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

FORM 10-Q

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

For the quarterly period ended March 31, 2022

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

Commission File Number: 001-31543

FLUX POWER HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada	**86-0931332**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2685 S. Melrose Drive, Vista, California	**92081**
(Address of principal executive offices)	(Zip Code)

877-505-3589
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	FLUX	Nasdaq Capital Market

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

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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ **No** ☐

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

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

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

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

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

The number of shares of registrant's common stock outstanding as of May 10, 2022 was 15,996,658.

FLUX POWER HOLDINGS, INC.

FORM 10-Q
For the Quarterly Period Ended March 31, 2022
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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains forward-looking statements. The forward-looking statements are contained principally in the section captioned "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021 filed with the SEC on September 27, 2021. In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "would," and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. You should read these factors and the other cautionary statements made in this report and in the documents we incorporate by reference into this report as being applicable to all related forward-looking statements wherever they appear in this report or the documents we incorporate by reference into this report. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements include, among other things, statements relating to:

- our ability to secure sufficient funding to support our current and proposed operations, which could be more difficult in light of the negative impact of the COVID-19 pandemic on our operations, customer demand and supply chain as well as investor sentiment regarding our industry and our stock;
- our ability to manage our working capital requirements efficiently;
- our ability to obtain the necessary funds from our credit facilities;
- our ability to obtain raw materials and other supplies for our products at existing or competitive prices and on a timely basis, particularly in light of the impact of COVID-19 pandemic on our suppliers and supply chain;
- our anticipated growth strategies and our ability to manage the expansion of our business operations effectively;
- our ability to maintain or increase our market share in the competitive markets in which we do business;
- our ability to grow our revenue, increase our gross profit margin and become a profitable business;
- our ability to fulfill our backlog of open sales orders due to delays in the receipt of key component parts and other potential manufacturing disruptions posed by the ongoing COVID-19 pandemic;
- our ability to keep up with rapidly changing technologies and evolving industry standards, including our ability to achieve technological advances;
- our dependence on the growth in demand for our products;
- our ability to compete with larger companies with far greater resources than we have;
- our ability to shift to new suppliers and incorporate new components into our products in a manner that is not disruptive to our business;
- our ability to obtain and maintain UL Listings and OEM approvals for our energy storage solutions;
- our ability to diversify our product offerings and capture new market opportunities;
- our ability to source our needs for skilled labor, machinery, parts, and raw materials economically;
- our ability to retain key members of our senior management;
- our ability to continue to operate safely and effectively during the COVID-19 pandemic; and
- our dependence on our major customers.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this report. You should read this report and the documents that we reference, and file as exhibits to this report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

Use of Certain Defined Terms

Except where the context otherwise requires and for the purposes of this report only:

- the "Company," "Flux," "we," "us," and "our" refer to the combined business of Flux Power Holdings, Inc., a Nevada corporation and its wholly owned subsidiary, Flux Power, Inc., a California corporation ("Flux Power");
- "Exchange Act" refers the Securities Exchange Act of 1934, as amended;
- "SEC" refers to the Securities and Exchange Commission; and
- "Securities Act" refers to the Securities Act of 1933, as amended.

PART I - Financial Information

Item 1. Financial Statements

FLUX POWER HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2022 (Unaudited)	June 30, 2021
ASSETS		
Current assets:		
Cash	$ 3,804,000	$ 4,713,000
Accounts receivable	9,508,000	6,097,000
Inventories, net	20,934,000	10,513,000
Other current assets	577,000	417,000
Total current assets	34,823,000	21,740,000
Right of use asset	2,711,000	3,035,000
Property, plant and equipment, net	1,588,000	1,356,000
Other assets	89,000	131,000
Total assets	$ 39,211,000	$ 26,262,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,361,000	$ 7,175,000
Accrued expenses	2,142,000	2,583,000
Line of credit	3,500,000	-
Deferred revenue	313,000	24,000
Customer deposits	690,000	171,000
Office lease payable, current portion	486,000	435,000
Accrued interest	2,000	2,000
Total current liabilities	20,494,000	10,390,000
Office lease payable, less current portion	2,493,000	2,866,000
Total liabilities	22,987,000	13,256,000
Stockholders' equity:		
Preferred stock, $0.001 par value; 500,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.001 par value; 30,000,000 shares authorized; 15,992,080 and 13,652,164 shares issued and outstanding at March 31, 2022 and June 30, 2021, respectively	16,000	14,000
Additional paid-in capital	95,369,000	79,197,000
Accumulated deficit	(79,161,000)	(66,205,000)
Total stockholders' equity	16,224,000	13,006,000
Total liabilities and stockholders' equity	$ 39,211,000	$ 26,262,000

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

FLUX POWER HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Revenues	$ 13,177,000	$ 6,964,000	$ 27,138,000	$ 17,932,000
Cost of sales	11,257,000	5,287,000	22,838,000	13,893,000
Gross profit	1,920,000	1,677,000	4,300,000	4,039,000
Operating expenses:				
Selling and administrative	3,904,000	3,122,000	11,402,000	9,177,000
Research and development	1,713,000	1,523,000	5,768,000	4,624,000
Total operating expenses	5,617,000	4,645,000	17,170,000	13,801,000
Operating loss	(3,697,000)	(2,968,000)	(12,870,000)	(9,762,000)
Other income (expense):				
Other income	-	1,307,000	-	1,307,000
Interest expense	(52,000)	(64,000)	(86,000)	(618,000)
Net loss	$ (3,749,000)	$ (1,725,000)	$ (12,956,000)	$ (9,073,000)
Net loss per share - basic and diluted	$ (0.23)	$ (0.14)	$ (0.85)	$ (0.80)
Weighted average number of common shares outstanding - basic and diluted	15,988,926	12,499,870	15,254,983	11,300,229

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

FLUX POWER HOLDING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Capital Stock Amount			
Balance at June 30, 2021	13,652,164	$ 14,000	$ 79,197,000	$ (66,205,000)	$ 13,006,000
Issuance of common stock and warrants – registered direct offering, net of costs	2,142,860	2,000	14,074,000	-	14,076,000
Issuance of common stock – public offering, net of costs	190,782	-	1,602,000	-	1,602,000
Issuance of common stock – exercised options	1,696	-	-	-	-
Stock based compensation	-	-	200,000	-	200,000
Net loss	-	-	-	(4,130,000)	(4,130,000)
Balance at September 30, 2021	15,987,502	16,000	95,073,000	(70,335,000)	24,754,000
Additional offering costs related to the registered direct offering	-	-	(105,000)	-	(105,000)
Stock based compensation	-	-	249,000	-	249,000
Net loss	-	-	-	(5,077,000)	(5,077,000)
Balance at December 31, 2021	15,987,502	16,000	95,217,000	(75,412,000)	19,821,000
Issuance of common stock – RSU settlement	4,578	-	-	-	-
Stock based compensation	-	-	152,000	-	152,000
Net loss	-	-	-	(3,749,000)	(3,749,000)
Balance at March 31, 2022	15,992,080	$ 16,000	$ 95,369,000	$ (79,161,000)	$ 16,224,000

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Capital Stock Amount			
Balance at June 30, 2020	7,420,487	$ 7,000	$ 46,985,000	$ (53,412,000)	$ (6,420,000)
Issuance of common stock – private placement transactions, net	800,000	1,000	3,199,000	-	3,200,000
Issuance of common stock – debt conversion	100,000	-	400,000	-	400,000
Issuance of common stock – public offering, net of costs	3,099,250	3,000	10,695,000	-	10,698,000
Fair value of warrants issued	-	-	174,000	-	174,000
Stock based compensation	-	-	225,000	-	225,000
Net loss	-	-	-	(3,984,000)	(3,984,000)
Balance at September 30, 2020	11,419,737	11,000	61,678,000	(57,396,000)	4,293,000
Issuance of common stock – exercised options	6,289	-	-	-	-
Issuance of common stock – debt conversion	540,347	1,000	2,160,000	-	2,161,000
Issuance of common stock, net of costs	226,737	-	3,336,000	-	3,336,000
Stock based compensation	-	-	197,000	-	197,000
Net loss	-	-	-	(3,364,000)	(3,364,000)
Balance at December 31, 2020	12,193,110	12,000	67,371,000	(60,760,000)	6,623,000
Issuance of common stock – exercised options and warrants	37,676	-	29,000	-	29,000
Issuance of common stock – debt conversion	658,103	1,000	2,631,000	-	2,632,000
Issuance of common stock, net of costs	114,906	-	1,743,000	-	1,743,000
Stock based compensation	-	-	228,000	-	228,000
Net loss	-	-	-	(1,725,000)	(1,725,000)
Balance at March 31, 2021	13,003,795	$ 13,000	$ 72,002,000	$ (62,485,000)	$ 9,530,000

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

FLUX POWER HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 31,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (12,956,000)	$ (9,073,000)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	412,000	176,000
Stock-based compensation	601,000	650,000
PPP Loan principal and accrued interest forgiveness	-	(1,307,000)
Fair value of warrant issued as debt issuance cost	-	174,000
Noncash interest expense	-	426,000
Noncash rent expense	324,000	297,000
Allowance for inventory reserve	109,000	(217,000)
Amortization of prepaid offering costs	-	547,000
Changes in operating assets and liabilities:		
Accounts receivable	(3,411,000)	(1,795,000)
Inventories	(10,530,000)	(3,138,000)
Other current assets	(118,000)	(498,000)
Accounts payable	6,186,000	1,402,000
Accrued expenses	(441,000)	350,000
Due to Factor	-	(469,000)
Accrued interest	-	(37,000)
Office lease payable	(322,000)	(191,000)
Deferred revenue	289,000	111,000
Customer deposits	519,000	(1,408,000)
Net cash used in operating activities	(19,338,000)	(14,000,000)
Cash flows from investing activities		
Purchases of equipment	(644,000)	(692,000)
Net cash used in investing activities	(644,000)	(692,000)
Cash flows from financing activities:		
Proceeds from issuance of common stock in private placement	-	3,200,000
Proceeds from issuance of common stock in registered direct offering, net of offering costs	13,971,000	-
Proceeds from issuance of common stock in public offering, net of offering costs	1,602,000	15,806,000
Proceeds from revolving line of credit	3,500,000	-
Payment of short-term loan – related party	-	(1,178,000)
Payment of line of credit – related party	-	(1,402,000)
Principal payments on financing lease payable	-	(28,000)
Net cash provided by financing activities	19,073,000	16,398,000
Net change in cash	(909,000)	1,706,000
Cash, beginning of period	4,713,000	726,000
Cash, end of period	$ 3,804,000	$ 2,432,000
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Common stock issued for conversion of related party debt	$ -	$ 5,193,000
Accrued interest converted into principal	$ -	$ 358,000
Common stock issued for vested RSUs	9,700	-
Supplemental cash flow information:		
Interest paid	$ 86,000	$ 55,000

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

NOTE 1 - NATURE OF BUSINESS

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules of the Securities and Exchange Commission ("SEC") applicable to interim reports of companies filing as a smaller reporting company. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2021 filed with the SEC on September 27, 2021. In the opinion of management, the accompanying condensed consolidated interim financial statements include all adjustments necessary in order to make the financial statements not misleading. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year or any other future period. Certain notes to the financial statements that would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal year as reported in the Company's Annual Report on Form 10-K have been omitted. The accompanying condensed consolidated balance sheet at June 30, 2021 has been derived from the audited balance sheet at June 30, 2021 contained in such Form 10-K.

Nature of Business

Flux Power Holdings, Inc. ("Flux") was incorporated in 2008 in the State of Nevada, and Flux's operations are conducted through its wholly owned subsidiary, Flux Power, Inc. ("Flux Power"), a California corporation (collectively, the "Company").

We design, develop, manufacture, and sell a portfolio of advanced lithium-ion energy storage solutions for electrification of a range of industrial commercial sectors which include material handling, airport ground support equipment ("GSE"), and stationary energy storage. We believe our mobile and stationary energy storage solutions provide customers with a reliable, high performing, cost effective, and more environmentally friendly alternative as compared to traditional lead acid and propane-based solutions. Our modular and scalable design allows different configurations of lithium-ion battery packs to be paired with our proprietary wireless battery management system to provide the level of energy storage required and "state of the art" real time monitoring of pack performance. We believe that the increasing demand for lithium-ion battery packs and more environmentally friendly energy storage solutions in the material handling sector should continue to drive our revenue growth.

As used herein, the terms "we," "us," "our," "Flux," and "Company" mean Flux Power Holdings, Inc., unless otherwise indicated. All dollar amounts herein are in U.S. dollars unless otherwise stated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 2, "Summary of Significant Accounting Policies," in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2021. There have been no material changes in these policies or their application.

Management has considered all recent accounting pronouncements issued since the last audit of the Company's consolidated financial statements and believes that these recent pronouncements will not have a material effect on the Company's condensed consolidated financial statements.

Net Loss Per Common Share

The Company calculates basic loss per common share by dividing net loss by the weighted average number of common shares outstanding during the periods. Diluted loss per common share includes the impact from all dilutive potential common shares relating to outstanding convertible securities.

For the three months ended March 31, 2022 and 2021, basic and diluted weighted-average common shares outstanding were 15,988,926 and 12,499,870, respectively. For the nine months ended March 31, 2022 and 2021, basic and diluted weighted-average common shares outstanding were 15,254,983 and 11,300,229, respectively. The Company incurred a net loss for the three and nine months ended March 31, 2022 and 2021, and therefore, basic and diluted loss per share for the periods were the same because potential common share equivalent would have been anti-dilutive. The total potentially dilutive common shares outstanding at March 31, 2022 and 2021 that were excluded from diluted weighted-average common shares outstanding represent shares underlying outstanding convertible debt, stock options, RSUs, and warrants, and totaled 2,070,652 and 897,646, respectively.

NOTE 3 – ACCRUED EXPENSES

Accrued expenses consist of the following:

	March 31, 2022	June 30, 2021
Payroll and bonus accrual	$ 784,000	$ 1,271,000
PTO accrual	438,000	417,000
Warranty liability	920,000	895,000
Total Accrued expenses	$ 2,142,000	$ 2,583,000

NOTE 4 – NOTES PAYABLE

Paycheck Protection Program Loan

On May 1, 2020, the Company applied for and received a loan from the Bank of America, NA (the “BOA”) in the aggregate principal amount of approximately $1,297,000 (the “PPP Loan”) pursuant to the Paycheck Protection Program (the “PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP Loan was evidenced by a promissory note dated May 1, 2020, issued by Flux Power to the BOA (the “PPP Note”). The PPP Loan had a two-year term and bore interest at a rate of 1.0% per annum. Monthly principal and interest payments were deferred for six months after the date of disbursement. The Company received the funds on May 4, 2020. On February 9, 2021, the Company was notified that the Small Business Administration (“SBA”) had forgiven repayment of the entire PPP Loan of approximately $1,297,000 in principal, together with all accrued interest of approximately $10,000. The Company recorded the entire forgiven principal and accrued interest amount of approximately $1,307,000 as other income in its statement of operations on February 9, 2021. As of March 31, 2022, the outstanding balance of the PPP Loan was $0.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

Revolving Line of Credit

On November 9, 2020, the Company entered into a Loan and Security Agreement ("Loan Agreement") with Silicon Valley Bank ("SVB"). On October 29, 2021, the Company entered into a First Amendment to Loan and Security Agreement ("First Amendment" and together with the Loan Agreement, the "Amended Loan Agreement") with SVB which amended certain terms of the Loan Agreement including, but not limited to, increasing the amount of the revolving line of credit from $4.0 million to $6.0 million, and extending the maturity date to November 7, 2022. The Amended Loan Agreement provides the Company with a senior secured credit facility for up to $6.0 million available on a revolving basis ("Revolving LOC"). Outstanding principal under the Revolving LOC accrues interest at a floating rate per annum equal to the greater of (i) Prime Rate plus two and a half percent (2.50%), currently 6.00%, or (ii) five and three-quarters percent (5.75%). Interest payments are due on the last day of the month. Should an event of default occur, the interest rate per annum will be increased to five percent (5.0%) above the rate that otherwise would have been applicable to such amounts owed. The Company paid a non-refundable commitment fee of $15,000 upon execution of the Loan Agreement and an additional non-refundable commitment fee of $22,500 in connection with the First Amendment. In addition, the Company is required to pay a quarterly unused facility fee equal to one-quarter of one percent (0.25%) per annum of the average daily unused portion of the $6.0 million commitment under the Revolving LOC, depending upon availability of borrowings under the Revolving LOC. Amounts outstanding under the Revolving LOC are secured by substantially all of the tangible and intangible assets of the Company (including, without limitation, intellectual property) pursuant to the terms of the Amended Loan Agreement and the Intellectual Property Security Agreement dated as of October 29, 2021. As of March 31, 2022 the outstanding balance under the Revolving LOC was $3,500,000 and the remaining available balance was $2,500,000.

NOTE 5 - RELATED PARTY DEBT AGREEMENTS

As of March 31, 2022 and June 30, 2021, the Company had no outstanding related party debt agreements. Related party debt agreements that existed during the 2021 periods covered by the accompanying unaudited condensed consolidated financial statements are described below.

Esenjay Loan

On March 9, 2020, the Company and Esenjay Investments, LLC ("Esenjay") entered into a certain convertible promissory note ("Original Esenjay Note") pursuant to which Esenjay provided the Company with a loan in the principal amount of $750,000 (the "Esenjay Loan"). On June 2, 2020, the Original Esenjay Note was amended and restated to (i) extend the maturity date from June 30, 2020 to September 30, 2020, and (ii) to increase the principal amount outstanding under the Original Esenjay Note to $1,400,000 (the "Esenjay Note").

Between June 26, 2020 and July 22, 2020, Esenjay assigned a total of $900,000 of the Esenjay Note to three (3) accredited investors and the $900,000 note balance was converted into shares of common stock at $4.00 per share, which was the cash price per share, and resulted in the issuance of 225,000 shares of common stock.

On August 31, 2020, the Company entered into the Third Amended and Restated Credit Facility Agreement and pursuant to which the Company further amended the Esenjay Note to, among other items, transfer all remaining principal and accrued interest outstanding of approximately $564,000 into the amended Credit Facility Agreement. (See "Credit Facility" below).

Credit Facility

On March 22, 2018, Flux Power entered into a credit facility agreement with Esenjay with a maximum borrowing amount of $5,000,000 (the "Original Agreement"). The Original Agreement was amended multiple times to allow for, among other things, an increase in the maximum principal amount available under line of credit ("LOC") to $12,000,000, the inclusion of additional lenders and extension of the maturity date to September 30, 2021.

In August 2020, the Company paid down an aggregate principal amount of approximately $1,402,000 of the outstanding balance under the LOC. On August 31, 2020, the Company entered into the Third Amended and Restated Credit Facility Agreement ("Third Amended and Restated Facility Agreement") pursuant to which the Company (i) extended the maturity date to September 30, 2021, and (ii) allowed for the transfer of outstanding obligations under the Esenjay Note of approximately $564,000 into the LOC as noted above. In November 2020, lenders holding an aggregate of approximately $2,161,000 in principal and accrued interest elected to convert their notes into 540,347 shares of common stock at a price of $4.00 per share. In January and March 2021, the lenders holding an aggregate of approximately $2,632,000 in principal and accrued interest elected to convert their notes into 658,103 shares of common stock at a price of $4.00 per share of which approximately $1,045,000 was held by Esenjay and converted to 261,133 shares of common stock.

On June 10, 2021, the Company repaid all obligations in full and without additional fees or termination penalties, and the Third Amended and Restated Credit Facility Agreement and the related Second Amended and Restated Security Agreement were terminated.

Cleveland Loan

On July 3, 2019, the Company entered into a loan agreement with Cleveland, pursuant to which Cleveland agreed to loan the Company $1,000,000 (the "Cleveland Loan") and issued Cleveland an unsecured short-term promissory note in the amount of $1,000,000 (the "Unsecured Promissory Note"). The Unsecured Promissory Note had an interest rate of 15.0% per annum and was originally due on September 1, 2019, unless repaid earlier from a percentage of proceeds from certain identified accounts receivable. In connection with the Cleveland Loan, the Company issued Cleveland a three-year warrant (the "Cleveland Warrant") to purchase the Company's common stock in a number equal to 0.5% of the number of shares of common stock outstanding after giving effect to the shares of common stock sold in a contemplated public offering and with an exercise price equal to the per share price of the common stock sold in the public offering.

On September 1, 2019, the Company entered into the First Amendment to the Unsecured Promissory Note pursuant to which the maturity date was extended to December 1, 2019 (the "First Amendment") and the Cleveland Warrant terms were amended (the "Amended Warrant"). The Amended Warrant increased the warrant coverage from 0.5% to 1% of the number of shares of common stock outstanding after giving effect to the shares of common stock sold in the next private or public offering and with an exercise price equal to the per share price of common stock sold in such private or public offering, as the case may be.

On July 9, 2020, the Company made a payment to Cleveland in the amount of $200,000 as a partial payment of the Cleveland Loan. On July 27, 2020, in connection with the outstanding loan from Cleveland to the Company in the principal amount of $957,000, the Company entered into the Eighth Amendment to the Unsecured Promissory Note which extended the maturity date from July 31, 2020 to August 31, 2020, and capitalized all accrued and unpaid interest as of July 27, 2020 to the principal amount. On August 19, 2020, the Company paid Cleveland the entire remaining principal balance due under the Cleveland Loan, together with all accrued interest payable as of August 19, 2020, in an aggregate amount of approximately $978,000.

NOTE 6 – FACTORING ARRANGEMENT

On August 23, 2019, the Company entered into a Factoring Agreement ("Factoring Agreement") with CSNK Working Capital Finance Corp. d/b/a Bay View Funding ("CSNK") for a factoring facility under which CSNK would, from time to time, buy approved receivables from the Company. The Company gave termination notice to CSNK and accordingly, effective August 30, 2020 terminated the Factoring Agreement.

NOTE 7 - STOCKHOLDERS' EQUITY

At-The-Market ("ATM") Offering

On December 21, 2020 the Company entered into a Sales Agreement (the "Sales Agreement") with H.C. Wainwright & Co., LLC ("HCW") to sell shares of its common stock, par value $0.001 (the "Common Stock") from time to time, through an "at-the-market offering" program (the "ATM Offering").

The Company agreed to pay HCW a commission in an amount equal to 3.0% of the gross sales proceeds of the shares sold under the Sales Agreement. In addition, the Company agreed to reimburse HCW for certain legal and other expenses incurred up to a maximum of $50,000 to establish the ATM Offering, and $2,500 per quarter thereafter to maintain such program under the Sales Agreement. The Company has also agreed pursuant to the Sales Agreement to indemnify and provide contribution to HCW against certain liabilities, including liabilities under the Securities Act.

On May 27, 2021, the Company filed Amendment No. 1 (the "Amendment") to the prospectus supplement dated December 21, 2020 (the "Prospectus Supplement") to increase the size of the ATM Offering from an aggregate offering price of up to $10 million in the Prospectus Supplement to an amended maximum aggregate offering price of up to $20 million of shares of the Company's common stock (the "Shares") (which amount includes the value of shares we have already sold prior to the date of the Amendment) pursuant to the base prospectus dated October 26, 2020, the Prospectus Supplement, and the Amendment (collectively, the "Prospectus").

From December 21, 2020 through March 31, 2022, the Company sold an aggregate of 1,169,564 shares of common stock at an average price of $12.24 per share for gross proceeds of approximately $14.3 million under the ATM Offering. The Company received net proceeds of approximately $13.7 million, net of commissions and other offering related expenses.

The Shares were registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to the Company's Registration Statement on Form S-3 (File No. 333-249521), declared effective by the Securities and Exchange Commission (the "Commission") on October 26, 2020, and the Prospectus. Sales of the Shares, if any, may be made by any method permitted by law deemed to be an "at-the-market offering" as defined in Rule 415(a)(4) of the Securities Act. The Company or the HCW may, upon written notice to the other party in accordance with the terms of the Sales Agreement, suspend offers and sales of the Shares. The Company and HCW each have the right, in its sole discretion, to terminate the Sales Agreement at any time upon prior written notice pursuant to the terms and subject to the conditions set forth in the Sales Agreement.

Public Offerings

2020 Public Offering and NASDAQ Capital Market uplisting

In August 2020, the Company closed an underwritten public offering of its common stock at a public offering price of $4.00 per share for gross proceeds of approximately $12.4 million, which included the full exercise of the underwriters' over-allotment option to purchase additional shares, prior to deducting underwriting discounts and commissions and offering expenses totaling approximately 1.7 million. A total of 3,099,250 shares of common stock were issued by the Company in the offering, including the full exercise of the over-allotment option. The securities were offered pursuant to a registration statement on Form S-1 (File No. 333-231766), which was declared effective by the SEC on August 12, 2020.

Concurrent with the announcement of the public offering, on August 14, 2020, the Company's common stock commenced trading on The NASDAQ Capital Market under the symbol "FLUX".

At-the-Market Registered Direct Offering

On September 27, 2021, the Company closed a registered direct offering, priced at-the-market under Nasdaq rules ("RDO") for the sale of 2,142,860 shares of common stock and warrants to purchase up to an aggregate of 1,071,430 shares of common stock, at an offering price of $7.00 per share and associated warrant for gross proceeds of approximately $15.0 million prior to deducting offering expenses totaling approximately $1.0 million. The associated warrants have an exercise price equal to $7.00 per share and are exercisable upon issuance and expire in five years. HCW acted as the exclusive placement agent for the registered direct offering.

The securities sold in the RDO were sold pursuant to a "shelf" registration statement on Form S-3 (File No. 333-249521), including a base prospectus, previously filed with the Securities and Exchange Commission (the "SEC") on October 16, 2020 and declared effective by the SEC on October 26, 2020. The registered direct offering of the securities was made by means of a prospectus supplement dated September 22, 2021 and filed with the SEC, that forms a part of the effective registration statement.

Private Placements

2020 Private Placement

On April 22, 2020, the Company sold an aggregate of 66,250 shares of common stock, at $4.00 per share, for an aggregate purchase price of $265,000 in cash to two (2) accredited investors. On June 30, 2020, the Company sold an additional 275,000 shares of common stock at $4.00 per share in its June Closing of the offering, for an aggregate purchase price of $1,100,000 in cash to six (6) accredited investors ("June Closing"). Esenjay and Mr. Dutt, the Company's president and chief executive officer, participated in the June Closing in the amount of $300,000 and $50,000, respectively. On July 24, 2020, the Company sold an additional 800,000 shares under the 2020 Private Placement at $4.00 per share, for an aggregate purchase price of $3,200,000 in cash to accredited investors, including Mr. Cosentino, one of our directors, who participated in the offering in the amount of $250,000.

The shares offered and sold in the private placement offerings described above were sold to accredited investors in reliance upon exemptions from registration pursuant to Rule 506(b) of Regulation D promulgated under Section 4(a)(2) under the Securities Act. Such shares were not registered under the Securities Act of 1933, as amended ("Securities Act"), and could not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act

Debt Conversion

LOC Conversion

On June 30, 2020, there was a partial conversion of $7,383,000 in principal and accrued interest outstanding under the secured promissory notes at a conversion price of $4.00 per share that resulted in the issuance of 1,845,830 shares of common stock.

On November 6, 2020, there was a partial conversion of $2,161,000 in principal and accrued interest outstanding under the secured promissory notes at $4.00 per share that resulted in the issuance of 540,347 shares of common stock.

In January and March 2021, there were conversions of the remaining balance of approximately $2,632,000 in principal and accrued interest outstanding under the secured promissory notes that resulted in the issuance of 658,103 shares of common stock.

All conversions were at the option of the lenders, and all outstanding secured promissory notes were converted into shares of common stock.

Esenjay Note Conversion

On June 30, 2020, two (2) accredited individuals, who had been assigned $500,000 of the Esenjay Note, converted all principal into 125,000 shares of common stock at $4.00 per share. On July 22, 2020, one accredited individual, who had been assigned $400,000 of the Esenjay Note converted all principal into 100,000 shares of common stock at $4.00 per share.

Warrants

On July 3, 2019, the Company issued a three-year warrant to Cleveland Capital, L.P. ("Cleveland Warrant") to purchase our common stock in a number equal to one-half percent (0.5%) of the number of shares of common stock outstanding after giving effect to the total number of shares of common stock sold in a public offering at an exercise price equal to the per share public offering price. On September 1, 2019, the Cleveland Warrant was amended and restated to change the warrant coverage from 0.5% to 1% of the number of shares of common stock outstanding after giving effect to the total number of shares of common stock sold in the next private or public offering ("Offering") at an exercise price equal the per share price of common stock sold in the Offering. The closing of a private offering constituting the Offering occurred on July 24, 2020. Upon such closing, the number and the exercise price of the Cleveland Warrant became determinable as the right to purchase up to 83,205 shares of common stock at $4.00 per share, and the Cleveland Warrant was estimated to have a fair value of approximately $174,000. As of September 30, 2021, all 83,205 warrants remained outstanding.

In August 2020 and in conjunction with the Company's public offering, the Company issued five-year warrants to the underwriters to purchase up to 185,955 shares of the Company's common stock at an exercise price of $4.80 per share and were estimated to have a fair value of approximately $513,000. The underwriters' warrants became exercisable on February 8, 2021.

In connection with the Company's RDO, in September 2021 the Company issued five-year warrants to the RDO investors to purchase up to 1,071,430 shares of the Company's common stock at an exercise price of $7.00 per share and were estimated to have a fair value of approximately $3,874,000. The warrants were exercisable immediately and are limited to beneficial ownership of 4.99% at any point in time in accordance with the warrant agreement.

Warrant detail for the nine months ended March 31, 2022 is reflected below:

	Number of Warrants	Weighted Average Exercise Price Per Warrant	Weighted Average Remaining Contract Term (# years)
Warrants outstanding and exercisable at June 30, 2021	214,883	$ 4.49	
Warrants issued	1,071,430	$ 7.00	
Warrants outstanding and exercisable at March 31, 2022	1,286,313	$ 6.58	4.11

Warrant detail for the nine months ended March 31, 2021 is reflected below:

	Number of Warrants	Weighted Average Exercise Price Per Warrant	Weighted Average Remaining Contract Term (# years)
Warrants outstanding and exercisable at June 30, 2020	83,205	$ 4.00	
Warrants issued	185,955	$ 4.80	
Warrants exercised	(32,977)	$ 4.80	
Warrants forfeited	(11,700)	$ 4.80	
Warrants outstanding at March 31, 2021	224,483	$ 4.50	3.22

Stock Options

In connection with the reverse acquisition of Flux Power, Inc. in 2012, the Company assumed the 2010 Option Plan. As of June 30, 2021, there were 22,536 options to purchase common stock outstanding under the 2010 Option Plan. No additional options may be granted under the 2010 Option Plan.

On February 17, 2015 the Company's stockholders approved the 2014 Equity Incentive Plan (the "2014 Plan"). The 2014 Plan offers certain employees, directors, and consultants the opportunity to acquire the Company's common stock subject to vesting requirements and serves to encourage such persons to remain employed by the Company and to attract new employees. The 2014 Plan allows for the award of common stock and stock options, up to 1,000,000 shares of the Company's common stock. As of March 31, 2022, 170,810 shares of the Company's common stock were available for grant under the 2014 Plan.

On April 29, 2021, the Company's stockholders approved the 2021 Equity Incentive Plan (the "2021 Plan"). The 2021 Plan authorizes the issuance of awards for up to 2,000,000 shares of common stock in the form of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock units, restricted stock awards and unrestricted stock awards to officers, directors and employees of, and consultants and advisors to, the Company or its affiliates. As of March 31, 2022, no awards had been granted under the 2021 Plan.

Activity in the Company's stock options during the nine months ended March 31, 2022 and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2021	531,205	$ 11.02	
Granted	-	$ -	
Exercised	(3,400)	$ 4.65	
Forfeited and cancelled	(15,612)	$ 14.28	
Outstanding and exercisable at March 31, 2022	512,193	$ 10.97	5.91

Activity in the Company's stock options during the nine months ended March 31, 2021 and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2020	579,584	$ 11.00	
Granted	-	$ -	
Exercised	(15,812)	$ 5.77	
Forfeited and cancelled	(18,932)	$ 12.45	
Outstanding at March 31, 2021	544,840	$ 11.10	6.81
Exercisable at March 31, 2021	490,493	$ 10.91	6.67

Restricted Stock Units

On November 5, 2020, the Company's Board of Directors approved an amendment to the 2014 Plan, to allow for grants of Restricted Stock Units ("RSUs"). Subject to vesting requirements set forth in the RSU Award Agreement, one share of common stock is issuable for one vested RSU. On November 5, 2020, the Board of Directors authorized the following RSUs to be granted under the amended 2014 Option Plan: (i) a total of 43,527 RSUs to certain executive officers as one-time retention incentive awards, and (ii) a total of 91,338 RSUs to certain key employees as annual equity compensation of which 45,652 were performance-based RSUs and 45,686 were time-based RSUs. On April 29, 2021, an additional 18,312 time-based RSUs were authorized by the Company's Board of Directors to be granted under the amended 2014 Option Plan. On October 29, 2021, the Board of Directors authorized the following RSUs to be granted under the amended 2014 Option Plan: (i) a total of 97,828 RSUs to certain executive officers of which 48,914 were performance-based RSUs and 48,914 were time-based RSUs, and (ii) a total of 81,786 time-based RSUs to certain other key employees. The RSUs are subject to the terms and conditions provided in (i) the Restricted Stock Unit Award Agreement for time-based awards ("Time-based Award Agreement"), and (ii) the Performance Restricted Stock Unit Award Agreement for performance-based awards ("Performance-based Award Agreement").

Activity in RSUs during the nine months ended March 31, 2022 and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Grant date Fair Value	Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2021	131,652	$ 9.25	
Granted	179,614	$ 5.75	
Settled	(4.578)	$ 11.56	
Forfeited and cancelled	(35,542)	$ 6.95	
Outstanding at March 31, 2022	271,146	$ 7.19	2.34

Activity in RSUs during the nine months ended March 31, 2021 and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Grant date Fair Value		Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2020	-	$	-	
Granted	134,865	$	8.88	
Forfeited and cancelled	(6,542)	$	8.88	
Outstanding at March 31, 2021	128,323	$	8.88	2.91

Stock-based Compensation

Stock-based compensation expense for the three and nine months ended March 31, 2022 and 2021 represents the estimated fair value of stock options and RSUs at the time of grant amortized under the straight-line method over the expected vesting period and reduced for estimated forfeitures of options and RSUs. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from original estimates. At March 31, 2022, the aggregate intrinsic value of exercisable stock options was approximately $1,686,000.

The following table summarizes stock-based compensation expense for employee and non-employee stock option and RSU grants:

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2022		2021		2022		2021	
Research and development	$	32,000	$	48,000	$	122,000	$	146,000
Selling and administrative		120,000		180,000		479,000		504,000
Total stock-based compensation expense	$	152,000	$	228,000	$	601,000	$	650,000

At March 31, 2022, the unamortized stock-based compensation expense related to outstanding RSUs was approximately $1,085,000, and it is expected to be expensed over the weighted-average remaining recognition period of 2.34 years.

NOTE 8 - CONCENTRATIONS

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and unsecured trade accounts receivable. The Company maintains cash balances in non-interest bearing bank deposit accounts at a California commercial bank. The Company's cash balance at this institution is secured by the Federal Deposit Insurance Corporation up to $250,000. As of March 31, 2022 and June 30, 2021, cash was approximately $3,804,000 and $4,713,000, respectively. The Company has not experienced any losses in such accounts. Management believes that the Company is not exposed to any significant credit risk with respect to its cash.

Customer Concentrations

During the three months ended March 31, 2022, the Company had four (4) major customers that each represented more than 10% of revenues on an individual basis, and together represented approximately $10,762,000 or 82% of total revenues. During the nine months ended March 31, 2022, the Company had three (3) major customers that each represented more than 10% of revenues on an individual basis, and together represented approximately $15,891,000 or 59% of total revenues.

During the three months ended March 31, 2021, the Company had four (4) major customers that each represented more than 10% of revenues on an individual basis, and together represented approximately $5,352,000 or 77% of total revenues. During the nine months ended March 31, 2021, the Company had three (3) major customers that each represented more than 10% of revenues on an individual basis, and together represented approximately $10,594,000 or 59% of total revenues.

Suppliers/Vendor Concentrations

The Company obtains a number of components and supplies included in its products from a group of suppliers. During the three months ended March 31, 2022, the Company had three (3) suppliers who accounted for more than 10% of total purchases on an individual basis, and together represented approximately $5,556,000 or 48% of total purchases. During the nine months ended March 31, 2022, the Company had one (1) supplier who accounted for more than 10% of total purchases and represented approximately $12,722,000 or 32% of total purchases. We continue to assess our supplier base to ensure alignment with our expanding needs.

During the three months ended March 31, 2021, the Company had two (2) suppliers who accounted for more than 10% of total purchases on an individual basis, and together represented approximately $2,252,000 or 26% of total purchases. During the nine months ended March 31, 2021, the Company had two (2) suppliers who accounted for more than 10% of total purchases on an individual basis, and together represented approximately $6,229,000 or 27% of total purchases.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm the Company’s business. The Company is not aware of any material legal proceedings currently pending or expected against the Company.

Operating Leases

On April 25, 2019 the Company signed a Standard Industrial/Commercial Multi-Tenant Lease (“Lease”) with Accutek to rent approximately 45,600 square feet of industrial space at 2685 S. Melrose Drive, Vista, California. The Lease has an initial term of seven years and four months and commenced on or about June 28, 2019. The lease contains an option to extend the term for two periods of 24 months each, and the right of first refusal to lease an additional approximate 15,300 square feet. The monthly rental rate is $42,400 for the first 12 months, escalating at 3% each year.

On February 26, 2020, the Company entered into the First Amendment to Standard Industrial/Commercial Multi-Tenant Lease dated April 25, 2019 (the “Amendment”) with Accutek to rent an additional 16,309 rentable square feet of space plus a residential unit of approximately 1,230 rentable square feet (for a total of approximately 17,539 rentable square feet). The lease for the additional space commenced 30 days following the occupancy date of the additional space and will terminate concurrently with the term of the original lease, which expires on November 20, 2026. The base rent for the additional space is the same rate as the space rented under the terms of the original lease, $0.93 per rentable square (subject to 3% annual increase). In connection with the Amendment, the Company purchased certain existing office furniture for a total purchase price of $8,300.

Total rent expense was approximately $219,000 and $214,000 for the three months ended March 31, 2022 and 2021, respectively. Total rent expense was approximately $648,000 and $635,000 for the nine months ended March 31, 2022 and 2021, respectively.

The Future Minimum Lease Payments as of March 31, 2022 are as follows:

Year Ending June 30,		
2022 (remaining three months)	$	187,000
2023		768,000
2024		791,000
2025		815,000
2026		840,000
Thereafter		359,000
Total Future Minimum Lease Payments		3,760,000
Less: discount		(781,000)
Total lease liability	$	2,979,000

NOTE 10 - SUBSEQUENT EVENTS

Grant of Restricted Stock Units to Non-Executive Directors

On April 28, 2022, the Company's four non-executive directors were granted RSUs covering a total of 71,172 shares of common stock under the 2014 Plan. The RSUs will all vest on April 28, 2023 in accordance to the vesting service criteria. The awards are subject to the terms and conditions of the 2014 Plan and the terms and conditions of an applicable award agreement covering each grant. The awards were recommended by the compensation committee of the Company and approved by the Board of Directors prior to being granted.

Subordinated Line of Credit

On May 11, 2022, the Company entered into a Credit Facility Agreement (the "Credit Facility") with Cleveland Capital, L.P., a Delaware limited partnership ("Cleveland"), Herndon Plant Oakley, Ltd., ("HPO"), and other lenders (together with Cleveland and HPO, the "Lenders"). The Credit Facility provides the Company with a short-term line of credit (the "LOC") not less than $3,000,000 and not more than $5,000,000, the proceeds of which shall be used by the Company for working capital purposes. In connection with the LOC, the Company issued a separate subordinated unsecured promissory note in favor of each respective Lender (each promissory note, a "Note") for each Lender's commitment amount (each such commitment amount, a "Commitment Amount"). As of May 12, 2022, the Lenders committed an aggregate of $4,000,000.

Pursuant to the terms of the Credit Facility, each Lender severally agrees to make loans (each such loan, an "Advance") up to such Lender's Commitment Amount to the Company from time to time, until December 31, 2022 (the "Due Date"). The Company may, from time to time, prior to the Due Date, draw down, repay, and re-borrow on the Note, by giving notice to the Lenders of the amount to be requested to be drawn down.

Each Note bears an interest rate of 15.0% per annum on each Advance from and after the date of disbursement of such Advance and is payable on (i) the Due Date in cash or shares of common stock of the Company (the "Common Stock") at the sole election of the Company, unless such Due Date extended pursuant to the Note, or (ii) on occurrence of an event of Default (as defined in the Note). The Due Date may be extended (i) at the sole election of the Company for one (1) additional year period from the Due Date upon the payment of a commitment fee equal to two percent (2%) of the Commitment Amount to the Lender within thirty (30) days prior to the original Due Date, or (ii) by the Lender in writing. In addition, each Lender signed a Subordination Agreement by and between the Lenders and Silicon Valley Bank, a California corporation ("SVB"), dated as of May 11, 2022 (the "Subordination Agreement") for the purposes of subordinating the right to payment under the Note to SVB's indebtedness by the Company and its wholly-owned subsidiary, Flux Power, Inc., now outstanding or hereinafter incurred.

The Credit Facility includes customary representations, warranties and covenants by the Company and the Lenders. The Company has also agreed to pay the legal fees of Cleveland's counsel in an amount up to $10,000. In addition, each Note also provides that, upon the occurrence of a Default, at the option of the Lender, the entire outstanding principal balance, all accrued but unpaid interest and/or Late Charges (as defined in the Note) at once will become due and payable upon written notice to the Company by the Lender.

In connection with entry into the Credit Facility, the Company agreed to pay to each Lender a one-time committee fee in cash equal to 3.5% of such Lender's Commitment Amount. In addition, in consideration of the Lenders' commitment to provide the Advances to the Company, the Company agreed to issue each Lender warrants to purchase the number of shares of common stock equal to the product of (i) 160,000 shares of common stock multiplied by (ii) the ratio represented by each Lender's Commitment Amount divided by the $5,000,000 (the "Warrants").

Subject to certain ownership limitations, the Warrants will be exercisable immediately from the date of issuance, will expire on the five (5) year anniversary of the date of issuance and will have an exercise price of $2.53 per share. The exercise price of the Warrants is subject to certain adjustments, including stock dividends, stock splits, combinations and reclassifications of the Company's Common Stock. In the event of a Triggering Event, as described in the Warrant Certificate, each of the holders of the Warrants will be entitled to exercise its Warrant and receive the same amount and kind of securities, cash or property as such holder would have been entitled to receive upon the occurrence of such Triggering Event if such holder had exercised the rights represented by the Warrant Certificate immediately prior to the Triggering Event. Additionally, upon the holder's request, the continuing or surviving corporation as a result of such Triggering Event will issue to such holder a new warrant of like tenor evidencing the right to purchase the adjusted amount of securities, cash or property and the adjusted warrant price.

Pursuant to a selling agreement, dated as of May 11, 2022, the Company retained HPO as its placement agent in connection with the Credit Facility. As compensation for services rendered in conjunction with the Credit Facility, the Company agreed to pay HPO a finder fee equal to 3% of the Commitment Amount from each such Lender placed by HPO in cash.

Financial Advisory Agreement

On May 11, 2022, the Company entered into a certain financial advisory agreement with Cleveland Capital Management, L.L.C., a related party ("Cleveland Management") pursuant to which Cleveland Management agreed to provide the Company with financial consulting services.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information which management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition. The discussion should be read in conjunction with the unaudited interim condensed consolidated Financial Statements and Notes thereto and Part II, Item 7, Management's Discussion and Analysis of Financial condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021.

Business Overview

We design, develop, manufacture, and sell a portfolio of advanced lithium-ion energy storage solutions for electrification of a range of industrial commercial sectors which include material handling, airport ground support equipment ("GSE"), and stationary energy storage. We believe our mobile and stationary energy storage solutions provide our customers a reliable, high performing, cost effective, and more environmentally friendly alternative as compared to traditional lead acid and propane-based solutions. Our modular and scalable design allows different configurations of lithium-ion battery packs to be paired with our proprietary wireless battery management system to provide the level of energy storage required and "state of the art" real time monitoring of pack performance. We believe that the increasing demand for lithium-ion battery packs and more environmentally friendly energy storage solutions in the material handling sector should continue to drive our revenue growth.

Our long-term strategy is to meet the rapidly growing demand for lithium-ion energy solutions and to be the supplier of choice, targeting large companies having energy storage needs. We have established selling relationships with large fleets of forklifts and GSEs. We intend to reach this goal by investing in research and development to expand our product mix, by expanding our sales and marketing efforts, improving our customer support efforts and continuing our efforts to improve production capacity and efficiencies. Our research and development efforts will continue to focus on providing adaptable, reliable and cost-effective energy storage solutions for our customers. We have filed three new patents on advanced technology related to lithium-ion battery packs. The technology behind these pending patents are designed to:

- increase battery life by optimizing the charging cycle,
- give users a better understanding of the health of their battery in use, and
- apply artificial intelligence to predictively balance the cells for optimal performance.

Our largest sector of penetration thus far has been the material handling sector which we believe is a multi-billion dollar addressable market. We believe the sector will provide us with an opportunity to grow our business as we enhance our product mix and service levels and grow our sales to large fleets of forklifts and GSEs. Applications of our modular packs for other industrial and commercial uses, such as solar energy storage, are providing additional current growth and further opportunities. We intend to continue to expand our supply chain and customer partnerships and seek further partnerships and/or acquisitions that provide synergy to meeting our growth and "building scale" objectives.

The following table summarizes the new orders, shipments, and backlog activities for the last six (6) fiscal quarters:

Fiscal Quarter Ended	Beginning Backlog	New Orders	Shipments	Ending Backlog
December 31, 2020	$ 2,528,000	$ 6,561,000	$ 6,330,000	$ 2,759,000
March 31, 2021	$ 2,759,000	$ 9,977,000	$ 6,826,000	$ 5,910,000
June 30, 2021	$ 5,910,000	$ 15,053,000	$ 8,339,000	$ 12,624,000
September 30, 2021	$ 12,624,000	$ 13,122,000	$ 6,313,000	$ 19,433,000
December 31, 2021	$ 19,433,000	$ 19,819,000	$ 7,837,000	$ 31,415,000
March 31, 2022	$ 31,415,000	$ 20,495,000	$ 13,317,000	$ 38,593,000

"Backlog" represents the amount of anticipated revenues we may recognize in the future from existing contractual orders with customers that are in progress and have not yet shipped. Backlog values may not be indicative of future operating results as orders may be cancelled, modified or otherwise altered by customers. In addition, our ability to realize revenue from our backlog will be dependent on the delivery of key parts from our suppliers and our ability to manufacture and ship our products to customers in a timely manner. There can be no assurance that outstanding customer orders will be fulfilled as expected and that our backlog will result in future revenues.

As of May 10, 2022, our order backlog was approximately $33.1 million.

Business Updates

Due to the growth in orders for our energy storage solutions and accessories, coupled with supply chain disruptions due to COVID-19 delaying our ability to fulfill such orders, we have experienced an increase in our backlog of open orders.

Supply Chain Issues and Higher Procurement Costs

Due to COVID-19 pandemic, supply chain disruptions continue, notably with delivery delays at the ports of Los Angeles and Long Beach. In addition, the price of steel and certain other electrical components used in our products have seen dramatic increases, along with shipping costs. It is impossible to predict how long the current disruptions to the cost and availability of raw materials and component parts will last. We implemented a price increase on certain new product orders in October 2021 to offset rising global costs of raw materials and component parts. A second price increase was implemented in April 2022. In addition, we increased our inventory of raw materials and component parts to $20.9 million as of March 31, 2022 to mitigate supply chain disruptions and support timely deliveries. However, there can be no assurance that such increases or any future increases will be sufficient to offset continued rising costs.

To address some of the negative consequences to our business, we have implemented a number of new strategic initiatives:

Strategic Initiatives.

- Expand our base of suppliers to better manage supply chain disruptions and associated risks;
- Introduce new product designs to lower costs, simplify the bill of materials, and improved serviceability;
- Improve our manufacturing capacity and production processes (including implementing lean manufacturing) to increase throughput, reduce the time to fulfill our order backlog and improve gross margins;
- Seek more competitive carriers to reduce shipping costs;
- Utilize lower cost steel suppliers that meet required specifications;
- Transition product lines to a new cell technology including revised UL Listing and OEM approvals in efforts to lower costs of production, improve supplier reliability, and higher energy capabilities of our solutions;
- Expand our customer base, particularly among Fortune 100 & 500 companies;
- Deploy our Sky BMS telematics technology to many users.

There can be no assurance that our initiatives and efforts to mitigate the supply chain issues and rising costs will be successful.

New Product Update

During the quarter ended March 31, 2022, we introduced new product designs to respond to customer requests. Some of the improvements included higher capacities for extra-long and demanding shifts, easier servicing, lower total cost of ownership, and other features to solve a variety of existing performance challenges of customer operations. We continue to introduce new product designs for margin enhancement, part commonality and improved serviceability.

At the MODEX material handling trade show in March 2022, we have introduced three (3) new products as follow:

- L36 lithium-ion battery pack, a 36-volt option for 3-wheel forklifts;
- C48 lithium-ion battery pack for Automated Guided Vehicles (AGV) and Autonomous Mobile Robots (AMR); and
- S24 lithium-ion battery pack providing twice the capacity (210Ah) for Walkie Pallet Jacks for heavy duty

Recent Corporate Development

Subordinate Line of Credit

On May 11, 2022, the Company entered into a Credit Facility Agreement (the “Credit Facility”) with Cleveland Capital, L.P., a Delaware limited partnership (“Cleveland”), Herndon Plant Oakley, Ltd., (“HPO”), and other lenders (together with Cleveland and HPO, the “Lenders”). The Credit Facility provides the Company with a short-term line of credit (the “LOC”) not less than $3,000,000 and not more than $5,000,000, the proceeds of which shall be used by the Company for working capital purposes. In connection with the LOC, the Company issued separate subordinated unsecured promissory notes in favor of each respective Lender (each promissory note, a “Note”) for each Lender’s commitment amount (each such commitment amount, a “Commitment Amount”). As of May 12, 2022, the Lenders committed an aggregate of $4,000,000.

Pursuant to the terms of the Credit Facility, each Lender severally agrees to make loans (each such loan, an “Advance”) up to such Lender’s Commitment Amount to the Company from time to time, until the December 31, 2022 (the “Due Date”). The Company may, from time to time, prior to the Due Date, draw down, repay, and re-borrow on the Note, by giving notice to the Lenders of the amount to be requested to be drawn down.

Each Note bears an interest rate of 15.0% per annum on each Advance from and after the date of disbursement of such Advance and shall be payable on (i) the Due Date in cash or shares of common stock of the Company (the “Common Stock”) at the sole election of the Company, unless extended pursuant to the Note, or (ii) on occurrence of an event of Default (as defined in the Note). The Due Date may be extended (i) at the sole election of the Company for one (1) additional year period from the Due Date upon the payment of a commitment fee equal to two percent (2%) of the Commitment Amount to the Lender within thirty (30) days prior to the original Due Date, or (ii) by the Lender in writing. In addition, each Lender signed a certain Subordination Agreement by and between the Lenders and Silicon Valley Bank, a California corporation (“SVB”), dated as of May 11, 2022 (the “Subordination Agreement”) for the purposes of subordinating the right to payment under the Note to SVB’s indebtedness by the Company and its wholly-owned subsidiary, Flux Power, Inc., now outstanding or hereinafter incurred.

The Credit Facility includes customary representations, warranties and covenants by the Company and the Lenders. The Company has also agreed to pay the legal fees of Cleveland’s counsel in the amount up to $10,000. In addition, each Note also provides that, upon the occurrence of a Default, at the option of the Lender, the entire outstanding principal balance, all accrued but unpaid interest and/or Late Charges (as defined in the Note) at once shall become due and payable upon written notice to the Company by the Lender.

In connection with entry into the Credit Facility, the Company agreed to pay each Lender a one-time committee fee in cash equal to 3.5% of such Lender’s Commitment Amount. In addition, in consideration of the Lenders’ commitment to provide the Advances to the Company, the Company agreed to issue each Lender warrants to purchase the number of shares of common stock equal to the product of (i) 160,000 shares of common stock multiplied by (ii) the ratio represented by each Lender’s Commitment Amount divided by the $5,000,000 (the “Warrants”).

Subject to certain ownership limitations, the Warrants will be exercisable immediately from the date of issuance, will expire on the five (5) year anniversary of the date of issuance and will have an exercise price of $2.53 per share. The exercise price of the Warrants is subject to certain adjustments, including stock dividends, stock splits, combinations and reclassifications of the Company’s Common Stock. In the event of a Triggering Event, as described in the Warrant Certificate, each of the holders of the Warrants shall be entitled to exercise its Warrant and receive the same amount and kind of securities, cash or property as such holder would have been entitled to receive upon the occurrence of such Triggering Event if such holder had exercised the rights represented by the Warrant Certificate immediately prior to the Triggering Event. Additionally, upon the holder’s request, the continuing or surviving corporation as a result of such Triggering Event shall issue to such holder a new warrant of like tenor evidencing the right to purchase the adjusted amount of securities, cash or property and the adjusted warrant price.

Pursuant to a selling agreement, dated as of May 11, 2022, the Company retained HPO as its placement agent in connection with the Credit Facility. As compensation for services rendered in conjunction with the Credit Facility, the Company agreed to pay HPO a finder fee equal to three percent (3%) of the Commitment Amount from each such Lender placed by HPO in cash.

COVID-19 Update

The COVID-19 pandemic has continued to impact both global and domestic businesses and many economic activities. The COVID-19 pandemic has placed significant pressures on our supply chains causing supply shortages, price increases, and delays in productions. In addition, the COVID-19 pandemic has also placed additional safety regulations and monitoring measures on companies. The Company began implementing COVID-19 measures in March 2020 as recommended by the CDC and other governmental authorities. The Company has had to navigate staffing requirements as certain employees tested positive for COVID-19. Our manufacturing operations have not yet experienced production stoppages, however, we have experience negative consequences such as disruptions in the supply chain supply and price increases. Therefore, we remain subject to significant risks of supply shortages, delays in shipping, and price increases that could materially affect our financial condition and operating results.

Segment and Related Information

We operate as a single reportable segment.

Results of Operations and Financial Condition

The following table represents our unaudited condensed consolidated statement of operations for the three months ended March 31, 2022 and March 31, 2021.

	Three Months Ended March 31,			
	2022		2021	
	$	% of Revenues	$	% of Revenues
Revenues	$ 13,177,000	100%	$ 6,964,000	100%
Cost of sales	11,257,000	85%	5,287,000	76%
Gross profit	1,920,000	15%	1,677,000	24%
Operating expenses:				
Selling and administrative	3,904,000	30%	3,122,000	45%
Research and development	1,713,000	13%	1,523,000	22%
Total operating expenses	5,617,000	43%	4,645,000	67%
Operating loss	(3,697,000)	-28%	(2,968,000)	-43%
Other income (expense):				
Other income	-	0%	1,307,000	19%
Interest expense, net	(52,000)	-0%	(64,000)	-1%
Net loss	$ (3,749,000)	-28%	$ (1,725,000)	-25%

Revenues

Revenues for the quarter ended March 31, 2022, increased by $6,213,000 or 89% to $13,177,000, compared to $6,964,000 for the quarter ended March 31, 2021. The increase in revenues was due to sales of energy storage solutions with higher selling prices and a higher volume of units sold. The increase in revenues included both greater sales to existing customers as well as initial sales to new customers.

Cost of Sales

Cost of sales for the quarter ended March 31, 2022, increased by $5,970,000, or 113%, to $11,257,000 compared to $5,287,000 for the quarter ended March 31, 2021. The increase in cost of sales was directly associated with higher sales of energy storage solutions, as well as increased costs of steel, electronic parts, and common off the shelf parts chiefly as a result of the supply chain interruptions. Cost of sales as a percent of revenues for the quarter ended March 31, 2022 was 85%, an increase of 9 percentage points over 76% for the quarter ended March 31, 2021.

Gross Profit

Gross profit for the quarter ended March 31, 2022 increased by $243,000 or 14%, to $1,920,000 compared to $1,677,000 for the quarter ended March 31, 2021. The gross profit margin (gross profit as a percent of revenues) decreased to 15% for the quarter ended March 31, 2022 compared to 24% for the quarter ended March 31, 2021. Gross profit was negatively impacted by higher costs for steel, electronic parts, and common off the shelf parts during the quarter ended March 31, 2022, partially offset by higher revenues associated with increased sales of energy storage solutions.

Selling and Administrative Expenses

Selling and administrative expenses for the quarter ended March 31, 2022 increased by $782,000 or 25%, to $3,904,000 compared to $3,122,000 for the quarter ended March 31, 2021. The increase was primarily attributable to increases in personnel expenses related to new hires and temporary labor, outbound shipping costs, and an increase in insurance premiums, partially offset by a decrease in marketing expenses and stock-based compensation and legal expenses.

Research and Development Expense

Research and development expenses for the quarter ended March 31, 2022 increased by $190,000 or 12%, to $1,713,000 compared to $1,523,000 for the quarter ended March 31, 2021. Such expenses consisted primarily of materials, supplies, salaries and personnel related expenses, product testing, consulting, and other expenses associated with revisions to existing product designs and new product development. The increase in research and development expenses was primarily due to expenses related to development of new products, UL certifications, higher personnel expenses related to new hires and temporary labor.

Other Income

Other income for the quarter ended March 31, 2021 represents the forgiven repayment of the entire PPP Loan of approximately $1,297,000 in principal, together with all accrued interest of approximately $10,000 that SBA had forgiven on February 9, 2021.

Interest Expense

Interest expense for the quarter ended March 31, 2022 decreased by $12,000 or 19% to $52,000 compared to $64,000 for the quarter ended March 31, 2021. Interest expense was primarily related to our outstanding lines of credit and convertible promissory note.

Net Loss

Net loss for the quarter ended March 31, 2022 increased by $2,024,000 or 117%, to $3,749,000 as compared to a net loss of $1,725,000 for the quarter ended March 31, 2021. The higher net loss for the quarter ended March 31, 2022 was primarily attributable to increased operating expenses, and decreased other income, partially offset by an increase in gross profit and a decrease in interest expense.

The following table represents our unaudited condensed consolidated statement of operations for the nine months ended March 31, 2022 and March 31, 2021.

	Nine Months Ended March 31,					
	2022			2021		
		$	% of Revenues		$	% of Revenues
Revenues	$	27,138,000	100%	$	17,932,000	100%
Cost of sales		22,838,000	84%		13,893,000	77%
Gross profit		4,300,000	16%		4,039,000	23%
Operating expenses:						
Selling and administrative		11,402,000	42%		9,177,000	51%
Research and development		5,768,000	21%		4,624,000	26%
Total operating expenses		17,170,000	63%		13,801,000	77%
Operating loss		(12,870,000)	-47%		(9,762,000)	-54%
Other income (expense):						
Other income		-	0%		1,307,000	7%
Interest expense, net		(86,000)	-0%		(618,000)	-4%
Net loss	$	(12,956,000)	-48%	$	(9,073,000)	-51%

Revenues

Revenues for the nine months ended March 31, 2022, increased by $9,206,000 or 51% to $27,138,000, compared to $17,932,000 for the nine months ended March 31, 2021. The increase in revenues was due to sales of energy storage solutions with higher selling prices and a higher volume of units sold. The increase in revenues included both greater sales to existing customers as well as initial sales to new customers.

Cost of Sales

Cost of sales for the nine months ended March 31, 2022, increased by $8,945,000, or 64%, to $22,838,000 compared to $13,893,000 for the nine months ended March 31, 2021. The increase in cost of sales was directly associated with higher sales of energy storage solutions, as well as increased costs of steel, electronic parts, and common off the shelf parts chiefly as a result of the supply chain interruptions. Cost of sales as a percent of revenues for the nine months ended March 31, 2022 was 84%, an increase of 7 percentage points over 77% for the same period last year as described above.

Gross Profit

Gross profit for the nine months ended March 31, 2022 increased by $261,000 or 6%, to $4,300,000 compared to $4,039,000 for the nine months ended March 31, 2021. The gross profit margin (gross profit as a percent of revenues) decreased to 16% for the nine months ended March 31, 2022 compared to 23% for the nine months ended March 31, 2021. Gross profit was negatively impacted by higher costs for steel, electronic parts, and common off the shelf parts during nine months ended March 31, 2022, partially offset by higher revenues directly associated with higher sales of energy storage solutions.

Selling and Administrative Expenses

Selling and administrative expenses for the nine months ended March 31, 2022 increased by $2,225,000 or 24%, to $11,402,000 compared to $9,177,000 for the nine months ended March 31, 2021. The increase was primarily attributable to increases in personnel expenses related to new hires and temporary labor, an increase in insurance premiums, and outbound shipping costs, partially offset by a decrease in marketing expenses, stock-base compensation, and professional service fees including accounting and legal expenses.

Research and Development Expense

Research and development expenses for the nine months ended March 31, 2022 increased by $1,144,000 or 25%, to $5,768,000 compared to $4,624,000 for the nine months ended March 31, 2021. Such expenses consisted primarily of materials, supplies, salaries and personnel related expenses, product testing, consulting, and other expenses associated with revisions to existing product designs and new product development. The increase in research and development expenses was primarily due to expenses related to UL certifications, higher personnel expenses related to new hires and temporary labor.

Other Income

Other income for the nine months ended March 31, 2021 represents the forgiven repayment of the entire PPP Loan of approximately $1,297,000 in principal, together with all accrued interest of approximately $10,000 that SBA had forgiven on February 9, 2021.

Interest Expense

Interest expense for the nine months ended March 31, 2022 decreased by $532,000 or 86% to $86,000 compared to $618,000 for the nine months ended March 31, 2021. Interest expense was primarily related to our outstanding lines of credit and convertible promissory note. Also included in interest expense during the nine months ended March 31, 2021 was additional interest expense of approximately $174,000 representing the amortization of debt discount related to Cleveland Loan that was paid off during that period.

Net Loss

Net loss for the nine months ended March 31, 2022 increased by $3,883,000 or 43%, to $12,956,000 as compared to a net loss of $9,073,000 for the nine months ended March 31, 2021. The higher net loss for the nine months ended March 31, 2022 was primarily attributable to increased operating expenses, and decreased other income, partially offset by an increase in gross profit and a decrease in interest expense.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA is calculated taking net income and adding back the expenses related to interest, income taxes, depreciation, amortization, and stock-based compensation, each of which has been calculated in accordance with GAAP. Adjusted EBITDA was a loss of approximately $11,857,000 for the nine months ended March 31, 2022 compared to a loss of $7,629,000 for the nine months ended March 31, 2021.

Management believes that Adjusted EBITDA, when viewed with our results under GAAP and the accompanying reconciliations, provides useful information about our period-over-period results. Adjusted EBITDA is presented because management believes it provides additional information with respect to the performance of our fundamental business activities and is also frequently used by securities analysts, investors and other interested parties in the evaluation of comparable companies. We also rely on Adjusted EBITDA as a primary measure to review and assess the operating performance of our company and our management team.

As Adjusted EBITDA is a non-GAAP financial measure, it should not be construed as a substitute for net income (loss) (as determined in accordance with GAAP) for the purpose of analyzing our operating performance or financial position.

A reconciliation of our Adjusted EBITDA to net loss is included in the table below:

	Nine Months Ended March 31,	
	2022	**2021**
Net loss	$ (12,956,000)	$ (9,073,000)
Add/Subtract:		
Interest, net	86,000	618,000
Income tax provision	-	-
Depreciation and amortization	412,000	176,000
EBITDA	(12,458,000)	(8,279,000)
Add/Subtract:		
Stock-based compensation	601,000	650,000
Adjusted EBITDA	$ (11,857,000)	$ (7,629,000)

Liquidity and Capital Resources

Overview

As of March 31, 2022, we had a cash balance of $3,804,000 and an accumulated deficit of $79,161,000. Our business has not generated sufficient cash to fund our historical operations, and we will need additional cash and capital resources to support our planned operations and to execute our business plan. However, we believe that our existing cash, together with $2.5 million that currently remains available under our $6.0 million working capital line of credit with Silicon Valley Bank ("SVB Line of Credit"), and $4.0 million available under our new subordinated line of credit with the Lenders, will be sufficient to meet our anticipated capital resources to fund planned operations for the next twelve (12) months. See "Future Liquidity Needs" below.

Cash Flows

Cash Flow Summary

	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021
Net cash used in operating activities	$ (19,338,000)	$ (14,000,000)
Net cash used in investing activities	(644,000)	(692,000)
Net cash provided by financing activities	19,073,000	16,398,000
Net change in cash	$ (909,000)	$ 1,706,000

Operating Activities

Net cash used in operating activities was $19,338,000 for the nine months ended March 31, 2022, compared to net cash used in operating activities of $14,000,000 for the nine months ended March 31, 2021. The primary usages of cash for the nine months ended March 31, 2022 were the net loss of $12,956,000 and increases in accounts receivable, inventory, and other assets, and decreases in accrued expenses and office lease payable, that were partially offset by increases in accounts payable, customer deposits, deferred revenue and non-cash operating costs. The primary usages of cash for the nine months ended March 31, 2021 were the net loss of $9,073,000, increases in accounts receivable, inventory, and other assets, and decreases in customer deposits, amount due to factoring facility, deferred revenue, and accrued interest, that were partially offset by increases in accounts payable, accrued expenses, deferred revenue, and non-cash operating costs.

Investing Activities

Net cash used in investing activities was $644,000 for the nine months ended March 31, 2022 and consisted primarily of the costs of internal software development and other capital equipment.

Net cash used in investing activities was $692,000 for the nine months ended March 31, 2021 and consisted primarily of the costs of internal software development and purchase of other capital equipment.

Financing Activities

Net cash provided by financing activities was $19,073,000 for the nine months ended March 31, 2022, which primarily consisted of $13,971,000 in net proceeds from issuances of common stock in the registered direct offering completed in September 2021, $3,500,000 in borrowings under the SVB Line of Credit, and $1,602,000 in net proceeds from sales of common stock under our ATM Offering.

Net cash provided by financing activities was $16,398,000 for the nine months ended March 31, 2021, which primarily consisted of $10,698,000 in net proceeds from issuances of common stock in the public offering completed in August 2020 , $3,200,000 from a private placement completed [add date], and $5,079,000 in net proceeds from sales of common stock under our ATM offering, which were partially offset by $2,580,000 in payments of outstanding related party borrowings, and $28,000 in payment of financing lease payable.

Future Liquidity Needs

We have evaluated our expected cash requirements over the next twelve (12) months, which include, but are not limited to, investments in additional sales and marketing and research and development, capital expenditures, and working capital requirements. We believe that our existing cash and additional funding available under our SVB Line of Credit, combined with funds available to us under our new subordinated line of credit of up to $4.0 million will be sufficient to meet our anticipated capital resources to fund planned operations for the next twelve months. As of May 12, 2022, there is $4.0 million available for future draws under the LOC and $2.5 million available under the SVB Line of Credit. In addition, to support our operations and anticipated growth, we intend on continue our efforts to secure additional capital from a variety of current and new sources including, but not limited to, sales of our equity securities. We continue to have positive gross margin which has improved cash flow from operations.

Although management believes that our existing cash and the additional funding sources currently available to us under the lines of credit are sufficient to fund planned operations, our ability to draw funds from the line of credit are subject to certain restrictions and covenants. If we are unable to meet the conditions provided in the loan documents, the funds will not be available to us. In addition, should there be any delays in the receipts of key component parts, due in part to supply change disruptions, our ability to fulfil the backlog of sales orders will be negatively impacted resulting in lower availability of cash resources from operations. In that event, we may be required to raise additional funds by issuing equity or convertible debt securities. If such funds are not available when required, management will be required to curtail investments in additional sales and marketing and product development, which may have a material adverse effect on future cash flows and results of operations.

In the event we are required to obtain additional funds, there is no guarantee that additional funds will be available on a timely basis or on acceptable terms. To the extent that we raise additional funds by issuing equity or convertible debt securities, our stockholders may experience additional dilution and such financing may involve restrictive covenants.

Critical Accounting Policies

The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. Information with respect to our critical accounting policies which we believe could have the most significant effect on our reported results and require subjective or complex judgments by management is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended June 30, 2021.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, as of the end of the period covered by this report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Act of 1934. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be included in our SEC reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, relating to the Company, including our consolidated subsidiaries, and was made known to them by others within those entities, particularly during the period when this report was being prepared. Based on the management's assessment and review of our financial statements and results for the quarter ended March 31, 2022, we have concluded that our disclosure controls and procedures were effective for purposes stated above.

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. To the best knowledge of management, there are no material legal proceedings pending against the Company.

ITEM 1A - RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks set forth in the section captioned "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, filed with the SEC on September 27, 2021, before making an investment decision. If any of the risks actually occur, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should read the section captioned "Special Note Regarding Forward Looking Statements" above for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this report.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS

The following exhibits are filed as part of this Report.

Exhibit No.	Description
31.1	Certifications of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act.*
31.2	Certifications of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act.*
32.1	Certifications of the Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act.*
32.2	Certifications of the Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act.*
101.INS	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension 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 Inline XBRL (included as Exhibit 101)

* Filed 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.

Flux Power Holdings, Inc.

Date: May 12, 2022

By: */s/ Ronald F. Dutt*
Ronald F. Dutt
Chief Executive Officer
(Principal Executive Officer)

By: */s/ Charles A. Scheiwe*
Charles A. Scheiwe
Chief Financial Officer
(*Principal Financial Officer*)

Exhibit 31.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302

I, Ronald F. Dutt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Flux Power Holdings, 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 principles;

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

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

5. The Registrant's other certifying officer 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: May 12, 2022

By: */s/ Ronald F. Dutt*
Name: Ronald F. Dutt
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302

I, Charles A. Scheiwe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Flux Power Holdings, 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 principles;

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

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

5. The Registrant's other certifying officer 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: May 12, 2022

By: */s/ Charles A. Scheiwe*
Name: Charles A. Scheiwe
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION 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 Flux Power Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 12, 2022

By:	*/s/ Ronald F. Dutt*
Name:	Ronald F. Dutt
Title:	Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

CERTIFICATION 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 Flux Power Holdings, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 12, 2022

By: */s/ Charles A. Scheiwe*
Name: Charles A. Scheiwe
Title: Chief Financial Officer
(Principal Financial Officer)