**Risk Factors Comparison 2023-05-31 to 2022-06-01 Form: 10-K**

**Legend:** **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

The COVID- 19 pandemic has adversely impacted our business, financial condition and results of operations ~~. Since March 2020, COVID- 19 has spread throughout the globe, including in the Commonwealth of Massachusetts where our headquarters are located,~~ and ~~in~~ other ~~areas where we~~ **future pandemics or health crises may** have ~~business operations~~ **similar impacts** . **The** ~~In response to the pandemic, we have followed the guidelines of the U. S. Centers for Disease Control and Prevention (" CDC") and applicable state government authorities to protect the health and safety of our employees, their families, our suppliers, our customers and our communities. While these existing measures, and COVID- 19 generally, have not materially disrupted our business to date, any future actions necessitated by the~~ COVID- 19 pandemic **continues** ~~may result in disruption~~ to **evolve** ~~our business~~ . ~~Our~~ **At times, our** suppliers have experienced some production disruption due to the COVID- 19 pandemic and ~~related delays in sourcing materials~~ **certain of our customers have been adversely impacted as well, which have collectively adversely impacted our business, financial condition and results of operations** . As a result, we have been experiencing delays or difficulty sourcing products and some inflationary pressure in our supply chains, which have started to and could continue to negatively affect our business and financial results. **The extent** ~~Even if we are able~~ to ~~find alternate sources for such products, they may cost more,~~ which ~~could adversely impact our profitability and financial condition. Inox' s ability to perform under the supply contract has been and may continue to be hampered by the long- term impacts of the COVID- 19 pandemic. Our other~~ -- **the** ~~customers may become adversely impacted by the long- term impacts of the COVID- 19 pandemic. As a result of a deterioration in economic conditions resulting from COVID- 19, our customers and potential customers may reduce demand for our products, decrease their spending or reconsider orders, all of which would adversely affect our business, operating results and financial condition. The~~ COVID- 19 pandemic continues to ~~evolve. The extent to which the pandemic impacts~~ - **impact** our business, liquidity, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the pandemic, the location, duration and magnitude of future waves of infection, new mutations of the virus, timing, effectiveness and adoption of vaccines, travel restrictions and social distancing in the United States and other countries, the duration and extent of future business closures or business disruptions and the effectiveness of actions taken to contain and treat the disease. ~~If we, our customers or suppliers experience prolonged shutdowns or other~~ **Other future pandemics or health crises may cause similar disruptions and adversely impact our** business ~~disruptions~~ , ~~our business, liquidity, results of operations and~~ financial condition and **results** ~~the trading price~~ of **operations** ~~our common stock are likely to be materially adversely affected, and our ability to access the capital markets may be limited~~ . Changes in U. S. government defense spending could negatively impact our financial position, results of operations, liquidity and overall business. We have several contracts with the U. S. government, including defense- related programs with the U. S. Department of Defense. Changes in U. S. government defense spending for various reasons, including as a result of potential changes in policy positions or priorities that may result from the U. S. presidential and congressional elections, could negatively impact our results of operations, financial condition and liquidity. Our programs are subject to U. S. government policies, budget decisions and appropriation processes which are driven by numerous factors including: (1) geopolitical events; (2) macroeconomic conditions; and (3) the ability of the U. S. government to enact relevant legislation, such as appropriations bills. In recent years, U. S. government appropriations have been affected by larger U. S. government budgetary issues and related legislation. In prior years, the U. S. government has been unable to timely complete its budget process before the end of its fiscal year, resulting in governmental shut- downs or providing only enough funds for U. S. government agencies to continue operating at prior- year levels. Significant changes in U. S. government defense spending or changes in U. S. government priorities, policies and requirements could have a material adverse effect on our results of operations, financial condition and liquidity. We rely upon third- party suppliers for the components and subassemblies of many of our Grid and Wind products, making us vulnerable to supply shortages and price fluctuations, which could harm our business. Many of our components and subassemblies are currently manufactured for us by a limited number of qualified suppliers. Any interruption in the supply of components or subassemblies, or our inability to obtain substitute components or subassemblies from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers, which would have an adverse effect on our business and operating results. In order to minimize costs and time to market, we have and will continue to identify local suppliers that meet our quality standards to produce certain of our subassemblies and components. These efforts may not be successful. In addition, any event that negatively impacts our supply, including, among others, wars, terrorist activities, cyberattacks, natural disasters and outbreaks of infectious disease, including the COVID- 19 pandemic, could delay or suspend shipments of products or the release of new products or could result in the delivery of inferior products. Our revenues from the affected products would decline or we could incur losses until such time as we are able to restore our production processes or put in place alternative contract manufacturers or suppliers. Even though we carry business interruption insurance policies, we may suffer losses as a result of business interruptions that exceed the coverage available under our insurance policies. Uncertainty surrounding our prospects and financial condition may have an adverse effect on our customer and supplier relationships. Our relationships with our customers and suppliers are predicated on the belief that we will continue to operate. Our customers, particularly in the utility industry, are generally risk averse and may not enter into sales contracts with us if there is uncertainty regarding our ability to support working capital needs of large- scale projects. We have not manufactured our Amperium wire in commercial quantities, and a failure to manufacture our Amperium wire in commercial quantities at acceptable cost and quality levels would substantially limit our future revenue and profit potential. As part of our effort to increase manufacturing efficiency, we moved from our former manufacturing facility located in Devens, Massachusetts to our smaller- scale leased facility located in Ayer, Massachusetts. However, we have not yet manufactured our Amperium wire in commercial quantities at our Ayer facility or any other facility. Failure to successfully produce commercial quantities of HTS wire with an acceptable yield and cost could adversely affect our ability to meet customer demand for our products and could increase the cost of production versus projections, both of which could adversely impact our operating and financial results. Our success is dependent upon attracting and retaining qualified personnel and our inability to do so could significantly damage our business and prospects. We have attracted a highly skilled management team and specialized workforce, including scientists, engineers, researchers, manufacturing, personnel, and marketing and sales professionals. Hiring and retaining good personnel for our business is challenging, and highly qualified technical personnel are likely to remain a limited resource for the foreseeable future. We may not be able to hire the necessary personnel to implement our business strategy. In addition, we may need to provide higher compensation or more training to our personnel than we currently anticipate. Moreover, any officer or employee can terminate his or her relationship with us at any time. Losing the services of any of our executive officers or key employees could materially and adversely impact our business. ~~As a U. S. federal government contractor, we are requiring all U. S. based employees at sites that service or support our U. S. federal government contracts to be fully vaccinated. In addition, vaccine mandates have been and may be announced in jurisdictions in which our businesses operate. Our implementation of these requirements may result in attrition, including attrition of key personnel and skilled labor, and difficulty securing future labor needs, which could have a material adverse effect on our business, financial condition and results of operations.~~ 14 A significant portion of our Wind segment revenues are derived from a single customer. If this customer' s business is negatively affected, it could adversely impact our business **. A significant portion of our Wind segment revenues are derived from Inox** . Revenues from Inox are supported by a supply contract to purchase, and a license to make, use and supply, wind turbine ECS. Inox has been active in the new central and state government auction regime in India and has a cumulative order book of over 1. 4 GW. However, we cannot predict if and how successful Inox will be in executing on these orders or in obtaining new orders under the new central and state auction regime. In addition, Inox' s ability to perform under the supply contract has been and may continue to be hampered by the prolonged impacts of the COVID- 19 pandemic. Any failure by Inox to succeed under this regime, or any delay in Inox' s ability to deliver its wind turbines, could result in fewer ECS shipments to Inox. Inox has historically failed to post letters of credit and take delivery of forecasted ECS quantities. Our success in addressing the wind energy market is dependent on the manufacturers that license our designs. Because an important element of our strategy for addressing the wind energy market involves the license of our wind turbine designs to manufacturers of those systems, the financial benefits to us from our products for the wind energy market are dependent on the success of these manufacturers in selling wind turbines based on our designs. We may not be able to enter into marketing or distribution arrangements with third parties on financially acceptable terms, or at all, and third parties may not be successful in selling our products or applications incorporating our products. Our business and operations would be adversely impacted in the event of a failure or security breach of our or any critical third parties' information technology infrastructure and networks. We rely upon the capacity, reliability, and security of information technology hardware and software infrastructure and networks (collectively," IT Systems"), and our ability to expand and update IT Systems in response to our changing needs. We manage certain IT Systems but also rely on IT Systems and various products and services provided by critical third- party vendors and others in the supply chain. We also collect and store sensitive and confidential information in the ordinary course of our business. Any failure to manage, expand, or update our IT Systems or any disruption to or failure in the operation of such IT Systems could harm our business. In addition, the costs associated with updating and securing our IT Systems are likely to increase as such security measures become more complex, which may harm our operating results and financial condition. Despite our implementation of security measures, all IT Systems are vulnerable to disruption, compromise and damage from computer viruses, bugs or vulnerabilities, natural disasters, human error, intentional conduct, cyberattacks, unauthorized access and other similar disruptions. Our business is also subject to break- ins, sabotage, and intentional acts of vandalism by third parties as well as employees. Our business activities in China may increase our risks to such breaches. We cannot guarantee the security or protection of any IT Systems. Threat actors, such as ransomware groups, are becoming increasingly sophisticated in using techniques that are designed to circumvent controls, evade detection and remove or obfuscate forensic evidence. As a result, we and our third- party providers may be unable to timely or effectively anticipate, detect, or recover from cyberattacks in the future. We also face increased cyber risk due to the number of our and others' employees who are (and may continue to be) working remotely. Any ~~system~~ failure, accident, security breach, or cyberattack **to our IT Systems or those of third parties upon which we rely** could result in disruptions to our operations, loss, damage or compromise to our data, or inappropriate disclosure of confidential information. Any or all of the foregoing could harm our reputation, result in substantial remediation and compliance costs, lead to lost revenues and business opportunities, lead to regulatory investigations and litigation, and related fines or penalties, increase our insurance premiums and have other materially adverse effects on our business and results. Our insurance policies may not cover, or may be insufficient to cover, any or all costs, losses and liability associated with any cyberattacks, security incidents or other disruptions. Failure to comply with evolving data privacy and data protection laws and regulations or to otherwise protect personal data, may adversely impact our business and financial results. We are subject to many rapidly evolving privacy and data protection laws and regulations in the United States, Europe and around the world. This requires us to operate in a complex environment where there are significant constraints on how we can process personal data across our business. For example, European General Data Protection Regulation (the " GDPR "), which became effective in May 2018, has established stringent data protection requirements for companies doing business in or handling personal data of individuals in the European Union. The GDPR imposes obligations on data controllers and processors including the requirement to maintain a record of their data processing and to implement policies and procedures as part of their mandated privacy governance framework. Breaches of the GDPR could result in substantial fines, which in some cases could be up to four percent of our worldwide revenue. In addition, a breach of the GDPR or other data privacy or data protection laws or regulations could result in regulatory investigations, reputational damage, orders to cease / change our use of data, enforcement notices, as well potential civil claims including class action type litigation. There is a risk that we may be subject to fines and penalties, litigation and reputational harm if we fail to properly process or protect the data or privacy of third parties or comply with the GDPR, and other laws that have been enacted, such as **the Massachusetts Data Privacy Law including The Safeguards Regulations,** the California Consumer Privacy Act and other applicable data privacy and data protection regimes. Many of our revenue opportunities are dependent upon subcontractors and other business collaborators. Many of the revenue opportunities for our business involve projects, such as the installation of superconductor cables in power grids and electrical system hardware in wind turbines, in which we collaborate with other companies, including suppliers of cryogenic systems, manufacturers of electric power cables and manufacturers of wind turbines. As a result, most of our current and planned revenue- generating projects involve business collaborators on whose performance our revenue is dependent. If these business collaborators fail to deliver their products or perform their obligations on a timely basis or fail to generate sufficient demand for the systems they manufacture, our revenue from the project may be delayed or decreased, and we may not be successful in selling our products. 15 If we fail to implement our business strategy successfully, our financial performance could be harmed. Our future financial performance and success are dependent in large part upon our ability to implement our business strategy successfully. Our business strategy envisions several initiatives, including driving revenue growth and enhancing operating results by increasing customer adoption of our products by targeting high- growth segments with commercial and system- level products. We may not be able to implement our business strategy successfully or achieve the anticipated benefits of our business plan. If we are unable to do so, our long- term growth and profitability may be adversely affected. Even if we are able to implement some or all of the initiatives of our business plan successfully, our operating results may not improve to the extent we anticipate, or at all. In addition, to the extent we have misjudged the nature and extent of industry trends or our competition, we may have difficulty in achieving our strategic objectives. Any failure to implement our business strategy successfully may adversely affect our business, financial condition and results of operations. In addition, we may decide to alter or discontinue certain aspects of our business strategy at any time. Our ability to implement our business strategy could also be affected by a number of factors beyond our control, such as increased competition, legal developments, government regulation, general economic conditions, including as a result of the COVID- 19 pandemic and the ongoing war between Russia and Ukraine, or increased operating costs or expenses. Problems with product quality or product performance may cause us to incur warranty expenses and may damage our market reputation and prevent us from achieving increased sales and market share. Consistent with customary practice in our industry, we guarantee our products and / or services to be free from defects in material and workmanship under normal use and service. We generally provide a one- to three- year warranty on our products, commencing upon installation. A provision is recorded upon revenue recognition to cost of revenues for estimated warranty expense based on historical experience. The possibility of future product failures or issues related to services we provided could cause us to incur substantial expenses to repair or replace defective products or re- perform such services potentially in excess of our reserves. Furthermore, widespread product failures may damage our market reputation and reduce our market share and cause sales to decline. Many of our customers outside of the United States may be either directly or indirectly related to governmental entities, and we could be adversely affected by violations of the United States Foreign Corrupt Practices Act and similar worldwide anti- bribery laws outside the United States. The U. S. Foreign Corrupt Practices Act and similar worldwide anti- bribery laws in non- U. S. jurisdictions generally prohibit companies and their intermediaries from making improper payments to non- U. S. officials for the purpose of obtaining or retaining business. Many of our customers outside of the United States are, either directly or indirectly, related to governmental entities and are therefore subject to such anti- bribery laws. Our policies mandate compliance with these anti- bribery laws. We operate in many parts of the world that have experienced governmental corruption to some degree, and in certain circumstances strict compliance with anti- bribery laws may conflict with local customs and practices. Our internal control policies and procedures may not always protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our business, results of operations and financial condition. We have had limited success marketing and selling our superconductor products and system- level solutions, and our failure to more broadly market and sell our products and solutions could lower our revenue and cash flow. To date, we have had limited success marketing and selling our superconductor products and system- level solutions. Once our products and solutions are ready for widespread commercial use, we will have to develop a marketing and sales organization that will effectively demonstrate the advantages of our products over more traditional products, competing superconductor products and other technologies. We may not be successful in our efforts to market this technology and we may not be able to establish an effective sales and distribution organization. We may decide to enter into arrangements with third parties for the marketing or distribution of our products, including arrangements in which our products, such as Amperium wire, are included as a component of a larger product, such as a power cable system. By entering into marketing and sales alliances, the financial benefits to us of commercializing our products will be dependent on the efforts of others. We may acquire additional complementary businesses or technologies, which may require us to incur substantial costs for which we may never realize the anticipated benefits. Our recent acquisitions have required substantial integration and management efforts. As a result of any additional acquisition we pursue, management' s attention and resources may be further diverted from our other businesses. An acquisition may also involve the payment of a significant purchase price, which could reduce our cash position or dilute our stockholders and require significant transaction- related expenses. Achieving the benefits of any acquisition involves additional risks, including: • difficulty assimilating acquired operations, technologies and personnel; • inability to retain management and other key personnel of the acquired business; • changes in management or other key personnel that may harm relationships with the acquired business' s customers and employees; • unforeseen liabilities of the acquired business; • diversion of management' s and employees' attention from other business matters as a result of the integration process; • mistaken assumptions about volumes, revenues and costs associated with the acquired business, including synergies; • limitations on rights to indemnity from the seller; • mistaken assumptions about the overall costs of equity or debt used to finance the acquisition; and • unforeseen difficulties operating in new product areas, with new customers, or in new geographic areas. We cannot provide any assurance that we will realize any of the anticipated benefits of any acquisition, including our NEPSI Acquisition completed in October 2020, and Neeltran, Inc. acquisition completed in May 2021, and if we fail to realize these anticipated benefits, our operating performance could suffer. **We or third parties on whom we depend may be adversely affected by natural disasters, including events resulting from climate change, and our business continuity and disaster recovery plans may not adequately protect us or our value chain from such events. Natural disasters (including, but not limited to tornadoes, earthquakes, fires, storms, floods, droughts and extreme temperatures) and chronic changes in the physical environment could severely disrupt our operations and have a material adverse effect on our business, results of operations, financial condition and prospects. Climate change may increase the frequency or intensity of such events. If a natural disaster, power outage, or other event, including human acts such as terrorism, occurred that prevented us from fully utilizing our value chain or facilities, that damaged critical infrastructure, such as the manufacturing facilities on which we rely, or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. The disaster recovery and business continuity plans we have in place may prove inadequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which could have a material adverse effect on our business. In addition, changes in climate change-related laws or regulations, including laws relating to greenhouse gas emissions, could lead to new or additional compliance requirements and expenditures, and subject us to additional operational costs and restrictions, including increased energy and raw material costs and other compliance requirements which could negatively impact our reputation, business, capital expenditures, results of operations and financial position.** 16 Risks Related to Our Markets Our success depends upon the commercial adoption...... the sale of our REG system. Adverse changes in domestic and global economic conditions could adversely affect our operating results. We have become increasingly subject to the risks arising from adverse changes in domestic and global economic conditions **, including as a result of political instability in the United States** . In recent years ~~, particularly in fiscal 2020 and 2021 as a result of the COVID- 19 pandemic and in late fiscal 2021 and 2022 as a result of the war between Russia and Ukraine~~ , financial markets have been volatile and the state of both the domestic and global economies has been uncertain **. Political instability in the United States, such as the failure to increase the federal debt ceiling, could lead to further financial market volatility and harm the economy** . Adverse credit conditions in the future could have a negative impact on our ability to execute on future strategic activities. In addition, if credit is difficult to obtain in the future, some customers may delay or reduce purchases. Similarly, inflationary pressures have increased and may increase our costs or force us to increase prices for our products. In particular, in fiscal 2021 **and 2022** , we experienced substantial inflationary pressure in our supply chain. These events have resulted or could in the future result in higher product costs, reductions in sales of our products, longer sales cycles, slower adoption of new technologies, increased accounts receivable and inventory write- offs and increased price competition **. We also purchase large amounts of commodity- based raw materials. Prevailing prices for such commodities are subject to fluctuations due to changes in supply and demand and a variety of additional factors beyond our control, such as global political and economic conditions** . Any of these events would likely harm our business, results of operations and financial condition. ~~We have~~ **Our international** operations ~~in, and depend on sales in, emerging markets, including India, and global conditions could negatively affect our operating results or limit our ability to expand our operations outside of these markets. Changes in India' s political, social, regulatory and economic environment may affect our financial performance. We have operations in India. Our financial performance depends upon our ability to carry on our operations and sell our products in markets such as India, as well as other emerging markets around the world. We~~ are ~~, and will continue to be,~~ subject to ~~financial, political, economic and business~~ risks in connection with our operations and sales...... of war, terrorism or the threat -- **that** ~~of any of~~ **we do not face in** ~~these~~ -- **the United States** ~~events as well as government actions such as controls on imports~~ , ~~exports and prices, tariffs, new forms of taxation, or changes in fiscal regimes and increased government regulation in the countries in~~ which ~~we operate or service customers. Unexpected or uncontrollable events or circumstances in any of these markets~~ could have **an** ~~a material~~ adverse effect on our ~~financial~~ **operating** results ~~and cash flows. Our financial performance could be affected by the political and social environment in India~~ . In recent years, **a substantial amount** ~~India has experienced civil unrest and terrorism and has been involved in conflicts with neighboring countries. The potential for hostilities between India and Pakistan has been high in light~~ of ~~tensions related to recent terrorist incidents in India and the unsettled nature of the regional geopolitical environment, including events in and related to Afghanistan and Iraq. With respect to~~ our ~~activities in all emerging markets~~ **consolidated revenues were recognized from customers outside of the United States. For example** , ~~we may be impacted by issues with managing foreign~~ **45 % of our revenues in fiscal 2022 and 38 % of our revenues in fiscal 2021 were recognized from** sales **outside the United States. We also manufacture certain of our products** ~~operations, including long payment cycles, potential difficulties in accounts receivable collection~~ and ~~, especially~~ **purchase a portion of our raw materials and components** from **suppliers** ~~significant customers, fluctuations~~ in ~~the~~ **other** ~~timing and amount of orders. The adverse effect of any of these issues on our business could be increased due to the concentration of our business with a small number of customers. Operations in~~ foreign countries ~~also expose us to risks relating to difficulties in enforcing our proprietary rights, currency fluctuations and adverse or deteriorating economic conditions~~ . **The** ~~For example, the~~ ongoing war between Ukraine and Russia has caused increased raw material costs and material shortages ~~for,~~ and **, as a result** , adversely impacted ~~,~~ certain of our suppliers. ~~If~~ **Our international operations are subject to a variety of risks that** we ~~experience problems~~ **do not face in the United States, including: • potentially longer payment cycles for sales in foreign countries and difficulties in collecting accounts receivable; • difficulties in staffing** and managing our foreign offices and the increased travel, infrastructure and legal compliance costs associated with ~~obtaining registrations, compliance with~~ multiple international locations; • additional withholding taxes or other taxes on our foreign ~~country~~ income and repatriated cash, and tariffs or ~~applicable U. S.~~ other restrictions on foreign trade or investment, including export duties and quotas, trade and employment restrictions; • imposition of, or unexpected adverse changes in, foreign laws ~~,~~ or regulatory requirements; • increased exposure to foreign currency exchange rate risk; • reduced protection ~~or~~ for ~~if we experience difficulties in payments or~~ intellectual property ~~matters~~ rights in ~~foreign jurisdictions~~ some countries; and • natural disasters , pandemics, ~~or if significant~~ political unrest , war ~~economic or regulatory changes occur, our~~ - or acts of terrorism. Trade tensions between the U. S. and China, the U. S. and Russia, as well as those between the U. S. and Canada, Mexico and other countries have been escalating in recent years. For example, in March 2022, the U. S. and other countries imposed broad- based sanction programs against Russia, Belarus, the Crimea Region of Ukraine, the so- called Donetsk People' s Republic and the so- called Luhansk People' s Republic. The United States, the European Union, the United Kingdom and other countries may implement additional sanctions, export controls or other measures against Russia, Belarus and other countries, regions, officials, individuals or industries in the respective territories. Such sanctions and other measures, as well as the existing and potential further responses from Russia or other countries to such sanctions, tensions and military actions, could adversely affect the global economy and financial markets and could adversely affect our business, financial condition and results of operations . We cannot predict whether the United States or any other country will impose new quotas, tariffs, taxes or other trade barriers upon the importation or exportation of our products or gauge the effect that new barriers would have on our financial position or results of operations. These new tariffs or any additional tariffs or other trade barriers may cause our costs to increase, our products to be less competitive, and our business, results of operations and financial position to be materially adversely affected. ~~17~~ Our overall success in international markets depends, in part, upon our ability to succeed in differing legal, regulatory, economic, social and political conditions. We may not be successful in developing and implementing policies and strategies that will be effective in managing these risks in each country where we do business or conduct operations. Our failure to manage these risks successfully could harm our international operations and reduce our international sales, thus lowering our total revenue and increasing losses. Our products face competition, which could limit our ability to acquire or retain customers. The markets for our products are competitive and many of our competitors have substantially greater financial resources and research and development, manufacturing and marketing capabilities than we do. In addition, as our target markets develop, other large industrial companies may enter these fields and compete with us. We face competition from other companies offering FACTS systems similar to our D- VAR products. These include adaptive VAR compensators, Dynamic voltage restorers (" DVRs "), and STATCOMs produced by ABB, Siemens, Mitsubishi, RXHK, NR Electric Co,. and Ingeteam, and battery- based uninterruptible power supply (" UPS ") systems offered by various companies around the world. We face competition from other companies offering medium- voltage metal- enclosed power capacitor banks and harmonic filter banks for use on electric power systems similar to our NEPSI products. These include Controllix PowerSide, Elgin Power Solutions (formally Gilbert), Scott Engineering and QVARx. We face competition from other companies offering DC power supply systems similar to our Neeltran products. These include Scr Controlled Rectifiers, IGBT controlled choppers produced by ABB, Siemens, Friem Dynapower, and Nidec offering systems around the world. With our HTS- based REG product, we are offering a new approach that provides alternatives to utilities for power system design. Therefore, we believe that we compete with traditional approaches such as new full- sized substations, overhead and underground transmission, and urban power transformers. We believe we are currently the only company that can offer HTS- based SPS products that have been fully qualified for use aboard U. S. Navy surface combatants. Therefore, the primary competition for our SPS products is currently coming from defense contractors that provide the copper- based systems that our lighter, more efficient HTS versions have been developed to replace. Companies such as L3 Harris, Raytheon, and Ultra have the bulk of the copper- based business today. As the HTS wire, superconductor electric motors and generators, and power electronic systems markets develop, other large industrial companies may enter those fields and compete with us. If we are unable to compete successfully, it may harm our business, which in turn may limit our ability to acquire or retain customers. With respect to our Wind business, other companies that serve the wind turbine components industry include ABB, Hopewind, and Semikron. We also face indirect competition in the wind energy market from global manufacturers of wind turbines, such as Siemens Gamesa, General Electric, Vestas and Suzlon. We face competition for the supply of wind turbine engineering design services from design engineering firms such as Aerovide and W2E. The competition in these markets could adversely affect our operating results by reducing the volume of the products we sell or the prices we can charge. These competitors may be able to respond more rapidly than us to new or emerging technologies or changes in customer requirements. They may also devote greater resources to the development, promotion and sale of their products than we do. Our ~~international~~ success depends significantly upon our ability to enhance our products and technologies and to develop and introduce, on a timely and cost- effective basis, new products and features that meet changing customer requirements and incorporate technological enhancements. If we are unable to develop new products and enhance functionalities or technologies to adapt to these changes, our business will suffer. We can provide no assurance that we will continue to effectively compete against our current competitors or additional companies that may enter our markets. We have operations in, and depend on sales in, emerging markets, including India, and global conditions could negatively affect our operating results or limit our ability to expand our operations outside of these markets. Changes in India' s political, social, regulatory and economic environment may affect our financial performance. We have operations in India. Our financial performance depends upon our ability to carry on our operations and sell our products in markets such as India, as well as other emerging markets around the world. We are , and will continue to be, subject to financial, political, economic and business risks in connection with our operations and sales in these emerging markets.In addition to the business risks inherent in developing and servicing these markets,economic conditions may be more volatile,legal and regulatory systems less developed and predictable,and the possibility of various types of adverse governmental action more pronounced in emerging markets.In addition,inflation,fluctuations in currency and interest rates,competitive factors,civil unrest,public health emergencies and labor problems could affect our revenues,expenses and results of operations.Our operations could also be adversely affected by acts of war,terrorism or the ~~that~~ **threat of any of** ~~we do not face in the~~ **these** ~~United States~~ **events as well as government actions such as controls on imports** , **exports and prices, tariffs, new forms of taxation, or changes in fiscal regimes and increased government regulation in the countries in** which **we operate or service customers. Unexpected or uncontrollable events or circumstances in any of these markets** could have ~~an~~ **a material** adverse effect on our ~~operating~~ **financial** results **and cash flows. Our financial performance could be affected by the political and social environment in India** . In recent years, **India has experienced civil unrest and terrorism and has been involved in conflicts with neighboring countries. The potential for hostilities between India and Pakistan has been high in light of tensions related to recent terrorist incidents in India and the unsettled nature of the regional geopolitical environment, including events in and related to Afghanistan and Iraq. With respect to our activities in all emerging markets, we may be impacted by issues with managing foreign sales operations, including long payment cycles, potential difficulties in accounts receivable collection and, especially from significant customers, fluctuations in the timing and amount of orders. The adverse effect of any of these issues on our business could be increased due to the concentration of our business with** a ~~substantial amount~~ **small number** of ~~our consolidated revenues were recognized from~~ customers ~~outside of the United States~~ **. Operations in foreign countries also expose us to risks relating to difficulties in enforcing our proprietary rights, currency fluctuations and adverse or deteriorating economic conditions** . For example, ~~38 % of our revenues in fiscal 2021 and 41 % of our revenues in fiscal 2020 were recognized from sales outside the United States. We also manufacture certain of our products and purchase a portion of our raw materials and components from suppliers in other~~ -- **the** ~~foreign countries. The~~ ongoing war between Ukraine and Russia has caused increased raw material costs and material shortages ~~and~~ **for** , **and,adversely impacted,certain of our suppliers.If we experience problems with obtaining registrations,compliance with foreign country or applicable U.S.laws,or if we experience difficulties in payments or intellectual property matters in foreign jurisdictions,or if significant political,economic or regulatory changes occur,our results of operations would be adversely affected.** Our success depends upon the commercial adoption of the REG system,which is currently limited,and a widespread commercial market for our products may not develop.To date,there has been no widespread commercial use of the REG system.It is uncertain whether a robust commercial market for those new and unproven products will ever develop.In addition,we believe in- grid demonstrations of REG systems are necessary to convince utilities and power grid operators of the benefits of this technology.Even if a project is funded,completion of projects can be delayed ~~as a result of other factors.It is possible that the market demands we currently anticipate for our REG system will not develop and that they will never achieve widespread commercial acceptance.In such event,we would not be able to implement our strategy,and our results of operations could be reduced or eliminated.Even if a commercial market for~~ as a result **of other factors. It is possible that the market demands we currently anticipate for our REG system will not develop and that they will never achieve widespread commercial acceptance. In such event** , **we would not be able to implement our strategy, and our results of operations could be reduced or eliminated. Even if a commercial market for our REG systems were to develop, commercial terms requested by utilities and power grid operators relating to bonding requirements, limitations of liability, warranty periods, or other contractual provisions, may not be acceptable to us, which could impede our ability to enter into contractual arrangements for the sale of our REG system. 17 Industry consolidation could result in more powerful competitors and fewer customers. Competitors in the industries in which we operate are consolidating. If our competitors consolidate, they likely will increase their market share, gain economies of scale that enhance their ability to compete with us and / or acquire additional products and technologies that could displace our product offerings. Our customer base also is undergoing consolidation. Consolidation within our customers' industries could affect our customers and their relationships with us. If one of our competitors' customers acquires any of our customers, we may lose that business. Additionally, if our customers become larger and more concentrated, they could exert pricing pressure on all suppliers, including us. If we were to lose market share or customers or face pricing pressure due to consolidation of our customers, our results of operations and financial condition could be** adversely **affected. 18 The increasing focus on environmental sustainability and social initiatives could increase our costs, and inaction could harm our reputation and adversely** ~~impacted~~ -- **impact** ~~certain of~~ our ~~suppliers~~ **financial results** . ~~Our international operations are subject to~~ **There has been increasing public focus by investors, customers, environmental activists, the media and governmental and nongovernmental organizations on** a variety of ~~risks ,customers,environmental activists,the media and governmental and nongovernmental organizations on a variety of~~ environmental,social and other sustainability matters.If we are not effective in addressing environmental,social and other sustainability matters affecting our business,or setting and meeting relevant sustainability goals,our reputation and financial results may suffer.We may experience increased costs in order to execute upon any sustainability goals and measure achievement of those goals,which could have an adverse impact on our business and financial condition. ~~In addition~~ **While we may at times engage in voluntary initiatives (such as voluntary disclosures** , **certifications** ~~this emphasis on environmental~~ , ~~social~~ **or goals** , ~~and~~ **among** ~~other~~ **others** ~~sustainability matters has resulted~~ **) to improve our ESG profile,such initiatives may be costly** and may ~~result in~~ **not have** the **desired effect.Moreover** ~~adoption of new laws and regulations~~ , ~~including new reporting requirements.If~~ we ~~fail~~ **may not be able** to ~~comply with new~~ **successfully complete such initiatives due to factors** that ~~we do~~ **are within or outside of our control. Even if this is** not ~~face in~~ the ~~United States~~ **case, our actions may subsequently be determined to be insufficient by various stakeholders, and we may be subject to investor or regulator engagement on our ESG efforts, even if such initiatives are currently voluntary. Certain market participants** , including ~~: • potentially longer payment cycles~~ **major institutional investors and capital**

**providers, use third- party benchmarks and scores to assess companies' ESG profiles in making investment** ~~for-~~ - **or** ~~sales in foreign countries~~ **voting decisions. We have limited** and ~~difficulties~~ in **some instances no visibility** ~~collecting accounts receivable; • difficulties in staffing and managing our~~ - **or control over** ~~foreign offices and the~~ **these scores or their underlying methodologies. Unfavorable ESG ratings could lead to** increased **negative investor sentiment towards us** ~~travel, infrastructure and legal compliance costs associated with multiple international locations; • additional withholding taxes or other taxes on our~~ - **or** ~~foreign income and repatriated cash, and tariffs or~~ **our** ~~other restrictions on foreign trade~~ **industry, which could negatively impact** ~~or~~ **our share price** ~~investment, including export duties and quotas, trade and employment restrictions; • imposition of, or unexpected adverse changes in, foreign laws or regulatory requirements; • increased exposure to foreign currency exchange rate risk; • reduced protection for intellectual property rights in some countries; and • natural disasters, pandemics, political unrest, war or acts of terrorism. Trade tensions between the U. S. and China, the U. S. and Russia,~~ as well as **our access to and cost of capital. To** ~~those~~ -- **the extent ESG matters negatively impact our reputation** ~~between the U. S. and Canada~~ , ~~Mexico~~ **it may also impede our ability to compete as effectively to attract and retain employees or customers, which may adversely impact our operations. In addition, this emphasis on environmental, social,** and other **sustainability matters** ~~countries have been escalating in recent years. For example, in March 2022, the U. S. and other countries imposed broad- based sanction programs against Russia, Belarus, the Crimea Region of Ukraine, the so- called Donetsk People' s Republic and the so- called Luhansk People' s Republic. The situation is rapidly evolving as~~ **has** ~~a~~ **resulted and may** result ~~of the war~~ in ~~Ukraine, and the United States, the European Union, the United Kingdom and other~~ -- **the** ~~countries may implement additional sanctions~~ **adoption of new laws and regulations** , ~~export controls~~ **including new reporting requirements. If we fail to comply with new laws, regulations, or reporting requirements,** ~~or~~ **our reputation** ~~other measures against Russia, Belarus~~ and **business** ~~other countries, regions, officials, individuals or industries in the respective territories. Such sanctions and other measures, as well as the existing and potential further responses from Russia or other countries to such sanctions, tensions and military actions,~~ could **be** adversely **impacted** ~~affect the global economy and financial markets and could adversely affect our business, financial condition and results of operations~~ . ~~We cannot predict whether the United States or any other country will impose new quotas, tariffs, taxes or other trade barriers upon the importation or exportation of our products or gauge the effect that new barriers would have on our financial position or results of operations. These new tariffs or any additional tariffs or other trade barriers may cause our costs to increase, our products to be less competitive, and our business, results of operations and financial position to be materially adversely affected. Our overall success in international markets depends, in part, upon our ability to succeed in differing legal, regulatory, economic, social and political conditions. We may not be successful in developing and implementing policies and strategies that will be effective in managing these risks in each country where we do business or conduct operations. Our failure to manage these risks successfully could harm our international operations and reduce our international sales, thus lowering our total revenue and increasing losses. 18~~ Growth of the wind energy market depends largely on the availability and size of government subsidies, economic incentives and legislative programs designed to support the growth of wind energy. At present, the cost of wind energy exceeds the cost of conventional power generation in many locations around the world. Various governments have used different policy initiatives to encourage or accelerate the development and adoption of wind energy and other renewable energy sources. Renewable energy policies are in place in the European Union, certain countries in Asia, including India, China, Japan and South Korea, and many of the states in Australia and the United States. Examples of government sponsored financial incentives include capital cost rebates, feed- in tariffs, tax credits, net metering and other incentives to end- users, distributors, system integrators and manufacturers of wind energy products to promote the use of wind energy and to reduce dependency on other forms of energy. In the United States, various legislation and regulations designed to support the growth of wind energy have been implemented or proposed by the federal government, such as the Production Tax Credit for Renewable Energy (" PTC ") and the Clean Power Plan. Governments, including the U. S. government, may decide to reduce or eliminate these economic incentives, or curtail legislative programs supportive of wind energy technologies for political, financial or other reasons. Any reductions in, or eliminations of, government subsidies, economic incentives or favorable legislative programs before the wind energy industry reaches a sufficient scale to be cost- effective in a non- subsidized marketplace could reduce demand for our products and adversely affect our business prospects and results of operations. Lower prices for other fuel sources may reduce the demand for wind energy development, which could have a material adverse effect on our ability to grow our Wind business. The wind energy market is affected by the price and availability of other fuels, including nuclear, coal, natural gas and oil, as well as other sources of renewable energy. To the extent renewable energy, particularly wind energy, becomes less cost- competitive due to reduced government targets, increases in the cost of wind energy, as a result of new regulations, and incentives that favor alternative renewable energy, cheaper alternatives or otherwise, demand for wind energy and other forms of renewable energy could decrease. Slow growth or a long- term reduction in the demand for renewable energy could have a material adverse effect on our ability to grow our Wind business. The increasing focus on environmental sustainability and...... and business could be adversely impacted. Risks Related to Our Technologies We may be unable to adequately prevent disclosure of trade secrets and other proprietary information. We rely on trade secrets to protect our proprietary technologies, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely, in part, on confidentiality agreements with our employees, contractors, consultants, outside scientific collaborators and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets or independently develop processes or products that are similar or identical to our trade secrets and courts outside the United States may be less willing to protect trade secrets. Costly and time- consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position. Our patents may not provide meaningful protection for our technology, which could result in us losing some or all of our market position. We own or have licensing rights under many patents and pending patent applications. However, the patents that we own or license may not provide us with meaningful protection of our technologies and may not prevent our competitors from using similar technologies for a variety of reasons, such as: • the patent applications that we or our licensors file may not result in patents being issued; • any patents issued may be challenged by third parties; and • others may independently develop similar technologies not protected by our patents or design around the patented aspects of any technologies we develop. Moreover, we could incur substantial litigation costs in defending the validity of or enforcing our own patents. We also rely on trade secrets and proprietary know- how to protect our intellectual property. However, our **confidentiality** ~~non- disclosure~~ agreements and other safeguards may not provide meaningful protection for our trade secrets and other proprietary information. If the patents that we own or license or our trade secrets and proprietary know- how fail to protect our technologies, our market position may be adversely affected. There are a number of technological challenges that must be successfully addressed before our superconductor products can gain widespread commercial acceptance, and our inability to address such technological challenges could adversely affect our ability to acquire customers for our products. Many of our superconductor products are in the early stages of commercialization, while others are still under development. There are a number of technological challenges that we must successfully address to complete our development and commercialization efforts for superconductor products. We will also need to improve the performance and reduce the cost of our Amperium wire to expand the number of commercial applications for it. We may be unable to meet such technological challenges or to sufficiently improve the performance and reduce the costs of our Amperium wire. Delays in development, as a result of technological challenges or other factors, may result in the introduction or commercial acceptance of our superconductor products later than anticipated. 19 Third parties have or may acquire patents that cover the materials, processes and technologies we use or may use in the future to manufacture our Amperium products, and our success depends on our ability to license such patents or other proprietary rights. We expect that some or all of the HTS materials, processes and technologies we use in designing and manufacturing our products are or will become covered by patents issued to other parties, including our competitors. The owners of these patents may refuse to grant licenses to us, or may be willing to do so only on terms that we find commercially unreasonable. If we are unable to obtain these licenses, we may have to contest the validity or scope of those patents or re-engineer our products to avoid infringement claims by the owners of these patents. It is possible that we will not be successful in contesting the validity or scope of a patent, or that we will not prevail in a patent infringement claim brought against us. Even if we are successful in such a proceeding, we could incur substantial costs and diversion of management resources in prosecuting or defending such a proceeding. Our technology and products could infringe intellectual property rights of others, which may require costly litigation and, if we are not successful, could cause us to pay substantial damages and disrupt our business. In recent years, there has been significant litigation involving patents and other intellectual property rights in many technology-related industries. There may be patents or patent applications in the United States or other countries that are pertinent to our products or business of which we are not aware. The technology that we incorporate into and use to develop and manufacture our current and future products, including the technologies we license, may be subject to claims that they infringe the patents or proprietary rights of others. The success of our business will also depend on our ability to develop new technologies without infringing or misappropriating the proprietary rights of others. Third parties may allege that we infringe patents, trademarks or copyrights, or that we misappropriated trade secrets. These allegations could result in significant costs and diversion of the attention of management. If a successful claim were brought against us and we are found to infringe a third party' s intellectual property rights, we could be required to pay substantial damages, including treble damages if it is determined that we have willfully infringed such rights, or be enjoined from using the technology deemed to be infringing, or using, making or selling products deemed to be infringing. If we have supplied infringing products or technology to third parties, we may be obligated to indemnify these third parties for damages they may be required to pay to the patent holder and for any losses they may sustain as a result of the infringement. In addition, we may need to attempt to license the intellectual property right from such third party or spend time and money to design around or avoid the intellectual property. Any such license may not be available on reasonable terms, or at all. An adverse determination may subject us to significant liabilities and / or disrupt our business. Risks Related to Our Common Stock Our common stock has experienced, and may continue to experience, market price and volume fluctuations, which may prevent our stockholders from selling our common stock at a profit and could lead to costly litigation against us that could divert our management' s attention. The market price of our common stock has historically experienced volatility and may continue to experience such volatility in the future. Factors such as our financial performance, liquidity requirements, technological achievements by us and our competitors, the establishment of development or strategic relationships with other companies, strategic acquisitions, new customer orders and contracts, and our introduction of commercial products may have a significant effect on the market price of our common stock. The stock market in general, and the stock of high technology companies, in particular, have, in recent years, experienced extreme price and volume fluctuations, which are often unrelated to the performance or condition of particular companies ~~, such as in connection with the ongoing coronavirus outbreak~~ . Such broad market fluctuations have and could continue to adversely affect the market price of our common stock. Due to these factors, the price of our common stock may decline, and investors may be unable to resell their shares of our common stock for a profit. Following periods of volatility in the market price of a particular company' s securities, securities class action litigation has often been brought against that company. In the past, we have been subject to a number of class action lawsuits which were filed against us on behalf of certain purchasers of our common stock. If we become subject to additional litigation of this kind in the future, it could result in additional litigation costs, a damages award against us and the further diversion of our management' s attention. General Risk Factors Unfavorable results of legal proceedings could have a material adverse effect on our business, operating results and financial condition. From time to time, we may become subject to legal proceedings and claims that arise in or outside the ordinary course of business. Results of legal proceedings cannot be predicted with certainty. Our insurance coverage may be insufficient, our assets may be insufficient to cover any amounts that exceed our insurance coverage, and we may have to pay damage awards or otherwise may enter into settlement arrangements in connection with such claims. Any such payments or settlement arrangements in legal proceedings could have a material adverse effect on our business, operating results or financial condition. Regardless of merit, legal proceedings could result in substantial costs and significantly and adversely impact our reputation and divert management' s attention and resources, which could have a material adverse effect on our business, operating results or financial condition. In addition, such lawsuits may make it more difficult to finance our operations.

Item 1B. UNRESOLVED STAFF COMMENTS