

## Risk Factors Comparison 2023-09-22 to 2022-09-27 Form: 10-K

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

Risks Related to our Business and Industry We are a relatively new company, with our sales having only commenced in July 2019, and we continue to have some of the risks associated with start- up ventures. We formed our corporation in 2018. Since formation, we have focused on research, development and certification of our first energy storage system. We began marketing, sales, and installations via our certified installers in May 2019 (although no sales were completed in the year ended June 30, 2019). We may never achieve commercial success with our energy storage systems. We have limited historical financial data upon which we may base our projected revenue and operating expenses. Our relatively short operating history makes it difficult for potential investors to evaluate our technology or prospective operations and business prospects. Accordingly, we continue to be subject to many of the risks inherent in business development, financing, unexpected expenditures, and complications and delays that often occur in a new business. Investors should evaluate an investment in us in light of the uncertainties encountered by developing companies in a competitive environment. There can be no assurance that our efforts will be successful or that we will ultimately be able to attain profitability. We have a history of net losses and we are uncertain about our future profitability. We have incurred significant net losses since our inception. For the years ended June 30, **2023 and** ~~2022 and 2021~~, we have incurred net losses of \$ **2.6 million and** ~~\$ 5.8 million and \$ 7.6 million~~, respectively. As of June 30, ~~2022~~ **2023**, we had an accumulated deficit of \$ ~~15.18~~ **8.4** million. If our revenue grows more slowly than currently anticipated, or if operating expenses are higher than expected, we may be unable to consistently achieve profitability, our financial condition will suffer, and the value of our common stock could decline. Even if we are successful increasing our sales, we may incur losses in the foreseeable future as we continue to develop and market our products. If sales revenue from any of our current products or any additional products that we develop in the future is insufficient, or if our product development is delayed, we may be unable to achieve profitability and, in the event we are unable to secure financing for prolonged periods of time, we may need to temporarily cease operations and, possibly, shut them down altogether. Furthermore, even if we are able to achieve profitability, we may be unable to sustain or increase such profitability on a quarterly or annual basis, which would adversely impact our financial condition and significantly reduce the value of our common stock. We may experience in the future, delays or other complications in the design, manufacture, launch and production ramp of our energy storage products which could harm our brand, business, prospects, financial condition and operating results. We may encounter unanticipated challenges, such as supply chain or logistics constraints, that lead to delays in producing and ramping our energy storage products. Any significant delay or other complication in the production of our products or the development, manufacture, and production ramp of our future products, including complications associated with expanding our production capacity and supply chain or obtaining or maintaining regulatory approvals, and / or coronavirus impacts, could materially damage our brand, business, prospects, financial condition and operating results. We may be unable to meet our growing energy storage production plans and delivery plans, any of which could harm our business and prospects. Our plans call for achieving and sustaining significant increases in energy storage systems production and deliveries. Our ability to achieve these plans will depend upon a number of factors, including our ability to utilize installed manufacturing capacity, achieve the planned production yield and further increase capacity as planned while maintaining our desired quality levels and optimize design and production changes, and our suppliers' ability to support our needs. If we are unable to realize our plans, our brand, business, prospects, financial condition and operating results could be materially damaged. We are dependent on our two main component vendors for our suppliers of batteries, inverters and other raw materials and the inability of these single- source suppliers to deliver necessary components of our products according to our schedule and at prices, quality levels and volumes acceptable to us, or our inability to efficiently manage these components, could have a material adverse effect on our financial condition and operating results. Our products contain numerous purchased parts which we source globally from direct suppliers, the majority of whom are currently single-source suppliers. Any significant unanticipated demand would require us to procure additional components in a short amount of time. While we believe that we will be able to secure additional or alternate sources of supply for most of our components in a relatively short time frame, there is no assurance that we will be able to do so or develop our own replacements for certain highly customized components of our products. In addition, if we are required to use alternative suppliers for certain critical components, we may need to have our products go through a re- certification process with various regulatory bodies, which process may be lengthy. In such event, we would not be able to sell our products using these new components until we received all required certifications. If we encounter unexpected difficulties with key suppliers such as our inverter or lithium- iron phosphate cell supplier, and if we are unable to fill these needs from other suppliers, we could experience production delays and potential loss of access to important technology and parts for producing, servicing and supporting our products. This limited, and in many cases single source, supply chain exposes us to multiple potential sources of delivery failure or component shortages for the production of our products. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to significant product design changes and delays in product deliveries to our customers, which could hurt our relationships with our customers and result in negative publicity, damage to our brand and a material and adverse effect on our business, prospects, financial condition and operating results. Changes in our supply chain may result in increased cost. If we are unsuccessful in our efforts to control and reduce supplier costs, our operating results will suffer. There is no assurance that our suppliers will ultimately be able to meet our cost, quality and volume needs, or do so at the times needed. Furthermore, as the scale of our energy storage systems increase, we will need to accurately forecast, purchase, warehouse and transport to our manufacturing facilities components at much higher volumes than we have experience with. If we are unable to

accurately match the timing and quantities of component purchases to our actual needs, or successfully implement automation, inventory management and other systems to accommodate the increased complexity in our supply chain, we may incur unexpected production disruption, storage, transportation and write-off costs, which could have a material adverse effect on our financial condition and operating results. The duration and scope of the impacts of the COVID-19 pandemic are uncertain and may continue to adversely affect our operations, supply chain, distribution, and demand for our products. **The While the global designation of COVID-19 as a pandemic has recently ended, the Company is assessing any potential factors that may continue to impact its business. Thus far, the** impact of COVID-19 on the global economy and our customers has ~~thus far~~ not affected us materially. To date, we have not experienced any issues with our supply chain, but delays through international ports have been experienced in the industry. If we were to encounter a significant disruption due to COVID-19 at one or more of our locations or suppliers, we may not be able to satisfy customer demand for a period of time. Furthermore, the impact of COVID-19 on the economy, demand for our products and impacts to our operations, including the measures taken by governmental authorities to address it, may precipitate or exacerbate other risks and / or uncertainties, including specifically many of the risk factors set forth herein, which may have a significant impact on our operating results and financial condition, although we are unable to predict the extent or nature of these impacts at this time. We are currently selling two products and if these products that we sell or install fail to perform as expected, our reputation could be harmed and our ability to develop, market and sell our products and services could be harmed. If our energy products were to contain defects in design and manufacture that cause them not to perform as expected or that require repair or take longer than expected to become enabled or are legally restricted, our ability to develop, market and sell our products and services could be harmed. While we intend to perform internal testing on the products we manufacture, as a start-up company we currently have no frame of reference by which to evaluate detailed long-term quality, reliability, durability and performance characteristics of our battery packs, inverters, and energy storage products. There can be no assurance that we will be able to detect and fix any defects in our products prior to their sale to or installation for consumers. Any product defects, delays or legal restrictions on product features, or other failure of our products to perform as expected could harm our reputation and result in delivery delays, product recalls, product liability claims, significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects. We depend on a small number of wholesale dealers for a significant portion of our revenues to date. Due to our limited operating history, we depend on a relatively small number of wholesale dealers and installers, primarily in California, for our revenue. In the year ended June 30, **2023, three such dealers represented approximately 25 %, 15 % and 13 % of the Company's revenues whereas in the year ended June 30, 2022, two such dealers represented approximately 20 % each of the Company's revenues . As of** ~~whereas in the year ended June 30, 2021-2023~~, four such dealers represented approximately **94** ~~18 %, 15 %, 13 % and 10 %~~ of the Company's revenues. ~~As of June 30, 2022, one dealer represented 33 % of the Company's accounts receivable. As of June 30, 2021, three such dealers represented an aggregate of 54 % of our~~ accounts receivable. Our limited customer base and concentration could expose us to the risk of substantial losses if a single dominant customer stops purchasing, or significantly reduces orders for, our products. Our ability to maintain close relationships with these top customers is essential to the growth and profitability of our business. If we fail to sell our products to one or more of these top customers in any particular period, or if a large customer purchases fewer of our products, defers orders or fails to place additional orders with us, or if we fail to develop additional major customers, our revenue could decline, and our results of operations could be adversely affected. If we fail to scale our business operations and otherwise manage future growth and adapt to new conditions effectively as we grow our company, we may not be able to produce, market, sell and service our products successfully. Any failure to manage our growth effectively could materially and adversely affect our business, prospects, operating results and financial condition. Our future operating results depend to a large extent on our ability to manage our expansion and growth successfully. We may not be successful in undertaking this expansion if we are unable to control expenses and avoid cost overruns and other unexpected operating costs; adapt our products and conduct our operations to meet local requirements; implement the required infrastructure, systems and processes; and find and hire the right skills to make our growth successful. If we are unable to achieve our targeted manufacturing costs for our energy storage products our financial condition and operating results will suffer. As a relatively new company, we have limited historical data that ensures our targeted manufacturing costs will be achievable. While we expect in the future to better understand **and control** our manufacturing costs, there is no guarantee we will be able to achieve sufficient cost savings to reach our gross margin and profitability goals. We may also incur substantial costs or cost overruns in utilizing and increasing the production capability of our energy storage system facilities. If we are unable to achieve production cost targets on our products pursuant to our plans, we may not be able to meet our gross margin and other financial targets. Many of the factors that impact our manufacturing costs are beyond our control, such as potential increases in the costs of our materials and components, such as lithium iron phosphate, nickel and other components of our battery cells. If we are unable to continue to control and reduce our manufacturing costs, our operating results, business and prospects will be harmed. Increases in costs, disruption of supply or shortage of materials, in particular for inverters and lithium iron phosphate cells, could harm our business. We may experience increases in the cost or a sustained interruption in the supply or shortage of materials. Any such increase, supply interruption or shortage could materially and negatively impact our business, prospects, financial condition and operating results. We use various materials in our business, including inverters and lithium iron phosphate cells, from suppliers. The prices for these materials fluctuate, and their available supply may be unstable, depending on market conditions and global demand for these materials, including as a result of increased production of energy storage products by our competitors, and could adversely affect our business and operating results. For instance, we are exposed to multiple risks relating to inverters and lithium iron phosphate cells. These risks include: · an increase in the cost, or decrease in the available supply, of materials used; · disruption in the supply of cells due to quality issues or recalls by manufacturers; · tariffs on the materials we source in China, which make up a significant amount of the materials we require; · fluctuations in the value of the Chinese Renminbi against the U. S. dollar as our

purchases for energy storage products **are** will be denominated in Chinese Renminbi. **Already in 2021, we have experienced five percent inflation in our cost of goods sold because of currency valuations**; and **potential** increases in global shipping costs have gone up 70 percent in 2021 due to shipping container shortages and delays at both shipping and receiving ports due to COVID and lack of appropriate workforce. Our business is dependent on the continued supply of inverters and battery cells for the battery packs used in our energy storage products. Any disruption in the supply of inverters or battery cells could disrupt production of our battery packs we require for our energy storage product. Substantial increases in the prices for our materials or prices charged to us would increase our operating costs, and could reduce our margins if we cannot recoup the increased costs through increased prices. Any attempts to increase prices in response to increased material costs could result in cancellations of energy storage orders and therefore materially and adversely affect our brand, image, business, prospects and operating results .

**Recent increases in mortgage interest rates may result in a decrease in demand by homeowners for our residential energy storage systems. Sales volume in our homeowner channel is partially dependent on the construction of new homes and the sale of existing homes in our residential markets. Many customers of our installation partners rely on mortgage loans from banks and other lenders in order to finance a substantial portion of the purchase price for their home, including any related improvements. Increased mortgage interest rates may lead to lower demand for new homes and a reduced number of homes available for solar origination through our homeowner channel. Additionally, increased interest rates may result in fewer secondary home sales, a reduction in the number of customers refinancing their mortgages and uncertainty about the economy** . 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 military conflict between Russia and Ukraine. Our business, financial condition and results of operations may be materially and adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine 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 conflict between Russia and Ukraine. On February 24, 2022, a full- scale military invasion of Ukraine by Russian troops was reported **and the conflict is continuing at an intense level** . Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine 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 situation in Ukraine and globally and assessing its potential impact on our business. In addition, 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. Any of the above mentioned factors could affect our business, prospects, financial condition, and operating results. 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 in this registration statement. We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims. Although we believe we have designed our products for safety, product liability claims, even those without merit, could harm our business, prospects, operating results and financial condition. Our risks in this area are particularly pronounced given that we have only recently begun to deliver energy storage products. Moreover, a product liability claim could generate substantial negative publicity about our products and business and could have material adverse effect on our brand, business, prospects and operating results. The markets in which we operate are in their infancy and highly competitive, and we may not be successful in competing in these industries as the industry further develops. We currently face competition from new and established domestic and international competitors and expect to face competition from others in the future, including competition from companies with new technology. The worldwide energy storage market is in its infancy, and we expect it will become more competitive in the future. We also expect more regulatory burden as customers adopt this new technology. There is no assurance that our energy storage systems will be successful in the respective markets in which they compete. A significant and growing number of established and new companies, as well as other companies, have entered or are reported to have plans to enter the energy storage market. Most of our current and potential competitors have significantly greater financial, technical, manufacturing, marketing, sales networks and other resources than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. Increased competition could result in lower unit sales, price reductions, revenue shortfalls, loss of customers and loss of market share, which could harm our business, prospects, financial condition and operating results. The energy storage industry is highly competitive. We face competition from other manufacturers, developers and installers of energy storage systems, as well as from large utilities. Decreases in the retail prices of electricity from utilities or other renewable energy sources could make our products less attractive to customers. Reduction in various federal and state rebate and incentive programs could also adversely affect product adoption. Our products and services are subject to substantial regulations, which are evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and operating results. As a manufacturer of energy storage systems, we are impacted by federal, state and local regulations and policies concerning electricity pricing, the interconnection of electricity generation and storage equipment with the electric grid, and the sale of electricity generated by third- party owned systems. For example, existing or proposed regulations and policies would permit utilities to limit the amount of electricity generated by our customers with their solar energy systems, adjust electricity rate designs such that the price of our products may not be competitive with that of electricity from the grid, restrict us and our customers qualifying for government incentives and benefits that apply to renewable energy, and limit or eliminate net energy metering. If such regulations and policies remain in effect or are adopted in other jurisdictions, or if other regulations and policies that adversely impact the interconnection or use of our energy storage systems are introduced, they could deter potential customers from purchasing our energy storage products, which could harm our business, prospects, financial condition and results of operations . **In particular, the California Public Energy Commission (“ CPUC ”) passed Net Energy Metering 3**

(“ NEM3 ”) in November 2022 with a phase in date of April 14, 2023. NEM3 significantly reduces the value to “ excess ” solar that a customer sends to the Utility during the day. Under NEM2, customer typically achieved a pay back period of 5- 6 years. Under NEM3, solar pay back is 10- 12 years depending on the Utility. As a result, most solar installers focused on installing as much solar as possible prior to the April 14, 2023 deadline. This resulted in a delay of battery and ESS installations since adding these capabilities do not affect NEM status. The full impact of NEM3 to both the solar and ESS industry will not be known for several months. Our business and operations would suffer in the event of third-party computer system failures, cyber- attacks on third- party systems or deficiency in our cyber security. We rely on information technology ( “ IT ”) systems, including third- party “ cloud based ” service providers, to keep financial records, maintain product support data, and corporate records, to communicate with staff and external parties and to operate other critical functions. This includes critical systems such as email, other communication tools, electronic document repositories and archives. If any of these third- party information technology providers are compromised due to computer viruses, unauthorized access, malware, natural disasters, fire, terrorism, war and telecommunication failures, electrical failures, cyber- attacks or cyber- intrusions over the internet, then sensitive emails or documents could be exposed or deleted. Similarly, we could incur business disruption if our access to the internet is compromised, and we are unable to connect with third- party IT providers. The risk of a security breach or disruption, particularly through cyber- attacks or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. To the extent that any disruption or security breach results in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and delay of our product development and support efforts . We may need to assert intellectual property- related claims or defend ourselves against intellectual property infringement claims, which may be time- consuming and could cause us to incur substantial costs. Others, including our competitors, may hold or obtain patents, copyrights, trademarks or other proprietary rights that could prevent, limit or interfere with our ability to make, use, develop, sell or market our products and services, which could make it more difficult for us to operate our business. From time to time, the holders of such intellectual property rights may assert their rights and urge us to take licenses, and / or may bring suits alleging infringement or misappropriation of such rights. We may consider the entering into licensing agreements with respect to such rights, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur, and such licenses could significantly increase our operating expenses. In addition, if we are determined to have infringed upon a third party’ s intellectual property rights, we may be required to cease making, selling or incorporating certain components or intellectual property into the goods and services we offer, to pay substantial damages and / or license royalties, to redesign our products and services, and / or to establish and maintain alternative branding for our products and services. In the event that we were required to take one or more such actions, our business, prospects, operating results and financial condition could be materially adversely affected. In addition, any litigation or claims, whether or not valid, could result in substantial costs, negative publicity and diversion of resources and management attention. In August 2021, we entered into an exclusive **long term** supply agreement with our Asian supplier pertaining to our **NV7600 product inverter component** . This agreement contains provisions that address the ownership and use of intellectual property rights. While we are unaware of any present dispute concerning this agreement or our other agreements that concern ownership of or use of intellectual property rights, future disputes may arise concerning this or other agreements we have entered into that concern ownership of or use of intellectual property rights. Our business could be negatively impacted if we fail to adequately protect our intellectual property rights. We consider our intellectual property rights to be important assets, and seek to protect them through a combination of patent, trademark, copyright and trade secret laws, as well as licensing and confidentiality agreements. These protections may not be adequate to prevent third parties from using our intellectual property without our authorization, breaching any confidentiality agreements with us, copying or reverse engineering our products, or developing and marketing products that are substantially equivalent to or superior to our own. The unauthorized use of our intellectual property by others could reduce our competitive advantage and harm our business. Not only are intellectual property- related proceedings burdensome and costly, but they could span years to resolve and we might not ultimately prevail. We cannot guarantee that any patents, issued or pending, will provide us with any competitive advantage or will not be challenged by third parties. Moreover, the expiration of our patents may lead to increased competition with respect to certain products. Potential tariffs or a global trade war have increased our costs and could further increase the cost of our products, which could adversely impact the competitiveness of our products and our financial results. In 2019, the Trump Administration announced tariffs on goods imported from China in connection with China’ s intellectual property practices. Our products depend on materials from China, namely inverters and batteries, which are the main components of our products. Traditionally, the tariff rate for our imports has been 3. 4 %. Presently, our tariff rate is 10. 9 % on these imports. To date, the Biden Administration has made no significant changes to these Chinese tariffs. We cannot predict what actions may ultimately be taken with respect to tariffs or trade relations between the United States and China, what products may be subject to such actions, or what actions may be taken by the China in retaliation. The tariffs described above, the adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs, trade agreements or related policies have the potential to adversely impact our supply chain and access to equipment, our costs and our product margins. Any such cost increases or decreases in availability could slow our growth and cause our financial results and operational metrics to suffer. Our industry is subject to technological change, and our failure to continue developing new and improved products and to bring these products rapidly to market could have an adverse impact on our business. New products, or refinements and improvements to our existing products, may have technical failures, delayed introductions, higher than expected production costs or may not be well accepted by our customers. If we are not able to anticipate, identify, develop and market high quality products in line with technological advancements that respond to changes in customer preferences, demand for our

products could decline and our operating results could be adversely affected. Public company compliance may make it more difficult to attract and retain officers and directors. The Sarbanes-Oxley Act and rules subsequently implemented by the SEC have required changes in corporate governance practices of public companies. As a **recent Nasdaq listed** public company, we expect these rules and regulations to increase our compliance costs ~~in 2022 and beyond~~ and to make certain activities more time consuming and costly. As a public company, we also expect that these rules and regulations may make it more difficult and expensive for us to obtain director and officer liability insurance in the future and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our Board of Directors or as executive officers. Confidentiality agreements with employees and third parties may not prevent unauthorized disclosure of trade secrets and other proprietary information, and our inability to maintain the confidentiality of that information, due to unauthorized disclosure or use, or other event, could have a material adverse effect on our business. In addition to the protection afforded by patents, we seek to rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable or that we elect not to patent, processes for which patents are difficult to enforce, and any other elements of our product discovery and development processes that involve proprietary know-how, information, or technology that is not covered by patents. Trade secrets, however, may be difficult to protect. We seek to protect our proprietary processes, in part, by entering into confidentiality agreements with our employees, consultants, advisors, contractors and collaborators. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, advisors, contractors, and collaborators might intentionally or inadvertently disclose our trade secret information to competitors. In addition, competitors may otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Furthermore, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the United States. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the United States and abroad. If we are unable to prevent unauthorized material disclosure of our intellectual property to third parties, or misappropriation of our intellectual property by third parties, we will not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, operating results and financial condition. We are heavily reliant on Brent Willson, our Chief Executive Officer and President, and the departure or loss of Brent Willson could disrupt our business. We depend heavily on the continued efforts of Brent Willson, our Chief Executive Officer and President and a director. Mr. Willson, who is also a director, is the founder of NeoVolta and is essential to our strategic vision and day-to-day operations and would be difficult to replace. The departure or loss of Mr. Willson, or the inability to timely hire and retain a qualified replacement, could negatively impact our ability to manage our business. If we are unable to recruit and retain key management, technical and sales personnel, our business would be negatively affected. For our business to be successful, we need to attract and retain highly qualified technical, management and sales personnel. The failure to recruit additional key personnel when needed with specific qualifications and on acceptable terms or to retain good relationships with our partners might impede our ability to continue to develop, commercialize and sell our products. To the extent the demand for skilled personnel exceeds supply, we could experience higher labor, recruiting and training costs in order to attract and retain such employees. We face competition for qualified personnel from other companies with significantly more resources available to them and thus may not be able to attract the level of personnel needed for our business to succeed.

**Risks Related to Our Securities** Our executive officers and directors will exercise significant control over us for the foreseeable future, which will limit our shareholders ability to influence corporate matters and could delay or prevent a change in corporate control. **Our** ~~As of the closing of our recent underwritten public offering, our~~ executive officers and directors currently hold or have the right to acquire, in the aggregate, up to approximately ~~13-15~~ **15.90** % of our outstanding common stock. As a result, these stockholders will be able to influence our management and affairs and heavily influence the outcome of matters submitted to our stockholders for approval, including the election of directors and any sale, merger, consolidation, or sale of all or substantially all of our assets. These stockholders may have interests, with respect to their common stock, that are different from our other stockholders and the concentration of voting power among one or more of these stockholders may have an adverse effect on the price of our common stock. In addition, this concentration of ownership might adversely affect the market price of our common stock by: (1) delaying, deferring or preventing a change of control of our company; (2) impeding a merger, consolidation, takeover or other business combination involving our company; or (3) discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company. Future sales of shares by existing stockholders could cause our stock price to decline. If our existing stockholders, who acquired their shares of common stock at prices substantially below our current trading price, sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the contractual lock-up agreements such stockholders entered into in connection with our July 2022 offering expire and other restrictions on resale lapse, the trading price of our common stock could be adversely impacted. Certain of our stockholders holding an aggregate of 13,907,867 shares **at the time of our July 2022 public offering** and our officers and directors, ~~have~~ **have** agreed not to offer, sell, dispose of or hedge such shares of our common stock, ~~subject to specified limited exceptions, during the period continuing through the date that is 180 days after the date of our IPO, or~~ **subject to specified limited exceptions, during the period continuing through the date that is 180 days after the date of our IPO, or** January 23, 2023. Upon the expiration of the lock-up agreements, all such shares **became** ~~will be~~ eligible for resale in the public market, subject to applicable securities laws, including the Securities Act. Upon ~~expiration of each of these lock-up periods or upon the~~ ability to sell shares pursuant to Rule 144, the trading price of our common stock could be adversely impacted if these stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market. Nevada law and provisions in our articles of incorporation and bylaws could make a takeover proposal more difficult. We are a Nevada corporation and the anti-takeover provisions of the Nevada Revised Statutes may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our articles of incorporation and bylaws may discourage, delay or

prevent a change in our management or control over us that stockholders may consider favorable. Our articles of incorporation and bylaws:

- authorize the issuance of “blank check” preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- place restrictive requirements (including advance notification of stockholder nominations and proposals) on how special meetings of stockholders may be called by our stockholders;
- do not provide stockholders with the ability to cumulate their votes; and
- provide that our board of directors may amend our bylaws.

Additionally, our authorized capital includes preferred stock issuable in one or more series. Our board has the authority to issue preferred stock and determine the price, designation, rights, preferences, privileges, restrictions and conditions, including voting and dividend rights, of those shares without any further vote or action by stockholders. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future. The issuance of additional preferred stock, while providing desirable flexibility in connection with possible financings and acquisitions and other corporate purposes, could make it more difficult for a third party to acquire a majority of the voting power of our outstanding voting securities, which could deprive our holders of common stock of a premium that they might otherwise realize in connection with a proposed acquisition of our company. As an “emerging growth company” under the Jumpstart Our Business Startups Act, or JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. As an “emerging growth company” under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. We are an emerging growth company until the earliest of:

- the last day of the fiscal year during which we have total annual gross revenues of \$ 1 billion or more;
- the last day of the fiscal year following the fifth anniversary of our initial public offering;
- the date on which we have, during the previous 3- year period, issued more than \$ 1 billion in non- convertible debt; or
- the date on which we are deemed a “large accelerated issuer” as defined under the federal securities laws.

For so long as we remain an emerging growth company, we will not be required to:

- have an auditor report on our internal control over financial reporting pursuant to the Sarbanes- Oxley Act of 2002;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis);
- submit certain executive compensation matters to shareholders advisory votes pursuant to the “say on frequency” and “say on pay” provisions (requiring a non- binding shareholder vote to approve compensation of certain executive officers) and the “say on golden parachute” provisions (requiring a non- binding shareholder vote to approve golden parachute arrangements for certain executive officers in connection with mergers and certain other business combinations) of the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010; and
- include detailed compensation discussion and analysis in our filings under the Securities Exchange Act of 1934, as amended, and instead may provide a reduced level of disclosure concerning executive compensation.

For so long as we remain an emerging growth company, we:

- may present only two years of audited financial statements and only two years of related Management’s Discussion and Analysis of Financial Condition and Results of Operations, or MD & A; and
- are eligible to claim longer phase- in periods for the adoption of new or revised financial accounting standards under § 107 of the JOBS Act.

We intend to take advantage of all of these reduced reporting requirements and exemptions. Certain of these reduced reporting requirements and exemptions were already available to us due to the fact that we also qualify as a “smaller reporting company” under SEC rules. For instance, smaller reporting companies are not required to obtain an auditor attestation and report regarding management’s assessment of internal control over financial reporting; are not required to provide a compensation discussion and analysis; are not required to provide a pay- for- performance graph or CEO pay ratio disclosure; and may present only two years of audited financial statements and related MD & A disclosure. We cannot predict if investors will find our securities less attractive due to our reliance on these exemptions. If investors were to find our common stock less attractive as a result of our election, we may have difficulty raising additional capital. Our shareholders may experience dilution of their ownership interests because of the future issuance of additional shares of our common or preferred stock or other securities that are convertible into or exercisable for our common or preferred stock. We are authorized to issue an aggregate of 100, 000, 000 shares of common stock and 5, 000, 000 shares of “blank check” preferred stock. In the future, we may issue our authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of our present stockholders. We intend to seek to raise additional funds, finance acquisitions or develop strategic relationships by issuing equity or convertible debt securities, which would reduce the percentage ownership of our existing stockholders. Our board of directors has the authority, without action or vote of the stockholders, to issue all or any part of our authorized but unissued shares of common or preferred stock. Our articles of incorporation authorizes us to issue up to 100, 000, 000 shares of common stock and 5, 000, 000 shares of preferred stock. Future issuances of common or preferred stock would reduce our stockholders influence over matters on which stockholders vote and would be dilutive to earnings per share. In addition, any newly issued preferred stock could have rights, preferences and privileges senior to those of the common stock. Those rights, preferences and privileges could include, among other things, the establishment of dividends that must be paid prior to declaring or paying dividends or other distributions to holders of our common stock or providing for preferential liquidation rights. These rights, preferences and privileges could negatively affect the rights of holders of our common stock, and the right to convert such preferred stock into shares of our common stock at a rate or price that would have a dilutive effect on the outstanding shares of our common stock. We do not anticipate paying dividends on our common stock, and investors may lose the entire amount of their investment. Cash dividends have never been declared or paid on our common stock, and we do not anticipate such a declaration or payment for the foreseeable future. We expect to use future earnings, if any, to fund business growth. Therefore, stockholders will not receive any funds absent a sale of their shares of common stock. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates. We cannot assure stockholders of a positive return on their investment when they sell their shares, nor can we assure that stockholders will not lose the entire amount of their investment. The Warrants we issued in our July 2022 offering are speculative in nature, and the trading market for our Warrants are volatile, sporadic and limited. The Warrants we issued in

our July 2022 offering do not confer any rights of common stock ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire shares of our common stock at a fixed price for a limited period of time. Specifically, commencing on the date of issuance, holders of the Warrants may exercise their right to acquire the common stock and pay an exercise price of \$ 4.00 per share, up to five years from the date of issuance, after which date any unexercised Warrants will expire and have no further value. In addition, the trading market for the Warrants is volatile, sporadic and limited. Holders of the Warrants we issued in our July 2022 offering will have no rights as a common stockholder until they acquire our common stock. Until holders of the Warrants we issued in our July 2022 offering acquire shares of our common stock upon exercise of the Warrants, the holders will have no rights with respect to shares of our common stock issuable upon exercise of the Warrants. Upon exercise of the Warrants, the holder will be entitled to exercise the rights of a common stockholder as to the security exercised only as to matters for which the record date occurs after the exercise. Although our securities ~~recently~~ became listed on Nasdaq **in August 2022**, there can be no assurance that we will be able to comply with the continued listing standards of Nasdaq, a failure of which could result in a de-listing of our common stock. The Nasdaq Capital Market requires that the trading price of its listed stocks remain above one dollar in order for the stock to remain listed. If a listed stock trades below one dollar for more than 30 consecutive trading days, then it is subject to delisting from Nasdaq. In addition, to maintain a listing on Nasdaq, we must satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders' equity, and certain corporate governance requirements. **Additionally, we may become subject to an evolving set of compliance regulations pertaining to environmental, social and governance (" ESG ") matters as well as cybersecurity standards that are promulgated by Nasdaq or other regulatory bodies.** If we are able to maintain the listing of our securities on Nasdaq, we may be unable to satisfy these requirements or standards and we could subject our securities to delisting, which would have a negative effect on the price of our common stock and would impair our security holders' ability to sell or purchase our common stock or Warrants when they wish to do so. In the event of a delisting, we would expect to take actions to restore our compliance with the listing requirements, but we can provide no assurance that any such action taken by us would allow our securities to become listed again, stabilize the market price or improve the liquidity of our securities, prevent our securities from dropping below the minimum bid price requirement, or prevent future non-compliance with the listing requirements. The price of our common stock and Warrants may be volatile. The market price of our common stock and Warrants is highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following: · changes in our industry; · competitive pricing pressures; · our ability to obtain working capital financing; · additions or departures of key personnel; · conversions from preferred stock to common stock; · sales of our common and preferred stock; · our ability to execute our business plan; · operating results that fall below expectations; · loss of any strategic relationship; · regulatory developments; and · economic and other external factors. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock and Warrants. **Negative research about our business published by analysts or journalists could cause our stock price to decline. A lack of regularly published research about our business could cause trading volume or our stock price to decline. The trading market for our common stock depends in part on the research and reports that analysts and journalists publish about us or our business. If analysts or journalists publish inaccurate or unfavorable research about our business, our stock price would likely decline. If we fail to meet the expectations of analysts for our operating results, or if the analysts who covers us downgrade our stock, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline. Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us. Our articles of incorporation and bylaws contain provisions that eliminate, to the maximum extent permitted by the corporation law of the State of Nevada, the personal liability of our directors and executive officers for monetary damages for breach of their fiduciary duties as a director or officer. Our articles of incorporation and bylaws also provide that we will indemnify our directors and executive officers and may indemnify our employees and other agents to the fullest extent permitted by the corporation law of the State of Nevada. Any claims for indemnification made by our directors or officers could impact our cash resources and our ability to fund the business. Shareholder activism could cause material disruption to our business. Publicly traded companies have increasingly become subject to campaigns by activist investors advocating corporate actions such as actions related to environment, social and governance (ESG) matters, among other issues. Responding to proxy contests and other actions by such activist investors or others in the future could be costly and time-consuming, disrupt our operations and divert the attention of our Board of Directors and senior management from the pursuit of our business strategies, which could adversely affect our results of operations and financial condition.**