Risk Factors Comparison 2024-03-22 to 2023-03-23 Form: 10-K

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

Risks Associated with Our Business ~~The long- term impacts caused by the COVID- 19 pandemic could continue to have an adverse effect on our business. The COVID- 19 pandemic continues to have an unprecedented, long- term impact on the U. S. economy that continues to create significant business uncertainties. These uncertainties include, but are not limited to, the adverse effect of the pandemic on the economy, our supply chain partners, transportation and logistics providers, our employees and customers. As infection rates oscillate with new variants, widespread outbreaks, stay- at- home recommendations or mandates from federal, state and local authorities may recur, which may continue to affect our supply chain and our customer base. Continued impacts of the pandemic could materially adversely affect our near- term and long- term revenues, earnings, liquidity and cash flows, and may require significant actions in response, including, but not limited to, employee furloughs, workforce reductions, plant or other operational shut- downs, expense reductions or discounting of pricing of our products, all in an effort to mitigate such impacts. The extent of the ongoing impact of the pandemic on our business and financial results will depend largely on future developments, including the duration of the spread of the outbreak within the United States, the timing and success of vaccine programs, the impact on capital and financial markets and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted.~~ If we are unable to attract or retain qualified personnel, our business and product development efforts could be harmed. We are highly dependent on our senior management and other key personnel due to our very lean organizational structure. Our future success will depend on our ability to attract, retain, develop and motivate qualified executive, technical, sales, marketing, operating, financial and management personnel, for whom competition is very intense. As we attempt to sustain and re- grow our business, it could be especially difficult to attract, retain and adequately compensate qualified personnel, especially in light of our lean cost structure and the tightening of the labor market, which has led to increased competition for employees. The loss of, or failure to attract, hire, and retain any such persons could delay product development cycles, disrupt our operations, increase our costs, or otherwise harm our business or results of operations. We also do not maintain " key person " insurance policies on any of our officers or our other employees, nor have employment contracts. We rely on equity and debt financing to operate our business and will require additional financing in the near term, which we may not be able to raise on favorable terms or at all, and our failure to obtain funding when needed may force us to delay, scale back or eliminate our business plan or even discontinue or curtail our operations. For the year ended December 31, ~~2022~~ **2023** , we reported a net loss of $ ~~10~~ **4** . 3 million and are dependent upon the availability of financing in order to continue our business. In **the year ended December 31,** 2023 ~~to date~~ , financing activity to sustain ongoing losses has included **(1) selling an aggregate of approximately $ 6. 1 million common stock through several private placement** transactions ~~with a member~~ **(Please see Note 9** of our **financial statements for the year ended December 31** ~~Board of Directors as well as certain purchases associated with Sander Electronics~~ , ~~a strategic investor~~ **2023 included in Part II** , **Item 8, " Financial Statements and Supplementary Data, " of this Annual Report.) and (2)** converting approximately $ 1. ~~5~~ **7** million of outstanding ~~bridge debt~~ **promissory notes** into ~~common stock and also selling an aggregate of approximately $ 2. 72 million in~~ common stock. In the year ended December 31, 2022, financing activity to sustain ongoing losses included converting approximately $ 303 thousand of outstanding bridge financing into common stock, the issue and sale of approximately $ 1. ~~45~~ **5** million of unsecured bridge financing from October to December 2022, the issue and sale of approximately $ 3. 2 million of common stock and warrants to purchase common stock in June 2022, and the offer and sale of $ 2. 0 million of unsecured bridge debt financing in April 2022. In August, 2020, we entered into two Credit Facilities secured by our assets and ~~are~~ **were** subject to customary affirmative and negative operating covenants and events of defaults that restrict indebtedness, liens, corporate transactions, dividends, and affiliate transactions, among others. The Receivables Facility capacity was $ 2. 5 million, and the Inventory Facility capacity was initially $ 3. 0 million and increased to $ 3. 5 million in April 2021. As of December 31, 2022, we had cash of approximately $ **52 thousand** ~~0. 1 million~~ and had debt balances of $ 1. 4 million and $ 1. 0 million under the Inventory Facility and the Receivables Facility, respectively. In January 2023, we amended the Inventory Facility, reducing the maximum availability to $ 500 thousand, reducing monthly fees and paying down an aggregate of $ 1 million in January and February 2023. In February 2023, we agreed to terminate the Receivables Facility. **In September 2023, we paid down the remaining balance under the Inventory Facility.** As a result, ~~our availability under the Credit Facilities has been significantly reduced, and~~ there **were** ~~can be~~ no ~~assurance that these lending facilities will be renewed or replaced on commercially reasonable terms or at all. Even with access to borrowings under the~~ Inventory Facility **and Receivables Facility as of December 31** , ~~we~~ **2023. We** may not generate sufficient cash flows from our operations or be able to borrow sufficient funds to sustain our operations. As such, we will likely need additional external financing during ~~2023~~ **2024** and will continue to review and pursue external funding sources including, but not limited to, the following: • obtaining financing from traditional or non- traditional investment capital organizations or individuals; • obtaining funding from the sale of our common stock or other equity or debt instruments; and • obtaining debt financing with lending terms that more closely match our business model and capital needs. There can be no assurance that we will obtain funding on acceptable terms, in a timely fashion, or at all. Obtaining additional financing contains risks, including: • additional equity financing may not be available to us on satisfactory terms and any equity we are able to issue could lead to dilution for current stockholders and have rights, preferences and privileges senior to our common stock; • loans or other debt instruments may have terms or conditions, such as interest rates, restrictive covenants and control or revocation provisions, which are not acceptable to management or our Board of Directors; and • the current environment in the capital markets combined with our capital constraints may prevent us from being able to obtain adequate debt financing. If we fail to obtain the required additional financing to sustain our business before we are able to produce levels of revenue to meet our financial needs, we will need to delay, scale back or eliminate our business plan and further reduce our operating costs and headcount, each of which would have a material adverse effect on our business, future prospects, and financial condition. A lack of additional financing could also result in our inability to continue as a going concern and force us to sell certain assets or discontinue or curtail our operations and, as a result, investors in the Company could lose their entire investment. Our independent registered public accounting firm' s opinion on our audited financial statements for the fiscal year ended December 31, ~~2022~~ **2023** , included in this Annual Report, contains a modification relating to our ability to continue as a going concern. Our independent registered public accounting firm' s opinion on our audited financial statements for the year ended December 31, ~~2022~~ **2023** includes a modification stating that our losses and negative cash flows from operations and uncertainty in generating sufficient cash to meet our obligations and sustain our operations raise substantial doubt about our ability to continue as a going concern ~~. In addition, Note 4 " Restructuring ", to our financial statements included in Part II, Item 8 " Financial Statements and Supplementary Data, " of this Annual Report includes disclosure describing the existence of conditions that raise substantial doubt about our ability to continue as a going concern for a reasonable period of time~~ . While we continue to pursue funding sources and transactions that could raise capital, there can be no assurances that we will be successful in these efforts or will be able to resolve our liquidity issues or eliminate our operating losses. If we are unable to generate enough cash or obtain sufficient additional funding, we would need to scale back or significantly adjust our business plan, further reduce our operating costs and headcount, or discontinue or curtail our operations. Accordingly, our business, prospects, financial condition and results of operations could be materially and adversely affected, and we may be unable to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our audited consolidated financial statements, and it is likely that investors will lose all or a part of their investment. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. We have a history of operating losses and will incur losses in the future as we continue our efforts to grow sales and streamline our operations at a profitable level. We have incurred substantial losses in the past and reported net losses from operations of $ ~~10~~ **4** . 3 million and $ ~~7~~ **10** . ~~9~~ **3** million for the years ended December 31, **2023 and** 2022 ~~and 2021~~ , respectively. As of December 31, ~~2022~~ **2023** , we had an accumulated deficit of $ **153. 3 million and cash of approximately $ 2. 0 million, compared to an accumulated deficit of $** 149. 0 million and cash of approximately $ 0. 1 million ~~, compared to an accumulated deficit of $ 138. 7 million and cash of approximately $ 2. 7 million~~ as of December 31, ~~2021~~ **2022** . In order for us to operate our business profitably, we need to grow our sales, maintain cost control discipline while balancing development of our product pipeline and potential long- term revenue growth, continue our efforts to reduce product cost, drive further operating efficiencies and develop and execute a strategic product pipeline for profitable and compelling MMM and LED lighting and control products. There is a risk that our strategy to return to profitability may not be as successful as we envision, or occur as quickly as we expect. We might require additional financing in the near- term and, if our operations do not achieve, or we experience an unanticipated delay in achieving, our intended level and pace of profitability, we will continue to need additional funding, none of which may be available on favorable terms or at all and could require us to sell certain assets or discontinue or curtail our operations. While we are attempting to diversify our customer base, we have historically derived a significant portion of our revenue from a few customers, and the loss of one of these customers, or a reduction in their demand for our products, could adversely affect our business, financial condition, results of operations, and prospects. Historically our customer base has been highly concentrated and a few customers have represented a substantial portion of our net sales. In **2023, two customers accounted for 48 % of net sales. Total sales to our primary distributor to the U. S. Navy, combined with sales to shipbuilders for the U. S. Navy represented 70 % of net sales in 2023. In** 2022, two customers accounted for 27 % of net sales. Total sales to our primary distributor to the U. S. Navy combined with sales to shipbuilders for the U. S. Navy represented 30 % of net sales in 2022 ~~. In 2021, two customers accounted for 43 % of net sales. Total sales to our primary distributor to the U. S. Navy, and a primary shipbuilder for the U. S. Navy represented 38 % of net sales in 2021~~ . We generally do not have long- term contracts with our customers that commit them to purchase any minimum amount of our products or require them to continue to do business with us. We could lose business from any one of our significant customers for a variety of reasons, many of which are outside of our control, including ongoing long- term impacts of the COVID- 19 pandemic, changes in levels of government funding and rebate programs, our inability to comply with government contracting laws and regulations, changes in customers' procurement strategies or their lighting retrofit plans, changes in product specifications, additional competitors entering particular markets, our failure to keep pace with technological advances and cost reductions, and damage to our professional reputation, among others. We are attempting to expand and diversify our customer base and reduce the dependence on one or a few customers, through the addition of sales representatives and other potential sales channels, but we cannot provide any assurance that our efforts will be successful. We anticipate that a limited number of customers could continue to comprise a substantial portion of our revenue for the foreseeable future. If we continue to do business with our significant customers, our concentration can cause variability in our results because we cannot control the timing or amounts of their purchases. A significant customer could cease to do or drastically reduce its business with us with little or no notice, which could adversely affect our results of operations and cash flows in particular periods. Historically, we have experienced long sales- cycles, as well as slow ramp- up by new customers to purchase large amounts of LED products from us. Given the fiercely competitive lighting market in which we operate, we are constantly trying to balance pricing with the quality- premium our products command both in brand reputation and performance. As a result, adding new customers could generally be a slow process, and increasing new customers' sales to more significant levels usually takes a long period of time. As we continue to develop more customer- centric new products such as EnFocus ™ and GaN- based power supply circuitry, we hope to both add new customers more quickly and have our customers scale their purchasing levels more quickly. However, there is no guarantee of faster customer acceptance or performance of these new products or any other that has been or is being developed. If critical components and finished products that we develop with and purchase from a small number of third- party development partners and suppliers become unavailable or increase in price, or if our development partners, suppliers or delivery channels fail to meet our requirements for quality, quantity, and timeliness, our revenue and reputation in the marketplace could be harmed, which would damage our business. In an effort to reduce research and development and manufacturing costs, we have outsourced the research, development and production of certain parts and components, as well as finished goods in our product lines, to a small number of vendors in various locations throughout the world, primarily in the United States, Malaysia, Taiwan and China. We generally purchase these sole or limited source items with purchase orders, and we have limited guaranteed supply arrangements with such suppliers. While we believe alternative sources for these components and products are available, we select suppliers based on their expected ability to provide quality products at a cost- effective price, to meet our specifications, and to deliver within scheduled time frames. We do not control the time and resources that these suppliers devote to our business, and we cannot be sure that these suppliers will perform their obligations to us. If our ability to manage third- party product development efforts are unsuccessful or our suppliers fail to perform their obligations in a timely manner or at satisfactory quality levels, we may suffer lost or delayed sales, increased costs of goods sold, reductions in revenue or margin, and damage to our reputation in the market, all of which would adversely affect our business. As demand for our products fluctuates, which fluctuations can be hard to predict, we may not need a sustained level of inventory, which may cause financial hardship for our suppliers or they may need to divert production capacity elsewhere. In the past, we have had to purchase quantities of certain components that are critical to our product manufacturing and were in excess of our estimated near- term requirements as a result of supplier delivery constraints and concerns over component availability, and we may need to do so in the future. As a result, we have had, and may need to continue, to devote additional working capital to support a large amount of component and raw material inventory that may not be used over a reasonable period to produce saleable products, and we may be required to increase our excess and obsolete inventory reserves to provide for these excess quantities, particularly if demand for our products does not meet our expectations. We may be vulnerable to unanticipated product development delays, price increases and payment term changes. Significant increases in the prices of sourced components and products and shipping costs, could cause our product prices to increase, which may reduce demand for our products or make us more susceptible to competition. Furthermore, in the event that we are unable to pass along increases in operating costs to our customers, margins and profitability may be adversely affected. Accordingly, the loss of all or one of these suppliers could have a material adverse effect on our operations until such time as an alternative supplier could be found. Additionally, consolidation in the lighting industry could result in one or more current suppliers being acquired by a competitor, rendering us unable to continue purchasing key components and products at competitive prices. We also may be subject to various import duties and tariffs applicable to materials manufactured in foreign countries and may be affected by various other import and export restrictions, as well as other considerations or developments impacting upon international trade, including economic or political instability, tariffs, shipping delays and product quotas. These international trade factors will, under certain circumstances, have an impact on the cost of components, which will have an impact on the cost to us of the manufactured product and the wholesale and retail prices of our products. We rely on arrangements with independent shipping companies for the delivery of our products from vendors abroad. The failure or inability of these shipping companies to deliver products or the unavailability of shipping or port services, even temporarily, could have a material adverse effect on our business. We may also be adversely affected by an increase in freight surcharges due to global logistics capacity constraints, rising fuel costs and added security costs. If we are unable to implement plans to increase sales and control expenses to manage future growth effectively, our profitability goals and liquidity will be adversely affected. Our ability to achieve our desired growth depends on the adoption of high - quality LED lighting and controls within the general lighting market and our ability to affect and adapt to these rates of adoption. The pace of continued growth in these markets is uncertain, and in order to grow our sales, we may need to: • manage organizational complexity and ensure effective and timely communication; • expand the skills and capabilities of our current management, engineering and sales teams; • add experienced senior level managers; • attract, retain and adequately compensate qualified employees; • adequately maintain and adjust the operational and financial controls that support our business; • expand research and development, sales and marketing, technical support, distribution capabilities, manufacturing planning or administrative functions and capabilities; • maintain or establish additional manufacturing facilities and equipment, as well as secure sufficient third- party manufacturing resources, to adequately meet customer demand or lower manufacturing costs; and • manage an increasingly complex supply chain to maintain a sufficient supply of materials and deliver on time to our manufacturing facilities. These efforts to grow our business, both in terms of size and in diversity of customer bases served, may put a significant strain on our resources. We have implemented comprehensive cost- saving initiatives to reduce our net loss and mitigate doubt about our ability to continue as a going concern. These initiatives have improved efficiency and streamlined our operations, but we continue to operate at a loss and may need additional funding or further cost-cutting to manage liquidity. Our possible future growth may exceed our current capacity and require rapid expansion in certain functional areas. We may lack sufficient funding to appropriately expand or incur significant expenses as we attempt to scale our resources and make investments in our business that we believe are necessary to achieve short- term and long- term growth goals. Such investments take time to become fully operational, and we may not be able to expand quickly enough to exploit targeted market opportunities. In addition to our own manufacturing capacity, we are increasingly utilizing contract manufacturers and original design manufacturers (" ODMs ") to produce our products for us. There are also inherent execution risks in expanding product lines and production capacity, whether through our facilities or that of a third- party manufacturer, that could increase costs and reduce our operating results, including design and construction cost overruns, poor production process yields and reduced quality control. If we are unable to fund any necessary expansion or manage our growth effectively, we may not be able to adequately meet demand, our expenses could increase without a proportionate increase in revenue, our margins could decrease, and our business and results of operations could be adversely affected. Our results of operations, financial condition and business could be harmed if we are unable to balance customer demand and capacity. As our customer base and customer demand for our products changes and as we launch new products, we must be able to adjust our production capacity to meet demand. We are continually taking steps to address our manufacturing capacity needs for our products. If we are not able to increase or decrease our production capacity at our targeted rate or if there are unforeseen costs associated with adjusting our capacity levels or there are unanticipated interruptions in our global supply chain or logistics from such possibilities as long- term effects of the COVID- 19 pandemic, **geopolitical tension as the military conflict in Ukraine and the Middle East,** shifting workforces, ~~geopolitical tension~~ or energy policies, we may not be able to achieve our financial targets. In addition, as we introduce new products and further refine existing products, we must balance the production and inventory of prior generation products with the production and inventory of new products, whether manufactured by us or our contract manufacturers, to maintain a product mix that will satisfy customer demand and mitigate the risk of incurring cost write- downs on the previous generation products, related raw materials and tooling. If customer demand does not materialize at the rate forecasted, we may not be able to scale back our manufacturing expenses or overhead costs to correspond to the demand. This could result in lower margins, write- downs of our inventory and adversely impact our business and results of operations. Additionally, if product demand decreases or we fail to forecast demand accurately, our results may be adversely impacted due to higher costs resulting from lower factory utilization, causing higher fixed costs per unit produced. In addition, our efforts to improve quoted delivery lead- time performance may result in corresponding reductions in order backlog. A decline in backlog levels could result in more variability and less predictability in our quarter- to- quarter net sales and operating results. If we are not able to compete effectively against companies with lower cost structures or greater resources, or new competitors who enter our target markets, our sales will be adversely affected. The lighting industry is highly competitive. In the high- performance lighting markets in which we sell our advanced lighting systems, our products compete with lighting products utilizing traditional lighting technology provided by many vendors. Our higher quality and value advanced lighting and control systems also face competition from lower quality, commodity lighting products when customers may be overly purchase- price sensitive. For sales of MMM products, we compete with a small number of qualified military lighting lamp and fixture suppliers. In certain commercial applications, we typically compete with LED systems produced by large lighting companies. Our primary competitors include Signify, Osram Sylvania, LED Smart, Revolution Lighting Technologies, Orion Energy Systems, and Keystone Technologies. Some of these competitors offer products with performance characteristics similar to those of our products. Many of our competitors are larger, more established companies with greater resources to devote to research and development, manufacturing and marketing, as well as greater brand recognition. In addition, larger competitors who purchase greater unit volumes from component suppliers may be able to negotiate lower costs, thereby enabling them to offer lower pricing to end customers. Moreover, the relatively low barriers to entry into the lighting industry and the limited proprietary nature of many lighting products also permit new competitors to enter the industry easily and with lower costs. In each of our markets, we also anticipate the possibility that LED component manufacturers, including those that currently supply us with LEDs, may seek to compete with us. Our competitors' lighting technologies and products may be more readily accepted by customers than our products will be. Moreover, if one or more of our competitors or suppliers were to merge, the change in the competitive landscape could adversely affect our competitive position. Additionally, to the extent that competition in our markets intensifies, we may be required to further reduce our prices in order to remain competitive. If we do not compete effectively, or if we reduce our prices without making commensurate reductions in our costs, our net sales, margins, and profitability and our future prospects for success may be harmed. We work with independent agents and sales representatives for a portion of our net sales, and the failure to incentivize, retain and manage our relationships with these third parties, or the termination of these relationships, could cause our net sales to decline and harm our business. In the past, we pursued an agency- driven sales channel strategy in order to expand our market presence throughout the United States. As a result, at that time, we had increased our reliance on independent sales agent channels to market and sell our LED lighting and control products. In addition, these parties provide technical sales support to end- users. The current agreements with our agents are generally non- exclusive on the agents' product portfolio, meaning they can sell our competitors' products. Any such agreements we enter into in the future may be on similar terms. Our agents may not be motivated to or successfully pursue the sales opportunities available to them, or they may prefer to sell or be more familiar with the products of our competitors. If our agents do not achieve our sales objectives or these relationships take significant time to develop, our revenue may decline, fail to grow or not increase as rapidly as we intend in order to achieve profitability and grow our business. ~~During 2022, we refocused~~ **We improved and continued to maintain** our agency relationships ~~on those~~ that were both mutually beneficial and strategically important. Although we believe that our agency strategy will increase the role of independent agents and sales representatives over time, direct sales using internal sales personnel still account for a substantial portion of our sales, and our agency plans may take longer to contribute significantly to our operating results. Furthermore, our agency agreements are generally short- term and can be cancelled by either party without significant financial consequence. The termination of or the inability to negotiate extensions of these contracts on acceptable terms could adversely impact sales of our products. Additionally, we cannot be certain that we or end- users will be satisfied by their performance. If these agents significantly change their terms with us, or change their end- user relationships, there could be an impact on our net sales and profits. If our LED lighting and control technology products fail to gain widespread market acceptance or we are unable to respond effectively as new technologies and market trends emerge, our competitive position and our ability to generate revenue, and profits may be harmed. To be successful in our respective markets for LED lighting and control technology products, we depend on continued market acceptance of our existing LED lighting and control technology, including in the consumer and commercial markets. Potential customers may be reluctant to adopt LED lighting products as an alternative to traditional lighting technology because of their higher initial costs or perceived risks relating to their novelty, reliability, usefulness, quality and cost- effectiveness when compared to other established lighting sources available in the market. Changes in economic and market conditions may also make traditional lighting technologies more appealing. For example, declining energy prices in certain regions or countries may favor existing lighting technologies that are less energy- efficient, reducing the rate of adoption for LED lighting products in those areas. Notwithstanding continued performance improvements and cost reductions of LED lighting technologies, limited customer awareness of the benefits of LED lighting products, lack of widely accepted standards governing LED lighting products and customer unwillingness to adopt LED lighting products could significantly limit the demand for LED lighting products. Even potential customers that are inclined to adopt energy- efficient lighting technology may defer investment as LED lighting products continue to experience rapid technological advances. Any of the foregoing could adversely impact our results of operations and limit our market opportunities. In addition, we will need to keep pace with rapid changes in LED lighting and control technology, changing customer requirements, new product introductions and cost reductions by competitors and evolving industry standards, any of which could render our existing products obsolete if we fail to respond in a timely manner. The development, introduction, and acceptance of new, re- designed or reduced cost products incorporating advanced technology is a complex process subject to numerous uncertainties, including: • available funding to sustain adequate development efforts; • achievement of technology breakthroughs required to make commercially viable devices, and in turn, protecting those breakthroughs through intellectual property; • the accuracy of our predictions for market requirements; • our ability to predict, influence, or react to evolving standards; • acceptance of our new product designs; • acceptance of new technologies in certain markets; • the combination of other desired technological advances with lighting products, such as controls; • the availability of qualified research and development personnel; • our timely completion of product designs and development; • our ability to develop repeatable processes to manufacture new products in sufficient quantities, with the desired specifications, and at competitive costs; • our ability to effectively transfer products and technology from development to manufacturing; and • market acceptance of our products. We could experience delays in the introduction of these products. We could also devote substantial resources to the development of new technologies or products that are ultimately not successful. If effective new sources of light, other than LEDs, are discovered and commercialized, our current products and technologies could become less competitive or obsolete. If others develop innovative proprietary lighting technology that is superior to ours, or if we fail to accurately anticipate technology, pricing and market trends, address market saturation and customer confusion, respond on a timely basis with our own development of new and reliable products and enhancements to existing products, and achieve broad market acceptance of these products and enhancements, our competitive position may be harmed and we may not achieve sufficient growth in our net sales to attain or sustain profitability. Our operating results may fluctuate due to factors that are difficult to forecast and not within our control. Our past operating results may not be accurate indicators of future performance, and you should not rely on such results to predict our future performance. Our operating results have fluctuated significantly in the past and could fluctuate in the future. Factors that may contribute to fluctuations include: • changes in aggregate capital spending, cyclicality and other economic conditions, including inflationary pressures, or domestic and international demand in the industries; • the timing of large customer orders to which we may have limited visibility and cannot control; • competition for our products, including the entry of new competitors and significant declines in competitive pricing; • our ability to effectively manage our working capital; • our ability to generate increased demand in our current and targeted markets, particularly those in which we have limited experience; • our ability to satisfy customer demands in a timely and cost- effective manner; • pricing and availability of labor and materials; • quality testing and reliability of new products; • our inability to adjust certain fixed costs and expenses for changes in demand and the timing and significance of expenditures that may be incurred to facilitate our growth; • macroeconomic, geopolitical and health concerns, including long- term effects of the COVID- 19 pandemic; • seasonal fluctuations in demand and our revenue; and • disruption in component supply from foreign vendors. Depressed general economic conditions may adversely affect our operating results and financial condition. Our business is sensitive to changes in general economic conditions, both inside and outside the United States. Slow growth in the economy or an economic downturn, particularly one affecting construction and building renovation, or that causes end- users to reduce or delay their purchases of lighting products, services, or retrofit activities, would have a material adverse effect on our business, cash flows, financial condition and results of operations. LED lighting retrofit projects, in particular, tend to require a significant capital commitment, which is offset by cost savings achieved over time. As such, a lack of available capital, whether due to economic factors or conditions in the equity or debt markets, could have the effect of reducing demand for our products. A decrease in demand could adversely affect our ability to meet our working capital requirements and growth objectives, or could otherwise adversely affect our business, financial condition, and results of operations. Customers may be unable to obtain financing to make purchases from us. Some of our customers require financing in order to purchase our products, and the initial investment is higher than that which is required with traditional lighting products. The potential cost or inability of these customers to access the capital needed to finance purchases of our products and meet their payment obligations to us could adversely impact the appeal of our products relative to those with lower upfront costs and have a negative impact on our financial condition and results of operations. There can be no assurance that third- party finance companies will provide capital to our customers. A significant portion of our business is dependent upon the existence of government funding, which may not be available into the future and could result in a reduction in sales and harm to our business. Some of our customers are dependent on governmental funding, including U. S. and foreign allied navies and U. S. military bases. If any of these customers or potential customers abandon, curtail, or delay planned LED lighting retrofit projects as a result of the levels of funding available to them or changes in budget priorities, it would adversely affect our opportunities to generate product sales. Our products could contain defects, or they may be installed or operated incorrectly, which could reduce sales of those products or result in claims against us. Despite product testing, defects may be found in our existing or future products. This could result in, among other things, a delay in the recognition or loss of net sales, the write- down or destruction of existing inventory, insurance recoveries that fail to cover the full costs associated with product recalls or other claims, significant warranty, support, and repair costs, diversion of the attention of our engineering personnel from our product development efforts, and damage to our relationships with our customers. The occurrence of these problems could also result in reputational and brand damage or the delay or loss of market acceptance of our lighting products and would likely harm our business. In addition, our customers may specify quality, performance, and reliability standards that we must meet. If our products do not meet these standards, we may be required to replace or rework the products. In some cases, our products may contain undetected defects or flaws that only become evident after shipment. Even if our products meet standard specifications, our customers may attempt to use our products in applications for which they were not designed or in products that were not designed or manufactured properly, resulting in product failures and creating customer satisfaction issues. Some of our products use line voltages (such as 120 - or 240 - volts AC), which involve enhanced risk of electrical shock, injury or death in the event of a short circuit or other malfunction. Defects, integration issues or other performance problems in our lighting products could result in personal injury or financial or other damages to end- users or could damage market acceptance of our products. Our customers and end- users could also seek damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend and the adverse publicity generated by such a claim against us or others in our industry could negatively impact our reputation. We provide warranty periods generally ranging from one to ten years on our LED lighting products. Although we believe our reserves are appropriate, we are making projections about the future reliability of new products and technologies, and we may experience increased variability in warranty claims. Increased warranty claims could result in significant losses due to a rise in warranty expense and costs associated with customer support. Our industry is characterized by vigorous protection and pursuit of intellectual property rights and positions, which may result in protracted and expensive litigation. We have engaged in litigation in the past and litigation may be necessary in the future to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation may also be necessary to defend against claims of infringement or invalidity by others. Additionally, we could be required to defend against individuals and groups who have been purchasing intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies like ours. Litigation could delay development or sales efforts and an adverse outcome in litigation, or any similar proceedings, could subject us to significant liabilities, require us to license disputed rights from others or require us to cease marketing or using certain products or technologies. We may not be able to obtain any licenses on acceptable terms, if at all, and may attempt to redesign those products that contain allegedly infringing intellectual property, which may not be possible. We also may have to indemnify certain customers if it is determined that we have infringed upon or misappropriated another party' s intellectual property. The costs of addressing any intellectual property litigation claim, including legal fees and expenses and the diversion of management resources, regardless of whether the claim is valid, could be significant and could materially harm our business, financial condition, and results of operations. From time to time, we have been and may in the future be subject to claims or allegations that we infringe upon or have misappropriated the intellectual property of third parties. Defending against such claims is costly and intellectual property litigation often involves complex questions of fact and law, with unpredictable results. We may be forced to acquire rights to such third- party intellectual property on unfavorable terms (if rights are made available at all), pay damages, modify accused products to be non-infringing, or stop selling the applicable product altogether. We may be subject to confidential information theft or misuse, which could harm our business and results of operations. We face attempts by others to gain unauthorized access to our information technology systems on which we maintain proprietary and other confidential information. Our security measures may be breached as the result of industrial or other espionage actions of outside parties, employee error, malfeasance or otherwise, and as a result, an unauthorized party may obtain access to our systems. In addition, these same risks to our information technology systems also apply to the third- party service providers' information technology systems utilized by the Company. Additionally, outside parties may attempt to access our confidential information through other means, for example by fraudulently inducing our employees to disclose confidential information. We actively seek to prevent, detect and investigate any unauthorized access, which occasionally occurs despite our best efforts. We might be unaware of any such access or unable to determine its magnitude and effects. The theft, corruption or unauthorized use or publication of our trade secrets and other confidential business information as a result of such an incident could adversely affect our competitive position and the value of our investment in research and development could be reduced. Our business could be subject to significant disruption, widespread negative publicity and a loss of customers, and we could suffer legal liabilities and monetary or other losses. We have international operations and are subject to risks associated with operating in international markets. We outsource the production of certain parts and components, as well as finished goods in certain product lines, to a small number of vendors in various locations outside of the United States, including Malaysia, Taiwan and China. Although we do not currently generate significant sales from customers outside the United States, we are targeting foreign allied navies as a potential opportunity to generate additional sales of our MMM products as well as a limited number of foreign geographic markets which we expect to expand over time. International business operations are subject to inherent risks, including, among others: • difficulty in enforcing agreements and collecting receivables through foreign legal systems; • unexpected changes in regulatory requirements, tariffs, and other trade barriers, restrictions or disruptions; • potentially adverse tax consequences; • localized impacts of epidemics, pandemics or other contagious outbreaks, such as the COVID- 19 pandemic; • the burdens of compliance with the U. S. Foreign Corrupt Practices Act, similar anti- bribery laws in other countries, and a wide variety of other laws; • import and export license requirements and restrictions of the United States and each other country in which we operate; • exposure to different legal standards and reduced protection for intellectual property rights in some countries; • currency fluctuations and restrictions; and • political, social, and economic instability, including war and the threat of war, acts of terrorism, pandemics, boycotts, curtailment of trade, or other business restrictions. If we do not anticipate and effectively manage these risks, these factors may have a material adverse impact on our business operations. Risks Associated with Legal and Regulatory Matters We may be subject to legal claims against us or claims by us that could have a significant impact on our resulting financial performance. At any given time, we may be subject to litigation or claims related to our products, intellectual property, suppliers, customers, employees, ~~stockholders~~ **shareholders** , distributors, sales representatives and sales of our assets, among other things, the disposition of which may have an adverse effect upon our business, financial condition, or results of operations. The outcome of litigation is difficult to assess or quantify. Lawsuits can result in the payment of substantial damages by defendants. If we are required to pay substantial damages and expenses as a result of these or other types of lawsuits, our business and results of operations would be adversely affected. Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert time and money away from our operations. Insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims could adversely affect our business and the results of our operations. Our business may suffer if we fail to comply with government contracting laws and regulations. We derive a significant portion of our revenues from direct and indirect sales to U. S., state, local and foreign governments and their respective agencies. Contracts with government customers are subject to various procurement laws and regulations, business prerequisites to qualify for such contracts, accounting procedures, intellectual property processes, and contract provisions relating to their formation, administration and performance, which may provide for various rights and remedies in favor of the governments that are not typically applicable to or found in commercial contracts. Failure to comply with these laws, regulations, or provisions in our government contracts could result in litigation, the imposition of various civil and criminal penalties, termination of contracts, forfeiture of profits, suspension of payments, or suspension from future government contracting. If our government contracts are terminated, if we are suspended from government work, or if our ability to compete for new contracts is adversely affected, our business could suffer due to, among other factors, lost sales, the costs of any government action or penalties, damages to our reputation and the inability to recover our investment in developing and marketing products for MMM use. If we are unable to obtain and adequately protect our intellectual property rights or are subject to claims that our products infringe on the intellectual property rights of others, our ability to commercialize our products could be substantially limited. We consider our technology and processes proprietary. If we are not able to adequately protect or enforce the proprietary aspects of our technology, competitors may utilize our proprietary technology. As a result, our business, financial condition, and results of operations could be adversely affected. We protect our technology through a combination of patent, copyright, trademark and trade secret laws, employee and third- party nondisclosure agreements, and similar means. Despite our efforts, other parties may attempt to disclose, obtain, or use our technologies. Our competitors may also be able to independently develop products that are substantially equivalent or superior to our products or slightly modify our products. In addition, the laws of some foreign countries do not protect our proprietary rights as fully as do the laws of the United States. As a result, we may not be able to protect our proprietary rights adequately in the United States or abroad. Furthermore, there can be no assurance that we will be issued patents for which we have applied or obtain additional patents, or that we will be able to obtain licenses to patents or other intellectual property rights of third parties that we may need to support our business in the future. The inability to obtain certain patents or rights to third- party patents and other intellectual property rights in the future could have a material adverse effect on our business **. We may be subject to intellectual property infringement claims or other allegations by third parties, which may materially and adversely affect our business, results of operations and prospects. Our products are largely depending on the application of our technology. From time to time, third parties holding similar technologies and intellectual property rights, including companies, competitors, patent holding companies, customers and / or non-practicing entities, may assert intellectual property claims against us. Although we believe that our products do not infringe upon the intellectual property rights of third parties, we cannot be certain that our operations do not or will not infringe upon or otherwise violate intellectual property rights or other rights held by third parties, and there may be third- party intellectual property rights or other rights that are infringed by our products without our awareness. We may be from time to time in the future subject to legal proceedings and claims relating to the intellectual property rights or other rights of third parties, some even without merit. If we are forced to defend against any infringement or misappropriation claims, whether they are with or without merit, are settled out of court, or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such claims. Regardless of the merits or eventual outcome, such a claim could adversely impact our brand and business. Any such assertions may require us to enter into royalty arrangement or result in us being unable to use certain intellectual property. Infringement assertions by third parties may involve patent holding companies or other patent owners who have no relevant product revenue, and therefore our own issued and pending patents may provide little or no deterrence to these patent owners in bringing intellectual property right claims against us. Furthermore, any adverse outcome of a dispute may require us to pay damages, potentially including treble damages and attorney' s fees, if are found to have willfully infringed a party' s intellectual property; case making, licensing or using our solutions that are alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our solutions' enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or works; and to indemnify our partners, customers and other third parties. Any of these events could adversely impact our business, results of operations and financial condition. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property or relevant contents, and we may incur licensing or usage fees or be forced to develop alternatives of our own. As a result, our reputation may be harmed and our business and financial performance may be materially and adversely affected** . The ability to use our net operating loss carryforwards and certain other tax attributes may be limited. We have significant U. S. net operating loss and tax credit carryforwards (the " Tax Attributes "). Under federal tax laws, we can carry forward and use our Tax Attributes to reduce our future U. S. taxable income and tax liabilities until such Tax Attributes expire in accordance with the Internal Revenue Code of 1986, as amended (the " IRC "). Section 382 and Section 383 of the IRC provide an annual limitation on our ability to utilize our Tax Attributes, as well as certain built- in- losses, against future U. S. taxable income in the event of a change in ownership, as defined under the IRC. Share issuances in connection with our past financing transactions or other future changes in our stock ownership, which may be beyond our control, could result in changes in ownership for purposes of the IRC. Such changes in ownership could further limit our ability to use our Tax Attributes. Accordingly, any such occurrences could adversely affect our financial condition, operating results and cash flows. The cost of compliance with environmental, health, safety, and other laws and regulations could adversely affect our results of operations or financial condition. We are subject to a broad range of environmental, health, safety, and other laws and regulations. These laws and regulations impose increasingly stringent environmental, health, and safety protection standards and permit requirements regarding, among other things, air emissions, wastewater storage, treatment, and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, the remediation of environmental contamination, and working conditions for our employees. Some environmental laws, such as the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Clean Water Act, and comparable laws in U. S. states and other jurisdictions world- wide, impose joint and several liability for the cost of environmental remediation, natural resource damages, third- party claims, and other expenses, without regard to the fault or the legality of the original conduct, on those persons who contributed to the release of a hazardous substance into the environment. We may also be affected by future laws or regulations, including those imposed in response to energy, climate change, geopolitical, or similar concerns. These laws may impact the sourcing of raw materials and the manufacture and distribution of our products and place restrictions and other requirements on the products that we can sell in certain geographical locations. We may be exposed to certain regulatory and financial risks related to climate change. Growing concerns about climate change may result in the imposition of additional regulations or restrictions to which we may become subject. A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to climate change. The outcome of new legislation or regulation in the U. S. and other jurisdictions in which we operate may result in new or additional requirements, fees or restrictions on certain activities. Compliance with these climate change initiatives may also result in additional costs to us, including, among other things, increased production costs, additional taxes, reduced emission allowances or additional restrictions on production or operations. Any adopted future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. We may not be able to recover the cost of compliance with new or more stringent laws and regulations, which could adversely affect our results of operations, cash flow or financial condition. Our net sales might be adversely impacted if our lighting systems do not meet certain certification and compliance standards. We are required to comply with certain legal requirements governing the materials in our products. Although we are not aware of any efforts to amend any existing legal requirements or implement new legal requirements in a manner with which we cannot comply, our net sales might be adversely affected if such an amendment or implementation were to occur. Moreover, although not legally required to do so, we strive to obtain certification for substantially all our products. In the United States, we seek certification on substantially all of our products from UL ®, ETL ®, or DLC ™. Where appropriate in jurisdictions outside the United States, we seek to obtain other similar national or regional certifications for our products. Although we believe that our broad knowledge and experience with electrical codes and safety standards have facilitated certification approvals, we cannot ensure that we will be able to obtain any such certifications for our new products or that, if certification standards are amended, we will be able to maintain such certifications for our existing products. Moreover, although we are not aware of any effort to amend any existing certification standard or implement a new certification standard in a manner that would render us unable to maintain certification for our existing products or obtain ratification for new products, our net sales might be adversely affected if such an amendment or implementation were to occur ~~. If we experience a material weakness in our internal control over financial reporting in the future or fail to otherwise maintain effective financial reporting systems and processes, we may be unable to accurately and timely report our financial results or comply with the requirements of being a public company, which could cause the price of our common stock to decline and harm our business. As a public company reporting to the SEC, we are subject to the reporting requirements of the Exchange Act and the Sarbanes- Oxley Act of 2002, including Section 404 (a) that requires that we annually evaluate and report on our systems of internal controls. We cannot be certain that we will not in the future have material weaknesses in our internal control over financial reporting, or that we will successfully remediate any that we find. In addition, the processes and systems of internal controls we have developed to date may not be adequate. Accordingly, there could be a reasonable possibility that material weaknesses could result in a misstatement of our accounts or disclosures that would result in a material misstatement of our financial statements that would not be prevented or detected on a timely basis, or cause us to fail to meet our obligations to file periodic financial reports on a timely basis. Any of these failures could result in adverse consequences that could materially and adversely affect our business, including an adverse impact on the market price of our common stock, potential action by the SEC against us, possible defaults under our debt agreements, shareholder lawsuits, delisting of our stock, general damage to our reputation and the diversion of significant management and financial resources~~. We rely heavily on information technology in our operations and any material failure, weakness, interruption or breach of security could prevent us from effectively operating our business, which could have a material adverse effect on our business, financial condition, and results of operations. We rely heavily on our information technology systems, including our enterprise resource planning (" ERP ") and customer relationship management (" CRM ") software, across our operations and corporate functions, including for management of our supply chain, payment of obligations, data warehousing to support analytics, finance systems, accounting systems, and other various processes and procedures, some of which are handled by third parties, as well as lead generation, customer tracking, customer sourcing, etc. We also rely heavily on remote communication tools such as Microsoft Teams and Zoom to accommodate remote work environment and external meetings. Our ability to efficiently and effectively manage our business depends significantly on the reliability and capacity of these systems. Our business and results of operations may be adversely affected if we experience system usage problems. The failure of these systems to operate effectively, maintenance problems, system conversions, back- up failures, problems or lack of resources for upgrading or transitioning to new platforms or damage or interruption from circumstances beyond our control, including, without limitation, fire, natural disasters, power outages, systems failure, security breaches, cyber- attacks, viruses or human error could result in, among other things, transaction errors, processing inefficiencies, loss of data, inability to generate timely SEC reports, loss of sales and customers and reduced efficiency in our operations. Additionally, we and our customers could suffer financial and reputational harm if customer or Company proprietary information is compromised by such events. Remediation of such problems could result in significant unplanned capital investments and any damage or interruption could have a material adverse effect on our business, financial condition, and results of operations. Risks Associated with an Investment in Our Common Stock Our failure to comply with the continued listing requirements of Nasdaq could adversely affect the price of our common stock and its liquidity **. We have a history of failing to comply with the continued listing requirements of Nasdaq, although we have successfully cured all the pre- existed deficiency, we may not be able to cure any deficiency timely in the future** . On August 23, 2022, we received a letter from the Nasdaq Listing Qualifications Staff (the " Staff ") notifying us that we are not in compliance with Nasdaq Listing Rule 5550 (a) (2) (the " Bid Price Rule "), because the closing bid price for our common stock was below the minimum $ 1. 00 per share for 30 consecutive business days. In accordance with Nasdaq Listing Rule 5810 (c) (3) (A), we were provided an initial period of 180 calendar days, or until February 20, 2023, to regain compliance with the Bid Price Rule. During the initial compliance period, our common stock continued to trade on the Nasdaq Capital Market, but did not satisfy the Bid Price Rule. On ~~February 21, 2023, we received written notification (the " Notification ") from the Staff stating that we had not regained compliance with the Bid Price Rule and were ineligible to obtain a second 180 calendar day period to regain compliance because we did not meet the Nasdaq Capital Market' s minimum $ 5 million Stockholders' Equity initial listing requirement as of September 30, 2022. Pursuant to the Notification, our common stock is subject to delisting from Nasdaq pending our opportunity to request a hearing before the Nasdaq Hearings Panel (the " Panel "). The Company intends to diligently pursue an appeal of the Notification before the Panel and regain compliance with the Bid Price Rule. Under Nasdaq rules, the delisting of our common stock will be stayed during the pendency of the appeal and during such time, our common stock will continue to be listed on Nasdaq. On February 24, 2023, we submitted our request for an appeal before the Panel. There can be no assurance that such appeal will be successful or that we will be able to regain compliance with the Bid Price Rule or maintain compliance with other Nasdaq listing requirements. If our appeal is denied or if we fail to regain compliance with Nasdaq' s continued listing standards during any period granted by the Panel, our common stock will be subject to delisting from Nasdaq. On~~ November 16, 2022, we received a letter from the Staff notifying us that we were ~~again~~ no longer in compliance with Nasdaq Listing Rule 5550 (b) (1), which requires listed companies to maintain stockholders' equity of at least $ 2. 5 million if they do not meet the alternative compliance standards relating to the market value of listed securities or net income from continuing operations (the " Minimum Stockholders' Equity Rule "). Our Form 10- Q for the quarterly period ended September 30, 2022 filed on November 10, 2022 reflected that our stockholders' equity as of September 30, 2022 was $ 1. 5 million. Based on our timely submission of our plan to regain compliance **(the " Plan ")** , Nasdaq granted us an extension through May 15, 2023 to regain compliance with the Minimum Stockholders' Equity Rule. **On February 21, 2023, we received written notification (the " Bid Price Notification ") from the Staff stating that we had not regained compliance with the Bid Price Rule and our common stock is subject to delisting from Nasdaq. On February 24, 2023, we submitted a request for a hearing before the Nasdaq Hearings Panel (the " Panel ") to appeal the delisting (the " Appeal "). Under Nasdaq rules, the delisting of the Company' s common stock was stayed during the pendency of the Appeal and, during such time, the Company' s common stock continued to be listed on Nasdaq. On March 28, 2023, the Company received written notification (the " Additional Staff Determination ") from the Staff stating that (i) following the Bid Price Notification, and in accordance with Listing Rule 5810 (c) (2) (A), Nasdaq is no longer permitted to consider the stockholders' equity compliance plan, (ii) the Additional Staff Determination serves as an additional basis for delisting the Company' s common stock from Nasdaq and (iii) the Panel will consider the Additional Staff Determination in rendering a determination regarding the continued listing of the Company' s common stock on Nasdaq. On April 6, 2023, the Company participated in the Appeal before the Panel. The Company provided an update to the Panel on the Company' s substantial progress made towards the previously submitted Plan during the three months ended March 31, 2023, and requested the Panel grant the Company an exception to (1) re- allow the previously granted exception until May 15, 2023 for the Company to regain compliance with the Minimum Stockholders' Equity Rule and (2) grant an exception allowing the Company up to 180 days following the Bid Price Notification to regain compliance with the Bid Price Rule by effecting a reverse stock split following stockholder approval at the Company' s 2023 annual meeting of stockholders. On May 1, 2023, the Panel granted the Company' s request (the " Panel Decision ") to continue the Company' s listing on Nasdaq, subject to the following conditions: (1) on or before May 15, 2023, the Company shall file with the SEC its quarterly report for the three months ended March 31, 2023 demonstrating compliance with the Minimum Stockholders' Equity Rule and (2) on or before July 7, 2023, the Company shall demonstrate compliance with the Bid Price Rule. On July 27, 2023, the Company received written notification from the Staff stating that the Company has regained compliance with the Bid Price Rule and the Minimum Stockholders' Equity Rule, as required by the Panel Decision. Pursuant to Nasdaq Listing Rule 5815 (d) (4) (B), the Company will be subject to a mandatory panel monitor for a period of one year from July 27, 2023 (the " Monitoring Period ").** If ~~we do~~ **, within the Monitoring Period, the Staff finds the Company again out of compliance with the Minimum Stockholders' Equity Rule, notwithstanding Nasdaq Listing Rule 5810 (c) (2), the Company will** not **be permitted to provide the Staff with a plan of compliance with respect to that deficiency and the Staff will not be permitted to grant additional time for the Company to** regain **compliance with respect to that deficiency, nor will the Company be afforded** ~~and~~ **an** ~~remain~~ **applicable cure or compliance period pursuant to Nasdaq Listing Rule 5810 (c) (3). Instead, the Staff will issue a delist determination letter and the Company will have an opportunity to request a new hearing with the initial Panel or a newly convened hearings panel if the initial**

Panel is unavailable. The Company will have the opportunity to respond and present to the Panel as provided by Nasdaq Listing Rule 5815 (d) (4) (C). The Company' s common stock may be at that time delisted from Nasdaq. As of the date of this Annual Report, the Company believes it has maintained compliance with the Minimum Stockholders' Equity Rule for continued listing on the Nasdaq Capital Market. To become compliant **with the Bid Price Rule, the Company effected a 1- for- 7 reverse stock split to increase the per share trading price of the common stock effective on June 16, 2023 (See Note 9, " Stockholders' Equity "). However, there can be no assurance that the Company will be able to maintain compliance with the Minimum Stockholders' Equity Rule, Bid Price Rule, or other Nasdaq listing requirements. If the Company fails to maintain compliance** with Nasdaq' s continued listing ~~requirements,~~ **standards in accordance with** ~~then~~ **the Panel' s decision** ~~we could be delisted from The Nasdaq Capital Market. If we were delisted~~ , ~~it would likely have a negative impact on~~ the ~~price of our~~ **Company' s** common stock **will be subject to delisting** ~~and our liquidity. If we are delisted~~ from ~~The~~ Nasdaq ~~Capital Market and we are not able to list our common stock on another exchange, our common stock could be quoted on the OTC Bulletin Board or in the " pink sheets. " As a result, we could face significant adverse consequences including, among others: • increased borrowing costs under the terms of outstanding bridge financing; • a limited availability of market quotations for our securities; • a determination that our common stock is a " penny stock, " which would require broker-dealers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities; • a limited amount of news and little or no analyst coverage of the Company; • we would no longer qualify for exemptions from state securities registration requirements, which may require us to comply with applicable state securities laws; and • a decreased ability to issue additional securities (including pursuant to short- form registration statements on Form S- 3) or obtain additional financing in the future~~ . As a " thinly- traded " stock with a relatively small public float, the market price of our common stock is highly volatile and may decline regardless of our operating performance. Our common stock is " thinly- traded " and we have a relatively small public float, which increases volatility in the share price and makes it difficult for investors to buy or sell shares in the public market without materially affecting our share price. ~~Since~~ **Throughout** the ~~beginning of~~ **fiscal year ended December 31,** ~~2022~~ **2023** , our market price has ranged from a low of $ 0. 28 to a high of $ 4. 63 and continues to experience significant volatility. Broad market and industry factors also may adversely affect the market price of our common stock, regardless of our actual operating performance. Factors that could cause wide fluctuations in our stock price may include, among other things: • actual or anticipated variations in our financial condition and operating results; • general economic conditions and trends; • addition or loss of significant customers and the timing of significant customer purchases; • our ability to effectively implement our growth plans, including new products, and the significance and timing of associated expenses; • unanticipated impairments and other changes that reduce our earnings; • overall conditions or trends in our industry; • the entry or exit of new competitors into our target markets; • any litigation or legal claims; • the terms and amount of any additional financing that we may obtain, if any; • unfavorable publicity; • additions or departures of key personnel; • geopolitical changes, global health concerns and macroeconomic changes; • changes in the estimates of our operating results or changes in recommendations by any securities or industry analysts that elect to follow our common stock; • market expectations following periods of rapid growth; • the potential impact of increased volatility due to elevated trading on the price of our stock; • industry- wide news events that may affect market perceptions of the value of our stock; and • sales of our common stock by us or our stockholders, including sales by our directors and officers. Because our common stock is thinly- traded, investors seeking to buy or sell a certain quantity of our shares in the public market may be unable to do so within one or more trading days and it may be difficult for stockholders to sell all of their shares in the market at any given time at prevailing prices. Any attempts to buy or sell a significant quantity of our shares could materially affect our share price. In addition, because our common stock is thinly- traded and we have a relatively small public float, the market price of our shares may be disproportionately affected by any news, commentary or rumors regarding us or our industry, regardless of the source or veracity, which could also result in increased volatility. In addition, in the past, following periods of volatility in the market price of a company' s securities, securities litigation has often been instituted against these companies. Volatility in the market price of our shares could also increase the likelihood of regulatory scrutiny. Securities litigation, if instituted against us, or any regulatory inquiries or actions that we face could result in substantial costs, diversion of our management' s attention and resources and unfavorable publicity, regardless of the merits of any claims made against us or the ultimate outcome of any such litigation or action. We could issue additional shares of common stock or preferred stock without stockholder approval, or new securities with terms or rights superior to those of our existing ~~stockholders~~ **shareholders** , which may adversely affect the market price of our common stock. We expect to require additional financing to fund future operations, including our research, development, sales and marketing activities. We are authorized to issue 50, 000, 000 shares of common stock of which ~~18~~ **4** , ~~133~~ **443** , ~~100~~ **130** shares were issued and outstanding as of March ~~17~~ **18** , ~~2023~~ **2024** , and 5, 000, 000 shares of preferred stock, of which 876, 447 were issued and outstanding as of March ~~17~~ **18** , ~~2023~~ **2024** . Our Board of Directors has the authority, without action or vote of our ~~stockholders~~ **shareholders** , to issue authorized but unissued shares of common and preferred stock subject to Nasdaq' s rules. Additionally, if we raise additional funds by issuing equity securities, the percentage ownership of our current ~~stockholders~~ **shareholders** will be reduced, and, if the equity securities issued are preferred shares, the holders of the new preferred shares may have rights superior to those of our existing ~~stockholders~~ **shareholders** , which could adversely affect rights of our existing ~~stockholders~~ **shareholders** and the market price of our common stock. In addition, in order to raise additional capital or acquire businesses in the future, we may need to issue securities that are convertible or exchangeable for shares of our common or preferred stock. If we raise additional funds by issuing debt securities, the holders of those debt securities would have some rights senior to those of our existing ~~stockholders~~ **shareholders** , and the terms of these debt securities could impose restrictions on operations and create a significant interest expense for us which could have a materially adverse effect on our business. Any such issuances could be made at a price that reflects a discount to the then- current trading price of our common stock. These issuances could be dilutive to our existing ~~stockholders~~ **shareholders** and cause the market price of our common stock to decline. The exercise of outstanding warrants to purchase our common stock or the conversion of shares of our Series A Preferred Stock (as defined below) into shares of common stock may dilute the ownership interest of our **investors** ~~common stockholders~~ . In connection with past financing activity, we have issued convertible preferred stock and warrants to purchase our common stock. The exercise of some or all of the outstanding warrants to purchase our common stock or the conversion of some or all of the outstanding Series A Preferred Stock may dilute the ownership interests of our ~~stockholders~~ **shareholders** . Any sales of our common stock issuable upon the exercise of the warrants or conversion of the Series A Preferred Stock could adversely affect prevailing market prices of our common stock. In addition, the anticipated exercise of the warrants or conversion of the Series A Preferred Stock could depress the price of our common stock ~~. As a~~ **, which in turn may** result **in** ~~of these factors,~~ the value of our common stock ~~could decline~~ **declining** significantly. We have never paid dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future. We have never declared or paid dividends on our common stock, nor do we anticipate paying any cash dividends for the foreseeable future. We currently intend to retain future earnings, if any, to finance the operations and expansion of our business. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will be dependent upon our earnings, financial condition, operating results, capital requirements, a capital structure strategy and other factors as deemed necessary by our Board of Directors. The elimination of monetary liability against our directors under Delaware law and the existence of indemnification rights held by our directors and officers may result in substantial expenditures by the Company and may discourage lawsuits against our directors and officers. Our Certificate of Incorporation eliminates the personal liability of our directors to the Company and our ~~stockholders~~ **shareholders** for damages for breach of fiduciary duty as a director to the extent permissible under Delaware law. Further, our Bylaws provide that we are obligated to indemnify any of our directors or officers to the fullest extent authorized by Delaware law and, subject to certain conditions, advance the expenses incurred by any director or officer in defending any action, suit or proceeding prior to its final disposition. Those indemnification obligations could result in the Company incurring substantial expenditures to cover the cost of settlement or damage awards against our directors or officers, which we may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against any of our current or former directors or officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our ~~stockholders~~ **shareholders** against our directors and officers even though such actions, if successful, might otherwise benefit us or our ~~stockholders~~ **shareholders** .