

Risk Factors Comparison 2024-03-29 to 2023-03-28 Form: 10-K

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Any investment in our securities involves a high degree of risk. You should consider carefully the risks and uncertainties described below and all information contained in this Report, before you decide whether to purchase our securities. If any of the following risks or uncertainties actually occur, our business, financial condition, results of operations and prospects would likely suffer, possibly materially. In addition, the trading price of our common stock could decline due to any of these risks or uncertainties, and you may lose part or all of your investment.

Risks Relating to Our Business We have engaged, and may engage in future, acquisitions or strategic partnerships that increase our capital requirements, dilute our stockholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks. We may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. For example, in April 2022, we acquired the business of PeriShip, LLC (“ PeriShip ”) through our wholly owned subsidiary PeriShip Global and in March 2023, we acquired the business of Trust Codes Limited, (“ Trust Codes ”) through our wholly owned subsidiary Trust Codes Global Limited (“ Trust Codes Global ”). To realize the anticipated benefits of these acquisitions, we must successfully integrate these businesses with ours. The integration of these businesses and any potential acquisition or strategic partnership entails numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of indebtedness or contingent liabilities;
- dilution of our stockholder’ s equity due to the issuance of additional equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management’ s attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships; and
- our inability to generate revenue from acquired technology and / or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one- time expenses and acquire intangible assets that could result in significant future amortization expense. Moreover, we may not be able to locate suitable acquisition opportunities and this inability could impair our ability to grow or obtain access to technology or products that may be important to the development of our business. Our **Precision Logistics PeriShip Global Solutions** segment relies on one key strategic partner for shipping services for our customers and as a source for customers representing a substantial percentage of our revenues. Our business is dependent, and we believe that it will continue to depend, on our relationship with one strategic partner. PeriShip Global partners with one major global carrier for all its customers’ shipping needs. While we work closely with this key strategic partner and have transportation services and pricing agreements in place covering the shipping services they provide to our customers, such agreements are subject to termination or modification from time to time. If our strategic partner is unwilling or unable to supply to us the shipping services we market and sell on acceptable terms, or at all, or otherwise elects to terminate its business relationship with us, we may not be able to obtain alternative shipping services from other providers on acceptable terms, in a timely manner, or at all, and our business may be materially and adversely impacted. We do not currently have any alternative shipping service suppliers from which we can obtain the shipping services we currently receive from our strategic partner. Establishing the necessary information technology infrastructure and business relationship with another shipping services provider would be costly and time consuming and may ultimately not be successful or cost- effective. Further, any increase in the prices charged by our single strategic partner or failure to perform by our strategic partner could cause our costs to increase or could cause us to experience short- term unavailability of shipping services on which our business relies. In particular, delays and other shipping disruptions at our strategic partner significantly negatively impact our business. Our business involves the shipment of time and temperature sensitive goods, so our customers are significantly negatively impacted by delays and other shipping disruptions that cause product loss, spoilage and reputational harm. An increase in delays and other shipping disruptions on the part of our strategic partner could cause our clients to seek shipping solutions from our competitors who use alternative shipping service providers. If these events occur, it may reduce our profitability or may cause us to increase our prices. In addition, any material interruptions in shipping services by this strategic partner may result in significant cost increases and reduce sales, which could harm our business, financial condition and results of operations and may have a material adverse impact on our business. In addition to relying on this strategic partner for shipping services, a significant portion of our revenue is generated through a service agreement pursuant to which this strategic partner resells our services to its customers under a “ white label ” arrangement. Under this arrangement we provide our logistics services to our strategic partner’ s customers in exchange for a pre- negotiated service fee per shipment. Sales through our strategic partner accounted for approximately ~~13~~ **17** % of revenue of our **Precision Logistics PeriShip Global Solutions** segment for the year ended December 31, ~~2022~~ **2023**. If we fail to maintain certain minimum service level requirements related to our service with this strategic partner, it may terminate our agreement to provide them with such service. If our strategic partner terminates our agreement, requires us to renegotiate the terms of our existing agreement or we are unable to renew such agreement on mutually agreeable terms, no longer makes our services available to its customers, replaces our services with one or more competitors, develops and supplants our services for its own service offerings, or we experience a significant reduction in business from this strategic partner, our business, financial condition and results of operations would be materially adversely affected. Our ~~key strategic partner has announced that it is developing a service that may be competitive to our own, and others may do the same. In the second quarter of 2020 our key strategy partner publicly announced that it plans to develop an inhouse software solution in collaboration with a multinational software company that~~

may ultimately be competitive with our service offerings. In January 2022, our key strategy partner announced the development of a logistics as a service solution as a result of this collaboration. The details regarding this product offering, and whether this inhouse solution will ultimately be developed and successfully launched commercially, are unclear. To date we do not believe that this product offering has been adopted by our existing clients or adversely impacted our results in a material way. However, if our key strategic partner takes steps to position this product offering as a replacement or competitor to our service offerings, there can be no assurance that such steps would not increase our cost of delivering our services to our customers, hinder our ability to deliver our services to our customers, entice our existing customers to discontinue using our services, or reduce the number of customers referred to us by our strategic partner. In addition, other carriers or companies, such as Amazon, may develop services that compete with ours. Further, some of our existing customers may develop their own logistics capabilities such that they no longer require our services. Any of these events could harm our business, financial condition and results of operations and may have a material adverse impact on our business. Our business is subject to seasonal trends. Historically, our operating results in the **Precision Logistics** PeriShip Global Solutions segment have been subject to seasonal trends when measured on a quarterly basis. Our first and second quarters have traditionally been the weakest compared to our third and fourth quarters. This trend is dependent on numerous factors including economic conditions, customer demand and weather. Because revenue is directly related to the available working days of shippers, national holidays and the number of business days during a given period may also create seasonal impact on our results of operations. After the winter holiday season and during the remaining winter months, our freight volumes are typically lower because some customers reduce shipment levels. In addition, a substantial portion of our revenue is derived from customers in industries whose shipping patterns are tied closely to consumer demand which can sometimes be difficult to predict or are based on just- in- time production schedules. Therefore, our revenue is, to a large degree, affected by factors that are outside of our control. There can be no assurance that our historic operating patterns will continue in future periods as we cannot influence or forecast many of these factors. Severe climate conditions and other catastrophic events can have an adverse impact on our business. Our business involves the shipment of time and temperature sensitive goods, so our customers are significantly negatively impacted by delays and other shipping disruptions that cause product loss, spoilage and reputational harm. Disasters, severe weather, public health issues, such as pandemics, earthquake, cyber- attack, heightened security measures, actual or threatened terrorist attack, strike, civil unrest, or other catastrophic event may cause shipment delays or an inability to ship, which could prevent, delay or reduce shipment volumes and could have an adverse impact on consumer spending and confidence levels, all of which could result in decreased revenues. In particular, certain weather- related conditions such as ice and snow can disrupt the operations of our carrier partners during the peak holiday season, which could have a disproportionately large negative impact on our business and revenues. We operate in a highly competitive industry and our business may suffer if we are unable to adequately address potential downward pricing pressures and other competitive factors. The transportation and logistics industry is highly competitive and, cyclical, and is expected to remain so for the foreseeable future. The traceability and consumer engagement industry is also highly competitive. We face competition in all geographic markets and each industry sector in which we operate. **We have and may face continued competition by strategic partners.** Many of these competitors have significantly more resources and are actively pursuing acquisition opportunities and are developing new technologies to gain competitive advantages. The primary competitive factors are price and quality of service. Increased competition or our inability to compete successfully may lead to a reduction in our volume, reduced revenues, reduced profit margins, increased pricing pressure, or a loss of customer relationships, any one of which could affect our business and financial results. Numerous competitive factors could impair our ability to maintain our current profitability, including the following: · our competitors may periodically reduce their prices to gain business, especially during times of weak economic conditions, which may limit our ability to maintain or increase prices or impede our ability to maintain or grow our customer relationships; · our inability to achieve expected customer retention levels or sales growth targets; · we compete with many other transportation and logistics service providers, and companies providing traceability and consumer engagement solutions, **which has included and may include our strategic partners**, some of which have greater capital resources or lower cost structures than us; · our **strategic partners may take steps to position their own product offerings as a replacement or competitor to our service offerings;** · our inability to compete with **existing and** new entrants in the market that may offer similar services at lower cost or have greater technological capabilities; · customers may choose to provide for themselves the services that we now provide; · many customers periodically accept proposals from multiple carriers for their shipping needs, and this process may depress rates or result in the loss of some of our business to competitors; and · advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments; and · we may not have sufficient resources to develop and market our services effectively, or at all. **There can be no assurance that such competitive factors will not increase our cost of delivering our services to our customers, hinder our ability to deliver our services to our customers, entice our existing customers to discontinue using our services, or reduce the number of customers referred to us by strategic partners. Any of these factors could harm our business, financial condition and results of operations and may have a material adverse impact on our business.** The shipping and logistics industry is rapidly evolving. We expect to continue to face significant competition, which could materially adversely affect us. The shipping and logistics industry is rapidly evolving, including demands for faster deliveries and increased visibility into shipments. We expect to face significant competition on a local, regional, national and international basis. Competitors include the U. S. and other international postal services, various motor carriers, express companies, freight forwarders, air couriers, large transportation and e- commerce companies that have made and continue to make significant investments in their own logistics capabilities, some of whom are currently our customers. We also face competition from start- ups and other smaller companies that combine technologies with crowdsourcing to focus on local market needs. Competition may also come from other sources in the future as new technologies are developed. Competitors have cost, operational and organizational structures that differ from ours and may offer services or

pricing terms that we are not willing or able to offer. Additionally, to sustain the level of service and value that we deliver to our customers, from time to time we may raise prices and our customers may not be willing to accept these higher prices. If we do not timely and appropriately respond to competitive pressures, including replacing any lost volume or maintaining our profitability, we could be materially adversely affected. Damage to our brand image and corporate reputation could materially adversely affect us. Our success depends on our ability to consistently deliver operational excellence and strong customer service. Our inability to deliver our services and solutions as promised on a consistent basis, or our customers having a negative experience or otherwise becoming dissatisfied, can negatively impact our relationships with new or existing customers and adversely affect our brand and reputation, which could, in turn, adversely affect revenue and earnings growth. Adverse publicity (whether or not justified) relating to activities by our employees, contractors, suppliers, agents or others with whom we do business, such as customer service mishaps or noncompliance with laws, could tarnish our reputation and reduce the value of our brand. With the increase in the use of social media outlets such as Facebook, YouTube, Instagram, LinkedIn and Twitter, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for us to effectively respond. Damage to our reputation and loss of brand equity could have a material adverse effect on us, and could require additional resources to rebuild our reputation and restore the value of our brand. The Company has significant goodwill and other intangible assets, and future impairment of these assets could have a material adverse impact on the Company's financial results. The Company has recorded significant goodwill and other identifiable intangible assets on its balance sheet as a result of its acquisition of the PeriShip business in 2022 **and Trust Codes business in 2023**. A number of factors may result in impairments to goodwill and other intangible assets, including significant negative industry or economic trends, disruptions to our business, increased competition and significant changes in the use of the assets. Impairment charges could adversely affect the Company's financial condition or results of operations in the periods recognized. Our customers' businesses may be negatively affected by various economic and other factors such as recessions, downturns in the economy, inflation, global uncertainty and instability, the effects of pandemics, changes in United States social, political, and regulatory conditions and / or a disruption of financial markets, which may decrease demand for our services or increase our costs. Adverse economic and other conditions, both in the United States and internationally, can negatively affect our customers' business levels, the amount of logistics services they need, their ability to pay for our services and overall freight levels, any of which might impair our profitability. For example, inflation and uncertainty and instability in the global economy and geopolitical events may lead to fewer goods being transported. Many of the products our clients ship are luxury or discretionary products and the demand for such products may decrease in adverse economic times. Further, when adverse economic times arise, customers may select competitors that offer lower rates or choose to ship their goods without logistical support in an attempt to lower their costs. These and other economic factors such as recessions could have an adverse effect on our business, financial conditions and results of operations and we might be forced to lower our rates or lose customers. Overall economic conditions that reduce freight volumes could have a material adverse impact on our operating results and ability to achieve growth. We are sensitive to changes in overall economic conditions that impact customer shipping volumes. The transportation and logistics industry historically has experienced cyclical fluctuations in financial results due to economic recession, downturns in business cycles of our customers, interest and currency rate fluctuations, inflation and other economic factors beyond our control. Changes in U. S. trade policy could lead to ' trade wars' impacting the volume of economic activity in the United States, and as a result, shipping volumes may be materially reduced. Such a reduction may materially and adversely affect our business. Reductions in discretionary consumer spending could have an adverse effect on our business, financial condition, and results of operations. The services and products we provide are sensitive to reductions from time to time in discretionary consumer spending. For example, demand for high- end perishable items ~~and cannabis products~~, and subsequently the demand for shipping, brand protection, and other services related to such, can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond our control. Unfavorable changes in general economic conditions, including recessions, economic slowdowns, sustained high levels of unemployment, and rising prices or the perception by consumers of weak or weakening economic conditions, may reduce consumer' s disposable income or result in a decrease in demand for our services and products. As a result, we cannot ensure that demand for our services and products will materialize or remain constant. In ~~early September~~, **response to market conditions and lower demand some carriers have implemented strategies to address a potential global recession. In April 2022-2023**, the major global carrier company that PeriShip Global partners with **laid out steps it was taking to slash \$ 4 billion** disclosed that a global recession could be coming based on various indicators in **permanent costs by the end of its business including 2025 fiscal year in response to the** ~~these market conditions and lower demand~~. **In June** for packages weakening considerably in the final weeks of August 2022-2023, a negative impact on its express delivery business due to the weakening global economy, particularly in Asia and Europe, and a decline in the volume of freight it handles in every region around the world. The major global carrier stated that **due** it expects business conditions to **ongoing demand** further weaken during its **plans to ground 29 more** current quarter and is responding by reducing flights, temporarily parking aircraft in , trimming hours for its staff, delaying some hiring plans and closing ninety office locations as well as five corporate offices. It also stated it is cutting \$ 500 million from its capital expenditure budget for its fiscal year ; **which runs through May of that started in June 2024. In mid- December 2023 the carrier forecasted a low single digit percentage decline in revenue year over year for 2024**. We have seen a softening in demand for some services related to high- end perishable items which seem to be impacted by reduced discretionary spending by U. S. consumers. While a recession, whether global or more localized to the U. S., may decrease the demand for our services that are more discretionary in nature, we believe that the internal cost cutting measures, if implemented by the major global carrier may benefit out- sourced service providers, including PeriShip Global. Additionally, PeriShip Global is working with this major global carrier to address their small and medium sized business clients, which we believe is an underserved segment and presents considerable growth opportunities for PeriShip Global. However, we can provide no assurances that a decline in discretionary consumer spending

will not have a negative impact on our revenues and results of operations. Adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in certain financial markets, increased interest rates, foreign exchange fluctuations, increased energy costs, acts of war or terrorism, transportation disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding pandemics, epidemics and the spread of contagious diseases, could lead to a further reduction in consumer discretionary spending and have an adverse effect on our business, financial condition, and results of operations. Global supply- chain delays and shortages may adversely impact our customers or potential customers. Global supply- chain delays and shortages, which are out of our control, are currently affecting a wide variety of businesses globally including one of our customers. Supply- chain delays shortages may affect our customers or potential customers which would adversely affect our operations. We have a history of losses and we may never achieve or maintain profitability. Since our inception, we have incurred operating losses in each year due to costs incurred in connection with research and development activities and general and administrative expenses associated with our operations. In addition, we have made significant expenditures on acquisitions and may continue to complete acquisitions in the future. We expect to continue to incur expenditures to develop and market our services and to make acquisitions and could continue to incur operating losses and negative operating cash flow. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. Our ability to generate profits will depend, in part, on our expenses and our ability to generate revenue. Our prior losses and any future losses have had and may continue to have an adverse effect on our working capital. If we fail to generate revenue and become profitable, or if we are unable to fund our continuing losses, our shareholders could lose all or part of their investments. Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations. Our net operating loss carryforwards ("NOLs"), and certain other tax attributes could be unavailable to offset future income tax liabilities because of restrictions under U. S. tax law. Under the Tax Cuts and Jobs Act, or the TCJA, federal NOLs generated in tax years ending after December 31, 2017, may be carried forward indefinitely. The carryforwards are limited to 80 % of each subsequent year's net income. In addition, Sections 382 and 383 of the Code, contain rules that limit the ability of a corporation that undergoes an "ownership change" (generally, any change in ownership of more than 50 % of the corporation's stock over a three- year period) to utilize its pre- change NOLs and tax credit carryforwards to offset future taxable income. These rules generally operate by focusing on ownership changes involving stockholders owning directly or indirectly 5 % or more of the stock of a corporation and any change in ownership arising from a new issuance of stock by the company. Generally, if an ownership change occurs, the yearly taxable income limitation on the use of NOLs and tax credit carryforwards and certain built- in losses is equal to the product of the applicable long- term, tax- exempt rate and the value of the corporation's stock immediately before the ownership change. **The Company** ~~In 2022, we completed the an~~ IRC Section 382 analysis **in 2022**, and determined that an ownership change occurred sufficient to impose additional limitations on the use of NOL carryforwards. **The Company has not completed** ~~For the year ended December 31, 2022, Federal and an~~ **IRC** state NOLs of \$ 23. 1 million and \$ 0, respectively, will expire unutilized due to the limitations of Section 382 **analysis in 2023**, leaving Federal and state NOL carryforwards of \$ 24. 4 million and \$ 13. 1 million, respectively that may be offset against future taxable income. In the event future ownership changes are determined, we might be unable to offset our taxable income with losses, or our tax liability with credits, before such losses and credits expire, in which event we could incur larger federal and state income tax liabilities than we would have had we not experienced an ownership change. Because our name and brand could be confused with brands that have similar names, we may be adversely affected by any confusion or negative publicity related to others that use a name similar to VerifyMe in their brand names. We have trademarked the VerifyMe™ brand in the United States and have pending applications with respect to our brand internationally. However, our name and brand has been and could be in the future confused with brands that have similar names, including but not limited to Verified. Me, a service offered to Canadians by SecureKey Technologies Inc. and www. verifyme. ng, a website offering verification services in Nigeria. We have deleted classifications in our Canada trademark application for the VerifyMe name, in an effort to avoid confusion with the prior- registered SecureKey trademark. We have also attempted to contact the operators of the Nigeria website to resolve the confusion caused there but to date have been unsuccessful in our efforts. Further, we have registered certain trademarks and service marks in the United States and foreign jurisdictions. We are aware of names and marks similar to our service marks being used from time to time by other persons. Although we oppose any such infringement, further or unknown unauthorized uses or other misappropriation of our trademarks or service marks may diminish the value of our brands and adversely affect our business. If our technologies do not work as anticipated once we achieve meaningful sales, we will not be successful. Our business depends on our ability to market and sell our technology. Without material sales and acceptance from customers with respect to our technologies, we will not be successful. We can provide no assurances that the market will accept our products or that we will achieve any meaningful sales. If our technology cannot be used successfully to proactively provide analytics logistics management, we may not be able to generate material revenue. Our proprietary technology is the core of our PeriShip Global operations. The failure of our technology will result in the stoppage of our operation. Due to the fact our business is the monitoring of time sensitive goods movement, any stoppage will result in the financial loss and service liability damage. In order to stay competitive, we need to ensure the continuity and the timeliness of our service, it is essential that the technology platform has redundancy built in, high performing and scalable. Because many of our current and target customers are large companies, their internal policies and resistance to change may impair our ability to successfully commercialize our products. Our ability to become successful and generate positive cash flow will be dependent upon the extent of commercialization of products using our technology. Commercialization of new technology products often has a very long lead time. This problem is exacerbated when customers are large entities. Our current and target customers are large entities. These factors may adversely affect our ability to commercialize our technologies, or any products or services related to our technologies. Further, we cannot assure you that commercialization will result in profitability. Our future growth will depend

upon the success of our strategic partners who integrate our solutions into their product offerings. We rely on strategic partnerships with one large logistics carrier for our **Precision Logistics** ~~PeriShip Global Solutions~~ segment and larger companies which integrate our technologies into their product offerings for our legacy **Authentication** ~~VerifyMe Solutions~~ segment. These strategies leave us largely dependent upon the success of our partners. If any of our strategic partners who include our technology in their products cease to do so, or we fail to obtain other partners who will incorporate, embed, integrate or bundle our technology, or these partners are unsuccessful in their efforts, expanding deployment of our technology, our business and future growth would be materially and adversely affected. If we cannot manage our growth effectively, we may not become profitable. Businesses which grow rapidly often have difficulty managing their growth. If we continue to grow as rapidly as we anticipate, we will need to expand our management by recruiting and employing experienced key employees capable of providing the necessary support. We cannot assure you that our management will be able to manage our growth effectively or successfully. Our failure to meet these challenges could harm our financial condition and ability to become profitable. ~~Because a small number of customers account for most of our revenue, the loss of any of these customers would have a material adverse impact on our operating results and cash flows. We derive our revenue from a limited number of customers and our revenue in 2022 grew to \$ 19, 576 thousand with the acquisition of PeriShip Global, compared to \$ 867 thousand in 2021. Our principal revenue has been generated from thirty customers in 2022, compared to five customers in 2021. Certain of our agreements with customers have short terms or can be terminated on short notice. Any termination of a business relationship with, or a significant sustained reduction in business received from, one of these customers could have a material adverse effect on our operating results and cash flows. If we are unable to materially increase the number of our customers and the number of products for which they use our service, it could adversely impact our financial condition and our business.~~ We will need to expand our sales, marketing and support organizations and our distribution arrangements to increase market acceptance of our products and services. We currently have a limited number of sales, marketing, customer service and support personnel and may need to increase our staff, or further outsource our sales process, to generate a greater volume of sales and to support any new customers or the expanding needs of existing customers. The employment market for sales, marketing, customer service and support personnel in our industry is very competitive, and we may not be able to hire the kind and number of sales, marketing, customer service and support personnel we are targeting. Our inability to hire or outsource qualified sales, marketing, customer service and support personnel may harm our business, operating results and financial condition. We may not be able to sufficiently build out our distribution network or enter into arrangements with qualified sales personnel on acceptable terms or at all. If we are not able to develop greater distribution capacity, we may not be able to generate sufficient revenue to continue our operations. If we fail to protect or enforce our intellectual property rights, or if the costs involved in protecting and defending these rights are prohibitively high, our business and operating results may suffer. Our patent rights, trade secrets, copyrights, trademarks, domain names and other product rights are critical to our success. We strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We may enter into confidentiality and invention assignment agreements with our employees and confidentiality agreements with parties with whom we conduct business to limit access to, and disclosure and use of, our proprietary information. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary information or deter independent development of similar technologies by others. As management deems appropriate, we will pursue the registration of our domain names, trademarks, and service marks in the U. S. and in certain locations outside the U. S. We will seek to protect our trademarks, patents and domain names in an increasing number of jurisdictions, a process that is expensive and time-consuming and may not be successful or which we may not pursue in every location. It may be expensive and cost prohibitive to file patents worldwide and we may be financially required to file patents in select countries where we see the greatest potential for our technologies. We may, over time, increase our investment in protecting our innovations through increased patent filings that are expensive and time-consuming and may not result in issued patents that can be effectively enforced. If we are required to sue third parties who we allege are violating our intellectual property rights, or if we are sued for violating a third party's patents or other intellectual property rights, we may incur substantial expenses, and we could incur substantial damages, including amounts we cannot afford to pay. Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of proprietary rights claimed by others. Patent and intellectual property litigation is extremely expensive and beyond our ability to pay. While third parties do, under certain circumstances, finance litigation for companies that file suit, we cannot assure you that we could find a third party to finance any claim we choose to pursue. Moreover, third parties frequently refuse to finance companies that are sued. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs, adverse publicity or diversion of management and technical resources, any of which could adversely affect our business and operating results. If we fail to maintain, protect and enforce our intellectual property rights, our business and operating results may be harmed. From time- to- time, we may face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including from our competitors and inactive entities. Patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict. As the result of any court judgment or settlement, we may be obligated to cancel the launch of a new feature or product, stop offering certain features or products, pay royalties or significant settlement costs, purchase licenses or modify our products and features. If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired. As a public company, we are subject to the reporting requirements of the Exchange Act and the Sarbanes- Oxley Act of 2002 (" SOX "). We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time- consuming and costly, and place significant strain on our personnel, systems, and resources. SOX requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our

disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting- related costs and significant management oversight. Our management concluded that our disclosure controls and procedures were effective as of December 31, 2022-2023, and the remediated material weaknesses in our internal control over financial reporting identified in Item 9A of the Report covering the year ended December 31, 2021 have been remediated. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Material weaknesses in our disclosure controls and internal control over financial reporting may be identified in the future. Any failure to maintain existing or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional material weaknesses, cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements. If we are unable to effectively remediate material weaknesses in a timely manner, investors could lose confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price. Because we do business outside of the United States, we may be exposed to liabilities under the Foreign Corrupt Practices Act, violations of which could have a material adverse effect on our business. We are subject to the Foreign Corrupt Practice Act, or FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U. S. persons and issuers as defined by the statute for the purpose of obtaining or retaining business. We have operations and agreements with third parties and make sales in jurisdictions which may be subject to corruption. These activities create the risk of unauthorized payments or offers of payments by one of the employees, consultants or agents of our Company, because these parties are not always subject to our control. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents or distributors of our company may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. Our business depends on our ability to successfully develop, implement, maintain, upgrade, enhance, protect and integrate information technology systems. We rely heavily on the proper functioning and availability of our information technology systems for our operations as well as for providing value- added services to our customers. Our information systems are integral to the efficient operation of our business. We strive to be best in class, and in order to do so, we must correctly interpret and address market trends and enhance the features and functionality of our technology platform in response to these trends, which may lead to significant ongoing software development costs and capital investments in information technology infrastructure. We may be unable to accurately determine the needs of our customers and integrate cohesively with our key strategic partner, and identify the trends in the transportation services industry, in a timely and cost- effective manner, which could result in decreased demand for our services and a corresponding decrease in our revenues. Despite testing, external and internal risks, such as malware, insecure coding, “ Acts of God, ” data leakage and human error pose a direct threat to our information technology systems and operations. We may also be subject to cybersecurity attacks and other intentional hacking. Any failure to identify and address such defects or errors or prevent a cyber- attack could result in service interruptions, operational difficulties, loss of revenues or market share, liability to customers or others, diversion of resources, injury to our reputation and increased service and maintenance costs. Addressing such issues could prove to be impossible or very costly and responding to resulting claims or liability could similarly involve substantial cost. We must maintain and enhance the reliability and speed of our information technology systems to remain competitive and effectively handle higher volumes of shipments. If our information technology systems are unable to manage additional volume for our operations as our business grows, or if such systems are not suited to manage the various service modes we offer or businesses we acquire, our service levels and operating efficiency could decline. If we fail to hire and retain qualified personnel to implement, protect and maintain our information technology systems or if we fail to upgrade our systems to meet our customers’ and strategic operating partners’ demands, our business and results of operations could be seriously harmed. This could result in a loss of customers or a decline in the volume of shipments we receive from customers. Our information technology systems also depend upon the Internet, third- party service providers, global communications providers, satellite- based communications systems, the electric utilities grid, electric utility providers and telecommunications providers as well as their respective vendors. The services and service providers have all experienced significant system failures and outages at some point in the past. We have minimal control over the operation, quality, or maintenance of these services or whether vendors will improve their services or continue to provide services that are essential to our business. Disruptions due to transitional challenges in upgrading or enhancing our technology systems; failures in the services upon which our information technology platforms rely, including those that may arise from adverse weather conditions or natural calamities, such as floods, hurricanes, earthquakes or tornadoes; illegal acts, including terrorist attacks; human error or systems modernization initiatives; and / or other disruptions, may adversely affect our business, which could increase our costs or result in a loss of customers that could have a material adverse effect on our results of operations and financial position. Our information technology systems are subject to cyber and other risks some of which are beyond our control. A security breach, failure or disruption of these services could have a material adverse effect on our business, results of operations and financial

position. Our information systems are integral to the efficient operation of our business and handle sensitive customer and shipment data. It is critical that the data processed by these systems remain secure, as it often includes competitive customer information, confidential transaction data, employee records and key financial and operational results and statistics. The sophistication of efforts by hackers, foreign governments, cyber- terrorists, and cyber- criminals, acting individually or in coordinated groups, to launch distributed denial of service attacks, ransomware or other coordinated attacks that may cause service outages, gain inappropriate or block legitimate access to systems or information, or result in other business interruptions has continued to increase in recent years. We utilize third- party service providers who have access to our systems and certain sensitive data, which exposes us to additional security risks, particularly given the complex and evolving laws and regulations regarding privacy and data protection. While we and our third- party service providers have experienced cyber- attacks and attempted breaches of our and their information technology systems and networks or similar events from time to time, no such incidents have been, individually or in the aggregate, material to us. Cyber incidents that impact the security, availability, reliability, speed, accuracy or other proper functioning of our systems, information and measures, including outages, computer viruses, theft or misuse by third parties or insiders, break- ins and similar disruptions, could have a significant adverse impact on our operations. It is difficult to fully protect against the possibility of power loss, telecommunications failures, cyber- attacks, ransomware and other cyber incidents in every potential circumstance that may arise. A significant cyber incident, including system failure, security breach, disruption by malware or ransomware, or other damage, could interrupt or delay our operations, damage our reputation and brand, cause a loss of customers, expose us to a risk of loss or litigation, result in regulatory scrutiny, investigations, actions, fines or penalties and / or cause us to incur significant time and expense to remedy such an event, any of which could have a material adverse impact on our results of operations and financial position. Furthermore, any failure to comply with data privacy, biometric privacy, data security or other laws and regulations could result in claims, legal or regulatory proceedings, inquiries or investigations. To comply with this changing landscape, we may be required to further segregate our systems and operations, implement additional controls, or adopt new systems, all of which could increase the cost and complexity of our operations. In addition, our insurance is intended to address costs associated with aspects of cyber incidents, network failures and privacy- related concerns, may not sufficiently cover all types of losses or claims that may arise. Evolving regulations concerning data privacy may result in increased regulation and different industry standards, which could prevent us from providing our current products to our users, or require us to modify our products, thereby harming our business. The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the Internet and mobile platforms have recently come under increased public scrutiny, and civil claims alleging liability for the breach of data privacy have been asserted against companies. The U. S. government, including the Federal Trade Commission and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain targeted advertising practices. Many jurisdictions have already taken steps to restrict and penalize companies that collect and utilize information from their users and the general public. For example, in May 2018 the European Union made sweeping reforms to its existing data protection legal framework by enacting the General Data Protection Regulation (the “ GDPR ”), which resulted in a greater compliance burden for many companies with users in Europe. The GDPR includes operational requirements for companies that receive or process personal data of residents of the European Union that are broader and more stringent than those previously in place in the European Union and in most other jurisdictions around the world. The GDPR also imposes significant penalties for non- compliance, including fines of up to € 20 million or 4 % of total worldwide revenue. Additionally, we may be subject to increasingly complex and expansive data privacy regulations within the United States. For example, California enacted the California Consumer Privacy Act (the “ CCPA ”), which became effective in 2020. The CCPA requires covered companies to provide California consumers with disclosures and expands the rights afforded consumers regarding their data. Fines for noncompliance of the CCPA can be as high as \$ 8 thousand per violation. Since the CCPA was enacted, Nevada and Maine have enacted similar legislation designed to protect the personal information of consumers and penalize companies that fail to comply, and other states have proposed similar legislation. The costs of compliance with, and other burdens imposed by, the GDPR, CCPA, and similar laws may limit the use and adoption of our products and services and / or require us to incur substantial compliance costs, which could have a material adverse impact on our business. We rely on the services of third- party data center hosting facilities. Interruptions or delays in those services could impair the delivery of our service and harm our business. We utilize cloud computing technology. It is hosted pursuant to agreements on technology platforms by third- party service providers. We do not control the operation of these providers or their facilities, and the facilities are vulnerable to damage, interruption or misconduct. Unanticipated problems at these facilities could result in lengthy interruptions in our services. If the services of one or more of these providers are terminated, disrupted, interrupted or suspended for any reason, we could experience disruption in our ability to provide our services, which may harm our business and reputation. Further, any damage to, or failure of, the cloud services we use could result in interruptions in our services. Interruptions in our service may damage our reputation, reduce our revenue, cause customers to terminate their agreements and adversely affect our ability to attract new customers. While we believe our strong partnerships reduce our risk, our business would be harmed if our customers and potential customers believe our services are unreliable. Additionally, if our service providers fail to meet their obligations, provide poor, inaccurate or untimely service, or we are unable to make alternative arrangements for these services, we may fail, in turn, to provide our services or to meet our obligations to our users, and our business, financial condition and operating results could be materially and adversely affected. Fluctuations in labor costs, ~~raw materials~~, changes in the availability of key suppliers, or catastrophic events may increase the cost of our products and services. Increases in labor costs might be difficult to pass on to our customers. In our **Authentication segment (formerly VerifyMe Solutions segment)**, security pigments, ink canisters, labels and bar codes are key elements in the cost of our products. Our inability to offset material price inflation could

adversely affect our results of operations. We rely on one global carrier for transportation services, one supplier to procure our raw materials, one strategic partner to produce our ink canisters, and it is difficult to predict what effects shortages or price increases for the raw materials we use to make our products may have in the future. Our ability to manage inventory and meet delivery requirements may be constrained by our supplier's inability to scale production and adjust delivery during times of volatile demand. Our inability to fill our supply needs would jeopardize our ability to fulfill obligations under current contracts or enter new contracts to sell our products, which would, in turn, result in reduced sales and profits, contract penalties or terminations, and damage to customer relationships. Our ability to become profitable is largely dependent upon our ability to continually improve our platforms and acquiring new customers in increasingly competitive markets. Our ability to become profitable depends upon a number of factors, including our ability to (i) identify and evolve with emerging technological and broader industry trends, (ii) develop and maintain competitive products, (iii) defend our market share against an ever-expanding number of competitors including many new and non-traditional competitors, (iv) enhance our products by adding innovative features that differentiate our products from those of our competitors and prevent commoditization of our products, (v) develop, manufacture and bring compelling new products to market quickly and cost-effectively, (vi) monitor disruptive technologies and business models, (vii) achieve sufficient return on investment for new products introduced based on capital expenditures and research and development spending, (viii) respond to changes in overall trends related to end market demand, (ix) leverage our strategic partnerships to develop and commercialize new and existing products and (x) attract, develop and retain individuals with the requisite skill, expertise and understanding of customers' needs to develop new technologies and introduce new products and sell our current products. The failure of our technologies or products to gain market acceptance due to more attractive offerings by our competitors or the failure to address any of the above factors could significantly reduce our revenues and adversely affect our competitive standing and prospects. The expenses or losses associated with lack of widespread market acceptance of our solutions may harm our business, operating results and financial condition. Rapid technological changes and frequent new product introductions are typical in the markets we serve. Our future success will depend in part on continuous, timely development and introduction of new products that address evolving market requirements. To the extent we fail to introduce new and innovative products, we may lose any market share we have to our competitors, which may be difficult or impossible to regain. Any inability, for technological or other reasons, to successfully develop and introduce new products could harm our business. Additionally, we may experience delays in the development and introduction of products, we may be unable keep pace with the rapid rate of change in anti-counterfeiting and security products' research, and any new products acquired or developed by us may not meet the requirements of the marketplace or achieve market acceptance. If we are unable to develop new products to meet market demands, our business could be materially adversely affected.

As Foreign Currency Exchange Rate Risk We operate in the US and New Zealand, which exposes us to market risk associated with foreign currency exchange rate fluctuations. Our foreign currency exposure primarily relates to intercompany receivables and payables and third-party receivables and payables that are denominated in currencies other than the functional currency of our legal entities. Our largest foreign currency exposure is unsettled intercompany payables and receivables which are reviewed on a regular basis. Gains and losses from foreign clients in the cannabis industry, we face many unique and evolving risks. We currently derive approximately 5% of revenues from clients in the cannabis industry from use of our track and trace and customer engagement technologies. As such, any risks related to the cannabis industry may adversely impact our clients, and potential clients, which may in turn, impact the demand for our products and services. Specific risks impacting the cannabis industry include, but are not limited to, included in "General and administrative" on our Consolidated Statements of Operations. Our foreign subsidiary operates in a currency other than the United States dollar; therefore federal law prohibits Marijuana Under the Controlled Substances Act ("CSA"). increases marijuana is a Schedule I controlled substance making it illegal under federal law to grow, cultivate, distribute, sell or possess marijuana for or any purpose decreases in the value of the U. S. dollar against other major currencies will affect our operating to assist or conspire with those who do so. Although the use of marijuana is legal in certain states under state law, since federal law supersedes state law, strict enforcement of federal law would likely result in adverse effects on our clients' operations, which would in turn, adversely impact our revenues. Banking regulations could limit access to banking services and the value of our balance sheet items denominated in foreign currencies. Our most significant exposures us to translation risk relates Funds received from our clients in the cannabis industry, operating legally under state law, may subject us to functional currency assets a variety of federal laws and liabilities regulations involving money laundering, financial record keeping and proceeds of crime, since the funds are considered illegal under the CSA and as such banks and other financial institutions providing services to us risk violation of anti money laundering statutes and other applicable statutes. Furthermore, banks often refuse to provide banking services to businesses involved in the cannabis industry due to the federal and state laws and regulations governing financial institutions. The difficulty and potential inability to open bank accounts that our clients in the cannabis industry deal with, makes it difficult to conduct business and as such could affect our ability to collect revenues earned. Furthermore, our clients in this industry are more susceptible to theft, and potentially lack the ability to insure themselves against theft. We may experience similar difficulties in obtaining banking and financial services because of the activities of our clients in the cannabis industry. The legality of cannabis could be reversed in one or more states The voters or legislatures of states in which marijuana has already been legalized could potentially repeal applicable laws that permit the operation of both medical and retail marijuana businesses. These actions might force businesses, including those that are denominated our clients, to cease operations in one the New Zealand dollar. The changes in the net investment of our foreign subsidiary more states entirely. Additionally, these actions could negatively impact us and lead to a decrease of our revenue through the loss of current and potential customers. Recent and changing interpretations of the law regarding medical and recreational use of marijuana State laws and regulations surrounding medical and recreational use of marijuana are reflected fairly recent and constantly changing resulting in " Foreign

currency translation adjustments” a potential challenge to maintain compliance. As such, violations of these laws, or allegations of such violations, could be disruptive to our clients’ business and in return cause a disruption in our operations. Future modifications of state and local laws surrounding marijuana, may limit operations of our clients’ business in this industry, which could negatively impact our revenues. Dependence on client licensing Our clients in the cannabis industry must obtain various licenses from various local and state licensing agencies. As such, there is a risk that our existing clients will **Consolidated Statements of Comprehensive Loss. We have not been able to use any exchange rate hedging programs to mitigate** retain their licenses going forward, should they **the effect of exchange rate fluctuations** violate applicable rules and regulations, or should renewal become more stringent. If our customers are not able to maintain or renew their licenses, this would adversely impact our operations. Insurance Risk Insurance companies may limit policies to only cover claims legal under federal law. As such our clients in the cannabis industry may not be properly insured. Any claims against our clients may have a negative impact on our ability to collect revenues from our clients in the cannabis sector. Risks Relating to our Common Stock Upon exercise of our outstanding options or warrants, conversion of our Series B Convertible Preferred Stock **and, conversion of our Convertible debt,** vesting of our restricted stock units **, and issuance of shares relating to the Trust Codes earnout,** we will be obligated to issue a substantial number of additional shares of common stock which will dilute our present shareholders. We are obligated to issue additional shares of our common stock in connection with our outstanding options, warrants and shares of our Series B Convertible Preferred Stock. **As of For the years ended** December 31, **2022-2023**, there were **options approximately 8, warrants 286, 000 anti-dilutive shares consisting 1 of Series B Convertible Stock outstanding, and 439, 000 unvested performance restricted stock units, 816, 000 restricted stock units, restricted stock awards and options under the stock purchase plan, 301, 000 shares issuable upon exercise of stock options, 4, 629, 000 shares issuable upon exercise of warrants, 957, 000 shares issuable upon conversion of convertible debt into 337, and 471; 5, 103, 455; 144, 000 444; and 413, 626 shares issuable upon conversion of common-preferred stock. As of December 31, respectively 2023, there were no shares issuable related to the Trust Codes earnout.** The exercise, conversion or exchange of warrants or convertible securities, including for other securities, will cause us to issue additional shares of our common stock and will dilute the percentage ownership of our shareholders. In addition, we have in the past, and may in the future, exchange outstanding securities for other securities on terms that are dilutive to the securities held by other shareholders not participating in such exchange. Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline. Sales of large blocks of our common stock **over a short time in the spring of 2022 had a significant adverse effect on our common stock price. Further sales** could depress the price of our common stock. The existence of these shares and shares of common stock issuable upon conversion of outstanding shares of Series B Convertible Preferred Stock, warrants and options create a circumstance commonly referred to as an “overhang” which can act as a depressant to our common stock price. The existence of an overhang, whether or not sales have occurred or are occurring, also could make our ability to raise additional financing through the sale of equity or equity-linked securities more difficult in the future at a time and price that we deem reasonable or appropriate. If our existing shareholders and investors seek to sell a substantial number of shares of our common stock, such selling efforts may cause significant declines in the market price of our common stock. Our common stock may be affected by limited trading volume and price fluctuations, which could adversely impact the value of our common stock. Our common stock has experienced, and is likely to experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. These fluctuations may also cause short sellers to periodically enter the market in the belief that we will have poor results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for our common stock will be stable or appreciate over time. Because we may issue preferred stock without the approval of our shareholders and have other anti-takeover defenses, it may be more difficult for a third party to acquire us and could depress our stock price. In general, our Board of Directors may issue, without a vote of our shareholders, one or more additional series of preferred stock that have more than one vote per share, although the Company’s ability to designate and issue preferred stock is currently restricted by covenants under our agreements with prior investors. Without these restrictions, our Board of Directors could issue preferred stock to investors who support us and our management and give effective control of our business to our management. Additionally, issuance of preferred stock could block an acquisition resulting in both a drop in our stock price and a decline in interest of our common stock. This could make it more difficult for shareholders to sell their common stock. This could also cause the market price of our common stock shares to drop significantly, even if our business is performing well. Because we do not intend to pay cash dividends on our shares of common stock, any returns will be limited to the value of our shares. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to shareholders will therefore be limited to the increase, if any, of our share price. There can be no assurance that we will be able to comply with the continued listing standards of the Nasdaq Capital Market, a failure of which could result in a de-listing of our common stock and certain warrants. The Nasdaq Capital Market requires that the trading price of its listed stocks remain above one dollar in order for the stock to remain listed. If a listed stock trades below one dollar for more than 30 consecutive trading days, then it is subject to delisting from the Nasdaq Capital Market. In addition, to maintain a listing on the Nasdaq Capital Market, we must satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders’ equity, and certain corporate governance requirements. If we are unable to satisfy these requirements or standards, we could be subject to delisting, which would have a negative effect on the price of our common stock and warrants and would impair your ability to sell or purchase our common stock or warrants when you wish to do so. In the event of a delisting, we would expect to take actions to restore our compliance with the listing

requirements, but we can provide no assurance that any such action taken by us would allow our common stock or warrants to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the minimum bid price requirement, or prevent future non-compliance with the listing requirements. Provisions of our publicly traded warrants could discourage an acquisition of us by a third party. In addition to certain provisions of our amended and restated articles of incorporation, as amended, and our amended and restated by-laws, certain provisions of our outstanding warrants could make it more difficult or expensive for a third party to acquire us. The warrants prohibit us from engaging in certain transactions constituting “fundamental transactions” unless, among other things, the surviving entity assumes our obligations under the warrants. These and other provisions of the warrants could prevent or deter a third party from acquiring us even where the acquisition could be beneficial to you. Risks ~~Related~~ **Relating** to our Debt

If we do not timely pay amounts due and comply with the covenants under our debt facilities, our business, financial condition and results of operations may be adversely impacted. Our consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Term Note, among other things, requires high interest payments, and both the Term Note and the PNC Facility place encumbrances on our assets, and subject us to restrictive covenants that limit our operating flexibility. Additionally, under the terms of the Term Note, the Company is required to make monthly loan principal payments of \$ 41, 667 per month plus interest, through September 15, 2026. The terms of the Term Note and the PNC Facility have been structured in such a way that, if we default under one, we will also default under the other. In the event of a continuing default, our senior secured lenders would have the right to accelerate the then-outstanding amounts under each such facility and to exercise their respective rights and remedies to collect such amounts, which would include foreclosing on collateral constituting substantially all of our assets and the assets of our PeriShip Global subsidiary. Any continuing default on the Term Note or the PNC Facility could result in the outstanding principal balance under each such facility becoming immediately due and payable, which could harm our business, financial condition and results of operations and may have **a material adverse impact on our business. On August 25, 2023, the Company entered into a Convertible Note Purchase Agreement with certain investors for the sale of convertible promissory notes for the aggregate principal amount of \$ 1, 100 thousand. The notes are subordinated unsecured obligations of the Company and accrue interest at a rate of 8 % per year payable semiannually in arrears. The notes will mature on August 25, 2026, unless earlier converted or repurchased at a conversion price of \$ 1. 15 per share of common stock. Although we believe the majority of our investors will choose to convert into shares, if this does not occur, this may have a material adverse impact on our cash and as a result,** a material adverse impact on our business. Our cash flows and operating results could be adversely affected by required payments of debt or related interest and other risks of our debt financing. We are generally subject to risks associated with debt financing. These risks include: (1) our cash flow may not be sufficient to satisfy required payments of principal and interest; (2) we may not be able to refinance existing indebtedness or the terms of any refinancing may be less favorable to us than the terms of existing debt; (3) debt service obligations could reduce funds available for other uses such as growing our business; (4) any default on our indebtedness could result in acceleration of those obligations and possible loss of assets or capital; and (5) the risk that necessary capital expenditures cannot be financed on favorable terms. Any of these risks could place strains on our cash flows, reduce our ability to grow, and adversely affect our results of operations. Covenants in our debt agreements may restrict our operating activities and adversely affect our financial condition. Our existing debt agreements contain, and future debt agreements may contain, financial and / or operating covenants including, among other things, certain coverage ratios, as well as limitations on the ability to incur additional secured and unsecured debt, and / or otherwise affect our distribution and operating policies. These covenants may limit our operational flexibility and acquisition and disposition activities. Moreover, if any of the covenants in these debt agreements are breached and not cured within the applicable cure period, we could be required to repay the debt immediately, even in the absence of a payment default. A default under one of our debt agreements could result in a cross-default under other debt agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral, and enforce their respective interests against existing collateral. The terms of the Term Note and the PNC Facility have been structured in such a way that, if we default under one, we will also default under the other. In the event of a continuing default, our senior secured lenders would have the right to accelerate the then-outstanding amounts under each such facility and to exercise their respective rights and remedies to collect such amounts, which would include foreclosing on collateral constituting substantially all of our assets and the assets of our PeriShip Global subsidiary. As a result, a default under applicable debt covenants could have an adverse effect on our financial condition or results of operations. These covenants may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our stockholders.