Risk Factors Comparison 2024-03-29 to 2023-03-16 Form: 10-K

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You should carefully consider the following risks. These risks could materially affect our business, results of operations or financial condition, cause the trading price of our common stock to decline materially or cause our actual results to differ materially from those expected or those expressed in any forward- looking statements made by us or on our behalf. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the factors mentioned under " Cautionary Note Regarding Forward- Looking Statements " and the risks of our businesses described elsewhere in this Report for the year ended December 31, 2023. Summary of Risk Factors An investment in our company involves various risks. The following is a summary of these risks, but does not address all of the risks that we face. Additional discussion of the risks that we face can be found following this summary and should be carefully considered together with all of the other information appearing in this Report. Risks Related to Our Business and General Economic Conditions · A sustainable market for our products may never develop. · We have a limited operating history with no material revenues. · Our ability to recruit and retain qualified management. · Our management team may not be able to successfully implement our business strategies. · Our executive officers have other business interests. · Our products may have defects. · Our ability to generate revenue will depend in part on government contracts. · Significant disruptions of our information technology systems or breaches of our data security could adversely affect our business. · We may be unable to obtain required licenses from third parties for product development. · We face other risks in our expected international sales. · If we fail to manage growth or to prepare for product scalability effectively, it could have an adverse effect on our employee efficiency, product quality, working capital levels and results of operations. · We may be adversely affected by the effects of inflation. · We face competition in our industry, and we may be unable to attract customers and maintain a viable business. · Our ability to treat hazardous wastes on a commercially viable basis is unproven, which could have a detrimental effect on our ability to generate or sustain revenues. · We are required to obtain permits in different areas of the world in order to utilize our products in such regions. Our need to apply for and receive permits could substantially limit our ability to operate and grow our business. · We may be involved in litigation matters or other legal proceedings that are expensive and time consuming. · Developments in, and compliance with, current and future environmental and climate change laws and regulations could impact our business, financial condition or results of operations. · If we become subject to claims relating to handling, storage, release or disposal of hazardous materials, we could incur significant cost and time to comply. · Failure to effectively treat emerging contaminants could result in material liabilities. · Wastewater operations entail significant risks that may impose significant costs. · We may incur liabilities to customers as a result of warranty claims or failure to meet performance guarantees, which could reduce our profitability. · Our operations will be subject to multiple layers of complex environmental health and safety regulation. · Developments in, and compliance with, current and future climate change laws and regulations could impact our business, financial condition or results of operations. · Our insurance may not provide adequate coverage. · We may be unable to obtain or maintain insurance for our commercial products. · Product and services liability suits, whether or not meritorious, could be brought against us. · Our financial results depend on successful project execution and may be adversely affected by cost overruns, failure to meet customer schedules or other execution issues. · We have inadequate capital and need for additional financing to accomplish our business and strategic plans. · Undetected problems in our products could impair our financial results and give rise to potential product liability claims. 12Risks Related to Our Financial Position and Capital Requirements · Our financial results depend on successful project execution and may be adversely affected by cost overruns, failure to meet customer schedules or other execution issues. · We have inadequate capital and need for additional financing to accomplish our business and strategic plans. Terms of subsequent financing, if any, may adversely impact your investment. · Undetected problems in our products could impair our financial results and give rise to potential product liability claims. · Our research and development expenses may increase in the future. Risks Related to Our Intellectual Property · We have limited protection over our trade secrets and know- how. · We may have difficulty in protecting our intellectual property and may incur substantial costs to defend ourselves in patent infringement litigation. Risks Related to our Reliance on Third Parties · We depend on a single supplier; if our relationship with our supplier deteriorates, this could have an adverse impact on our business. · Our suppliers may fail to deliver materials and parts according to schedules, prices, quality and volumes that are acceptable to us, or we may be unable to manage these materials and parts effectively. Risks Relating to our Common Stock and Capital Structure · The market price of our common stock historically has been highly volatile. · Our principal stockholders, officers and directors own a significant interest in the Company. · Because we became public by means of a merger, we may not be able to attract the attention of major brokerage firms. · We are an " emerging growth company " and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors. · We do not intend to pay dividends on our common stock for the foreseeable A sustainable market for our products may never develop or may take longer to develop than we anticipate which would adversely affect our results of operations. Our products represent an emerging market, and we do not know whether our targeted customers will accept our technology or will purchase our products in sufficient quantities to allow our business to grow. To succeed, demand for our products must increase significantly in existing markets, and there must be strong demand for products that we introduce in the future. Our limited operating history

makes evaluating the business and future prospects difficult and may increase the risk of your investment. We have yet to generate material revenues from our business and we have not yet produced commercially viable systems. We have only created one working version of our system as a demonstration unit that operated on the campus of Duke University from 2015 and until 2022 when the unit was purchased by 374Water and relocated to Kokomo, IN. Therefore, the commercial value of our systems is uncertain. There can be no assurance that we will ever generate significant revenues or become profitable. Further, we are subject to all the risks inherent in a new business including, but not limited to: intense competition ; lack of sufficient capital ; loss of protection of proprietary technology and trade secrets ; difficulties in commercializing our products, managing growth and hiring and retaining key employees ; adverse changes in costs and general business and economic conditions ; and the need to achieve product acceptance, to enter and develop new markets and to develop and maintain successful relationships with customers, third party suppliers and contractors. 13Our business and results of operations may be adversely affected if we are unable to recruit and retain qualified management. Our success depends, in large part, on our ability to hire and retain highly qualified people and if we are unable to do so, our business and operations may be impaired or disrupted. Specifically, the Company' s Board of Directors is actively conducting a search for a permanent chief executive officer. Competition for highly qualified people is intense and there is no assurance that we will be successful in attracting or retaining replacements to fill vacant positions, successors to fill retirements or employees moving to new positions, or other highly qualified personnel. Furthermore, the search for our new chief executive officer may take longer than expected, which could negatively impact our business development. Our executive officers have other business interests which may limit the amount of time they can devote to our Company and create conflicts of interest. Our executive officers have other business interests, meaning they may not have enough time to devote to our business operations. While our officers presently possess adequate time to attend to our interests, it is possible that the demands on them from their other obligations could increase with the result that they would no longer be able to devote sufficient time to the management of our business. Jeff Quick, our interim chief executive officer and Adrienne Anderson, our chief financial officer, presently spend approximately 80 % of their business time on business management services for our Company. This may lead to sporadic exploration activities and periodic interruptions of business operations and negatively impact our business development. Unforeseen events may cause this amount of time to become even less. Our officers may also have conflicts of interest as a result of their relationships with other companies. Our products may have defects, which could damage our reputation, decrease market acceptance of our products, cause us to lose customers and revenue and result in costly litigation or liability. Our products may contain defects for many reasons, including defective design or manufacture, defective material or software interoperability issues. Products as complex as those we offer, frequently develop or contain undetected defects or errors. Despite testing defects or errors may arise in our existing or new products, which could result in loss of revenue, market share, failure to achieve market acceptance, diversion of development resources, injury to our reputation, and increased service and maintenance cost. Defects or errors in our products and solutions might discourage customers from purchasing future products. Often, these defects are not detected until after the products have been installed. If any of our products contain defects or perceived defects or have reliability, quality or compatibility problems or perceived problems, our reputation might be damaged significantly, we could lose or experience a delay in market acceptance of the affected product or products and might be unable to retain existing customers or attract new customers. In addition, these defects could interrupt or delay sales. In the event of an actual or perceived defect or other problem, we may need to invest significant capital, technical, managerial and other resources to investigate and correct the potential defect or problem and potentially divert these resources from other development efforts. If we are unable to provide a solution to the potential defect or problem that is acceptable to its customers, we may be required to incur substantial product recall, repair and replacement and even litigation costs. These costs could have a material adverse effect on our business and operating results. Furthermore, defects or malfunctioning of our products, if they were to occur, would likely result in significant damage and loss of life. These events could also lead to product recalls, safety or security alerts, or result in the removal of a product from the market, issuance of credits, warranty or liability claims or contractual damages against us. We may not be able to obtain product liability or other insurance to fully cover such risks, and our efforts to implement appropriate design, testing and manufacturing processes for our products or systems may not be sufficient to prevent such occurrences, which could have a material adverse effect on our business, results of operations and financial condition. If our management team is unable to execute on its business strategies, then our development, including the establishment of revenues and our sales and marketing activities would be materially and adversely affected. In addition, we may encounter difficulties in effectively managing the budgeting, forecasting and other process control issues presented by any future growth. We may seek to augment or replace members of our management team or we may lose key members of our management team, and we may not be able to attract new management talent with sufficient skill and experience. We expect to derive a significant portion of our future revenues directly or indirectly from government agencies. The funding of government programs could be reduced or eliminated due to numerous factors, including geopolitical events and macroeconomic conditions that are beyond our control. Reduction or elimination of government spending under our contracts would imperil the sales of our products and may cause a negative effect on our revenues, results of operations, cash flow and financial condition. 14A significant invasion, interruption, destruction or breakdown of our information technology systems and / or infrastructure by persons with authorized or unauthorized access could negatively impact our business and operations. We could also experience business interruption, information theft and / or reputational damage from cyberattacks, which may compromise our systems and lead to data leakage either internally or at our third- party providers. Our systems have been, and are expected to continue to be, the target of malware and other cyberattacks.

Although we have invested in measures to reduce these risks, we cannot assure that these measures will be successful in preventing compromise and / or disruption of our information technology systems and related data. We may be required to obtain licenses to patents or other proprietary rights from third parties. If we do not obtain required licenses, we could encounter delays in product development or find that the development, manufacture or sale of products requiring these licenses could be prevented in the U. S. or abroad. We expect to derive a portion of our revenues ultimately from international sales. Changes in international, political, economic or geographic events could cause significant reductions in our revenues, which could harm our business, financial condition and results of operations. Some of the risks of doing business internationally include imposition of tariffs and other trade barriers and restrictions, political and economic instability in the countries of our customers and suppliers, changes in diplomatic and trade relationships and increasing instances of terrorism worldwide ~~. If we fail to manage growth or to prepare for product scalability effectively, it could have an adverse effect on our employee efficiency, product quality, working capital levels and results of operations~~ . Any significant growth in the market for our products or our entry into new markets may require an expansion of our employee base for managerial, operational, financial, and other purposes. During any period of growth, we may face problems related to our operational and financial systems and controls, including quality control and delivery and service capacities. We would also need to continue to expand, train and manage our employee base. Continued future growth will impose significant added responsibilities upon the members of management to identify, recruit, maintain, integrate, and motivate new employees. Aside from increased difficulties in the management of human resources, we may also encounter working capital issues, as we will need increased liquidity to finance the development of new products, and the hiring of additional employees. For effective growth management, we will be required to continue improving our operations, management, and financial systems and controls. Our failure to manage growth effectively may lead to operational and financial inefficiencies that will have a negative effect on our profitability. We cannot assure investors that we will be able to timely and effectively meet that demand and maintain the quality standards required by our existing and potential customers. ~~We may be adversely affected by the effects of inflation.~~ Inflation has the potential to adversely affect our business, results of operations, financial position and liquidity by increasing our overall cost structure, particularly if we are unable to achieve commensurate increases in the prices we charge our customers. The existence of inflation in the economy has the potential to result in higher interest rates and capital costs, supply shortages, increased costs of labor and other similar effects. As a result of inflation, we have experienced and may continue to experience, increases in our costs associated with operating our business including labor, equipment and other inputs. Although we may take measures to mitigate the impact of this inflation through pricing actions and efficiency gains, if these measures are not effective our business, results of operations, financial position and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when these beneficial actions impact our results of operations and when the cost inflation is incurred. ~~13We face competition in our industry, and we may be unable to attract customers and maintain a viable business. The~~ **15The** markets for our products and services are highly competitive, with companies offering a variety of competitive products and services. We expect competition in our markets to intensify in the future as new and existing competitors introduce new or enhanced products and services that are potentially more competitive than our products and services. Our principal direct competitors in the SCWO field are General Atomic (US) and SCFI (Ireland). Several other technologies are in competition with SCWO, depending on the market sector including: anaerobic digestion, landfilling, drying and incineration, lagoon and spray- fields, lime stabilization, and others. We believe that our systems will prove much more economical with higher treatment efficiency and lower operating costs ; however, there can be no assurance that we will be able to successfully compete with General Atomics, SCFI or any other competitor. Our competitors may prove more successful in offering similar systems and / or may offer alternative systems which prove to be more popular with potential customers than our system. We believe many of our competitors and potential competitors have significant competitive advantages, including longer operating histories, ability to leverage their sales efforts and marketing expenditures across a broader portfolio of products and services, larger and broader customer bases, more established relationships with a larger number of suppliers, contract manufacturers, and channel partners, greater brand recognition, and greater financial, research and development, marketing, distribution, and other resources than we do and the ability to offer financing for projects. Our competitors and potential competitors may also be able to develop products or services that are equal or superior to ours, achieve greater market acceptance of their products and services, and increase sales by utilizing different distribution channels than we do. Some of our competitors may aggressively discount their products and services in order to gain market share, which could result in pricing pressures, reduced profit margins, lost market share, or a failure to grow market share for us. If we are not able to compete effectively against our current or potential competitors, our prospects, operating results, and financial condition could be adversely affected. Our ability to commercialize our systems and grow and achieve profitability in accordance with our business plan will depend on our ability to satisfy our customers and withstand increasing competition by providing superior waste treatment at reasonable cost. There can be no assurance that we will be able to achieve or maintain a successful competitive position. ~~Our ability to treat hazardous wastes on a commercially viable basis is unproven, which could have a detrimental effect on our ability to generate or sustain revenues.~~ The technologies we use to treat sludge, biosolids and wastewater, have never been utilized on a full- scale commercial basis. Our AirSCWO ™ technology remains in a research and development status. All of the tests conducted to date by us with respect to the technology have been performed in a limited scale or small commercial scale environment and the same or similar results may not be obtainable at competitive costs on a large- scale commercial basis. We have never employed our technology under the conditions or in the volumes that will be required for us to be profitable and cannot predict all of the difficulties that may arise. Accordingly, our technology may not perform successfully on a commercial basis and may never generate any revenues or be profitable. ~~We~~ **Our revenues to date** are ~~required to obtain permits~~ **primarily from the sale of one AirSCWO unit which we anticipate delivering** in ~~different~~ **the second quarter of calendar year 2024. If we** ~~areas~~ -- **are** ~~of~~ **unsuccessful, at completing** the **AirSCWO unit** ~~world in order to utilize our products in such regions. Our~~

~~need to apply for~~ and **are unable** ~~receive permits could substantially limit our ability~~ to ~~operate and grow our business~~ **deliver on this contract it could adversely affect us**. Our ability to continue with our current scope of operations and expand our operations and business across the globe is subject, in certain cases, to our receiving a permit for different purposes, including the use of land. It may be difficult to receive the required permits, which may require our management team to divert its attention from other aspects of our business, or it may be more capital intensive or a more time- consuming process than expected to receive permits, either of which could increase costs and delay the launch of our products. ~~In addition, permitting and execution processes may be delayed due to the ongoing COVID19 pandemic.~~ Furthermore, if we do not comply with the requirements set forth in the permits we receive, we could lose the granted permits or not receive them at all. Should any of these events occur it could have a material adverse effect on our business and reputation, results of operations and financial position. ~~14We~~ **16We** ~~may be involved in litigation matters or other legal proceedings that are expensive and time consuming. We~~ may become involved in litigation matters, including class action lawsuits and lawsuits relating to intellectual property and product liability. Any lawsuit to which we are a party, with or without merit, may result in an unfavorable judgment. We also may decide to settle lawsuits on unfavorable terms. Any such negative outcome could result in payments of substantial damages or fines, damage to our reputation, loss of rights, or adverse changes to our offerings or business practices. Any of these results could adversely affect our business. In addition, defending claims is costly and can impose a significant burden on our management. Moreover, 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. Litigation of this type could result in substantial costs and diversion of management' s attention and resources, which could seriously hurt our business. Any adverse determination in litigation could also subject us to significant liabilities ~~. Developments in, and compliance with, current and future environmental and climate change laws and regulations could impact our business, financial condition or results of operations~~ . Our business, operations, and product and service offerings are subject to and affected by many federal, state, local and foreign environmental laws and regulations, including those enacted in response to climate change concerns. Increasing public and governmental awareness and concern regarding the effects of climate change has led to significant legislative and regulatory efforts to limit greenhouse gas emissions and will likely result in further environmental and climate change laws and regulations. Compliance with existing laws and regulations currently requires, and compliance with future laws is expected to continue to require, increasing operating and capital expenditures, including with respect to the design or re- design of our products in order to conform to changing environmental standards and regulations, which could impact our business, financial condition and results of operations. Furthermore, environmental laws and regulations may authorize substantial fines and criminal sanctions as well as facility shutdowns to address violations, and may require the installation of costly pollution control equipment or operational changes to limit emissions or discharges. We also incur, and expect to continue to incur, costs to comply with current environmental laws and regulations. Developments such as the adoption of new environmental laws and regulations, stricter enforcement of existing laws and regulations, violations by us of such laws and regulations, discovery of previously unknown or more extensive contamination, litigation involving environmental impacts, our inability to recover costs associated with any such developments, or financial insolvency of other responsible parties could in the future have a material adverse effect on our financial condition and results of operations. ~~15If we become subject to claims relating to handling, storage, release or disposal of hazardous materials, we could incur significant cost and time to comply. Our~~ **17Our** business activities, including our manufacturing processes and waste recycling and treatment processes, currently involve the use, treatment, storage, transfer, handling and / or disposal of hazardous materials, chemicals and wastes. These activities create a risk of significant environmental liabilities and reputational damage. Under applicable environmental laws and regulations, we could be strictly, jointly and severally liable for releases of regulated substances by us at our current or former properties or the properties of others or by other businesses that previously owned or used our current or former properties, including if such releases result in contamination of air, water or soil, or cause harm to individuals. We could also be liable or incur reputational damage if we merely generate hazardous materials or wastes, or arrange for their transportation, disposal or treatment, or we transport such materials, and they are subsequently released or cause harm. Our business activities also create a risk of contamination or injury to our employees, customers or third parties, from the use, treatment, storage, transfer, handling and / or disposal of these materials. In the event that our business activities result in environmental liabilities, such as those described above, we could incur significant costs or reputational damage in connection with the investigation and remediation of environmental contamination, and we could be liable for any resulting damages including natural resource damages. Such liabilities could exceed our available cash or any applicable insurance coverage we may have. Additionally, we are subject to, on an ongoing basis, federal, state and local laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of compliance with these laws and regulations may become significant and could have a material adverse effect on our business, financial condition, results of operations or prospects. Further, we may incur costs to defend our position even if we are not liable for consequences arising out of a release of or exposure to a hazardous substance or waste, or other environmental damage. Our insurance policies may not be sufficient to cover the costs of such claims. ~~Failure to effectively treat emerging contaminants could result in material liabilities.~~ A number of emerging contaminants might be found in water that we treat, including PFAS, 1. 4- dioxane, dinitrotoluene, perchlorate, in addition to other pathogens and hazardous substances that have the potential to cause any number of illnesses, including cholera, typhoid fever, cancer, giardiasis, cryptosporidiosis, amoebiasis and free- living amoebic infections. There is a risk that workers are exposed to these contaminants and pathogens before material is treated, the unit is not operated property and the waste is not fully treated during the process, or there is a malfunction and waste is not property treated creating a risk of third- party exposure to contaminants in byproducts that are generated. The potential impact of a failure to treat is difficult to predict and could lead to an increased risk of exposure to property damage, natural resource damage, personal injury or even product liability claims, increased scrutiny by federal and state regulatory agencies and negative publicity. Further, an outbreak of disease in any one of the municipal markets we serve could result in a widespread loss of customers across other such markets. ~~16Wastewater~~ **18Wastewater** ~~operations entail significant risks that may impose significant costs. Wastewater~~ treatment involves various unique risks. If our treatment systems fail or do not operate properly, or if there is a spill, untreated or partially treated wastewater could discharge onto property or into nearby streams and rivers, causing various damages and injuries, including environmental damage. Liabilities resulting from such damages and injuries could materially adversely affect our business, financial condition, results of operations or prospects. These risks could be increased by the potential physical impacts of climate change on our operations. The physical impacts of climate change are highly uncertain and would vary depending on geographical location, but could include changing temperatures, water shortages, changes in weather and rainfall patterns and changing storm patterns and intensities. Many climate change predictions, if true, present several potential challenges to water and wastewater service providers, such as increased precipitation and flooding, potential degradation of water quality and changes in demand for water services ~~. We may incur liabilities to customers as a result of warranty claims or failure to meet performance guarantees, which could reduce our profitability~~ . Although not currently part of our sales agreements, we anticipate that our customers will require product warranties as to the proper operation and conformance to specifications of the products we manufacture or install and performance guarantees as to any effluent produced by our equipment and services. Failure of our products to operate properly or to meet specifications of our customers or our failure to meet our performance guarantees may increase costs by requiring additional engineering resources and services, replacement of parts and equipment and frequent replacement of consumables or monetary reimbursement to a customer or could otherwise result in liability to our customers. There are significant uncertainties and judgments involved in estimating warranty and performance guarantee obligations, including changing product designs, differences in customer installation processes and failure to identify or disclaim certain variables in a customer' s influent. To the extent that we incur substantial warranty or performance guarantee claims in any period, our reputation, earnings and ability to obtain future business could be materially adversely affected. We enter into various contracts in the normal course of our business, some or all of which may require us to indemnify the other party to the contract. In the event we have to perform under these indemnification provisions, it could have an adverse effect on our business, financial condition and results of operations. In the normal course of business, we may enter into agreements that contain indemnification provisions which require us to indemnify the other parties against adverse events occurring as a result of our operations. Should our obligation under an indemnification provision exceed applicable insurance coverage or if we were denied insurance coverage, our business, financial condition and results of operations could be adversely affected. Similarly, if we are relying on a third party to indemnify us and the party is denied insurance coverage, or the indemnification obligation exceeds the applicable insurance coverage and does not have other assets available to indemnify us, our business, financial condition and results of operations could be adversely affected. **19We** ~~17Our operations will be subject to multiple layers of complex environmental health and safety regulation We~~ are and will be subject to federal, state, local and foreign laws and regulations governing the use, storage, handling and disposal of hazardous and non- hazardous waste materials. The cost of compliance with these laws and regulations may become significant and could have a material adverse effect on our business, financial condition, results of operations or prospects. Furthermore, environmental laws and regulations may authorize substantial fines and criminal sanctions as well as facility shutdowns to address violations and may require the installation of costly pollution control equipment or operational changes to limit emissions or discharges ~~. Developments in, and compliance with, current and future climate change laws and regulations could impact our business, financial condition or results of operations. Our insurance may not provide adequate coverage~~ . Although we maintain general and product liability, property and commercial insurance coverage, which we consider prudent, there can be no assurance that such insurance will prove adequate in the event of actual casualty losses or broader calamities such as terrorist attacks, earthquakes, financial crises, economic depressions or other catastrophic events, which are either uninsurable or not economically insurable. Any such losses could have a material adverse effect on the performance of our systems. ~~We may be unable to obtain or maintain insurance for our commercial products.~~ The design, development and manufacture of our products involve an inherent risk of product liability claims and associated adverse publicity. There can be no assurance we will be able to maintain insurance for any of our proposed commercial products. Such insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms or at all. We are also exposed to product liability claims in the event the use of our proposed products result in injury. ~~18Product~~ **20Product** and services liability suits, whether or not meritorious, could be brought against us. These suits could result in expensive and time- consuming litigation, payment of substantial damages and an increase in our insurance rates. If any of our current or future products and services that we make or sell (including items that we source from third parties) are defectively designed or manufactured, contain defective components, are misused, have safety or quality issues, have inadequate operating guidelines, malfunctions or if someone claims any of the foregoing, whether or not meritorious, we may become subject to substantial and costly litigation. Misuse of our products by us or other operating parties or services or failing to adhere to the operating guidelines could cause significant harm to the public and the environment. The foregoing events could lead to recalls or safety alerts, result in the removal of a product or service from the market and result in product liability or similar claims being brought against us. Any product liability claims brought against us could divert management' s attention from our core business, be expensive to defend and result in sizable damage awards against us. While we maintain product liability insurance, we may not have sufficient insurance coverage for all future claims. Any product liability claims brought against us, with or without merit, could increase our product liability insurance rates or prevent us from securing continuing coverage, could harm our reputation in the industry and could reduce revenue, if any. Product and services liability claims in excess of our insurance coverage would be paid out of cash reserves, harming our financial condition and adversely affecting our results of operations. In addition, if we expand into additional geographic markets, we may then be exposed to different and changing regulations regarding, for example, environmental impact and damages, which entail risks for compensation obligation, which may mean that we would need to update our existing insurance policy or obtain additional policies for specific geographical markets. If we do not have sufficient insurance coverage or the cost of obtaining the appropriate insurance coverage is costly, this could have a material adverse effect on our business, results of operations and financial position. ~~Our products may be displaced by newer technology. The alternative power industry is undergoing rapid and significant technological change. Third parties may succeed in developing or marketing technologies and products that are more effective than those developed or marketed by us, or that would make our technology obsolete or non- competitive. Accordingly, our success will depend, in part, on our ability to respond quickly to technological changes. We may not have the resources to do this.~~ Natural disasters and other catastrophic events beyond our control could adversely affect our business operations and financial performance. The occurrence of one or more natural disasters, such as fires, hurricanes, tornados, tsunamis, floods and earthquakes ; geo- political events, such as civil unrest in a country in which our suppliers are located or terrorist or military activities disrupting transportation, communication or utility systems ; or other highly disruptive events, such as nuclear accidents, pandemics, unusual weather conditions or cyber- attacks, could adversely affect our operations and financial performance. Such events could result, among other things, in operational disruptions, physical damage to or destruction or disruption of one or more of our properties or properties used by third parties in connection with the supply of products or services to us, the lack of an adequate workforce in parts or all of our operations and communications and transportation disruptions. These factors could also cause consumer confidence and spending to decrease or result in increased volatility in the United States and global financial markets and economy. Such occurrences could have a material adverse effect on us and could also have indirect consequences such as increases in the costs of insurance if they result in significant loss of property or other insurable damage. **21A significant** ~~19Risks Related to Our Financial Position and Capital Requirements Our financial results depend on successful project execution and may be adversely affected by cost overruns, failure to meet customer schedules or other execution issues. A~~ portion of our revenue ~~is~~ **will be** derived from large projects that are technically complex and may occur over multiple years. These projects are subject to a number of significant risks, including project delays, cost overruns, changes in scope, unanticipated site conditions, design and engineering issues, incorrect cost assumptions, increases in the cost of materials and labor, safety hazards, third party performance issues, weather issues and changes in laws or permitting requirements. If we are unable to manage these risks, we may incur higher costs, liquidated damages and other liabilities to our customers, which may decrease our profitability and harm our reputation. Our continued growth will depend in part on executing a higher volume of large projects, which will require us to expand and retain our project management and execution personnel and resources. We ~~have inadequate capital and need for additional financing to accomplish our business and strategic plans. Terms of subsequent financing, if any, may adversely impact your investment. We~~ will need to ~~promptly~~ raise substantial additional funds **in order to execute our business plan** . Without such additional funds, we may have to cease operations or scale back our activities. Our ultimate success may depend on our ability to raise additional capital. In the absence of additional financing or significant revenues and profits, we will have to approach our business plan from a much different and much more restricted direction, attempting to secure additional funding sources to fund our growth, borrowing money from lenders or elsewhere or to take other actions to attempt to provide funding. We may have to engage in common equity, debt, or preferred stock financings in the future. Your rights and the value of your investment in the common stock could be reduced by the dilution caused by future equity issuances. Interest on debt securities could increase costs and negatively impact operating results. In the event we are permitted to issue preferred stock pursuant to the terms of our articles of incorporation, preferred stock could be issued in series from time to time with such designation, rights, preferences, and limitations as needed to raise capital. The terms of preferred stock would be more advantageous to those investors than to the holders of common stock. In addition, if we need to raise more equity capital from the sale of common stock, institutional or other investors may negotiate terms possibly less favorable to us, and thereby adversely impact your investment. **22If** ~~20Undetected problems in our products could impair our financial results and give rise to potential product liability claims. If~~ there are defects in the design, production or testing of our products and systems, we could face substantial repair, replacement or service costs, potential liability and damage to our reputation. Defects or malfunctioning of our products, if they were to occur, would likely result in significant damage and loss of life **. These events could also lead to product recalls, safety or security alerts, or result in the removal of a product from the market, issuance of credits, warranty or liability claims or contractual damages against us** . We may not be able to obtain product liability or other insurance to fully cover such risks, and our efforts to implement appropriate design, testing and manufacturing processes for our products or systems may not be sufficient to prevent such occurrences, which could have a material adverse effect on our business, results of operations and financial condition. ~~Potential product~~ **Our research and development expenses primarily relate to our efforts to increase the output, durability and commercial** ~~liability~~ **viability** ~~claims could adversely affect our future earnings and financial condition. We face an inherent business risk~~ of ~~exposure to product liability claims in the event that the use of~~ our ~~products~~ **technology. The** results ~~in adverse effects. We may not be able to maintain adequate levels~~ of **such research** ~~insurance for these liabilities at reasonable cost~~ and ~~/~~ **development can be unforeseen and undesirable and therefore** ~~or~~ **our forecasted** ~~reasonable terms. Excessive insurance~~ costs **related** ~~or uninsured claims would add~~ to ~~our future operating expenses and adversely affect our financial condition. 374Water' s financial condition and results of operations may be negatively affected by public health crises~~ such **research** ~~as the ongoing coronavirus pandemic. Severe financial market~~ and **development** ~~economic disruptions may occur in response to public health epidemics, and the U. S. and global economies~~ are ~~suffering huge negative impacts as a result of the ongoing coronavirus pandemic. The rapid spread of the coronavirus, and the fear~~ associated with ~~this pandemic, along with~~ **great uncertainty. We expect that our research and development expenses will increase in** the ~~negative impact~~ **future. Unforeseen research and development results could require us to undertake supplementary research and development at significant costs or cause us to pause or stop research and development efforts. A delay or non- existent launch of our technology or an insufficient investment (or overspend** on **such expenditure) could** ~~economic growth and financial markets generally, may~~ have a material adverse effect on ~~the demand for our SCWO systems in the U. S. and abroad. If our customers and / or sources of financing are adversely~~

~~affected by the pandemic and the accompanying economic crisis, our financial condition and results of operations could be materially adversely affected. Moreover, our operations and productivity could be negatively impacted if our key personnel and employees are continuously quarantined as the result of exposure to coronavirus or another contagious illness. The extent to which the coronavirus crisis affects us will depend on future developments, which are highly uncertain at this time and cannot be predicted, including new information, which may emerge concerning the severity of the coronavirus, its economic and social impact and the measures taken to contain or treat the coronavirus, among others. Our research and development expenses may increase in the future. Our research and development expenses primarily relate to our efforts to increase the output, durability and commercial viability of our technology. The results of such research and development can be unforeseen and undesirable and therefore our forecasted costs related to such research and development are associated with great uncertainty. We expect that our research and development expenses will increase in the future. Unforeseen research and development results could require us to undertake supplementary research and development at significant costs or cause us to pause or stop research and development efforts. A delay or non- existent launch of our technology or an insufficient investment (or overspend on such expenditure) could have a material adverse effect on~~ our business, results of operations and financial position. ~~21Risks Related to Our Intellectual Property We have limited protection over our trade secrets and know- how. Although~~ **23Although** we have entered into confidentiality and invention agreements with our key personnel, there can be no assurance that these agreements will be honored or that we will be able to protect our rights to our non- patented trade secrets and know- how effectively. There can be no assurance that competitors will not independently develop equivalent or superior proprietary information and techniques or otherwise gain access to our trade secrets and know- how ~~. We may have difficulty in protecting our intellectual property and may incur substantial costs to defend ourselves in patent infringement litigation~~ . At this time, we rely primarily on a combination of patents, trade secrets, copyright and trademark laws, and confidentiality procedures to protect our proprietary technology, which is our principal asset. Our ability to compete effectively will depend to a large extent on our success in protecting our proprietary technology, both in the United States and abroad. There can be no assurance that (i) any patents that we apply for will be issued, (ii) we will ever obtain the rights to any patents covering the technology on which our current systems are based, (iii) any patents issued will not be challenged, invalidated, or circumvented, (iv) we will have the financial resources to enforce any such patents or (v) any patent rights granted will provide any competitive advantage. We could incur substantial costs in obtaining patent coverage and defending any patent infringement suits or in asserting our patent rights, including those granted by third parties, and we might not be able to afford such expenditures. We do not know whether any of our current or future patent applications, if any, will result in the issuance of any patents. Even issued patents may be challenged, invalidated or circumvented. Patents may not provide a competitive advantage or afford protection against competitors with similar technology. Competitors or potential competitors may have filed applications for, or may have received patents and may obtain additional and proprietary rights to compounds or processes used by or competitive with ours. Both the patent application process and the process of managing patent disputes can be time- consuming and expensive. Competitors may be able to design around our patents or develop products which provide outcomes which are comparable or may even be superior to ours. In the event a competitor infringes upon our intellectual property rights, enforcing those rights may be costly, uncertain, difficult and time consuming. Even if successful, litigation to enforce our intellectual property rights or to defend our patents against challenge could be expensive and time consuming and could divert our management' s attention. We may not have sufficient resources to enforce our intellectual property rights or to defend our patent rights against a challenge. The failure to obtain patents and / or protect our intellectual property rights could have a material and adverse effect on our business, results of operations and financial condition. ~~22In~~ **24In** addition, we have taken steps to protect our intellectual property and proprietary technology, including entering into confidentiality agreements and intellectual property assignment agreements with all of our executive officers, employees, consultants and advisors, however, such agreements may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements. Furthermore, the laws of foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States. Moreover, the following can limit our ability to protect our intellectual property and technology: · intellectual property laws in certain jurisdictions may be relatively ineffective ; · detecting infringements and enforcing proprietary rights may divert management' s attention and company resources ; · contractual measures such as non- disclosure agreements and confidentiality provisions may afford only limited protection ; · any patents we may receive will expire, thus providing competitors access to the applicable technology ; · competitors may independently develop products that are substantially equivalent or superior to our products or circumvent our intellectual property rights ; and · competitors may register patents in technologies relevant to our business areas ; In addition, various parties may assert infringement claims against us. The cost of defending against infringement claims could be significant, regardless of whether the claims are valid. If we are not successful in defending such claims, we may be prevented from the use or sale of certain of our products, or liable for damages and required to obtain licenses, which may not be available on reasonable terms, any of which may have a material adverse impact on our business, results of operation or financial condition. We may become subject to claims of infringement or misappropriation of the intellectual property rights of others, which could prohibit us from developing our products, require us to obtain licenses from third parties or to develop non- infringing alternatives and subject us to substantial monetary damages. Third parties could, in the future, assert infringement or misappropriation claims against us with respect to products we develop. Whether a product infringes a patent or misappropriates other intellectual property involves complex legal and factual issues, the determination of which is often uncertain. Therefore, we cannot be certain that we have not infringed the intellectual property rights of others. Our potential competitors may assert that some aspect of our product infringes their patents. Because patent applications may take years to issue, there also may be applications now pending of which we are unaware that may later result in issued patents upon which our products could infringe. There also may be existing patents or pending patent applications of which we are unaware upon which our products may inadvertently infringe. Any infringement or misappropriation claim could cause us to incur significant costs, place significant strain on our financial resources, divert management' s attention from our business and harm our reputation. If the relevant patents in such **a** claim were upheld as valid and enforceable and we were found to infringe them, we could be prohibited from selling any product that is found to infringe unless we could obtain licenses to use the technology covered by the patent or are able to design around the patent. We may be unable to obtain such a license on terms acceptable to us, if at all, and we may not be able to redesign our products to avoid infringement. A court could also order us to pay compensatory damages for such infringement, plus prejudgment interest and could, in addition, treble the compensatory damages and award attorney fees. These damages could be substantial and could harm our reputation, business, financial condition and operating results. A court also could enter orders that temporarily, preliminarily or permanently enjoin us and our customers from making, using, or selling products, and could enter an order mandating that we undertake certain remedial activities. Depending on the nature of the relief ordered by the court, we could become liable for additional damages to third parties. ~~23We~~ **25We** also employ individuals who were previously employed at other companies in our industry, including our competitors or potential competitors. Although we try to ensure that our employees, consultants and independent contractors do not use the proprietary information or know- how of others in their work for us, we may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of any of our employee' s former employer or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely impact our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees. Even if we are issued patents, because the patent positions of our technology are complex and uncertain, we cannot predict the scope and extent of patent protection for our products. Any patents that may be issued to us will not ensure the protection of our intellectual property for a number of reasons, including without limitation the following: · any issued patents may not be broad or strong enough to prevent competition from other products including identical or similar products ; · if we are not issued patents or if issued patents expire, there would be no protections against competitors making generic equivalents ; · there may be prior art of which we are not aware that may affect the validity or enforceability of a patent claim ; · there may be other patents existing in the patent landscape that will affect our freedom to operate ; · if our patents are challenged, a court or relevant tribunal could determine that they are not valid or enforceable ; · a court could determine that a competitor' s technology or product does not infringe our patents even if we believe it does ; · our patents could irretrievably lapse due to failure to pay fees or otherwise comply with regulations, or could be subject to compulsory licensing ; and · if we encounter delays in our development, the period of time during which we could market our products under patent protection would be reduced. We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property. We may be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other intellectual property as an inventor or co- inventor. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our products. Litigation may be necessary to defend against these and other claims challenging inventorship. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees. ~~24We~~ **26We** employ individuals or hire consultants who are employed by or otherwise affiliated with universities and have commitments or obligations under employment agreements, policies, and other contracts with those universities. Failure by these employees and consultants to comply with their commitments or obligations to any university may result in disputes over our intellectual property or technology. The resolution of any dispute that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, which could adversely impact our business. We may need to depend on certain technologies that are licensed to us. We would not control these technologies and any loss of our rights to them could prevent us from selling our products. We have entered into license agreements with third parties for certain licensed technologies that are not currently utilized in the systems we market but may be in the future. In addition, we may in the future elect to license third- party intellectual property to further our business objectives and / or as needed for freedom to operate ~~for~~ our systems. We do not and will not own the patents or patent applications that are a subject of these licenses. Our rights to use these technologies and employ the inventions claimed in the licensed patents and patent applications are or will be subject to the continuation of and compliance with the terms of those licenses. In some cases, we do not or may not control the prosecution, maintenance, or filing of the patents or patent applications to which we hold licenses, or the enforcement of these patents against third parties. As a result, we cannot be certain that drafting or prosecution of the licensed patents and patent applications by the licensors have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents and other intellectual property rights. Moreover, disputes may arise regarding intellectual property subject to a licensing agreement, including: · the scope of rights granted under the license agreement and other interpretation-related issues ; · the extent to which our product candidates, technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement ; · our diligence obligations under the license agreement and what activities satisfy those diligence obligations ; · the inventorship and ownership of inventions and know- how resulting from the joint creation or use of intellectual property by our licensors and us and our partners ; and · the priority of invention of patented technology. ~~25In~~ **27In** addition, the agreements under which we currently license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates, which could have a material adverse effect on our business, financial conditions, results of operations, and prospects. ~~Risks Related to our Reliance on Third Parties~~ We **have historically been working with and** ~~depend~~ **depending** on a single **manufacturer** ~~supplier who is also a significant stockholder of our Company and whose founder is a member of our board of directors~~. If our relationship with our ~~supplier~~ **manufacturer** deteriorates **, or if we are unable to adequately assume the fabrication and manufacturing services internally** , this could have an adverse impact on our business, results of operations and financial results. In **July** 2021, we entered into ~~an~~ **the Original M & S** ~~agreement~~ **Agreement** to fabricate and manufacture the AirSCWO systems with Merrell Bros. ~~Holding Company. As~~ **with an initial three year term and one- year renewal unless terminated by either** ~~part~~ **party** ~~of the agreement, we appointed~~ **with sixty- day written notice.** Terry Merrell ~~to~~ **, one of the owners of Merrell. Bros., is on** our board of directors. As of December 31, ~~2022~~ **2023** , Merrell Bros. or their affiliates own **less than** ~~stock in excess of~~ 5 % of the outstanding common stock. **On March 27** ~~As of December 31~~ , ~~2022~~ **2024** , **we executed a supplemental** ~~the Company incurred $ 1, 318, 117 in related party expenses related to the~~ manufacturing ~~of the AirSCWO systems. As of December 31, 2022, there is an~~ **and services agreement (** ~~accounts payable of $ 559, 481 in related party expenses related to~~ the **" Supplemental M & S Agreement ")** ~~manufacturing of the AirSCWO systems. If our relationship~~ with Merrell Bros. ~~Holding Company deteriorates~~ **as Merrell Bros. has indicated to us their intent to not renew the Original M & S Agreement and we have indicated our desire to relocate to a larger manufacturer facility with more square footage dedicated to expanding our manufacturing operations. Simultaneous to executing the Supplement M & S Agreement, Merrell Bros. provided us with a written non- renewal notice. Accordingly, the Original M & S Agreement will terminate on its original expiration date of July 7, 2024 and will not be renewed. Terry Merrell plans to continue on the board of directors after the expiration of the Original M & S Agreement. The Supplemental M & S Agreement will become effective on July 7, 2024 and will replace the Original M & S Agreement. Under the Supplemental M & S Agreement, our relationship and the manufacturing services provided by Merrell Bros. will continue on an as needed basis based on statements of work to be agreed upon by both parties to fulfill future and current manufacturing orders. The term of the Supplemental M & S Agreement is one year from July 7, 2024 with a one-year renewal upon a mutually executed written extension. Either party may terminate this Supplement M & S Agreement upon written notice of such a termination, specifying the extent to which performance of work is terminated and the effective date of termination. Over the past year in preparation of moving into our own manufacturing facility, we have taken the following steps to reduce our reliance on Merrell Bros. as follows: · We have taken over the subcontractor relationships and management that Merrell Bros. had historically managed for us. · We hired a Chief Operating Officer (" COO ") with significant integration and manufacturing experience. · We have hired and continue to hire personnel with specialized skills, such as electrical designers and master electricians. · We have largely taken over the contracting, management and construction tasks previously performed by Merrell Bros. · We have identified a 50, 000 square foot location that would allow us to integrate our manufacturing operations with our waste treatment laboratory and provide sufficient space for growth. We anticipate being fully operational on or before July 7, 2024 at this or a similar facility. 28We have been using Merrell Bros. as a single point of contact for integration and as a manufacturer for our frames, containers, and equipment brackets on our AirSCWO systems. Merrell Bros. has used their own personnel and other third- party vendors for specific tasks such as pipe fitting and electrical integration. We have maintained control and development of all designs, software, operating systems and choice of component parts and materials. Currently, we manage, with the assistance of Merrell Bros., our own inventory and procurement process and have recently been primarily relying on Merrell Bros. for warehousing and physical space. Due to the steps, we have taken over the past year to reduce our reliance on Merrell Bros., we are prepared to perform the integration and manufacturing services previously provided by Merrell Bros. at our own facility. By relocating to our own facility and manufacturing our AirSCWO units internally, we anticipate both operational and logistical efficiencies as well as economic savings and cost reductions. To meet anticipated market demand, we may be required to invest substantial additional funds and hire and retain the technical personnel who have the necessary fabrication and manufacturing experience to continue growing our operations. However, if we are unable to adequately assume the fabrication and manufacturing services provided by Merrell Bros. or are unsuccessful in relocating to our own facility** , this could have an adverse impact on our business ~~, results of operations and financial results. We depend on a single supplier for~~ - **or** ~~manufacturing~~ **delay the production of** our **AirSCWO** ~~proprietary treatment~~ systems ~~. The loss of this supplier or its failure to supply us with the systems on a timely basis, could cause delays in the future availability of our systems and adversely affect our business. We depend on a single supplier for manufacturing our proprietary treatment systems. We do not have the infrastructure or capability internally to manufacture such systems. Although we have significant lead times to deliver our systems and although alternative suppliers exist for manufacturing the systems, our existing manufacturing process has been designed based on the ability of our supplier to produce our systems, incorporating the functions, limitations, features and specifications that our supplier is capable of producing. We have an agreement in place with this supplier. However, there can be no assurance that the supply of our systems will not be limited, interrupted, or of satisfactory quality or continue to be available at acceptable prices. Additionally, we have limited control over the process or timing of the manufacture of our systems by our supplier and cannot ensure that it will deliver to us our systems on time, or at all. The loss of our ability to manufacture our systems by this supplier could require us to change the design of our manufacturing process based on the functions, limitations, features and specifications of a replacement supplier. In addition, the lead time needed to establish a relationship with a new supplier can be lengthy, and we may experience delays in meeting demand in the event we must switch to a new supplier. The time and effort to qualify a new supplier could result in additional costs, diversion of resources or~~

~~reduced ability to manufacture our systems on a timely basis, any of which would negatively impact our operating results. Further, we may be unable to enter into agreements with a new supplier on commercially reasonable terms, which could have a material adverse impact on our business. Our dependence on this single supplier exposes us to certain risks, including the following: 26 · our supplier may cease or reduce production or deliveries, raise prices or renegotiate terms ; · we may be unable to locate a suitable replacement on acceptable terms or on a timely basis, if at all ; · if there is a disruption to our supplier' s operations, and if we are unable to enter into arrangements with alternative suppliers, we will have no other means of manufacturing our systems until they restore their operations or we or they procure alternative manufacturing facilities or sources of supply ; · delays caused by supply issues may harm our reputation, frustrate our customers and cause them to turn to our competitors for future projects ; and · our ability to progress our proprietary treatment systems could be materially and adversely impacted if the supplier upon which we rely were to experience a significant business challenge, disruption or failure due to issues such as financial difficulties or bankruptcy, issues relating to other customers such as regulatory or quality compliance issues, or other financial, legal, regulatory, operational or reputational issues. Moreover, to meet anticipated market demand, our supplier may need to increase manufacturing capacity, which could involve significant challenges. This may require us and our supplier to invest substantial additional funds and hire and retain the technical personnel who have the necessary experience. Neither we nor our supplier may successfully complete any required increase to existing manufacturing capacity in a timely manner, or at all. Our suppliers may fail to deliver materials and parts according to schedules, prices, quality and volumes that are acceptable to us, or we may be unable to manage these materials and parts effectively~~ . Our products contain materials and parts purchased globally from hundreds of suppliers, including single- source direct suppliers, which exposes us to potential component shortages or delays. Unexpected changes in business conditions, materials pricing, labor issues, wars such as the current conflict in Ukraine, trade policies, natural disasters, health epidemics ~~such as the global COVID-19 pandemic~~ , trade and shipping disruptions, port congestions and other factors beyond our or our suppliers' control could also affect these suppliers' ability to deliver components to us or to remain solvent and operational. Additionally, if our suppliers do not accurately forecast and effectively allocate production or if they are not willing to allocate sufficient production to us, it may reduce our access to components and require us to search for new suppliers. The unavailability of any component or supplier could result in production delays, idle manufacturing facilities, product design changes and loss of access to important technology and tools for producing and supporting our products, as well as impact the capacity of our AirSCWO ™ systems. Product design changes by us may also require us to procure additional components in a short amount of time. Our suppliers may not be willing or able to sustainably meet our timelines or our cost, quality and volume needs, or to do so may cost us more, which may require us to replace them with other sources. While we believe that we will be able to secure additional or alternate sources for most of our components, there is no assurance that we will be able to do so quickly or at all. As we scale production of our AirSCWO ™ systems, we will also need to accurately forecast, purchase, warehouse and transport components at high volumes to our manufacturing facilities. 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 and parts management, we may incur unexpected production disruption, storage, transportation and write- off costs, which may harm our business and operating results. ~~27Failure~~ **29Failure** by third parties to supply or manufacture components of our products or to deploy our systems timely or properly could adversely affect our business, financial condition and results of operations. We have been and expect to continue to be highly dependent on third parties to supply and manufacture components of our technology. If, for any reason, our third- party manufacturers or vendors are not willing or able to provide us with components or supplies in a timely fashion, or at all, our ability to manufacture and sell many of our products could be impaired, which, in turn, could have a material adverse effect on our business, results of operations and financial position. We do not have long- term contracts with all of our third- party suppliers and manufacturers or vendors. Therefore, if we do not develop ongoing relationships with those vendors located in different regions, we may not be successful at controlling unit costs as our manufacturing volume increases. We may not be able to negotiate new arrangements with these third parties on acceptable terms, or at all. In addition, we rely on third parties, under our oversight, for the deployment and installation of our AirSCWO technology. For example, the manufacture, assembly and installation of the hydraulic, control and automation and electrical sub- systems of our AirSCWO technology are performed by third- party suppliers. The mechanical sub- system is installed (moored) at the relevant project site by third- party engineering service providers. If these third parties do not properly manufacture, assemble, and install our AirSCWO technology and sub- systems, or otherwise do not perform adequately, or if we fail to recruit and retain third parties to deploy our systems in particular geographic areas, our business, financial condition and results of operations could be adversely affected. ~~Risks Relating to our Common Stock and Capital Structure~~ The market price of our common stock historically has been highly volatile and is likely to continue to be volatile, and you could lose all or part of your investment. The market price of our common stock has been volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. In addition to the factors discussed in this " Risk Factors " section and elsewhere in this Annual Report, these factors include: · ~~Effects of the COVID- 19 pandemic on our business operations or financial condition ; ·~~ Inability to obtain additional capital ; · Failure to meet or exceed financial or operational projections we may provide to the public ; · Failure to meet or exceed the financial or operational projections of the investment community ; · Significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors ; · Additions or departures of key management personnel ; · Significant lawsuits, including shareholder litigation ; · If securities or industry analysts issue an adverse or misleading opinion regarding our common stock ; · Changes in market valuations of similar companies ; · General market or macroeconomic conditions ; · Sales of shares of our common stock by us or our shareholders in the future ; and · Trading volume of our common stock. ~~28In~~ **30In** addition, companies trading in the stock market in general, and on the Nasdaq Capital Market, have experienced extreme price and volume fluctuations, and we have in the past experienced volatility that has been unrelated or disproportionate to our operating performance. From January 1, ~~2022~~ **2023** through December 31, ~~2022~~ **2023** the closing price of our common stock has ranged between $ **1. 01 and $** 4. **94** ~~90 and $ 1. 80~~ per share. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. Further, on some occasions, our share price may be, or may be purported to be, subject to " short squeeze " activity. A " short squeeze " is a technical market condition that occurs when the price of a stock increases substantially, forcing market participants who had taken a position that its price would fall (i. e., who had sold the stock " short "), to buy it, which in turn may create a significant, short- term demand for the stock not for fundamental reasons, but rather due to the need for such market participants to acquire the stock in order to forestall the risk of even greater losses. A " short squeeze " condition in the market for a stock can lead to short- term conditions involving very high volatility and trading that may or may not track fundamental valuation models. In addition, in the past, class action litigation has often been instituted against companies whose securities experienced periods of volatility in market price. Securities litigation brought against us following volatility in the price of our common stock, regardless of the merit or ultimate results of such litigation, could result in substantial costs, which would hurt our financial condition and operating results and divert management' s attention and resources from our business. The interests of our principal stockholders, officers and directors, who collectively beneficially own approximately **55** ~~56. 43~~ % of our stock, may not coincide with yours and such stockholders will have the ability to control decisions with which you may disagree. As of December 31, ~~2022~~ **2023** , our principal stockholders, officers and directors beneficially owned approximately **55** ~~56. 43~~ % of our common stock and will continue to own a significant percentage of our common stock even if our current at- the- market offering is successful. As a result, our principal stockholders, officers and directors will have the ability to control matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control of the Company and make some future transactions more difficult or impossible without the support of our controlling stockholders. The interests of such stockholders may not coincide with your interests or the interests of other stockholders ~~. Because we became public by means of a merger, we may not be able to attract the attention of major brokerage firms~~ . There may be risks associated with us becoming public through a merger. Securities analysts of major brokerage firms and securities institutions may not provide coverage of us because there were no broker- dealers who sold our stock in a public offering that would be incentivized to follow or recommend the purchase of our common stock. The absence of such research coverage could limit investor interest in our common stock, resulting in decreased liquidity. No assurance can be given that established brokerage firms will, in the future, want to cover our securities or conduct any secondary offerings or other financings on our behalf. ~~29We are an " emerging growth company " and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors. The~~ **31The** JOBS Act permits " emerging growth companies " like us to rely on some of the reduced disclosure requirements that are already available to smaller reporting companies. As long as we qualify as an emerging growth company or a smaller reporting company, we would be permitted to omit the auditor' s attestation on internal control over financial reporting that would otherwise be required by the Sarbanes- Oxley Act, as described above, and are also exempt from the requirement to submit " say- on- pay ", " say- on- pay frequency " and " say- on- parachute " votes to our stockholders and may avail ourselves of reduced executive compensation disclosure that is already available to smaller reporting companies. We will cease to be an emerging growth company upon the earliest of (i) the last day of the fiscal year during which we had total annual gross revenues of $ 1. 235 billion (as indexed for inflation) ; (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to a registration statement declared effective by the SEC ; (iii) the date on which we have, during the previous 3- year period, issued more than $ 1 billion in non- convertible debt ; or (iv) the date on which we are deemed to be a ' large accelerated filer,' as defined by the SEC, which would generally occur upon our attaining a public float of at least $ 700 million. Until such time, however, we cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile and could cause our stock price to decline. We do not intend to pay dividends on our common stock for the foreseeable future ~~, and our indebtedness may limit our ability to pay dividends on our common stock in the future~~ . We currently intend to retain our future earnings to finance the development and expansion of our business and, therefore, do not intend to pay cash dividends on our common stock for the foreseeable future. The timing, declaration, amount and payment of future dividends to stockholders will fall within the discretion of our board of directors. Our board of directors' decisions regarding the payment of future dividends will depend on many factors, including our financial condition, earnings, capital requirements of our business and covenants associated with debt obligations, as well as legal requirements, regulatory constraints, industry practice and other factors that our board of directors deem relevant. There can be no assurance that we will pay a dividend in the future or continue to pay any dividend if we do commence paying dividends. If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud and our business may be harmed and our stock price may be adversely impacted. Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and to effectively prevent fraud. Any inability to provide reliable financial reports or to prevent fraud could harm our business. The Sarbanes- Oxley Act requires management to evaluate and assess the effectiveness of our internal controls over financial reporting. In order to comply with the requirements of the Sarbanes- Oxley Act, we are required to continuously evaluate and, where appropriate, enhance our policies, procedures and internal controls. If we fail to maintain the adequacy of our internal controls over financial reporting, we could be subject to litigation or regulatory scrutiny and investors could lose confidence in the accuracy and completeness of our financial reports. We cannot assure you that in the future we will be able to fully comply with the requirements of the Sarbanes- Oxley Act or that management will conclude that our internal control over financial reporting is effective. If we fail to fully comply with the requirements of the Sarbanes- Oxley Act, our business may be harmed and our stock price may decline. Additionally, as long as we remain an " emerging growth company, " we will not be required to have our independent registered public accounting firm formally assess our internal controls over financial reporting. ~~30If~~ **32If** securities or industry analysts do not publish research about our business, or publish negative reports about our business, our share price and trading volume could decline. The trading market for our common stock, to some extent, may at some point depend on the research and reports that securities or industry analysts publish about our business. We do not have any control over these analysts. If one or more of the analysts elect to cover us and downgrade our shares or lower their opinion of our shares, our share price would likely decline. If one or more of these analysts elect to cover us and subsequently cease coverage of the Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline. Future sales or potential sales of our common stock in the public market could cause our share price to decline. If the existing holders of our common stock, particularly our directors and officers, sell a large number of shares, they could adversely affect the market price for our common stock. We have an at-the- market equity offering under which we may issue up to $ 100 million of common stock ~~, which is currently effective~~ and under which we commenced selling shares at the end of January **2023 and successfully raised approximately $ 13. 4 million of net proceeds in** 2023, and which will remain available to us in the future. Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. We incur costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives. As a public reporting company, we incur significant legal, accounting and other expenses. The Sarbanes- Oxley Act and rules subsequently implemented by the SEC, have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will entail significant legal and financial compliance costs and will make some activities more time consuming and costly. For example, we expect that these rules and regulations may make it difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept low policy limits and coverage. ~~31Provisions~~ **33Provisions** in our Amended and Restated Certificate of Incorporation and Bylaws and of Delaware law may prevent or delay an acquisition of the Company, which could decrease the trading price of our common stock. Several provisions of our Amended and Restated Certificate of Incorporation, Bylaws and Delaware law may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable. These include provisions that: · Permit us to issue blank check preferred stock as more fully described under " Description of Our Capital Stock Anti- Takeover Effects of Various Provisions of Delaware Law and Our Amended and Restated Articles of Incorporation and Bylaws " ; · Require stockholders to follow certain advance notice and disclosure requirements in order to propose business or nominate directors at an annual or special meeting ; and · Limit our ability to enter into business combination transactions with certain stockholders. These and other provisions of our Amended and Restated Certificate of Incorporation, Bylaws and Delaware law may discourage, delay or prevent certain types of transactions involving an actual or a threatened acquisition or change in control of us, including unsolicited takeover attempts, even though the transaction may offer our stockholders the opportunity to sell their shares of our common stock at a price above the prevailing market price. See " Description of Our Capital Stock Anti- Takeover Effects of Various Provisions of Delaware Law and Our Amended and Restated Articles of Incorporation and Bylaws " for more information. ~~ITEM 1B. UNRESOLVED STAFF COMMENTS.~~