

Risk Factors Comparison 2025-04-01 to 2024-03-21 Form: 10-K

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Our business faces many risks. As such, prospective investors and stockholders should carefully consider and evaluate all of the risk factors described below as well as other factors discussed in this Form 10-K Annual Report, including without limitation, the Management's Discussion and Analysis of Financial Condition and Results of Operations, and in our other filings with the SEC. Any of these factors could adversely affect our business, financial condition and results of operations. Additional risks and uncertainties that are not currently known to us or that are not currently believed by us to be material may also harm our business operations and financial results. These risk factors may change from time to time and may be amended, supplemented, or superseded by updates to the risk factors and other information contained in periodic reports on Form 10-Q, Form 10-K, and current reports on Form 8-K that we file with the SEC in the future. Company Risk Factors Changes in economic conditions, including inflation, **tariffs**, interest rates, and supply-chain disruptions have affected and may continue to affect our business, revenues and earnings adversely. **The disruptions resulting from post-COVID supply chain conditions which included long and logistics complications hit a crescendo in 2022 in large part because of a sharp uptick for our more lead times and irregular availability of advanced rechargeable battery packs which increased our need for highly sought --after components combined with**, including various electronic components, PC boards, chip sets and certain metals to name a few. **The underlying factors pressuring our gross margins in this timeframe included rapid cost inflation on raw materials and key components not entirely aligned with the timing of customer price increases; incremental fees to source and expedite critical components in a timely manner, necessitating the one-time use of brokers at a much higher cost and with more complex logistics, and further complicating the timely matching of higher costs with customer price increases; and irregular component availability and lead time extensions causing continuous production-line start-ups, shut-downs and changeovers resulting in labor inefficiencies, higher scrap and decreased absorption of overhead. While these conditions persisted in 2023 and 2024**, although to a lesser extent, ~~the~~. **The negative impact of these economic conditions** was partially mitigated by our proactive actions including the following: closer alignment of cost increases with customer price increases, extending the time horizon of our sales & operations planning process ("S & OP") with both customers and suppliers to provide greater visibility in ordering components while upgrading our internal resources responsible for the process, and improving our process for launching new products to reduce the cost and time of transitioning to high-volume manufacturing. While price increases, longer lead times and key component shortages ~~are easing~~ **have eased**, they still exist **sporadically occur and general economic conditions are likely to become more complex with the advent of tariffs in 2025**. Despite our **best efforts** proactive actions to improve gross margins and **focus to secure alternate vendors to minimize the disruptions experienced in the past**, we may not be able to fully offset in a timely fashion the unfavorable impact **of these disruptions may continue to cause economic conditions which could have a material adverse effect** on our business and financial results going forward. A significant portion of our revenues - **revenue** is derived from certain key customers. We have one customer, L3Harris Technologies, a large global defense primary contractor, which comprised **23 % of our total revenues in 2024 and** 15 % of our total revenues in 2023 ~~and 17 % of our total revenues in 2022~~. There were no other customers that comprised greater than 10 % of our total revenues during these years. While we consider our relationship with this major customer to be good, the reduction, delay or cancellation of orders from this customer or any delays in payments beyond their payment terms, for any reason, would reduce our revenues and operating income and could materially and adversely affect our business, operating results and financial condition in other ways. Reductions or delays in U. S. and foreign military spending could have a material adverse effect on our business, financial condition and results of operations. A significant portion of our revenues is derived from contracts with U. S. and foreign militaries or OEMs that supply U. S. and foreign militaries. In the years ended December 31, **2024 and** 2023 ~~and 2022~~, **\$ 62, 374 or 38 % and** \$ 57, 802 or 36 % ~~and \$ 38, 795 or 29 %~~, respectively, of our revenues were comprised of sales made directly or indirectly to U. S. and foreign militaries. While significant gains have been made in commercial markets with our business, we are still highly dependent on sales to U. S. Government customers. The amounts and percentages of our net revenue that were derived from sales to U. S. Government customers, including the Department of Defense, whether directly or through prime contractors, was approximately **\$ 54, 077 or 33 % in 2024 and \$ 43, 476 or 27 % in 2023** ~~and \$ 33, 064 or 25 % in 2022~~. Therefore, any significant disruption to or deterioration of our relationship with the U. S. Government or any prime defense contractor could significantly reduce our revenues. ~~Our~~ **We and our** competitors continuously engage in efforts to expand ~~their~~ business relationships with the U. S. Government and will continue these efforts in the future, and the U. S. Government may choose to use other contractors or suppliers **that compete with us**. Budget and appropriations decisions made by the U. S. Government, including possible future sequestration periods or other similar formulaic reductions in federal expenditures, are outside of our control and have long-term consequences for our business. A decline in U. S. or foreign military expenditures could result in a reduction in the military demand for our products, which could have a material adverse effect on our business, financial condition and results of operations. Our efforts to develop new products or new commercial applications for our products could be prolonged, not be profitable, not be accepted by our customers or could otherwise fail to achieve market share. Although we develop certain products for new commercial applications, we cannot ~~be assure~~ **sure** that these new products will be accepted due to the highly competitive nature of our industries. There are many new ~~product~~ **products** and technology entrants into the markets we sell our products to. We must continually reassess the markets in which our products can be successful and seek to engage customers in those markets that will adopt our products for use in their products. In addition, these customers must be successful with their products in their markets for us to gain increased business. Increased competition,

failure to gain customer acceptance of our products, the introduction of competitive technologies or failure of our customers to purchase our products in their markets all may have an adverse effect on our business and reduce our revenues and operating income. Our supply of raw materials and components could be disrupted or delayed due to business conditions, **new or additional tariffs**, global conflicts, weather, ~~the continuing~~ **any lingering** impact of COVID- 19 or other factors not under our control, or the cost of those raw materials and components may materially increase. Certain materials and components used in our products are available only from a single or a limited number of suppliers. Some materials and components have been and may continue to be in short supply resulting in limited availability and / or increased costs **including new or additional tariffs**. Additionally, we may elect to develop relationships with a single or limited number of suppliers for materials and components that are otherwise generally available. Due to our supplying defense products to the U. S. Government, we could receive a government preference to continue to obtain critical supplies to meet military production needs. However, if the government did not provide us with a government preference in such circumstances or ~~if~~ **of** the suppliers are not able to meet the necessary demand for the components, the difficulty in obtaining supplies on a timely basis could have a material adverse effect on our business, financial condition and results of operations. We believe that alternative suppliers are available to supply materials and components that could replace materials and components currently used and that, if necessary, we may be able to redesign our products to make use of such alternatives provided that the costs and timing of our customers recertifying the alternate materials and components where necessary is not deemed prohibitive to our customers or us. Nevertheless, any interruption in the supply from any supplier that serves as a sole source could delay product shipments and have a material adverse effect on our business, financial condition and results of operations. We have experienced interruptions of product deliveries by sole source and other suppliers in the past, and we cannot guarantee that we will not experience a continuation of material interruption of deliveries from sole source or other suppliers in the future. ~~Past supply chain disruptions and increased component lead times resulting from COVID-19 and its after-effects were exacerbated by the increased demand for Lithium-based cells from the electric vehicle manufacturers. While the latter has resulted in increased supply of such cells, meeting such electric vehicle demand could possibly result in delays or even the discontinuation of the cells required for our products.~~ Accordingly, these circumstances **plus the potential impact of costly tariffs in 2025 and beyond** require us to regularly monitor all aspects of our supply chain and share the updates with our customers, to ensure that any potential supply interruptions are understood with all efforts taken to minimize. As we look forward to potential rising demand for electrification, our lead times for certain critical components from our suppliers could be extended even further, resulting in shipping delays causing us to miss contractual timelines. Our internal purchasing process is focused on the current economic environment, and lead times in the current environment are considered when placing orders from our vendors, but we cannot control the ability of our vendors or potential vendors to meet our delivery dates. Additionally, we could continue to face prolonged, increasing pricing pressure from our suppliers due to rising costs incurred by these suppliers, **including the costs associated with potential future tariffs**, that could be passed on to us in higher prices for our raw materials. These increased prices could increase our cost of business, lower our margins and have other materially adverse effects on our business, financial condition and results of operations, particularly, if our pass ~~through~~ of these price increases is not accepted by our customers or if our lean manufacturing initiatives take longer than anticipated. **Our** growth and expansion strategy could strain or overwhelm our resources. Rapid growth of our business could significantly strain management, operations and technical resources. If we are successful in obtaining rapid market growth of our products, we may be required to deliver large volumes of products to customers on a timely basis at a reasonable cost. For example, demand for our new **transformational** or existing products combined with our ability to penetrate new markets and geographies or secure a major project award, could strain the current capacity of our manufacturing facilities and require a substantial increase in our direct labor workforce in a tight job market, and require additional capital resources, equipment and time to meet the required demand. We cannot assure, however, that our business will grow rapidly or that our efforts to expand manufacturing and quality control activities will be successful or that we will be able to satisfy commercial scale production requirements on a timely and cost-effective basis. ~~Our~~ **While our backlog remained at over and high confidence orders of approximately** \$ 100 million ~~for the last five quarters, this~~ does not mean that rapid growth and demand for our products in all cases will be met by our resources without delay. Although we have highly experienced technical and engineering employees, we cannot assure you that we will be able to ~~fulfill~~ **fulfill all of** the orders of our customers for our products, without delay. The failure to manage growth and expansion effectively could have a material adverse effect on our business, financial condition, and results of operations. Breaches in security, whether cyber or physical, and related disruptions and / or our inability to prevent or respond to such breaches, has previously, and in the future could diminish our ability to generate revenues or contain costs, compromise our assets, and negatively impact our business in other ways. We **continuously** face certain security threats, including threats to our information technology infrastructure, attempts to gain access to our proprietary or classified information, and threats to cyber and physical security. Our information technology networks and related systems are critical to the operation of our business and essential to our ability to successfully perform day- to- day operations. The risks of a security breach, cyberattack, cyber intrusion, or disruption, particularly through actions taken by computer hackers, foreign governments and cyber terrorists, have increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Although we have acquired and developed systems and processes designed to protect our proprietary or classified information, they may not be sufficient to prevent security breach, cyberattack, cyber intrusion, or disruption, and the failure to prevent these types of events could disrupt our operations, require significant management attention and resources, and could negatively impact our reputation among our customers and the public, which could have a negative impact on our financial condition, operating results and liquidity. In 2017, we formed a cross- functional executive management Security Steering Committee focused on mitigating the risk of security breaches, cyberattacks, cyber intrusions, or disruptions. In 2018, with the assistance of outside security consultants, we completed a comprehensive Systems Security Plan (“ SSP ”) and a Plan of Action & Milestones (“ POAM ”) in compliance with the requirements of National Institute of Standards and Technology (“

NIST”) Special Publication 800- 171, Protecting Controlled Unclassified Information in Nonfederal Information Systems and Organizations. In 2019, the Company made further progress in implementing many of the security measures in our SSP and POAM, including increasing the security awareness across our employee base. In 2020 through 2023-2024, we continued to make progress towards achieving full implementation of all NIST 800- 171 security standards, as well as the requirements under the Cybersecurity Maturity Model Certification (“ CMMC ”) framework released by the Department of Defense in 2020. We continue to review all key aspects of cybersecurity utilizing our outside security consultants to ensure a robust plan is in place and provides timely updates to our Board. Despite these measures, we cannot eliminate the risk of such security breaches and the potential adverse impacts these breaches may have on our business and financial results. Accordingly, for several years, including 2023-2024, we maintained our cybersecurity insurance policy to help mitigate the impact of a cybersecurity incident. As reported on Form 8- K filed on March 2, 2023, during performance of their daily information technology security procedures on January 25, 2023, our Information Technology Team (“ IT Team ”) discovered an unauthorized entry into our information technology systems for our Newark, New York and Virginia Beach, Virginia locations. The accounts in question were immediately disabled by our IT Team, and the Company’ s Security Steering Committee met promptly, taking swift action, including the immediate notification of our cybersecurity insurance carrier. Shortly thereafter, with the assistance of recommendations from our cybersecurity carrier, we engaged external incident response professionals to assist with our assessment, recovery and response. On February 7, 2023, the Company received an electronic communication allegedly from a third- party, known for nefarious ransomware attacks, claiming responsibility for the incident, and discussions with that third party commenced through experienced cybersecurity professionals engaged by the Company. This incident caused a partial disruption of our business operations at these locations, which resulted in production and shipping downtime of several weeks as well as lost sales orders . With the efforts of internal resources supported by external expertise, the Company restored its information technology systems and production was resumed in both locations. Based on the recovery of our systems, review of the files affected, as well as the Company’ s prompt response to and assessment of the incident, no ransom or other amount has had been paid to the third -party. Nevertheless, the cybersecurity event , the business interruption incurred and the resulting restoration was costly to the Company , and, Despite a business interruption claim was , independently computed by a third-party forensic accountant, filed with our cyber insurance underwriter . The that has not been satisfied, on February 4, 2025 the Company filed a complaint in the Supreme Court of the State of New York, County of Wayne for the outstanding amount of our claim remains in review and is not included in our 2023 financial results. The Company’ s deductible for its cyber insurance is \$ 100 which was as recognized in computed by our 2023 results third- party forensic accountant . We continue to diligently monitor our information systems with outside expertise for any intrusions or other irregularities. Our ability to recruit and retain experienced, competent management is critical to the success of the business, and the loss of top management and key personnel could significantly harm our business, and the ability to implement our succession plan. The continued service of our officers and executive team is key to the successful implementation of our business model and growth strategy designed to deliver sustainable, consistent profitability. A top management priority has been the development and implementation of a formal written succession plan to mitigate the risks associated with the loss of senior executives. This formal succession plan is updated annually and presented to our Board of Directors. There is no guarantee that we will be successful in our efforts to effectively implement our succession plan. Because of the specialized, technical nature of our business, we are highly dependent on certain members of our management, sales, engineering and technical staffs-- staff. The loss of one or more of these employees could have a material adverse effect on our business, financial condition and results of operations. Our ability to effectively pursue our business strategy will depend upon, among other factors, the successful retention of our key personnel, recruitment of additional highly skilled and experienced managerial, sales, engineering and technical personnel, and the integration of such personnel obtained through business acquisitions. We cannot be assure-- sure that we will be able to retain or recruit this type of personnel at reasonable costs, or at all. An inability to hire sufficient numbers of people or to find people with the desired skills could result in greater demands being placed on limited management resources which could delay or impede the execution of our business plans and have other material adverse effects on our business, financial condition and results of operations. Our growth and expansion strategy could strain or..... on operations and supply chains. Our operations in China are subject to unique risks and uncertainties, including political changes, tariffs and trade restrictions. Our operating facility in China presents unique risks including, but not limited to, changes in local regulatory requirements, changes in labor laws, local wage laws, environmental regulations, taxes and operating licenses, compliance with U. S. regulatory requirements, including the Foreign Corrupt Practices Act, uncertainties as to the application and interpretation of local laws and enforcement of contract and intellectual property rights, currency restrictions, currency exchange controls, fluctuations in the value of currency to the U. S. dollar and currency revaluations, eminent domain claims, civil unrest, power outages, water shortages, labor shortages, labor disputes, increase in labor costs, rapid changes in government, economic and political policies, political or civil unrest, war, acts of terrorism, or the threat of boycotts, other civil disturbances, the impact of the imposition of tariffs by the U. S. Government on products 9-volt batteries that we manufacture or purchase in China as well as any retaliating trade policies or restrictions, and an outbreak of a contagious disease variant, related to COVID- 19 or not, which may cause us or our suppliers and / or customers to temporarily suspend operations in the affected city or region. Any such disruptions could depress our earnings and have other material adverse effects on our business, financial condition and results of operations. Fluctuations in the demand, supply and price of oil and gas and the resulting volatility in the level of downhole drilling could have a material adverse effect on our business, financial condition and results of operations. Fluctuations in the demand, supply and pricing encountered in the oil and gas industry, have may placed-- place financial strain on the producers and the companies that provide oilfield services and equipment to those producers. The volatility in this industry, whether driven by geopolitical developments; international tensions; supply and demand economics; the introduction of new global, national, and industry- specific regulations; U. S. administration policies; and technology, appears to be a

cyclical trend. A significant downturn in the price of oil may result in a decrease in downhole drilling and adversely impact our financial results. A decline in demand for products using our batteries or communications systems could reduce demand for our products and / or our products could become obsolete resulting in lower revenues and profitability. A substantial portion of our business depends on the continued demand for products using our batteries and communications systems sold by our customers, including OEMs. Our success depends significantly upon the success of those customers' products in the marketplace. We are subject to many risks beyond our control that influence the success or failure of a particular product or service offered by a customer, including: • competition faced by the customer in its particular industry, • market acceptance of the customer' s product or service, • the engineering, sales, marketing and management capabilities of the customer, • challenges unrelated to our technology or products faced by the customer in developing its products or services, and • the financial and other resources of the customer. The market for our products is characterized by rapidly changing technology and evolving industry standards, often resulting in product obsolescence or short product lifecycles. Although we believe that our products utilize state- of- the-art technology **and that the costs associated with change could be prohibitive in terms of costs and time**, there can be no assurance that competitors will not develop technologies or products that ~~would~~**could** render our technologies and products obsolete or less marketable. Many of the companies with which we compete have substantially greater resources than we do, and some have the capacity and volume of business to be able to produce their products more efficiently than we can. In addition, these companies are developing or have developed products using a variety of technologies that are expected to compete with our technologies. Furthermore, we have noted an increase in foreign competition, especially in Asia, over the last several years , which tends to compete on price in the battery industry , **yet poor quality and the potential impact of tariffs could mitigate their progress** . If these companies ~~are more~~ **are more** successfully ~~successful than we are in~~ **successful than we are in** ~~market~~ **marketing** their products ~~and penetrating end markets in a manner that renders our technologies obsolete~~ , this may reduce our revenues and operating income and could have other material adverse effects on our business, financial condition and results of operations. Our quarterly and annual results and the..... be unrelated to our operating results. We are subject to certain safety risks, including the risk of fire or explosion, inherent in the manufacture, use and transportation of Lithium batteries. These risks also create the potential for claims against the Company, which can have a negative impact on our financial results. Due to the high energy inherent in Lithium batteries, our Lithium batteries can pose certain safety risks, including the risk of fire. We incorporate procedures in research, development, product design, manufacturing processes and the transportation of Lithium batteries that are intended to ~~minimize~~ **reduce** safety risks, but we cannot assure that accidents will not occur or that our products will not be subject to recall for safety concerns. Although we currently carry insurance policies which cover loss of plant and machinery, leasehold improvements, inventory and business interruption, any accident, whether at ~~the our~~ **the our** manufacturing facilities or from the use and transportation of ~~the our~~ **the our** products, may result in significant production delays or claims for damages resulting from injuries or death. While we maintain what we believe to be sufficient casualty liability coverage to protect against such occurrences, these types of losses could reduce our available cash and our operating and net income and have other material adverse effects on our reputation, business, financial condition and results of operation. Our quarterly and annual results and the price of our common stock have and could in the future continue to fluctuate significantly. Our future operating results and the price of our common stock may vary significantly from quarter- to- quarter and from year- to- year depending on factors such as the timing and shipment of significant orders, new product introductions, the transition of new products to higher- volume production, major project wins, U.S. and foreign government demand, delays in customer releases of purchase orders, delays in receiving raw materials from vendors and other supply- chain disruptions, the mix of distribution channels through which we sell our products and services and general economic conditions. Due to such variances in operating results, we have sometimes failed to meet, and in the future may not meet, market expectations regarding our future operating results. In addition to the uncertainties of quarterly and annual operating results, future announcements concerning us or our competitors, including technological innovations or commercial products, litigation or public concerns as to the safety or commercial value of one or more of our products, or the impact of economic or geopolitical factors on any of the markets segments we participate in may cause the market price of our common stock to fluctuate substantially, all of which may be unrelated to our operating results. Rising interest rates will increase the cost of our ~~variable~~ borrowing and will affect our earnings adversely. The Company' s ~~Amended~~ **Amended** Credit Agreement, among other things, provides for a 5- year, \$ ~~10-55~~ **10-55**, 000 senior secured term loan (the " Term Loan Facility ") and ~~a extends the term of the~~ \$ 30, 000 senior secured revolving credit facility (the " Revolving Credit Facility ", and together with the Term Loan Facility, the " ~~Amended~~ **Amended** Credit Facilities ") through May 30, 2025. Up to six months prior to May 30, 2025, ~~the Revolving Credit Facility may be increased to \$ 50, 000 with the Bank' s concurrence~~ . Upon closing of the ~~Excell~~ **Electrochem** Acquisition on ~~October 31, 2024~~ **October 31, 2024**, the Credit Facilities became effective to fund the acquisition and the related closing costs. As of ~~December 13-31~~ **December 13-31**, 2021-~~2024~~ **2024**, the Company drew down the full amount ~~had \$ 55, 000 of~~ **had \$ 55, 000 of** ~~outstanding principal on~~ the Term Loan Facility and \$ 10, 980 under the Revolving Credit Facility. As of December 31, 2023, the Company had \$ 6, 167 outstanding principal on the Term Loan Facility, of which \$ 2, 000 ~~750~~ **750** is due to be paid in 2024 ~~2025~~ and included in current portion of long- term debt on the balance sheet, and ~~no~~ **no** \$ 19, 580 outstanding ~~balance~~ **balance** on the Revolving Credit Facility. The related interest rates on our borrowings are variable as disclosed in Note ~~2-3~~ **2-3** to our ~~consolidated~~ **Consolidated** financial ~~Financial~~ **Financial** statements ~~Statements contained in Item 8 of this Form 10- K~~ . While it is in the best interests of the Company to reduce the amount of debt quickly, those funds in some cases have been diverted to purchase raw material and component inventory above historical levels in order ~~to~~ **to** satisfy commitments to our customers in light of ~~the~~ **the** ~~continuing increase in our backlog and lingering long lead times and other supply chain disruptions~~ **continued demand for our products as well as strategic capital expenditures to improve our gross margins** . Accordingly, any increase in interest rates will adversely impact the Company' s ~~reported~~ **reported** financial results, perhaps materially. Our customers' ~~purchases~~ **purchases** may not meet the volume expectations in our supply agreements. We sell most of our products and services through supply agreements and contracts. While supply agreements and contracts contain volume- based pricing based on expected volumes, we cannot assure

that adjustments to reflect volume shortfalls will be made under current industry practices because pricing is rarely adjusted retroactively when contract volumes are not achieved. Every effort is made to adjust future prices accordingly, but our ability to adjust prices is generally based on market conditions **that may change quickly** and we may not be able to adjust prices in various circumstances. This could have an adverse impact in the form of reduced revenues or lower margins, ~~and results of operations~~. The COVID- 19 pandemic and other related illnesses have caused and may continue to create significant economic and social disruption and uncertainty around the world, may impact the health of our employees, the employees of our customers, and the employees of our suppliers, causing delays in the manufacture and delivery of our mission critical products to end customers, and may disrupt business with our collaborative business partners and service providers, which may continue to adversely impact our business and operating results. The ~~novel~~ coronavirus disease of 2019 (COVID- 19) has created significant economic disruption and uncertainty around the world. As we enter the ~~fourth~~ **fifth** year of **following** the ~~pandemic~~ **initial outbreak of COVID- 19**, our workforce, customers and vendors still face the risk of the emergence of new strains, availability of effective treatment, and potential regulatory and macroeconomic effects stemming from such impacts. Except for certain situations in China, lockdowns, shelter- in- place restrictions, and vaccine mandates, prevalent during the initial stages of the pandemic, have now been lifted for most companies. While we have maintained normal business operations at virtually all our facilities throughout the pandemic, the related supply chain disruptions including increased lead times on key components experienced within our business and by our customers and vendors, continue to impact our work schedules and timing of shipments. The lingering impact of these conditions, potentially exacerbated by the emergence of new strains, on our business and financial results is uncertain and will depend on many evolving factors which we continue to monitor but cannot predict, including the resistance to treatments and current vaccinations, and the duration and scope of any new pandemic variants, the resulting actions taken by governments, businesses and individuals, and the flow- through impact on operations and supply **chains**. We may incur significant costs or liabilities to satisfy obligations under the terms of the warranties we supply and the contractual terms under which we sell our products and services. We typically offer standard warranties against product defects that range from ninety (90) days to three (3) years from the date of purchase. We also offer separately priced extended warranty contracts on certain Communications Systems products. Warranty costs expected to be incurred are estimated based on the Company’ s experience and recorded as costs of products sold, **and have historically been minimal**. There is no assurance that future warranty claims will be consistent with our **past experience and** estimates, and in the event we experience a significant increase in warranty claims, there is no assurance that our reserves will be sufficient to cover such increased warranty claims. Excessive warranty claims could have a material adverse effect on our business, financial condition and results of operations. Any inability to comply with changes to the regulations for the shipment of our products could limit our ability to transport our products to customers in a cost- effective manner and reduce our operating income and margins. The transportation of Lithium batteries is regulated by the International Civil Aviation Organization (“ ICAO ”) and corresponding International Air Transport Association (“ IATA ”) Dangerous Goods Regulations and the International Maritime Dangerous Goods Code (“ IMDG ”) and in the U. S. by the Department of Transportation’ s Pipeline and Hazardous Materials Safety Administration (“ PHMSA ”). These regulations are based on the United Nations Recommendations on the Transport of Dangerous Goods Model Regulations and the United Nations Manual of Tests and Criteria. We currently ship our products pursuant to ICAO, IATA and PHMSA hazardous goods regulations. These regulations require companies to meet certain testing, packaging, labeling and shipping specifications for safety reasons. We have not incurred, and do not expect to incur, any significant costs in order to comply with these regulations. We believe we materially comply with all current U. S. and international regulations for the shipment of our products, and we intend and expect to comply with any new regulations that are imposed. We have established our own testing facilities to ensure that we materially comply with these regulations. If, however, we are unable to comply with any such new regulations, or if regulations are introduced that limit our ability to transport our products to customers in a cost- effective manner, this could reduce our operating income and margins, and have other material adverse effects on our business, financial condition and results of operations. Our entrance into new markets could lead to additional exposure to financial risk or increased liability, and our failure to successfully enter into those markets could lead to negative customer perception or loss of business from existing customers. Our new products supporting our commercial diversification strategy will likely result in the introduction of our products in new end markets that we have not participated in before. These new market opportunities may carry certain risks that we may not have experienced in the past or that we may not be fully aware of. While we perform extensive due diligence in the launch of our products in new end markets and attempt to mitigate our risks with our contracts and insurance coverage, we may not be fully aware of the risks that may exist until we gain more experience in these markets. Negative publicity concerning Lithium- ion batteries may ~~negatively~~ **adversely** impact the industries or markets we operate in. We are unable to predict the impact, severity or duration of negative publicity related to fire / mishandling of Lithium- ion batteries or the environmental impact of their disposal, and how it may impact the industries or markets we serve. Ongoing negative attention regarding Lithium- ion batteries that are used in certain cellular phones or are integrated into the power systems of new commercial aircraft and electric motor vehicles may have an impact on the Lithium- ion battery industry as a whole, regardless of the design or usage of those batteries. The effects of such events could **reduce demand for our products and** have an adverse effect on our business, financial condition, and results of operations. **We are subject to foreign currency fluctuations. We maintain manufacturing operations in North America, the United Kingdom and China, and we export products to various countries. We purchase materials and sell our products in foreign currencies, and therefore currency fluctuations have and may in the future impact our pricing of products sold and materials purchased. Sales to non- U. S. customers make up a significant percentage of our total revenues. For example, the percentage of our business with customers outside of the U. S. was 41 % in 2024 and 49 % in 2023. A future strengthening of the U. S. dollar relative to our customers’ currencies could make our products relatively more expensive and may adversely affect our sales levels and reduce profitability. In addition, our United Kingdom and China subsidiaries maintain their books in local currency**

and their translation to U. S. dollars for our consolidated financial statements have and may in the future have an adverse effect on our consolidated financial results due to changes in local currency values relative to the U. S. dollar. With the rapid pace of geopolitical events, it is difficult at this time to assess any future impact of currency fluctuation on the Company's financial results, despite our proactive efforts to minimize the short-term risks of currency fluctuations. Accordingly, currency fluctuations could have a material adverse effect on our business, financial condition and results of operations by increasing our expenses and reducing our income. Finally, we maintain certain domestic U. S. cash balances denominated in foreign currencies, and the U. S. dollar equivalent of these balances fluctuates with changes in the foreign exchange rates between these currencies and the U. S. dollar. Our ability to use our net operating loss and tax credit carryforwards in the future may be limited, which could increase our tax liabilities and reduce our cash flow and net income. At December 31, 2023-2024, we had approximately \$ 27-15, 200-000 of U. S. net operating loss carryforwards and \$ 2 3, 900-200 of U. S. tax credit carryforwards available to offset future taxable income. We continually assess the carrying value of these assets based on the relevant accounting standards. Based on our latest assessment at December 31, 2023-2024, we believe it is more likely than not that our U. S. deferred tax assets will be fully realized. However, failure to achieve our business targets could result in future charges to our income tax provision if any of the net operating loss or tax credit carryforwards are not utilized. See discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 28-27. A finding that our proprietary and intellectual property rights are not enforceable or invalid could allow our competitors and others to produce competing products based on our proprietary and intellectual property or limit our ability to continue to manufacture and market our products, without significant, costly alterations. We believe our success depends more on the knowledge, ability, experience and technological expertise of our employees than on the legal protection of patents and other proprietary rights. However, we claim proprietary rights in various unpatented technologies, know-how, trade secrets and trademarks relating to our products and manufacturing processes. We cannot guarantee the degree of protection these various rights may or will afford, or that competitors will not independently develop, patent or license technologies that are subject-substantially equivalent or superior to our technologies foreign-currency fluctuations. We maintain manufacturing also protect our proprietary rights in our products and operations in North America through contractual obligations, including nondisclosure agreements with certain employees, customers, consultants and strategic partners. There can be no assurance as to the degree of protection the these United Kingdom contractual measures may or will afford. We have had patents issued and China, have patent applications pending in the U. S. and elsewhere. We cannot assure (1) that patents will be issued from any of these pending applications, or that the claims allowed under any issued patents will sufficiently protect our technology, (2) that any patents issued to us will not be challenged, invalidated or circumvented, or (3) as to the degree or adequacy of protection that any patents or patent applications may or will afford. Further, if we export are found to be infringing upon third party patents, we cannot assure that we will not be subjected to significant liability for damages or that we will be able to obtain licenses with respect to such patents on acceptable terms, if at all. In this event, the failure to obtain necessary licenses could delay product shipments or the introduction of new products, to various countries. We purchase materials and sell costly attempts to design around such patents could foreclose the development, manufacture our- or sale of products in foreign currencies, all and therefore currency fluctuations have and may in the future impact our pricing of which products sold and materials purchased. Sales to non-U. S. customers make up a significant percentage of our total revenues. For example, the percentage of our business with customers outside of the U. S. was 49 % in 2023 and 48 % in 2022. A future strengthening of the U. S. dollar relative to our customers' currencies could materially make our products relatively more expensive and may adversely affect our business sales levels and reduce profitability. In addition, our United Kingdom and China subsidiaries maintain their books in local currency and their translation to U. S. dollars for our consolidated financial statements have and may in the future have an and adverse effect on our consolidated financial results due to changes in local currency values relative to the U. S. dollar. With the rapid pace of geopolitical events, it is difficult at this time to assess any future impact of currency fluctuation on the Company's financial results, despite our proactive efforts to minimize the short-term risks of currency fluctuations. Accordingly, currency fluctuations could have a material adverse effect on our business, financial condition and results of operations by increasing our expenses and reducing our income. Finally, we maintain certain domestic U. S. cash balances denominated in foreign currencies, and the U. S. dollar equivalent of these balances fluctuates with changes in the foreign exchange rates between these currencies and the U. S. dollar. Any impairment of goodwill and / or other indefinite-lived intangible assets could adversely impact our results of operations. Our goodwill and other indefinite-lived intangible assets are subject to impairment testing on an annual basis. Additionally, goodwill and other indefinite-lived intangible assets are assessed for impairment whenever events and circumstances indicate that impairment may exist. Any excess carrying value of goodwill and / or other intangible assets resulting from an impairment assessment must be written off in the period of determination. In addition, from time to time, we may acquire a business which will require us to record goodwill and / or other indefinite-lived intangible assets based on the allocation of the total consideration transferred to consummate the acquisition to the identified tangible and intangible assets acquired and liabilities assumed based on their respective estimated fair values. We may subsequently experience unforeseen circumstances related to past or future acquisitions which may adversely impact the forecasted cash flows or other assumptions used to value these assets. Future determinations that the estimated fair value of our goodwill and / or indefinite-lived intangible assets is less than their respective carrying values may result in significant (non-cash) impairment charges which could have a material adverse impact on our future results of operations. A finding that our proprietary and intellectual property rights are not enforceable or invalid could allow our competitors and others to produce competing products based on our proprietary and intellectual property or limit our ability to continue to manufacture and market our products. We believe our success depends more on the knowledge, ability, experience and technological expertise of our employees than on the legal protection of patents and other proprietary rights. However, we

claim proprietary rights in various unpatented technologies, know-how, trade secrets and trademarks relating to our products and manufacturing processes. We cannot guarantee the degree of protection these various claims may or will afford, or that competitors will not independently develop, patent or license technologies that are substantially equivalent or superior to our technologies. We also protect our proprietary rights in our products and operations through contractual obligations, including nondisclosure agreements with certain employees, customers, consultants and strategic partners. There can be no assurance as to the degree of protection these contractual measures may or will afford. We have had patents issued and have patent applications pending in the U. S. and elsewhere. We cannot assure (1) that patents will be issued from any of these pending applications, or that the claims allowed under any issued patents will sufficiently protect our technology, (2) that any patents issued to us will not be challenged, invalidated or circumvented, or (3) as to the degree or adequacy of protection that any patents or patent applications may or will afford. Further, if we are found to be infringing upon third party patents, we cannot assure that we will not be subjected to significant liability for damages or that we will be able to obtain licenses with respect to such patents on acceptable terms, if at all. In this event, the failure to obtain necessary licenses could delay product shipments or the introduction of new products, and costly attempts to design around such patents could foreclose the development, manufacture or sale of products, all of which could materially adversely affect our business and our results of operations. We are subject to the contract rules and procedures of the U. S. and foreign governments. These rules and procedures create significant risks and uncertainties for us that are not usually present in contracts with private parties. We continue to develop battery products and communications systems to meet the needs of the U. S. and foreign governments. We compete in solicitations for awards of contracts from these governments. The receipt of an award, however, does not always result in the immediate release of an order and does not guarantee in any way any given volume of orders. Any delay of solicitations or anticipated purchase orders by, or future failure of, the U. S. or foreign governments to purchase products manufactured by us could have a material adverse effect on our business, financial condition and results of operations. In these scenarios we are also typically required to successfully meet contractual specifications and to pass various qualification **tests** – testing for the products under contract. Our inability to pass these tests in a timely fashion, or to meet delivery schedules for orders released under contract, could have a material adverse effect on our business, financial condition and results of operations. Additionally, when a U. S. government contract is awarded, there is a government procedure that permits unsuccessful companies to formally protest such award if they believe they were unjustly treated in the evaluation process. As a result of these protests, the government is precluded from proceeding under these contracts until the protests are resolved. A prolonged delay in the resolution of a protest, or a reversal of an award resulting from such a protest could have material adverse effects on our business, financial condition and results of operations. We **Our business and results of operations** could be adversely affected by violations of the U. S. Foreign Corrupt Practices Act (“FCPA”), the U. K. Bribery Act or other anti-corruption laws. The FCPA, U. K. Bribery Act and other anti-corruption laws generally prohibit companies and their intermediaries from making improper payments (to foreign officials and otherwise) and require companies to keep accurate books and records and maintain appropriate internal controls. Our training program and policies mandate compliance with such laws. We operate in some parts of the world that have experienced governmental corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. If we are found to be liable for violations of anti-corruption laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others, including employees of our third-party partners or agents), we could suffer from civil and criminal penalties or other sanctions, incur significant internal investigation costs and suffer reputational harm. Such circumstances, if they occur, could have a material adverse impact on our results of operations. We may incur significant costs because of known and unknown environmental **matters** **factors**. National, state and local laws impose various environmental controls on the manufacture, transportation, storage, use and disposal of batteries and of certain chemicals used in the manufacture of batteries. We use and generate a variety of chemicals and other hazardous by-products in our manufacturing operations. These environmental laws govern, among other things, air emissions, wastewater discharges and the handling, storage and release of wastes and hazardous substances. Such laws and regulations can be complex and are subject to change. Although we believe that our operations are in substantial compliance with current environmental regulations and that there are no environmental conditions that will require material expenditures for clean up at our present or former facilities or at facilities to which we have sent waste for disposal, there can be no assurance that changes in such laws and regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities. There can be no assurance that additional or modified regulations relating to the manufacture, transportation, storage, use and disposal of materials used to manufacture our batteries or restricting disposal of batteries will not be imposed, or as to how these regulations will affect us or our customers. Such changes in regulations could reduce our operating income and margins and have other material adverse effects on our business, financial condition and results of operations. We could incur substantial costs as a result of violations of environmental laws, including clean-up costs, fines and sanctions and third-party property damage or personal injury claims. Failure to comply with environmental requirements could also result in enforcement actions that **assess penalties and** materially limit or otherwise affect the operations of the facilities involved. Under certain environmental laws, a current or previous owner or operator of an environmentally contaminated site may be held liable for the entire cost of investigation, removal or remediation of hazardous materials at such property. This liability could result whether or not the owner or operator knew of, or was responsible for, the presence of any hazardous materials. The EU RoHS Directive places restrictions on the use of certain hazardous substances in electrical and electronic equipment. All applicable products sold in the European Union market after July 1, 2006 must comply with EU RoHS Directive. While this directive does not apply to batteries and does not currently affect our defense products, should any changes occur in the directive that would affect our products, we intend and expect to comply with any new regulations that are imposed. Our commercial chargers comply with this directive. Additional European Union directives, entitled the Waste Electrical and Electronic Equipment (“WEEE”) Directive and the Directive” on batteries and accumulators and waste batteries and accumulators”, impose regulations affecting our non-defense products. These directives

require producers or importers of particular classes of electrical goods to be financially responsible for specified collection, recycling, treatment and disposal of past and future covered products. These directives assign levels of responsibility to companies doing business in European Union markets based on their relative market share. These directives call on each European Union member state to enact enabling legislation to implement the directive. As additional European Union member states pass enabling legislation our compliance system should be sufficient to meet such requirements. Our current estimated costs associated with our compliance with these directives based on our current market share are not significant. However, we continue to evaluate the impact of these directives as European Union member states implement guidance, and actual costs could differ from our current estimates. The EU Battery Directive is intended to cover all types of batteries regardless of their shape, volume, weight, material composition or use. It is aimed at reducing mercury, cadmium, lead and other metals in the environment by minimizing the use of these substances in batteries and by treating and re- using old batteries. This directive applies to all types of batteries except those used to protect European member states' security, for military purposes, or sent into space. To achieve these objectives, the EU Battery Directive prohibits the marketing of some batteries containing hazardous substances. It establishes processes aimed at high levels of collection and recycling of batteries with quantified collection and recycling targets. The directive sets out minimum rules for producer responsibility and provisions with regard to labeling of batteries and their removability from equipment. Product markings are required for batteries and accumulators to provide information on capacity and to facilitate reuse and safe disposal. We currently ship our products pursuant to the requirements of the directive. Our current estimated costs associated with our compliance with these directives based on our current market share are not significant. However, we continue to evaluate the impact of these directives as European Union member states implement guidance, and actual costs could differ from our current estimates. The China RoHS 2 directive provides a regulatory framework, including hazardous substance restrictions which are similar to those imposed by the EU RoHS Directive, and applies to methods for the control and reduction of pollution and other public hazards to the environment caused during the production, sale, and import of EEP in China affecting a broad range of electronic products and parts. The regulatory framework of China RoHS 2 also now references the updated marking and labeling requirements under Standard SJ / T 11364- 2014. The methods required by China RoHS 2 only apply to EEP placed in the marketplace in China. We believe our compliance system is sufficient to meet our requirements under China RoHS 2. Our current estimated costs associated with our compliance with this regulation based on our current market share are not significant. However, we continue to evaluate the impact of this regulation, and actual costs could differ from our current estimates. A number of domestic and international communities are prohibiting the landfill disposal of batteries and requiring companies to make provisions for product recycling. Of particular note are the EU Batteries Directive and the New York State Rechargeable Battery Recycling Law. We are committed to responsible product stewardship and ongoing compliance with these and future statutes and regulations. The compliance costs associated with current recycling statutes and regulations are not expected to be significant at this time. However, we continue to evaluate the impact of these regulations, and actual costs could differ from our current estimates and additional laws could be enacted by these and other states which entail greater costs of compliance. The U. S. and foreign governments can audit our contracts with their respective defense and government agencies and, under certain circumstances, can adjust the economic terms, delivery schedule or other terms of those contracts. A portion of our business comes from sales of products and services to the U. S. and foreign governments through various contracts. These contracts are subject to procurement laws and regulations that lay out policies and procedures for acquiring goods and services. The procurement laws and regulations also contain guidelines for managing contracts after they are awarded, including conditions under which contracts may be terminated, in whole or in part, at the government' s convenience or for default. Failure to comply with the procurement laws or regulations can result in civil, criminal or administrative proceedings involving fines, penalties, suspension of payments, or suspension or disbarment from government contracting or subcontracting for a period of time, which could have a material adverse effect on the Company. Compliance with government regulations regarding the use of " conflict minerals" may result in increased costs and risks to the Company. As part of the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010 (the" Act"), the SEC has promulgated disclosure requirements regarding the use of certain minerals, which are mined from the Democratic Republic of Congo and adjoining countries, known as conflict minerals. We are required to perform due diligence inquiries of our supply chain and publicly disclose whether we manufacture (as defined in the Act) any products that contain conflict minerals and could incur significant costs related to implementing a process that will meet the mandates of the Act. Additionally, customers typically rely on us to provide critical data regarding the parts they purchase, including conflict mineral information. Our material sourcing is broad- based and multi- tiered, and we may not be able to easily verify the origins for conflict minerals used in the products we sell. We have many suppliers, and each provides conflict mineral information in a different manner, if at all. Accordingly, because our supply chain is complex, we may face reputational challenges if we are unable to sufficiently verify the origins of conflict minerals used in our products. Additionally, customers may demand that the products they purchase be free of conflict minerals. Such demands may limit the number of suppliers that can provide products in sufficient quantities to meet customer demand or at competitive prices. Any of these consequences may increase our costs of operations, increase or margins and ~~have~~ **adversely effect** our business. ~~ITEM 1B. UNRESOLVED STAFF COMMENTS~~