

1 **THE ROSEN LAW FIRM, P.A.**

2 Phillip Kim, Esq.
3 Laurence M. Rosen, Esq.
4 275 Madison Ave., 40th Floor
5 New York, NY 10016
6 Telephone: (212) 686-1060
7 Fax: (212) 202-3827
8 Email: lrosen@rosenlegal.com
9 Email: philkim@rosenlegal.com

10 *Counsel for Plaintiff*

11 UNITED STATES DISTRICT COURT
12 DISTRICT OF NEVADA

13 _____, Individually and on behalf of all
14 others similarly situated,

15 Plaintiff,

16 v.

17 FLUX POWER HOLDINGS, INC., RONALD
18 F. DUTT, and CHARLES A. SCHEIWE,

19 Defendants.

No.

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

CLASS ACTION

JURY TRIAL DEMANDED

1 Plaintiff __ (“Plaintiff”), individually and on behalf of all other persons similarly situated,
2 by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined
3 below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own
4 acts, and information and belief as to all other matters, based upon, among other things, the
5 investigation conducted by and through Plaintiff’s attorneys, which included, among other
6 things, a review of the Defendants’ public documents, public filings, wire and press releases
7 published by and regarding Flux Power Holdings, Inc. (“Flux Power” or the “Company”), and
8 information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary
9 support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

10 **NATURE OF THE ACTION**

11 1. This is a class action on behalf of persons or entities who purchased or otherwise
12 acquired publicly traded Flux Power securities between November 11, 2022 and September 30,
13 2024, inclusive (the “Class Period”). Plaintiff seeks to recover compensable damages caused by
14 Defendants’ violations of the federal securities laws under the Securities Exchange Act of 1934
15 (the “Exchange Act”).

16 **JURISDICTION AND VENUE**

17 2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a)
18 of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder
19 by the SEC (17 C.F.R. § 240.10b-5).

20 3. This Court has jurisdiction over the subject matter of this action pursuant to 28
21 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

22 4. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and
23 Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) as the alleged misstatements entered and
24 the subsequent damages took place in this judicial district.

25 5. In connection with the acts, conduct and other wrongs alleged in this complaint,
26 Defendants (defined below), directly or indirectly, used the means and instrumentalities of
27

1 interstate commerce, including but not limited to, the United States mails, interstate telephone
2 communications and the facilities of the national securities exchange.

3 **PARTIES**

4 6. Plaintiff, as set forth in the accompanying certification, incorporated by reference
5 herein, purchased Flux Power securities during the Class Period and was economically damaged
6 thereby.

7 7. Defendant Flux Power “designs, manufactures, and sells advanced lithium-ion
8 energy storage solutions for electrification of a range of industrial and commercial sectors
9 including material handling, airport ground support equipment (GSE), and stationary energy
10 storage.”

11 8. Flux Power is incorporated in Nevada and its principal executive offices are
12 located at 2685 S. Melrose Drive, Vista, California 24011. The Company’s common stock trades
13 on the NASDAQ exchange under the ticker symbol “FLUX.”

14 9. Defendant Ronald F. Dutt (“Dutt”) was the Company’s Chief Executive Officer
15 (“CEO”) throughout the Class Period.

16 10. Defendant Charles Scheiwe (“Scheiwe”) was Chief Financial Officer (“CFO”)
17 until March 1, 2024.

18 11. On February 23, 2024, the Company filed with the SEC a current report on form
19 8-K which stated that “[o]n February 16, 2024, the Company and Mr. Charles Scheiwe agreed
20 to the stepping down of Mr. Scheiwe as the Company’s Chief Financial Officer and Secretary,
21 including all positions with the Company and Flux Power, Inc., a wholly-owned subsidiary of
22 the Company (“Flux”) and transitioning to a consultant for the Company, effective March 1,
23 2024 (the “Separation Date”).” Upon information and belief, Scheiwe’s departure from the
24 Company was as a result of the misconduct outlined in this complaint.

25 12. Defendants Dutt and Scheiwe are collectively referred to herein as the “Individual
26 Defendants.”

27 13. Each of the Individual Defendants:

28 (a) directly participated in the management of the Company;

1 (b) was directly involved in the day-to-day operations of the Company at the highest
2 levels;

3 (c) was privy to confidential proprietary information concerning the Company and
4 its business and operations;

5 (d) was directly or indirectly involved in drafting, producing, reviewing and/or
6 disseminating the false and misleading statements and information alleged herein;

7 (e) was directly or indirectly involved in the oversight or implementation of the
8 Company's internal controls;

9 (f) was aware of or recklessly disregarded the fact that the false and misleading
10 statements were being issued concerning the Company; and/or

11 (g) approved or ratified these statements in violation of the federal securities laws.

12 14. The Company is liable for the acts of the Individual Defendants and its employees
13 under the doctrine of *respondeat superior* and common law principles of agency because all of
14 the wrongful acts complained of herein were carried out within the scope of their employment.

15 15. The scienter of the Individual Defendants and other employees and agents of the
16 Company is similarly imputed to Flux Power under *respondeat superior* and agency principles.

17 16. Defendant Flux Power and the Individual Defendants are collectively referred to
18 herein as "Defendants."

19 **SUBSTANTIVE ALLEGATIONS**

20 **Materially False and Misleading Statements Issued During the Class Period**

21 17. On November 10, 2022, Flux Power filed with the SEC its quarterly report on
22 Form 10-Q for the period ended September 30, 2022 (the "1Q23 Report"). Attached to the 1Q23
23 Report were certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") signed by
24 Defendants Dutt and Scheiwe attesting to the accuracy of financial reporting, the disclosure of
25 any material changes to the Company's internal control over financial reporting and the
26 disclosure of all fraud.

27 18. The 1Q23 Report stated the following regarding the Company's internal controls:
28

1 Under the supervision and with the participation of our management, including our
2 principal executive officer and principal financial officer, as of the end of the period
3 covered by this report, we conducted an evaluation of the effectiveness of the design and
4 operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and
5 15d-15(e) under the Securities Act of 1934. Our disclosure controls and procedures are
6 designed to provide reasonable assurance that the information required to be included in
7 our SEC reports is recorded, processed, summarized and reported within the time periods
8 specified in SEC rules and forms, relating to the Company, including our consolidated
9 subsidiaries, and was made known to them by others within those entities, particularly
10 during the period when this report was being prepared. Based upon that evaluation, ***our***
11 ***Chief Executive Officer and Chief Financial Officer have concluded that our***
12 ***disclosure controls and procedures were not effective as of September 30, 2022 because***
13 ***of the material weaknesses identified in our internal controls over financial reporting.***

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

18 As described in the Company's 10-K for the fiscal year ended June 30, 2022,
19 management assessed the effectiveness of the Company's internal control over financial
20 reporting and based on such assessment, ***management concluded that as of June 30,***
21 ***2022, our internal control over financial reporting was not effective due to material***
22 ***weakness related to ineffective oversight of the Company's internal control over***
23 ***financial reporting and lack of sufficient review and approval of the underlying data***
24 ***used in the calculation of warranty reserve.*** During the quarter ended September 30,
25 2022, we have implemented additional control procedures ***to strengthen the oversight of***
26 ***the Company's internal control over financial reporting through review and sign off***
27 ***by the senior management of all significant assumptions and estimates being used and***
28 ***the underlying data used in producing financial schedules/estimates and financial***
reporting. We have also added a second level of review and approval for all manual
journal entries for significant estimates and assumptions made by management. We plan
to continue to assess our internal controls and control procedures and intend to take
further action as necessary or appropriate to address any other matters we identify or are
brought to our attention.

(Emphasis added).

19. The statement in ¶ 18 was materially false and misleading at the time it was made because the Company understated its issues with its internal controls.

20. The 1Q23 Report provided the following, in pertinent part, regarding the Company's financials:

Item 1. Financial Statements

FLUX POWER HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2022
	(Unaudited)
ASSETS	
Current assets:	
Cash	\$ 306,000
Accounts receivable	11,596,000
Inventories, net	18,878,000
Other current assets	1,308,000
Total current assets	32,088,000
Right of use asset	2,558,000
Property, plant and equipment, net	1,758,000
Other assets	42,000
Total assets	\$ 36,446,000
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$ 13,505,000
Accrued expenses	2,228,000
Line of credit	5,651,000
Deferred revenue	347,000
Customer deposits	10,000
Vehicle lease payable, current portion	13,000
Office lease payable, current portion	523,000
Accrued interest	2,000
Total current liabilities	22,279,000
Office lease payable, less current portion	2,222,000
Vehicle lease payable, less current portion	55,000
Total liabilities	24,556,000
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; 15,998,336 and 15,996,658 shares issued and outstanding at September 30, 2022 and June 30, 2022, respectively	16,000
Additional paid-in capital	95,827,000
Accumulated deficit	(83,953,000)
Total stockholders' equity	11,890,000
Total liabilities and stockholders' equity	\$ 36,446,000

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
	September 30, 2022
Revenues	\$ 17,840,000
Cost of sales	13,892,000
Gross profit	3,948,000
Operating expenses:	
Selling and administrative	4,536,000
Research and development	1,223,000
Total operating expenses	5,759,000
Operating loss	(1,811,000)
Interest expense	(328,000)
Net loss	\$ (2,139,000)
Net loss per share - basic and diluted	\$ (0.13)
Weighted average number of common shares outstanding - basic and diluted	15,997,296

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

1 21. The financial figures provided in ¶ 20 were materially false and misleading
2 because, among other things, the Company overstated its inventory, gross profit, current assets,
3 and total assets, and understated cost of sales and net loss.

4 22. On February 9, 2023, Flux Power filed with the SEC its quarterly report on Form
5 10-Q for the period ended December 31, 2022 (the “2Q23 Report”). Attached to the 2Q23 Report
6 were certifications pursuant to SOX signed by Defendants Dutt and Scheiwe attesting to the
7 accuracy of financial reporting, the disclosure of any material changes to the Company’s internal
8 control over financial reporting and the disclosure of all fraud.

9 23. The 2Q23 Report stated the following regarding the Company’s internal controls:
10 Under the supervision and with the participation of our management, including our
11 principal executive officer and principal financial officer, as of the end of the period
12 covered by this report, we conducted an evaluation of the effectiveness of the design and
13 operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and
14 15d-15(e) under the Securities Act of 1934. Our disclosure controls and procedures are
15 designed to provide reasonable assurance that the information required to be included in
16 our SEC reports is recorded, processed, summarized and reported within the time periods
17 specified in SEC rules and forms, relating to the Company, including our consolidated
18 subsidiaries, and was made known to them by others within those entities, particularly
19 during the period when this report was being prepared. ***Based upon that evaluation, our
20 Chief Executive Officer and Chief Financial Officer have concluded that our
21 disclosure controls and procedures were effective as of December 31, 2022.***

22 The management of the Company is responsible for establishing and maintaining
23 adequate internal control over financial reporting. The Company’s internal control over
24 financial reporting is a process designed under the supervision of the Company’s
25 principal executive officer and principal financial officer to provide reasonable assurance
26 regarding the reliability of financial reporting and the preparation of the Company’s
27 financial statements for external purposes in accordance with generally accepted
28 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.

As described in the Company’s 10-K for the fiscal year ended June 30, 2022,
management assessed the effectiveness of the Company’s internal control over financial
reporting and based on such assessment, management concluded that as of June 30, 2022,

1 our internal control over financial reporting was not effective due to material weakness
2 related to ineffective oversight of the Company's internal control over financial reporting
3 and lack of sufficient review and approval of the underlying data used in the calculation
4 of warranty reserve. During the six months ended December 31, 2022, we have
5 implemented additional control procedures to strengthen the oversight of the Company's
6 internal control over financial reporting through review and sign off by the senior
7 management of all significant assumptions and estimates being used and the underlying
8 data used in producing financial schedules/estimates and financial reporting. We have
9 also added a second level of review and approval for all manual journal entries for
10 significant estimates and assumptions made by management. ***Based on the foregoing,
11 we believe we have remediated the material weaknesses. We plan to continue to assess
12 our internal controls and control procedures and intend to take further action as
13 necessary or appropriate to address any other matters we identify or are brought to our
14 attention.***

15 (Emphasis added).

16 24. The statement in ¶ 23 was materially false and misleading at the time it was made
17 because the Company had inadequate internal controls and had not remediated all issues with its
18 internal controls.

19 25. The 2Q23 Report provided the following, in pertinent part, regarding the
20 Company's financials:
21
22
23
24
25
26
27
28

FLUX POWER HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2022	
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$	157,000
Accounts receivable		10,467,000
Inventories, net		19,507,000
Other current assets		884,000
Total current assets		31,015,000
Right of use assets		2,601,000
Property, plant and equipment, net		1,561,000
Other assets		115,000
Total assets	\$	35,292,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$	12,797,000
Accrued expenses		2,298,000
Line of credit		6,811,000
Deferred revenue		81,000
Customer deposits		29,000
Finance lease payable, current portion		64,000
Office lease payable, current portion		542,000
Accrued interest		1,000
Total current liabilities		22,623,000
Office lease payable, less current portion		2,079,000
Finance lease payable, less current portion		172,000
Total liabilities		24,874,000
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; 16,029,478 and 15,996,658 shares issued and outstanding at December 31, 2022 and June 30, 2022, respectively		16,000
Additional paid-in capital		96,036,000
Accumulated deficit		(85,634,000)
Total stockholders' equity		10,418,000
Total liabilities and stockholders' equity	\$	35,292,000

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 December 31,		
	2022	2021	
Revenues	\$ 17,158,000	\$ 7,690,000	\$
Cost of sales	13,050,000	6,648,000	
Gross profit	4,108,000	1,042,000	
Operating expenses:			
Selling and administrative	4,250,000	4,000,000	
Research and development	1,162,000	2,088,000	
Total operating expenses	5,412,000	6,088,000	
Operating loss	(1,304,000)	(5,046,000)	
Other income	8,000	-	
Interest expense	(385,000)	(31,000)	
Net loss	\$ (1,681,000)	\$ (5,077,000)	\$
Net loss per share - basic and diluted	\$ (0.10)	\$ (0.32)	\$
Weighted average number of common shares outstanding - basic and diluted	16,020,183	15,987,502	

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

26. The financial figures provided in ¶ 25 were materially false and misleading because, among other things, the Company overstated its inventory, gross profit, current assets, and total assets, and understated cost of sales and net loss.

27. On May 11, 2023, Flux Power filed with the SEC its quarterly report on Form 10-Q for the period ended March 31, 2023 (the "3Q23 Report"). Attached to the 2Q23 Report were certifications pursuant to SOX signed by Defendants Dutt and Scheiwe attesting to the accuracy

1 of financial reporting, the disclosure of any material changes to the Company's internal control
2 over financial reporting and the disclosure of all fraud.

3 28. The 3Q23 Report stated the following regarding the Company's internal controls:
4 Under the supervision and with the participation of our management, including our
5 principal executive officer and principal financial officer, as of the end of the period
6 covered by this report, we conducted an evaluation of the effectiveness of the design and
7 operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and
8 15d-15(e) under the Securities Act of 1934. Our disclosure controls and procedures are
9 designed to provide reasonable assurance that the information required to be included in
10 our SEC reports is recorded, processed, summarized and reported within the time periods
11 specified in SEC rules and forms, relating to the Company, including our consolidated
12 subsidiaries, and was made known to them by others within those entities, particularly
13 during the period when this report was being prepared. ***Based upon that evaluation, our
14 Chief Executive Officer and Chief Financial Officer have concluded that our
15 disclosure controls and procedures were effective as of March 31, 2023.***

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

As described in the Company's 10-K for the fiscal year ended June 30, 2022,
management assessed the effectiveness of the Company's internal control over financial
reporting and based on such assessment, management concluded that as of June 30, 2022,
our internal control over financial reporting was not effective due to material weakness
related to ineffective oversight of the Company's internal control over financial reporting
and lack of sufficient review and approval of the underlying data used in the calculation
of warranty reserve. ***We believe we have remediated the material weaknesses. We plan
to continue to assess our internal controls and control procedures and intend to take
further action as necessary or appropriate to address any other matters we identify or
are brought to our attention.***

(Emphasis added).

1 29. The statement in ¶ 28 was materially false and misleading at the time it was made
 2 because the Company had inadequate internal controls and had not remediated all issues with its
 3 internal controls.

4 30. The 3Q23 Report provided the following, in pertinent part, regarding the
 5 Company's financials:

FLUX POWER HOLDINGS, INC. CONDENSED CONSOLIDATED BALANCE SHEETS		March 31, 2023 (Unaudited)
ASSETS		
Current assets:		
Cash	\$	790,000
Accounts receivable		9,853,000
Inventories, net		20,959,000
Other current assets		775,000
Total current assets		32,377,000
Right of use assets		3,035,000
Property, plant and equipment, net		1,724,000
Other assets		119,000
Total assets	\$	37,255,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$	10,827,000
Accrued expenses		2,604,000
Line of credit		10,491,000
Deferred revenue		-
Customer deposits		135,000
Finance lease payable, current portion		140,000
Office lease payable, current portion		616,000
Accrued interest		3,000
Total current liabilities		24,816,000
Office lease payable, less current portion		2,223,000
Finance lease payable, less current portion		311,000
Total liabilities		27,350,000
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; 16,156,432 and 15,996,658 shares issued and outstanding at March 31, 2023 and June 30, 2022, respectively		16,000
Additional paid-in capital		96,968,000
Accumulated deficit		(87,079,000)
Total stockholders' equity		9,905,000
Total liabilities and stockholders' equity	\$	37,255,000

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,		
	2023	2022	—
Revenues	\$ 15,087,000	\$ 13,177,000	\$ —
Cost of sales	10,368,000	11,257,000	—
Gross profit	4,719,000	1,920,000	—
Operating expenses:			
Selling and administrative	4,724,000	3,904,000	—
Research and development	1,182,000	1,713,000	—
Total operating expenses	5,906,000	5,617,000	—
Operating loss	(1,187,000)	(3,697,000)	—
Other income	-	-	-
Interest expense	(258,000)	(52,000)	-
Net loss	\$ (1,445,000)	\$ (3,749,000)	\$ —
Net loss per share - basic and diluted	\$ (0.09)	\$ (0.23)	\$ —
Weighted average number of common shares outstanding - basic and diluted	16,048,054	15,988,926	—

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

1 31. The financial figures provided in ¶ 30 were materially false and misleading
2 because, among other things, the Company overstated its inventory, gross profit, current assets,
3 and total assets, and understated cost of sales and net loss.

4 32. On September 21, 2023, Flux Power filed with the SEC its annual report on Form
5 10-K for the fiscal year ended June 30, 2023 (the “2023 Annual Report”). Attached to the 2023
6 Annual Report were certifications pursuant to SOX signed by Defendants Dutt and Scheiwe
7 attesting to the accuracy of financial reporting, the disclosure of any material changes to the
8 Company’s internal control over financial reporting and the disclosure of all fraud.

9 33. The 2023 Annual Report contained the following statement regarding the
10 Company’s internal controls:

11 Under the supervision and with the participation of our management, including our
12 principal executive officer and principal financial officer, as of the end of the period
13 covered by this report, we conducted an evaluation of the effectiveness of the design and
14 operation of our disclosure controls and procedures, as defined in Rules 13a-15(f) and
15 15d-15(f) under the Securities Act of 1934. Our disclosure controls and procedures are
16 designed to provide reasonable assurance that the information required to be included in
17 our SEC reports is recorded, processed, summarized and reported within the time periods
18 specified in SEC rules and forms, relating to the Company, including our consolidated
19 subsidiaries, and was made known to them by others within those entities, particularly
20 during the period when this report was being prepared. ***Based upon that evaluation, our
21 Chief Executive Officer and Chief Financial Officer have concluded that our
22 disclosure controls and procedures were not effective as of June 30, 2023 because of
23 the material weakness identified in our internal controls over financial reporting.***

19 (Emphasis added).

20 34. The 2023 Annual Report included a management report on internal control over
21 financial reporting, giving greater detail to the internal control weakness described in ¶ 33. It
22 stated the following:

23 Management of the Company is responsible for establishing and maintaining adequate
24 internal control over financial reporting. The Company’s internal control over financial
25 reporting is a process designed under the supervision of the Company’s principal
26 executive officer and principal financial officer to provide reasonable assurance
27 regarding the reliability of financial reporting and the preparation of the Company’s
28 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

1 preparation and presentation. Additionally, projections of any evaluation of effectiveness
2 to future periods are subject to the risk that controls may become inadequate because of
3 changes in conditions, or that the degree of compliance with the policies or procedures
4 may deteriorate.

5 Under the supervision of management, including our Chief Executive Officer and our
6 Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal
7 control over financial reporting based on the framework in Internal Control - Integrated
8 Framework issued by the Committee of Sponsoring Organizations of the Treadway
9 Commission (2013 framework) and subsequent guidance prepared by the Commission
10 specifically for smaller public companies as of June 30, 2023. **Based on that evaluation,**
11 **our management concluded that our internal control over financial reporting was not**
12 **effective as of June 30, 2023 due to an identified material weakness as a result of not**
13 **having sufficient personnel resources with technical accounting expertise related to**
14 **certain aspects of the financial reporting process.** Until such time as we could have
15 additional resources with such level of technical accounting expertise, management
16 intends to implement measures designed to improve our internal control over financial
17 reporting to remediate material weaknesses, including the use of third-party consultants
18 and accounting experts.

19 This Annual Report on Form 10-K does not include an attestation report of the
20 Company's independent registered public accounting firm regarding the effectiveness of
21 the Company's internal control over financial reporting, as such report is not required
22 due to the Company's status as a smaller reporting company.

23 (Emphasis added).

24 35. The statement in ¶ 34 was materially false and misleading at the time it was made
25 because the Company understated its issues with its internal controls.

26 36. The 2023 Annual Report provided the following, in pertinent part, regarding the
27 Company's financials:
28

FLUX POWER HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

		June 30, 2023
ASSETS		
Current assets:		
Cash	\$	2,379,000
Accounts receivable		8,649,000
Inventories, net		18,996,000
Other current assets		918,000
Total current assets		30,942,000
Right of use asset		2,854,000
Property, plant and equipment, net		1,789,000
Other assets		120,000
Total assets	\$	35,705,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$	9,735,000
Accrued expenses		3,181,000
Revolving line of credit		9,912,000
Deferred revenue		131,000
Customer deposits		82,000
Finance lease payable, current portion		143,000
Office lease payable, current portion		644,000
Accrued interest		2,000
Total current liabilities		23,830,000
Long term liabilities:		
Finance lease payable, less current portion		273,000
Office lease payable, less current portion		2,055,000
Total liabilities		26,158,000
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; 16,462,215 and 15,996,658 shares issued and outstanding at June 30, 2023 and June 30, 2022, respectively		16,000
Additional paid-in capital		98,086,000
Accumulated deficit		(88,555,000)
Total stockholders' equity		9,547,000
Total liabilities and stockholders' equity	\$	35,705,000

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

FLUX POWER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended June 30,	
	2023	
Revenues	\$	66,337,000
Cost of sales		49,237,000
Gross profit		17,100,000
Operating expenses:		
Selling and administrative		17,620,000
Research and development		4,890,000
Total operating expenses		22,510,000
Operating loss		(5,410,000)
Other income (expense):		
Other income		8,000
Interest expense		(1,339,000)
Net loss	\$	(6,741,000)
Net loss per share - basic and diluted	\$	(0.42)
Weighted average number of common shares outstanding - basic and diluted		16,055,256

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

F-3

37. The financial figures provided in ¶ 36 were materially false and misleading because, among other things, the Company overstated its inventory, gross profit, current assets, and total assets, and understated cost of sales and net loss.

38. On November 9, 2023, Flux Power filed with the SEC its quarterly report on Form 10-Q for the period ended September 30, 2023 (the "1Q24 Report"). Attached to the 1Q24 Report were certifications pursuant to SOX signed by Defendants Dutt and Scheiwe attesting to the

1 accuracy of financial reporting, the disclosure of any material changes to the Company's internal
2 control over financial reporting and the disclosure of all fraud.

3 39. The 1Q24 Report contained the following statement regarding the Company's
4 internal controls:

5 Under the supervision of management, including our Chief Executive Officer and our
6 Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal
7 control over financial reporting based on the framework in Internal Control - Integrated
8 Framework issued by the Committee of Sponsoring Organizations of the Treadway
9 Commission (2013 framework) and subsequent guidance prepared by the Commission
10 specifically for smaller public companies as of September 30, 2023. ***Based on that
11 evaluation, our management concluded that our internal control over financial
12 reporting was not effective as of September 30, 2023 due to an identified material
13 weakness as a result of not having sufficient personnel resources with technical
14 accounting expertise related to certain aspects of the financial reporting process.***
15 Management intends to implement measures designed to improve our internal control
16 over financial reporting to remediate material weaknesses, including the use of third-
17 party consultants and accounting experts.

18 Management of the Company is responsible for establishing and maintaining adequate
19 internal control over financial reporting. The Company's internal control over financial
20 reporting is a process designed under the supervision of the Company's principal
21 executive officer and principal financial officer to provide reasonable assurance
22 regarding the reliability of financial reporting and the preparation of the Company's
23 financial statements for external purposes in accordance with generally accepted
24 accounting principles. Because of its inherent limitations, internal control over financial
25 reporting may not prevent or detect misstatements. All internal control systems, no matter
26 how well designed, have inherent limitations. Therefore, even those systems determined
27 to be effective can provide only reasonable assurances with respect to financial statement
28 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.

***As described in the Company's 10-K for the fiscal year ended June 30, 2023,
management assessed the effectiveness of the Company's internal control over
financial reporting and based on such assessment, management concluded that as of
June 30, 2023, our internal control over financial reporting was not effective due to an
identified material weakness as a result of not having sufficient personnel resources
with technical accounting expertise related to certain aspects of the financial reporting
process.*** We plan to continue to assess our internal controls and control procedures and
intend to take further action as necessary or appropriate to address any other matters we
identify or are brought to our attention.

1 (Emphasis added).

2 40. The statement in ¶ 39 was materially false and misleading at the time it was made
3 because the Company understated its issues with its internal controls.

4 41. The 1Q24 Report provided the following, in pertinent part, regarding the
5 Company's financials:

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

FLUX POWER HOLDINGS, INC. CONDENSED CONSOLIDATED BALANCE SHEETS	
	September 30, 2023 (Unaudited)
ASSETS	
Current assets:	
Cash	\$ 1,139,000
Accounts receivable	10,699,000
Inventories, net	19,495,000
Other current assets	1,053,000
Total current assets	32,386,000
Right of use assets	2,670,000
Property, plant and equipment, net	1,747,000
Other assets	119,000
Total assets	\$ 36,922,000
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$ 10,065,000
Accrued expenses	3,782,000
Line of credit	11,986,000
Deferred revenue	336,000
Customer deposits	17,000
Finance lease payable, current portion	147,000
Office lease payable, current portion	667,000
Accrued interest	102,000
Total current liabilities	27,102,000
Office lease payable, less current portion	1,880,000
Finance lease payable, less current portion	229,000
Total liabilities	29,211,000
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; 16,478,237 and 16,462,215 shares issued and outstanding at September 30, 2023 and June 30, 2023, respectively	16,000
Additional paid-in-capital	98,362,000
Accumulated deficit	(90,667,000)
Total stockholders' equity	7,711,000
Total liabilities and stockholders' equity	\$ 36,922,000

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 End
	2023
Revenues	\$ 14,797,000
Cost of sales	10,486,000
Gross profit	4,311,000
Operating expenses:	
Selling and administrative	4,725,000
Research and development	1,295,000
Total operating expenses	6,020,000
Operating loss	(1,709,000)
Interest income (expense), net	(403,000)
Net loss	\$ (2,112,000)
Net loss per share - basic and diluted	\$ (0.13)
Weighted average number of common shares outstanding - basic and diluted	16,474,754

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

42. The financial figures provided in ¶ 41 were materially false and misleading because, among other things, the Company overstated its inventory, gross profit, current assets, and total assets, and understated cost of sales and net loss.

43. On February 8, 2024, Flux Power filed with the SEC its quarterly report on Form 10-Q for the period ended December 31, 2023 (the “2Q24 Report”). Attached to the 2Q24 Report were certifications pursuant to SOX signed by Defendants Dutt and Scheiwe attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal control over financial reporting and the disclosure of all fraud.

44. The 2Q24 Report contained the following statement regarding the Company’s internal controls:

Under the supervision of management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and subsequent guidance prepared by the Commission specifically for smaller public companies as of December 31, 2023. ***Based on that evaluation, our management concluded that our internal control over financial reporting was not effective as of December 31, 2023 due to an identified material weakness as a result of not having sufficient personnel resources with technical accounting expertise related to certain aspects of the financial reporting process.*** Management intends to implement measures designed to improve our internal control over financial reporting to remediate material weaknesses, including the use of third-party consultants and accounting experts.

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

1 regarding the reliability of financial reporting and the preparation of the Company's
2 financial statements for external purposes in accordance with generally accepted
3 accounting principles. Because of its inherent limitations, internal control over financial
4 reporting may not prevent or detect misstatements. All internal control systems, no matter
5 how well designed, have inherent limitations. Therefore, even those systems determined
6 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.

7 As described in the Company's 10-K for the fiscal year ended June 30, 2023,
8 management assessed the effectiveness of the Company's internal control over financial
9 reporting and based on such assessment, management concluded that as of June 30, 2023,
10 our internal control over financial reporting was not effective due to an identified material
11 weakness as a result of not having sufficient personnel resources with technical
12 accounting expertise related to certain aspects of the financial reporting process. We plan
to continue to assess our internal controls and control procedures and intend to take
further action as necessary or appropriate to address any other matters we identify or are
brought to our attention.

13 (Emphasis added).

14 45. The statement in ¶ 44 was materially false and misleading at the time it was made
15 because the Company understated its issues with its internal controls.

16 46. The 2Q24 Report provided the following, in pertinent part, regarding the
17 Company's financials:

FLUX POWER HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2023
	(Unaudited)
ASSETS	
Current assets:	
Cash	\$ 1,584,000
Accounts receivable	12,579,000
Inventories, net	18,283,000
Other current assets	942,000
Total current assets	33,388,000
Right of use assets	2,482,000
Property, plant and equipment, net	1,680,000
Other assets	119,000
Total assets	\$ 37,669,000
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$ 10,021,000
Accrued expenses	3,290,000
Line of credit	13,575,000
Deferred revenue	310,000
Customer deposits	232,000
Finance lease payable, current portion	150,000
Office lease payable, current portion	689,000
Accrued interest	130,000
Total current liabilities	28,397,000
Office lease payable, less current portion	1,698,000
Finance lease payable, less current portion	191,000
Total liabilities	30,286,000
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; 16,532,275 and 16,462,215 shares issued and outstanding at December 31, 2023 and June 30, 2023, respectively	17,000
Additional paid-in-capital	98,847,000
Accumulated deficit	(91,481,000)
Total stockholders' equity	7,383,000
Total liabilities and stockholders' equity	\$ 37,669,000

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 December 31,		
	2023	2022	
Revenues	\$ 18,344,000	\$ 17,158,000	\$
Cost of sales	12,676,000	13,050,000	
Gross profit	5,668,000	4,108,000	
Operating expenses:			
Selling and administrative	4,593,000	4,250,000	
Research and development	1,440,000	1,162,000	
Total operating expenses	6,033,000	5,412,000	
Operating loss	(365,000)	(1,304,000)	
Other income	-	8,000	
Interest income (expense), net	(449,000)	(385,000)	
Net loss	\$ (814,000)	\$ (1,681,000)	\$
Net loss per share - basic and diluted	\$ (0.05)	\$ (0.10)	\$
Weighted average number of common shares outstanding - basic and diluted	16,516,700	16,020,183	

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

47. The financial statement provided in ¶ 46 were materially false and misleading because, among other things, the Company overstated its inventory, gross profit, current assets, and total assets, and understated cost of sales and net loss.

48. On May 13, 2024, Flux Power filed with the SEC its quarterly report on Form 10-Q for the period ended March 31, 2024 (the "3Q24 Report"). Attached to the 3Q24 Report was a certification pursuant to SOX signed by Defendant Dutt attesting to the accuracy of financial

1 reporting, the disclosure of any material changes to the Company's internal control over financial
2 reporting and the disclosure of all fraud.

3 49. The 3Q24 Report contained the following statement regarding the Company's
4 internal controls:

5 Under the supervision of management, including our Chief Executive Officer and our
6 Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal
7 control over financial reporting based on the framework in Internal Control - Integrated
8 Framework issued by the Committee of Sponsoring Organizations of the Treadway
9 Commission (2013 framework) and subsequent guidance prepared by the Commission
10 specifically for smaller public companies as of March 31, 2024. ***Based on that
11 evaluation, our management concluded that our internal control over financial
12 reporting was not effective as of March 31, 2024 due to previously identified material
13 weaknesses as a result of not having sufficient personnel resources with technical
14 accounting expertise related to certain aspects of the financial reporting process.***
15 Management engaged a financial consultant during the quarter ended March 31, 2024
16 with extensive technical accounting expertise in order to provide the technical advice
17 needed. Management has also strengthened the Company's financial expertise by
18 recently hiring an experienced chief financial officer in early March 2024. Management
19 believes that such staff and consultant additions have improved our internal control over
20 financial reporting and has moved us towards remediating previously identified material
21 weaknesses.

22 Management of the Company is responsible for establishing and maintaining adequate
23 internal control over financial reporting. The Company's internal control over financial
24 reporting is a process designed under the supervision of the Company's principal
25 executive officer and principal financial officer to provide reasonable assurance
26 regarding the reliability of financial reporting and the preparation of the Company's
27 financial statements for external purposes in accordance with generally accepted
28 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.

As described in the Company's 10-K for the fiscal year ended June 30, 2023,
management assessed the effectiveness of the Company's internal control over financial
reporting and based on such assessment, management concluded that as of June 30, 2023,
our internal control over financial reporting was not effective due to an identified material
weakness as a result of not having sufficient personnel resources with technical
accounting expertise related to certain aspects of the financial reporting process. ***We plan
to continue to assess our internal controls and control procedures and intend to take***

1 *further action as necessary or appropriate to address any other matters we identify or*
2 *are brought to our attention.*

3 (Emphasis added).

4 50. The statement in ¶ 49 was materially false and misleading at the time it was made
5 because the Company understated its issues with its internal controls.

6 51. The 3Q24 Report provided the following, in pertinent part, regarding the
7 Company's financials:

FLUX POWER HOLDINGS, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)		March 31, 2024
ASSETS		
Current assets:		
Cash	\$	1,250,000
Accounts receivable		10,404,000
Inventories, net		20,174,000
Other current assets		840,000
Total current assets		32,668,000
Right of use assets		2,291,000
Property, plant and equipment, net		1,705,000
Other assets		118,000
Total assets	\$	36,782,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$	11,050,000
Accrued expenses		3,645,000
Line of credit		13,645,000
Deferred revenue		343,000
Customer deposits		18,000
Finance lease payable, current portion		153,000
Office lease payable, current portion		712,000
Accrued interest		136,000
Total current liabilities		29,702,000
Office lease payable, less current portion		1,511,000
Finance lease payable, less current portion		153,000
Total liabilities		31,366,000
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; 16,599,683 and 16,462,215 shares issued and outstanding at March 31, 2024 and June 30, 2023, respectively		17,000
Additional paid-in-capital		99,520,000
Accumulated deficit		(94,121,000)
Total stockholders' equity		5,416,000
Total liabilities and stockholders' equity	\$	36,782,000

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,		
	2024	2023	
Revenues	\$ 14,457,000	\$ 15,087,000	-
Cost of sales	10,067,000	10,368,000	-
Gross profit	4,390,000	4,719,000	-
Operating expenses:			
Selling and administrative	5,311,000	4,724,000	
Research and development	1,286,000	1,182,000	
Total operating expenses	6,597,000	5,906,000	
Operating loss	(2,207,000)	(1,187,000)	
Other income			
Interest income (expense), net	(433,000)	(258,000)	
Net loss	\$ (2,640,000)	\$ (1,445,000)	\$
Net loss per share - basic and diluted	\$ (0.16)	\$ (0.09)	\$
Weighted average number of common shares outstanding - basic and diluted	16,538,998	16,048,054	-

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

52. The financial statement provided in ¶ 51 were materially false and misleading because, among other things, the Company overstated its inventory, gross profit, current assets, and total assets, and understated cost of sales and net loss.

53. The statements contained in ¶¶ 18, 20, 23, 25, 28, 30, 34, 36, 39, 41, 44, 46, 49, and 51 were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) Flux Power's financial statements from November 10, 2022 to the present included, among other things, overstated inventory, gross profit current assets, and total assets; (2) Flux understated cost of sales, net loss; (3) as a result, Flux Power would need to restate its previously filed financial statements from November 10, 2022 to the present; (4) Flux Power understated internal control weaknesses or stated that it had adequate internal controls when in fact it did not; and (5) as a result, Defendants' statements about its business, operations, and prospects, were materially false and misleading and/or lacked a reasonable basis at all times.

THE TRUTH BEGINS TO EMERGE

54. On September 5, 2024, after the market closed, Flux Power filed with the SEC a current report on Form 8-K announcing it would need to restate certain of its previous financial statements (the "Restatement Announcement"). The Restatement Announcement disclosed misstatements relating to the Company's inventory, but stated that the Company was assessing

1 whether other financial figures and prior financial statements might need to be restated as well
2 as the Prior Financial Statements (as defined in the Restatement Announcement).

3 55. The Restatement Announcement stated the following:

4 On August 30, 2024, the Board of Directors of Flux Power Holdings, Inc. (the
5 “Company”) including its audit committee members, concluded that the previously
6 issued audited consolidated financial statements *as of and for the fiscal year ended June*
7 *30, 2023 and the unaudited consolidated financial statements as of and for the quarters*
8 *ended September 30, 2023, December 31, 2023, and March 31, 2024 (collectively, the*
9 *“Prior Financial Statements”), which were filed with the Securities and Exchange*
10 *Commission (“SEC”) on September 21, 2023, November 9, 2023, February 8, 2024 and*
11 *May 13, 2024, respectively, should no longer be relied upon because of errors in such*
12 *financial statements relating to the improper accounting for inventory and a*
13 *restatement should be undertaken. During the Company’s preparation of financial*
14 *statements for the year ended June 30, 2024, it became aware that (i) approximately \$1.2*
15 *million of excess and obsolete inventory, primarily as a result of a change in battery*
16 *cells from a new supplier, was not properly reserved or written-off in earlier periods*
17 *resulting in an overstatement of inventory, and (ii) certain loaner service packs were*
18 *improperly accounted for as finished goods inventory as of June 30, 2023 resulting in*
19 *an overstatement of inventory of approximately \$0.5 million. As a result, the Company*
20 *concluded that the errors resulted in (i) an overstatement of inventory, current assets,*
21 *total assets and accumulated deficit on its balance sheet, and (ii) an understatement of*
22 *cost of sales and net loss, and overstatement of gross profit on its statement of*
23 *operations in the Prior Financial Statements. The Company is also evaluating the*
24 *impact that improper accounting for inventory had on other historical financial*
25 *statements for previous quarterly and fiscal periods which also could include the audited*
26 *consolidated financial statements as of and for the years ended June 30, 2022 and 2021,*
27 *as well as the quarterly unaudited consolidated financial statements within the years*
28 *ended June 30, 2022, 2021 and 2020.*

Based upon the foregoing, the Company’s Board of Directors is evaluating the impact
of these matters on previous fiscal years and quarters to determine which financial
statements in addition to the Prior Financial Statements may need to be restated and,
as a part of this evaluation, may include additional revisions and/or adjustments to the
Prior Financial Statements other than inventory that may be identified during the
restatement process. Based on the results of the Board’s evaluation, the Company intends
to file with the SEC one or more amended periodic reports covering the impacted
financial statements as soon as practicable.

Management previously concluded that the Company’s disclosure controls and
procedures and internal control over financial reporting were not effective during the
periods covered by the Prior Financial Statements due to previously identified material
weaknesses resulting from having insufficient personnel resources with technical
accounting expertise related to certain aspects of the financial reporting process. As part
of its ongoing remedial efforts to strengthen controls and procedures, the Company

1 engaged an external financial consultant with extensive technical accounting expertise
2 during the quarter ended March 31, 2024. In addition, in early March of 2024, the
3 Company strengthened its internal financial expertise by hiring a new Chief Financial
4 Officer with over 20 years of experience with publicly traded companies and finance and
accounting and who also served as an auditor for 10 years with Ernst & Young LLP,
where he became a certified public accountant.

5 ***After re-evaluation, the Company's management has concluded that considering the***
6 ***errors described above, this represents an additional material weakness in the***
7 ***Company's disclosure controls and procedures and the Company's internal control***
8 ***over financial reporting.*** To address this material weakness, management plans to
9 continue to devote significant effort and resources to the remediation and improvement
10 of the Company's internal control over financial reporting. While the Company has
11 processes to account for its inventory, under the leadership of the Company's new Chief
12 Financial Officer, the Company intends to strengthen its internal processes and
13 procedures over inventory management and reporting. The Company has begun updating
its processes and controls around inventory obsolescence, the timing of its internal
inventory audits and implementation of other measures. In addition, the Company has
also recently engaged an external financial consultant with extensive technical
accounting expertise to assist with the analysis of prior periods, along with an
independent law firm to conduct an internal review of the events and activities leading to
errors in the financial statements.

14 (Emphasis added).

15
16 56. The Restatement Announcement further disclosed the following:

17 ***In addition, the inventory error discussed above led to non-compliance with certain***
18 ***requirements under the Company's Loan and Security Agreement with Gibraltar***
19 ***Business Capital, LLC, a Delaware limited liability company ("GBC") (the "Loan***
20 ***Agreement").*** The Loan Agreement provides the Company with a revolving credit
21 facility for up to \$16 million. Under the Loan Agreement, upon an occurrence of an event
22 of default, GBC may, at its option, declare its commitments to the Company to be
23 terminated and all obligations to be immediately due and payable, all without demand,
24 notice or further action of any kind required on the part of GBC, and/or exercise other
25 remedies available to it among other things including its rights as a secured party. On
26 August 29, 2024, GBC agreed to waive the Company's non-compliance with, and the
effects of its non-compliance under, various representations, financial covenants and
non-financial covenants relating to the Company's financial statements and inventory
contained in the Loan Agreement arising from the inventory error described under "Item
4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report
or Completed Interim Review" of this Current Report (the "Waiver"). As a result of the
Waiver, the Company expects that its revolving credit facility remains available subject
to meeting certain lending criteria under the Loan Agreement.

27 (Emphasis added).

1 57. On this news, the price of Flux Power common stock fell by \$0.17, or 5.36%, to
2 close at \$3.00 on September 6, 2024. The next trading day, it fell a further \$0.12, or 4%, to close
3 at \$2.88 on September 9, 2024.

4 58. On September 30, 2024, after the market closed, the Company filed with the SEC
5 a notification of late filing on Form 12b-25 (the “Late Filing Notice”). The Late Filing Notice
6 stated the following:

7 The registrant is unable to file its Annual Report on Form 10-K for the fiscal period year
8 ended June 30, 2024 (the “Form 10-K”), within the prescribed time period without
9 unreasonable effort or expense. On September 5, 2024, and as previously disclosed, the
10 Board of Directors, including its audit committee members, concluded that the previously
11 issued audited consolidated financial statements as of and for the fiscal year ended June
12 30, 2023 and the unaudited consolidated financial statements as of and for the quarters
13 ended September 30, 2023, December 31, 2023, and March 31, 2024 (collectively, the
14 “Prior Financial Statements”), which were filed with the Securities and Exchange
15 Commission (“SEC”) on September 21, 2023, November 9, 2023, February 8, 2024 and
16 May 13, 2024, respectively, should no longer be relied upon because of errors in such
17 financial statements relating to the improper accounting for inventory and a restatement
18 should be undertaken.

19 * * *

20 The registrant is also evaluating the impact that improper accounting for inventory had
21 on other historical consolidated financial statements for previous quarterly and fiscal
22 periods which also could include the audited consolidated financial statements as of and
23 for the years ended June 30, 2022 and 2021, as well as the quarterly unaudited
24 consolidated financial statements within the years ended June 30, 2022, 2021 and 2020.

25 Based upon the foregoing, the registrant’s Board of Directors is evaluating the impact of
26 these matters on previous fiscal years and quarters to determine which financial
27 statements in addition to the Prior Financial Statements may need to be restated and, as
28 a part of this evaluation, may include additional revisions and/or adjustments to the Prior
Financial Statements other than inventory that may be identified during the restatement
process.

The registrant has commenced the restatement process. The registrant currently intends
to present the restatement in its Form 10-K. However, in light of restatement of Prior
Financial Statements and the filing due date for the Form 10-K, the registrant requires
additional time to prepare and review the consolidated financial statements for the Form
10-K. The registrant is currently unable to estimate the timing for the filing of the Form
10-K but hopes to file the Form 10-K before the next quarterly report on Form 10-Q is
due, or as soon as practicable.

59. On this news, the price of Flux Power common stock fell by \$0.18 per share, or
5.9%, to close at \$2.86 on October 1, 2024.

- 1 • whether Defendants' public statements to the investing public during the Class
- 2 Period omitted material facts necessary to make the statements made, in light of the
- 3 circumstances under which they were made, not misleading;
- 4 • whether the Defendants caused the Company to issue false and misleading filings
- 5 during the Class Period;
- 6 • whether Defendants acted knowingly or recklessly in issuing false filings;
- 7 • whether the prices of the Company securities during the Class Period were
- 8 artificially inflated because of the Defendants' conduct complained of herein; and
- 9 • whether the members of the Class have sustained damages and, if so, what is the
- 10 proper measure of damages.

11 66. A class action is superior to all other available methods for the fair and efficient
12 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as
13 the damages suffered by individual Class members may be relatively small, the expense and
14 burden of individual litigation make it impossible for members of the Class to individually
15 redress the wrongs done to them. There will be no difficulty in the management of this action as
16 a class action.

17 67. Plaintiff will rely, in part, upon the presumption of reliance established by the
18 fraud-on-the-market doctrine in that:

- 19 • the Company's shares met the requirements for listing, and were listed and actively
- 20 traded on NASDAQ, an efficient market;
- 21 • as a public issuer, the Company filed periodic public reports;
- 22 • the Company regularly communicated with public investors via established market
- 23 communication mechanisms, including through the regular dissemination of press
- 24 releases via major newswire services and through other wide-ranging public disclosures,
- 25 such as communications with the financial press and other similar reporting services;
- 26 • the Company's securities were liquid and traded with moderate to heavy volume
- 27 during the Class Period; and
- 28

- 1 • engaged in acts, practices and a course of business that operated as a fraud or deceit
2 upon plaintiff and others similarly situated in connection with their purchases of the
3 Company's securities during the Class Period.

4 74. Defendants acted with scienter in that they knew that the public documents and
5 statements issued or disseminated in the name of the Company were materially false and
6 misleading; knew that such statements or documents would be issued or disseminated to the
7 investing public; and knowingly and substantially participated, or acquiesced in the issuance or
8 dissemination of such statements or documents as primary violations of the securities laws.
9 These defendants by virtue of their receipt of information reflecting the true facts of the
10 Company, their control over, and/or receipt and/or modification of the Company's allegedly
11 materially misleading statements, and/or their associations with the Company which made them
12 privy to confidential proprietary information concerning the Company, participated in the
13 fraudulent scheme alleged herein.

14 75. Individual Defendants, who are the senior officers of the Company, had actual
15 knowledge of the material omissions and/or the falsity of the material statements set forth above,
16 and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted
17 with reckless disregard for the truth when they failed to ascertain and disclose the true facts in
18 the statements made by them or any other of the Company's personnel to members of the
19 investing public, including Plaintiff and the Class.

20 76. As a result of the foregoing, the market price of the Company's securities was
21 artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements,
22 Plaintiff and the other members of the Class relied on the statements described above and/or the
23 integrity of the market price of the Company's securities during the Class Period in purchasing
24 the Company's securities at prices that were artificially inflated as a result of Defendants' false
25 and misleading statements.

26 77. Had Plaintiff and the other members of the Class been aware that the market price
27 of the Company's securities had been artificially and falsely inflated by Defendants' misleading
28

1 statements and by the material adverse information which Defendants did not disclose, they
2 would not have purchased the Company's securities at the artificially inflated prices that they
3 did, or at all.

4 78. As a result of the wrongful conduct alleged herein, Plaintiff and other members
5 of the Class have suffered damages in an amount to be established at trial.

6 79. By reason of the foregoing, Defendants have violated Section 10(b) of the 1934
7 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members
8 of the Class for substantial damages which they suffered in connection with their purchase of the
9 Company's securities during the Class Period.

10 **COUNT II**

11 **Violations of Section 20(a) of the Exchange Act**

12 **Against the Individual Defendants**

13 80. Plaintiff repeats and realleges each and every allegation contained in the
14 foregoing paragraphs as if fully set forth herein.

15 81. During the Class Period, the Individual Defendants participated in the operation
16 and management of the Company, and conducted and participated, directly and indirectly, in the
17 conduct of the Company's business affairs. Because of their senior positions, they knew the
18 adverse non-public information about the Company's false financial statements.

19 82. As officers of a publicly owned company, the Individual Defendants had a duty
20 to disseminate accurate and truthful information with respect to the Company's' financial
21 condition and results of operations, and to correct promptly any public statements issued by the
22 Company which had become materially false or misleading.

23 83. Because of their positions of control and authority as senior officers, the
24 Individual Defendants were able to, and did, control the contents of the various reports, press
25 releases and public filings which the Company disseminated in the marketplace during the Class
26 Period concerning the Company's results of operations. Throughout the Class Period, the
27 Individual Defendants exercised their power and authority to cause the Company to engage in
28 the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling

1 persons” of the Company within the meaning of Section 20(a) of the Exchange Act. In this
2 capacity, they participated in the unlawful conduct alleged which artificially inflated the market
3 price of the Company’s securities.

4 84. By reason of the above conduct, the Individual Defendants are liable pursuant to
5 Section 20(a) of the Exchange Act for the violations committed by the Company.

6 **PRAYER FOR RELIEF**

7 **WHEREFORE**, Plaintiff, on behalf of herself and the Class, prays for judgment and relief
8 as follows:

9 (a) declaring this action to be a proper class action, designating Plaintiff as Lead
10 Plaintiff and certifying Plaintiff as a class representative under Rule 23 of the Federal Rules of
11 Civil Procedure and designating Plaintiff’s counsel as Lead Counsel;

12 (b) awarding damages in favor of Plaintiff and the other Class members against all
13 Defendants, jointly and severally, together with interest thereon;

14 (c) awarding Plaintiff and the Class reasonable costs and expenses incurred in this
15 action, including counsel fees and expert fees; and

16 (d) awarding Plaintiff and other members of the Class such other and further relief as
17 the Court may deem just and proper.

18 **JURY TRIAL DEMANDED**

19 Plaintiff hereby demands a trial by jury.

20
21 Dated:

THE ROSEN LAW FIRM, P.A.

Phillip Kim, Esq.

Laurence M. Rosen, Esq.

275 Madison Avenue, 40th Floor

New York, New York 10016

Telephone: (212) 686-1060

Fax: (212) 202-3827

Email: philkim@rosenlegal.com

Email: lrosen@rosenlegal.com

Counsel for Plaintiff