

## Risk Factors Comparison 2024-03-28 to 2023-03-31 Form: 10-K

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

Many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors are forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations and prospects may be adversely affected. Our patents might not protect our technology from competitors, in which case we may not have any exclusionary advantage over competitors in selling any products that we may develop. Our commercial success will depend in part on our ability to obtain additional patents and protect our existing patent position, as well as our ability to maintain adequate intellectual property protection for our technologies, product candidates, and any future products in the United States and other countries. If we do not adequately protect our technology, product candidates and future products, competitors may be able to use or practice them and erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability. The laws of some foreign countries do not protect our proprietary rights to the same extent or in the same manner as U. S. laws, and we may encounter significant problems in protecting and defending our proprietary rights in these countries. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies, product candidates and any future products are covered by valid and enforceable patents or are effectively maintained as trade secrets. Certain aspects of our technologies are protected by ~~the U. S. and Canadian~~ patents and, Patent-patent Cooperation Treaty filings applications, and trade secrets. In addition, we have a number of new patent applications pending. There is no assurance that the applications still pending or which may be filed in the future will result in the issuance of any patents. Furthermore, there is no assurance as to the breadth and degree of protection any issued patents might afford us. Disputes may arise between us and others as to the scope and validity of these or other patents. Any defense of the patents could prove costly and time- consuming, and there can be no assurance that we will be in a position, or deem it advisable, to carry on such a defense. A suit for patent infringement could result in increasing costs as well as delaying or halting development. Other private and public ~~concerns~~ entities, including universities, may have filed applications for, may have been issued, or may obtain additional patents and other proprietary rights to technology potentially useful or necessary to us. We are not currently aware of any such patents, but the scope and validity of such patents, if any, and the cost and availability of such rights are impossible to predict. Any trademarks we may obtain may be infringed or successfully challenged, resulting in harm to our business. We expect to rely on trademarks as one means to distinguish ~~any of our products that are approved for marketing from the our~~ competitors' products ~~of our competitors~~. Once we select trademarks and apply to register them, our trademark applications may not be approved. Third parties may oppose our trademark applications or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in a loss of brand recognition and could require us to devote resources to advertising and marketing new brands. Our competitors may infringe ~~on~~ our trademarks, and we may not have adequate resources to enforce our trademarks. Much of our intellectual property is protected as trade secrets or confidential know- how, ~~not as a patent~~. We consider proprietary trade secrets to be important to our business. This type of information must be protected diligently by us to protect its disclosure to competitors, since legal protections after disclosure may be minimal or non- existent. Accordingly, much of the value of this intellectual property is dependent upon our ability to keep our trade secrets. To protect this type of information against disclosure or appropriation by competitors, our policy is to require our employees, consultants, contractors and advisors to enter into confidentiality agreements with us. However, current or former employees, consultants, contractors and advisers may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third party illegally obtained ~~illegally~~, and is using, trade secrets is expensive, time- consuming and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction. Failure to obtain or maintain trade secret protection could adversely affect our competitive position. Moreover, our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection in respect of the same. If successful in obtaining such patent protection, our competitors could limit our use of such trade secrets. We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property. We may also be subject to claims that former employees, suppliers, collaborators or other third parties have an ownership interest in our patents or other intellectual property. We may be subject to ownership disputes in the future arising, for example, from conflicting obligations of suppliers, consultants or others who are involved in developing our products. Litigation may be necessary to defend against these and other claims challenging inventorship or ownership. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and employees. Intellectual property rights do not necessarily address all potential threats to our business. The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations and may not adequately protect our business. The following examples are illustrative: ● others may be able to develop technologies that are similar to our technology platforms but that are not covered by the claims of any patents, should they issue, that we own or license; ● we or our licensors might not

have been the first to make the inventions covered by the issued patents or pending patent applications that we own or license; ● we or our licensors might not have been the first to file patent applications covering certain aspects of our inventions; ● others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights; ● it is possible that our pending patent applications will not lead to issued patents; ● issued patents that we own or license may not provide us with any competitive advantages, or may be held invalid or unenforceable as a result of legal challenges; ● our competitors might conduct research and development activities in the United States and other countries that provide a safe harbor from patent infringement claims for certain research and development activities, as well as in countries where we do not have patent rights, and then use the information learned from such activities to develop competitive products for sale in our major commercial markets; ● we may not develop additional proprietary technologies that are patentable; and ● the patents of others may have an adverse effect on our business. We may need to defend ourselves against patent or trademark infringement claims, which may be time- consuming and cause us to incur substantial costs. Companies, organizations or individuals, including our competitors, may own or obtain patents, trademarks or other proprietary rights that would prevent or limit our ability to make, use, develop or sell our products or components, which could make it more difficult for us to operate our business. The automotive aftermarket has been characterized by significant litigation and other proceedings regarding patents, patent applications and other intellectual property rights. The situations in which we may become parties to such litigation or proceedings may include: ● litigation or other proceedings we may initiate against third parties to enforce our patent rights or other intellectual property rights; ● litigation or other proceedings we or our licensee (s) may initiate against third parties seeking to invalidate the patents held by such third parties or to obtain a judgment that our products do not infringe such third parties' patents; and ● litigation or other proceedings third parties may initiate against us to seek to **enforce their patents and / or** invalidate our patents. If third parties initiate litigation claiming that our products infringe their patent or other intellectual property rights, we will need to defend against such proceedings. The costs of resolving any patent litigation or other intellectual property proceeding, even if resolved in our favor, could be substantial. Many of our potential competitors will be able to sustain the cost of such litigation and proceedings more effectively than we can because of their substantially greater resources. In some instances, competitors may proceed with litigation or other proceedings pertaining to infringement of their intellectual property as a means to hinder or devalue the target defendant company, with no intention of the matter being resolved in their favor. Uncertainties resulting from the initiation and continuation of patent litigation or other intellectual property proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other intellectual property proceedings may also consume significant management time and costs. Substantial additional costs may be evident in the event that litigation or other proceedings were initiated against us because we would have to seek legal defense or counsel in the province (Canada) or state (U. S.) where the litigation or legal proceedings were filed. Failure to adequately protect our intellectual property rights could result in our competitors offering similar products, potentially resulting in the loss of some of our competitive advantage, and a decrease in our revenue which would adversely affect our business, prospects, financial condition and operating results. Confidentiality agreements with employees and others may not adequately prevent the disclosure of trade secrets and other proprietary information. In order to protect our proprietary technology and processes, we also rely in part on confidentiality agreements with our employees, consultants, outsourced manufacturers and other advisors. These agreements may not effectively prevent the disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information. Costly and time- consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position. There are risks associated with outsourced production that may result in a decrease in our profit. The possibility of delivery delays, product defects and other production- side risks stemming from our use of outsourced manufacturers **and suppliers** cannot be eliminated. In particular, inadequate production capacity among outsourced manufacturers could result in us being unable to supply enough product amid periods of high product demand, the opportunity costs of which could be substantial. **There are risks associated with domestic production that may result in slower or more expensive production. Prior to August of 2023, we had no experience in the domestic manufacturing of tonneau covers. Domestic production entails far more detailed sourcing of raw materials as well as hiring and training of personnel. Domestic production increases our susceptibility to domestic low- wage labor shortages and subjects us to higher thresholds of compliance with local labor and business laws.** We may not be successful in our potential business combinations. We may, in the future, pursue acquisitions of other complementary businesses and technology licensing arrangements. We have been approached by competitors to license one or more of our tonneau cover products. We may also pursue strategic alliances and joint ventures that leverage another company' s core products and industry experience to expand our product offerings and geographic presence. We have limited experience with respect to acquiring other companies and limited experience with respect to forming collaborations, strategic alliances and joint ventures. If we were to make any acquisitions, we may not be able to integrate these acquisitions successfully into our existing business and could assume unknown or contingent liabilities. Integrating an acquired company also may require management resources that otherwise would be available for the ongoing development of our existing business. We have competition for our market share which could harm our sales. We participate in the automotive aftermarket equipment industry which is highly competitive for a relatively limited customer base. Companies that compete in this market **are include Real Truck (formerly Truck Hero ), Truck Accessories Group, Tonno Pro and Rugged Liner Agri- Cover, Inc.** **Our, among others. Many of our** current competitors are significantly better funded and have longer operating histories than we do. In addition, some of our competitors sell their products at prices lower than ours, and we compete primarily on the basis of product quality, features, value, service, and customer relationships. Our competitive success also depends on our ability to maintain a strong brand and the belief that customers will need our products and services to meet their growth requirements. Alternatively, in the case of generic

competition, competitors' products may be of equal or better quality and sold at substantially lower prices than our products. At times, competitors may also release a generic or re-branded version of a current and successful product at a substantially reduced price in efforts to increase revenues or market share. As a result, if we fail to maintain our competitive position, this could have a material adverse effect on our business, cash flow, results of operations, financial position and prospects. We may not have sufficient product liability insurance to cover potential damages. The existence of any defects, errors or failures in our products or the misuse of our products could also lead to product liability claims or lawsuits against us. While we had insurance coverage of \$ 2, 000, 000 for the year ended December 31, 2022-2023, we have no assurance **that** this insurance will be adequate to protect us from all material judgments and expenses related to potential future claims or that these levels of insurance will be available at economical prices, if at all. To that extent, product liability insurance is conditional and up for further investigation. A successful product liability claim could result in substantial costs for us. Even if we are fully insured as it relates to a claim, a claim could nevertheless diminish our brand and divert management' s attention and resources, which could have a negative impact on our business, financial condition and results of operations. We may produce products of inferior quality which would cause us to lose customers. Although we make an effort to ensure the **high** quality of our light truck tonneau cover products, they could from time to time contain defects, anomalies or malfunctions that are undetectable at the time of shipment. These defects, anomalies or malfunctions could be discovered after our products are shipped to customers, resulting in the return or exchange of our products, customers' claims for compensatory damages or discontinuation of the use of our products, which could negatively impact our operating results. We do not presently have product recall (or similar function) insurance that protects a company against broad- scale product manufacturing defects, engineering defects and the costs related to a broad product recall such as shipping, replacement or repairs. Even if in place, there is no guarantee that the full costs of any reimbursements or claims, lawsuits or litigation would be covered by such insurance. Geopolitical conditions, including direct or indirect acts of war or terrorism, could have an adverse effect on our operations and financial results. Our operations could be disrupted by geopolitical conditions, political and social instability, acts of war, terrorist activity or other similar events. In February 2022, Russia initiated significant military action against Ukraine. In **April 2023, the paramilitary Rapid Support Forces within Sudan began fighting the Sudanese Armed Forces over tensions related to the paramilitary' s transition towards civilian rule. In October 2023, Hamas initiated an attack on Israel that has resulted in a war in Gaza, emboldened Houthi attacks against commercial cargo ships in the Red Sea, and waning or paused diplomatic progress between Israel and its neighboring countries. Tensions and wars persist in many other countries, including, but not limited to, Ethiopia and Myanmar. In response to Russia' s invasion of Ukraine**, the U. S. and certain other countries imposed significant sanctions and export controls against Russia, Belarus and certain individuals and entities connected to Russian or Belarusian political, business, and financial organizations, and the U. S. and certain other countries could impose further sanctions, trade restrictions, and other retaliatory actions should the conflict continue or worsen. It is not possible to predict the broader consequences of ~~the~~ **this** conflict **nor those of other global conflicts**, **although such consequences can include** related **rising** geopolitical tensions, **rising regional instability** and the measures and retaliatory actions taken by the U. S. and other countries in respect thereof as well as any counter measures or retaliatory actions by Russia or Belarus in response, **including geopolitical shifts**, for example, potential cyberattacks or the disruption of energy exports **for the parties involved**, **neighboring parties is likely to cause regional instability, geopolitical shifts, and or supporting parties of these conflicts or their resulting sanctions. Such consequences** could materially adversely affect global trade, currency exchange rates, regional economies and the global economy. ~~The~~ **These situation situations remains- remain** uncertain, and while it is difficult to predict the impact of any of the foregoing, ~~the~~ **these conflict conflicts** and actions taken in response to ~~the~~ **these conflict conflicts** could increase our costs, disrupt our supply chain, reduce our sales and earnings, impair our ability to raise additional capital when needed on acceptable terms, if at all, or otherwise adversely affect our business, financial condition, and results of operations. We currently, and may in the future, have assets held at financial institutions that may exceed the insurance coverage offered by the Federal Deposit Insurance Corporation ("**FDIC**"), the loss of such assets would have a severe negative affect on our operations and liquidity. We may maintain our cash assets at certain financial institutions in the U. S. in amounts that may be in excess of the Federal Deposit Insurance Corporation ("**FDIC**") insurance limit of \$ 250, 000. In the event of a failure of any financial institutions where we maintain our deposits or other assets, we may incur a loss to the extent such loss exceeds the FDIC insurance limitation, which could have a material adverse effect upon our liquidity, financial condition and our results of operations. Risks Associated with Manufacturing in China Evolving U. S. trade regulations and policies with China may in the future have a material and adverse effect on our business, financial condition and results of operations. Our ~~products~~ **soft tonneau covers and some raw materials** are sourced from China. Any restrictions or tariffs imposed on products that we or our suppliers import for sale **or production** in the United States would adversely and directly impact our cost of goods sold. In addition, changes in U. S. trade regulations and policies could have an adverse impact on trade relations between the United States and certain foreign countries, which could materially and adversely affect our relationships with our international suppliers and reduce the supply of goods available to us. Further, we cannot predict the extent to which the United States will adopt changes to existing trade regulations and policies, which creates uncertainties in planning our sourcing strategies and forecasting our margins. If additional tariffs are imposed on our products, or other retaliatory trade measures are taken, our costs could increase, and we may be required to raise our prices, which could materially and adversely affect our results. There are risks associated with outsourced production in China and their laws which may have a material adverse effect on our financial stability. We purchase all ~~of our inventory~~ **soft tonneau cover finished goods** from ~~one~~ **two** ~~supplier~~ **suppliers** source in China. Changes in Chinese laws and regulations, or their interpretation, or the imposition of confiscatory taxation or restrictions are matters over which we have no control. While the Chinese government has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization, there is no assurance that the Chinese government will continue to pursue these policies, or that it will not significantly alter these policies

from time to time without notice. For example, the Chinese government has enacted some laws and regulations dealing with matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, their experience in implementing, interpreting and enforcing these laws and regulations is limited and, in turn, our ability to enforce commercial claims or to resolve commercial disputes is unpredictable. If our business ventures with Chinese manufacturers ~~were~~ **and suppliers are** unsuccessful, or other adverse circumstances arise from these transactions, we face the risk that the parties to these ventures may seek ways to terminate the transactions. The resolution of these matters may be subject to the exercise of considerable discretion by agencies of the Chinese government, and forces unrelated to the legal merits of a particular matter or dispute may influence their determination. Any rights we may have to specific performance or to seek an injunction under Chinese law are severely limited, and, without a means of recourse by virtue of the Chinese legal system, we may be unable to prevent these situations from occurring. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations in such guises as currency conversion, imports and sources of supply, devaluations of currency or the nationalization or other expropriation of private enterprises. In that context, we may have to evaluate the feasibility of acquiring alternative or fallback manufacturing capabilities to support the production of our existing and future **soft tonneau cover products**. Such **a** development could adversely affect our cost structure inasmuch as we would be required to support sales at an acceptable cost —and might have relatively limited time to ~~so~~ adapt. We have not manufactured our own soft tonneau covers in the past —and are not ~~expecting~~ **planning** to do so in the ~~foreseeable future~~ **short term**. That is because developing these technological capabilities and building or purchasing a facility will increase our expenses with no guarantee that we will be able to recover our investment in our manufacturing capabilities. We engage in cross - border sales transactions which present tax risks among other obstacles. Cross - border sales transactions carry a risk of changes in import tax and / or duties related to the import and export of our product, which can result in pricing changes, which will affect revenues and earnings. Cross - border sales transactions carry other risks including, but not limited to, changing regulations, wait times, customs inspection and lost or damaged product. We are subject to foreign currency risk which may adversely affect our net profit. We are subject to foreign exchange risk as we manufacture our products in China, market extensively in both Canadian and U. S. markets, **and** employee people residing in both the U. S. and Canada. Meanwhile, we report results of operations in U. S. Dollars (USD or US \$). Since our Canadian customers pay in Canadian Dollars, we are subject to gains and losses due to fluctuations in the USD relative to the Canadian Dollar. While having our ~~products~~ **soft tonneau covers** manufactured in China, our manufacturers are paid in USD to better avoid the relatively greater fluctuation of the Chinese Yuan (RMB). Any large fluctuations in the exchange between the RMB and USD may cause product costs to increase, therefore affecting revenues and profits, potentially adversely. Risks Related to the Ownership of Our Securities We have a large number of authorized but unissued shares of our common stock which will dilute ~~your existing~~ **ownership position** ~~positions~~ when issued. At December 31, ~~2022~~ **2023**, our authorized capital stock consists of 299, 000, 000 shares of common stock, of which approximately ~~281~~ **278**, ~~840~~ **679**, ~~624~~ **497** remain available for issuance, including shares of common stock issuable upon the exercise of outstanding warrants. Our management will continue to have broad discretion to issue shares of our common stock in a range of transactions, including capital- raising transactions, mergers, acquisitions and other transactions, without obtaining stockholder approval, unless stockholder approval is required under law or the rules of Nasdaq or any other trading market on which our common stock may be listed. If our management determines it be appropriate to issue shares of our common stock from the large pool of authorized but unissued shares for any purpose in the future and is not required to obtain stockholder approval, your ownership position would be diluted without your further ability to vote on that transaction. Our common stock or warrants may be affected by limited trading volume and price fluctuations, which could adversely impact the value of our common stock or warrants. Our common stock has experienced, and is likely to experience in the future, significant price and volume fluctuations, which could adversely affect the market prices of our common stock or warrants 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 market prices of our common stock and warrants 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 and warrants will be stable or appreciate over time. **We currently do not intend to declare..... Equity Securities – Dividend Policy.**” An investment in our securities is speculative, **and** there can be no assurance of any return on any such investment. An investment in our securities is speculative, **and** there can be no assurance that investors will obtain any return on their investment. Investors may be subject to substantial risks involved in an investment in the Company, including the risk of losing their entire investment. We may need, but be unable, to obtain additional funding on satisfactory terms, which could dilute our stockholders or impose burdensome financial restrictions on our business. We have relied upon cash from financing activities, **and**, in the future, we hope to rely on revenues generated from operations to fund the cash requirements of our activities. However, there can be no assurance that we will be able to generate any significant cash from our operating activities in the future. Future financing may not be available on a timely basis, in sufficient amounts or on terms acceptable to us, if at all. Any debt financing or other financing of securities senior to the common stock will likely include financial and other covenants that will restrict our flexibility. Any failure to comply with these covenants would have a material adverse effect on our business, prospects, financial condition and results of operations because we could lose our existing sources of funding, **and** our ability to secure new sources of funding could be impaired. Our Chief Executive Officer and Chairman, Steven Rossi, has significant control over stockholder matters, **and** the minority stockholder will have little or no control over our affairs. Steven Rossi currently owns 100 % of our outstanding Series A Preferred Stock which entitles him to 51 % of the voting power of our outstanding voting equity. Subject to any fiduciary duties owed to our other stockholders under Nevada law, Mr. Rossi is able to exercise significant influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have some control over our management and policies. Mr. Rossi may have interests

that are different from yours. For example, Mr. Rossi may support proposals and actions with which you may disagree. The concentration of ownership could delay or prevent a change in control of our Company or otherwise discourage a potential acquirer from attempting to obtain control of our Company, which in turn could reduce the price of our stock. In addition, Mr. Rossi could use his voting influence to maintain our existing management and directors in office, delay or prevent changes in control of our Company, or support or reject other management and Board proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions. We have identified material weaknesses in our internal control over financial reporting. Failure to maintain effective internal controls could cause our investors to lose confidence in us and adversely affect the market price of our common stock. If our internal controls are not effective, we may not be able to accurately report our financial results or prevent fraud. Section 404 of the Sarbanes- Oxley Act of 2002, or Section 404, requires that we maintain internal control over financial reporting that meets applicable standards. We may err in the design or operation of our controls, and all internal control systems, no matter how well designed and operated, can provide only reasonable assurance that the objectives of the control system are met. Because there are inherent limitations in all control systems, there can be no assurance that all control issues have been or will be detected. Included elsewhere in this Annual Report on Form 10- K, we disclose that our management has assessed and identified several material weaknesses in our internal ~~and~~ controls over financial reporting (“ ICFR ”) and concluded that our ICFR was not effective as of December 31, ~~2022~~ **2023**. The material weaknesses included our failure to design written policies and procedures at a sufficient level of precision to support the operating effectiveness of the controls to prevent and detect potential errors. We also did not maintain adequate documentation to evidence the operating effectiveness of certain control activities. Lastly, we did not maintain appropriate access to certain systems and did not maintain appropriate segregation of duties related to processes associated within those systems. Although we have taken several steps to remediate the material weaknesses in our ICFR and continue to do so, there can be no assurances given that our actions will be effective. Any continued failure of our internal control over financial reporting could have a material adverse effect on our stated results of operations and harm our reputation. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in an adverse opinion on internal controls from our independent auditors. Furthermore, investor perceptions of our Company may suffer, and this could cause a decline in the market price of our common stock. Additionally, the expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. These increased costs will require us to divert a significant amount of money that we could otherwise use to develop our business. If we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation . **The requirements of being a public company may strain our resources, divert management’s attention and affect our results of operations. As a public company in the United States, we face increased legal, accounting, administrative and other costs and expenses. We are subject to the reporting requirements of the Exchange Act and the Sarbanes- Oxley Act of 2002 (the “ Sarbanes Oxley- Act ”). The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes- Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. For example, Section 404 requires that our management report on the effectiveness of our internal controls structure and procedures for financial reporting. Section 404 compliance may divert internal resources and will take a significant amount of time and effort to complete. If we fail to maintain compliance under Section 404, we could be subject to sanctions or investigations by Nasdaq, the SEC, or other regulatory authorities. Furthermore, investor perceptions of our Company may suffer, and this could cause a decline in the market price of our common stock. Any continued failure of our internal control over financial reporting could have a material adverse effect on our stated results of operations and harm our reputation. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in an adverse opinion on internal controls from our independent auditors. We may need to hire a number of additional employees with public accounting and disclosure experience in order to meet our ongoing obligations as a public company, particularly if we become fully subject to Section 404 and its auditor attestation requirements, which will increase costs, and evaluate the costs of our current service providers. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time- consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. A number of those requirements will require us to carry out activities we have not done previously. Our management team and other personnel will need to devote a substantial amount of time to new compliance initiatives and to meeting the obligations that are associated with being a public company, which may divert attention from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations** . New laws, regulations, and standards relating to corporate governance and public disclosure may create uncertainty for public companies, increase legal and financial compliance costs and make some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, may evolve over time as new guidance is provided by the courts and other bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may be adversely affected. As a “ smaller reporting company ” under applicable law, we are subject to lessened disclosure requirements, which could leave our stockholders without information or rights available to stockholders of more mature companies. For as long as we remain a “ smaller reporting company ” as defined in Rule 12b- 2 of the Exchange Act, we will elect to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “ smaller reporting

companies ” including, but not limited to: • being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements disclosure; and • reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements. We expect to take advantage of these reporting exemptions until we are no longer a “ smaller reporting company. ” Because of these lessened regulatory requirements, our stockholders are not provided **with** information or rights available to stockholders of more mature companies. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile. If research analysts do not publish research about our business, **or** if they issue unfavorable commentary or downgrade our common stock, our stock price and trading volume could decline. The trading market for our securities may depend in part on the research and reports that research analysts publish about us and our business. If we do not maintain adequate research coverage, or if any of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, the price of our common stock and warrants could decline. If one or more of our research analysts ceases to cover our business or fails to publish reports on us regularly, demand for our securities could decrease, which could cause the price of our common stock and warrants or trading volume to decline. Anti- takeover provisions in our charter documents and Nevada law could discourage, delay or prevent a change of control of our Company and may affect the trading price of our common stock. We are a Nevada corporation, and the anti- takeover provisions of the Nevada Control Shares Acquisition Act may discourage, delay or prevent a change of control by limiting the voting rights of control shares acquired in a control share acquisition. In addition, our amended and restated articles of incorporation, as amended (“ Articles of Incorporation ”), and amended and restated bylaws (“ Bylaws ”) may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Among other things, our Articles of Incorporation and Bylaws: • authorize the issuance of “ blank check ” preferred stock that could be issued by our Board in response to a takeover attempt; • provide that vacancies on our Board, including newly created directorships, may be filled only by a majority vote of directors then in office, except a vacancy occurring by reason of the removal of a director without cause shall be filled by vote of the stockholders; and • limit who may call special meetings of stockholders. These provisions could have the effect of delaying or preventing a change of control, whether or not it is desired by, or beneficial to, our stockholders. We currently do not intend to declare dividends on our common stock in the foreseeable future and, as a result, your returns on your investment may depend solely on the appreciation of our common stock. We currently do not expect to declare any dividends on our common stock in the foreseeable future. Instead, we anticipate that all ~~of~~ our earnings in the foreseeable future will be used to provide working capital ~~to~~ support our operations and to finance the growth and development of our business. Any ~~determination~~ **decision** to declare or pay dividends in the future will be at the discretion of our Board, subject to applicable laws and dependent upon **several a number of** factors, including our earnings, capital requirements and overall financial conditions. In addition, terms of any future debt or preferred securities may further restrict our ability to pay dividends on our common stock. Accordingly, your only opportunity to achieve a return on your investment in our common stock may be if the market price of our common stock appreciates and you sell your shares at a profit. The market price for our common stock may never exceed, and may fall below, the price that you pay for such common stock. See Part II, Item 5 “ Market for Registrant’ s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — **Dividend Policy.**”

ITEM 1B. UNRESOLVED STAFF COMMENTS