stock price on the last market day of the respective preceding month. Additionally, the consultant was entitled to 1% of the non-publicly funded portion of transactions completed during the term of the agreement and for the six months following. The agreement expired on June 30, 2020, at which point the Company had not received public funding appropriate to it completing $2 million in transactions, therefore, the consultant did not earn the $9,000 bonus or any additional compensation. As of December 31, 2020, the Company has issued a total of 129,677 shares of common stock to the consultant.

Effective May 21, 2020, the Company hired a consultant with expertise in marketing and public relations strategy. The consultant was to be paid $2,500 per month in common stock. The number of shares of common stock to be issued was determined by the average of the Company’s closing stock price for the respective preceding month. For the year ended December 31, 2020, the Company has issued 78,806 shares of common stock to the consultant. On December, 29, 2020, the Company and the consultant agreed to terminate the agreement as of December 31, 2020. Accordingly, the final payment was made on January 5, 2021 by issuing 4,978 shares of common stock to him, for a cumulative total of 83,784 shares issued to him. See Note 14.

On December 2, 2020, the Company entered into Exchange Agreements (the “Exchange Agreements”) with the holders (collectively, the “Holders”) of outstanding warrants of the Company to purchase 5,499,997 shares of the

Company's common stock, $0.00001 par value per share ("Common Stock") issued in January 2018 (the "Warrants").

Pursuant to the Exchange Agreements, the Holders agreed to cancel the Warrants in exchange for the issuance of 27,499,985 shares of Common Stock (the "Exchange"). The closing of the Exchange occurred on December 4, 2020. The shares of Common Stock were issued in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended. See Note 8.

On December 24, 2020, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional and accredited investors, whereby the Company will sell, and the investors will purchase, shares of common stock of the company, par value $0.00001 (the "Common Stock"), and warrants (the "Warrants") to purchase additional shares of Common Stock (the "Financing").

The first closing of the Financing occurred on December 29, 2020. The Company raised gross cash proceeds of $5,425,000 through the sale and issuance of 11,500,000 shares of Common Stock at a purchase price equal to $0.50 per share and Warrants to purchase up to an aggregate of 8,625,001 shares of Common Stock at an exercise price of $0.50 per share. The share and warrant amounts issued include 650,000 shares and 487,500 warrants issued to the underwriter in lieu of paying $325,000 of fees in cash. Proceeds net of related offering costs were approximately $5.3 million.

The second closing of the Financing is subject to, and contingent upon, the effectiveness of a registration statement filed with the U.S. Securities and Exchange Commission (the "SEC") registering the shares of Common Stock sold, or issuable under the Warrants, in connection with the Financing, and the closing of the proposed business combination transaction with Envirotech Drive Systems Incorporated (the "Transaction"). Upon the second closing, the Company will raise aggregate gross cash proceeds of approximately $16,275,000 through the sale and issuance of 38,333,334 shares of Common Stock at a purchase price equal to $0.45 per share and Warrants to purchase up to an aggregate of 19,166,670 shares of its Common Stock at an exercise price of $1.00 per share.

The share and warrant amounts to be issued include 2,166,667 shares and 1,083,333 warrants to be issued to the underwriter in lieu of paying $975,000 of fees in cash.

In connection with the Financing, the Company's officers and directors agreed not to sell or otherwise dispose of any of the shares of Common Stock or securities convertible into or exchangeable or exercisable for any shares of Common Stock held by them for a period ending 30 days after the Effective Date (as defined in the Purchase Agreement), subject to certain exceptions.

The securities to be sold in the Financing have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration. However, in conjunction with the first closing of the Financing, the Company has also entered into a registration rights agreement (the "Registration Rights Agreement") whereby the Company agreed to register, on behalf of the investors, the shares of Common Stock and the shares of Common Stock underlying the Warrants.

8. Stock Warrants

As of December 31, 2019, the Company had issued warrants to purchase 7,556,323 shares of Common Stock, consisting of a warrant to purchase 199,659 shares of Common Stock with a measurement price of $5.00 and an exercise price of $6.00, a warrant to purchase 350,000 shares of Common Stock with a measurement price of $5.00 and an exercise price of $5.00, a warrant to purchase 1,250,000 shares of Common Stock with a measurement price of $1.00 and an exercise price of $4.00, warrants issued to three warrant holders to purchase 750,001 shares of Common Stock with a measurement price of $3.21 and an exercise price of $4.50, warrants issued to two warrant holders to purchase 256,667 shares of Common Stock with a measurement price of $3.21 and an exercise price of $3.75, and warrants issued to eleven warrant holders to purchase 4,749,996 shares of Common Stock with a measurement price of $3.29 and an exercise price of $4.50.

On December 2, 2020, the Company entered into Exchange Agreements (the "Exchange Agreements") with the holders (collectively, the "Holders") of outstanding warrants of the Company to purchase 5,499,997 shares of the Company's common stock, $0.00001 par value per share ("Common Stock") issued in January 2018 (the "Warrants").

Pursuant to the Exchange Agreements, the Holders agreed to cancel the Warrants in exchange for the issuance of 27,499,985 shares of Common Stock (the "Exchange"). The closing of the Exchange occurred on December 4, 2020. The shares of Common Stock were issued in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

On December 24, 2020, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional and accredited investors, whereby the Company will sell, and the investors will purchase, shares of common stock of the company, par value $0.00001 (the "Common Stock"), and warrants (the "Warrants") to purchase additional shares of Common Stock (the "Financing").

The first closing of the Financing occurred on December 29, 2020. The Company raised gross proceeds of $5,425,000 through the sale and issuance of 11,500,000 shares of Common Stock at a purchase price equal to $0.50 per share and Warrants to purchase up to an aggregate of 8,625,001 shares of Common Stock at an exercise price of $0.50 per share. Proceeds net of related offering costs were approximately $5.3 million. See Note 7.

The second closing of the Financing is subject to, and contingent upon, the effectiveness of a registration statement filed with the U.S. Securities and Exchange Commission (the "SEC") registering the shares of Common Stock sold, or issuable under the Warrants, in connection with the Financing, and the closing of the proposed business combination transaction with Envirotech Drive Systems Incorporated (the "Transaction"). Upon the second closing, the Company will raise aggregate gross proceeds of approximately $16,275,000 through the sale and issuance of 38,333,334 shares of Common Stock at a purchase price equal to $0.45 per share and Warrants to purchase up to an aggregate of 19,166,670 shares of its Common Stock at an exercise price of $1.00 per share. See Note 7.

As a result of the 2020 activity, as of December 31, 2020, the Company has issued warrants to purchase an aggregate of 10,681,327 shares of common stock.

The Company's warrant activity for the years ended December 31, 2020 and 2019 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding at December 31, 2018	7,556,323	$ 4.45	3.8
Outstanding at December 31, 2019	7,556,323	$ 4.45	2.8
Granted	8,625,001	$ 0.50	5.0
Warrants exchanged for common stock	(5,499,997)	$ 4.50	0.0
Outstanding at December 31, 2020	10,681,327	$ 1.33	4.2
Exercisable at December 31, 2020	2,056,326	$ 4.33	1.1

As of December 31, 2020, the outstanding warrants have no intrinsic value.

9. Stock-Based Compensation

Effective January 2, 2020, the Company entered into consulting agreement with Suneel Sawant under which Mr. Sawant agreed to perform certain services for the Company, including, among other things, services related to the establishment, maintenance, and management of a network for the sale its zero-emission vehicles and related products and services to customers located in India. As full compensation for the services to be provided by Mr. Sawant under the agreement, the Company agreed to grant Mr. Sawant options to purchase up to 2,000,000 shares of the Company's common stock, all fully vested and exercisable on the grant date. One million of the shares subject to these options had an exercise price of $0.50 per share and were forfeited because they expired on December 31,

2020. The remaining 1,000,000 shares subject to the options have an exercise price of $ 1.00 per share and will expire if not exercised on or before December 31, 2021. The options were valued using the Black-Scholes option-pricing model, resulting in fair market values of $ 76,299 and $86,099 for the options expiring on December 31, 2020 and 2021, respectively. The assumptions used in the valuation of the options expiring on December 31, 2020 included an expected term of one year, volatility of 172.40%, and a risk-free interest rate of 1.56%. The assumptions used in the valuation of the options expiring on December 31, 2021 included an expected term of two years, volatility of 155%, and a risk-free interest rate of 1.58%. Because these options were fully vested and exercisable as of the grant date, the combined fair market value of $162,398 was recorded as stock-based compensation expense during the period ending March 31, 2020. Mr. Sawant was notified by the Company on January7, 2021 that, pursuant to provisions in his consulting agreement, the agreement will be terminated in 30 days. Mr. Sawant elected not to exercise the unexercised options by the close of business on February, 6, 2021, and the options were forfeited.

On March 6, 2018, Edward R. Monfort ceased serving as the Company's Chief Technology Officer. Upon Mr. Monfort's separation from service, the Company's board of directors suspended Mr. Monfort's outstanding options. Although such options remained outstanding, they were unexercisable as of December 31, 2019. As of December 31, 2019, outstanding options to purchase an aggregate of 14,297,902 shares of common stock were attributable to Mr. Monfort. Effective as of February 4, 2020, all such options were cancelled by the Company in connection with the settlement of Mr. Monfort's claims against the Company.

In May 2020, the Company's board of directors granted to certain employees and directors options to purchase an aggregate of 2,235,000 shares of common stock pursuant to the Company's 2017 Equity Incentive Plan. The options are for a contractual term of 10 years, vest over a three-year period, with one-third of the options vesting on the one-year anniversary of the grant date and the remainder vesting in equal monthly installments thereafter, subject to a grantee's continuous service to the Company through each such vesting date. The exercise price for these options is $0.12 per share. The options were valued using the Black-Scholes option-pricing model, resulting in a fair market value of $204,933. The assumptions used in the valuation included an expected term of 5.75 years, volatility of 147.50% and a risk-free interest rate of 0.50%.On October 30, 2020 (the "Separation Date"), James L. Reynolds retired and resigned from his employment with the Company, including his positions as the President and Chairman of the Board of the Company, as a member of the board of directors of the Company, and any and all other positions, directorships, and committee memberships that Mr. Reynolds held with the Company or any of its subsidiaries or other affiliated entities, in each case, effective as of the Separation Date. Mr. Reynold's resignation did not result from a disagreement with the Company on any matter relating to its operations, policies, or practices. In connection with Mr. Reynold's resignation, the Company and Mr. Reynolds entered into the Separation Agreement. Pursuant to the Separation Agreement, Mr. Reynolds will be entitled to receive the following separation benefits in consideration of, and subject to, Mr. Reynolds' compliance with his continuing obligations under the Separation Agreement and all other agreements between Mr. Reynolds and the Company:

- a cash payment in the amount of $64,250, subject to standard deductions and tax withholdings, to be made to Mr. Reynolds on January 15, 2021 (See Note 14);
- a cash payment in the amount of the monthly COBRA premiums that would otherwise be owed by Mr. Reynolds on or before December 31, 2020, if Mr. Reynolds elected COBRA continuation coverage under the Company's group health plan for himself and his dependents, subject to standard deductions and tax withholdings this payment was made as required;
- an extension of the post-termination exercise periods with respect to the vested portions of the following options held by Mr. Reynolds on the Separation Date until December 31, 2021: (i) the option to purchase 5,000,000 shares of common stock at an exercise price of $0.10 per share, which option was fully vested as of the Separation Date; and (ii) the option to purchase 500,000 shares of common stock at an exercise price of $0.45 per share, which was vested as to 253,650 shares of common stock as of the Separation Date; and
- a modification of the options to purchase (i) 1,000,000 shares of common stock at an exercise price of $0.12 per share and (ii) 246,350 shares of Common Stock at an exercise price of $0.45 per share, in each case held by Mr. Reynolds on the Separation Date, which options were fully unvested as of the Separation Date, so that such options will remain outstanding following the Separation Date and will vest in full, if at all, upon the occurrence of certain specified events with respect to the Company before the expiration date of the respective option, after which Mr. Reynolds will be entitled to exercise the applicable option for a

period of one year following the occurrence thereof (or, if earlier, until the expiration date of the respective option).

The Separation Agreement also contains a general release of any and all claims that Mr. Reynolds had or could have had against the Company and other related parties specified in the Separation Agreement, as well as customary provisions relating to the return of the Company's property and covenants regarding the non-use and non-disclosure of the Company's confidential and proprietary information.

During 2020, Mr. Monfort's 14,297,902 vested options were cancelled per the discussion above; former officers of the Company forfeited options to purchase an aggregate of 3,500,000 shares of common stock with an exercise price of $0.10 per share; consultants forfeited options to purchase an aggregate of 704,436 shares of common stock with an exercise price of $0.10 per share and 1,000,000 shares of common stock with an exercise price of $0.50 per share. Employees forfeited options to purchase an aggregate of: 86,177 shares of common stock with an exercise price of $1.31 per share; 161,433 shares with an exercise price of $0.45 per share; and 417,143 shares with an exercise price of $0.12 per share.

Stock option activity for the years ended December 31, 2020 and 2019 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding at December 31, 2018	24,728,422	0.15	2.6
Granted	1,095,000	0.45	
Exercised	(71,084)	0.10	
Canceled/Forfeited	(135,000)	1.31	
Outstanding at December 31, 2019	25,617,338	0.16	1.9
Granted	4,235,000	0.42	
Canceled/Forfeited	(20,167,091)	0.15	
Outstanding at December 31, 2020	9,685,247	0.28	3.9
Exercisable at December 31, 2020	7,465,570	0.31	2.3

Stock-based compensation expense was $347,563 and $768,550 for the years ended December 31, 2020 and 2019, respectively, and is included in general and administrative expense in the accompanying consolidated statements of operations. As of December 31, 2020, the Company expects to recognize approximately $252,288 of stock-based compensation expense for the non-vested portion of outstanding options over a weighted-average period of 1.88 years.

As of December 31, 2020, outstanding options have an intrinsic value of $2.1 million.

10. Customer and Vendor Concentration

For the year ended December 31, 2019, the Company had one customer, Blue Bird, that accounted for nearly all of its sales, and had one vendor, EDI, a subsidiary of Cummins, Inc., that accounted for nearly all of its cost of sales. As a result of the termination of the Blue Bird and Cummins agreements in 2019 and the change in the Company's focus to selling all-electric mid-sized delivery trucks and cargo vans in the latter part of 2019, the Company in 2020 has one vendor for the trucks and vans, EEVI. Due to the nature of the potential market for customers for these vehicles, the Company does not have, nor does it expect to have, a significant concentration of sales of these vehicles with any one or a few customers in the future.

11. Commitments

Operating Leases

In January 2020, the Company renewed its lease for office space in Los Altos, California, which serves as office space for its Northern California operations. This lease expired December 31, 2020, and the Company elected not to renew the lease.

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

In October 2017, the Company signed a non-cancellable lease for its corporate office space in Corona, California, to serve as its corporate headquarters. The lease is for a period of 65 months, terminating February 28, 2023. The base rent for the term of the lease is $568,912. The total amount due monthly is $7,600 at commencement and will escalate to $10,560 by its conclusion. Additionally, the lease included five months in which no rent payment is due. In November 2020, the Company vacated this space following staff reductions and moved remaining staff into the space discussed in the following paragraph. While the Company has not paid the rent on this facility since October 2020, the expense is being accrued at the full amount until a resolution is reached with the landlord.

In December 2019, the Company signed a lease for warehouse space in Corona, California. The facility will be used to conduct research and development activity, stage materials, assemble and/or manufacture vehicles, perform pre-delivery inspections, test demo vehicles, and securely store vehicles, equipment, parts and finished vehicle inventories. The lease is for a period of 36 months, commencing on January 1, 2020, and terminating on December 31, 2022. The base rent for the term of the lease is $495,720, with $265 due per month for fire sprinkler alarm monitoring and landscape maintenance. The base rent amount due monthly is $13,108 at commencement and will escalate to $13,906 by its conclusion.

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

Other Agreements

In November 2019, the Company renewed its agreement with THINKP3 to provide services with the goal of securing federal grant assistance for development of the Company's zero-emission and hybrid transportation solutions for school bus, commercial, government and utility fleets. The agreement expires on November 30, 2020. Fees for these services are $8,000 per month. Due to the COVID-19 pandemic, effective March 1, 2020, it was mutually agreed that the fee for services would be reduced to $4,000 per month until both parties agree it should be restored. The contract can be terminated by either party with 30-days' advance notice. Effective August 31, 2020, the parties mutually agreed to terminate this agreement.

Effective September 16, 2019, the Company renewed its employment agreement with James L. Reynolds, its President. The term of the renewed employment agreement is five years, with an annual base salary of $294,000. The agreement includes an annual car allowance of $18,000. Mr. Reynolds resigned effective October 30, 2020. In connection with Mr. Reynolds' resignation, the Company and Mr. Reynolds entered into Separation Agreement and General Release, dated October 30, 2020 (the "Separation Agreement"), pursuant to which Mr. Reynolds will be entitled to receive certain separation benefits, as more fully described in Note 9.

In June 2019, the Company entered into an agreement with Renmark Financial Communications USA, Inc. to provide investor relations services. Fees for these services are $6,500 per month. Due to the COVID-19 pandemic,

effective March 1, 2020, it was mutually agreed that the fee for services would be reduced to $ 3,250 per month through July 2020. Effective August 31, 2020, the parties mutually agreed to terminate this agreement.

Effective January 1, 2017, the Company entered into an employment agreement with Michael Menerey, its Chief Financial Officer. The term of the employment agreement is five years and the agreement provides for an annual base salary of $200,000. Effective January 1, 2020, Mr. Menerey's annual base salary was increased to $215,000. On November 1, 2020, Mr. Menerey agreed to reduce his compensation to $150,000 indefinitely.

The following table summarizes the Company's future minimum payments under contractual commitments, excluding debt, as of December 31, 20 20, and after giving effect to the termination of the Company's employment agreement with James L. Reynolds, its former President, and the related payment obligations thereunder, effective as of October 30, 2020, and the Company's entry into the Separation Agreement and the related payment obligations thereunder, effective as of October 30, 2020:

	Payments due by period				
	Total	Less than one year	1–3 years	4–5 years	More than 5 years
Operating lease obligations	$ 450,985	$ 211,884	239,101	—	—
Employment contracts	263,000	263,000	—	—	—
Total	$ 713,985	$ 474,884	239,101	—	—

12. Contingencies

On August 2, 2018, Edward R. Monfort, our former Chief Technology Officer and former director, filed a complaint, captioned *Edward R. Monfort v. ADOMANI, Inc., et al*., Case No.: 18CV332757, in the Superior Court of the State of California for the County of Santa Clara, against us and certain of our executive officers, alleging that we and the other defendants (i) breached the terms of certain common stock subscription agreements to which Mr. Monfort is a party, (ii) fraudulently deprived Mr. Monfort of certain purported equity in the Company and (iii) fraudulently induced Mr. Monfort to execute a release of claims in connection with his June 2016 employment agreement. Mr. Monfort sought unspecified monetary damages, declaratory relief regarding the extent of his equity ownership in the Company and other relief. On August 24, 2018, we filed a notice of removal pursuant to which we removed the case to the United States District Court for the Northern District of California. On September 24, 2018, Mr. Monfort filed a motion for remand, seeking to remand the proceeding from the United States District Court for the Northern District of California back to the Superior Court of the State of California for the County of Santa Clara. On January 8, 2019, the United States District Court for the Northern District of California denied the motion for remand. On February 7, 2019, we answered Mr. Monfort's complaint and filed counterclaims against Mr. Monfort alleging counterclaims for: (i) breach of contract; (ii) declaratory judgment; (iii) breach of fiduciary duty; (iv) wrongful dilution; and (v) conversion. On September 12, 2019, we filed a motion for summary judgment, asking the court to dismiss all of Mr. Monfort's claims. On November 25, 2019, the court granted the motion and dismissed all of Mr. Monfort's claims with prejudice. Following the court's ruling, the parties engaged in settlement negotiations regarding, among other things, the Company's counterclaims and Mr. Monfort's appeal rights. The parties reduced their agreement to writing in a Settlement Agreement and Release. This document, executed by all parties and the Company's litigation insurer, StarStone Specialty Insurance Company, became effective on February 4, 2020. The parties agreed, among other things, to the following: (i) Mr. Monfort abandoned all appeal rights; (ii) Mr. Monfort's options to purchase Company stock were terminated; (iii) Mr. Monfort will divest himself of all Company common stock that he, his family, his affiliates, or his businesses own over the ten-week period following the effective date of the Settlement Agreement and Release; (iv) the Company abandoned its counterclaims; and (v) the parties released each other from any and all claims, known or unknown, that existed as of the date of the Settlement Agreement and Release. Neither Mr. Monfort nor any defendant in this action took any financial compensation to settle this matter. On February 5, 2020, consistent with the parties' stipulation, the court dismissed the Company's counterclaims with prejudice. This matter is now closed.

On August 23, 2018, a purported class action lawsuit captioned *M.D. Ariful Mollik v. ADOMANI, Inc. et al.* , Case No. RIC 1817493, was filed in the Superior Court of the State of California for the County of Riverside against us, certain of our executive officers, Mr. Monfort, and the two underwriters of our offering of common

stock under Regulation A in June 2017. This complaint alleges that documents related to our offering of common stock under Regulation A in June 2017 contained materially false and misleading statements and that all defendants violated Section 12(a)(2) of the Securities Act, and that we and the individual defendants violated Section 15 of the Securities Act, in connection therewith. The plaintiff seeks on behalf of himself and all class members: (i) certification of a class under California substantive law and procedure; (ii) compensatory damages and interest in an amount to be proven at trial; (iii) reasonable costs and expenses incurred in this action, including counsel fees and expert fees; (iv) awarding of rescission or rescissionary damages; and (v) equitable relief at the discretion of the Court. Plaintiff's counsel has subsequently filed a first amended complaint, a second amended complaint, a third amended complaint, and a fourth amended complaint. Plaintiff Mollik was replaced by putative class representatives Alan K. Brooks and Electric Drivetrains, LLC. Alan K. Brooks was subsequently dropped as a putative class representative. On October 27, 2020, we answered the fourth amended complaint, generally denying the allegations and asserting affirmative defenses. On November 5, 2019, Network 1 and Boustead Securities (together the "Underwriters") filed a cross-complaint against the Company seeking indemnification under the terms of the underwriting agreement the Company and the Underwriters entered for the Company's initial public offering (the "Underwriting Agreement"). On December 10, 2019, the Company filed its answer to the Underwriters' cross-complaint, generally denying the allegations and asserting affirmative defenses. Also on this date, the Company filed a cross-complaint against the Underwriters seeking indemnification under the terms of the Underwriting Agreement. On January 14, 2020, Mr. Monfort filed a cross-complaint against the Underwriters seeking indemnification under the terms of the Underwriting Agreement. On January 15, 2020, Mr. Monfort filed a cross-complaint against the Company seeking indemnification under the terms of the Company's Amended and Restated Bylaws and Section 145 of the Delaware General Corporation Law. On February 18, 2020, we filed an answer to Mr. Monfort's cross-complaint, generally denying the allegations and asserting affirmative defenses. We believe that the purported class action lawsuit is without merit and intend to vigorously defend the action.

On October 25, 2019, we answered the third amended complaint, generally denying the allegations and asserting affirmative defenses. On November 5, 2019, Network 1 and Boustead Securities (together the "Underwriters") filed a cross-complaint against the Company seeking indemnification under the terms of the underwriting agreement the Company and the Underwriters entered for the Company's initial public offering (the "Underwriting Agreement"). On December 10, 2019, the Company filed its answer to the Underwriters' cross-complaint, generally denying the allegations and asserting affirmative defenses. Also on this date, the Company filed a cross-complaint against the Underwriters seeking indemnification under the terms of the Underwriting Agreement. On January 14, 2020, Mr. Monfort filed a cross-complaint against the Underwriters seeking indemnification under the terms of the Underwriting Agreement. On January 15, 2020, Mr. Monfort filed a cross-complaint against the Company seeking indemnification under the terms of the Company's Amended and Restated Bylaws and Section 145 of the Delaware General Corporation Law. On February 18, 2020, we filed an answer to Mr. Monfort's cross-complaint, generally denying the allegations and asserting affirmative defenses.

On April 6, 2020, the Company Defendants, Mr. Monfort, and Plaintiff Electric Drivetrains engaged in mediation. The Underwriters declined to participate in the mediation. The mediation did not result in settlement. On April 16, 2020, Electric Drivetrains requested that defendants stipulate to Electric Drivetrains' filing a fourth amended complaint. Defendants declined to stipulate to the fourth amended complaint, leading Electric Drivetrains to file a motion to amend the complaint. On August 12, 2020, the court denied Plaintiff's motion to amend the complaint without prejudice and continued the status conference that was to be held on this date. On August 24, 2020, Plaintiff filed a renewed motion to amend the complaint. On September 23, 2020, the court granted Plaintiff's motion to amend the complaint, and on September 30, 2020, Plaintiff filed the fourth amended complaint ("FAC"). On October 26, 2020, the Underwriters filed their answer to the FAC, and on October 27, 2020, the Company Defendants and Mr. Monfort filed their respective answers to the FAC. We believe that the lawsuit is without merit and intend to vigorously defend the action.

On June 19, 2019, Alan K. Brooks, an ADOMANI investor, filed a complaint, captioned *Alan K. Brooks v. ADOMANI, Inc., et al.*, Case No. 1-CV-349153 in the Superior Court of California for the County of Santa Clara, against the Company, certain of the Company's executive officers and directors, two of the underwriters of the Company's offering of common stock under Regulation A in June 2017, and certain of the underwriters' personnel, among others. The complaint alleges that the Company and other defendants breached the terms of an agreement between Mr. Brooks and the Company by refusing to release 1,320,359 shares of ADOMANI, Inc. stock to Mr. Brooks. Mr. Brooks seeks damages of $13,500,000.00 plus interest and attorney's fees. On September 20, 2019, Mr. Brooks filed his first amended complaint ("FAC") reasserting his breach of contract claim and alleging five additional claims for (i) violations of Cal. Corp. Code Section 25401, (ii) fraud, (iii) negligent misrepresentation, (iv) elder abuse, and (v) unfair competition. We answered the FAC on November 12, 2019, generally denying the allegations in the FAC and asserting affirmative defenses. A trial setting conference is scheduled in this matter for March 9, 2021. We believe that the lawsuit is without merit and intend to vigorously defend the action.

On April 13, 2020, the Company filed a complaint against Ebus, Inc., Anders B. Eklov and Carol J. Eklov, Case No. 20ST-CV14275, in the Superior Court of California for the County of Los Angeles seeking to recover the remainder of the assets acquired by the Company through a credit bid in the amount of $582,000 at a foreclosure sale initiated by the Company following Ebus's default in its obligations to the Company under a related promissory note. The complaint, among other things, seeks possession of the remainder of the assets and alleges that Ebus and the other defendants improperly converted or used certain of the assets. The Company continues to vigorously pursue such action and continues to evaluate several paths to obtaining the remaining assets that were purchased from Ebus at the foreclosure sale. On January 14, 2021, a cross-complaint was filed against the Company by Ebus, Inc. and Anders B. Eklov for unjust enrichment and conversion of domain name, seeking monetary damages and injunctive relief. The Company intends to pursue its claims set forth in the complaint and defend the claims set forth in the cross-complaint.

13. Leases

As of December 31, 2020, the Company is a party to three operating leases. All of these leases are office or warehouse leases. As disclosed in Note 2, the Company accounts for leases as required by ASC Topic 842. The Company has elected to apply the short-term lease exception to all leases of one year or less. As of December 31, 2020, this exception applies to the Stockton, California lease, which is month-to-month, and to the Los Altos, California lease, which expired on December 31, 2020 and has not been renewed. In applying the guidance in ASC 842 , the Company has determined that all current leases should be classified as operating leases.

As a result of the applying the guidance of ASC 842 to its corporate office lease entered into in 2017, the Company recognized an operating liability of $377,129 with a corresponding Right-Of-Use ("ROU") asset of the same amounts based on the present value of the minimum rental payments of such lease. The discount rate used for this lease was the Company's estimated borrowing rate of 14%. As of December 31, 2020 and 2019, respectively, the ROU asset had a balance of $145,520 and $218,504 which is included in other non-current assets in the consolidated balance sheets. Current liabilities relating to the ROU asset, which are included in accrued liabilities in the consolidated balance sheets, were $67,721 and $70,492, respectively, as of December 31, 2020 and 2019. Non-current liabilities relating to the ROU asset, which are included in other non-current liabilities in the consolidated balance sheets, were $77,799 and $148,012 respectively. The corporate office lease provides for one three-year option to renew with nine months advanced notice to the landlord. The option to renew the corporate office lease was not considered when assessing the value of the ROU asset because the Company was not reasonably certain that it will assert its option to renew the lease. As of December 31, 2020, the Company's corporate office operating lease had a weighted-average remaining lease term of 2.16 years. See Note 11.

During the year ended December 31, 2020, the Company entered into an operating lease for warehouse space in Corona, California (see Note 11). As required by ASC 842, in conjunction with this lease, the Company recognized an operating liability of $382,742 with a corresponding Right-Of-Use ("ROU") asset of the same amounts based on the present value of the minimum rental payments of such lease. The discount rate used for this lease was the Company's estimated borrowing rate of 14%. The ROU asset had a balance of $265,538 as of

December 31, 2020, which is included in other non-current assets in the 2020 consolidated balance sheet. Current liabilities relating to the ROU asset, which are included in accrued liabilities in the 2020 consolidated balance sheet, were $127,580. Non-current liabilities relating to the ROU asset, which are included in other non-current liabilities in the 2020 consolidated balance sheet, were $137,958. As of December 31, 2020, the Company's warehouse operating lease had a weighted-average remaining lease term of 1.92 years.

As of December 31, 2020 and 2019, respectively, the combined ROU asset for the two leases discussed above had a balance of $411,058 and $218,504, respectively, which is included in other non-current assets in the consolidated balance sheets. As of December 31, 2020 and 2019, respectively, the combined current liabilities relating to the ROU asset, which are included in accrued liabilities in the consolidated balance sheets, were $195,301 and $70,492, respectively. As of December 31, 2020 and 2019, respectively, the combined non-current liabilities relating to the ROU asset, which are included in other non-current liabilities in the consolidated balance sheets, were $215,757 and $148,012, respectively.

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

	Year Ended December 31,	
	2020	2019
Lease cost		
Operating lease cost	$ 273,965	$ 109,590
Short-term lease cost	$ 294,073	$ 117,857
Total lease cost	$ 568,038	$ 227,447
Other information		
Cash paid for the amounts included in the measurement of lease liabilities for operating leases:		
Operating cash flows	282,102	115,852
Weighted-average remaining lease term (in years):		
Operating leases	2.04	3.16
Weighted-average discount rate:		
Operating leases	14%	14%

14. Subsequent Events

On January 5, 2021, the Company issued a total of 4,978 shares of its common stock to a consultant engaged by the Company as final consideration for such consultant's services. See Note 7.

On January 7, 2021, the Company's Compensation Committee granted Phillip Oldridge, the Company's CEO, options to purchase 5,000,000 shares of common stock at an exercise price of $0.45 per share. The options vest over a three year period and expire on the tenth anniversary of grant.

On January 15, 2021, the Company made a cash payment in the amount of $64,250, subject to standard deductions and tax withholdings, to Mr. Reynolds pursuant to the Separation Agreement. See Note 9.

On January 29, 2021, options to purchase an aggregate of 43,119 shares of common stock with an exercise price of $0.45 per share; and options to purchase 29,603 shares of common stock with an exercise price of $1.31 per share were forfeited as they were not exercised prior to the 90th day following termination of employment.

On February 6, 2021, options to purchase an aggregate of 1,000,000 shares of common stock with an exercise price of $1.00 per share were forfeited as they were not exercised prior to the 30th day following termination of a consulting agreement. See Note 9.

On February 11, 2021, options to purchase an aggregate of 18,714 shares of common stock with an exercise price of $0.45 per share; and options to purchase 30,561 shares of common stock with an exercise price of $1.31 per share were forfeited as they were not exercised prior to the 90th day following resignation of employment.

On February 28, 2021, options to purchase an aggregate of 26,734 shares of common stock with an exercise price of $0.45 per share; and options to purchase 43,659 shares of common stock with an exercise price of $1.31 per share were forfeited as they were not exercised prior to the 90th day following resignation of employment.

On March 16, 2021, the Company completed its acquisition of Envirotech Drive Systems, Inc., a Delaware corporation ("EVT"), a supplier of zero-emission trucks, cargo vans, chassis and other commercial vehicles. The transaction was completed in accordance with an Agreement and Plan of Merger, dated February 16, 2021 (the "Merger Agreement"), by and among the Company, EVT and EVT Acquisition Company, Inc., a Delaware corporation and our wholly owned subsidiary ("Merger Sub"). As a result of such transaction, Merger Sub was merged with and into EVT, with EVT surviving as our wholly owned subsidiary (the "Merger"). In accordance with the terms of the Merger Agreement, at the effective time of the Merger, each outstanding share of the common stock of EVT was automatically converted into the right to receive one share of the common stock of the Company. As a result of the Merger, the Company issued an aggregate of 142,558,000 shares of its common stock to the former EVT stockholders, which shares represented approximately 56% of the total issued and outstanding shares of common stock of the Company as of immediately following the effective time of the Merger.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the period covered by this Annual Report. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures (a) were effective to ensure that information that we are required to disclose in reports that we file or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on our evaluation, management concluded that our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Part III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required hereunder is incorporated herein by reference to either a definitive proxy statement or an amendment to this Annual Report on Form 10-K to be filed within 120 days of December 31, 2020.

Item 11 EXECUTIVE COMPENSATION

The information required hereunder is incorporated herein by reference to either a definitive proxy statement or an amendment to this Annual Report on Form 10-K to be filed within 120 days of December 31, 2020.

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

The information required hereunder is incorporated herein by reference to either a definitive proxy statement or an amendment to this Annual Report on Form 10-K to be filed within 120 days of December 31, 2020.

Item 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required hereunder is incorporated herein by reference to either a definitive proxy statement or an amendment to this Annual Report on Form 10-K to be filed within 120 days of December 31, 2020.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required hereunder is incorporated herein by reference to either a definitive proxy statement or an amendment to this Annual Report on Form 10-K to be filed within 120 days of December 31, 2020.

Part IV

Item 15. Exhibits, Financial Statement Schedules

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

(1) **Financial Statements**.

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

(2) **Financial Statement Schedules**.

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

(3) **Exhibits**.

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

Exhibit Index

Exhibit Number	Description of Exhibit	Form	Incorporated by Reference File No.	Filing Date	Exhibit No.	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of the Company	1-A POS	024-10656	6/15/2017	2.7	
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company	8-K	001-38078	6/11/2018	3.1	
3.3	Amended and Restated Bylaws of the Company	1-A POS	024-10656	6/15/2017	2.8	
4.1	Specimen Common Stock Certificate	S-1/A	333-220983	12/15/2017	4.1	
4.2	Form of Secured Promissory Note	1-A	024-10656	12/21/2016	3.1	
4.3	Common Stock Purchase Warrant, dated June 26, 2017, issued to Boustead Securities, LLC	10-Q	001-38078	8/14/2017	4.1	
4.4	Common Stock Purchase Warrant, dated June 19, 2017, issued to Redwood Group International Limited	10-Q	001-38078	8/14/2017	4.2	
4.5	Form of Placement Agent Warrant, dated January 5, 2018	8-K	001-38078	1/8/2018	4.2	
4.6	Form of Unit Certificate	S-1/A	333-220983	1/4/2018	4.7	
4.7	Form of Warrant	8-K	001-38078	12/28/2020	4.1	
4.8	Description of Registrant's Securities					X
9.1	Voting Trust Agreement, by and among Provident Trust Group FBO Cornelia P. Doherty ROTH IRA, Connie Doherty Living Trust Dated May 1, 1996, Gary Nettles as Voting Trustee, and the Company, dated March 20, 2017	1-A/A	024-10656	4/7/2017	5.1	
10.1+	2012 Stock Option and Stock Incentive Plan, and forms of agreement thereunder	1-A	024-10656	12/21/2016	6.4	
10.3	Patent License-Use and Manufacturing Agreement, by and between Silicon Turbine Systems, Inc. and the Company, dated November 7, 2014	1-A	024-10656	12/21/2016	6.9	
10.4	Consulting Agreement, by and between Redwood Group International Limited and the Company, dated November 14, 2016	1-A	024-10656	12/21/2016	6.10	
10.5+	Employment Agreement, by and between Michael K. Menerey and the Company, dated January 1, 2017	1-A/A	024-10656	1/17/2017	6.15	

Exhibit Number	Description of Exhibit	Form	Incorporated by Reference File No.	Filing Date	Exhibit No.	Filed Herewith
10.6+	2017 Equity Incentive Plan	1-A/A	024-10656	4/7/2017	6.17	
10.7+	Form of Stock Option Agreement for 2017 Equity Incentive Plan	1-A/A	024-10656	4/7/2017	6.18	
10.8+	Form of Notice of Grant of Stock Option for 2017 Equity Incentive Plan	1-A/A	024-10656	4/7/2017	6.19	
10.9	Securities Purchase Agreement, dated January 5, 2018, by and among the Company and certain investors set forth therein	8-K	001-38078	1/8/2018	10.1	
10.10	Form of Subscription Agreement	1-A/A	024-10656	2/13/2017	4.1	
10.11	Form of Escrow Deposit Agreement	1-A/A	024-10656	2/13/2017	8.1	
10.12	Form of Leak-Out Agreement, dated January 5, 2018	8-K	001-38078	1/8/2018	10.2	
10.13	Paycheck Protection Program Promissory Note and Agreement, dated May 3, 2020, between ADOMANI, Inc. and Wells Fargo Bank, NA	10-Q	001-38078	8/14/2020	10.1	
10.14	Loan Authorization and Agreement, dated May 17, 2020, between ADOMANI, Inc. and the U.S. Small Business Administration	10-Q	001-38078	8/14/2020	10.2	
10.15	Promissory Note, dated May 17, 2020, issued by ADOMANI, Inc. to the U.S. Small Business Administration	10-Q	001-38078	8/14/2020	10.3	
10.16	Security Agreement, dated May 17, 2020, executed by ADOMANI, Inc. in favor of the U.S. Small Business Administration	10-Q	001-38078	8/14/2020	10.4	
10.17	Balloon Payment Promissory Note, dated as of October 28, 2020, between ADOMANI, Inc. and Envirotech Drive Systems Incorporated / SRI Professional Services, Incorporated	10-Q	001-38078	11/13/2020	10.1	
10.18+	Separation Agreement and General Release, dated as of October 30, 2020, between ADOMANI, Inc. and James L. Reynolds	10-Q	001-38078	11/13/2020	10.2	
10.19	Form of Exchange Agreement.	8-K	001-38078	12/03/2020	10.1	
10.20	Form of Securities Purchase Agreement, dated December 24, 2020, by and between ADOMANI, Inc. and the parties thereto	8-K	001-38078	12/28/2020	10.1	
10.21	Form of Registration Rights Agreement	8-K	001-38078	12/28/2020	10.2	
21.1	Subsidiaries of the Company					X
23.1	Consent of MaloneBailey, LLP, independent registered public accounting firm	10-K	001-38078	2/19/2019	23.1	
24.1	Power of Attorney (included on signature page)					X

Exhibit Number	Description of Exhibit	Form	Incorporated by Reference File No.	Filing Date	Exhibit No.	Filed Herewith
31.1	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer					X
31.2	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer					X
32.1#	18 U.S.C. Section 1350 Certification of Chief Executive Officer and Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document*					X
101.SCH	XBRL Taxonomy Extension Schema Document*					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*					X
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document*					X

+ Indicates a management contract or compensatory plan.

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

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

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADOMANI, INC.

Date: March 31, 2021

By: /s/ Phillip W. Oldridge
Phillip W. Oldridge
Chief Executive Officer

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ Phillip W. Oldridge Phillip W. Oldridge	Chief Executive Officer and Director (Principal Executive Officer)	March 31, 2021
/s/ Michael K. Menerey Michael K. Menerey	Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer)	March 31, 2021
/s/ Melissa Barcellos Melissa Barcellos	Director	March 31, 2021
/s/ Michael Di Pietro Michael Di Pietro	Director	March 31, 2021
/s/ Pam Compton Pam Compton	Director	March 31, 2021
/s/ Theodore Thordarson Theodore Thordarson	Director	March 31, 2021
/s/ Terri White Elk Terri White Elk	Director	March 31, 2021

DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a description of the capital stock of ADOMANI, Inc. Our common stock, $0.00001 par value per share, is registered under Section 12 of the Securities Exchange Act of 1934, as amended, while our preferred stock, $0.00001 par value per share, is not so registered. This description does not describe every aspect of our capital stock and is subject to, and qualified in its entirety by reference to, the provisions of our amended and restated certificate of incorporation and our amended and restated bylaws, each as currently in effect, each of which is incorporated by reference as an exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, to which this description is filed as an exhibit. References to "we," "our," and "us" refer to ADOMANI, Inc. and its consolidated subsidiaries.

General

Our authorized capital stock consists of 355,000,000 shares of capital stock, of which 350,000,000 shares are designated as common stock, $0.00001 par value per share, and of which 5,000,000 shares are designated as preferred stock, $0.00001 par value per share.

As of December 31, 2020, there were 112,670,580 shares of our common stock outstanding and held of record by 139 stockholders. The rights, preferences and privileges of the holders of our common stock are subject to the rights of the holders of shares of any series of preferred stock which we may issue in the future.

Common Stock

Dividend Rights

Subject to preferences that may apply to any shares of our preferred stock outstanding at the time, for as long as such stock is outstanding, the holders of our common stock are entitled to receive ratably any dividends as may be declared by our board of directors out of funds legally available for dividends.

As a Delaware corporation, we are subject to certain restrictions on dividends under the Delaware General Corporation Law. Generally, a Delaware corporation may only pay dividends either out of "surplus" or out of the current or the immediately preceding year's net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation's assets can be measured in a number of ways and may not necessarily equal their book value.

Voting Rights

Holders of our common stock are entitled to one vote per share on any matter to be voted upon by stockholders. We have not provided for cumulative voting for the election of directors in our amended and restated certificate of incorporation. Our amended and restated certificate of incorporation establishes a classified board of directors that is divided into three classes with staggered three-year terms. Only the directors in one class will be subject to election at each annual meeting of stockholders, with the directors in other classes continuing for the remainder of their three-year terms.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights, and is not subject to conversion, redemption or sinking fund provisions.

Liquidation Rights

If we become subject to a liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Redemption Rights

There are no redemption or sinking fund provisions applicable to our common stock.

Undesignated Preferred Stock

Subject to limitations prescribed by Delaware law, our board of directors may issue preferred stock in one or more series, establish from time to time the number of shares to be included in each series, and determine for each such series of preferred stock the voting powers, designations, preferences, and special rights, qualifications, limitations, or restrictions as permitted by law, in each case without further vote of action by our stockholders. Our board of directors may also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plan to issue any shares of preferred stock.

Registration Rights

Boustead Securities, LLC

Pursuant to the warrant issued on June 26, 2017, Boustead Securities, LLC may demand registration of the shares of common stock underlying such warrant. Subject to certain exceptions, within 60 days after receipt of such a demand notice, we are obligated to file a registration statement with the Securities and Exchange Commission covering such shares of common stock and use our reasonable best efforts to have such registration statement declared effective promptly thereafter. Such demand right expires four years after the initial exercise date of the warrant. Further, unless all the shares of common stock underlying the warrant are included in an effective registration statement with a current prospectus, Boustead Securities, LLC is entitled, at any time during the five-year period beginning December 22, 2017, to include such shares as part of certain other registration statements we file, subject to exceptions.

December 2020 PIPE Financing

On December 24, 2020, we entered into a securities purchase agreement with certain institutional and accredited investors, whereby we sold shares of our common stock and warrants to purchase additional shares of our common stock. The first closing of the financing occurred on December 29, 2020, at which we raised gross cash proceeds of $5,425,000 through the sale and issuance of 11,500,000 shares of our common stock and warrants to purchase up to an aggregate of 8,625,001 additional shares of our common stock. The second closing of the financing is subject to, and contingent upon, the effectiveness of a registration statement filed with the Securities and Exchange Commission (the “SEC”) registering the shares of our common stock sold, or issuable under the warrants, in connection with the financing and the closing of our acquisition of Envirotech Drive Systems, Inc., which transaction was completed on March 16, 2021. At the second closing, we have agreed to sell and issue an additional 38,333,334 shares of our common stock and additional warrants to purchase up to an aggregate of 19,166,670 shares of our common stock.

The securities sold in the financing have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration. However, in connection with the first closing of the financing, we entered into a registration rights agreement with the participating investors, pursuant to which we agreed to register, on behalf of such investors, the shares of common stock issued to such investors in the financing, including the shares of common stock underlying the warrants.

Pursuant to the registration rights agreement, on or before the date that is 20 calendar days following the earlier of (i) the date on which we file the audited financial statements of Envirotech Drive Systems, Inc. in connection with the completion of our acquisition thereof with the SEC on a Current Report on Form 8-K, and (ii) March 31, 2021, we agreed to file an initial registration statement covering the resale of all of the shares of common stock issued or issuable pursuant to the securities purchase agreement and the warrants issued pursuant thereto. We further agreed to file additional

registration statements covering the resale of such securities in the event that the SEC informs us that all such registrable securities cannot, as a result of the application of Rule 415 promulgated by the SEC pursuant to the Securities Act, be registered for resale as a secondary offering on a single registration statement or in certain other circumstances described in the registration rights agreement.

The registration rights agreement provides that we must pay all registration expenses in connection with effecting any registration. The registration rights agreement contains customary indemnification and contribution provisions by us for the benefit of the stockholders party thereto and their affiliates and, in limited situations, by the stockholders party thereto for the benefit of us and any underwriters with respect to written information furnished to us by such stockholders and stated by such stockholders to be specifically included in any registration statement, prospectus or related document.

The registration rights remain in effect with respect to the securities covered by the securities purchase agreement and the related warrants until the earlier of (i) all such shares have been sold pursuant to an effective registration statement under the Securities Act, or (ii) such time as all such shares are eligible for resale under Rule 144 promulgated by the SEC under the Securities Act ("Rule 144") without volume or manner-of-sale restrictions pursuant to Rule 144 and without the requirement for us to be in compliance with the current public information requirement under Rule 144.

Anti-Takeover Matters

Certificate of Incorporation and Bylaw Provisions

Our amended and restated certificate of incorporation and amended and restated bylaws include a number of provisions that may have the effect of delaying, deferring or discouraging another person from acquiring control of our company and discouraging takeover bids. These provisions may also have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts. These provisions include the items described below.

Board Composition and Filling Vacancies

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

Classified Board of Directors

Our amended and restated certificate of incorporation provides for a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election.

No Cumulative Voting

The Delaware General Corporation Law provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless our amended and restated certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation and our amended and restated bylaws provide that there will be no cumulative voting.

No Written Consent of Stockholders

Our amended and restated certificate of incorporation and amended and restated bylaws provide that all stockholder actions are required to be taken by a vote of the stockholders at an annual or special meeting, and that stockholders may not take any action by written consent in lieu of a meeting.

Meetings of Stockholders

Our amended and restated bylaws provide that a majority of the members of our board of directors then in office, the Chairman of the Board, the Chief Executive Officer or the President may call special meetings of stockholders and only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders. Our amended and restated bylaws will limit the business that may be conducted at an annual meeting of stockholders to those matters properly brought before the meeting.

Advance Notice Requirements

Our amended and restated bylaws include advance notice procedures for stockholders seeking to bring business before an annual or special meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 120 days prior to the first anniversary date of the annual meeting for the preceding year. The notice must contain certain information specified in the amended and restated bylaws.

Amendment to Certificate of Incorporation and Bylaws

The amendment of the provisions in our amended and restated certificate of incorporation require approval by holders of at least 66 ⅔% of our outstanding capital stock entitled to vote generally in the election of directors, in addition to any rights of the holders of our outstanding capital stock to vote on such amendment under the Delaware General Corporation Law. The amendment of the provisions in our amended and restated bylaws require approval by either a majority of our board of directors or holders of at least 66 ⅔% of our outstanding capital stock entitled to vote generally in the election of directors, in addition to any rights of the holders of our outstanding capital stock to vote on such amendment under the Delaware General Corporation Law.

Blank Check Preferred Stock

Our amended and restated certificate of incorporation provides for authorized shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or otherwise. For example, if in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal is not in the best interests of us or our stockholders, our board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, our amended and restated certificate of incorporation grants our board of directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring, or preventing a change in control of us.

Delaware General Corporation Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes, among other things, a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person or entity who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation’s voting stock. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or

- at or after the time the stockholder became interested, the business combination was approved by our board of directors and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Exclusive Forum

Our amended and restated bylaws provide that: (i) the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors or officers to us or our stockholders; (iii) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable.

Limitations of Director Liability and Indemnification of Directors and Officers

As permitted by the Delaware General Corporation Law, provisions in our amended and restated certificate of incorporation and amended and restated bylaws limit or eliminate the personal liability of our directors. Consequently, directors will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;

- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

- any unlawful payments related to dividends or unlawful stock repurchases, redemptions or other distributions; or

- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not alter director liability under the federal securities laws and do not affect the availability of equitable remedies, such as an injunction or rescission.

In addition, our amended and restated bylaws provide that:

- we will indemnify our directors, officers and, in the discretion of our board of directors, certain employees, to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions, including an exception for indemnification in connection with a proceeding (or counterclaim) initiated by such persons; and

- we will advance expenses, including attorneys' fees, to our directors and, in the discretion of our board of directors, certain officers and employees, in connection with legal proceedings, subject to limited exceptions.

We have entered into indemnification agreements with each of our executive officers and directors. These agreements provide that, subject to limited exceptions and among other things, we will indemnify each of our executive officers and directors to the fullest extent permitted by law and advance expenses to each indemnitee in connection with any proceeding in which a right to indemnification is available.

We also intend to maintain general liability insurance that covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers, including liabilities under the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons who control us, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

These provisions may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. We believe that these provisions, the indemnification agreements and the insurance are necessary to attract and retain talented and experienced directors and officers.

At present, there is no pending litigation or proceeding involving any of our directors or officers where indemnification will be required or permitted. We are not aware of any threatened litigation or proceeding that might result in a claim for such indemnification.

Exchange Listing

Our common stock trades on the OTCQB market under the symbol "ADOM".

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Issuer Direct Corporation. The transfer agent's address is One Glenwood Avenue, Suite 1001, Raleigh, North Carolina 27603, and its telephone number is (919) 481-4000.

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

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

Exhibit 31.1

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

I, Phillip W. Oldridge, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2021

/s/ Phillip W. Oldridge
Phillip W. Oldridge
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

Exhibit 31.2

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

I, Michael K. Menerey, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2021

/s/ Michael K. Menerey
Michael K. Menerey
Chief Financial Officer and Director
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

Each of the undersigned hereby certifies, in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his respective capacity as an officer of ADOMANI, Inc., that the Annual Report on Form 10-K of ADOMANI, Inc. for the year ended December 31, 2020 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of ADOMANI, Inc.

Date: March 31, 2021

By: */s/ Phillip W. Oldridge*
Phillip W. Oldridge

Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

Date: March 31, 2021

By: */s/ Michael K. Menerey*
Michael K. Menerey
Chief Financial Officer and Director
(Principal Financial and Accounting Officer)