Risk Factors Comparison 2024-03-26 to 2023-03-29 Form: 10-K

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

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report, before deciding to invest in our common stock. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business, results of operations, financial condition and prospects could be harmed. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. Summary Risk Factors Our business is subject to numerous risks and uncertainties that you should consider before investing in our company. You should carefully consider all of the risks described more fully in the section titled " Risk Factors " in this Annual Report **on page 19** , before deciding to invest in our common stock. If any of these risks actually occurs, our business, financial condition and results of operations would likely be materially adversely affected. These key risks, include, but are not limited to, the following: Risks Related to Our Business ● We have a history of net losses, may incur substantial net losses in the future, and may not achieve or sustain profitability or growth in future periods. If we cannot achieve and sustain profitability, our business, financial condition, and operating results will be adversely affected. ● We have negative cash flow from our operations and, given our projected funding needs, our ability to generate positive cash flow is uncertain. ● ~~The price~~ **Our shares** of ~~our~~ common stock ~~does not meet~~ **could be delisted from** the ~~requirements for continued listing on~~ Nasdaq ~~. If~~ **Capital Market if** we fail to regain compliance with the ~~minimum~~ **Nasdaq' s stockholders' equity continued** listing **standards** ~~requirements, our common stock will be subject to delisting~~ . Our ability to publicly or privately sell equity securities and the liquidity of our **shares of** common stock could be adversely affected if **we are** ~~our common stock is~~ delisted **from the Nasdaq Capital Market. ● Our financial condition raises substantial doubt as to our ability to continue as a going concern** . ● Unfavorable global economic or political conditions ~~prolonged and intensified throughout the second half of 2022 and in 2023~~ could adversely affect our business, financial condition or results of operations. ● Prolonged inflation rates could negatively impact our revenues and profitability if increases in the prices of our products or a decrease in customer spending results in lower sales. ● We may need to raise additional capital to meet our business requirements in the future, and such capital raising may be costly or difficult to obtain and could dilute our stockholders' ownership interests. ● Our indebtedness could adversely affect our ability to raise additional capital to fund operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our financial obligations. ● To support our business growth, in the past years we increased our focus on serving certain IoT verticals, while continuing to serve our existing Telco customers. This change in our strategy may make it more difficult to evaluate our business growth and future prospects, and may increase the risk that we will not be successful in our plans. ● We may have ineffective sales and marketing efforts ~~. ● We are dependent on the supply of electronic and mechanical components and our business would be harmed if we do not receive sufficient supply of such components in number and performance to meet our production requirements and product specifications in a timely and cost- effective manner~~ . ● We outsource our product manufacturing and are dependent on our key manufacturers, and on our component and OEM suppliers. We are susceptible to problems, and have encountered problems in the past, in connection with procurement, decreasing quality, reliability, and protectability. ● Demand for our products and solutions may not grow or may decline. ● Our gross margins may not increase or may deteriorate. ● Changes in the price and availability of our raw materials and shipping could be detrimental to our profitability. ● Expanding our operations and marketing efforts to meet expected growth may impact profitability if actual growth is less than expected. ● If our internal Company cyber- security measures are breached or fail and unauthorized access is obtained to our IT environment, we may incur significant losses of data, which we may not be able to recover and may experience a delay in our ability to conduct our day- to- day business. ● We provide cyber security features as part of our products that may not completely prevent information security breaches, and our products are installed in live customer environments and may be compromised by cyber- attacks and damage customer assets. ● We depend on key information systems and third- party service providers. ● We depend on our management team and other key employees, and the loss of one or more of these employees or an inability to attract and retain highly skilled employees could adversely affect our business. ● We may face the effects of increased competition and rapid technological changes. ● Our results of operations are likely to fluctuate from quarter to quarter and year to year, which could adversely affect the trading price of our common stock. ● The loss of one or more of our significant customers, or any other reduction in the amount of revenue we derive from any such customer, would adversely affect our business, financial condition, results of operations and growth prospects. ● We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military ~~conflict~~ **conflicts** between Russia and Ukraine **and between Israel and Hamas and Hezbollah** . Our business, financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine **and Israel** or any other geopolitical tensions ~~. ● The effects of health pandemics, such as the ongoing global COVID- 19 pandemic, have had, and could in the future have, an adverse impact on our business, financial condition and results of operations~~ . Risks Related to Protecting Our Technology and Intellectual Property ● Claims by others that we infringe their intellectual property could force us to incur significant costs or revise the way we conduct our business. ● Our patents and proprietary technology may be challenged or disputed. ● Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand. ● The lives of our patents may not be sufficient to effectively protect our products and business. Risks Related to

Managing Our Business Operations in Israel ● **Conditions** ~~Potential political, economic, and military instability~~ in the ~~State of~~ **Middle East and in** Israel, where our research and development facilities are located, may **harm** ~~adversely affect~~ our ~~results of~~ operations. ● Actelis Israel received Israeli government grants for certain of our research and development activities, the terms of which require us to pay royalties and satisfy specified conditions in order to manufacture products and transfer technologies outside of Israel. If we fail to satisfy these conditions, we may be required to pay penalties and refund grants previously received. ● We may be adversely affected by fluctuations in the currency exchange rate of the Israeli Shekel. ● Unanticipated changes in our effective tax rate and additional tax liabilities, including those resulting from our international operations or the implementation of new tax rules, could harm our future results. Risks Related to our Common Stock ● The requirements of being a public company may strain our resources, divert management' s attention, and affect our ability to attract and retain executive management and qualified board members. ● We have identified a material weakness in our internal control over financial reporting. If we experience material weaknesses in the future or otherwise fail to implement and maintain an effective system of internal controls in the future, we may not be able to accurately report our financial condition or results of operations which may adversely affect investor confidence in us, and as a result, the value of our common stock. ● If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock. **RISK FACTORS Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report, before deciding to invest in our common stock. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business, results of operations, financial condition and prospects could be harmed. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.** We have a history of net losses, may incur substantial net losses in the future, and may not achieve or sustain profitability or growth in future periods. If we cannot achieve and sustain profitability, our business, financial condition, and operating results will be adversely affected. We have incurred net losses in recent years, and we may not achieve or maintain profitability in the future. We experienced a net loss of $ **6. 3 million and $** 11 ~~million and $ 5~~ . ~~3~~ **0** million in the years ended December 31, **2023 and** 2022 ~~and 2021~~ , respectively. As a result, we had an accumulated deficit of $ ~~33~~ **39** . ~~4~~ **7** million as of December 31, ~~2022~~ **2023** . We cannot predict when or whether we will reach or maintain profitability. We **may** also ~~expect~~ **increase** our operating expenses ~~to increase~~ in the future as we continue to invest for our future growth, including expanding our research and development function to drive further development of our platform, expanding our sales and marketing activities, developing the functionality to expand into adjacent markets, and reaching customers in new geographic locations, which will negatively affect our operating results if our total revenues do not increase. In addition to the anticipated costs to grow our business, we also expect to incur significant additional legal, accounting, and other expenses as a newly public company. These efforts and additional expenses may be more costly than we expect, and we cannot guarantee that we will be able to increase our revenues to offset our operating expenses. Any failure to increase our revenues or to manage our costs as we invest in our business would prevent us from achieving or maintaining profitability. There is no guaranty that we will be able to generate the revenue necessary to support our cost structure or obtain the level of financing necessary for our operations. We have incurred significant losses and negative cash flows from operations and incurred losses of $ **6. 3 million and $** 11 ~~million and $ 5~~ . ~~3~~ **0** million for the years ended December 31, **2023 and** 2022 ~~and 2021~~ , respectively. During the years ended December 31, **2023 and** 2022 ~~and 2021~~ , we had negative cash flows from operations of $ **6. 6 million and $** 7. 8 million ~~and $ 2. 7 million~~ , respectively. As of December 31, ~~2022~~ **2023** , our accumulated deficit was $ ~~33~~ **39** . ~~4~~ **7** million. We have funded our operations to date through equity financing and ~~has~~ **have** cash on hand (including short term **bank** deposits and restricted cash **equivalents**) of $ ~~6~~ **2** . ~~0~~ **4** million and long- term ~~deposits and~~ restricted cash **and cash equivalents and restricted bank deposits** of $ ~~2~~ **3** . 4 million as of December 31, ~~2022~~ **2023** . We monitor our cash flow projections on a current basis and take active measures to obtain the funding it requires to continue our operations. However, these cash flow projections are subject to various uncertainties concerning their fulfilment such as the ability to increase revenues by attracting and expanding its customer base or reducing cost structure. If we will not succeed in generating sufficient cash flow or completing additional financing, then it will need to execute a cost reduction plan that has been prepared. Our transition to profitable operations is dependent on generating a level of revenue adequate to support our cost structure. We expect to fund operations using cash on hand, through operational cash flows and raising additional proceeds. There are no assurances, however, we will be able to generate the revenue necessary to support our cost structure or that we will be successful in obtaining the level of financing necessary for its operations. Furthermore, we may continue to incur negative cash flow from operating and investing activities for the foreseeable future as we expect to incur research and development, sales and marketing, and general and administrative expenses and make capital expenditures in our efforts to increase our sales. Our business also will at times require significant amounts of working capital to support our growth of additional platforms. An inability to generate positive cash flow from operating activities for the near term may adversely affect our ability to raise needed capital for our business on reasonable terms, or at all, diminish supplier or customer willingness to enter into transactions with us, and have other adverse effects that may decrease our long- term viability. There can be no assurance that we will achieve positive cash flow in the near future or at all. **Our financial condition raises substantial doubt as to our ability to continue as a going concern. Our consolidated financial statements have been prepared assuming that we will continue to operate as a going concern.** ~~The~~ **These** ~~price~~ **events and conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern. This going concern determination could materially limit our ability to raise additional funds through the issuance** of **equity** ~~our~~ **or debt securities or otherwise. Further financial statements may include an explanatory paragraph with respect to our**

ability to continue as a going concern. There can be no assurance that we will succeed in generating sufficient revenues from our product sales to continue our operations as a going concern. If funds are not available to us, we may be required to delay, reduce the scope of, or eliminate research or development plans for, or commercialization efforts with respect to our products. This may raise substantial doubts about our ability to continue as a going concern. Our shares of common stock ~~does not meet~~ **could be delisted from** the ~~requirements for continued listing on~~ Nasdaq ~~. If~~ **Capital Market if** we fail to regain compliance with the ~~minimum~~ **Nasdaq' s stockholders' equity continued** listing **standards** ~~requirements, our common stock will be subject to delisting~~. Our ability to publicly or privately sell equity securities and the liquidity of our **shares of** common stock could be adversely affected if **we are delisted from the Nasdaq Capital Market. On August 25, 2023, we received a notification letter from the Nasdaq Staff indicating that we are not in compliance with Nasdaq Listing Rule 5550 (b) (1) due to our failure to meet the Minimum Shareholders' Equity Requirement** ~~our~~ - **or any alternatives to such requirement. In order to maintain our listing on the Nasdaq Capital Market, we submitted a plan of compliance addressing how we intended to regain compliance. We had until February 21, 2024 to evidence compliance with the Minimum Shareholders' Equity Requirement. As of the date of this Annual Report, we have not provided such evidence. In the event that our shares of** common stock ~~is delisted~~ **would be subject to delisting, we intend to timely request a hearing before the Panel** . ~~The continued~~ **We have in the past, and may in the future, be unable to comply with certain of the** listing standards **that we are required to meet to maintain the listing** of **our ordinary shares on** Nasdaq ~~require~~ **. For instance** , ~~among~~ **on November 3, 2022, we received notification from** ~~other~~ -- **the** ~~things,~~ **Nasdaq Staff** that **we were not in compliance with** the minimum bid price ~~of~~ **requirement set forth in Nasdaq Listing Rule 5550 (** a **) (2). Nasdaq Listing Rule 5550 (a) (2) requires** listed **securities to maintain a** ~~company' s stock be at or above $ 1. 00. If the closing~~ minimum bid price ~~is below $ 1. 00 for a period~~ of ~~more than 30 consecutive trading days, the listed company will fail to be in compliance with Nasdaq' s listing rules and, if it does not regain compliance within the grace period, will be subject to delisting. As previously reported, on November 4, 2022, we received a notice from the Nasdaq Listing Qualifications Department notifying us that for 30 consecutive trading days, the bid price of our common stock had closed below the minimum~~ $ 1. 00 per share **and Nasdaq Listing Rule 5810 (c) (3) (A) provides that a failure to meet the minimum bid price** requirement **exists if the deficiency continues for a period of 30 consecutive business days** . In accordance with Nasdaq ~~' s listing~~ **Listing** ~~rules~~ **Rule 5810 (c) (3) (A)** , we ~~were afforded a~~ **had an initial** grace period of 180 calendar days, or until May 2, 2023 **(the " Minimum Bid Price Compliance Period ")** , to regain compliance with the **minimum** bid price requirement. **On April 19** ~~In order to regain compliance~~ , **2023, we implemented a 1- for- 10 reverse stock split. One of** the ~~bid~~ **primary intents for the consolidation was that the anticipated increase in the** price of our **shares of** common stock ~~must close at~~ **immediately following and resulting from** a **reverse stock split due to the reduction in the number of issued and outstanding shares of ordinary shares would help us meet the** price **criteria** ~~of at least $ 1. 00 per share~~ for **continued listing on the Nasdaq Capital Market. On May 3, 2023, we received** a ~~minimum of 10 consecutive trading days~~ **notification from the Nasdaq Staff that we had regained compliance with the Nasdaq Listing Rule 5550 (a) (2)** . If we fail to **satisfy** ~~regain compliance by May 2, 2023, we may be eligible for a second 180 day compliance period, provided that, on such date, we meet~~ the continued listing ~~requirement~~ **requirements** ~~for market value~~ of ~~publicly held shares and all other applicable~~ Nasdaq ~~listing~~ **, such as minimum stockholders' equity** requirements **or** ~~(other than the~~ minimum ~~closing~~ bid price ~~requirement~~ **requirements ,** ~~) and we provide written notice to~~ Nasdaq ~~of our intention~~ **may take steps** to **delist our shares of common** ~~cure the deficiency during the second compliance period, by effecting a reverse~~ stock ~~split, if necessary~~ . Such **a delisting** ~~extension of the grace period~~ would ~~be subject~~ **have a negative effect on the price of our shares of common stock, impair the ability** to **sell or purchase our shares of common stock when persons wish to do so, and any delisting materially adversely affect our ability to raise capital or pursue strategic restructuring, refinancing or other transactions on acceptable terms, or at all. Delisting from** Nasdaq **could also have** ~~' s discretion, and there~~ - **other** ~~can be no guarantee~~ **negative results, including the potential loss of institutional investor interest and fewer business development opportunities, as well as a limited amount of news and analyst coverage of us. Delisting could also result in a determination** that **our shares of common stock are a " penny stock, " which would require brokers trading in our shares of common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary market for our shares of common stock. In the event of a delisting,** we would **attempt to take actions to restore** ~~be granted an extension. We cannot provide any guarantee that we will regain compliance during the grace period or~~ **our** ~~be able to maintain~~ compliance with Nasdaq' s listing requirements **, but** ~~in the future. If~~ we ~~are~~ **can provide** ~~not~~ - **no assurance that** ~~able to regain compliance during the grace period, or~~ any **such action taken by us would allow** ~~extension of the grace period for which we may be eligible,~~ our **shares of** common stock ~~will be subject~~ to ~~delisting. Delisting from Nasdaq could adversely affect~~ **become listed again, stabilize the market price** ~~our~~ - **or improve** ~~ability to raise additional financing through~~ the ~~public~~ **liquidity of** ~~or~~ **our** ~~private sale of equity~~ securities, **prevent** ~~would significantly affect the ability of investors to trade~~ our **shares** ~~securities and would negatively affect the value and liquidity~~ of ~~our~~ common stock ~~.~~ **from dropping below the Nasdaq minimum bid price requirement or prevent future non-compliance with Nasdaq' s** ~~Delisting~~ -- **listing requirements** ~~could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest and fewer business development opportunities~~ . Unfavorable global economic or political conditions ~~prolonged and intensified throughout the second half of 2022 and in 2023~~ could adversely affect our business, financial condition or results of operations. Our business is susceptible to general conditions in the global economy and in the global financial markets. A global financial crisis or a global or regional political disruption has caused, and could in the future cause, extreme volatility in the capital and credit markets. A severe or prolonged economic downturn, including a recession, the currently prolonged inflationary economic environment, continued rising interest rates, debt and equity market fluctuations, diminished liquidity and credit availability, increased unemployment rates, decreased investor and consumer confidence, supply chain challenges, natural catastrophes, the effects of climate change, regional and global conflicts and terrorist attacks or political disruption or turmoil could result in a variety of risks to our business, including weakened demand for our product candidates or any future product candidates, if approved, and our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy or political disruption could also strain our manufacturers or suppliers, possibly resulting in supply disruption, or cause our customers to delay making payments for our potential products. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects, and we cannot anticipate all of the ways in which the political or economic climate and financial market conditions could adversely impact our business. Prolonged inflation rates could negatively impact our revenues and profitability if increases in the prices of our products or a decrease in customer spending results in lower sales which would adversely affect our business, results of operations and financial condition. Inflation rates, particularly in the United States and Israel, have increased ~~this year~~ **in 2023** and are prolonged in the past months, at levels not seen in years in many countries where our customers reside. Continued and increased inflation may result in decreased demand for our products and services, increased operating costs (including our labor costs), reduced liquidity, and limitations on our ability to access credit or otherwise raise debt and equity capital. In addition, the United States Federal Reserve has raised, and may again raise, interest rates in response to concerns about inflation. Increases in interest rates, especially if coupled with reduced government spending and volatility in financial markets, may have the effect of further increasing economic uncertainty and heightening these risks. In an inflationary environment, we may be unable to raise the sales prices of our products at or above the rate at which our costs increase, which could have a material and adverse effect on our business, results of operations and financial condition. Accordingly, the U. S. dollar has strengthened against foreign currencies as a result of the United States Federal Reserve' s actions to lower inflation, which is affecting our business partners, where they sell local currency to the end- user of our products and services. We may need to raise additional capital to meet our business requirements in the future, and such capital raising may be costly or difficult to obtain and could dilute our stockholders' ownership interests. In order for us to pursue our business objectives, we may need to raise additional capital, which additional capital may not be available on reasonable terms or at all. Any additional capital raised through the sale of equity or equity- backed securities may dilute our shareholders' ownership percentages and could also result in a decrease in the market value of our equity securities. The terms of any securities issued by us in future capital transactions may be more favorable to new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, which may have a further dilutive effect on the holders of any of our securities then outstanding. In addition, we may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non- cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our financial condition. Our indebtedness could adversely affect our ability to raise additional capital to fund operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our financial obligations. We currently have ~~one~~ **two** outstanding ~~loan~~ **loans ,** with Migdalor, in the original principal amount of approximately $ 6 million, of which approximately $ ~~5~~ **4** . 0 million remains outstanding as of December 31, ~~2022~~ **2023** , and **with Hamizrahi- Tefahot Bank with** which ~~is~~ **we signed a credit line agreement in February 2024, off of which we have used approximately $ 552, 000 to- date, and which are** secured by all our assets **(where our accounts receivable asset is carved out from Migdalor' s senior security for Mizrahi- Tefahot Bank)** . If we cannot generate sufficient cash flow from operations to service our debt, we may need to further refinance our debt, dispose of assets or issue equity to obtain necessary funds. Furthermore, on December 21, 2022, pursuant to the terms of the Senior Loan Agreement between Migdalor and our wholly owned subsidiary, Actelis Networks Israel, Ltd., dated December 2, 2020, as amended (the " Loan Agreement "), to satisfy our obligation associated with the cover / debt ratio (as defined in the Loan Agreement), we deposited $ 2 million to a Company- owned interest bearing bank account, or the " designated account " (as defined in the Loan Agreement). An additional $ 2 **. 0** million was deposited in the designated account on or about February 28, 2023, as agreed between Migdalor and us **. As of the date of this Annual Report on Form 10- K, our designated account has a balance covering the loan principal balance at approximately 100 %. In February 2024, we entered into a new credit line facility from an Israeli bank of up to $ 1. 5 million that increases the Company' s operating liquidity while not increasing the Company' s total debt, as the Company will perform an early repayment of its existing debt using its restricted cash in a similar amount. The new credit line will be secured by customer invoices and will incur interest at a Federal SOFR rate plus 5. 5 % and is available until the end of 2024, with possible extension. At the same time, the Company plans to perform a partial early repayment of its existing debt facility with Migdalor under the Loan Agreement using its restricted cash at an amount equal to the amount of funding from the new credit line, therefore leaving the total debt amount at a similar level** . We do not know whether we will be able to generate sufficient cash flow from operations or raise additional capital to fund operating activities on a timely basis, on terms satisfactory to us, or at all. Our indebtedness could have important consequences, including: ● our ability to obtain additional debt or equity financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes may be limited; ● a portion of our cash flows from operations will be dedicated to the payment of principal and interest on the indebtedness and will not be available for other purposes, including operations, capital expenditures and future business opportunities; ● our ability to adjust to changing market conditions may be limited and may place us at a competitive disadvantage compared to less- leveraged competitors, if such exist; and ● we may be vulnerable during a downturn in general economic conditions or in our business, or may be unable to carry on capital spending that is important to our growth. To support our business growth, in the past years we increased our focus on serving certain IoT verticals, while continuing to serve our existing Telco customers. This change in our strategy may make it more difficult to evaluate our business growth and future prospects, and may increase the risk that we will not be successful in our plans. Since our inception, our business was focused on serving Telcos for enterprises and residential customers. Our products and solutions have been deployed with more than 100 telecommunication service providers worldwide, in enterprise, residential and mobile base station connectivity applications. In recent years, as we have further developed our technology and rolled out additional products, we turned our focus on serving the IoT markets. Our operations are focused on our fast- growing IoT business, while maintaining our commitment to our existing Telco customers. A ~~significant~~ portion of our revenue ~~is~~ **continues to be derived** from our existing Telco customers. For the years ended December 31, ~~2022~~ **2023** and December 31, ~~2021~~ **2022** , our Telco customers in the aggregate ~~accounted for~~ **decreased from** approximately 35 % ~~and 48~~ **of our revenues in the year ended December 31, 2022, to 27** % ~~of our revenues~~ **in the year ended December 31** , ~~respectively~~ **2023** . Our change in strategy and our efforts to serve the IoT verticals that we have focused on may prove more expensive than we currently anticipate, or may require longer development and deployment times, and we may not succeed in fully penetrating such IoT verticals, or at all. We may have ineffective sales and marketing efforts. Our sales and marketing efforts to drive growth may be ineffective as we try to win new deals either directly with end- user customers, or indirectly through business partners, distributors, system integrators or value- add resellers. These ineffective efforts may cause us to miss our planned growth and harm our financial results ~~. We are dependent on the supply of electronic and mechanical components and our business would be harmed if we do not receive sufficient supply of such components in number and performance to meet our production requirements and product specifications in a timely and cost- effective manner. We rely on a supply of electronic and mechanical components of our final products to be able to fulfill and deliver customer orders. Such supply has been interrupted from time to time, particularly as a result of the COVID- 19 pandemic, and if such interruption continues, it may cause us to be unable to fulfill and deliver such customer orders on expected delivery lead times. Such long lead times may cause customers to avoid placing orders or reduce future orders. As a result, such interruptions, if they continue, will reduce our ability to grow our business at the pace we expect and may cause us to miss our operating business plans. In most cases, we do not have guaranteed supply arrangements with our suppliers, and our business relies on placing orders to our suppliers as we receive forecasts or orders from our customers. Because of the variability and uniqueness of customers' orders, we do not maintain an extensive inventory of materials for manufacturing. Through our procurement and production planning, we seek to minimize the risk of production and service interruptions and / or shortages of key parts by, among other things, monitoring the financial stability of key suppliers, identifying (and often qualifying) possible alternative suppliers, placing longer term orders for components and maintaining appropriate inventories of key components. Although we make reasonable efforts to ensure that components are available from multiple suppliers, certain key components are available only from a single supplier or a limited group of suppliers. Also, key components we obtain from some of our suppliers incorporate the suppliers' proprietary intellectual property; in those cases, we are more reliant on third parties for high- performance, high- technology components, which reduces the amount of control we have over the availability and protection of the technology and intellectual property that is used in our products. In addition, if certain of our key suppliers experience liquidity issues and are forced to discontinue operations, it could affect their ability to deliver parts and could result in delays for our products. Similarly, our suppliers themselves have increasingly complex supply chains, and delays or disruptions at any stage of their supply chains may prevent us, and have prevented us, from obtaining components in a timely manner and result in delays for our products. Our operating results and business may be adversely impacted if we are unable to obtain components to meet our production requirements and product specifications, or if we are able to do so only on unfavorable terms~~ . We outsource our product manufacturing and are dependent on our key manufacturers, and on our component and OEM suppliers. We are susceptible to problems, and have encountered problems in the past, in connection with procurement, decreasing quality, reliability, and protectability. Our devices are assembled by using fully manufactured parts, the manufacturing of which has been fully outsourced, and we have no direct control over the manufacturing processes of our products. We outsource procurement and manufacturing activities to certain key manufacturers and certain component and OEM suppliers. We also purchase unique components and products from suppliers who are exclusively able to fulfill such supply. We may lose some or all of these relationships, or have a material weakness in negotiating favorable terms, or such unique components have or may be declared end- of- life which may require product design changes. Such circumstances have hurt our profitability in the past, and may hurt our profitability in the future, and negatively affect our ability to deliver our product on time to customers. Our lack of control in our manufacturing process due to the fact that we outsource our product manufacturing may increase quality or reliability risks and could limit our ability to quickly increase or decrease production rates. If necessary, switching production to other or additional subcontractors will entail a material cost and a temporary decrease in our productivity. Our manufacturing process has been disrupted in the past, and may be disrupted in the future, by various factors, including but not limited to shipping delays, bottlenecks resulting from raw materials specific shortages, quality problems or a decrease in quality, manpower shortages by the manufacturers or political unease that would trigger the closure of a facility or financial insolvency. Furthermore, a supplier may discontinue production of a particular part for any number of reasons, which may require us to purchase a large inventory of such discontinued parts in order to ensure that a continuous supply of such parts remains available to our customers. Such " end- of- life " parts purchases could result in significant expenditures by us in a particular period, and ultimately any unused parts may result in a significant inventory write- off, either of which could have an adverse impact on our financial condition and results of operations for the applicable periods. Additionally, in case any part embedded in our products is no longer available, we may be required to redesign such product in order to enable usage of alternative parts, or be forced to announce end- of- life of such product. Refer to " Management' s Discussion and Analysis of Financial Condition and Results of Operations, " for additional information on supply constraints related to the COVID- 19 pandemic. Demand for our products and solutions may not grow or may decline. We may experience a reduction in customer demand as a result of either of competition from other companies, technological changes required by our target markets, or disruptions of existing and new customer relationships. Such demand reduction will prevent us from realizing our planned growth. Our gross margins may not increase or may deteriorate. If our gross margins do not increase as planned or deteriorate, it will be harder for us to achieve profitability, which could substantially impact our business and ability to carry on operations if other financing sources are not secured on satisfactory terms. Our gross margins may deteriorate as a result of either reductions of customers price points, increases in product component and manufacturing costs, or unfavorable changes in the mix between more and less profitable customers and / or products. Changes in the price and availability of our raw materials and shipping could be detrimental to our profitability. Chipsets, electronic and mechanical components are significant components of our products. Over the past two years, the prices and availability of electronic and mechanical components have been constantly increasing. Furthermore, our products are assembled with various contract manufacturers located in Israel and in Taiwan. As a result of the of COVID- 19 pandemic, the world is experiencing shortages of electronic components. We have already experienced instances of limited supply of certain raw materials and shipping delays, which resulted in extended lead times, increased shipping costs and higher- than- usual backlogs. If the prices of such components and shipping were to continue to increase, or if shipping delays continue to occur, such price changes and shipping delays could have a negative effect on our gross margin and have a negative effect on revenues and earnings. We may have previously agreed to set prices with our customers and any changes in supply costs may decrease our margin and directly affect profitability. If prices increase, supply interruptions, shipping delays, or shortages of materials continue to occur, it could have a negative effect on revenues and earnings. Expanding our operations and marketing efforts to meet expected growth may impact profitability if actual growth is less than expected. To meet expected growth, we plan to expand operations, including additional hiring, advertising, and promotion. If actual growth is less than expected, it would negatively impact our ability to become profitable, which would require we raise additional capital if required, which may not be available on favorable terms, or at all, which would impact our ability to carry on operations. If our internal company cyber- security measures are breached or fail and unauthorized access is obtained to our IT environment, we may incur significant losses of data, which we may not be able to recover and may experience a delay in our ability to conduct our day- to- day business. As cybersecurity attacks continue to evolve and increase, our cyber- security measures and our IT environment could be penetrated or compromised by internal and external parties' intent on extracting confidential information, disrupting business processes, corrupting information, or looking to force the Company to pay a ransom. These risks could arise from external parties or from acts or omissions of internal or service provider personnel. Such unauthorized access could disrupt our business and could result in the loss of assets, litigation, remediation costs, damage to our reputation and failure to retain or attract customers following such an event, which could adversely affect our business. Cyber attackers update their methods frequently. Sometimes cyberattacks are unrecognizable at the time of their occurrence and even long after. In addition, cyber incidents can occur as a result of non- technological failures, like human error or malicious acts. In some cases, information security incidents at our customers or suppliers can also lead to information security incidents in our information systems. For these reasons, we cannot guarantee that the safeguards taken by us and the safeguards we will take in the future will completely prevent information security incidents or damages that may result from them as detailed above. We provide cyber security features as part of our products that may not completely prevent information security breaches, and our products are installed in live customer environments and may be compromised by cyber- attacks and damage customer assets. Our products include cyber- security features such as data- traffic encryption that are engineered to protect our customers' data and environment. Cyber- attacks become more sophisticated and evolve quickly, and these features may fail to protect our customers as intended and fail at preventing information security breaches. We plan to offer new cyber security products and features which we will either develop internally, obtain from partnerships with third- parties, or through acquisitions in the future. These planned new cyber- security products and features may fail to protect our customers as intended and not prevent information security breaches. Our products are installed in live customer network environments, and may be subject to cyber- attacks seeking access to our customers networks through our products. Those cyber- attack attempts may take advantage of vulnerabilities of our products within the networks, vulnerabilities that may be known or unknown to us. Our products and services include information systems and digital data of various types, including data kept by our employees, suppliers, and customers (and their own customers). In recent years there has been an increase in the frequency and severity of cyber incidents (including cybercrime). This trend is expected to continue in the future and even worsen, despite all the defense mechanisms employed against it. Cyber events can lead to unauthorized access, unauthorized disclosure, misuse, disruption, deletion, or modification of the Company and its customer assets, data, and processing, as well as disrupting day- to- day operations, computing services, and significantly slowing them down and even disabling information systems. In the event of damage caused by such cyber- attacks, we may suffer negative consequences, such as disruption of the Company' s and / or our customers' activities, disruption of or disabling information systems, theft of our and / or our customers' data, or damage to its reputation thus affecting clients' trust in the Company, and potentially exposing it to lawsuits. In such cases, our business results may be severely harmed. We depend on key information systems and third- party service providers. We depend on key information systems to transact our business accurately and efficiently. These systems and services are vulnerable to interruptions or other failures resulting from, among other things, natural disasters, terrorist attacks, software, equipment or digital failures, processing errors, computer viruses, other security issues or supplier defaults. Security, backup, and disaster recovery measures may not be adequate or implemented properly to avoid such disruptions or failures. Any disruption or failure of these systems or services could cause substantial errors, processing inefficiencies, security breaches, inability to use the systems or process transactions, loss of customers or other business disruptions, all of which could negatively affect our business and financial performance. We depend on our management team and other key employees, and the loss of one or more of these employees or an inability to attract and retain highly skilled employees could adversely affect our business. Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel, or delays in hiring required personnel, particularly in engineering and sales, may seriously and adversely affect our business, financial condition and results of operations. Although we have entered into employment or consulting agreements with our personnel, their employment is generally for no specific duration. Our future performance also depends on the continued services and continuing contributions of our senior management team, which includes Tuvia Barlev, our Chief Executive Officer, to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of our senior management team, particularly our Chief Executive Officer, could significantly delay or prevent the achievement of our development and strategic objectives, which could adversely affect our business, financial condition and results of operations. We may face the effects of increased competition and rapid technological changes. The industry in which we are engaged is subject to rapid and significant technological change. There can be no assurance that our systems can be upgraded to meet future innovations which will be required to meet our customer' s requirements, or that new technologies will be adopted successfully by us, or existing technologies will not be improved, which would render the offerings obsolete or non- competitive. Companies we compete with enjoy significant competitive advantages, including greater name recognition; greater financial, technical, and service resources; established networks; additional product offerings; and greater resources for product development and sales and marketing. There can be no assurance that other established networking technology companies, any of which would likely have greater resources than us, will not enter the market. In addition, new competitors may enter the marketplace and / or begin offering networking technology products and solutions and in channels similar to or competing with ours. Such competition may reduce demand for our products and impact the growth prospects and ability to achieve profitability, which may require us to raise new capital, which may not be available on favorable terms, or at all, and that would impair our ability to carry on operations. We cannot assure you that we will be able to compete successfully against any of these competitors. Our failure to compete successfully with our competitors could harm our business. We are dependent on skilled human capital. Our ability to innovate and execute its business plans is dependent on the ability to hire, replace, and train skilled personnel. The employment market suffers from shortages of candidates, and such shortages may continue in future years, causing delays and preventing us from executing our plans. Our results of operations are likely to fluctuate from quarter to quarter and year to year, which could adversely affect the trading price of our common stock. Our results of operations, including our revenue, cost of revenue, gross margin, operating expenses, cash flow, and deferred revenue, have fluctuated from quarter to quarter and year to year in the past and may continue to vary significantly in the future so that period- to- period comparisons of our results of operations may not be meaningful. Accordingly, our financial results in any one quarter should not be relied upon as indicative of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, may be difficult to predict, and may not fully reflect the underlying performance of our business. Factors that may cause fluctuations in our quarterly financial results include: ● our ability to attract new customers and increase revenue from our existing customers; ● the loss of existing customers; ● customer satisfaction with our products, solutions, platform capabilities and customer support; ● mergers and acquisitions or other factors resulting in the consolidation of our customer base; ● mix of our revenue; ● our ability to gain new partners and retain existing partners; ● fluctuations in share- based compensation expense; ● decisions by potential customers to purchase competing offerings or develop in- house technologies and solutions as alternatives to our offerings; ● changes in the spending patterns of our customers; ● the amount and timing of operating expenses related to the maintenance and expansion of our business and operations, including investments in research and development, sales and marketing, and general and administrative resources; ● network outages; ● developments or disputes concerning our intellectual property or proprietary rights, our products and services, or third- party intellectual property or proprietary rights; ● negative publicity about our company, our offerings or our partners, including as a result of actual or perceived breaches of, or failures relating to, privacy, data protection or data security; ● the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies; ● general economic, industry, and market conditions; ● the impact of the ongoing COVID- 19 pandemic, or any other pandemic, epidemic, outbreak of infectious disease or other global health crises on our business, the businesses of our customers and partners and general economic conditions; ● the impact of political uncertainty or unrest; ● changes in our pricing policies or those of our competitors; ● fluctuations in the growth rate of the markets that our offerings address; ● seasonality in the underlying businesses of our customers, including budgeting cycles, purchasing practices and usage patterns; ● the business strengths or weakness of our customers; ● our ability to collect timely on invoices or receivables; ● the cost and potential outcomes of future litigation or other disputes; ● future accounting pronouncements or changes in our accounting policies; ● our overall effective tax rate, including impacts caused by any reorganization in our corporate tax structure and any new legislation or regulatory developments; ● our ability to successfully expand our business in the United States and internationally; ● fluctuations in foreign currency exchange rates; and ● the timing and success of new products and solutions introduced by us or our competitors, or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers or partners. The impact of one or more of the foregoing or other factors may cause our results of operations to vary significantly. Such fluctuations make forecasting more difficult and could cause us to fail to meet the expectations of investors and securities analysts, which could cause the trading price of our common stock to fall substantially, resulting in the loss of all or part of your investment, and subject us to costly lawsuits, including securities class action suits. The loss of one or more of our significant customers, or any other reduction in the amount of revenue we derive from any such customer, would adversely affect our business, financial condition, results of operations and growth prospects. Our future success is dependent on our ability to establish and maintain successful relationships with a diverse set of customers. We currently derive a significant portion of our revenue from a limited number of our customers. For the years ended December 31, ~~2022~~ **2023** and December 31, ~~2021~~ **2022**, our top ten customers in the aggregate accounted for approximately **66 % and** 82 ~~% and 78~~ % of our revenues. We expect to continue to derive a significant portion of our revenue from a limited number of customers in the future and, in some cases, the portion of our revenue attributable to individual customers may increase. The loss of one or more significant customers or a reduction in the amount of revenue we derive from any such customer could significantly and adversely affect our business, financial condition and results of operations. Customers may choose not to renew their contracts or may otherwise reduce the breadth of the offerings which they purchase for any number of reasons. We are also subject to the risk that any such customer will experience financial difficulties that prevent them from making payments to us on a timely basis or at all. We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine **and between Israel and Hamas and Hezbollah** . Our business, financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine **and Israel** or any other geopolitical tensions. U. S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. On February 24, 2022, a full- scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, and although we currently have no operations or sales in either Russia or Ukraine, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions for some of our components. Additionally, this conflict could lead to sanctions, embargoes, regional instability, geopolitical shifts, cyberattacks, other retaliatory actions, and adverse effects on macroeconomic conditions, currency exchange rates, and financial markets, which could adversely impact our operations and financial results, as well as those of third parties with whom we conduct business. Our operations would be particularly vulnerable to potential interruptions in the supply of certain critical materials and metals, such as neon gas and palladium, which are used in semiconductor manufacturing. Any interruption to semiconductor chip supply could significantly impact our ability to receive the components and timely roll- out of our operations. Furthermore, any potential increase in geopolitical tensions in Asia, particularly in the Taiwan Strait, could also significantly disrupt existing semiconductor chip manufacturing and increase the prospect of an interruption to the semiconductor chip supply across the world. A significant portion of the world' s semiconductor manufacturing is in Taiwan, and similar geopolitical tensions there could create further supply chain disruptions, which could result in further delays for our products' components. The world' s largest semiconductor chip manufacturer is located in Taiwan and a large part of equipment and materials, is manufactured in, and imported from, Taiwan. A setback to the current state of relative peace and stability in the region could compromise existing semiconductor chip production and have downstream implications for our company. We are continuing to monitor the situation in Ukraine and globally and assessing its potential impact on our business. Governments in the United States and many other countries, or the Sanctioning Bodies, have imposed economic sanctions on certain Russian individuals, including politicians, and Russian corporate and banking entities. The Sanctioning Bodies, or others, could also institute broader sanctions on Russia, including banning Russia from global payments systems that facilitate cross- border payments. These sanctions, or even the threat of further sanctions, may result in the decline of the value and liquidity of Russian securities, a weakening of the ruble or other adverse consequences to the global economy. The current war in Ukraine **and Israel** , and geopolitical events stemming from such conflicts, could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. The extent and duration of the military action, resulting sanctions and resulting future market disruptions in the region are impossible to predict, but could be significant and have a severe adverse effect worldwide financial markets and economy. The effects of health pandemics, such as the ongoing global COVID- 19 pandemic, have had, and could in the future have, an adverse impact on our business, financial condition and results of operations. In December 2019, a novel coronavirus disease, or COVID- 19, was first reported and on March 11, 2020, the World Health Organization characterized COVID- 19 as a pandemic. The widespread health crisis is adversely affecting the broader economies, financial markets and overall demand environment for many of our products. Our operations and the operations of our suppliers, channel partners and customers were disrupted to varying degrees by a range of external factors related to the COVID- 19 pandemic, some of which are not within our control. Many governments imposed, and may yet impose, a wide range of restrictions on the physical movement of people in order to limit the spread of COVID- 19. The COVID- 19 pandemic has had, and likely will continue to have, an impact on the attendance and productivity of our employees, and those of our channel partners or customers, resulting in negative impacts to our results of operations and overall financial performance. We suffered delays in realization of certain new orders from our customers, delay in testing of some of our new technologies in customer premises and difficulty conducting business development activities in an effective way (face- to- face). In addition, we had to increase our credit lines by $ 2. 0 million to support the loss of revenue and profit. Additionally, COVID- 19 has resulted, and likely will continue to result, in delays in non- residential construction, non- crisis- related IT purchases and project completion schedules in general, all of which can negatively impact our results in both current and future periods. The duration and extent of the impact from the COVID- 19 pandemic or any future epidemic or pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions, the effects of measures enacted by policy makers and central banks around the globe, and the impact of these and other factors on our employees, customers, channel partners and suppliers. If we are not able to respond to and manage the impact of such events effectively, our business will be affected. Our performance is affected by general economic and political conditions and taxation policies. The success of our activities may be affected by general economic and market conditions, like interest rates, currency exchange rate fluctuations, availability of credit, inflation rates, economic uncertainty, changes in laws, and United States and international political circumstances. Unexpected volatility or illiquidity could impair profitability or result in losses. We may be adversely affected by the political and economic situation in the U. S., Europe and a number of countries in Asia. The U. S. communications market is directly affected by economic developments in the U. S. economy. The European and Asian communications market is similarly reliant on political and economic stability in those regions. Changing trends in these markets may lead to a decrease in investments and a delay in projects, which could harm our business. To reduce our sensitivity to market changes, we operate in a large number of different vertical markets and territories. Our business could be adversely impacted by changes in laws and regulations related to government contracts. Federal or state government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Legislators, regulators, or government bodies or agencies may also make legal or regulatory changes or interpret or apply existing laws or regulations that relate to government contracts. Changes in these laws, regulations or interpretations could require us to modify our platform in order to comply with these changes, to incur substantial additional costs or divert resources that could otherwise be deployed to grow our business, or expose us to unanticipated civil or criminal liability, among other things. We are subject to laws and regulations worldwide, changes to which could increase our costs and individually or in the aggregate adversely affect our business. We are subject to laws and regulations affecting our domestic and international operations in a number of areas. These U. S. and foreign laws and regulations affect our activities including, but not limited to, in areas of labor, health and safety, tax, import and export requirements, foreign exchange controls and cash repatriation restrictions, data privacy requirements, anti- competition, and environmental. Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make our products and services less attractive to our customers, delay the introduction of new products in one or more regions, or cause us to change or limit our business practices. We have implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that our employees, contractors, or agents will not violate such laws and regulations or our policies and procedures. Claims by others that we infringe their intellectual property could force us to incur significant costs or revise the way we conduct our business. Our competitors protect their proprietary rights by means of patents, trade secrets, copyrights, trademarks and other intellectual property. We have not conducted an independent review of patents and other intellectual property issued to third parties, who may have patents or patent applications relating to our proprietary technology. We may receive letters from third parties alleging, or inquiring about, possible infringement, misappropriation, or violation of their intellectual property rights. Any party asserting that we infringe, misappropriate, or violate proprietary rights may force us to defend ourselves, and potentially our customers, against the alleged claim. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages or interruption or cessation of our operations. Any such claims or lawsuit could: ● be time- consuming and expensive to defend, whether meritorious or not; ● require us to stop providing products or services that use the technology that infringes the other party' s intellectual property; ● divert the attention of our technical and managerial resources; ● require us to enter into royalty or licensing agreements with third- parties, which may not be available on terms that we deem acceptable; ● prevent us from operating all or a portion of our business or force us to redesign our products, services or technology, which could be difficult and expensive and may make the performance or value of our product or service offerings less attractive; ● subject us to significant liability for damages or result in significant settlement payments; or ● require us to indemnify our customers. Furthermore, during the course of litigation, confidential information may be disclosed in the form of documents or testimony in connection with discovery requests, depositions or trial testimony. Disclosure of our confidential information and our involvement in intellectual property litigation could materially adversely affect our business. Some of our competitors may be able to sustain the costs of intellectual property litigation more effectively than we can because they have substantially greater resources. In addition, any litigation could significantly harm our relationships with current and prospective customers. Any of the foregoing could disrupt our business and have a material adverse effect on our business, operating results and financial condition. Our patents and proprietary technology may be challenged or disputed. We hold certain patent and trade secret rights relating to various aspects of our technologies, which are of material importance to the Company and its future prospects. Any patents we have obtained or do obtain may be challenged by re- examination or otherwise invalidated or eventually found unenforceable. Both the patent application process and the process of managing patent disputes can be time consuming and expensive. Competitors may attempt to challenge or invalidate our patents or may be able to design alternative techniques or devices that avoid infringement of our patents or develop products with functionalities that are comparable to ours. In the event a competitor infringes upon our patent or other intellectual property rights, litigation to enforce our intellectual property rights or to defend our patents against challenge, even if successful, could be expensive and time consuming and could require significant time and attention from our management. We may not have sufficient resources to enforce our intellectual property rights or to defend our patents against challenges from others. Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand. Our success and ability to compete depend largely upon our intellectual property. To date, we have ~~20~~ **17** registered patents ~~and one patent application pending~~ in the United States; ~~five~~ **5** registered patents in Europe, one registered patent in Mexico **,, one registered patent in Indonesia** , and one patent application pending in WIPO, all of which in the general area of high- speed carrier class Ethernet service and transport over bonded VDSL2, G. SHDSL as well as Fiber. We take reasonable steps to protect our intellectual property, especially when working with third parties. However, the steps we take to protect our intellectual property rights may be inadequate. For example, other parties, including our competitors, may independently develop similar technology, duplicate our services, or design around our intellectual property and, in such cases, we may not be able to assert our intellectual property rights against such parties. Further, our contractual arrangements may not effectively prevent disclosure of our confidential information or provide an adequate remedy in the event of unauthorized disclosure of our confidential information, and we may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. We make business decisions about when to seek patent protection for a particular technology and when to rely upon trade secret protection, and the approach we select may ultimately prove to be inadequate. Even in cases where we seek patent protection, there is no assurance that the resulting patents will effectively protect every significant feature of our technology or provide us with any competitive advantages. Moreover, we cannot guarantee that any of our pending patent application will issue or be approved. The United States Patent and Trademark Office and various foreign governmental patent agencies also require compliance with a number of procedurals, documentary, fee payment, and other similar provisions during the patent application process and after a patent has issued. There are situations in which noncompliance can result in abandonment or lapse of the patent, or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If this occurs, our competitors might be able to enter the market, which would have a material adverse effect on our business. Effective trademark, copyright, patent, and trade secret protection may not be available in every country in which we conduct business. Further, intellectual property law, including statutory and case law, in the United States and other countries, is constantly developing, and any changes in the law could make it harder for us to enforce our rights. In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. An adverse determination of any litigation proceedings could put our intellectual property at risk of being invalidated or interpreted narrowly and could put our related pending patent applications at risk of not issuing. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation particularly in the US, there is a risk that some of our confidential or sensitive information could be compromised by disclosure in the event of litigation. In addition, during the course of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Negative publicity related to a decision by us to initiate such enforcement actions against a client or former client, regardless of its accuracy, may adversely impact our other client relationships or prospective client relationships, harm our brand and business, and could cause the market price of our common stock to decline. Our failure to secure, protect, and enforce our intellectual property rights could adversely affect our brand and our business. The lives of our patents may not be sufficient to effectively protect our products and business. Patents have a limited lifespan. In the United States, if all maintenance fees are paid timely, the natural expiration of a patent is generally 20 years after its first effective nonprovisional filing date. Although various extensions may be available, the life of a patent, and the protection it affords, is limited. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such product candidates are commercialized. Even if patents covering our product candidates are obtained, once the patent life has expired for a product, we may be open to competition from biosimilar or generic medications. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing product candidates similar or identical to ours. Our patents issued as of March ~~15~~ **20** , ~~2023~~ **2024** will expire on dates ranging from ~~March 20~~ **September 25** , ~~2023~~ **2024** to October ~~8~~ **31** , 2038, subject to any patent extensions that may be available for such patents. More specifically, the following patents will expire over the next three years: EP02250273. 6, ~~DE 60207187. 9- 08, US7187711, US7167511, US7003026,~~ US7606315, US7613235, **EP1943827, EP1964377, GB2556826, MX279453,** US7587042 **, IDP0030744** . In addition, although upon issuance in the United States a patent' s life can be increased based on certain delays caused by the USPTO, this increase can be reduced or eliminated based on certain delays caused by the patent applicant during patent prosecution. A patent term extension based on regulatory delay may be available in the United States. However, only a single patent can be extended for each marketing approval, and any patent can be extended only once, for a single product. Moreover, the scope of protection during the period of the patent term extension does not extend to the full scope of the claim, but instead only to the scope of the product as approved. Laws governing analogous patent term extensions in foreign jurisdictions vary widely, as do laws governing the ability to obtain multiple patents from a single patent family. Additionally, we may not receive an extension if we fail to exercise due diligence during the testing phase or regulatory review process, apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. If we are unable to obtain patent term extension or restoration, or the term of any such extension is less than we request, the period during which we will have the right to exclusively market our product will be shortened and our competitors may obtain approval of competing products following our patent expiration and may take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data to launch their product earlier than might otherwise be the case, and our revenue could be reduced, possibly materially. If we do not have sufficient patent life to protect our products, our business and results of operations will be adversely affected. We may not be able to adequately defend against piracy of intellectual property in foreign jurisdictions. Considerable research is being performed in countries outside of the United States, and a number of potential competitors are located in these countries. The laws protecting intellectual property in some of those countries may not provide adequate protection to prevent our competitors from misappropriating our intellectual property. Several of these potential competitors may be further along in the process of product development and also operate large, company- funded research and development programs. As a result, our competitors may develop more competitive or affordable products, or achieve earlier patent protection or product commercialization than we are able to achieve. Competitive products may render any products that we develop obsolete. Risks Related to Managing Our Business Operations in Israel **Conditions** ~~Potential political, economic, and military instability~~ in the ~~State of~~ **Middle East and in** Israel, where our research and development facilities are located, may **harm** ~~adversely affect~~ our ~~results of~~ operations. Our office where we conduct our research and development, operations, sales outside the Americas, and administration activities, is located in Israel. Many of our employees are residents of Israel. **Most of our officers** ~~Accordingly, political, economic~~ and ~~military conditions in~~ **directors are residents of** Israel ~~and the surrounding region may directly affect our business~~ . Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring ~~Arab~~ countries, ~~the Hamas militant group~~ and ~~the Hezbollah. Any hostilities involving Israel or the interruption or curtailment of trade~~ between Israel and ~~its trading partners could~~ **the Hamas (an Islamist militia and political group in the Gaza Strip) and Hezbollah (an Islamist militia and political group in Lebanon). In particular, in October 2023, Hamas terrorists infiltrated Israel' s southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on the Israeli population and industrial centers located along Israel' s border with the Gaza Strip and in other areas within the State of Israel. These attacks resulted in thousands of**

deaths and injuries, and Hamas additionally kidnapped many Israeli civilians and soldiers. Following the attack, Israel' s security cabinet declared war against Hamas and commenced a military campaign against Hamas and Hezbollah and these terrorist organizations in parallel continued rocket and terror attacks. As a result of the events of October 7, 2023 whereby Hamas terrorists invaded southern Israel and launched thousands of rockets in a widespread terrorist attack on Israel, the Israeli government declared that the country was at war and the Israeli military began to call- up reservists for active duty. As of the date of this Annual Report, we have not been impacted by any absences of personnel at our service providers or counterparties located in Israel. Military service call ups that result in absences of personnel from us for an extended period of time may materially and adversely affect our **business, prospects, financial condition and results of** operations ~~and results~~ **. As** of **the date of this Annual Report, we currently have 42 full- time employees, with 33 employees located in Israel and 9 employee located outside of Israel. Since the war broke out on October 7, 2023, our** operations ~~. Ongoing~~ **have not been adversely affected by this situation,** and ~~revived hostilities~~ **we have not experienced any material disruptions to** ~~or~~ **our operations. We have the ability, if necessary, to shift our manufacturing from Israel to** other **countries where we have business partners, and we have not had customers in** ~~Israeli~~ - **Israel** ~~political or~~ **in the last year. However, the intensity and duration of the war in the Middle East is difficult to predict at this stage, as are such war' s** economic ~~factors~~ **implications on the Company' s business and operations and on Israel' s economy in general. if the war in the other fronts** , such as **Lebanon** , **Syria** ~~an~~ **and** ~~interruption of~~ **the West Bank expands further, our** operations ~~at~~ **may be adversely affected. In addition, since the commencement of** ~~the~~ **these** ~~Tel Aviv airport, could prevent~~ -- **events** ~~or delay our regular operation~~ , **there have been** ~~product development and delivery of products. If~~ continued ~~or resumed, these~~ hostilities **along** ~~may negatively affect business conditions in~~ Israel **' s northern border with Lebanon (with** ~~in general and our business in particular. In~~ the ~~event~~ **Hezbollah terror organization) and southern border (with the Houthi movement in Yemen). It is possible** that hostilities ~~disrupt~~ **with Hezbollah in Lebanon will escalate, and that** ~~the~~ **other** ~~ongoing operation of our facilities and our operations~~ **terrorist organizations, including Palestinian military organizations in the West Bank as well as other hostile countries, such as Iran, will join the hostilities. Such clashes** may ~~be materially adversely affected~~ **escalate in the future into a greater regional conflict** . In addition, **Iran** ~~since 2010 political uprisings and conflicts in various countries in the Middle East, including Egypt and Syria, are affecting the political stability of those countries. It is not clear how this instability will develop and how it will affect the political and security situation in the Middle East. This instability~~ has **threatened to attack** ~~raised concerns regarding security in the region and the potential for armed conflict. In Syria, a country bordering~~ Israel **and** ~~, a civil war is taking place. In addition, it~~ is widely believed ~~that Iran, which has previously threatened~~ to **be developing** ~~attack Israel, has been stepping up its efforts to achieve~~ nuclear ~~capability~~ **weapons** . Iran is also believed to have a strong influence among extremist groups in the region, such as Hamas in Gaza ~~and~~ **,** Hezbollah in Lebanon ~~. Additionally~~ , the ~~Islamic State of Iraq~~ **Houthi movement in Yemen** and ~~Levant, a~~ **various rebel militia groups in Syria. These situations may potentially escalate in the future to more** violent **events which may affect** ~~jihadist group, is involved in hostilities in Iraq and Syria. The tension between~~ Israel and ~~Iran and / or these groups may escalate in the future and turn violent, which could affect the Israeli economy in general and~~ us ~~in particular. Any potential future conflict could also include missile strikes against parts of Israel, including our offices and facilities. Such instability may lead to deterioration in the political and trade relationships that exist between the State of Israel and certain other countries~~ . Any armed conflicts, terrorist activities or political instability in the region could adversely affect business conditions, could harm our results of operations and could make it more difficult for us to raise capital. Parties with whom we do business may ~~sometimes~~ decline to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary in order to meet our business partners face to face ~~. Several countries, principally in the Middle East, still restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continues or increases. Similarly, Israeli companies are limited in conducting business with entities from several countries. For instance, the Israeli legislature passed a law forbidding any investments in entities that transact business with Iran~~ . In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. **Further,** ~~Our employees and consultants~~ in **the past, the State of** Israel ~~, including members of our senior management, may be obligated to perform one month,~~ and ~~in some cases longer periods, of military reserve duty until they reach the age of 40 (or older, for citizens who hold certain positions in the~~ Israeli **companies** ~~armed forces reserves) and, in the event of a military conflict or emergency circumstances, may be called to immediate and unlimited active duty. In the event of severe unrest or other conflict, individuals could be required to serve in the military for extended periods of time. In response to increases in terrorist activity, there~~ have been **subjected to economic boycotts** ~~periods of significant call- ups of military reservists~~ . ~~It is possible that~~ **Several countries still restrict business with** ~~there~~ -- **the State of Israel and with Israeli companies** ~~will be similar large- scale military reserve duty call- ups in the future~~ . ~~Our~~ **These restrictive laws and policies may have an adverse impact on our** ~~operations~~ - **operating results, financial condition or the expansion of our business. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners** could ~~be disrupted by the absence of a significant number of our officers, directors, employees and consultants related to military service. Such disruption could materially~~ adversely affect our **operations and results of operations. In recent years, the hostilities involved missile strikes against civilian targets in various parts of Israel, including areas in which our employees and some of our consultants are located, and negatively affected** business **conditions in** ~~and operations. Additionally, the absence of a significant number of the employees of our Israeli~~ - **Israel** ~~suppliers and contractors related to military service or the absence for extended periods of one or more of their key employees for military service may disrupt their operations~~ . Our **commercial** insurance does not cover losses that may occur as a result of ~~an event~~ **events** associated with the security situation in the Middle East ~~or for any resulting disruption in our operations~~ . Although the

Israeli government **currently** ~~has in the past covered~~ **covers** the reinstatement value of direct damages that ~~were~~ **are** caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained ~~or, if maintained, will be sufficient to compensate us fully for damages incurred and the government may cease providing such coverage or the coverage might not suffice to cover potential damages~~. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions ~~generally~~ and could harm our results of operations ~~and product development~~. ~~Further~~ **To- date** , **we** ~~in the past, the State of Israel and Israeli companies~~ have **received** ~~been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial conditions or the expansion of our business. Similarly, Israeli corporations are limited in conducting business with entities from several countries. The~~ Israeli government ~~is currently pursuing~~ **war related support funding of approximately $ 100, 000. Finally, political conditions within Israel may affect our operations. Israel has held five general elections between 2019 and 2022, and prior to October 2023, the Israeli government pursued extensive** changes to Israel' s judicial system, which **sparked extensive political debate and unrest. To date** , **these initiatives** ~~if adopted, may~~ have ~~an adverse effect~~ **been substantially put** on ~~the macroeconomic conditions~~ **hold. Actual or perceived political instability** in Israel **or any negative changes in the political environment, may individually or in the aggregate adversely affect the Israeli economy** and ~~consequently on~~ **, in turn,** our business ~~and our~~ **, financial condition,** results of operations **and growth prospects.** Actelis Israel received Israeli government grants for certain of our research and development activities, the terms of which require us to pay royalties and satisfy specified conditions in order to manufacture products and transfer technologies outside of Israel. If we fail to satisfy these conditions, we may be required to pay penalties and refund grants previously received. Our wholly owned subsidiary, Actelis Israel, which manages our research and development efforts, has been financed in part through royalty-bearing grants in an aggregate amount of approximately $ 14 million (plus accrued interest), received from the Israeli Innovation Authority (formerly known as the Office of the Chief Scientist of the Israeli Ministry of Economy), or the IIA, as of December 31, ~~2022~~ **2023** . We are committed to pay royalties at a rate of 3. 0 % on revenues up to the total amount of grants received, linked to the U. S. dollar and bearing interest at an annual rate of LIBOR applicable to U. S. dollar deposits. We are further required to comply with the requirements of the Israeli Encouragement of Industrial Research, Development and Technological Innovation Law, 5744- 1984 (formerly known as the Law for Encouragement of Research and Development in the Industry, 1984), as amended, and related regulations, or the Research Law, with respect to those past grants. When a grantee company develops know- how, technology or products using IIA grants, the terms of these grants and the Research Law restrict the transfer or license of such know- how, and the transfer of manufacturing or manufacturing rights of such products, technologies or know- how outside of Israel, without the prior approval of the IIA. Therefore, the discretionary approval of an IIA committee would be required for any transfer or license to third parties inside or outside of Israel of Actelis Israel' s know how or for the transfer outside of Israel of manufacturing or manufacturing rights related to those aspects of such technologies. We may not receive those approvals. Furthermore, the IIA may impose certain conditions on any arrangement under which it permits us to transfer technology or development outside of Israel. The transfer or license of IIA- supported technology or know- how outside of Israel and the transfer of manufacturing of IIA- supported products, technology or know- how outside of Israel may involve the payment of significant amounts, depending upon the value of the transferred or licensed technology or know- how, our research and development expenses, the amount of IIA support, the time of completion of the IIA- supported research project and other factors. These restrictions and requirements for payment may impair our ability to sell, license or otherwise transfer our technology assets outside of Israel or to outsource or transfer development or manufacturing activities with respect to any product or technology outside of Israel. Furthermore, the consideration available to our shareholders in a transaction involving the transfer outside of Israel of technology or know- how developed with IIA funding (such as a merger or similar transaction) may be reduced by any amounts that we are required to pay to the IIA. There are costs and difficulties inherent in managing cross- border business operations. Managing a business, operations, personnel or assets in another country is challenging and costly. Any management that we may have (whether based abroad or in the United States) may be inexperienced in cross-border business practices and unaware of significant differences in accounting rules, legal regimes, and labor practices. Even with a seasoned and experienced management team, the costs and difficulties inherent in managing cross- border business operations, personnel, and assets can be significant (and much higher than in a purely domestic business) and may negatively impact our financial and operational performance. Employment and other material contracts we have with our Israeli employees are governed by Israeli laws. Our inability to enforce or obtain a remedy under these agreements could adversely affect our business and financial condition. All employees were asked to sign employment agreements that contain confidentiality, non-compete and assignment of intellectual property provisions. The employment agreements with our employees in Israel are governed by Israeli laws. The system of laws and the enforcement of existing laws and contracts in Israel may not be as certain in implementation and interpretation as in the United States, leading to a higher than usual degree of uncertainty as to the outcome of any litigation. Our inability to enforce or obtain a remedy under any of these or future agreements could adversely affect our business and financial condition. Delay with respect to the enforcement of particular rules and regulations, including those relating to intellectual property, customs, tax, and labor, could also cause serious disruption to operations abroad and negatively impact our results. Israeli courts have required employers seeking to enforce non- compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer which have been recognized by the courts, such as the secrecy of a company' s confidential commercial information or the protection of its intellectual property. If we cannot demonstrate that such interests will be harmed, we may be unable to prevent our competitors from benefiting from the expertise of our former employees or consultants and our ability to remain competitive may be diminished. In addition, Chapter 8 of the Israeli Patents Law, 5727-1967, or the Patents Law, deals with inventions made in the course of an employee' s service and during his or her term of employment, whether or not the invention is patentable, or service inventions. Section 134 of the Patents Law sets forth that if there is no agreement which explicitly determines whether the employee is entitled to compensation for the service inventions and the extent and terms of such compensation, such determination will be made by the Compensation and Rewards Committee, a statutory committee of the Israeli Patents Office. As a result, it is unclear if, and to what extent, our research and development employees may be able to claim compensation with respect to our future revenues. Such claims, if successfully asserted, could adversely affect our results of operations and profitability. We may be adversely affected by fluctuations in the currency exchange rate of the Israeli Shekel. We compute a significant number of expenses in Israeli Shekels, both expenses from employees and suppliers. Our customers buy our products priced in US dollars or Euros. The strengthening of the shekel against the dollar and the euro could erode our profitability. Unanticipated changes in our effective tax rate and additional tax liabilities, including those resulting from our international operations or the implementation of new tax rules, could harm our future results. We are subject to income taxes in the United States and Israel. Our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions and complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Tax rates in the jurisdictions in which we operate may change as a result of factors outside of our control or relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. In addition, changes in tax and trade laws, treaties or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could materially adversely affect our tax position. Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be material differences between our forecasted and actual effective tax rate. Our effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non- deductible expenses, the valuation of deferred tax assets and liabilities, adjustments to income taxes upon finalization of tax returns, changes in available tax attributes, decision to repatriate non- U. S. earnings for which we have not previously provided for U. S. taxes, and changes in federal, state, or international tax laws and accounting principles. Finally, we may be subject to income tax audits throughout the world. An adverse resolution of one or more uncertain tax positions in any period could have a material impact on our results of operations or financial condition for that period. The requirements of being a public company may strain our resources, divert management' s attention, and affect our ability to attract and retain executive management and qualified board members. As a public company, we are subject to the reporting requirements of the Exchange Act, the listing standards of Nasdaq and other applicable securities rules and regulations. The requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time- consuming, and costly, and place significant strain on our personnel, systems, and resources. For example, the Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management' s attention may be diverted from other business concerns, which could harm our business, results of operations, and financial condition. We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers. As a result of disclosure of information in filings required of a public company, our business and financial condition is more visible, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, results of operations, and financial condition. The individuals who now constitute our senior management team have limited experience managing a publicly- traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our senior management team may not successfully or efficiently manage our transition to a public company that is subject to significant regulatory oversight and reporting obligations. We are an " emerging growth company, " and our compliance with the reduced reporting and disclosure requirements applicable to " emerging growth companies " may make our common stock less attractive to investors. We are an " emerging growth company, " as defined in the JOBS Act, and we have elected to take advantage of certain exemptions and relief from various reporting requirements that are applicable to other public companies that are not " emerging growth companies. " These provisions include, but are not limited to: requiring only two years of audited financial statements and only two years of related selected financial data and management' s discussion and analysis of financial condition and results of operations disclosures; being exempt from compliance with the auditor attestation requirements of Section 404 (b) of the Sarbanes- Oxley Act; being exempt from any rules that could be adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotations or a supplement to the auditor' s report on financial statements; being subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and not being required to hold nonbinding advisory votes on executive compensation or on any golden parachute payments not previously approved. In addition, while we are an " emerging growth company, " we will not be required to comply with any new financial accounting standard until such standard is generally applicable to private companies. As a result, our financial statements may not be comparable to companies that are not " emerging growth companies " or elect not to avail themselves of this provision. We may remain an " emerging growth company " until as late as December 31, 2027, the fiscal year- end following the fifth anniversary of the completion of our IPO, though we may cease to be an " emerging growth company " earlier under certain circumstances, including if (1) we have more than $ 1. 07 billion in annual net revenues in any fiscal year, (2) we become a " large accelerated filer, " with at least $ 700 million of equity securities held by non- affiliates as of the end of the second quarter of that fiscal year or (3) we issue more than $ 1. 0 billion of non- convertible debt over a three- year period. The exact implications of the JOBS Act are still subject to interpretations and guidance by the SEC and other regulatory agencies, and we cannot assure you that we will be able to take advantage of all of the benefits of the JOBS Act. In addition, investors may find our common stock less attractive to the extent we rely on the exemptions and relief granted by the JOBS Act. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may decline or become more volatile. We have identified a material weakness in our internal control over financial reporting. If we experience material weaknesses in the future or otherwise fail to implement and maintain an effective system of internal controls in the future, we may not be able to accurately report our financial condition or results of operations which may adversely affect investor confidence in us, and as a result, the value of our common stock. As a public company, we are subject to significant requirements for enhanced financial reporting and internal controls. The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. In addition, we are required, pursuant to Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting in the second annual report following the completion of our IPO. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company' s annual and interim financial statements will not be detected or prevented on a timely basis. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation. Testing and maintaining internal controls may divert our management' s attention from other matters that are important to our business. Once we are no longer an " emerging growth company, " or a " smaller reporting company ", our auditors will be required to issue an attestation report on the effectiveness of our internal controls on an annual basis. In the course of preparing the financial statements that are included in this Annual Report, management has determined that a material weakness exists within the internal control over financial reporting. The material weakness identified relates to lack of a sufficient number of finance personnel to allow for adequate segregation of duties. We concluded that the material weakness in our internal control over financial reporting occurs because as a newly public company, we do not have the necessary business processes, systems, personnel, and related internal controls necessary to satisfy the accounting and financial reporting requirements of a public company. In order to remediate the material weakness, we expect to hire additional accounting and finance resources with public company experience or to provide the necessary training for such new hires without public company experience, and to nominate board members with the required financial literacy. We may not be able to fully remediate the identified material weakness until the steps described above have been completed and our internal controls have been operating effectively for a sufficient period of time. ~~We believe~~ **During the year ending December 31, 2023 and up to the date of this Annual Report,** we ~~will~~ **have** ~~make~~ **made** significant progress in our ~~remediation~~ **internal controls** plan **, including hiring new financial experts and increasing the amount of financial personnel, as well as mapping, documenting and testing our internal controls** ~~within~~ -- **with** ~~fiscal year 2023~~ **the assistance of a third- party accounting firm with specific expertise in Sarbanes- Oxley (" SOX ") compliance. However** , ~~but~~ **we** cannot assure that we will be able to fully remediate the material weakness by such time. We also may incur significant costs to execute various aspects of our remediation plan but cannot provide a reasonable estimate of such costs at this time ~~. In accordance with the provisions of the JOBS Act, we and our independent registered public accounting firm were not required to, and did not, perform an evaluation of our internal control over financial reporting as of December 31, 2022 nor any period subsequent in accordance with the provisions of the Sarbanes- Oxley Act. Accordingly, we cannot assure you that we have identified all material weaknesses that may exist. Material weaknesses may still exist when we report on the effectiveness of our internal control over financial reporting as required under Section 404 of the Sarbanes- Oxley Act after the completion of the IPO~~ . In the future, it is possible that additional material weaknesses or significant deficiencies may be identified that we may be unable to remedy before the requisite deadline for these reports. Our ability to comply with the annual internal control reporting requirements will depend on the effectiveness of our financial reporting and data systems and controls across our company. Any weaknesses or deficiencies or any failure to implement new or improved controls, or difficulties encountered in the implementation or operation of these controls, could harm our operating results and cause us to fail to meet our financial reporting obligations, or result in material misstatements in our consolidated financial statements, which could adversely affect our business and reduce our stock price. If we are unable to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404, our independent registered public accounting firm may not issue an unqualified opinion. If we are unable to conclude that we have effective internal control over financial reporting, investors could lose confidence in our reported financial information, which could have a material adverse effect on the trading price of our common stock. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock. Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock. We will be required to disclose changes made in our internal controls and procedures on a quarterly basis and our management will be required to assess the effectiveness of these controls annually, beginning with our second annual report on Form 10- K. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404, however they will not be required to do so for so long as we are an emerging growth company. We could be an emerging growth company for up to five years (i. e., until December 31, 2027). An independent assessment of the effectiveness of our internal controls over financial reporting could detect problems that our management' s assessment might not. Undetected material weaknesses in our internal controls over financial reporting could lead to restatements of our financial statements and require us to incur the expense of remediation. Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud. We are subject to certain reporting requirements of the Exchange Act. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to management, recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision- making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements or insufficient disclosures due to error or fraud may occur and not be detected. An active trading market may not develop for our securities. Our common stock is listed on the Nasdaq Capital Market. However, we cannot predict the extent to which investor interest in our Company will lead to the development of an active trading market in our common stock or how liquid that market might become. If such a market does not develop or is not sustained, it may be difficult for you to sell your shares of common stock at the time you wish to sell them, at a price that is attractive to you, or at all. The trading market for our common stock in the future could be subject to wide fluctuations in response to several factors, including, but not limited to: ● actual or anticipated variations in our results of operations; ● our ability or inability to generate revenues or profit; ● the number of shares in our public float; and ● increased competition. Furthermore, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political, and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. Additionally, moving forward we anticipate having a limited number of shares in our public float, and as a result, there could be extreme fluctuations in the price of our common stock. Our issuance of additional capital stock in connection with financings, acquisitions, investments, our 2015 Equity Incentive Plan, or otherwise will dilute all other stockholders. In the future, we may need to raise additional capital through equity and debt financings in order to fund our operations. If we raise capital through equity financings in the future, that will result in dilution to all other stockholders. We also expect to grant equity awards to employees, directors, and consultants under our 2015 Equity Incentive Plan. As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per- share value of our common stock to decline. We do not intend to pay dividends on our common stock and, consequently, the ability of common stockholders to achieve a return on investment will depend on appreciation, if any, in the price of our common stock. You should not rely on an investment in our common stock to provide dividend income. We do not plan to declare or pay any dividends on our capital stock in the foreseeable future. Instead, we intend to retain any earnings to finance the operation and expansion of our business. Any credit agreements, which we may enter into with institutional lenders, may restrict our ability to pay dividends. Whether we pay cash dividends in the future will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements and any other factors that the board of directors decides is relevant. Therefore, any return on your investment in our capital stock must come from increases in the fair market value and trading price of the capital stock. Future sales of our common stock, or the perception that future sales may occur, may cause the market price of our common stock to decline, even if our business is doing well. Sales of substantial amounts of our common stock in the public market after our IPO, or the perception that these sales may occur, could materially and adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Those shares of common stock sold in our IPO will be freely tradable, without restriction, in the public market, except for any shares sold to our affiliates. **As** ~~After the date~~ of **today** ~~the IPO~~ , **all** ~~when 4, 212, 500~~ shares **that were in** ~~of common stock became publicly tradable, approximately 13, 105, 075 additional shares of common stock subject to "~~ lock- up ~~" agreements entered into~~ **following the IPO closed** in ~~connection~~ **May 2022 have been released and are available for trading by their holders, subject to administrative process completion** with ~~the IPO, are or~~ **our transfer agent** ~~will become eligible to be sold in the public market by existing stockholders by May 13, 2023 as a result of Rule 144 of the Securities Act, subject to volume and other limitations imposed under the federal securities laws. Furthermore, additional shares of our common stock may be publicly tradable as a result of exercises of stock options and restricted stock units (RSUs) under the 2015 Equity Incentive Plan~~ . Sales of substantial amounts of our common stock in the public market after the completion of the IPO, or the perception that such sales could occur, could adversely affect the market price of our common stock and could materially impair our ability to raise capital through offerings of our common stock. The market price of our common stock may be volatile and may decline regardless of our operating performance, and you may lose all or part of your investments. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including: ● overall performance of the equity markets and / or publicly listed technology companies; ● actual or anticipated fluctuations in our net revenues or other operating metrics; ● changes in the financial projections we provide to the public or our failure to meet these projections; ● failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors; ● the economy as a whole and market conditions in our industry; ● political and economic stability in Israel; ● exchange rate fluctuations between U. S. dollars and Israeli New Shekel; ● rumors and market speculation involving us or other companies in our industry; ● announcements by us or our competitors of significant innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments; ● new laws or regulations or new interpretations of existing laws or regulations applicable to our business; ● lawsuits threatened or filed against us; ● recruitment or departure of key personnel; ● other events or factors, including those resulting from war, incidents of terrorism, or responses to these events; and ● the expiration of contractual lock- up or market standoff agreements. In addition, extreme price and volume fluctuations in the stock markets have affected and continue to affect many technology companies' stock prices. Often, their stock prices have fluctuated in ways unrelated or disproportionate to the companies' operating performance. In the past, securities action litigation has often been brought against a Company following a decline in the market price of its securities. This risk is especially relevant for us because technology companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management' s attention and resources, which could harm our business. A possible " short squeeze " due to a sudden increase in demand of our common stock that largely exceeds supply may lead to price volatility in our common stock. Investors may purchase our common stock to hedge existing exposure in our common stock or to speculate on the price of our common stock. Speculation on the price of our common stock may involve long and short exposures. To the extent aggregate short exposure exceeds the number of shares of our common stock available for purchase in the open market, investors with short exposure may have to pay a premium to repurchase our common stock for delivery to lenders of our common stock. Those repurchases may in turn, dramatically increase the price of our common stock until investors with short exposure are able to purchase additional common stock to cover their short position. This is often referred to as a " short squeeze. " A short squeeze could lead to volatile price movements in our common stock that are not directly correlated to the performance or prospects of our common stock and once investors purchase the shares of common stock necessary to cover their short position the price of our common stock may decline. If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our stock price and trading volume could decline. The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our company. If no securities or industry analysts commence coverage of our company, the trading price for our common stock would likely be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. In addition, if our operating results fail to meet the forecast of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our stock price and trading volume to decline. Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current board of directors and limit the market price of our common stock. Provisions in our amended and restated certificate of incorporation, or the Charter, and bylaws, or the Bylaws, may have the effect of delaying or preventing a change of control or changes in our management. Our Charter and Bylaws, include provisions that: ● permit the board of directors to establish the number of directors and fill any vacancies and newly- created directorships; ● classify our board of directors is classified into three classes of directors with staggered three- year terms and stockholders will only be able to remove directors from office for cause; and ● provide that the board of directors is expressly authorized to make, alter, or repeal our Bylaws. Moreover, Section 203 of the Delaware General Corporation Law, or the DGCL, may discourage, delay, or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15 % or more of our common stock. Our Charter provides that derivative actions brought on our behalf, actions against our directors, officers, employees or agent for breach of fiduciary duty and certain other actions may be brought only in the Court of Chancery in the State of Delaware and the stockholders shall be deemed to have consented to this choice of forum provision, which may have the effect of discouraging lawsuits against our directors, officers, other employees or agents. Our Charter provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any current or former director, officer, stockholder, employee or agent of the Company to the Company or the Company' s stockholders, (c) any action asserting a claim against us or any current or former director, officer, stockholder, employee or agent of the Corporation arising pursuant to any provision of the DGCL, or our Company' s Certificate of Incorporation or Bylaws, (d) any action to interpret, apply, enforce or determine the validity of the Company' s Certificate of Incorporation or Bylaws, (e) any action asserting a claim governed by the internal affairs doctrine or (f) any action asserting an " internal corporate claim " as that term is defined in Section 115 of the General Corporation Law. The federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint, claim or proceeding asserting a cause of action arising under the Exchange Act or the Securities Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provision in our Charter. The choice- of- forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or its directors, officers or other employees, and may result in increased costs to a stockholder who has to bring a claim in a forum that is not convenient to the stockholder, which may discourage such lawsuits. Although under Section 115 of the DGCL, exclusive forum provisions may be included in a company' s certificate of incorporation, the enforceability of similar forum provisions in other companies' certificates or incorporation or bylaws has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. If a court were to find the exclusive forum provision of our Charter inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors. ~~Our principal stockholders will continue to have significant influence over us. Our principal stockholders collectively beneficially own approximately 23 % of our outstanding common stock. See " Principal Stockholders. " These stockholders or their affiliates will be able to exert significant influence over us and, if acting together, will be able to control matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, including a merger, consolidation or sale of all or substantially all of our assets and the issuance or redemption of equity interests in certain circumstances. The interests of these stockholders may not always coincide with, and in some cases may conflict with, our interests and the interests of our other stockholders. For instance, these stockholders could attempt to delay or prevent a change in control of our company, even if such change in control would benefit our other stockholders, which could deprive our stockholders of an opportunity to receive a premium for their common stock. This concentration of ownership may also affect the prevailing market price of our common stock due to investors' perceptions that conflicts of interest may exist or arise. As a result, this concentration of ownership may not be in your best interests.~~