

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38561

**HyreCar Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

47-2480487

(I.R.S. Employer Identification No.)

915 Wilshire Blvd, Suite 1950 Los Angeles, CA

(Address of principal executive offices)

90017

(Zip Code)

(888) 688-6769

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class

Common Stock, par value \$0.00001 per share

Trading Symbol(s)

HYRE

Name of each exchange on which registered

The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of August 12, 2022, the registrant had 21,973,648 shares of common stock, \$0.00001 par value per share, issued and outstanding.

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## NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by such forward-looking terminology as "may," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. Our forward-looking statements are based on a series of expectations, assumptions, estimates and projections about our company, are not guarantees of future results or performance and involve substantial risks and uncertainty. We may not actually achieve the plans, intentions or expectations disclosed in these forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in these forward-looking statements. Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including the risks and uncertainties inherent in our statements regarding:

- the impacts of COVID-19, or other future pandemics on our business, results of operations, financial position and cash flows;
- our ability to effectively manage our growth and maintain and improve our corporate culture;
- the potential benefits of and our ability to maintain, our relationships with ridesharing companies, and to establish or maintain future collaborations or strategic relationships, and from time to time to obtain additional funding;
- our marketing capabilities and strategy;
- our ability to maintain a cost-effective insurance program;
- our industry being in the early stages of growth;
- our history of operating losses, and the accuracy of our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our investments in new and enhanced products and offerings, and the effect of these investments on our results of operations;
- our ability to retain the continued service of our key professionals and to identify, hire and retain additional qualified professionals;
- our competitive position, and developments and projections relating to our competitors and our industry;
- our ability to manage risks related to technology systems and security breaches;
- the outcome of pending, threatened or future litigation;
- our ability to comply with existing, modified, or new laws and regulations applying to our business;
- those factors discussed in "Part I, Item IA. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021.

All of our forward-looking statements are as of the date of this Quarterly Report on Form 10-Q only. In each case, actual results may differ materially from such forward-looking information. We can give no assurance that such expectations or forward-looking statements will prove to be correct. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors, including those described in the section titled "Risk Factors" in our Annual Report on Form 10-K, and elsewhere in this Quarterly Report on Form 10-Q. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in our Annual Report on Form 10-K for the year ended December 31, 2021 or this Quarterly Report on Form 10-Q or included in our other public disclosures or our other periodic reports or other documents or filings filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC") could materially and adversely affect our business, prospects, financial condition and results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. Except as required by law, we do not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections or other circumstances affecting such forward-looking statements occurring after the date of this Quarterly Report on Form 10-Q, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. Any public statements or disclosures by us following this Quarterly Report on Form 10-Q that modify or impact any of the forward-looking statements contained in this Quarterly Report on Form 10-Q will be deemed to modify or supersede such statements in this Quarterly Report on Form 10-Q.

This Quarterly Report on Form 10-Q may include market data and certain industry data and forecasts, which we may obtain from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications, articles and surveys. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. While we believe that such studies and publications are reliable, we have not independently verified market and industry data from third-party sources.

### References to HyreCar

Throughout this Quarterly Report on Form 10-Q, the "Company," "HyreCar," "we," "us," and "our" refers to HyreCar Inc. and "our Board of Directors" refers to the Board of Directors of HyreCar Inc.

## PART I - FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements

**HYRECAR INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	June 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,573,595	\$ 11,499,136
Restricted cash	3,111,107	3,248,271
Accounts receivable	418,771	162,586
Insurance and security deposits	47,897	95,000
Other current assets	532,014	1,061,520
Total current assets	<u>7,683,384</u>	<u>16,066,513</u>
Property and equipment, net	4,044	5,265
Intangible assets, net	546,152	372,592
Right of use assets	864,413	—
Total assets	<u>\$ 9,097,993</u>	<u>\$ 16,444,370</u>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current liabilities:		
Accounts payable	\$ 4,350,234	\$ 5,567,233
Accrued liabilities	3,536,145	2,877,438
Insurance reserve	2,270,553	2,330,190
Right of use liabilities (current)	245,736	—
Deferred revenue	52,305	52,192
Total current liabilities	<u>10,454,973</u>	<u>10,827,053</u>
Right of use liabilities	635,305	—
Total liabilities	<u>11,090,278</u>	<u>10,827,053</u>
Commitments and contingencies (Note 3)	—	—
Stockholders' equity (deficit):		
Preferred stock, 15,000,000 shares authorized, par value \$0.00001, 0 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	—	—
Common stock, 50,000,000 shares authorized, par value \$0.00001, 21,843,648 and 21,609,409 issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	218	216
Additional paid-in capital	77,903,739	75,806,853
Accumulated deficit	<u>(79,896,242)</u>	<u>(70,189,752)</u>
Total stockholders' equity (deficit)	<u>(1,992,285)</u>	<u>5,617,317</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 9,097,993</u>	<u>\$ 16,444,370</u>

See accompanying notes to the unaudited consolidated financial statements

**HYRECAR INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net Revenue	\$ 10,508,180	\$ 9,057,866	\$ 20,058,772	\$ 16,506,266
Cost of revenue	6,795,721	8,253,164	13,399,342	12,969,314
Gross profit	3,712,459	804,702	6,659,430	3,536,952
Operating Expenses:				
General and administrative	4,885,825	6,090,899	9,432,175	11,795,352
Sales and marketing	1,843,751	2,875,084	4,071,207	5,582,275
Research and development	1,367,761	1,173,248	2,871,571	2,699,966
Total operating expenses	8,097,337	10,139,231	16,374,953	20,077,593
Operating loss	(4,384,878)	(9,334,529)	(9,715,523)	(16,540,641)
Other (income) expense				
Interest expense	—	3,893	288	5,799
Other income	(6,671)	(4,062)	(10,121)	(5,545)
Total other (income) expense	(6,671)	(169)	(9,833)	254
Loss before provision for income taxes	(4,378,207)	(9,334,360)	(9,705,690)	(16,540,895)
Provision for income taxes	800	800	800	800
Net loss	\$ (4,379,007)	\$ (9,335,160)	\$ (9,706,490)	\$ (16,541,695)
Weighted average shares outstanding - basic and diluted	21,792,707	20,521,674	21,770,156	19,881,584
Weighted average net loss per share - basic and diluted	\$ (0.20)	\$ (0.45)	\$ (0.45)	\$ (0.83)

See accompanying notes to the unaudited consolidated financial statements

**HYRECAR INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**  
(Unaudited)

	Common Stock			Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount				
March 31, 2021	20,353,429	\$	203	\$ 71,158,828	\$ (51,442,570)	\$ 19,716,461
Stock option compensation	—	—	—	4,123	—	4,123
Restricted stock unit compensation	—	—	—	1,939,766	—	1,939,766
Stock options exercised	120,372	—	1	114,895	—	114,896
Shares issued for vested restricted stock units	435,845	—	4	(4)	—	—
Warrants exercised - cashless	39,395	—	1	(1)	—	—
Shares issued for services	12,278	—	—	249,980	—	249,980
Net loss	—	—	—	—	(9,335,160)	(9,335,160)
June 30, 2021 (unaudited)	20,961,319	\$	209	\$ 73,467,587	\$ (60,777,730)	\$ 12,690,066
March 31, 2022	21,761,283	\$	218	\$ 76,986,139	\$ (75,517,235)	\$ 1,469,122
Shares issued for vested restricted stock units	82,365	—	—	917,600	—	917,600
Net loss	—	—	—	—	(4,379,007)	(4,379,007)
June 30, 2022 (unaudited)	21,843,648	\$	218	\$ 77,903,739	\$ (79,896,242)	\$ (1,992,285)

	Common Stock			Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount				
December 31, 2020	17,741,713	\$	177	\$ 39,725,445	\$ (44,236,035)	\$ (4,510,413)
Stock option compensation	—	—	—	10,770	—	10,770
Restricted stock unit compensation	—	—	—	5,700,793	—	5,700,793
Stock options exercised	120,372	—	1	114,895	—	114,896
Shares issued for vested restricted stock units	435,845	—	4	(4)	—	—
Warrants exercised for cash	20,232	—	1	64,539	—	64,540
Warrants exercised - cashless	100,879	—	1	(1)	—	—
Common stock issued for cash	2,530,000	—	25	29,727,475	—	29,727,500
Offering costs	—	—	—	(2,126,305)	—	(2,126,305)
Shares issued for services	12,278	—	—	249,980	—	249,980
Net loss	—	—	—	—	(16,541,695)	(16,541,695)
June 30, 2021 (unaudited)	20,961,319	\$	209	\$ 73,467,587	\$ (60,777,730)	\$ 12,690,066
December 31, 2021	21,609,409	\$	216	\$ 75,806,853	\$ (70,189,752)	\$ 5,617,317
Restricted stock unit compensation	—	—	—	2,096,888	—	2,096,888
Shares issued for vested restricted stock units	234,239	—	2	(2)	—	—
Net loss	—	—	—	—	(9,706,490)	(9,706,490)
June 30, 2022 (unaudited)	21,843,648	\$	218	\$ 77,903,739	\$ (79,896,242)	\$ (1,992,285)

See accompanying notes to the unaudited consolidated financial statements

**HYRECAR INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (9,706,490)	\$ (16,541,695)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	36,123	38,539
Stock-based compensation	2,121,888	5,961,543
Provision for losses on accounts receivable	—	50,079
Changes in operating assets and liabilities:		
Accounts receivable	(256,185)	(42,328)
Insurance and Security deposits	47,103	654,454
Other current assets	529,506	103,557
Accounts payable	(1,216,999)	838,775
Accrued liabilities	633,707	1,267,927
Insurance reserve	(59,637)	(122,557)
Deferred revenue	113	(12,991)
Right of use assets and liabilities, net	16,628	—
Net cash used in operating activities	<u>(7,854,243)</u>	<u>(7,804,697)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of intangible assets	(208,462)	—
Net cash used in investing activities	<u>(208,462)</u>	<u>—</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from sale of common stock	—	29,727,500
Offering costs associated with public offering	—	(2,126,305)
Proceeds from exercise of stock options	—	114,896
Proceeds from exercise of warrants	—	64,540
Net cash provided by financing activities	<u>—</u>	<u>27,780,631</u>
Increase (decrease) in cash, cash equivalents and restricted cash	(8,062,705)	19,975,934
<b>Cash, cash equivalents and restricted cash</b>		
Cash, cash equivalents and restricted cash - beginning of period	14,747,407	4,923,515
Cash, cash equivalents and restricted cash - end of period	<u>\$ 6,684,702</u>	<u>\$ 24,899,449</u>
<b>Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets</b>		
Cash and cash equivalents	\$ 3,573,595	\$ 24,021,863
Restricted cash	3,111,107	877,586
<b>Total cash, and cash equivalents and restricted cash to the consolidated balance sheets</b>	<u>\$ 6,684,702</u>	<u>\$ 24,899,449</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for:		
Interest expense	\$ —	\$ —
Income taxes	\$ 800	\$ 800
<b>Non-cash investing and financing activities:</b>		
Right of use asset and liability	<u>\$ 997,109</u>	<u>\$ —</u>

See accompanying notes to the unaudited consolidated financial statements

**HYRECAR INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION***Organization and Description of Business*

HyreCar Inc. (which may be referred to herein as “HyreCar,” the “Company,” “we,” “us” or “our”) was incorporated on November 24, 2014 (“Inception”) in the State of Delaware. The Company’s headquarters are located in Los Angeles, California. The Company operates a web-based marketplace that allows car and fleet owners to rent their cars to Uber, Lyft and other gig economy service drivers safely, securely and reliably. The consolidated financial statements of HyreCar Inc. are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

*Strategic Partnership, Automobile Liability Insurance Program, Uber Agreement and At-The-Market Offering*

On January 28, 2021, the Company announced a new and expanded strategic partnership with AmeriDrive Holdings (“AmeriDrive”) intended to create a national network of vehicle supply and fleet maintenance operations. In connection therewith, the Company entered into a Collateral Pledge Agreement (“Agreement”) with Cogent Bank assigning all right, title and interest in a Company deposit account of \$750,000 plus 5% fees to secure a revolving line of credit made by the bank to AmeriDrive. The restricted deposit account was gradually expanded to a \$1,500,000 pledge during the quarter ended September 30, 2021 resulting from a greater revolving line of credit for AmeriDrive under the same terms. Further on November 4, 2021, the Company expanded its partnership with Cogent and AmeriDrive in an effort to help drive additional car supply to the Company’s platform. As part of the agreement, the Company agreed to increase the collateral held by Cogent bank by \$1,500,000 (now \$3,000,000 in total) in exchange for a credit line increase to expand AmeriDrive’s vehicle fleet contributed exclusively to the Company platform. AmeriDrive also leveraged the credit line in the last two quarters for hiring additional key talent/staff and opening locations in preparation for accelerated growth.

On May 20, 2021, the Company renewed its Automobile Liability Insurance Program with Apollo 1969 of Lloyd’s until 2023 at our current rates, providing stable predictable insurance pricing for the next two years. Further, the Company has completed integration with Sedgwick, a leading insurance claim processing partner for many companies in rideshare transportation and food delivery.

On July 26, 2021, the Company entered into a certain Vehicle Rental Strategic Relationship Agreement with Uber Technologies, Inc. to become an official vehicle solution provider on the Uber platform for both electric vehicles and internal combustion engine vehicles. We are currently piloting the vehicle solutions program with Uber and refining the terms of the program as we gather additional performance data.

On November 9, 2021, the Company entered into an Equity Offering Sales Agreement (the “ATM Agreement”), with D.A. Davidson & Co. and Northland Securities, Inc. (collectively, the “Agents”), pursuant to which each Agent acts as the Company’s sales agents with respect to the offer and sale from time to time of common stock having an aggregate gross sales price of up to \$50.0 million in “at-the-market-offerings”, as defined in Rule 415(a)(4) under the Securities Act, and pursuant to a registration statement on Form S-3 (the “Form S-3”) that was previously declared effective by the SEC. Under the Form S-3 based upon our public float at the time we filed our Annual Report on Form 10-K, our public float fell below certain minimum levels and as such, we are subject to, among other requirements applicable to our continuing eligibility to offer and sell securities, the “baby shelf” registration requirements which limits the amounts available under Form S-3, including amounts available under the ATM Agreement.

*Basis of Presentation*

The accompanying unaudited consolidated financial statements have been prepared in accordance with “U.S. GAAP” and include the accounts of the Company. All significant intercompany balances and transactions have been eliminated.

The consolidated balance sheet as of December 31, 2021 included herein was derived from the audited financial statements as of that date. The accompanying unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company’s financial position, results of operations, stockholders’ equity, and cash flows for the periods presented, but are not necessarily indicative of the results of operations to be anticipated for any future annual or interim period. These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2021 and notes thereto that are included in the Company’s Annual Report on Form 10-K.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Management’s Plans*

We have incurred operating losses since inception and historically relied on equity financing for working capital. Throughout the next 12 months, the Company intends to fund its operations through revenue from operations, current cash reserves and through equity/debt financial instruments including the available ATM Agreement. The estimated cash flows combined with opportunities to access capital lead us to believe the Company will have sufficient resources to operate its business. We have included a description of the most recent financing activities in the subsequent events section.

*Use of Estimates*

The preparation of consolidated financial statements and accompanying notes in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amount of revenue and expenses during the reporting period. Actual results could materially differ from these estimates. It is reasonably possible that changes in estimates will occur in the near term. All significant intercompany accounts and transactions are eliminated upon consolidation.



**HYRECAR INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The Company's most significant estimates and judgments involve recognition of revenue and estimates for insurance reserves, and the measurement of the Company's stock-based compensation.

*Fair Value of Financial Instruments*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

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

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of June 30, 2022 and December 31, 2021. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and cash equivalents, accounts payable, and accrued liabilities. Fair values for these items were assumed to approximate carrying values because of their short-term nature or they are payable on demand.

*Cash and Cash Equivalents*

For purpose of the consolidated statement of cash flows, the Company considers institutional money market funds and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

*Restricted Cash*

Restricted cash consist primarily of amounts held in a restricted bank account at Cogent Bank as collateral for the amount pledged by the Company to secure a revolving line of credit made by Cogent Bank to AmeriDrive, as well as escrow accounts held for our insurance claims processing partner to pay out claims in a timely fashion. Amounts held in escrow for insurance claims payments are netted against claims payable and not included within restricted cash.

*Accounts Receivable*

Accounts receivable are reported net of allowance for expected losses. It represents the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are charged to operations in the year in which those differences are determined, with an offsetting entry to a valuation allowance. As of June 30, 2022 and December 31, 2021, the Company has a reserve allowance of \$50,079 and \$50,079, respectively.

**HYRECAR INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

*Insurance Reserve and Insurance Deposits*

The Company records a loss reserve for physical damage and other liability coverage caused to owner vehicles up to the Company's insurance deductibles or relevant limits. This reserve represents an estimate for both reported accidents, claims not yet paid, and claims incurred but not yet reported and are recorded on a non-discounted basis. The lag time in reported claims for physical damage is minimal and as such represents a low risk of unreported claims being excluded from the loss reserve assessment. The adequacy of the reserve is monitored quarterly and is subject to adjustment in the future based upon changes in claims experience, including the number of incidents for which the Company is ultimately responsible and changes in the cost per claim, or changes to the Company's insurance policy which dictates what amounts of a claim will be paid by the Company. Effective March 1, 2021, the Company entered into a two-year claim adjusting agreement with Sedgwick which included an escrow account requirement of \$1,750,000 to be held by Sedgwick for claim payments. This escrow account is replenished by the Company on a quarterly basis or more frequently dependent on the actual claims paid during that quarter. Separate from the escrow account, as of June 30, 2022 and December 31, 2021, \$2,270,553 and \$2,330,190, respectively, were included in the accompanying consolidated balance sheets, related to the estimated loss reserve, where the expense is included in costs of revenue. For financial presentation purposes, the amount of escrow balance at quarter end is netted against claims payable to our TPA.

Effective May 15, 2021, the Company entered into a new policy term for its automobile liability insurance program. As part of this program the Company has paid deposit premiums of \$1,500,000 and \$250,000 for the primary and excess, respectively which will be available to offset premiums due during the final quarter or offset past due premiums during the policy period. In addition, effective June 15, 2021, a separate primary automobile liability policy was placed related only to California operations, which required a \$300,000 deposit premium that was used to pay the premiums and as of quarter end none is available.

While certain liability claims may take several years to completely settle, the Company's liability exposure limit is generally met in the near term. Due to our limited operational history, the Company makes certain assumptions based on both currently available information to estimate the insurance reserves as well as third party claims adjuster data provided on existing claims. A number of factors can affect the actual cost of a claim, including the length of time the claim remains open, economic and healthcare cost trends, venue, and the results of similar litigation. Furthermore, claims may emerge in future periods for events that occurred in a prior period that differs from expectations. Accordingly, actual losses may vary significantly from the estimated amounts reported in the consolidated financial statements. Reserves are reviewed quarterly and adjusted as necessary as experience develops or new information becomes known. However, ultimate results may differ from the Company's estimates, which could result in losses over the Company's reserved amounts. Such adjustments are recorded in costs of revenue.

*Revenue Recognition*

The Company generates the majority of its revenue from its car sharing marketplace platform that connects vehicle owners and drivers and the related insurance issued for each rental. Vehicle owners and drivers agree to terms of service with the Company in order to use the HyreCar platform and enter into a rental contract that governs each rental. In entering into a rental agreement, the driver is charged in a single transaction: the base rental fee as agreed upon between the driver and vehicle owner, a 15% HyreCar fee on the base rental fee, and a daily insurance charge ("Insurance and administrative fees"), all based on the number of days the vehicle is to be rented within the contract. HyreCar retains 15%-30% of the base rental fee by offering physical damage protection plans and remits the remaining portion to the vehicle owner. The 15% fee collected from the driver and 15-30% retained from the owner are considered "Transaction Fees" and recorded on a net basis as described below. The Company recognizes revenue daily during the rental periods as the Company is required to maintain insurance underlying the transaction and as a customary business practice, a driver can return a vehicle early for a refund of the unused rental period. Drivers currently do not have an option to decline insurance at any point during the transaction.

The Company also recognizes revenue from other sources such as referrals, motor vehicle record fees (application fees), late rental fees, and other fees charged to drivers in specific situations.

In applying the guidance of Accounting Standards Codification ("ASC") 606, the Company (i) identifies the contract with the customer, (ii) identifies the performance obligations in the contract, (iii) determines the transaction price, (iv) determines if an allocation of that transaction price is required to the performance obligations in the contract, and (v) recognizes revenue when or as the Company satisfies a performance obligation.

Refunds may occur when the driver returns the owner vehicle early based on the terms of the original contract or cancels the rental prior to completing the exchange. In limited circumstances, the Company provides contingent consideration in the form of a rebate that is redeemable only if the customer completes a specific level of transaction over a specific time period. In such cases, the rebate or refund obligation is recognized as a reduction of revenue. The Company defers revenue in all instances when the earnings process is not yet complete.

The following is a breakout of revenue components by subcategory for the three and six months ended June 30, 2022 and 2021.

	<b>Three Months Ended June 30, 2022</b>	<b>Three Months Ended June 30, 2021</b>	<b>Six Months Ended June 30, 2022</b>	<b>Six Months Ended June 30, 2021</b>
Insurance and administration fees	\$ 5,753,866	\$ 4,659,596	\$ 10,899,137	\$ 8,407,795
Transaction fees	4,404,319	4,148,061	8,448,458	7,564,782
Other fees	480,223	364,059	952,499	695,386
Incentives and rebates	(130,228)	(113,850)	(241,322)	(161,697)
<b>Net revenue</b>	<b>\$ 10,508,180</b>	<b>\$ 9,057,866</b>	<b>\$ 20,058,772</b>	<b>\$ 16,506,266</b>

**HYRECAR INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

*Principal Agent Considerations*

The Company evaluates our service offerings to determine if we are acting as the principal or as an agent, which we consider in determining if revenue should be reported gross or net. One of our primary revenue sources is a transaction fee made from a confirmed booking of a vehicle on our platform. Key indicators that we evaluate to reach this determination include:

- the terms and conditions of our contracts;
- whether we are paid a fixed percentage of the arrangement's consideration or a fixed fee for each transaction;
- the party which sets the pricing with the end-user, has the credit risk and provides customer support; and
- the party responsible for delivery/fulfillment of the product or service to the end consumer.

We have determined we act as the agent in the transaction for vehicle bookings (Transaction Fees), as we are not the primary obligor of the arrangement and receive a fixed percentage of the transaction. Therefore, revenue is recognized on a net basis.

For other fees such as insurance, referrals, and motor vehicle records (application fees) we have determined revenue should be recorded on a gross basis. In such arrangements, the Company sets pricing, has risk of economic loss, has certain credit risk, provides support services related to these transactions, and has decision making ability about service providers used.

*Cost of Revenue*

Cost of revenue primarily include direct fees paid for insurance to cover the vehicle driver and owner, insurance claim payments and estimated liabilities based on the policy in effect at the time of loss, merchant processing fees, technology and hosting costs, and motor vehicle record fees incurred for paid driver applications. General liability insurance that covers corporate risk from activity on our platform is included in general and administrative costs.

*Advertising*

The Company expenses the cost of advertising and marketing as incurred. Advertising and marketing expenses were \$1,250,645 and \$1,735,482 for the six months ended June 30, 2022 and 2021, respectively.

*Research and Development*

We incur research and development costs during the process of researching and developing our technologies and future offerings. Our research and development costs consist primarily of non-capitalized development and maintenance costs. We expense these costs as incurred unless such costs qualify for capitalization under applicable guidance.

*Stock-Based Compensation*

The Company accounts for stock awards issued under ASC 718, Compensation – Stock Compensation. Under ASC 718, stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award. Stock-based compensation is recognized as expense over the employee's requisite vesting period and over the nonemployee's period of providing goods or services. The fair value of each stock option or warrant award is estimated on the date of grant using the Black-Scholes option valuation model. Restricted shares are measured based on the fair market value of the underlying stock on the grant date.

**HYRECAR INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

Stock-based compensation is included in the consolidated statements of operations as follows:

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
General and administrative	\$ 629,921	\$ 1,774,800	\$ 1,275,827	\$ 4,180,236
Sales and marketing	182,657	252,318	582,851	916,781
Research and development	130,022	166,751	263,210	864,526
	<u>\$ 942,600</u>	<u>\$ 2,193,869</u>	<u>\$ 2,121,888</u>	<u>\$ 5,961,543</u>

*Loss per Common Share*

The Company presents basic loss per share ("EPS") and diluted EPS on the face of the consolidated statements of operations. Basic loss per share is computed as net loss divided by the weighted average number of common shares outstanding for the period. For periods in which we incur a net loss, the effects of potentially dilutive securities would be antidilutive and would be excluded from diluted EPS calculations. For the six months ended June 30, 2022 and 2021, there were 680,255 and 737,326 options and warrants excluded, and 924,372 and 763,219 restricted stock units excluded, respectively.

*Concentration of Credit Risk*

The Company maintains its cash with a major financial institution located in the United States of America which it believes to be credit worthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Company maintains balances in excess of the federally insured limits.

*Other Concentrations*

The Company has historically relied on a single insurance broker and one to two underwriters at any given time to provide all automobile insurance on vehicles rentals on the HyreCar platform. There are multiple brokers and carriers who issue this type of insurance coverage, and the Company is regularly reviewing leading insurers in the transportation and mobility sectors as this is an important part of our operations. The Company does not believe the loss of our current broker or underwriters would have a material effect on our operations.

*New Accounting Standards*

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), specifying the accounting for leases, which supersedes the leases requirements in Topic 840, Leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of consolidated financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. Lessors' accounting is largely unchanged from the previous accounting standard. In addition, Topic 842 expands the disclosure requirements of lease arrangements. Lessees and lessors will use a modified retrospective transition approach, which includes several practical expedients. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021 for emerging growth companies, with early adoption permitted. The Company has reviewed and adopted the provisions of the new standard starting January 1, 2022. The standard requires all lease to be reported on a company's balance sheets as assets and liabilities. See Other section of Note 3 - Commitments and Contingencies for breakdown of lease Liability for the term of the lease.

In December 2019, the FASB issued guidance that simplifies the accounting for income taxes by removing certain exceptions in existing guidance and improves consistency in application by clarifying and amending existing guidance. This guidance is effective for annual periods beginning after December 15, 2021, and interim periods within those annual periods, where the transition method varies depending upon the specific amendment. Early adoption is permitted, including adoption in any interim period. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period, and all amendments must be adopted in the same period. The Company has adopted the provisions of the new standard as of January 1, 2022 and it did not have a significant impact on the Company.

**HYRECAR INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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The FASB issues ASUs to amend the authoritative literature in ASC. There have been several ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact our consolidated financial statements.

**NOTE 3 – COMMITMENTS AND CONTINGENCIES***Settlement and Legal*

On August 27, 2021, a putative securities class action complaint captioned *Baron v. HyreCar Inc. et al.*, Case No. 21-cv-06918, was filed in the United States District Court for the Central District of California against the Company; its Chief Executive Officer, Joseph Furnari; and its former Chief Financial Officer, Robert Scott Brogi. This action asserts claims and seeks damages for alleged violations of sections 10(b) and 20(a) of securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The alleged class period is May 14, 2021 to August 10, 2021, inclusive. Pursuant to the Private Securities Litigation Reform Act, on November 19, 2021, the Court appointed Turton Inc. to serve as Lead Plaintiff. Lead Plaintiff then filed an amended complaint (the "First Amended Complaint"). The First Amended Complaint alleged that defendants made material misrepresentations or failed to disclose material facts that, among other things, the Company had materially understated its expenses and insurance reserves in coordination with a third-party adjuster which Lead Plaintiff alleged was conflicted. On December 27, 2021, the Company and the individual defendants moved to dismiss the First Amended Complaint, arguing that Lead Plaintiff failed to adequately plead that any of the Company's public statements were materially false or misleading, or that defendants acted with scienter—meaning defendants either knew those statements were false or were deliberately reckless to their truth or falsity at the time they were made. On February 16, 2022, the Court (Hon. Percy Anderson) granted defendants' motion to dismiss on the basis that Lead Plaintiff failed to adequately plead any of defendants' statements were materially false or misleading. Because the Court ruled that Lead Plaintiff did not sufficiently plead falsity, the Court did not address the additional arguments regarding scienter at the time. The Court permitted Lead Plaintiff leave to amend its complaint. Plaintiff filed its Second Amended Complaint on March 21, 2022. The Second Amended Complaint asserts the same violations of the Exchange Act and Rule 10b-5, again alleging, among other things, HyreCar made materially false or misleading statements related to its first quarter 2021 reserves, and by extension misstated expenses and revenues. On April 4, 2022, the Company and individual defendants moved to dismiss the Second Amended Complaint on the basis that Plaintiff failed to plead sufficient facts that would cure the deficiencies identified in the Court's order on the first motion to dismiss—i.e., that Plaintiff again failed to plead that any statements were materially false or misleading when made—and Plaintiff failed to plead that defendants acted with scienter. On April 21, 2022, the case was transferred to a new judge, and on April 27, 2022, the Court issued a Reassignment Order that, among other things, vacated all hearing dates. The Court has now set the hearing on Defendants' motion to dismiss the Second Amended Complaint for October 20, 2022 and also set a scheduling conference, if necessary, for December 8, 2022. The Company believes that the allegations in this lawsuit are without merit and will continue to vigorously defend against them. The Company's chances of success on the merits are still uncertain and any possible loss or range of loss cannot be reasonably estimated.

*Other*

In November 2021, the Company entered into a lease in Los Angeles, California commencing January 1, 2022, with the ability to occupy the facility in January 2022. The lease term is 48 months from the commencement date. The lease required a deposit of \$25,563. Per the lease agreement, the monthly rate will range from \$23,394 to \$25,563 a month prior to discounts and abatements that may apply. The Company also rents office furniture and incurs ancillary fees for building services and shared expenses. In accordance with ASC 842 mentioned above, the Company recorded a Right to Use asset account and Lease Liability account for \$997,109 as of January 1, 2022 (the present value of the lease payments) and those accounts will be amortized over the 48 month period of the lease agreement. Rent expense for the six months ended June 30, 2022 and 2021 was \$137,450 and \$121,789, respectively.

We connect drivers and vehicle owners in many tax jurisdictions throughout the United States. After the Supreme Court of the United States decision in *South Dakota v. Wayfair Inc. (Wayfair)* in June 2018, states commenced enacting laws that would require certain online sellers to collect sales and use tax despite not having a physical presence in the buyer's state. In response to Wayfair, or otherwise, states or local governments may adopt, or begin to enforce, laws requiring us to calculate, collect, and remit taxes on sales in their jurisdictions. A successful assertion by one or more states requiring us to collect taxes could result in tax liabilities, including taxes on past sales, as well as penalties and interest. Based on our analysis of certain state regulations on peer-to-peer activities, we do not believe risk of loss is probable on historical revenue activities. We continuously monitor state regulations as it relates to peer-to-peer vehicle rental activities and will implement required collection and remittance procedures if and when we believe we would become subject to such regulations.

**HYRECAR INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 4 – DEBT AND LIABILITIES***Accrued Liabilities*

A summary of accrued liabilities as of June 30, 2022 and December 31, 2021 is as follows:

	June 30, 2022	December 31, 2021
Accrued payables	\$ 2,121,066	\$ 1,737,473
Insurance premiums	700,388	333,493
Driver deposit	407,006	336,787
Payroll tax liabilities	230,380	417,493
Other accrued liabilities	77,305	52,192
Accrued liabilities	<u>\$ 3,536,145</u>	<u>\$ 2,877,438</u>

As of June 30, 2022, the accrued payables amounted to \$ 2,121,066, which consists of incurred but not invoiced business expenditures including legal fees, professional services and other operational expenditures. As of June 30, 2022, the payroll tax liabilities amounted to \$230,380, which consists of the employer and employees share of the payroll tax liabilities related to stock options exercised and vested restricted stock units.

**NOTE 5 – STOCKHOLDERS' EQUITY (DEFICIT)***Common Stock*

The Company is authorized to issue 50,000,000 shares of common stock, \$0.00001 par value per share.

*Equity Incentive Plans*

In 2016, the Board of Directors adopted the HyreCar Inc. 2016 Incentive Plan (the "2016 Plan"). The 2016 Plan provides for the grant of equity awards to qualified personnel, including stock options, restricted stock, stock appreciation rights, and restricted stock units to purchase shares of common stock. The 2016 Plan is administered by the Compensation Committee, and expires ten years after adoption, unless terminated earlier by the Board of Directors. The Company does not currently utilize the 2016 Plan for equity award grants.

In 2018, the Board of Directors adopted the HyreCar Inc. 2018 Incentive Plan (the "2018 Plan"). The 2018 Plan provides for the grant of equity awards to acquire shares of common stock. Three million shares of common stock were initially reserved for issuance under the 2018 Plan, with the share reserve number subject to increases that occur starting in 2021. The 2018 Plan is administered by the Compensation Committee, and expires ten years after adoption, unless terminated earlier by the Board.

In 2021, the Board of Directors adopted the HyreCar Inc. 2021 Incentive Plan (the "2021 Plan"). The 2021 Plan provides for the grant of equity awards to acquire shares of common stock. Three million shares of common stock were initially reserved for issuance under the 2021 Plan, with the share reserve number subject to increases that occur starting in 2024. The 2021 Plan is administered by the Compensation Committee, and expires ten years after adoption, unless terminated earlier by the Board.

*Stock Options, Restricted Stock Units and Shares Issued for Services*

No stock options were granted during the six months ended June 30, 2022 and 2021. Stock-based compensation expense for the vesting of stock options for the six months ended June 30, 2022 and 2021 was immaterial. As of June 30, 2022, there is no remaining stock-based compensation expense as all options are fully vested.

**HYRECAR INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

A summary of activity with our restricted stock units ("RSUs") solely with service conditions for the six months ended June 30, 2022 is as follows:

	Number of shares	Weighted average grant date fair value per share
Unvested as of December 31, 2021	769,486	\$ 10.46
Granted	478,000	2.12
Vested	(234,239)	9.53
Forfeited	(88,875)	8.36
Unvested as of June 30, 2022	924,372	\$ 6.55

During the six months ended June 30, 2022, the Company granted 478,000 RSUs to employees, which will vest over four years.

Stock-based compensation related to restricted stock units for the three months ended June 30, 2022 and 2021 was \$942,600 and \$1,939,736, respectively. Stock-based compensation related to restricted stock units for the six months ended June 30, 2022 and 2021 was \$2,121,888 and \$5,700,793, respectively. As of June 30, 2022, unrecognized compensation expense related to the unvested restricted stock units is \$5,353,131 and is expected to be recognized over approximately 3.1 years.

In addition to the service condition restricted stock units above, the Company has granted long-term equity incentive performance awards for a fixed monetary amount of \$250,000 that will be settled through the issuance of a variable number of restricted stock units. The performance awards vest upon satisfaction of both a four-year service condition and the achievement of certain performance conditions. The performance conditions are based on various Company performance metrics, including but not limited to, the achievement of targeted revenue and EBITDA amounts. Compensation cost related to these awards is measured at the end of each reporting period if and when the awards are deemed probable of achievement based on the fixed monetary amount until settlement, forfeiture, or expiration. If compensation cost is required to be recognized, the amount recognized is based on the requisite service performed to date. As the performance metrics are not probable of achievement as of June 30, 2022, no compensation cost related to these performance awards has been recognized for the six months ended June 30, 2022.

During the six months ended June 30, 2022, the Company granted 13,000 shares of common stock as part of an employee severance agreement. The Company recognized stock-based compensation of \$44,200 based on the closing price of the Company's common stock on the date of grant.

#### NOTE 6 – RELATED PARTY TRANSACTIONS

##### *Insurance*

The president of the Company's former primary insurance broker through June 2020 is also a minority Company stockholder and holder of warrants. As of June 30, 2022 and December 31, 2021, the Company had no outstanding balances to the broker included in accounts payable or accrued liabilities, respectively. During the six months ended June 30, 2022 and 2021, the Company paid the broker approximately \$0 and \$0, respectively. On June 15, 2020, the Company completed moving its primary and excess automobile insurance liability programs over to a new insurance broker and is no longer using the related party broker.

#### NOTE 7 – SUBSEQUENT EVENTS

On August 11, 2022, the Company entered into a common stock purchase agreement (the "Purchase Agreement") with certain accredited investors (as defined in Rule 501 under the Securities Act of 1933, as amended) (the "Purchasers") pursuant to which the Purchasers agreed to purchase, and the Company agreed to sell, 5,789,716 shares (the "Shares") of the Company's common stock, par value \$0.00001 per share, at a purchase price of \$0.8636, which was the average closing price of the Common Stock as report on the Nasdaq Stock Market for the five trading days immediately prior to the signing of the Purchase Agreement. Funding is pending certain closing conditions.

On August 15, 2022, the Company entered into a purchase agreement (the "ELOC Purchase Agreement") with Lincoln Park Capital Fund, LLC ("LPC"), pursuant to which the Company has the right to sell to LPC up to \$15,000,000 in shares of the Common Stock, subject to certain limitations and conditions set forth in the ELOC Purchase Agreement.

On August 15, 2022, the Company entered into promissory notes with Executives of the company for total of \$500,000 that would be convertible into equity at prevailing market prices at the discretion of the Board but not of the promissory noteholders.

Funding is pending certain closing conditions.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited financial statements and related notes for the year ended December 31, 2021 included in our most recent Annual Report on Form 10-K. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss certain factors that we believe could cause or contribute to these differences below and elsewhere in this Quarterly Report on Form 10-Q, particularly in the sections entitled "Risk Factors" and "Note About Forward-Looking Statements."

**Our Company**

We operate in the car sharing marketplace for ride sharing through our proprietary marketplace platform. The Company has established a leading presence in Transportation-as-a-Service ("TaaS") through vehicle owners and institutions, such as franchise car dealerships, independent car dealerships and rental car companies, who have been disrupted by automotive asset sharing. We are based in Los Angeles, California and car owners and drivers currently use the platform nationwide. Our unique revenue opportunity for both owners and drivers are providing a safe, secure, and reliable marketplace. We categorize our operations into one reportable business segment: Rental, consisting primarily of our vehicle rental operations in the United States.

**Business and Trends**

We generate revenue by taking a fee out of each rental processed on our platform. Each rental transaction represents a ride-sharing service driver (each, a "Driver") renting a car from a participating car owner (each, an "Owner"). Drivers pay a daily rental rate set by the Owner, plus a 15% HyreCar Driver fee and direct daily insurance costs. Owners receive their daily rental rate minus a 15%-30% HyreCar Owner fee. For example, as of June 30, 2022, the average daily rental rate of a HyreCar vehicle nationally is approximately \$39 ("Daily Rental Rate"), plus a 15% HyreCar Driver fee (\$6) and daily direct insurance fee of \$17 on average, totaling \$62 in total daily gross billings paid by the Driver via a payment card transaction. On average approximately 77% of the daily rental is transferred to the Owner via our merchant processing partner. HyreCar earns revenue from the revenue share fees and insurance totaling approximately \$32 per day. Accordingly, the GAAP reportable revenue recognized by HyreCar is \$32 in this example transaction as detailed in the following table:

<u>Daily Gross Revenue Example</u>		<u>Daily Net (GAAP) Revenue Example</u>	
National Average Daily Rental Rate	\$ 39	HyreCar Owner Fee (~23% Average)	\$ 9
Driver Fee	\$ 6	HyreCar Driver Fee (~15%)	\$ 6
Daily Insurance Fee	\$ 17	Insurance Fee (100% of fee)	\$ 17
Daily Gross Billing Paid by Driver	\$ 62	Daily Average Net Revenue	\$ 32

During the quarter ended June 30, 2022, the Company monitored the market's competitive prices to maintain good performance levels. The dynamic pricing of the daily gross and net rental rates were adjusted depending on the variations in demand and competition. The daily average gross rental rate for the three months ended June 30, 2022 was \$62, an increase of \$5 or 9% from the \$57 daily average gross rental rate recognized during the three months ended June 30, 2021.

Gross billings is an important measure by which we evaluate and manage our business. We define gross billings as the amount billed to Drivers, without any adjustments for amounts paid to Owners or refunds. It is important to note that gross billing is a non-GAAP measure and as such, is not recorded in our consolidated financial statements as revenue. However, we use gross billings to assess our business growth, scale of operations and our ability to generate gross billings is strongly correlated to our ability to generate revenue. Gross billings may also be used to calculate net revenue margin, defined as the company's GAAP reportable revenue over gross billings. Using the definition of net revenue margin and the example above, HyreCar's net revenue margin is equal to approximately 51% (\$20,058,772 HyreCar's GAAP revenue over \$39,526,782 Total Gross Billings) for the six months ended June 30, 2022. A breakout of revenue components is provided in the section of this Quarterly Report on Form 10-Q titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the notes to the consolidated financial statements.



**Non-GAAP Financial Measures****Gross Billings**

We define gross billings as the amount billed to Drivers, without any adjustments for amounts paid to Owners or refunds. Gross billings include transactions from both our revenues recorded on a net and a gross basis. It is important to note that gross billing is a non-GAAP measure and as such, is not recorded in our consolidated financial statements as revenue. Management believes gross billings provides useful information to investors and others in understanding our ability to generate revenue since our ability to generate gross billings is correlated to our ability to generate revenue. In addition, management uses gross billings to assess our business growth and ability to scale operations. Gross billings may also be used to calculate net revenue margin, defined as the Company's GAAP reportable revenue over gross billings. The presentation of the non-GAAP financial measures is not intended to be considered in isolation, or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

**Adjusted EBITDA**

Adjusted EBITDA is a key performance measure that our management uses to assess our operating performance and the operating leverage in our business, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to communicate with our Board of Directors concerning our financial performance. We believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team. Because Adjusted EBITDA facilitate internal comparisons of our historical operating performance on a more consistent basis, we use these measures for business planning purposes. We expect Adjusted EBITDA will increase over the long term as we continue to scale our business and achieve greater efficiencies in our operating expenses.

We calculate Adjusted EBITDA as net loss, adjusted to exclude:

- other income (expense), net;
- provision for income taxes;
- depreciation and amortization;
- stock-based compensation expense; and
- prior expenses expected to be settled in stock included in liabilities.

Our definitions may differ from the definitions used by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Furthermore, these measures have certain limitations in that they do not include the impact of certain expenses that are reflected in our consolidated statements of operations that are necessary to run our business. Thus, our Adjusted EBITDA should be considered in addition to, not as substitutes for, or in isolation from, measures prepared in accordance with GAAP.

We compensate for these limitations by providing a reconciliation of Adjusted EBITDA to the related GAAP financial measures, net loss. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view Adjusted EBITDA in conjunction with their respective related GAAP financial measures.

**Reconciliation of Non-GAAP Financial Measures**

The following table provides a reconciliation of our GAAP reported revenue to gross billings for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Revenue (U.S. GAAP reported revenue)	\$ 10,508,180	\$ 9,057,866	\$ 20,058,772	\$ 16,506,266
Add: Refunds, rebates and deferred revenue	833,705	672,690	1,542,692	1,202,014
Add: Owner payments (not recorded in financial statements)	9,349,731	9,272,192	17,925,318	17,353,242
Gross billings (non-U.S. GAAP measure not recorded in financial statements)	<u>\$ 20,691,616</u>	<u>\$ 19,002,748</u>	<u>\$ 39,526,782</u>	<u>\$ 35,061,522</u>

The following table provides a reconciliation of net loss to Adjusted EBITDA for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net loss	\$ (4,379,007)	\$ (9,335,160)	\$ (9,706,490)	\$ (16,541,695)
Adjusted to exclude the following:				
Other expense (income), net	(6,671)	(169)	(9,833)	254
Provision for income taxes	800	800	800	800
Depreciation and amortization	46,236	19,269	53,003	38,539
Stock-based compensation expense	942,600	2,193,869	2,121,888	5,961,543
Adjusted EBITDA	\$ (3,396,042)	\$ (7,121,391)	\$ (7,540,632)	\$ (10,540,559)

Our operating results are subject to variability due to seasonality, macroeconomic conditions such as the effects of the COVID-19 pandemic and other factors. Car rental volumes tend to be associated with travel and driving holidays, where there is an influx of Uber and Lyft demand. Thus far in 2022, we have continued to operate in an uncertain and uneven economic environment marked by heightened economic and geopolitical risks due to the COVID-19 pandemic.

Our objective is to focus on strategically accelerating our growth, strengthening our position as a leading provider of vehicle rental services to ridesharing (Lyft and Uber) and delivery (Door Dash, Instacart, Postmates) drivers, continuing to enhance our customers' rental experience, and controlling costs and driving efficiency throughout the organization. We operate in a high growth industry and we expect to continue to face challenges and risks. We seek to mitigate our exposure to risks in numerous ways, including delivering upon our core strategic initiatives, continued growth of fleet levels to match changes in demand for vehicle rentals, and appropriate investments in technology.

Significant changes in our results of operations for the three months ended June 30, 2022 include:

- Net rental days totaled approximately 325,000 rental days for the three months ended June 30, 2022, a decrease of approximately 8,000 rental days or 2.4% over the 333,000 rental days recognized during the three months ended June 30, 2021, as the Company continued to maintain its presence in key markets including Georgia, California, New York, Pennsylvania, Texas and Maryland, despite tight vehicle market supply conditions.
- Revenue totaled \$10.5 million for the three months ended June 30, 2022, an increase of \$1.5 million or 16.0% from \$9.1 million recognized during the three months ended June 30, 2021 primarily as a result of price optimization and differentiation. The daily average net rental rate for the three months ended June 30, 2022 was \$32, an increase of approximately \$5 or 24% from the \$27 daily average net rental rate recognized during the three months ended June 30, 2021. Price enhancements were derived leveraging our dynamic pricing model with appropriate risk pricing for insurance and higher rental rates due to the tight car market supply.
- Cost of revenue totaled \$6.8 million for the three months ended June 30, 2022, a decrease of \$1.5 million or 17.7% from \$8.3 million recognized during the three months ended June 30, 2021. While revenue increased, the decrease was primarily a factor of operational improvements despite inflationary pressures on car prices, repairs, and claims as well as some one-off items for the three months ended June 30, 2021.
- Gross profit totaled \$3.7 million for the three months ended June 30, 2022, an increase of \$2.9 million or 363% over the \$0.8 million recognized during the three months ended June 30, 2021. The increase in gross profit was primarily attributed to optimized pricing and operational improvements partially offset by higher insurance and claims-related costs. On a normalized basis, we improved gross margin from 24% for the three months ended June 30, 2021 (or 9% not normalized for one-off expenses) to 35% the three months ended in June 30, 2022.
- Operating expenses, consisting of general and administrative, sales and marketing, and research and development expenses, totaled \$8.1 million for the three months ended June 30, 2022, a decrease of \$2.0 million or 20% over \$10.1 million recognized during the three months ended June 30, 2021. These savings were derived through a focus on reducing non-growth related expense, automating sales efforts and processes, lower stock-based compensation, as well as targeted headcount/payroll reductions.
- Net loss totaled \$(4.4) million for the three months ended June 30, 2022, a decrease of \$5.0 million or approximately 53% over the \$(9.3) million net loss recognized during the three months ended June 30, 2021. The decrease in net loss was primarily driven by the substantial improvement in gross profit and the operating expense savings described above.
- Adjusted EBITDA (which is a non-GAAP financial measure as described above) totaled \$(3.4) million for the three months ended June 30, 2022, an increase of \$3.7 million or -52% from \$(7.1) million recognized for the prior year quarter ended June 30, 2021.

**Management's Plan**

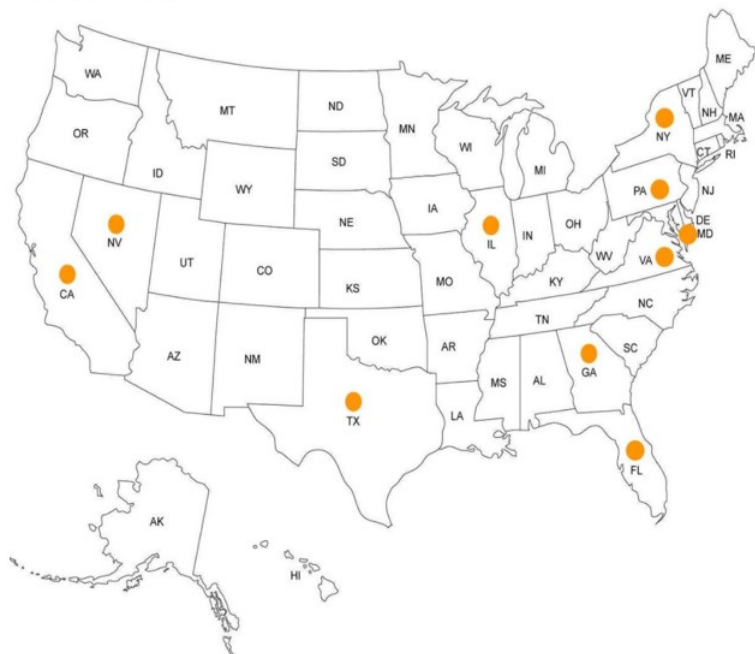
We have incurred operating losses since Inception and historically relied on debt and equity financing for working capital. Going forward, the Company intends to fund its operations through increased revenue from operations and the funds raised through sales of its securities. We completed an underwritten public equity offering on February 9, 2021, consisting of an aggregate of 2,530,000 million shares of our common stock at a public offering price of \$11.75 per share, which included the exercise in full of the underwriters' option. This provided approximately \$29.7 million in gross proceeds to the Company, before underwriting expenses and other costs.

With approximately 325,000 quarterly rental days in the second quarter of 2022, our annualized rental day run rate is close to 1.3M per year. Our business model and platform allow us to potentially leverage new opportunities and create a larger market with ridesharing, food and package delivery services. Two thirds of the Drivers on our platform are now predominantly delivery oriented and the opportunity is accelerating in the local delivery as a service environment. We continue to expect revenue growth during the remainder of 2022 and beyond as we continue to focus on increasing our car supply to meet the driver demand and other promotional efforts related to our car sharing marketplace platform.

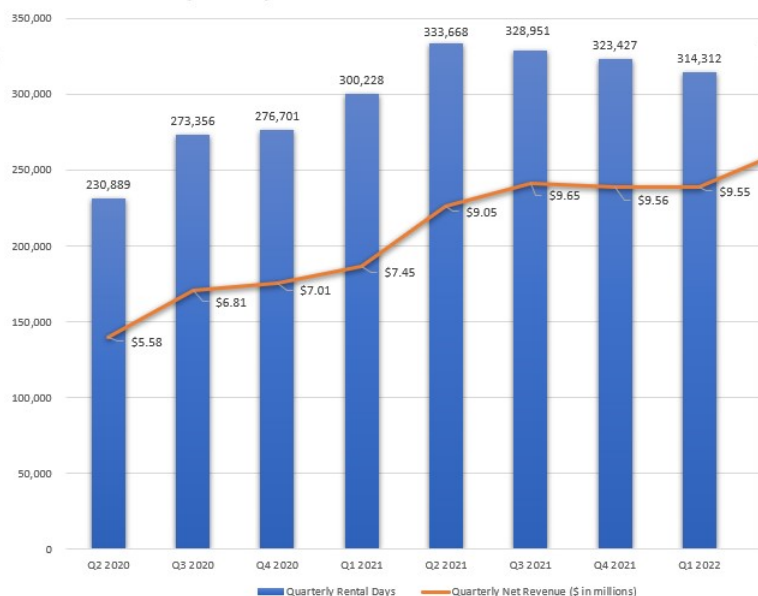
As part of our focus to increase car supply, the Company's strategic partnership with AmeriDrive Holdings is intended to create a national network of vehicle supply and fleet maintenance operations and is expanding our operations in the Southeast United States. On February 10, 2021, TrueCar announced a partnership with HyreCar to provide its car sharing marketplace with a modern digital car buying and trade-in solution. The TrueCar partnership offers a potential way to address the automobile trade-in market in a relevant and effective manner for dealers and customers. TrueCar helps create awareness that vehicle dealers can benefit from serving the TaaS industry via the Company's platform. We believe both the AmeriDrive and TrueCar relationships enhance our ability to increase revenue.

Throughout the next 12 months, the Company intends to fund its operations through revenue from operations, current cash reserves and through equity/debt financial instruments including the available ATM Agreement. The estimated cash flows combined with opportunities to access capital lead us to believe the Company will have sufficient resources to operate its business. We have included a description of the most recent financing activities in the subsequent events section. The current top 10 U.S. state markets in our geographic footprint, and our volumes of quarterly rental days and net revenue from the quarters ended June 30, 2020 through June 30, 2022, is detailed below.

**Top 10 U.S. States Market**



**Quarterly Rental Days and Net Revenues from Quarters Ended June 31, 2021 to June 30, 2022**



Based on the tight current car supply environment reflected by used car prices up 14% YoY as of April 2022 and up about 60% higher than April 2019, according to Barron's, and no recent relief as of July 2022 according to Cargurus' index, our main concern remains the supply of vehicles to the platform to satisfy latent driver demand and our strategic direction reflects that need. In addition to pursuing traditional organic car listings, we have been exploring partnerships and investments to continue expanding exclusive commercial car supply to the platform from strategic partners, such as our agreement with AmeriDrive and Cogent Bank. Management is focused on driving scale through those partnerships to accelerate cash flow break even for HyreCar.

**Components of Our Results of Operations**

The following describes the various components that make up our results of operations, discussed below:

Revenue is earned from fees associated with matching Owners of cars that meet the strict requirements imposed by ride-sharing services such as Uber and Lyft with Drivers. A Driver will typically rent a car through one transaction via our on-line marketplace. We recognize GAAP reportable revenue primarily from a transaction fee and an insurance fee when a car is rented on our platform when the Company, 1) identifies the contract with the customer, 2) identifies the performance obligations in the contract, 3) determines the transaction price, 4) determines if an allocation of that transaction price is required to the performance obligations in the contract, and 5) recognizes revenue when or as the Company satisfies a performance obligation.

Cost of revenue primarily include direct fees paid for driver insurance, insurance claim payments based on the policy in effect at the time of loss, merchant processing fees, technology and hosting costs, and motor vehicle record fees incurred for paid driver applications.

General and administrative costs include all corporate and administrative functions that support our business. These costs also include payroll for officers and operational staff, stock-based compensation expense, consulting costs, professional fees, and other costs that are not included in cost of revenue. Research and development costs are related to activities such as user experience and user interface development, database development and maintenance, and technology related expenses to research, improve, implement, or maintain technology and systems utilized throughout our enterprise. Research and development costs are expensed as incurred. Sales and marketing expenses primarily consist of personnel-related compensation costs, commissions expenses, advertising expenses, and marketing partnerships with third parties. Sales and marketing costs are expensed as incurred.

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

**Results of Operations****Three Months Ended June 30, 2022 compared to Three Months Ended June 30, 2021**

*Revenue and Gross Profit.* Revenue totaled \$10.5 million for the three months ended June 30, 2022, an increase of \$1.5 million or 16.0% over the \$9.1 million of revenue recognized during the three months ended June 30, 2021. Rental days totaled approximately 325,000, a decrease of 8,000 rental days or 2.4% compared to the prior year period. The daily average net rental rate for the three months ended June 30, 2022 was \$32, an increase of \$5 or 24% from \$27 daily average net rental rate recognized during the three months ended June 30, 2021. Gross profit totaled \$3.7 million for three months ended June 30, 2022, a modest increase of \$2.9 million or 363% over the \$0.8 million gross profit recognized during the three months ended June 30, 2021. The increase in gross profit was primarily attributed to optimized pricing and operational improvements partially offset by higher insurance and claims-related costs. On a normalized basis, we improved gross margin from 24% for the three months ended June 30, 2021 (or 9% not normalized for one-off expenses) to 35% or the three months ended June 30, 2022.

*Operating Expenses.* Operating expenses, consisting of general and administrative, sales and marketing, and research and development expenses totaled \$8.1 million for the three months ended June 30, 2022, a decrease of \$2.0 million or 20% over \$10.1 million in such expenses recognized during the three months ended June 30, 2021. General and administrative expenses totaled \$4.9 million for the three months ended June 30, 2022, a decrease of \$1.2 million or 20% over \$6.1 million recognized during the three months ended June 30, 2021, achieved through a focused reduction of non-growth related expenses and decreased stock-based compensation. Sales and marketing expenses totaled \$1.8 million for the three months ended June 30, 2022, a decrease of \$1.0 million or 36% over \$2.9 million of sales and marketing expenses recognized during the three months ended June 30, 2021, thanks to efficiency gains in both sales headcount as well as more targeted marketing spend. Research and development expenses totaled \$1.4 million for the three months ended June 30, 2022, compared to \$1.2 million of research and development expenses recognized during the three months ended June 30, 2021, an increase reflecting our focus on improving the platform. Specifically, this increase in spend into platform optimization, new features and scaling was partially funded through increased efficiency in automation of recurring spend and decrease in stock-based compensation, allowing for re-invested funds beyond the increase.

*Loss from Operations.* Loss from operations totaled \$(4.4) million for the three months ended June 30, 2022, a decrease of \$4.9 million or 53% over a \$(9.3) million loss from operations for the three months ended June 30, 2021. The decrease in loss from operations was primarily driven by the substantial improvement in gross profit and the operating expense savings described above.

*Other (Income) Expense.* Other (Income) Expense totaled (\$6,671) for the three months ended June 30, 2022, an increase of \$6,502 in income compared to \$(169) of net expense for the three months ended June 30, 2021.

*Net Loss.* Net loss totaled \$(4.4) million for the three months ended June 30, 2022, a decrease of \$5.0 million or 53% over a \$(9.3) million net loss recognized during the three months ended June 30, 2021.

**Six Months Ended June 30, 2022 compared to Six Months Ended June 30, 2021**

*Revenue and Gross Profit.* Revenue totaled \$20.1 million for the six months ended June 30, 2022, an increase of \$3.6 million or 21.5% over the \$16.5 million of revenue recognized during the six months ended June 30, 2021. Rental days totaled approximately 639,000, an increase of 6,000 rental days or 0.9% compared to the prior year period. The daily average net rental rate for the six months ended June 30, 2022 was \$31, an increase of \$5 or 24% from \$26 daily average net rental rate recognized during the six months ended June 30, 2021. Gross profit totaled \$6.7 million for six months ended June 30, 2022, an improvement of \$3.2 million or 91% over the \$3.5 million gross profit recognized during the six months ended June 30, 2021. The increase in gross profit for the six months ended June 30, 2022 was primarily attributed to optimized pricing and operational improvements, partially offset by higher insurance and claims-related costs.

*Operating Expenses.* Operating expenses, consisting of general and administrative, sales and marketing, and research and development expenses totaled \$16.4 million for the six months ended June 30, 2022, a decrease of \$3.7 million or 18% over \$20.1 million in such expenses recognized during the six months ended June 30, 2021. General and administrative expenses totaled \$9.4 million for the six months ended June 30, 2022, a decrease of \$2.4 million or 20% over \$11.8 million recognized during the six months ended June 30, 2021, achieved through a focused reduction of non-growth related expenses and decreased stock-based compensation. Sales and marketing expenses totaled \$4.1 million for the six months ended June 30, 2022, a decrease of \$1.5 million or 27% over \$5.6 million of sales and marketing expenses recognized during the six months ended June 30, 2021, thanks to efficiency gains in both sales headcount as well as more targeted marketing spend. Research and development expenses totaled \$2.9 million for the six months ended June 30, 2022, compared to \$2.7 million of research and development expenses recognized during the six months ended June 30, 2021, an increase reflecting our focus on improving the platform. Specifically, this increase in spend into platform optimization, new features and scaling was partially funded through increased efficiency in automation of recurring spend and decrease in stock-based compensation, allowing for re-invested funds beyond the increase.

*Loss from Operations.* Loss from operations totaled \$(9.7) million for the six months ended June 30, 2022, a decrease of \$6.8 million or 41% over a \$(16.5) million loss from operations for the six months ended June 30, 2021. The decrease in loss from operations was primarily driven by the substantial improvement in gross profit and the operating expense savings described above.

*Other (Income) Expense.* Other (Income) Expense totaled (\$9,833) for the six months ended June 30, 2022, an increase of \$10,087 in income compared to \$254 of net expense for the six months ended June 30, 2021.

*Net Loss.* Net loss totaled \$(9.7) million for the six months ended June 30, 2022, a decrease of \$6.8 million or 41% over a \$(16.5) million net loss recognized during the six months ended June 30, 2021.

**Liquidity and Capital Resources**

As of June 30, 2022, our principal sources of liquidity were cash and cash equivalents of 3,573,595 compared to 11,499,136 as of December 31, 2021. Cash and cash equivalents include money market deposit accounts denominated in U.S. dollars. We also had additional Restricted Cash balances of \$3,111,107 as June 30, 2022 which relates to amounts held in a restricted bank account at Cogent Bank as collateral for the amount pledged by the Company to secure a revolving line of credit made by Cogent Bank to AmeriDrive, as well as escrow accounts held for our insurance claims processing partner to pay out claims. Cash, cash equivalents and restricted cash altogether totaled \$ 6,684,702 as of June 30, 2022.

On November 9, 2021, the Company entered into an Equity Offering Sales Agreement (the "ATM Agreement"), with D.A. Davidson & Co. and Northland Securities, Inc. (collectively, the "Agents"), pursuant to which the Agents act as the Company's sales agent with respect to the offer and sale from time to time of common stock having an aggregate gross sales price of up to \$50 million in "at-the market-offerings." We did not effect any sales of shares under the ATM program in 2021 nor by the date of this report in 2022, however, can utilize the program if the need arises. Under the Form S-3 based upon our public float at the time we filed our Annual Report on Form 10-K, our public float fell below certain minimum levels and as such, we are subject to, among other requirements applicable to our continuing eligibility to offer and sell securities, the "baby shelf" registration requirements which limits the amounts available under Form S-3, including amounts available under the ATM Agreement.

We believe our existing cash and cash equivalent assets, together with proceeds from revenue generating activities and access to liquidity through our ATM program and other equity/debt offerings will be sufficient to meet our working capital and capital expenditures needs over the next 12 months more fully described in "Management's Plan" above.

Our future capital requirements will depend on many factors, including, but not limited to our growth, our ability to attract and retain drivers and car owners on our platform, the continuing market acceptance of our offerings, the timing and extent of spending to support our efforts to improve our customer experience, actual insurance payments for which we have made reserves, the timing and extent of investment we are making in policy, government relations, and the expansion of sales and marketing activities. Further, we may in the future enter into arrangements to acquire or invest in businesses, products, services and technologies. We may decide to, or be required to, seek additional equity or debt financing for any of these reasons, or others that may arise. If we are unable to raise additional capital in the future, we may need to curtail expenditures by scaling back certain sales, marketing and development expenses.

**Cash Flows**

Net cash used in operating activities was \$7,854,243 for the six months ended June 30, 2022. This consisted primarily of a net loss of \$ (9,706,490) offset by non-cash stock-based compensation expense of \$2,121,888 largely driven by the recognition of costs related to restricted stock unit grants. Additionally, there were material decreases in accounts payable of \$1,216,999 and increase in accounts receivable of \$256,185 partially offset by increased accrued liabilities of \$633,707 and increased other current assets of \$29,506 for the six months ended June 30, 2022.

Net cash used in operating activities was \$7,804,697 for the six months ended June 30, 2021. This consisted primarily of a net loss of \$(16,541,695) offset by non-cash stock-based compensation expense of \$5,961,543 largely driven by the recognition of costs related to annual restricted stock unit grants. Additionally, there were increases in insurance deposits of \$654,454 and accounts payable of \$838,775 through insurance premium deposits and claims paid as well as accrued liabilities of \$1,267,927 primarily driven by the insurance premiums accrual for the six months ended June 30, 2021 compared to the year ended December 31, 2020 wherein the revised contract allowed deferral of payment for approximately six months. These cash flow increases were partially offset by decreases in security and lease deposits of \$103,557, and insurance reserves of \$122,557.

Net cash used in investing activities was \$208,462 for the six months ended June 30, 2022. This reflects the investment in software capitalized as intangible asset during the first two quarters of the year.

Net cash used in investing activities was \$0 for the six months ended June 30, 2021.

Net cash provided by financing activities was \$0 for the six months ended June 30, 2022.

Net cash provided by financing activities was \$27,780,631 for the six months ended June 30, 2021, which primarily consists of gross proceeds from the sale of common stock in our February 2021 public offering of \$29,727,500, proceeds from the exercise of warrants of \$64,540, partially offset by offering costs of \$2,126,305.

**Capital Management**

We aim to manage capital so that we will maintain optimal returns to shareholders and benefits for other stakeholders. We also aim to maintain a capital structure that ensures the lowest cost of capital available to the Company. We regularly review the Company's capital structure and seek to take advantage of available opportunities including financial equity financing and debt leverage to accelerate growth opportunities.

For the six months ended June 30, 2022 and 2021, there were no dividends paid and we have no plans to commence the payment of dividends. We have no current plans to raise capital through the sale of shares of our common stock, but we continue to assess market conditions and the Company's cash flow requirements to ensure the Company is appropriately funded.

There is no significant external borrowing as of June 30, 2022. Neither the Company nor any of the subsidiaries are subject to externally imposed capital requirement.

**Critical Accounting Policies, Judgments, and Estimates**

Our consolidated financial statements and the related notes thereto are prepared in accordance with GAAP. The preparation of condensed consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from our estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. There have been no material changes to our critical accounting policies and estimates as of June 30, 2022.

**Recently Issued Accounting Pronouncements**

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our financial statements appearing in this Quarterly Report on Form 10-Q.

**Emerging Growth Company Status**

Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may, therefore, not be comparable to those of companies that comply with such new or revised accounting standards.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

The Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined in Rule 229.10(f)(1).

**Item 4. Controls and Procedures**

**Limitations on Effectiveness of Controls and Procedures**

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact there are resource constraints and management are required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934). Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded our disclosure controls and procedures were effective as of June 30, 2022.

**Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(f) and 15d-15(f) under the Exchange Act) has occurred during the three months ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



**PART II - OTHER INFORMATION****Item 1. Legal Proceedings**

On August 27, 2021, a putative securities class action complaint captioned *Baron v. HyreCar Inc. et al.*, Case No. 21-cv-06918, was filed in the United States District Court for the Central District of California against the Company; its Chief Executive Officer, Joseph Furnari; and its former Chief Financial Officer, Robert Scott Brogi. This action asserts claims and seeks damages for alleged violations of sections 10(b) and 20(a) of securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The alleged class period is May 14, 2021 to August 10, 2021, inclusive. Pursuant to the Private Securities Litigation Reform Act, on November 19, 2021, the Court appointed Turton Inc. to serve as Lead Plaintiff. Lead Plaintiff then filed an amended complaint (the "First Amended Complaint"). The First Amended Complaint alleged that defendants made material misrepresentations or failed to disclose material facts that, among other things, the Company had materially understated its expenses and insurance reserves in coordination with a third-party adjuster which Lead Plaintiff alleged was conflicted. On December 27, 2021, the Company and the individual defendants moved to dismiss the First Amended Complaint, arguing that Lead Plaintiff failed to adequately plead that any of the Company's public statements were materially false or misleading, or that defendants acted with scienter— meaning defendants either knew those statements were false or were deliberately reckless to their truth or falsity at the time they were made. On February 16, 2022, the Court (Hon. Percy Anderson) granted defendants' motion to dismiss on the basis that Lead Plaintiff failed to adequately plead any of defendants' statements were materially false or misleading. Because the Court ruled that Lead Plaintiff did not sufficiently plead falsity, the Court did not address the additional arguments regarding scienter at the time. The Court permitted Lead Plaintiff leave to amend its complaint. Plaintiff filed its Second Amended Complaint on March 21, 2022. The Second Amended Complaint asserts the same violations of the Exchange Act and Rule 10b-5, again alleging, among other things, HyreCar made materially false or misleading statements related to its first quarter 2021 reserves, and by extension misstated expenses and revenues. On April 4, 2022, the Company and individual defendants moved to dismiss the Second Amended Complaint on the basis that Plaintiff failed to plead sufficient facts that would cure the deficiencies identified in the Court's order on the first motion to dismiss—i.e., that Plaintiff again failed to plead that any statements were materially false or misleading when made—and Plaintiff failed to plead that defendants acted with scienter. On April 21, 2022, the case was transferred to a new judge, and on April 27, 2022, the Court issued a Reassignment Order that, among other things, vacated all hearing dates. The Company will re-notice the hearing for its motion to dismiss the Second Amended Complaint and expects it will be heard on August 25, 2022. The Company believes that the allegations in this lawsuit are without merit and will continue to vigorously defend against them. The Company's chances of success on the merits are still uncertain and any possible loss or range of loss cannot be reasonably estimated.

**Item 1A. Risk Factors**

Our business, financial condition, results of operations, and cash flows may be impacted by a number of factors, many of which are beyond our control, including those set forth in our most recent Annual Report on Form 10-K for the year ended December 31, 2021, the occurrence of any one of which could have a material adverse effect on our actual results.

There have been no material changes to the Risk Factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

**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**

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Registrant.</a>	S-1	333-225157	3.5	May 23, 2018	
3.2	<a href="#">Amended and Restated Bylaws of the Registrant</a>	S-1	333-225157	3.7	May 23, 2018	
10.1	<a href="#">Employment Agreement between the Company and Greg Tatem</a>					X
10.2	<a href="#">Kenneth Grimes Transition Agreement #</a>					X
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
31.2*	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
32.1	<a href="#">Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
32.2*	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
101.INS	Inline XBRL Instance Document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

\* This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

# Indicates a management or compensatory plan.

**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.

HyreCar Inc.

Date: August 15, 2022

By: /s/ Joseph Furnari  
Joseph Furnari  
Chief Executive Officer  
(Principal Executive Officer)

HyreCar Inc.

Date: August 15, 2022

By: /s/ Serge De Bock  
Serge De Bock  
Chief Financial Officer  
(Principal Financial and Accounting Officer)



April 19, 2022

Greg Tatem  
greg@gregtatem.com

Dear Greg,

Congratulations! HyreCar Inc. (“HyreCar” or the “Company”) is pleased to present to you a conditional offer of employment as Chief Technology Officer starting **May 23, 2022**, if you accept our employment offer and satisfy all conditions outlined below.

You will be a part of the Technology Department reporting directly to the Chief Executive Officer (“CEO”). HyreCar’s general expectations and requirements for your position are outlined in the attached Job Description, however, your specific job duties may change at the discretion of the CEO. The terms and conditions of your employment will be governed by this letter, and established HyreCar policies and procedures, including those contained in HyreCar’s Employee Handbook. On the date of hire, you will be asked to review and comply with established HyreCar policies and procedures.

#### COMPENSATION AND HOURS

Apartment & Travel Expense: In consideration of the travel and housing expense associated with acceptance of this offer, the Company will lease and reimburse for an apartment in downtown Los Angeles and weekly flights from the Bay Area to Los Angeles.

Base Salary: For all services rendered by you to the Company, the Company will pay you an annual base salary of Three Hundred Fifty Thousand Dollars (\$350,000.00) (“Base Salary”), which will accrue and be payable in arrears in accordance with the Company’s general payroll practices and shall be subject to bi-annual review by the Board of Directors (the “Board”) and adjusted in the discretion of the Board based upon the Company’s performance and/or marketplace rates.

Equity Grant: In connection with entering into this offer letter, following the commencement of your employment with the Company, the Company will recommend to the Board of Directors that it grant you restricted stock units of 150,000 shares of the Company’s common stock (the “RSUs”), provided that you are employed by the Company on the date of grant. The RSU will be subject to the terms and conditions of the Company’s 2021 Equity Incentive Plan (the “Plan”) and a restricted stock unit agreement to be entered into between you and the Company and shall vest as follows: 25% of the RSUs shall vest on the twelve month anniversary of your Start Date, then the remaining RSUs shall vest in twelve (12) equal quarterly installments.

Annual Bonus: While you are employed, you will be eligible to receive a fiscal year-end bonus (the “Bonus”), less applicable taxes and withholding, as set forth on Exhibit A hereto. The Board will, in its good faith discretion, establish the performance goals for the annual Bonus. The Bonus shall be paid to you within thirty (30) days following the final determination by the Board of the amount thereof based upon the audited financial statements of the Company for the applicable year. The Board shall provide the written determination and method of calculation to you following the receipt by the Board of the audited financial statements of the Company for the applicable year.

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Generally, you will be expected to work 8:30 a.m. to 6:00 p.m., Monday through Friday, however, your work schedule will fluctuate based on the HyreCar's business needs. Your job duties may require that you work outside of these hours, including before and after the expected hours as set forth above. You acknowledge and agree that given your status as an "exempt" employee, as such term is defined under California and federal labor law, you will not be eligible for overtime pay.

**BENEFITS.** You are eligible for HyreCar's benefits package which currently includes medical, dental, vision, and a 401(k) retirement plan, a detailed explanation of the benefits offered is provided in HyreCar handbook. In addition, you are eligible for HyreCar-paid benefits such as life insurance, and short and long-term disability, in accordance with eligibility as set forth by these policies. You will be eligible to start receiving these benefits on the first day of the month following your employment start date. More information regarding these benefits will be provided upon the start of your employment. Your eligibility for paid time off, paid holidays, and paid sick leave benefits is set forth in the HyreCar handbook. Currently, the Company observes 10 paid holidays per year and has an unlimited paid time off policy however, all such benefits are subject to change as set forth in HyreCar's handbook.

**AT WILL EMPLOYMENT.** By accepting this offer, you acknowledge that your employment with HyreCar will be "at-will," which means that it may be terminated by you or by HyreCar at any time, with or without notice, with or without cause. In addition, the terms of your employment, compensation, benefits, or privileges (excluding this at-will policy) may change at any time, without advance notice or consent at the sole discretion of HyreCar, to the extent permissible by law. Nothing in this Offer Letter is intended to change the at-will nature of employment or HyreCar's right to modify the terms and conditions of your employment in its sole discretion, as allowed by law.

You also acknowledge that you are not resigning employment elsewhere, or relocating your residence, in reliance on any promise or representation by HyreCar regarding the kind, character or existence of work you will be assigned, or any expected length of your employment with HyreCar, other than the promises or representations expressly contained in this letter, the attached Job Description, and those contained in HyreCar's handbook. The at-will nature of your employment may only be modified in writing signed by you and HyreCar's CEO.

**SEVERANCE.** Although your employment is at-will, if your employment with HyreCar is terminated on or before May 23, 2023 by the Company for reasons other than Cause (as defined below) or by you for Good Reason (as defined below), subject to your execution, and non-revocation, of a release of claims in a form provided by HyreCar, you will be eligible for severance as follows: 50% of your current one year annual Base Salary.

For purposes of this Offer Letter, "Cause" shall mean:

- (a) your failure to perform your duties.
- (b) your failure to comply with any valid and legal directive of the CEO.
- (c) your engagement in dishonesty, illegal conduct, or misconduct, which is, in each case, injurious to the Company or its affiliates.
- (d) your embezzlement, misappropriation, or fraud, whether or not related to your employment with the Company.
- (e) your conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude.
- (f) your material violation of the Company's policies contained in the Employee Handbook, including policies related to discrimination, harassment, performance of illegal or unethical activities and ethical misconduct.
- (g) your willful unauthorized disclosure of Confidential Information (as defined in the attached Proprietary Information and Invention Assignment Agreement);
- (h) your material breach of any material obligation in this Offer Letter or any other written agreement between you and the Company; or
- (i) your engagement in conduct that brings or is reasonably likely to bring the Company material negative publicity or into public disgrace, embarrassment, or disrepute.

For purposes of this Offer Letter, "Good Reason" shall mean the occurrence of any of the following, in each case on or before May 23, 2023, without your written consent:

- (a) a material reduction in your Base Salary other than a general reduction in Base Salary that affects all similarly situated executives in substantially the same proportions;
- (b) a material, adverse change in your title, authority, duties, or responsibilities (other than temporarily while you are physically or mentally incapacitated or as required by applicable law); or
- (c) a material, adverse change in the reporting structure applicable to you.

You agree that you cannot terminate your employment for Good Reason unless you have provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within 30 days of the initial existence of such grounds and the Company has had at least 30 days from the date on which such notice is provided to cure such circumstances. If you do not terminate employment within 60 days after providing written notice, then you will be deemed to have waived the right to terminate for Good Reason with respect to such grounds.

**CONDITIONS TO OFFER OF EMPLOYMENT.** This offer of employment is subject to satisfaction of the conditions stated in the paragraphs below, and you should not give notice of resignation to your current employer until you have been notified by HyreCar that these conditions have been satisfied.

(1) **Background Check.** All new employees of HyreCar must undergo a routine background check. Our offer is conditioned upon a satisfactory result from your background check, regardless of whether or not it is entirely completed before you start work with us. Prior to any background check being performed you will receive a detailed disclosure regarding the background check being procured by HyreCar, in conformity with all state and federal requirements. No background check will be procured until and unless you provide HyreCar your informed signed consent. As a reminder, however, a background check is required in order for you to commence your employment with HyreCar. Therefore, should you decline authorization for HyreCar to run a background check, HyreCar will not be able to continue with your hiring process.

(2) **Verification of References.** In addition to the background check, HyreCar also requires satisfactory confirmation of your employment history, as listed in your Application for Employment. HyreCar may also perform a verification check of the personal references you listed. As with your background check, you will receive a detailed disclosure regarding the consumer report or investigative consumer report being procured by HyreCar, in conformity with all state and federal requirements. Verification of references will not be undertaken until and unless you provide HyreCar your informed signed consent.

(3) **Arbitration of Employment Disputes.** HyreCar has a policy requiring arbitration of employment disputes. An Arbitration Agreement is attached to this letter for you to sign and return with your endorsed copy of this letter.

(4) **Proprietary Information and Invention Assignment Agreement.** It is important for HyreCar to protect its proprietary information and intellectual property. For these reasons, you must sign and return the attached Proprietary Information and Invention Assignment Agreement with your endorsed copy of this letter.

(5) **Immigration Law Compliance.** Pursuant to the Immigration and Nationality Act, HyreCar is required to verify the identity and employment authorization of all new hires. Under the law, employers are required to ask all new employees, including United States Citizens, to present certain documents that show their identity and authorization to work in the United States. You will need to present those documents on your first day of work. Should you wish to see the complete list of acceptable documents, or you anticipate having difficulty completing the I-9 or producing the required documents.

[remainder of page left intentionally blank]





If you accept our offer, please sign in the space indicated below and return it no later than **April 22, 2022** to Joseph Furnari at [joe@hyrekar.com](mailto:joe@hyrekar.com).

On behalf of HyreCar, I want to thank you for your consideration of our offer of employment. We are looking forward to hearing from you in the very near future and look forward to having you join our team!

Sincerely,

/s/ Joe Furnari

Joe Furnari, CEO  
HyreCar Inc.

Agreed and accepted on this date: 4/19/2022

By: /s/ Greg Tatem  
Greg Tatem

915 Wilshire Blvd. Suite 1950

Los Angeles, CA 90017

[www.hyrekar.com](http://www.hyrekar.com)

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## JOB DESCRIPTION

As HyreCar's Chief Technology Officer you will work to ensure the company has the right technology to contribute to daily business operations. You will work closely with Executives and IT personnel to remove outdated systems and replace them to maintain a competitive edge in the industry. You will also have the product managers reporting into you, and you will be responsible for defining the product strategy and product roadmap for the company. You will hire and train IT/Product Directors, Managers to oversee the IT and product departments and its employees. You will also be responsible for creating training programs to help employees adapt to new technology systems in their daily work environments.

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## EXHIBIT A

Greg Tatem – HyreCar Inc.  
Annual Compensation Award

2022 Base Salary	\$ 350,000
2022 Cash Bonus	\$ 105,000
2022 LTI*	\$ 100,000
<b>Total Target Compensation</b>	<b>\$ 555,000</b>

\*Target LTI grant will be based on reaching performance milestones agreed in Company Strategy Presentation Goals per executive and agreed by the Board. The vesting of grants will be agreed after year-end in early 2023 after review of company and performance targets. Target LTI grant will be calculated on grant date going forward and taxes will be deducted at grant date and shares minus minimum tax obligation will be granted into your Employee Share Account held at UBS. All shares subject to standard vesting per Company Share Plan and Trading Policy for which you must annually affirm you have read and understood.

### COMPANY PERFORMANCE OBJECTIVES

All objectives will be measured for completion in 1Q 2023 for determination of grants and cash awards

[Omitted Performance Metrics]

### CHIEF TECHNOLOGY OFFICER

All objectives will be measured for completion in 1Q 2023 for determination of grants and cash awards.

[Omitted Performance Metrics]

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**CONFIDENTIAL TRANSITION AGREEMENT**

**THIS CONFIDENTIAL TRANSITION AGREEMENT** (“**Agreement**”) is being entered into between HYRECAR INC., a Delaware corporation (the “**Employer**”), and KENNETH GRIMES (the “**Employee**”). The Employer and the Employee are collectively referred to as the “**Parties**” as of May 23, 2022 (the “**Execution Date**”).

**RECITALS**

**WHEREAS**, Employer employed Employee as a Chief Technology Officer, an at-will employee pursuant to the Letter Agreement, effective as of March 1, 2021, which includes certain restrictive covenants described in detail therein and attached hereto as **Exhibit A** (“**Letter Agreement**”); and

**WHEREAS**, the Parties have agreed to continue Employee’s employment from the Effective Date through the Separation Date (as defined below) for Employee to provide certain transition services (the “**Transition Services**”) to Employer (“**Transition Period**”); and

**WHEREAS**, in consideration of Employer’s agreement to offer employment through the Separation Date and agreement to compensate Employee and provide Employee other benefits as provided herein, Employee agrees to perform Employee’s duties in a manner satisfactory to Employer during the Transition Period.

**NOW, THEREFORE**, in consideration of the mutual covenants and conditions set forth herein, the sufficiency of which is hereby agreed to and acknowledged by the parties hereto, and intending to be legally bound, Employer and Employee agree as follows:

1. **Presentment Date; Effective Date.** Employee agrees that from the date this Agreement was presented to Employee on May 20, 2022 (“**Presentment Date**”), Employee has until May 23, 2022 to accept the terms of this Agreement and deliver a signed Agreement to Employer, after which time, if Employee does not execute this Agreement, it shall become null and void. This Agreement shall become effective upon its full execution by the Parties (“**Effective Date**”).

2. **Transition Services.** During the Transition Period, the Employee shall serve as a Special Advisor to the Employer’s executive team and perform the following Transition Services and any other services requested by the Employer’s Chief Financial Officer:

- (a) Employee shall transition all active technology and information technology projects to Employer’s newly elected Chief Technology Officer, Greg Tatem;
  - (b) Employee shall actively assist in the growth and alignment of the technology team;
  - (c) Employee shall actively participate in discussions regarding the future of the Employer’s HyreCar platform (the “**Platform**”); and
-

(d) Employee shall oversee and conduct any maintenance or remediation services necessary to keep the Platform operational during the Transition Period.

3. **Employee Compensation.** During the Transition Period, so long as Employee remains employed by Employer, Employer shall continue to pay Employee his annual base salary of \$200,000 (“Salary”), in accordance with the prevailing Employer payroll practices, and less all applicable federal, state and local taxes and other applicable withholdings. During the Transition Period, Employer shall also provide to Employee the same or substantially similar benefits that Employer provided to Employee immediately prior to the Effective Date.

4. **Employee Cooperation.** Employee agrees to fully cooperate with Employer in all matters relating to the winding up of Employee’s work and performing related transition tasks as directed by Employer, which shall include, but not be limited to, during the entire Transition Period, being available to assist with transition matters.

5. **Separation Date.** The Parties have agreed to terminate Employee’s employment on the **earlier date** of the following (“**Separation Date**”): (a) any termination pursuant to **Section 5(b)** below; or (b) July 1, 2022.

6. **Termination; Severance Payment.** Subject to the provisions set forth in **Section 4** regarding the Separation Date, the following applies to the termination of Employee:

(a) **Cause.** For purposes of this Section, “**Cause**” shall mean Employee commission of any of the following: fraud; misappropriation of Employer’s funds or assets; embezzlement; theft; malfeasance; willful misconduct; willful failure to follow Employer’s rules and regulations; willful failure to perform job duties in a satisfactory manner; a breach of this Agreement; and the conviction of, or plea of guilty or no contest to, a felony or to any other crime involving moral turpitude. Employer shall provide Employee written notice of such termination, which shall be the applicable “**Separation Date**.”

(b) **Termination.** During the Transition Period, Employer may terminate Employee’s employment for Cause, or the Parties may mutually agree in writing to terminate this Agreement, in which case such agreed upon date for mutual termination shall be the applicable “**Separation Date**.”

(c) **Compensation; Severance Benefits.**

(i) During the Transition Period Employee shall continue to be paid his Salary if, during the Transition Period, Employee (x) is not discharged for Cause; and (y) remains employed through July 1, 2022.

(ii) After the Separation Date, Employee shall be entitled to severance of a stock bonus award issued pursuant to the Employer’s 2018 Equity Incentive Plan in the amount of **75,000 shares**, to be vested, settled and transferred to Employee’s private brokerage account upon separation within five business days, provided that during the Transition Period Employee is (w) not discharged for Cause; (x) remains employed through July 1, 2022; (y) does not breach this Agreement; and (z) executes the Confidential Separation and General Release Agreement attached hereto as **Exhibit B** (“**Separation Agreement**”) on the applicable Separation Date. The Severance Benefits shall be paid in the manner set forth in the Separation Agreement.

(iii) In the event that Employee's employment is terminated for any reason prior to July 1, 2022, or Employee is discharged for Cause, Employee shall not be entitled to the Severance Benefits or any further payments under Section 5(c) or otherwise.

7. **Non-Disparagement.** Employee agrees that from the Presentment Date, Employee will not make any oral or written communication to any person or entity which disparages, or has the effect of damaging the reputation of, or otherwise working in any way to the detriment of, Employer, including, without limitation, its officers, shareholders, directors, or management. Nothing in this Section shall prevent Employee from giving truthful testimony or information to law enforcement entities, administrative agencies, or courts or in any other legal proceedings as required by law, including, but not limited to, assisting in an investigation or proceeding brought by any governmental or regulatory body. Additionally, nothing in this Agreement prevents Employee from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that you have reason to believe is unlawful.

8. **Confidentiality of Terms.** Employee represents and agrees that Employee will keep the terms, amount and fact of this Agreement completely confidential, and will not disclose, divulge or publicize, directly or indirectly, to any third party the terms and conditions of this Agreement except as may be necessary to establish or assert rights hereunder or as may be required by law or applicable regulation; provided, however, that such Employee may, on a confidential basis, disclose this Agreement to Employee's spouse, financial advisors, and attorneys. Employee further agrees not to disclose the termination of Employee's employment with Employer's employees, customers, vendors and other business relationships of Employer, except as explicitly directed by Employer.

9. **Restrictive Covenants.** Employee stipulates and acknowledges that Employee is still bound by the terms of Employee's Letter Agreement, which remains in full force and effect and is not superseded or cancelled by this Agreement. Additionally, Employee stipulates and agrees to the following:

(a) Acknowledgment

Employee understands and acknowledges that by virtue of Employee's employment with the Employer, Employee has and will continue to have access to and knowledge of Confidential Information, was and remains in a position of trust and confidence with the Employer, and benefitted and will continue to benefit from the Employer's goodwill. The Employee understands and acknowledges that the Employer invested significant time and expense in developing the Confidential Information and goodwill.

Employee further understands and acknowledges that the restrictive covenants below are necessary to protect Employer's legitimate business interests in its Confidential Information and goodwill. Employee further understands and acknowledges that Employer's ability to reserve these for the exclusive knowledge and use of Employer is of great competitive importance and commercial value to Employer and that Employer would be irreparably harmed if Employee violates the restrictive covenants below.

(b) Confidential Information

Employee understands and acknowledges that during the course of employment with Employer, Employee has had and will continue to have access to and learn about confidential, secret, and proprietary documents, materials, and other information, in tangible and intangible form, of and relating to Employer and its businesses and existing and prospective customers, suppliers, investors, and other associated third parties ("**Confidential Information**"). Employee further understands and acknowledges that this Confidential Information and Employer's ability to reserve it for the exclusive knowledge and use of Employer is of great competitive importance and commercial value to Employer, and that improper use or disclosure of the Confidential Information by Employee may cause Employer to incur financial costs, loss of business advantage, liability under confidentiality agreements with third parties, civil damages, and criminal penalties.

For purposes of this Agreement, Confidential Information includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic, or any other form or medium, relating directly or indirectly to: business processes, practices, methods, policies, plans, publications, documents, research, operations, services, strategies, techniques, agreements, contracts, terms of agreements, transactions, potential transactions, negotiations, pending negotiations, know-how, trade secrets, computer programs, computer software, applications, operating systems, software design, web design, work-in-process, databases, device configurations, embedded data, compilations, metadata, algorithms, technologies, manuals, records, articles, systems, material, sources of material, supplier information, vendor information, financial information, results, accounting information, accounting records, legal information, marketing information, advertising information, pricing information, credit information, design information, payroll information, staffing information, personnel information, employee lists, supplier lists, vendor lists, developments, reports, internal controls, security procedures, graphics, drawings, sketches, market studies, sales information, revenue, costs, formulae, notes, communications, product plans, designs, styles, models, ideas, audiovisual programs, inventions, unpublished patent applications, original works of authorship, discoveries, experimental processes, experimental results, specifications, customer information, customer lists, client information, client lists, manufacturing information, factory lists, distributor lists, and buyer lists of Employer or its businesses or any existing or prospective customer, supplier, investor, or other associated third party, or of any other person or entity that has entrusted information to Employer in confidence.

Employee understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified or treated as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

Employee understands and agrees that Confidential Information developed by Employee in the course of Employee's employment by Employer is subject to the terms and conditions of this Agreement as if Employer furnished the same Confidential Information to Employee in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to Employee, provided that the disclosure is through no direct or indirect fault of Employee or person(s) acting on Employee's behalf.

(c) Disclosure and Use Restrictions.

(i) *Employee Covenants.* Employee agrees and covenants:

- (1) to treat all Confidential Information as strictly confidential;
- (2) not to directly or indirectly disclose, publish, communicate, or make available Confidential Information, or allow it to be disclosed, published, communicated, or made available, in whole or part, to any entity or person whatsoever (including other employees of Employer) not having a need to know and authority to know and use the Confidential Information in connection with the business of Employer and, in any event, not to anyone outside of the direct employ of Employer except as required in the performance of any of Employee's remaining authorized employment duties to the Employer or with the prior consent of an authorized officer acting on behalf of Employer in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent); and
- (3) not to access or use any Confidential Information, and not to copy any documents, records, files, media, or other resources containing any Confidential Information, or remove any such documents, records, files, media, or other resources from the premises or control of Employer, except as allowed by applicable law, as required in the performance of any of Employee's remaining authorized employment duties to Employer, or with the prior written consent of an authorized officer acting on behalf of Employer (and then, such disclosure shall be made only within the limits and to the extent of such law, duties, or consent).

Employee understands and acknowledges that Employee's obligations under this Agreement regarding any particular Confidential Information begin immediately and shall continue during and after the Employee's employment by the Employer until the Confidential Information has become public knowledge other than as a result of Employee's breach of this Agreement or a breach by those acting in concert with Employee or on Employee's behalf.



(ii) *Permitted Disclosures.* Nothing in this Agreement shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. Employee shall promptly provide written notice of any such order to an authorized officer of Employer.

Nothing in this Agreement prohibits or restricts Employee (or Employee's attorney) from initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization, or any other federal or state regulatory authority regarding this Agreement or its underlying facts or circumstances or a possible securities law violation.

(iii) *Notice of Immunity Under the Defend Trade Secrets Act of 2016.* Notwithstanding any other provision of this Agreement:

(1) Employee will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made: (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

(2) If Employee files a lawsuit for retaliation by Employer for reporting a suspected violation of law, Employee may disclose Employer's trade secrets to Employee's attorney and use the trade secret information in the court proceeding if Employee: (1) files any document containing the trade secret under seal; and (2) does not disclose the trade secret, except pursuant to court order.

(d) Non-Solicitation of Employees

Employee understands and acknowledges that Employer has expended and continues to expend significant time and expense in recruiting and training its employees and that the loss of employees would cause significant and irreparable harm to Employer. Employee agrees and covenants not to disrupt or interfere with the business of Employer by directly or indirectly soliciting, recruiting, attempting to recruit, or raiding the employees of Employer of whom Employee became aware by working for Employer or otherwise inducing the termination of employment of any employee of the Employer of whom the Employee became aware by working for the Employer from now until two years following Employee's Separation Date. Employee also agrees and covenants not to use any of Employee's trade secrets and/or Confidential Information to directly or indirectly solicit the employees of Employer.

10. **Costs.** Each Party hereto agrees that if either Party is held by any court of competent jurisdiction to be in violation, breach, or nonperformance of any of the terms of this Agreement, then such breaching Party shall pay all costs and expenses, including reasonable attorneys' fees and expenses, incurred by the prevailing Party in such action, suit, or proceeding, or in any settlement or compromise of same.

11. **Notice.** All notices provided for in this Agreement shall be in writing and shall be given either (a) by electronic mail, provided confirmation of such notice is also sent by another means provided in this Section; (b) by personal delivery (in which cases such notice shall be deemed given on the date of delivery); (c) by next business day courier service (e.g., Federal Express, UPS, or other similar service) (in which case such notice shall be deemed given on the business day following date of deposit with the courier service); or (d) by United States mail, first class, postage prepaid, certified, return receipt requested (in which case such notice shall be deemed given on the third day following the date of deposit with the United States Postal Service).

12. **Severability.** If any part of this Agreement is determined by a court of competent jurisdiction to be void, voidable, unlawful or unenforceable for any reason, such determination shall not affect the validity or enforceability of the remaining parts of this Agreement, which shall remain in full force and effect and the breach of any one provision of this Agreement shall not be construed to be a breach of any other provisions of this Agreement.

13. **Governing Law, Jurisdiction and Venue.** This Agreement and all matters arising out of or relating to this Agreement and Employee's employment or termination of employment with Employer, whether sounding in contract, tort, or statute, for all purposes shall be governed by and construed in accordance with the laws of California without regard to any conflicts of laws principles that would require the laws of any other jurisdiction to apply. Any action or proceeding by either of the Parties to enforce this Agreement shall be brought in any state or federal court located in the state of California, county of Los Angeles. The Parties irrevocably submit to the exclusive jurisdiction of these courts for such matters and waive the defense of inconvenient forum to the maintenance of any action or proceeding in such venue.

14. **Binding Upon Successors.** This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, designees, successors and assigns, except as provided herein.

15. **Assignment.** Employee may not assign his interest in this Agreement to any person without the prior written consent of Employer. Employer may assign this Agreement to any person that is a successor to the assets or business of Employer without Employee's prior consent.

16. **No Admission.** The Parties agree that neither this Agreement nor the furnishing of the consideration for this Agreement shall be deemed or construed at any time for any purpose as evidence of, or an admission by, either Employee, Employer, or the Released Parties of any liability or unlawful or improper conduct of any kind.

17. **Waivers.** Waiver by Employer of any breach or violation of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach thereof.

18. **Entire Agreement.** This Agreement and any exhibits attached hereto contain the entire understanding of the Parties concerning the subject matter hereof and no representations or inducements have been made or relied on by either Party except as set forth herein. This Agreement supersedes all prior agreements, commitments, representations, understandings, or negotiations, oral or written, and all other communications relating to the subject matter hereof, except to the extent that any provisions in the Letter Agreement that require or contemplate performance by either Party following the separation of Employee's employment by Employer shall survive any such separation and shall remain in full force and effect. No amendment or modification of any provision of this Agreement will be effective unless set forth in a document that purports to amend this Agreement and is executed by all Parties hereto.

19. **Signatures.** This Agreement may be signed in counterparts, each of which shall be deemed an original, but all of which, taken together shall constitute the same instrument. A signature made on a faxed or electronically mailed copy of the Agreement or a signature transmitted by facsimile or electronic mail will have the same effect as the original signature.

20. **Headings.** The sections and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

*[Remainder of the page intentionally blank; signature page follows]*

IN WITNESS WHEREOF, Employee has executed this Agreement and Employer has caused this Agreement to be executed by its duly authorized representatives.

**Kenneth Grimes ("EMPLOYEE")**

Signature:  /s/ Kenneth Grimes

Date:  5/23/2022

**HYRECAR INC. ("EMPLOYER")**

Signature:  /s/ Serge De Bock

Name: Serge De Bock

Title: Chief Financial Officer

Date: 5/23/2022

## Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

I, Joseph Furnari, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HyreCar Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2022

By: /s/ Joseph Furnari  
Name: Joseph Furnari  
Title: Chief Executive Officer  
(Principal Executive Officer)

## Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

I, Serge De Bock, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HyreCar Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2022

By: /s/ Serge De Bock  
Name: Serge De Bock  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATIONS**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Joseph Furnari, Chief Executive Officer of HyreCar Inc., a Delaware corporation (the "Company"), hereby certify, to my knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 15, 2022

By: /s/ Joseph Furnari  
Name: Joseph Furnari  
Title: Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATIONS**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Serge De Bock, Chief Financial Officer of HyreCar Inc., a Delaware corporation (the "Company"), hereby certify, to my knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 15, 2022

By:           /s/ Serge De Bock            
Name: Serge De Bock  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)