

Risk Factors Comparison 2025-03-28 to 2024-03-29 Form: 10-K

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You should carefully consider the risks described below, as well as the other information in this Annual Report on Form 10-K, including our financial statements and the related notes and Part II. Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations, growth prospects and stock price. ~~Risks Related to Our Business and Industry~~ **Below is a summary of our risk factors with a more detailed discussion following:** • We have a history of losses or low income ~~and may continue to incur losses or limited income in the future.~~ • **Our history of net losses, negative cash flows from operations and negative net working capital raise substantial doubt about our ability to continue as a going concern.** • We will need to raise additional capital in the future in order to execute our business plan, which may not be available on terms acceptable to us, or at all. • The loss of large customers could result in a material adverse effect to our financial results. • If we fail to successfully manage the expansion of our software as a service (“SaaS”) capabilities and offerings, our business and financial results could be adversely affected. • We have a limited operating history providing SaaS solutions, which makes it difficult to evaluate our future prospects and the risks and challenges we may encounter. • If our products are not adopted in our targeted end markets, our business will be materially adversely affected. • We expect to incur substantial research and development costs and devote significant resources to developing and commercializing new products, which could significantly affect our ability to become profitable and may never result in revenue. Any delay or interruption of the development and commercialization of new products may adversely affect our existing business and prospects for winning future business. • Product liability claims, product recalls and field service actions could have a material adverse effect on our reputation, business, results of operations and financial condition. • We create innovative technology by designing and developing unique hardware and software solutions. A failure to achieve scale may affect our ability to sell at competitive prices, limit our customer base or lead to losses. • Our revenue and margins could be adversely affected if we fail to maintain competitive average selling prices or high sales volumes, or we fail to reduce product costs. • If we are not able to effectively grow our sales and marketing organization, or maintain or grow an effective network of distributors, our business prospects, results of operations and financial condition could be adversely affected. • Certain of our commercial contracts with our customers, agreements with suppliers or co-development agreements with partners could be terminated or may not materialize into long-term contract partnership arrangements. • Components used in our sensors may fail as a result of manufacturing, design or other defects over which we have no control and render our devices permanently inoperable. • We will incur significant expenses and administrative burdens as a public company, which could negatively impact our business, financial condition and results of operations. ~~Risks Related to Our Business and Industry~~ We have incurred net losses or low income in recent years, as we pivoted the ~~company~~ **Company** from primarily stand-alone device sales to pairing device sales with sales of our software solutions. We incurred a net loss of ~~approximately \$ 13.3 million~~ **approximately \$ 22,268,000** for the year ended December 31, ~~2022-2023~~ **2023**, and ~~approximately \$ 22.3 million~~ **approximately \$ 21,495,000** for the year ended December 31, ~~2023-2024~~ **2024**. We believe that we may continue to incur operating and net losses each ~~quarter-year~~ **quarter-year** until at least such time as we begin to realize the anticipated benefits of our investment in sales and marketing efforts, though those benefits may not be as great as we anticipate or may occur later ~~that than~~ we anticipate or not at all. Even if we successfully develop and sell our devices and software solutions, there can be no assurance that it will be commercially successful. We believe achieving sustained profitability will be dependent upon the successful development and successful commercial introduction and acceptance of ~~its our~~ **our** solutions, which may not occur. We may continue to incur losses or limited income in future periods as we: • expand our sales and marketing presence; • increase investment in SaaS solutions; • execute on our product roadmaps; • grow wallet share with enterprise customers; • expand our distribution network; and • pursue strategic acquisitions. Because we may incur the costs and expenses from these efforts before experiencing any incremental revenue growth as a result of these initiatives, our losses in future periods may be significant. In addition, we may find that these efforts are more expensive than currently anticipated or that these efforts may not result in revenues, which would further increase our losses. These initiatives may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue, if at all, in an amount sufficient to offset these higher expenses and to achieve and maintain profitability. Certain of the market opportunities we are pursuing are at an early stage of development, and it may be many years before the end markets we expect to serve generate demand for our products at scale. Our revenue may be adversely affected for a number of reasons, including an inability to up-sell or cross-sell SaaS offerings that we are seeking to expand or develop, the development and / or market acceptance of new technology that competes with our thermal imaging products, our ability to create, validate, and manufacture at high volume, and ship product to customers, our inability to effectively manage our inventory or manufacture products at scale, our inability to enter new markets or help our customers adapt our products for new applications or our failure to attract new customers or expand orders from existing customers or increasing competition. Furthermore, it is difficult to predict the size and growth rate of our target markets, customer demand for our products, commercialization timelines, the entry of competitive products or the success of existing competitive products and services. If our revenue does not grow, our ability to achieve and maintain profitability may be adversely affected, and the value of our business may significantly decrease ~~increased warranty costs as information on such products is augmented by actual usage.~~ Since many of the markets in which we compete are new and rapidly evolving, it is difficult to forecast long-term end-customer adoption rates and demand for our products. We are pursuing opportunities in

markets that are undergoing rapid changes, including technological and regulatory changes, and it is difficult to predict the timing and size of the opportunities. We are in the process of developing necessary relationships with commercial partners that may not result in the commercialization of our technology immediately, or at all. Regulatory, safety or reliability developments, many of which are outside of our control, could also cause delays or otherwise impair commercial adoption of these new technologies, which will adversely affect our growth. Our future financial performance will depend on our ability to make timely investments in emerging market opportunities. If one or more of these markets experience a shift in customer or prospective ~~customer~~ **customer** demand, our products may not compete as effectively, if at all, and they may not be designed into commercialized products. Given the evolving nature of the markets in which we operate, it is difficult to predict customer demand or adoption rates for our products or the future growth of these markets. If demand does not develop or if we cannot accurately forecast customer demand, the size or timing of our markets, inventory requirements, or our future financial results, our business, results of operations, and financial condition will be adversely affected. Our estimate of **TAM-total addressable market** is subject to numerous uncertainties. If we have overestimated the size of our **TAM-total addressable market** now or in the future, our future growth rate may be limited. Our estimates of **TAM-total addressable market** are based on a combination of the total number of estimated potential customers in a given market, our expectations regarding the scope of potential use cases for our thermal infrared technology solutions in such markets, our estimates of average selling prices for our products in those markets and the potential opportunity for software solutions to increase the utility of thermal infrared technology solutions. We cannot assure you of the accuracy or completeness of our estimates. While we believe our market size estimates are reasonable, such information is inherently imprecise. If internally-generated data used in our estimates proves to be inaccurate or we make errors in our assumptions based on such data, our actual market may be more limited than our estimates. In addition, these inaccuracies or errors may cause us to misallocate capital and other critical business resources, which could harm our business. Even if our **TAM-total addressable market** meets our size estimates and experiences growth, we may not continue to grow our share of the market. Our growth is subject to many factors, including the successful implementation of our business strategy, which is subject to many risks and uncertainties. Accordingly, the estimates of our **TAM-total addressable market** included in this Annual Report **on Form 10-K** should not be taken as indicative of our ability to grow. **Product**. Our revenue and margins could be adversely affected if we fail to maintain competitive average selling prices or high sales volumes, or we fail to reduce product costs. Cost-cutting initiatives adopted by our customers can place increased downward pressure on our average selling prices. We also expect that any long-term or high-volume agreements with customers may require step-downs in pricing over the term of the agreement. Our average selling price may be driven down by customer-specific selling price fluctuations such as non-standard discounts on large volume purchases. These lower average selling prices on large volume purchases may cause fluctuations in revenue and gross margins on a quarterly and annual basis and ultimately adversely affect **its-our** profitability. We may also experience declines in the average selling prices of our products generally as our customers negotiate lower prices and as our competitors produce and commercialize lower cost competing technologies. To achieve profitability and maintain margins, we will also need to continually reduce product and manufacturing costs. Reductions in product and manufacturing costs are principally achieved by scaling production volumes and through step changes in manufacturing and continued engineering of the most cost-effective designs for **its-our** products. In addition, we must continuously drive initiatives to reduce labor cost, improve worker efficiency, reduce the cost of materials, use fewer materials and further lower overall product costs by carefully managing component prices, inventory and shipping cost. We need to continually increase sales volume and introduce new, lower-cost products in order to maintain our overall gross margin. If we are unable to maintain competitive average selling prices, increase our sales volume or successfully introduce new, low-cost products, our revenue and overall gross margin would likely decline. **19** **We** **if we fail to successfully manage the..... which we are a party.** We face risks related to sales through distributors and other third parties which could harm our business. We sell a portion of our products through third parties such as distributors and manufacturers representatives. Using third parties for distribution exposes us to many risks, including concentration risk, credit risk and legal risk because, under certain circumstances, we may be held responsible for the actions of those third-party sales channels. We may rely on one or more key distributors for selling a product, and the loss of these distributors could reduce **its-our** revenue. Our distributors may face financial difficulties, including bankruptcy, which could harm our collection of accounts receivables and financial results - **Violations of the Foreign Corrupt Practices Act ("FCPA") or similar anti-bribery laws by distributors or other third-party intermediaries could have a material impact on our business.** Competitors could also block our access to such parties. Failing to manage risks related to our use of third-party sales channels may reduce sales, increase expenses, and weaken our competitive position, and could result in sanctions against us. The period of time from initiating dialogue with potential customers to implementation (sales cycle) is long and we are subject to the risks of cancellation or postponement of the contract or unsuccessful implementation. Prospective customers generally must make significant commitments of resources to test and validate products like those produced by us and confirm that they can integrate these products with other technologies before including them in any particular system, product, or process. The selling cycle for our products with new customers varies widely depending on the application, market, customer, and the complexity of the product. In the warehouse and logistics market, for example, this selling cycle can be a year (or more). These selling cycles result in us investing our resources prior to realizing any revenue from commercialization. Further, we are subject to the risk that customers cancel or postpone implementation of **its-our** technology ~~solution~~ **solutions** or our customers are unable to integrate **its-our** technology solution successfully into a larger system. If our customers face financial difficulties, they may also cancel current or future product programs that could materially and adversely impact our financial results. Further, our revenue could be less than forecasted if the system, product, or process that includes our products is unsuccessful, including for reasons unrelated to our technology. Long selling cycles and product cancellations or postponements may adversely affect our business, results of operations, and financial condition. **24** **Developments in alternative technologies may adversely affect the demand for our technology.**

Significant developments in alternative technologies may materially and adversely affect our business, prospects, financial condition, and operating results in ways we do not currently anticipate. Existing and future infrared technologies may emerge as customers' preferred alternative to our solutions. Any failure by us to develop new or enhanced technologies or processes, or to react to changes in existing technologies, could materially delay our development and introduction of new and enhanced products in the industries we serve, which could result in the loss of competitiveness of our solutions, decreased revenue and a loss of market share to competitors (or a failure to increase revenue and / or market share). Our research and development efforts may not be sufficient to adapt to changes in technology. As technologies change, we plan to upgrade or adapt our solutions with the latest technology. However, our solutions may not compete effectively with alternative systems if we are not able to source and integrate the latest technology into our existing products. Our manufacturing business model and use of contract manufacturers may not be successful, which could harm our ability to deliver products and recognize revenue. Our manufacturing strategy focuses on engaging contract manufacturers for our manufacturing needs while maintaining the design, engineering, prototyping, testing, and pilot manufacturing in-house at our facility in Beaumont, Texas. We currently have agreements with certain contract manufacturers to provide contract manufacturing, testing, and delivery of certain of our products. These arrangements are intended to lower our operating costs, but they also reduce our direct control over certain aspects of ~~its~~ **our** operations. This diminished control may have an adverse effect on the quality or quantity of products or services, or our flexibility to respond to changing conditions. Reliance on contract manufacturers reduces our control over the manufacturing process, including reduced control over quality, product costs, and product supply and timing. We may experience delays in shipments or issues concerning product quality from ~~its~~ **our** contract manufacturers. If any of our contract manufacturers experience interruptions, delays, or disruptions in supplying our products, including by natural disasters, epidemics or outbreaks of contagions, increased military conflict or tensions, such as in the Middle East, Eastern Europe or Asia, or work stoppages or capacity constraints, our ability to ship products would be delayed. In addition, unfavorable economic conditions could result in financial distress among contract manufacturers upon which we rely, thereby increasing the risk of disruption of supplies necessary to fulfill our production requirements and meet customer demands. Additionally, if any of our contract manufacturers experience quality control problems in their manufacturing operations and our products do not meet customer or regulatory requirements, such third parties could be required to cover the cost of repair or replacement of any defective products. These delays or product quality issues could have an immediate and material adverse effect on our ability to fulfill orders and could have a negative effect on our operating results. In addition, such delays or issues with product quality could adversely affect our reputation and our relationship with our channel partners. If our contract manufacturers experience financial, operational, manufacturing capacity, or other difficulties, or experience shortages in required components, or if they are otherwise unable or unwilling to continue to manufacture our products in required volumes or at all, our supply may be disrupted, we may be required to seek alternate manufacturers and we may be required to re-design ~~its~~ **our** products. It would be time-consuming, and could be costly and impracticable, to begin to use new manufacturers or designs, and such changes could cause significant interruptions in supply. Such changes could also have an adverse effect on our ability to meet our scheduled product deliveries and may subsequently lead to the loss of sales. ~~20~~ **We** While we take measures to protect our trade secrets, the use of contract manufacturers may also risk disclosure of our innovative and proprietary manufacturing methodologies, which could adversely affect our business. We operate in a competitive landscape against market participants that may have substantially greater resources than us and against known and unknown market entrants who may disrupt our target markets. Our target markets are highly competitive and we may not be able to compete effectively in the market against these competitors. Competitors may offer products at lower prices than our products, including pricing that we believe is below their cost, or may offer superior performing products. These companies also compete with us indirectly by attempting to solve some of the same challenges with different technology. Certain competitors in the market for these devices and sensors may have significantly greater resources and more experience than we do. These competitors have commercialized technology that has achieved market adoption, strong brand recognition and may continue to improve in both anticipated and unanticipated ways. They may also have entered into ~~25~~ **commercial** -- **commercial** relationships with key customers and have built relationships and dependencies between themselves and those key customers. In addition to the existing market competitors, new competitors may be preparing to enter or are entering the market in which we compete that may disrupt the commercial landscape of target markets in ways that we may not be able to prepare for, including customers of our products who may be developing their own competitive solutions. We do not know how close any of our current and potential competitors are to commercializing their similar products and services, if at all, nor what they intend to develop as part of their product roadmaps. The already competitive landscape of the thermal infrared technology market, along with both foreseeable and unforeseeable entries of competitors and similar technology from those competitors in our target markets, may result in pricing pressure, reduced margins and may impede our ability to increase the sales of our products or cause us to lose market share, any of which will adversely affect ~~its~~ **our** business, results of operations and financial condition. ~~Our manufacturing costs may increase and result in a market price for our products above the price that customers are willing to pay. If the cost of manufacturing our products increases, we will be forced to charge our customers a higher price for the products in order to cover our costs and earn a profit. While we expect our products will benefit from continued cost reduction over time from scale and planned redesigns, there is no guarantee that these efforts will be successful, or that these savings would not be offset by additional required content. If the price of our products is too high, customers may be reluctant to purchase its products, especially if lower priced alternative products are available, and we may not be able to sell our products in sufficient volumes to recover our costs of development and manufacture or to earn a profit.~~ We, our contract manufacturers and our suppliers may rely on complex machinery for production, which involves a significant degree of risk and uncertainty in terms of operational performance and costs. We, our contract manufacturers and our suppliers may rely on complex machinery for the production, assembly and installation of our devices, which will involve a significant degree of uncertainty and risk in terms of operational performance

and costs. Our production facilities and the facilities of our contract manufacturers and suppliers may suffer unexpected malfunctions from time to time and will depend on repairs and spare parts to resume operations, which may not be available when needed. Unexpected malfunctions of these components may significantly affect the intended operational efficiency. Operational performance and costs can be difficult to predict and are often influenced by factors outside of our control, such as, but not limited to, scarcity of natural resources, environmental hazards and remediation, costs associated with decommissioning of machines, labor disputes and strikes, difficulty or delays in obtaining governmental permits, damages or defects in electronic systems, industrial accidents, fire, seismic activity and natural disasters. Should operational risks materialize, it may result in the personal injury to or death of workers, the loss of production equipment, damage to production facilities, monetary losses, delays and unanticipated fluctuations in production, environmental damage, administrative fines, increased insurance costs and potential legal liabilities, all which could have a material adverse effect on our business, prospects, financial condition or operating results. If we do not maintain the correct level of inventory or if we do not adequately manage our inventory, we could lose sales or incur higher inventory- related expenses, which could negatively affect our operating results. To ~~ensure the correct~~ **provide for an appropriate** level of inventory supply, we forecast inventory needs and expenses, places orders sufficiently in advance with ~~its-our~~ suppliers and manufacturing partners and manufactures products based on our estimates of future demand. Fluctuations in the adoption of our products may affect our ability to forecast our future operating results, including revenue, gross margins, cash flows and profitability. Our ability to accurately forecast demand for our products could be affected by many factors, including the rapidly changing nature of ~~its-our~~ current target markets, the uncertainty surrounding the market acceptance and commercialization of ~~its-our~~ technology, the emergence of new markets, an increase or decrease in customer demand for ~~its-our~~ products or for products and services of ~~its-our~~ competitors, product introductions by competitors, health epidemics and outbreaks, and any associated work stoppages or interruptions, unanticipated changes in general market conditions and the weakening of economic conditions or consumer confidence in future economic conditions. We may face challenges acquiring adequate supplies to manufacture our products and we and our partners may not be able to manufacture our products at a rate necessary to satisfy the levels of demand, which would negatively affect our short- term and long- term growth. This risk may be exacerbated by the fact that we may not carry or be able to obtain from our suppliers a significant amount of inventory to satisfy short- term demand increases. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products available for sale. ~~26Inventory--~~ **Inventory** levels in excess of customer demand may result in inventory write- downs or write- offs and the sale of excess inventory at discounted prices, which would adversely affect our financial results, including our gross margin, and have a negative effect ~~on 21on~~ our brand. Conversely, if we underestimate customer demand for our products, we may not be able to deliver products to meet our requirements, and this could result in damage to our brand and customer relationships and adversely affect our revenue and operating results. Risks Related to Our Growth Strategy We will need to raise additional capital in the future in order to execute our business plan, which may not be available on terms acceptable to us, or at all. We will require additional capital in order to execute on our business plan and may additionally require capital to respond to technological advancements, competitive dynamics or technologies, customer demands, business opportunities, challenges, acquisitions or unforeseen circumstances and may determine to engage in equity or debt financings or enter into credit facilities for other reasons. In order to stay on our growth trajectory and further business relationships with current or potential customers or partners, or for other reasons, we may issue equity or equity- linked securities to such current or potential customers or partners. We may not be able to timely secure additional debt or equity financing on favorable terms, or at all. If we raise additional funds through the issuance of equity or convertible debt or other equity- linked securities or if we issue equity or equity- linked securities to current or potential customers to further business relationships, our existing stockholders could experience significant dilution. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited and our business could be materially and adversely affected. We create innovative technology by designing and developing unique hardware and software solutions. A failure to achieve scale may affect our ability to sell at competitive prices, limit our customer base or lead to losses. We incur significant costs related to procuring the materials and components required to manufacture and assemble ~~its-our~~ high- performance products as well as related to designing and developing our software solutions. If our product sales do not increase as planned, or if our SaaS offerings are not sufficiently adopted by our customers, we may be unable to obtain anticipated material cost benefits or expected levels of fixed cost absorption that are needed to achieve ~~its-our~~ targeted margins and ~~its-our~~ operating results, business and prospects will be harmed. Furthermore, many of the factors that impact our operating costs are beyond ~~its-our~~ control. For example, the costs of our materials and components could increase due to shortages as global demand for these products increases ~~or the cost of maintaining our proprietary SaaS cloud could increase~~. The manufacture of our products is a complex process, and it is often difficult for companies to achieve acceptable product yields that could decrease available supply and increase costs. Thermal imaging system yields depend on both our product design and manufacturing processes. Because low yields may result from either design defects or process difficulties, we may not identify yield problems until well into the production cycle, when an actual product defect exists and can be analyzed and tested. In addition, many of these yield problems are difficult to diagnose and time consuming or expensive to remedy. If we are not able to effectively grow our sales and marketing organization, or maintain or grow an effective network of distributors, our business prospects, results of operations and financial condition could be adversely affected. In order to generate future sales growth, we will need to expand the size and geographic coverage of our field organization, including marketing, direct sales, customer support and technical services. Accordingly, our future success will depend largely on our ability to hire, train, retain, and motivate skilled regional sales managers and direct sales representatives with significant

technical knowledge and understanding of our products. Because of the competition for their skill set, we may not be able to attract or retain such personnel on reasonable terms, if at all. If we are unable to grow our sales and marketing organization, we may not be able to increase our revenue, which would adversely affect our business, financial condition and results of operations. ~~27~~ Additionally ~~22~~ Additionally, we rely on a network of independent distributors to help generate sales of our products. If a dispute arises with a distributor, if we terminate our relationship with a distributor or if a distributor goes out of business, it may take time to identify an alternative distributor, to train new personnel to market our products, and our ability to sell those products in a region formerly serviced by a terminated distributor could be harmed. In addition, our distributors may not successfully market and sell our products and may not devote sufficient time and resources that we believe are necessary to enable our products to develop, achieve or sustain market acceptance. Any of these factors could reduce our revenue or impair our revenue growth in affected markets, increase our costs in those markets or damage our reputation. In addition, if an independent distributor were to depart and be retained by one of our competitors, we may be unable to prevent that distributor from soliciting business from our existing customers, which could further adversely affect us. As a result of our reliance on third- party distributors, we may be subject to disruptions and increased costs due to factors beyond our control, including labor strikes, third- party errors and other issues. If the services of any of these third- party distributors become unsatisfactory, we may experience delays in meeting our customers' demands and we may be unable to find a suitable replacement on a timely basis or on commercially reasonable terms. Any failure to deliver products in a timely manner may damage our reputation and could cause us to lose potential customers. If we engage in acquisitions to grow our business, we will incur a variety of costs and may potentially face numerous risks that could adversely affect our business and operations. If appropriate opportunities become available, we may seek to acquire businesses, assets, technologies or products to enhance our business. In connection with any acquisitions, we could issue additional equity securities, which would dilute our stockholders, incur substantial debt to fund the acquisitions or assume significant liabilities. Acquisitions involve many diverse risks and uncertainties, including problems evaluating or integrating the purchased operations, assets, technologies or products, as well as with unanticipated costs, liabilities, and economic, political, legal and regulatory challenges due to our inexperience operating in new regions or countries and we may fail to successfully integrate acquired companies or retain key personnel from the acquired company. To date, we have limited experience with acquisitions and the integration of acquired technology and personnel. Acquisitions may divert our attention from ~~its~~ our core business. Acquisitions may require us to record goodwill and non- amortizable intangible assets that will be subject to testing on a regular basis and potential period impairment charges, incur amortization expenses related to certain intangible assets, and incur write offs and restructuring and other related expenses, any of which could harm our operating results and financial condition. New business strategies, especially those involving acquisitions, are inherently risky and may not be successful. Failure to successfully identify, complete, manage and integrate acquisitions could materially and adversely affect our business, financial condition and results of operations. We cannot guarantee we will optimally manage our lines of business or product lines. Consistent with our strategy to emphasize growth in our ~~core~~ target markets, we continually evaluate our businesses ~~so to ensure~~ that they are aligned with our strategy and objectives. Over the years, we have also reorganized certain of our product lines, for example, to de- emphasize products used primarily for biorisk applications as the impact of the global COVID- 19 pandemic began to lessen ~~, among other reasons~~. We may not be able to realize efficiencies and cost savings from our reorganization activities. There is no assurance that our efforts will be successful. If we do not successfully manage our lines of business or product lines, or any other similar activities that we may undertake in the future, expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. Our ability to dispose of, exit or reconfigure businesses that may no longer be aligned with our growth strategy will depend on many factors, including the terms and conditions of any asset purchase and sale agreement or lease agreement, as well as industry, business and economic conditions. We cannot provide any assurance that we will be able to sell non- strategic businesses on terms that are acceptable to us, or at all. In addition, if the sale of any non- strategic business cannot be consummated or is not practical, alternative courses of action, including relocation of product lines or closure, may not be available to us or may be more costly than anticipated. ~~28~~ Risks -- **Risks** Related to Our Customers and Suppliers ~~Certain of our commercial contracts with our customers, agreements with suppliers~~ **Suppliers** or co- development agreements with partners..... affecting our business and prospects. The loss of large customers could result in a material adverse effect to our financial results. For the years ended December 31, ~~2024 and 2023 and 2022~~, our top ~~three~~ customers represented approximately ~~44-47~~ % and ~~17-19~~ % of our revenue, respectively, ~~which~~. ~~These~~ percentages may increase going forward as we continue to grow or develop additional relationships with new large customers. The loss of business from our large customers (whether by lower overall demand for our products, cancellation of ~~existing~~ ~~23~~ existing contracts or product orders or the failure to incorporate our product designs or award us new business) could have a material adverse effect on our business. There can be no assurance that we will be able to maintain our relationships with our large customers and secure orders for our products. If we are unable to maintain our relationships with our large customers, or if arrangements are modified so that the economic terms become less favorable to us, then our business, financial results and position could be materially adversely affected. ~~with suppliers~~ or co- development agreements with partners could be terminated or may not materialize into long- term contract partnership arrangements. We have commercial contracts with our customers, agreements with suppliers and co- development agreements with partners. Some of these arrangements are evidenced by memorandums of understandings, letters of intent or onboarding arrangements, each of which will require further negotiation at later stages of development to include additional terms relating to pricing, volume and payment terms, or replacement by production or master agreements that have yet to be implemented under separately negotiated statements of work, each of which could be terminated or might not materialize into next- stage contracts or long- term contract partnership arrangements. If these arrangements are terminated or if we are unable to enter into next- stage contracts or long- term operational contracts, or if these arrangements get delayed or postponed, our business, prospects, financial condition and operating results may be materially adversely affected. These arrangements may also be subject to renegotiation, which may

affect product pricing or operating expenses. Therefore, even if we are successful in entering into long-term contract partnership arrangements, the discontinuation of, the loss of business with respect to, or a lack of commercial success of a particular product or technology package for which we are a significant supplier or an unfavorable adjustment in terms could mean that the expected sales of our products, or cost of inputs, will not materialize on the expected timeline or terms or will be less favorable than anticipated, potentially materially and adversely affecting our business and prospects. **The** We generate revenue from companies in certain industries that may be subject to significant levels of volatility. We generate revenue from companies in certain industries that may be subject to significant levels of volatility, such as the oil and gas industry. The oil and gas industry has historically been cyclical and characterized by significant changes in the levels of exploration and development activities, with resulting changes in midstream activities. We manufacture products used in the detection of gas or liquid leaks, monitoring of tank levels and flares, detection of pipeline leaks and safety monitoring of gas processing activities. When crude oil and natural gas prices are low, the level of midstream oil and gas activity typically decreases, potentially resulting in reduced demand for our products used in such activities. In addition, a decline in the level of capital spending by oil and natural gas companies may result in a reduced rate of development of new energy reserves, which could adversely affect demand for our products related to energy production, and, in certain instances, result in the cancellation, modification or rescheduling of existing orders and a reduction in customer-funded research and development related to next generation products. Other of our end markets are similarly subject to potential volatility, including as a result of general economic factors. We are exposed to credit risk on our trade accounts ~~receivable~~ **receivables**, supplier non-trade receivables, prepayments to manufacturers and **SaaS software as a service** subscription agreements, and this risk is heightened during periods when economic conditions worsen. We sell certain of our products directly to small and mid-sized businesses and other customers. Our outstanding trade receivables are not covered by collateral, third-party bank support or financing arrangements or credit insurance. Our exposure to credit and collectability risk on our trade receivables is higher in certain markets and our ability to mitigate such risks may be limited. If one or more of our major customers would be unable to pay our invoices as they become due or a customer simply refuses to make such payments if it experiences financial difficulties, our business would be adversely affected. If a major customer were to enter into bankruptcy proceedings or similar proceedings whereby contractual commitments are subject to stay of execution and the possibility of legal or other modification, we could be forced to record a substantial loss. ~~29~~ **We** ~~We~~ also have unsecured supplier non-trade receivables resulting from purchases of components by contract manufacturers and other vendors that manufacture sub-assemblies or assemble final products for us. In addition, from time to time, we may make prepayments associated with long-term supply agreements to secure supply of inventory components. While we are implementing procedures to monitor and limit exposure to credit risk on our trade and supplier non-trade receivables, there can be no assurance such procedures will effectively limit our credit risk and avoid losses. ~~We~~ **24** ~~We~~ may not be able to anticipate changing customer and consumer preferences or respond quickly enough to changes in technology and standards to be able to develop and introduce commercially viable products. Our ability to maintain and improve existing products, anticipate changes in technology, regulatory and other standards, and to successfully develop and introduce new and enhanced technologies and products on a timely basis will be a significant factor in our ability to be competitive and gain market acceptance. If we are unsuccessful or less successful than our competitors in predicting the course of market development, developing innovative products, processes, and / or use of materials, or adapting to new technologies or evolving regulatory, industry or customer requirements, we will suffer from a competitive disadvantage. We may need to adjust our strategy and projected timelines based on how certain technological challenges evolve over time. There is a risk that these challenges will not be overcome, and that our investments in research and development initiatives will not lead to successful new products and a corresponding increase in revenue, which could have a material adverse effect on our business, results of operations and financial condition. We currently target many customers that are large corporations with substantial negotiating power and exacting product standards. Many of our current and potential customers are large corporations that often possess significant leverage over their suppliers, and can successfully demand contract terms favorable to themselves, such as reserving the right to terminate their supply contracts for convenience. This disparate power has required, and may require in the future, that we accept less favorable contract terms. These large corporations also have exacting technical specifications and requirements that we may be unable to meet, thereby precluding ~~its~~ **our** ability to secure sales. Meeting the technical requirements to secure and maintain significant contracts with any of these companies will require a substantial investment of our time and resources, and if we fail to comply with our customers' technical specifications and standards, we may lose existing and future business. Even when we succeed in securing contracts, these large companies have been and may continue to be uncertain about their technical specifications for our products and terminate ~~its~~ **our** agreement or make a later determination that our products are not satisfactory. We therefore have no assurance that we can establish relationships with these companies, that our products will meet the needs of these or other companies, or that a contract with these companies will culminate in significant, or any, product sales. Even when we secure agreements with these companies, we may not be effective in negotiating contract terms or managing such relationships, which could adversely affect our future results of operations. Furthermore, in some instances, these large companies may have internally developed products and solutions that are competitive to our products. These companies may have substantial research and development resources, which may allow them to acquire or develop independently, or in partnership with others, competitive technologies. Such activities may foreclose significant sales opportunities for our products. Our revenue from **U. S.** government contracts depends on the continued availability of funding ~~from the U. S. government~~, and, accordingly, we have the risk that funding for our existing contracts may be canceled or diverted to other uses or delayed or that funding for new programs will not be available. We have performed, and may in the future perform, work on contracts with **the Department of Health and Human Services and other federal agencies and departments of the U. S. government governmental entities or**; **including subcontracts with government prime contractors. Sales under contracts with governmental entities or the U. S. government, including sales under contracts with an agency or department acting as prime contractor contractors or**

subcontractor, represented approximately 1% and 2.5% and 5.2% of our total revenue for the years ended December 31, 2024 and 2023 and 2022, respectively. Performance under government contracts has inherent risks and unfavorable contract terms that could have a negative effect on our business, results of operations, and financial condition. 30 Government Government contracts are conditioned upon the continuing availability of congressional appropriations and the failure of Congress to secure appropriate funds for programs in which we participate could negatively affect our results of operations. U.S. government Government shutdowns have resulted in delays in anticipated contract awards and delayed payments of invoices for several of its our businesses and any new shutdown could have similar or worse effects. The failure by Congress to approve future budgets on a timely basis could delay procurement of our products and services and cause us to lose future revenues. Any renewed emphasis on federal deficit and debt reduction could lead to a further decrease in overall defense spending. Budgetary concerns could result in future contracts being awarded more on price than on other competitive factors, and smaller budgets could result in government in-sourcing of programs and more intense competition on programs that are not in-sourced, which could result in lower revenues and profits. Also, government spending does not necessarily correlate to continued business for us, because not all of the programs in which we have participated, or may participate, or have current capabilities may be provided with continued funding. It is also not uncommon for the U.S. government governmental entities to delay the timing of awards or change orders for major programs for six to twelve months. These delays by the U.S. government could impact our revenues. Uncertainty over budgets or priorities with the U.S. presidential administration could result in further delays in funding and the timing of awards, and changes in funded programs that could have a material impact on our revenues. Certain U.S. government operation under a continuing resolution could impact contracts include termination for convenience provisions which allows the contract business by preventing new programs from starting as planned and by limiting funding on existing programs. A significant shift in U.S. government priorities related to programs be canceled at any time and for any reason (acquisition strategies could have a material impact to our or financial results no reason) or termination for default provisions. Termination for convenience provisions provides only for the 25% recovery of costs incurred or committed, settlement expenses, and profit on work completed prior to termination. Termination for default clauses imposes liability on the contractor for excess costs incurred by the U.S. government entities in re-procuring undelivered items from another source. Our suppliers could raise prices on key components, which may adversely affect our profitability. Significant increases in the cost of certain components used in our products, to the extent they are not timely reflected in the price we charge our customers, could materially and adversely impact our results. For example, we have experienced significant increases in prices for certain electronic components, as well as significantly increased lead times. We sought to address these increases by carrying safety stock of critical components on deposit with our suppliers, evaluating alternative components, suppliers and processes, reviewing component substitution opportunities, and aggressively negotiating larger quantities with our vendors to ensure provide for adequate supply. Certain of our key component manufacturers and suppliers have the ability, in our contracts, to periodically increase their prices. Accordingly, we cannot assure that it will not face increased prices in the future or, if we do, whether we will be effective in containing margin pressures from any further component price increases. Key components in our products come from limited or single source third party suppliers. Interruptions in our relationships with these third parties could adversely impact our business. We rely on third parties to supply key components of our products. If any of our major third-party component suppliers experience interruptions, delays or disruptions in supplying their products or services, including by natural disasters, health epidemics and outbreaks, or work stoppages or capacity constraints, our ability to ship products to distributors and customers may be delayed. In addition, unfavorable economic conditions could result in financial distress among third-party suppliers upon which we rely, thereby increasing the risk of disruption of supplies necessary to fulfill our production requirements and meet customer demands. For example, in 2024, due to the reorganization of a vendor, we recorded a write down of a deposit of approximately \$ 930,000. Additionally, if any of these third parties on whom we rely were to experience quality control problems in their operations and our products do not meet customer or regulatory requirements, we could be required to cover the cost of repair or replacement of any defective products. These delays or product quality issues could have an immediate and material adverse effect on our ability to fulfill orders and could have a negative effect on our operating results. In addition, such delays or issues with product quality could adversely affect our reputation and our relationship with our customers and distributors. If these third parties experience financial, operational, manufacturing capacity or other difficulties, or experience shortages in required components, our supply may be disrupted, we may be required to seek alternate suppliers and we may be required to re-design our products. It would be time-consuming, and could be costly and impracticable, to begin to use new suppliers and such changes could cause significant interruptions in supply. Such changes could also have an adverse effect on our ability to meet our scheduled product deliveries and may subsequently lead to the loss of sales. We While we take measures to protect our trade secrets, the use of third-party suppliers may also risk disclosure of our innovative and proprietary manufacturing methodologies, which could adversely affect our business. 31 We believe there are a limited number of competent, high-quality suppliers in the industry that meet our strict quality and control standards, and as we seek to obtain additional or alternative supplier arrangements in the future, there can be no assurance that we would be able to do so on satisfactory terms, in a timely manner, or at all. Our suppliers could also discontinue or modify components used in our products. In some cases, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules. Developing alternate sources of supply for these components may be time-consuming, difficult, and costly and we may not be able to source these components on terms that are acceptable to us, or at all, which may undermine our ability to meet our requirements or to fill customer orders in a timely manner. Any interruption or delay in the supply of any of these parts or components, or the inability to obtain these parts or components from alternate sources at acceptable prices and within a reasonable amount of time, would adversely affect our ability to meet our scheduled product deliveries to our customers. This could adversely affect our relationships with customers and distributors and could cause delays in shipment of our products and adversely affect our operating results. Risks Related to Our Products Components used in our sensors may fail

as a result of manufacturing, design or other defects over which we have no control and render our devices permanently inoperable. We rely on third- party component suppliers to provide certain functionalities needed for the operation and use of our devices. Any errors or defects in such third- party technology could result in errors in our sensors that could harm our business. If these components have a manufacturing, design or other defect, they can cause our sensors to fail and render them permanently inoperable. ~~As 26As~~ a result, we may have to replace these sensors at our sole cost and expense. Should we have a widespread problem of this kind, our reputation in the market could be adversely affected and our replacement of these sensors would harm our business. **Real or perceived false positive fire detection alerts or failure or perceived failure to generate alerts for actual fires could adversely affect our customers and their operations, damage our brand and reputation and adversely affect our growth prospects and results of operations. Certain of our products may be used for early fire detection. A false positive alert, in which a fire is incorrectly identified, could result in an unnecessary rapid deployment of police officers and first responders, which may raise unnecessary fear among the occupants of a facility, and may be deemed a waste of police and first responder resources. A false negative, in which there is a failure to alert law enforcement or security personnel of an actual fire, could result in a less rapid or no response by police officers and first responders, increasing the probability of injury or loss of life. Both false positive alerts and the failure to generate alerts of actual fires may result in customer dissatisfaction, potential loss of confidence in our solutions, and potential liabilities to customers or other third parties, any of which could harm our reputation and adversely impact our business and operating results. Additionally, the perception of a false positive alert or of a failure to generate an alert, even where our customers understand that our solutions were utilized correctly, could lead to negative publicity or harm the public perception of our solutions, which could harm our reputation and adversely impact our business and operating results.**

Product integration could face complications or unpredictable difficulties, which may adversely impact customer adoption of our products and our financial performance. Our products are typically integrated into customer workflows, applications and other technology solutions. Required integration efforts can be time- consuming and costly and there is no guarantee that results will be satisfactory to the end customer. While we work with system integrators that lend their experience to these workstreams, there is no guarantee that unforeseen delays or ~~setback~~ **setbacks** would not arise that would impair our ability to launch with key programs across our sectors of focus. **One risk specific to the manufacturing target market is that many manufacturing customers have some form of legacy system, usually vibration monitors, that perform functions that overlap with some of the MSAI Connect functionality.** In addition to the technical risks of integrating our products into our customers' workflows, applications and other technology solutions, our customers must be comfortable with the cybersecurity and software integrity of our products, including the ~~SmartHR~~ **MSAI Connect** system. Our customers must also be comfortable that the integration of our products will not disrupt our supply chain operations, which are typically continuous in nature. **Customers must be convinced that their legacy systems alone are not adequate for predictive- maintenance, process- improvement or safety tasks. Moreover, customers must be convinced that the combination of their legacy systems with MSAI Connect, or any of our other products, will be materially better for their business and operations through the enhancement of predictive maintenance, process improvement or safety, and will generate returns on investment (e. g., through prevention of unexpected downtime, improved process yields or early fire detection) that are significantly in excess of the costs of the MSAI Connect system or any of our other products.**

The complexity of our products could result in unforeseen delays or expenses from undetected defects, errors or reliability issues in hardware or software that could reduce the market adoption of our new products, damage our reputation with current or prospective customers, expose us to product liability and other claims and adversely affect our operating costs. Our products are highly technical and very complex. They require high standards to manufacture and have in the past, and will likely in the future, experience defects, errors or reliability issues at various stages of development. We may be unable to timely release new products, manufacture existing products, correct problems that have arisen or correct such problems to our customers' satisfaction. Additionally, undetected errors, defects or reliability issues, especially as new products are introduced or as new versions are released, could result in serious injury to the end users of technology incorporating our products, or those in the surrounding area, our customers never being able to commercialize technology incorporating our products, litigation against us, negative publicity and other consequences. Some errors or defects in our products may only be discovered after they have been tested, commercialized and deployed by customers. If that is the case, we may incur significant additional development costs and product recall, repair or replacement costs. These problems may also result in claims, including class actions, against us by ~~its~~ **our** customers or others. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our financial results. ~~32In~~ **27In** addition, we could face material legal claims for breach of contract, product liability, fraud, tort or breach of warranty as a result of these problems. Defending a lawsuit, regardless of its merit, could be costly and may divert management' s attention and adversely affect the market' s perception of us and our products. In addition, our business liability insurance coverage could prove inadequate with respect to a claim and future coverage may be unavailable on acceptable terms or at all. These product- related issues could result in claims against us and our business could be adversely affected. The markets in which we compete are characterized by technological change, which requires us to continue to develop new products and product innovations and could adversely affect market adoption of our products. While we intend to invest substantial resources to remain on the forefront of technological development, continuing technological changes in sensing technology and the markets for these products could adversely affect adoption of our products, either generally or for particular applications. Our future success will depend upon our ability to develop and introduce a variety of new capabilities and innovations to our existing product offerings, as well as introduce a variety of new product offerings, to address the changing needs of the markets in which we offer our products. Delays in delivering new products that meet customer requirements could damage our relationships with customers and lead them to seek alternative sources of supply. Delays in introducing products and innovations, the failure to choose correctly among technical

alternatives or the failure to offer innovative products or configurations at competitive prices may cause existing and potential customers to purchase our competitors' products or turn to alternative sensing technology. If we are unable to devote adequate resources to develop products or cannot otherwise successfully develop products or system configurations that meet customer requirements on a timely basis or that remain competitive with technological alternatives, our products could lose market share, our revenue will decline, we may experience operating losses and our business and prospects will be adversely affected. We may incur significant direct or indirect liabilities in connection with **its our** product warranties which could adversely affect our business and operating results. We typically offer a limited product warranty that requires our products to conform to the applicable specifications and be free from defects in materials and workmanship for a limited warranty period. As a result of increased competition and changing standards in our target markets, it may be required to increase our warranty period length and the scope of our warranty. To be competitive, we may be required to implement these increases before we are able to determine the economic impact of an increase. Accordingly, we may be at risk that any such warranty increase could result in foreseeable and unforeseeable losses. In particular, the usage of our products by target customers could make us liable for warranty claims and pecuniary and reputational damages. In our target markets, our products may be placed in physical locations and environments that present harsh operating conditions, or that present a risk of product damage due to accidents or vandalism. This may result in more product failures than we anticipate, and may require us to provide warranties for our products beyond our knowledge of their performance. This could increase the rate of customer returns and warranty claims, resulting in higher than expected operating costs for us. Product failures may also affect market acceptance of our products and our ability to win future business. Any negative publicity related to the perceived quality of our products could affect our brand image, partner and customer demand, and adversely affect our operating results and financial condition.

Risks Related to Our Financial Statements and Accounting

Our history of net losses, negative..... use our products; • future accounting Accounting If pronouncements or changes in our accounting policies; and • general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors. Many of these factors are outside of our control and may not fully reflect the underlying performance of our business. The individual or cumulative effects of factors discussed above could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful. This variability and unpredictability could also result in failure to meet the expectations of industry or financial analysts or investors for any period. If our revenue or operating results fall below the expectations of analysts or investors or below any guidance we may provide, or if the guidance we provide is below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met any previously publicly stated guidance we may provide. If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be adversely affected. We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, and the rules and regulations of Nasdaq. We expect that the requirements of these rules and regulations will increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly and place significant strain on our personnel, systems, and resources. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to establish, develop and refine **its our disclosure controls, internal control over financial reporting, and other procedures that are designed to ensure that information required to be disclosed in the reports that we will file with the SEC are recorded, processed, summarized, and reported within the time periods specified in the rules of and on the forms **required 28required** by the SEC, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. **In As previously reported, in** connection with the preparation of the audited consolidated financial statements for the **years-- year** ended December 31, 2023 **and 2022**, we identified material weaknesses in our internal controls over financial reporting. **Specifically As of December 31, 2024, management has remediated these-- the material** weaknesses-- **weakness** related to having an insufficient number of personnel with an appropriate degree of accounting and internal controls knowledge, experience and training to appropriately analyze, record and disclose accounting matters commensurate with its accounting and reporting requirements, which resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of our financial reporting objectives. See Item 9A. "Controls and Procedures" in Part II of this Annual Report **on Form 10-K**. Any new controls that we develop may be inadequate because of changes in conditions in our business. Further, additional weaknesses in our internal controls may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could adversely affect our operating results or cause us to fail to meet our reporting obligations, and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal controls also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in the periodic reports we will file with the SEC under Section 404 of the Sarbanes-Oxley Act. Ineffective disclosure controls and procedures and a lack of internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information. In order to maintain and improve the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs, and provide significant management oversight. Any failure to maintain the adequacy of our internal controls, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially and adversely affect our ability to operate our business. If our internal controls are perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results. **35Our-- Our** independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an emerging**

growth company or smaller reporting company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event we are not satisfied with the level at which our controls are documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results. **Since many of the markets in which..... indicative of our ability to grow.** We are exposed to the risk of write-downs on the value of our inventory and other assets, in addition to purchase commitment cancellation risk. We write down our inventories that exceed anticipated demand, or for which cost exceeds net realizable value. We review long-lived assets—including capital assets held at our suppliers' facilities, for impairment whenever events or circumstances indicate the assets may not be recoverable. If we determine that an impairment has occurred, we record a write-down equal to the amount by which the carrying value of the asset exceeds its fair value. For example, we recorded an inventory write-down of \$ **2,272 and \$ 1.7 million, 689** which was charged to costs of goods sold **in the Consolidated Statements of Operations for the year-ends ended December 31, 2024 and 2023, respectively,** related to **products that are not expected to be sold in one year based on customer demand and current prevailing market conditions -** Although we believe that our remaining inventory, capital assets, and other assets and purchase commitments are currently recoverable, no assurance can be given that we will not incur write-downs, fees, impairments and other charges. We order components for our products and build inventory in advance of product manufacturing and shipments. Because our target markets are volatile, competitive and subject to rapid technology and price changes, and because we have limited sales history in certain new end-markets, there is a risk we will forecast incorrectly and order or produce excess or insufficient amounts of components or products or not fully utilize our purchase commitments. **36 Our -- Our** ability to use our net operating loss carryforwards and certain other tax attributes may be limited. As of December 31, **2023-2024**, we had \$ **16-31.84** million of U. S. federal net operating loss carryforwards available to reduce future taxable income. MSAI's U. S. federal operating loss carryforwards will be carried forward indefinitely for U. S. federal tax purposes. Of MSAI's U. S. state net operating loss carryforwards, the earliest that any will expire is 2027. It is possible that MSAI will not generate taxable income in time to use these net operating loss carryforwards before their expiration (or that it will not generate taxable income at all). Under legislative changes made in December 2017, U. S. federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such net operating losses is limited. **It is uncertain if and to what extent various states will conform to these in federal tax laws.** In addition, our federal and state net operating loss carryforwards and certain tax credits may be subject to significant limitations under Section 382 and Section 383 of the Code, respectively, and similar provisions of state law. Under those sections of the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other **pre-29pre**-change attributes, such as research tax credits, to offset its post-change income or tax may be limited. In general, an "ownership change" will occur if there is a cumulative change in our ownership by "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. There has been no limitation or loss of net operating losses or tax credits as of December 31, 2023. It has been determined that the Business Combination did not give rise to an "ownership change" for purposes of Section 382 and Section 383 of the Code. However, we may experience an ownership change in the future as a result of subsequent shifts in our stock ownership (some of which shifts are outside of our control). As a result, our ability to use our pre-change federal NOLs and other tax attributes to offset future taxable income and taxes could be subject to limitations. For these reasons, we may be unable to use a material portion of our NOLs and other tax attributes, which could adversely affect our future net income and cash flows. Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations. We are subject to income taxes in the United States, and our tax liabilities are subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including: • changes in the valuation of our deferred tax assets and liabilities; • expected timing and amount of the release of any tax valuation allowances; • tax effects of share-based compensation; • costs related to intercompany restructurings; • changes in tax laws, regulations or interpretations thereof; or • lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates. In addition, we may be subject to audits of our income, sales and other transaction taxes by taxing authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations. **37 Risks -- Risks** Related to Our Intellectual Property, Information Technology and Cybersecurity We are subject to cybersecurity risks to operational systems, security systems, infrastructure, firmware in our thermal infrared technology and customer data processed by us or third-party vendors or suppliers and any material failure, weakness, interruption, cyber event, incident or breach of security could prevent us from effectively operating our business. We **For example, we are at risk** for interruptions, outages and breaches of: operational systems, including business, financial, accounting, product development, data processing or production processes, owned by us or our third-party vendors or suppliers; facility security systems, owned by us or our third-party vendors or suppliers; in-product technology owned by us or our third-party vendors or suppliers; the integrated software in our thermal infrared solutions; or customer data that we process or our third-party vendors or suppliers process on our behalf. Such cyber incidents could materially disrupt operational systems; result in loss of intellectual property, trade secrets or other proprietary or competitively sensitive information; compromise certain information of customers, employees, suppliers, or others; jeopardize the security of our facilities; or affect the performance of in-product technology and the integrated software in **our-its** thermal infrared solutions. **Remote and hybrid working arrangements at our company** **A cyber incident could be caused by disasters, insiders (and at many through inadvertence or with malicious intent) or malicious third parties (including nation-party providers, states or nation-state-supported actors)** also increase cybersecurity risks due **using sophisticated, targeted methods to circumvent firewalls, encryption and the other** challenges associated with managing remote computing assets and security **defenses** vulnerabilities that are present in many non-corporate and home

networks. Additionally, **including hacking, fraud, trickery** any integration of AI/ML in our **or** or any service providers' operations, products or services is expected to pose new or unknown cybersecurity risks and challenges. Cyberattacks are expected to accelerate on a global basis in frequency and magnitude as the **other forms of deception. The** techniques and tools **including AI** used by cyber attackers are becoming increasingly sophisticated, change frequently and may be difficult to detect for long periods of time. Although we maintain information technology measures designed to protect us against intellectual property theft, data breaches and other cyber incidents, such measures will require updates and improvements, and **we-it** cannot guarantee that such measures will be **fully implemented, complied with or** adequate to detect, prevent or mitigate cyber incidents. The implementation, maintenance, segregation and improvement of these systems requires significant management time, support and cost. Moreover, there are inherent risks associated with developing, improving, expanding and updating current systems, including the disruption of our data management, procurement, production execution, finance, supply chain and sales and service processes. These risks may affect our ability to manage **our-its** data and inventory, procure parts or supplies or produce, sell, deliver and service **our-its** solutions, adequately protect our intellectual property or achieve and maintain compliance with, or realize available benefits under, applicable laws, regulations and contracts. We cannot be sure that the **IT Systems systems** upon which we rely, including those of our third-party vendors or suppliers, will be effectively implemented, maintained or expanded as planned. If we do not successfully implement, maintain or expand these **IT Systems systems** as planned, our operations may be disrupted, our ability to accurately and timely report our financial results could be impaired, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results. Moreover, our **Confidential proprietary information information** or intellectual property could be compromised **or misappropriated and our reputation may be adversely affected. If these systems do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions.** have experienced and expect to continue to experience actual and attempted cyberattacks of our IT networks, such as through phishing scams **and ransomware**. Although none of these actual or attempted cyber-attacks **has have** had a material adverse impact on our operations or financial condition, we cannot guarantee that any such incidents will not have such an impact in the future. **For example, we are at risk..... alternative sources for performing these functions.** A significant cyber incident could impact production capability, harm our reputation, cause us to breach **its-our** contracts with other parties or subject us to regulatory actions or litigation **(including class actions)**, any of which could materially affect **its-our** business, prospects, financial condition and operating results. In addition, our insurance coverage for cyberattacks may not be sufficient to cover all the losses we may experience as a result of a cyber-incident. Any problems with our third-party cloud hosting providers, whether due to **cyber security cybersecurity** failures or other causes, could result in lengthy interruptions in our business. Furthermore, **we cannot guarantee** there can be no assurance that our **cybersecurity risk management program any costs and liabilities incurred in relation to and an attack** processes, including our **or incident will be covered by our existing insurance** policies, controls or procedures, **that applicable insurance** will be **available to us** fully implemented, **complied with or effective in protecting the future on economically reasonable terms our or at all** systems and information. Our intellectual property applications may not issue or be registered, which may have a material adverse effect on our ability to prevent others from commercially exploiting products similar to ours. We cannot be certain that we are the first inventor of the subject matter to which we have filed any particular patent application, or if we are the first party to file such a patent application. If another party has filed a patent application to, or otherwise publicly disclosed, subject matter that we are seeking to protect in a given patent application, we may not be entitled to the protection sought by the patent application. We also cannot be certain whether the claims included in a patent application will ultimately be granted as an issued patent since the patent office of the jurisdiction in which a patent application is filed may rule that the subject matter we are seeking to patent is not novel or is obvious or otherwise non-inventive or rule that the patent application and / or claims of the patent application do not comply with one or more other requirements of the patent laws of the jurisdiction. Further, the scope **38of of** protection of issued patent claims is often difficult to determine. As a result, we cannot be certain that our issued patents will afford protection against competitors with similar technology. In addition, our competitors may design around our issued patents, which may adversely affect our business, prospects, financial condition and operating results. Claims that we are infringing **or misappropriating** third-party intellectual property **rights**, whether successful or not, could subject us to costly and time-consuming litigation or expensive licenses, and adversely affect our business. **Any As of the date of this Annual Report, to our knowledge, the Company has not been party to or received notice of any** intellectual property and related contractual litigation **. Intellectual property and related contractual litigation**, if it is initiated in the future by us or a third party, **could** result in substantial costs and diversion of management resources, either of which could materially and adversely affect our business, operating results and financial condition. Such claims may also divert management resources and attention away from other business efforts and force us to acquire intellectual property rights and licenses, which may involve substantial royalty or **other licensing** payments that may not be acceptable to us. Further, a party making such a claim against us, if successful, could secure a judgment that requires us to pay substantial damages or such a party could obtain an injunction **An adverse determination also could invalidate our intellectual property rights and adversely affect our ability to offer our products to our customers and may require that we procure or develop substitute products that do not infringe, which could require significant effort and expense. Even if we obtain favorable outcomes in any such litigation, we may not be able to obtain adequate remedies, or may have incurred costs that threaten our financial stability. Assertions of our attempts to enforce our rights against third parties could also lead these third parties to assert their own intellectual property or other rights against us or seek invalidation or a narrowed scope of our rights, in whole or in part. Any of these events could adversely affect our business, operating results, financial condition and prospects.** Thermal infrared technology is a heavily populated intellectual property field, in which many companies, both within and outside of the industry, hold patents covering such products and other adjacent technologies. In addition to patents, companies in the **thermal 31thermal** infrared technology industry typically rely on

copyrights and trade secrets to protect their technology. As a result, there has been frequent litigation in the thermal infrared technology industry based on allegations of patent infringement, misappropriation or other violations of intellectual property rights. We have received, and in the future may receive, inquiries from other intellectual property holders and we may become subject to claims that we infringe others' intellectual property rights, particularly as our market presence increases, as our products expand to new use cases and geographies, and as we face increasing competition. In addition, parties may claim that our name and the branding of our products infringe their trademark rights in certain territories. If such a claim were to prevail, we may have to change the names of and branding of our products in the affected territories which ~~would~~ could be costly and could cause market confusion. Interruption or failure of our information technology and communications systems could impact our ability to effectively provide our services. Our products include services and functionality that utilize data connectivity to monitor performance and timely capture opportunities to enhance performance and functionality. The availability and effectiveness of our services depend on the continued operation of information technology and communications systems. Our systems will be vulnerable to damage or interruption from, among others, physical theft, fire, terrorist attacks, natural disasters, power loss, war, telecommunications failures, viruses, denial or degradation of service attacks, ransomware, social engineering schemes, insider theft or misuse or other attempts to harm our systems. We utilize reputable third- party service providers or vendors for our data other than our source code, and these providers could also be vulnerable to harms similar to those that could damage our systems, including sabotage and intentional acts of vandalism causing potential disruptions. Some of our systems will not be fully redundant, and our disaster recovery planning cannot account for all eventualities. Any problems with our third- party cloud hosting providers could result in lengthy interruptions in our business. In addition, our product services and functionality are highly technical and complex technology which may contain errors or vulnerabilities that could result in interruptions in our business or the failure of our systems. ~~39Under~~ Under certain of our agreements, we are required to provide indemnification in the event our technology is alleged to infringe upon the intellectual property rights of third parties. In certain of our agreements, we indemnify our licensees, manufacturing partners and suppliers for claims that our products infringe the intellectual property rights of third parties. We could incur significant expenses defending these partners if they are sued for patent infringement based on allegations related to our technology. In addition, if a partner were to lose a lawsuit and in turn seek indemnification from us, we could be subject to significant monetary liabilities. While such contracts typically give us multiple remedies for addressing instances of infringements, such remedies, such as product modification or the purchase of licenses, could be expensive and difficult to administer. We employ utilize third- party licensed software for use in our business, and the inability to maintain these licenses, errors in the software, or the terms of open- source licenses could result in increased costs or reduced service levels, which would adversely affect our business. Our business relies on certain third- party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third- party software in the future. Although we believe that there are commercially reasonable alternatives to the third- party software we currently license, these alternatives may not always be available, or it may be difficult or costly to switch to an alternative. In addition, integration of new third- party software may require significant work and require substantial investment of our time and resources. Our uses of additional or alternative third- party software would require us to enter into license agreements with third parties, which may not be available on commercially reasonable terms, or at all. This third- party technology may currently or could, in the future, infringe the intellectual property rights of third parties or the licensors may not have sufficient rights to the technology they license us in all jurisdictions in which we may sell our solutions. The licensors of the third- party technology we use may discontinue their offerings or change the prices for and other terms under which their technology is licensed. If we are unable to continue to license any of this technology on terms we find acceptable, or if there are quality, security, or other substantive issues with any of this technology, we may face delays in releases of our solutions or we may be required to find alternative vendors or remove functionality from our solutions. In addition, our inability to obtain certain licenses or other rights might require us to engage in potentially costly and time- consuming dispute resolution or litigation regarding these matters. Many of the risks associated with the use of third- party software cannot be eliminated, and these risks could negatively affect our business. ~~Some~~ ~~32~~Some of the third- party software used by us is licensed under the terms of open- source software licenses. Companies that incorporate open- source software into their technologies have, from time to time, faced claims challenging the use of open- source software and / or compliance with open- source license terms. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open- source software or claiming noncompliance with open- source licensing terms. Some open- source software licenses require users who distribute such software to publicly disclose all or part of the source code to such software and / or make available any derivative works of the open- source code, which could include valuable proprietary code of the user, on unfavorable terms or at no cost. While we monitor the use of open- source software and attempt to ensure that open- source software is not used in a manner that would require us to disclose our internally developed source code or that would otherwise breach the terms of an open- source agreement, such use could inadvertently occur. The terms of many open- source software licenses have not been interpreted by U. S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to sell our products. Any requirement to disclose our internally developed source code or pay damages for breach of contract could have a material adverse effect on our business, financial condition, and results of operations and could help our competitors develop services that are similar to or better than ours. We have integrated, and may continue to integrate, open- source AI models in certain aspects of our business. Given that AI is a rapidly developing technology that is in its early stages of business use, it presents a number of operational, compliance and reputational risks. Please see “ — Risks Related to Our Use of Artificial Intelligence ” for more information. We rely on the availability of certain open- source AI models. If such AI models were no long available or free to use, it could have a material adverse effect on our business, financial condition, and results of operations. We may not be able to adequately protect or enforce our intellectual property rights or prevent competitors or other unauthorized parties from copying or reverse

engineering our technology. Our success depends in part on our ability to obtain patents and other intellectual property rights covering our technology and products, and to maintain adequate legal protection for our technology and products in the United States. We rely primarily on trade secret protections and, to a lesser extent, on patent, trademark and copyright laws, along with confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protections. We ~~cannot can make no assurances~~ **assure** whether any of our pending patent applications will mature into issued patents, or that any of our pending trademark applications will be registered, in a manner that gives us any or adequate defensive protection ~~or competitive advantages~~. We also do not know whether any patents issued to us or any trademarks registered by us will ~~not~~ be challenged, invalidated or circumvented. ~~Any~~ **Our portfolio of currently issued patents and registered trademarks, and any** patents that may be issued, ~~or~~ any copyrights and trademarks that may be registered in the future, may not provide sufficiently broad protections to us, or may not prove to be enforceable in actions against alleged infringers. We cannot be certain that the actions we have undertaken to protect our technology and products will prevent unauthorized use of our technology or the reverse engineering of our products. Moreover, others may independently develop technologies and products that compete with ours, or infringe our intellectual property. ~~40We have filed for patents and trademarks in the United States, but such protections may not be available, and we may not have applied for protections in all jurisdictions in which we operate or sell our products.~~ Though we may have obtained, or may in the future obtain, intellectual property and related proprietary rights in various jurisdictions, it may prove difficult to enforce our intellectual property rights in practice. Discovering and protecting against unauthorized use of our intellectual property, products and other proprietary rights is expensive and difficult. ~~We intend to enforce our intellectual property rights.~~ Competitors and other unauthorized parties may attempt to copy or reverse engineer our technology and other aspects of our solutions that we consider proprietary. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to prevent unauthorized parties from copying or reverse engineering our products, to determine the validity and scope of the proprietary rights of others or to block the importation of infringing products into the United States or other markets. Failure to adequately protect our intellectual property rights could result in our competitors offering similar products, potentially resulting in the loss of some of our competitive advantage, market share and a decrease in our revenue, which ~~would~~ **could** adversely affect our business, operating results, financial condition and prospects. ~~We~~ **In addition to patented technology, we** rely on our unpatented proprietary technology, copyrights, trade secrets, proprietary processes and know-how. We rely on **laws and regulations applicable to** proprietary **intellectual property, technology and** information (including, for example, trade secrets, know-how and confidential information) to protect intellectual property that may not be patentable or subject to copyright or trademark protection, or that we believe is best protected by means that do not require public disclosure. We may seek to protect this proprietary information **and trade secrets** by entering into confidentiality agreements, or consulting, services or employment agreements that contain non-disclosure and non-use provisions with ~~its~~ **our** employees, consultants, contractors and third parties. We may fail, however, to enter into the necessary agreements, and even if properly executed and entered into, these agreements may be breached or may otherwise fail to prevent disclosure, third-party infringement or misappropriation of our proprietary information **and trade secrets**, ~~may~~ **33may** be limited as to their term and may not provide an adequate remedy in the event of unauthorized disclosure or use of proprietary information. Additionally, we have limited control over the protection of trade secrets used by our current or future manufacturing partners and suppliers and could lose future trade secret protection if any unauthorized disclosure of such information occurs. In addition, our proprietary information may otherwise become known or be independently developed by our competitors or other third parties. ~~To the extent that our employees, consultants, contractors, advisors and other third parties use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection for our proprietary information could adversely affect our competitive business position.~~ Furthermore, laws regarding trade secret rights in certain markets where we operate may afford little or no protection to our trade secrets. ~~We also rely on security measures, both physical and electronic, to protect our proprietary information, but we cannot provide assurance that these security measures will not be breached or provide adequate protection for our property. There is a risk that third parties may obtain and improperly utilize our proprietary information to our competitive disadvantage. Also, we may not be able to detect or prevent the unauthorized use of such information or take appropriate and timely steps to enforce our proprietary information.~~ We may be subject to damages resulting from claims that we or our employees have wrongfully used or disclosed alleged trade secrets of our employees' former employers. We may be subject to claims that we or our employees have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of one or more of an employee's former employers. Litigation may be necessary to defend us against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our products, which could severely harm our business. Even if we are successful in defending against any such claims, litigation could result in substantial costs and demand on management resources. ~~41Risks~~ **Risks Related to Our Use of Artificial Intelligence** **Our use of AI Technologies poses specific risks related to intellectual property, including uncertainty concerning the degree and extent of protection warranted for intellectual property developed with AI Technologies. A number of aspects of intellectual property protection in the field of AI and machine learning are currently under development, and there is uncertainty and ongoing litigation in different jurisdictions as to the degree and extent of protection warranted for AI and machine learning systems and relevant system input and outputs. The law is also uncertain across jurisdictions regarding the copyright ownership of content that is produced in whole or in part by generative AI tools. If we fail to obtain protection for the intellectual property rights concerning our AI, machine learning, and automated decision-making technologies, including AI and machine learning algorithms and models, (collectively, our "AI Technologies"), or later have our intellectual property rights invalidated or otherwise diminished,**

our competitors may be able to take advantage of our research and development efforts to develop competing products which could adversely affect our business, reputation and financial condition. Given the long history of development of AI Technologies, other parties may have (or in the future may obtain) patents or other proprietary rights that would prevent, limit, or interfere with our ability to make, use, or sell our own AI Technologies. We use AI technologies in our business, and the development, use, and maintenance of these technologies involve technological and legal risk. We are investing in AI Technologies. We expect that increased investment will be required in the future to develop and improve our AI Technologies. As with many technological innovations, there are significant risks involved in developing, maintaining and deploying these technologies and we cannot assure that the usage of or our investments in such technologies will always enhance our products or services or be beneficial to our business, including our efficiency or profitability. In particular, if the models underlying our AI Technologies are incorrectly designed or implemented; trained or reliant on incomplete, inadequate, inaccurate, biased or otherwise poor quality data, or on data to which we do not have sufficient rights or in relation to which we and / or the providers of such data have not implemented sufficient legal compliance measures; used without sufficient oversight and governance to provide for their responsible use; and / or adversely impacted by unforeseen defects, technical challenges, cybersecurity threats or material performance issues], the performance of our products, services and business, as well as our reputation and the reputations of our customers, could suffer or we could incur liability resulting from the violation of laws or contracts to which we are a party or civil claims. With respect to our products or services that incorporate our AI Technology or other AI technology, the market for such products and services is rapidly evolving and unproven in many industries, including our own, and important assumptions about the characteristics of targeted markets, pricing, sales cycles, cost, performance, and perceived value associated with our services or products may be inaccurate. We cannot be sure that the market will continue to grow or that it will grow in ways we anticipate. In addition, market acceptance and consumer perceptions of products and services that incorporate AI Technology is uncertain. Our failure to successfully develop and commercialize our products or services involving AI Technologies could depress the market price of our stock and impair our ability to: raise capital; expand our business; provide, improve and diversify our product offerings; continue our operations and efficiently manage our operating expenses; and respond effectively to competitive developments. In addition to our AI Technologies, we use AI technologies licensed from third parties in our technologies and our ability to continue to use such technologies at the scale we need may be dependent on access to specific third-party software and infrastructure. We cannot control the availability or pricing of such third-party AI technologies, especially in a highly competitive environment, and we may be unable to negotiate favorable economic terms with the applicable providers. If any such third-party AI technologies become incompatible with our solutions or unavailable for use, or if the providers of such models unfavorably change the terms on which their AI technologies are offered or terminate their relationship with us, our solutions may become less appealing to our customers and our business will be harmed. In addition, to the extent any third-party AI technologies are used as a hosted service, any disruption, outage, or loss of information through such hosted services could disrupt our operations or solutions, damage our reputation, cause a loss of confidence in our solutions, or result in legal claims or proceedings, for which we may be unable to recover damages from the affected provider. We develop products which are powered by AI Technologies, and dependence on and challenges in developing and maintaining such AI Technologies may adversely affect our operations and competitive position. We are in varying stages of development in relation to our products and internal business processes involving AI Technologies. The continuous development, maintenance and operation of our AI Technologies is expensive and complex, and may involve unforeseen difficulties including material performance problems, undetected defects or errors. For instance, the models underlying AI Technologies can experience decay (also known as “ model drift ”) in which its performance and accuracy decreases over time without further human intervention to correct such decay. We may not be successful in our ongoing development and maintenance of these technologies in the face of novel and evolving technical, reputational and market factors. Our efforts to develop proprietary AI models could increase our operating costs. Our ability to develop proprietary AI models may be limited by our access to processing infrastructure or training data, and we may be dependent on third-party providers for such resources. We face significant competition from other companies in our industry in relation to the development and deployment of AI Technologies. Those other companies may develop AI Technologies that are similar or superior to ours and / or are more cost-effective and / or quicker to develop, deploy and maintain. Any inability to develop, offer or deploy new AI Technologies as effectively, as quickly and / or as cost-efficiently as our competitors could have a materially adverse impact on our operating results, customer relationships and growth. Our business may be affected by the evolving regulatory framework for AI Technologies. The regulatory framework for AI Technologies is rapidly evolving as many federal, state, and foreign government bodies and agencies have introduced or are currently considering additional laws and regulations. Already, certain existing legal regimes (e. g., relating to data privacy) regulate certain aspects of AI Technologies, and new laws regulating AI Technologies were passed in the United States and the EU in 2024. For example, in October 2023, the United States Government issued a broad Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence (the “ 2023 AI Order ”), that sets out principles intended to guide AI design and deployment for the public and private sector and signals the increase in governmental involvement and regulation over AI Technologies. The 2023 AI Order established certain new requirements for the training, testing and cybersecurity of sophisticated AI models and large-scale computer centers used to train AI models. The 2023 AI Order also instructed several other federal agencies to promulgate additional regulations within specific timeframes from the date of the 2023 AI Order regarding the use and development of AI Technologies. Already agencies such as the Department of Commerce and the Federal Trade Commission have issued proposed rules governing the use and development of AI Technologies.

Legislation related to AI Technologies has also been introduced at the federal level and is advancing at the state level. For example, the California Privacy Protection Agency is currently in the process of finalizing regulations under the CCPA regarding the use of automated decision-making. In September 2024, California enacted seventeen new bills that further regulate use of AI Technologies and provide consumers with additional protections around companies' use of AI Technologies, such as requiring companies to disclose certain uses of generative AI. These new bills may affect how we use AI Technologies in our business. For example, AB 1008 amends the CCPA to clarify that AI Technologies can generate output that is considered personal information, which would mean that California consumers have a right to request that such personal information generated by AI Technologies be deleted or corrected, pursuant to their rights under the CCPA. Such additional regulations may impact our ability to develop, use and commercialize AI Technologies in the future. In Europe, on August 1, 2024, the EU Artificial Intelligence Act (the "EU AI Act") entered into force, and establishes a comprehensive, risk-based governance framework for AI in the EU market. The majority of the substantive requirements will apply beginning August 2, 2026. The EU AI Act applies to companies that develop, use and / or provide AI in the EU and includes requirements around transparency, conformity assessments and monitoring, risk assessments, human oversight, security, accuracy, general purpose AI and foundation models, and fines for breach of up to 7 % of worldwide annual turnover. In addition, on September 28, 2022, the European Commission proposed two Directives seeking to establish a harmonized civil liability regime for AI in the EU, in order to facilitate civil claims in respect of harm caused by AI and to include AI-enabled products within the scope of the EU's existing strict product liability regime. Once fully applicable, the EU AI Act and the Liability Directives will have a material impact on the way AI is regulated in the EU. Further, in Europe we are subject to the European Union General Data Protection Regulation (the "GDPR"), which regulates our use of personal data for automated decision making that results in a legal or similarly significant effect on an individual, and provides rights to individuals in respect of that automated decision making. Recent case law from the Court of Justice of the European Union ("CJEU") has taken an expansive view of the scope of the GDPR's requirements around automated decision making and introduced uncertainty in the interpretation of these rules. Specifically, the CJEU has expanded the scope for automated decision making under the GDPR by finding that automated decision making activities can fall within the GDPR's restrictions on those activities even if the required legal or similarly significant effect for the individual is carried out by a third party, in certain circumstances. The EU AI Act, and developing interpretation and application of the GDPR in respect of automated decision making, together with developing guidance and / or decisions in this area, may affect our use of AI Technologies and our ability to provide, improve or commercialize our services, require additional compliance measures and changes to our operations and processes, result in increased compliance costs and potential increases in civil claims against us, and could adversely affect our business, operations and financial condition. While new AI Technologies initiatives, laws, and regulations are emerging and evolving, what they ultimately will look like remains uncertain, and our obligation to comply with them could entail significant costs, negatively affect our business, or entirely limit our ability to incorporate certain AI Technologies into our offerings. It is possible that further new laws and regulations will be adopted in the United States and in other non- U. S. jurisdictions, or that existing laws and regulations, including competition and antitrust laws, may be interpreted in ways that would limit our ability to use AI Technologies for our business, or require us to change the way we use AI Technologies in a manner that negatively affects the performance of our products, services, and business and the way in which we use AI Technologies. We may need to expend resources to adjust our products or services in certain jurisdictions if the laws, regulations, or decisions are not consistent across jurisdictions. Further, the cost to comply with such laws, regulations, or decisions and / or guidance interpreting existing laws, could be significant and would increase our operating expenses (such as by imposing additional reporting obligations regarding our use of AI Technologies). Such an increase in operating expenses, as well as any actual or perceived failure to comply with such laws and regulations, could adversely affect our business, financial condition and results of operations.

Risks Related to Our Regulatory Compliance If we fail to comply with the laws and regulations relating to the collection of sales tax and payment of income taxes in the various states in which we do business, we could be exposed to unexpected costs, expenses, penalties and fees as a result of our non-compliance, which could harm our business. By engaging in business activities in the United States, we become subject to various state laws and regulations, including requirements to collect sales tax from ~~its~~ **our** sales within those states, and the payment of income taxes on revenue generated from activities in those states. A successful assertion by one or more states that we were required to collect sales or other taxes or to pay income taxes where we did not could result in substantial tax liabilities, fees and expenses, including substantial interest and penalty charges, which could harm our business. Our U. S. government contracting activities are subject to government contracting regulations, including increasingly complex regulations on cybersecurity, and our failure to comply with such laws and regulations could harm our operating results and prospects. Our U. S. government contracting activities, like other government contractors, ~~are~~ **may become** subject to various ~~audits~~ **oversight**, reviews and investigations (including private party "whistleblower" lawsuits) relating to our compliance with applicable federal and state laws and regulations. More routinely, the U. S. government ~~or governmental entity~~ **or governmental entity** may audit ~~the costs we incur on our U. S. government contracts~~ **with them**, including allocated indirect costs. Such audits could result in adjustments to our contract ~~prices or~~ **prices or** costs. Any costs found to be improperly allocated to a specific contract will not be reimbursed, and such costs already reimbursed would need to be refunded. We have recorded ~~36~~ **recorded** contract revenues based upon ~~prices and~~ **prices and** costs we expect to realize after final audit. In a worst ~~case scenario~~ **If the government or governmental entity discovers improper or illegal activities or contractual non-compliance (including improper billing)**, should we ~~may be charged with wrongdoing~~ **may be charged with wrongdoing** subject to various civil and criminal penalties and administrative sanctions, which ~~may include termination~~ **may include termination** we could be temporarily suspended or, in the event of contracts a conviction, could be debarred ~~forfeiture of profits, suspension of payments, fines and suspension~~ **forfeiture of profits, suspension of payments, fines and suspension** for ~~or debarment~~ **or debarment** up to three years from ~~doing~~ **doing**

business receiving new government contracts or government-approved subcontracts. In addition, we could expend substantial amounts defending against such charges and in damages, fines and penalties if such charges were proven or were to result in negotiated settlements. Routine audits by U. S. government agencies of our various procurement and accounting systems have the potential to result in disapproval of the audited systems by the administrative contracting officer. Disapproval could significantly impact cash flow, as up to 10% may be withheld from payments. Certain U. S. government contracting agencies have adopted rules and regulations requiring contractors to implement a set of cybersecurity measures to attain the safeguarding of contractor systems that process, store, or transmit certain information. Implementation and compliance with these cybersecurity requirements is complex and costly, and could result in unforeseen expenses, lower profitability and, in the case of non-compliance, penalties and damages, all of which could have an adverse effect on our business. The cybersecurity requirements also impact our supply base which could impact cost, schedule and performance on programs if suppliers do not meet the requirements and therefore, do not qualify to support the programs. We are subject to U. S. anti-corruption and anti-money laundering laws. We can face criminal liability and other serious consequences for violations, which can harm our business. We are subject to the U. S. Foreign Corrupt Practices Act, the U. S. domestic bribery statute contained in 18 U. S. C. § 201, the U. S. Travel Act, the Money Laundering Control Act 18 U. S. C. §§ 1956 and 1957, and other anti-bribery and anti-money laundering laws. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors and other collaborators from authorizing, promising, offering or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector and failing to prevent bribery, and require that we keep accurate books and records and maintain internal accounting controls designed to prevent any such actions. We can be held liable for the corrupt or other illegal activities of our employees, agents, contractors and other collaborators, even if we do not explicitly authorize or have actual knowledge of such activities. Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm and other consequences. As we increase our international cross-border business and expand our operations abroad, we may continue to engage with business partners and third-party intermediaries to market our services and to obtain necessary permits, licenses and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners and agents, even if we do not explicitly authorize such ~~42~~activities -- **activities**. We cannot assure you that all of our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international business, the risks under these laws may increase. Detecting, investigating and resolving actual or alleged violations of anti-corruption laws can require a significant diversion of time, resources and attention from management. In addition, non-compliance with anti-corruption or anti-bribery laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, enforcement actions, fines, damages, other civil or criminal penalties, injunctions, suspension or debarment from contracting with certain persons, reputational harm, adverse media coverage and other collateral consequences. If any subpoenas are received or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal proceeding, our business, operating results and financial condition could be materially harmed. Our products are frequently used in applications that are subject to evolving regulations and standards. Our customers may use our products for regulated and standardized applications that require our products to comply with regulations and standards that are applicable to both our products and to those industries and applications, including functional safety and product reliability standards. New regulations and industry standards may be adopted that result in delays or cancellations of programs. If we decide not to pursue or fail to achieve these regulatory or industry certifications, we may lose existing or potential commercial opportunities or be exposed to legal liability from regulators. We are subject to, and must remain in compliance with, numerous laws and governmental regulations concerning the manufacturing, use, distribution and sale of ~~its~~ **our** products. Some of our customers also require that we comply with their own unique requirements relating to these matters. We manufacture and sell products that contain components, which may contain materials or capabilities that are subject to government regulation in both the locations where we manufacture and assemble our products, as well as the locations where we sell ~~our~~ **37our** products. For example, we are subject to U. S. Department of Commerce regulations on our high-resolution cameras, which prevents us from selling certain products to certain potential foreign customers. Additionally, we are subject to U. S. Food and Drug Administration (“FDA”) regulations on certain biorisk products cleared by the FDA under Section 510(k) biorisk products we have sold in the past. Manufacturers are required to certify in product labeling and in reports to the FDA that their products comply with applicable performance standards as well as maintain manufacturing, testing, and distribution records for their products. Failure to comply with these requirements could result in enforcement action by the FDA, which could require us to cease distribution of such products, recall or remediate products already distributed to customers, or subject us to FDA enforcement. Navigating these various regulatory regimes may be a complex process requiring continual monitoring of regulations and an ongoing compliance process to ~~ensure~~ **provide** that we and our suppliers are in compliance with existing regulations in each market where we operate. If there is an unanticipated new regulation that significantly impacts our uses and sourcing of various components or requires more expensive components, that regulation could materially adversely affect our business, results of operations and financial condition. If we are not currently in compliance with existing regulations, or we fail to adhere to new regulations or fail to continually monitor the updates, we may incur costs in remedying ~~its~~ **our** non-compliance and it may disrupt our operations. In addition, current or proposed regulations may adversely impact the availability of supplies needed to manufacture our products. For example, the U. S. Senate ~~has~~ passed a bill to effectively ban all products from China’s Xinjiang province due to concerns that the goods were produced with forced labor, which, if enacted, is expected to have adverse impacts on global supply chains. In such circumstances, we may also be subject to litigation, lose customers,

suffer negative publicity and our business, results of operations, and financial condition could be adversely affected. Failures, or perceived failures, to comply with privacy, data protection, and information security requirements in the variety of jurisdictions in which we operate may adversely impact our business, and such legal requirements are evolving, uncertain and may require improvements in, or changes to, our policies and operations. Our current and potential future operations and sales subject us **and our vendors to certain laws and regulations addressing privacy and the collection, use, storage, disclosure, transfer and protection of a variety of types of data. While** For example, the European Commission generally, we engage in limited processing of personal information, and, therefore, have limited exposure to current regimes, such as adopted the California Consumer Privacy Act and the General Data Protection Regulation and California recently enacted the California Consumer Privacy Act of 2018, both the application and interpretation of which provide for potentially material penalties for non-compliance. These these regimes may are constantly evolving. Therefore, among it is possible that new laws, regulations and other things, impose data security requirements, disclosure amendments or changes in interpretations of existing laws, regulations and requirements, and restrictions on data collection, uses, and sharing that may impact require us to incur significant costs, implement new processes our or change our handling of information and business operations and the development of our business. While, generally, we do not have access to, collect, store, process, or share information collected by our customers using our products unless our customers choose to proactively provide such information to us, our products may evolve to address potential customer requirements or to add new features and functionality. Therefore, the full impact of these privacy regimes on our business is rapidly evolving across jurisdictions and remains uncertain at this time. We are endeavor to continually assessing assess the continually evolving privacy and data security regimes and implement measures it we believes believe are appropriate in response. Since these data security regimes are evolving, uncertain and complex, we may need to update or enhance our compliance measures as our products, markets and customer demands further develop, and these updates or enhancements may require implementation costs. In addition, we may not be able to monitor and react to all developments in a timely manner. The compliance measures we do adopt may prove ineffective. Any failure, or perceived failure, by us to comply with current and future regulatory or customer-driven privacy, data protection, and information security requirements, or to prevent or mitigate security breaches, cyberattacks, or improper access to, use of, or disclosure of data, or any security issues or cyberattacks affecting us, could result in significant liability, costs (including the costs of mitigation and recovery), and a material loss of revenue resulting from the adverse impact on its-our reputation and brand, loss of proprietary information and data, disruption to our business and relationships, and diminished ability to retain or attract customers and business partners. Such events may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity, and could cause customers and business partners to lose trust in us, which could have an adverse effect on our reputation and business. We are subject to Such events may result in governmental enforcement export and import controls and economic sanctions actions laws and prosecutions, private litigation, fines regulations. Our failures to comply with these laws and regulations penalties or adverse publicity, and could cause customers and business partners to lose trust in us, which could have an adverse effect on our reputation and business. We are subject to governmental export and import controls and economic sanctions laws and regulations. Our failure to comply with these laws and regulations could materially adversely affect our business, prospects, reputation, financial condition and results of operations. Our products and solutions are subject to certain U. S. and foreign export controls, trade sanctions, and import laws and regulations, including the U. S. Export Administration Regulations administered by the U. S. Department of Commerce, U. S. Customs regulations, ITAR as administered by the U. S. Department of State, and various economic and financial trade sanctions regulations and embargoes administered by the U. S. Treasury Department's Office of Foreign Assets Controls and the U. S. Department of State, the United Nations Security Council, and other relevant sanctions authorities. For example, exporting our thermal cameras, infrared cameras, or infrared sensors to certain countries may be restricted by the U. S. government's thermal camera export restrictions and many may fall under the International Traffic in Arms Regulations. Pursuant to these laws and regulations, we are required, among other things, to (i) maintain a registration under the ITAR (which controls the export of defense-related items and services), (ii) determine the proper licensing jurisdiction and export classification of products, software, and technology, and (iii) obtain licenses or other forms of U. S. export government authorization to engage in the conduct of our business. Changes in U. S. foreign trade control laws and regulations and economic sanctions prohibit, or reclassifications of or our products or technologies, may restrict the shipment of certain products and services to countries, governments, and persons targeted by U. S. sanctions. Even though we take precautions to prevent our productions and solutions from being provided to entities subject to these restrictions, our products could find their way to such prohibited entities. Any such provision could have negative consequences, including government investigations, penalties, or our operations reputational harm. In addition, complying with export control and sanctions regulations for a particular sale may be time-consuming and create delays in the introduction of our products and solutions in some international markets, should we pursue such international expansion, and, in some cases, prevent the export of our software and services to some countries altogether. Exports of our products and technology must be made in compliance with these laws and regulations. If a license or approval is required from a government agency prior to sale, no exports may occur until the appropriate approvals are obtained. The inability if we fail to secure and maintain necessary licenses and other authorizations could negatively impact our ability to compete successfully or to operate our business as planned. Any changes in the export control regulations or U. S. government licensing policy may restrict our operations. Given the great discretion the government has in issuing or denying such authorizations to advance U. S. national security and foreign policy interests, there can be no assurance we will be successful in our future efforts to secure and maintain necessary licenses, registrations, or other U. S. government regulatory approvals. Although we have implemented procedures and safeguards, that are reasonably designed to maintain compliance with export controls, import laws, and economic and financial sanctions, there is no certainty that all of our employees or agents for which we may be held

responsible, suppliers, manufacturers, contractors or collaborators, or those of our affiliates, will comply with all applicable export and import control and sanctions laws and regulations. Our global operations expose us to the risk of violating, or being accused of violating, economic and trade sanctions laws and regulations. Violations of these laws and regulations could result in significant penalties could be imposed, including substantial monetary; civil fines and /; criminal sanctions against us, or our denial officers, or our employees; imprisonment; the closing down of facilities, including those of our suppliers and manufacturers; disgorgement of profits; injunctions and debarment from government contracts; requirements to obtain export privileges. In addition, licenses; cessation of business activities in extreme cases responsible employees sanctioned countries; implementation of compliance programs; and prohibitions on the conduct of or our business. Any managers can be held criminally liable for such violations could include prohibitions on our ability to offer our products in one or more countries, as well as difficulties in manufacturing or continuing to develop our products, and could materially adversely affect our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, and our business, prospects, operating results and financial condition. Changes to trade policy, tariffs and import / export regulations may have a material adverse effect on our business, financial condition and results of operations. Any new export or import restrictions, new legislation or shifting approaches in the enforcement or scope of existing regulations, or changes in global, political, regulatory and economic conditions affecting U. S. trade, manufacturing, development or investment, could result in additional restrictions on our ability to conduct business. In recent years, the U. S. has instituted or proposed changes in trade policies that include the negotiation or termination of trade agreements, the imposition of higher tariffs on imports into the U. S. (-, including from China, where we source certain the majority of our supplies) inventory purchases, economic sanctions on individuals, corporations or countries, and other government regulations affecting trade between the U. S. and other countries where we conduct our business. A number of other nations have proposed or instituted similar measures directed at trade with the United States in response. As a result of these developments, there may be greater restrictions and economic disincentives on international trade that could adversely affect our business. As additional trade- related policies are instituted, we need to modify our business operations to comply and adapt to such developments, which may be time- consuming and expensive. 44Failing-- Failing to comply with increasing environmental regulations, as well as the effects of potential environmental liabilities, could have a material adverse effect on our business, results of operations or financial condition. We, like other industry participants including our customers, are subject to various federal, state, local and international environmental laws and regulations. We may be subject to increasingly stringent environmental standards in the future, particularly as greenhouse gas (" GHG ") emissions and climate change regulations and initiatives increase. Future developments, administrative actions or liabilities relating to environmental and climate change matters could have a material adverse effect on our business, results of operations or financial condition. Our manufacturing operations, including former operations, could expose us to material environmental liabilities. Additionally, companies that we acquire may have environmental liabilities that might not be accurately assessed or brought to our attention at the time of the acquisition. The U. S. Environmental Protection Agency ("EPA ") has focused on regulations that aim to reduce GHGs, maintaining that GHGs threaten the public health and welfare of the American people. The EPA also maintains that GHG emissions from on-road vehicles contribute to that threat. The EPA's endangerment finding covers emissions of six GHGs. The EPA's continuing efforts to limit GHG emissions could adversely affect our manufacturing operations, increase prices for energy, fuel and transportation, require us to accommodate changes in parameters, such as the way parts are manufactured, and may, in some cases, require us to redesign certain of our products. This, or other federal or state regulations 39regulations, could lead to increased costs, which we may not be able to recover from customers, delays in product shipments and loss of market share to competitors. Regulatory changes or failure by a business to meet applicable requirements could disrupt that business or force a closure or relocation of the business. Additionally, environmental laws, regulations and policies could limit our customers' exploration and production activities. Although we do not directly engage in drilling or hydraulic fracturing activities, we provide products and services to operators in the oil and gas industry. There has been significant growth in opposition to oil and gas development both in the United States and globally. This opposition is focused on attempting to limit or stop hydrocarbon development in certain areas. Examples of such opposition include: (i) efforts to reduce access to public and private lands, (ii) delaying or canceling permits for drilling or pipeline construction or export facilities (iii) limiting or banning industry techniques such as hydraulic fracturing, and / or adding restrictions on the use of water and associated disposal, (iv) delaying or denying air- quality permits, and (v) advocating for increased regulations, punitive taxation, or citizen ballot initiatives or moratoriums on industry activity. Further, various state and local governments have implemented, or are considering, increased regulatory oversight of oil and gas development through additional permitting requirements, operational restrictions, including on the time, place and manner of drilling activities, disclosure requirements and temporary or permanent bans on hydraulic fracturing, exports of liquified natural gas or other facets of crude oil and natural gas exploration and development in certain areas such as environmentally sensitive watersheds. Such developments, which could increase costs for our customers, could negatively impact demand for our products and services. In addition, heightened political, regulatory and public scrutiny, including lawsuits, could expose us or our customers to increased legal and regulatory proceedings, which could be time- consuming, costly, or result in substantial legal liability or significant reputational harm. Our manufacturing operations, including former operations, could expose us to material environmental liabilities. Some environmental laws, regulations and policies provide for joint and several liability for remediation of spills and releases of hazardous substances. In addition, we or our customers may be subject to claims alleging personal injury or property damage because of alleged exposure to hazardous substances, as well as damage to natural resources. These laws and regulations may expose us or our customers to liability for the conduct of or conditions caused by others, or for our acts or for the acts of our customers. Additionally, companies that we acquire may have environmental liabilities that might not be accurately assessed or brought to our attention at the

time of the acquisition. Regulations associated with climate change could adversely affect our business. Legislative and regulatory measures currently under consideration or being implemented by government authorities to address climate change could require reductions in our GHG or other emissions, establish a carbon tax or increase fuel or energy taxes. These legal requirements, in addition to emission reduction efforts that we may voluntarily undertake, are expected to result in increased capital expenditures and compliance costs, and could result in higher costs required to operate and maintain our facilities, procure raw materials and energy, and may require us to acquire emission credits or carbon offsets. These costs and restrictions could harm our business and results of **our** operations by increasing our expenses or requiring us to alter our operations and product design activities. The inconsistent international, regional and / or national requirements associated with climate change regulations also create economic and regulatory uncertainty **and adversely impact the business of many of our customers, particularly those in the oil and gas industry, which in turn could adversely impact demand for our products**. Additional Risks Relating to Ownership of Our Securities **We Securities If** are currently a controlled company within the meaning of the Nasdaq listing standards, and, as a result, qualify for, and may rely on, exemptions from certain corporate governance requirements. You may not have the same protections afforded to stockholders of companies that are subject to such requirements. As of the date of this Annual Report on Form 10-K, Mr. Strahan, our chief executive officer and a member of our board of directors, owns approximately 51% of our outstanding common stock. As a result, we are considered a “controlled company” within the meaning of the Nasdaq listing standards. Under these rules, a company of which more than 50% of the voting power is held by an individual, a group or another company is a “controlled company” and may elect not to comply with certain corporate governance requirements of Nasdaq, including those that would otherwise require our Board to have a majority of independent directors and require that we either establish compensation and nominating and corporate governance committees, each comprised entirely of independent directors, or otherwise ensure that the compensation of our executive officers and nominees for directors are determined or recommended to our Board by the independent members of our Board. While we do not currently intend to rely on any of these exemptions, for so long as we qualify as a “controlled company,” we may, at our sole discretion, rely on some or all of these exemptions. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq (or any other national exchange on which our securities are listed). Additionally, under the terms of our certificate of incorporation, for so long as we are considered a “controlled company,” a special meeting of the stockholders can also be called by our Secretary at the request of any holder of record of at least 25% of the voting power of the issued and outstanding shares of our capital stock, and our stockholders may act by written consent in lieu of a meeting. 45 The Nasdaq Stock Market LLC has commenced delisting procedures for our securities, subject to an opportunity for us to cure the deficiency or enact a remediation plan. If we are not able to maintain or establish a listing on a national exchange for our securities, the trading market for our securities will be adversely affected. **Our Although our Common Stock is listed for trading on the** Nasdaq listing application was not approved **Capital Market, due to** prior to **proceedings with** the Closing of the Business Combination in December 2023, and we received written notice from the Listing Qualifications Department of The Nasdaq Stock Market, **our** LLC indicating that we had not complied with all of the requirements of the Nasdaq Rule IM-5101-2 since we had not demonstrated compliance with the requirement **applicable continued listing standards is subject** to have a minimum of 1.1 million “ **Mandatory Panel Monitor, unrestricted publicly held shares**” and a minimum of 400 “round lot holders” as required by the **that term is defined in** Nasdaq Listing Rule 5405-5815 (a-d) for initial listing on the Nasdaq Global Market. In January **(4) (B), through June 3, 2024-2025**, **If** we **are** received a separate notice from the Listing Qualifications Department of The Nasdaq Stock Market LLC indicating that we were not **able** in compliance with the requirement to maintain a minimum market value of listed securities of \$50 million. These notices did not immediately impact the listing of **for** our common **Common** stock **Stock** or warrants on the Nasdaq Global Market. However, Nasdaq has commenced delisting procedures for our securities, subject to an opportunity for us to cure the deficiency or enact a remediation plan. On March 24, 2024 we attended a hearing before a Nasdaq Hearing Panel during which we presented a plan of compliance and we requested an exception through May 15, 2024 to evidence compliance with all applicable requirements for initial and continued listing on The Nasdaq Capital Market. There can be no assurance that our request will be granted, or **for** if granted, that we will be successful in evidencing compliance with the listing standards by May 15, 2024. Moreover, if the requested relief is not granted our securities could be immediately delisted. If our securities fail to remain listed on The Nasdaq Stock Market or any **reason** other national exchange, **the an active** trading market for our securities will be adversely affected, which may impact **fail to develop or not be sustained. In the absence of an active** trading price of our securities and the liquidity of the market for such securities **our Common Stock, you may not be able to sell your shares when desired or at or above the prices at which you acquired them**. **An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other businesses or technologies using our shares as consideration, which, in turn, could materially and adversely affect our business.** **Due 40** **Due** to their ownership of our stock, our directors and executive officers **are may be** able to control or exert substantial influence over all matters submitted to our stockholders for approval, including the election of directors and amendments of our organizational documents, and an approval right over any acquisition or liquidation of our company. As of **March 18-December 31**, 2024, our directors and executive officers **and related entities** collectively held a majority **approximately 56.4%** of our outstanding **shares of common Common** stock **Stock**. Accordingly, they are able to control or exert substantial influence over all matters. Accordingly, **including** they are able to control or exert substantial influence over all matters submitted to our stockholders for approval, **including such as** the election of directors and amendments of our organizational documents, and an approval right over any acquisition or liquidation of our company. These stockholders may have interests that differ from those of the other stockholders and, subject to their fiduciary duties, may vote in a way with which the other stockholders disagree and which may be adverse to their interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of our, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of

our company, and might ultimately affect the market price of shares of our ~~common~~ **Common stock** ~~Stock~~. We will incur significant expenses and administrative burdens as a public company, which could negatively impact our business, financial condition and results of operations. We face legal, accounting, administrative and other costs and expenses as a public company that we did not incur as a private company. For example, we are subject to the reporting requirements of the Exchange Act, and are required to comply with the applicable requirements of the Sarbanes- Oxley Act and the Dodd- Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations of the SEC and Nasdaq, including the establishment and maintenance of effective disclosure and financial controls, changes in corporate governance practices and required filing of annual, quarterly and current reports with respect to our business and results of operations. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations. Compliance with public company requirements increases costs and makes certain activities more time- consuming. A number of those requirements will require us to carry out activities we did not prior to the Business Combination. Furthermore, if any issues in complying with those requirements are identified (for example, if the auditors identify a material weakness or significant deficiency in the internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect our reputation or investor perceptions of us. It may also be more expensive to obtain director and officer liability insurance. **Under our purchase agreement with B. Riley Principal Capital II, LLC, it is not possible to predict the actual number of shares we will sell to B. Riley Principal Capital II, LLC or the actual gross proceeds resulting from those sales. In April 2024, we entered into a purchase agreement with B. Riley Principal Capital II, LLC (“ B. Riley ”) (the “ Purchase Agreement ”) pursuant to which B. Riley committed to purchase up to \$ 25, 000, 000 of shares of our Common Stock (the “ Purchase Shares ”), subject to certain limitations and conditions set forth in the Purchase Agreement (such transaction, the “ Equity Line of Credit ” or “ ELOC ”). The shares of our Common Stock that may be issued under the Purchase Agreement may be sold by us to B. Riley at our discretion from time to time for a period of up to 36 months, unless the Purchase Agreement is earlier terminated, beginning on the date of the initial satisfaction of each of the conditions to B. Riley’ s purchase obligation set forth in the Purchase Agreement. The securities purchase agreement we entered in June 2024 with 325 Capital LLC restricted us from selling and issuing any Purchase Shares until December 24, 2024. Subject to our contractual agreements not to use the Purchase Agreement, we generally have the right to control the timing and amount of any sales of our shares of Common Stock to B. Riley under the Purchase Agreement. Sales of our Common Stock, if any, to B. Riley under the Purchase Agreement will depend upon market conditions and other factors to be determined by us. We may ultimately decide to sell to B. Riley all, some or none of the shares of our Common Stock that may be available for us to sell to B. Riley pursuant to the Purchase Agreement. Because the per share purchase price that B. Riley will pay for Purchase Shares in any purchase not exceeding certain limitations as set forth in the Purchase Agreement for which the applicable period begins at the official open of Nasdaq regular trading session on the applicable trading date therefor (each hereinafter referred to as a “ Market Open Purchase ”) or a purchase on any trading day that would qualify as a trading day on which the Company may elect to effect a Market Open Purchase, whether or not a Market Open Purchase is effected on such trading day, a specified number of shares of Common Stock, not to exceed certain limitations set forth in the Purchase Agreement similar to those applicable to a Market Open Purchase (each, an “ Intraday Purchase ”) that we may elect to effect pursuant to the Purchase Agreement will be determined by reference to the volume weighted average price of the Common Stock during the applicable Market Open Purchase Valuation Period or Intraday Purchase Valuation Period, respectively, on the applicable trading day for such Market Open Purchase or Intraday Purchase, it is not possible for us to predict the number of shares of Common 41Stock that we will sell to B. Riley under the Purchase Agreement, the purchase price per share that B. Riley will pay for shares purchased from us under the Purchase Agreement, or the aggregate gross proceeds that we will receive from those purchases by B. Riley under the Purchase Agreement.** The price and trading volume of our ~~securities common stock and warrants~~ may be fluctuate dramatically. The price and trading volume of our ~~securities common stock~~, as well as our warrants, may fluctuate due to a variety of factors, including: • changes in the industries in which we and our customers operate; 46 • developments involving our competitors; • changes in laws and regulations affecting our business; • variations in our operating performance and the performance of our competitors in general; • actual or anticipated fluctuations in our quarterly or annual operating results; • publication of research reports by securities analysts about us or our competitors or our industry; • the public’ s reaction to our press releases, our other public announcements and our filings with the SEC; • actions by stockholders, including the sale by significant stockholders of any of their shares of our ~~common~~ **Common stock** ~~Stock~~; • additions and departures of key personnel; • commencement of, or involvement in, litigation involving our company; • changes in our capital structure; • the volume of shares of our ~~common~~ **Common stock** ~~Stock~~ available for public sale; and • general economic and political conditions, such as recessions, interest rates, local and national elections, fuel prices, international currency fluctuations, corruption, political instability and acts of war or terrorism. Since the Business Combination, the trading price of our securities and the trading volume of our securities has fluctuated dramatically, and may continue to do so, including for the reasons described above or reasons unrelated to our business or industry, such as retail investor interest driven by activity on social media or in online forums. We may redeem any unexpired SPAC Warrants prior to their exercise at a time that is disadvantageous to you, thereby making your warrants worthless. We have the ability to redeem outstanding **Public Warrants (defined below) together with the Private Placement Warrants (defined below) (collectively, the “ SPAC Warrants ”)**. SPAC Warrants at any time after they become exercisable and prior to their expiration at a price of \$ 0. 01 per warrant, provided that the last reported sales price of our shares equals or exceeds \$ 18. 00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and other similar transactions) for any 20 trading days within a 30 trading- day period ending on the third trading day prior to the date on which we give proper notice of such redemption and provided certain other

conditions are met. **We If and when the Public Warrants become redeemable by the Company, the Company may not exercise our such redemption right even if we are unable to register or qualify the underlying securities issuance of the shares of Common Stock upon exercise of the Public Warrants is not exempt from registration for or sale qualification under all applicable state securities blue sky laws or the Company is unable to effect such registration or qualification.** We will use our best efforts to register or qualify such shares of ~~common~~ **Common stock Stock** under the blue sky laws of the state of residence in those states in which the warrants were offered by us. Redemption of the outstanding SPAC Warrants could force you (i) to exercise your SPAC Warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (ii) to sell your SPAC Warrants at the then- current market price when you might otherwise wish to hold your SPAC Warrants or (iii) to accept the nominal redemption price which, at the time the outstanding SPAC Warrants are called for redemption, is likely to be substantially less than the market value of your SPAC Warrants. Notice of any redemption will be mailed by first class mail, postage prepaid, by us not less than 30 days prior to the redemption date to the registered holders of the SPAC Warrants to be redeemed at their last addresses as they appear on the registration books. Any notice mailed in such manner will be conclusively presumed to have been duly given whether or not the registered holder received such notice. In addition, beneficial owners of the SPAC Warrants will be notified of such redemption by our posting of the redemption notice to DTC. ~~47A-42A~~ **42A** substantial number of warrants are exercisable for our ~~common~~ **Common stock Stock**, which will increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders. SPAC Warrants to purchase an aggregate of 9, 131, 250 shares of our ~~common~~ **Common stock Stock** are exercisable **as of December 31, 2024** in accordance with the terms of the Warrant Agreement governing those securities. Additionally, in connection with the **Business Combination, we issued and sold \$ 6, 805, 000 in convertible promissory notes (the “ Financing Notes ”), we issued and warrants (the “ Financing Warrants ”) to purchase 340, 250 shares of Common Stock at an aggregate exercise price of 340, \$ 11. 250- 50 per share (the “ Financing Warrant Shares ”) pursuant to the Subscription Agreement, dated December 1, 2023, by and between Legacy SMAP and the investors thereto (the “ Financing ”)**, which Financing Warrants are exercisable for the five- year period following the consummation of the Business Combination. The exercise price of both the SPAC Warrants and the Financing Warrants is \$ 11. 50 per share. To the extent such warrants are exercised, additional shares of our ~~common~~ **Common stock Stock** will be issued, which will result in dilution to the holders of our ~~common~~ **Common stock Stock** and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such warrants may be exercised could adversely affect the market price of our Common Stock. However, there is no guarantee that the warrants will ever be in the money prior to their expiration, and as such, the warrants may expire worthless. The SPAC Warrants may never be in the money and they may expire worthless, and the terms of the Public Warrants may be amended in a manner adverse to a holder if holders of at least 50 % of the then- outstanding Public Warrants approve of such amendment. The **Company issued warrants to purchase 8, 625, 000 shares of Common Stock at an exercise price of \$ 11. 50 per share (the “ Public Warrants were issued-”)** in registered form pursuant to the Warrant Agreement **dated October 18, 2021, between Continental Stock Transfer & Trust Company, as warrant agent, and Legacy SMAP**. The Warrant Agreement provides that the terms of the Public Warrants and Private Placement Warrants (**“ Private Placement Warrants ”**) may be amended without the consent of any holder to cure any ambiguity or correct any defective provision or mistakes, but requires the approval of the holders of 50 % of the then- outstanding Public Warrants to make any change that adversely affects the interests of the registered holders of Public Warrants or Private Placement Warrants. Accordingly, we may amend the terms of the Public Warrants and Private Placement Warrants in a manner adverse to a holder if holders of at least 50 % of the then- outstanding Public Warrants approve of such amendment. We may receive up to an aggregate of approximately \$ 108. 9 million from the cash exercise of our warrants outstanding as of December 31, ~~2023~~ **2024**. The exercise price of both our SPAC Warrants and our Financing Warrants is \$ 11. 50 per warrant. However, the likelihood that holders of warrants will exercise their warrants, and therefore any amount of cash proceeds that we may receive, is dependent upon the trading price of our ~~common~~ **Common stock Stock**. If the trading price for our ~~common~~ **Common stock Stock** is less than \$ 11. 50 per share, we do not expect holders to exercise their warrants. We expect to use the net proceeds from the exercise of such securities, if any, for general corporate purposes, which may include acquisitions or other strategic investments. We will have broad discretion over the use of any proceeds from the exercise of such securities. Any proceeds from the exercise of such securities would increase our liquidity, but we are not currently budgeting for any cash proceeds from the exercise of Warrants when planning for our operational funding needs. Because there are no current plans to pay cash dividends on our ~~common~~ **Common stock Stock** for the foreseeable future, you may not receive any return on investment unless you sell our ~~common~~ **Common stock Stock** for a price greater than..... stock unless you sell your shares of Common Stock for a price greater than that which you paid for it. **common stock for a price greater than that which you paid for it.** We may retain future earnings,if any,for future operations,expansion and debt repayment and ~~have~~ **has** no current plans to pay any cash dividends for the foreseeable future.Any decision to declare and pay dividends as a public company in the future will be made at the discretion of our board of directors and will depend on,among other things,our results of operations,financial condition,cash requirements,contractual restrictions and other factors that our board of directors may deem relevant.In addition,our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness ~~we it~~ **or our-its** subsidiaries incur.As a result,you may not receive any return on an investment in our ~~Common-common~~ **Common stock stock** unless you sell your shares of ~~Common Stock~~ **Common Stock** for a price greater than that which you paid for it. The future exercise of registration rights may adversely affect the market price of our ~~common~~ **Common stock Stock**. Pursuant to a ~~certain~~ **certain** registration rights ~~agreement~~ **agreements**, we are required to file and maintain ~~an~~ **an** effective registration ~~statement~~ **statements** under the Securities Act covering the resale ~~of~~ **of** our securities by certain holders, including our executive officers and certain members of our board of directors, and in some cases facilitate underwritten offerings of those securities by those holders. The registration and availability of such a significant number of securities for trading in the public market may have an adverse effect on the market price of our ~~common~~ **Common stock Stock**

48We ~~43~~We may issue additional shares of ~~common~~ **Common stock** ~~Stock~~ or other equity securities without your approval, which would dilute your ownership interests and may depress the market price of our Common Stock. We may issue additional shares of our ~~common~~ **Common stock** ~~Stock~~ or other equity securities of equal or senior rank in the future in connection with, among other things, grants under our equity incentive plan, upon the exchange or conversion of outstanding warrants, future acquisitions ~~or~~, repayment of outstanding indebtedness, **or under our equity line of credit facility**, without additional stockholder approval, in a number of circumstances. The issuance of additional shares or other equity securities of equal or senior rank would have the following effects: • existing stockholders' proportionate ownership interest in us will decrease; • the amount of cash available per share, including for payment of dividends in the future, may decrease; • the relative voting strength of each previously outstanding share of our ~~common~~ **Common stock** ~~Stock~~ may be diminished; and • the market price of our ~~common~~ **Common stock** ~~Stock~~ may decline. Anti-takeover provisions in our certificate of incorporation and under Delaware law could make an acquisition of our company, which may be beneficial to ~~its~~ **our** stockholders, more difficult and may prevent attempts by its stockholders to replace or remove our current management. Our certificate of incorporation contains provisions that may delay or prevent an acquisition of our company or a change in our management. These provisions may make it more difficult for stockholders to replace or remove members of our board of directors. Because the board of directors **(the "Board")** is responsible for appointing the members of the management team, these provisions could in turn frustrate or prevent any attempt by our stockholders to replace or remove our current management. In addition, these provisions could limit the price that investors might be willing to pay in the future for shares of our ~~common~~ **Common stock** ~~Stock~~. Among other things, these provisions include the limitation of the liability of, and the indemnification of, our directors and officers and the ability of the ~~board~~ **Board of directors** to issue preferred stock without stockholder approval, which could be used to institute a "poison pill" that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by the ~~board~~ **Board of directors**. Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the **General Corporation Law of the State of Delaware (the "DGCL")**, which prohibits a person who owns 15% or more of ~~its~~ **our** outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired 15% or more of our outstanding voting stock, unless such merger or combination is approved in a prescribed manner. This could discourage, delay or prevent a third party from acquiring or merging with us, whether or not it is desired by, or beneficial to, our stockholders. This could also have the effect of discouraging others from making tender offers for our ~~common~~ **Common stock** ~~Stock~~, including transactions that may be in ~~its~~ **our** stockholders' best interests. Finally, these provisions establish advance notice requirements for nominations for election to the ~~board~~ **Board of directors** or for proposing matters that can be acted upon at stockholder meetings. These provisions would apply even if the offer may be considered beneficial by some stockholders. Our certificate of incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: • any derivative action or proceeding brought on our behalf; • any action asserting a breach of fiduciary duty; • any action asserting a claim against us arising under the DGCL, our certificate of incorporation or our bylaws; ~~and~~ **and** • any action asserting a claim against us that is governed by the internal-affairs doctrine or otherwise related to our internal affairs. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our certificate of incorporation further provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state ~~and~~ **and** federal courts have jurisdiction to entertain such claims. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find either exclusive forum provision in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could harm our business. We may be subject to securities litigation, which is expensive and could divert management attention. The market price of our securities has been and may continue to be volatile and, in the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert management's attention from other business concerns, which could seriously harm our business. General Risk ~~Factors~~ **Factors We rely on** ~~we were to lose the services of members~~ **experience and expertise** of our senior management team, ~~we may not be able to execute our business strategy. Our success depends in large part upon the~~ **other** continued service of key members of our senior management team. In particular, each of our Chief Executive Officer, Gary Strahan, President, Steven Winch, and Chief Financial Officer, Peter Baird, is critical to our overall management, as well as the continued development of our thermal infrared technology, our culture and our strategic direction. All of our executive officers, ~~are at~~ **will employees**, are at-will employees. The loss of any member of our senior management team could harm our business **engineers, and other highly skilled personnel**. Our future

success depends, in part, on recruiting and retaining **such** key personnel and, if we fail to do so, it may be more difficult for us to execute our business strategy. ~~We~~ **Our success depends in are large** ~~currently a small organization~~ **part upon the continued service of key members of our senior management team, other key officers, our engineers and other highly skilled** ~~will need to hire additional qualified personnel~~. **Continued service of these key personnel is critical** ~~to effectively implement our overall management, as well as the continued development of our thermal infrared technology, our culture and our strategic plan direction~~. ~~Our~~ **Furthermore, our** success depends on our ability to attract, retain and motivate highly qualified management, technical, manufacturing, engineering and sales personnel. In particular, our success may depend on our ability to recruit and retain management personnel who are qualified to manage a public company. All of our employees are at-will employees. In addition, our ability to successfully execute on our strategic plan depends in part on our ability to continue to build our organization and hire qualified personnel, especially with engineering, sales, technical and manufacturing expertise. We may not be able to attract and retain qualified personnel on acceptable terms given the competition for such personnel. If we are unsuccessful in our recruitment efforts, it may adversely affect our business and our growth prospects. Climate change, **and investor sentiment towards climate change and sustainability,** may have a long-term impact on our business. Climate change may have an increasingly adverse impact on our business and those of our customers, partners and suppliers. While we seek to mitigate the risks **and impacts** associated with climate change on our operations, there are inherent climate-related risks globally. Some of our manufacturing facilities are located in regions that may be impacted by severe weather events, like hurricanes or unexpected cold snaps, the frequency and severity of which may increase as a result of climate change. These events could result in potential damage to our physical assets as well as disruptions in manufacturing activities. Moreover, some of our manufacturing ~~50~~ ~~facilities~~ ~~facilities~~ are in areas that could experience decreased access to water and reliable energy due to climate issues. Severe weather events may impair the ability of our employees to work effectively. Climate change, including the increasing frequency and intensity of extreme weather events, its impact on our supply chain and critical infrastructure worldwide and its potential to increase political instability in regions where we, our customers, partners and suppliers do business, may disrupt our business and may cause us to experience higher employee attrition and higher costs to maintain or resume operations. The effects of climate change also may impact our decisions to construct new facilities or maintain existing facilities in the areas most prone to physical risks, which could similarly increase its operating and material costs. We could also face indirect **climate-related transition risks as** financial risks ~~passed~~ ~~pass~~ through the supply chain that could result in higher prices for our products and the resources needed to produce them. We sell products to customers directly engaged in oil and gas exploration and production. Changes to regulations, social practices and preferences, energy generation and transportation technologies that may occur or be implemented to mitigate climate change could result in reduced demand for hydrocarbon products, which could result in a reduction in sales to these customers. **45** ~~In addition, investor sentiment towards climate change and sustainability could adversely affect our business.~~ **Increased** ~~increased~~ investor focus and activism related to climate change and sustainability may hinder our access to capital, as investors may reconsider their capital investment as a result of their assessment of our sustainability practices. We may face increasing pressure regarding our sustainability disclosures and practices. ~~Additionally, members of~~ **Organizations that voluntarily provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on the their approach to environmental, social, and governance (“ ESG ”) matters. Such ratings are used by some investors to inform their investment community may screen and voting decisions. Unfavorable ESG ratings and recent activism directed at shifting funding away from companies such as within or related to the fossil fuel industry could lead to increased negative investor sentiment toward us for or sustainability performance before investing in our securities customers and could result in a diversion away of investments to other industries, which could have a negative impact on our access to and costs of capital.** If we are unable to meet the sustainability standards set by these investors, or if we are unable to meet any GHG reduction targets we communicate to the public, we may lose investors, the price of our securities may be negatively impacted and our reputation may be negatively affected. We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing Israel- Hamas and Russia- Ukraine military conflicts. Our business, financial condition and results of operations could be materially adversely affected by any negative impact on the global economy and capital markets resulting from such conflicts or any other geopolitical tensions. U. S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and ~~the start of the~~ military conflicts between Israel and Hamas and Russia and Ukraine. Although the length and impact of the ongoing military conflicts is highly unpredictable, such conflicts could lead to **further** market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions. We are continuing to monitor the conflicts and assessing their potential impact on our business. Additionally, the ~~recent~~ military conflict in Ukraine has led to sanctions and other penalties being levied by the United States, European Union and other countries against Russia. Additional potential sanctions and penalties have also been proposed and / or threatened. Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets, potentially making it more difficult for us to obtain additional funds. It is impossible to predict the extent to which our operations, or those of our suppliers and manufacturers, will be impacted in the short or long term, or the ways in which the conflict may impact our business. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described herein. Our business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events, global pandemics, and interruptions by man-made problems, such as terrorism. Material disruptions of our business or information systems resulting from these events could adversely affect our operating results. A significant natural disaster, such as an earthquake, fire, flood, hurricane **(which may be exacerbated by climate change)** or significant power outage or other similar events, such as infectious disease outbreaks or pandemic events, could have an adverse effect on

our business and operating results. For example, in October 2022, our production facility in Beaumont, Texas was impacted by a flood that damaged certain of our inventory. In addition, natural disasters, acts of terrorism or war could cause disruptions in our manufacturing operations, our or our customers' or channel partners' businesses, our suppliers or the economy as a whole. We also rely on information technology systems to communicate among our workforce and with third parties. Any disruption to our communications, whether caused by a natural disaster or by man-made problems, such as power disruptions, could adversely affect our business. We do not have a formal disaster recovery plan or policy in place and do not currently require that our suppliers' partners have such plans or policies in place. To the ~~51~~ extent that any such disruptions result in delays or cancellations of orders or impede our suppliers' ability to timely deliver product components, or the deployment of our products, our business, operating results and financial condition would be adversely affected. 46