

## Risk Factors Comparison 2024-12-13 to 2023-12-07 Form: 10-K

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An investment in our company involves a high degree of risk. In addition to the other information included in this report, you should carefully consider the following risk factors in evaluating an investment in our company. You should consider these matters in conjunction with the other information included or incorporated by reference in this report. Our results of operations or financial condition could be seriously harmed, and the trading price of our common stock may decline due to any of these or other risks. Risks Related to Our Business and Industry General economic and political conditions may adversely..... market value of our common stock. We have historically had a high concentration of revenues from a limited number of customers. We expect to continue to be dependent on a limited number of customers. In fiscal year 2023-2024, one customer accounted for 54 18 % of revenues and no other customers accounted for more than 10 % of revenues. Historically, our revenues have been dependent upon a limited number of customers, and we expect that we will continue to have some significant customers in future years. We do not have long- term purchase commitments with these or other significant customers, and our customers have the right to cease doing business with us at any time. Military contracts that we have been awarded have terms of indefinite delivery / indefinite quantity during the term of the contract, so there are no guaranteed purchases under these contracts. No assurance can be given that these or other customers will continue to do business with us or that they will maintain their historical levels of business. If our relationship with any material customer were to cease, then our revenues would decline and negatively impact our results of operations. Any such decline could result in us increasing our accumulated deficit and a need to raise additional capital to fund our operations. If our expectations regarding future sales are inaccurate, we may be unable to reduce costs in a timely manner to adjust for sales shortfalls. ~~of operations and financial condition could be materially adversely affected.~~ We have current government contracts, and our future growth is dependent, in large part, on continued sales to U.S. and international governments and businesses that sell to governments. In fiscal year 2024-2023, direct and indirect sales to the U.S. government accounted for approximately 29-59 % of our total net sales, compared with 59-71 % of our total net sales in fiscal year 2023-2022, and 68 % in fiscal year 2021. Changes in defense spending could have an adverse effect on our current and future revenues. Sales of our products to U.S. government agencies and organizations are subject to the overall U.S. government budget and congressional appropriation decisions and processes which are driven by numerous factors, including geo- political events and macroeconomic conditions, and are beyond our control. Even awards granted may not result in orders due to spending constraints. Similar issues apply to sales to international governments. We have no assurance that military interest in communication devices to minimize unnecessary use of force will continue or will provide future growth opportunities for our business. Disruption and fluctuations in financial and currency markets could have a negative effect on our business. Financial markets in the U. S., Europe, and Asia have experienced extreme volatility and uncertainty in recent years. Governments have taken unprecedented actions intended to address these market conditions. It is difficult to assess the extent to which these conditions have impacted our business, and the affect-effect this has had on certain of our customers and suppliers. These economic developments affect businesses like such as ours in a number of ways. Any tightening of credit in financial markets may adversely affect the ability of commercial customers to finance purchases and operations and could result in a decrease in orders and spending for our products as well as create supplier disruptions. Reductions in tax revenues, rating downgrades , and other economic developments could also reduce future government spending on our products. There can be no assurance that there will not be further volatility and uncertainty in financial markets, which can then lead to challenges in the operation of our business. We are unable to predict the likely effects that negative economic conditions will have on our business and financial condition. We purchase a number of key components and sub- assemblies from foreign suppliers. Consequently, we are subject to the impact economic conditions can have on such suppliers and fluctuations in foreign currency exchange rates. Increases in our cost of purchasing these items could negatively impact our financial results if we are not able to pass these increased costs on to our customers. We have current government contracts, and..... future growth opportunities for our business. Worldwide armed conflicts and the related implications may negatively impact our operations. Current conflicts around the world, including Ukraine and Israel, and related sanctions could damage or disrupt international commerce and the global economy. It is not possible to predict the broader or longer- term consequences of these conflicts or the impact of sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, security conditions, currency exchange rates, and financial markets. Such geopolitical instability and uncertainty could have a negative impact on our ability to sell, ship products, collect payments, and support customers in certain regions based on trade restrictions, embargoes and export control law restrictions, supply disruptions, and logistics restrictions, including closures of air space, and could increase the costs, risks , and adverse impacts from supply chain and logistics challenges. Given the evolving nature of these conflicts, the related sanctions, potential governmental actions and economic impact, such potential impacts remain uncertain. While we expect the impacts of these conflicts could have an effect on our business, financial condition , and results of operations, we are unable to predict the extent or nature of these impacts at this time. Our future success depends ~~on~~ upon our ability to execute our business strategy, and to continue to innovate and improve our existing products as well as design , develop , and produce new products to provide protective communications solutions. Our future success significantly depends on our ability to execute our business strategy, continue to innovate, improve our existing products, and design, develop, and produce innovative new products and solutions, including those that may incorporate, or are based upon , artificial intelligence technology. Product design, development, innovation , and enhancement is often a complex, time- consuming , and costly process involving significant investment in research and development with no assurance of return on investment. There

can be no assurance that we will be able to develop and introduce new and improved products in a timely or efficient manner or that new and improved products, if developed, will achieve market acceptance. Our products generally must conform to various evolving and sometimes competing industry standards, which may adversely affect our ability to compete in certain markets or require us to incur significant costs. In addition, our customers generally impose very high quality and reliability standards on our products, which often change and may be difficult or costly to satisfy. Any inability to satisfy customer quality and reliability standards or comply with industry standards and technical requirements may adversely affect demand for our products and our results of operations. We must expand our customer base ~~in order~~ to grow our business. To grow our business, in addition to continuing to obtain additional orders from our existing customers, we must develop relationships with new customers and obtain and fulfill orders from new customers. We are competing against a number of large competitors in the mass notification market, and we need to establish our product offerings as competitive to win awards against these competitors, increase our customer base, and gain market share. We cannot guarantee that we will be able to increase our customer base. Further, even if we do obtain new customers, we cannot guarantee that those customers will purchase from us in sufficient quantities or at product prices that will enable us to recover our costs in acquiring those customers and fulfilling those orders. Whether we will be able to sell more of our products will depend on ~~several a number of~~ factors, including: ● our ability to design and manufacture reliable products that have the features that are required by our customers; ● the global economy; ● our ability to expand relationships with existing customers and to develop relationships with new customers that will lead to additional orders for our products; ● our ability to develop and expand new markets for directed sound products, mobile mass messaging services, and integrated solutions; and ● our ability to develop international product distribution directly or through strategic partners. We may not be able to successfully integrate acquisitions in the future, and we may not be able to realize anticipated cost savings, revenue enhancements, or other synergies from such acquisitions. **Since early** ~~On January 18, 2018, we have completed several acquisitions, including~~ **acquired all of the issued and outstanding shares of capital stock of Genasys Holding S. L. (“Genasys Spain”), on October 2, 2020, we acquired substantially all of the assets and business of Amika Mobile Corporation (“Amika Mobile”), on June 7, 2021, we completed the acquisition of Zonchaven Inc. (“Zonchaven”) and most recently on October 4, 2023, we completed the acquisition of Evertel Technologies (“Evertel”). Our ability to successfully implement our business plan and achieve targeted financial results and other benefits including, among other things, greater market presence and development, and enhancements to our product portfolio and customer base, is dependent on our ability to successfully identify, consummate and integrate acquisitions, ~~including Genasys Spain, Amika Mobile, Zonchaven and Evertel, as well as other businesses we may acquire in the future.~~ We may not realize the intended benefits of ~~the these Genasys Spain, Amika Mobile, Zonchaven or Evertel~~ acquisitions, or the acquisition of other businesses in the future as rapidly as, or to the extent, anticipated by our management. There can be no assurance that we will be able to successfully integrate ~~the these Genasys Spain, Amika Mobile, Zonchaven or Evertel~~ businesses or any other acquired businesses, products or technologies without substantial expenses, delays or other operational or financial problems. Acquisitions, ~~including our acquisition of Genasys Spain, Amika Mobile, Zonchaven and Evertel,~~ involve a number of risks, some or all of which could have a material adverse effect on our acquired businesses, products or technologies. Furthermore, there can be no assurance that ~~the these Genasys Spain, Amika Mobile, Zonchaven and Evertel~~ businesses, or any other acquired business, product, or technology will be profitable or achieve anticipated revenues and income. Our failure to manage our acquisition and integration strategy successfully could have a material adverse effect on our business, results of operations, and financial condition. The process of integrating an acquired business involves risks, including but not limited to: ● demands on management related to changes in the size and possible locations of our businesses and employees; ● diversion of management’s attention from the management of daily operations; ● difficulties in the assimilation of different corporate cultures, employees and business practices; ● difficulties in conforming the acquired businesses’ accounting policies to ours; ● retaining the loyalty and business of the employees or customers of acquired businesses; ● retaining employees that may be vital to the integration of acquired businesses or to the future prospects of the combined businesses; ● difficulties and unanticipated expenses related to the integration of departments and information technology systems, including accounting systems, technologies, books and records, procedures, and maintaining uniform standards, such as internal accounting controls, procedures, and policies; ● costs and expenses associated with any undisclosed or potential liabilities; ● the use of more cash or other financial resources on integration and implementation activities than we expect; and ● our ability to avoid labor disruptions in connection with any integration, particularly in connection with any headcount reduction. Failure to successfully integrate ~~Genasys Spain, Amika Mobile, Zonchaven, Evertel, or any other~~ **acquired business businesses** ~~in the future~~ may result in reduced levels of anticipated revenue, earnings, or operating efficiency than might have been achieved if we had not acquired such businesses. In addition, ~~the acquisition acquisitions of Genasys Spain, Amika Mobile, Zonchaven, Evertel and any future businesses~~ could result in the incurrence of additional debt and related interest expense, contingent liabilities, and amortization expenses related to intangible assets, as well as the issuance of our common stock, which could have a material adverse effect on our financial condition, operating results, and cash flow. Perceptions that long- range hailing devices are unsafe or may be used in an abusive manner may hurt sales of our products, which could cause our revenues to decline. Potential customers for our products, including government, military, and emergency response agencies, may be influenced by claims or perceptions that long- range hailing devices are unsafe or may be used in an abusive manner. These claims or perceptions, which we believe are unsubstantiated, could reduce our product sales. A significant portion of our revenue is derived from our core product category. We are dependent on our core directional product category to generate our revenues. While we have expanded our product offering to include omnidirectional products and SaaS systems and solutions, no assurance can be given that our core directional products will continue to have market acceptance or that they will maintain their historical levels of sales. The loss or reduction of sales of this product category could have a material adverse effect on our business, results of operations, financial condition, and liquidity. We may not successfully penetrate the mass notification market. The mass notification market is substantial ~~in size~~**

and projected to grow globally over the next five years. While there are ~~several a number of~~ large companies already established in this market, we believe our unique SaaS systems and solutions, the clear, intelligible voice capability of our Genasys speaker products, and our unified software / hardware platform provide us with competitive advantages. Based on the increase in global public safety and enterprise threats, we continue to invest in marketing, selling, and software development resources to become successful in this growing market. However, we are competing against established competitors that have greater resources and have successfully penetrated the market. Our margins could be impacted as we expand into the emergency response and mass notification market. Our sales strategy for fiscal year ~~2024-2025~~ and beyond is to increase our share of the growing emergency response and mass notification market with our Protective Communications solutions. A number of large companies currently have a substantial share of the market. While we believe we have a strong product platform that can successfully compete against these larger players, given the highly competitive environment, we expect to confront pricing pressures, which may negatively impact our overall margins. We may incur significant and unpredictable warranty costs. Our products are substantially different from proven, mass produced sound transducer designs and are often employed in harsh environments. We may incur substantial and unpredictable warranty costs from post- production product or component failures. We generally warrant our products to be free from defects in materials and workmanship for a period up to one year from the date of purchase. We also sell extended repair and maintenance contracts with terms ranging from one to several years, which provide repair and maintenance services after expiration of the original limited warranty. As of September 30, ~~2023-2024~~, we had a warranty reserve of \$ ~~76 thousand 0.1 million~~. While our warranty experience with our product line has been favorable, as we build more complexity into the product, and as we expand our supplier base, issues could arise that could affect future warranty costs, which could adversely affect our financial position, results of operations and business prospects. System disruptions and security threats to our computer networks, including breach of our or our customers' confidential information, could have a material adverse effect on our business and our reputation. Our computer systems as well as those of our service providers are vulnerable to interruption, malfunction or damage due to events beyond our control, including malicious human acts committed by foreign or domestic persons, natural disasters, and network and communications failures. We periodically perform vulnerability self-assessments and engage service providers to perform independent vulnerability assessments and penetration tests. However, despite network security measures, our servers and the servers at our service providers are potentially vulnerable to physical or electronic unauthorized access, computer hackers, computer viruses, malicious code, organized cyberattacks, and other security problems and system disruptions. Increasing socioeconomic and political instability in some countries has heightened these risks. Despite the precautions we and our service providers have taken, our systems may still be vulnerable to these threats. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations. Additionally, the confidential information that we collect subjects us to additional risks and costs that could harm our business and our reputation. We collect, retain, and use personal information of our employees, including personally identifiable information, tax return information, financial data, bank account information, and other data. Although we employ various network and business security measures to limit access to and use of such personal information, we cannot guarantee that a third party will not circumvent such security measures, resulting in the breach, loss or theft of the personal information of our employees. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could restrict our use of personal information and require notification of data breaches. A violation of any laws or regulations relating to the collection, retention or use of personal information could also result in the imposition of fines or lawsuits against us. Sustained or repeated system failures or security breaches that interrupt our ability to process information in a timely manner, or that result in a breach of proprietary or personal information, could have a material adverse effect on our operations and our reputation. Although we maintain insurance in respect of these types of events, available insurance proceeds may not be adequate to compensate us for damages sustained due to these events. We could incur additional charges for excess and obsolete inventory. While we strive to effectively manage our inventory, rapidly changing technology and uneven customer demand may result in short product cycles. The value of our inventory may be adversely affected by changes in technology that affect our ability to sell the products in our inventory. If we do not effectively forecast and manage our inventory, we may need to write off inventory as excess or obsolete, which in turn can adversely affect cost of sales and gross profit. We have previously experienced, and may in the future experience, reductions in sales of older generation products as customers delay or defer purchases in anticipation of new product introductions. We have established reserves for slow moving or obsolete inventory of \$ 0. 8 million as of September 30, ~~2023-2024~~. The reserves we have established for potential losses due to obsolete inventory may, however, prove to be inadequate and may give rise to additional charges for obsolete or excess inventory. Many potential competitors who have greater resources and experience than we do may develop products and technologies that make ours obsolete or inferior. Technological competition from larger, more established electronic and loudspeaker manufacturers and software providers is expected to increase. Most of the companies with which we expect to compete have substantially greater capital resources, research and development staffs, marketing and distribution programs, and facilities, and many of them have substantially greater experience in the production and marketing of products. In addition, one or more of our competitors may have developed, or may succeed in developing, technologies and products that are more effective than ours, rendering our technology and products obsolete or noncompetitive. Adverse resolution of disputes, litigation, and claims may harm our business, operating results or financial condition. We may become a party to litigation, disputes, and claims in the normal course of our business. Litigation is ~~by its nature~~ uncertain and unpredictable and there can be no assurance that the ultimate resolution of such claims will not exceed the amounts accrued for such claims, if any. Litigation can be expensive, lengthy, and disruptive to normal business operations. An unfavorable resolution of a legal matter could have a material adverse effect on our business, operating results or financial condition. Our competitive position will be seriously damaged if we cannot protect intellectual property rights and trade secrets in our technology. We rely on a combination of contracts, trademarks, and trade secret laws to establish and protect our proprietary rights in our technology. However, we may not be able to prevent misappropriation of our

intellectual property, and our competitors may be able to independently develop competing technologies, or the agreements we enter into may not be enforceable. A competitor may independently develop or patent technologies that are substantially equivalent to, or superior to, our technology. If this happens, our competitive position could be significantly harmed. We may face personal injury and other liability claims that harm our reputation and adversely affect our operating results and financial condition. While our products have been engineered to reduce the risk of damage to human hearing or human health, we could be exposed to claims of hearing damage if the product is not properly operated. A person injured in connection with the use of our products may bring legal action against us to recover damages on the basis of theories, including personal injury, negligent design, dangerous product or inadequate warning. We may also be subject to lawsuits involving allegations of misuse of our products. Our product liability insurance coverage may be insufficient to pay all such claims. Product liability insurance may also become too costly for us or may become unavailable to us in the future. We may not have sufficient resources to satisfy any product liability claims not covered by insurance, which would materially and adversely affect our operating results and financial condition. Significant litigation could also result in negative publicity and a diversion of management's attention and resources. Our international operations could be harmed by factors including political instability, natural disasters, fluctuations in currency exchange rates, and changes in regulations that govern international transactions. We sell our products worldwide. In fiscal years **2024 and 2023** and **2022**, revenues outside of the U. S. accounted for approximately **30 % and 22 % and 15 %** of net revenues, respectively. The risks inherent in international trade may reduce our international sales and harm our business and the businesses of our customers and our suppliers. These risks include: ● **changes in tariff regulations;** ● **political instability, war, terrorism, and other political risks;** ● **foreign currency exchange rate fluctuations;** ● **establishing and maintaining relationships with local distributors and dealers;** ● **lengthy shipping times and accounts receivable payment cycles;** ● **import and export control and licensing requirements, particularly in connection with sales and licensing to foreign governments and other customers;** ● **compliance with a variety of U. S. laws, including the Foreign Corrupt Practices Act, by us or key subcontractors;** ● **compliance with a variety of foreign laws and regulations, including unexpected changes in taxation and regulatory requirements;** ● **greater difficulty in safeguarding our technology, proprietary data, and intellectual property in international jurisdictions than in the U. S.;** and ● **difficulty in staffing and managing geographically diverse operations.** These and other risks may preclude or curtail international sales or increase the relative price of our products compared to those manufactured in other countries, reducing the demand for our products. Failure to comply with U. S. and foreign governmental laws and regulations applicable to international business, such as the Foreign Corrupt Practices Act or U. S. export control regulations, could have an adverse impact on our business with the U. S. and foreign governments. Current environmental laws, or laws enacted in the future, may harm our business. Our operations are subject to environmental regulation in areas in which we conduct business. Our product design and procurement operations must comply with new and future requirements relating to the materials composition of our products, including restrictions on lead, cadmium, and other substances. We do not expect that the impact of these environmental laws and other similar legislation adopted in the U. S. and other countries will have a substantial unfavorable impact on our business. However, the costs and timing of costs under environmental laws are difficult to predict. Errors or defects contained in our products, failure to comply with applicable safety standards or a product recall could result in delayed shipments or rejection of our products, damage to our reputation, and expose us to regulatory or other legal action. Any defects or errors in the operation of our products may result in delays in their introduction. In addition, errors or defects may be uncovered after commercial shipments have begun, which could result in the rejection of our products by our customers, damage to our reputation, lost sales, diverted development resources, and increased customer service and support costs and warranty claims, any of which could harm our business. Third parties could sustain injuries from our products, and we may be subject to claims or lawsuits resulting from such injuries. There is a risk that these claims or liabilities may exceed, or fall outside the scope of, our insurance coverage. We may also be unable to obtain adequate liability insurance in the future. Because we are a smaller company, a product recall would be particularly harmful to us because we have limited financial and administrative resources to effectively manage a product recall, and it would detract management's attention from implementing our core business strategies. A significant product defect or product recall could materially and adversely affect our brand image, causing a decline in our sales, and could reduce or deplete our financial resources. Costs associated with our multi-year maintenance contract with a foreign military customer could be higher than expected. We are obligated under a five-year repair and maintenance agreement with a foreign military. We have contracted with a third-party service provider to administer the required services under the terms of the maintenance agreement. The revenue from the maintenance agreement with our customer is fixed and paid annually upon completion of each year through May 2024. It is possible that the cost to repair and maintain the products and the cost to contract with our third-party service provider could exceed the revenue generated by the maintenance agreement. We rely on outside manufacturers and suppliers to provide a large number of components and sub-assemblies incorporated in our products, and the ability of these manufacturers and suppliers to deliver components to our manufacturing facilities, and our ability to manufacture without disruption, could affect our results of operations. Our products are made from a wide range of materials and have a large number of components and sub-assemblies (including semiconductors and other electronic components) produced by numerous outside suppliers around the world. Because not all of our supply arrangements provide for guaranteed supply and some key parts may be available only from a single supplier or a limited group of suppliers, we are subject to supply and pricing risk. Our operations and those of our suppliers are subject to disruption for a variety of reasons, including pandemic related supplier plant shutdowns or slowdowns, transportation delays, work stoppages, labor relations, labor shortages, price inflation, governmental regulatory and enforcement actions, intellectual property claims against suppliers, financial issues such as supplier bankruptcy, information technology failures, and hazards such as fire, earthquakes, flooding, or other natural disasters. For example, we expect to continue to be impacted by the following supply chain issues, due to economic, political and other factors largely beyond our control: increased input material costs and component shortages; supply chain disruptions and delays and cost inflation, all of which could

continue or escalate in the future. The effects of climate change, including extreme weather events, long-term changes in temperature levels, water availability, increased cost for decarbonizing process heating, supply costs impacted by increasing energy costs, or energy costs impacted by carbon prices or offsets may exacerbate these risks. If these disruptions occur, or if we experience quality problems with suppliers, then our production schedules could be significantly delayed or costs significantly increased, which would have a material adverse effect on our business, liquidity, results of operations, and financial position. Although we assemble our products internally, we have some sub-assemblies and components produced by third party manufacturers. We may be required to outsource manufacturing if sales of our products increase significantly. We may be unable to obtain acceptable manufacturing sources on a timely basis. In addition, from time to time we may change manufacturers and any new manufacturer engaged by us may not perform as expected. An extended interruption in the supply of our products could result in a substantial loss of sales. Furthermore, any actual or perceived degradation of product quality as a result of our reliance on third party manufacturers may have an adverse effect on sales or result in increased warranty costs, product returns, and buybacks. Failure to maintain quality manufacturing could reduce future revenues, adversely affecting our financial condition and results of operations. Material supply disruptions and delays in deliveries, along with other factors such as price inflation, can also result in increased pricing. While many of our customers permit quarterly or other periodic adjustments to pricing based on changes in component prices and other factors, we may bear the risk of price increases that occur between any such repricing or, if such repricing is not permitted, during the balance of the term of the particular customer contract. We derive revenue from government contracts and subcontracts, which are often non-standard, may involve competitive bidding, may be subject to cancellation with or without penalty, and may produce volatility in earnings and revenue. Our sales to government customers have involved, and are expected in the future to involve, providing products and services under contracts or subcontracts with U. S. federal, state, local, and foreign government agencies. Obtaining contracts and subcontracts from government agencies is challenging, and contracts often include provisions that are not standard in private commercial transactions. For example, government contracts may: • include provisions that allow the government agency to terminate the contract without penalty under some circumstances; • be subject to purchasing decisions of agencies that are subject to political influence; • contain onerous procurement procedures; and • be subject to cancellation if government funding becomes unavailable. Securing government contracts can be a protracted process involving competitive bidding. In many cases, unsuccessful bidders may challenge contract awards, which can lead to increased costs, delays, and possible loss of the contract for the winning bidder. Our success is dependent on the performance of our executive team, and the cooperation, performance, and retention of our executive officers and key employees. Our business and operations are substantially dependent on the performance of our current executive team including our Chief Executive Officer and our Chief Financial Officer. We do not maintain “key person” life insurance on any of our executive officers. The loss of one or several key employees could seriously harm our business. We cannot assure-ensure that employees will not leave and subsequently compete against us. We are also dependent on our ability to retain and motivate high quality personnel, especially sales and skilled engineering personnel. Competition for such personnel is intense, and we may not be able to attract, assimilate or retain other highly qualified managerial, sales, and technical personnel in the future. The inability to attract and retain the necessary managerial, sales and technical personnel could cause our business, operating results or financial condition to suffer.

**Risks Related to Our Financial Statements and Operating Results** We do not have the ability to accurately predict future operating results. Our quarterly and annual revenues are likely to fluctuate significantly due to many factors, most of which are beyond our control and could result in our failure to achieve our revenue expectations. We expect our proprietary acoustic products, software products, and integrated solutions will be the source of substantially all our revenues for at least the near future. Revenues from these products and solutions are expected to vary significantly due to a number of factors, many of which are beyond our control. Any one or more of the factors listed below or other factors could cause us to fail to achieve our revenue expectations. These factors include: • our ability to develop and supply sound reproduction components to customers, distributors or original equipment manufacturers (“OEMs”) or to license our technologies; • market acceptance of and changes in demand for our products or products of our customers; • gains or losses of significant customers, distributors or strategic relationships; • unpredictable volume and timing of customer orders; • delays in funding approval by U. S. and foreign government and military customers; • the availability, pricing, and timeliness of delivery of components for our products and OEM products; • fluctuations in the availability of manufacturing capacity or manufacturing yields and related manufacturing costs; • the timing of new technological advances, product announcements or introductions by us, by OEMs or licensees, and by our competitors; • production delays by customers, distributors, OEMs, or by us or our suppliers; • increased competition in this market; • the conditions of other industries, such as military and commercial industries, into which our technologies may be sold; • general electronics industry conditions, including changes in demand and associated effects on inventory and inventory practices; • general economic conditions that could affect the timing of customer orders and capital spending and result in order cancellations or rescheduling; and • general political conditions in this country and in various other parts of the world that could affect spending for the products that we offer. Some or all of these factors could adversely affect demand for our products or technologies, and therefore adversely affect our future operating results. Most of our operating expenses are relatively fixed in the short term. We may be unable to rapidly adjust spending to compensate for any unexpected sales shortfalls, which could harm our quarterly operating results. We do not have the ability to predict future operating results with any certainty. Changes in laws, The agreements governing or our Term Loan impose regulations or the manner of their interpretation or enforcement could adversely impact our financial performance and operating restrict restrictions our ability on us and any failure to meet operate our business or our execute payment our or strategies. New laws, regulations and standards, or changes in existing laws or regulations or the manner of their interpretation or enforcement, could increase our cost of doing business and restrict our ability to operate our business or execute our strategies. This includes, among other obligations things, compliance costs and enforcement under the Sarbanes-Oxley Act of 2002, the Dodd-Frank

Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), XBRL interactive SEC filings, new SEC regulations, and NASDAQ Stock Market rules. For example, under Section 1502 of the Dodd-Frank Act, the SEC has adopted additional disclosure requirements related to the source of certain “conflict minerals” for issuers for which such “conflict minerals” are necessary to the functionality or **our Term Loan** production of a product manufactured, or contracted to be manufactured, by that issuer. The metals covered by the rules include tin, tantalum, tungsten, and gold, commonly referred to as “3TG.” Our suppliers may use some or all of these materials in their production processes. The rules require us to conduct a reasonable country of origin inquiry to determine if we know or have reason to believe any of the minerals used in the production process may have originated from the Democratic Republic of the Congo or an adjoining country. If we are not able to determine the minerals did not originate from a covered country or conclude that there is no reason to believe that the minerals used in the production process may have originated in a covered country, we would be required to perform supply chain due diligence on members of our supply chain. Global supply chains can have multiple layers, thus the costs of complying with these new requirements could be substantial. These new requirements may also reduce the number of suppliers who provide conflict free metals and may affect our ability to obtain products in sufficient quantities or at competitive prices. Compliance costs and the unavailability of raw materials could have a material adverse effect on **us, including permitting the lenders under our Term Loan to foreclose on, and acquire control of, substantially all of our assets. Our Term Loan imposes, and the terms of any future debt may impose, operating and other restrictions on us. These restrictions could affect, and in many respects limit our or prohibit, among other items, our ability to:**

- incur additional indebtedness;
- create liens;
- enter into certain fundamental transactions;
- sell assets;
- change the nature of our business;
- prepay any other indebtedness;
- amend certain of our contracts or governing documents;
- complete a change of control;
- modify our accounting methods;
- make investments;
- enter into transactions with affiliates;
- issue or sell capital stock of certain of our subsidiaries;
- enter into consignment or bailee arrangements of our inventory;
- declare or pay dividends or other distributions to stockholders;
- repurchase our common stock or other securities; and
- adopt certain benefits plans.

**Our Term Loan also requires us to achieve and maintain compliance with a minimum liquidity covenant. A breach of any of these restrictive covenants or the inability to comply with the financial metrics could result in a default under our Term Loan. Further, our Term Loan is jointly and severally guaranteed by us and certain of our subsidiaries. Borrowings under our Term Loan are secured by liens on substantially all of our assets, including the capital stock of certain of our subsidiaries, and the assets of our subsidiaries that are loan party guarantors. If we are unable to repay outstanding borrowings when due or comply with other obligations and covenants under our Term Loan, the lenders under our Term Loan will have the right to proceed against these pledged capital stock and take control of substantially all of our assets. Our cash requirements may require us to seek additional debt or equity financing and we may not be able to obtain such financing on favorable terms, or at all. Our Term Loan may not be sufficient for our future working capital, investments and cash requirements, in which case we would need to seek additional debt or equity financing or scale back our operations. In addition, we may need to seek additional financing to achieve and maintain compliance with specified financial criteria under our Term Loan. We may not be able to access additional capital resources due to a variety of reasons, including the restrictive covenants in our Term Loan and the lack of available capital due to global economic conditions. If our financing requirements are not met and we are unable to access additional financing on favorable terms, or at all, our business, financial condition, operating results, and future growth prospects could be materially adversely affected. Our indebtedness could expose us to interest rate risk to the extent of our variable rate debt. Our Term Loan provides for interest to be calculated based on the prime rate, the federal funds rate and / or the secured overnight financing rate. While the Federal Reserve decreased interest rates in 2024 any future increases in interest rates on which our Term Loan interest rates are based would increase interest rates on our debt, which could materially adversely impact our interest expense, operations—operating results and cash flows. Changes in laws or regulations or the manner of their interpretation or enforcement could adversely impact our financial performance and restrict our ability to operate our business or execute our strategies. New laws, regulations, and standards, or changes in existing laws or regulations or the manner of their interpretation or enforcement, could increase our cost of doing business and restrict our ability to operate our business or execute our strategies.** We continually evaluate and monitor developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. These new or changed laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Our disclosure controls and procedures may not prevent or detect all acts of fraud. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act is accumulated and communicated to management and is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Our management expects that our disclosure controls and procedures and internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within our company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by an unauthorized override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and we cannot assure that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control

system, misstatements due to error or fraud may occur and not be detected. Failure to maintain an effective system of internal control over financial reporting could harm ~~stockholder~~ **stockholders** and business confidence in our financial reporting, our ability to obtain financing, and other aspects of our business. Maintaining an effective system of internal control over financial reporting is necessary for us to provide reliable financial reports. Section 404 of the Sarbanes- Oxley Act of 2002 and the related rules and regulations promulgated by the SEC require us to include in our Form 10- K a report by management regarding the effectiveness of our internal control over financial reporting. The report includes, among other things, an assessment of the effectiveness of our internal control over financial reporting as of the end of the respective fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. While our management has concluded that our internal control over financial reporting was effective as of September 30, ~~2023~~ **2024**, it is possible that material weaknesses will be identified in the future. In addition, components of our internal control over financial reporting may require improvement from time to time. If management is unable to assert that our internal control over financial reporting is effective in any future period, investors may lose confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the Company' s stock price. Risks Related to Our Capital Stock Sales of common stock issuable on the exercise of outstanding options **and warrants**, may depress the price of our common stock. As of September 30, ~~2023~~ **2024**, we had outstanding options granted to our employees, consultants, advisors, and directors to purchase ~~2-3~~, ~~904-695~~, ~~522-740~~ shares of our common stock and we had ~~379-288~~, ~~597-059~~ restricted stock units outstanding. As of September 30, ~~2023~~ **2024**, the exercise prices for the options ranged from \$ 1. ~~51-70~~ to \$ ~~8-6~~. ~~03-87~~ per share . **We also have outstanding warrants to purchase 3, 068, 182 shares of our common stock at an exercise price of \$ 2. 53, which warrants will expire May 14, 2029**. The issuance of shares of common stock upon the exercise of outstanding options **and warrants** and the release of outstanding restricted stock units could cause substantial dilution to holders of our common stock, and the sale of those shares in the market could cause the market price of our common stock to decline. The potential dilution from these shares could negatively affect the terms on which we could obtain equity financing. **Our stock price is volatile and may continue to be volatile in the future. The market price of our common stock has fluctuated significantly to date. In the future, the market price of our common stock could be subject to significant fluctuations due to general market conditions and in response to quarter- to- quarter variations in: • our anticipated or actual operating results; • developments concerning our software and sound reproduction technologies; • technological innovations or setbacks by us or our competitors; • announcements of merger or acquisition transactions; • changes in personnel within our company; and • other events or factors and general economic and market conditions. The stock market in recent years has experienced extreme price and volume fluctuations that have affected the market price of many technology companies, and that have often been unrelated or disproportionate to the operating performance of companies. Our common stock is thinly traded; therefore, our stock price may fluctuate more than the stock market as a whole and it may be difficult to sell large numbers of our shares at prevailing trading prices. As a result of the thin trading market for shares of our common stock, our stock price may fluctuate significantly more than the stock market as a whole or the stock prices of similar companies. Without a larger public float, shares of our common stock will be less liquid than the shares of common stock of companies with broader public ownership, and as a result, it may be difficult for investors to sell the number of shares they desire at an acceptable price. Trading of a relatively small volume of shares of our common stock may have a greater effect on the trading price than would be the case if our public float were larger. We cannot assure you that an active trading market for our common stock will develop or, if developed, that any market will be sustained. Accordingly, we cannot assure you of the likelihood that an active trading market for our common stock will develop or be maintained, your ability to sell your shares of our common stock when desired or the prices that you may obtain for your shares.** We may issue preferred stock in the future, and the terms of the preferred stock may reduce the value of your common stock. We are authorized to issue up to 5, 000, 000 shares of preferred stock in one or more series. Our board of directors may determine the terms of future preferred stock offerings without further action by our stockholders. If we issue preferred stock, it could affect the rights or reduce the value of our common stock. In particular, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with or sell our assets to a third party. These terms may include voting rights, preferences as to dividends and liquidation, conversion and redemption rights, and sinking fund provisions. ~~Our stock price is volatile and may continue to be volatile in the future. The market price of our common stock has fluctuated significantly to date. In the future, the market price of our common stock could be subject to significant fluctuations due to general market conditions and in response to quarter- to- quarter variations in: • our anticipated or actual operating results; • developments concerning our software and sound reproduction technologies; • technological innovations or setbacks by us or our competitors; • announcements of merger or acquisition transactions; • changes in personnel within our company; and • other events or factors and general economic and market conditions. The stock market in recent years has experienced extreme price and volume fluctuations that have affected the market price of many technology companies, and that have often been unrelated or disproportionate to the operating performance of companies.~~ Item 1B. Unresolved Staff Comments.