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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

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: 001-39283

Lightning eMotors, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**84-4605714**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
815 14th Street SW Suite A100 Loveland, Colorado	**80537**
(Address of Principal Executive Offices)	**(Zip Code)**

(800) 223-0740
(Registrant's telephone number)

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

Title of Each Class	Trading symbol(s)	Name of Exchange on which registered
Common Stock, par value $0.0001 per share	**ZEV**	**New York Stock Exchange**
Redeemable Warrants, each full warrant exercisable for one share of Common stock at an exercise price of $11.50 per share	**ZEV.WS**	**New York Stock Exchange**

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 ☒

As of November 1, 2022, there were 76,060,822 shares of the registrant's common stock outstanding.

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PART I —FINANCIAL INFORMATION

Item 1. Financial Statements

Lightning eMotors, Inc.
Consolidated Balance Sheets
(in thousands, except share data)

	September 30, 2022	December 31, 2021
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 95,795	$ 168,538
Accounts receivable, net of allowance of $1,800 and $3,349 as of September 30, 2022 and December 31, 2021, respectively	10,324	9,172
Inventories	36,772	14,621
Prepaid expenses and other current assets	10,418	7,067
Total current assets	153,309	199,398
Property and equipment, net	10,042	4,891
Operating lease right-of-use asset, net	8,046	8,742
Other assets	1,909	379
Total assets	$ 173,306	$ 213,410
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 12,082	$ 6,021
Accrued expenses and other current liabilities	10,031	5,045
Warrant liability	335	2,185
Current portion of operating lease obligation	1,544	1,166
Total current liabilities	23,992	14,417
Long-term debt, net of debt discount	70,667	63,768
Operating lease obligation, net of current portion	8,176	9,260
Derivative liability	1,048	17,418
Earnout liability	14,787	83,144
Other long-term liabilities	929	191
Total liabilities	119,599	188,198
Commitments and contingencies (Note 14)		
Stockholders' equity		
Preferred stock, par value $0.0001, 1,000,000 shares authorized and no shares issued and outstanding as of September 30, 2022 and December 31, 2021	—	—
Common stock, par value $0.0001, 250,000,000 shares authorized as of September 30, 2022 and December 31, 2021; 76,003,308 and 75,062,642 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	8	8
Additional paid-in capital	211,512	206,768
Accumulated deficit	(157,813)	(181,564)
Total stockholders' equity	53,707	25,212
Total liabilities and stockholders' equity	$ 173,306	$ 213,410

See accompanying notes to Consolidated Financial Statements.

Lightning eMotors, Inc.
Consolidated Statements of Operations
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues	$ 11,131	$ 6,257	$ 20,079	$ 16,771
Cost of revenues	14,580	7,026	27,191	19,392
Gross loss	(3,449)	(769)	(7,112)	(2,621)
Operating expenses				
Research and development	1,428	823	5,180	2,214
Selling, general and administrative	14,897	9,299	39,055	29,245
Total operating expenses	16,325	10,122	44,235	31,459
Loss from operations	(19,774)	(10,891)	(51,347)	(34,080)
Other (income) expense, net				
Interest expense, net	3,758	3,983	11,468	9,534
(Gain) loss from change in fair value of warrant liabilities	(536)	(27)	(1,850)	28,108
(Gain) loss from change in fair value of derivative liability	(3,728)	5,023	(16,370)	9,290
(Gain) loss from change in earnout liability	(18,054)	31,788	(68,357)	44,164
Gain on extinguishment of debt	—	(2,194)	—	(2,194)
Other expense (income), net	17	(3)	11	(27)
Total other (income) expense, net	(18,543)	38,570	(75,098)	88,875
Net income (loss)	$ (1,231)	$ (49,461)	$ 23,751	$ (122,955)
Net income (loss) per share, basic	$ (0.02)	$ (0.67)	$ 0.31	$ (2.22)
Net income (loss) per share, diluted	$ (0.02)	$ (0.67)	$ 0.23	$ (2.22)
Weighted-average shares outstanding, basic	75,745,388	73,740,294	75,429,444	55,298,257
Weighted-average shares outstanding, diluted	75,745,388	73,740,294	85,374,404	55,298,257

See accompanying notes to Consolidated Financial Statements.

Lightning eMotors, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands, except share data)
(Unaudited)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Stockholders' Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Par Value			
Balance as of June 30, 2022	**—**	**$ —**	**75,610,103**	**$ 8**	**$ 209,191**	**$ (156,582)**	**$ 52,617**
Exercise of stock options	—	—	58,819	—	6	—	6
Vesting of restricted stock units, net of taxes	—	—	34,895	—	(6)	—	(6)
Stock-based compensation expense	—	—	—	—	1,470	—	1,470
Common stock issued for commitment shares	—	—	299,491	—	851	—	851
Net loss	—	—	—	—	—	(1,231)	(1,231)
Balance as of September 30, 2022	**—**	**$ —**	**76,003,308**	**$ 8**	**$ 211,512**	**$ (157,813)**	**$ 53,707**
Balance as of December 31, 2021	**—**	**$ —**	**75,062,642**	**$ 8**	**$ 206,768**	**$ (181,564)**	**$ 25,212**
Exercise of stock options	—	—	363,823	—	129	—	129
Vesting of restricted stock units, net of taxes	—	—	277,352	—	(114)	—	(114)
Stock-based compensation expense	—	—	—	—	3,878	—	3,878
Common stock issued for commitment shares	—	—	299,491	—	851	—	851
Net income	—	—	—	—	—	23,751	23,751
Balance as of September 30, 2022	**—**	**$ —**	**76,003,308**	**$ 8**	**$ 211,512**	**$ (157,813)**	**$ 53,707**
Balance as of June 30, 2021	**—**	**$ —**	**73,248,111**	**$ 7**	**$ 193,804**	**$ (154,289)**	**$ 39,522**
Exercise of stock options	—	—	506,461	—	511	—	511
Vesting of restricted stock units, net of taxes	—	—	17,168	—	—	—	—
Stock-based compensation expense	—	—	—	—	1,349	—	1,349
Conversion of convertible notes payable	—	—	1,055,388	—	10,089		10,089
Net loss	—	—	—	—	—	(49,461)	(49,461)
Balance as of September 30, 2021	**—**	**$ —**	**74,827,128**	**$ 7**	**$ 205,753**	**$ (203,750)**	**$ 2,010**

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Stockholders' Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Par Value			
Balance as of December 31, 2020	**30,120,057**	**$ 43,272**	**4,910,555**	**$ —**	**$ 10,828**	**$ (80,795)**	**$ (69,967)**
Retroactive application of recapitalization	(30,120,057)	(43,272)	28,038,952	3	43,269	—	43,272
Adjusted balance beginning of period	**—**	**—**	**32,949,507**	**3**	**54,097**	**(80,795)**	**(26,695)**
Exercise of Common Warrants [(1)]	—	—	69,232		646	—	646
Issuance of Series C redeemable convertible preferred stock upon exercise of Series C warrants [(1)]	—	—	1,756,525	—	14,068	—	14,068
Business Combination and PIPE Financing	—	—	37,843,390	4	109,801	—	109,805
Warrants issued in connection with the Convertible Note	—	—	—	—	14,522	—	14,522
Issuance of common stock warrants	—	—	—	—	433	—	433
Exercise of stock options [(1)]	—	—	1,135,918	—	552	—	552
Vesting of restricted stock units, net of taxes	—	—	17,168	—	—	—	—
Stock-based compensation expense	—	—	—	—	1,545	—	1,545
Conversion of convertible notes payable	—	—	1,055,388	—	10,089	—	10,089
Net loss	—	—	—	—	—	(122,955)	(122,955)
Balance as of September 30, 2021	**—**	**$ —**	**74,827,128**	**$ 7**	**$ 205,753**	**$ (203,750)**	**$ 2,010**

(1) Share amounts have been retroactively restated to give effect to the recapitalization transaction.

See accompanying notes to Consolidated Financial Statements.

Lightning eMotors, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2022	**2021**
Cash flows from operating activities		
Net income (loss)	$ 23,751	$ (122,955)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	1,279	605
Provision for doubtful accounts	2,231	142
Provision for inventory obsolescence and write-downs	1,155	98
Loss (gain) on disposal of fixed asset	58	(9)
Gain on extinguishment of debt	—	(2,194)
Change in fair value of warrant liability	(1,850)	28,108
Change in fair value of earnout liability	(68,357)	44,164
Change in fair value of derivative liability	(16,370)	9,290
Stock-based compensation	3,878	1,545
Amortization of debt discount	6,899	4,598
Non-cash impact of operating lease right-of-use asset	849	1,453
Issuance of common stock for commitment shares	851	—
Issuance of common stock warrants for services performed	—	433
Changes in operating assets and liabilities:		
Accounts receivable	(4,793)	(8,090)
Inventories	(21,955)	(5,116)
Prepaid expenses and other assets	(4,126)	(6,511)
Accounts payable	6,052	1,293
Accrued expenses and other liabilities	3,462	5,184
Net cash used in operating activities	(66,986)	(47,962)
Cash flows from investing activities		
Purchase of property and equipment	(5,694)	(2,320)
Proceeds from disposal of property and equipment	—	9
Net cash used in investing activities	(5,694)	(2,311)
Cash flows from financing activities		
Proceeds from convertible notes payable, net of issuance costs paid	—	95,000
Proceeds from Business Combination and PIPE Financing, net of issuance costs paid	—	142,796
Proceeds from facility borrowings	—	7,000
Repayments of facility borrowings	—	(11,500)
Proceeds from the exercise of Series C redeemable convertible preferred warrants	—	3,100
Proceeds from exercise of common warrants	—	157
Payments on finance lease obligations	(78)	(54)
Proceeds from exercise of stock options	129	552
Tax withholding payment related to net settlement of equity awards	(114)	—
Net cash (used in) provided by financing activities	(63)	237,051
Net (decrease) increase in cash	(72,743)	186,778
Cash - Beginning of period	168,538	460
Cash - End of period	$ 95,795	$ 187,238

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	Nine Months Ended September 30,	
	2022	2021
Supplemental cash flow information - Cash paid for interest	$ 3,536	$ 2,559
Significant noncash transactions		
Earnout liability at inception	$ —	$ 78,960
Warrant liability at inception	—	1,253
Derivative liability at inception	—	17,063
Conversion of short-term convertible notes for common stock	—	9,679
Conversion of convertible notes for common stock	—	10,089
Conversion of warrant liabilities for common stock	—	37,580
Property and equipment included in accounts payable and accruals	879	—
Finance lease right-of-use asset in exchange for a lease liability	786	—
Inventory repossessed for accounts receivable	1,410	—

See accompanying notes to Consolidated Financial Statements.

Lightning eMotors, Inc.
Notes to Consolidated Financial Statements
(in thousands, except share data)
(Unaudited)

Note 1 – Description of Business and Basis of Presentation

Lightning eMotors, Inc. (the "Company", "Lightning") is an innovative automotive manufacturing and research company based in Loveland, Colorado. The Company operates in the zero-emission vehicle ("ZEV") market and manufactures zero-emission Class 3 to 7 Battery Electric Vehicles ("BEV") and Fuel Cell Electric Vehicles ("FCEV") for commercial medium duty trucks, buses, vans and motorcoach fleets. The Company also manufactures and sells charging and energy systems to enable accelerated adoption of its commercial vehicles. The Company operates predominately in the United States.

On May 6, 2021 (the "Closing Date"), GigCapital3, Inc. ("Gig"), consummated the previously announced merger pursuant to the Business Combination Agreement, dated December 10, 2020 (the "Business Combination Agreement"), by and among Project Power Merger Sub, Inc., a wholly-owned subsidiary of Gig incorporated in the State of Delaware ("Merger Sub"), and Lightning Systems, Inc., a Delaware corporation ("Lightning Systems"). Pursuant to the terms of the Business Combination Agreement, a business combination between Gig and Lightning Systems was effected through the merger of Merger Sub with and into Lightning Systems, with Lightning Systems surviving as the surviving company and as a wholly-owned subsidiary of Gig (the "Business Combination").

On the Closing Date, and in connection with the closing of the Business Combination, Gig changed its name to Lightning eMotors, Inc. Lightning Systems was deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in Accounting Standards Codification ("ASC") 805, *Business Combinations.* This determination was primarily based on Lightning Systems stockholders prior to the Business Combination having a majority of the voting interests in the combined company, Lightning Systems operations comprising the ongoing operations of the combined company and Lightning Systems senior management comprising the senior management of the combined company. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Lightning Systems issuing stock for the net assets of Gig, accompanied by a recapitalization. The net assets of Gig are stated at historical cost, with no goodwill or other intangible assets recorded.

While Gig was the legal acquirer in the Business Combination, Lightning Systems was deemed the accounting acquirer, the historical financial statements of Lightning Systems became the historical financial statements of the combined company, upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of Lightning Systems prior to the Business Combination; (ii) the combined results of the Company and Lightning Systems following the closing of the Business Combination; (iii) the assets and liabilities of Lightning Systems at their historical cost; and (iv) the Company's equity structure for all periods presented.

In accordance with guidance applicable to these circumstances, the equity structure has been restated in all comparative periods up to the Closing Date, to reflect the number of shares of the Company's common stock, $0.0001 par value per share, issued to Lightning Systems stockholders in connection with the recapitalization transaction. As such, the shares and corresponding capital amounts and earnings per share related to Lightning Systems redeemable convertible preferred stock and Lightning Systems common stock prior to the Business Combination have been retroactively restated as shares reflecting the exchange ratio of approximately 0.9406 shares (the "Exchange Ratio") established in the Business Combination Agreement. Activity within the statement of stockholders' equity for the issuances and repurchases of Lightning Systems convertible redeemable preferred stock, were also retroactively converted to Lightning Systems common stock. For more details on the reverse recapitalization, see Note 3 to the Company's notes to consolidated financial statements.

The accompanying consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and pursuant to the regulations of the U.S. Securities and Exchange Commission ("SEC"). The unaudited financial information reflects, in the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial position, results of operations and cash flows for the periods indicated. The results reported for the interim period presented are not necessarily indicative of results that may be expected for the full year. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated.

Reclassifications

Certain prior period balances in the statements of cash flows have been combined or reclassified to conform to current period presentation. Such reclassifications had no impact on net income (loss) or stockholders' equity previously reported.

Liquidity and Capital

As of September 30, 2022, the Company had $95,795 in cash and cash equivalents. For the nine months ended September 30, 2022, the net income of the Company amounted to $23,751. Cash flow used in operating activities was $66,986 for the nine months ended September 30, 2022. The Company had positive working capital of $129,317 as of September 30, 2022, primarily as a result of the proceeds received from the Business Combination. The current and historical operating cash flows, current cash and working capital balances, and forecasted obligations of the Company were considered in connection with management's evaluation of the Company's ongoing liquidity. As a result of the Business Combination, the Company received net proceeds of $216,812 in cash, after paying off the outstanding working capital facilities, the secured promissory note, and unsecured facility agreements.

On August 30, 2022, the Company entered into an equity line of credit agreement with Lincoln Park Capital Fund, LLC ("Lincoln Park") ("ELOC Agreement"), pursuant to which Lincoln Park committed to purchase up to $50.0 million of shares of the Company's common stock, subject to certain limitations and conditions set forth in the ELOC Agreement. The Company issued 299,491 shares of its common stock to Lincoln Park as a commitment fee on August 30, 2022. As of September 30, 2022, the Company has not sold any common stock to Lincoln Park under the ELOC Agreement. See Note 10 for additional information regarding the ELOC Agreement.

The Company believes its cash and cash equivalents balance will be sufficient to continue to operate its business over the next twelve-month period from the date the September 30, 2022 financial statements were issued. However, the Company may require additional capital to fund the growth and scaling of its manufacturing facility and operations; further develop its products and services, including those for orders in its order backlog; and fund possible acquisitions. Until the Company can generate sufficient cash flow from operations, the Company expects to finance its operations through a combination of the merger proceeds received from the Business Combination and issuances of common stock under the ELOC Agreement as well as from additional public offerings, debt financings or other capital markets transactions, collaborations or licensing arrangements. The amount and timing of the Company's future funding requirements depends on many factors, including the pace and results of the Company's development efforts and the Company's ability to scale its operations.

The Company cannot provide any assurance that additional capital will be available on commercially acceptable terms, if at all. If the Company is unable to secure additional capital, it may be required to take additional measures to reduce costs in order to conserve its cash in amounts sufficient to sustain operations and meet its obligations. These measures could cause significant delays in the Company's continued efforts to grow its business, which is critical to the realization of its business plan and the future operations of the Company.

Note 2 – Summary of Significant Accounting Policies

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make certain 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. The Company's most significant estimates and judgments involve deferred income taxes, allowance for doubtful accounts, warranty liability, write downs and write offs of obsolete and damaged inventory and valuations of share-based compensation, warrant liability, convertible note derivative liability and earnout share liability. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates, and such differences could be material to the Company's financial statements.

Segment information

ASC 280, *Segment Reporting*, defines operating segments as components of an enterprise where discrete financial information is available that is evaluated regularly by the chief operating decision-maker ("CODM") in deciding how to allocate resources and in assessing performance. The Company operates as a single operating segment. The Company's CODM is the Chief Executive Officer, who has ultimate responsibility for the operating performance of the Company and the allocation of resources. The CODM uses Company forecasts, a financial and operations dashboard, and cash flows as the primary measures to manage the business and does not segment the business for internal reporting or decision making.

Concentrations of credit risk

As of September 30, 2022, two customers accounted for 48% and 13% of the Company's total accounts receivable. As of December 31, 2021, three customers accounted for 40%, 20% and 17% of total accounts receivable. The net sales to the following customers comprised more than 10% of revenues for the periods presented.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
	Net Sales	% of Net Revenues	Net Sales	% of Net Revenues	Net Sales	% of Net Revenues	Net Sales	% of Net Revenues
Customer A	$ 5,920	53 %	$ 1,326	21 %	$ 5,923	29 %	$ —	— %
Customer B	2,075	19 %	—	— %	2,075	10 %	—	— %
Customer C	1,098	10 %	—	— %	2,822	14 %	—	— %
Customer D	—	— %	—	— %	2,675	13 %	—	— %
Customer E	—	— %	1,078	17 %	—	— %	—	— %
Customer F	—	— %	722	12 %	—	— %	6,040	36 %
Customer G	—	— %	682	11 %	—	— %	—	— %
Customer H	—	— %	647	10 %	—	— %	2,807	17 %
Total of customers with sales greater than 10%	$ 9,093	82 %	$ 4,455	71 %	$ 13,495	66 %	$ 8,847	53 %
Total of customers with sales less than 10%	2,038	18 %	1,802	29 %	6,584	34 %	7,924	47 %
Total Revenues	$ 11,131	100 %	$ 6,257	100 %	$ 20,079	100 %	$ 16,771	100 %

Concentrations of supplier risk

As of September 30, 2022, two suppliers accounted for 56% and 10% of the Company's total accounts payable. As of December 31, 2021, three suppliers accounted for 20%, 19% and 11% of the Company's total accounts payable. For the three months ended September 30, 2022, one supplier accounted for 42% of inventory purchases. For the three months ended September 30, 2021, two suppliers accounted for 24% and 13% of inventory purchases. For the nine months ended September 30, 2022, two suppliers accounted for 32% and 19% of inventory purchases. For the nine months ended September 30, 2021, two suppliers accounted for 24% and 12% of inventory purchases.

Cash and cash equivalents

Cash and cash equivalents include cash held in banks and in money market funds. The Company's cash and cash equivalents are placed with high-credit-quality financial institutions and issuers, and at times exceed federally insured limits. To date, the Company has not experienced any credit loss relating to its cash and cash equivalents. The carrying value of the cash equivalents approximates fair value, which represents a Level 1 input.

Accounts receivable

Accounts receivable are recorded at invoiced amounts, net of discounts, and allowances. The Company grants credit in the normal course of business to its customers. The Company periodically performs credit analyses and monitors the financial condition of its customers to reduce credit risk. The Company reduces the carrying value for estimated uncollectible accounts based on a variety of factors including the length of time receivables are past due, economic trends and conditions affecting the Company's customer base, and historical collection experience. Specific provisions are recorded for

individual receivables when the Company becomes aware of a customer's inability to meet its financial obligations. The Company writes off accounts receivable when they are deemed uncollectible. The following table details the change in the allowance for doubtful accounts for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance at beginning of period	$ 3,847	$ 142	$ 3,349	$ —
Charges to expense [(1)]	1,733	—	2,231	142
Deductions [(1)]	(3,780)	—	(3,780)	—
Balance at end of period	$ 1,800	$ 142	$ 1,800	$ 142

(1) The charges to expense and deductions in the allowance for doubtful accounts during the three and nine months ended September 30, 2022 were associated with one customer. The customer was unable to pay, and the Company repossessed the vehicles as collateral for the accounts receivable balance. The charges to expense represent further impairment of the receivable balance down to the net realizable value of the collateral. The deductions represent the write off of the remaining accounts receivable balance after applying the net realizable value of the collateral against the outstanding balance.

Inventories

Inventories consist of raw materials, work in progress, and finished goods and are stated at the lower of cost or net realizable value, with cost determined on the average cost method. A valuation adjustment is made to inventory for any excess, obsolete or slow-moving items based on management's review of on-hand inventories compared to historical and estimated future sales and usage profiles.

Property and equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful asset lives. Leasehold improvements are stated at cost and amortized on the straight-line basis over their estimated economic useful lives or the lease term, whichever is shorter. Costs of enhancements or modifications that substantially extend the capacity or useful life of an asset are capitalized and depreciated accordingly. Ordinary repairs and maintenance are expensed as incurred. Depreciation is included in the consolidated statements of operations in "Cost of revenues", "Research and development" and "Selling, general and administrative". When property is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the consolidated balance sheets and the resulting gain or loss, if any, is reflected in "Other income, net." The estimated useful lives of the Company's major classes of property and equipment are as follows:

Major Class of Property and Equipment	Estimated Useful Lives
Machinery and equipment	7 years
Vehicles	5 years
Leasehold improvements	5 years
Computer equipment	3 years
Software	3 years
Furniture and fixtures	7 years

Impairment of long-lived assets

Long-lived assets to be held and used in the Company's operations are evaluated for impairment when events or circumstances indicate the carrying value of a long-lived asset or asset group is less than the undiscounted cash flows from its use and eventual disposition over its remaining economic life. The Company assesses recoverability by comparing the sum of projected undiscounted cash flows from the use and eventual disposition over the remaining economic life of a long-lived asset or asset group to its carrying value, and records a loss from impairment if the carrying value is more than its undiscounted cash flows. Assets or asset groups to be abandoned or from which no future benefit is expected are written

down to zero in the period it is determined they will no longer be used and are removed entirely from service. There were no impairments of long-lived assets recognized during the three and nine months ended September 30, 2022 and 2021.

Redeemable convertible preferred stock

Prior to the Business Combination, the Company had redeemable preferred stock outstanding that was classified as temporary equity in the mezzanine section of the balance sheet due to the contingently redeemable nature of the preferred stock. As described in Note 1, the equity structure has been restated in all comparative periods prior to the Closing Date. For the periods in which the redeemable convertible preferred stock was outstanding, the Company did not believe that the related contingent events and the redemption of the preferred stock was probable to occur and did not accrete the preferred stock to redemption value.

Revenue recognition

Revenue Summary

The following table disaggregates revenue by major source:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
ZEVs	$ 10,570	$ 5,588	$ 18,633	$ 15,084
Zero-emission powertrains	—	—	336	218
Other	561	669	1,110	1,469
Total	$ 11,131	$ 6,257	$ 20,079	$ 16,771

The Company manufactures and sells medium and heavy-duty ZEVs, such as delivery trucks and buses. The Company manufactures ZEVs by removing the internal combustion engine and certain associated components (collectively, “decontented parts”) and installing and integrating its internally-developed, zero-emission powertrain into a vehicle chassis supplied by original equipment manufacturer (“OEM”) partners or from the customer. At times, the Company also installs and integrates its zero-emission powertrains into a used vehicle chassis supplied by the customer (“repower”). The Company also manufactures and sells its stand-alone, zero-emission powertrains directly to customers.

The Company recognizes revenue at a point in time when its performance obligation has been satisfied and control of the ZEV or zero-emission powertrain is transferred to the customer, which generally aligns with shipping terms. Contract shipping terms include ExWorks (“EXW”), “FOB Shipping Point” and “FOB Destination” all as defined in the Incoterms. Under EXW (meaning the seller fulfills its obligation to deliver when it makes goods available at its premises, or another specified location, for the buyer to collect), the performance obligation is satisfied and control is transferred at the point when the customer is notified that the ZEV or zero-emission powertrain is available for pickup. Under “FOB Shipping Point,” control is transferred to the customer at the time the good is transferred to the shipper and under “FOB Destination,” at the time the good is delivered to a customer’s specified delivery location. At times, the Company sells ZEVs that require additional upfitting from a third party before the final sale to the customer. The Company is acting as the principal in such transactions and revenue is recognized on a gross basis.

Other revenue primarily includes the sale of charging systems, engineering consulting services, telematics and analytics subscription services and decontented parts. Revenue for chargers and decontented parts is generally recognized based on contract shipping terms. At times, chargers may be drop shipped directly to the customer from the manufacturer, in which revenue is recognized at the time of shipment. The Company is acting as the principal in such transactions and revenue is recognized on a gross basis. Services are recognized as revenue over time as either percentage of completion (i.e. engineering service contracts) or as the service is transferred to the customer (i.e. telematics and analytics subscription services).

The Company made an accounting policy election to account for any shipping and handling costs that occur after control has transferred to the customer as fulfillment costs that are accrued to cost of revenues at the time control transfers. Shipping and handling costs billed to customers are initially recorded in deferred revenue and recognized as revenue once shipping is complete.

The Company often applies for governmental funding programs, including California's Hybrid and Zero Emission Truck and Bus Voucher Incentive Project ("HVIP"), on behalf of its customers for ZEV sales. Generally, as a condition of the program, the amount billed to the customer must be reduced by the amount that will be funded by the government program, and the Company will receive the funds directly from the government program. However, the discount to the customer is contingent upon the Company's receipt of the funding. Revenue is recognized on the gross amount of the ZEV at the time substantially all of the conditions of the government program required of the Company have been met and control of the ZEV has transferred to the customer based on shipping terms.

The following economic factors affect the nature, amount, timing, and uncertainty of the Company's revenue and cash flows as indicated:

- Type of customer: The Company's sales are directly to commercial fleet customers, OEMs, governments and dealers.
- Type of contract: Sales contracts are for goods or services. The majority of contracts are short term (i.e., less than or equal to one year in duration).

Significant Payment Terms

None of the Company's contracts have a significant financing component. Any cash that is received prior to revenue recognition is deferred as deferred revenue (a contract liability) until the good is delivered or service is rendered.

Contract Liabilities

Contract liabilities relate to payments received in advance of performance obligations under the contract and are realized when the associated revenue is recognized under the contracts. The Company's contract liabilities consist of customer deposits and deferred revenue, of which current amounts are included in "Accrued expenses and other current liabilities" and long-term amounts are included in "Other long-term liabilities" on the consolidated balance sheets. Changes in contract liabilities are as follows:

Balance as of December 31, 2021	$	147
Revenues recognized		(2,377)
Increase due to billings		2,822
Balance as of September 30, 2022	$	592

The Company recognized revenue of $90 during the nine months ended September 30, 2022 that was included in the contract liability balance as of December 31, 2021.

Returns and Refunds

Consideration paid for goods and/or services that customers purchase from the Company are nonrefundable. Therefore, at the time revenue is recognized, the Company does not estimate expected refunds for goods or services, nor does the Company exclude any such amounts from revenue.

Transaction Price

The transaction price of a contract is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Transaction prices do not include amounts collected on behalf of third parties (e.g., sales taxes). Sales taxes collected on sales are recorded as a sales tax liability and are included in "Accrued expenses and other current liabilities."

To determine the transaction price of a contract, the Company considers its customary business practices and the terms of the contract. For the purpose of determining transaction prices, the Company assumes that the goods and/or services will be transferred to the customer as promised in accordance with existing contracts and that the contracts will not be canceled, renewed, or modified. The Company's revenue terms do not include retrospective or prospective volume discounts, rights of return, rebates, performance bonuses or other forms of variable consideration.

The Company's contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash.

Future Performance Obligations

The Company has applied the practical expedient to exclude the value of remaining performance obligations for (i) contracts with an original term of one year or less and (ii) contracts for which the Company recognizes revenue in proportion to the amount it has the right to invoice for services performed (i.e. analytical data subscription services).

As of September 30, 2022, the Company had remaining performance obligations related to a non-cancellable (other than for a breach by the Company) minimum-quantity purchase commitment. The customer is obligated to purchase a fixed number of ZEVs through December 31, 2023, however, the price varies based on which year the customer orders each ZEV (in 2022 or 2023). The Company estimates that the future revenues associated with this contract (based on estimated orders from the customer) to be $2,000 in 2022 and $8,800 in 2023. The timing of the revenue associated with these estimates will change if the ZEVs are commissioned and/or shipped subsequent to the year in which they were ordered, as revenue will not be recognized until control of the ZEV transfers to the customer based on the purchase order shipping terms.

As of September 30, 2022, the Company also had $206 of remaining performance obligations related to unsatisfied extended warranty performance obligations the Company expects to recognize ratably from approximately September 2027 through August 2030.

Costs to Obtain or Fulfill a Contract with a Customer

The Company has elected the practical expedient to expense contract acquisition costs, which consist of sales commissions, which are reported within "Selling, general and administrative" expenses.

Warranties

All ZEVs that customers purchase from the Company are covered by five-year and 60-thousand-mile limited product warranties. At the time revenue is recognized, the Company estimates the cost of expected future warranty claims and accrues estimated future warranty costs based upon the history of warranty claims. The Company periodically reviews the adequacy of its product warranties and adjusts, if necessary, the warranty estimate and accrued warranty liability for actual historical experience. The warranty liability is included in "Accrued expenses and other current liabilities" and the cost of warranties is included in "Cost of revenues."

At times, the Company may sell its ZEVs with an extended product warranty, with coverage beyond the five-year and 60-thousand-mile limited standard warranty. The Company considers these extended warranties to be separate performance obligations. The consideration allocated to the extended warranty is deferred and recognized over the term of the extended warranty. The Company's deferred revenue associated with extended warranties is currently all classified as long-term within "Other long-term liabilities."

Fair value, measurements, and financial instruments

A fair value hierarchy was established that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach). The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels of the hierarchy and the related inputs are as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company can access at the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques:

- Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach: Amount that would be required to replace the service capacity of an asset (replacement cost).
- Income approach: Techniques to convert future amounts to a single present value amount based upon market expectations (including present value techniques, option pricing and excess earnings models).

The Company believes its valuation methods are appropriate and consistent with other market participants, however, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The Company's recurring fair value measurements categorized within Level 3 discussed below contain significant unobservable inputs. A change in those significant unobservable inputs could result in a significantly higher or lower fair value measurement at the reporting date.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, warrant liabilities, long-term debt, derivative liabilities and earnout liabilities. The carrying value of cash, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short-term nature of those instruments.

Long-term debt is not presented at fair value on the consolidated balance sheets, as it is recorded at carrying value, net of unamortized debt discounts. However, the 7.5% $100,000 convertible senior note (the "Convertible Note") has an embedded conversion option accounted for as a derivative liability, which is presented at fair value on the consolidated balance sheets. The fair value of the Convertible Note, including the conversion option, was $62,874 and $76,614 as of September 30, 2022 and December 31, 2021, respectively. The Company's term note and working capital facility ("Facility") had an outstanding term note with a principal amount of $3,000 as of both September 30, 2022 and December 31, 2021 and a fair value of $3,146 and $4,173 as of September 30, 2022 and December 31, 2021, respectively.

The following tables set forth by level within the fair value hierarchy the Company's financial assets and liabilities that were measured at fair value on a recurring basis in the consolidated balance sheets.

	Level 1	Level 2	Level 3
As of September 30, 2022			
Financial assets			
Cash equivalents	$ 92,762	$ —	$ —
Financial Liabilities			
Warrant liability	$ —	$ —	$ 335
Derivative liability	—	—	1,048
Earnout liability	—	—	14,787
As of December 31, 2021			
Financial assets			
Cash equivalents	$ 150,022	$ —	$ —
Financial Liabilities			
Warrant liability	$ —	$ —	$ 2,185
Derivative liability	—	—	17,418
Earnout liability	—	—	83,144

As of September 30, 2022 and December 31, 2021, the Company had cash equivalents held in a money market account. The Company has concluded that due to the highly liquid nature of the money market account, the carrying value approximates fair value, which represents a Level 1 input.

As a result of the Business Combination, the Company assumed the liability associated with the Gig warrants. The Company accounts for the warrants as liabilities at fair value with subsequent changes in fair value recorded in the statement of operations for each reporting period. The fair value is determined using the Black-Scholes-Merton option-pricing model ("BSM") where the share price input represents the Company's stock price as of the valuation date. The BSM is a commonly-used mathematical model for pricing an option or warrant. In particular, the model estimates the variation in value over time of financial instruments. The fair value measurements are considered Level 3 measurements within the fair value hierarchy.

The Company estimates the fair value of its derivative liability associated with the Convertible Note at each reporting date, as well as at each conversion date. The Convertible Note and embedded conversion option are valued using a Binomial Lattice Model designed to capture incremental value attributed to the conversion options in addition to the value of the Convertible Note. The value of the Convertible Note without the conversion feature is valued utilizing the income approach, specifically the discounted cash flow method. Cash flows are discounted utilizing the U.S. Treasury rate and the credit spread to estimate the appropriate risk-adjusted rate. The conversion feature utilizes the Company's stock price as of the valuation date as the starting point of the valuation. A Binomial Lattice Model is used to estimate a credit spread by solving for a premium to the U.S. Treasury rate that produces a value of the Convertible Note. As of issuance, the value of the Convertible Note and warrants related to the Convertible Note were set to equal $100,000 to solve for the credit spread which is then updated quarterly. The fair value measurements are considered Level 3 measurements within the fair value hierarchy.

As a result of the Business Combination, the Company recognized additional earnout shares with performance conditions as a liability measured at fair value with subsequent changes in fair value recorded in the consolidated statement of operations for each reporting period. The earnout shares are valued using the Company's stock price as of the valuation date. The valuation methodology used is a Monte Carlo Simulation model ("MCS") utilizing a Geometric Brownian motion process to capture meeting the various performance conditions. MCS is a technique that uses a stochastic process to create a range of potential future outcomes given a variety of inputs. Stochastic processes involve the use of both predictive assumptions (e.g., volatility, risk-free rate) and random numbers to create potential outcomes of value. MCS assumes that stock prices take a random walk and cannot be predicted; therefore, random number generators are used to create random outcomes for stock prices. The fair value measurements are considered Level 3 measurements within the fair value hierarchy.

Prior to the Business Combination, the Company had common and preferred stock warrants issued in connection with the issuance of debt, the conversion of debt to preferred stock, and the issuance of redeemable convertible preferred stock that were measured and recorded at fair market value as of the date of each transaction. These common and preferred stock warrants were classified in warrant liabilities and were measured and adjusted to their fair market value as of each reporting period as described in the paragraphs below.

The Company estimated the fair value of its common stock, Series C preferred stock, and Series C preferred warrants, which value was used in the determination of the value of warrants issued in connection with certain debt and preferred stock transactions and when measuring at the end of the reporting period. The Company considered the measurement of such liability-classified warrants in Level 3 due to significant unobservable inputs in this valuation.

The valuations were based on a combination of the income and market approach allocated to stockholders using an Option Pricing Model and applying a Discount for Lack of Marketability judgement based on the Finnerty put-option model. The key inputs to the valuation models that were utilized to estimate the fair value of the warrant liabilities included volatility, risk free rate, probability of subsequent funding, and discounts for lack of marketability.

These valuations were determined using a Probability Weighted Expected Return Method (PWERM) and a combination of several income and market approaches to determine the enterprise value of the Company. The enterprise value was adjusted for the probabilities of various scenarios/liquidity events that could have occurred and would have to create an overall weighted value of common stock as of each valuation date. Each liquidity scenario had unique probabilities based on the Company's opinion, which was based on various discussions with potential investors, advisors, and market participants, which included unique facts and circumstances as of the valuation dates. The scenarios included early liquidation, a private merger and acquisition ("M&A") transaction, staying a privately held company, and a special purpose acquisition company ("SPAC") transaction/merger.

Each scenario was based on a different valuation methodology based on the unique risks, opportunities and a likely investor's or market participant's perspective. These included (a) Early liquidation: based on an Asset Approach using the

existing equity value as of the valuation date; (b) Private M&A: based on a guideline transaction (market) approach using an assembled group of comparable transactions and trailing revenue metric/multiples; (c) Stay private: based on a discounted cash flow (income) approach using the Company's non-SPAC forecast and a market-based discount rate; and (d) SPAC transaction: based on a guideline public company (market) approach using an assembled peer group of comparable companies and forward revenue metrics/multiples. Value was allocated to all outstanding securities through the PWERM using capitalization tables unique to each liquidity scenario.

The preliminary valuation was then discounted by applying a Discount for Lack of Marketability ("DLOM") based on a Finnerty put-option model to determine a non-marketable, minority value of one share of common stock and one share of Series C preferred stock.

The Company's non-financial assets, which primarily consist of property and equipment, are not required to be carried at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable, these along with other non-financial instruments are assessed for impairment and, if applicable, written down to and recorded at fair value.

Beneficial conversion features

The Company followed the beneficial conversion feature guidance in ASC 470-20,*Debt with Conversion and Other Options*, which applies to redeemable convertible preferred stock and convertible debt. A beneficial conversion feature is defined as a nondetachable conversion feature that is in the money at the commitment date.

The beneficial conversion feature guidance requires recognition of the conversion option's in-the-money portion, the intrinsic value of the option, in equity, with an offsetting reduction to the carrying amount of the instrument. The resulting discount is amortized as interest over the life of the instrument. When there is a subsequent change to the conversion ratio based on a future occurrence, the new conversion price may trigger the recognition of an additional beneficial conversion feature on occurrence.

As a result of the Business Combination, the unamortized portion of the beneficial conversion feature was recorded to additional paid-in capital.

Stock-based compensation

The Company accounts for share-based compensation in accordance with ASC 718,*Compensation – Stock Compensation*, under which share based payments that involve the issuance of common stock to employees and non-employees and meet the criteria for equity-classified awards are recognized in the financial statements as share-based compensation expense based on the fair value on the date of grant. The Company issues stock option awards and restricted stock unit awards to employees and non-employees.

The Company utilizes the Black-Scholes model to determine the fair value of the stock option awards, which requires the input of subjective assumptions. These assumptions include estimating (a) the length of time grantees will retain their vested stock options before exercising them for employees and the contractual term of the option for non-employees ("expected term"), (b) the volatility of the Company's common stock price over the expected term, (c) expected dividends, and (d) the fair value of a share of common stock prior to the Business Combination. After the closing of the Business Combination, the Company's board of directors determined the fair value of each share of common stock underlying stock-based awards based on the closing price of the Company's common stock as reported by the NYSE on the date of grant. The Company has elected to recognize the adjustment to share-based compensation expense in the period in which forfeitures occur.

The assumptions used in the Black-Scholes model are management's best estimates, but the estimates involve inherent uncertainties and the application of management judgment (see Note 11). As a result, if other assumptions had been used, the recorded share-based compensation expense could have been materially different from that recorded in the financial statements.

Warrants and Warrant liabilities

As a result of the Business Combination, the Company assumed the liability associated with the Gig warrants. The Company accounts for the warrants for shares of the Company's common stock that are not indexed to its own stock as

liabilities at fair value on the consolidated balance sheets. The warrants are subject to remeasurement at each balance sheet date and any change in fair value is recognized as a "(Gain) loss from change in fair value of warrant liabilities" in the consolidated statements of operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the common stock warrants. At that time, the portion of the warrant liability related to the common stock warrants will be reclassified to "Additional paid-in capital".

The Lightning Systems common and preferred warrants, prior to the Business Combination, were accounted for in accordance with the authoritative guidance which requires that free-standing financial instruments with certain cash settlement features and/or associated with redeemable convertible preferred stock, which is classified as temporary equity, to be recorded at the fair value of the warrants. All outstanding common (with the exception of certain warrants that were issued to vendors discussed below) and all preferred warrants are recorded as "warrant liabilities" based on their fair value on the date of the transaction. See the "Fair value" significant accounting policy for a description of the determination of fair value. Any changes in the fair value of these instruments are reported as "(Gain) loss from change in fair value of warrant liabilities."

Warrants are separated from the host contract and reported at fair value when the warrant is a freestanding financial instrument that may ultimately require the issuer to settle the obligation by transferring assets. Under certain circumstances, most notably in the case of a deemed liquidation, the warrants issued in conjunction with Lightning Systems' debt and preferred stock transactions may have been ultimately required to be settled by a transfer of assets, and as a result the warrants are reported as liabilities at fair value each reporting period.

In February 2021, the Company granted common warrants to certain vendors for services provided prior to March 31, 2021. Refer to Note 10 – Capital Structure.

As a result of the Business Combination, the remaining outstanding Lightning Systems warrants were converted to the Company's common stock based on the Exchange Ratio.

Research and development

Research and development costs are primarily expensed when incurred and consist of personnel-related expenses including salaries, benefits, travel and stock-based compensation for personnel performing research and development activities; expenses related to materials, supplies and testing; and consulting and occupancy expenses. In addition, costs for certain property and equipment utilized for research and development are capitalized and depreciated to "Research and development" over the useful life of the asset based on the property and equipment policy discussed above.

Advertising

Advertising costs are expensed when incurred and are included in "Selling, general and administrative" expenses and total $179 and $64 for the three months ended September 30, 2022 and 2021, respectively, and $422 and $116 for the nine months ended September 30, 2022 and 2021, respectively.

Derivative Liability

The Company accounts for the embedded conversion feature of the Convertible Note as a derivative liability. Pursuant to ASC 815-15, *Derivatives and Hedging – Embedded Derivatives*, the embedded conversion feature meets all three criteria to be bifurcated and accounted for separately from the host instrument, i.e., the Convertible Notes. Because this feature meets all criteria of a derivative instrument, it was accounted for and recorded as a derivative liability at fair value on the Company's balance sheet with subsequent changes in fair value recorded in the consolidated statement of operations each reporting period.

Earnout Liability

As a result of the Business Combination, the Company recognized additional earnout shares as a liability. Pursuant to ASC 805, *Business Combinations*, the initial fair value of the earnout shares was recorded as a liability with the offset going to additional paid-in capital and with subsequent changes in fair value recorded in the consolidated statement of operations for

each reporting period. The following table provides a reconciliation of the beginning and ending balances for the earnout liability measured at fair value using significant unobservable inputs (Level 3):

	Nine Months Ended September 30,	
	2022	2021
Balance at beginning of period	$ 83,144	$ —
Initial recognition May 6, 2021	—	78,960
(Gain) loss	(68,357)	44,164
Balance at end of period	$ 14,787	$ 123,124

Income taxes

Income taxes are accounted for using the asset and liability method which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of other assets and liabilities. The Company provides for income taxes at the current and future enacted tax rates and laws applicable in each taxing jurisdiction. The Company uses a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The Company recognizes interest and penalties related to income tax matters in income tax expense in the consolidated statement of operations.

Earnings per share

Basic earnings (loss) per share (“EPS”) are computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the period. Diluted EPS attributable to common shareholders is computed by adjusting net earnings by the weighted average number of common shares and potential common shares outstanding (if dilutive) during each period. Potential common shares include shares issuable upon exercise of stock options and vesting of restricted stock awards. Anti-dilutive securities are excluded from diluted EPS.

Recent accounting pronouncements issued and adopted

In August 2020, the FASB issued ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. The ASU includes amendments to the guidance on convertible instruments and the derivative scope exception for contracts in an entity’s own equity and simplifies the accounting for convertible instruments which include beneficial conversion features or cash conversion features by removing certain separation models in ASC 470-20, *Debt with Conversion and Other Options*. Additionally, the ASU requires entities to use the “if-converted” method when calculating diluted earnings per share for convertible instruments. The ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company adopted this standard on January 1, 2022, and it did not have a material impact on the Company’s financial statements.

Recent accounting pronouncements issued not yet adopted

In June 2016, the FASB issued ASU 2016-13 related to the measurement of credit losses on financial instruments and has since modified the standard with several ASUs (collectively, the “credit loss standard”). The credit loss standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The credit loss standard took effect for public entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. As amended in ASU 2019-10, for smaller reporting companies, the credit loss standard will take effect for fiscal years beginning after December 15, 2022, and for interim periods within those fiscal years. Early adoption is permitted for all entities for fiscal years beginning after December 15, 2018. The adoption of this ASU will require a cumulative-effect adjustment to accumulated deficit as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Company expects to adopt this standard on January 1, 2023, and does not anticipate a material impact to the Company’s financial statements.

Note 3 – Reverse Recapitalization

On May 6, 2021, Gig consummated the Business Combination with Lightning Systems, with Lightning Systems surviving the merger as a wholly-owned subsidiary of Gig. In connection with the Business Combination, certain Gig shareholders exercised their right to redeem certain of their outstanding shares for cash, resulting in the redemption of 5,816,664 shares of Gig common stock for gross redemption payments of $58,759. In addition, an investor purchased from the Company 2,500,000 shares of common stock (the "PIPE Shares"), for a purchase price of $10.00 per share and an aggregate purchase price of $25,000 pursuant to a separate subscription agreement dated as of December 10, 2020 (the "PIPE Financing"). The PIPE Financing investment closed simultaneously with the consummation of the Business Combination.

Upon the closing of the Business Combination, Gig's certificate of incorporation was amended and restated to, among other things, change the name of the corporation to Lightning eMotors, Inc. and to increase the total number of authorized shares of capital stock to 251,000,000, consisting of (a) 250,000,000 of common stock, par value $0.0001 per share and (b) 1,000,000 shares of preferred stock, par value $0.0001 per share.

Immediately prior to the closing of the Business Combination, each issued and outstanding share of Lightning Systems redeemable, convertible preferred stock, was converted into shares of Lightning Systems common stock. This resulted in a conversion of 38,007,793 shares of Lightning Systems redeemable, convertible preferred stock into Lightning Systems common stock. Outstanding Lightning Systems short-term convertible notes were converted into an aggregate of 5,830,723 shares of Lightning Systems common stock. In addition, Lightning Systems had outstanding warrants that converted into 4,379,795 shares of Lightning Systems common stock.

Upon the closing of the Business Combination, Lightning Systems common stock issued and outstanding was canceled and converted into the right to receive Company common stock (the "Per Share Merger Consideration") based on the Exchange Ratio. In addition, after closing and subject to the terms and conditions defined below, stockholders of the Company who have received, or are entitled to receive, any per share merger consideration ("Stockholder Earnout Group") have the contingent right to receive an additional 16,463,096 shares of the Company's common stock to be allocated on a pro rata basis among the members of the Stockholder Earnout Group. One-third of the earnout shares will be released to the Stockholder Earnout Group on a pro rata basis, if on or prior to the fifth anniversary of the closing date the volume weighted average price ("VWAP") of the Company's common stock equals or exceed $12.00 per share of twenty of any thirty consecutive trading days. One-third of the earnout shares will be released to the Stockholder Earnout Group on a pro rata basis if on or prior to the fifth anniversary of the closing date the VWAP of the Company's common stock equals or exceed $14.00 per share of twenty of any thirty consecutive trading days. One-third of the earnout shares will be released to the Stockholder Earnout Group on a pro rata basis if on or prior to the fifth anniversary of the closing date the VWAP of the Company's common stock equals or exceed $16.00 per share of twenty of any thirty consecutive trading days. If these conditions have not been satisfied following the fifth anniversary of the closing date, any stockholder earnout shares remaining will be canceled. As of September 30, 2022, none of the contingencies under this agreement have been met and, accordingly, no shares of common stock have been issued.

Outstanding stock options, whether vested or unvested, to purchase shares of Lightning Systems common stock under the 2019 Plan (see Note 11) converted into stock options for shares of the Company's common stock upon the same terms and conditions that were in effect with respect to such stock options immediately prior to the Business Combination, after giving effect to the Exchange Ratio.

The Business Combination was accounted for as a reverse recapitalization in accordance with GAAP. Under this method, Gig was treated as the "acquired" company for financial reporting purposes. See Note 1 for further details. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Lightning Systems issuing stock for the net assets of Gig, accompanied by a recapitalization. The net assets of Gig are stated at historical cost, with no goodwill or intangible assets recorded.

Prior to the Business Combination, Lightning Systems and Gig filed separate standalone federal, state and local income tax returns. As a result of the Business Combination, structured as a reverse acquisition for tax purposes, Lightning Systems became the parent of the consolidated filing group with Gig as a subsidiary.

Unless otherwise indicated, all of the Company's common stock as well as previously issued stock options and redeemable convertible preferred stock presented in the accompanying retroactively revised consolidated statements of stockholders' equity (deficit) or in the related notes are presented on an as- or as if-converted basis, converted at the Exchange Ratio of 0.9406 and presented as shares or awards of the Company's common stock.

The number of shares of Common Stock outstanding immediately following the consummation of the Business Combination:

	Number of Shares
Common stock, outstanding prior to Business Combination	25,893,479
Less: redemption of Gig shares	(5,816,664)
Common stock Gig	20,076,815
Shares issued in PIPE Financing	2,500,000
Business Combination and PIPE Financing shares	22,576,815
Lightning Systems shares [(1)]	50,652,890
Total shares of common stock outstanding immediately after Business Combination	73,229,705

(1) The number of Lightning Systems shares were calculated using the Exchange Ratio contemplated in the Business Combination of approximately 0.9406.

Note 4 – Inventories

At September 30, 2022 and December 31, 2021, inventories consist of the following:

	September 30, 2022		December 31, 2021	
Raw materials [(1)]	$	27,300	$	10,802
Work in progress		2,995		2,979
Finished goods		6,477		840
Total inventories	$	36,772	$	14,621

The Company reduced the cost of certain inventory to net realizable value by $378 and $0 during the three months ended September 30, 2022 and 2021, respectively, and $1,155 and $98 during the nine months ended September 30, 2022 and 2021, respectively, which was recorded in "Cost of revenues."

Note 5 – Prepaid Expenses and Other Current Assets

At September 30, 2022 and December 31, 2021, prepaid expenses and other current assets consist of the following:

	September 30, 2022		December 31, 2021	
Vendor deposits	$	4,941	$	2,720
Prepaid insurance		3,408		1,975
Other prepaid expenses		2,038		2,324
Other current assets		31		48
Total prepaid expenses and other current assets	$	10,418	$	7,067

Note 6 – Property and Equipment

Cost and accumulated depreciation as of September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022	December 31, 2021
Machinery and equipment	$ 2,444	$ 1,755
Vehicles	3,352	1,754
Leasehold improvements	3,214	1,024
Computer equipment	630	298
Software	11	798
Furniture and fixtures	651	331
Capital projects in progress	1,945	957
Total cost	12,247	6,917
Accumulated depreciation and amortization	(2,205)	(2,026)
Total property and equipment, net	$ 10,042	$ 4,891

Depreciation and amortization expense associated with property and equipment is as follows for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenues	$ 127	$ 49	$ 337	$ 136
Research and development	17	—	125	—
Selling, general and administrative	328	206	754	469
Total depreciation and amortization expense	$ 472	$ 255	$ 1,216	$ 605

Note 7 – Accrued Expenses and Other Current Liabilities

At September 30, 2022 and December 31, 2021, accrued expenses and other current liabilities consist of the following:

	September 30, 2022	December 31, 2021
Accrued professional services	$ 2,729	$ 1,645
Accrued interest	2,603	841
Accrued payroll and benefits	2,224	1,014
Other accrued expense	744	368
Warranty liability	1,227	994
Customer deposits	198	85
Deferred revenue	129	62
Current portion of finance lease obligation	177	36
Total accrued expenses and other current liabilities	$ 10,031	$ 5,045

Changes in warranty liability (included in accrued expenses and other current liabilities) were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance at beginning of period	$ 1,212	$ 728	$ 994	$ 455
Charge for the period	531	377	1,231	968
Utilized during the period	(516)	(304)	(998)	(622)
Balance at end of period	$ 1,227	$ 801	$ 1,227	$ 801

Note 8 – Notes Payable

Notes payable as of September 30, 2022 and December 31, 2021 consist of the following:

	September 30, 2022	December 31, 2021
Convertible Note	$ 87,863	$ 87,863
Facility	3,000	3,000
Total debt principal	90,863	90,863
Unamortized debt discount - Convertible Note	(20,167)	(27,055)
Unamortized debt discount - Facility	(29)	(40)
Total long-term debt	$ 70,667	$ 63,768

Convertible Note

In conjunction with the Business Combination, the Company entered into the 7.5% $100,000 Convertible Note and paid issuance costs of $5,000. The Convertible Note has a maturity date of May 15, 2024 and has semi-annual interest payments due May 15 and November 15 of each year starting on November 15, 2021. The Convertible Note has a conversion feature at a conversion price of $11.50 and warrants to purchase up to 8,695,641 shares of common stock for a per share price of $11.50. The Convertible Note has a mandatory conversion option that: a) is exercisable at the option of the Company on or after May 15, 2022; b) occurs when the Company's stock price (1) is greater than 120% of the conversion price of $11.50, or $13.80 for 20 trading days in a period of 30 consecutive trading days and (2) the 30-day average daily trading volume during the applicable exercise period, i.e., consecutive 30 trading day period, is greater than or equal to $3,000; and c) the Company will make payments in accordance with the interest make-whole (defined below) amount in cash or issuance of additional shares of the Company's common stock.

The interest make-whole amount means, with respect to the conversion of the Convertible Note, in an amount denominated in U.S. dollars, the sum of all regularly scheduled interest payments, if any, due on such Convertible Note on each interest payment date occurring after the conversion date for such conversion and on or before the maturity date; provided, however, that (A) for these purposes, the amount of interest due on the interest payment date immediately after such conversion date will be deemed to be the following amount: (x) if such conversion date is prior to January 15, 2023, an amount equal to twelve months of interest and (y) if such conversion date is on or after January 15, 2023, any accrued and unpaid interest, if any, at such conversion date, plus any remaining amounts that would be owed to, but excluding, the maturity date in respect of such Convertible Note, including all regularly scheduled interest payments; and (B) if such conversion date occurs after the Company has sent a mandatory conversion notice, then the interest make-whole amount for such conversion shall be the sum of all regularly scheduled interest payments, if any, due on such Convertible Note on each interest payment date occurring after the conversion date for such conversion to, but excluding, the maturity date.

If the Company incurs other unpermitted indebtedness, it is required to redeem the Convertible Notes in full including outstanding principal and accrued and unpaid interest, plus (a) a prepayment premium equal to twelve months of interest on the principal amount of the Convertible Notes if such indebtedness event occurred prior to January 15, 2023; or (b) a prepayment premium equal to the amount of interest which would have accrued on the Convertible Notes through maturity (the "Redemption Feature"). In addition, the Company is required to issue to the holders a fixed number of warrants to purchase shares of Common Stock. The fixed number of warrants will be based on the principal balance of the Convertible Notes, divided by $11.50 ("Redemption Warrants"). The Redemption Warrants will be exercisable from the date of repayment of the Convertible Notes through the original maturity date of the Convertible Notes.

If the number of outstanding shares of Common Stock is increased by a stock split or other similar event, the number of shares issuable on exercise of each warrant shall be increased proportionately and the exercise price shall be decreased proportionately. Consequently, if the number of outstanding shares of Common Stock is decreased by a reverse stock split, consolidation, combination or reclassification of shares of Common Stock or other similar event, the number of shares of Common Stock issuable on exercise of each warrant shall be decreased proportionately and the exercise price shall be increased proportionately.

The Company has identified certain embedded derivatives related to its Convertible Note. Since the Convertible Note has a conversion feature whereby the principal amount will convert into a variable number of shares based on the future trading

price of the Company's common stock, the conversion feature is recorded as a derivative liability. Therefore, the fair value of the convertible feature at inception on May 6, 2021 in the amount of $17,063 was recorded as a debt discount and an addition to "Derivative liability" on the consolidated balance sheets. The derivative liability is adjusted to fair value each reporting period, with the changes in fair value reported in "(Gain) loss from change in fair value of derivative liability" on the consolidated statements of operations.

During the three and nine months ended September 30, 2021, $12,137 of Convertible Notes were converted into 1,055,388 shares of the Company's common stock. The Company recognized a gain on extinguishment of $2,194 in "Gain on extinguishment of debt" on the consolidated statement of operations associated with the difference between (1) the sum of the fair value of the common stock issued of $10,089 and cash paid for the remaining annual interest due May 2022 of $668 and (2) the sum of the carrying amount of the converted debt $7,966 and the fair value of the convertible note derivative liability of $4,985.

The following table provides a reconciliation of the beginning and ending balances for the convertible note derivative liability measured at fair value using significant unobservable inputs (Level 3):

	Nine Months Ended September 30,	
	2022	2021
Balance at beginning of period	$ 17,418	$ —
Initial recognition May 6, 2021	—	17,063
(Gain) Loss	(16,370)	9,290
Change resulting from conversions	—	(4,985)
Balance at end of period	$ 1,048	$ 21,368

The Convertible Note warrants are considered free-standing instruments and meet the criteria for equity classification because they are indexed to the Company's own stock and provide a fixed number of shares. Therefore, the fair value of the Convertible Note warrants on May 6, 2021 in the amount of $14,522 was recorded as a debt discount and an addition to "Additional paid-in capital" on the consolidated balance sheets.

Interest expense for the three months ended September 30, 2022 and 2021 was $4,129 and $3,875, respectively, of which $1,647 and $1,798, respectively, related to contractual interest expense and $2,482 and $2,077, respectively, related to amortization of the discount. Interest expense for the nine months ended September 30, 2022 and 2021 was $11,830 and $6,183, of which $4,942 and $2,887, respectively, related to contractual interest expense and $6,888 and $3,296, respectively, related to amortization of the discount.

Facility

The Facility provides for both term and working capital loans for borrowings up to $13,000 as of September 30, 2022. However, the Company's Convertible Note requirements limit the Company's permitted indebtedness to $5,000. Interest is payable quarterly on borrowings at a fixed annual rate of 15%. Borrowings under the Facility are secured by substantially all the Company's assets, are subject to borrowing base limitations, and require the Company to meet certain covenants. The Facility borrowings, with a maturity date of October 21, 2024, were $3,000 as of September 30, 2022 and December 31, 2021. Interest expense related to the Facility was $118 and $104 for the three months ended September 30, 2022 and 2021, respectively, and $348 and $1,165 for the nine months ended September 30, 2022 and 2021, respectively.

In connection with entering into this Facility, the Company issued warrants in 2020 and 2019, exercisable into 60,241 and 301,205, respectively, shares of Series C preferred stock at the conversion price of $1.66 per share. At the time of issuance, the Company estimated the fair value of the warrants at $6 and $66, respectively, and recorded a debt discount, which is being recognized over the life of the Facility borrowings, and a warrant liability, which was adjusted to fair value each reporting period, with the changes in fair value reported as a component of "Other income, net." As a result of the Business Combination, the warrants were converted to common stock based on the Exchange Ratio.

Related and Third-party 2020 short-term convertible notes payable

In August and September 2020, the Company borrowed $9,679 in the aggregate under convertible note purchase agreements from third parties ($6,454) and related parties ($3,225). The related parties included officers, a director, and individuals whose companies were represented on the Board of Lightning Systems. These convertible notes bore interest at

8%. Interest was payable monthly, with principal and unpaid interest due June 30, 2021. The notes were convertible into 5,830,723 Series C redeemable convertible preferred shares at the conversion price of $1.66 per share. These notes were subordinate to the Facility and third-party unsecured facility agreement.

The 2020 short-term notes were convertible into shares of Series C redeemable convertible preferred stock upon 1) a change in control having a value in excess of $200,000; 2) a debt or equity financing with aggregated gross proceeds in excess of $10,000; or 3) at maturity. Should the notes be converted at maturity, the debt holders would receive a beneficial conversion feature allowing the conversion at 75% of the lowest issue price. The Company recorded the beneficial conversion feature at its intrinsic value of $3,071. This was recorded as a debt discount and an addition to “Additional paid-in capital”. During the three and nine months ended September 30, 2021, amortization of the debt discount of zero and $1,296, respectively, was recorded to “Interest expense”.

As a result of the Business Combination, these convertible notes were converted to Series C redeemable convertible stock which converted into common stock based on the Exchange Ratio with the balance of $9,679 recorded to “Additional paid-in capital”. In addition, the accrued interest through the date of the closing of the Business Combination was forgiven.

Third party unsecured facility agreement

In March 2015, the Company borrowed $1,500 under an unsecured facility agreement. As a result of the Business Combination, the amount outstanding was paid in full.

Related party 2020 convertible notes payable

In February 2020, the Company borrowed $3,000 under two convertible note payable agreements from companies represented on the Board of Lightning Systems. Theses convertible notes bore interest at 8% and were subject to certain covenants. In May 2020, these notes were subject to a mandatory redemption in connection with a qualified equity offering of $3,000, resulting in a conversion into 2,118,819 shares of Series C preferred stock at a weighted average conversion price of $1.42 per share. The mandatory redemption was treated as a debt extinguishment for accounting purposes. To record the extinguishment, the fair value of consideration received and debt relieved was compared to the fair value of consideration paid and equity instruments issued. The fair value of consideration received was greater than the consideration paid. The excess fair value of $1,844 was recorded as a contribution to “Additional paid-in capital”.

In connection with the redemption, the Company issued short and long-term warrants, exercisable into 3,614,457 and 831,326, respectively, shares of Series C preferred stock at the conversion price of $1.66 per share. The Company estimated the fair value of the warrants at $336. The change in fair value was reported within “(Gain) loss from change in fair value of warrant liabilities.” As a result of the Business Combination, the warrants were converted to common stock based on the Exchange Ratio.

Third-party secured promissory note

In February 2021, the Company borrowed $3,000 by entering into a promissory note with a third-party lender. The note was secured by substantially all the Company’s assets and bore an annual interest rate of 20%, of which 10% was to be paid in cash and 10% was to be paid-in-kind by adding such interest to the principal balance. Interest was to be paid quarterly beginning on April 30, 2021 until the earliest of the following events to occur: the maturity date of February 19, 2022; or 14 days after the closing of the Business Combination. The promissory note was paid upon the closing of the Business Combination.

Debt maturities

The total balance of all debt matures as follows:

Period Ending December 31,	Amount
2022 (remainder of the year)	$ —
2023	—
2024	90,863
Thereafter	—
Total	$ 90,863

Note 9 – Leases

A contract is or contains a lease when, (1) the contract contains an explicitly or implicitly identified asset and (2) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract in exchange for consideration. The Company assesses whether an arrangement is or contains a lease at inception of the contract. For all leases, other than those that qualify for the short-term recognition exemption, the Company recognizes as of the lease commencement date on the balance sheet a liability for its obligation related to the lease and a corresponding asset representing the Company's right to use the underlying asset over the period of use.

The Company leases its manufacturing center, distribution center, and office space (collectively "Operating Facility") and certain information technology ("IT") equipment under non-cancelable operating leases. The Company also leases equipment utilized in the manufacturing process under non-cancelable financing leases. These financing leases include either a bargain purchase option or the equipment reverts ownership to the Company at the end of the lease term.

The Company assesses the expected lease term at lease inception and discounts the lease using a fully-secured, annual incremental borrowing rate (or rate implicit in the lease, if readily determinable), adjusted for time value corresponding with the expected lease term. The Company elected, for all classes of underlying assets, to not apply the balance sheet recognition requirements of ASC 842, *Leases*, to leases with a term of one year or less, and instead, recognize the lease payments in the income statement on a straight-line basis over the lease term. The Company also elected, for certain classes of underlying assets, to combine lease and non-lease components. The Company elected to combine lease and non-lease components for its Operating Facility, IT equipment and manufacturing equipment leases.

Right-of-use assets and lease liabilities as of September 30, 2022 and December 31, 2021 consist of the following:

	September 30, 2022		December 31, 2021	
	Operating	Finance	Operating	Finance
Assets				
Right-of-use assets, net (1)	$ 8,046	$ 932	$ 8,742	$ 208
Liabilities				
Lease obligation - current portion (2)	$ 1,544	$ 177	$ 1,166	$ 36
Lease obligation - long-term portion (3)	8,176	664	9,260	159
Total lease obligations	$ 9,720	$ 841	$ 10,426	$ 195
Weighted average remaining lease terms (in years)	4.4	5.0	5.2	5.0
Weighted average discount rate	15%	4%	15%	4%

(1) Finance right-of-use assets, net are included in "Other assets" on the consolidated balance sheets.
(2) Finance lease obligation – current portion is included in "Accrued expenses and other current liabilities" on the consolidated balance sheets.
(3) Finance lease obligation – long-term portion is included in "Other long-term liabilities" on the consolidated balance sheets.

The Company’s lease cost is presented below. The Company does not have any short-term leases or leases with variable lease payments.The financing lease cost for the three and nine months ended September 30, 2022 and 2021 was immaterial.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating Lease Cost				
Cost of revenues	$ 356	$ 121	$ 878	$ 410
Research and development	77	40	232	110
Selling, general and administrative	230	475	857	1,401
Total operating lease cost	$ 663	$ 636	$ 1,967	$ 1,921

The maturities of the Company’s lease liabilities are as follows:

	September 30, 2022	
	Operating	Finance
2022 (remainder of year)	$ 687	$ 51
2023	2,912	205
2024	2,997	205
2025	3,043	160
2026	3,105	128
Thereafter	518	166
Total future minimum lease payments	13,262	915
Less: imputed interest	(3,542)	(74)
Total maturities	$ 9,720	$ 841

Note 10 – Capital Structure

For the purpose of this Note 10, the “Equity Line of Credit” and “Warrants” relate to the current capital structure of the Company while the “Redeemable Convertible Preferred Stock – Lightning Systems”, “Warrant Liabilities – Lightning Systems” and “Warrants issued to vendors” relate to the redeemable convertible preferred stock and warrants issued by Lightning Systems that were converted to common stock of the Company as of the date of the Business Combination.

Equity Line of Credit

On August 30, 2022, the Company entered into the ELOC Agreement with Lincoln Park, pursuant to which Lincoln Park committed to purchase up to $50.0 million of shares of the Company’s common stock, subject to certain limitations and conditions set forth in the ELOC Agreement. The Company shall not issue or sell any shares of common stock under the ELOC Agreement which, when aggregated with all other shares of common stock beneficially owned by Lincoln Park, would result in beneficial ownership of more than 9.99% of the Company’s outstanding shares of common stock.

Under the terms of the ELOC Agreement, the Company has the right, but not the obligation, to sell to Lincoln Park, shares of its common stock over the period commencing on or about August 30, 2022 (the “Closing Date”) and ending on the first day of the month following the 36-month anniversary of the Closing Date. Purchase notices for regular or accelerated purchases to Lincoln Park include share volume limitations and are at prevailing market prices as defined in the ELOC Agreement.

During the three months ended September 30, 2022 and concurrently with the signing of the ELOC Agreement, the Company issued299,491 shares of its common stock to Lincoln Park as a commitment fee. The fair value of the shares issued for the commitment fee of $851 was recorded in "Selling, general, and administrative" expense on the Company's consolidated statement of operations.

As of September 30, 2022, the Company had not sold any common stock to Lincoln Park under the ELOC Agreement and has a remaining commitment of $50.0 million.

Warrants

As of September 30, 2022, there are 24,365,719 warrants outstanding, of which 14,999,970 are public warrants, 8,695,641 are Convertible Note warrants and 670,108 are private placement warrants. Each whole warrant entitles the registered holder to purchase one share of Common Stock at a price of $11.50 per share, subject to adjustment as discussed below. Only whole warrants are exercisable. The warrants will expire at 5:00 p.m., New York City time, on May 26, 2026, the fifth anniversary of the completion of the Company's Business Combination, or earlier upon redemption or liquidation.

The private placement warrants are identical to the public warrants except that such private placement warrants will be exercisable for cash or on a cashless basis, at the holder's option, and will not be redeemable by the Company, in each case so long as they are still held by the sponsor or its affiliates.

Once the warrants become exercisable, the Company may redeem the outstanding warrants (excluding the private placement warrants):

- in whole and not in part;
- at a price of $0.01 per warrant;
- upon a minimum of 30 days' prior written notice of redemption, which the Company refers to as the 30-day redemption period; and
- if, and only if, the last reported sale price of the Company's common stock equals or exceeds $18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders.

The fair value of the private placement warrants on May 6, 2021 in the amount of $1,253 was recorded as a "Warrant liability" and a reduction to "Additional paid-in capital" on the consolidated balance sheets. The change in fair value at each reporting date was recognized in "(Gain) loss from change in fair value of warrant liabilities" on the consolidated statements of operations. The fair value of the Convertible Note warrants on May 6, 2021 in the amount of $14,522 was recorded as a debt discount and an addition to "Additional paid-in capital" on the consolidated balance sheets.

Redeemable Convertible Preferred Stock – Lightning Systems

Series A, B and C redeemable convertible preferred shares were eligible for a cumulative annual simple return of 8% (the "preferred return") on amounts paid to purchase their preferred shares upon a liquidation, winding up or dissolution of Lightning Systems, or if declared by the Board. No preferred dividends had been declared.

Lightning Systems' preferred shares were not redeemable at the option of the holders. However, the holders of preferred shares could request that Lightning Systems redeem all outstanding preferred shares in accordance with their liquidation preferences in the event of a deemed liquidation in which Lightning Systems did not effect a dissolution of Lightning Systems under Delaware General Corporation Law within 90 days after such deemed liquidation event. Deemed liquidation events are defined to include (i) a merger or consolidation in which Lightning Systems is a constituent party, (ii) sale, lease, exclusive license or other disposition or the sale or disposition of substantially all of Lightning Systems' assets, or (iii) a "change in control" transaction in which then-current stockholders' controlled less than 50% of the voting power of the entity resulting from the transaction. Accordingly, these shares were considered contingently redeemable and were classified as temporary equity.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of Lightning Systems, any remaining assets of Lightning Systems were to be distributed as follows: (i) first, to holders of Series C preferred shares, an amount equivalent to 1.25 times the original purchase price per share plus the accrued but unpaid preferred return per share; (ii) second, to holders of Series B preferred shares, an amount equivalent to 1.25 times the original purchase price per share plus the preferred accrued but unpaid return per share; (iii) third, to holders of Series A preferred shares, an amount equivalent to 1.00 times the original purchase price per share plus the accrued but unpaid preferred return per share; and (iv) any remaining assets after satisfying the required distributions to preferred stockholders are distributed pro rata among preferred and common stockholders on an if-converted basis.

Series A, B and C preferred shares were to be convertible into common shares at any time at the option of the holder, and are automatically converted into common shares upon the affirmative election of more than 70% of the Series B and Series C preferred stockholders, or upon the closing of a sale of common shares in an initial public offering ("IPO") with gross proceeds to Lightning Systems of $50,000 or more accompanied by a listing of such common shares on the Nasdaq's National Market, the New York Stock Exchange, or another exchange approved by the Board.

See Note 8 for a description of the convertible debt conversion transactions and warrant liabilities under this Note 10 regarding warrants issued in connection with the preferred share purchases.

In connection with the 2019 Series C preferred stock issued for cash, Lightning Systems issued warrants, exercisable into 702,811 shares of Series C preferred stock at the conversion price of $1.66 per share. Lightning Systems estimated the fair value of the warrants at $155 and recorded a warrant liability, which is reported at fair value at each reporting period, with the change in fair value reported as "(Gain) loss from change in fair value of warrant liabilities."

In connection with the 2020 Series C preferred stock issued in connection with the redemption of related party 2020 convertible notes payable of $3,000 and cash of $3,000, Lightning Systems issued warrants, exercisable into 4,445,783 shares of Series C preferred stock at the weighted average conversion price of $1.42 per share. Lightning Systems estimated the fair value of the warrants at $336 and recorded a warrant liability, which is reported at fair value at each reporting period, with the change in fair value reported as "(Gain) loss from change in fair value of warrant liabilities."

As a result of the Business Combination, the preferred Series A, B and C shares were converted to common stock based on the Exchange Ratio. As a result, the balances of $18,036, $4,101 and $35,203, respectively, were charged to "Additional paid-in capital".

Warrant Liabilities – Lightning Systems

Lightning Systems issued warrants that enabled the holder to exercise in exchange for common shares or Series C preferred shares. The warrant agreements were reissued on December 31, 2019 upon Lightning Systems' conversion from an LLC partnership to a C corporation. All terms remained identical. See Note 8 and under the section redeemable convertible preferred stock of this Note 10 for descriptions of the underlying transactions.

Series C warrants were exercisable by the holder at any time at the stated exercise price, which price is subject to adjustment to provide anti-dilution protection to the holder. Upon the closing of an initial public offering, or a merger, sale or other transaction involving substantially all of the assets of Lightning Systems (a "Deemed Liquidation") the holder may require Lightning Systems to purchase any unexercised warrants at net value equal to the difference between the exercise price of the warrant and the proceeds the holder would have otherwise received as a result of the Deemed Liquidation or initial public offering. Lightning Systems had no obligation to file for registration of the shares issuable upon exercise of the warrant under the Securities Act. No fractional shares would be issued upon exercise. If upon exercise, the holder would be entitled to a fractional share, the number of shares issued upon exercise would be rounded to the nearest whole share and the difference settled in cash.

As described above in the redeemable convertible preferred stock section of this Note 10, during the three months ended March 31, 2021 one of the preferred warrant holders exercised their warrants to purchase 903,614 shares of Series C preferred stock at an exercise price of $1.66 for cash proceeds of $1,500. At the time of the exercise, the fair value of the warrants was deemed to be $5.87-$5.90 per warrant. In connection with the exercise, the warrant liability was reduced by $5,310 with the offset recorded to Series C redeemable convertible preferred stock in addition to the cash proceeds received. During the three months ended June 30, 2021, one of the preferred warrant holders exercised their warrants to purchase 963,855 shares of Series C preferred stock at an exercise price of $1.66 for cash proceeds of $1,600. At the time of the exercise, the fair value of the warrants was deemed to be $5.87-$5.90 per warrant. In connection with the exercise, the warrant liability was reduced by $5,658 with the offset recorded to Series C redeemable convertible preferred stock in addition to the cash proceeds received.

Warrants issued to vendors – Lightning Systems

In February 2021, the Board of Directors of Lightning Systems authorized the grant of 125,000 warrants to purchase common stock of Lightning Systems to three vendors who provided various sales and marketing related services prior to March 31, 2021. The warrants were immediately exercisable at an exercise price of $6.18 per share and had a contractual life of five years but required conversion upon the completion of the Business Combination. The fair value of the warrants

was deemed to be $3.46 on the date of grant using the Black-Scholes option pricing model with the following inputs: value of common share $6.18; exercise price of $6.18 per share; 5 year term; risk-free interest rate of 0.62%; and volatility of 68%. As the warrants were issued for services already provided, the value of the warrants of $433 was expensed to "Selling, general and administrative" expense, and offset to "Additional paid-in capital" as the warrants were deemed to be equity instruments under ASC 480, *Distinguishing Liabilities from Equity*. As a result of the Business Combination, the outstanding warrants issued to these vendors were converted to common stock.

The following table presents information for the Common and Series C preferred warrants, that have been converted to common stock as a result of the Business Combination, and outstanding Gig private warrants that were assumed in the Business Combination:

	Number of Warrants	Warrant Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Life
Warrants to purchase common stock				
Outstanding at December 31, 2020 [(1)]	610,202	$ 2,270	$ 0.27	3.6
Exercise of common warrants [(1)]	(69,232)	(489)	0.27	—
Change in fair value	—	3,102	—	—
Issued in connection with the Business Combination as common stock - charged to APIC	(540,970)	(4,883)	—	—
Outstanding — September 30, 2021	—	—	—	—
Warrants to purchase Series C preferred stock				
Outstanding at December 31, 2020 [(1)]	5,938,193	$ 18,885	$ 1.76	2.6
Exercise of warrants to purchase redeemable convertible preferred stock [(1)]	(1,756,526)	(10,968)	1.76	—
Change in fair value	—	24,779	—	—
Issued in connection with the Business Combination as common stock - charged to APIC	(4,181,667)	(32,696)	—	—
Outstanding — September 30, 2021	—	—	—	—
Private warrants assumed through Business Combination				
Outstanding at December 31, 2020	—	$ —	$ —	—
Warrants assumed	670,108	1,253	11.50	5.0
Change in fair value	—	228	—	—
Outstanding — September 30, 2021	670,108	1,481	11.50	4.6
Outstanding — December 31, 2021	670,108	$ 2,185	$ 11.50	4.3
Change in fair value	—	(1,850)	—	—
Outstanding — September 30, 2022	670,108	335	11.50	3.6

(1) Warrant amounts have been retroactively restated to give effect to the recapitalization transaction.

Note 11 – Stock-Based Compensation

2021 Equity Incentive Plan

In connection with the Business Combination, the stockholders approved the 2021 Equity Incentive Plan (the "2021 Plan"). The 2021 Plan provides the Company the ability to grant incentive stock options, non-qualified stock options, restricted stock awards, stock appreciation rights, restricted stock units, performance units, performance shares, cash-based awards and other stock-based awards. The purpose of the 2021 Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward persons for performing services and by motivating such persons to

contribute to the growth and profitability of the Company and its subsidiaries. As of September 30, 2022, there were17,794,239 shares reserved and 13,270,515 shares available for grant under the 2021 Plan.

Prior Lightning Systems 2019 Equity Incentive Plan

The legacy Lightning Systems 2019 Equity Incentive Plan ("2019 Plan") provided for the grant of incentive stock options, non-qualified stock options, and other awards. As a result of the Business Combination, the 2019 Plan was superseded by the 2021 Plan; therefore, no further awards will be granted under the 2019 Plan. In connection with the Business Combination, awards outstanding were converted into an option exercisable for common stock of the Company based on the Exchange Ratio. As of September 30, 2022, there were 2,330,137 stock options previously granted and unexercised under the 2019 Plan, which remain subject to the terms and conditions of the 2019 Plan.

Compensation Expense

To date, the Company has issued stock option and restricted stock unit ("RSU") awards. The Company recognizes stock-based compensation expense based on the fair value of the awards issued at the date of grant and amortized on a straight-line basis as the employee renders services over the requisite service period. Forfeitures are accounted for as they occur by reversing the expense previously recognized for non-vested awards that were forfeited during the period. The following table presents the stock-based compensation related to stock option and RSU awards for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock options expense				
Cost of revenues	$ 3	$ 14	$ 13	$ 27
Research and development	5	15	24	37
Selling, general and administrative	239	335	623	496
Total stock options expense	$ 247	$ 364	$ 660	$ 560
Restricted stock units expense				
Cost of revenues	$ 98	$ —	$ 205	$ —
Research and development	44	—	123	—
Selling, general and administrative	1,081	985	2,890	985
Total restricted stock units expense	$ 1,223	$ 985	$ 3,218	$ 985
Total stock-based compensation	$ 1,470	$ 1,349	$ 3,878	$ 1,545

The estimated unrecognized expense for stock options and RSUs not vested as of September 30, 2022, which will be recognized over the remaining requisite service period, is as follows:

Stock options unrecognized expense	$ 2,537
Stock options weighted-average remaining requisite service period (in years)	2.2
Restricted stock units unrecognized expense	$ 12,575
Restricted stock units weighted-average remaining requisite service period (in years)	2.6

Stock Option Awards

Stock option awards are issued to employees with an exercise price equal to the estimated fair market value per share at the date of grant and a term of10 years. Stock option awards generally vest over 4 years. It is the Company's policy to issue

new shares upon option exercise. Changes in the Company's stock options for the nine months ended September 30, 2022 are presented in the table below.

	Number of Options	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (in thousands)	Weighted Average Remaining Life (in years)
Outstanding at January 1, 2022	3,209,517	$ 1.66		
Granted	520,834	3.92		
Exercised	(363,823)	0.32		
Forfeited	(61,436)	1.56		
Expired	(7,061)	4.24		
Outstanding at September 30, 2022	3,298,031	2.16	$ 2,771	7.4
Vested and exercisable at September 30, 2022	1,409,707	1.11	1,610	6.0

Changes in the status of the Company's non-vested stock option awards for the nine months ended September 30, 2022 are presented in the table below.

	Non-vested Shares Under Option	Weighted Average Grant Date Fair Value per Share
Non-vested at January 1, 2022	2,137,050	$ 1.21
Granted	520,834	2.33
Vested	(708,124)	1.08
Forfeited	(61,436)	0.92
Non-vested at September 30, 2022	1,888,324	1.54

The aggregate intrinsic value of options exercised were $113 and $4,109 during the three months ended September 30, 2022 and 2021, respectively, and $1,275 and $8,060 during the nine months ended September 30, 2022 and 2021, respectively.

A Black-Scholes option pricing model with the following assumptions was utilized to determine the fair value of options granted during the nine months ended September 30, 2022.

	Nine Months Ended September 30, 2022
Expected volatility	61.0%
Dividend yield	0%
Risk-free interest rate	2.95%
Expected term (in years)	6.25

The expected volatility was derived from the volatility of historical stock prices of similar publicly traded companies. The dividend yield represents the Company's anticipated cash dividend over the expected term of the stock options. The risk-free interest rate is based on the U.S. Treasury yield curve rates with maturities consistent with the expected term of the related stock options. The expected term represents the period of time that the Company anticipates the stock options to be outstanding based on historical experience and future expectations.

Restricted Stock Unit Awards

The Company grants RSU awards to employees that generally vest over 3 years. RSU awards are valued based on the closing market price of the Company's common stock on the grant date.

	Number of RSUs	Weighted Average Grant Date Fair Value per Share
Outstanding at January 1, 2022	935,148	$ 7.59
Granted	2,687,523	3.91
Released	(307,410)	7.10
Forfeited	(142,570)	5.79
Outstanding at September 30, 2022	3,172,691	4.60

Other Employee Benefits - 401(k) Savings Plan

The Company has an employee-directed 401(k) savings plan (the "401(k) Plan") for all eligible employees over the age of 21. Under the 401(k) Plan, employees may make voluntary contributions based on a percentage of their pretax income, subject to statutory limitations. The Company matches 100% for the first 3% of each employee's contribution and 50% for the next 2% of each employee's contribution. The Company's cash contributions are fully vested upon the date of match. The Company made matching cash contributions of $213 and $106 for the three months ended September 30, 2022 and 2021, respectively, and $578 and $323 for the nine months ended September 30, 2022 and 2021, respectively.

Note 12 – Income Taxes

The provision for income taxes is recorded at the end of each interim period based on the Company's best estimate of its effective income tax rate expected to be applicable for the full fiscal year. There is no provision for income taxes because the Company has incurred taxable losses since inception. The Company's effective income tax rate was 0% for the three and nine months ended September 30, 2022 and 2021 and the realization of any deferred tax assets is not more likely than not.

Note 13 – Earnings (Loss) per Common Share

Basic income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding, plus the issuance of potentially dilutive common shares that could result from the exercise of outstanding stock options and warrants, vesting of restricted stock and conversion of convertible notes. No potentially dilutive common shares are included in the computation of any diluted per share amount when a loss is reported, which was the case for the three months ended September 30, 2022 and the three and nine months ended September 30, 2021. The Company applied the treasury stock method to account for the dilutive impact of its options, warrants and restricted stock units and the if-converted method for its Convertible Note. As a result of the Business Combination, the underlying shares have been retroactively restated to give effect to the recapitalization based on the Exchange Ratio.

The following table reconciles the earnings (loss) and number of common shares used to calculate basic and diluted earnings per common share attributable to the Company's shareholders:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Basic earnings per common share:				
Net income (loss) - basic	$ (1,231)	$ (49,461)	$ 23,751	$ (122,955)
Weighted shares outstanding - basic	75,745,388	73,740,294	75,429,444	55,298,257
Basic earnings (loss) per common share	$ (0.02)	$ (0.67)	$ 0.31	$ (2.22)
Diluted earnings per common share:				
Net income (loss) - basic	$ (1,231)	$ (49,461)	$ 23,751	$ (122,955)
Add: Convertible Note interest expense, net of tax			11,830	
Reverse: Change in fair value of derivative liability			(16,370)	
Net income (loss) - diluted	$ (1,231)	$ (49,461)	$ 19,211	$ (122,955)
Weighted shares outstanding - basic	75,745,388	73,740,294	75,429,444	55,298,257
Add: Dilutive effects of stock options and restricted stock units			2,304,714	
Add: Dilutive effects of if-converted Convertible Note			7,640,246	
Weighted shares outstanding - diluted	75,745,388	73,740,294	85,374,404	55,298,257
Diluted earnings (loss) per common share	$ (0.02)	$ (0.67)	$ 0.23	$ (2.22)

The calculated amount of anti-diluted shares for the computation of diluted earnings per share for the nine months ended September 30, 2022 was 24,365,719 warrants, 1,189,928 stock options and 602,672 RSUs. The Company also excluded the earnout shares as they are not currently issued and outstanding and will not be issued until satisfaction of the applicable stock price levels as described in Note 3.

All potentially dilutive common shares in the following table were excluded from the computation of diluted loss per share for the three months ended September 30, 2022 and the three and nine months ended September 30, 2021 because including them would have had an anti-dilutive effect due to losses reported during those periods.

	Outstanding as of September 30,	
	2022	2021
Convertible notes payable	7,640,246	7,640,246
Outstanding warrants	24,365,719	24,365,719
Stock options	3,298,031	3,410,449
Restricted stock units	3,172,691	739,824
Total anti-dilutive stock	38,476,687	36,156,238

Note 14 – Commitments and Contingencies

Firm Purchase and Other Commitments

The Company is party to firm purchase commitments with some of its suppliers. A firm purchase commitment represents an agreement that specifies all significant terms, including price and timing of the transactions, and includes a disincentive for non-performance that is sufficiently large to make performance probable. This disincentive is generally in the form of a take-or-pay provision, which requires the Company to pay for committed volumes regardless of whether the Company actually acquires the materials. The Company evaluates these agreements and records a loss, if any, on firm purchase commitments using the same lower of cost or market approach as that used to value inventory.

The Company amended certain firm purchase commitments during the three and nine months ended September 30, 2022, which significantly reduced its commitments. Negotiations with other suppliers are still ongoing to blend and extend or terminate other future commitments due to supply chain constraints and cost increases for both parties. The Company has not recognized any losses associated with future penalties, as it is more likely than not that that the Company will not have

to pay penalties resulting from not meeting these firm commitments. However, if negotiations are not successful, the Company may incur losses in future periods.

The Company also has other commitments, including marketing and software subscription agreements and equipment leases. The equipment leases included here only relate to leases for which the equipment had not yet been delivered to the Company as of September 30, 2022. Since the Company did not receive the equipment, the related right-of-use asset and lease liability were not recognized as of September 30, 2022. However, the Company was still committed to the financing arrangement. All other financial commitments under leasing arrangements are described in Note 9.

The amounts in the table below represent the Company’s future minimum commitments.

	As of September 30, 2022		
	Firm Purchase	**Other**	**Total**
2022 (remainder of the year)	$ 13,433	$ 236	$ 13,669
2023	58,037	853	58,890
2024	—	482	482
2025	—	203	203
2026	—	163	163
Thereafter	—	12	12
Total	$ 71,470	$ 1,949	$ 73,419

Legal Proceedings

Aside from the proceedings described below, the Company may be involved in legal matters arising in the ordinary course of business from time to time. While the Company believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Company is or could become involved in litigation will not have a material adverse effect on its business, financial condition or results of operations. The Company records an accrual for legal contingencies when it determines that it is probable that it has incurred a liability and it can reasonably estimate the amount of the loss.

On August 4, 2021, a purported stockholder of the Company filed a putative class action complaint in the Delaware Chancery Court, captioned Delman v. GigCapitalAcquisitions3, LLC, et al. (Case No. 2021-0679) on behalf of a purported class of stockholders. The lawsuit names GigCapitalAcquisitions3, LLC and the Company’s former directors Dr. Katz, Dr. Dinu, and Messrs. Betti-Berutto, Mikulsky, Miotto and Wang, as defendants. The lawsuit alleges that the defendants breached their fiduciary duty stemming from Gig’s merger with Lightning Systems and unjust enrichment of certain of the defendants. The lawsuit seeks, among other relief, unspecified damages, redemption rights, and attorneys’ fees. Neither the Company nor any of its current officers or directors are parties to the lawsuit. The Company’s former directors are subject to certain indemnification obligations of the Company.

In addition, on October 15, 2021, the Company and certain of its officers were named as defendants in a putative securities class action. The action is pending in the U.S. District Court for the District of Colorado, and is captioned Shafer v. Lightning eMotors, Inc., et al., Case No. 1:21-cv02774. The lawsuit alleges violations of Sections 10(b), Section 14(a) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder for purported false or misleading statements regarding the Company’s business operations and financial condition. A related lawsuit captioned Cohen v. Lightning eMotors, Inc., et al., Case No. 1:21-cv-03215, was filed in the United States District Court for the District of Colorado on December 1, 2021. On December 17, 2021, the Cohen lawsuit was consolidated with the Shafer lawsuit. On April 22, 2022, the court appointed a lead plaintiff in the consolidated lawsuit. The lead plaintiff’s filed a consolidated complaint on May 20, 2022. On July 13, 2022, the Company and the other defendants filed a motion to dismiss the class action. The plaintiffs replied on September 7, 2022, and the motion to dismiss is pending with the court. The plaintiffs seek damages in an unspecified amount, attorneys’ fees, and other remedies. The Company believes the allegations are without merit and intends to defend vigorously against such allegations.

As previously disclosed in the quarterly report on Form 10-Q for the quarter ended June 30, 2022, the Company received a subpoena from the Securities and Exchange Commission (“SEC”) requesting certain information about the Company’s business (including historical and projected performance, among other things) as part of a non-public fact-finding investigation. On September 9, 2022, the SEC informed the Company that it had concluded its investigation, and that it did not intend to recommend an enforcement action against the Company.

Item 2. Management's Discussion of Analysis of Financial Condition and Results of Operations

References to "we," "us," "our" or the "Company" are to Lightning eMotors, Inc., together with its wholly owned subsidiaries, except where the context requires otherwise. The following discussion should be read in conjunction with our unaudited consolidated financial statements and related notes thereto included elsewhere in this report and our audited consolidated financial statements and the related notes included in our annual report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission on March 30, 2022.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our forward-looking statements include, but are not limited to, statements regarding our or our management team's expectations, hopes, beliefs, intentions, or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to the risks described in our annual report on Form 10-K, including, but not limited to: our ability to become profitable; our ability to disrupt the commercial vehicle medium-duty powertrain market; our ability to control costs of our operations; our ability to obtain sufficient supplies of chassis, motors, batteries and other critical components for the manufacture of our vehicles and powertrains; an increase in the cost of raw materials due to inflation; the impact of inflation and rising rates on customers' decisions to purchase ZEVs; the number of orders placed by our commercial fleet customers; our ability to raise additional funds; the market acceptance of our products; the availability, amount and disbursement of government grants, loans or other incentives; the ability of our solutions to reduce carbon intensity and greenhouse gas emissions; the impact of the COVID-19 pandemic and other risks and uncertainties.

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. These forward-looking statements speak only as of the date hereof. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Overview

We are a leading electrification solutions provider committed to enabling the eradication of commercial vehicle emissions, that within the transportation sector is one of the top contributors of greenhouse gas emissions and a major contributor in urban areas of poor air quality that negatively impacts human health according to the U.S. Environmental Protection Agency. We design and manufacture zero-emission vehicles, or ZEVs, including battery electric and fuel cell electric vehicles, and charging infrastructure solutions for commercial fleets, large enterprises, original equipment manufacturers and governments. Our product offerings range from Class 3-5 cargo and passenger vehicles and school buses, Class 5 and 6 work trucks and buses and Class 7 city buses and motorcoaches. Our ongoing focus has been on providing a broad range of ZEV platforms and charging solutions to help fleets reduce emissions, lower operating costs and improve energy efficiency.

We started in 2008 as a manufacturer of hybrid systems for commercial vehicles, and in 2017, customer feedback led us to understand that hybrid systems did not adequately address the growing issue of urban air pollution from commercial vehicle fleets. In 2017, we redirected our efforts to focus exclusively on the attractive market opportunity in ZEVs. We leveraged nearly 10 years of extensive knowledge and production infrastructure from developing and implementing hybrid commercial vehicles to successfully adapt to ZEVs. To date, all of the ZEVs we have sold are fully certified by the California Air Resource Board ("CARB"), the clean air agency that defines vehicle emission standards. We currently

maintain ten Executive Orders, which are required to sell ZEVs in California as well as various other states. As of October 31, 2022, we had approximately 430 vehicles on the road with over 2.8 million miles driven.

We believe we are the only full-range manufacturer of Class 3 to 7 ZEVs in the United States. We provide end-to-end electrification solutions, including advanced analytics software and mobile charging solutions. We combine an internally developed optimized modular software, which can be used in multiple platforms and applications, with hardware designs, that we believe allows us to address a diverse range of opportunities in the markets in which we operate in a cost-effective manner with a significant time-to-market advantage. Our manufacturing facility has the capacity to produce 1,500 ZEVs per year while operating one eight-hour shift per day. The same facility and equipment can produce 3,000 ZEVs annually by increasing labor to two eight-hour shifts per day. We believe that with full utilization of our manufacturing facility combined with our ability to lease more space on our current campus, and with our OEM customers' installation capacities, we will have the capacity to scale production to 20,000 vehicles and powertrains per year. Over the long term, we believe that we will be able to leverage our significant investment in manufacturing capacity to increase production output, leverage our fixed overhead and improve profitability from the sale of our products. In addition, we have also built an ecosystem of supply-chain partners and specialty vehicle partners which are instrumental to our growth.

Recent Developments

During the three months ended September 30, 2022, we produced 104 ZEVs, of which 3 are for our internal use and 93 were sold to customers. During the nine months ended September 30, 2022, we produced 248 ZEVs and 5 powertrains, of which 11 ZEVs are for our internal use, and we sold 192 ZEVs and 5 powertrains to customers. We are continuing to expand our product offerings and seek applications for our modular software and hardware. Using our modular customization strategy, we are able to adapt relatively quickly to new customers' needs, vehicle configurations or uses.

On August 9, 2022, we announced the launch of Lightning Insights™, a significant extension of our state-of-the-art telematics system built for monitoring and managing Lightning fleet assets in real-time. The new system, which monitors up to 156 data points including vehicle location, state of charge, energy usage, efficiency, lifetime metrics with total driving hours, energy usage, vehicle health and many other important vehicle metrics, is integrated into every new Lightning eMotors vehicle. Additionally, Lightning Insights provides complete control over Lightning's fleet charging solutions including charger access, charge time scheduling, load management, payment methods and more.

On August 31, 2022, we announced our strategic partnership with GoBolt — a Toronto-based technology-led, customer-centric sustainable logistics provider — to manufacture 170 all-electric cargo vans and box trucks over the next 12 months. These vehicles will be deployed across the U.S. and Canada. As part of this partnership, we will deliver 70 Class 3 zero-emission, all-electric cargo vans and 100 Class 5 zero-emission, all-electric box trucks. Deployment of the Class 3 vans is already underway. The fleet will feature a mix of 80kWh and 120kWh battery capacity vans with a CARB-certified all-electric range of over 200 miles per charge based on dynamometer tests. Development of the Class 5 box trucks is in progress, with deliveries targeted to begin in the first half of next year.

On September 13, 2022, we announced our second generation repower program for high-demand 40-foot transit buses. This new offering in Lightning's growing lineup of Class 3-8 commercial electric vehicles will be available to municipal and private transit agencies throughout North America. We believe that repowering existing transit buses from diesel or CNG internal combustion to zero-emission battery-electric powertrains will help transit customers electrify their fleets at less than half the cost and in one-third the lead time of acquiring new electric buses. Repowered buses will feature an up to 560kWh battery system and deliver more than 200 miles of real-world range on a single charge.

Closing of Business Combination

On December 10, 2020, Lightning Systems, Inc. entered into the business combination agreement with GigCapital3, Inc. and its wholly owned subsidiary Project Power Merger Sub, Inc. Pursuant to the business combination agreement, the stockholders of Gig approved the transaction on April 21, 2021, and the transaction closed on May 6, 2021, or the Business Combination. As a result, Merger Sub was merged with and into Lightning Systems and the separate corporate existence of Merger Sub ceased, and Lightning Systems continued as the surviving corporation of the Business Combination. The Business Combination was accounted for as a reverse recapitalization. Under this method of accounting, Gig was treated as the acquired company for financial statement reporting purposes, and Lightning Systems was deemed the accounting predecessor. The combined entity became the successor SEC registrant, meaning that Lightning Systems' financial statements for previous periods are disclosed in the registrant's periodic reports filed with the SEC after closing. On May 6,

2021, and in connection with the closing of the Business Combination, Gig changed its name to Lightning eMotors, Inc. See Note 1 and Note 3 to the consolidated financial statements for more detail on the Business Combination.

As a result of the Business Combination, Lightning Systems became our wholly owned subsidiary. We are a NYSE-listed company with our common stock registered under the Exchange Act.

Material Trends and Uncertainties

The impact of current macroeconomic factors on our business - including increasing inflation and interest rates which affect the demand of its ZEVs, supply chain constraints, and geopolitical events - is uncertain. In addition, although the impact is lessening, the extent to which the COVID-19 pandemic may impact our business in future periods remains uncertain and unpredictable. Our outlook for future growth in ZEVs depends upon the various economic and regulatory conditions, and on our ability to manage through supply chain issues that have, and will continue to, limit the level to which we can increase output in the near term. Our long-term outlook remains positive as we believe the adoption of alternative fuel vehicles and the electric vehicle market will continue to grow.

Inflation Reduction Act. On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022, or the IRA, into law. The IRA creates tax credits of up to $40,000 in connection with the purchase of certain commercial EVs beginning in 2023. Although the implementing regulations are not yet issued, we expect that the new tax credits will accelerate the adoption and demand for commercial vehicles, including our Lightning ZEVs.

Supply-Chain challenges. We have been experiencing significant delivery delays from our suppliers since April 2020. In addition, we often do not get informed of delivery delays until or after the expected delivery dates and have, at times, also experienced deliveries in advance of expected delivery dates without prior notice (for orders that were previously delayed), which does not allow for adequate planning. We have also been experiencing shortages of chassis and other components. We have increased our raw material inventories and added new suppliers. However, adding new suppliers, especially for chassis, increases cost and delays production. We expect supply chain challenges will continue for the foreseeable future. As a result of these challenges, we increased our inventory of chassis, batteries, motors and other raw materials to optimize cost, minimize supply chain issues and prepare for an increase in future production. We have also entered into multi-year minimum purchase commitments with some of our suppliers of critical components. As of September 30, 2022, the minimum purchase commitment for the next twelve months is $30.9 million under these agreements. However, we are constantly evaluating our commitments and are currently in negotiations to either blend and extend or terminate some of our future commitments to address supply chain constraints and costs.

Inflation and interest rates. We are experiencing cost increases due to inflation resulting from various supply chain disruptions and other disruptions caused by COVID-19 and general global economic conditions. The cost of raw materials, manufacturing equipment, labor and shipping and transportation has increased considerably. We expect higher than recent years' levels of inflation to persist for the foreseeable future. If we are unable to fully offset higher costs through price increases or other measures, we could experience an adverse impact to our business, prospects, financial condition, results of operations, and cash flows. Interest rates have also increased considerably. The increase in inflation and interest rates impacts the demand for our ZEVs, as customers may delay purchasing ZEVs and/or have difficulty financing their ZEV purchases.

Results of Operations

Comparison of Three and Nine Months Ended September 30, 2022 and 2021

Revenue

The following table compares revenue for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
	(dollar amounts in thousands)			
Revenues	$ 11,131	$ 6,257	$ 4,874	78 %
ZEV units sold	93	43	50	116 %
Zero-emission powertrain units sold	—	—	—	— %

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
	(dollar amounts in thousands)			
Revenues	$ 20,079	$ 16,771	$ 3,308	20 %
ZEV units sold	192	110	82	75 %
Zero-emission powertrain units sold	5	2	3	150 %

Revenue is primarily derived from the sale of our ZEVs. Revenue increased by $4.9 million, or 78%, during the three months ended September 30, 2022 due to an increase in ZEV sales. We sold 93 ZEVs during the three months ended September 30, 2022 compared to the sale of 43 ZEVs during the three months ended September 30, 2021. The average sales price per unit decreased due to the change in product mix to primarily Class 3 ZEV sales during the three months ended September 30, 2022 compared to Class 3 and Class 4 ZEV sales during the prior year period.

Revenue increased by $3.3 million, or 20%, during the nine months ended September 30, 2022 due to an increase in ZEV sales. We sold 192 ZEVs and 5 zero-emission powertrains during the nine months ended September 30, 2022 compared to the sale of 110 ZEVs and 2 zero-emission powertrains during the nine months ended September 30, 2021. The average sales price per unit decreased due to the change in product mix to primarily Class 3 ZEV sales during the nine months ended September 30, 2022 compared to Classes 3, 4 and 5 ZEV sales during the prior year period.

Cost of Revenues, Gross Loss and Gross Margin

The following table compares the cost of revenues, gross loss and gross margin for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
	(dollar amounts in thousands)			
Cost of revenues	$ 14,580	$ 7,026	$ 7,554	108 %
Gross loss	$ (3,449)	$ (769)	$ (2,680)	(349)%
Gross margin	(31)%	(12)%		

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
	(dollar amounts in thousands)			
Cost of revenues	$ 27,191	$ 19,392	$ 7,799	40 %
Gross loss	$ (7,112)	$ (2,621)	$ (4,491)	(171)%
Gross margin	(35)%	(16)%		

Cost of revenues includes direct costs (parts, material, and labor); indirect manufacturing costs (manufacturing overhead, depreciation and plant operating lease expense); shipping, field services, logistics and warranty costs.

Cost of revenues increased during the three and nine months ended September 30, 2022 due to an increase in revenues as well as an increase in costs per unit due to an increase in raw material costs and factory overhead and other fixed costs during the three and nine months ended September 30, 2022 compared to the prior year periods.

Gross margin decreased during the three and nine months ended September 30, 2022 due to selling ZEVs at lower average sales prices with an increase in raw material costs as well as factory overhead and other fixed costs during the three and nine months ended September 30, 2022 compared to the prior year periods.

Research and Development

The following table compares research and development expense for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
	(dollar amounts in thousands)			
Research and development	$ 1,428	$ 823	$ 605	74 %

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
	(dollar amounts in thousands)			
Research and development	$ 5,180	$ 2,214	$ 2,966	134 %

Research and development expenses consist primarily of costs incurred for the discovery and development of our zero-emission powertrain solutions and the production thereof, which principally include personnel-related expenses including salaries, benefits, travel and stock-based compensation, for personnel performing research and development activities; expenses related to materials, supplies and testing; and consulting and occupancy expenses.

Research and development expenses increased during the three and nine months ended September 30, 2022 due to an increase in our engineering headcount year-over-year, as we continue to advance the development and design of our products, refine and improve our production processes and enhance our in-house engineering capabilities.

Selling, General and Administrative

The following table compares selling, general and administrative expense for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
	(dollar amounts in thousands)			
Selling, general and administrative	$ 14,897	$ 9,299	$ 5,598	60 %

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
	(dollar amounts in thousands)			
Selling, general and administrative	$ 39,055	$ 29,245	$ 9,810	34 %

Selling, general and administrative expenses consist of personnel-related expenses for our corporate, executive, engineering, finance, sales, marketing, program management support, and other administrative functions, expenses for outside professional services, including legal, audit and accounting services, as well as expenses for information technology, facilities, insurance, depreciation, amortization, travel, and sales and marketing costs. Personnel-related expenses consist of salaries, payroll taxes, benefits, and stock-based compensation. We expect our selling, general and

administrative expenses to increase for the foreseeable future as we increase headcount and expenses with the growth of our business and acquisition of new and retention of existing customers.

Selling, general and administrative expenses increased by $5.6 million, or 60%, during the three months ended September 30, 2022 primarily due to an increase in employee headcount in sales and administration to support the planned growth in sales and production.

Selling, general and administrative expenses increased by $9.8 million, or 34%, during the nine months ended September 30, 2022. The nine months ended September 30, 2021 included one-time fees of $9.1 million associated with the closing of the Business Combination. Excluding the one-time fees, selling, general and administrative expenses increased by $18.9 million, or 94%, during the nine months ended September 30, 2022 primarily due to an increase in employee headcount in sales and administration to support the planned growth in sales and production as well as an increase in expenses associated with being a public company.

Interest Expense, net

The following table compares interest expense for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
	(dollar amounts in thousands)			
Interest expense, net	$ 3,758	$ 3,983	$ (225)	(6) %

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
	(dollar amounts in thousands)			
Interest expense, net	$ 11,468	$ 9,534	$ 1,934	20 %

Interest expense consists of interest paid on notes payable, the amortization of debt issuance costs, the amortization of debt discounts attributable to the bifurcation of warrants issued, and amortization of an embedded conversion feature. The notes payable included, over the periods presented, the Convertible Note, the Facility, a third-party secured promissory note and various convertible notes payable, as described in more detail in Note 8 to the consolidated financial statements.

Interest expense for the three months ended September 30, 2022 included $4.1 million of accrued interest and discount amortization related to the Convertible Note and $0.1 million of interest expense associated with the Facility, offset by $0.5 million of interest income on our cash equivalents. Interest expense for the nine months ended September 30, 2021 included $3.9 million of accrued interest and discount amortization related to the Convertible Note and $0.1 million of interest expense associated with the Facility.

Interest expense for the nine months ended September 30, 2022 included $11.8 million of accrued interest and discount amortization related to the Convertible Note and $0.3 million of interest expense associated with the Facility, offset by $0.7 million of interest income on our cash equivalents. Interest expense for the nine months ended September 30, 2021 included $6.2 million of accrued interest and discount amortization related to the Convertible Note, $1.2 million of interest expense associated with the Facility, $1.3 million of amortization of the discount associated with the short-term convertible notes converted at the close of the Business Combination and $0.9 million for the early payment of interest associated with loans paid off in the Business Combination.

Change in Fair Value of Warrant Liabilities

The following table compares the change in fair value of warrant liabilities for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		
	2022	2021	$ Change
	(dollar amounts in thousands)		
Gain from change in fair value of warrant liabilities	$ (536)	$ (27)	$ (509)

	Nine Months Ended September 30,		
	2022	2021	$ Change
	(dollar amounts in thousands)		
(Gain) loss from change in fair value of warrant liabilities	$ (1,850)	$ 28,108	$ (29,958)

The gain from change in fair value of warrant liabilities of $0.5 million for the three months ended September 30, 2022 represents the change in fair value of the Gig private warrants that were assumed in the Business Combination. These changes in fair value reflect the impact of the marking-to-market of the warrant liability.

The gain from change in fair value of warrant liabilities of $1.9 million for the nine months ended September 30, 2022 represents the change in fair value of the Gig private warrants that we assumed in the Business Combination. The loss from change in fair value of warrant liabilities of $28.1 million for the nine months ended September 30, 2021 represents a loss of $27.9 million from the change in fair value of the outstanding common and preferred warrants, which were converted to common stock as a result of the Business Combination and a loss of $0.2 million from the change in fair value of the Gig private warrants assumed in the Business Combination. These changes in fair value reflect the impact of the marking-to-market of the warrant liability.

Change in Fair Value of Derivative Liability

The following table compares the change in fair value of derivative liability embedded in the Convertible Note for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		
	2022	2021	$ Change
	(dollar amounts in thousands)		
(Gain) loss from change in fair value of derivative liability	$ (3,728)	$ 5,023	(8,751)

	Nine Months Ended September 30,		
	2022	2021	$ Change
	(dollar amounts in thousands)		
(Gain) loss from change in fair value of derivative liability	$ (16,370)	$ 9,290	(25,660)

The changes in fair value of the derivative liability for the three and nine months ended September 30, 2022 and September 30, 2021 reflect the impact of the marking-to-market of the underlying derivative embedded in the Convertible Note.

Change in Fair Value of Earnout Liability

The following table compares the change in fair value of earnout liability for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		
	2022	2021	$ Change
	(dollar amounts in thousands)		
(Gain) loss from change in fair value of earnout liability	$ (18,054)	$ 31,788	$ (49,842)

	Nine Months Ended September 30,		
	2022	2021	$ Change
	(dollar amounts in thousands)		
(Gain) loss from change in fair value of earnout liability	$ (68,357)	$ 44,164	$ (112,521)

The changes in fair value of the earnout liability for the three and nine months ended September 30, 2022 and September 30, 2021 reflect the impact of the marking-to-market of the earnout shares.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the following non-GAAP measures, as defined in Item 10(e) of Regulation S-K, are useful in evaluating our operational performance. We use the following non-GAAP financial information among other operational metrics to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors in assessing our operating performance. The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

EBITDA, Adjusted EBITDA and Adjusted Net Loss

We define EBITDA as net income (loss) before depreciation and amortization and interest expense. We define adjusted EBITDA as net income (loss) before depreciation and amortization, interest expense, stock-based compensation, gains or losses related to the change in fair value of warrant, derivative and earnout share liabilities, gains or losses on extinguishment of debt and other non-recurring costs determined by management, such as the ELOC commitment fee and Business Combination related expenses. We define adjusted net loss as net income (loss) adjusted for stock-based compensation expense, gains or losses related to the change in fair value of warrant, derivative and earnout share liabilities, gains or losses on extinguishment of debt and certain other non-recurring costs determined by management, such as the ELOC commitment fee and Business Combination related expenses. We believe EBITDA, adjusted EBITDA and adjusted net loss are meaningful metrics intended to supplement measures of our performance that are neither required by, nor presented in accordance with, GAAP. We believe that using EBITDA, adjusted EBITDA and adjusted net loss provide an additional tool for investors to use in evaluating ongoing operating results and trends while comparing our financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. However, you should be aware that when evaluating EBITDA, adjusted EBITDA and adjusted net loss we may incur future expenses similar to those excluded when calculating these measures. In addition, our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of EBITDA, adjusted EBITDA and adjusted net loss may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate EBITDA, adjusted EBITDA and adjusted net loss in the same fashion.

Because of these limitations, EBITDA, adjusted EBITDA and adjusted net loss should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA, adjusted EBITDA and adjusted net loss on a supplemental basis. No undue reliance should be placed on these non-GAAP measures.

The following table reconciles net income (loss) to EBITDA and adjusted EBITDA for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	$ (1,231)	$ (49,461)	$ 23,751	$ (122,955)
Adjustments:				
Depreciation and amortization	511	255	1,279	605
Interest expense, net	3,758	3,983	11,468	9,534
EBITDA	$ 3,038	$ (45,223)	$ 36,498	$ (112,816)
Stock-based compensation expense	1,470	1,349	3,878	1,545
(Gain) loss from change in fair value of warrant liabilities	(536)	(27)	(1,850)	28,108
(Gain) loss from change in fair value of derivative liability	(3,728)	5,023	(16,370)	9,290
(Gain) loss from change in earnout liability	(18,054)	31,788	(68,357)	44,164
Gain on extinguishment of debt	—	(2,194)	—	(2,194)
Other income	—	(3)	—	(27)
ELOC Agreement commitment fee	851	—	851	—
Business Combination expense	—	—	—	9,098
Adjusted EBITDA	$ (16,959)	$ (9,287)	$ (45,350)	$ (22,832)

The following table reconciles net income (loss) to adjusted net loss for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	$ (1,231)	$ (49,461)	$ 23,751	$ (122,955)
Adjustments:				
Stock-based compensation expense	1,470	1,349	3,878	1,545
Business Combination expense	—	—	—	9,098
ELOC Agreement commitment fee	851	—	851	—
(Gain) loss from change in fair value of warrant liabilities	(536)	(27)	(1,850)	28,108
(Gain) loss from change in fair value of derivative liability	(3,728)	5,023	(16,370)	9,290
(Gain) loss from change in earnout liability	(18,054)	31,788	(68,357)	44,164
Gain on extinguishment of debt	—	(2,194)	—	(2,194)
Adjusted net loss	$ (21,228)	$ (13,522)	$ (58,097)	$ (32,944)

Liquidity and Capital Resources

As of September 30, 2022, we had $95.8 million in cash and cash equivalents compared to $168.5 million as of December 31, 2021. For the nine months ended September 30, 2022, we had net income of $23.8 million, primarily as a result of gains from changes in fair value of our warrant, derivative and earnout liabilities. Cash flow used in operating activities was $67.0 million for the nine months ended September 30, 2022. We had positive working capital of $129.3 million as of

September 30, 2022, primarily as a result of the proceeds received from the Business Combination. Our accumulated deficit amounted to $157.8 million as of June 30, 2022.

Sources of Liquidity

Since our inception, we have financed our operations primarily from debt financing and the sales of common and convertible preferred shares. We closed the Business Combination on May 6, 2021 pursuant to which we added $216.8 million of cash, net of redemptions, to the balance sheet.

On August 30, 2022, we entered into the ELOC Agreement with Lincoln Park Capital, LLC, pursuant to which Lincoln Park committed to purchase up to $50.0 million of shares of our common stock, subject to certain limitations and conditions set forth in the ELOC Agreement. As of September 30, 2022 and through the date of this filing, we have not sold any common stock to Lincoln Park under the ELOC Agreement.

As of September 30, 2022, our principal sources of liquidity were our cash and cash equivalents in the amount of $95.8 million. We believe our cash and cash equivalents balance will provide sufficient liquidity to continue to execute our business strategy over the next twelve months from the date the September 30, 2022 financial statements were issued.

Liquidity Requirements

We may require additional capital to fund the growth and scaling of our manufacturing facility and operations; further develop our products and services, including those for orders in our order backlog; and fund potential strategic investments and acquisitions. Until we can generate sufficient cash flow from operations, we expect to finance our operations through a combination of the merger proceeds we received from the Business Combination and common stock issuances under the ELOC Agreement as well as from additional public offerings, debt financings or other capital markets transactions, collaborations or licensing arrangements. The amount and timing of our future funding requirements depend on many factors, including the pace and results of our development efforts and our ability to scale our operations.

We cannot provide any assurance that additional capital will be available on commercially acceptable terms, if at all. If we are unable to secure additional capital, we may be required to take additional measures to reduce costs in order to conserve our cash in amounts sufficient to sustain operations and meet our obligations. These measures could cause significant delays in our continued efforts to commercialize our products, which is critical to the realization of our business plan and our future operations.

Material Cash Requirements

From time to time in the ordinary course of business, we enter into agreements with vendors for the purchase of components and raw materials to be used in the manufacture of our products. To provide flexibility in our development and production plan and opportunities to renegotiate pricing, we generally do not have binding and enforceable purchase orders beyond the near term. However, in order to secure raw materials vital to our products, we have entered into multi-year minimum purchase commitments with some of our suppliers. If we fail to meet the minimum purchase commitments, we must pay a penalty. As of September 30, 2022, the minimum purchase commitment for the next twelve months is $30.9 million under these agreements. However, we are currently in negotiations with certain suppliers to either blend and extend or terminate some of our future commitments due to supply chain constraints and cost increases for both parties. See Note 14 to the consolidated financial statements for additional information.

Our capital expenditures are typically difficult to project beyond the short term given potential supply chain constraints and market conditions. We estimate our total capital expenditures for the year 2022 to be between $8 and $10 million for development and production activities.

Debt

As of September 30, 2022, we had outstanding $87.9 million of principal indebtedness associated with our Convertible Note, which matures on May 15, 2024. We are obligated to make semi-annual interest payments of $3.3 million in May and November through maturity based on an annual interest rate of 7.5%. We also had outstanding $3.0 million of principal indebtedness associated with our Facility, which matures on October 21, 2024. We are obligated to make quarterly interest payments of $0.1 million through maturity based on an annual interest rate of 15%. See Note 8 to the consolidated financial statements for additional information.

Leases

We have one material lease commitment, an operating lease covering our manufacturing center, distribution center and office space. We also have an operating lease for IT equipment and finance leases for manufacturing equipment. As of September 30, 2022, our total minimum lease commitments were $14.2 million, with $3.1 million due in the next twelve months. See Note 9 to the consolidated financial statements for additional information.

Cash Flows

The following table provides a summary of cash flow data (in thousands):

	Nine Months Ended September 30,	
	2022	2021
	(dollar amounts in thousands)	
Net cash used in operating activities	$ (66,986)	$ (47,962)
Net cash used in investing activities	(5,694)	(2,311)
Net cash (used in) provided by financing activities	(63)	237,051
Net (decrease) increase in cash	$ (72,743)	$ 186,778

Cash Flows Used In Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2022 and 2021 was $67.0 million and $48.0 million, respectively. Cash flows from operating activities are significantly affected by revenue levels, mix of products and services, and investments in the business in research and development and selling, general and administrative costs in order to develop products and services, improve manufacturing capacity and efficiency, and support revenue growth. With respect to the nine months ended September 30, 2022, increases in net cash used in operating activities, in comparison to the corresponding prior period, were principally driven by a increases in cost of revenues and selling, general and administrative expenses, as described in more detail above.

Cash Flows Used In Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2022 and 2021 was $5.7 million and $2.3 million, respectively. Cash flows from investing activities relate to capital expenditures to support revenue growth as we invest in and expand our business and infrastructure.

Cash Flows From Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2022 was de minimis. Net cash provided by financing activities for the nine months ended September 30, 2021 was $237.1 million and consisted of net proceeds of $142.8 million from the Business Combination and PIPE Financing, proceeds of $95.0 million from the issuance of the Convertible Note, proceeds from Facility borrowings of $7.0 million, proceeds from the exercise of warrants of $3.3 million and proceeds from the exercise of stock options of $0.6 million, offset by payments on our previous outstanding notes payable of $11.5 million and payments related to lease obligations of $0.1 million.

Backlog

As of October 31, 2022, we had $163.8 million of order backlog comprised of ZEVs, zero-emission powertrains and/or charging systems of approximately 1,500 units. Our order backlog is comprised of binding and non-binding agreements and purchase orders from customers. Some of our non-binding order backlog has contingencies, including completing a successful pilot program, obtaining third-party financing or obtaining government grants, such as the California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project. Although the non-binding order backlog does not constitute a legal obligation and, in some cases, may have contingencies, we believe the amounts included in our order backlog are firm, even though these non-binding orders may be cancelled or delayed by customers without penalty. We may elect to permit cancellation of orders without penalty where management believes it is in our best interest to do so. On a case-by-case basis and at our sole discretion, we have held partial deposits for purchase orders from customers.

The realization and timing of the recognition of our order backlog is dependent, among other things, on our ability to obtain and secure a steady supply of components used in our manufacturing process. Accordingly, revenue estimates and the amount and timing of work expected to be performed at the time the estimate of order backlog is developed is subject to change. As a result, the order backlog may not be indicative of future sales and can vary significantly from period to period. In addition, it is possible that the methodology for determining the order backlog may not be comparable to methods used by other companies.

Off-Balance Sheet Arrangements

We have not engaged in any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. These principles require us to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the balance sheet date, as well as reported amounts of revenue and expenses during the reporting period. Our most significant estimates and judgments involve deferred income taxes, allowance for doubtful accounts, warranty liability, write downs and write offs of obsolete and damaged inventory, valuation of share-based compensation, warrants and warrant liabilities, the value of the convertible note derivative liability and the value of the earnout share liability. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates, and such differences could be material to the Company's financial statements.

We believe that there have been no significant changes to our critical accounting policies and estimates during the nine months ended September 30, 2022 as compared to those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Emerging Growth Company Status

We are an emerging growth company, or EGC, as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act. As an EGC, we are permitted to take advantage of an extended transition period to comply with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. We have elected to use this extended transition period to enable us to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting standards as of public company effective dates.

In addition, we intend 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, if, as an EGC, we intend to rely on such exemptions, we are not required to, among other things: (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act; (iii) 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 (auditor discussion and analysis); and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer's compensation to median employee compensation.

We will remain an EGC under the JOBS Act until the earliest of (i) December 31, 2025, which is the last day of our first fiscal year following the fifth anniversary of our initial public offering, (ii) the last date of our fiscal year in which we have total annual gross revenue of at least $1.24 billion, (iii) the date on which we are deemed to be a "large accelerated filer" under the rules of the SEC with at least $700.0 million of our common equity held by non-affiliates, or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the previous three-year period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a small reporting company defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of regulation S-K, we are not required to provide the information requested by this item.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. The Company's management, with participation from our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our design and operation of the Company's disclosure controls and procedures as of September 30, 2022. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2022.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2022, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The information with respect to this Part II, Item 1 can be found in Note 14 to the consolidated financial Statements included in this quarterly report on Form 10-Q, and is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously discussed in Part 1, Item 1A Risk Factors in our annual report on Form 10-K for the year ended December 31, 2021 and in Item 1A in our quarterly report on Form 10-Q for the quarter ended June 30, 2022. However, these risks are not the only risks facing us. There may be additional risks and uncertainties that are not currently known to us or that we currently consider to be insignificant that could materially and adversely affect our business, financial condition, or operating results in the future.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered securities during the three months ended September 30, 2022.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

2023 Annual Meeting of Stockholders

Our annual meeting of stockholders will be held on May 12, 2023. Stockholder proposals or director nominations to be considered for inclusion in the 2023 proxy materials must be submitted to in writing to our Corporate Secretary at c/o Lightning eMotors, Inc., 815 14th Street SW, Suite A100, Loveland, CO 80537, by February 11, 2023. That date is 90 calendar days before the annual meeting date per our Amended and Restated Bylaws.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Description
2.1*	Business Combination Agreement, dated as of December 10, 2020, by and among GigCapital3, Inc., Project Power Merger Sub, Inc. and Lightning Systems, Inc. (included as Annex A to the Final Proxy Statement/Prospectus filed under Rule 424(b)(3) on March 26, 2021).
3.1	Second Amended and Restated Certificate of Incorporation of Lightning eMotors, Inc. (incorporated by reference to Exhibit 3.1 filed on the Company's Current Report on Form 8-K, filed by the Company on May 12, 2021)
3.2	Amended and Restated Bylaws of Lightning eMotors, Inc. (incorporated by reference to Exhibit 3.2 filed on the Company's Current Report on Form 8-K, filed by the Company on May 12, 2021)
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 filed on the Company's Form S-1 (File No. 333-257237), filed by the Company on June 21, 2021)
4.2	Specimen Warrant Certificate (incorporated by reference to Exhibit A in Exhibit 10.4 filed on the Company's Current Report on Form 8-K, filed by the Company on May 12, 2021)
10.1	Purchase Agreement, dated August 30, 2022, between the Company and Lincoln Park Capital Fund, LLC(incorporated by reference to Exhibit 10.1 filed on the Company's Current Report on Form 8-K, filed by the Company on August 30, 2022)
10.2	Registration Rights Agreement, dated August 30, 2022, between the Company and Lincoln Park Capital Fund, LLC(incorporated by reference to Exhibit 10.2 filed on the Company's Current Report on Form 8-K, filed by the Company on August 30, 2022)
10.3†#	Employment Agreement, dated October 3, 2022, between the Company and David Agatston
10.4†#	Offer letter to David Agatston, dated September 8, 2022
31.1†	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2†	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document

101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104†	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

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* Schedules and similar attachments to this exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K and the Company agrees to furnish a copy of such omitted materials to the SEC upon request.

† Filed herewith.

# Indicates a management contract or compensatory plan, contract or arrangement.

** Furnished herewith.

SIGNATURES

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

Date: November 7, 2022

LIGHTNING EMOTORS, INC.

By:	/s/ Timothy Reeser
Name:	Timothy Reeser
Title:	Chief Executive Officer and President (Principal Executive Officer)
By:	/s/ David Agatston
Name:	David Agatston
Title:	Chief Financial Officer (Principal Financial Officer)

Exhibit 10.3

LIGHTNING EMOTORS, INC.
EMPLOYMENT AGREEMENT

This Employment Agreement (the "***Agreement***") is made and entered into by and between Lightning eMotors, Inc., a Delaware corporation (the "***Company***") and David Agatston (" ***Executive***" and, together with the Company, the " ***Parties***"). This Agreement will become effective as of October 3, 2022 (the "***Effective Date***").

WHEREAS, the Company desires to assure itself of the services of Executive by engaging Executive to perform services as an employee of the Company under the terms hereof; and

WHEREAS, Executive desires to provide services to the Company on the terms herein provided.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, including the respective covenants and agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. **Employment.**

(a) General. The Company shall employ Executive upon the terms and conditions provided herein effective as of the Effective Date.

(b) Position and Duties. Effective as of the Effective Date, Executive: (i) shall serve as the Company's Chief Financial Officer, with such responsibilities, duties, and authority that are usual and customary for such position, subject to direction by the Board of Directors of the Company (the "***Board***"); (ii) shall report directly to the Company's Chief Executive Officer; and (iii) agrees promptly and faithfully to comply with all present and future policies, requirements, rules and regulations, and reasonable directions and requests, of the Company in connection with the Company's business. At the Company's request, Executive shall serve the Company and/or its subsidiaries (the "***Company Group***") and affiliates in such other capacities in addition to the foregoing as the Company shall designate, provided that such additional capacities are consistent with Executive's position as the Company's Chief Financial Officer. In the event that Executive serves in any one or more of such additional capacities, Executive's compensation shall not automatically be increased on account of such additional service.

(c) Principal Office. Executive shall perform services for the Company at the Company's offices located in Loveland, Colorado, or, with the Company's consent, at any other place in connection with the fulfillment of Executive's role with the Company; provided, however, that the Company may from time to time require Executive to travel temporarily to other locations in connection with the Company's business.

(d) Exclusivity. Except with the prior written approval of the Board (which the Board may grant or withhold in its sole and absolute discretion) and as set out in Exhibit A hereto, Executive shall devote Executive's best efforts and full working time, attention, and energies to the business of the Company, except during any paid vacation or other excused absence periods. Notwithstanding the foregoing, Executive may, without violating this Section 1(d), (i) purchase or own less than five percent (5%) of the publicly traded securities of any corporation; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation; (ii) engage in charitable and civic activities; or (iii) engage in other personal passive investment activities, in each case, so long as such interests or activities do not individually or in the aggregate, interfere with or otherwise prevent the performance of Executive's duties and responsibilities hereunder. Executive may also serve as a member of the board of directors or board of advisors of another organization provided (i) such organization is not a competitor of the Company; (ii) Executive receives prior written approval from the Board; and (iii) such activities do not individually or in the aggregate interfere with the performance of Executive's duties under this Agreement, violate the Company's standards of conduct then in effect, or raise a conflict under the Company's conflict of interest policies. For the avoidance of doubt, the Board has approved Executive's continued service with those organizations set forth on Exhibit A, such approval to continue until the earlier to occur of (a) the

Board's revocation of such approval in its sole and absolute discretion upon reasonable notice to Executive, or (b) such time as such service interferes with the performance of Executive's duties under this Agreement, violates the Company's standards of conduct or raises a conflict under the Company's conflict of interest policies.

2. Term. The period of Executive's employment under this Agreement shall commence on the Effective Date and shall continue until Executive's employment with the Company is terminated pursuant to Section 5. The phrase "***Term***" as used in this Agreement shall refer to the entire period of employment of Executive by the Company.

3. Compensation and Related Matters.

(a) Annual Base Salary. During the Term, the Company shall pay the Executive an annual base salary of $350,000 (as may be increased from time to time, the "***Annual Base Salary***"), subject to withholdings and deductions, in accordance with the customary payroll practices and procedures of the Company. Such Annual Base Salary shall be reviewed by the Board and/or its Compensation Committee, not less than annually.

(b) Annual Bonus. Executive shall be eligible to receive an annual bonus based on Executive's achievement of performance objectives established by the Board and/or its Compensation Committee, such bonus to be targeted at 40% of Executive's Annual Base Salary (the "***Annual Bonus***"). Any Annual Bonus approved by the Board or the Compensation Committee shall be subject to Executive's continuous employment through December 31st of the applicable fiscal year and paid at the same time annual bonuses are paid to other executives of the Company generally, but not later than March 15 of the immediately following year. The decision to provide any Annual Bonus and the amount and terms of any Annual Bonus shall be in the sole and absolute discretion of the Board and/or the Compensation Committee.

(c) Benefits. Executive shall be entitled to participate in such employee and executive benefit plans and programs as the Company may from time to time offer to provide to its executives ("Employee Benefit Plans"), subject to the terms and conditions of such plans. Notwithstanding the foregoing, nothing herein is intended, or shall be construed, to require the Company to institute or continue any particular plan or benefit. The Company reserves the right to amend or terminate any Employee Benefit Plans at any time in its sole discretion, subject to the terms of such Employee Benefit Plan and applicable law.

(d) Business Expenses. The Company shall reimburse Executive for all reasonable, documented, out-of-pocket travel and other business expenses incurred by Executive in the performance of Executive's duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures as are in effect from time to time.

(e) Vacation. Executive is expected to manage vacation time at Executive's discretion while considering the duties and responsibilities of the Executive's position. Paid time off is not accrued, is not carried over year to year, and is not paid out upon termination of employment by the Company or the Executive for any reason.

4. Equity Awards. Executive shall be eligible for the grant of stock options and other equity awards as may be determined by the Board or its Compensation Committee.

5. Termination.

(a) At-Will Employment. The Company and Executive acknowledge that Executive's employment is and shall continue to be at-will, as defined under applicable law. This means that it is not for any specified period of time and, subject to any consequences under Section 6 of this Agreement, can be terminated by Executive or by the Company at any time, with or without advance notice, and for any or no particular reason or cause. It also means that Executive's job duties, title, and responsibility and reporting level, work schedule, compensation, and benefits, as well as the Company's personnel policies and procedures, may be changed with prospective effect, with or without notice, at any time in the sole discretion of the Company (subject to any consequence such changes may have under Section 6 of this Agreement). This "at-will" nature of Executive's employment shall remain unchanged during Executive's

tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly-authorized officer of the Company. If Executive's employment terminates for any lawful reason, Executive shall not be entitled to any payments, benefits, damages, award, or compensation other than as provided in this Agreement.

(b) Notice of Termination. During the Term, any termination of Executive's employment by the Company or by Executive (other than by reason of death) shall be communicated by written notice (a "***Notice of Termination***") from one Party hereto to the other Party hereto (i) indicating the specific termination provision in this Agreement relied upon, if any, (ii) setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, and (iii) specifying the Date of Termination (as defined below). The failure by the Company to set forth in the Notice of Termination all of the facts and circumstances which contribute to a showing of Cause (as defined below) shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing its rights hereunder.

(c) Date of Termination. For purposes of this Agreement, "***Date of Termination***" shall mean the date of the termination of Executive's employment with the Company specified in a Notice of Termination. The Executive's employment hereunder shall terminate automatically on the Executive's death during the Employment Term, and the date of death will be the Date of Termination.

(d) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and board memberships, or similar governing body, of the Company or any of its subsidiaries or its affiliates, if any, then held with the Company or any of its subsidiaries or its affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

6. Consequences of Termination.

(a) Payments of Accrued Obligations upon all Terminations of Employment. Upon a termination of Executive's employment for any reason, Executive (or Executive's estate or legal representative, as applicable) shall be entitled to receive, within 30 days after Executive's Date of Termination (or such earlier date as may be required by applicable law): (i) any portion of Executive's Annual Base Salary earned through Executive's Date of Termination not theretofore paid, (ii) any business expenses owed to Executive under Section 3(d), and (iii) any amount arising from Executive's participation in, or benefits under, any employee benefit plans, programs, or arrangements under Section 3(c), which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs, or arrangements. Except as otherwise set forth in Sections 6(b) and 6(c), the payments and benefits described in this Section 6(a) shall be the only payments and benefits payable in the event of Executive's termination of employment for any reason. In the event Executive experiences a termination due to Executive's Disability, Executive shall be entitled to a pro-rated Annual Bonus for the year of termination based on actual performance, payable at the same time annual bonuses are paid to other executives of the Company generally, but not later than March 15 of the immediately following year.

(b) Severance Payments upon Covered Termination Outside a Change in Control Period. If, during the Term, Executive experiences a Covered Termination outside of a Change in Control Period (each as defined below), then in addition to the payments and benefits described in Section 6(a), the Company shall, subject to Executive's delivery to the Company of a waiver and release of claims agreement in a form acceptable to the Company (the "***Release***") that becomes effective and irrevocable in accordance with Section 11(d) and Executive's continued compliance with Section 8 of this Agreement, provide Executive with the following:

(i) Executive shall be entitled to receive severance in the form of salary continuation of nine (9) months of Executive's then current Annual Base Salary as of the Date of Termination, less applicable withholdings, payable in substantially equal monthly payments for nine (9) months in accordance with the Company's normal payroll practices, beginning on the first payroll date following the date the Release becomes effective and irrevocable in accordance with Section 11(d).

(ii) A pro-rata portion of the Annual Bonus amount based on actual performance, as determined by the Board or its Compensation Committee in their sole and absolute discretion, equal to the number of months completed employment during the year in which termination occurs divided by twelve (12), paid at the same time annual bonuses are paid to other executives of the Company generally, but not later than March 15 of the immediately following year.

(iii) If Executive timely elects to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***"), the Company shall directly pay, or reimburse Executive for, the Company's portion of the premium (at the same rates in effect on the Date of Termination) for Executive and Executive's covered dependents through the earlier of (A) the end of the ninth (9th) month following the month in which occurred the Date of Termination or (B) the date Executive becomes eligible for healthcare coverage under another employer's plan(s). Notwithstanding the foregoing, (A) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Internal Revenue Code of 1986, as amended, (the "***Code***") under Treasury Regulation Section 1.409A-1(a)(5), or (B) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments. After the Company ceases to pay premiums pursuant to this Section 6(b)(iii), Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance with the provisions of COBRA. Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer.

(iv) The treatment of any outstanding equity awards shall be determined in accordance with the terms of the plan or agreement under which such equity awards were granted and the applicable award agreements.

(c) Severance Payments upon Covered Termination During a Change in Control Period . If, during the Term, Executive experiences a Covered Termination during a Change in Control Period, then, in addition to the payments and benefits described in Section 6(a), the Company shall, subject to Executive's delivery to the Company of the Release that becomes effective and irrevocable in accordance with Section 11(d) and Executive's continued compliance with Section 8 of this Agreement, provide Executive with the following:

(i) Executive shall be entitled to receive an amount equal to the sum of (i) eighteen (18) months of Executive's Annual Base Salary at the rate in effect immediately prior to the Date of Termination and (ii) 100% of the target Annual Bonus, payable in substantially equal monthly payments for eighteen (18) months in accordance with the Company's normal payroll practices, less applicable withholdings, beginning on the first payroll date following the date the Release becomes effective and irrevocable in accordance with Section 11(d).

(ii) If Executive timely elects to receive continued healthcare coverage pursuant to the provisions of COBRA, the Company shall directly pay, or reimburse Executive for, the Company's portion of the premium (at the same rates in effect on the Date of Termination) for Executive and Executive's covered dependents through the earlier of (i) the end of the eighteenth (18th) month following the month in which occurred the Date of Termination or (ii) the date Executive becomes eligible for healthcare coverage under another employer's plan(s). Notwithstanding the foregoing, (A) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (B) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments. After the Company ceases to pay premiums pursuant to this Section 6(c)(ii), Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance with the provisions of COBRA. Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer.

(iii) Each outstanding and unvested equity award, including, without limitation, each stock option, restricted stock unit and stock appreciation right, held by Executive shall automatically become vested and, if applicable, exercisable and any forfeiture restrictions or rights of repurchase thereon shall immediately lapse with respect to one hundred percent (100%) of the shares subject thereto, as of immediately prior to the Date of Termination; provided that the treatment of performance targets with respect to each equity award subject to performance-based vesting shall not lapse, but shall be as specified in the award agreement and such provision in the applicable award agreement shall control.

(d) No Other Severance. Except as otherwise approved by the Board, the provisions of this Section 6 shall supersede in their entirety any severance payment provisions in any severance plan, policy, program, or other arrangement maintained by the Company.

(e) No Requirement to Mitigate; Survival. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment or in any other manner. Notwithstanding anything to the contrary in this Agreement, the termination of Executive's employment shall not impair the rights or obligations of any Party.

(f) Definition of Cause. For purposes hereof, "***Cause***" means: (i) willful misconduct, including, but not limited to, acts or omissions constituting dishonesty, breach of a fiduciary obligation, wrongdoing, or misfeasance, which, in each case, either (a) is with regard to the Company or Executive's duties, or (b) is material and has, or is likely to have, a negative impact on the Company, economically, reputational, or otherwise; (ii) substantial negligence or inattention to the Company's Business; (iii) the commission of, or indictment or conviction (or plea of guilty or no contest) for, (a) any felony, or (b) any crime involving fraud, dishonesty, embezzlement, moral turpitude, or theft; (iv) the intentional and wrongful disclosure of the Company's Confidential Information; (v) the willful failure to substantially perform Executive's duties and obligations after the Company has given Executive written notice of the alleged willful failure and thirty (30) days to cure said alleged willful failure; (vi) obtaining any personal profit not thoroughly disclosed to and approved by the Board in connection with any transaction entered into by, on behalf of, or in relation to the Company; (vii) reporting to work under the influence of alcohol, alcohol or prescription drug abuse materially affecting work performance, or the illegal use of drugs; or (viii) the engagement in any other acts or omissions intentionally contrary to the Company's announced policies or practices. The foregoing, however, shall not be deemed an exclusive list of all acts or omissions that the Company may consider as grounds for the discharge of the Executive for Cause.

(g) Definition of Change in Control. For purposes hereof, "***Change in Control***" has the meaning ascribed to such term under the Company's 2021 Equity Incentive Plan, as may be amended from time to time; *provided*, that such transaction must also constitute a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(5).

(h) Definition of Change in Control Period. For purposes hereof, "***Change in Control Period***" shall mean the period commencing on a Change in Control and ending twelve (12) months after such Change in Control.

(i) Definition of Covered Termination. For purposes hereof, "***Covered Termination***" shall mean (i) the termination of Executive's employment by the Company without Cause or (ii) the termination by Executive for Good Reason during the Change in Control Period. For the avoidance of doubt, a Covered Termination shall not include a termination due to Executive's death or Disability.

(j) Definition of Disability. For purposes hereof, "***Disability***" has the meaning set forth under the long-term disability policy of the Company or a related entity to which Executive provides services regardless of whether Executive is covered by such policy. If the Company or the related entity to which Executive provides service does not have a long-term disability plan in place, "Disability" means that Executive is unable to carry out the responsibilities and functions of the position held by

Executive, with or without reasonable accommodation, as required by the Americans with Disabilities Act, as amended from time to time, or other applicable law. Executive shall not be terminated as a result of disability until such time as Executive has been disabled for a period of not less than ninety (90) consecutive days or more than an aggregate of 180 days in twelve (12) consecutive months. Executive will not be considered to have incurred a Disability unless Executive timely furnishes proof of such impairment sufficient to satisfy the Board in its discretion.

(k) Definition of Good Reason. For purposes hereof, "***Good Reason***" for Executive to terminate Executive's employment hereunder shall mean the occurrence of any of the following events without Executive's consent: (i) a material diminution in the Executive's Annual Base Salary, except where such reduction occurs as part of and is commensurate in amount with an across-the-board reduction in salary affecting all senior executives of the Company; (ii) a material change in the geographic location of the Executive's principal business office; in order for a change to be material hereunder, the Executive's principal business office must be moved to a location more than fifty (50) miles from the Company's office as of the Effective Date; or (iii) any other action or inaction by the Company that constitutes a material breach of this Agreement (including any material diminution to Executive's reporting relationship or responsibilities as set forth in this Agreement). The foregoing shall constitute Good Reason only if (A) the Executive provides written notice to the Company of any event(s) alleged to constitute Good Reason within ninety (90) calendar days of the initial occurrence of the event, with such notice providing a detailed description of the circumstances constituting Good Reason (a "***Good Reason Notice***"), (B) any such reduction, change, or breach is not remedied or cured within thirty (30) calendar days after the Company's receipt of a written Good Reason Notice from the Executive (the "***Cure Period***") and (C) the Executive actually terminates employment within thirty (30) calendar days following the expiration of the Cure Period.

7. Assignment and Successors. The Company shall assign its rights and obligations under this Agreement to any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise). This Agreement shall be binding upon and inure to the benefit of the Company, Executive, and their respective successors, assigns, personnel, and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive's rights or obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will, operation of law, or as otherwise provided herein.

8. Confidentiality, Non-Compete and Non-Solicitation.

(a) Confidentiality and Non-Disclosure. The Executive understands that the nature of the Executive's position requires access to and knowledge of the Company's Confidential Information (that includes trade secrets) and places Executive in a position of trust and confidence with the Company. The term Confidential Information has the meaning given to it in the Employee Confidential Information and Inventions Assignment Agreement dated October 3, 2022 and signed by Executive (the "***CIIA***'). Executive acknowledges and affirms the Executive's obligations under the CIIA. The Employee understands and acknowledges that the Company has invested, and continues to invest, substantial time, money and specialized knowledge into developing its resources, creating a customer base, generating customer and potential customer lists, training its employees, and improving its technology and offerings as a manufacturer of electric powertrains and installer of those powertrains in Class 3 to 7 commercial electric and fuel cell vehicles. The Executive understands and acknowledges that as a result of these efforts, the Company has created, and continues to use and create Confidential Information. This Confidential Information provides the Company with a competitive advantage over others in the marketplace.

(b) Protection of Trade Secrets and Non-Competition. Because of the Company's legitimate business interests as described in this Agreement, specifically the Company's considerable investment in the development, protection, and use of its trade secrets, and in exchange for the good and valuable consideration offered to the Executive, during the term of Executive's employment and for the term of twelve (12) months, to run consecutively, beginning on the last day of the Executive's employment with the Company, (the "Restricted Period"), the Employee agrees and covenants not to engage in Prohibited Activity within North America ("Restricted Territory"). For purposes of Section 8(b), "Prohibited Activity" is activity in which the Executive contributes the Executive's knowledge, directly or indirectly, in whole or in part, of the Company's trade secrets as an employee, employer, owner, operator, manager,

advisor, consultant, contractor, agent, partner, director, stockholder, officer, volunteer, intern, or any other similar capacity to an entity engaged in the same or similar business as the Company, including those engaged in the business of manufacturing powertrains for, or the manufacturing of, Class 3 to Class 7 commercial electric vehicles within the Restricted Territory. Prohibited Activity also includes activity that may require or inevitably require disclosure of trade secrets.

(c) Protection of Trade Secrets and Non-Solicitation. Because of the Company's legitimate business interests as described in this Agreement, specifically the Company's considerable investment in the development, protection, and use of its trade secrets, and in exchange for the good and valuable consideration offered to the Executive, during the term of Executive's employment and for the term of twelve (12) months, to run consecutively, beginning on the last day of the Executive's employment with the Company (the "Restricted Period"), the Employee agrees and covenants not to engage in Prohibited Activity within North America ("Restricted Territory"). For purposes of this Section 8(c), "Prohibited Activity" is directly or indirectly soliciting or contacting, or attempting to solicit or contact, the Company's customers with whom the Executive interacted and utilizing the Company's trade secrets for the purpose of offering or accepting goods or services similar to or competitive with those offered by the Company on behalf of the Executive or any other individual or entity.

(d) Non-Disparagement. The Executive agrees and covenants that the Executive will not at any time make, publish, or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments, or statements concerning the Company Group or its businesses, or any of its employees, officers, and existing and prospective customers, suppliers, investors and other associated third parties. This Section 8(d) does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation, or order.

(e) Remedies and Enforcement. Executive acknowledges that any breach of his obligations under this Section 8 cannot be adequately compensated by damages in an action at law and may cause the Company great and irreparable injury and damage. Accordingly, in the event that Executive breaches or threatens to breach any provisions of this Section 8, then in addition to any other rights which the Company may have, the Company shall be entitled, without the necessity of (i) proving irreparable harm, (ii) establishing that monetary damages are inadequate or (iii) posting any bond or other security with respect thereto, to the remedies of injunction, specific performance and other equitable relief to redress any breach, and no proof of special damages shall be necessary for the enforcement of or for any action for breach of Executive's obligations. In the event that a proceeding is brought in equity to enforce the provisions of this Section 8, the Executive shall not urge as a defense that there is an adequate remedy at law nor shall the Company be prevented from seeking any other remedies which may be available. Nothing contained in this Section 8(f) shall be construed as a waiver by the Company of any other rights, including, without limitation, rights to damages or profits.

(f) Extension of Time Periods of Restrictions. Executive agrees that the period during which the covenants contained in this Section 8 shall be effective shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this Section 8.

(g) Reasonableness, Reformation, and Severability. The Company and Executive agree that it was their intent to enter into a valid and enforceable agreement. Executive and the Company thereby acknowledge the reasonableness of the restrictions set forth in this Section 8, including the reasonableness of the duration as to time and the scope of activity restrained. Executive agrees that if any covenant contained in Section 8 of this Agreement is found by a court of competent jurisdiction to contain limitations as to time, geography or scope of activity that are not reasonable and impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company, then the court shall reform the covenant to the extent necessary to cause the limitations contained in the covenant as to time and scope of activity to be restrained to be reasonable and to impose a restraint that is not greater than necessary to protect the goodwill and other business interests of the Company and to enforce the covenants as reformed.

9. Miscellaneous Provisions.

(a) Governing Law. This Agreement shall be governed, construed, interpreted, and enforced in accordance with its express terms, and otherwise in accordance with the substantive laws of the State of Colorado, without giving effect to any principles of conflicts of law, whether of the State of Colorado or any other jurisdiction, and where applicable, the laws of the United States, that would result in the application of the laws of any other jurisdiction.

(b) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile shall be deemed effective for all purposes.

(d) Entire Agreement. The terms of this Agreement, together with the CIIA, are intended by the Parties to be the final expression of their agreement with respect to the employment of Executive by the Company and supersede all prior understandings and agreements, whether written or oral, regarding Executive's service to the Company; provided, that the terms of any award agreements governing stock options outstanding on the date hereof shall continue to govern the terms of such stock options to the extent more favorable to Executive. The Parties further intend that this Agreement, together with the CIIA, shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement or the CIIA. Notwithstanding the foregoing, in the event of any conflict between the terms of the CIIA and the terms of this Agreement, the terms of this Agreement shall prevail.

(e) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any action in any other jurisdiction, but this Agreement shall be reformed construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(f) Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing signed by Executive and a duly authorized representative of the Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company, as applicable, may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided*, *however*, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

(g) Dispute Resolution. Subject to the provisions of Section 8, the Parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation. To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that, except as excluded herein, any and all controversies, claims and disputes arising out of or relating to this Agreement, including without limitation any alleged violation of its terms or otherwise arising out of the Parties' relationship, shall be resolved solely and exclusively by final and binding arbitration held in Denver, Colorado through JAMS in conformity with Colorado law and the then-existing JAMS employment arbitration rules, which can be found at https://www.jamsadr.com/rules-employment-arbitration/. The Federal Arbitration Act, 9 U.S.C. §§ 1 et seq. shall govern the interpretation and enforcement of this arbitration clause. All remedies available from a court of competent jurisdiction shall be available in the arbitration; provided, however, in the event of a breach of Section 8, the Company may request relief from a court of competent jurisdiction if such relief is not available or not available in a timely fashion through arbitration as determined by the Company. The arbitrator shall: (a) provide adequate discovery for the resolution of the dispute; and (b) issue a written

arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall award the prevailing Party attorneys' fees and expert fees, if any. Notwithstanding the foregoing, it is acknowledged that it will be impossible to measure in money the damages that would be suffered if the Parties fail to comply with any of the obligations imposed on them under Section 8, and that in the event of any such failure, an aggrieved person will be irreparably damaged and will not have an adequate remedy at law. Any such person shall, therefore, be entitled to seek injunctive relief, including specific performance, to enforce such obligations, and if any action shall be brought in equity to enforce any of the provisions of Section 8, none of the Parties shall raise the defense, without a good faith basis for raising such defense, that there is an adequate remedy at law. Executive and the Company understand that by agreement to arbitrate any claim pursuant to this Section 9(g), they will not have the right to have any claim decided by a jury or a court, but shall instead have any claim decided through arbitration. Executive and the Company waive any constitutional or other right to bring claims covered by this Agreement other than in their individual capacities. Except as may be prohibited by applicable law, the foregoing waiver includes the ability to assert claims as a plaintiff or class member in any purported class or collective action or representative proceeding. Nothing herein shall limit Executive's ability to pursue claims for workers compensation or unemployment benefits or pursue other claims which by law cannot be subject to mandatory arbitration.

(h) Enforcement. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid, or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

(i) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local, or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(j) Whistleblower Protections and Trade Secrets. Notwithstanding anything to the contrary contained herein, nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (i) Executive shall not be in breach of this Agreement, and shall not be held criminally or civilly liable under any federal or state trade secret law (A) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (B) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney, and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

(k) Clawback. Executive agrees and acknowledges that any and all compensation Executive receives pursuant to this Agreement shall be subject to clawback by the Company (i) in the event of a financial restatement; or (ii) in such other circumstances as may be required by applicable law; or (iii) as may be provided in any clawback policy that is adopted by the Company and is generally applicable to senior executives of the Company (whether in existence as of the Effective Date or later adopted).

(l) Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent by reputable overnight courier service or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

Notice to Executive:
3281 Beckwith Run
Broomfield, CO 80023

Notice to the Company:
815 14th Street, SW, Suite A100
Loveland, CO 80537
Attn: Chief Legal Officer

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered, sent, or mailed.

10. Golden Parachute Excise Tax.

(a) Best Pay. Any provision of this Agreement to the contrary notwithstanding, if any payment or benefit Executive would receive from the Company pursuant to this Agreement or otherwise ("***Payment***") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then such Payment will be equal to the Reduced Amount (as defined below). The "***Reduced Amount***" will be either (A) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax, or (B) the entire Payment, whichever amount after taking into account all applicable federal, state, and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes), results in Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (A) of the preceding sentence, the reduction shall occur in the manner (the "***Reduction Method***") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "***Pro Rata Reduction Method***"). Notwithstanding the foregoing, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A (as defined below) that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (1) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for Executive as determined on an after-tax basis; (2) as a second priority, Payments that are contingent on future events (*e.g*., being terminated without cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (3) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

(b) Accounting Firm. The accounting firm engaged by the Company for general tax purposes as of the day prior to the Change in Control will perform the calculations set forth in Section 11(a). If the firm so engaged by the Company is serving as the accountant or auditor for the acquiring company, the Company will appoint a nationally recognized accounting firm to make the determinations required hereunder. The Company will bear all expenses with respect to the determinations by such firm required to be made hereunder. The accounting firm engaged to make the determinations hereunder will provide its calculations, together with detailed supporting documentation, to the Company within thirty (30) days before the consummation of a Change in Control (if requested at that time by the Company) or such other time as requested by the Company. If the accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it will furnish the Company with documentation reasonably acceptable to the Company that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder will be final, binding and conclusive upon the Company and Executive.

11. Section 409A.

(a) General. The intent of the Parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date, ("***Section 409A***") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation or benefits payable under this Agreement may be subject to Section 409A, the Company shall work in good faith with Executive to adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A, including, without limitation, actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A, and/or (ii) comply with the requirements of Section 409A; however, this Section 12(a) shall not create an obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, nor shall the Company (A) have any liability for failing to do so, or (B) incur or indemnify Executive for any taxes, interest or other liabilities arising under or by operation of Section 409A.

(b) Separation from Service, Installments and Reimbursements. Notwithstanding any provision to the contrary in this Agreement: (i) no amount that constitutes "deferred compensation" under Section 409A shall be payable pursuant to Section 6 unless the termination of Executive's employment constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h) ("***Separation from Service***"); (ii) for purposes of Section 409A, Executive's right to receive installment payments shall be treated as a right to receive a series of separate and distinct payments; and (iii) to the extent that any reimbursement of expenses or in-kind benefits constitutes "deferred compensation" under Section 409A, such reimbursement or benefit shall be provided no later than December 31st of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year.

(c) Specified Employee. Notwithstanding anything in this Agreement to the contrary, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of Executive's Separation from Service with the Company or (ii) the date of Executive's death. Upon the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to Executive (or Executive's estate or beneficiaries), and any remaining payments due to Executive under this Agreement shall be paid as otherwise provided herein.

(d) Release. Notwithstanding anything to the contrary in this Agreement, to the extent that any payments due under this Agreement as a result of Executive's Separation from Service are subject to Executive's execution and delivery of the Release, (i) if Executive fails to execute the Release on or prior to the Release Expiration Date (as defined below) or timely revokes Executive's acceptance of the Release thereafter, Executive shall not be entitled to any payments or benefits otherwise conditioned on the Release, and (ii) in any case where Executive's Date of Termination and the last day the Release may be considered or, if applicable, revoked, fall in two separate taxable years, any payments required to be made to Executive that are conditioned on the Release and are treated as nonqualified deferred compensation for purposes of Section 409A shall be made in the later taxable year. For purposes of this Section 12(d), "***Release Expiration Date***" shall mean (1) if Executives is under 40 years old as of the Date of Termination, the date that is seven (7) days following the date upon which the Company timely delivers the Release to Executive, and (2) if Executive is 40 years or older as of the Date of Termination, the date that is 21 days following the date upon which the Company timely delivers the Release to Executive, or, in the event that Executive's termination of employment is "in connection with an exit

incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is 45 days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of Executive's termination of employment are delayed pursuant to this Section 12(d), such amounts shall be paid in a lump sum on the first payroll date following the date that Executive executes and does not revoke the Release (and the applicable revocation period has expired) or, in the case of any payments subject to Section 12(d)(ii), on the first payroll period to occur in the subsequent taxable year, if later.

12. Employee Acknowledgement. Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive's own judgment and upon advice of independent counsel regarding his rights and obligations under this Agreement.

[*Signature Page Follows*]

The Parties have executed this Agreement as of the date first set forth above.

LIGHTNING EMOTORS, INC.

By: /s/ Marci Fouts
Name: Marci Fouts
Title: Chief People Officer

David Agatston

By: /s/ David Agatston

EXHIBIT A

PERMITTED OUTSIDE ACTIVITIES

LIGHTNING eMOTORS

Exhibit 10.4

September 8, 2022

Mr. David Agatston
Broomfield, CO

Dear David,

I am pleased to offer you the position of Chief Financial Officer for Lightning eMotors. This position will report directly to me and will have responsibility for leading the Finance, Accounting, and Information Technology organization. The role is based in our Loveland, Colorado corporate office and we look forward to having you join our team on Monday October 3, 2022. This letter serves only to confirm our offer of employment and does not constitute a contract of employment. **Your executive employment agreement will be forwarded to you under separate cover upon final approval by Lightning's board of directors.**

Here are the specifics of your offer and pre-employment requirements that must be satisfied:

Base Salary
Your base pay will be $350,000.00 annually. This is a salaried position and not eligible for overtime. Payroll is distributed on a bi-weekly basis.

Annual Bonus Opportunity
You will be eligible to earn an annual bonus. Your target bonus as a participant in the Lightning eMotors Bonus Program is equal to 40% of your base salary, prorated for any partial year of employment. The bonus will be driven by certain Company goals based on our short-term strategic, financial, and operating performance. The Annual Bonus shall be paid in the calendar year following the performance period following board of directors' approval.

Equity Plan
You will be eligible to participate in the Company equity compensation plan. The annual target equity incentive is $600,000 over a 3-year vesting period. Based on your hire date, you will be eligible to receive a pro rata portion of this grant on October 5, 2022, reflecting 9 months of your participation in the 2022 grant cycle that commenced in July 2022. The next annual grant cycle occurs in July 2023, pending board of director approval. For 2022, the equity grant will be awarded as restricted stock units (RSUs). All incentive plans are evaluated regularly, and the company may choose to incorporate additional performance metrics to the plan in future grant years.

One-time Equity Grant
To recognize the transition from any existing compensation plans that you may participate in, you will receive a one-time grant of RSUs in the value of $100,000 which will be awarded to you within 30 days of your hire date, pending board of director's approval.

Paid Time Off
As an executive of the company, you are expected to manage your personal time off in an efficient manner. You will not accrue Paid Time Off (PTO) but will be able to take time off at your own discretion. Lightning eMotors also recognizes seven (7) company-paid holidays during each calendar year.

LIGHTNING eMOTORS

Exhibit 10.4

Benefits

As a full-time employee, you are eligible to participate in the Lightning eMotors benefit program. Eligibility starts on the first day of the month following your hire date. The current benefits package includes the following:

- Medical, Dental, and Vision plan coverage. Lightning eMotors contributes a significant portion of your medical cost premium, plus Health Savings Account (HSA) contributions and Heath Reimbursement Account (HRA) contributions.
- Lightning eMotors offers each employee a $50,000 Life insurance policy, a Short-Term Disability program, and Long-Term Disability benefit at no additional cost to the employee.
- The Company offers a 401(k) program to all employees. For every dollar contributed by the employee, the Company matches with matching funds at 100% for the first 3% contributions and 50% for the next 2% contributions.
- The Company offers seven (7) paid holidays per year.

This offer is contingent upon your submission and successful completion of a background check and drug screen. More information will be sent to you through our vendor.

David, we are excited to offer you this position as part of the Lightning eMotors team. We are confident that with your experience and skills, you will make significant contributions to our company in the years to come.

Sincerely,
LIGHTNING eMotors

Tim Reeser
Chief Executive Officer

Acceptance of Offer

I have read and understood and I accept all the terms of the offer of employment as set forth in the foregoing letter. I have not relied on any agreements or representations, express or implied, that are not set forth expressly in the foregoing letter, and this letter supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to the subject matter of this letter.

David Agatston
Signed /s/ David Agatston

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Timothy Reeser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lightning eMotors, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: November 7, 2022

By:	/s/ Timothy Reeser
Name:	Timothy Reeser
Title:	Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David Agatston, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lightning eMotors, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: November 7, 2022

By:	/s/ David Agatston
Name:	David Agatston
Title:	Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Lightning eMotors, Inc. on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof, I, Timothy Reeser, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The quarterly report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of Lightning eMotors, Inc.

In connection with the quarterly report of Lightning eMotors, Inc. on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof, I, David Agatston, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The quarterly report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of Lightning eMotors, Inc.

Date: November 7, 2022

By: /s/ Timothy Reeser
Name: Timothy Reeser
Title: Chief Executive Officer (Principal Executive Officer)

Date: November 7, 2022

By: /s/ David Agatston
Name: David Agatston
Title: Chief Financial Officer (Principal Financial Officer)

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of Lightning eMotors, Inc., regardless of any general incorporation language in such filing.