Risk Factors Comparison 2024-01-12 to 2022-12-16 Form: 10-K

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

Investing ~~An investment~~ in our common stock involves ~~various~~ **a high degree of** ~~risks~~ - **risk** ~~, including risks related to the items listed below~~ . **You should** ~~However, you are urged to~~ carefully consider **the risks and uncertainties described below, together with** all of the ~~matters discussed~~ **other information** in this **Annual** ~~Part I, Item 1A of this~~ Report ~~under~~ **on Form 10-K, including** the ~~caption~~ **sections titled** “ ~~Risk Factors~~ **Management’ s Discussion and Analysis of Financial Condition and Results of Operations** ” ~~(~~ **and our consolidated financial statements and related notes, before making a decision to invest in our common stock. Our business, financial condition, results of operations, or prospects could also be harmed by risks and uncertainties** not ~~just~~ **currently known to us or that we currently do not believe are material. If any of** ~~those~~ -- **the risks actually occur,** ~~discussed in this summary) in considering~~ our business **, financial condition, results of operations,** and prospects **could be adversely affected** . **In that event, the** ~~IS & S- Specific Risk Factors The Company faces risks relating to: ● continued~~ market ~~acceptance of the Company’ s air data systems and other products; ● the deferral or termination of programs or contracts for convenience by customers; ● the potential for losses due to cost overruns on fixed-~~ price ~~contract projects; ● U. S. federal government budget deficits and audit practices, including the possibility~~ of **our common stock could decline, and you could** ~~reductions in government expenditures; ● the possibility that IS & S may~~ lose ~~one or more key customers; ● the self-insured portion of IS & S’ employee medical insurance program; ● our lack of substantial backlog; ● the ability to service the international market; and ● intense competition with key competitors. General Risk FactorsThe Company faces risks relating to: ● the ongoing COVID- 19 pandemic; ● the ability to respond to technological change; ● delays in receiving components from third- party~~ - **part or all** ~~suppliers; ● challenges associated with the complexity~~ of ~~our~~ **your investment** ~~products; ● our ability to protect our intellectual property rights; ● failure to retain / recruit key personnel; ● succession planning; ● variations in our revenue and operating results over time; ● a cyber security incident; ● potential litigation; ● the costs of compliance with present and future laws and regulations; ● changes in law, including changes to corporate tax laws in the United States and the availability of certain tax credits; ● volatility and weakness in capital markets, including rising inflation and interest rates; and ● the efficacy of our internal control over financial reporting~~ . ~~IS & S- Specific Risk~~ **Risks** ~~FactorsGrowth~~ **Related to Our Business and Industry Growth** of the Company’ s customer base could be limited by delays or difficulties in completing development and introduction of planned products or product enhancements. If **the Company** ~~IS & S~~ fails to enhance existing products, or to develop and achieve market acceptance for flat panel displays, flight management systems, autothrottle technology and other new products that meet customer requirements, its business, reputation and statements of income may be affected adversely. **The Company** ~~Currently, IS & S~~ spends a large portion of its R & D efforts in developing and marketing the FPDS, FMS, ThrustSense ® Autothrottle and complementary products. The Company’ s ability to grow and diversify its operations through introduction and sale of new products is dependent upon its continued success in product development and engineering activities, its sales and marketing efforts, and its ability to obtain necessary regulatory approvals to sell such products. Sales growth will depend in part on market acceptance of and demand for the FPDS, FMS, ThrustSense ® Autothrottle and future products. **The Company** ~~IS & S~~ cannot be certain that it will be able to develop, introduce or market its FPDS, FMS, ThrustSense ® Autothrottle or other new products or product enhancements in a timely or cost- effective manner, or that any new products or product enhancements will receive market acceptance or necessary regulatory approval. In addition, the Company’ s business is dependent upon maintaining its reputation and relationships with existing customers. If the Company’ s performance **or the performance of the Company’ s products** does not meet its customers’ expectations, the Company’ s reputation and its relationships could be damaged, which may have a material adverse impact on the Company’ s business and statements of income, including reductions in sales. In seeking new customers, the Company may have difficulty in displacing the products of incumbent competitors. **The Company** ~~IS & S~~ cannot be assured that potential customers will accept its products or that existing customers will not abandon them. ~~16Contracts~~ -- **Contracts** can be terminated by many of the Company’ s customers at any time and, therefore, may not result in sales. **The Company** ~~IS & S~~ ’ s contracts, including contracts with government agencies, ~~includes~~ - **include** various terms and conditions that impose certain requirements on **the Company** ~~IS & S~~ , including the ability of the government agency or general contractor to alter the price, quantity or delivery schedule of the products. Additionally, government agencies and general contractors typically retain the right to terminate the contract at any time at their convenience. Upon alteration or termination of these contracts, **the Company** ~~IS & S~~ is entitled typically to an equitable adjustment to the contract price so that it would be compensated for delivered items and allowable costs incurred. However, because these contracts can be terminated for convenience, the Company cannot be assured that its backlog will result in sales. The Company enters into fixed- price contracts or service arrangements to perform specified design and EDC services related to its products that could subject **the Company** ~~IS & S~~ to losses in the event the Company incurs cost overruns on its projects. During fiscal year ~~2022~~ **2023** , approximately ~~2~~ **3. 3** % percent of the Company’ s total sales were from fixed- price EDC arrangements with customers to perform specified design and EDC services related to its products. These arrangements allow **the Company** ~~IS & S~~ to benefit by recovering some of its product development costs, but it carries the risk of potential cost overruns. If the Company’ s initial cost estimates are incorrect, it can incur potentially large one time charges and losses on these contracts. These EDC arrangements can expose the Company to potential losses because the customer may compel **the Company** ~~IS & S~~ to complete a project or, in the event of a termination for default, pay the incremental cost of its replacement by another provider. Because some of these projects involve new technologies and applications, and can last for more than a year, unforeseen events such as technological difficulties, fluctuations in the price of raw materials, problems with subcontractors, and cost overruns can result in the contractual price becoming less favorable or even unprofitable to **the Company** ~~IS & S~~ over time. Furthermore, if the Company does not meet project deadlines or if its products do not meet customer specifications, it may need to renegotiate contracts on less favorable terms, be forced to pay penalties or liquidated damages, or suffer losses if the customer exercises its right to terminate. The Company' s results of operations are dependent on its ability to maximize earnings from the EDC service arrangements. Lower earnings caused by cost overruns could have a negative impact on the Company' s financial condition, operating results ~~,~~ and cash flows. A portion of ~~IS & S~~ **the Company' s** sales come from government contracts, which could be adversely affected by continued high U. S. federal budget deficits. Government contracts are also subject to special risks as a result of the U. S. government' s audit practices. A portion of ~~IS & S~~ **the Company' s** sales has been, and is expected to continue to be, from defense contractors or government agencies in connection with government aircraft retrofit or OEM contracts. Sales to government contractors and government agencies could decline as a result of DoD spending cuts and general budgetary constraints **,** which may become more severe as the federal budget deficit remains high. In addition, the U. S. government regularly conducts investigations, inquiries and audits into its suppliers' compliance with procurement regulations and performance under the relevant government contracts. If an investigation reveals or an audit finds that the Company violated applicable law or regulations, its government contracts could be terminated and it could be restricted from future procurement activities. Moreover, if an investigation, inquiry or audit finds that the Company acted improperly or was involved in illegal activities, the Company could be subject to civil penalties, criminal penalties, and administrative sanctions. As a result, the Company' s reputation could be harmed even if the allegations were later determined to be false. Reductions in government expenditures could adversely affect ~~IS & S~~ **the Company' s** business. Reductions in funding of the DoD and U. S. defense spending could have significant consequences to the Company' s business and industry. **The** ~~While the full~~ impact of **any** such reductions ~~is not determinable, the impact of any resulting reductions~~ in defense appropriations ~~,~~ and / or reductions in U. S. defense spending could result in delays in procurement of products and services due to lack of funding, and negatively affect the **Company** ~~IS & S~~ ' s revenues, financial condition and results of operations. 17The loss of a key customer or a significant deterioration in the financial condition of a key customer could have a material adverse effect on the Company' s results of operations. The Company' s revenue is concentrated with a limited number of customers. During fiscal year ~~2022~~ **2023 the Company** ~~IS & S~~ derived ~~58~~ **54** % of revenue from the top five customers. ~~IS & S~~ **The Company continues to** ~~expects~~ - **expect** a relatively small number of customers to account for a majority of its revenues for the foreseeable future. As a result of the concentrated customer base, a loss of one or more of these customers or a dispute or litigation with one of these key customers could affect adversely its revenue and results of operations. The Company monitors and evaluates the credit status of its customers and attempts to adjust sales terms as appropriate. Despite these efforts, a significant deterioration in the financial condition or bankruptcy filing of a key customer could affect adversely the Company' s business, results of operations, and financial condition. In addition, the Company is subject to credit risk associated with the concentration of accounts receivable from its key customers. If any of the Company' s top customers were to become bankrupt or insolvent or otherwise were unable to pay for the products and services provided by the Company ~~, including as a result of the impact of the COVID- 19 pandemic on their businesses or financial conditions~~ , then the Company may incur significant write- offs of accounts receivable, incur other impairment charges or result in a significant loss of expected revenues, which may have a material adverse effect on the Company' s results of operations. We self- insure a significant portion of our employee medical insurance program, which may expose us to unpredictable costs and negatively affect our financial performance. We self- insure a significant portion of our employee medical insurance program and related benefit claims. The estimated liability for the self- funded portion of our insurance program is determined actuarially, based on claims filed historically, demographic factors and an estimate of claims incurred but not yet reported. We maintain stop loss insurance coverage to limit our exposure for the self- funded portion of our health insurance program both on a per employee and aggregate basis, and liabilities associated with these losses include estimates of both claims filed and losses incurred but not yet reported. Unanticipated changes in any applicable actuarial assumptions or management estimates underlying our recorded liabilities for these losses could result in materially different amounts of expense than expected under these programs, which could have a material adverse effect on our financial condition and results of operations. In addition, the premiums for this coverage could increase in the future, or we could be forced to raise our self- insured retention amounts. If these expenses increase, or if we experience a claim in excess of our reserve and / or coverage limits, it could also have a material adverse effect on our financial condition and results of operation. We currently operate without a substantial backlog. During periods of economic uncertainty, the rate of customer orders can quickly decrease, and a substantial backlog may help promote greater efficiency in production, facilitate business planning and improve revenue visibility. As of September 30, ~~2022~~ **2023** , ~~16~~ **8** % of the Company' s backlog was expected to be filled beyond fiscal ~~2023~~ **2024** , which is below the Company' s historical expectations and may result in lower revenues in future periods. As a result, future revenue will be dependent on orders booked and shipped in that quarter, and may not be predictable with any degree of certainty. Furthermore, certain contracts may represent a significant portion of our revenue and profits for a quarter such that the loss or deferral of even one such contract could adversely affect our revenue and profitability. The Company has limited experience in marketing and distributing its products internationally. **The Company** ~~IS & S~~ plans to derive increasing revenues from sales outside the United States, particularly in Europe and Asia. Risks inherent in doing business internationally include: ● differing regulatory requirements; ● legal uncertainty regarding liability and the enforceability of agreements; ● tariffs, trade and investment barriers, and other regulatory barriers; ● political and economic instability, including changes in government budgets **and wars, such as the wars in the Ukraine and Israel** ; ● changes in diplomatic and trade relationships; ● failure by our employees or agents to comply with U. S. laws affecting the activities of U. S. companies abroad, including the Foreign Corrupt Practices Act of 1977, as amended; ● difficulty with staffing and managing widespread operations; ● the impact of recessions in economies outside the United States; ~~and~~ **and18** ● variances and unexpected changes in local laws and regulations. ~~18Currently~~ -- **Currently** , all of the Company' s international sales are denominated in U. S. dollars. An increase in the dollar' s value compared to other currencies could render the Company' s products less competitive in the international markets. In the future, **the Company** ~~IS & S~~ may be required to conduct sales in the foreign country' s local currency, thus exposing it to fluctuations and volatility in exchange rates that could adversely affect its operating results. Further, as we pursue customers in Asia and other less developed markets throughout the world, our potential inability to ensure the creditworthiness of counterparties could impose additional risks and affect our overall profitability. Emerging market operations in particular can present many risks, including ~~cultural differences (such as employment and business practices),~~ volatility in gross domestic product, economic and government instability, and the imposition of exchange controls and capital controls. ~~While these~~ **These** factors and their impact are difficult to predict, **and** any one or more of them could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. The Company' s competition includes other manufacturers of air data systems and flight information displays against whom it may not be able to compete successfully. The markets for the Company' s products are intensely competitive and subject to rapid technological change. Competitors include Honeywell ~~International Inc.~~, Collins Aerospace, Thales Defense & Security, Inc., Garmin Ltd. and GE Aviation Systems. All these competitors have substantially greater financial, technical, and human **capital** resources than does **the Company** ~~IS & S~~. In addition, these competitors have much greater experience in and resources for marketing their products. As a result, these competitors may be able to respond more quickly to new or emerging technologies and customer preferences, or to devote greater resources to development, promotion and sale of their products than **the Company** ~~IS & S~~ can. The Company' s competitors may have greater name recognition and more extensive customer bases. Such competition could result in price reductions, fewer customer orders, reduced gross margins, and loss of market share. ~~General Risk FactorsThe ongoing COVID- 19 pandemic may adversely affect IS & S.~~ The Company has not yet seen a material impact...... or at all. IS & S relies on third- party suppliers for components of its products, including any necessary raw materials, and any interruption in the supply of these components could hinder its ability to deliver products on a timely basis. The Company' s manufacturing process consists primarily of assembling components purchased from its supply chain. The suppliers may not continue to be available to ~~IS & S, including as a result of the impact of the COVID- 19 pandemic on their~~ -- **the** ~~businesses~~ **Company, or be able to perform or timely deliver** ~~or~~ **our components** ~~financial conditions~~. If the Company is unable to maintain relationships with key third- party suppliers, the development and distribution of its products could be delayed until equivalent components can be obtained and integrated into the products. In addition, substitution of certain components from other manufacturers may require product redesign or FAA, EASA or other approvals, which could delay the Company' s ability to ship products, and any increase in component costs, including the costs of any necessary raw materials, in the Company' s supply chain could adversely affect the Company' s results of operations. ~~Inasmuch as the Company' s products utilize sophisticated technology and are deployed in complex aircraft cockpit environments, problems with these products may arise that could harm the Company' s reputation for quality assurance and, consequently, its business prospects. The~~ **19The** Company ' s products use complex system designs...... its intellectual property. IS & S depends on key personnel to manage its business effectively, and an inability to retain its key employees and plan for management succession could adversely impact the Company' s ability to compete. The Company' s success depends on the efforts, abilities, and expertise of its senior management and other key personnel. There can be no assurance ~~IS & S~~ **that the Company** will be able to retain such employees, and the loss of some could damage its ability to execute its business strategy. The Company intends to continue hiring key management, engineering, and sales and marketing personnel. Competition for skilled personnel is intense, and **the Company** ~~IS & S~~ may not be able to attract or retain additional qualified personnel. The Company' s future success will depend in part on its ability to implement and improve its operational, administrative and financial systems and controls and to manage, train and expand its employee base. **The Company** ~~IS & S~~ cannot provide assurance that current and planned personnel levels, systems, procedures ~~,~~ and controls will be adequate to support its current and future customer base. In such a circumstance, the Company may not be able to fully capitalize on existing and potential market opportunities. Any delays or difficulties encountered could impair the Company' s ability to attract new customers or maintain its relationships with existing customers. In addition, effective succession planning is important to our long- term success. Failure to ensure effective transfer of knowledge and smooth transitions involving senior management and other key personnel could hinder our strategic planning and ~~execution~~ **executionThe** ~~. The~~ Company' s revenue and operating results may vary significantly from quarter to quarter, which may cause its stock price to decline. The Company' s revenue and operating results may vary significantly from quarter to quarter because of a number of factors, including, but not limited to: ● demand for products and / or delivery schedule changes by its customers; ● capital expenditure budgets of aircraft owners and operators, and appropriation cycles of the U. S. government; ● changes in the use of the Company' s products, including air data systems, flat panel displays, flight management systems and autothrottle technology; ● delays in introducing or obtaining government approval for new products; ● new product introductions by competitors; ● changes in ~~IS & S~~ **the Company' s** pricing policies or pricing policies of competitors; and ● costs related to possible acquisition of technologies or businesses. ~~21A difficulties encountered in connection with~~ **' s products use complex system designs and components that may contain errors,omissions,or defects,particularly when** the ~~integration~~ **Company incorporates new technologies into its products or when it releases new versions or enhancements** of **its existing products.Despite** the ~~Transaction~~ **Company' s quality assurance process,errors,omissions or defects** could ~~have~~ **occur in its current products,in new products,or in new versions or enhancements of existing products.IS & S may be required to redesign or recall those products or pay damages.Such** an **event** ~~adverse effect on the business,financial condition,operating results and prospects of the Company.If the Company experiences difficulties in the integration process,including those listed above,the Company may fail to realize the anticipated benefits of the Transaction in a timely manner or at all.Failure to achieve these anticipated benefits~~ could result in ~~increased costs,decreases in~~ the ~~amount~~ **following:● delay or loss** of ~~expected~~ revenues ~~,lost cost savings and revenue opportunities and~~ **;● cancellation of customer contracts;●** diversion of ~~management~~ **development resources;● damage to the Company** ' s

reputation;● increased service ~~time and energy,and could have an~~ **and warranty costs;or ● litigation costs** ~~adverse effect on the Company' s business,financial condition,operating results and prospects~~ . ~~If we fail~~ **Although IS & S carries product liability insurance,this insurance may not be adequate** to ~~successfully integrate~~ **cover its losses in the event of a large product liability claim.In addition,IS & S may not be able to maintain** such **insurance in the** ~~transaction,or any~~ future ~~transactions,our business could be materially harmed~~ . **The** ~~In connection with our acquisitions,including those acquisitions that we do not complete,we may incur significant transaction costs.We are required to expense such transaction costs as incurred,which may have a material adverse impact on our financial results.Risks Related to Intellectual Property,Privacy,Cybersecurity,and Technical InfrastructureThe~~ Company' s success depends on its ability to protect its proprietary rights against potential risk of infringement.If ~~the Company~~ **IS & S** is unable to protect and enforce its intellectual property rights,it may be unable to compete effectively.The Company' s success and ability to compete will depend in part on its ability to obtain and maintain patent or other protection for its technology and products,both in the United States and internationally.In addition, ~~the Company~~ **IS & S** must operate without infringing the proprietary rights of others. ~~22As~~ **20As** of September 30, ~~2023~~ **2022** , ~~the Company~~ **IS & S** holds ~~32~~ **14** U.S.patents and has ~~three~~ **3** U.S.patent applications pending relating to its technology.In addition,the Company holds ~~85~~ **40** international patents and has ~~six~~ **2** international patent applications pending. ~~The Company~~ **IS & S** cannot be certain that patents will be issued on any of its present or future applications.In addition,existing patents or future patents may not adequately protect the Company' s technology if they are not broad enough or are successfully challenged,or if other entities are able to develop competing methods without violating its patents.If ~~the Company~~ **IS & S** is not successful in protecting its intellectual property,competitors could begin to offer products that incorporate its technology.Patent protection involves complex legal and factual questions,and,therefore,is highly uncertain.Litigation relating to intellectual property is often very time consuming and expensive.If a successful claim of patent infringement were made against ~~the Company~~ **IS & S** ,and if the Company were unable to develop non- infringing technology,or to license the infringed or similar technology on a timely and cost- effective basis,the Company might not be able to produce and sell some of its products.Further, ~~the Company~~ **IS & S** has incurred,and may continue to incur,significant legal and other costs in defense of its intellectual property **.IS & S** cyber security incident or other technology disruption could have a negative impact on our business. We face certain security threats and technology disruptions, including threats to our information technology (" IT ") infrastructure, attempts to gain access to our or our customers' proprietary or classified information, threats of terrorism events, and failures of our technology tools and systems. Our IT networks and related systems are critical to the operation of our business and essential to our ability to successfully perform day- to- day operations. We are also involved with IT systems for certain customers and other third parties, for which we face similar security threats as for our own, in particular the DoD. In particular, cybersecurity threats — which include, but are not limited to, computer viruses, spyware and malware, attempts to access information, denial of service attacks and other electronic security breaches — are persistent and evolve quickly. In general, such threats have increased in frequency, scope and potential impact in recent years. Further, a variety of technological tools and systems, including both company- owned IT and technological services provided by outside parties, support our critical functions. These technologies, as well as our products, are subject to failure and the user' s inability to have such technologies properly supported, updated, expanded or integrated into other technologies and, in certain cases, may contain open source and third- party software which may unbeknownst to us contain defects or viruses that pose unintended risks. These risks, if not effectively mitigated or controlled, could materially harm our business or reputation. ~~While we believe that we have implemented appropriate measures and controls, there~~ **There** can be no assurance that ~~such~~ actions **we have taken to implement appropriate measures and controls** will be sufficient to prevent disruptions to critical systems, unauthorized release of confidential information or corruption of data. The security measures we have implemented may become subject to third- party security breaches, employee error, malfeasance, faulty password management or other irregularities. For example, third parties may attempt to fraudulently induce employees or customers into disclosing user names, passwords or other sensitive information, which may in turn be used to access our IT systems. These security systems cannot provide absolute security. To the extent we were to experience a breach of our systems and were unable to protect sensitive data, such a breach could materially damage business partner and customer relationships, and curtail or otherwise impact the use of our IT systems. Moreover, if a security breach of our IT systems affects our computer systems or results in the release of personally identifiable or other sensitive information of customers, business partners, employees and other third parties, our reputation and brand could be materially damaged, use of our products and services could decrease, and we could be exposed to a risk of loss, litigation and potential liability. Such an event could require significant management attention and resources, negatively impact our reputation among our customers and the public and challenge our eligibility for future work on sensitive or classified systems, which could have a material adverse effect on our business, financial condition and results of operations. **Legal and Regulatory** ~~Litigation~~ **RisksLitigation** with customers, employees and others could harm our reputation and impact operating results. In the ordinary course of business, we may be involved in lawsuits and regulatory actions with customers, employees and others. Additionally, we may be subject to employment- related claims alleging discrimination, harassment, wrongful termination and wage issues, including those relating to overtime compensation. We are susceptible to claims filed by customers alleging responsibility for breaches of contract or from product defects, and we are also subject to lawsuits filed by patent holders alleging patent infringement. These types of claims, as well as other types of lawsuits to which we are subject from time to time, can distract management' s attention from core business operations and impact operating results, particularly if a lawsuit results in an unfavorable outcome, or could harm the Company' s reputation with customers, employees, investors and others. ~~Tax~~ **23Tax** changes could affect the Company' s effective tax rate and future profitability. The Company' s future results could be affected negatively by changes in the effective tax rate **due to** ~~as a result of~~ changes in the **Company' s** overall profitability ~~and~~ **,** changes to statutory tax rates in the United States and in other jurisdictions, changes in tax legislation, and the results of audits and examinations of previously filed tax returns. In addition, adverse changes in the underlying profitability and financial outlook of our operations or future changes in tax law could lead to changes in the value of tax assets or liabilities that we currently or in the future may hold, which could materially affect our results of operations. Further, the nature and impact of any future changes to tax law, and the resulting impact on our business, financial condition and results of operations, are uncertain. ~~22~~ **The Company is subject to various laws and regulations. Changes to, or failure by the Company to comply with, these laws and regulations could have a significant impact on the Company' s business and operations. The Company is subject to, and must comply with, various laws and regulations, including, but not limited to, the product-related and other regulations of the FAA and the EASA, U. S. government procurement regulations, the rules and regulations of the SEC, and local, state, federal, and international tax codes, import and export controls and customs laws, employment and employment- related laws, environmental laws, intellectual property laws, and consumer protection statutes. Failure to comply with all applicable laws could result in investigation and remediation costs to the Company and could adversely impact the operations and profits of the Company. In addition, the evolving and at times overlapping regulatory regimes to which the Company is subject may change at any time. Any changes to existing laws or regulations, or the adoption of new laws or regulations, could increase our compliance costs and operating costs. In addition, failure to timely comply with regulatory changes could cause payments to be withheld and / or an impact on future business. If the Company fails to maintain an effective system of internal control over financial reporting, it may not be able to accurately report its financial condition, results of operations or cash flows, which may adversely affect investor confidence in the Company and, as a result, the value of the Company' s common stock. The Sarbanes- Oxley Act requires, among other things, that the Company maintain effective internal control over financial reporting and disclosure controls and procedures. Under Section 404 of the Sarbanes- Oxley Act, the Company is required to furnish a report by management on, among other things, the effectiveness of the Company' s internal control over financial reporting. This assessment must include disclosure of any material weaknesses identified by management in the Company' s internal control over financial reporting. A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting that results in more than a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. Section 404 of the Sarbanes- Oxley Act also generally requires an attestation from the Company' s independent registered public accounting firm on the effectiveness of the Company' s internal control over financial reporting. The Company' s compliance with Section 404 requires that it compile the system and process documentation necessary to perform an appropriate evaluation. During the evaluation and testing process, if the Company identifies one or more material weaknesses in its internal control over financial reporting, it will be unable to assert that its internal control over financial reporting is effective. The Company cannot assure you that there will not be material weaknesses or significant deficiencies in its internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit the Company' s ability to accurately report its financial condition, results of operations or cash flows. If the Company is unable to conclude that its internal control over financial reporting is effective, or if its independent registered public accounting firm determines the Company has a material weakness or significant deficiency in its internal control over financial reporting once that firm begin its reviews, the Company could lose investor confidence in the accuracy and completeness of its financial reports, the market price of its common stock could decline, and it could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities. Failure to remedy any material weakness in the Company' s internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict the Company' s future access to the capital markets. Risks Related to Our Common Stock, Capital Markets and IndebtednessOur common stock may be affected by limited trading volume and may fluctuate significantly. Our common stock is traded on NASDAQ. Although an active trading market has developed for our common stock, there can be no assurance that an active trading market for our common stock will be sustained. Failure to maintain an active trading market for our common stock may adversely affect our shareholders' ability to sell our common stock in short time periods, or at all. Our common 24stock has experienced, and may experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our common stock. Our common stock has experienced and may continue to experience price fluctuations, which could cause you to lose a significant portion of your investment and interfere with our efforts to grow our business. Stock markets are subject to significant price fluctuations that may be unrelated to the operating performance of particular companies, and accordingly the market price of our common stock may frequently and meaningfully change. In addition, the market price of our common stock has fluctuated and may continue to fluctuate substantially due to a variety of other factors. Possible exogenous incidents and trends may also impact the capital markets generally and our common stock prices specifically. For example, the war in the Middle East and the war between Russia and Ukraine and resulting economic sanctions imposed by many countries on Russia have led to disruption, instability and volatility in the U. S. and global markets and industries and are expected to have a negative impact on the U. S. and broader global economies. The timing of your purchase and sale of our common stock relative to fluctuations in its trading price may result in you losing a significant portion of your investment. Because we do not intend to declare cash dividends on our shares of common stock in the foreseeable future, shareholders must rely on appreciation of the value of our common stock for any return on their investment. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends in the foreseeable future. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, we expect that only appreciation of the price of our common stock, if any, will provide a return to investors in this offering for the foreseeable future. Volatility and weakness in capital markets may adversely affect credit availability and related financing costs, which could adversely affect the Company.**

Bank and capital markets can experience periods of volatility and disruption. During these periods of volatility and disruption, risks to the Company include: ● declines in revenues and profitability from reduced orders, payment delays or other factors caused by the economic problems of customers; ● reprioritization of government spending away from defense programs in which the Company participates; ● reduced access to credit sources; and ● disruptions in supplies associated with any financial constraints faced by vendors. There are risks associated with our outstanding and future indebtedness. On June 28, 2023, the Company and one of its subsidiaries entered into an Amendment to Loan Documents (the " Loan Amendment ") with PNC Bank, National Association (" PNC "), which amends certain terms of that certain Loan Agreement entered into by the parties on May 11, 2023 (the " Loan Agreement " and, as amended, the " Amended Loan Agreement ") and (ii) a corresponding Term Note in favor of PNC (the " Term Note "), which together provide for a senior secured term loan in an aggregate principal amount of $ 20. 0 million, with a maturity date of June 28, 2028 (the " Term Loan "). In addition to providing for the Term Loan, the Loan Agreement, together with a corresponding Revolving Line of Credit Note in favor of PNC, executed May 11, 2023 (" Line of Credit Note "), provides for a senior secured revolving line of credit in an aggregate principal amount of $ 10. 0 million, with an expiration date of May 11, 2028 (the " Revolving Line of Credit "). As of September 30, 2023, the balance of the Term Loan amounted to $ 19. 5 million. There was no balance drawn on the Revolving Line of Credit as of September 30, 2023. We may incur additional indebtedness in the future under these existing credit facilities and / or enter into new financing arrangements. We may fail to pay these or additional future obligations, as and when required. Specifically, if we are unable to generate sufficient cash flows from operations or to borrow sufficient funds in the future to service or refinance our debt, our business, operating results, financial condition and cash flows will be harmed. Any downgrades from credit rating agencies such as Moody' s Investors Service or Standard & Poor' s Rating Services may adversely impact our ability to obtain additional financing or the terms of such financing and reduce the market capacity for our commercial paper. Furthermore, if prevailing interest rates or other factors result in higher interest rates upon any potential future financing, then interest expense related to the refinance indebtedness would increase. 25