

Risk Factors Comparison 2025-03-17 to 2024-03-14 Form: 10-K

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

The risks set forth below may not be the only risk factors relating to the Company. Any of these factors, many of which are beyond our control, could materially adversely affect our business, financial condition, operating results, cash flow and stock price. **Business or economic disruptions or global health..... the deployment and efficacy of vaccines.** We have a highly concentrated customer base so that changes in ordering patterns, delays or order cancellations could have a material adverse effect on our business and results of operations. Three customers accounted for **58 % of revenue in 2024 and** 60 % of revenue in 2023 ~~and 53 % of revenue in 2022~~. We believe that our relationships with these customers are positive and may provide us with ongoing continuous sustainability for years to come ~~;~~ **however** ~~However~~, a large customer, if lost, would be difficult to be replace, and our inability to do so may have a material adverse effect on our business and financial condition. We expect that orders from a relatively limited number of customers will continue to account for a substantial portion of our business. The mix and type of customers, and sales to any single customer, may vary significantly from quarter to quarter and from year to year. If any of our significant customers do not place orders, or they substantially reduce, delay or cancel orders, we may not be able to replace the business in a timely manner or at all, which can **have and has had** a material adverse effect on our results of operations and financial condition. Major customers may also seek, and on occasion receive, pricing, payment or other commercial terms that are less favorable to us and can hurt our competitive position. Our lengthy and variable sales cycle makes it difficult to predict our financial results. The sales cycle for our products is often lengthy, ranging from several months to several years. In many cases potential customers must evaluate the properties of our product against their current solution ~~;~~ **which may not be as robust as the CPS solution, but is often less expensive**. In many cases potential customers must redesign other components of the end product they are making to realize the full benefits of using our products. The lengthy sales cycle makes forecasting the volume and timing of sales difficult and raises additional risks that customers may cancel or delay introduction of their end- products into the marketplace, thus affecting our demand. The length of the sales cycle depends on the size and complexity of the project, and the depth of the evaluation of our products conducted by the customers. Because a significant portion of our operating expenses is fixed, we ~~have and~~ **continue to** incur substantial expense before we earn associated revenue. If customer cancellations occur, they could result in the loss of anticipated sales without allowing us sufficient time to reduce our operating expenses. **Fluctuations in foreign exchange rates can negatively impact our ability to compete against foreign based competitors. Several of our major competitors are located outside of the United States. The relative strength of the U. S. dollar compared to such competitors' respective local currencies makes our products more expensive to our customers relative to our competitors' prices. Such circumstances could result in a reduction in product pricing (and profitability) in order to maintain or grow our current levels of business. If we are unable or unwilling to reduce pricing of our products to the level necessary to maintain current business levels, we could see an overall reduction in revenue. Our dependence on outside vendors to perform particular steps in our manufacturing process could negatively impact us should those vendors be unable or unwilling to provide such service at a reasonable cost. Several of our major customers require that we use only vendors approved by them for certain steps, typically plating, of our manufacturing process before the finished product can be shipped to the customer and recognized as revenue. In some cases these vendors are sole sourced, i. e., one vendor is the only vendor approved for that process. If that vendor raises their price to us, we may not be able to pass that increase on to our customer, eroding our margins. If we are able to pass along these increases, that could negatively impact our sales volumes if our customer shifts some of their purchases to a lower priced competitor. If a sole sourced vendor is unable to process our product fast enough to meet our customer' s demand, or if they do not process our product at all, our expected revenue could be negatively affected despite our ability to produce enough to meet that demand**. Our success is highly dependent on managerial contributions of key individuals and we may be unable to retain these individuals or recruit others. We depend on our senior executives and certain key managers as well as engineering, research and development, sales, marketing and manufacturing personnel, who are critical to our business. While we have employment agreements with certain executives, none of these agreements would prevent any such person from leaving the Company. Furthermore, larger competitors may be able to offer more generous compensation packages to our executives and key employees, and therefore we risk losing key personnel to those competitors. If we were to lose the services of any of our key personnel, or if we fail to attract and train qualified personnel, our engineering, product development, manufacturing and sales efforts could be slowed. In particular, we have, from time to time, experienced difficulty in hiring and retaining skilled engineers with appropriate qualifications to support our growth strategy. Our success depends on our ability to identify, hire, train and retain qualified engineering personnel. Specifically, we need to continue to attract and retain product development, materials and manufacturing engineers to work with our direct sales force to technically qualify and perform on new sales opportunities and orders, and to demonstrate our products. We may also incur increased operating expenses and be required to divert the attention of our senior executives to search for replacements. The integration of any new personnel could disrupt our ongoing operations. **Business or economic disruptions or global health concerns could seriously harm our business.** Broad- based business, economic disruptions or global health concerns could adversely affect our business and the sale of our products. For example, in December 2019 an outbreak of a novel strain of the coronavirus disease (COVID- 19) originated in Wuhan, China, and ~~has since~~ spread to a number of other countries, including the United States. Initially, this outbreak resulted in extended shutdowns of certain businesses in the Wuhan region and had ripple effects to businesses around the world. While the impact of this pandemic has largely subsided, a resurgence of this virus or

another could have an impact on our business. Although the Company has remained open throughout the COVID-19 pandemic, complete or partial government shutdowns of many businesses, schools, bars and restaurants have ~~did~~ occurred--- occur. The Russian invasion of Ukraine and the conflict in Israel and Gaza could also adversely affect our business in spite of the immaterial amount of direct business we have done in ~~this~~ ~~these~~ ~~region~~ ~~regions~~ in the past. We cannot presently predict the scope and severity of any future business shutdowns or disruptions to us, but if we or any of the third parties with whom we engage, including our customers, suppliers and other third parties, were to experience extended shutdowns or other business disruptions, our ability to conduct our business could be materially and negatively impacted, and could have a material adverse effect on our business and our results of operation and financial condition. ~~A pandemic, epidemic~~ ~~Changes in trade policy could~~ ~~seriously impact~~ ~~or our outbreak~~ ~~business.~~ ~~Most of an infectious disease~~ ~~our raw materials are domestically sourced by~~ ~~CPS.~~ ~~However, some of those raw materials may originate in~~ ~~countries other than~~ the United States. ~~Should tariffs be imposed on any of these countries of origin, or our worldwide vendors would likely increase their price to us to cover the cost of these tariffs.~~ We may not be able adversely affect our business. Our operations expose us to ~~pass~~ risks associated with pandemics, epidemics or other public health emergencies, such as the outbreak of coronavirus disease (COVID-19) that subsequently spread around the world. Outbreaks such as these ~~cost increases on~~ have resulted, and can continue to result, ~~our~~ ~~customers~~ in governments around ~~a timely manner, therefore eroding our margins.~~ ~~A significant portion of our business is exported to customers outside the United States.~~ ~~Should the their countries impose tariffs on US goods~~ ~~world implementing increasingly stringent measures to help control the spread, including quarantines~~ ~~ours~~, we could find ourselves "shelter in place" and "stay-at ~~a competitive disadvantage in relation~~ home" orders, travel restrictions, business curtailments, school closures, and other measures. Government imposed requirements regarding vaccines, testing etc., could negatively impact the Company's ability to ~~hire or~~ ~~our~~ retain certain employees ~~competitors, some of whom are located outside the United States~~.

Acquisitions can result in an increase in our operating costs, divert management's attention away from other operational matters and expose us to other associated risks. From time to time, we evaluate potential acquisitions of businesses and technologies, and we consider targeted acquisitions that expand our core competencies to be an important part of our future growth strategy. We expect that any acquisitions of other businesses will have synergistic products, services and technologies. Acquisitions involve numerous risks, which include but are not limited to: • difficulties and increased costs in connection with the integration of the personnel, operations, technologies, services and products of the acquired companies into our existing facilities and operations; • diversion of management's attention from other operational matters; • failure to commercialize the acquired technology; • the potential loss of key employees of the acquired companies; • lack of synergy, or inability to realize expected synergies, resulting from the acquisitions; • the risk that the issuance of our common stock, if any, in an acquisition or merger could be dilutive to our shareholders; • the inability to obtain and protect intellectual property rights in key technologies; and • the acquired assets becoming impaired as a result of technological advancements or worse- than- expected performance of the acquired assets. The conditions of the markets in which we operate are volatile. The demand for our products and the profitability of our products can change significantly from period to period as a result of numerous factors. The industries in which we operate are characterized by ongoing changes, including: • the availability of funds for research and development; • global and regional economic conditions; • governmental budgetary and political constraints; and • changes in technology. For these and other reasons, our results of operations for past periods may not necessarily be indicative of future operating results. Volatile and cyclical demand for our products may make it difficult for us to accurately budget our expense levels, which are based in part on our projections of future revenues. When cyclical fluctuations result in lower- than- expected revenue levels, operating results may be materially adversely affected, and cost reduction measures may be necessary for us to remain competitive and financially sound. During a down cycle, we must be able to make timely adjustments to our cost and expense structure to correspond to the prevailing market conditions. In addition, during periods of rapid growth, we must be able to increase manufacturing capacity and the number of our personnel to meet customer demand, which may require additional liquidity. We can provide no assurance that these objectives can be met in a timely manner in response to changes within the industry cycles in which we operate. If we fail to respond to these cyclical changes, our business could be seriously harmed. We do not ~~typically~~ have long- term volume production contracts with our customers, and we do not control the timing or volume of orders placed by our customers. Whether and to what extent our customers place orders for any specific products, and the mix and quantities of products included in those orders are factors beyond our control. Insufficient orders would result in under-utilization of our manufacturing facilities and infrastructure, and will negatively affect our financial position and results of operations. We face significant competition, are relatively small in size and have fewer resources in comparison with some of our competitors. We face significant competition throughout the world, which may increase as certain markets in which we operate continue to evolve. Our future performance depends, in part, upon our ability to continue to compete successfully worldwide. Some of our competitors are diversified companies that have substantially greater financial resources and more extensive research, engineering, manufacturing, marketing and customer service and support capabilities than we can provide. Our failure to compete successfully with these other companies would seriously harm our business. There is a risk that larger, better financed competitors will develop and market more advanced products than those we currently offer, or that competitors with greater financial resources may decrease prices, thereby putting us under financial pressure. We may experience increasing price pressure. Our historical business strategy for many of our products has focused on product performance and customer service rather than on ~~offering the lowest~~ price. As a result of budgetary constraints, many of our customers are extremely price sensitive when purchasing our products. Recent inflationary trends could further exacerbate this issue. If we are unable to obtain prices that allow us to continue to compete on the basis of product performance and customer service, our profit margins will be reduced. Manufacturing interruptions or delays could affect our ability to meet customer demand and lead to higher costs. We may experience significant interruptions of our manufacturing operations, delays in our ability to deliver products or services, increased costs or customer order cancellations as a result of: • the failure or inability of suppliers to timely deliver sufficient

quantities of materials and components on a cost- effective basis; • volatility in the availability and cost of materials; • unforeseen equipment failures resulting in the need to delay or outsource certain production processes; • difficulties or delays in obtaining required import or export approvals; • information technology or infrastructure failures; • natural disasters or other events beyond our control (such as earthquakes, floods or storms, regional economic downturns, pandemics, social unrest, political instability, terrorism, or acts of war); and • the effects of a global pandemic on our employees, suppliers and other third- parties upon which we rely. Continued growth could result in the need to move or expand our facilities. The costs of such a move or expansion could be significant to our profitability. Our ability to meet our ~~customer~~ **customers'** needs including the on- time shipment of products, is paramount to our success. Our current facility may not be able to adequately handle future growth and our ability to meet the needs of our customers. This could result in our having to relocate to a new facility which could have a material impact on our profitability. We have made investments in our proprietary technologies. If third parties violate our proprietary rights, or accuse us of infringing upon their proprietary rights, such events could result in a loss of value of some of our intellectual property or costly litigation. Our success is dependent in part on our technologies and our other proprietary rights. We believe that while patents can be useful and may be utilized by us in the future, they are not always necessary or feasible to protect our intellectual property. The process of seeking patent protection is lengthy and expensive, and we cannot be certain that applications will ~~actually~~ result in issued patents or that issued patents will be of sufficient scope or strength to provide meaningful protection or commercial advantage to us. In addition to patent protection, we have also historically protected our proprietary information and intellectual property such as design specifications, blueprints, technical processes and employee know- how, by limiting access to this confidential information and trade secrets and through the use of non- disclosure agreements. Other companies and individuals, including our competitors, may develop technologies that are similar or superior to our technology, or design around the intellectual property that we own or license. Our failure to adequately protect our intellectual property ~~could result in the reduction or~~ **extinguishment-elimination** of our rights to such intellectual property. We also assert rights to certain trademarks relating to certain of our products and product lines ~~. While patent, copyright and trademark protection for our intellectual property may be important, we believe our future success in highly dynamic markets is most dependent upon the technical competence and creative skills of our personnel.~~ We attempt to protect our trade secrets and other proprietary information through confidentiality agreements with our customers, suppliers, employees and consultants, and through other internal security measures. However, these employees, consultants and third parties may breach these agreements, and we may not have adequate remedies for wrongdoing. In addition, the laws of certain territories in which we sell our products may not protect our intellectual property rights to the same extent as do the laws of the United States. We may receive communications from other parties asserting the existence of patent rights or other intellectual property rights that they believe cover certain of our products, processes, technologies or information. If such cases arise, we will evaluate our position and consider the available alternatives, which may include seeking licenses to use the technology in question on commercially reasonable terms, or defending our position. Nevertheless, we cannot ensure that we will be able to obtain licenses, or, if we are able to obtain licenses, that related terms will be acceptable, or that litigation or other administrative proceedings will not occur. Defending our intellectual property rights through litigation could be very costly. If we are not able to negotiate the necessary licenses on commercially reasonable terms or successfully defend our position, our financial position and results of operations could be materially and adversely affected. The price of our common shares is volatile and could decline significantly. The stock market has at times over the last 15 years experienced periods of high and extreme volatility. If these market fluctuations continue **or for other factors, including those listed below**, the trading price of our common shares could decline significantly independent of the overall market, and stockholders could lose all or a substantial part of their investment. The market price of our common shares could fluctuate significantly in response to several factors, including, among others: • difficult macroeconomic conditions, including inflation, unfavorable geopolitical events, and general stock market uncertainties, such as those occasioned by a global liquidity crisis and a failure of large financial institutions; • receipt of large orders or cancellations of orders for our products; • issues associated with the performance and reliability of our products; • actual or anticipated variations in our results of operations; • announcements of financial developments or technological innovations; • changes in recommendations and / or financial estimates by investment research analysis; • strategic transactions, such as acquisitions, divestitures, or spin- offs; and • the occurrence of major catastrophic events, including the effects of a possible resurgence of the novel coronavirus (COVID- 19). Significant price ~~and value~~ fluctuations have occurred with respect to our publicly traded securities. The price of our common shares is likely to be volatile in the future. In the past, securities class action litigation often has been brought against a company following periods of volatility in the market price of its securities. If similar litigation were pursued against us, it could result in substantial costs and a diversion of management' s attention and resources, which could materially and adversely affect our financial condition, results of operations, and liquidity. If we are subject to cyber- attacks, we could incur substantial costs and, if such attacks are successful, we could incur significant liabilities, reputational harm, and disruption to our operations. We manage, store and transmit proprietary information and sensitive data relating to our operations. We may be subject to breaches of the information technology systems we use for these purposes. Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate and / or compromise our confidential information (and or third- party confidential information), create system disruptions, or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our systems or our products, or that otherwise exploit any security vulnerabilities. The costs ~~to of address~~ **addressing** the foregoing security problems and security vulnerabilities before or after a cyber- incident could be significant. Our remediation efforts may not be successful and could result in interruptions, delays, or cessation of service, and loss of existing or potential customers, impeding our sales, manufacturing, distribution, or other critical functions. In addition, breaches of our security measures and the unapproved dissemination of proprietary information or sensitive data about us, our customer, or other third parties, could expose us, our customers, or other third parties to a risk of loss or misuse of

this information, result in litigation and potential liability for us, damage our reputation, or otherwise harm our business.